



VERTEX SECURITIES LIMITED

Financial Engineers

Report

16th Annual Report 2009

BOARD OF DIRECTORS



Mr. Kumar Nair, F.C.A., Chairman is the Managing Director of Transwarranty Finance Limited and has over two decades of experience in Financial Services, Capital Market and Investment Banking.



Mr. Ranjan Verghese, B.Sc. Engineering., Managing Director has wide ranging experience in various industries in India & abroad and in the Stock Broking industry since 1993.



Mr. G. K. Prem Kumar, B.Com, LLB, CAIIB, FCS, Associate Vice President & Company Secretary of Transwarranty Finance Limited, has close to 3 decades of experience in Banking and Secretarial activities.



Mr. U. Ramachandran, B.Com, FCA, has close to 3 decades experience in Audit and Accounting profession



Mr. Jose Thomas Polachira, B.Com, CAIIB, Post Graduate Diploma in Banking, Industrial Relations & Personal Management, has close to 3 decades experience in banking with specific emphasis on stock broking related areas.



Mr. James Pothan, M.Sc. has close to 3 decades of experience in various senior capacities in Reserve Bank of India.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Kumar Nair - (*Chairman*)

Ranjan Verghese - (*Managing Director*)

James Pothan

Jose Thomas Polachira

Ramachandran U.

G.K. Premkumar

AUDITORS

Krishnamoorthy & Krishnamoorthy

Chartered Accountants,

Xxxix/3217, Paliam Road,

Cochin - 682 016

BANKERS

Axis Bank

Bank Of Baroda

Canara Bank

Federal Bank

Hdfc Bank

Icici Bank

South Indian Bank

State Bank Of India

State Bank Of Travancore

REGISTERED OFFICE

Thottathil Towers, 2nd Floor,

Market Road, Ernakulam,

Kochi - 682 018

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VERTEX SECURITIES LIMITED

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Shareholders of VERTEX SECURITIES LIMITED will be held on Thursday the 10th September, 2009 at 11.00 AM at the Registered Office of the Company at Thottathil Towers, 2nd Floor, Market Road, Ernakulam, Kochi-682018, to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 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 auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
3. To appoint a Director in place of Mr. Kumar Nair, who retires by rotation, and being eligible offers himself for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 269, 198 and Schedule XIII and other applicable provisions of the Companies Act, Mr. Ranjan Verghese be and is hereby re-appointed as the Managing Director for a period of One year with effect from 01.04.2009 to 31st March, 2010, subject to the terms and conditions, specified in the explanatory statement."
5. To consider and if thought fit to pass with or without modification, the following as an Ordinary Resolution:

"Resolved that Mr. Ramachandran U., who was appointed as an Additional Director pursuant to Section 260 and other applicable provisions of the Companies Act and for whom a notice has been received pursuant to Section 257 of the act, be and is hereby appointed as a Director of the Company."
6. To consider and if thought fit to pass with or without modification, the following as an Ordinary Resolution:

"Resolved that Mr. Jose Thomas Polachira, who was appointed as an Additional Director pursuant to Section 260 and other applicable provisions of the Companies Act and for whom a notice has been received pursuant to Section 257 of the act, be and is hereby appointed as a Director of the Company."
7. To consider and if thought fit to pass with or without modification, the following as an Ordinary Resolution:

"Resolved that Mr. James Pothen, who was appointed as an Additional Director pursuant to Section 260 and other applicable provisions of the Companies Act and for whom a

notice has been received pursuant to Section 257 of the act, be and is hereby appointed as a Director of the Company."

8. To consider and if thought fit to pass with or without modification, the following as a Special Resolution:

"RESOLVED THAT Subject to the approval of the Central Government under Section 21 of the Companies Act, 1956, the name of the company be changed from "Vertex Securities Limited" to "TRANSWARRANTY SHARES & DERIVATIVES BROKING LTD" or such other similar name as may be approved by the Central Government and the Board of Directors of the Company are authorized to take all steps to get the name of the company changed".

Explanatory Statement pursuant to Section 173 of the Companies Act, relating to item Nos. 4 to 8 is attached herewith.

By Order of the Board,

Kumar Nair
Chairman

Place : Kochi-18

Date : May 09, 2009

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 03.09.2009 to 10.09.2009 (both days inclusive).

EXPLANATORY STATEMENT

RELATING TO ITEM No.4:

The Board of Directors of the Company at their meeting held on 10.01.2009 have re-appointed Mr. Ranjan Verghese as Managing Director of the Company for a period One (1) year with effect from 1st April, 2009, subject to the following terms and conditions as specified in the Agreement:

Monthly Salary of Rs. 66,000/- (Rupees Sixty six thousand only).

Commission, over and above the existing remuneration, not exceeding 1% of the net profits of the company.

Provision of Company's Car with Driver.

Telephone facility at residence.

Contribution to Provident Fund not exceeding the Limits specified by the Government.

Medical Reimbursement for self and dependent family members subject to a ceiling of one month's salary in a year or three months' salary over a period of block of three years.

Reimbursement of Gas, Electricity and Water expense at residence.

Annual Leave 30 (Thirty) days. Un-availed leave can be encashed."

Mr. Ranjan Verghese is interested in the resolution as the proposal relates to his appointment and payment of remuneration to him as the Managing Director of the Company. No other Director is interested in the above resolution.

RELATING TO ITEM Nos. 5 to 7:

M/s. Ramachandran U., Jose Thomas Polachira and James Pothan were appointed as additional directors by your board at their meeting held on 10th January, 2009.

The qualifications and experience of the directors proposed to be appointed are given below:

- 1) Mr. Ramachandran U., B.Com, FCA, having 27 years experience in Audit, Capital Market and Investment Banking.
- 2) Mr. Jose Thomas Polachira, B.Com, CAIIB, Post Graduate Diploma in Banking, Industrial Relations & Personal Management, having 30 years experience, has rich experience in Banking and Stock broking related areas.
- 3) Mr. James Pothan, M.Sc. has rich experience in banking related areas, having 25 years experience as Officer in various grades in Reserve Bank of India.

Yours Directors feels that it will be beneficial in the interest of the company for the above directors to continue in the board and therefore recommended their appointment.

All the above said directors viz. Mr. Ramachandran U., Mr. Jose Thomas Polachira and Mr. James Pothan, will be deemed to be interested in the resolution as the proposal is for their appointment as directors of the company. No other director is interested in the above resolution.

RELATING TO ITEM No.9:

In view of the proposed amalgamation of Transwarranty Capital Pvt Ltd and Vertex Securities Limited to create a unified large shares and derivatives broking company for both retail and institutional broking business under the common flag ship brand "Transwarranty", the directors have proposed to change the name of the company from Vertex Securities Limited to "TRANSWARRANTY SHARES & DERIVATIVES BROKING LTD". Under section 21 of the Companies Act, 1956, approval of the members is required for change of name of the Company. There fore the directors recommend the above resolution for the approval of the members.

None of the directors is interested / concerned in the above resolution.

By Order of the Board,

Kumar Nair
Chairman

Place : Kochi-18
Date : May 09, 2009



VERTEX SECURITIES LIMITED

DIRECTORS' REPORT

To

The Members

Vertex Securities Limited

Your Directors present herewith 16th Annual Report of the Company together with the audited Statement of Accounts for the Financial year ended 31st March, 2009.

FINANCIAL RESULTS:

Financial Results	2008-09 (Rs.)	2007-08 (Rs.)
Total Income	69,545,798	92,752,905
Profit before interest & Finance charges	2,447,958	15,610,209
Less: Interest & Finance charges	1,635,879	2,816,747
Profit before depreciation	812,079	12,793,462
Less: Depreciation	3,433,652	3,002,248
Profit/(Loss) before Tax	(2,621,573)	9,791,213
Add: Prior period adjustments	-	710,000
Less: Tax	(505,377)	3,735,693
Profit/(Loss) after tax	(2,116,196)	6,765,520

BUSINESS:

During the year, the company earned an income of Rs. 69.55 mn compared to Rs. 92.75 mn earned in the previous year. Though the company has pan Indian presence with offices in most of the major cities, the concentration of business is in Southern & Western India. The acquisition of the promoter holding in the company followed by the open offer by the Mumbai based Investment Bank, Transwarranty Finance Limited (TFL) was completed on 18/07/2008, with the company becoming a subsidiary of TFL. In spite of stock market for most part of the financial year 2008-09 and global recession was the main reason for the reduction in income compared to the previous year.

Post acquisition, the priority was to evaluate and improve where necessary the Systems & Processes, Risk Management Systems, HR Policies, Budgeting & Performance Evaluation, Management Information System etc. The company has membership in BSE, NSE (Cash, Derivatives & Currency segments) for shares & derivatives broking and NSDL for offering depository services.

During the year, the Subsidiary Company Vertex Commodities And Finpro Private Ltd earned an income of Rs. 9.29 mn compared to Rs. 17.40 mn earned in the previous year. The commodity broking business with membership in Multi Commodity Exchange of India Ltd. (MCX), National Multi Commodity Exchange of India Ltd. (NMCE) and National Commodity & Derivatives Exchange Ltd. (NCDEX), which was largely in agricultural commodities like rubber and pepper was impacted due to the sudden drop in prices in the spot markets and lack of volatility.

FUTURE OUTLOOK:

All the post acquisition efforts to put in place best in class Systems & Processes, Risk Management Systems, HR policies, Budgeting & Performance Evaluation, Management Information System etc has transformed the company into a high performance oriented organization. It has been proposed to merge Transwarranty Capital Private Ltd (TCPL) with Vertex Securities Limited (VSL) and the rationale for the proposed scheme of merger is as follows:

Brief background:

Both TCPL and VSL are subsidiary companies of Transwarranty Finance Limited (TFL). While TFL is listed on both BSE and NSE, VSL is listed on BSE only. TCPL is an unlisted company.

TCPL is engaged in the following business:

1. Institutional Stock Broking
2. Merchant Banking

The retail business in TCPL was transferred to VSL.

With regard to institutional business, TCPL is currently empanelled with 18 institutions for institutional equity broking and more empanelment is in process.

TCPL is also engaged in Merchant Banking, which can be scaled up considerably with proper resources and revival of the capital market. Post merger, the Merchant Banking license, which is under renewal shall be transferred from TCPL to another subsidiary company of TFL for greater focus.

TCPL has membership in

1. BSE
2. NSE
3. Cochin Stock Exchange and
4. OTCEI

VSL is engaged in the following businesses:

1. Retail Stock Broking having 12,500 clients and around 175 employees.
2. Retail Commodity Broking (through its wholly owned subsidiary company)

VSL and its wholly owned subsidiary company have membership in

1. BSE
2. NSE
3. Cochin Stock Exchange
4. MCX
5. NCDEX
6. NMCE
7. NSDL (for depository services)

Merger proposal:

Taking into consideration all the above facts, it is being proposed to merge TCPL (Transferor Company) with VSL (Transferee Company) for creating a unified large Company engaged in the business of Shares & Derivatives Broking with the following benefits.

1. Synergy in businesses:

After merging TCPL with VSL, the paid up capital of listed entity i.e. VSL will be around Rs.15 Crores. The Net worth of VSL will improve significantly, which will enable the company to obtain empanelment from leading Institutions and Mutual Funds for shares & derivatives broking.

VSL having 12,500 clients and around 175 employees and well equipped with the latest technology and other infrastructure will definitely help to obtain more empanelment and business from Institutions. More over the basic criteria of Institutions while empanelling the Brokers with them is the daily volume generated by the members on the Stock Exchanges. Due to large number of clients spread across India, VSL is already achieving average daily volume of over Rs.100 Crores per day, which is likely to double in the year 2009-10.

VSL is a listed company and has visibility in the market due to the extensive branch / sub broker / network. Thus VSL will become a one stop solution for all shares & derivatives broking activities.

2. Rationalization of investment and expenses:

At present the Transwarranty group is maintaining dual infrastructure, one in TCPL for Institutional Clients and another in VSL to serve retail clientele.

For Shares and Derivatives broking activities, the group needs to maintain Exchange membership only in one company. As such by surrendering existing Exchange memberships of TCPL, the company will be able to release membership fees paid to different exchanges by TCPL. There is no need to spend time, money and resources in managing compliances for two separate broking companies.

3. Focused activities:

Post merger, with both retail and institutional business will be in one company, VSL would be more focused in terms of client servicing, providing research to aid investments etc.

4. Right business in the right place:

The merger would unify all the broking activities in VSL. Simultaneously, the merchant banking activity being transferred to another subsidiary company shall provide more focus to the broking Company.

5. Brand building:

Post merger, the name of the Company is proposed to be changed to Transwarranty Shares & Derivatives Broking Ltd" and the name of the subsidiary company to Transwarranty Commodities Private Ltd with all the businesses of the group

under one single brand "Transwarranty" for greater visibility and acceptance across all product categories.

6. ESOP:

The larger capital base of the merged entity shall enable us to launch the Employees Stock Option Plan (ESOP) to enable the company to attract, retain and reward high performing employees.

7. Growth Capital:

Post merger, the listed company with a larger capital base shall be better positioned to raise additional capital for the broking company, which is required to increase the scale and scope of the operations in the company.

DIVIDEND:

Due to loss during the financial year your directors regret that they could not recommend the dividend for the financial year 2008-09.

DIRECTORS:

During the financial year under review the majority of the shares of the company were acquired by M/s. Transwarranty Finance Ltd thereby making the company its subsidiary company. The holding company appointed Mr. Kumar Nair, Mr. N. R. Achan, Mr. G.K. Premkumar and Mr. U Ramachandran on the Board of Directors of the company. Further the Board also inducted Mr. Jose Thomas Polachira and Mr. James Pothen as independent directors on the Board. During the year Mr. N. R. Achan resigned from the Board on personal grounds. Pursuant to Sec. 260 of the Companies Act, 1956 all the above directors cease to be directors of the company at the ensuing Annual General Meeting and are eligible for re-appointment.

The Board of Directors has re-appointed Mr. Ranjan Verghese as Managing Director of the Company with effect from 01.04.2009 for a period of one year subject to the approval of the shareholders of the company.

CORPORATE GOVERNANCE:

Pursuant to Clause No. 49 of the Listing Agreement with the Stock Exchange, 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 31st March, 2009, 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 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 the loss of the Company for the year ended 31st March, 2009.



VERTEX SECURITIES LIMITED

- 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, Chennai-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.

CONSOLIDATED ACCOUNTS:

The Consolidated Profit and Loss Account and Balance Sheet of the company as well as Vertex Commodities And Finpro Private Limited for the year ended 31st March, 2009 is attached herewith as required under the Listing Agreement.

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. Krishnamoorthy & Krishnamoorthy, Chartered Accountants, Ernakulam, will retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness for re-appointment. Your Directors recommend their appointment.

AUDITORS' OBSERVATIONS:

Referring to observation of auditors, it is clarified that the explanation given by the management in note no. 5 in Schedule 19 is self explanatory.

Referring to Para No.5 of the audit report, as stated in Note No. II(15) of Schedule-19, the company has availed overdraft facility to meet the cash limit/ margin requirements of clients and the balance outstanding at the end of the year is nil.

Referring to Para No. 6(a) of the audit report, as stated in Note No. II(5) of schedule-19, it is clarified that legal proceedings and other recovery actions have been initiated in several cases and the management is confident to recover a substantial portion of the old debtors outstanding.

Referring to Para No. 6(b) of the audit report, it is clarified that as stated in Note No. II(4) some of the debtors/creditors and balance of security deposits are subject to confirmation. It is also clarified that though the company had asked for the balance confirmations, note all the debtors have confirmed. However, the management is confident of collecting the sundry debtors and advances, etc. in the ordinary course of business.

LISTING PARTICULARS:

Cochin Stock Exchange had already delisted the equity shares of the Company based on our request. The Company's shares continue to be listed in Bombay Stock Exchange.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their deep appreciation and gratitude to the officials of National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., National Securities Depository Limited, Central Depository Services (India) Limited. Thanks are also due to various Clients, Bankers 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,

Place: Kochi-18

Date : May 09, 2009

Kumar Nair
Chairman

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Corporate Governance:

Philosophy of Vertex Securities Ltd on Corporate Governance is to conduct its business on the basis of ethical business value and maximize its value to all the stake holders of the company. The company has inculcated a culture of transparency, accountability and integrity. The company has already put in place systems and procedures and is fully compliant with Clause 49 of the Listing Agreement.

2. Board of Directors:

The Board consists of both executive and non-executive directors with vast experience on various fields. The present strength of the Board of Directors is six members, of which one is Managing Director and the remaining are non-executive directors.

3. Details of Board meeting and Annual General Meeting:

During the year the Board met seven times on 28.04.2008, 30.06.2008, 31.07.2008, 02.08.2008, 20.10.2008, 10.01.2009 and 12.03.2009 respectively.

No director of the company is a member of more than 10 or Chairman of more than 5 specified committees across all the companies in which he is a director.

The composition of the Board of Directors, number of outside Directorships attendance at the Board meetings during the financial year and attendance at the last Annual General Meeting are as under:

Name of Director	Category	No. of Board meetings attended	Last AGM attendance	No of other Directorships	Membership/ Chairmanship of Board Committees
Mr. Kumar Nair	Chairman Non-Executive	2	No	9	1
Mr. Ranjan Verghese	Managing Director	7	Yes	2	1
Mr. G. K. Prem Kumar	Non-Executive Director	4	N. A	NIL	1
Mr. Ramachandran U *	Non-Executive Director	1	N. A	6	1
Mr. Jose Thomas Polachira *	Independent Director	1	N. A	2	2
Mr. James Pothen *	Independent Director	2	N. A	1	2

*appointed on 10th January, 2009

4. Audit Committee:

The Audit Committee comprises of 3 members. During the financial year the Committee met 3 times on 28.04.2008, 30.06.2008 and 10.01.2009. All the members of the committee are financially literate.

Attendance at the Audit Committee meeting is as under:

Name of member	Meetings attended
Mr. Anup Kumar A *	2
Mr. M. V. Satheesan *	1
Dr. Thomas V. Thalody *	2
Mr. James Pothan	1
Mr. Ramachandran U	1
Mr. Jose Thomas Polachira	NIL

* resigned on 31.07.2008.

**5. Share Transfer Committee:**

The Share Transfer Committee met 5 times on 15.04.2008, 31.05.2008, 15.07.2008, 11.09.2008 and 30.09.2008

Attendance at the Share Transfer Committee is as under:

Name of member	Meetings attended
Mr. Anup Kumar A *	3
Dr. Thomas V. Thalody *	3
Mr. Ranjan Verghese	2
Mr. G. K. Prem Kumar	2
Mr. Jose Thomas Polachira	NIL

* resigned on 31.07.2008

6. Shareholders Grievance Committee:

The Committee met 3 times on 28.04.2008, 30.06.2008 and 10.01.2009.

Name of member	Meetings attended
Mr. Ranjan Verghese	3
Mr. Anup Kumar A. *	2
Mr. G. K. Prem Kumar	1
Mr. Jose Thomas Polachira	NIL

* resigned on 31.07.2008

7. Managerial Remuneration:

Mr. Ranjan Verghese has been appointed as Managing Director for the period 03.02.2008 to 31.03.2009. The total remuneration paid to the Managing Director during the financial year was Rs. 7,54,318/- including perquisites.

The company pays Rs. 2,000/- to directors towards sitting fees for attending each Board Meeting and Rs. 1,000/- for attending each committee meeting.

8. General Body Meetings:

Details of Annual General Meetings during the last 3 years.

Financial Year	Day, Date & Time	Venue	Special Resolution passed
2005-06	Thursday, 31/08/2006 11.00 a.m	Thottathil Towers, 2nd Floor, Market Road, Kochi - 682018	No
2006-07	Saturday, 29/09/2007 10.00 a.m	Thottathil Towers, 2nd Floor, Market Road, Kochi - 682018	No
2007-08	Monday, 29/09/2008 10.00 a.m	Thottathil Towers, 2nd Floor, Market Road, Kochi - 682018	No

Whether any special resolutions passed last year through postal ballot - No

Whether any special resolution is proposed to be conducted through postal ballot - No