



VERTEX SECURITIES LIMITED

Financial Engineers

17th Annual Report 2010

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. 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.

BOARD OF DIRECTORS

Kumar Nair - (*Chairman & Managing Director*)

Ranjan Verghese - (upto 19.05.2010)

James Pothan

Jose Thomas Polachira

U. Ramachandran

Company Secretary

Sandhya R. Nair

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

Tel. No. 0484-2384848

Fax No. 0484-2394209

e-mail id : vsl@vertexbroking.com

CORPORATE OFFICE

403, Regent Chambers

Nariman Point, Mumbai 400 021

Tel. No. 91-022-6630 6090/91

Fax No. 91-022-66306655

e-mail id : mail@vertexbroking.com

REGISTRARS & TRANSFER AGENTS

M/s. Cameo Corporate Services Ltd

Subramanian Building

1 Club House Road, Chennai - 600 002

Tel. No. 044-28460084

Fax No. 044-2846429

e-mail id : cameosys@cameoindia.com

Contents

Corporate Information	1
Notice	2
Directors' Report	4
Corporate Governance	6
Management Discussion and Analysis	12
Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules to Accounts	21
Balance Sheet Abstract	36
Subsidiary Companies' Accounts	37-54
Consolidated Financial Statements	55-73



NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Shareholders of **VERTEX SECURITIES LIMITED** will be held on Tuesday the 14th September, 2010 at 11.30 am at the Conference Hall of Hotel Abad Plaza, M.G. Road, Ernakulam, Cochin-682 035, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon;
2. To declare Dividend on Non Cumulative Redeemable Preference Shares for the year ended 31.03.2010 and also for the period from 1.04.2010 to 19.05.2010, being the date of redemption.
3. To appoint a Director in place of Mr. U Ramachandran., who retires by rotation, and is eligible for re-appointment.
4. 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.

SPECIAL BUSINESS

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

"RESOLVED THAT the resolution passed at the Extra Ordinary General Meeting of the shareholders of the company held on 21st April, 2010 resolving to change the name of the company from **VERTEX SECURITIES LIMITED** to **"TRANSWARRANTY CAPITAL MARKET SERVICE LIMITED"** stands withdrawn"
6. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:

"RESOLVED THAT in partial modification of the resolution passed sanctioning the Employees Stock Option Scheme at the Extra Ordinary General Meeting of the shareholders of the company held on 21 April, 2010 the title of the Scheme **"TRANS CAP EMPLOYEES STOCK OPTION PLAN, 2010"** {"**TRANS CAP ESOP 2010**" } be and is hereby changed to **VERTEX EMPLOYEES STOCK OPTION PLAN, 2010** {'**PLAN**'}.
RESOLVED FURTHER THAT wherever the title **"TRANS CAP EMPLOYEES STOCK OPTION PLAN, 2010"** {"**TRANS CAP ESOP 2010**" } appears in the scheme be hereby changed to **VERTEX EMPLOYEES STOCK OPTION PLAN, 2010** {'**PLAN**'} without any other modification whatsoever."

By Order of the Board of Directors,
For VERTEX SECURITIES LIMITED

Sandhya R. Nair
Company Secretary

Place: Kochi-18
Date: 23.07.2010

NOTES:

1. The Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special businesses is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL NOT VOTE EXCEPT ON A POLL.
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
4. All documents referred to the accompanying Notice and the Explanatory Statement is open for inspection at Registered Office of the Company during office hours on all working days except Saturday and Sunday between 11.00 a.m. to 1.00 p.m. up to the date of Meeting.
5. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
6. The Register of Members and Share Transfer Registers will remain closed from 6th September, 2010 to 14th September, 2010 (both days inclusive).
7. Members requiring information on audited accounts at the meeting are requested to send the queries in writing so as to reach the Registered Office of the Company at least 10 days before the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO.5:

The Extra Ordinary General Meeting of the Shareholders of the company held on 21 April 2010 had approved the change of name from **VERTEX SECURITIES LIMITED** to **"TRANSWARRANTY CAPITAL MARKET SERVICE LIMITED"**. The name change of Company requires approvals from various regulators including approvals from Stock Exchange and SEBI. The name availability is for a period of 60 days only and the company could not complete the formalities considering the practical difficulties faced by the company in getting all approvals within the stipulated 60 days. Hence it is decided to continue with the current name of **Vertex Securities Limited** for the time being. The company shall seek further approval from the shareholders in future as when required. Hence the Resolution.

ITEM NO.6:

As approved at the Extra Ordinary General Meeting held on 21st April 2010, the Company has introduced Employees Stock Option Scheme as an incentive to the Employees and Directors (excluding the Promoters or persons belonging to the Promoter group) of the Company and its holding company and subsidiary companies. The

approval of the shareholders was accorded in the Extra Ordinary General Meeting held on 21 April, 2010 for granting stock options to the employees of the Company and its holding company and subsidiary companies under the Scheme titled “**TRANS CAP EMPLOYEES STOCK OPTION PLAN, 2010**” {“**TRANS CAP ESOP 2010**”}.

Since the name of the company has not changed from **VERTEX SECURITIES LIMITED** to “**TRANSWARRANTY CAPITAL MARKET SERVICE LIMITED**” it is recommended by the Board of Directors that the Scheme should be suitably titled as **VERTEX EMPLOYEES STOCK OPTION PLAN, 2010** {“**PLAN**”}. Hence the resolution.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH REGARD TO DIRECTOR SEEKING APPOINTMENT/ RE-APPOINTMENT AT THE 17TH ANNUAL GENERAL MEETING:

Name of Director : Mr. U Ramachandran

Date of Birth : 25.11.1956

Date of appointment

of Board : 10.01.2009

Qualification : B. Com (Hons) F.C.A

Experience in Specific : He is a successful Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants

No. of Shares held

: Nil

Other Directorship

- : 1. Nawany Corp (India) Limited.
2. Intellvisions Software Limited.(Listed Company)
3. Suncem Surface Coatings Private Ltd.
4. U.R. One Stop Exports Private Ltd.
5. Brainwave (India) Private Ltd.
6. Welworth Sales and Services Pvt. Ltd.
7. M/s Vertex Commodities and Finpro Pvt. Ltd.

By Order of the Board of Directors,
For VERTEX SECURITIES LIMITED

Sandhya R. Nair
Company Secretary

Place: Kochi-18

Date: 23.07.2010



DIRECTORS' REPORT

To
The Members
Vertex Securities Limited

Your Directors have pleasure in presenting before you the 17th Annual Report of the Company. The standalone Profit & Loss account and Balance Sheet for the year ended 31st March, 2010 as audited and reported by the Auditors of the company and also Consolidated accounts incorporating the Profit & Loss account and Balance Sheet of the subsidiary company, M/s. Vertex Commodities And Finpro Private Limited as required under the Listing Agreement are also attached herewith.

FINANCIAL RESULTS:

Your Directors are happy to report that the overall performance of your company during the year under report has recorded improvement as compared to the previous year. The operations have shown a net profit of Rs.27.70 Lacs as compared to net loss of Rs.21.16 Lacs in the previous year. The financial highlights of the company on stand alone basis for the year ended 31st March, 2010 with corresponding figures of the previous year are given below:-

Financial Results	2009-10 (Rs.)	2008-09 (Rs.)
Total Revenue	936.44	695.46
Profit before Depreciation, Taxation and Prior period items	99.76	8.12
Depreciation and Preliminary Expenses	43.76	34.00
Profit/(Loss) before Tax	56.00	(26.22)
Profit after Tax	27.70	(21.16)
Provision for Proposed Dividend on Preference Shares	4.16	—
Provision for Proposed Dividend Tax on Preference Shares	0.71	—
Profit carried forward to Reserves	22.83	(21.16)

BUSINESS:

During the year ended 31st March, 2010 your Company earned consolidated revenue of Rs.1045.42 Lacs as compared to Rs.788.36 Lacs in the previous year. The operations have recorded a net profit of Rs.32.58 Lacs as compared to a loss of Rs.21.56 Lacs in the previous year.

During the year under report, your company managed to consolidated its business in Southern India and expand its business in Western India. The company had adopted progressive Human

Resources policies, introduced ESOPs for its key employees and is now in the process of increasing its talent pool by attracting high caliber, performance oriented professions with proven track record to its fold.

As your directors propose to utilise the available resources in the business of the company, no dividend is recommended.

As you may kindly recall in our last report, we had mentioned about the merger of Transwarranty Capital Private Limited (TCPL), a group company with your company. Your directors are happy to report that all the merger proceedings under the Companies Act, 1956 have been completed on receipt of the approval of the scheme of amalgamation by the Honorable High Courts of Bombay and Kerala. The accounts of both the companies have been consolidated as envisaged under the merger proposal. With the merger, your company can now undertake both Merchant Banking and Institutional broking, which was earlier done by TCPL and retail broking in which your company is already established.

VERTEX EMPLOYEES' STOCK OPTION PLAN, 2010 { "PLAN" }

Your Directors are also happy to inform that as indicated in our last report an ESOP Scheme has been introduced by which the eligible employees and directors of the company and group entities will be able to get Equity Shares of the Company.

DIRECTORS

During the year under review Mr. Ranjan Verghese, Managing Director retired from the services on attaining Superannuation. Mr. Kumar Nair, Managing Director of the holding company, M/s. Transwarranty Finance Limited was appointed as Managing Director of the Company. Mr. G.K. Prem Kumar also ceased to be a Director from the Board.

Mr. U Ramachandran is retiring by rotation and is eligible for reappointment. Pursuant to clause 49(g) (i) of Listing Agreement with the Stock Exchange, brief resume of the Director being reappointed has been provided in the Notice convening the Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee of the Board consists of the following Directors:

Mr. James Pothen, (Chairman)

Mr. U. Ramachandran;

Mr. Jose Thomas Polachira.

The audit Committee met four times during the financial year.

CORPORATE GOVERNANCE

The detailed report on Corporate Governance as required under Clause 49 of the Listing Agreement is attached herewith.

DIRECTORS' RESPONSIBILITY STATEMENT**Your Directors hereby confirm:-**

- a) That in the preparation of the Annual Accounts for the year ended 31st March, 2010, 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 profit of the Company for the year ended 31st March, 2010.
- 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 dematerialised and M/s. Cameo Corporate Services Limited, Subramanian Building, 1 Club House Road, Chennai-600 002 have been appointed as the Registrars and Share Transfer Agents and the Equity shares of the Company can be dematerialised with National Securities Depository Limited and Central Depository Services (India) Limited.

CONSOLIDATED ACCOUNTS

The Consolidated Profit and Loss Account for the year ended 31st March, 2010 and the Balance Sheet as on that date of M/s. Vertex Commodities And Finpro Private Limited as required under Listing Agreement is also attached herewith. During the year ended 31st March, 2010 the subsidiary company had total revenue of Rs.108.98 Lacs and a net profit after tax of Rs.9.39 Lacs as against Rs.92.90 Lacs and loss of Rs.1.26 Lacs respectively in the previous year.

Pursuant to Section 212 of the Companies Act, 1956 Directors Report, Balance Sheet and Profit & Loss account of the Subsidiary companies are attached with this Report. These documents are also available for inspection during business hours at the Registered Office of the Company.

Particulars of employees' U/S 217 (2A) of the Companies Act, 1956:

None of the employees of the Company employed throughout the financial year/part of the year were in receipt of remuneration in excess of the limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and hence no particulars are required to be given.

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, who are Statutory Auditors of the company appointed to hold office for the period from the last Annual General Meeting to the conclusion of next Annual General Meeting, have tendered their resignation to the Board as on 14th July, 2010 due to personal reasons leading to a casual vacancy in the office of Statutory Auditor. To fill the casual vacancy caused by the resignation of the Auditors, your Board has already called an Extra Ordinary General Meeting of the shareholders of the company which is scheduled to be held on 9th August, 2010. The Board has recommended the appointment of M/s. Rahul Gautam Divan & Associates, Chartered Accountants, as the Statutory Auditors to hold Office till the conclusion of the Annual General Meeting. On approval of the resolution by the general body at the Extra Ordinary General Meeting, it is recommended that the Auditors be re-appointed at the Annual General Meeting, for which necessary resolution is proposed in the notice calling the Annual General Meeting.

LISTING PARTICULARS

The Company's equity shares continue to be listed on Bombay Stock Exchange.

REPLIES TO AUDITORS' OBSERVATIONS

Attention is invited to Note No.5 of the Auditors' Report and it is clarified that the management is of the view that long term investment is having the value as specified in the Balance Sheet.

Referring to Note No.6(a) of the audit report, it is clarified that the company has initiated legal/other action for recovery of the old outstanding dues and, therefore, it will not be prudent to make any provision in the accounts which may adversely affect the claim of the company.

Referring to Note No.6(b) of the audit report, it is clarified that the sundry debtors, advances, sundry creditors, security deposits, etc. are having respective values as shown in the Balance Sheet.

ACKNOWLEDGEMENT

Your Directors would like to express their gratitude to the officials of National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., Cochin Stock Exchange, Over the Counter Exchange of India Ltd., National Securities Depository Limited, Central Depository Services (India) Limited and also to the Bankers. Your directors also express their deep appreciation of the valuable services of the Officers and Staff Members of the company.

For and on behalf of the Board of Directors,

Place: Kochi-18
Date : 23.07.2010

Kumar Nair
Chairman



CORPORATE GOVERNANCE REPORT

Mandatory Requirements:

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 stakeholders 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 in various fields. The present strength of the Board of Directors is four members, of which one is Managing Director, two Independent Directors and one Non-executive Director.

3. Meetings of the Board:

During the year the Board met six times on 09.05.2009, 22.07.2009, 28.10.2009, 08.12.2009, 15.01.2010 and 19.03.2010.

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	5	N. A	6	1
Mr. Ranjan Verghese*	Managing Director Executive	6	Yes	2	2
Mr. G. K. Prem Kumar*	Non-Executive Director	NIL	NA	NIL	NIL
Mr. U Ramachandran	Non-Executive Director	5	NA	6	1
Mr. Jose Thomas Polachira	Independent	5	Yes	2	4
Mr. James Pothen	Independent	6	Yes	1	4

* Resigned with effect from 19.05.2010.

4. Appointment/ Reappointment of Directors / Managing Director:

Mr. Kumar Nair has been appointed as Managing Director with effect from 1st April, 2010. The appointment has been approved by the general body of shareholders at the Extra Ordinary General Meeting held on 21st April, 2010.

Mr. Kumar Nair is BSc, FCA. He has over two decades of experience in Financial Services, Capital Market and Investment Banking. Prior to this he was a key member of the core senior management team in Kotak Mahindra Finance Limited with wide experience in Financial Services.

Mr. U Ramachandran is FCA from Institute of Chartered Accountants of India. He has 3 decades experience in Audit and Accounting profession. He is eligible to be reappointed as Director of the Company.

5. Audit Committee:

Composition of Committee

The Audit Committee comprises of 3 members. During the financial year the Committee met 4 times on 09.05.2009, 22.07.2009, 28.10.2009 and 15.01.2010. All the members of the committee are financially literate.

Attendance at the Audit Committee meeting is as under:

Name of member	Meetings attended
Mr. James Pothen (Chairman)	4
Mr. U. Ramachandran	4
Mr. Jose Thomas Polachira	3

6. Share Transfer Committee:

The Share Transfer Committee met 3 times on 22.07.2009, 20.10.2009 and 19.03.2010.

Attendance at the Share Transfer Committee is as under:

Name of member	Meetings attended
Mr. Jose Thomas Polachira (Chairman)	2
Mr. Ranjan Verghese	3
Mr. James Pothan	3

7. Shareholders Grievance Committee:

The Committee met 3 times on 22.07.2009, 28.10.2009 and 19.03.2010.

Name of member	Meetings attended
Mr. Jose Thomas Polachira (Chairman)	2
Mr. Ranjan Verghese	3
Mr. James Pothan	3

8. Remuneration Committee:

The Remuneration Committee met one time on 19.03.2010.

Attendance at the Remuneration Committee is as under:

Name of member	Meetings attended
Mr. James Pothan (Chairman)	1
Mr. Jose Thomas Polachira	1
Mr. Kumar Nair.	Nil

9. Managerial Remuneration:

Mr. Ranjan Verghese was appointed as Managing Director for the period 01.04.2009 to 31.03.2010. The total remuneration paid to the Managing Director during the financial year was Rs.8,48,377/- including perquisites.

The company pays Rs.5,000/- to directors towards sitting fees for each Board Meeting and Rs.2,000/- for each committee meeting.

10. General Body Meetings:

Details of Annual General Meetings during the last 3 years.

Financial year	Day, Date and Time	Venue	Special Resolutions Passed, if any
2006-07	Saturday, 29/09/2007 10.00 AM	Thottathil Towers, 2nd Floor, Market Road, Kochi, Kerala - 682 018	No
2007-08	Monday, 29/09/2008 10.00 AM	Thottathil Towers, 2nd Floor, Market Road, Kochi, Kerala - 682 018	No
2008-09	Thursday, 10/09/2009 11.00 AM	Thottathil Towers, 2nd Floor, Market Road, Kochi, Kerala - 682 018	No

Whether any special resolutions passed last year through postal ballot - YES

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

11. Disclosures:

There were no transactions of material nature with the promoters, Directors or the Management, their subsidiaries or relatives during the period that may have potential conflict with the interest of the company at large.

There were no non-compliances by the company during the year. No penalties or strictures have been imposed on the company by Stock Exchanges or SEBI or any statutory authorities on any matter related to the capital markets during the previous three financial years.

The Board has adopted a Code of Conduct including Business Ethics Policy for its Directors and Senior Management.

The Managing Director has submitted before the Board a declaration of compliance with the Code of Conduct by the Directors during the financial year ended 31st March, 2010.

The company follows the Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of the financial statement the company has not adopted a treatment different from the prescribed by any accounting standard.



Risk assessment and minimization of procedures are periodically reviewed by the Audit Committee and the Board of Directors of the company.

The Managing Director has certified to the Board of Directors in compliance of Clause 49 (V) of the Listing Agreement with the Stock Exchanges in the prescribed format. This has been reviewed by the Audit Committee and taken of record by the Board of Directors.

The Company has complied with all mandatory requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. The adoption of non-mandatory requirements has been dealt with in this Report.

12. Means of Communication:

Quarterly Un-audited financial results are published in leading English and Vernacular newspapers. Half yearly report is not sent separately to the shareholders. Annual Reports are sent to the shareholders at their registered address with the company.

13. General Shareholders information:

Annual General Meeting

Date : 14 September, 2010
Time : 11.30 pm
Venue : Hotel Abad Plaza, M.G. Road, Ernakulam, Cochin-682 035

Financial Calendar (Tentative)

Financial reporting for the quarter ending 30th June, 2010	: Last week of July, 2010
Financial reporting for the quarter ending 30th Sept., 2010	: Last week of Oct. 2010
Financial reporting for the quarter ending 31st Dec., 2010	: Last week of Jan, 2011
Financial reporting for the quarter ending 31st March, 2011	: Last week of May, 2011
Annual General Meeting for the year ended 31st March, 2011	: August/September, 2011
Date of Book Closure	: 6 September, 2010 to 14 September, 2010. (both days inclusive)
Listing of Shares	: Bombay Stock Exchange Ltd
Stock Code	: 531950
Payment of Listing Fees	: Listing fee for the financial year 2010-2011 has been paid.
Demat ISIN for NSDL & CDSL	: INE316D01016

14. Stock Performance:

