



**VERTEX**  
Securities Limited  
( A subsidiary of Transwarranty Finance Limited )

Transparency

Technology

Talent

Trust

19<sup>th</sup> Annual Report 2012

# 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.

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Mr. U. Ramachandran

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

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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.

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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 & Managing Director*)

James Pothen

Jose Thomas Polachira

U. Ramachandran

### Company Secretary

Sandhya R. Nair

### AUDITORS

Rahul Gautam Divan & Associates

Chartered Accountants,

134, Mittal Tower, C Wing,

Nariman Point, Mumbai - 400 021

### 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. Link Intime India Pvt. Ltd

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup (West),

Mumbai 400 078

Tel. No. 022-2596 3838

Fax No. 022-2592 6969

e-mail id : joy.varghese@linkintime.co.in

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## NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of **VERTEX SECURITIES LIMITED** will be held on Wednesday, 18th July, 2012 at 9.30 AM at The International Hotel, Veekshanam Road, Ernakulam, Kochi-682 031, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012 and Statement of Profit and Loss for the year ended as on that date and the report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. James Pothen, who retires by rotation, and is eligible for re-appointment.
3. 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. M/s. Rahul Gautam Divan & Associates, Chartered Accountants, Mumbai are eligible for re-appointment.

### SPECIAL BUSINESS

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

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, of the Companies Act, 1956, the provisions contained in the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory amendment, modification or re-enactment to the Act or the Guidelines for the time being in force) and the Memorandum and Articles of Association of the Company and subject to such approvals, permissions, sanctions and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, approval and consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including Remuneration & Compensation Committee of the Board) to re-price the "VERTEX EMPLOYEES' STOCK OPTION PLAN, 2010" (Plan) as detailed in the explanatory statement to this notice, and offer, issue and allot stock options under the said Plan at any time to or for the benefit of employees at such price, in such manner and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of any law as may be prevailing at that time."

**"RESOLVED FURTHER THAT,** the Company shall be entitled to recover from the employee any tax that may be levied upon or in relation to the re-priced options."

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

**Sandhya R. Nair**  
Company Secretary

Place: Kochi-18  
Date: 15.05.2012

### NOTES:

1. **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.**
2. 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.
3. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Registers will remain closed from 12th July, 2012 to 18th July, 2012 (both days inclusive).
5. 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 Ten (10) days before the meeting.

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

#### Item No. 4:

The Company evolved the "VERTEX EMPLOYEES' STOCK OPTION PLAN, 2010" ("Plan") to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Company. The Company also intends to use this scheme to attract and reward talent and performance in the organization. The Company views employee stock options as an instrument that would enable the employee to share the value they would create and contribute to the Company in the years to come.

This Plan was formulated by the Compensation Committee of the Board of Directors of the Company and approved by it in its meeting held on 21st April, 2010. The Company has granted ESOP under this scheme to eligible employees on various dates. Subsequently, the stock market is on a downward trend. Hence the scheme has become unattractive to some of the employees who have been granted ESOP at much higher price.

Under Regulation 7.5 of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, a Company may re-price the options which are not exercised (whether or not they have been vested) if ESOP were rendered unattractive due to fall in the price of the shares in the market, provided that, the Company ensures that such re-pricing shall not be detrimental to the interest of employees and approval of the shareholders in general meeting has been obtained for such re-pricing.

Accordingly, since the Company's Plan has become unattractive due to the present market price and keeping the objective of the scheme intact, the Company proposed to re-price the Stock option at ₹ 5.46 (closing price of shares on 14.05.2012 on BSE where the shares of the Company are listed) to the Employees who have been granted ESOP at a much higher price than the current price subject to approval of shareholders at the ensuing General Meeting.

In compliance with the said guidelines the following information is provided additionally:

1. The Company has not varied the terms of the ESOP 2010 in any manner which may be detrimental to the interest of the employees.
2. The Company shall by special resolution in a general meeting vary the terms of ESOP offered pursuant to an earlier resolution of a general body but not yet exercised by the employee provided such variation is not prejudicial to the interest of the option holder.
3. The Company shall comply with Clause 6.3 if applicable to such variation of terms as they do to the original grant of option.
4. Detailed disclosure:
  - i) Variation – Re-pricing of the option.
  - ii) Rationale - Price was rendered unattractive due to fall in the price of the shares in the market.
  - iii) All the employees who have been granted Stock Options above the current market price are beneficiaries of such variations and are available on the records.

Pursuant to the amendment to the ESOP Guidelines, 2003 and all other applicable provisions consent of the members is being sought to re-pricing of the options.

None of the Directors of the Company and the Directors of the Subsidiary Companies is in any way, concerned or interested in the resolution, except to the extent of their shareholding in the Company and /or the securities that may be offered to them under the Scheme.

**ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH REGARD TO DIRECTOR SEEKING APPOINTMENT/RE-APPOINTMENT AT THE 19TH ANNUAL GENERAL MEETING:**

Name of Director	Mr. James Pothan
Date of Birth	26.11.1951
Date of appointment of Board	10.01.2009
Qualification	<ul style="list-style-type: none"> <li>- M.Sc.</li> <li>- Post Graduate Certificate in Personnel Management and Organisational Behaviour from the Indian Institute of Science, Bangalore.</li> <li>- Post Graduate Certificate in Programme Evaluation and Rating Techniques from the Indian Institute of Science, Bangalore.</li> <li>- Certificate in "Company Director's Course in Corporate Governance" from the Commonwealth Secretariat and Commonwealth Association for Corporate Governance, London.</li> <li>- Underwent more than 25 senior level specialized courses / training programmes (in India and abroad) in the field of Banking, Finance, Foreign Exchange, Infrastructure Development and Financing, Management and related areas.</li> </ul>
Experience in Specific	Having close to three (3) decades of experience in various Senior capacities in Reserve Bank of India
No. of Shares held	12,500 Equity Shares
Other Directorship	Vertex Commodities And Finpro Private Limited

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

**Sandhya R. Nair**  
Company Secretary

Place: Kochi-18

Date: 15.05.2012



## DIRECTORS' REPORT

To  
The Members  
Vertex Securities Limited

Your Directors have pleasure in presenting before you the 19th Annual Report of the Company. The Standalone Statement of Profit & Loss and Balance Sheet for the year ended 31st March, 2012 as audited and reported by the Auditors of the Company and also Consolidated Accounts incorporating the Statement of Profit &

Loss 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:

The Financial highlights of the Company for the year ended 31st March, 2012 with corresponding figures of the previous year are given below:-

(₹ in Lacs)

Financial Results	Standalone	
	2011-12	2010-11
Total Revenue	872.60	942.45
Profit before Depreciation, Taxation and Prior period items	(87.74)	6.59
Depreciation and Preliminary Expenses	40.22	44.62
Profit / (Loss) before Tax	(127.96)	(38.03)
Profit/ (Loss) after Tax	(96.96)	(25.67)
Profit/(Loss) carried forward to Reserves	(96.96)	(25.67)

### BUSINESS

During the year ended 31st March, 2012 your Company earned consolidated revenue of ₹ 1,111.84 Lacs as compared to ₹ 1,084.43 Lacs in the previous year. The consolidated operations have recorded a net loss of ₹ 168.04 Lacs as compared to a net loss of ₹ 76.80 Lacs in the previous year. The net loss suffered is being carried out in the Balance Sheet.

Detailed information on operational and financial performance, etc. of the Company for the financial year is given in the Management Discussion and Analysis which is set out as Annexure to the Directors' Report.

### DIVIDEND

No dividend is recommended during the year due to inadequacy of profits.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. James Pothen is liable to retire by rotation and is eligible for re-appointment.

The resolution for appointment of Mr. James Pothen is being placed before the ensuing Annual General Meeting for approval.

Pursuant to Clause 49(g) (1) of the Listing Agreement with the Stock Exchange, brief resume of the Directors proposed for re-appointment has been given in the Notice convening the Annual General Meeting.

### SUB-DIVISION/ STOCK SPLIT OF EQUITY SHARES:

During the year under review, with the consent of the Members through Postal Ballot the Company sub- divided Equity Shares of the face value of ₹ 10/- (Rupees Ten) each into five (5) Equity Shares of the face value of ₹ 2/- (Rupees Two) each as per the provision of Section 94 of Companies Act, 1956. The rationale of splitting the shares was to make the stock affordable to retail investors, thus driving buying interest. Also, liquidity would improve, which could drive the interest of large funds/investors.

### RECLASSIFICATION OF AUTHORISED CAPITAL:

During the year under review your Directors have, pursuant to the Scheme of Amalgamation of Transwarranty Capital Private Limited with the company as approved by the Hon'ble High Courts at Bombay and Kerala approved conversion of 26,38,261 of 0.5% Fully Convertible Preference Shares out of 83,00,715, 0.5% Fully Convertible Preference Shares by issue and allotment of 26,38,261 Equity Shares of ₹ 10/- each fully paid up at par for each Fully Convertible Preference Shares.

After the said conversion instead of increasing the Authorized Share Capital of the Company, it was considered prudent to reclassify part of the existing Authorised Capital in Preference Shares into Equity Shares of the Company. The consent of the Members for

the Reclassification of Authorised Capital of the Company was obtained through Postal Ballot as per Section 192A of Companies Act, 1956 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

## SHARE CAPITAL STRUCTURE

	As at 31.03.2012 (₹)	As at 31.03.2011 (₹)
<b>AUTHORISED CAPITAL:</b>		
67,291,305 Equity Shares of ₹ 2/- each		
(P.Y. 10,820,000 Equity Shares of ₹ 10/- each)	<b>134,582,610</b>	108,200,000
59,81,739 0.5% Fully Convertible Preference Shares of ₹ 10/- each		
(P.Y. 8,620,000 0.5% Fully Convertible Preference Shares of ₹ 10/- each)	<b>5,98,17,390</b>	86,200,000
40,000 15% Non-Cumulative Redeemable Preference Shares of ₹ 100/- each	<b>40,00,000</b>	40,00,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL :</b>		
A. 43,848,980 Equity Shares of ₹ 2/- each (P.Y. 59,98,951 Equity Shares of ₹ 10/- each)	<b>87,697,960</b>	59,989,510
- 26,38,261 0.5% Fully Convertible Preference Shares of ₹ 10/- each converted into Equity Shares of ₹ 2/- each		
- 1,28,690 Equity Shares of ₹ 2/- each issued pursuant to ESOP		
- 1,57,500 Equity Shares of ₹ 2/- each issued to the shareholders of erstwhile Transwarranty Capital Private Limited as per the scheme of amalgamation.		
- 3,76,730 Equity Shares of ₹ 2/- each issued to the shareholders of erstwhile Transwarranty Capital Private Limited pursuant to Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulation, 2010 [ICDR].		
B. 59,80,954 0.5% Fully Convertible Preference Shares of ₹ 10/- each fully paid		
- (3,18,500 Preference Shares of ₹ 10 each issued to the share holders of erstwhile Transwarranty Capital Private Limited as per the scheme of amalgamation)		
C. 27,758 15% Non Cumulative Redeemable Preference Shares of ₹ 100/- each	<b>2,775,800</b>	2,775,800
<b>TOTAL</b>	<b>150,283,300</b>	145,772,460

## CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) prescribed Corporate Governance standards. Your Directors reaffirm their commitment to these standards and this Annual Report carries a section on Corporate Governance.

## DIRECTORS' RESPONSIBILITY STATEMENT

**Your Directors hereby confirm:-**

- That in the preparation of the Annual Accounts for the year ended 31st March, 2012, applicable Accounting Standards have been followed along with proper explanation relating to material departures, wherever necessary.
- 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, 2012.

- 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.
- That the Directors have prepared the annual accounts on an ongoing concern basis.

## CONSOLIDATED ACCOUNTS

The Consolidated Statement of Profit and Loss for the year ended 31st March, 2012 and the Balance Sheet as on that date as required under Listing Agreement is also attached herewith.





## OPERATIONS OF SUBSIDIARY

During the year ended 31st March, 2012 the subsidiary company Vertex Commodities And Finpro Private Limited had total revenue of ₹ 361.22 Lacs and loss of ₹ 71.08 Lacs as against ₹ 237.03 Lacs and loss of ₹ 51.13 Lacs respectively in the previous year.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary company are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the Subsidiary Company.

The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company.

## PARTICULARS OF EMPLOYEES' U/S 217 (2A) OF THE COMPANIES ACT, 1956

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available at the registered office of your Company. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company and others entitled thereto excluding the aforesaid information. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary / Compliance Officer at the Corporate Office or Registered Office address of the Company.

## DISCLOSURE OF EMPLOYEE STOCK OPTIONS

During 2011-12, the Company granted 1,013,750 Stock Options to the employees under its Employee Stock Option Plan 2010. Details as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are set out in the Annexure to this Report.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for 2011-12, as required under Clause 49 of the Listing Agreement, is given as a separate statement in the Annual Report.

## DISCLOSURE OF ADDITIONAL PARTICULARS

In view of the nature of activities which are being carried on by the Company, the particulars prescribed under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding Conservation of Energy & Technology Absorption are not applicable to the Company.

## AUDITORS

M/s. Rahul Gautam Divan & Associates, Chartered Accountants, Mumbai will retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness for re-appointment. Your Directors recommend their appointment.

## LISTING PARTICULARS

The Company's Equity Shares continue to be listed in Bombay Stock Exchange.

## REPLIES TO AUDITORS' OBSERVATIONS

*Referring to Para No. 4 (i) of the observation of the auditors, it is clarified that as stated in notes forming part of accounts the management has evaluated long term investments and conform that there exist no circumstances which warrant any provision in the accounts for a possible diminution in the value.*

*Referring to Para No. 4 (ii) it is clarified that as the company has initiated legal actions for the recovery of the dues, and it will not be prudent to make any provisions as the cases are in various stages in different Courts.*

## ACKNOWLEDGEMENT

Your Directors would like to express their gratitude to the officials of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Cochin Stock Exchange Limited, Over the Counter Exchange of India, National Securities Depository Limited, Central Depository Services (India) Limited and also to the Shareholders and 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: Mumbai  
Date : 16.05.2012

**Kumar Nair**  
Chairman



## Annexure A Forming Part of the Directors Report:

Disclosure in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme) and (Employees Stock Purchase Scheme) Guidelines, 1999, as amended, are set below:

No	Particulars	2011-12	2010-11
1	Total number of Options under plan	10,00,000	10,00,000
2	Option granted during the year	1,013,750	6,55,000
3	The Pricing formula	Exercise price considered is the closing market price as on the day preceding the date of the grant on Bombay Stock Exchange Limited (BSE) where the shares are listed	Exercise price considered is the closing market price as on the day preceding the date of the grant on Bombay Stock Exchange Limited (BSE) where the shares are listed
4	Options Vested	131,565	Nil
5	Options exercised	128,690 of ₹ 2/- each at a premium of ₹ 11.80/-	N.A.
6	Total No. of shares arising as a result of Options	N.A.	N.A.
7	Options Forfeited	1,013,250	31,500
8	Variation of terms of Options	Nil	Through postal ballot resolution dated 31.03.2011 for re-pricing the Vertex Employees Stock Option Plan, 2010 at ₹ 145.50/- to the employees who have been granted ESOP at much higher price than the current price.
9	Money realized by exercisable Options	₹ 17,75,922/-	N.A.
10	Total No. of Options in force	2,680,315	6,23,500
11	Employee wise details of Options granted		
	(a) Senior Management Personnel during the year	Nil	Mr. U Ramachandran-25,000 Mr. James Pothen-25,000 Mr. Jose Polachira- 25,000 Mr. Ashok Mittal- 1,00,000 Mr. Abraham K Jacob – 50,000
	(b) Employees holding 5% or more of the total number of Option granted during the year	Nil	Nil
	(c) Employees who were granted Options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Mr. Ashok Mittal- 1,00,000
12	Diluted Earnings Per Share (EPS) pursuant to issue of Shares on Exercise of Options calculated in accordance with ("Accounting Standard (AS) 20" Earning per share	₹ 0.25	₹ 0.80



No	Particulars	2011-12	2010-11
	Where your Company has calculated the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employees compensation cost so computed and the employees compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed. The impact of this difference on profits and on EPS of your Company shall also be disclosed.	Had fair value method been used, the compensation cost would have been higher by ₹ 75.77 Lakhs (Previous Year ₹ 89.37 lakhs) Loss after tax would have been higher by ₹ 75.77 Lakhs (Previous year ₹ 89.37 lakhs ) and EPS basic would have been (₹ 0.43) per share (Previous Year (₹ 1.92) per share and Diluted EPS would have been (₹ 0.25) per share (Previous Year (₹ 0.80).	Had fair value method been used, the compensation cost would have been higher by ₹ 89.37 Lakhs (Previous Year ₹ Nil) Loss after tax would have been higher by ₹ 89.37 Lakhs (Previous year ₹ Nil) and EPS basic would have been (₹ 1.92) per share (Previous Year ₹ Nil ) per share and Diluted EPS would have been (₹ 0.80) per share (Previous Year ₹ Nil).
	Weighted average exercise prices and weighted average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock	Weighted Average Exercise Price is ₹ 13.80	Nil
	A description of the method and significant assumptions used during the year to estimate the fair values of Options including the following weighted average information:		
1.	risk free interest rate	8.09%	8.32%
2.	expected life	5 yrs	5 yrs
3.	expected volatility	58.97% – 55.23%	76.00%
4.	expected dividend yield	3.22%	3.22%
5.	the price of the underlying shares in market at the time of option grant	Grant price of options is the closing market price on Bombay Stock Exchange Limited (BSE) where the shares are listed as on the day preceding the date of the grant, hence the price of underlying shares is same as the grant price.	Grant price of options is the closing market price on Bombay Stock Exchange Limited (BSE) where the shares are listed as on the day preceding the date of the grant, hence the price of underlying shares is same as the grant price.