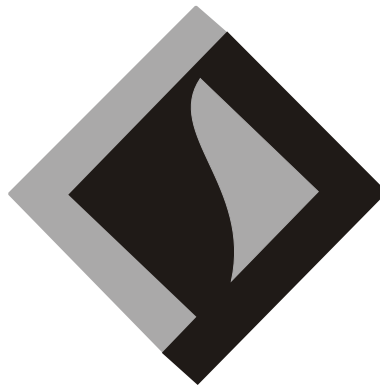


**SEVENTEENTH
ANNUAL REPORT
2009-10**



**KHANDWALA
SECURITIES
LIMITED**

OUR MANTRA

*TO PROVIDE UNIQUE SOLUTIONS TO
MEET CLIENT SPECIFIC NEEDS, GIVEN
TIME AND RESOURCE PARAMETERS*

BOARD OF DIRECTORS

Mr. Shreedhar Parande (Chairman)
Mr. Paresh J. Khandwala (Managing Director & CEO)
Mr. Rohit Chand
Mr. Kalpen Shukla
Mr. Ajay Narasimhan

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Manisha Srivastava

REGISTERED OFFICE

Ground Floor, Vikas Building,
Green Street, Fort, Mumbai - 400 023.

CORPORATE OFFICE

Ground Floor, 'White House Annexe'
White House, 91, Walkeshwar Road,
Walkeshwar, Mumbai – 400 006.

AUDITORS

UDYEN JAIN & ASSOCIATES
Chartered Accountants,
540, 5th Floor, D Wing, Clover Centre,
7 Moledina Road, Pune 411 001

BANKERS

Union Bank of India
Mumbai Samachar Marg,
Mumbai - 400 023.

Axis Bank Limited
Fort Branch,
Mumbai 400 001.

REGISTRARS & TRANSFER AGENTS

KARVY COMPUTERSHARE PRIVATE LIMITED
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.

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NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of **Khandwala Securities Limited** will be held at C.K. Naydu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 24th September 2010 at 12:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2010 and Profit and Loss Account for the period ended as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. M. Parande who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors M/s. Udyen Jain & Associates, Chartered Accountants, the retiring auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

“**RESOLVED THAT** pursuant to provision of Section 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and such other approvals as may be necessary, that the Company do appoint Mr. Paresh J Khandwala as Managing Director of the Company, subject to overall supervision, control, and directions of the Board of Directors, for a further period of 5 years with effect from 1st January 2010, on the remuneration as specified below:

a) Salary

Salary of Rs. 31,25,000/- p.a. (payable annually) inclusive of perquisites, conveyance, medical allowance and leave travel allowance. Contribution towards Provident fund, gratuity and leave encashment at the end of the tenure would be extra.

b) Commission:

At 1% of the Net Profits of the Company calculated as per provisions of Section 349 & 350 of the Companies Act, 1956 will be payable on yearly basis subject to approval of the same by the Board of directors.

RESOLVED FURTHER THAT in case of loss or inadequacy of profit in any financial year, if any, during the tenure of Mr. Paresh J. Khandwala, the above mentioned remuneration, be paid as minimum remuneration.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution any of the Director or Ms. Manisha Srivastava, Company Secretary be and are hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable to give effect to resolution and to settle any question, difficulties or doubts that may arise in this regard.’

**By Order of the Board of Directors
Manisha Srivastava**

Company Secretary

Date: 9th August, 2010

Place: Mumbai

NOTES

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, setting out the material facts in respect of special business for Item No. 4 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY / PROXIES NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY / PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and the Share Transfer Books of the Company will remain close from Tuesday 21st September 2010 to Friday 24th September 2010 (both days inclusive) for the purpose of Annual General Meeting.
4. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, there is no dividend or interest which remains unpaid / unclaimed for a period of 7 years which should be transferred by the Company to IEPF. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.
5. Members are informed that in the case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
7. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.

8. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
9. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance, so as to enable the Company to keep the information ready.
10. Members holding shares in physical form are requested to notify, immediately, any change in their address or bank details to the Company. Shareholders are requested to quote ledger folio / beneficiary numbers in all their correspondence. Members holding shares in electronic form should update such details with their respective Depository Participants.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE SPECIAL BUSINESS TO BE TRANSACTED

ITEM NO. 4

The Members are informed that the present tenure of Shri Paresh J Khandwala – Managing Director of the Company expired on 31st December, 2009 and accordingly, he has been re-appointed as Managing Director for the period of five years from 1st January 2010 to 31st December 2015 by the Board of Directors at its Meeting held on 14th December 2009 on the same terms of remuneration approved by the Remuneration Committee at its Meeting held on the same day, pursuant to and subject to provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956; and is subject to Special Resolution to be passed at the ensuing Annual General Meeting of the Company.

The information on this appointment pursuant to Clause 49 of the Listing Agreement is given here and also in the Report on Corporate Governance annexed to the Directors’ Report and the following information is given pursuant to Schedule XIII to the Companies Act, 1956:-

I. GENERAL INFORMATION:

1) Nature of Industry:

The Company is into Merchant Banking and all sorts of Financial Service provider viz. Equity Market Broking, Category I Merchant Banker, Debt Market, Investment Advisory Group, SEBI Registered Portfolio Management Service Provider (PMS).

2) Date of Incorporation of Company:

Your Company has been incorporated on 09th February 1993.

3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable

4) Financial performance based on given indicators:

(Rs. In lacs)

PARTICULARS	Period ended 31st March 2010	Period ended 31st March 2009
Total Income	813.43	1231.07
Gross Profit before Dep. & Interest	(56.30)	377.26
Less: Interest, Dep.& Finance Charges	111.63	111.56
Profit before Tax and prior period item	(167.94)	265.70
Less: Prior Period items	7.24	0.00
Provision for Tax	(0.00)	39.68
Profit after Tax	(175.17)	226.02
Balance c/f from earlier year	947.19	737.28
Balance c/f to Balance Sheet	748.62	947.19

5) Export performance and net foreign exchange collaborations:

NIL

6) Foreign investments or collaborations, if any:

Not Applicable

II. INFORMATION ABOUT THE APPOINTEE

1) Background details:

Shri Paresh J Khandwala is the Promoter Director of your Company since incorporation in the year 1993. He is having more than 36 years experience in the Financial and Capital Markets.

2) Past remuneration:

Shri. Paresh J. Khandwala was eligible for Rs. 31,25,000/- for the year. However, his appointment was up to 31st December 2009 and hence he has drawn Rs. 23,55,298/- for the nine months period ended on 31st December 2009.

3) Recognition or awards :

Nil

4) Job profile and his suitability:

Shri Paresh J Khandwala is most suitable for this position as proven by his vast experience in the Financial and Capital Market and the track record of the Company, to manage the Company as Managing Director under superintendence and control of the Board of Directors.

5) Remuneration proposed:

Rs. 31,25,000/- p.a. all inclusive and commission at 1% of the Net Profits of the Company calculated as per provisions of Section 349 & 350 of the Companies Act, 1956 payable on yearly basis subject to the approval of accounts.

6) **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin):**

The proposed remuneration is in tune with the current remuneration packages of the similar industry, comparative size and effective Capital of the Company, qualification and experience of the appointee and highly competitive business scenario requiring recognition and reward of performance and achievement for retention of best talent and motivation towards meeting the objective of the Company.

7) **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:**

Mr. Paresh J Khandwala is the Promoter Director of the Company.

III. OTHER INFORMATION

1) **Reasons of loss or inadequate profits:**

The total Revenue dropped in the division of Investment Banking Advisory Groups from Rs. 7.44 cr. (2008-2009) to Rs. 1.39 cr. (2009-2010) i.e by Rs. 6.05 cr., where in total Revenue dropped by Rs. 4.18 cr. in 2009-2010 compared to F.Y. 2008-'09.

Since the primary market activities were subdued, in first two quarters, due to un-favored market situations of primary and secondary, some of the transactions have been put on hold or cancelled by the client's.

Over and above, due to prevailing uncertainty in secondary market during period of Oct '09 to March '10, Brokerage income from Future and Option market has dropped substantially in one of the Branch, due to management decision on curtailing the exposures limit to clients.

2) **Steps taken or proposed to be taken for improvement:**

Our goal is to rebuild our financial strength, branding and credibility through focus on our primary strength area of equity broking.

Investment Banking and Advisory Group is putting their best endeavors on reviving some of the lost or delayed transactions, and are confident that in improved market sentiment same can be executed efficiently.

Also initiatives have been taken towards making PMS Division to make it one of the better profitable avenues of KSL, in years to come.

3) **Expected increase in productivity and profits in measurable terms:**

Income of about Rs. 12.20 crores and Profit before Tax of about Rs. 2.00 crores in the Financial Year 2010-2011

IV. DISCLOSURES

1) **The shareholders of the Company shall be informed of the remuneration package of the managerial person:**

The abstract of the terms and conditions including remuneration package for the appointment of Mr. Paresh J Khandwala, as the Managing Director is enclosed herewith the notice.

2) The following disclosures shall be mentioned in the Board of Director's Report under the heading 'Corporate Governance', if any, attached to the annual report:-

- (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. of all the directors: **Done**
- (ii) Details of fixed component and performance linked incentive along with the performance criteria : **Not Applicable**
- (iii) Service contracts, notice period, severance fees: **Service contract :5 years, Notice period : Nil, Severance fees: Nil**
- (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: **None**

The above disclosures have been made in the Report on Corporate Governance attached to the Directors' Report dated 9th August 2010.

None of the Director's except Mr. Paresh J Khandwala is concerned or interested in the said resolution.

By order of the Board of Directors

Manisha Srivastava
Company Secretary

Date: 9th August, 2010
Place: Mumbai

Come; let's join hands for a new experience

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting herewith the Seventeenth Annual Report along with Audited Statement of Accounts for the year ended on 31st March 2010.

FINANCIAL HIGHLIGHTS

The performance of the Company for the Financial Year ended 31st March, 2010 is summarized below:-

(Rs. in Lakhs)

Particulars	Year ended 31 st March 2010	Year ended 31 st March 2009
Total Income	813.43	1231.07
Interest & other Financial Charges	65.92	67.44
Depreciation	45.70	44.12
Profit / (Loss) before Tax and prior period item	(167.94)	265.70
Less: Prior Period item	7.24	0.00
Provision for Tax (including Deferred Tax & Fringe Benefit Tax)	(0.00)	39.68
Profit / (Loss) after Tax	(175.17)	226.02
Appropriations		
Dividend on Preference Shares	20.00	13.77
Provision for Corporate Tax on Dividend	3.40	2.34
Surplus / (Deficit) carried forward	748.61	947.19
Reserves and Surplus	1633.03	1769.92

RESULTS OF OPERATIONS

The Revenue for the year decreased from Rs. 1231.07 lacs to Rs.813.43 lacs. The Profit before interest, exceptional items, prior period expenses and taxation registered a decline from Rs. 265.70 Lacs profits in the FY 2009 to a loss of Rs. (167.94) Lacs in the current FY 2010. The Company for the year ended 31st March 2010 reported a loss of Rs. 167.94 Lacs.

The detailed information on operational and financial performance, etc., is also given in the Management Discussion and Analysis Report which is annexed to the Directors' Report and has been prepared in compliance with the terms of Clause 49 of the Listing Agreement with the Indian Stock Exchanges.

DIVIDEND

Since the Company has incurred losses during the year under review, your Directors do not recommend Equity Dividend for the financial year 2009-2010. The dividend on Preference Shares shown under appropriation is for the earlier years, now appropriated.

DIRECTORS

In accordance with Section 255 and 256 of the Companies Act 1956 and with reference to Article 109 of the Articles of Association of the Company, Mr. Shreedhar M Parande, a Non-Executive Independent Director retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

Brief resume of the Director proposed to be re-appointed, qualification, experience and the name of the Companies in which he holds directorship, membership of the board committees, as stipulated in the clause 49 of the listing agreement is provided in the Report on Corporate Governance forming a part of the annual report.

CORPORATE GOVERNANCE

Your Company has complied with all the mandatory provisions of the Clause 49 of the Listing Agreement with the Stock Exchanges. As part of the Company's efforts towards better corporate practice and transparency, a separate report on Corporate Governance compliances is included as a part of Annual Report.

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

SECRETARIAL AUDIT REPORT

Your Company voluntarily appointed M/s. Savitha Jyoti, Practicing Company Secretary, to conduct Secretarial Audit of the Company for the financial year ended March 31, 2010. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Listing Agreement, the Companies Act, 1956, and the Depositories Act, 1996.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review as required under Clause 49 of the Listing Agreement, is given as a separate statement in the annual report.

EMPLOYEES

Your Company is consciously aware that its well being largely depends upon the quality and strength of human resource. The Company endeavors to attract and retain talent. The Company ensures that its operations are adequately staffed. Your Company's human resource policies are designed and implemented to achieve these objectives.

The Board wishes to place on record its appreciation for sincere and dedicated efforts put in by all the employees. Employee-Management relations continued to remain cordial throughout the year under review.

AUDITORS' REPORT

Observations made by the Auditor in their Report, have been appropriately dealt with in the notes forming part of the accounts for the year, which are self-explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

AUDITORS

M/s. Udyen Jain & Associates, Chartered Accountants, who retires on the conclusion of this Annual General Meeting has requested to consider their re-appointment at the ensuing AGM of the Company. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for such an appointment within the meaning of sub section (3) and (4) of Section 226 of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

The Company doesn't have any employee drawing remuneration as per monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 except Mr. Paresh J Khandwala. The details of his remuneration are given below:

Sr No	Particulars	Details
1	Name	Mr. Paresh J Khandwala
	Designation	Managing Director
2	Age	55 years
3	Remuneration	Rs. 31,05,000/- for the period from 1 st April 2009 to 31 st March 2010.
4	Date of Appointment	1 st January 2005 and further renewed for a period of 5 years starting from 1 st January 2010
5	Nature of employment, whether contractual or otherwise	Employment.
6	Other terms and conditions	Nil
7	Nature of duties	Managing the Company and involved in Policy Making decision process and executing the same.
8	Experience	36 years.

COMPLIANCE CERTIFICATE

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

DIRECTOR'S RESPONSIBILITY STATEMENT

In pursuance of Section 217(2AA) of the Companies Act, 1956, the Directors state, as an averment of their responsibility, that:

- (i) The Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at March 31, 2010 and of the profit or loss of the Company for the year ended March 31, 2010;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts for the financial year ended March 31, 2010 on a going concern basis.

DEPOSITS

Your Company has not accepted any deposits from the public and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

ACKNOWLEDGMENTS

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Securities and Exchange Board of India, the Reserve Bank of India, the Stock Exchanges and other government and regulatory agencies. The Board would like to acknowledge the continued support of its bankers, registrars, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, teamwork and professionalism which made the phenomenal growth possible year after year.

For and on behalf of the Board of Directors
Khandwala Securities Limited

S M Parande
Chairman

Date: 9th August, 2010
Place: Mumbai.

ANNEXURE A TO DIRECTORS REPORT

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Conservation of Energy:

Your Company consumes electricity mainly for the operation of its computers. Though the consumption of electricity is negligible as compared to the total turnover of the Company, your company has taken effective steps at every stage to reduce consumption of electricity.

b) Technology Absorption

This is not applicable to your Company as it has not purchased or acquired any Technology for development of software from any outside party.

c) Foreign Exchange Earnings / Outgo

Foreign Exchange Earnings : Rs. 1.07 Lacs (previous year – Rs. 88.22 Lacs)

Foreign Exchange Outgo : Rs. 11.66 Lacs (previous year–Rs. Rs. 10.63 Lacs)

For and on behalf of the Board of Directors
Khandwala Securities Limited

S M Parande
Chairman

Date: 9th August, 2010
Place: Mumbai.

MANAGEMENT DISCUSSION AND ANALYSIS**ECONOMY OVERVIEW**

The Indian economy, which had managed to emerge out of the global turmoil in the year 2008-09 relatively unscathed, witnessed a quick rebound in the year 2009-10. The global growth momentum also saw a rise following the unprecedented boost of liquidity by Federal Governments across countries, especially in developed economies. Against a decline of -0.6% during the previous year, IMF projects world GDP to expand by -4.2% during CY10. This momentum saw a wide divergence- a moderate revival for the developed world, but a notch faster for the emerging economies. As per recent World Bank estimates, combined GDP in developing countries will grow -6.4% in CY10, after a modest -2.4% rise in CY09

While recovery in real economy remained in track, the return from the stock markets especially in Emerging Markets were much more. The rally in Emerging Markets was led by the revival in risk appetite and inflows from developed countries, especially the U.S. aided by a dollar funded carry trade. The synchronized measures introduced by the policy makers to restore stability and confidence in the markets were clearly achieving what they were intended to. However the ongoing spectre of sovereign default risks in Greece and parts of Southern Europe have recently started showing signs of cynicism. Whilst the Euro zone governments have come out with a massive bail-out programme

The emerging situation requires careful monitoring as it has the potential to cause a double dip recession in some economies

The growth story for India has always looked robust compared to its peers, given the long term dynamics in its favour. A lower export dependence and high domestic demand saw India emerge relatively unharmed from the global turbulence, India, along with China, was the only major economy to have registered a 5%+ growth in every quarter even during recession. As demand improved, India's economy saw a sharp surge in factory output, undeterred by poor monsoon. Growth estimates began getting revised upwards, mid of CY09 onwards. Stock markets started riding on a wave of exuberance on prospects of better growth and easy liquidity. Moreover, the mid year elections turned the tide for the Indian markets. A stellar rally set-in as the newly elected government gave a boost to growth expectations. The first two quarters of FY10 were good, however, the last two were challenging and saw a slowdown in markets.

During the phase of recovery, the challenge before India was striking the right balance between a host of macro issues; containing fiscal deficit, smooth roll back of stimulus programmes without affecting the growth momentum, yet maintaining adequate liquidity for enabling credit. All this, without growth leading to high inflation. Macro policies in India maneuvered the situation with precision. The RBI was quick and proactive in tackling inflation and inflation expectations. RBI increased the benchmark rates- one of the first major central banks to do so- but, only at a gradual and calibrated

pace so as to ensure that the process of growth recovery is not derailed either. Union budgets (in July 2009 and more so in February 2010) also kept boosting growth expectations as government policies succeeded in balancing the trade-off between stimulating growth and reducing deficits.

INDUSTRY OVERVIEW**INDIAN EQUITY MARKET**

The Indian capital markets have performed better than most others during this financial year. But even as we buried the fears of a global slowdown, the markets went through some testing times during the second half. We see the year ahead of us as one of consolidation; we are likely to witness a lot of activity in all the verticals of the capital markets. At present, trading in Indian bourses is typically concentrated around equities and commodities. The penetration of asset classes like bonds and currencies remains low. However, as Indian investors become more sophisticated, they are bound to start branching out into various asset classes and this will boost the markets.

Also, markets will further develop with greater efficiency owing to the forward-looking policies of the regulators and the government. The projected growth of the Indian economy with the resultant growth in the capital' markets, compels us to identify the enabling factors and to work towards putting them in place, at the earliest.

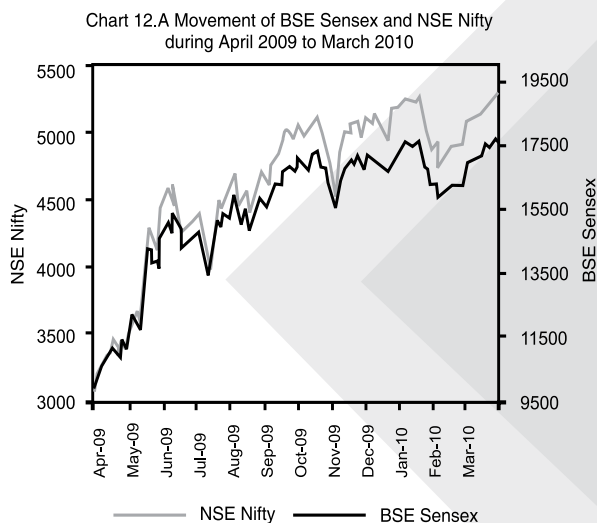
The Primary Market

India Inc raised Rs 46,778 crore through the public equity offerings in the financial year 2009-10, 23 times higher than Rs 2,034 crore mopped up in the last fiscal. The public offerings dominated by the state-run firms, which raised Rs 30,942 crore or 66 per cent of the total amount. The mobilisation in the year could have been higher but due to the continuing volatility in the secondary market and poor post-IPO performance of some companies in the early part of the fiscal, fund-raising plans failed to breach the record level of Rs 52,219 crore raised in 2007-08. Nevertheless, the financial year 2009-10 amount is the second-highest ever and is almost double of each of the preceding years of 2004-05, 2005-06 and 2006-07. After several years, the mobilisation was almost equally shared by initial public offers (IPOs) and the follow-on public offers (FPOs). Fund raised by public sector undertakings was the highest ever amount mobilised by them. The last time when the PSUs had raised the biggest amount was in the 2003-04 at Rs 16,563 crore and the Rs 30,942 crore raised in the financial year 2009-10; Rs 21,162 crore was through divestments and Rs 9,780 crore through fresh capital. A total of six PSU companies entered the market in FY10, led by NMDC (Rs 9,791 crore) followed by NTPC (Rs 8,480 crore), NHPC (Rs 6,039 crore), REC (Rs 3,530 crore), Oil India (Rs 2,777 crore) and United Bank of India (Rs 325 crore).

The Secondary Market

The year 2009-10 for financial markets ended on a very promising note with the economy picking up and net capital

inflows in particular of foreign institutional investors (FIIs) returning to normal and even growing. For domestic investors the financial year proved one of the best in recent years with market capitalization increasing by over 100% during the period of one year. The equity markets showed buoyancy though remained extremely volatile throughout the fiscal. The key benchmark indices, BSE Sensex and NSE Nifty ended with 81% and 74% growth, respectively over the financial year 2008-09. Even, the shares of small and mid-cap companies outperformed the key indices during the same period due to expectation of higher returns and revival in investor confidence. FIIs invested more than \$23 billion in equities. Even a large part of indices gain recorded after the congress led UPA government came back to power without the support of left parties in May 2009. The fiscal 2009-10 also remembered for the BSE Sensex hitting upper circuit twice in just about two minutes in a single day, first time in its history following the outcome of election results.



All the segments of financial markets witnessed a marked improvement during 2009-10. The cash market turnover and the turnover in the derivatives market also remained buoyant during the fiscal irrespective of the volatility in the underlying equity markets.

Before the end of the financial year 2009-10, Central Government and RBI took some firm decisions, reversing the accommodative stance of both monetary and fiscal policies. The government has withdrawn certain stimulus measures. RBI started exiting from accommodative stance beginning October 2009. On 19 March 2010 there was an unexpected hike in the repo and reverse repo rates by RBI by 25 basis points each.

Large capital inflows into the country have seen the rupee appreciating by 13% against the dollar in the financial year 2009-10. Rupee appreciated by about 2.4% in March 2010. The faster pace of economic recovery in India has prompted global investors to look at India as a preferred investment destination in the aftermath of global financial crisis. The prospects of further tightening of liquidity combined with the high borrowing programme for financial year

During the financial year 2009-10 there was a marked improvement in the aggregate secondary market turnover both on NSE and BSE. The average daily turnover on NSE and BSE increased respectively by 57% and 29%, to Rs 11,325 crore and Rs 4,383 crore during the year.

EMERGING MARKETS

Most Emerging Markets around the world hit the trough in March 2009. Since then, the recovery has been spectacular and has in fact, thrown up the question of whether the stock markets have moved ahead of fundamentals. Emerging Markets outperformed the developed - world markets in FY10 with India, Brazil and Russia being among the top out performers Risk appetite was back in the markets as were the capital inflows. After negligible equity raising in the previous year, FY10 saw strong revival of equity capital market activity, especially in Qualified Institutional Placements. FIIs pumped in about USD 23 billion (net inflows) into the stock markets in FY10 though lower inflows were seen in the last two quarters. The gains by indices were also stunted towards the latter half of the year. While the budget was well-accepted, Indian markets underperformed in comparison with global markets in Q4FY10 on account of inflation fears, stimulus rollback and interest rate hikes.

The Benchmark BSE Sensex, which had dipped to 8,100 in March 2009, saw a steep recovery to close at 17527 as on March 31, 2010 an increase of 80% in FY10 and an increase of 115% from its trough. As a result, valuations that are beginning to emerge as a key concern in India, coupled with the ongoing developments in the Euro zone, have the potential to cause a correction.

Thus, while the long-term India growth story remains intact, a sense of caution is in order here because we perceive some short-term challenges for the next few months. We see market size growing slowly (as capital markets are going through a wave of changes and needs to consolidate after the heady growth years of 2003-2007), with intense competition and increase in costs on all fronts. In addition, turbulence in sovereign credit markets, especially in some of the southern European countries, could impact investor risk appetite and reverse the flows from stock markets. While contagion risks remain at elevated levels, we believe, concerted action by the European Monetary Authority (EMF), international Monetary Fund (IMF) and others will contain the situation and that the stock markets will not be impacted too adversely.

DEBT MARKET:

The corporate debt markets which witnessed a lackluster FY09 following the global credit crisis and liquidity crunch, failed to improve the levels of activity. Primarily, this happened because most corporate houses preferred to follow the equity route for their investment plans. Traditionally, the debt penetration in India has been low compared to the developed countries. In addition, the debt markets in India are characterised by simple, plain vanilla loans. The corporates do not seem to view the debt markets as a credible alternative to equity capital markets, yet. Moreover, the Indian market: is crowded by Government

KHANDWALA SECURITIES LIMITED

bonds, which find buyers in many Commercial Banks in view of the high reserve requirements; in the country. The corporate debt markets, therefore, continue to be shallow in spite of having great potential.

However, the advent of Interest Rates Futures and the, likely introduction of corporate bonds repoability and credit default swaps coupled with other reforms is expected to turn the debt markets around. This would help in making bonds a cheaper and more efficient alternative for raising resources compared to the traditional commercial loans from banks. We are hopeful that the government and the regulators will bring about the necessary reforms In order to make the debt market a vibrant one.

FII & MF Activity in Equity Markets:

The net FII inflows in the financial year 2009-10 so far has touched US \$23.2 billion or around Rs 110 lakh crore. During the financial year 2009-10 the net inflow of mutual funds stood at Rs 83,081 crore.

AN OVERVIEW OF KSL:

As a corporate house, the overall operations of Khandwala Securities Limited include Investment Banking, Corporate Advisory Services, Institutional Broking, Private Client Broking and Investment Advisory services.

Financial Highlights:

The salient features of the Company's performance:-

Total Revenues of Rs. 813.43 Lakhs

Net Profit/Loss of Rs. (175.17) Lakhs

Earning Per Share (EPS) of Rs. (1.66)

Segment Highlights – FY10 over FY09 :

(Rs. In Lacs)

Segment	Revenue Financial Year ended on 31 st March 2010	Revenue Financial Year ended on 31 st March 2009
Brokerage	487.41	395.48
Corporate Advisory Services	139.44	743.69
Income from Capital Market Operations	60.35	0.33
Other	126.23	91.57
Total Income	813.43	1231.07

Ratios	2009-10	2008-09
Debt/Equity (Loans/Shareholders Funds)	0.22	0.22
Book Value (Rs.)	25.35	26.50

Empanelment during the Year

Your Company constantly endeavors to increase its market share with large Banks, financial institutions, and insurance companies on a sustained basis in order to increase the depth and width of its market offerings. With continuous effort backed by superior Execution skills and Research support, your Company is able to add significant value to its esteemed clients on a long term basis.

Your Company shall focus more towards high end Research with further enhancement of its team of cutting-edge research specialists during the year and will make higher allocation of funds towards building such talents on a continuous basis, as has been our objective till now.

Broking Business:

The Brokerage services of your Company include equity and debt broking and is supported by a strong research platform.

Income received for brokerage services, had accounted for approximately 62.27% of our total revenues at Rs. 487.41 Lacs for the year ended March 31, 2010.

Brokerage income from Future and Option market dropped substantially in one of the Branch, due to management decision on curtailing the exposures limit to clients in view of the prevailing uncertainty in secondary market during period of Oct '09 to March '10,

Your Company has also started trading in the currency derivatives segment of National Stock Exchange.

Capital Market Operations:

The equity capital markets team focuses on structuring and executing diverse equity capital raising transactions in the public and private markets for our clients. Products in this segment include IPOs, follow-on offerings, rights offerings, private placement, ADR offerings, GDR offerings, QIP transactions and convertible offerings, etc. for both listed and unlisted entities.

As an Investment Banking firm, it has always been our endeavor to structure and put together transaction structures that build long term, sustainable value for both the borrower and lender of funds in the equity markets. This approach, though having proved its mettle during the stages of market tightness, has been somewhat considered as a weakness by industry participants, resulting in us not being able to successfully convince corporates on its benefits. This has led to situations wherein KSL has had to either withdraw from certain mandates or had to face resistance from Indian Corporates in awarding their fund raising mandates to us from the secondary markets. This is despite the management of these corporate houses acknowledging the deep knowledge and understanding of the micro and macro economy factors including the future growth prospects in specific industry, and the sustainable long term valuation parameters.

We always believe that in order for market to value and reward its participants, it is important for both the Promoter Groups and the Merchant Bankers to design appropriate and sustainable valuation models such that it remains consistent

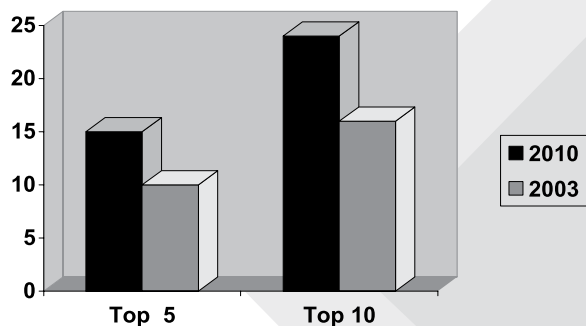
with the overall corporate performance and at the same point in time is able to ride both the good and the bad times.

Investment Banking and Advisory Group is putting their best endeavors on reviving some of the lost or delayed transactions, and are confident that in improved market sentiment same can be executed efficiently.

Institutional Equities:

The brokerage industry continues to be highly fragmented in India. The market share of top five brokers on the NSE in cash segment is under 15% in 2009-10 even though it has increased from 10% in the year 2002-03. Similarly the market share of the top 10 brokers on the NSE in cash segment stands at about 24% in 2009-10 up from approximately 16% in 2002-03. These figures indicate a trend of long-term consolidation in a highly fragmented securities brokerage industry.

Top Brokers



Source : NSE website

Equity and derivatives brokerage business of the Company contributed 62.27% of the consolidated revenue during this financial year. The Company's revenue of Rs. 813.43 Lacs for the year showed a decrease of 33.92% from the previous year corresponding to a comparable deduction in volume. However it is encouraging to note that we marginally increased our market share. The number of clients who traded and the number of transactions were also good.

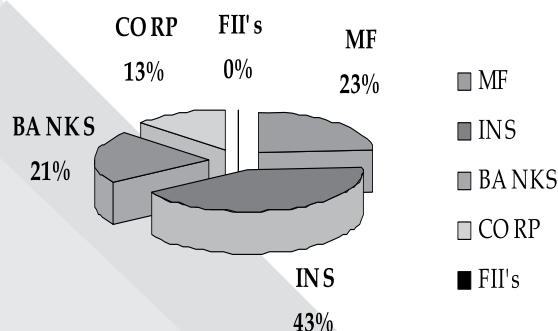
The institutional equities business comprises institutional equity sales, sales-trading and research. We differentiate ourselves based on our cutting-edge research focus, which aids our execution capabilities across our sales and trading platforms. We provide equity and derivatives sales and trading services to a large and diversified base of institutional investors, including FIIs and domestic institutional investors. As at present, we have over 35 institutional investors actively transacting with us on a continuous basis.

The brokerage earning from the Institutional dealing desk has significantly contributed to our revenue. The category wise contribution from the Institutional Dealing Desk to our revenues has been mentioned in the table below which shows a decrease of 10.45% during the Fiscal Year 2009-10 over previous financial year 2008-09.

(in Rs.)

Category	Brokerage Revenue during FY 09-10	Brokerage Revenue during FY 08-09	Brokerage Revenue during FY 07-08
MF	4948564	3276038	8093315
INS	9015844	10262726	9712331
BANKS	4438647	629893	3796987
CORP	2822917	9531776	10459874
FII's	1000	3977	65365
Total	21226972	23704410	32127872

Institutional Broking Revenue FY 2009- 10



Private Client Broking:

Our private client broking services are targeted at High Net Worth Individuals (HNIs) who actively invest and trade in equity markets and seek priority service with customised research and advisory support. Our approach is to provide advisory-based brokerage services with a strong emphasis on research, and to offer our clients value-added services usually reserved for institutional clients.

KSL with its concentrated efforts in equity broking business, and as future strategy to build high volumes and revenues could successfully add nearly 239 new accounts, taking total client base between Head Office and Pune office from 8033 to 8272 clients during the period from 1st April 2009 to 31st June 2010.

Your Company is confident that with its high degree of execution skills and services support, besides with its high end research will grow to new heights in its revenues in the coming years.

Portfolio Management Services:

The Portfolio Management Segment is bound to grow and offer immense business potential for financial advisory services. The NRI community is the key market segment. Successful NRI business owners and professionals are of great interest to Portfolio management institutions. KSL has identified this rapidly growing segments' need for specific products and services and has created practice models and advisory teams that specialize in servicing NRIs. Our service offerings include providing HNIs with investment advisory, planning and asset deployment advise, asset allocation and the distribution of a

wide range of products. Our primary focus is on understanding each client's financial profile, including tolerance for risk, capital growth expectations, current financial position and income requirements in order to create comprehensive and tailored investment strategies. Our Portfolio Management services have increased our clients' access to and use of our financial products and services.

Your Company is confident to garner much larger assets under management under the PMS division compared to last year and could be able to clearly demonstrate its core expertise to maximize the value under PMS, even under adverse market situation.

Merger and Acquisition Advisory:

Our merger and acquisition team provides clients strategic and financial advice aiding them in achieving their objectives through mergers, acquisitions, takeovers, tender offers, divestments, spin offs, restructuring, Joint Ventures and strategic alliances and demergers.

Our services encompass strategy formulation, identification of buyer or targets, valuation, negotiation and bidding, capital structuring, transaction structuring and execution. This activity too, like other capital market activities suffered from lower level of activity in the market.

Private Equity:

The Qualified Institutional Placement (QIP) market was also very active with 58 companies raising approximately Rs. 41,133 crore (\$ 9.14 billion)

Private Equity investments in India are still dominated by funds investing out of their global funds. Given the global risk aversion, the allocations from these funds may slip.

Corporate Advisory Business:

The Corporate advisory business of the Company, includes equity capital markets transaction execution, mergers and acquisitions advisory and capital raising advisory and transaction execution relating to structured finance, real estate and infrastructure. During the period the total Income from advisory services was Rs. 1.39 crores.

Market Research:

Our institutional equities business is supported by an experienced and dedicated team of analysts in fundamental, technical and alternative investment research. Our research initiatives are driven by committed professionals, management graduates, Chartered Accountants and Engineers having combined experience of several decades.

Besides conventional tools, our alternative research utilises proprietary tools developed in-house, including quantitative analytical techniques and models to identify short and medium-term investment opportunities. Our research team maintains an updated database on, and tracks regularly, various factors impacting economy, industry and companies. The trends are analyzed using data both on macro and micro level.

Various research products such as Market Today, Market

Weekly, Market Technicals, India Strategy, Model Portfolio, Eco Update, InSight, Company/Sector reports/updates and others are sent to esteemed clients on a regular basis. These reports are supplemented by day-to-day market information by way of market alerts and impact analysis. Strength of our research capability lies in our ability to identify emerging investment themes and spot winners ahead of time.

Our research reports, widely acknowledged by domestic and international print and electronic media, are rated among the leading domestic brokerage houses and have earned royalties from international data services providers in foreign exchange.

Our Intelligent Research Reports are accessible on globally acknowledged and marquee websites such as bloomberg.net, thomsonreuters.com, 1call.com, moneycontrol.com, securities.com, valuenotes.com, capitaliq.com.

Our research reports are highly recognized by international investors community including leading Foreign Institutional Investors, global central banks, multi-lateral development agencies and independent multi-strategy funds. Some of the research reports, apart from being widely acclaimed, have been ranked among the best by international financial information providers such as Thomson-Reuters and Bloomberg.

Internal Control System:

As remarked by the auditors in their report, the Company has an internal control system commensurate with its requirements and the size of the business. As a step further, your Company has already taken steps to document its systems and processes. The company has put in place adequate internal control measures in all risk areas. Your Company has initiated a process to upgrade the existing system. The Company is continuously investing in developing one of the best trading front end systems, enabling users to place orders and receive confirmations at lightning speed.

Risk concerns and Risk Management:

The Risk Management Function is overseen by the Audit Committee. Risk Management Policies are designed after discussion with various constituents and experts. In a business where prices and realities change every instant, it is imperative for KSL to operate within a broadly de-risked business model that protects stakeholder interests on the one hand and facilitates growth on the other.

Therefore, the concept of real-time risk mitigation management is integrated within the Company's existing business strategy. It is integrated into the Company's strategic and operational decision making process; it is ingrained in the organizational mindset; it pervades all organizational tiers, roles and functions.

KSL's effective risk management is guided by an understanding of the various parameters that can have a bearing on its business and profitability:

- ✓ External: These comprise risks that the Company faces but cannot control - industry slowdown, competition,

regulatory changes, brand perception etc.

- ✓ Internal: These comprise risks that the Company can directly control through prudent strategy - costs, liquidity, technology, operations, people etc.

KSL controls client risk through a prudent categorization of clients as per their financial depth. This helps circumscribe their trading limits, leading to effective risk management. KSL monitors a client's trading pattern in addition to keeping a continuous vigil on positions, balances and margins. This provides an understanding of a client's trading pattern in terms of nature of transactions, trading, investments, F&O types of scrips, etc. to detect any undesirable or prohibited practices. Based on this, remedial actions are initiated whenever required. This ensures strict regulatory compliance.

Industry Risk

KSL is primarily engaged in the business of financial services. Any slowdown in the country's economy or financial sector as well as any changes in interest rates, political climate or regulatory changes could affect the Company's prospects. Further the capital market is always exposed to the cyclical risk of upswing and downturns which in turn depend on the overall economical growth of the country.

Management Perception

KSL's presence in multiple product segments also serves as a natural hedge against a downturn in any particular sector. For instance, the Company's presence in the relatively volatile equity segment is balanced by its presence in the relatively stable insurance, mutual funds and fixed interest-bearing debt instruments. Your Company has broadly three major revenue generation department viz. Broking division, Corporate Advisory Division and Capital Market Operation. The total revenue generated by the company during the year shows the overall performance of all the departments jointly and doesn't depend on any single segment of revenue.

Liquidity risk

In the event of clients not honoring their financial commitments following an unexpected market movement, the Company's cash flow could be significantly affected.

Management Perception

KSL has exercised prudence in client selection and credit extension. For instance, the Company's internal audit team ascertains client credentials before they are permitted to trade.

Management Perception

As a corporate policy, it is endeavor to constantly monitor the margin payments and settlements of our customers on a continuous basis. Our ability to understand the financial track record of each of our customers provides us with a judgment and direction on the margin calls to be issued as also calling for pre-payments if need be in cases of exigencies. This approach we believe gives the Company the required flexibility in managing the liquidity risk across multiple categories and types of customer profiles. This assumes that at KSL we

follow an independent and customer centric risk management exercise thereby ensuring timely interventions to significantly reduce potential liquidity risks.

Economic risk

A slowdown in economic growth in India could cause the business of the Company to suffer. While the Indian economy has shown sustained growth over the last several years, the growth in industrial production has been variable. Any slowdown in the Indian economy, and in particular in the demand for housing and infrastructure, could adversely affect the Company's business. Similarly, any sustained volatility in global commodity prices, including a significant increase in the prices of oil and petroleum products, could once again spark off a new inflationary cycle, thereby curtailing the purchasing power of the consumers.

Management Perception

The Company manages these risks by maintaining a conservative financial profile and following prudent business and risk management practices.

Human Resource Risk

Human Resource represents the company's principal assets in a knowledge led business, where any attrition or skill obsolescence could lead to a weaker industry position.

Management Perception

Your Company has consciously made the transition from a family based organization into a professionally managed one, accompanied by delegation of responsibilities for intellectual growth. Over the years, your company has invested in the human resource by providing timely training, various seminars on personal development etc. The free work environment provided by the Company has also resulted in to low attrition of manpower.

Client Risk

In the financial industry the company depends on a few bigger corporate and institutional clients from where majority of the revenue is generated.

Management Perception

Your Company enjoys strong long term relationship with its clients. However, as a good Risk Management practice, the company has never relied upon particular client base and hence not exposed to such risk. During the year under review company has added 7 (Seven) new institutional clients from where regular business is generated. It is your company's constant endeavor to search for new area of business and clients.

Regulatory risk

The Company's presence in a variety of financial segments warrants an ongoing compliance with the evolving requirements of their various regulators. Any violation or transgression could invite censure, affecting the Company's brand.

Management Perception

KSL takes its compliance commitment seriously, recognizing that the business must not only serve the interest of the customer but also function well within the established guidelines of the various regulatory authorities for responsible and profitable growth. At KSL, the compliance discipline extends across the entire transaction cycle: client identification, KYC process transaction execution, transaction settlement involving securities and funds transfer. The compliance requirements across the various service points have been communicated comprehensively to branch through compliance manuals, leading to uniformity, quality, priority and discipline

Human Resources

Your company considers its human resource as the most valuable asset and, recognizing this, devotes a considerable development of its employees in various traits, apart from job related skills:

- ✓ Employee satisfaction survey was carried out along with various seminars by the HR department of the Company to understand the employees and help them to perform in the most efficient manner. Feedbacks were received during such sessions and corrective actions have been initiated;
- ✓ Communication meeting is being organized once in a quarter to apprise all the employees on the major development on various fronts such as market, deals stroked etc;
- ✓ Your company had recruited Management Trainees during the year and they were given specific job assignments in the research department. This has helped your company to establish goodwill with local management schools and prepare future prospects for employment.

Opportunities & Threats:

The retail business in India is expected to grow significantly. India's exceptional growth story and its booming economy have made the Country a favorite destination for foreign institutional investors. It is continuing to attract foreign investments. A sustained fund inflow into the capital markets might improve the market sentiments over the medium term resulting in increased participation by retail investors.

In the very recent past, India has witnessed a silent transformation from a largely perceived unstable country to a very politically stable country. This transformation will not only help a greater foreign participation in Indian business, but will also be the main driver of increased global investment in the country. The disinvestment proposal of the finance ministry shall bear a positive impact on the market and investors sentiments with the launch of some big-ticket initial public offers, or IPOs, which could hit the markets soon.

A significant portion of the Company's income is from stock market related activities, which is intricately related with external factors. Market conditions, in particular the

performance of the equity markets, contribute substantially to KSL's growth and will impact on our ability to repeat or improve on the earnings. Even though India has not been as badly affected, in macro-economic terms, as the rest of the world, corporate India too felt the heat of the melt down.

We are hopeful that your Company will be able to tap the opportunities for all our business segments in the growing Indian economy.

Outlook:

In terms of outlook, FY 2010 has started on a positive note for the equity markets with the Sensex almost doubling from recent lows to around 15,000 levels and the daily equity volumes averaging at Rs. 890 billion in the first few months of FY 2010. India being the second fastest economy, Foreign investors are likely to be favorably inclined to invest in Indian markets. The corporate sector, which is the backbone of the capital market, is likely to fair better in FY 2010 as compared to FY 2009.

Sustained improvement in the economy and capital markets augur well for all our key businesses. We are confident of capturing the resulting opportunities through our operating model that is well diversified across capital markets activities having unique strengths in each of our business segments and most importantly, the ability to withstand difficult market cycles. We continue to invest across all our key operations to create opportunities in varied market conditions.

It is our intention to expand our portfolio of services, invest in people, enhance our infrastructure, create greater competence across our businesses and continuously upgrade technology to emerge bigger and stronger every year. Our financial performance, will be influenced to some extent by market conditions which are not very positive at this given point of time, but this in no way has diminished our appetite for progress and expansion. Therefore, it is always our endeavor to deliver operational growth while our financial results may at times vary with market conditions. We believe that given the portfolio of our services and the inherent strengths of our business model we will be relatively less impacted during market downturns, while we expect to do extremely well in favourable market conditions.

Investor Relations:

We consider investor relations to be an important aspect of our business as we believe in building transparent and open relationships with our stakeholders. As a listed company, we are now laying even greater emphasis on our investor relations program to provide our investors and other stakeholders with a complete and accurate picture of the company's past and current performance and the prospects and strategies for the future. In this regard, we have put in place the required infrastructure and personnel to incorporate best-in-class IR practices which promote steady communication with investors and stakeholders so that we are acknowledged as a responsive and transparent organization.

Cautionary Statement:

Statements made in this Management Discussion and Analysis contain certain forward looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government

policies that may impact the businesses as well as the ability to implement.

For and on behalf of the Board of Directors
Khandwala Securities Limited

S M Parande
Chairman

Date: 9th August, 2010
Place: Mumbai.

To,
The Members,
Khandwala Securities Limited
Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai 400 021

Dear Sirs,

We hereby certify that, to the best of our knowledge and belief:

1. We have reviewed the balance sheet and profit and loss account and all its schedules and notes to accounts, as well as cash flow statements and the Directors Report.
2. These statements do not contain any material untrue statement or omission of fact nor do they contain statements that might be misleading;
3. These statements together present a true and fair view of the Company, and are in compliance with the existing accounting standards and/ or applicable laws/ regulations.
4. The Management is responsible for establishing and maintaining internal controls and have evaluated the effectiveness of internal control systems of the Company; deficiencies in the design or operation of internal controls, if any, and what they have done or propose to do to rectify these;
5. The Management have also disclosed to the Auditors as well as the Audit Committee, that there are no instances of significant fraud, that involves management or employees having a significant role in the Company's internal control systems; and
6. The Management have indicated to the Auditors, the Audit Committee and in the notes to accounts, whether or not there were significant changes in internal control and/ or of accounting policies during the year.

For and on behalf of the Board of Directors
Khandwala Securities Limited

S M Parande
Chairman

Date: 9th August, 2010
Place: Mumbai.

We focus on our Stakeholders, clients and their best interests and outcomes;

CORPORATE GOVERNANCE REPORT

Corporate Governance is a synonym for sound management, transparency and disclosure, encompassing good corporate practices, procedures, standards and implicit rules which propel a Company to take sound decisions, thus maximizing long-term shareholders value. Corporate governance has always been an integral part of your Company's philosophy. Corporate Governance is beyond the realm of law. It stems from the managements mindset and cannot be regulated by legislation alone.

The Corporate Governance structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. the Board of Directors, the Senior Management, Employees etc. The Company had adopted Corporate Governance and disclosure practices even before these were mandated legislations.

In addition to these, the Company has also adopted the requirements of Corporate Governance under Clause 49 of the Listing Agreements, the disclosure requirements of which are given below:

MANDATORY REQUIREMENTS

Company's Philosophy on Corporate Governance

Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency and accountability in all aspects of its operations, interactions with shareholders, employees, government departments, SEBI, Stock Exchanges and other regulatory authorities.

Board of Directors:

The Board of Directors along with its committees provides leadership and vision to the management and supervises the functioning of the Company. The composition of the Board is governed by the Listing Agreement executed with the Stock Exchanges and the provisions of the Articles of Association of the Company. The Board has an optimum combination of executive and non executive Directors and presently comprises of five Directors as on date out of which four are Non-Executive Directors. The Managing Director is responsible for the conduct of the business and day to day affairs of the Company.

No Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all the Companies in which he is a Director. All the Directors have made necessary disclosures regarding committee positions held by them in other Companies. Also none of the Directors on board hold the office of Director in more than 15 Public limited companies.

The composition of the Board, attendance at Board Meetings held during the year under review, number of Directorships and memberships is given below:

Name of Member	Position
Mr. Shreedhar M Parande	Chairman, Non Executive, Independent Director
Mr. Paresh J. Khandwala	Managing Director and CEO, Promoter Director
Mr. Rohit Chand	Non Executive, Independent Director
Mr. Kalpen Shukla	Non Executive, Independent Director
Mr. Ajay Narasimhan	Non Executive, Non Independent Director

Khandwala Securities Limited is a Company managed by Board and the Board meets at regular intervals to consider accounts, review of operations, formulate corporate policies and set up goals. The Board has constituted following committees viz;

- Audit Committee
- Shareholder / Investor Relations Committee
- Remuneration / Compensation Committee
- Corporate Governance Committee

A The Constitution of Board as on 31st March 2010

Name of the Director	Attendance Particulars		Committee Membership / Chairmanship		No. of Other Directorships / Committee Memberships / Chairmanship		
	No. of Board Meeting	16 th AGM	Committee Memberships	Committee Chairmanships	Other Directorships	Committee Memberships	Committee Chairmanships
Paresh Khandwala	5/5	Yes	2/4	1	2	1	Nil
S. M. Parande	5/5	Yes	2/4	2	6	Nil	Nil
Rohit Chand	3/5	No	3/4	Nil	9	5	Nil
Kalpen Shukla	5/5	Yes	2/4	1	Nil	Nil	Nil
Ajay Narasimhan	5/5	Yes	2/4	Nil	1	1	Nil

Note: Directorship in Private Companies not considered.

B. i) Details of Board Meetings held during the year:

Date of Board Meeting	29.04.2009	31.07.2009	22.08.2009	31.10.2009	27.01.2010
Board Strength	5	5	5	5	5
No. of Directors present	4	4	5	5	5

ii) Attendance in the Annual General Meeting:

Date of 16 th Annual General Meeting	30.09.2009
Board Strength	5
No. of Directors present	4

C. Directors seeking re-appointment

Mr. Shreedhar M Parande, Director of the Company seeks reappointment

A B.Sc. Gold Medalist, M.Sc. Dakshina Fellow and first in the university, LLB first class first, LLM. (Commercial Law) first in the university, CAIIB, AIB. (London), Diploma in German Language, Certificate in French Language.

Started his career with State Bank of India as a Management trainee, later as Executive Director of SBI Capital Markets Ltd and was responsible for setting up the SBI Mutual Fund, the first Mutual Fund set up in the country (aside from UTI). Successfully launched an offshore fund of over US \$ 250 Million in collaboration with Morgan Stanley and secured mandate for and managed a convertible bond fund of US \$ 50 Million by Asian Development Bank, Manila.

Later he became the Managing Director of State Bank of Hyderabad with over 750 branches all over the country and over 15,000 employees. After moving out of State Bank of India he was associated with three major business groups in the country, Hinduja, Mittals and the Arvind Mafatlals in key roles helping them in financial restructuring and diversification plans.

Currently he is associated with various enterprises in offering strategic advice and assisting the customers in their fund raising exercises either through equity or debt-domestic/international and is also holding position as an independent director in several listed companies and companies which would be accessing capital markets in the future.

He is on board of Khandwala Securities Limited since 30th June 1995

Mr. Shreedhar M Parande is a Director / Member on the Board / Committee stated as below.

Other Directorship of Mr. Shreedhar M Parande as on 31st March 2010

Name of the Company	Designation
Shweshta Marketing and Financial Services Limited	Director
Greater Bombay Co-operative Bank Limited	Director
Today's Writing Product Limited	Director
Global Tax & Finance Limited	Director
Accentia Technologies Limited	Director
Shakti Press Limited	Director

Note: Directorships in Private Companies is not taken

Committee Membership of Mr. Shreedhar M Parande as on 31st March 2010

Name of the Company	Name of Committee & Designation
NIL	NA

3. Audit Committee

The role, terms of reference and the authority and powers of this Committee are in the conformity with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements. The essential functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of controls and regulatory compliance. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment and re-appointment of internal as well as statutory auditors, their fees and reviews with management annual financial statements before submission to the Board.

This Committee comprises solely of Independent Directors. Besides having access to all the required information from within the Company, the Committee can

obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters.

The terms of reference of the Audit Committee are broadly as under:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - o any changes in accounting policies and practices;
 - o major accounting entries based on exercise of judgment by management;
 - o qualifications in draft audit report;
 - o significant adjustments arising out of audit;
 - o the going concern assumption;
 - o compliance with accounting standards;
 - o compliance with stock exchange and legal requirements concerning financial statements;
 - o any related party transactions as per Accounting Standard 18.
 - o Reviewing the Company's financial and risk management policies.
 - o Disclosure of contingent liabilities.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected

fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- Reviewing compliances as regards to the Company's Whistle Blower Policy.

The Committee is empowered to review the remuneration payable to the Statutory and Internal Auditors and to recommend a change. The Committee has reviewed the annual financial statements particularly with reference to section 217(2AA) of the Companies Act, 1956, quarterly financial statements before submission to the Board for approval, performance of the statutory and internal auditors.

Composition and Attendance

The Audit Committee comprises of Mr. S. M. Parande, Chairman of the Committee Mr. Kalpen Shukla and Mr. Rohit Chand all being Non-Executive and Independent Directors with vast experience and knowledge of corporate affairs and finance.

As and when necessary, senior functionaries are called to the meeting. The Company Secretary acts as the Secretary of the Committee.

During the financial year under review, five meetings of Audit Committee of the Board were held on 29th April 2009, 31st July 2009, 22nd October 2009, 31st October 2009 and 27th January 2010.

Attendance record of the members of the Audit Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S. M. Parande	5	5
Mr. Kalpen Shukla	5	5
Mr. Rohit Chand	5	3

4. Remuneration / Compensation Committee

The role of the Remuneration / Compensation Committee is to review market practices and to decide on remuneration packages applicable to the Managing / Executive Directors and other Non-Executive Directors of the Company. During the course of review, the Committee also decides on the other incentives payable, taking into account the individual performance as well as that of the Company. This Board Committee is vested with the responsibility to function as per SEBI guidelines and Companies Act and recommends to the Board the Compensation package for the senior level management employees. It also reviews from time to time the overall compensation structure and related policies with a view to attract, motivate and retain employees.

Composition and Attendance

The Remuneration / Compensation Committee comprised of Mr. Kalpen Shukla-Chairman, Mr. Rohit Chand, and Mr. Ajay Narasimhan.

During the financial year under review, one meetings of Remuneration Committee of the Board was held on 23rd July 2010.

Attendance record of the members of the Remuneration / Compensation Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. Kalpen Shukla, Chairman	1	1
Mr. Rohit Chand	1	-
Mr. Ajay Narasimhan	1	1

Remuneration Policy

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria:

- Performance of the Company, its divisions and units.
- Track record, potential and performance of individual managers and
- External Competitive environment.

Remuneration to Directors

Remuneration of Executive Director is decided by the Board, based on recommendations of the Compensation Committee as per the remuneration policy of the Company, within the ceilings fixed by the shareholders. Remuneration of the Executive Directors for the year ended 31st March 2010 was as follows.

Remuneration to Executive Directors

Managerial Remuneration is only paid to Mr. Paresh J Khandwala, Managing Director and duly approved from Shareholders from time to time.

Director	Salary	Commission	Perquisites and Allowance	Total	Tenure of Appt.
Mr. Paresh J Khandwala	Rs.31,05,000/-	NIL	NIL	Rs.31,05,000/- (Thirty One Lacs Five Thousand only)	1 st January 2010 to 31 st December 2015

Note : There is no Scheme of "Employee Stock Options" during the Year.

Remuneration to Non-Executive / Independent Directors

Non-Executive / Independent Directors doesn't receive any thing over and above Sitting fees by way of remuneration from the Company and there are no pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company except by way of Fees paid for attending the Board Meeting during 2009-2010.

Name of Director	Sitting Fees
Mr. S. M. Parande	25,000
Mr. Ajay Narasimhan	25,000
Mr. Kalpen Shukla	25,000
Mr. Rohit Chand	15,000

5. Shareholder / Investor Relations Committee

The Committee meets as and when required, to deal with matters relating to transfers/transmissions of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc. With a view to expediting the process of share transfers, the Chairman of the Committee and Secretary is authorized to approve transfers / transmissions of shares.

Composition and Attendance

The Company's Share Transfer and Shareholder / Investors Grievance Committee functions under the Chairmanship of Mr. S M Parande, Mr. Rohit Chand and Mr. Paresh J. Khandwala. The Company Secretary acted as the compliance officer.

During the financial year under review, one meetings of Shareholder Committee of the Board was held on 7th October 2009.

Attendance record of the members of the Share Transfer and Shareholder / Investors Grievance Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S M Parande, Chairman	1	1
Mr. Paresh J. Khandwala	1	1
Mr. Rohit Chand	1	-

The minutes of the Shareholders' / Investors' Grievance Committee are noted by the Board of Directors at the Board Meeting.

As of date, there are no pending share transfers pertaining to the year under review. There are no pending shareholders complaints as on 31st March 2010.

6. Corporate Governance Committee

The Committee was constituted to increase transparency adherence towards better Corporate Governance as duty towards Community. The Committee meets as and when required, to deal with matters relating to periodically review of compliance related to all laws applicable to the company as well as steps taken by the company to prevent instances of non-compliances.

The Committee considers matters relating to the Insider Trading Code and also considers matters relating to the Company's Code of Conduct.

Composition and Attendance

The Corporate Governance Committee functions under the Chairmanship of Mr. Paresh J Khandwala, and Mr. Ajay Narasimhan.

Attendance record of the members of the Corporate Governance Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. Paresh J Khandwala, Chairman	1	1
Mr. Ajay Narasimhan	1	1

7. General Body Meetings

1. Annual General Meetings

Details of last Three Annual General Meetings of the Company are given below:

Name of Meeting	Day, Date and Time	Venue
16 th Annual General Meeting	Wednesday, 30 th September 2009 at 12.30 p.m.	Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
15 th Annual General Meeting	Thursday, 18 th September 2008 at 12.30 p.m.	Green Room, Garware Club House, D-Road, Churchgate, Mumbai 400 020
14 th Annual General Meeting	Saturday, 1 st September 2007 at 12.00 p.m.	Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020

Pursuant to the provisions of Section 192A of the Companies Act, 1956 there was no matter required to be dealt by the Company in previous year in which required to be passed through postal ballot. There is no Special Resolution proposed to be conducted through postal ballot.

8. Disclosures:

Related Party Transaction

The Company has entered into related party transactions at arms length prices details of which are part of Notes to accounts.

Compliance Status

There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other authorities, on any matter related to capital market during the last three years.

Whistle Blower Policy

The company has established Whistle Blower mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

Mandatory Requirements

The Company has complied with disclosure of all Mandatory Requirements as pre requirement of Listing agreement.

Non- mandatory requirements

The Company had adopted the non- mandatory provisions relating to the Compensation / Corporate Governance Committee. The quarterly results are published in financial newspapers and sent to the shareholders on request. The Company shall endeavor to adopt the other non- mandatory requirements, as and when necessary.

9. Means of Communication

The quarterly, half-yearly and yearly results are published in Free Press Journal (English) and Navshakti (Marathi). These are not sent to shareholders individually. The information is also available at Company's website www.kslindia.com.

Information about the financial results, shareholding pattern, full Annual Report and other specified details are electronically filed on the SEBI site (EDIFAR) pursuant to clause 51 of the Listing Agreement. There are no presentations made to Institutional Investors or to the Analysts during the Financial Year.

10. General Shareholder information

1. Date and Venue of the Annual General Meeting

The Seventeenth Annual General Meeting of the Company is scheduled to be held at CK Naydu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 24th September 2010 at 12:30 p.m.

2. Financial Calendar of the Company

The financial year covers the period from 1st April to 31st March.

1 st Quarter ending 30 th June 2010	-	By 15 th August, 2010
2 nd Quarter & Half year ending 30 th September 2010	-	By 15 th November 2010
3 rd Quarter ending 31 st December 2010	-	By 15 th February 2011
4 th Quarter/Year ending 31 st March 2011	-	By end of May 2011
Annual General Meeting for the year 2010-2011	-	By end of September 2011

Last quarter results may be declared unaudited or with annual audited results.

3. Dates of Book Closure

From Tuesday 21st September 2010 to Friday 24th September 2010 (both days inclusive)

4. The Board of Director does not recommend payment of dividend.

5. Listing of Equity Shares

The Company's shares are listed on the Bombay Stock Exchange (BSE) and The National Stock Exchange of India Limited (NSE).

6. Stock Code

The Stock Exchange, Mumbai (BSE) : 531892
National Stock Exchange of India Limited : KHANDSE
ISIN No for NSDL/CDSL : INE060B01014

7. Listing fees to Stock Exchanges

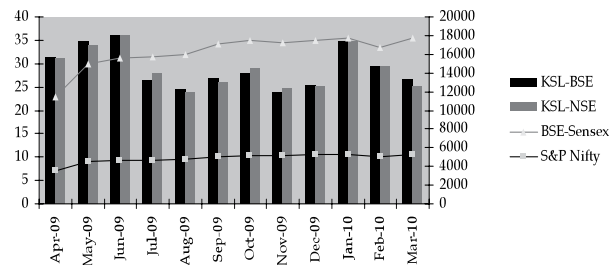
The Company has paid Listing Fees to all the above stock exchanges for the year 2010-2011 where the shares of the Company are listed.

8. Custodial Fees to Depositories

The Company has paid the custodial fees for the year 2010-11 to National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) on the basis of number of beneficial accounts maintained by them as on March 2010.

9. Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index and NSE S&P CNX Nifty is given in the Chart below:



Source: NSE and BSE

Month	BSE				NSE			
	High	Low	Close	Volume	High	Low	Close	Volume
Apr-09	31.5	25	26.4	28.63	31.25	24.25	25.7	29899
May-09	34.65	25.3	30	116.66	33.9	25.1	29.15	251025
Jun-09	35.85	22.1	24.75	169.04	35.9	23.2	23.75	554933
Jul-09	26.35	19.15	21.95	53.92	27.9	20.3	22.45	262227
Aug-09	24.5	20.5	22.25	75.02	23.8	18	22.65	213705
Sep-09	26.95	20.25	23.2	46.40	25.9	19.25	23.1	100915
Oct-09	27.95	22	22.85	74.56	29	22.05	22.35	146305
Nov-09	23.9	20.65	22.9	31.93	24.7	20.4	23	94883
Dec-09	25.45	22.4	24.1	37.69	25.15	22.5	24.15	82512
Jan-10	34.7	24.15	27.25	958.71	34.65	24.8	27.05	776020
Feb-10	29.35	22.8	23.65	75.52	29.4	22.3	23.6	171995
Mar-10	26.7	22.3	23	67.15	25.2	22.25	23.4	80277

10. Registered Office

Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai 400 023

11. Corporate Office

Ground Floor, White House Annexe,
White House, 91, Walkeshwar Road,
Walkeshwar, Mumbai 400 006.

12. Registrar and Transfer Agents

Karvy Computershare Private Limited
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad – 500 034
Ph.: +91-40-331 2454, Fax: +91-40-331 1968
Email address : mailmanager@karvy.com

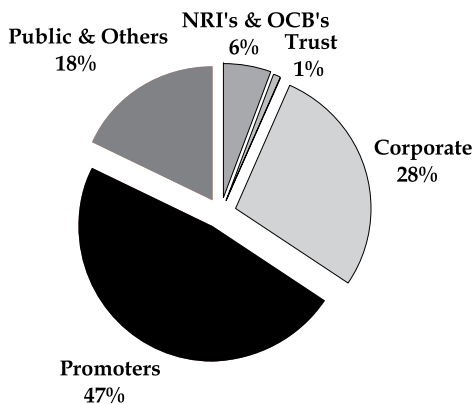
1. Categories and Distribution of Shareholding

1. Distribution of Shareholding as on 31st March 2010

KHANDWALA SECURITIES LIMITED						
DISTRIBUTION SCHEDULE AS ON 31 st March 2010						
Sl. No.	Category		Number of Cases	% of Cases	Amount	% of Amount
	From	To				
1	1	5000	2358	78.89	3394250	2.84
2	5001	10000	251	8.40	2163850	1.81
3	10001	20000	159	5.32	2576670	2.16
4	20001	30000	61	2.04	1611870	1.35
5	30001	40000	27	0.90	958840	0.80
6	40001	50000	18	0.60	855010	0.72
7	50001	100000	38	1.27	3001520	2.51
8	100001	and Above	77	2.58	104827990	87.80
TOTAL			2989	100	119390000	100

2. Distribution of shareholding according to categories of shareholders as on 31st March 2010

Sl. No.	Category	No. of Shares held	% of Issued Share Capital
A.	Promoter's holding (including Persons Acting in Concert)	5713522	47.85
B.	Banks, FI, Insurance Cos. (Central / State Govt. Institutions / Non-Govt. Institutions)	-	-
C.	Mutual Funds	-	-
D.	Bodies Corporates	3299141	27.63
E.	NRI's and OCB's	703044	5.89
F.	Trust	100500	0.84
G.	Clearing Member	3860	0.03
H.	Public	2118933	17.75
	Total	11939000	100



12. Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialized form. Shares sent for transfer in physical form are registered and returned within a period

of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman and Company Secretary are authorised to approve transfers / transmission of shares below 5000 in numbers. The Share Transfer and Shareholders / Investors Grievance Committee meets as and when required to consider the other transfer proposals and attend to shareholder grievances.

13. Dematerialization of Shares

More than 94% of equity share capital of the company is held in a dematerialized form with National Securities Depository Limited and Central Depository Services (India) Limited as on 31st March 2010.

14. The Company does not own any Plant at any locations.

15. Address for Correspondence

Shareholders may correspond with the Registrar and Transfer agents Karvy Computershare Private Limited at the address given above. Shareholder would have to correspond with the respective Depository Participants for shares held in demat mode.

For all investor related matters and investor grievances Shareholder may correspond at the address given below:

The Company Secretary / Compliance Officer

Registered Office:

Ground Floor,
Vikas Building,
Green Street, Fort,
Mumbai 400 023
Telephone no.: +91 22 4076 7373
Fax no.: +91 22 4076 7377

Corporate office:

White House Annexe,
White House,
91, Walkeshwar Road,
Walkeshwar,
Mumbai 400 006
Telephone no.: +91 22 4200 7300
Fax no.: +91 22 4200 7399
Email : investorgrievances@kslindia.com

For and on behalf of;
Khandwala Securities Limited

Manisha Srivastava
Company Secretary & Compliance Officer

Date: 9th August, 2010
Place: Mumbai

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

To,

**The Members,
Khandwala Securities Limited**
Gr Floor, Vikas Building,
Green Street,
Mumbai- 400 023

The Company has framed a specific Code of conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchanges to further strengthen Corporate Governance practice in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended 31st March, 2010.

For and on behalf of Board of Directors
Khandwala Securities Limited

Paresh J Khandwala
Managing Director

Date: 9th August, 2010
Place: Mumbai

Auditor's Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To the Members,
Khandwala Securities Limited.
Gr. Floor, Vikas Building,
Green Street, Fort,
Mumbai-400 023

1. We have reviewed the records concerning the compliance of conditions of Corporate Governance by M/s. Khandwala Securities Limited as stipulated in Clause 49 of the Listing Agreement entered into, by the company, with the Stock Exchanges of India, for the financial year ended 31st March 2010.
2. 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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.
4. Based on such a review and to the best of our information and according to the explanations given to us, in our opinion, the company has complied with the conditions of corporate Governance, as stipulated in Clause 49 of the said Listing Agreements.
5. We further state that, such compliance is neither an assurance as to the future viability of the Company, nor as the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Udyen Jain & Associates**
Chartered Accountants

Aniket Kulkarni
Partner
M.No:- A 127246

Place: Mumbai
Date: 9th August, 2010

AUDITORS' REPORT

To the members of

Khandwala Securities Limited

1. We have audited the attached Balance Sheet of Khandwala Securities Limited as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the period from April 1, 2009 to March 31, 2010 annexed thereto (all together referred to as 'financial statements'). 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (i) The Company had advanced application money towards purchase of shares of Rs. 216.69 lacs, which is outstanding for a period more than 96 months as at the end of the year. In the absence of information regarding the status of the allotment or the net worth of the entities in which the Company made applications, we are unable to ascertain the extent to which an amount of Rs. 216.69 lacs is recoverable and accordingly, the effect thereof on the financial statements cannot be ascertained. The company has already initiated legal proceeding against the investee for the recovery of the share application money. Please refer note 3 of Schedule Q to the financial statements.
(ii) Short-term deposits availed from companies, together with interest accrued thereon-aggregating Rs 250.45 lacs as of the balance sheet date, and are subject to confirmation and consequential adjustments, if any. Please refer note 4 of Schedule Q to the financial statements.
(iii) Loans/Deposits placed with companies, aggregating Rs. 530 lacs, and certain interest accrued aggregating Rs. 135.80 lacs as at the balance sheet dated 31st March 2010, are subject to confirmation and consequential adjustments, if any. No provision for interest receivable has been made from the deposits for the year. Please refer note 5 of Schedule Q to the financial statements.

We are unable to assess the extent to which the amounts indicated in paragraphs (iii) are recoverable and the amount in paragraph (ii) is payable, and accordingly, the effect thereof on the financial statements cannot be ascertained.

4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to above, we report that:
 - a. Except for the matters stated in paragraph 3 above, 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;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The balance sheet, 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, profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received by the Company from its directors, we report that as on March 31, 2010 none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. Except for our comments in paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements read together with the notes thereon, 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:
 1. In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
 2. In the case of the profit and loss account, of the Loss of the Company for the period ended on that date; and
 3. In the case of the cash flow statement, of the cash flows of the Company for the period ended on that date.

For Udyen Jain & Associates
Chartered Accountants

Aniket Kulkarni
Partner
M.No:- A 127246

Date: 09th August 2010
Place: Mumbai

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 4 of our report of even date to the members of Khandwala Securities Limited on the financial statements for the period from April 1, 2009 to March 31, 2010)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Discrepancies have been identified and adjusted/rectified in the records relating to fixed assets.
2. According to the information and explanations given to us and having regard to the size of the Company and the nature of its business, in our opinion the frequency of physical verification of fixed assets is reasonable
3. None of the fixed assets have been revalued during the year.
4. No substantial part of the fixed assets was disposed off during the year.
5. According to the information and explanations given to us, the management has conducted physical verification of inventory held in physical form during the period, as also at the balance sheet date. In respect of inventory held in dematerialized form, the holding as at the balance sheet date has been confirmed by the depositories. In our opinion, having regard to the nature of the inventories, the frequency of physical verification is reasonable.
6. In our opinion, and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
7. In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of inventory during the period. Discrepancies, if any noticed on physical verification of inventory as compared to book records maintained were not of a material nature and have been properly dealt with in the books of account.
8. The company has not granted any loans, secured or unsecured during the period.
9. The rate of interest and the other terms and conditions are prima facie not prejudicial to the interest of the company
10. As the company has not taken any loans, secured or unsecured, from companies covered u/s 301 of the Companies Act 1956, during the period, the clause no. 4(iii)(b) and 4(iii)(c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
11. 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 with regard to purchase of inventories and fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
12. To the best of knowledge and belief, and according to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
13. No transactions have been entered during the period in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
14. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public to which the provisions of Section 58A or Section 58AA of the Companies Act, 1956 apply.
15. According to the information and explanations given to us, the Company has an internal audit system. In our opinion, the internal audit system is adequate with regards to the size of the company and the nature of its business.
16. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for any of the activities of the Company.
17. According to the information and explanations given to us, during the period the Company was generally regular in depositing with appropriate authorities, undisputed statutory dues.
18. According to the information and explanations given to us, no personal expenses have been charged to revenue account.
19. As at the balance sheet date, the Company does not have accumulated losses. The Company has incurred cash losses in the current year.
20. According to the information and explanations given to us, the company has not defaulted in the repayment of dues to financial institutions and banks.
21. To the best of our knowledge, and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
22. In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore

the provisions of paragraph 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

23. In respect of the Company's dealings or trading in shares, securities, debentures and other investments, proper records have been maintained on a timely basis in respect of the transactions and contracts during the period under report. According to the information and explanations given to us, shares and other securities held as investments are in the Company's name, except in cases where the same are in the process of being transferred in its name.
24. According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks which are prima facie prejudicial to the interest of the company.
25. According to the information and explanations given to us, the Company had applied term loans availed for the purpose for which they were obtained.
26. In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, prima facie, no funds raised on short-term basis have been applied for long-term investments and vice versa.
27. According to the information and explanations given to us, during the period under report, the Company has not made preferential allotments of equity shares to persons listed in the register maintained under Section 301 of the Companies Act, 1956.
28. As the company did not have any debentures outstanding during the year, the clause no. 4(xix) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
29. The Company has not made any public issue of shares or debentures during the period; accordingly, the question of disclosure of end use of proceeds of public issues does not arise.
30. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
31. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

For Udyen Jain & Associates
Chartered Accountants

Aniket Kulkarni
Partner
M.No:- A 127246

Date: 09th August, 2010
Place: Mumbai

KHANDWALA SECURITIES LIMITED

BALANCE SHEET AS AT MARCH 31, 2010

	SCHEDULE	As At March 31 2010		As At
		Rs.	Rs.	March 31 2009 Rs.
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital				
Equity Share Capital	A	119,390,000		119,390,000
Preference Share Capital		20,000,000		20,000,000
		<u>139,390,000</u>		<u>139,390,000</u>
Reserves and Surplus	B	163,302,946		176,992,221
			302,692,946	<u>316,382,221</u>
Loan Funds				
Secured Loans	C	15,074,510		15,152,198
Unsecured Loans	D	50,791,155		54,633,279
			65,865,665	<u>69,785,477</u>
Deferred Tax (Net) (Refer Note 7)			594,639	595,511
	TOTAL		<u>369,153,249</u>	<u>386,763,209</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	E	131,678,219		127,202,174
Less : Depreciation		39,196,809		34,929,456
Net Block		<u>92,481,409</u>		<u>92,272,717</u>
Add:- Capital Work In Progress		-		233,814
			92,481,409	<u>92,506,531</u>
Investments	F		37,292,332	28,423,250
Current Assets, Loans and Advances				
Stock-in-Trade	G	4,009,649		6,737,542
Sundry Debtors	H	283,801,244		326,122,387
Cash and Bank Balances	I	77,590,875		103,231,107
Loans and Advances	J	159,035,153		168,805,514
		<u>524,436,921</u>		<u>604,896,550</u>
Less: Current Liabilities and Provisions				
Current Liabilities	K	268,974,948		320,214,535
Provisions	L	16,082,466		18,848,587
		<u>285,057,414</u>		<u>339,063,122</u>
Net Current Assets			239,379,508	265,833,428
	TOTAL		<u>369,153,249</u>	<u>386,763,209</u>
Significant Accounting Policies and Notes to Accounts	Q			

As per our report attached of even date.

For Udyen Jain & Associates

Chartered Accountants

Aniket Kulkarni
Partner
Mem. No: A - 127246

Mumbai
Date :- 09th August, 2010

For and on behalf of the Board of Directors

S.M.Parande
Chairman

Mumbai
Date :- 09th August, 2010

Paresh J. Khandwala
Managing Director

Manisha Srivastava
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	SCHEDULE	For the year ended March 31 2010		For the year ended March 31 2009
		Rs.	Rs.	Rs.
Income				
Brokerage		48,740,860		39,547,677
Corporate Advisory Services		13,943,880		74,369,513
Income from Capital Market Operations		6,035,399		33,090
Profit on sale of Long-term investments		2,345,234		457,750
		<u>71,065,373</u>		<u>114,408,030</u>
Other Income	M	10,277,280		8,698,874
			81,342,653	<u>123,106,904</u>
Expenditure				
Employees' Remuneration and other benefits	N	36,848,327		35,104,037
Administrative and Other expenses	O	49,134,567		41,995,699
Finance charges	P	6,592,578		6,743,904
Depreciation		4,570,762		4,411,973
Loss on stock valuation		12,450		4,736,865
Loss on sale of fixed assets		-		1,660
Loss from Market Operation		977,896		3,542,917
			98,136,581	<u>96,537,055</u>
(Loss)/Profit before Tax and prior period items			(16,793,928)	26,569,848
Prior period Expenses/ (Income)			724,320	-
(Loss)/profit before Tax			(17,518,248)	<u>26,569,848</u>
Provision for Tax				
- Current Tax			-	3,138,047
- Fringe Benefit Tax			-	564,501
- Deferred Tax (Credited)/ Charged (Refer Note 7)			(872)	265,160
Net (Loss)/Profit for the period/ year			(17,517,376)	22,602,140
Balance brought forward from previous year			94,719,221	73,728,087
Balance available for Appropriation			77,201,846	96,330,227
Preference Dividend Paid			2,000,000	1,376,986
Dividend Distribution Tax Paid			339,900	234,020
Balance carried forward to Balance Sheet			74,861,946	94,719,221
Earnings Per Share of - Basic (Rs.) - Refer Note No. 9			(1.66)	1.67
- Diluted (Rs.)			(1.66)	1.67
Significant Accounting Policies and Notes to Accounts	Q			

As per our report attached of even date.

For Udyen Jain & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Aniket Kulkarni
Partner
Mem. No: A - 127246

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Manisha Srivastava
Company Secretary

Mumbai
Date :- 09th August, 2010

Mumbai
Date :- 09th August, 2010

KHANDWALA SECURITIES LIMITED**SCHEDULE TO THE BALANCE SHEET**

	As At March 31 2010 Rs.	As At March 31 2009 Rs.
SCHEDULE A - SHARE CAPITAL		
Authorised		
14,000,000 (P.Y. 14,000,000) Equity Shares of Rs. 10/- each	140,000,000	140,000,000
500,000 (P.Y. 500,000) Cumulative Redeemable Preference Shares of Rs. 100/- each	50,000,000	50,000,000
400,000 (P.Y.400,000) Cumulative Convertible Preference Shares of Rs. 100/- each	40,000,000	40,000,000
2,00,000 (P.Y. 2,00,000) Optionally convertible Redeemable Preference Shares of Rs. 100/- each	20,000,000	20,000,000
	250,000,000	250,000,000
Issued, Subscribed and Paid-up		
Equity Share Capital		
1,19,39,000 (P. Y. 1,19,39,000) Shares of Rs. 10/- each fully paid-up (Of the above shares, 7,87,500 shares of Rs.10/- each were issued as fully paid Bonus Shares by capitalisation of the Balance in Profit and Loss Account and 5,010,000 shares of Rs. 10/- each were issued as fully paid Bonus Shares by capitalisation of the balance in Share Premium Account and Special Reserve Account).	119,390,000	119,390,000
TOTAL	119,390,000	119,390,000
Preference Share Capital		
50,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	5,000,000	5,000,000
150,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	15,000,000	15,000,000
TOTAL	20,000,000	20,000,000

	As At March 31 2010 Rs.	As At March 31 2009 Rs.
SCHEDULE B - RESERVES AND SURPLUS		
Share Premium Account		
As per last Balance Sheet	48,273,000	
Add: Received during the year	-	
	48,273,000	48,273,000
Capital Redemption Reserve		
	34,000,000	34,000,000
Convertible Warrant Forfeiture		
As per last Balance Sheet	-	
Add: Amount Forfeited during the year	6,168,000	
	6,168,000	-
Profit & Loss Account		
As per last Balance Sheet	94,719,221	73,728,087
Add: Transferred from Profit & Loss Account	(19,857,276)	20,991,134
	74,861,946	94,719,221
TOTAL	163,302,946	176,992,221
SCHEDULE C - SECURED LOANS		
Vehicle Loan (Secured by hypothecation of vehicle)	1,379,682	1,509,920
Bank Over Draft Account		
Canara Bank A/c 60197 (Secured by Fixed Deposits)	13,694,828	13,642,278
TOTAL	15,074,510	15,152,198
SCHEDULE D - UNSECURED LOANS		
a) Short Term deposits from Companies	50,791,155	48,459,479
Includes interest accrued and due Rs. 1,57,91,155/- (Previous Year Rs. 1,34,59,479/-)		
b) Shares Warrants	-	6,173,800
TOTAL	50,791,155	54,633,279

SCHEDULE E- FIXED ASSETS

Particulars	Gross Block			Depreciation				Net Block			
	As At 1-Apr-09	Additions during the Year	Deductions during the year	As At 31-Mar-10	As At 1st April 09	On deletions	For the Year	Acc. Dep on Deln	As At 31st March, 10	As At 31st March, 09	
Office Buildings	93,748,694	-	-	93,748,694	17,843,618	-	1,528,104	-	19,371,721	74,376,973	75,905,076
Computers	6,910,725	361,854	228,084	7,044,495	3,454,171	25,350	1,120,296	228,084	4,346,383	2,698,112	3,456,554
Office Equipments	7,595,480	884,489	8,038	8,471,931	2,871,598	-	393,506	8,038	3,257,066	5,214,865	4,723,882
Furniture and Fixtures	10,019,726	3,044,033	67,287	12,996,472	6,062,688	3,526	718,932	67,287	6,714,333	6,282,139	3,957,038
Vehicles	7,817,970	489,078	-	8,307,048	4,669,406	-	757,219	-	5,426,625	2,880,423	3,148,564
Plant & Machinery (Computer)	1,109,579	-	-	1,109,579	27,976	-	52,705	-	80,681	1,028,898	1,081,603
Total	127,202,174	4,779,454	303,409	131,678,219	34,929,456	28,876	4,570,762	303,409	39,196,809	92,481,409	92,272,717
Previous Year	125,099,866	2,302,612	200,304	127,202,174	30,714,126	21,990	4,411,974	196,644	34,929,456	92,272,717	

SCHEDULE FORMING PART OF THE ACCOUNTS

	Face Value	As at March 31 2010		As at March 31 2009	
		Number	Amount	Number	Amount
SCHEDULE F - INVESTMENTS					
<i>(Long term, non trade, fully paid up)</i>					
<i>i. Quoted</i>					
Equity Shares					
DSQ Software Limited	10	6,400	11,915,091	6,400	11,915,091
Flex Engineering Limited.	10	8,100	88,371	8,100	88,371
Modiluft Limited	10	1,000	13,210	1,000	13,210
DSQ Biotech Limited	2	100,000	73,226,354	100,000	73,226,354
UTI Gold Exchange Traded Fund	100	271	263,511	3,796	3,644,429
			<u>85,506,537</u>		<u>88,887,455</u>
<i>ii. Unquoted</i>					
Equity Shares					
Elysium Pharmaceuticals Ltd	10	75,000	750,000	75,000	750,000
Kowa Spinning Limited *	10	1,008,000	21,358,200	1,008,000	21,358,200
Vadodara Stock Exchange Limited	10	500	5,000	500	5,000
TruMonee Financial Ltd	10	3,375,000	33,750,000	2,000,000	20,000,000
Mutual Funds					
LIC MF Top 100 Funds (close ended)	10	100,000	1,000,000	100,000	1,000,000
Reliance Natural Resources funds (open ended)	10	-	-	146,699	1,500,000
UTI infrastructure advantage funds (Close ended)	10	100,000	1,000,000	100,000	1,000,000
			<u>57,863,200</u>		<u>45,613,200</u>
		(i + ii)	<u>143,369,737</u>		<u>134,500,655</u>
Less : Provision for diminution			<u>106,077,405</u>		<u>106,077,405</u>
	TOTAL		<u><u>37,292,332</u></u>		<u><u>28,423,250</u></u>
Quoted :					
Aggregate Book Value (net of provision)			<u>787,332</u>		4,168,250
Market Value			<u>1,302,523</u>		5,945,987
Unquoted :					
Aggregate Book Value (net of provision)			<u>36,505,000</u>		24,255,000
* Shares are in the process of being registered in the name of the Company.					
SCHEDULE G - STOCK-IN-TRADE					
(Valued and certified by the management at lower of cost and market value / break up value)					
Equity Shares / Preference Shares(Refer Appendix G-1)			<u>4,009,649</u>		<u>6,737,542</u>
	TOTAL		<u><u>4,009,649</u></u>		<u><u>6,737,542</u></u>

KHANDWALA SECURITIES LIMITED

SCHEDULE TO THE BALANCE SHEET

Appendix G-1

NAME OF THE SCRIP	As at March 31 2010		As at March 31 2009	
	Number	Rs.	Number	Rs.
Stock In Hand - Options				
NTPC PA Apr-170	-	-	1,625	18,119
Equity/ Preference Shares :				
Alok Industries	-	-	400	5,300
Austin Engineering	1,500	88,018	1,500	1
Bajaj Auto Ltd	-	-	211	128,245
Bajaj Financial Services Ltd	-	-	211	35,670
Bajaj Holdings & Investments Ltd	-	-	211	62,857
Bajaj Hindustan Ltd	-	-	400	19,180
Bata India Ltd	-	-	300	28,500
Boss Profiles Ltd.	50,000	400,000	50,000	400,000
Bellary Steel & Alloy Ltd	-	-	50,000	79,500
Bongaigaon Refinery & Petrochemicals Ltd	-	-	350	14,351
Ballarpur Industries Ltd	-	-	25	368
Chandamama India Ltd	75,000	800,000	75,000	800,000
Creative Casting Ltd	5,900	3,894	5,900	3,894
Cyber Media (India) Limited	-	-	200	4,880
Deccan Granite Ltd	20,300	37,555	20,300	37,555
Dishman Pharmaceuticals & Chemicals Ltd	-	-	200	19,900
DLF Ltd	358	59,894	358	59,894
DSQ Biotech Ltd (Squared Bio)	11,576	44,261	11,576	44,261
EID Parry India Ltd	-	-	1,000	128,550
Escorts Ltd	-	-	200	7,050
Essar Oil Ltd	-	-	200	10,470
HFCL Infotel	50,000	376,500	-	-
Himachal Futuristics Communication Ltd	-	-	200,000	1,602,000
GTL Limited	-	-	2,570	347,464
Gujarat NRE Coke Ltd	-	-	100	2,035
IDBI	1,300	153,892		
IDEA Cell	410	20,541	410	20,541
IFCI Ltd	1	19	1	19
Indian Oil Corporation Ltd	10	1,804	-	-
Indian Petrochemicals Corpration Ltd	300	75,585	300	75,585
Infrastructure Devoplment Financial Co. Ltd	500	27,050	500	27,050
Inlac Granston Ltd	126,600	1	126,600	1
ITC Ltd	-	-	250	37,788
Jayshree Tea & Industries Ltd	-	-	200	18,270
KLG Systel Ltd	-	-	500	39,075
Kongarar Textiles Ltd.	2,500	1	2,500	1
Kothari Sugar & Chemicals Ltd	-	-	1,500	7,516
Krishna Engineering Works Ltd	250	424	250	424
LIC MF Liquid Plus Fund	9,141	91,413	50,052	500,516
Lloyd Steel Industries Ltd	-	-	100,000	401,000
Master Growth 93	-	-	500	6,213
Mastek Ltd	-	-	5	588

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NAME OF THE SCRIP	As at March 31 2010		As at March 31 2009	
	Number	Rs.	Number	Rs.
Mangalore Refinery & Petrochemicals Ltd	-	-	2,000	82,000
National Thermal Power Corporation Ltd	300	53,955	300	53,955
Natraj Ceramics Ltd	900	1	900	1
NEPC Micon	-	-	101,000	478,113
NIIT Technologies Ltd	-	-	50	2,640
Pertech Computers Ltd	1,000	1	1,000	1
Pennar Ind. Ltd	52,000	1,372,517	-	-
Pritish Nandy	-	-	50	676
Rain Calcining Ltd	-	-	200	1
Reliance Communications Ltd	4	680	4	699
Reliance Industries Ltd	38	27,324	1	1,524
Reliance Petroleum Ltd	-	-	600	54,330
Reliance Capital Ltd	18	6,362	18	6,362
Rushabh Bearings Ltd	5,200	1	5,200	1
Spicejet Ltd	-	-	25,000	336,825
Sakuma Export Ltd	-	-	329	1,833
Sakuma Export Ltd -Preference Share	18	958	58	2,900
Suzlon Energy Ltd	44	1,863	55	2,329
SVC Superchem Ltd	2,500	1,725	2,500	1,725
Steel Authority of India Ltd	700	67,515	3,610	348,185
Sand Plast Ltd.	10,000	0	50,000	1
Saraswat Co-Op Bank	2,550	25,500	2,550	25,500
Setech Electronics Ltd	270,000	1	270,000	1
Sharp Industries Ltd	2,210	185,684	44,200	185,684
Spic Communications Ltd	-	-	100	605
Sterling Biotech Limited	-	-	100	12,350
Tata Consultancy Services Ltd	4	1,077	2	1,077
Tata Steels Ltd	130	26,440	100	20,590
Tata Steel Ltd- CCP	-	-	180	5,850
Teamasia Semiconductors (I) Ltd	2,350	3,243	2,350	3,243
Tata Communications Ltd (VSNL)	100	28,070	100	40,230
United Credit Ltd	80	364	80	364
UTI Top 100 Funds	1,000	6,213	-	-
Vjil Consulting	1,500	19,300	-	-
Wire & Wireless India Ltd	-	-	50	590
Zee Entertainment Enterprises Ltd	-	-	231	24,567
Zee News Ltd	-	-	145	5,488
Zodiac Clothing Company Ltd	-	-	250	42,675
		4,009,649		6,737,542

SCHEDULES TO THE BALANCE SHEET

	Rs.	As At March 31 2010 Rs.	As At March 31 2009 Rs.
SCHEDULE H - SUNDRY DEBTORS			
(Unsecured)			
(Refer Note No 14 of Schedule Q)			
Outstanding for more than six months			
Considered good		191,830,859	210,287,187
Considered doubtful		52,782,855	52,782,855
		<u>244,613,714</u>	<u>263,070,042</u>
Other Debts		91,970,385	115,835,200
		<u>336,584,099</u>	<u>378,905,242</u>
Less : Provision for Doubtful Debts		52,782,855	52,782,855
TOTAL		<u><u>283,801,244</u></u>	<u><u>326,122,387</u></u>
SCHEDULE I - CASH AND BANK BALANCES			
Cash on hand		1,189,739	458,687
Balance with Scheduled Banks:			
In Current Accounts	8,730,767		36,152,050
In Fixed Deposit Accounts *	<u>67,670,370</u>		<u>66,620,370</u>
		<u>76,401,137</u>	<u>102,772,420</u>
TOTAL		<u><u>77,590,875</u></u>	<u><u>103,231,107</u></u>
* Deposit accounts with Bank include Rs. 4,20,50,000/- fixed deposit over which the NSCCL has lien., and Rs. 1,00,00,000/- for Bank Gurantee Margin with Canara Bank, Rs. 1,51,20,370/- Canara Bank lien on Over Draft facility & Rs. 5,00,000/- ILFS for currency Derevative Segments (Previous year Rs. 4,10,00,000/- & Rs. 1,00,00,000/-respectively)			
SCHEDULE J - LOANS AND ADVANCES			
(Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received *		44,147,182	53,314,535
Deposits with exchange & other		35,153,239	35,322,549
Trade Deposit with Companies		53,000,000	53,000,000
Advance Payment of Income Tax		26,734,732	27,168,431
TOTAL		<u><u>159,035,153</u></u>	<u><u>168,805,514</u></u>
SCHEDULE K - CURRENT LIABILITIES			
Sundry Creditors (Refer Note No 14 of Schedule Q)		215,430,372	251,543,049
Security Deposits		20,046,060	20,046,060
Credit Balance in Current Accounts (Book overdraft)		17,811,783	30,184,797
Other Liabilities		15,686,733	18,440,629
TOTAL		<u><u>268,974,948</u></u>	<u><u>320,214,535</u></u>
SCHEDULE L - PROVISIONS			
Provision for Taxation		12,265,501	15,482,548
Provision for Leave Encashment & Gratuity		3,816,965	3,366,039
TOTAL		<u><u>16,082,466</u></u>	<u><u>18,848,587</u></u>

* Includes Share Application Money Rs. 2,16,68,641/- (Previous year Rs. 2,16,90,109/-) and interest accrued on deposits Rs. 1,35,80,433/- (Previous year Rs. 1,35,80,433/-)

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended March 31 2010 Rs.	For the year ended March 31 2009 Rs.
SCHEDULE M - OTHER INCOME		
Interest on Fixed deposits with Banks [Tax deducted at source Rs. 6,27,478/-] (Previous year Rs.16,27,872/-)	5,509,953	6,968,704
Dividend ' - On stock in trade	259,285	173,907
Income Tax Interest Refunded	3,075,651	-
Sundry credit balances written back	-	86,631
Lease Rentals	1,260,000	1,260,000
Miscellaneous Income	172,391	209,632
TOTAL	10,277,280	8,698,874
SCHEDULE N - EMPLOYEES' REMUNERATION AND OTHER BENEFITS		
Salaries and Bonus	29,123,296	26,741,403
Managing Director's Remuneration	3,105,006	3,471,549
Contribution to Provident and other Funds	1,638,994	1,581,982
Staff Welfare Expenses	686,536	786,754
Gratuity - (Refer Note No. 20)	674,404	365,099
Staff Leave Encashment	1,620,092	2,157,250
TOTAL	36,848,327	35,104,037
SCHEDULE O - ADMINISTRATIVE AND OTHER EXPENSES		
Financial Advisory charges	1,765,376	725,169
Computer Expenses	2,284,385	666,978
Demat charges	990,695	957,314
Rates and Taxes	4,807,020	12,448,154
Insurance	644,815	547,850
Internet Expenses	321,507	520,124
Advertisement Expenses	201,172	913,908
Business Promotion Expenses	1,035,343	1,168,023
Legal & Professional Fees	5,101,520	1,997,231
Consultancy Charges	579,955	1,732,342
Telephone/Postage and Courier Charges	1,233,276	1,557,639
Electricity Charges	1,531,916	1,668,527
Registration Fees	625,023	373,559
Repairs and Maintenance	1,893,055	1,258,217
Printing and Stationery	1,391,404	986,322
Subscription Expenses	2,133,551	2,197,172
Travelling and Conveyance	2,576,677	2,181,659
Auditor's Remuneration		
For Audit	584,715	446,894
For Tax Audit	204,466	204,466
Directors sitting fees	90,000	80,000
Donation	115,100	750
Office Rent	9,997,959	6,737,871
Commission Paid	4,638,426	2,342,028
Miscellaneous Expenses	4,387,212	283,502
TOTAL	49,134,567	41,995,699
SCHEDULE P - FINANCE CHARGES		
On Other Loans	5,910,864	6,160,005
Other Financial Charges	681,714	583,900
TOTAL	6,592,578	6,743,904

Schedule Q:**Notes to financial statements****1. Significant Accounting Policies****Basis of Accounting**

The Company follows the accrual basis accounting.

Accounting Convention

The financial statements are prepared under historical cost convention.

Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

Depreciation

Assets are depreciated on the Straight Line Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

Investments

Long-term investments are carried at cost. However, when there is a decline, other than temporary, in the value of long-term investments, the carrying amount is reduced to recognize the decline. In case of diminution in the value of investment recorded in earlier years is no longer necessary it is reversed and credited to Profit & Loss accounts.

Inventories

Stock-in-trade is valued at lower of cost and market value. While determining market value, due consideration has been given to shares which have become ex-rights/ex-bonus at the year end for which rights/bonus shares have been received subsequent to year end.

Revenue recognition

Income from capital market operations (non-delivery based transactions) is accounted for on sale of securities. Income from Merchant Banking services, Brokerage and income from corporate advisory services are accounted for as and when the relevant services are rendered except where the recovery is uncertain in which case it is accounted for on receipt. Interest income is accounted for on accrual basis except where the recovery is uncertain, in which case it is accounted for on receipt. Dividend income is accounted for when the right to receive dividend is established.

Retirement benefits

Liability in respect of employees' gratuity is calculated on the basis of Revised AS-15 on Accounting for Retirement Benefits in the Financial Statements of Employers. Liability in respect of leave encashment is provided for on the basis of total accumulated earned leave calculated at year-end on an arithmetical basis.

Derivative Instruments

Initial / additional margin paid for futures / options is included under the head current assets. Contracts are marked to market in accordance with the prevalent regulations and the amount receivable or payable is disclosed under the head current assets or current liabilities, as the case may be. The profit or loss on settlement of derivative contracts is recognized in the Profit and Loss account. As on the balance sheet date, provision for loss on futures contracts is made to the extent of mark to market margins paid, while for open options, to the extent premium paid exceeds premium prevailing on that date.

Foreign Currency Transactions

Foreign currency transactions are recorded at the rates prevailing on the date of such transactions. Current assets and current liabilities in foreign currency at the year-end are translated at the rates prevailing on that date. Differences arising on settlement of such transactions/year end restatements are charged to the Profit and Loss Account.

Taxes on Income

Tax expense comprises both current and deferred taxes. Provision for current tax has been provided after taking into the account depreciation as per Income Tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognised only to the extent that there is a reasonable certainty of realisation.

As at the balance sheet date Company is in arrears of Rs. 45.50 Lacs towards stamp duty relating to the period October 2001 to August 2002.

2. The Company provides Portfolio Management Services (PMS) to its clients. Transactions on account of PMS activities are carried out exclusively on behalf of PMS clients. Therefore, assets and liabilities arising out of the above effectively belong to the PMS clients and hence are not reflected in the Company's accounts. Management fees earned/expenditure incurred by the Company from this activity is accounted for on an accrual basis.
3. Share Application Money of Rs. 216.69 Lacs (Previous year Rs. 216.69 Lacs) is outstanding for a period of 96 months as at the balance sheet date, for which financial statements are in the process of being obtained. The Company has initiated legal proceedings against the party to recover the application money.
4. Short-term deposits from companies of Rs. 100.00 Lacs together with interest accrued thereon Rs. 150.45 Lacs (included in unsecured loans) are subject to confirmation and subsequent adjustments, if any.

5. Short-term deposits to companies of Rs. 530.00 lacs together with interest accrued thereon Rs. 135.80 lacs (included in loans and advances) are subject to confirmation and subsequent adjustments, if any.
6. Debtors include debts exceeding six months aggregating Rs. 2,446.13 Lacs of which Rs. 68.47 lacs are debtors against whom legal action has been initiated/is in progress. In aggregate, an amount of Rs. 527.82 Lacs (P. Y. Rs. 527.82 Lacs) had been provided in respect of the debts exceeding six months, which in the opinion of management is adequate to cover the loss, if any, which may arise on realisation.
7. The net deferred tax assets is calculated as follows: (Rs. In Lacs)

Particulars	Accumulated As at 31 st March 2009	Charge/ Credit during the year	As at 31 st March 2010
Deferred tax asset:			
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	199.45	-	199.45
Deferred Tax Asset on account of Unabsorbed Depreciation	216.50	-	216.50
Deferred tax liability:			
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	(420.68)	(0.01)	(420.67)
Expenses carried forward as per books but claimed for tax purposes as incurred	(1.22)	-	(1.22)
Net Deferred tax Assets/ (Liability)	(5.95)	(0.01)	(5.94)

8. Segment Information

For management purposes, the Company is organized into two segments - Fee based and Investment/Stock. The Company has considered these two divisions as its business segments.

The Fee based division provides financial advisory services relating to mergers and acquisitions, equity and debt issue management, portfolio management and broking.

Investment and Stock division carries out trading, investing and speculation activities in capital markets (debt and equity) for the Company.

Fixed assets used in the Company's business are not identified to any of the reportable segments, as these are used interchangeably between segments and hence the fixed assets and depreciation are not allocated to any of the reportable segments.

As the entire business operations of the Company are conducted only in India, the Company has not reported any secondary segment information.

KHANDWALA SECURITIES LIMITED

Information about Primary Business Segments

(Amount in Rs. Lacs)

Sr. No.	Particulars	Year Ended 31 st March 2010	Year Ended 31 st March 2009
1	Segment Revenue-external		
	a) Investment / Stock Operations	83.81	4.91
	b) Feebased Operations	626.84	1139.17
	Total revenue	710.65	1144.08
2	Segment Result		
	a) Investment / Stock Operations	34.69	(111.10)
	b) Feebased Operations	179.02	716.50
	Total	213.71	605.40
	Less: Interest	65.93	67.44
	Unallocated Expenses less unallocated income	(322.97)	(272.26)
	Net (Loss) / Profit before Tax & prior Period Items	(175.18)	265.70
	Prior period Expenses/ (Income)	-	-
	Provision for tax (including deferred tax)	(0.01)	39.68
	Net (Loss)/Profit after tax for the year	(175.17)	226.02
	Other Items		
3	Segment Assets		
	a) Investment / Stock Operations	413.02	460.05
	b) Feebased Operations	3655.48	3929.63
	c) Unallocated Corporate Assets	2200.25	2457.05
		6268.75	6846.73
4	Segment Liabilities		
	a) Investment / Stock Operations	0.05	8.22
	b) Feebased Operations	2175.97	2735.83
	c) Unallocated Corporate Liabilities	401.20	371.47
		2577.22	3115.52
5	Depreciation	45.71	44.12
6	Non cash items other than depreciation		
	a) Investment / Stock operations	0.12	47.37
	b) Fee based operations	-	-

9. Earnings per share:

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Basic		
Numerator used for calculating basic earnings per share – Profit after taxation (Rs. lacs)	(175.17)	226.02
Less: Dividend on Cumulative Preference share dividend (including dividend tax thereon)	23.40	27.22
Profit / (Loss) attributable to equity shareholders (Rs. lacs)	(198.57)	198.80
Weighted average number of shares (in lacs) used as Denominator for calculating basic earnings per share	119.39	119.39
Nominal value per equity share (Rs.)	10.00	10.00
Basic earnings per share – (Rs.)	(1.66)	1.67
Diluted		
Numerator used for calculating Diluted earning per Share-Profit /(Loss) after taxation (Rs. In Lacs)	(198.57)	198.80
Weighted Average Number of Shares (In Lacs) used as Denomintor for calculating Diluted Earning per Share	119.39	119.39
Diluted earning per Share- (Rs.)	(1.66)	1.67

10. Related Party Disclosures

Names of Related Parties:

- A) Enterprises where control exists
Associate Companies:
1. Trumonee Financial Ltd.
- B) Enterprises in which key Managerial personnel exercise significant influence:
1. Jayantilal Khandwala & Sons
2. STP Domain Technologies Pvt. Ltd.
- C) Enterprises controlled by the relatives of the Key Managerial Personnel:
1. Piggero Investments Pvt. Ltd.
2. Bentley Investments Pvt. Ltd.
3. Khandwala Commodity & Derivatives Pvt. Ltd.
- D) Key Management Personnel:
1. Mr. Paresh J. khandwala - Managing Director
2. Mr. P. J. Khandwala – HUF
- E) Relatives of Key Management Personnel:
1. Mrs. Daxa P. Khandwala
2. Mr. Pratik P. Khandwala
3. Mr. Pranav P. Khandwala
4. Ms. Tulsi P. Khandwala
5. Mrs. Bhagyashree P. Khandwala
6. Mrs. Brinda P. Khandwala

Transactions with related parties for the year ended 31st March 2010

[Rs. in lacs]

Transaction	2009-10	2008-09
Brokerage received	5.34	2.86
Remuneration Paid	53.28	40.26
Amount recovered	-	0.00
Advisory fees paid	19.02	7.79
Consultancy charges paid	6.35	5.86
Lease rent received	(0.60)	(0.60)
Investment in Associate Company	337.50	200.00
Outstanding Balance	284.50	272.21
Sundry Debtors	34.32	88.86
Sundry Creditors		

11. As per information and explanation received there are no dues payable to Small Scale Industrial Undertakings as at March 31, 2010.
12. Transaction in foreign currency: (In lacs)
Foreign travel expenses – Rs. 11.66, Previous year Rs. 10.63
Foreign Currency Income – Rs. 1.07, Previous year Rs. 88.22

13. Debtors include:

- (i) Due from a firm in which a director is interested as partner - Rs.143.19 lacs (Previous year Rs.143.19 lacs)
(ii) The above dues have arisen in the normal course of business.

14. Increase in Debtors & Creditors is in line with the growth of business. The creditors are largely from receipt of margin money from the clients while the debtors reflect the pattern of settlement period, wherein year-end date falls within to be settled period.

15. Pursuant to the approval of the shareholders at the Extra Ordinary General Meeting of the company held 3rd December 2007, the company has allotted 18,41,000 share warrants as per the preferential allotment guidelines of SEBI at Rs. 48/- each aggregating Rs. 8,83,68,000/-, out of which 10% has been received at the time of allotment of the share warrants. The balance amount pertaining to 5,56,000 share warrant was received on or before 31st March 2008 and consequently, 5,56,000 warrants were converted into 5,56,000 equity share of Rs.10/- each at a premium of Rs. 38/- per share. The option to convert into equity shares was available only upto 1st July, 2009. So the board of directors passed a resolution at their Board Meeting on 10th July, 2009 to enable the forfeiture of the amount received as 10% upfront from the 12,85,000 warrant holders @ 4.80 per warrant. So we have forfeited Rs. 61,68,000/- which was lying in the Share Application Account. This amount has been added to the "Reserves and Surplus" as a 'Convertible Warrant Forfeiture' Account.

16. Miscellaneous Expenses of Rs. 43,87,199/- includes an exceptional item of Rs. 40 Lakhs, which is a one time settlement charge of an old SEBI case. This explains why the miscellaneous expenses jumped up in the Financial Year 2009-10.

17. Managerial Remuneration:

- (i) Remuneration to Managing Director
Salary and Other Allowances : Rs. 31.05 Lacs (P.Y. Rs. 34.71 lacs)
(ii) Sitting fees to other directors : Rs. 0.90 lacs (P.Y. Rs. 0.80 lacs)

18. Prior Period Expenses represent commission paid to Director for Rs.7,93,802/- for the financial year 2007-2008.

19. The figure of other income includes Income tax interest refunded U/S 234C of Rs. 30,75,651/- for the A.Y. 2000-2001 as per CIT Order U/S 119(2)(a).

20. Liability for Employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder.

KHANDWALA SECURITIES LIMITED

I. Change in Benefit Obligation:	F.Y. 09 -10
Liability at the beginning of the year	14,71,671
Interest Cost	1,23,112
Current Service Cost	2,21,407
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Settlement	-
Liability Transfer in	-
Liability Transfer out	-
(Benefit Paid)	(2,09,065)
Actuarial (Gain) / Loss on Obligations	4,00,508
Liability at the end of the year	20,07,633

II. Fair value of Plan Assets:	F.Y. 09 -10
Fair Value of Plan Assets at the Beginning of the year	11,06,572
Expected Return on Plan Assets	1,40,819
Contributions	7,58,195
Transfer from other company	-
(Transfer to other company)	-
(Benefit Paid)	(2,09,065)
Actuarial gain / (Loss) on Plan Assets	(36,947)
Fair Value of Plan Assets at the end of the year	17,59,574

III. Actual Return on Plan Assets:	F.Y. 09 -10
Expected Return on Assets	1,40,819
Actuarial gain/ (Loss) on Plan Assets	(36,947)
Actual Return on Plan Assets	1,03,872

IV. Amount Recognised in the Balance Sheet:	F.Y. 09 -10
Fair Value of Plan Assets at the end of the year	17,59,574
Liability at the end of the year	20,07,633
Difference	(2,48,059)
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-
Amount Recognised in the Balance Sheet	(2,48,059)

V. Expenses Recognised in the Income Statement:	F.Y. 09 -10
Current Service Cost	2,21,407
Interest Cost	1,23,112
Expected Return on Plan Assets	(1,40,819)
Actuarial (Gain) or Loss	4,37,455
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Transition Liability during the period	-
Expense Recognised in P&L	6,41,155

VI. Balance Sheet Reconciliation	F.Y. 09 -10
Opening Net Liability	3,65,099
Expense as above	6,41,155
Transfer from other company Net	-
Transfer to other company Net	-
Employer's Contribution	(7,58,195)
Amount Recognised in Balance Sheet	2,48,059

VII. Assumptions	F.Y. 09 -10
Discount Rate Previous	7.75%
Rate of Return on Plan Assets Previous	8.00%
Salary Escalation Previous	5.00%
Attrition Rate Previous Year	2.00%
Discount Rate Current	8.00%
Rate of Return on Plan Assets Current	8.00%
Salary Escalation Current	5.00%
Attrition Rate Current Year	2.00%

VIII. Other Details	F.Y. 09 -10
No. Of Members	83
Salary PM	11,31,102
Prescribed Contribution for next year (12 Months)	2,44,440

Note:-

Gratuity is payable as per company's scheme as detailed in the report.

Actuarial gain/ loss is accounted for in the period of occurrence.

As the investment is with the insurance company, list of investments is not available; so expected return is assumed to be available on risk free investments like PPF.

Salary escalation & attrition rate are considered as advised by the company; they appear to be in line with the industry practice considering promotion and demand and supply of employees.

21. The figures for the previous period have been regrouped, rearranged or reclassified wherever necessary to conform to the current period's presentation.

As per our report attached of even date.

For Udyen Jain & Associates
Chartered Accountants

Aniket Kulkarni
Partner

Mem. No: A - 127246

Mumbai

Date :- 09th August, 2010

For and on behalf of the Board of Directors

S.M.Parande
Chairman

Mumbai

Date :- 09th August, 2010

Paresh J. Khandwala
Managing Director

Manisha Srivastava
Company Secretary

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration details

Registration No.	70709	State Code	11
Balance Sheet date	March 31st, 2010		

II. Capital raised during the year (Amount in Thousands of Rupees).

Equity Share	NIL	Rights' Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Development of Funds (Amount in Thousand of Rupees)

	Total Liabilities		Total Assets
Source of Funds	369153		369153
	Paid Up Capital		Reserve & Surplus
	139390		163303
	Secured Loans		Unsecured Loans
Application of Funds	15075		50791
	Net Fixed Assets		Investments
	92481		37292
	Net Current Assets		Misc. Expenditure
	239380		-
	Accumulated Losses		
	-		

IV. Performance of Company (Amount in Thousand of Rupees)

	Turnover		Total Expenditure
	81343		98137
	Profit/(Loss) before tax		Profit/(Loss) after tax
	17518		-17517
	Earning Per Share (Rs.)		Dividend Rate (%)
	-1.66		-
	(Face Value of Share Rs.10)		

V. Generic names of Three Principal Products / Services of Company (as per monetary terms)

Production Description	Item Code No.
Corporate Advisory Services, Investment in Securities and Underwriting/Broking	N.A.

As per our report attached of even date.

For Udyen Jain & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Aniket Kulkarni
Partner
Mem. No: A - 127246

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Manisha Srivastava
Company Secretary

Mumbai
Date : 09th August, 2010

Mumbai
Date : 09th August, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
A. Cash flow from operational activities		
Net (Loss)/Profit before tax adjusted for prior period items and excess provisions for tax written back	(17,518,248)	26,569,848
Adjustments for:		
Depreciation	4,570,762	4,411,973
Loss on sale of fixed assets	-	1,660
(Profit) on sale of Investments	(2,345,234)	(457,750)
Interest Income	(5,509,953)	(6,968,704)
Finance Expenses	6,592,578	6,743,904
Lease Rental	(1,260,000)	(1,260,000)
Provision for Diminution in investments/ Stock	12,450	4,736,865
Sundry balance written back /written off	6,598	(86,618)
Dividend Income	(259,285)	(173,907)
Excess Depreciation written back	-	-
	<u>1,807,917</u>	<u>6,947,423</u>
Operating profit before working capital changes	(15,710,331)	33,517,271
Adjustments for:		
Inventories	2,715,443	6,249,842
Trade Receivables & Other Receivables	54,441,379	(13,751,341)
Current Liabilities & Provision	(54,007,755)	3,149,068
	<u>3,149,068</u>	<u>(13,588,099)</u>
Cash generated from operations	(12,561,263)	12,427,673
Direct taxes Refunded / (paid)	(1,092,047)	(3,567,353)
Net cash (used in) / generated from operating activities	(13,653,310)	8,860,320
B. Cash flow from investing activities		
Purchase of fixed assets	(5,031,277)	(1,685,834)
Proceeds of sale of fixed assets	-	2,000
Sale/ (Purchase) of Investments (net of purchase)	7,226,151	11,481,573
Investment in Shares of Associate Company	(13,750,000)	(19,000,000)
Interest received	5,629,591	6,149,358
Dividend received	208,388	96,366
Net cash (used in) / generated from investing activities	(5,717,147)	(2,956,537)

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
C. Cash flow from financing activities		
(Repayment)/Proceeds from long term borrowings(net)	(77,688)	(15,650,174)
Repayment of Preference Share capital	-	(15,000,000)
Interest and other Finance charges	(3,852,186)	(4,993,904)
Payment of preference dividend and tax thereon	(2,339,900)	(1,611,006)
Net cash (used in) / generated from financing activities	(6,269,775)	(37,255,084)
Net increase/(decrease) in cash and cash equivalents	(25,640,232)	(31,351,300)
Cash and Cash equivalents (opening balance)	103,231,107	134,582,407
Cash and Cash equivalents (closing balance)	77,590,875	103,231,107
	<u>(25,640,232)</u>	<u>(31,351,300)</u>

As per our report attached of even date.

For Udyen Jain & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Aniket Kulkarni
Partner
Mem. No: A - 127246

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Manisha Srivastava
Company Secretary

Mumbai
Date : 09th August, 2010

Mumbai
Date : 09th August, 2010

AUDITOR'S CERTIFICATE

We have verified the attached cash flow statement of Khandwala Securities Limited for the year ended March 31, 2010 prepared by company and certify that statement has been derived from and based on the financial statement of the company audited by us and has been prepared in accordance with Clause 32 of the Listing agreement with Stock Exchanges requirements.

For **Udyen Jain & Associates**
Chartered Accountants

Aniket Kulkarni
Partner
M.No:- A 127246

Date: 09th August 2010
Place: Mumbai

KHANDWALA SECURITIES LIMITED

Registered Office : Ground Floor, Vikas Building, Green Street, Fort, Mumbai - 400 023.

ATTENDANCE SLIP

(Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and handover the same at the entrance of the meeting hall).

I CERTIFY THAT I AM A REGISTERED SHAREHOLDER / PROXY FOR THE REGISTERED SHAREHOLDER OF THE COMPANY.

I hereby record my presence at the Seventeenth ANNUAL GENERAL MEETING of the Company at C.K. Naydu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 24th September 2010 at 12:30 p.m.

Folio No./ Client ID / DPID _____ No. of Shares held: _____

Signature

Full Name of the Shareholder/
Proxy (in BLOCK letters) _____

(i) Member : _____

(ii) Proxy : _____

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING

KHANDWALA SECURITIES LIMITED

Registered Office : Ground Floor, Vikas Building, Green Street, Fort, Mumbai - 400 023

PROXY FORM

Folio No./ Client ID / DPID _____ No. of Shares held: _____

I/We _____

of _____

being member/members of the KHANDWALA SECURITIES LIMITED, hereby appoint _____

_____ or failing him. _____

_____ of _____

AS MY/OUR PROXY TO VOTE FOR ME/US AND ON MY/OUR BEHALF AT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON C.K. NAYDU HALL, CRICKET CLUB OF INDIA (CCI), BRABOURNE STADIUM, CHURCHGATE, MUMBAI 400 020 ON FRIDAY, 24TH SEPTEMBER 2010 AT 12:30 P.M. AND AT ANY ADJOURNMENT THEREOF

Signed this _____ day of _____ 2010.

AFFIX RE.
1/- REVENUE
STAMP

(Signature of the Shareholder)

Note : This Proxy form duly completed should be deposited at the Registered Office of the Company before not less than 48 hours of the meeting. A Proxy need not be a Member.

Book - Post

If undelivered, please return to :

KHANDWALA SECURITIES LIMITED

Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai - 400 023