

20TH ANNUAL REPORT

2012-13



Wealth Visionaries

OUR MANTRA

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

Institutional Equity : Investment Banking : Investment Advisory : Private Wealth

Service Differentiators:

- **Strategic Advice** - Ability to identify, structure and implement unique investment strategies.
- **Smart Trading** - Established, proven and efficient execution capabilities
- **Multiple Investment Advice** - supported through a customized Open Architecture Service
- **Multiple Execution Points** - Service supports Wide Array of Choice for Clients
- **Superior Technology** - Service to be delivered around New Generation Technology Platform

www.kslindia.com

BOARD OF DIRECTORS

Mr. Shreedhar Parande (Chairman)
Mr. Paresh J. Khandwala (Managing Director & CEO)
Mr. Rohit Chand
Mr. Kalpen Shukla
Mr. Brijmohan Rai Bahl
Mr. Pranav P Khandwala
Mr. Homiar N. Vakil

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Bhumika Jani

REGISTERED OFFICE

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

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
Sir P. M. Road, Fort,
Mumbai 400 001.

HDFC Bank Ltd.,
Manekji Wadia Bldg.,
Nanik Motwani Marg, Fort,
Mumbai 400 001

Canara Bank
Stock And Commodity Exchange Branch,
N.S.E., Fort Branch,
Mumbai 400001

REGISTRARS & TRANSFER AGENTS

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

LEGAL ADVISOR

Mulla & Mulla & Craigie Blunt & Caroe
(Advocates, Solicitors & Notaries)
Mulla House, 51, M.G. Road,
Mumbai 400 001

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NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of **Khandwala Securities Limited** will be held at C. K. Nayudu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 20th day of September, 2013 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 2013 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 and Mr. B. R. Bahl who retire by rotation and being eligible, offers themselves 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.

By Order of the Board of Directors

Bhumika Jani

Company Secretary

Date: 13th August, 2013

Place: Mumbai

NOTES

1. **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.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 13th September, 2013 to 20th September, 2013 (both days inclusive) for the purpose of Annual General Meeting.
3. 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.

4. 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.
5. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
6. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
7. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
8. 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.
9. 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.

Ministry of Corporate Affairs ("MCA"), Government of India has taken a "Green Initiative in Corporate Governance" by allowing paperless communication by Companies. MCA vide its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively allowed the service of notice / documents by a company to its Members to be made through electronic mode, after giving an advance opportunity to the Member to register his e-mail address and changes therein from time to time with the Company or with the concerned depository. Keeping this in view, your Company proposes to send documents such as the Notice of the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, Explanatory Statement etc., henceforth to such Members in electronic mode, who opt for the same. We have enclosed a Form for you to exercise your option by submitting the same to us either by e-mail at investorgrivances@kslindia.com or by sending registered post at the Registered Office of the Company addressed to the Company Secretary after your signature. In this behalf, we are confident that you would appreciate the "Green Initiative" taken by MCA. We solicit your co-operation in helping the Company to implement the e-governance initiatives of the Government.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting herewith the Twentieth Annual Report along with Audited Statement of Accounts for the financial year ended on 31st March 2013.

FINANCIAL HIGHLIGHTS

The performance of the Company for the Financial Year ended 31st March, 2013 is summarized below:-

(Rs. in Lakhs)

Particulars	Year ended 31 st March 2013	Year ended 31 st March 2012
Total Income	440.03	599.42
Interest & other Financial Charges	32.83	39.60
Depreciation	32.97	39.53
Profit / (Loss) before Tax and prior period item	(35.83)	(58.31)
Less: Prior Period item	-	-
Provision for Tax (including Deferred Tax & Fringe Benefit Tax)	(0.83)	(3.32)
Profit / (Loss) after Tax	(35.00)	(54.99)
Appropriations		
Dividend on Preference Shares	-	-
Provision for Corporate Tax on Dividend	-	-
Surplus / (Deficit) carried forward	702.00	737.00
Reserves and Surplus	1586.41	1621.41

RESULTS OF OPERATIONS

The Revenue for the year decreased from Rs.599.42 lacs to Rs. 440.03. The Profit before interest, exceptional items, prior period expenses and taxation registered a decrease from of Rs. (58.31) Lacs in the FY 2012 to Rs. (35.83) Lacs in the current FY 2013.

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

Your Directors do not recommend Equity dividend for the financial year under review to conserve the resources.

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. Brijmohan Rai Bahl

and Mr. Shreedhar M. Parande being Non-Executive Independent Directors retire by rotation and, being eligible, offer themselves 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.

RECONCILIATION OF SHARE CAPITAL

Your Company voluntarily appointed M/s. Bhuvnesh Bansal & Associates, Practicing Company Secretary, to conduct Share Capital Audit of the Company for the financial year ended March 31, 2013. The Reconciliation of share Capital 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.

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, 2013 and of the profit or loss of the Company for the year ended March 31, 2013.
- (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, 2013 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 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: 27th May, 2013

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. 0.14 Lacs (previous year – Rs. 0.32 Lacs)
Foreign Exchange Outgo	: Rs. 15.85 Lacs (previous year – Rs. 2.03 Lacs)

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

S M Parande
Chairman

Date: 27th May, 2013

Place: Mumbai.

MANAGEMENT DISCUSSION AND ANALYSIS**ECONOMY OVERVIEW**

India continues to witness a very challenging economic environment. Growth remained weak and continued to decline throughout 2012-13 (FY2013): 5.5% in Q1, 5.3% in Q2, followed by 4.5% in Q3, the last being the lowest quarterly growth in a decade. For FY2013, growth is expected to be in the neighborhood of 5% — much below the 6.2% recorded for FY2012. Declining growth is not the only economic problem. The current account deficit, which stood at 4.2% of GDP for FY2012, is expected to be around 5% for FY2013. Notably, the deficit for Q3 was a very high 6.7% mainly due to high imports of oil and gold. Both wholesale price inflation (WPI) and consumer price inflation (CPI) have remained uncomfortably high through the later part of the year.

The WPI started declining only towards the end of FY2013 with a fall in core inflation; the CPI, however, continued to remain high on account of food inflation. There were some positive developments on the monetary front. The Reserve Bank of India (RBI) began FY2013 with a higher than expected 50 bps policy rate cut in April 2012. This was followed by two further cuts in the policy rate of 25 bps each — resulting in a total of 100 bps repo rate cut through the year. Therefore, while the RBI's policy stance remains focused on containing inflation, it has shown some adjustment to marginally ease interest rates. It has also eased liquidity in FY2013 by cutting the CRR by 75 bps across the year and giving a fillip to open market operations worth 1.3 trillion.

During the second half of the fiscal year, the Government of India announced several reforms & measures such as increasing fuel prices and giving oil marketing companies greater freedom to adjust prices to reduce subsidy burden in tandem with global price of crude; opening of foreign direct investment (FDI) in different sectors, especially retail; and setting up a high level committee to address much needed infrastructure investment; simplification of debt limits for foreign institutional investors (FII); and a fiscal consolidation plan under the aegis of the new Finance Minister. Simultaneously, oil, gold and other commodity prices have begun to ease.

However, it is also imperative to address regulatory delays, infrastructure bottlenecks, inflation, and sustenance of reforms and creation of more skilled jobs. As stability in inflation sustains, liquidity improves and fiscal deficit remains contained, it would lead to further interest rate softening. Monetary easing should eventually help lower the cost of borrowing, and revive the business investment cycle.

INDUSTRY OVERVIEW**INDIAN EQUITY MARKET**

The Indian capital markets have performed better than

most others during this financial year. Beginning of FY13 bought some respite to investors, after a dismal FY12. The year started on a worrying note, owing to announcement of retrospective taxing of FIIs. However, a change of guard at Finance Ministry turned things around, with Government announcing a series of reforms like FDI in retail, diesel price hike and restructuring of SEBs etc.

ECB's announcement of OMT (Outright Monetary Easing) and Fed's QE3 further added liquidity and support to markets. This resulted in India's outperformance among Emerging Markets, with FIIs pumping in ~USD 26 billion of inflows during the year. However, markets corrected in the last quarter owing to global cues and political uncertainty faced by Government. Within Capital Markets however, fresh capital raising activity continued to suffer the most with capex investment cycle grinding to a near halt.

Going forward, FY14 looks like a year of improving macros, but pessimism could remain an overhang on the markets with national elections barely a year away and corporate business confidence being low.

The Primary Market

Riding on the wave of disinvestment of public sector undertakings, promoters of Government and private companies managed to collect over Rs 34,000 crore by selling shares in the primary market during 2012-13. This is 44 per cent higher than 2011-12 figures.

Fund mobilisation in 2012-13, would have been much lower but for the 35 offers-for-sale (OFS) done through the stock exchange auction system. PSUs dominated the year with a total collection of Rs 23,857 crore or 69 per cent of the total amount. The entire amount was through divestments.

There were a total of 68 initial public offerings, compared with 37 issues in the preceding year. On the other side, 35 OFS raised Rs 28,024 crore, compared with Rs 18,096 crore mobilised by three companies in the preceding year. All these OFS, prompted by SEBI guidelines, were required to dilute promoter holdings.

The Secondary Market

The BSE Sensex was up 8% for the fiscal FY 2013, after declining 10% in FY 2012. It saw positive returns in each of the first three quarters of FY 2013. But a decline of 3% in Q4 FY 2013 lowered Sensex returns for the full year.

On a relative basis, the Sensex performed better than the benchmarks of emerging market peers like China, Brazil, but underperformed developed markets like USA, UK, Germany and Australia. In terms of the broader market, the BSE Midcap Index was down 4% for the fiscal year. With macro headwinds and policy uncertainties impacting sentiments, domestic retail and institutional investors shied away from Indian equities.

However following deferment of GAAR proposals, FIIs pumped in net inflows each month this fiscal since Jul 2012. FIIs are now the second biggest holders of Indian equities

after promoters. Inflation, interest rates and currency had an impact on profit margins of companies. As mean reversal occurs in the economic variables, it should help corporate by fuelling operating cash flows, improving margins, reducing debt, and eventually lead to an uptick in market performance.

BSE market capitalization stood at R 65.32tn in March 2013, up 5% for the year. With the depreciation in the average INR / US\$ exchange rate this year, the market capitalization was down 2% YoY to US\$1.21tn in US dollar term

EMERGING MARKETS

FY 13 was a volatile year for Emerging Market equities with markets rallying in Q2 and Q3 of FY 13 but declining in the first and last quarters. Improvement in US data, Japan's "Abenomics" and growth not recovering in Emerging Markets resulted in the outperformance of Developed Markets.

Among Emerging Markets, Brazil, Russia and South Africa were among the worst performers, while smaller markets namely Turkey, Philippines and Mexico outperformed. Main highlights of FY 13 were ECB's commitment that it will do anything to save the Euro and Quantitative Easing in US. Going forward in FY 14, global liquidity should continue to remain high. However, growth would be the main attraction of foreign investors to Emerging Market equities

DEBT MARKET:

The Government's commitment to rein in fiscal deficit and associated reforms in H2FY13 were welcomed by debt markets. These steps have ushered a regime of much needed fiscal discipline and averted the spectre of a sovereign rating downgrade. This together with reduction in repo rates resulted in a sharp uptick in appetite for debt market instruments in second half of the year compared to a cautious first half.

The efforts of Government and regulatory bodies continue to be directed at deepening bond markets, especially the Corporate Debt segment, where volumes are yet to pick up. Attracting liquidity to various sub-segments is key to achieving this momentum and it is with this objective that SEBI has decided to provide a dedicated debt segment on the exchanges. The availability of a screen based trading interface is expected to bring in increased pricing transparency, thereby widening investor base and ramping up liquidity. This can potentially have a favourable impact on some of currently dormant initiatives like Corporate Bond Repos and CDS, which are imperative for an integrated debt market ecosystem. With the monetary transmission being more efficient in bond markets, a large number of top rated corporate have mobilized significant amount of debt capital in the beginning of FY 14, which augurs well for the bond markets.

Other big-ticket reforms in debt space have been enhancement of FII debt limits and liberalisation of FII debt investment norms. FII appetite for Indian rupee debt was robust despite weakening currency and net foreign

flows into Indian bonds aggregated around USD 5 billion in FY13. The Government responded to FII demand by hiking investment limits by USD 10 billion in Government long-term debt and USD 5 billion in corporate long-term debt. Overall, investment process was also further simplified and an auction mechanism to secure limits has been replaced by an "on-tap" system in case of corporate debt until limit utilization reaches 90%. These reforms coupled with improving macroeconomic outlook will keep up the pace of FII inflows

Outlook

Since the start of this financial year, the rupee has depreciated 9.89% against the dollar in the last three months and, it has become the worst performer among the major Asian currencies after losing 13.83% of its value since it touched the low of 61.21 against the dollar on July 8th. The rupee has been depreciating sharply, in-line with outflow of foreign capital, which increased the demand for the dollar at the domestic front.

It is therefore critical to see stability in rupee than outguessing when RBI is going to reverse its policy measures. In this backdrop, it would be prudent to be conservative for time being until dust settles down. The panic in debt market has resulted into rise in yields across the curve with short term rates going up by more than 200bps and long term yields rising more than 50bps. Amidst these uncertainties, the shorter end offers selective investment opportunity by investing into FMPs and CD oriented funds as the accruals are closer to double digit. On duration, at this juncture, it would be advisable to be on sidelines until clarity on rupee emerges along with persistence of external risks.

The RBI measures has been with an objective to tighten liquidity leading to rise in short term yields which in turn would – a) arrest rupee depreciation by making rupee dearer, and b) deter speculative activity in forex as the cost of carry increases. Post the measures, while the debt market witnessed heightened volatility with yields rising across the board, the impact on rupee has been limited.

We expect FY 2014 to be another volatile year in fixed income markets. We expect the 10-Year G-Sec benchmark to trade in the range 8.15%-9% in the near-term. 10-Year AAA Corporate bond spreads are likely to remain at the current levels of ~100 bps and 1-Year CD rates are expected to ease by ~100 bps.

FII & MF Activity in Equity Markets:

FII net inflows were R 1.40tn in FY 2013, about 3x that of FY 2012 and also above the INR 1.10tn seen in FY 2010 and FY 2011 each. Net inflows were highest in the months of Sep, Oct, Dec, Jan and Feb. DII activity was in sharp contrast. Mutual funds saw redemptions as equity investors pulled out of the markets and instead went for fixed deposits etc. Equity funds lost sizable investor folios this year. Thus, DIIs were net sellers for the third successive year and saw net outflows in each of the three quarters since Q2 FY 2013 OF INR 691bn.

AN OVERVIEW OF KSL:

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

Financial Highlights:

The salient features of the Company's performance:-

Total Revenues of Rs. 440.03 Lakhs

Net Profit / Loss of Rs. (35 Lakhs)

Earning Per Share (EPS) of Rs. (0.29)

Segment Highlights – FY13 over FY12:

(Rs. In Lacs)

Segment	Revenue Financial Year ended on 31 st March 2013	Revenue Financial Year ended on 31 st March 2012
Brokerage	153.90	206.40
Corporate Advisory Services	126.46	45.95
Income from Capital Market Operations	26.96	83.27
Income From Investments	5.23	-
Other	127.41	263.79
Total Income	440.03	599.42

Ratios	2012-13	2011-12
Debt/Equity (Loans/Shareholders Funds)	0.13	0.13
Book Value (Rs.)	23.29	23.58

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 are supported by a strong research platform.

Income received for brokerage services, had accounted for approximately 34.97% of our total revenues at Rs. 440.03 Lacs for the year ended March 31, 2013.

Your Company also trades 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 Bloomberg 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 Baking 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:

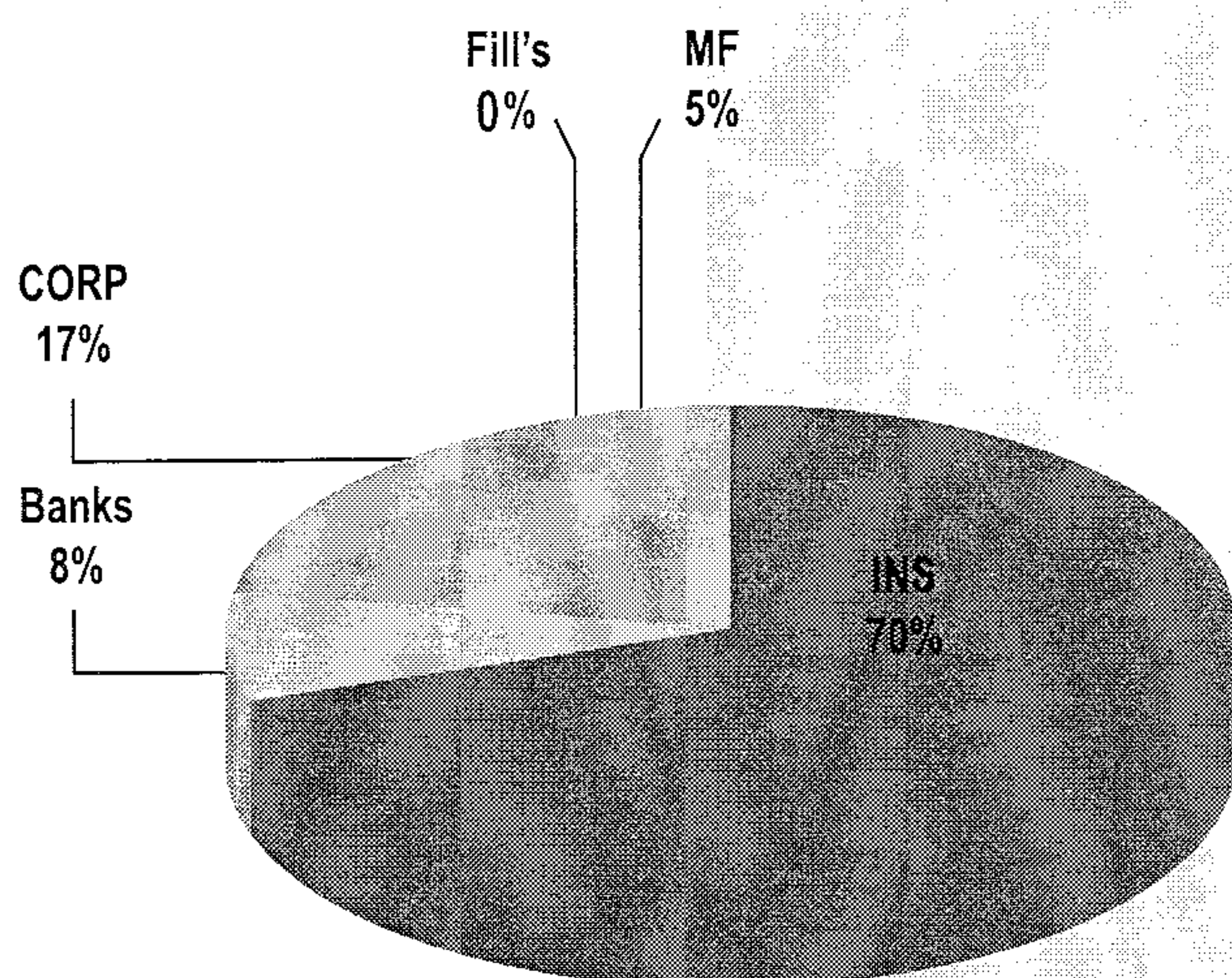
Equity and derivatives brokerage business of the Company contributed 25.67% of the consolidated revenue during this financial year. The Company's revenue of Rs. 440.03 Lacs for the year showed a decrease of 26.59% over the previous year corresponding to a comparable increase in volume. However it is 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 24 institutional investors actively transacting with us on a continuous basis.

The category wise contribution from the Institutional Dealing Desk to our revenues has been mentioned in the table below which shows a decrease of 45% during the Fiscal Year 2012-13 over previous financial year 2011-12.

Category	Brokerage Revenue during FY 12-13	Brokerage Revenue during FY 11-12	Brokerage Revenue during FY 10-11
MF	827062	943803	2405185
INS	10731422	1032983	2835556
BANKS	1270377	2328332	4441702
CORP	2560610	1233600	459400
FII's	0	0	0
Total	15389471	5538718	10141844



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 Bloomberg 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 a good number of Trading Accounts for various segments (Cash, Derivatives and Currency Futures) during the period 1st April 2012 to 31st March 2013.

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 advice, 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.

Private Equity:

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. 1.51 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 Bloomberg 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 investor's 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.

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 knowledgeled 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.

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

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 1 (One) 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.

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:

We firmly believe that Indian economic growth and hence growth of financial services sector presents us exciting opportunities as under:

India's long-term growth story remains intact notwithstanding declining growth in the past year or two. This presents exciting and large opportunities for us to grow our various businesses in the medium to long term, though short-term pain remains a possibility. Broadly, financial services markets are expected to grow four to five folds by 2020 as per our path-breaking India 2020 Research Report.

Our retail businesses are scaling up well and we are strategically placed to garner our share of growth in this client segment.

Increasing use of internet or mobile-based technologies for financial transactions presents vast opportunities for techsavvy companies to offer convenient solutions to customers. Our online options in Life Insurance and online & mobile options in retail broking aim to capture this opportunity.

Macroeconomic environment including inflation above the threshold of RBI, limited scope to further reduce interest rates, liquidity issues, high fiscal and Current Account Deficit, political uncertainty that refuses to go away and Eurozone developments can derail the return of growth. While monsoon is predicted to be normal this year, it remains an indeterminate factor.

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:

Indian Stock Markets had a mixed year in 2012-13. Multiple headwinds like inflation, volatile commodity prices, slowdown in the investment cycle, policy slowdown, depreciating Rupee impacted corporate performance and earnings visibility. However, news flow in the second half of the year like moderation in Wholesale Price Index due to easing in commodity prices and some action on reforms created positive triggers. However due to further depreciation of the Rupee against the US Dollar at 60 levels limited the scope of a further rate cut by RBI. It has pegged the outlook for inflation at 5.5% and GDP growth at 5.2% for FY 14. Given that FY 14 is likely to be a second consecutive year of sub-6% growth, the operating environment in FY14 may not be significantly different from that of FY 13, as macro-headwinds will take some time to abate.

Given this none-too-rosy scenario for FY14, the mantra for this year will be improving operating efficiency. 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. With the long-term India growth story intact and given the diversified model of KSL, we are confident of capturing our share of growth and build Edelweiss as per the Vision that we have.

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: 27th May, 2013

Place: Mumbai.

CEO/CFO Certificate

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. To the best of our knowledge, the management has not entered any transaction which is of fraudulent illegal and violative of the Company's code of conduct.
5. 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;
6. 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
7. The Management has 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, any instances of significant fraud of which they are aware

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

Paresh Khandwala
Managing Director

S. M. Parande
Chairman and Director

Date: 27th May, 2013
Place: Mumbai.

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

CORPORATE GOVERNANCE REPORT

Corporate Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Corporate Governance is a mechanism for monitoring the actions, policies and decisions of corporations. It involves the alignment of interests among the stakeholders.

The Board of Directors of your company takes the responsibility for maintaining sound principle of Corporate Governance. As a part of it, we have laid a foundation for good corporate governance that helps to maintain transparency and encourage timely disclosures, encompassing good corporate practices, procedures, standards and implicit rules in the working of the Company. It has always been an integral part of your Company's philosophy.

The Board structure of your Company is as per the Clause 49 of the listing agreement that deals with Corporate Governance norms and disclosure requirements that a listed entity should follow.

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.

MANDATORY REQUIREMENTS:

I) 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 seven Directors as on date out of which six 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.

A) Composition:

The Board has an optimum combination of executive and non executive Directors and presently comprises of seven Directors as on date out of which six are Non-Executive Directors. The Managing Director is responsible for the conduct of the business and day to day affairs of the Company. The position of Chairman and of the Board and the Executive Officer of the Company are held by separate individuals, where the Chairman of the Board is a Non- Executive and Independent Director.

The details of Board of Directors is provided herein 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. Brijmohan Rai Bahl	Non Executive, Independent Director
Mr. Pranav P Khandwala	Non – Independent , Non-Executive Director
Mr. Homiar N. Vakil	Non Executive, Independent Director

B) Appointment and Tenure:

The Directors of the Company are appointed by members at the General Meetings of the Company. All the Directors except the Managing Director are eligible to retire by rotation, offer themselves for re-appointment. The Executive Director being Managing Director of the Company is appointed for the term of five years in accordance with the terms of the contract of service signed as per the requirement of the statute.

Directors seeking re-appointment

a. Mr. S M Parande, Director and Chairman seeks re-appointment

Education qualification:

B. Sc. Gold Medallist, 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.

Experience:

He is working with KSL as long as from its incorporation. He has worked in the International Banking and was responsible

for setting up the first hundred percent International Business Banking Branch of State Bank of India. Was then posted to State Bank, Frankfurt, West Germany (for 5 and half years), and looked after the operation in Germany and rest of Western Europe.

Upon return looked after the corporate planning of State Bank of India in the Chairman's office before being selected to set up SBI Capital Markets Ltd as Executive Director. In SBI Caps I was responsible for setting up the SBI Mutual Fund, the first Mutual Fund set up in 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. He also handled the public issues of a few hundred companies as also the syndication of debt and advisory services for all corporates.

Name of the Company	Designation
Today's Writing Product Ltd	Director
Accentia Technologies Ltd	Director
Shreshta Marketing Fin. & Services Ltd	Director
Greater Bombay Co-operative Bank Ltd	Director

b. Mr. Brijmohan Rai Bahl, Independent Director, seeks re –appointment

Education qualification:

B.Com, Sri Ram College of Commerce, New Delhi
LLB, Faculty of Law, New Delhi
Business Management, British Institute for Management, London

Experience:

Mr. Bahl has started his career with Union Carbide Limited, Calcutta as O&M, Executive in the EDP Department, where he developed an Accounting and Systems Manual for the company or all manufacturing and commercial operations on the Computer coding system in the Company for the first time in India. Thereafter he joined ACC Vickers Babcock Limited, a Tata Company as Assistant Company Secretary and Manager Accounts in the year 1970. Gradually he rose to the position of Senior Vice President and Company Secretary of Tata Chemicals Limited, a flagship company of the Tata Group. He served Tata Chemicals for over 25 years and retired in 2001.

He is presently the Managing Partner of B. R. Bahl and Associates- Legal Division and B R. Bahl and Associates- Human Resource Division.

Other Directorship:

Name of the Companies / firms	Nature of Interest (Directorship/ Partnership / Committee position)
1 Associated Building Co.Ltd.	Director
2 Bhakti Capital and Advisors Ltd.	Director
3 Hindustan Composites Ltd.	Director

C) Board Meetings:

The Board meets at regular intervals of time to consider the accounts, review of operations, formulate corporate policies and set up goals. The notice of the same is given well in advance to all the Directors and agenda papers are tabled at the time of the Meeting.

The details of the Board meetings held during the year and attendance of the Directors in all the Board meetings and Annual General meeting are as mentioned below:

i) Details of Board Meetings held during the year:

Date of Board Meeting	12.05. 2012	09.08. 2012	12.11. 2012	09.02. 2013
Board Strength	7	7	7	7
No. of Directors present	6	7	6	7

ii) Attendance in the Annual General Meeting:

Date of 19 th Annual General Meeting	25.07.2011
Board Strength	7
No. of Directors present	6

II) Board Committees:

Board Committees assists the Board in executing their duties, powers and authorities. The role and responsibility of each Committee are mentioned in the Listing Agreement in respect to the same 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 Public 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 Board has constituted following committees viz;

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

Name of the Director	Attendance Particulars		Committee Membership / Chairmanship		No. of Other Directorships / Committee Memberships / Chairmanship		
	No. of Board Meeting	19 th AGM	Committee Memberships	Committee Chairmanships	Other Directorships	Committee Memberships	Committee Chairmanships
Paresh Khandwala	4/4	Yes	2/4	1	1	1	Nil
S. M. Parande	3/4	No	2/4	2	4	Nil	Nil
Rohit Chand	4/4	Yes	3/4	Nil	5	7	Nil
Kalpen Shukla	4/4	Yes	2/4	1	Nil	Nil	Nil
Brijmchan Rai Bahl	4/4	Yes	3/4	Nil	3	Nil	Nil
Pranav P Khandwala	4/4	Yes	0/4	Nil	1	1	1
Homiar N. Vakil	3/4	Yes	Nil	Nil	Nil	Nil	Nil

Note: Directorship in Private Companies not considered

1. 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 , Mr. B.R. Bahl 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, four meetings of Audit Committee of the Board were held on 12th May 2012, 9th August 2012, 12th November 2012 and 9th February 2013.

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	4	3
Mr. Kalpen Shukla	4	4
Mr. Rohit Chand	4	4
Mr. B. R. Bahl	4	4

2. 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. B.R. Bahl and Mr. Rohit Chand. Remuneration Committee being a non mandatory committee the members met as per the necessity on 4th July 2012 and 9th February 2013.

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 2013 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	Commi-ssion	Perquisites and Allowance	Total	Tenure of Appt.
Mr. Paresh J Khandwala	Rs.31,25,006/-	NIL	NIL	Rs.31,25,006/- (Thirty One Lacs, Twenty Five Thousand and Six only)	1 st January 2010 to 31 st December 2014

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

Remuneration to Non-Executive / Independent Directors

Non-Executive / Independent Directors do not 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 2012-2013.

Name of Director	Sitting Fees
Mr. S. M. Parande	15,000
Mr. Kalpen Shukla	20,000
Mr. Rohit Chand	20,000
Mr. Brijmohan Rai Bahl	20,000
Mr. Pranav P Khandwala	NIL
Mr. Homiar N. Vakil	15000

3. 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 Shareholder/ Investor Grievances Committee comprises of two Non executive Directors as per the Listing Agreement. The Committee is headed by Mr. S M Parande and has Mr. Rohit Chand and Mr. Paresh Khandwala as other members. The Company Secretary of the Company acted as the Compliance Officer.

Shareholders/ Investors Grievances Committee is a mandatory Committee and there is no such limit for conduct of meeting. The date on which the meeting of the Committee was held is 30th July 2012.

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	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 2013.

4. 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. Brijmohan Rai Bahl. During the year the Committee had no meetings.

III) General Body Meetings:

Annual General Meetings

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

Name of Meeting	Day, Date and Time	Venue
19 th Annual General Meeting	Friday, 28 th September 2012 at 12.00 noon	C.K. Nayudu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
18 th Annual General Meeting	Monday, 25 th July 2011 at 4.00 p.m.	C.K. Nayudu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
17 th Annual General Meeting	Friday, 24 th September 2010 at 12.30 p.m.	C.K. Nayudu Hall, 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 the previous year which is required to be passed through postal ballot. There is no Special Resolution proposed to be conducted through postal ballot.

IV) 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.

V) 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.

VI) General Shareholder information

i. Date and Venue of the Annual General Meeting

The Twentieth Annual General Meeting of the Company is scheduled to be held at C. K. Nayudu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 20th September, 2013 at 12.30 p.m.

ii. Financial Year of the Company

The financial year of the Company is from 1st April 2012 to 31st March 2013.

iii. Dates of Book Closure

13th September, 2013 to 20th September, 2013 (both days inclusive)

iv. The Board of Director do not recommend equity dividend for the financial year under review.

v. 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).

vi. Stock Code

The Stock Exchange, Mumbai (BSE): 531892

National Stock Exchange of India Limited : KHANDSE

ISIN No for NSDL/CDSL : INE060B01014

vii. Listing fees to Stock Exchanges

The Company has paid Listing Fees to all the above stock exchanges for the year 2013-2014 where the shares of the Company are listed.

viii. Custodial Fees to Depositories

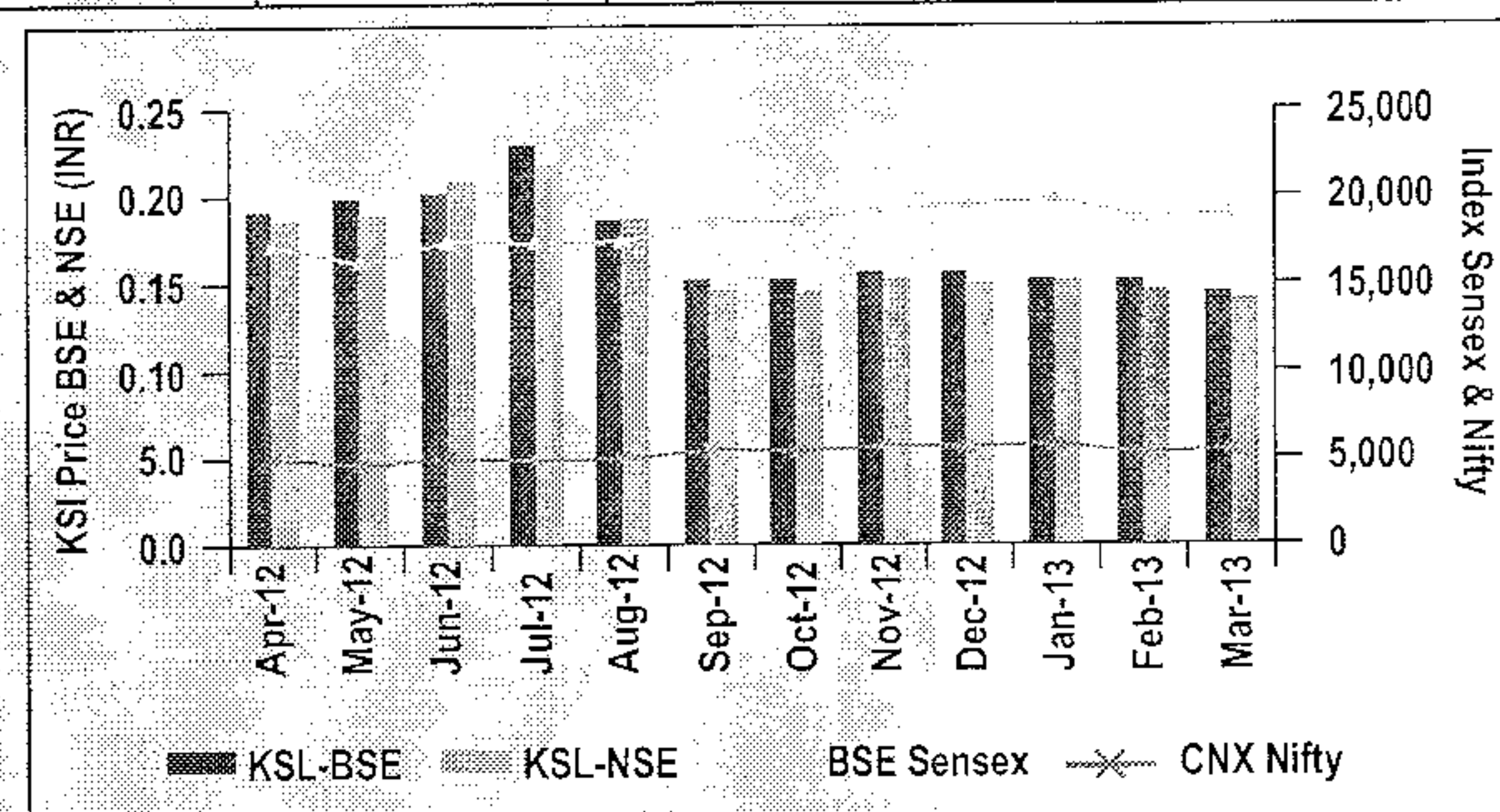
The Company has paid the custodial fees for the year 2013-14 to National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) on the basis of number of beneficial accounts maintained by them as on March 2013.

ix. 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

	KSL - BSE	KSL- NSE	BSE Sensex	CNX Nifty
Apr-12	19.6	19.0	17,319	5248
May-12	20.0	19.5	16,219	4924
Jun-12	20.8	21.5	17,430	5279
Jul-12	22.7	22.0	17,236	5229
Aug-12	19.3	19.3	17,430	5259
Sep-12	17.4	17.0	18,763	5703
Oct-12	17.0	16.0	18,505	5620
Nov-12	16.3	16.0	19,340	5880
Dec-12	16.5	16.1	19,427	5905
Jan-13	16.1	16.1	19,895	6035
Feb-13	16.0	15.3	18,862	5693
Mar-13	15.5	14.3	18,836	5683



Date	KSL - NSE				KSL - BSE			
	High	Low	Close	Volume (Nos.)	High	Low	Close	Volume (Nos.)
Apr-12	20.4	16.2	19.6	28,060	19.5	16.2	19.0	10,476
May-12	21.0	17.5	20.0	23,730	20.0	17.4	19.5	11,340
Jun-12	22.5	18.5	20.8	26,770	22.5	17.7	21.5	9,362
Jul-12	24.0	18.1	22.7	30,310	24.5	20.0	22.0	31,942
Aug-12	23.8	19.3	19.3	16,020	22.8	19.2	19.3	11,346
Sep-12	20.7	16.6	17.4	31,340	21.5	15.4	17.0	21,608
Oct-12	18.0	16.5	17.0	20,270	18.6	15.2	16.0	24,814
Nov-12	17.5	15.5	16.3	10,050	16.7	14.8	16.0	4,584
Dec-12	16.5	14.8	16.5	15,100	16.1	15.1	16.1	5,750
Jan-13	17.4	15.6	16.1	20,680	16.9	15.1	16.1	7,378
Feb-13	16.8	14.8	16.0	18,550	16.7	13.8	15.3	17,054
Mar-13	17.0	14.4	15.5	13,410	15.8	14.3	14.3	19,210

x. Registered Office

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

xi. 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

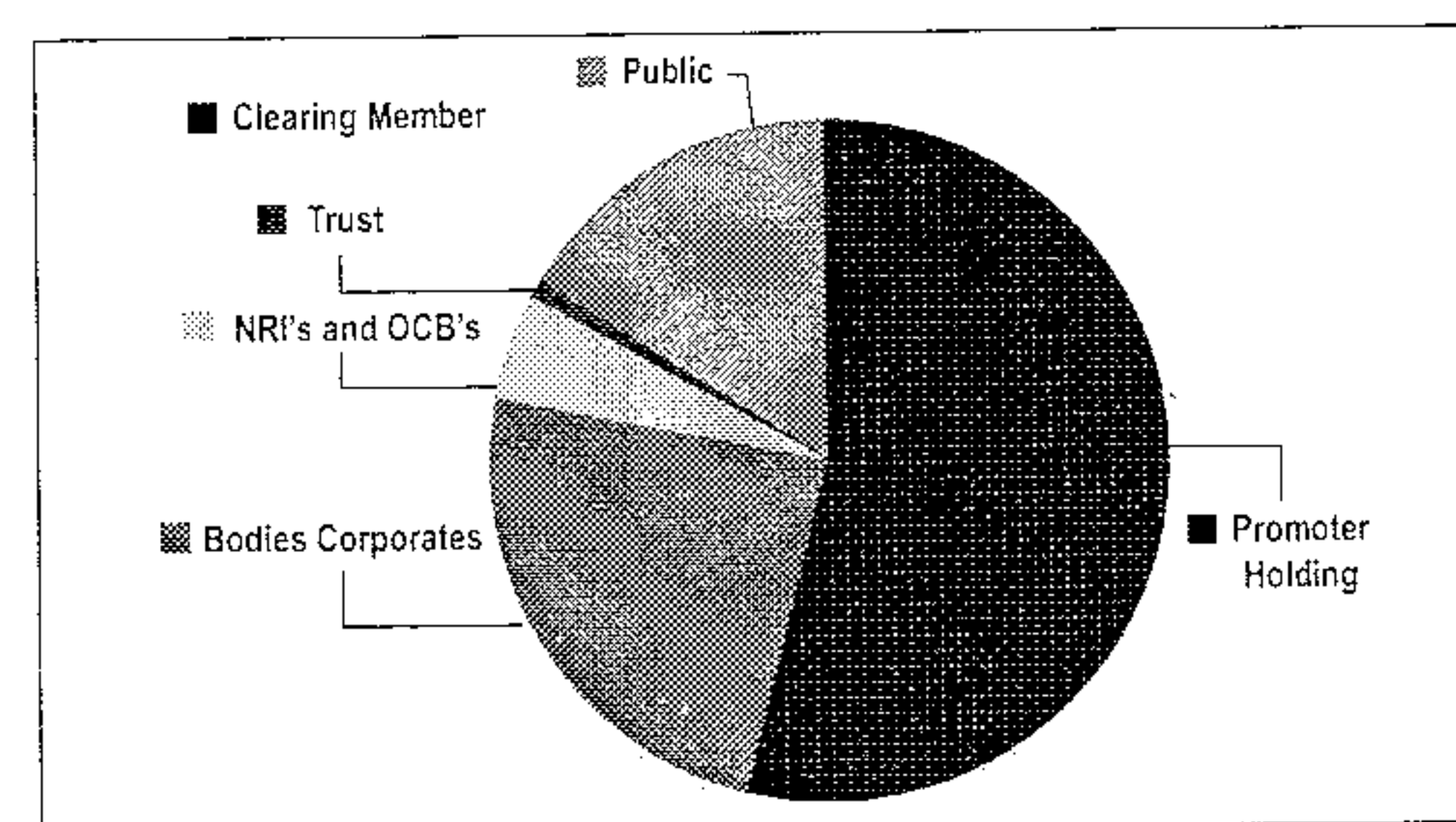
xii. Categories and Distribution of Shareholding

1. Distribution of Shareholding as on 31st March 2013

KHANDWALA SECURITIES LIMITED						
DISTRIBUTION SCHEDULE AS ON 31 st March 2013						
Sl. No.	Category		Number of Share Holders	% of Share Holders	Amount in Rs.	% of Amount
	From	To				
1	1	5000	1983	80.35	2558820.00	2.14
2	5001	10000	201	8.14	1752800.00	1.47
3	10001	20000	126	5.11	2026020.00	1.70
4	20001	30000	37	1.50	958520.00	0.80
5	30001	40000	23	0.93	815330.00	0.68
6	40001	50000	15	0.61	715530.00	0.60
7	50001	100000	22	0.89	1672770.00	1.40
8	100001	and Above	61	2.47	108890210.00	91.21
TOTAL			2468	100	119390000	100

2. Distribution of shareholding according to categories of shareholders as on 31st March 2013

Sl. No.	Category	No. of Shares held	% of Issued Share Capital
A.	Promoter's holding (including Persons Acting in Concert)	6466367	54.16
B.	Banks, FI, Insurance Cos. (Central / State Govt. Institutions / Non-Govt. Institutions)	-	-
C.	Mutual Funds	-	-
D.	Bodies Corporates	2879669	24.20
E.	NRI's and OCB's	579085	4.85
F.	Trust	98500	0.83
G.	Clearing Member	900	0.05
H.	Public	1914479	16.04
Total		11939000	100



xiii. 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 one month 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 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.

xiv. Dematerialization of Shares

Around 98.96% 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 2013.

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

xvi. 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
Email : investorgrievances@kslindia.com

For and on behalf of;
Khandwala Securities Limited

Bhumika Jani
Company Secretary & Compliance Officer

Date: 13th August, 2013
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, 2013.

For and on behalf of Board of Directors

Khandwala Securities Limited

Paresh J Khandwala
Managing Director

Date: 27th May, 2013

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 2013.
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 AND ASSOCIATES
Chartered Accountants

Mr. Udyen Jain
Partner
Membership No.: 101201
Date: 27th May, 2013
Place: Mumbai

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, 2013 and also the Profit and Loss Account and the Cash Flow Statement for the period from April 1, 2012 to March 31, 2013 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 of 132 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 no. 21 of Notes forming part of financial statements.
 - (ii) Long-term deposits from companies of Rs 100.00 lacs as subject to confirmation and consequential adjustments, if any. Please refer note no. 22 of Notes forming part of financial statements.
 - (iii) Long-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. Please refer note no. 23 of Notes forming part of 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, 2013 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, 2013;
 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
Mr. Udyen Jain
Partner
Mem. No: 101201
Firm Registration No. 116336W
Date : -27th May, 2013
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, 2012 to March 31, 2013)

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 & 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. The Company is a service company primarily engaged in the business of rendering merchant banking services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
6. The company has not granted any loans, secured or unsecured during the period.
7. The rate of interest and the other terms and conditions are prima facie not prejudicial to the interest of the company.
8. 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.
9. 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 fixed assets and with regards to sale of service. The activities of the Company do not involve any purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date the became payable.
17. According to the information and explanations given to us, no personal expenses have been charged to revenue account.
18. As at the balance sheet date, the Company does not have accumulated losses. The Company has incurred cash losses in the current year.
19. According to the information and explanations given to us, though the company has not defaulted in the repayment of dues to financial institutions and banks.
20. 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.
21. 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.
22. 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.
23. According to the information and explanations given to us, the Company had applied term loans availed for the purpose for which they were obtained.
24. 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.
25. 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.
26. 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.
27. 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.
28. 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).
29. 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**

Mr. Udyen Jain

Partner

Mem. No: 101201

Firm Registration No. 116336W

Date : -27th May, 2013

Place: Mumbai

KHANDWALA SECURITIES LIMITED

BALANCE SHEET AS AT MARCH 31, 2013

	Note	Rs.	As At March 31 2013 Rs.	As At March 31 2012 Rs.
I EQUITY AND LIABILITIES				
(1) Shareholders' Funds				
(a) Share Capital	2			
Equity Share Capital		119,390,000		119,390,000
Preference Share Capital		20,000,000		20,000,000
			139,390,000	139,390,000
(b) Reserves and Surplus	3		158,640,912	162,141,466
(c) Money Received against Share Warrants		-	-	-
(2) Share Application Money Pending Allotment				
(3) Non Current Liabilities	4			
(a) Long -Term Borrowings		36,856,505		37,178,374
(b) Deferred Tax (Net)		420,040		502,811
(c) Other Long Term Liabilities		9,984,310		9,984,310
(d) Long Term Provisions		866,189	48,127,044	668,785
(4) Current Liabilities	5			
(a) Short Term Borrowings		3,293,100		2,200,000
(b) Trade Payable		72,634,494		65,179,794
(c) Other Current Liabilities		11,765,751		21,114,804
(d) Short Term Provisions		329,414	88,022,760	1,173,048
TOTAL			434,180,716	439,533,391
II ASSETS				
(1) Non Current Assets				
(a) Fixed Assets	6			
i Tangible Assets		77,253,630		80,180,117
ii Intangible Assets		492,914		854,116
iii Capital Work In Progress		-		-
iv Intangible Assets Under Development		-		-
			77,746,544	81,034,234
(b) Non Current Investments	7		34,535,188	34,606,581
(c) Long Term Loans and Advances	8		119,088,136	119,131,136
(d) Other Non - Current Assets	9		42,198,331	28,190,447
(2) Current Assets				
(a) Current Investments				-
(b) Inventories	10	515,481		1,423,477
(c) Trade Receivable	11	132,445,192		117,345,754
(d) Cash and Cash Equivalents	12	22,562,547		53,428,571
(e) Short Term Loans and Advances	13	2,545,028		1,697,770
(f) Other Current Assets	14	2,544,271		2,675,423
			160,612,518	176,570,994
TOTAL			434,180,716	439,533,391
Significant Accounting Policies and Notes to Accounts	1			

As per our report attached of even date.

For Udyen Jain & Associates
Chartered Accountants

Mr. Udyen Jain
Partner
Mem. No: A - 101201
Firm Registration No. 116336W

Mumbai
Date :- 27th May, 2013

For and on behalf of the Board of Directors

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Mumbai
Date :- 27th May, 2013

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

	Note	Rs.	For the year ended March 31 2013 Rs.	For the year ended March 31 2012 Rs.
I Revenue From Operations				
Brokerage		15,389,471		20,640,172
Corporate Advisory Services		12,645,681		4,594,822
Income from Capital Market Operations		2,696,217		8,327,409
Income from Investments		529,947		-
		<u>31,261,316</u>		<u>33,562,403</u>
II Other Income	15	<u>12,741,969</u>		<u>26,379,439</u>
III Total Revenue (I + II)			44,003,285	59,941,842
IV Expenses				
Employees' Remuneration and other benefits	16	19,327,671		28,316,520
Administrative and Other expenses	17	18,850,130		25,306,214
Finance charges	18	3,282,655		3,960,018
Depreciation		3,296,854		3,952,942
Other Expenses	19	<u>2,829,299</u>		<u>4,237,182</u>
			47,586,610	65,772,876
V (Loss)/Profit before Tax and prior period items			(3,583,325)	(5,831,033)
VI Exceptional Items			-	-
VII Profit before Extraordinary items and tax (V - VI)			(3,583,325)	(5,831,033)
VIII Extraordinary items			-	-
IX (Loss)/profit before Tax (VII - VIII)			(3,583,325)	(5,831,033)
X Tax Expense				
(1) Current Tax			-	-
(2) Tax Relating to Prior years			-	(267,143)
(3) Deferred Tax (Credited)/ Charged			(82,771)	(65,170)
XI Profit / (Loss) for the period from Continuing Operations			(3,500,554)	(5,498,720)
XII Profit / (Loss) from Discounting Operations			-	-
XIII Tax Expense of Discounting Operations			-	-
XIV Profit / (Loss) from Discounting Operations (after tax) (XII -XIII)			-	-
XV Profit (Loss) for the period (XI +XIV)			(3,500,554)	(5,498,720)
XVI Earnings Per Share of - Basic (Rs.)				
- Basic (Rs.)			(0.29)	(0.46)
- Diluted (Rs.)			(0.29)	(0.46)
Significant Accounting Policies and Notes to Accounts	1			

As per our report attached of even date.

For and on behalf of the Board of Directors

For Udyen Jain & Associates
Chartered Accountants

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Mr. Udyen Jain
Partner
Mem. No: A - 101201
Firm Registration No. 116336W

Mumbai
Date :- 27th May, 2013

Mumbai
Date :- 27th May, 2013

KHANDWALA SECURITIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	For the Year ended March 31, 2013	For the Year ended March 31, 2012
A. Cash flow from operational activities		
Net (Loss)/Profit before tax adjusted for prior period items and excess provisions for tax written back	(3,583,325)	(5,831,033)
Adjustments for:		
Depreciation	3,296,854	3,952,942
(profit) /Loss on sale of fixed assets	(51,215)	3,544,927
(Profit) on sale of Investments	(529,947)	315,840
Interest Income	(4,669,252)	(4,450,421)
Finance Expenses	3,282,655	3,960,018
Unrealised Gains On Mark to Market of F&O Stock	(73,700)	(125,750)
Lease Rental	(1,260,000)	(1,260,000)
Provision for Dimunition in investments/ Stock	288,401	303,256
Sundry balance written off	83,542	483,047
Sundry balance written back	(872,435)	
Dividend Income	(297,240)	(145,207)
Refund of Tax	(3,023,500)	(13,183,229)
	(3,825,837)	(6,604,576)
Operating profit before working capital changes	(7,409,161)	(12,435,610)
Adjustments for:		
Inventories	626,072	721,802
Trade Receivables & Other Receivables	(26,467,957)	123,683,925
Current Liabilities & Provision	(1,594,447)	(110,309,753)
Cash generated from operations	(34,845,493)	1,660,364
Direct taxes Refunded / (paid)	3,023,500	13,183,229
Net cash (used in) / generated from operating activities	(31,821,993)	14,843,593
B. Cash flow from investing activities		
Sale / (Purchase) of fixed assets (Net)	42,050	40,682
Sale/ (Purchase) of Investments (Net of purchase)	601,340	106,400
Interest received	2,533,239	3,784,951
Dividend received	290,763	138,878
Net cash (used in) / generated from investing activities	3,467,391	4,070,910
C. Cash flow from financing activities		
(Repayment)/Proceeds from long term borrowings (Net)	(321,868)	(10,092,421)
(Repayment)/Proceeds from short term borrowings (Net)	1,093,100	(6,639,000)
Interest and other Finance charges	(3,282,655)	(3,960,018)
Net cash (used in) / generated from financing activities	(2,511,424)	(20,691,439)
Net increase/(decrease) in cash and cash equivalents	(30,866,025)	(1,776,936)
Cash and Cash equivalents (opening balance)	53,428,571	55,205,507
Cash and Cash equivalents (closing balance)	22,562,547	53,428,571
	(30,866,025)	(1,776,936)

As per our report attached of even date.

For and on behalf of the Board of Directors

For Udyen Jain & Associates
Chartered Accountants

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Mr. Udyen Jain
Partner
Mem. No: A - 101201
Firm Registration No. 116336W

Mumbai
Date :- 27th May, 2013

Mumbai
Date :- 27th May, 2013

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Significant Accounting Policies

Basis of preparation of consolidated financial statements

The accompanying financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the Revised Schedule VI to the Act. Figures of the previous year have been redrawn to conform to the Revised Schedule VI classification. The financial statements are presented in Indian rupees.

Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

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.

Fixed assets and depreciation

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on the straight line method from the date the asset is ready for its intended use or put to use, whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Act, as given below:

Class of asset	Rate of depreciation
Building	1.63%
Office equipments	4.75%
Computers	16.21%
Furniture and fixtures	6.33%
Vehicles	9.50%

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase.

Investments

Investments are classified into current investments and non current investments. Investments which are intended to be held for one year or more are classified as non current investments and investments which are intended to be held for less than one year are classified as current investments.

Non current investments are carried at cost.

Current investments are carried at lower of cost or fair value. The comparison of cost and fair value is done separately in respect of each investment.

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.

Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the statement of profit and loss of the year.

Employee benefits

The accounting policy followed by the company in respect of its employee benefit schemes in accordance with Accounting Standard 15 (Revised 2005), is set out below:

Provident fund

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The present value of the obligation under such benefit plan is determined based on actuarial valuation.

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

Taxation

Tax expense comprises income tax (i.e. amount of tax for the year determined in accordance with the Income Tax Act, 1961), deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the year)

Income tax

Provision for income tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred tax

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain, as the case may be, to be realised.

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

KHANDWALA SECURITIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at March 2013		As at March 2012	
	Nos	Amount	Nos	Amount
NOTE 2 - SHARE CAPITAL				
Authorised				
14,000,000 (P.Y. 14,000,000) Equity Shares of Rs. 10/- each	14,000,000	140,000,000	14,000,000	140,000,000
500,000 (P.Y. 500,000) Cumulative Redeemable Preference Shares of Rs. 100/- each	500,000	50,000,000	500,000	50,000,000
400,000 (P.Y.400,000) Cumulative Convertible Preference Shares of Rs. 100/- each	400,000	40,000,000	400,000	40,000,000
2,00,000 (P.Y. 2,00,000) Optionally convertible Redeemable Preference Shares of Rs. 100/- each	200,000	20,000,000	200,000	20,000,000
	<u>15,100,000</u>	<u>250,000,000</u>	<u>15,100,000</u>	<u>250,000,000</u>
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	11,939,000	119,390,000	11,939,000	119,390,000
TOTAL	<u>11,939,000</u>	<u>119,390,000</u>	<u>11,939,000</u>	<u>119,390,000</u>
Preference Share Capital				
50,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	50,000	5,000,000	50,000	5,000,000
150,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	150,000	15,000,000	150,000	15,000,000
TOTAL	<u>200,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>20,000,000</u>
a) Reconciliation Of Shares				
Equity shares with voting rights				
Balance as at the beginning of the year	11,939,000	119,390,000	11,939,000	119,390,000
Add: Issue of fresh shares during the year	-	-	-	-
Balance as at the end of the year	<u>11,939,000</u>	<u>119,390,000</u>	<u>11,939,000</u>	<u>119,390,000</u>
Preference shares				
Balance as at the beginning of the year	200,000	20,000,000	200,000	20,000,000
Add: Issue of fresh shares during the year	-	-	-	-
Balance as at the end of the year	<u>200,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>20,000,000</u>
b) List of Share Holders Holding More than 5% of the total number of shares issued by the Company				
Name of Equity Share Holder	Number of Shares	Percentage Shareholding	Number of Shares	Percentage Shareholding
Jayantilal Khandwala & Sons Pvt. Ltd.	1,733,321	14.52%	1,733,321	14.52%
Bentley Investments Pvt Ltd	1,440,943	12.07%	1,308,933	10.96%
Daxa Paresh Khandwala	1,140,830	9.56%	1,097,612	9.19%
Sarthak Consultants Private Limited	943,000	7.90%	943,000	7.90%
Pratik Paresh Khandwala	766,091	6.42%	766,091	6.42%
Pranav Paresh Khandwala 4.99%	606,787	5.08%	606,787	5.08%
Name of Preference Share Holder				
Brish Seth			50,000	25.00%
Mina Chand	12,500	6.25%		
Dolly Lai	12,500	6.25%		
Sanjay Thukral	12,500	6.25%		
Sindhu Seth	12,500	6.25%		
Rohit Chand	150,000	75.00%	150,000	75.00%

The Company has issued Equity as well as Preference Share having a par value of Rs. 10/100 per Share. Each holder of Equity / Preference share is entitled to one vote per Share. The Company Declares and pays dividends in Indian Rupees.

NOTES FORMING PART OF FINANCIAL STATEMENTS

	As At March 31 2013 Rs.	As At March 31 2012 Rs.
NOTE 3 - RESERVES AND SURPLUS		
Share Premium Account		
As per last Balance Sheet	48,273,000	
Add: Received during the year	-	
	<u>48,273,000</u>	48,273,000
Capital Redemption Reserve	34,000,000	34,000,000
Convertible Warrant Forfeiture		
As per last Balance Sheet	6,168,000	
Add: Amount Forfeited during the year	-	
	<u>6,168,000</u>	6,168,000
Profit & Loss Account		
As per last Balance Sheet	73,700,466	79,199,186
Add: Transferred from Profit & Loss Account	(3,500,554)	(5,498,720)
	<u>70,199,912</u>	73,700,466
TOTAL	<u>158,640,912</u>	<u>162,141,466</u>
NOTE 4 - NON CURRENT LIABILITIES		
(a) LONG -TERM BORROWINGS		
Secured		
Vehicle Loan (Secured by hypothecation of vehicle)	140,710	456,415
	<u>140,710</u>	456,415
Unsecured		
Loan from Yukti Securities Ltd.	25,554,795	25,560,959
Loan from Shree Developers Pvt. Ltd.	10,000,000	10,000,000
Interest Free Loan from Anila Pravinchandra Jhaveri	1,161,000	1,161,000
	<u>36,715,795</u>	36,721,959
	<u>36,856,505</u>	37,178,374
(b) Deferred Tax		
Deferred Tax (Net)	420,040	502,811
	<u>420,040</u>	502,811
(c) Other Long Term Liabilities		
Security Deposits	9,984,310	9,984,310
	<u>9,984,310</u>	9,984,310
(d) Long Term Provisions		
Provision for Taxation (FBT)	564,501	564,501
Provision for Gratuity	301,688	104,284
	<u>866,189</u>	668,785

KHANDWALA SECURITIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

	As At March 31 2013 Rs.	As At March 31 2012 Rs.
NOTE 5 - CURRENT LIABILITIES		
(a) SHORT TERM BORROWINGS		
Secured Against Shares		
Canara Bank-O/D Against Shares	2,193,100	-
Unsecured		
Short Term Loans	1,100,000	2,200,000
	3,293,100	2,200,000
(b) Trade Payable		
Sundry Creditors	72,634,494	65,179,794
	72,634,494	65,179,794
The Company has not received any intimation from 'suppliers' regarding their status under the Micro, Small and Medium enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/ payable as required under the said Act and could not be furnished.		
(c) Other Current Liabilities		
Credit Balance in Current Accounts (Book overdraft) #	109,268	7,412,031
Other Liabilities		
Payable to Employees	4,547,972	5,901,130
Statutory Dues	1,345,095	1,605,853
Other Liabilities	5,763,416	6,195,790
	11,765,751	21,114,804
(d) Short Term Provisions		
Provision for Leave Encashment	329,414	1,173,048
	329,414	1,173,048

Out of the credit balance in current accounts, an amount of Rs.45 Lacs is charged against an deposit receipt of Rs. 50 Lacs

NOTE 6- FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As At 1-Apr-12	Additions during the Year	Deductions during the year	As At 31-Mar-13	As At 1st April 12	For the Year	Acc. Dep on Debn	As At 31st March, 13	As At 31st March, 13	As At 31st March, 12
Tangible Assets										
Office Buildings	93,820,894	-	-	93,820,894	22,429,783	1,529,281	-	23,959,063	69,861,831	71,391,111
Computers	2,880,301	-	1,529,033	1,351,268	2,254,863	277,071	1,525,374	1,006,560	344,708	625,437
Office Equipments	6,200,144	145,950	71,281	6,274,813	2,879,124	295,832	27,896	3,147,060	3,127,753	3,321,019
Furniture and Fixtures	8,587,072	-	339,174	8,247,898	6,600,991	538,394	339,174	6,800,211	1,447,687	1,986,081
Vehicles	3,495,919	-	-	3,495,919	1,562,939	332,112	-	1,895,051	1,600,868	1,932,980
Plant & Machinery (Computer)	1,109,579	-	-	1,109,579	186,091	52,705	-	238,796	870,783	923,488
A	116,093,909	145,950	1,939,488	114,300,371	35,913,789	3,025,395	1,892,444	37,046,741	77,253,630	80,180,117
Intangible Assets										
Computers	1,827,863	-	372,332	1,455,531	973,747	271,460	282,590	962,618	492,914	854,116
B	1,827,863	-	372,332	1,455,531	973,747	271,460	282,590	962,618	492,914	854,116
Total (A + B)	117,921,772	145,950	2,311,820	115,755,903	36,887,536	3,296,854	2,175,033	38,009,359	77,746,544	81,034,234
Previous Year	125,623,766	348,218	8,050,211	117,921,772	37,050,981	3,952,942	4,116,384	36,887,539	81,034,234	-

NOTES FORMING PART OF FINANCIAL STATEMENTS

	Face Value	As at March 31 2013		As at March 31 2012	
		Number	Amount	Number	Amount
NOTE 7 - INVESTMENTS					
OTHER INVESTMENTS					
<i>(Long term, non trade, fully paid up)</i>					
<i>i. Quoted</i>					
Equity Shares					
Uflex Limited	10	2,767	30,188	8,100	88,371
Spicejet Ltd	10	-	-	1,000	13,210
			<u>30,188</u>		<u>101,581</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 Finaincal Ltd	10	3,375,000	33,750,000	3,375,000	33,750,000
			<u>55,863,200</u>		<u>55,863,200</u>
		(i + ii)	<u>55,893,388</u>		<u>55,964,781</u>
Less : Provision for diminution			<u>21,358,200</u>		<u>21,358,200</u>
		TOTAL	<u><u>34,535,188</u></u>		<u><u>34,606,581</u></u>
Quoted :					
Aggregate Book Value (net of provision)			30,188		101,581
Market Value			200,054		804,155
Unquoted :					
Aggregate Book Value (net of provision)			34,505,000		34,505,000
* Shares are in the process of being registered in the name of the Company.					
NOTE - 8 LONG TERM LOANS AND ADVANCES					
Deposits with exchange & other			30,839,062		30,882,062
Trade Deposit with Companies			53,000,000		53,000,000
Interest Accrued on Loan			13,580,433		13,580,433
Share Application			21,668,641		21,668,641
		TOTAL	<u><u>119,088,136</u></u>		<u><u>119,131,136</u></u>
NOTE - 9 OTHER NON - CURRENT ASSETS					
Advance Payment of Tax			3,561,694		4,963,522
In Fixed Deposit Accounts			38,050,000		22,550,000
Advance to Sundry Creditors			27,720		27,720
Employees			558,917		649,205
		TOTAL	<u><u>42,198,331</u></u>		<u><u>28,190,447</u></u>
NOTE 10 - STOCK-IN-TRADE					
<i>(Valued and certified by the management at lower of cost and market value / break up value)</i>					
Equity Shares / Preference Shares(Refer Appendix 10-A)			515,481		1,423,477
		TOTAL	<u><u>515,481</u></u>		<u><u>1,423,477</u></u>

KHANDWALA SECURITIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Appendix 10-A

NAME OF THE SCRIP	As at March 31 2013		As at March 31 2012	
	Number	Rs.	Number	Rs.
GOVT. SECURITIES				
10.75% IFCI 2026 P/C 2021	-	-	10	107,700
Equity/ Preference Shares :				
Accent Tech	-	-	2,145	111,336
Ansal Properties & Infra	-	-	2,500	88,000
Axis IT & T Ltd	6,900	312,915	-	-
Bank of India	-	-	50	18,133
Boss Profiles Ltd.	-	-	50,000	400,000
Creative Casting Ltd	5,900	3,894	5,900	3,894
Deccan Granite Ltd	20,300	37,555	20,300	37,555
Dishman Pharmaceuticals & Chemicals Ltd	-	-	355	16,241
DLF Ltd	-	-	358	72,227
IDEA Cell	-	-	410	30,730
LIC MF Liquid Plus Fund	10,875	108,751	10,227	102,274
Panacea Biotec Ltd	-	-	1,811	146,963
Reliance Industries Ltd	-	-	120	90,072
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	20,288	2,210	84,422
Sterling Biotech	-	-	1,549	15,877
Tata Steels Ltd	-	-	100	47,175
Tata Communications Ltd (VSNL)	-	-	100	18,670
United Credit Ltd	80	364	80	364
United Phorphours Ltd	-	-	1	130
UTI Top 100 Funds	1,000	6,213	1,000	6,213
		515,481		1,423,477

	As At March 31 2013 Rs.	As At March 31 2012 Rs.
NOTE 11 - SUNDRY DEBTORS		
(Unsecured)		
Outstanding for more than six months		
Considered good	104,311,969	76,298,325
Considered doubtful	8,047,521	8,047,521
	112,359,490	84,345,846
Outstanding for Less than Six Months		
Considered good	28,133,223	41,047,428
Considered doubtful	-	-
	140,492,713	125,393,275
Less : Provision for Doubtful Debts	8,047,521	8,047,521
TOTAL	132,445,192	117,345,754

NOTES FORMING PART OF FINANCIAL STATEMENTS

	Rs.	As At March 31 2013 Rs.	As At March 31 2012 Rs.
NOTE 12 - CASH AND BANK BALANCES			
Cash on hand		2,016,045	411,644
Balance with Scheduled Banks:			
In Current Accounts	10,546,502		23,016,927
In Fixed Deposit Accounts (Less than One Year)*	10,000,000		30,000,000
		<u>20,546,502</u>	<u>53,016,927</u>
TOTAL		<u><u>22,562,547</u></u>	<u><u>53,428,571</u></u>
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is :		22,562,547	53,428,571
NOTE 13 - SHORT TERMS LOANS AND ADVANCES			
Advances recoverable in cash or kind or for value to be received			
Employees		144,689	146,204
Prepaid Expenses		1,205,715	1,253,095
Advance to Sundry Creditors		1,194,623	298,470
		<u>1,194,623</u>	<u>298,470</u>
TOTAL		<u><u>2,545,028</u></u>	<u><u>1,697,769</u></u>
NOTE 14 - OTHER CURRENTS ASSETS			
Interest Accrued on Fixed Deposit		2,176,613	2,037,911
Advance for Expenses		98,382	399,515
Service Tax		269,275	237,997
		<u>269,275</u>	<u>237,997</u>
TOTAL		<u><u>2,544,271</u></u>	<u><u>2,675,423</u></u>
NOTE 15 - OTHER INCOME			
Interest on Fixed deposits with Banks [Tax deducted at source Rs. 4,65,162/-] (Previous year Rs.4,44,149/-)		4,669,252	4,450,421
Dividend ' - On stock in trade		297,240	145,207
Interest on Income Tax Refund		494,673	571,373
Lease Rentals		1,260,000	1,260,000
Unrealised Gains On Mark to Market of F&O Stock		73,700	125,750
Miscellaneous Income		5,947,104	19,826,689
		<u>5,947,104</u>	<u>19,826,689</u>
TOTAL		<u><u>12,741,969</u></u>	<u><u>26,379,439</u></u>
NOTE 16 - EMPLOYEES' REMUNERATION AND OTHER BENEFITS			
Salaries and Bonus		14,777,559	23,664,619
Managing Director's Remuneration		3,125,006	3,125,000
Contribution to Provident and other Funds		887,508	1,339,603
Staff Welfare Expenses		322,423	389,844
Gratuity		215,175	(202,546)
		<u>215,175</u>	<u>(202,546)</u>
TOTAL		<u><u>19,327,671</u></u>	<u><u>28,316,520</u></u>

KHANDWALA SECURITIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

	For the year ended March 31 2013 Rs.	For the year ended March 31 2012 Rs.
NOTE 17 - ADMINISTRATIVE AND OTHER EXPENSES		
Financial Advisory charges	1,322,132	922,325
Computer Expenses	448,691	456,018
Demat charges	704,236	626,188
Rates and Taxes	2,397,409	2,279,252
Insurance	440,076	528,617
Internet Expenses	473,319	207,468
Advertisement Expenses	124,487	81,741
Business Promotion Expenses	178,398	651,144
Legal & Professional Fees	2,935,254	2,961,659
Consultancy Charges	5,340	263,052
Telephone/Postage and Courier Charges	769,757	858,925
Electricity Charges	1,445,374	1,517,324
Registration Fees	311,988	331,927
Repairs and Maintenance	1,737,282	1,722,832
Printing and Stationery	522,754	659,165
Subscription Expenses	348,773	1,739,754
Travelling and Conveyance	2,590,344	1,613,952
Auditor's Remuneration		
For Audit	410,815	303,325
For Tax Audit	308,990	441,200
Directors sitting fees	90,000	75,000
Donation	14,200	21,203
Office Rent	65,464	4,809,228
Commission Paid	678,689	1,227,594
Miscellaneous Expenses	526,358	1,007,320
TOTAL	18,850,130	25,306,214
NOTE - 18 FINANCE CHARGES		
On Other Loans	2,798,551	3,467,068
Other Financial Charges	484,105	492,949
TOTAL	3,282,655	3,960,018
NOTE - 19 OTHER EXPENSES		
Loss on Stock Valuation	288,401	303,256
Fixed Assets Written Off	-	3,544,927
Loss on Investments	-	315,840
Loss on Market Operation	2,540,899	73,159
TOTAL	2,829,299	4,237,182

20. 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.
21. Share Application Money of Rs. 216.69 Lacs (Previous year Rs. 216.69 Lacs) is outstanding for a period of 132 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, with interest there on, under Sec 138, matter is pending for hearing at Mumbai Court.
22. Long-term deposits from companies of Rs.100.00 Lacs is subject to confirmation and subsequent adjustments, if any. Since company is not paying any Interest on the same deposit since long period company has not charged any interest.
23. Long-term deposits to various 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. Since company is not in the receipt of any Interest on the same deposit since long period so that company has not accounted any interest on the same deposit.
24. There is a Mark to Market gain of Rs.73,700/- as on 31st March 2013 on account of Unrealised Gains on Future Contract. As per AS30, it has been accounted as Other Income and credited to the Income Statement.
25. The net deferred tax assets is calculated as follows:

(Rs. In Lacs)

Particulars	Accumulated As at 31 st March 2012	Charge/ Credit during the year	As at 31 st March 2013
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	(419.75)	0.82	(418.93)
Expenses carried forward as per books but claimed for tax purposes as incurred	(1.22)	-	(1.22)
Net Deferred tax Assets/ (Liability)	(5.02)	0.82	(4.20)

26. 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.

Information about Primary Business Segments

(Amount in Rs. Lacs)

Sr. No.	Particulars	Year Ended 31 st March 2013	Year Ended 31 st March 2012
1	Segment Revenue-external		
a)	Investment / Stock Operations	32.26	83.27
b)	Feebased Operations	280.35	252.35
	Total revenue	312.61	335.62
2	Segment Result		
a)	Investment / Stock Operations	(6.36)	47.34
b)	Feebased Operations	67.85	(90.49)
	Total	61.49	(43.15)
	Less: Interest	32.83	39.60
	Unallocated Expenses less unallocated income	(64.50)	24.44
	Net (Loss) / Profit before Tax & prior Period Items	(35.83)	(58.31)
	Provision for tax (including deferred tax)	(0.83)	(3.32)
	Net (Loss)/Profit after tax for the year	(35.01)	(54.99)
	Other Items		
3	Segment Assets		
a)	Investment / Stock Operations	350.55	360.35
b)	Feebased Operations	2180.41	2075.54
c)	Unallocated Corporate Assets	1797.61	1826.39
		4328.57	4262.27
4	Segment Liabilities		
a)	Investment / Stock Operations	0.08	0.06
b)	Feebased Operations	782.41	689.67
c)	Unallocated Corporate Liabilities	160.08	158.46
		942.56	848.19
5	Depreciation	32.97	39.53
6	Non cash items other than depreciation		
a)	Investment / Stock operations	2.88	3.03
b)	Fee based operations	-	-

KHANDWALA SECURITIES LIMITED

27. Earnings per share:

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed by the Companies (Accounting Standards) Rules, 2006.

Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Basic		
Numerator used for calculating basic earnings per share – Profit after taxation (Rs. lacs)	(35.01)	(54.99)
Less: Dividend on Cumulative Preference share dividend (including dividend tax thereon)	-	-
Profit / (Loss) attributable to equity shareholders (Rs. lacs)	(35.01)	(54.99)
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.)	(0.29)	(0.46)
Diluted		
Numerator used for calculating Diluted earning per Share-Profit /(Loss) after taxation (Rs. In Lacs)	(35.01)	(54.99)
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.)	(0.29)	(0.46)

28. Related Party Disclosures

Names of Related Parties:

- A) Enterprises where control exists
Associate Companies:
- Trumonee Financial Ltd.
- B) Enterprises controlled by the relatives of the Key Managerial Personnel:
- Piggero Investments Pvt. Ltd.
 - Bentley Investments Pvt. Ltd.
 - Khandwala Commodity & Derivatives Pvt. Ltd.
 - Jayantilal Khandwala & Sons

C) Key Management Personnel:

- Mr. Paresh J. Khandwala - Managing Director
- Mr. P. J. Khandwala – HUF

D) Relatives of Key Management Personnel:

- Mrs. Daxa P. Khandwala
- Mr. Pratik P. Khandwala
- Mr. Pranav P. Khandwala
- Ms. Tulsi P. Khandwala
- Mrs. Bhagyashree P. Khandwala
- Mrs. Brinda P. Khandwala

Transactions with related parties for the year ended 31st March 2013

Transaction	2012-13	2011-12
Brokerage received	(0.38)	(1.85)
Remuneration Paid	31.25	34.91
Advisory fees paid	13.37	9.19
Consultancy charges paid	1.60	-
Lease rent received	(0.60)	(0.60)
Investment in Associate Company	337.50	337.50
Outstanding Balance		
Sundry Debtors	166.55	168.84
Sundry Creditors	3.69	4.84

29. As per information and explanation received there are no dues payable to Small Scale Industrial Undertakings as at March 31, 2013.
30. Transaction in foreign currency: (In lacs).
Foreign travel expenses – Rs. 15.85, Previous year Rs. 2.03.
Foreign Currency Income – Rs. 0.14, Previous year Rs. 0.32.
31. Debtors include:
- Due from a firm in which a director is interested as partner - Rs.152.85 lacs (Previous year Rs.152.85 lacs)
 - The above dues have arisen in the normal course of business.
32. 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.
33. Managerial Remuneration:
- Remuneration to Managing Director
Salary and Other Allowances : Rs. 31.25 Lacs (P.Y. Rs. 31.25 lacs)
 - Sitting fees to other directors : Rs. 0.90 lacs (P.Y. Rs. 0.75 lacs)
34. 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.

I. Change in Benefit Obligation:	F.Y. 12 -13
Liability at the beginning of the year	28,63,365
Interest Cost	2,50,544
Current Service Cost	2,81,182
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Settlement	-
Liability Transfer in	-
Liability Transfer out	-
(Benefit Paid)	(4,14,735)
Actuarial (Gain) / Loss on Obligations	(96,658)
Liability at the end of the year	28,83,698

II. Fair value of Plan Assets:	F.Y. 12 -13
Fair Value of Plan Assets at the Beginning of the year	27,59,081
Expected Return on Plan Assets	2,20,726
Contributions	-
Transfer from other company	-
(Transfer to other company)	-
(Benefit Paid)	(4,14,735)
Actuarial gain / (Loss) on Plan Assets	16,938
Fair Value of Plan Assets at the end of the year	25,82,010

III. Actual Return on Plan Assets:	F.Y. 12 -13
Expected Return on Assets	2,20,726
Actuarial gain/ (Loss) on Plan Assets	16,938
Actual Return on Plan Assets	2,37,664

IV. Amount Recognised in the Balance Sheet:	F.Y. 12 -13
Fair Value of Plan Assets at the end of the year	25,82,010
Liability at the end of the year	(28,83,698)
Difference	(3,01,688)
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-
Amount Recongnised in the Balance Sheet	(3,01,688)

V. Expenses Recognised in the Income Statement:	F.Y. 12 -13
Current Service Cost	2,81,182
Interest Cost	2,50,544
Expected Return on Plan Assets	(2,20,726)
Actuarial (Gain) or Loss	(1,13,596)
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Transition Liability during the period	-
Expense Recognised in P&L	1,97,404

VI. Balance Sheet Reconciliation	F.Y. 12 -13
Opening Net Liability	1,04,284
Expense as above	1,97,404
Transfer from other company Net	-
Transfer to other company Net	-
Employer's Contribution	-
Amount Recognised in Balance Sheet	3,01,688

VII. Assumptions	F.Y. 12 -13
Discount Rate Previous	8.75%
Rate of Return on Plan Assets Previous	8.00%
Salary Escalation Previous	5.00%
Attrition Rate Previous Year	2.00%
Discount Rate Current	8.25%
Rate of Return on Plan Assets Current	8.70%
Salary Escalation Current	5.00%
Attrition Rate Current Year	2.00%

VIII. Other Details	F.Y. 12 -13
No. Of Members	51
Salary PM	6,51,189
Prescribed Contribution for next year (12 Months)	4,88,363

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.

35. Contingent Liabilities :-

- i) Preference dividends are in arrears from F.Y. 2008-09 to F.Y.2012-13 as aggregating to Rs. 1 Crores.
- ii) Income Tax demand for Rs.31,88,103/-in respect of A.Y. 2006-07 were under dispute. The co. has preferred an appeal before CIT(A) Mumbai. Same are pending for hearing.
- iii) Income Tax demand for Rs.7,80,365/-in respect of A.Y. 2007-08 were under dispute. The co. has preferred an appeal before CIT(A) Mumbai. Same are pending for hearing.

36. 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 _____ For and on behalf of the Board of Directors
 even date.

For Udyen Jain & Associates **S.M.Parande** **Paresh J. Khandwala**
Chartered Accountants Chairman Managing Director

Mr. Udyen Jain
 Partner
 Mem. No: A - 101201
 Firm Registration No. 116336W

Mumbai
 Date :- 27th May, 2013

Mumbai
 Date :- 27th May, 2013



KHANDWALA SECURITIES LIMITED

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

CONSENT FOR RECEIVING DOCUMENTS IN ELECTRONIC MODE

- (1) Name(s) of Shareholder(s)
(including joint holders, if any) :
- (2) Registered address of the sole /
First named shareholders :
- (3) Registered folio No. / DP ID No. /
Client ID No.* :
(* Applicable to investors holding
shares in dematerialised form)
- (4) No. of shares held :
- (5) I/We hereby exercise my/our option to receive the documents such as Notice of Annual General Meeting, Audited Financial Statements, Directors Report, Auditors Report, Explanatory Statement etc., in the electronic mode pursuant to the 'Green Initiative' by the Ministry of Corporate Affairs vide its circular nos. 17/2011 and 18/2011 dated, April 21, 2011 and April 29, 2011 respectively.
- (6) My e-mail id for the above purpose is :

Place:

Date:

(Signature of the Shareholder)

Note: Please read carefully the instructions stated below:

INSTRUCTIONS:

1. Ministry of Corporate Affairs ("MCA"), vide its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively allowed the service of notice / documents by a company to its Members to be made through electronic mode, after giving an advance opportunity to the Member to register his e-mail address and changes therein from time to time with the Company or with the concerned depository. Keeping this in view, your Company proposes to send documents such as the Notice of the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, Explanatory Statement etc., henceforth to such Members in electronic mode, who opt for the same. This Form is for you to exercise your option by submitting the same to us either by e-mail to investorgrivances@kslindia.com and / or by sending registered post at the Registered Office of the Company addressed to the Company Secretary after your signature. We solicit your co-operation in helping the Company to implement the e-governance initiatives of the Government.
2. However, as a member of the Company, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of a requisition from you, at any time.



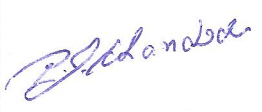
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KHANDWALA SECURITIES LIMITED

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

FORM A

1	Name of the Company	Khandwala Securities Limited
2	Annual financial statements for the year ended	31 st March 2013
3	Type of Audit observation	Un-qualified / Matter of Emphasis
4	Frequency of observation	Not Applicable
5	To be signed by- . CEO/ Managing Director . CFO . Auditor of the Company . Audit Committee Chairman	 Not Applicable 