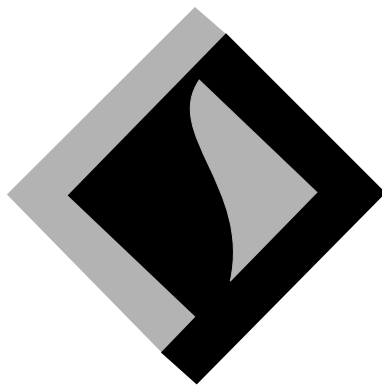


**FOURTEENTH
ANNUAL REPORT
2006-07**



**KHANDWALA
SECURITIES
LIMITED**

OUR MANTRA

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

KHANDWALA SECURITIES LIMITED

FOURTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Shri Shreedhar Parande (*Chairman*)
Shri Paresh J. Khandwala (*Managing Director & CEO*)
Shri Prakash Shah (*Resigned w.e.f 27th April 2007*)
Shri Rohit Chand
Shri Kalpen Shukla
Shri Ajay Narasimhan

COMPANY SECRETARY

Shri Sameer V. Upadhyay

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.

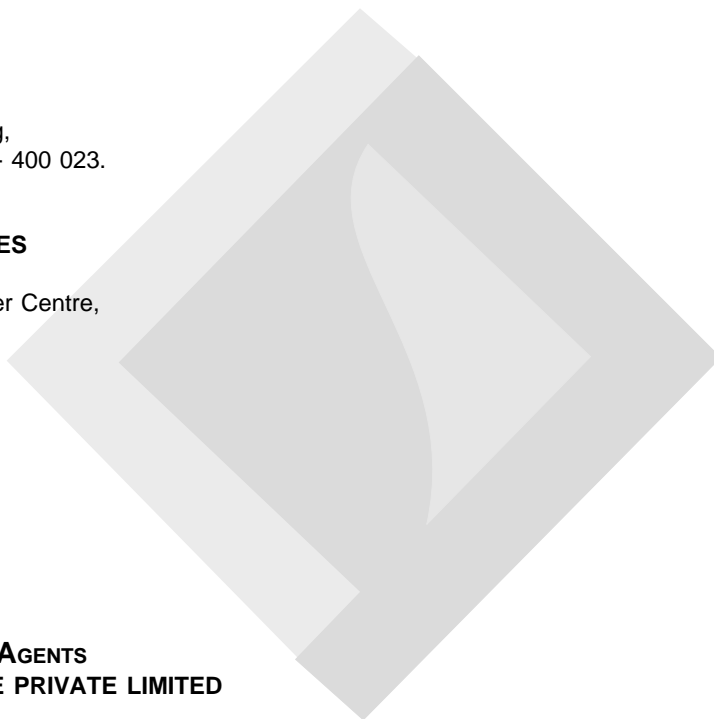
Canara Bank

NSE Branch,
Mumbai – 400 001

REGISTRARS & TRANSFER AGENTS

KARVY COMPUTERSHARE PRIVATE LIMITED

46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.



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KHANDWALA SECURITIES LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of Khandwala Securities Limited will be held at Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Saturday, 1st September 2007 at 12.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007 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 Shri Rohit Chand who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors M/s. Udyen Jain & Associates, Chartered Accountants, the retiring auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

4. **DELISTING OF SECURITIES FROM MADRAS STOCK EXCHANGE**

To consider and if thought fit, to pass, with or without modification(s), the following Resolutions as a **Special Resolution**:

“**RESOLVED THAT** subject to the provisions of the applicable laws, guidelines, rules and regulations including those framed under Companies Act, 1956, SEBI (Delisting of Securities) Guidelines, 2003 and other Governmental agencies or Departments and the rules framed there under in this regard and subject to such other approvals permissions and sanctions as may be required from the Stock Exchanges with which the securities of the company are listed and / or any other relevant authorities and subject to any conditions or modifications as may be imposed while granting such approvals, permissions and sanctions, consent of the company be and is hereby accorded for the voluntary delisting of equity shares of the Company from Madras Stock Exchange Limited where the company's shares are listed.

RESOLVED FURTHER THAT the Board of Directors (whether acting through Board or a committee of the Board or any Director or any person authorized by the Board) be and is hereby authorized to do and perform all such other acts, deeds, matters and things as it may in its absolute discretion deem necessary desirable or appropriate without giving an exit option to the shareholders of the regions where the aforesaid stock exchanges are situated and execute all such applications, deeds, agreements, documents and writings as it may consider necessary, usual, requisite or proper for giving effect to this resolution.”

5. **REMUNERATION TO NON EXECUTIVE DIRECTORS**

To consider and if thought fit, to pass, with or without modification(s), the following Resolutions as a **Special Resolution**:

“**RESOLVED THAT** pursuant to Sections 198, 309, 349, 350 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of shareholders, Central Government and in confirmation with Listing Agreement or any other authorities as may be necessary, the Company do hereby approves the payment of remuneration to Non-executive Directors of the Company, not exceeding Rs. 49,000 (Rupees Forty Nine Thousand only) per month per Non-Executive Director, with effect from 01st September 2007 for the respective financial year for the period of five years.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to alter, vary and modify the terms and period of payment in such manner as may be agreed to and between the Management of the Company and Board members, subject to and in confirmation with any amendments and / or statutory modifications as may be stipulated by the Central Government from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and are hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard.”

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 NEED NOT BE A MEMBER.
2. The instruments of proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 4 & 5 of the Notice is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain close from Wednesday, 29th August 2007 to Wednesday, 5th September 2007 (both days inclusive) for the purpose of Annual General Meeting.
5. 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.
6. 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.
7. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.

8. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
9. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
10. 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.
11. 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.

**For and on behalf of Board of Directors
For Khandwala Securities Limited,**

**S M Parande
Chairman**

Registered Office:

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

Dates: 23rd July 2007

Place: Mumbai

**EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
(Pursuant to Section 173(2) of the Companies Act, 1956)**

The following Explanatory Statement sets out all the material facts relating to the Special Business under Item No. 4 and 5 of the accompanying Notice of the 14th Annual General Meeting of the Company to be held on Saturday, 1st September 2007 at 12.00 p.m.

Item Nos. 4

Delisting of Securities from Madras Stock Exchange

The equity shares of your company are presently listed on three stock exchanges viz. The National Stock Exchange Limited (NSE), The Bombay Stock Exchange Limited (BSE) and The Madras Stock Exchange Limited (MSE)

No trades are taking place at Madras Stock Exchange as of now. As per SEBI (Delisting of Securities) Guidelines, 2003 company's securities can be delisted from the stock exchanges including the Regional stock exchange if the shares of the company continue to be listed on either Bombay Stock Exchange Limited or National Stock Exchange Limited. With a view to control the expenditure and conserve resources for the operations of the company it is proposed to delist the equity shares of the company from the Madras Stock Exchange Limited. Delisting on these stock exchanges will help in reducing the cost by way of listing fees and other incidental costs and the benefits accruing to the investors by keeping the equity shares listed on these Stock exchanges do not commensurate with the cost incurred by the company for the continued listing on these Stock Exchanges.

The shareholders in the region of the Madras Stock Exchange Limited will not suffer due to delisting since with the introduction of screen based nationwide trading terminals on the BSE and NSE, trading in shares can be easily done across the country.

Moreover the company's shares are one of the scrip's, which the SEBI has specified for settlements only in demat form by all investors. As per the applicable, SEBI Guidelines, no exit option is required to be given to the shareholders of the regions where the aforesaid stock exchanges are situated as the Company's shares are listed on The Bombay Stock Exchange Limited and The National Stock Exchange Limited.

Your Directors commend the Resolution in this item of the Notice for your acceptance. The Directors holding shares of the company may be concerned with the resolution.

Item Nos. 5

Remuneration to Non-Executive Directors

The Board of Directors at KSL represents experience in

various facets of business and industry. The present strength of board is a mixture of qualifications and experience viz. specialists in the areas of accounting and finance, technology relevant to the company, corporate management, marketing and industry knowledge etc. In order to remunerate the Non Executive Directors of the Company for increased responsibilities entrusted upon them under the law, the current trends and to commensurate with the time devoted and the contribution made by them, on recommendation made by the Compensation Committee and the Board of Directors of the Company, at their meeting held on 23rd July 2007 has approved, subject to such statutory approvals as may be necessary, remuneration to be paid to the Non-Executive Directors of the Company, w.e.f. from 1st September 2007, a sum not exceeding Rs.49,000/- per month per Non-Executive Director of the Company and as may be decided by the Board from time to time for a period of five years, calculated in accordance with the provisions of Section 198, 309, 349 and 350 of the Companies Act, 1956, and subject to approval from shareholders and Central Government, in addition to the sitting fees for attending the Meetings of the Board of Directors or any Committee thereof. At present they receive only Rs. 5000 as sitting fees for attending each Board Meeting.

Clause 49 of Listing Agreement and Section 309(4) of the Companies Act, 1956 also requires a Special Resolution to be passed by the Members of the Company in General Meeting for payment of remuneration by way of commission to Non-Executive Directors of the Company.

All Non-Executive Directors of the Company are concerned or interested in the Resolution to the extent of the remuneration that may be received by them and their respective shareholding, if any.

The Board of Directors recommends the resolution for the approval of the members. The Non-Executive Directors are deemed to be interested in the said resolution.

**For and on behalf of Board of Directors
For Khandwala Securities Limited,**

**S M Parande
Chairman**

Registered Office:

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

Dates: 23rd July 2007

Place: Mumbai

*Come; let's join hands for a new experience***DIRECTORS' REPORT**

The Members,
Khandwala Securities Ltd.

Dear Shareholder,

Your directors have pleasure in presenting herewith the Fourteenth Annual Report along with Audited Statement of Accounts for the year ended 31st March 2007.

FINANCIAL HIGHLIGHT

	(Rs. in Lakhs)	
	Year ended 31 st March 2007	Year ended 31 st March 2006
Total Income	1119.66	1221.89
Interest & other Financial Charges	65.87	55.10
Depreciation	46.49	52.35
(Loss) / Profit before Tax	311.72	411.48
Provision for Tax (including Deferred Tax & Fringe Benefit)		
(Loss) / Profit after Tax*	265.52	605.81
Appropriations		
Dividend on Preference Shares	115.04	-
Provision for Corporate Tax on Dividend	15.48	-
Transfer to General Reserve	-	-
Transfer to P & L from DRR	-	100
(Deficit) / Surplus carried forward	139.58	4.58
Reserves and Surplus	751.03	380.29

* Profit after tax is reduced on y-o-y basis, reason there is no extra ordinary item during the current year as compare to previous year.

DIVIDEND

Your Directors do not recommend Equity Dividend for the financial year under review to conserve the resources for consolidation of businesses. The dividend on Preference Shares shown under appropriation is for the earlier years, now appropriated.

LISTING

The Company's equity shares continue to be listed on The Bombay Stock Exchange Limited, The National Stock Exchange of India Ltd and The Madras Stock Exchange. The applicable listing fee has been duly paid to all relevant Stock Exchanges.

REVIEW OF OPERATIONS**Secondary Equity Market Operations****Institutional Desk**

During the year under review, your company performed in line with the market performance. Your company had successfully managed to empanel itself with various reputed financial institutions for their equity investment.

With the additions of new clients and improved business relationship with the existing institutions, we earned an equity

brokerage income of Rs. 684.85 Lakhs against Rs. 597.98 Lakhs during the FY 05-06 a growth of 14.52%. Your company is committed to get empanelled with other reputed institutions and efforts are being made in the direction.

We are committed to outbid our performance of FY 06-07 during the current FY. Total turnover (BSE and NSE) in the cash segment during 2006-07 at Rs. 29,00,830 crore was 21.7 per cent higher than that in the corresponding period of 2005-06. Total turnover (BSE and NSE) in the derivative segment increased by 53.7 per cent during 2006-07 to Rs. 74,15,448 crore.

Private Client Group (PCG)

The securities market achieves one of the most important functions of channeling idle resources to productive resources or from less productive resources to more productive resources. Hence in the broader context the people who save and investors who invest focus more towards the economy's abilities to invest and save respectively. This enhances savings and investments in the economy, the two pillars for economic growth. The Indian Capital Market has come a long way in this process and with a strong regulator it has been able to usher an era of a modern capital market regime. The past decade in many ways has been remarkable for securities market in India. It has grown exponentially as measured in terms of amount raised from the market, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, and investor population. The market has witnessed fundamental institutional changes resulting in drastic reduction in transaction costs and significant improvements in efficiency, transparency and safety.

In line with the industry demand your company had established PCG Group to meet the requirement of higher end client base viz. HNI and Retail clients.

Key Focus of PCG

Personalized Service: Customization is a key advantage of the solutions offered by PCG. We analyze each customer's investment objective, risk profile and financial needs, to tailor highly focused result-oriented plans. A dedicated back office team supports our solutions.

Timely market information: Our vigilant dealers have their fingers on the pulse of the market and ensure that information reaches clients at the earliest.

Faster execution of trades: Our state-of-the-art infrastructure and superior execution systems help us serve the client faster and more efficiently.

Customer-centric model: Giving our clients research inputs that lead to superior returns, we are able to successfully forge long-term relationships with them.

We clocked a total equity brokerage income, including brokerage income from Institutional Desk, of Rs.684.85 Lakhs against Rs. 597.98 Lakhs during the FY 05-06 a growth of 14.52%.

MERCHANT BANKING

This robust growth was reflected in the financials of Corporate India (excluding PSU oil companies) where sales grew 28% and Net Profit grew 40% in the quarter as well as the year ended March 2007. In 2006-07, total capital of Rs. 1,26,334 crores was raised. Out of this, Rs. 1, 15,303 crores were raised from the domestic primary market and Rs. 11,028 crores raised from the Overseas Market. Private Placement emerged as a major route for raising resources. A total of Rs. 82,913 crores was raised through this route. Rs.29,185 crores was collected through Public Issues and Rs. 3,204 crores was collected through Rights Issues. Out of the total resources raised, 62% were through Equity instruments and 38% through Debt instruments (Source: CMIE). India ranks seventh overall in the world, in terms of initial public offerings (IPOs), in the first half of 2007, with \$4.6 billion from 46 deals. The second half performance is expected to be even higher, based on an existing pipe-line of 18 IPOs that are already slated to tap the markets and raise \$4.1 billion. Despite the focus on real estate and finance, India's industrial sector garnered the most IPO proceeds, about \$2.5 billion from nine issues. Meanwhile, DLF Ltd's IPO was the fifth largest globally in the first half of 2007. At a global level, China ranks as the second most active IPO global issuer, behind the US, as well as the most active among the BRIC (Brazil, Russia, India, China) countries. China had registered three of the top 10 IPOs and collected a total of \$18.6 billion in the first half from 69 offerings. China also has at least 51 IPOs lined up for the rest of the year that seek to raise \$25.5 billion, out of the \$47 billion that all Asian IPOs, excluding Japan, are set to raise between July and December 2007.

During the year, your Company executed various investment banking related assignments which, inter alia, included managing an IPO, facilitating listing of Securities on the Stock Exchanges, Corporate and Investment Advisory Services, Certification under Employees Stock Option Scheme (ESOP) and Corporate Acquisitions under SEBI (Substantial Acquisition of Shares and Takeover) Guidelines. Presently, we are handling a Follow-on Public Issue (FPO) as Book Running Lead Managers. In addition, we are also working on assignments relating to acquisition and certification under employees stock option scheme. Your Company is actively making concerted efforts to successfully receive mandate for similar line of assignments.

EQUITY RESEARCH

Your Company was able to upgrade its research output in an effective manner with periodic research. Your Company was able to average two major research reports in a month. These research papers were effectively circulated and discussed with all clients by dedicated teams from the Sales and Dealing Room. Your Company's research output was greatly appreciated by various financial institutions, banks, mutual funds, high net-worth individuals and large corporates.

PRIVATE EQUITY

Private Equity (PE) investment in India has shown exceptional growth over the last couple of years – PE investments are expected to exceed USD 10 billion in 2007 as compared to USD 7.9 billion and USD 2.6 billion in 2006 and 2005

respectively. PE gained awareness in 2005 when PE major Warburg Pincus LLC announced that it had sold a chunk of its stake in India's top cellular player, Bharti Tele- Ventures Ltd, for USD 560 million (the largest stock trade in India's history). Warburg Pincus had with that deal made USD 1.1 billion by selling off two-thirds of its 18 per cent share in Bharti, reflecting a very attractive payoff on a USD 300 million investments made in stages between 1999 and 2001.

From USD 1.1 billion invested in 60 deals in 2004, private equity investments rose to USD 2.26 billion in 124 deals in 2005, and a remarkable USD 7.9 billion in 302 deals in 2006. The average private equity investment size increased from USD 16.40 million in 2005 to USD 26.02 million in 2006. Some of the other big deals included Kohlberg Kravis Roberts & Co's USD 900 million investment in Flextronics Software Systems; Providence Equity Partner's USD 400 million investment in Idea Cellular and Temasek Holdings Pte's USD 330 million investment in Tata Teleservices Ltd. Blackstone Group is acquiring a 26 per cent stake in Ushodaya Enterprises Ltd, which publishes the Telugu newspaper Eenadu and owns television channels under the same name.

While the traditional route for private equity firms is to buy a controlling stake in struggling, mature corporations and then try to turn them around, in an emerging economy such as India these firms act more like venture capitalists. They look for promising companies in industries ranging from tech to textiles and seek to give them a boost, doing everything from injecting more capital for expansion to holding the hand of management and providing strategic guidance. In that respect, India's chief advantage over countries such as China is that it offers investors better trained managers and more corporate transparency in the private sector. There is a very large opportunity in the India with more than 7000 companies listed on stock exchange.

At the same time, there are plenty of players in emerging industries such as software, tech outsourcing, pharmaceuticals, and pharma outsourcing. Opportunities are expanding in newly deregulating industries such as cellular telecom and broadband, airlines, and port infrastructure. All require not only funding but also outside management and strategic help.

PE firms can provide financial plus strategic aid. However in order to generate efficient returns, PE firms must not only target companies that are ought to benefit from a growing consumer class but also forge key local relationships, leverage global networks, and map flexible exits.

In 2006-07 Khandwala Securities Limited (KSL) forayed into Private Equity (PE) Placement area. This in effect involved establishing presence in deal origination and execution. KSL interacted with several private equity groups to understand their preferences; this has enabled KSL to better its deal origination process. KSL has expertise in executing assignments involving companies requiring growth / expansion capital. KSL being a SEBI recognized Category I Merchant Banker, it will be able to offer composite solutions to its clients, i.e. PE Placements followed by an exit in terms of a Public Offering; and secondly, in relative terms, PE Placements entail higher fees. Currently KSL has two mid-market deals in the pipe line.

Debt Market Group

Yield curve movement during the fiscal was primarily driven by the RBI's policy of monetary tightening in response to the current inflationary situation. The other drivers of the yield curve movement such as external interest rates took a backseat, as the monetary policy move to contain liquidity assumed significance. Crude oil prices also remained under control, thereby rendering their impact on domestic bond yields benign. External factors proved to be relatively benign as interest rates in the US remained neutral in the second half of the fiscal, on the back of weak economic data while monetary tightening in the Euro area had no impact on domestic interest rates.

The 100 bps hike in CRR announced during the fiscal, resulted in the inter-bank call rate rising rapidly from its equilibrium range of 6-6.25 per cent to reach a high of 12-12.5 per cent, as the requirement of banks for funds increased to cover reserve requirements with the central bank. The impact of the hike was relatively asymmetric across the yield curve with short-term rates responding more sharply than long-term rates. The call rate thus shot past the yield on the 10-yr G-sec and caused an inversion in the yield curve. Prior to the hike, the yield on the 10-yr gilt had fallen and settled around a short-term equilibrium of 7.4 per cent from its previous average of 7.6 per cent as ample liquidity, created by active central bank intervention in the currency market and robust foreign inflows, aided commercial bank purchases of gilt securities.

A 100 bps upward revision in the repo rate and a 50 bps in the reverse repo rate, along with monetary tightening by way of a hike in the cash reserve ratio during the fiscal, resulted in overall hardening of interest rates. While the global interest rates movement did not support the interest rate hike rationale, strong demand for credit and brewing inflationary pressures resulted in series of monetary tightening measures. The yield on the 10 year gilt at the end of the fiscal 2006-07 was hovering in the band of 7.8 to 8%.

According to the Reserve Bank records, actual gross market borrowings by the Central Government through dated securities and 364-day Treasury Bills amounted to Rs. 1,79,373 crore (net Rs. 1,11,270 crore) during 2006-07. Gross market borrowings through dated securities by the Central Government amounted to Rs. 1,46,000 crore (net Rs. 1,06,916 crore) during the previous year. Gross market borrowings through dated securities during 2006-07 were 94% of the budget estimates, the same as that in the previous year. Of the 33 auctions held during 2006-07, 30 auctions were in respect of re-issuance of existing securities. Three new securities of 10-year, 15-year and 30-year were issued to provide a benchmark in the secondary market. Due to substantial participation of Primary Dealers (PDs) brokers dealing in the gilt had taken hit. Your company however, managed to generate turnover of Rs. 4368.34 crores during the year. The brokerage earned during the year was Rs. 10.36 Lacs.

Outlook and opportunities

Your Company continues to scale new heights by registering growth on a sustained basis year-on-year. The Company conducts its business with an objective to forge long-term

relationships with its customers by providing them a diverse range of tailor-made financial products and services to meet their various requirements. Your Company is committed to winning its customers' trust and ensuring customer satisfaction.

The Indian Equities have performed well in the last three years. Your Company continues to remain focused on the business of broking, merchant banking and investment banking, private equity, distribution and other professional services and has a well-established clientele. Your Company will continue to follow the philosophy of profitable growth by increasing market share, controlling costs and maintaining margins. The presence of your Company will be further expanded and strengthened by reaching out to more locations and providing value added services.

Your Company has defined the strategy to focus on the lines of business as follows:

Broking services (Retail and Wholesale):

- to fine tune its broking business to focus on retail segment, corporate and high net-worth individuals.
- to develop and strengthen its presence in the Futures and Options segment;
- to increase its network to prospective high revenue generating locations through a judicious mix of franchisees and branches.

Distribution services

- provide personalised attention and customised services for investing in financial and savings products;
- recommend savings products that yields higher returns than bank savings rates;
- recommend the right product mix to maximize clients returns;

recommend products / instrument based on risk return matrix of the investor.

CORPORATE GOVERNANCE

Your Company has complied with all the mandatory provisions of the revised 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.

DIRECTORS

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

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

Your Company had entered into a contract with M/s. STP Domain Technologies Pvt. Ltd., Company in which Mr. Ajay Narasimhan Independent Director is Promoter. M/s. STP Domain will provide service of software solution and system development, for which your company had made an application to Central Government for the approval under section 297 of the Companies Act, 1956. The Central Government has approved the said contract vide their letter ref. no. RD/297/20/04/07/5580 dated 2nd July 2007. Mr. Ajay Narasimhan will cease to be an Independent Director from the date of Central Government approval.

ISSUE OF EQUITY SHARES ON A PREFERENTIAL BASIS

During the year your company had issued and allotted 943000 Equity Shares @ Rs. 35/- per share on a preferential basis, in compliance with Section 81, 81(1A) of the Companies Act, 1956 and chapter XIII of the SEBI (DIP) Guidelines, to M/s. Sarthak Consultants Private Limited. The proceeds of the said issue and allotment of shares on a Preferential Basis were utilized for the redemption of outstanding Preference Shares.

The member's permission was obtained for the issue of the said Equity Shares on a Preferential Basis in the Extra Ordinary General Meeting of the Company held on 25th May 2006. The shares so issued were listed on all the stock exchanges where the shares of the Company are presently listed.

DELISTING OF SECURITIES FROM MADRAS STOCK EXCHANGE

The equity shares of your company are presently listed on three stock exchanges viz. The National Stock Exchange Limited (NSE), The Bombay Stock Exchange Limited (BSE) and The Madras Stock Exchange Limited (MSE)

No trades are taking place at Madras Stock Exchange as of now. As per SEBI (Delisting of Securities) Guidelines, 2003 company's securities can be delisted from the stock exchanges including the Regional stock exchange if the shares of the company continue to be listed on either Bombay Stock Exchange Limited or National Stock Exchange Limited. With a view to control the expenditure and conserve resources for the operations of the company it is proposed to delist the equity shares of the company from the Madras Stock Exchange Limited. Delisting on these stock exchanges will help in reducing the cost by way of listing fees and other incidental costs and the benefits accruing to the investors by keeping the equity shares listed on these Stock exchanges do not commensurate with the cost incurred by the company for the continued listing on these Stock Exchanges.

The shareholders in the region of the Madras Stock Exchange Limited will not suffer due to delisting since with the introduction of screen based nationwide trading terminals on the BSE and NSE, trading in shares can be easily done across the country.

As per the applicable, SEBI Guidelines, no exit option is required to be given to the shareholders of the regions where the aforesaid stock exchanges are situated as the Company's shares are listed on The Bombay Stock Exchange Limited and The National Stock Exchange Limited.

SECRETARIAL AUDIT REPORT

Your Company voluntarily appointed M/s. Savita Jyoti, Practicing Company Secretary, to conduct Secretarial Audit of the Company for the financial year ended March 31, 2007. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Listing Agreement, The Companies Act, 1956, and the Depositories Act, 1996.

MANAGEMENT DISCUSSION AND ANALYSIS

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

PERSONNEL

The Company is consciously aware that its well being largely depends upon the quality and strength of human resource at the Company. The Company endeavors to attract and retain talent. The Company ensures that its operations are adequately staffed. The 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.

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.

AUDITORS

M/s. Udyen Jain & Associates, Chartered Accountants, 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.

PARTICULARS OF EMPLOYEES

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

KHANDWALA SECURITIES LIMITED

Sr No	Particulars	Details
1	Name	Mr.Paresh J. Khandwala
2	Designation	Managing Director
3	Age	52 years
4	Remuneration	Rs. 25,00,000/- p.a.
5	Date of appointment	1 st January 2005
6	Nature of employment, whether contractual or otherwise	Employment.
7	Other terms and conditions	Nil
8	Nature of duties	Managing the Company and involved in Policy Making decision process and executing the same.
9	Experience	32 years.

During the year, your Company had received sanction from Central Government for the payment of afore stated remuneration to Mr. Paresh J. Khandwala, Managing Director of the Company.

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

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 the Directors confirm that, to the best of their knowledge and belief: -

- (i) in the preparation of the accounts, the applicable accounting standards, have been followed along with proper explanation relating to the material departures, if any;
- (ii) appropriate accounting policies have been selected and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2007 and of the Profit & Loss of the Company for the said period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) that the accounts have been prepared 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 Directors thank the Constituents, Shareholders, National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Banks, Securities and Exchange Board of India and Financial Institutions for their continued support to the Company's growth. The Directors record their special appreciation to all employees for their efforts towards achieving this performance.

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

Date : 23rd July 2007
Place : Mumbai.

S M Parande
Chairman

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. Nil (previous year – Nil)
Foreign Exchange Outgo : Nil (previous year–Rs. 11,59,000/-)

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

Date : 23rd July 2007
Place : Mumbai.

S M Parande
Chairman

“Outstanding Corporate have one thing in common an absolute sense of mission”

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Continuous liberalization in FDI policy and simplification of procedures are contributing immensely to attracting increased FDI into India. The fact that the government is now annually conducting a review of the FDI Policy & Procedures has given an added confidence to the foreign investors that their concerns are addressed on a continuous basis.

FDI equity inflow during the financial year 2006-07 at nearly US \$ 16 billion (US \$ 15.7 billion) has been 2.8 times more than the inflow (US \$ 5.5 billion) received during the previous year. This is the highest FDI equity inflow into the country during any financial year since the commencement of economic reforms. FDI equity inflow in the month of March 2007 was US \$ 3.8 billion which is the highest inflow received so far in a single month. Major investment (US\$ 6,363 million - or \$ 6.3 billion) during the financial year 2006-07 came from Mauritius, U.K., U.S.A., Netherlands & Singapore are the other major countries from where inflows have been received. These five countries together have contributed 83% of the total FDI equity inflows during 2006-07 as compared to 67% in 2005-06. Mauritius accounts for 51% in the total FDI inflows during the year 2006-07 compared to 46.4% in 2005-06. Contribution of U.K. has been 15% in 2006-07 compared to 4.8% in 2005-06. USA has invested 7% during 2006-07 compared to 9.1% in 2005-06. Both, the Netherlands and Singapore have contributed 5% each during 2006-07 compared to 1.4% and 5%, respectively, in the previous year.

The five sectors which have attracted highest FDI into India during 2006-07 are Services, Electrical Equipments (including computer software & electronics), Construction Activities, Telecommunications and Real Estate. The Construction and Real Estate Sectors have together received US\$ 1.45 billion during the year 2006-07 which is about 12% compared to 3.4% of the total FDI inflows received during the year 2005-06. The Services sector has received 38% during the year 2006-07 compared to 10.5% in the previous year. The share of the Electrical Equipment sector has been 22% in the year 2006-07 compared to 26.1% in 2005-06 and the Telecommunication sector has received 4% in 2006-07 compared to 12.2% in 2005-06. The cumulative FDI equity inflows in India during the period August 1991 to March 2007 stood at US\$ 54,628 million.

The top ten investing countries with respect to FDI equity inflows are Mauritius, USA, UK, Netherlands, Japan, Singapore, Germany, France, South Korea, and Switzerland.

The Indian economy witnessed robust growth during 2006-07 for one more year in succession. According to the Central Statistical Organisation, the Index of Industrial Production (IIP) grew 11.5% in 2006-07 as against 8.2% in 2005-06 and according to the advance estimates, real Gross Domestic Product (GDP) growth is expected to accelerate from 9.0% in 2005-06 to 9.2% in 2006-07.

Segmental Analysis

Primary Market

The primary market segment of the capital market continued to exhibit buoyancy. Resources raised through the public issues increased by 20.2 per cent to Rs.32,382 crore during 2006-07. The average size of issues increased to Rs.272 crore from Rs.195 crore during the previous year. All issues, except one, during 2006-07 were by private sector and mostly by non-financial companies. Out of 119 issues during the year, 75 issues were initial public offerings (IPOs) constituting 85.0 per cent of total resource mobilization.

Mobilization of resources through private placement increased by 50.8 per cent to Rs. 1,03,169 crore during April-December 2006 over the corresponding period of the previous year. This was mainly on account of a near doubling of resources mobilized by private sector entities to Rs. 59,796 crore. Resources raised by public sector entities increased by only 11.4 per cent. Private sector entities, thus, raised more resources than public sector entities in contrast to the trend in 2005-06. Financial intermediaries (both from public sector and private sector) continued to account for the bulk of resource mobilization from the private placement market (69.4 per cent of the total during April-December 2006 as compared to 64.1 per cent during April-December 2005).

The resources raised through Euro issues - American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) - by Indian corporates increased by 49.8 per cent to Rs.17, 005 crore during 2006-07.

During 2006-07, net mobilization of resources by mutual funds increased substantially by 78.1 per cent to Rs.93,985 crore over the corresponding period of previous year. Bulk of the net mobilization of funds (68.2 per cent of total) was under income/debt-oriented schemes, while growth/equity-oriented schemes accounted for 30.0 per cent of the net mobilization of funds.

Mutual Funds

The fiscal 2006-07 was a historic year for the mutual fund industry. 413 new schemes were launched during the year 2006-07 as against 190 in the previous year. The amount mobilized through new schemes was Rs1,40,928 crores as against Rs. 1,70,583 crores in the previous year representing an increase of 199.6%. The total funds mobilized during the year 2006-07 stood at Rs. 19,38,592 crores against Rs. 10,98,158 crores in last year representing an increase of 76.53% The AUM (assets under management) on 31st March 2007 stood at Rs. 3,26,388 crores as against Rs. 2, 31,862 crores at the end of the previous year, registering an increase of 40.76% over the year. The net investment in mutual fund amounted to Rs. 94080 crore during 2006-07 as compared to Rs. 52779 crore during 2005-06. The rise in stock market indices resulted in the equity mutual funds giving excellent returns to the small investors. During the fiscal year 2006-07 mutual funds aggressively invested in debt instruments. Mutual funds are getting a good response from the small

KHANDWALA SECURITIES LIMITED

investors in the times of increased volatility in the stock market. As a result of discounting of IPOs after listing and volatility in the secondary market, a large number of the small investors have shifted their investments to mutual funds.

Secondary Market

Global equity markets recorded further gains during 2006-07, interspersed with intermittent corrections. Equity markets initially registered losses between mid-May and early June 2006 in a number of economies reflecting concerns about growing inflationary pressures and concomitant increase in risk aversion. Global equity markets recovered part of the losses during the second and third quarters of 2006-07 reflecting strong corporate results, decline in crude oil prices, better than expected growth in the euro area, strong merger and acquisition activity and pause by the US Federal Reserve. Equity markets in India witnessed major swings during 2006-07. FIIs investments in the domestic stock markets during 2006-07 were lower than a year ago. Mutual funds investments in the domestic stock markets were also lower than a year ago. Growth in corporate profitability remained buoyant.

Stock market gains were interspersed by some sharp corrections during the course of the year. In consonance with the trends in global equity markets, domestic stock markets witnessed correction during May-June 2006, December 2006 and February/ March 2007. During the year 2006-07, the BSE Sensex reached an intra-year low of 8929 as on June 14, 2006, a decline of 29.2 per cent over the then all-time high of 12612 reached on May 10, 2006. The stock markets recouped these losses in the subsequent months and the BSE Sensex reached an all-time high of 14652 on February 8, 2007 on institutional buying support, robust macroeconomic fundamentals and high private corporate profitability. The markets, however, witnessed some correction thereafter. The BSE Sensex closed at 13,072 on March 30, 2007. The BSE Sensex, thus, increased by 15.9 per cent during 2006-07 (year-on-year) as compared with a gain of 73.7 per cent during 2005-06.

According to the Securities and Exchange Board of India (SEBI), FIIs made net purchases of Rs. 25,236 crore (US \$6.0 billion) during 2006-07 on top of net purchases of Rs. 48,542 crore (US \$11.0 billion) during the previous year. Mutual funds also made net investments of Rs.9,024 crore during 2006-07 as compared with net purchases of Rs.14,302 crore during the previous year. Major stock indices and sectors showed mixed trends during 2006-07. On a point-to-point basis, the BSE 500 and the BSE Mid-cap increased by 9.7 per cent and 0.7 per cent, respectively, while the BSE Small-cap declined by 1.9 per cent. Amongst major sectors, oil and gas stocks recorded gains of 30.5 per cent, followed by bank stocks (24.2 per cent), IT (21.6 per cent), consumer durables (11.1 per cent) and capital goods (11.1 per cent). However, losses were noticed in the FMCG sector (21.4 per cent), auto sector stocks (8.7 per cent), healthcare (5.4 per cent), metals (4.3 per cent) and PSUs (3.2 per cent). The price-earnings (P/E) ratio for the 30 stocks included in the BSE Sensex declined from 20.9 at end-March 2006 to 20.3 at end-March 2007. The market capitalization of the BSE increased by 17.3 % during the year 2006-07. Total turnover (BSE and NSE) in the cash segment during 2006-07 at Rs.29, 00,830 crore was 21.7 per cent higher than that in the corresponding period of

2005-06. Total turnover (BSE and NSE) in the derivative segment increased by 53.7 per cent during 2006-07 to Rs.74, 15,448 crore.

Insurance sector overview:

Insurance business can be broadly classified into life and non-life segment.

1. Life Insurance:

The Life Insurance business rose by 110% for the year ended 31st March 2007. The industry data can be categorized and compared in following manner.

(Rs in Cr)

Life Insurance	2006-07	2005-06	Growth
Individual Single Premium	23545.99	10998.99	114.07%
Individual Non Single Premium	37922.51	19889.04	90.67%
Group Single Premium	12422.04	4406.24	181.92%
Group Non Single Premium	1515.98	603.68	151.12%
Total	75406.52	35897.95	110.06%

It can be observed that growth in life insurance premium of 110% is driven by growth in all segments. The group non-single premium underwritten for the year ended 31st March 2007 is entirely underwritten by private insurers covering 47,37,109 lives compared to 28,51,686 lives covered in corresponding previous year. The share of private insurers in total life insurance premium

Year	2006-07		2005-06	
	LIC	Private Insurers	LIC	Private Insurers
Individual Single Premium	87.66%	12.34%	79.58%	20.42%
Individual Non Single Premium	63.02%	36.98%	65.09%	34.91%
Group Single Premium	91.73%	8.27%	89.56%	10.44%
Group Non Single Premium	-	100%	-	100%
Total	74.17%	25.82%	71.44%	28.56%

The share of private insurers has decreased from 28.56% to 25.82% of total life insurance premium in current year 2006-07. LIC has gained market share even on a higher base. The major growth of LIC is derived from Individual Single Premium.

2. Non-Life Insurance

The non- life insurance business has grown at 22.37% for the financial year 2006-7 and the gross written premium has reached Rs. 25,002 Cr. Among private players ICICI Lombard has crossed Rs.3000 cr mark. The private players have recorded a gross premium underwritten for the FY2006-07 of Rs.8716.94 cr registering a growth of 60.39% on previous years premium and public sector managed to increase their premium only by 9% over previous year.

Inflation

Headline inflation in major advanced economies remained firm till August 2006 in tandem with crude oil prices reaching record highs. It eased during September-October 2006 on

the back of base effects as well as the sharp decline in international crude oil prices but again rose during December 2006-March 2007.

In India, prices of primary food articles and manufactured products exerted upward pressures on headline inflation in 2006-07. Wholesale price inflation was generally within the Reserve Bank's indicative projections of 5.0-5.5 per cent up to mid-November 2006 and rose above the upper end of the band thereafter. The year-on-year (y-o-y) inflation was 5.9 per cent as on March 31, 2007 as compared with 4.0 per cent a year ago. Measures of consumer price inflation remained above the WPI inflation throughout the year, mainly reflecting the impact of higher food prices. The Reserve Bank continued with the policy of gradual withdrawal of monetary accommodation, using various instruments at its disposal flexibly to stabilize inflationary expectations, while continuing to pursue the medium term goal of a ceiling on inflation at 5.0 per cent. The Government also took fiscal and supply-side measures to contain inflation. As a result of the monetary & non-monetary measures taken by RBI and the Central Govt. to contain inflation, the inflation has declined to 4.03% as on 16th June 2007.

Foreign Exchange Market

In the foreign exchange market, the US dollar depreciated against the major currencies during 2006-07, reflecting narrowing of interest rate differentials, moderation of activity in the US and robust growth in the Euro area and Japan. Between end-March 2006 and end-March 2007, the US dollar depreciated by 11.4 per cent against the Pound sterling and 9.1 per cent against the Euro but appreciated by 0.2 per cent against the Yen.

In the foreign exchange market, the Indian rupee exhibited two-way movements during 2006-07 moving in a range of Rs.43.14–46.97 per US dollar. The rupee initially depreciated against the US dollar during the year, reaching Rs.46.97 on July 19, 2006, reflecting higher crude oil prices, FII outflows and geo-political risks in the Middle East region. The rupee, however, strengthened thereafter on the back of moderation in crude oil prices, revival of FII inflows and weakness of the US dollar in the international markets. The rupee appreciated further in the second half of March 2007 to reach Rs.43.14 per US \$ on March 28, 2007, due to increased supply of dollars in the market. The exchange rate at Rs.43.60 per US dollar as on March 30, 2007 recorded an appreciation of 2.3 per cent over its level as on March 31, 2006 (Rs.44.61 per US dollar). Reflecting cross-currency movements, the rupee depreciated by 9.1 per cent against the Pound sterling and 6.8 per cent against the euro but appreciated by 2.7 per cent against the Japanese yen over the same period. The exchange rate was Rs.41.91 per US \$ as on April 18, 2007.

The nominal effective exchange rate (NEER) of the Indian rupee (six currency trade-based weights) appreciated by 3.1 percent during the year 2006-2007. Over the same period, the real effective exchange rate (REER) of the Indian rupee (six-currency trade-based weights) appreciated by 7.8 percent.

Foreign Investments

The total amount of FDI Inflow for the year 2006-07 amounted to Rs 70,630 crore. Cumulative amount of FDI Inflows up to March 2007 is Rs 2,32,041 crore. Net FII Inflow in equity for

year 2006-07 was Rs 26,032 crore. The foreign currency reserves have increased to US\$199.18 billions as on 31st March 2007.

Mergers & Amalgamations

Indian economy has seen an increase in M&A activities in FY2007. Total no of deals were 924 with a value of Rs 2,04,597 cr. There were big deals of M&A like Tata- Corus (\$12.1bln), Vodafone- Hutch (\$21bln), Hindalco – Novalis (\$6bln) and many more. This trend continues in the current fiscal and in the month of April 2007, 98 deals of \$3.0 bln have already announced. M&A are happening in all the sectors of economy. Steel sector is the major one as it holds 26%, in total M&A activities happened in 2006-2007.

During the current fiscal 2007-08, the number of inbound cross border deals has been 17 with value of \$ 1.98 billion and the number of outbound cross border deals were 32 valued at \$ 3.41 billion. The most significant inbound deals during the last 2 months have been Vedanta Resources' majority stake in Sesa Goa. There have been some significant outbound acquisitions by Indian companies in the last 2 months, the largest being the Essar Steel-Algoma deal. Tata Power has acquired significant stake in PT Kaltim Prima Coal and PT Arutmin Indonesia (\$1.1bln).

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 existence 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.

KHANDWALA SECURITIES LIMITED

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.

Company 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. India's financial services sector grew at 11.1 per cent in 2006-07. The stock market reported its largest single-year advance in history, with the BSE Sensex adding 1,792 points. Besides, the BSE Sensex gained around 1,000 points towards end 2006-07 and beginning 2007-08 in only 26 trading sessions to recover lost ground and touch 14,000, boding well for the Company's equity-Dependant businesses. Your Company has broadly three major revenue generation department viz. Equity Broking, Investment and Merchant Banking and Investment Advisory. 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 honouring their financial commitments following an unexpected market movement, the Company's cash flow could be significantly affected.

Company Perception

KSL has exercised prudence in client selection and credit extension. For instance, the Company's internal audit team ascertains client credentials before they are permitted to trade. A robust online IT-based risk monitors client transactions, trading pattern and detailed payment history in real-time.

When the credit limit is breached, a system-generated alert makes it possible for the Company to liquidate the client's holdings, reducing risk. Besides, a stock-based categorisation allows limits to be set based on the liquidity and quality of the specific stock.

Human Resource Risk

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

Company 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.

Company 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 four new institutional clients from where regular business is generated. In past also your company has added 3-4 four news clients on a y-o-y basis. It is your company's constant endeavor to search for new area of business and clients.

Regulatory risk

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

Company Perception

KSL takes its compliance commitment seriously, recognizing that the business must not only serve the interest of the customer but also function well within the established guidelines of the various regulatory authorities for responsible and profitable growth.

At KSL, the compliance discipline extends across the entire transaction cycle: client identification, KYC process transaction execution, transaction settlement involving securities and funds transfer. The compliance requirements across the various service points have been communicated comprehensively to all branches through compliance manuals, leading to uniformity, quality, priority and discipline

Segment wise performance

During the year the Company has generated its revenue from the following segment:

Segment	Rs. in Lakhs
Brokerage	700.24 (62.53%)
Corporate Advisory Services	288.07 (25.73%)
Income from capital market operations	15.84 (1.41%)
Others	115.54 (10.32%)

Human Resources

Your company considers its human resource as the most valuable asset and, recognizing this, devotes a considerable

part of its time and resource in motivation, training & 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 to prepare report on various sector performances. This has helped your company to establish goodwill with local management schools and prepare future prospects for employment.

Cautionary statement

The statements made in this report describe the Company's objectives and projections that may be forward-looking statements within the meaning of applicable securities laws and regulations. The actual results might differ materially from those expressed or implied depending on the economic conditions, government policies and other incidental factors, which are beyond the control of the Company.

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

S M Parande
Chairman

Date: 23rd July 2007
Place : Mumbai

To,
Board of Directors
Khandwala Securities Limited
Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai 400 021

Dear Sirs

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

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

For **Khandwala Securities Limited**

Paresh J Khandwala
Managing Director

Date : 23rd July 2007
Place : Mumbai

WE FOCUS ON OUR STAKEHOLDERS, CLIENTS AND THEIR BEST INTERESTS AND OUTCOMES;

CORPORATE GOVERNANCE REPORT

1. Corporate Governance an existence

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Good Corporate Governance leads to long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

The Company is fully committed to sound principles of Corporate Governance, encompassing high standards of transparency, accountability, social responsiveness and good/ethical commercial practices. On these principles the Company aims to maximize the value for all stake holders in the Company namely, the shareholders, clients, employees and the society.

The Company firmly believes in and continues to practice good Corporate Governance. The Company continuously endeavors to improve on these aspects on an ongoing basis. In order to achieve this objective, the Company is driven by the following guiding principles:

- Improving the effectiveness of the Board of Directors in supervising management; and
- Improving the quality of information and communication with our stakeholders;

Your Company believes that these two principles will result in a better shareholders value.

The Company has adopted whistle Blower Policy as per requirement of revised clause 49 and has moved further in its pursuance of excellence in Corporate Governance.

2. Board of Directors:

The Board of Directors along with its committees provides leadership and vision to the management and supervises the functioning of the Company. The composition of the Board is governed by the Listing Agreement executed with the Stock Exchanges and the provisions of the Articles of Association of the Company. The Board has an optimum combination of executive and non executive Directors and presently comprises of five Directors as on 30th June 2007 out of which four are Non-Executive Directors. The Managing Director is responsible for the conduct of the business and day to day affairs of the Company. Mr. Prakash Shah, Non-Executive Director resigned from the Board on 27th April 2007, after which, total Board strength is five members.

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

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

Name of member	Position
Shri Shreedhar M Parande	Chairman, Non Executive, Independent Director
Shri Paresh J. Khandwala	Managing Director and CEO, Promoter Director
Shri Prakash Shah*	Non Executive, Independent Director
Shri Rohit Chand	Non Executive, Independent Director
Shri Kalpen Shukla	Non Executive, Independent Director
Shri Ajay Narasimhan	Non Executive, Independent Director

* Resigned on 27th April 2007

** Non-Executive Director w.e.f. 2nd July 2007

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

- Audit Committee;
- Shareholder / Investor Relations Committee;
- Remuneration / Compensation Committee; and
- Corporate Governance Committee.

A The Constitution of Board as on 31st March 2007

Name of the Director	Attendance Particulars		Committee Membership / Chairmanship		No. of Other Directorships / Committee Memberships / Chairmanship		
	Board Meetings	13 th AGM	Committee Memberships	Committee Chairmanships	Other Directorships	Committee Memberships	Committee Chairmanships
Paresh Khandwala	6/6	Yes	2/4	1	2	Nil	Nil
S. M. Parande	6/6	Yes	2/4	1	5	Nil	Nil
Prakash Shah	5/6	No	2/4	1	2	Nil	Nil
Rohit Chand	5/6	No	2/4	Nil	4	2	Nil
Kalpen Shukla	6/6	No	2/4	1	Nil	Nil	Nil
Ajay Narasimhan	6/6	No	2/4	Nil	Nil	Nil	Nil

Note: Directorship in Private Companies not considered.

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

Date of Board Meeting	21.04.2006	28.06.2006	27.07.2006	21.09.2006	19.10.2006	23.01.2007
Board Strength	6	6	6	6	6	6
No. of Directors present	6	6	4	6	6	6

ii) Attendance in the Annual General Meeting:

Date of 13 th Annual General Meeting	26.08.2006
Board Strength	6
No. of Directors present	2

C. Directors seeking re-appointment

Shri Rohit Chand, Director of the Company seeks reappointment

Educational Qualifications

B.Tech–1969 Indian Institute of Technology, New Delhi.

MBA–1970 Katz Graduate School of Business, University of Pittsburgh, USA.

Experience

Mr. Rohitasava Chand has over thirty-one years of experience in the IT Services Industry. He is qualified B. Tech from IIT Delhi and an MBA from the Katz Graduate School of Business, University of Pittsburgh, USA. He started his career in software development in 1970 in the U.S. and later moved to India to head the information technology division of Computronics India. In 1985, Mr. Rohitasava Chand ventured out on his own and through a series of acquisitions and mergers created I.I.S. Infotech Ltd., one of India's foremost software companies, of which he was the Executive Chairman. IIS was bought over by the FI Group Plc. (now Xansa Plc.), which is a UK-based multinational and Mr. Chand exited the company. Thereafter, Mr. Chand co-founded Infinity Venture Fund which has a corpus of US\$ 40 million and bought a significant stake in IT&T and contributed to its growth and diversification. Mr. Rohitasava Chand is a recipient of the I.I.T. Delhi Alumni award for outstanding contribution to national development.

He was appointed as Director of Khandwala Securities Limited in the Board Meeting held on 23rd July 2005. He has a total of 16 years of experience in the Capital Market having large investment portfolio within the family. He has acquired expertise in Investment Banking, Fund Raising, Asset Management etc.

Mr. Chand is a Director / Member on the Board / Committee stated as below.

Other Directorship of Mr. Rohit Chand as on 31st March 2007

Sr. No.	Name of the Company	Designation
1	Axis – IT&T Limited	Chairman
3	Cyber Media Limited	Director
4	Axis Eu Limited	Director
5	British Motar Car Co. Limited	Director

Note: Directorship in Private Companies not considered.

Committee Membership of Mr. Rohit Chand as on 31st March 2007

Sr. No.	Name of the Company	Name of Committee & Designation
1	Axis – IT&T Limited	Share Transfer Committee - Member Investor Grievance Committee - Member
2	Cyber Media Limited	Audit Committee – Member Remuneration Committee - Member

Mr. Rohit Chand holds 1,50,000 10% Cumulative Redeemable Preference Shares of Rs.100/- each.

3. Audit Committee

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

This Committee comprises solely of Independent Directors. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters.

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

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements concerning financial statements;
 - any related party transactions as per Accounting Standard 18.
 - Reviewing the Company's financial and risk management policies.
 - 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 comprised of Shri Prakash Shah-Chairman (resigned on 27th April 2007), Shri S. M. Parande and Shri Kalpen Shukla and Mr. Rohit Chand (appointed on 28th April 2007) all being Non-Executive and Independent Directors with vast experience in and knowledge of corporate affairs and finance

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

During the financial year under review, five meetings of Audit Committee of the Board were held on 21st April 2006, 26th June 2006, 27th July 2006, 19th October 2006, and 23rd January 2007.

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
Shri Prakash Shah, Chairman*	5	5
Shri S. M. Parande#	5	5
Shri Kalpen Shukla	5	5
Shri Rohit Chand**	-	-

*Reigned on 27th April 2007.

**Appointed as member of Audit committee w.e.f. 28th April 2007.

#Mr. S M Parande elected as chairman due to resignation of Mr. Prakash Shah w.e.f. 28th April 2007.

4. Remuneration / Compensation Committee

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

Composition and Attendance

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

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Shri Kalpen Shukla, Chairman	2	2
Shri Rohit Chand	2	2
Shri Ajay Narasimhan	2	2

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 2007 was as follows.

Remuneration to Executive Directors

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

Director	Salary	Commission	Perquisites and Allowances	Total	Tenure of Appt.
Mr. Paresh J Khandwala	Rs.21,25,000/-	NIL	Rs.3,75,000/-	Rs.25,00,000/- (Twenty Five Lacs only)	1 st January 2005 to 31 st December 2009

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

Remuneration to Non-Executive / Independent Directors

Non-Executive / Independent Directors doesn't receive any thing over and above Sitting fees by way of remuneration

from the Company and There are no pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company except by way of Fees paid for attending Board Meeting during the year 2006-07.

Name of Director	Sitting Fees
Shri S. M. Parande	30,000
Shri Prakash Shah*	25,000
Shri Ajay Narasimhan	30,000
Shri Kalpen Shukla	30,000
Shri Rohit Chand	25,000

*Resigned on 27th April 2007

5. Shareholder / Investor Relations Committee

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

Composition and Attendance

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

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Shri S M Parande, Chairman	4	4
Shri Paresh J. Khandwala	4	4
Shri Rohit Chand	4	4

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 2007.

6. Corporate Governance Committee

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

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

Composition and Attendance

The Corporate Governance Committee functions under the Chairmanship of Shri Paresh J Khandwala, Shri Ajay Narasimhan and Shri Prakash Shah (resigned w.e.f. 28th April 2007).

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Shri Paresh J Khandwala, Chairman	2	2
Shri Ajay Narasimhan	2	2
Shri Prakash Shah*	2	2

*Resigned on 27th April 2007

7. General Body Meetings

1. Annual General Meetings

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

Name of Meeting	Day, Date and Time	Venue
11 th Annual General Meeting	Thursday, 19 th August 2004 at 10.00 a.m.	Garware Club House, D-Road, Churchgate, Mumbai 400 001
12 th Annual General Meeting	Friday, 2 nd September 2005 at 10.00 a.m	Garware Club House, D-Road, Churchgate, Mumbai 400 001
13 th Annual General Meeting	Saturday, 26 th August 2006 at 10.00 a.m.	Cooch Behar Room, Cricket Club of India (CCI), Braboune Stadium, Churchgate, Mumbai 400 020

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

8. Disclosures:

Related Party Transaction

The Company has entered into related party transactions at arms length prices details of which are part of Notes to accounts. The Company has no subsidiary.

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.

KHANDWALA SECURITIES LIMITED

Mandatory Requirements

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

Non- mandatory requirements

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

9. Means of Communication

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

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

10. General Shareholder information

1. Date and Venue of the Annual General Meeting

The Fourteenth Annual General Meeting of the Company is scheduled to be held at Cooch Behar Room, Cricket Club of India (CCI), Braboune Stadium, Churchgate, Mumbai 400 020 on Saturday, 1st September 2007 at 12.00 p.m.

2. Financial Calendar of the Company

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

Quarter ending 30th June 2007 - End July, 2007

Half year ending
30th September 2007 - End October 2007

Quarter ending
31st December 2007 - End January 2008

Year ending 31st March 2008 - Second week of
June 2008

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

3. Dates of Book Closure

From Wednesday, 29th August 2007 to Wednesday, 5th September 2007 (both days inclusive)

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

5. Listing of Equity Shares

The Company's shares are listed on the Stock Exchanges at The Stock Exchange, Mumbai, National Stock Exchange of India Limited and Madras Stock Exchange.

6. Stock Code

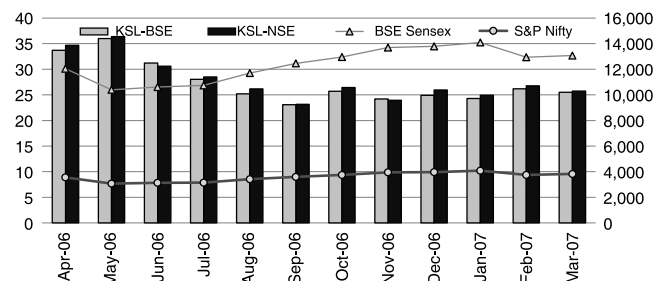
1. The Stock Exchange, Mumbai (BSE) : 531892
2. National Stock Exchange of India Limited : KHANDSE
3. Madras Stock Exchange Limited : KWS

Company has paid Listing Fees to all the above stock exchanges for the year 2007-08 where the shares of the Company are listed.

7. 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:

Month	NSE				BSE			
	High	Low	Close	Volume	High	Low	Close	Volume
Apr-06	35.00	28.50	34.70	142.68	34.50	27.00	33.70	56.34
May-06	43.00	32.35	36.40	184.12	42.15	32.00	36.00	68.57
Jun-06	35.00	20.00	30.60	88.60	35.20	22.00	31.20	19.35
Jul-06	35.75	26.25	28.50	86.21	32.90	23.10	28.05	15.02
Aug-06	29.75	24.50	26.15	65.52	28.75	24.10	25.20	22.70
Sep-06	26.00	22.00	23.15	152.77	27.40	19.05	23.10	23.88
Oct-06	31.45	23.15	26.45	140.41	31.50	22.90	25.70	53.24
Nov-06	30.10	22.85	23.95	153.38	29.80	22.80	24.20	68.99
Dec-06	26.75	22.60	25.95	70.98	26.75	20.10	24.90	78.22
Jan-07	27.95	23.25	24.95	23.79	28.50	23.20	24.30	25.71
Feb-07	27.50	23.00	26.75	64.20	27.50	23.00	26.20	49.33
Mar-07	29.90	23.20	25.75	69.95	28.70	22.60	25.50	30.64



9. Registered Office

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

10. Registrar and Transfer Agents

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

1. Categories and Distribution of Shareholding

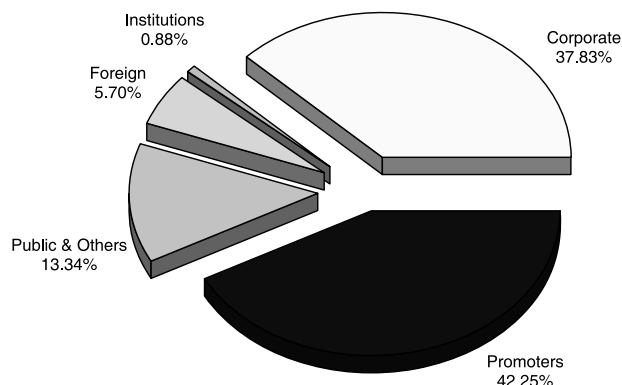
1. Distribution of Shareholding as on 31st March 2007

**KHANDWALA SECURITIES LIMITED
DISTRIBUTION SCHEDULE AS ON 31st March 2007**

Sl. No.	Category From To	Number of Cases	% of Cases	Amount	% of Amount
1	5000 1280	79.95	1618080	1.42	
2	5001 10000	112	7.00	941060	0.82
3	1000 120000	61	3.81	1010730	0.89
4	2000 130000	24	1.50	631670	0.55
5	3000 140000	20	1.25	722410	0.63
6	4000 150000	8	0.50	366410	0.32
7	50001 100000	25	1.56	1828350	1.61
8	100001 and Above	71	4.43	106711290	93.75
	TOTAL	1601	100	113830000	100

2. Distribution of shareholding according to categories of shareholders as on 31st March 2007

Sl.	Category	No. of Shares	Amount (Rs.)	% Shareholding
A.	Promoter's holding			
1	Promoter's holding			
	Indian Promoters	340174	3401740	2.99
	Foreign Promoters	-	-	-
2	Persons acting in concert	4469235	44692350	39.26
	Sub Total	4809409	48094090	42.25
B.	Non-Promoters holding	6573591	65735910	57.75
3	Institutional Investors	-	-	-
	a. Mutual Funds and UTI	-	-	-
	b. Banks, FI, Insurance Cos. (Central / State Govt. Institutions / Non-Govt. Institutions	100000	1000000	0.88
	c. FI's	-	-	-
	Sub Total	100000	1000000	0.88
4	Others			
	a. Private Corporate Bodies	4306723	43067230	37.83
	b. Indian Public	1518124	15181240	13.34
	c. NRI's / OCB's	648744	6487440	5.70
	Sub Total	6473591	64735910	56.87
	GRAND TOTAL	11383000	113830000	100.00



12. Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialized form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman and Secretary are authorised to approve transfers / transmission of shares below 5000 in numbers. The Share Transfer and Shareholders / Investors Grievance Committee meets as and when required to consider the other transfer proposals and attend to shareholder grievances.

13. Dematerialization of Shares

More than 98% 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 2007.

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

15. Address for Correspondence

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

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

The Company Secretary / Compliance Officer

Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai 400 023
Telephone no.: +91 22 2264 2300
Fax no.: +91 22 2261 5172
Email : investorgrievances@kslindia.com

For and on behalf of Board of Directors

Khandwala Securities Limited

**S M Parande
Chairman**

Date : 23rd July 2007

Place : Mumbai.

KHANDWALA SECURITIES LIMITED

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

To,

Shareholders,

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, 2007.

For and on behalf of Board of Directors
Khandwala Securities Limited

Paresh J Khandwala
MD / CEO

Date : 23rd July 2007

Place : Mumbai.

COMPLIANCE CERTIFICATE

To the Members,

Khandwala Securities Limited.

Gr. Floor, Vikas Bulding,

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 2007.
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

Udyen Jain-Proprietor
Membership No.: F-101201

Place : Mumbai

Date : 23rd July 2007

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, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the period from April 1, 2006 to March 31, 2007 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. During the financial year 2003-04, 2004-05 and 2005-06 the Company paid Preference dividend aggregating to Rs. 130.53 Lacs (Including dividend tax of Rs. 15.48 Lacs) on its preference share capital. As this payment was not in compliance with provision of the Companies Act 1956, the amount was shown as recoverable from the executive director of the Company and was disclosed as such in the financial statement. During the financial year 2006-07, since Company has generated adequate profit, the amount recoverable from the executive director of the company is adjusted / setoff against such profits and the effect of the same is provided in the profit and loss account of the financial year 2006-07 as dividend. Please refer to note No. 12 of the Schedule Q in the financial statements.
 4. (i) The Company had advanced application money towards purchase of shares of Rs. 216.69 lacs, which is outstanding for a period of more than 60 months as at the end of the year. In the absence of information regarding the status of the allotment or the net worth of the entities in which the Company made applications, we are unable to ascertain the extent to which an amount of Rs. 216.69 lacs is recoverable and accordingly, the effect thereof on the financial statements cannot be ascertained. The company has already initiated legal proceeding against the investee for the recovery of the share application money. Please refer note 3 of Schedule Q to the financial statements.
 - (ii) Short-term deposits availed from companies, together with interest accrued thereon aggregating Rs 190.64 lacs as of the balance sheet date, and are subject to confirmation and consequential adjustments, if any. Please refer note 4 of Schedule Q to the financial statements.
 - (iii) Loans / deposits placed with companies, aggregating Rs. 530 lacs, and certain interest accrued aggregating Rs. 135.80 lacs as at the balance sheet dated 31st March 2007, are subject to confirmation and consequential adjustments, if any. No provision for interest receivable has been made from the deposits for the year. Please refer note 5 of Schedule Q to the financial statements.
- We are unable to assess the extent to which the amounts indicated in paragraphs (iii) are recoverable and the amount in paragraph (ii) is payable, and accordingly, the effect thereof on the financial statements cannot be ascertained.
5. 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.
 6. Further to our comments in the Annexure referred to above, we report that:
 - a. Except for the matters stated in paragraph 4 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, 2007 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 4 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, 2007;
2. In the case of the profit and loss account, of the Profit 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

Udyen Jain
Proprietor
M.No.F-101201

Date : July 23, 2007
Place : Mumbai

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 5 of our report of even date to the members of Khandwala Securities Limited on the financial statements for the period from April 1, 2006 to March 31, 2007)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Discrepancies have been identified and adjusted/rectified in the records relating to fixed assets.
2. According to the information and explanations given to us, during the period, the management has conducted physical verification of the fixed assets of the Company, other than those given on lease. 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. Please refer to note 18 of the Schedule Q to the financial statements.
5. According to the information and explanations given to us, the management has conducted physical verification of inventory held in physical form during the period, as also at the balance sheet date. In respect of inventory held in dematerialized form, the holding as at the balance sheet date has been confirmed by the depositories. In our opinion, having regard to the nature of the inventories, the frequency of physical verification is reasonable.
6. In our opinion, and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
7. In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of inventory during the period. Discrepancies, if any noticed on physical verification of inventory as compared to book records maintained were not of a material nature and have been properly dealt with in the books of account.
8. The company has not granted any loans, secured or unsecured during the period. However the company has received interest free trade advance from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. The said amount has been repaid during the year. The amount of Rs. 12.79 lacs recoverable from the companies as stated in the previous year has been recovered during the year.
9. As the company has not granted any loans, secured or unsecured, to 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
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
11. 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.
12. In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five hundred thousand in respect of each party during the period, have been made at prices which are reasonable having regard to the prevailing market prices, where such prices are available.
13. 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.
14. 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.

15. 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.
16. 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, *although there were some instances observed in Tax Deducted at Source where the Company has delayed in the payments.*
17. *As at the balance sheet date, the Company is in arrears towards stamp duty relating to the period October 2001 to August 2002 Refer notes to the accounts.*
18. According to the information and explanations given to us, no personal expenses have been charged to revenue account.
19. As at the balance sheet date, the Company does not have accumulated losses. The Company has not incurred cash losses in the current year.
20. According to the information and explanations given to us, the company has not defaulted in the repayment of dues to financial institutions and banks.
21. To the best of our knowledge, and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
22. In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of paragraph 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
23. In respect of the Company's dealings or trading in shares, securities, debentures and other investments, proper records have been maintained on a timely basis in respect of the transactions and contracts during the period under report. According to the information and explanations given to us, shares and other securities held as investments are in the Company's name, except in cases where the same are in the process of being transferred in its name.
24. According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks which are prima facie prejudicial to the interest of the company.
25. According to the information and explanations given to us, the Company had applied term loans (vehicle loans) availed for the purpose for which they were obtained.
26. In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, prima facie, no funds raised on short-term basis have been applied for long-term investments and vice versa.
27. According to the information and explanations given to us, during the period under report, the Company has not made preferential allotments of equity shares to persons listed in the register maintained under Section 301 of the Companies Act, 1956.
28. As the company did not have any debentures outstanding during the year, the clause no. 4(xix) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
29. The Company has not made any public issue of shares or debentures during the period; accordingly, the question of disclosure of end use of proceeds of public issues does not arise.
30. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
31. According to the information and explanations given to us, for the period under report, no fraud on or by the Company has been noticed or reported to us.

For Udyen Jain & Associates
Chartered Accountants

Udyen Jain
Proprietor
M.No.F-101201

Date : July 23, 2007
Place : Mumbai

KHANDWALA SECURITIES LIMITED

BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE	As At March 31, 2007		As At March 31, 2006
	Rs.	Rs.	Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A		
Equity Share Capital		113,830,000	104,400,000
Preference Share Capital		35,000,000	68,000,000
Add: Share Application Money		—	7,150,000
		<u>148,830,000</u>	<u>179,550,000</u>
Reserves and Surplus	B	<u>75,103,143</u>	<u>38,028,679</u>
		223,933,143	217,578,679
Loan Funds			
Secured Loans	C	992,018	763,000
Unsecured Loans	D	<u>56,794,272</u>	<u>56,313,716</u>
		57,786,290	57,076,716
TOTAL		<u>281,719,433</u>	<u>274,655,395</u>
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		126,940,686	130,651,674
Less : Depreciation		<u>31,564,676</u>	<u>36,890,708</u>
Net Block		95,376,010	93,760,966
Add:- Capital Work In Progress		<u>96,631</u>	—
		95,472,641	93,760,966
Investments	F	11,283,821	1,883,821
Deferred Tax (Net) (Refer Note 7)		172,425	1,372,259
Current Assets, Loans and Advances			
Stock-in-Trade	G	4,428,546	4,019,008
Sundry Debtors	H	271,110,146	154,898,447
Cash and Bank Balances	I	92,672,806	94,159,451
Loans and Advances	J	<u>156,445,884</u>	<u>193,490,106</u>
		524,657,382	446,567,013
Less: Current Liabilities and Provisions			
Current Liabilities	K	345,149,546	266,129,205
Provisions	L	<u>4,717,291</u>	<u>2,799,459</u>
		349,866,837	268,928,664
Net Current Assets		174,790,546	177,638,349
TOTAL		<u>281,719,433</u>	<u>274,655,395</u>
Significant Accounting Policies and Notes to Accounts	Q		

As per our report attached of even date.

For and on behalf of the Board of Directors

For Udyen Jain & Associates

Chartered Accountants

Mr. Udyen Jain

Proprietor
Mem. No: F - 101201

Mumbai
Date: July 23, 2007

S.M. Parande

Chairman

Mumbai
Date: July 23, 2007

Paresh J. Khandwala

Managing Director

Sameer V. Upadhyay

Company Secretary

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

	As At March 31, 2007 Rs.	As At March 31, 2006 Rs.
SCHEDULE A - SHARE CAPITAL		
Authorised		
14,000,000 (P.Y. 14,000,000) Equity Shares of Rs. 10/- each	140,000,000	140,000,000
500,000 (P.Y. 500,000) Cumulative Redeemable Preference Shares of Rs. 100/- each	50,000,000	50,000,000
400,000 (P.Y.400,000) Cumulative Convertible Preference Shares of Rs. 100/- each	40,000,000	40,000,000
2,00,000 (P.Y. 2,00,000) Optionally convertible Redeemable Preference Shares of Rs. 100/- each	20,000,000	20,000,000
	250,000,000	250,000,000
Issued, Subscribed and Paid-up		
Equity Share Capital		
1,13,83,000 (P. Y. 10440,000 Shares of Rs. 10/- each fully paid-up (Of the above shares, 787,500 Shares of Rs.10/- each were issued as fully paid Bonus Shares by capitalisation of the balance in Profit and Loss Account and 5,010,000 shares of Rs. 10/- each were issued as fully paid Bonus Shares by capitalisation of the balance in Share Premium Account and Special Reserve Account).	113,830,000	104,400,000
TOTAL	113,830,000	104,400,000
Preference Share Capital		
50,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	5,000,000	5,000,000
150,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	15,000,000	15,000,000
150,000 7.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	15,000,000	15,000,000
330,000 7.00% Cumulative Convertible Preference shares of Rs. 100/- each fully paid-up.	-	33,000,000
TOTAL	35,000,000	68,000,000

SCHEDULE TO THE BALANCE SHEET

	As At March 31, 2007 Rs.	As At March 31, 2006 Rs.
SCHEDULE B - RESERVES AND SURPLUS		
Share Premium Account		
As per last Balance Sheet	3,570,000	
Add: Received during the year	23,575,000	
	27,145,000	3,570,000
Debenture Redemption Reserve		
As per last Balance Sheet		10,000,000
Less: Transferred to Profit & Loss Account		10,000,000
	-	-
Capital Redemption Reserve		
	34,000,000	34,000,000
Profit & Loss Account		
As per last Balance Sheet	458,679	(70,122,409)
Add: Transferred from Profit & Loss Account	13,499,463	60,581,089
Add: Transferred from Debenture Redemption Reserve	-	10,000,000
	13,958,143	458,679
TOTAL	75,103,143	38,028,679
SCHEDULE C - SECURED LOANS		
Debentures		
100,000 12 % Non-convertible Debentures of Rs. 100 each	-	10,000,000
Add: Interest Accrued and due	-	8,089,420
	-	18,089,420
Less: Repaid/ written back during the year (pursuant to one time settlement)		18,089,420
Vehicle Loan (Secured by hypothecation of vehicle)	992,018	763,000
TOTAL	992,018	763,000
SCHEDULE D - UNSECURED LOANS		
Short Term deposits from Companies	56,794,272	56,313,716
Includes interest accrued and due Rs. 92,94,272 (Previous Year Rs. 73,13,716)		
TOTAL	56,794,272	56,313,716

SCHEDULE TO THE BALANCE SHEET

SCHEDULE E - FIXED ASSETS

(Amount in Rupees)

Particulars	Gross Block				Depreciation				Net Block	
	As At 1-Apr-06	Additions during the Year	Deductions during the year	As At 31st March, 07	For the Year	Acc. Dep. on Deln.	Adjustment*	As At 31st March, 07	As At 31st March, 06	
Office Buildings	93,270,910	477,784	—	93,748,694	1,523,772	—	(18,525)	14,787,410	79,988,746	
Computers	15,177,183	1,153,828	8,063,759	8,267,252	1,472,895	136,202	(11,045,528)	4,654,625	813,723	
Office Equipments	5,857,330	1,140,035	—	6,997,365	313,964	—	1,065,846	2,411,281	4,825,859	
Furniture and Fixtures	8,843,917	970,731	—	9,814,648	577,862	—	22,854	4,826,054	4,618,579	
Vehicles	7,502,334	610,393	—	8,112,727	760,708	—	136,322	4,885,305	3,514,058	
Total	130,651,674	4,352,771	8,063,759	126,940,686	4,649,202	136,202	(9,839,032)	31,564,676	93,760,966	
Previous Year	127,653,110	3,483,982	485,418	130,651,674	5,188,983	268,621	—	36,890,708	93,760,966	

Note: * Refer Note No. 18(i) & (ii) of Schedule Q.

SCHEDULE TO THE BALANCE SHEET

	Face Value	As at March 31, 2007		As at March 31, 2006	
		Number	Rs.	Number	Rs.
SCHEDULE F - INVESTMENTS					
<i>(Long term, non trade, fully paid up)</i>					
i. Quoted					
Equity Shares					
DSQ Software Limited	10	6,400	11,915,091	6,400	11,915,091
Flex Engineering Limited	10	8,100	88,371	8,100	88,371
Modiluft Limited	10	1,000	13,210	1,000	13,210
DSQ Biotech Limited	2	100,000	73,226,354	100,000	73,226,354
UTI Gold Exchange Traded Fund	100	10,426	10,000,000	—	—
			95,243,026		85,243,026
ii. Unquoted					
Equity Shares					
Elysium Pharmaceuticals Ltd	10	75,000	750,000	75,000	750,000
Forma Sports Private Ltd	10	-	-	60,000	600,000
Kowa Spinning Limited *	10	1,008,000	21,358,200	1,008,000	21,358,200
Vadodara Stock Exchange Limited	10	1,000	10,000	1,000	10,000
			22,118,200		22,718,200
(i + ii)			117,361,226		107,961,226
Less : Provision for diminution			106,077,405		106,077,405
TOTAL			11,283,821		1,883,821
Quoted :					
Aggregate Book Value (net of provision)			10,523,821		523,821
Market Value			10,555,625		681,470
Unquoted :					
Aggregate Book Value (net of provision)			760,000		1,360,000
* Shares are in the process of being registered in the name of the Company.					
SCHEDULE G - STOCK-IN-TRADE					
(Valued and certified by the management at lower of cost and market value / break up value)					
Equity Shares / Preference Shares (Refer Appendix G-1)			4,428,546		4,019,008
TOTAL			4,428,546		4,019,008

KHANDWALA SECURITIES LIMITED

SCHEDULE TO THE BALANCE SHEET

Appendix G-1

NAME OF THE SCRIP	As At March 31, 2007		As At March 31, 2006	
	Number	Rs.	Number	Rs.
Equity/ Preference Shares :				
Alok Industries	500	28,525	-	-
Austin Engineering	1,500	1	1,500	1
Bajaj Auto Ltd	211	384,735	238	285,898
Bajaj Electricals Ltd	-	-	500	16,950
Bajaj Hindustan	400	78,000	-	-
Bata India Ltd	300	41,370	-	-
Boss Profiles Ltd.	50,000	400,000	50,000	400,000
Centurion Bank of Punjab Limited	100	1,495	100	1,495
Chandamama India Ltd	50,000	550,000	50,000	550,000
Creative Casting Ltd	5,900	3,894	5,900	3,894
Cyber Media (India) Limited	200	16,900	200	17,710
Deccan Granite	20,300	37,555	20,300	37,555
Dishman Pharma	200	42,410	-	-
EID Parry	1,000	128,550	-	-
Escorts	200	15,500	-	-
GTL Limited	2,570	347,464	-	-
Gujarat NRE Coke Ltd	100	3,985	-	-
Hindalco PPD	1,000	80,650	-	-
Indian Petrochemicals Corporation Ltd	300	75,585	-	-
Indian Oil Corporation	250	99,913	250	116,250
Inlac Granston Ltd	126,600	1	126,600	1
ITC Ltd	250	37,788	-	-
IT People	-	-	1,820	31,502
Jayshree Tea	200	23,840	-	-
Kongarar Textiles Ltd.	2,500	1	2,500	1
Kothari Sugar	1,500	21,000	-	-
Krishna Engineering	250	1,725	-	-
Larsen & Toubro	10	13,311	-	-
Lloyd Steel Ind Ltd	-	-	100,000	1,205,000
Maharastra Scooter	25	7,600	-	-
Maruti Udyog Limited	15	12,303	-	-
Master Growth 93	500	6,213	500	6,213
Maikaal Fibres Ltd	-	-	100,000	998,001
Natraj Ceramics Ltd	900	1	900	1
Oil And Natural Gas Corp.	10	8,445	-	-
Om Metals	10,000	402,500	-	-
Pertech Computers Ltd	1,000	1	1,000	1
Rain Calcin	200	5,857	200	5,857
Reliance Communication	4	1,684	-	-
Reliance Industries Ltd	1	1,059	-	-
Reliance Petroleum Ltd	300	21,465	-	-
Rushabh Bearings Ltd	5,200	1	5,200	1
Sakuma Export	329	5,889	-	-
Sakuma Export Preference Share	58	2,900	-	-
Sakuma Export Warrant	116	156	-	-
Sail	9,610	1,040,197	200	7,974
SAL Steel	500	6,050	500	8,425
Sand Plast Ltd.	50,000	1	50,000	1
Saraswat Co-Op Bank	2,550	25,500	2,550	25,500
Setech Electronics Ltd	270,000	1	270,000	1
Sharp Industries Ltd	44,200	185,684	44,200	185,684
SPIC	100	1,865	100	2,890
Sterling Biotech Limited	100	12,350	100	12,350
Squared Bio	11,576	44,261	11,576	44,261
Tata Consultancy Service	2	1,726	-	-
Tata Steels	100	44,965	-	-
Teamasia Semiconductors (I)Lim	2,350	3,243	2,350	3,243
Ultra Cemco	13	9,191	-	-
Venkies	480	50,664	-	-
VSNL	100	40,230	-	-
Zee Tele. Ltd	231	52,348	231	52,348
		4,428,546		4,019,008

SCHEDULE TO THE BALANCE SHEET

	As At March 31, 2007 Rs.	As At March 31, 2006 Rs.
SCHEDULE H - SUNDRY DEBTORS		
(Unsecured)		
(Refer Note No 19 of Schedule Q)		
Outstanding for more than six months		
Considered good	83,556,554	62,895,571
Considered doubtful	54,038,753	54,793,344
	<u>137,595,307</u>	<u>117,688,915</u>
Other Debts	187,553,593	92,002,876
	<u>325,148,899</u>	<u>209,691,791</u>
Less : Provision for Doubtful Debts	54,038,753	54,793,344
TOTAL	<u><u>271,110,146</u></u>	<u><u>154,898,447</u></u>
SCHEDULE I - CASH AND BANK BALANCES		
Cash on hand	159,263	227,630
Balance with Scheduled Banks:		
Current Accounts	20,213,543	44,917,185
Dividend Accounts	-	14,637
Deposit Accounts *	72,300,000	49,000,000
	<u>92,513,543</u>	<u>93,931,822</u>
TOTAL	<u><u>92,672,806</u></u>	<u><u>94,159,451</u></u>
* Deposit accounts with Bank include Rs. 6,25,00,000/- fixed deposit over which the NSCCL has lien., and Rs. 75,00,000/- for Bank Guarantee Margin (Previous year Rs. 4,15,00,000/- & Rs. 50,00,000/-respectively)		
SCHEDULE J - LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received*	53,039,849	51,872,200
Deposits	43,917,953	67,699,039
Deposit with Companies	53,000,000	53,000,000
Advance Payment of Income Tax	6,488,082	7,865,708
Recoverable from Executive Director (Refer Note 12 of Schedule Q)	-	13,053,159
TOTAL	<u><u>156,445,884</u></u>	<u><u>193,490,106</u></u>

* Includes share application money Rs. 2,16, 68,641 (Previous year Rs. 2,66,78,641/-)and interest accrued on deposits Rs.1,35,80,433/- (Previous year Rs. 1,35,80,433)

KHANDWALA SECURITIES LIMITED

SCHEDULE TO THE BALANCE SHEET

	As At March 31, 2007 Rs.	As At March 31, 2006 Rs.
SCHEDULE K - CURRENT LIABILITIES		
Sundry Creditors (Refer Note No 19 of Schedule Q)	297,220,995	228,467,168
Security Deposits	20,046,060	20,046,060
Credit Balance in Current Accounts (Book overdraft)	10,859,499	3,128,550
Unpaid Equity Dividend	-	21,015
Other Liabilities	17,022,991	14,466,412
TOTAL	345,149,546	266,129,205
SCHEDULE L - PROVISIONS		
Provision for Taxation	3,221,750	1,055,000
Provision for Leave Encashment	1,495,541	1,744,459
TOTAL	4,717,291	2,799,459

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs.
SCHEDULE M - OTHER INCOME		
Interest on Fixed deposits with Banks [Tax deducted at source Rs. 10,97,733/-] (Previous year Rs.6,94,026/-)]	4,430,309	3,347,018
Interest on Government Securities [Tax deducted at source Rs.Nil] (Previous year Rs. 25,878/-)	-	124,873
Dividend		
- On stock in trade	99,163	225,712
Interest on income tax refund	1,678,998	-
Sundry credit balances written back	1,466,068	131,814
Lease Rentals	1,260,000	1,200,000
Loan & Interest written Back *	1,500,000	16,942,272
Miscellaneous Income [Tax deducted at source Rs. Nil (Previous year Rs. 15,763)]	818,234	840,451
TOTAL	11,252,772	22,812,139
SCHEDULE N - EMPLOYEE'S REMUNERATION AND OTHER BENEFITS		
Salaries and Bonus	20,332,146	18,768,838
Managing Director's Remuneration	2,500,471	1,966,945
Contribution to Provident and other Funds	1,341,392	1,081,033
Staff Welfare Expenses	1,037,844	827,395
Gratuity	253,642	317,638
Staff Leave Encashment	1,000,962	1,104,247
TOTAL	26,466,457	24,066,096

* Includes interest written back Rs. Nil (Previous Year Rs. 84,42, 272)

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs
SCHEDULE O - ADMINISTRATIVE AND OTHER EXPENSES		
Financial Advisory charges	4,536,802	4,896,341
Computer Expenses	965,374	835,508
Demat charges	2,292,382	952,453
Rates and Taxes	6,381,380	10,170,611
Insurance	253,239	207,330
Legal & Professional Fees	3,531,301	3,218,134
Consultancy Charges	3,321,985	2,645,494
Telephone/Postage and Courier Charges	1,618,651	1,929,482
Electricity Charges	727,013	863,280
Registration Fees	258,166	346,168
Repairs and Maintenance	1,221,235	1,031,278
Printing and Stationery	1,133,418	1,461,016
Subscription Expenses	2,818,286	2,092,459
Travelling and Conveyance	837,509	2,002,062
Auditor's Remuneration		
For Audit	393,724	358,150
For Tax Audit	204,466	204,466
Directors sitting fees	140,000	95,000
Donation	15,555	6,000
Rent	577,460	747,321
Commission Paid	5,244,557	4,090,880
Miscellaneous Expenses	5,622,529	4,652,054
TOTAL	42,095,032	42,805,486
SCHEDULE P - FINANCE CHARGES		
On Other Loans	6,108,701	5,166,164
Other Financial Charges	478,508	343,875
TOTAL	6,587,209	5,510,039

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

The Company follows the accrual basis of accounting.

Accounting Convention

The financial statements are prepared under historical cost convention.

Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

Depreciation

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

Investments

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

Inventories

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

Revenue recognition

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

Retirement benefits

Liability in respect of employee's gratuity is paid based on premium advised by Life Insurance Corporation of India. Liability in respect of leave encashment is provided for on the basis of total accumulated earned leave calculated at year-end on an arithmetical basis.

Derivative Instruments

Initial / additional margin paid for futures / options is included under the head current assets. Contracts are marked to market in accordance with the prevalent regulations and the amount receivable or payable is

disclosed under the head current assets or current liabilities, as the case may be. The profit or loss on settlement of derivative contracts is recognized in the Profit and Loss account. As on the balance sheet date, provision for loss on futures contracts is made to the extent of mark to market margins paid, while for open options, to the extent premium paid exceeds premium prevailing on that date.

Foreign Currency Transactions

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

Taxes on Income

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

Miscellaneous Expenditure (to the extent not written off or adjusted)

The Company follows the policy of treating expenditures, the benefit of which accrue to the Company over a period beyond the financial year as miscellaneous or deferred revenue expenditure and amortizes such expenditure over such periods (not exceeding ten years) for which the Company expects the benefits to accrue.

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

2. The Company provides Portfolio Management Services (PMS) to its clients. Transactions on account of PMS activities are carried out exclusively on behalf of PMS clients. Therefore, assets and liabilities arising out of the above effectively belong to the PMS clients and hence are not reflected in the Company's accounts. Management fees earned/expenditure incurred by the Company from this activity is accounted for on an accrual basis.
3. Share application money of Rs. 216.69 lacs (Previous year Rs. Rs. 267 lacs) is outstanding for a period of 60 months as at the balance sheet date, for which financial statements are in the process of being obtained. The Company has initiated legal proceedings against the party to recover the application money.
4. Short-term deposits from companies of Rs. 100.00 lacs together with interest accrued thereon Rs. 90.64 lacs (included in unsecured loans) are subject to confirmation and subsequent adjustments, if any.

5. Short-term deposits to companies of Rs. 530.00 lacs together with interest accrued thereon Rs. 135.80 lacs (included in loans and advances) are subject to confirmation and subsequent adjustments, if any.
6. Debtors include debts exceeding six months aggregating Rs.1375.95 Lacs of which Rs. 68.47 lacs are debtors against whom legal action has been initiated/is in progress. In aggregate, an amount of Rs. 540.39 Lacs (P. Y. Rs. 547.93 lacs) had been provided in respect of the debts exceeding six months, which in the opinion of management is adequate to cover the loss, if any, which may arise on realisation. In the current financial year Company has reversed the provision to the extent of Rs.7.54 Lacs since amount has been received, the provision is no more required.
7. The net deferred tax assets is calculated as follows:

(Rs. In Lacs)

Particulars	Accumulated As at 31.03.2006	Charge/Credit during the year	As at 31.03.2007
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 (including deferred tax charged Rs. 6.49 Lacs on account of excess depreciation of earlier years written back)	(401.01)	(11.99)	(413.00)
Expenses carried forward as per books but claimed for tax purposes as incurred	(1.22)	-	(1.22)
Net Deferred tax Assets/ (Liability)	13.72	(11.99)	1.73

8. During the year, the Company has redeemed 3,30,000, 7% Preference shares of Rs. 100/ each, out of fresh fund raised by way of preferential issue.

9. Segment Information
For management purposes, the Company is organized into two segments - Fee based and Investment/Stock. The Company has considered these two divisions as its business segments.
The Fee based division provides financial advisory services relating to mergers and acquisitions, equity and debt issue management, portfolio management and broking.
Investment and Stock division carries out trading, investing and speculation activities in capital markets (debt and equity) for the Company.
Fixed assets used in the Company's business are not identified to any of the reportable segments, as these are used interchangeably between segments and hence the fixed assets and depreciation are not allocated to any of the reportable segments.

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

KHANDWALA SECURITIES LIMITED

Information about Primary Business Segments

(Amount in Rs. Lacs)

Sr . Particulars No.	Year Ended 31.03.2007	Year Ended 31.03.2006
1 Segment Revenue-external		
a) Investment / Stock Operations	18.83	127.91
b) Feebased Operations	988.30	865.86
Total revenue	1007.13	993.77
2 Segment Result		
a) Investment / Stock Operations	(40.49)	71.99
b) Feebased Operations	555.06	406.82
Total	514.57	478.81
Less: Interest	65.87	55.10
Unallocated Expenses less unallocated income	(136.98)	(6.12)
Net (Loss) / Profit before Tax & prior Period Items	292.60	419.56
Prior period Expenses/ (Income)	(19.12)	8.07
Provision for tax (including deferred tax)	46.19	(194.33)
Net (Loss)/Profit after tax for the year	265.53	605.81
Other Items		
3 Segment Assets		
a) Investment / Stock Operations	161.56	64.94
b) Feebased Operations	3867.70	3017.85
c) Unallocated Corporate Assets	1967.84	2171.22
	5997.10	5254.01
4 Segment Liabilities		
a) Investment / Stock Operations	2.61	1.73
b) Feebased Operations	2879.22	2269.08
c) Unallocated Corporate Liabilities	299.79	263.17
	3181.63	2533.98
5 Depreciation	46.49	52.35
6 Non cash items other than depreciation		
a) Investment / Stock operations	5.22	13.33
b) Fee based operations	-	-

10. Earnings per share:

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Basic		
Numerator used for calculating basic earnings per share – Profit after taxation (Rs. lacs)	265.53	605.81
Less: Dividend on Cumulative Preference share dividend (including dividend tax thereon)	34.78	66.64
Profit / (Loss) attributable to equity shareholders (Rs. lacs)	230.75	539.17
Weighted average number of shares (in lacs) used as Denominator for calculating basic earnings per share	109.12	104.40
Nominal value per equity share (Rs.)	10.00	10.00
Basic earnings per share – (Rs).	2.11	5.16
Diluted		
Numerator used for calculating diluted earnings per share – Profit/(Loss) after taxation (Rs. lacs)	-	539.17
Add: Preference dividend along with Distribution tax	-	26.34
Profit Available for Calculating Diluted E.P.S.	-	565.51
Weighted average number of shares (in lacs) used as Denominator for calculating diluted earnings per share	-	1,23,69,825
Diluted earnings per share – (Rs).	-	4.57

11. Related Party Disclosures

- For the Current year

(Rs. In lacs)

Name	Nature of Relationship	Nature of Transaction	Rs.	Outstanding Amounts Carried in the Balance Sheet
Mr. Paresh J. Khandwala	Key Management Person	Remuneration	25.00	0.03(Cr)
Mrs. Daxa P. Khandwala	Relative of Key Management Person	Brokerage Earned	3.74	30.73(Dr)
Mr. Pratik P. Khandwala	Relative of Key Management Person	Remuneration Brokerage earned	1.58 1.38	Nil 3.13(Dr)
Mr. Pranav P. Khandwala	Relative of Key Management Person	Remuneration Brokerage earned	1.58 0.53	Nil 3.21 (Dr.)
Tulsi P. Khandwala	Relative of Key Management Person	Brokerage Earned	0.26	1.73 (Dr)
Jayantilal Khandwala & Sons	Enterprise in which a key management person exercises significant influence	-	Nil	143.09 (Dr.)
Piggero Investment Pvt. Ltd.	Enterprise controlled by a relative of a key management person	Amount Recovered	12.79	Nil
Bentley Investment Pvt. Ltd.	Enterprise controlled by a relative of a key management person	Financial Advisory Fees paid Lease Rental	3.62 0.46	37.38(Dr)
Mr. PJ Khandwala (HUF)	Key Management Person	Brokerage Earned	0.18	25.27(Dr)

- For the Previous year

(Rs. In lacs)

Name	Nature of Relationship	Nature of Transaction	Rs.	Outstanding Amounts Carried in the Balance Sheet
Mr. Paresh J. Khandwala	Key Management Person	Remuneration Dividend recoverable	19.67 66.64	1.75 (Cr) 130.53 (Dr.)
Mrs. Daxa P. Khandwala	Relative of Key Management Person	Brokerage Earned	8.70	2.09(Cr)
Mr. Pratik P. Khandwala	Relative of Key Management Person	Remuneration Brokerage earned	4.92 0.74	Nil 0.63(Cr)
Mr. Pranav P. Khandwala	Relative of Key Management Person	Remuneration Brokerage earned	5.06 0.70	Nil Nil
Tulsi P. Khandwala	Relative of Key Management Person	Brokerage Earned	0.88	0.32(Cr)
Jayantilal Khandwala & Sons	Enterprise in which a key management person exercises significant influence	-	Nil	143.09 (Dr.)
Piggero Investment Pvt. Ltd.	Enterprise controlled by a relative of a key management person	Amount Recovered	25.07	12.79 (Dr.)
Bentley Investment Pvt. Ltd.	Enterprise controlled by a relative of a key management person	Financial Advisory Fees paid	9.91	1.80(Dr)
Mr. PJ Khandwala (HUF)	Key Management Person	Brokerage Earned	0.06	0.21(Cr)

KHANDWALA SECURITIES LIMITED

12. In the financial years 2003-04, 2004-05 and 2005-06 the Company paid Preference dividend of Rs. 130.53 lacs (including dividend tax of Rs.15.48 lacs) on its Preference Share capital, in the absence of distributable profits. The amount was shown as recoverable from the executive director of the Company and was disclosed as such in the financial statements of respective years.

However during the current financial year, Distributable profit of the Company was Rs.270.11 Lacs. As preference share are cumulative the total dividend including tax of earlier years amounting to Rs. 130.53 Lacs, which has already been paid, has been provided in the current year and accordingly adjusted/ set off against the recoverable from executive director of the Company.

13. As per information and explanation received there are no dues payable to Small Scale Industrial Undertakings as at March 31, 2007. However we are unable to comment on the status of the small scale Industrial undertakings.

14. Transaction in foreign currency:

Foreign travel expenses – Rs. (Nil) (Previous year Rs. 11.59lacs).

15. Debtors include:

(i) Due from a firm in which a director is interested as partner - Rs.143.09 lacs (Previous year Rs.143.09 lacs).

(ii) The above dues have arisen in the normal course of business.

16. Prior period item include Excess provision for Depreciation- Rs. 19.12 Lacs written back

17. Prior year tax adjustment Rs.6.61 Lacs pertains to net effect of short/ excess Provision for tax & Advance tax on completion of Income Tax assessments.

18. (i) The Company is following Straight line method for providing depreciation in books. However due to the misclassification of certain assets and accounting error it has lead to excess depreciation. During the current financial year Company has identified such assets, and necessary rectifications have been carried out.

The details of short/ (excess) depreciation charged during the previous years are as follows and the same has been considered as prior period item:

(Rs. In Lacs)

Sr. No.	Particulars	Short/ (Excess)
1.	Office Building	(0.18)
2.	Computers	(31.18)
3.	Office Equipments	10.66
4.	Furniture & Fixtures	0.22
5.	Vehicles	1.36
	Total	(19.11)

Over the period of time certain assets has been fully depreciated/ discarded/become obsolete. Accordingly, Fixed Assets lying under the head Computer amounting to Rs.80.63 Lacs has been removed from block of fixed assets.

(ii) As Leased assets has been fully depreciated during the previous year 2005-06, the same has been removed from the schedule of fixed assets forming part of the financial statements.

19. 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.

20. Managerial Remuneration:

(i) Remuneration to Managing Director

Salary and Other : Rs. 25.00 Lacs
Allowances (P.Y. Rs. 19.66 lacs)

(ii) Sitting fees to other : Rs. 1.40 lacs
directors (P.Y. Rs. 0.95 lacs)

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

SIGNATURES TO SCHEDULES A TO Q

As per our report attached of even date.

For and on behalf of the Board of Directors

For Udyen Jain & Associates

Chartered Accountants

Mr. Udyen Jain

Proprietor
Mem. No: F - 101201

Mumbai
Date: July 23, 2007

S.M. Parande

Chairman

Mumbai
Date: July 23, 2007

Paresh J. Khandwala

Managing Director

Sameer V. Upadhyay

Company Secretary

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

I. Registration details

Registration No.	70709	State Code	11
Balance Sheet date	March 31st, 2007		

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

Equity Share	9430	Rights' Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

	Total Liabilities		Total Assets
Source of Funds	281719		281719
	Paid Up Capital		Reserve & Surplus
	148830		75103
	Secured Loans		Unsecured Loans
	992		56794
Application of Funds			
	Net Fixed Assets		Investments
	95473		11284
	Net Current Assets		Misc. Expenditure
	174963		—
	Accumulated Losses		
	—		

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

	Turnover		Total Expenditure
	111966		82706
	Profit/(Loss) before tax		Profit/(Loss) after tax
	31172		26553
	Earning Per Share (Rs.)		Dividend Rate (%)
	2.11		—

(Face Value of Share Rs.10)

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

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

For Udyen Jain & Associates
Chartered Accountants

Mr. Udyen Jain
Proprietor
Mem. No: F – 101201
Place : Mumbai
Date : July 23, 2007

For and on behalf of the Board of Directors

S. M. Parande
Chairman

Place : Mumbai
Date : July 23, 2007

Paresh J. Khandwala
Managing Director

Sameer V. Upadhyay
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

(Amount In Rupees)

	For the year ended March 31, 2007	For the year ended March 31, 2006
A. Cash flow from operational activities		
Net (Loss)/Profit before tax adjusted for prior period items and excess provisions for tax written back	31,172,078	41,148,198
Adjustments for:		
Depreciation	4,649,202	5,235,583
(Profit) /Loss on sale of fixed assets	(11,000)	183,797
Misc. expenditure written off	—	36,132
Loss/(Profit) on sale of Investments	(298,400)	(9,059,200)
Interest Income	(4,430,309)	(3,541,891)
Interest on income tax refund	(1,678,998)	—
Finance expense	6,587,209	5,510,039
Lease Rental	(1,260,000)	(1,200,000)
Reversal of Provision for Bad Debts	(754,591)	—
Provision for Diminution in investments/ Stock	522,272	5,440
Interest reversed for the year	—	(8,442,272)
Loan written off	(1,500,000)	(8,500,000)
Sundry balance written back	(1,466,068)	(131,814)
Sundry balance written off	2,769,393	2,194,991
Dividend Income	(99,163)	(225,712)
Excess Depreciation written back	(1,911,728)	(17,934,906)
Operating profit before working capital changes	32,289,897	23,213,292
Adjustments for:		
Inventories	(931,810)	944,802
Trade Receivables & Other Receivables	(97,490,987)	(57,819,571)
Current Liabilities & Provision	82,200,567	70,099,196
Cash generated from operations	16,067,667	36,437,719
Direct taxes Refunded / (paid)	5,006,261	(2,166,356)
Net cash (used in) / generated from operating activities	21,073,928	34,271,363
B. Cash flow from investing activities		
Purchase of fixed assets	(4,449,402)	(3,483,982)
Proceeds of sale of fixed assets	11,000	33,000
Sale/ (Purchase) of Investments (net of purchase)	(9,400,000)	13,313,160
Interest received	3,970,747	3,541,891
Dividend received	99,163	225,712
Share application money advance	—	(5,010,000)
Net cash (used in) / generated from investing activities	(9,768,492)	8,619,780

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	For the year ended March 31, 2007	For the year ended March 31, 2006
C. Cash flow from financing activities		
(Repayment)/Proceeds from long term borrowings(net)	229,018	(737,000)
(Repayment)/Proceeds from short term borrowings(net)	(1,269,445)	32,877,157
Repayment of Preference Share capital	(33,000,000)	(14,000,000)
Proceeds from Share application money/(Repayment)	(7,150,000)	7,150,000
Proceeds from Issue of Equity Shares with Premium	33,005,000	—
Interest paid	(4,606,654)	(3,760,039)
Net cash (used in) / generated from financing activities	<u>(12,792,080)</u>	21,530,118
Net increase/(decrease) in cash and cash equivalents	(1,486,644)	64,421,261
Cash and Cash equivalents (opening balance)	94,159,451	29,738,190
Cash and Cash equivalents (closing balance)	<u>92,672,806</u>	94,159,451
	<u><u>(1,486,645)</u></u>	<u><u>64,421,261</u></u>

As per our report attached of even date.

For and on behalf of the Board of Directors

For Udyen Jain & Associates

Chartered Accountants

Mr. Udyen Jain

Proprietor
Mem. No: F - 101201

Mumbai
Date: July 23, 2007

S. M. Parande

Chairman

Mumbai
Date: July 23, 2007

Paresh J. Khandwala

Managing Director

Sameer V. Upadhyay

Company Secretary

AUDITOR'S CERTIFICATE

We have verified the attached cash flow statement of Khandwala Securities Limited for the year ended March 31, 2007 prepared by the company and certify that the statement has been derived from and based on the financial statements of the company audited by us and has been prepared in accordance with Clause 32 of the Listing agreement with Stock Exchanges requirements

For Udyen Jain & Associates

Chartered Accountants

Udyen Jain

Proprietor
Membership No. F101201

Mumbai
Date: July 23, 2007

KHANDWALA SECURITIES LIMITED

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

ATTENDANCE SLIP

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

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

I hereby record my presence at the FOURTEENTH ANNUAL GENERAL MEETING of the Company at Cricket Club of India (CCI), Churchgate, Mumbai 400 020 on 1st September 2007 at 12.00 p.m.

Regd. Folio No. _____ Signature _____

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

(i) Member : _____

(ii) Proxy : _____

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING

KHANDWALA SECURITIES LIMITED

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

PROXY FORM

Folio No.: _____ No. of Shares held: _____

I/We _____

of _____

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

_____ or failing him. _____

_____ of _____

AS MY/OUR PROXY TO VOTE FOR ME/US AND ON MY/OUR BEHALF AT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON SATURDAY, 1ST SEPTEMBER 2007 AT 12.00 P.M. AT CRICKET CLUB OF INDIA (CCI), CHURCHGATE, MUMBAI 400 020 AND AT ANY ADJOURNMENT THEREOF

Signed this _____ day of _____ 2007

AFFIX RE. 1/-
REVENUE
STAMP

(Signature of the Shareholder)

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

Book - Post

If undelivered, please return to :

KHANDWALA SECURITIES LIMITED

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