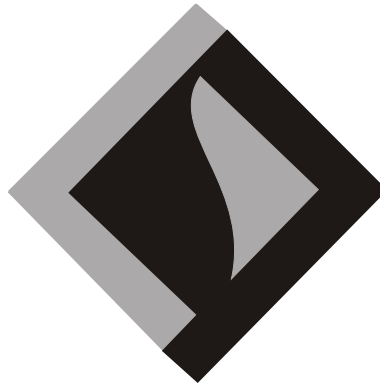


**SIXTEENTH
ANNUAL REPORT
2008-09**



**KHANDWALA
SECURITIES
LIMITED**

OUR MANTRA

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

BOARD OF DIRECTORS

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

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Manisha Srivastava

REGISTERED OFFICE

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

CORPORATE OFFICE

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

AUDITORS

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

BANKERS

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

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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From the Managing Director's Desk –

Dear Members,

I am filled with great optimism, belief and hope as I address my thoughts to you. These are exciting times for all of us. Never has our country been poised with advantage on a global scale with respect to being seen as one of the principal driver for the global economy and leading the world out of recession as a result of its sheer economic might and performance. This position has been attained as a combination of several factors – but the principal among them has been pleasant change in the political equation as result of a definitive mandate that supports stability, growth and ambition. This optimism arises out of the sheer will power of the country represented by its people and we are all fortunate to be part of this unfolding equation.

This year has been the year of great separation – a year that has separated the ‘men’ from the ‘boys’ – a year that has underwritten the value of a conservative business approach against unbridled and uncontrolled expansion. We have all witnessed and read about innumerable global businesses that were seemingly unshakable but today being consigned to the bins of history because of practices that evolved from excesses, and sometimes bordering on pure greed. There is a lesson in this for all of us – ‘BIG’ is not necessarily always good and that in the absence of proper systems and procedures sometimes being small helps in managing risks in a significantly better way – we have been able to prove this in KSL through our disciplined business operations and strong operational controls. I am proud that with your continued support, including the unstinted guidance of the leadership team, KSL has today emerged a much stronger, leaner and agile business.

Last year, we had committed ourselves to a path wherein we would undertake at least one strategic initiative every financial year and build the Group business in a concerted manner and on a firm footing. As part of that commitment we have setup up a separate initiative to spearhead our business operations in the retail sector under TruMonee Financial Limited (www.trumonee.com). I am proud to say that despite a challenging business environment and tough market conditions, TruMonee has successfully executed its business operations and it went live with its trading operations on January 1st, 2009. We have already setup branch presence in the cities of Surat and Bhavnagar and are confident that with growing business we would be able to establish a larger presence in the years to come.

Indian Corporate have been growing from strength to strength with every passing year and it is a matter of great pride for us that Indian companies are able to set ambitious growth targets, including reaching out to acquire global corporations that in some cases have been larger than our companies. This trend is likely to only increase in the coming years and would demand market access for these companies, including access to cost-effective capital. Clearly we see this as the right time and opportunity for our Group to start building an international presence and help serve our customers in a better way, including reaching out to new prospects. For the coming year, as part of our committed annual strategic initiative, our endeavour would be to add an international dimension to our Group's operation such that we are able to put in place a low-cost market access strategy that helps us create business traction from key identified markets. Steps are already under way to identify potential markets and we are sure that your company would make reasonable progress on this front in the coming months.

Complementing the implementation of the retail business, we have also undertaken extensive technology upgradation and process adaptation that significantly improves our risk management capability and also create multiple service platforms for institutions as well as the retail businesses. The key objectives driving the thinking at the Group are to achieve the following – “Expansion + Penetration + Control” to ensure greater access to our market and customers and at the same time putting in place adequate controls. We strongly believe our combination of systems, processes and technologies coupled with the extraordinary human talent that exists in the Group would build long term efficiencies and capabilities for the business. We have already commenced this journey and have seen encouraging results as a combination of several of these steps which we hope to strengthen with your active support and resolute assistance from our employees.

An organisation is made of its people and for a service industry, its people are its real assets. Our ability as a company to raise the performance bar and deliver outstanding value to our customers is a result of the unwavering support and cooperation of our employees, which is reflected in improvements in several performance metrics of our company across the board. We are adding to our already rich experience and caliber of people by drawing in a resource pool comprising talent from multiple markets, disciplines and geographies. We are confident that with the ever increasing improvement in our employee mix, KSL and the Group would scale of new heights in the years to come. I take this opportunity to sincerely express our gratitude and best wishes to our people and look forward to their support in all our engagements.

I wish to express our deep sense of commitment and gratitude to you, our Member, for continuing to believe in us and being an active supporter of our plans and initiatives. We seek your active cooperation as we move forward to build a robust, sustainable and scalable KSL Group.

Warm regards



Paresh J. Khandwala
Managing Director

NOTICE

Notice is hereby given that the Sixteenth 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 Wednesday, 30th September 2009 at 12:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2009 and Profit and Loss Account for the period ended as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ajay Narasimhan 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.

By order of the Board of Directors

Manisha Srivastava
Company Secretary

Date : 22nd August, 2009

Place : Mumbai

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY 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. The Register of Members and the Share Transfer Books of the Company will remain close from Friday 25th September 2009 to Wednesday 30th September 2009 (both days inclusive) for the purpose of Annual General Meeting.

4. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, there is no dividend or interest which remains unpaid / unclaimed for a period of 7 years which should be transferred by the Company to IEPF. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.
5. Members are informed that in the case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
7. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
8. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
9. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance, so as to enable the Company to keep the information ready.
10. Members holding shares in physical form are requested to notify, immediately, any change in their address or bank details to the Company. Shareholders are requested to quote ledger folio / beneficiary numbers in all their correspondence. Members holding shares in electronic form should update such details with their respective Depository Participants.

By order of the Board of Directors

Manisha Srivastava
Company Secretary

Date : 22nd August, 2009

Place : Mumbai

However out of 18,41,000 convertible warrants the warrant holders holding 12,85,000 warrants did not exercise their option for conversion, accordingly the management of the company on 10th July 2009 cancelled the entire 12,85,000 warrants and the amount of Rs. 61,68,000/- being the amount received as 10% upfront from the warrant holders @ Rs 4.80 per warrant was forfeited, as per the terms of the issue.

CURRENCY DERIVATIVE SEGMENT

During the year under review your Company obtained the membership of the Currency Derivative Segment of National Stock Exchange. The SEBI Registration Number is INE230600030.

SECRETARIAL AUDIT REPORT

Your Company voluntarily appointed M/s. Savitha Jyoti, Practicing Company Secretary, to conduct Secretarial Audit of the Company for the financial year ended March 31, 2009. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Listing Agreement, the Companies Act, 1956, and the Depositories Act, 1996.

MANAGEMENT DISCUSSION AND ANALYSIS

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

EMPLOYEES

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

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

AUDITORS' REPORT

Observations made by the Auditor in their Report, have been appropriately dealt with in the notes forming part of the accounts for the year, which are self-explanatory.

AUDITORS

M/s. Udyen Jain & Associates, Chartered Accountants, who retires on the conclusion of this Annual General Meeting has requested to consider their re-appointment at the ensuing AGM of the Company. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

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

Sr No	Particulars	Details
1	Name	Mr. Paresh J Khandwala
	Designation	Managing Director
2	Age	54 years
3	Remuneration	Rs. 34,71,549/- p.a.
4	Date of Appointment	1 st January 2005
5	Nature of employment, whether contractual or otherwise	Employment.
6	Other terms and conditions	Nil
7	Nature of duties	Managing the Company and involved in Policy Making decision process and executing the same.
8	Experience	34 years.

COMPLIANCE CERTIFICATE

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

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- (i) The Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at March 31, 2009 and of the profit or loss of the Company for the year ended March 31, 2009;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts for the financial year ended March 31, 2009 on a going concern basis.

DEPOSITS

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

ACKNOWLEDGMENTS

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Securities and Exchange Board of India, the Reserve Bank of India, the Stock Exchanges and other government and regulatory agencies. The Board would like to acknowledge the continued support of its bankers, registrars, vendors,

clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, teamwork and professionalism which made the phenomenal growth possible year after year.

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

S M Parande
Chairman

Date : 22nd August, 2009

Place : Mumbai.

Annexure A to Directors Report

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

a) Conservation of Energy:

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

b) Technology Absorption

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

c) Foreign Exchange Earnings / Outgo

Foreign Exchange Earnings : Rs. 88.22 Lacs (previous year – Rs. 271.00 Lacs)

Foreign Exchange Outgo : Rs. 10.63 Lacs (previous year – Rs. 4.36 Lacs)

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

S M Parande
Chairman

Date : 22nd August, 2009

Place : Mumbai.

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

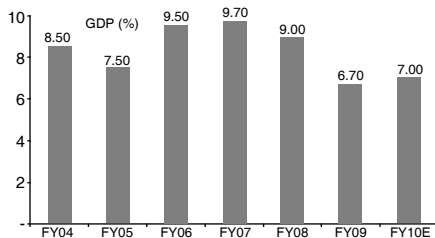
MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY OVERVIEW

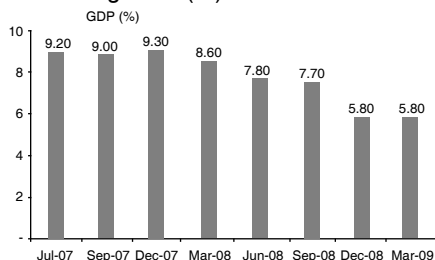
The world over look of financial markets is very different today from what they did a year ago. The disastrous events that shook the very foundations of the American financial system and subsequently the rest of the world have already been acknowledged as the worst financial crisis since the Great Depression. Several banks and financial institutions of great repute have gone into bankruptcy while many more barely survived, thanks to financial lifelines thrown to them by their Governments. In Europe, whole countries have gone bankrupt or come dangerously close to it. In the after effects of this unprecedented financial and economic meltdown, most of the world's major economies are faced with the spectre of zero growth, or worse still, negative growth. The sub-prime crisis which everyone saw coming pulled down institutions in the west which were considered unshakable till recently. Consequently the mood of optimism and exuberance that marked the recent past gave way to stark pessimism. The tide of abundant liquidity, which raised asset and commodity prices to new heights suddenly receded bringing down the valuations and causing heavy losses to investors across the world. There is a fear of deflation and recession in most of the developed world, which in turn affected the economic prospects of the developing world as well. Though India was not excluded from these happenings it is a matter of satisfaction that we are relatively affected less, thanks to regulatory prudence and foresight. The pain for India has been more in the Real Economy, with sector after sector experiencing steep contractions in demand.

Current estimates put GDP growth at 6.7% during 2008-09 as against 9% achieved during each of the three preceding years.

GDP to grow by 6.6% in 2009-10



Quarterly Real GDP growth (%)



Source: Bloomberg

But it was not all gloom and doom. There were some comforting signs too. Well-functioning financial markets, robust rural demand, lower headline inflation and robust foreign exchange reserves were all pointers to long term strength and resilience of Indian Economy. The timely fiscal stimulus packages announced by the Government, coupled with swift monetary easing and regulatory action by RBI, helped to arrest the slow down and keep the economy ticking.

INDUSTRY OVERVIEW

INDIAN EQUITY MARKET

The economic scenario directly impacts the investment facilitation and advisory business in which your company is engaged. Indian stock markets are one of the worst to be affected when global investors liquidated investments for meeting liquidity demands and taking flight to safety. The benchmark index, sensex, witnessed low of 7697 from a peak of 21206 witnessed in January 2008. For most of the latter half of the financial year 2008-09 the index hovered below 10000, less than half of the peak achieved in 2008. A direct consequence to the industry is a significantly lower trade volume and off take of investment products such as mutual funds, PMS, ULIPs etc. The total volumes in NSE were down by 17% from previous year's levels. The market capitalization of equity shares traded in the NSE reduced by nearly 40% during the year. There were only 21 IPOs against 92 IPOs last year and the money raised by Indian corporates from primary market through public and right issues was lower by 81% compared to last year. NAV losses kept investor sentiments at a low level. The revenue from your company's business was affected on account of these factors.

Capital Market Annual Indicators:

		2006-07	2007-08	2008-09
Capital Issues	Rs. bln.	1229.6	1783.6	992.3
Public Sector	Rs. bln.	418.1	676.1	349.2
Private Sector	Rs. bln.	811.6	1107.5	643.1
Equity	Rs. bln.	794.0	1308.2	294.9
Debt	Rs. bln.	435.7	461.9	494.4
GDRs / ADRs / RCBs / (floatations)	\$ mln.	2334.2	7921.8	275.7
GDRs / ADRs	\$ mln.	794.4	7910.6	275.7
ECBs / FRNs	\$ mln.	1539.8		
Share Price Index	%	10.2	30.1	-41.2
Trading volumes on BSE	Rs. bln.	9497	15786	10993
Trading volumes on NSE	Rs. bln.	19453	35510	27520

Source: CMIE

The Primary Market

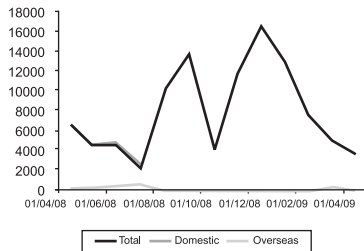
During year 2008-09, there were 21 public issues which mobilised Rs.2082.35 crore and 25 rights issues which

mobilised Rs.12637.16 crore as compared to 92 public issues which mobilised Rs.54510.54 crore and 32 rights issues which mobilised Rs.32518.49 crore during 2007-08. In addition, there was 2 QIP's amounting to Rs. 188.82 crore as compared to 36 QIP's which mobilised Rs.25525.29 crore in the previous financial year.

Funds Mobilised in Primary Market

Particulars	2008-09		2007-08	
	No. of Issues	Amount (Rs. crore)	No. of Issues	Amount (Rs. crore)
a) Public Issues	21	2082.35	92	54510.54
i) IPOs	21	2082.35	85	42101.84
ii) FPOs	0	0.00	7	11915.84
b) Rights Issues	25	12637.16	32	32518.49
c) QIP	2	188.82	36	25525.29
Total (a+b+c)	50	14908.33	152	112799.57

Resources raised from domestic primary capital markets continue to decline



Source: SEBI, NSE, BSE, CMIE

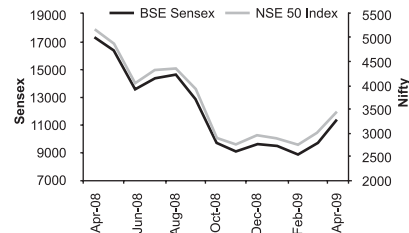
The Secondary Market

In the secondary market segment, the activity began on a bullish note with BSE and NSE indices scaling new peaks of 20,873 and 6,287 on January 8, 2008. However, this momentum did not sustained and the indices recorded significant downtrend in line with the decline in all the major international indices. Intraday fall of 1,968 points in BSE Sensex on January 21, 2008 was the highest recorded fall in the history of Sensex. The market sentiment turned cautions on account of increase in international crude oil prices, downwards trend in major international equity markets, increasing domestic inflation, widening of trade deficit and depreciation of the rupee. On a point-to-point basis, BSE Sensex and Nifty indices declined by 51.8% and 52.4% respectively during 2008. Market capitalisation to GDP ratio declined from 109.5% by end March 2008 to 49.7% at the end of March 2009.

Even after the sharp correction in the valuation of Indian stocks, the year-end valuation of stocks in terms of P/E ratio of Indian indices at 12.4 – 12.9 at end December 2008 was the highest amongst select emerging market economies such as South Korea, Thailand, Malaysia and Taiwan.

	BSE Sensex	NSE 50 Index
Apr 2008	17287	5166
May 2008	16416	4870
Jun 2008	13462	4041
Jul 2008	14356	4333

Aug 2008	14565	4360
Sep 2008	12860	3921
Oct 2008	9788	2886
Nov 2008	9093	2755
Dec 2008	9647	2959
Jan 2009	9424	2875
Feb 2009	8892	2764
Mar 2009	9708	3021
Apr 2009	11403	3474



Source: BSE & NSE

DEBT MARKET:

Growth in corporate debt market was stunted during the second half of FY09 by a severe liquidity crunch, higher interest rates and counter party fears. However 2,177 deals with a volume of Rs. 2,617 billion during FY09 compares well with the total number of 2,269 deals worth Rs. 2,109 billion in FY08.

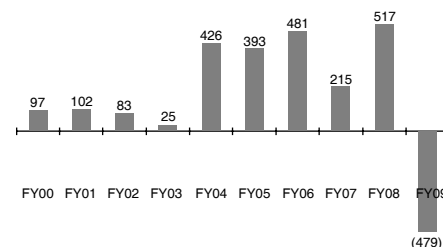
The Corporates as yet do not seem to view the debt markets as a credible alternative to equity capital market in raising capital. But as the government and the regulators seem inclined to taking steps to develop the corporate bond market in India with an objective of reducing the cost of raising debt capital, we believe this segment will grow faster than other segments in the future and gradually become a major source of capital required by corporates, supplementing traditional bank credits.

FII & MF Activity in Equity Markets:

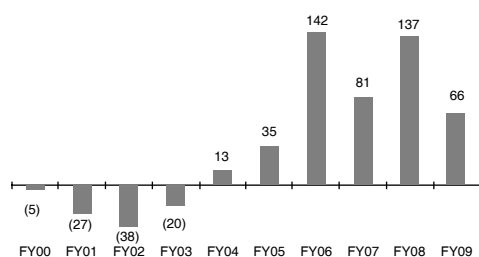
FY09 was the first fiscal in India's history when FIIs were net sellers in Indian equities; secondary market FII

outflows for the year were Rs. 479 billion. Interestingly, FY08 was the year of record net FII inflows of Rs. 517 billion. However, mutual funds continued to be net buyers for the sixth consecutive year. In FY09, mutual funds were net buyers to the tune of Rs. 66 billion, which is a 52% drop from Rs. 137 billion of net buying in FY08.

FII Net Inflows/ (Outflows) in Rs. billion



Mutual Fund Net Inflows / (Outflows) in Rs. billion

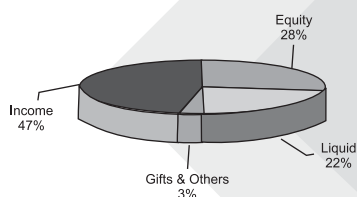


The market value of cumulative asset under management was lower by 17.39% to Rs. 417299.68 crore as on March 31, 2009 as compared to Rs. 505152.44 crore as on March 31, 2008.

Break-down of mutual funds AUM by asset class for FY08

(Rs. Crore)

Category	2007-08	2008-09
(i) Public Sector	133303.95	-34017.57
(ii) Private Sector	20497.63	5721.31
Total (i + ii)	153801.58	-28296.26
Cumulative Assets Under Management	505152.44	417299.68



Source: SEBI and AMFI

During April 2008 – March 2009, net investment by mutual funds had been Rs. 88729 crore of which Rs. 6985 crore was invested in equity and Rs. 81746 crore was invested in debt

Year/Month	Mutual Funds			
	Equity	Debt	Total	Asset under Management
	2	3	4	5
2004-05	448.00	16987.00	17435.00	149600.00
2005-06	14303.00	36801.00	51104.00	231862.00
2006-07	9062.00	52543.00	61605.00	326292.00
2007-08	16306.00	73790.00	90096.00	505152.00
2008-09	6984.60	81745.60	88729.20	417299.68

Source: SEBI

AN OVERVIEW OF KSL:

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

The Company's performance was affected by the global crisis and the resultant stock markets melt down. This is reflected in the financials of the Company.

Financial Highlights:

The salient features of the Company's performance:-

Total Revenues of Rs. 1231.07 Lakhs

Net Profit of Rs. 226.02 Lakhs

Earning Per Share (EPS) of Rs. 1.67

Segment Highlights - FY09 over FY08 :

(Rs. In Lacs)

Segment	Revenue Financial Year ended on 31 st March 2009	Revenue Financial Year ended on 31 st March 2008
Brokerage	395.48	796.48
Corporate Advisory Services	743.69	832.88
Income from Capital Market Operations	0.33	56.76
Other	91.57	115.58
Total Income	1231.07	1801.70

Key ratios

Ratios%	2008-09	2007-08
Net Profit Ratio (PAT /Total income)	21.58	37.39
Return on Net Worth - (PAT/Networth)	7.14	21.70
Return on Capital Employed - (Earnings before Interest, Taxes & extraordinary items / Capital Employed)	10.52	27.16
Debt/Equity (Loans/Shareholders Funds)	22.05	17.65
Book Value (Rs.)	24.82	23.08

Empanelment during the Year

During the period from 1st April 2008 till July 30, 2009, the number of institutional empanelment of KSL grew by almost 30% over the corresponding period in the last year.

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

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

Broking Business:

Our Brokerage services include equity and debt broking and is supported by a strong research platform.

Income received for brokerage services, had accounted for approximately 32.12% of our total revenues at Rs. 39.55 million for the year ended March 31, 2009.

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

Capital Market Operations:

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

We have a strong position in the market because we provide a broad range of Corporate advisory services from transaction structuring to product placement and possess extensive product knowledge and an efficient execution capability.

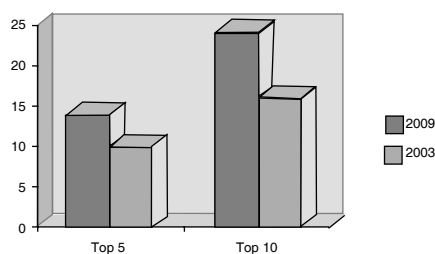
As an Investment Banking firm, it has always been our endeavor to structure and put together transaction structures that build long term, sustainable value for both the borrower and lender of funds in the equity markets. This approach, though having proved its mettle during the stages of market tightness,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

We always believe that in order for market to value and reward its participants, it is important for both the Promoter Groups and the Merchant Bankers to design appropriate and sustainable valuation models such that it remains consistent with the overall corporate performance and at the same point in time is able to ride both the good and the bad times.

Institutional Equities:

The brokerage industry continues to be highly fragmented in India. The market share of top five brokers on the NSE in cash segment is under 14% in 2008-09 even though it has increased from 10% in the year 2002-03. Similarly the market share of the top 10 brokers on the NSE in cash segment stands at about 24% in 2008-09 up from approximately 16% in 2002-03. These figures indicate a trend of long-term consolidation in a highly fragmented securities brokerage industry.

Top Brokers



Source: NSE Website

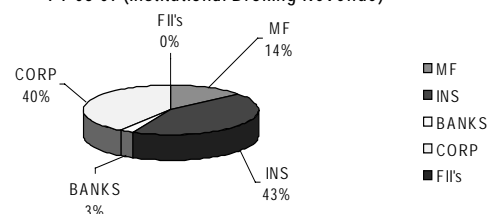
Equity and derivatives brokerage business of the Company contributed 32.12% of the consolidated revenue during this financial year. The Company's revenue of Rs. 1231.07 Lakhs for the year showed a decrease of 31.67% from the previous year corresponding to a comparable deduction in volume. However it is encouraging to note that we marginally increased our market share. The number of clients who traded and the number of transactions were also good.

The institutional equities business comprises institutional equity sales, sales-trading and research. We differentiate ourselves based on our cutting-edge research focus, which aids our execution capabilities across our sales and trading platforms. We provide equity and derivatives sales and trading services to a large and diversified base of institutional investors, including FIIs and domestic institutional investors. As at present, we have over 30 institutional investors actively transacting with us on a continuous basis.

The brokerage earning from the Institutional dealing desk has significantly contributed to our revenue. The category wise contribution from the Institutional Dealing Desk to our revenues has been mentioned in the table below which shows a decrease of 26.22% during the Fiscal Year 2008-09 over previous financial year 2007-08.

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

FY 08-09 (Institutional Broking Revenue)



Private Client Broking:

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

KSL with its concentrated efforts in equity broking business, and as future strategy to build high volumes and revenues could successfully add nearly 504 new accounts, taking total client base between Head Office and Pune office from 7529 to 8033 clients during the period from 1st July 2008 to 31st March 2009.

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

Portfolio Management Services:

The Portfolio Management Segment is bound to grow and offer immense business potential for financial advisory services. The NRI community is the key market segment. Successful NRI business owners and professionals are of great interest to Portfolio management institutions. KSL has identified this rapidly growing segments' need for specific products and services and has created practice models and advisory teams that specialize in servicing NRIs. Our service offerings include providing HNIs with investment advisory, planning and asset deployment advise, asset allocation and the distribution of a wide range of products. Our primary focus is on understanding each client's financial profile, including tolerance for risk, capital growth expectations, current financial position and income requirements in order to create comprehensive and tailored investment strategies. Our Portfolio Management services have increased our clients' access to and use of our financial products and services.

Merger and Acquisition Advisory:

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

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

Private Equity:

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

Private Equity investments may slow down further in CY09, as PIPEs and pre-IPOs dry up and global fund allocations will reduce in size. As sentiment improves, one can expect fundamentals to take over and investors to significantly increase their allocation to a long-term growth destination like India.

Corporate Advisory Business:

The Corporate advisory business of the Company, includes equity capital markets transaction execution, mergers and acquisitions advisory and capital raising advisory and transaction execution relating to structured finance, real estate and infrastructure. During the period the total Income from advisory services was Rs. 7.44 crores.

Market Research:

Our institutional equities business is supported by an experienced and dedicated team of analysts in fundamental,

technical and alternative investment research. Our research initiatives are driven by committed professionals, management graduates, Chartered Accountants and Engineers having combined experience of several decades.

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

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

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

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

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

Internal Control System:

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

Risk concerns and Risk Management:

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

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

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

- External: These comprise risks that the Company faces but cannot control - industry slowdown, competition, regulatory changes, brand perception etc.
- Internal: These comprise risks that the Company can directly control through prudent strategy - costs, liquidity, technology, operations, people etc.

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

Industry Risk

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

Management Perception

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

Liquidity risk

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

Management Perception

KSL has exercised prudence in client selection and credit extension. For instance, the Company's internal audit team

ascertains client credentials before they are permitted to trade.

Management Perception

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

Economic risk

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

Management Perception

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

Human Resource Risk

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

Management Perception

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

Client Risk

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

Management Perception

Your Company enjoys strong long term relationship with its clients. However, as a good Risk Management practice, the

company has never relied upon particular client base and hence not exposed to such risk. During the year under review company has added 7 (Seven) new institutional clients from whom regular business is generated. It is your company's constant endeavor to search for new area of business and clients.

Regulatory risk

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

Management Perception

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

Human Resources

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

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

Opportunities & Threats:

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

In the very recent past, India has witnessed a silent transformation from a largely perceived unstable country to a

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

A significant portion of the Company's income is from stock market related activities, which is intricately related with external factors. Market conditions, in particular the performance of the equity markets, contribute substantially to KSL's growth and will impact on our ability to repeat or improve on the earnings. Even though India has not been as badly affected, in macro-economic terms, as the rest of the world, corporate India too felt the heat of the melt down.

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

Outlook:

India has survived one of the worst global crises in history better than most other economies. The recent recovery in many of the leading macro indicators of economic activity has led many to believe that the worst is over for the Indian economy and we are on our way to a higher growth trajectory.

We continue to remain optimistic about the long-term India story and the opportunities that it will offer across sectors. Despite the current gloomy economic scenario, India is recognised to be an island of growth based on even conservative growth estimates. The robustness of our regulatory mechanisms has also been taken note of by the world.

The growth in first half of FY 2010 is expected to remain soft, with the economy turning around in the second half. The drivers of this turnaround include government's fiscal stimulus measures, the collapse in commodity prices, the coming onstream of significant domestic oil and gas output, the recent infusion of record levels of FDI, the improvement in trade deficit and the environment for external commercial borrowing (ECB) the fall in the real exchange rate, the RBI's aggressive monetary policy actions and the expected stabilization of the global economy.

India remained the second fastest growing economy in FY 2009 after China. In the light of the ongoing global recession, India will, even at a modest growth of 6 per cent in FY 2010, be one of the fastest growing in the world.

We have consciously built an operating model that is well diversified across capital markets activities having unique strengths in each of our business segments and most importantly, the ability to withstand difficult market cycles. We continue to invest across all our key operations to create opportunities in varied market conditions.

It is our intention to expand our portfolio of services, invest in people, enhance our infrastructure, create greater competence across our businesses and continuously upgrade technology to emerge bigger and stronger every year. Our financial

performance, will be influenced to some extent by market conditions which are not very positive at this given point of time, but this in no way has diminished our appetite for progress and expansion. Therefore, it is always our endeavor to deliver operational growth while our financial results may at times vary with market conditions. We believe that given the portfolio of our services and the inherent strengths of our business model we will be relatively less impacted during market downturns, while we expect to do extremely well in favourable market conditions.

Investor Relations:

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

Cautionary Statement:

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

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

S M Parande
Chairman

Date : 22nd August, 2009

Place : Mumbai.

To,

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

Dear Sirs,

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

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

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

Paresh J. Khandwala
Managing Director

Date : 22nd August, 2009

Place : Mumbai.

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

CORPORATE GOVERNANCE REPORT

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

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

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

MANDATORY REQUIREMENTS

Company's Philosophy on Corporate Governance

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

Board of Directors:

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

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

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

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

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

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

A The Constitution of Board as on 31st March 2009

Name of the Director	Attendance Particulars		Committee Membership / Chairmanship		No. of Other Directorships / Committee Memberships / Chairmanship		
	No. of Board Meeting	15 th AGM	Committee Memberships	Committee Chairmanships	Other Directorships	Committee Memberships	Committee Chairmanships
Paresh Khandwala	4/4	Yes	2/4	1	2	1	Nil
S. M. Parande	4/4	Yes	2/4	2	7	2	Nil
Rohit Chand	3/4	No	3/4	Nil	4	5	Nil
Kalpen Shukla	4/4	Yes	2/4	1	1	Nil	Nil
Ajay Narasimhan	4/4	Yes	2/4	Nil	1	1	Nil

Note: Directorship in Private Companies not considered.

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

Date of Board Meeting	29.04.2008	31.07.2008	30.10.2008	30.01.2009
Board Strength	5	5	5	5
No. of Directors present	5	5	5	5

ii) Attendance in the Annual General Meeting:

Date of 15 th Annual General Meeting	18.09.2008
Board Strength	5
No. of Directors present	4

C. Directors seeking re-appointment

Mr. Ajay Narasimhan, Director of the Company seeks reappointment

Educational Qualifications

Bachelors in Science-1990	Specialization in Electronics, University at Delhi, India,
Diploma in Systems Management (D. S. M)-1992	National Institute of Information Technology (N.I.I.T), Delhi, India
Master of Finance and Control (M.F.C.)-1994	Department of Financial Studies, University of Delhi, India

Experience

Mr. Narasimhan has close to a decade and a half professional experience in successfully identifying, creating and managing strategic business initiatives resulting in enhanced business opportunities and value creation for organization. He has a sound understanding of the global business trends in the international securities industry (FSI) space, especially with respect to application of mission-critical technologies. He has held Management and Executive positions with independent charge and worked in various capacities with leading securities-industry technology specialist firm and stock exchange. His past association includes Financial Technologies India Ltd, Multi Commodity Exchange, OTC Exchange of India amongst others. He has successfully identified, created and executed multi-portfolio strategic business initiatives through innovative business models, structured product and business offerings and corporate branding initiatives.

He was appointed as Director of Khandwala Securities Limited in the Board Meeting held on 28th October 2005.

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

Other Directorship of Mr. Ajay Narasimhan as on 31st March 2009

Name of the Company	Designation
Trumonee Financial Limited	Managing Director

Note: Directorships in Private Companies is not taken

Committee Membership of Mr. Ajay Narasimhan as on 31st March 2009

Name of the Company	Name of Committee & Designation
NIL	NA

3. Audit Committee

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

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

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

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - o any changes in accounting policies and practices;
 - o major accounting entries based on exercise of judgment by management;
 - o qualifications in draft audit report;
 - o significant adjustments arising out of audit;
 - o the going concern assumption;

- o compliance with accounting standards;
- o compliance with stock exchange and legal requirements concerning financial statements;
- o any related party transactions as per Accounting Standard 18.
- o Reviewing the Company's financial and risk management policies.
- o Disclosure of contingent liabilities.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Reviewing compliances as regards to the Company's Whistle Blower Policy.

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

Composition and Attendance

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

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

During the financial year under review, four meetings of Audit Committee of the Board were held on 29th April 2008, 31st July 2008, 30th October 2008 and 30th January 2009.

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S. M. Parande	4	4
Mr. Kalpen Shukla	4	4
Mr. Rohit Chand	4	4

4. Remuneration / Compensation Committee

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

Composition and Attendance

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

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. Kalpen Shukla, Chairman	1	1
Mr. Rohit Chand	1	0
Mr. Ajay Narasimhan	1	1

Remuneration Policy

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

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

Remuneration to Directors

Remuneration of Executive Director is decided by the Board, based on recommendations of the Compensation Committee as per the remuneration policy of the Company, within the ceilings fixed by the shareholders. Remuneration of the Executive Directors for the year ended 31st March 2009 was as follows.

Remuneration to Executive Directors

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

Director	Salary	Commission	Perquisites and Allowance	Total	Tenure of Appt.
Mr. Paresh J Khandwala	Rs.34,71,549/-	NIL	NIL	Rs.34,71,549/- (Thirty Four Lacs Seventy One Thousand Five Hundred Forty Nine 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 the Board Meeting during 2008-2009.

Name of Director	Sitting Fees
Mr. S. M. Parande	20,000
Mr. Ajay Narasimhan	20,000
Mr. Kalpen Shukla	20,000
Mr. Rohit Chand	20,000

5. Shareholder / Investor Relations Committee

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

Composition and Attendance

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

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S M Parande, Chairman	2	2
Mr. Paresh J. Khandwala	2	2
Mr. Rohit Chand	2	-

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

As of date, there are no pending share transfers pertaining to the year under review. There are no pending shareholders complaints as on 31st March 2009.

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 Mr. Paresh J Khandwala, and Mr. Ajay Narasimhan.

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

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

7. General Body Meetings

1. Annual General Meetings

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

Name of Meeting	Day, Date and Time	Venue
13 th Annual General Meeting	Saturday, 26 th August 2006 at 10.00 a.m.	Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
14 th Annual General Meeting	Saturday, 1 st September 2007 at 12.00 p.m.	Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
15 th Annual General Meeting	Thursday, 18 th September 2008 at 12.30 p.m.	Green Room, Garware Club House, D-Road, Churchgate, Mumbai 400 020

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

8. Disclosures:**Related Party Transaction**

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

Compliance Status

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

Whistle Blower Policy

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

Mandatory Requirements

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

Non- mandatory requirements

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

9. Means of Communication

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

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

10. General Shareholder information**1. Date and Venue of the Annual General Meeting**

The Sixteenth Annual General Meeting of the Company is scheduled to be held at Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Wednesday, 30th September 2009 at 12:30 p.m.

2. Financial Calendar of the Company

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

1st Quarter ending 30th - By end of July, 2009
June 2009

2nd Quarter & Half year - By end of October 2009
ending September 2009

3rd Quarter ending - By end of January 2010
December 2009

4th Quarter/Year ending - By end of June 2010
March 2010

Annual General Meeting - By end of September
for the year 2009-2010 2010

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

3. Dates of Book Closure

From Friday 25th September 2009 to Wednesday 30th September 2009 (both days inclusive)

4. The Board of Director does not recommend payment of dividend.**5. Listing of Equity Shares**

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

The shares of the Company were also listed at the Madras Stock Exchange (MSE) but with a view to control the expenditure and conserve resources of the Company as no trades were taking place on the MSE, the Company applied for getting the shares delisted from the MSE. The shares were delisted from the Madras Stock Exchange vide letter No. MSE/LD/PSK/731/225/08 dated 29th May 2008.

6. Stock Code

The Stock Exchange, Mumbai (BSE) : 531892

National Stock Exchange of India Limited : KHANDSE

ISIN No for NSDL/CDSL : INE060B01014

7. Listing fees to Stock Exchanges

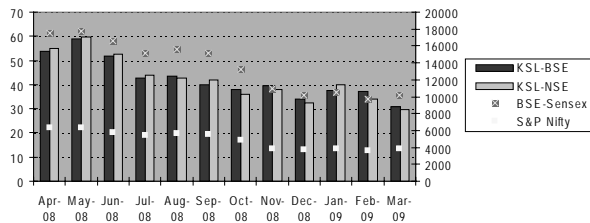
The Company has paid Listing Fees to all the above stock exchanges for the year 2009-2010 where the shares of the Company are listed.

8. Custodial Fees to Depositories

The Company has paid the custodial fees for the year 2009-10 to National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) on the basis of number of beneficial accounts maintained by them as on March 2009.

9. Stock Performance

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



Source: NSE and BSE

Month	NSE				BSE			
	High	Low	close	Volume	High	Low	Close	Volume
April - 08	54.90	38.50	54.45	37272	53.70	38.05	53.55	57.69
May - 08	59.90	49.25	51.65	170803	58.95	49.00	49.55	95.71
June - 08	52.60	43.05	45.10	60463	52.00	43.00	44.55	53.42
July - 08	43.95	31.00	39.55	24228	42.55	31.00	38.75	20.73
Aug - 08	42.90	35.00	36.50	17022	43.70	34.80	36.05	25.91
Sept - 08	41.95	28.00	35.85	47651	40.00	27.00	34.85	38.45
Oct - 08	36.00	22.55	26.90	33129	37.95	21.20	25.90	59.71
Nov - 08	37.90	23.00	31.00	13025	39.50	23.05	29.75	31.27
Dec - 08	32.45	24.50	31.00	27625	33.95	26.00	30.80	39.15
Jan - 09	39.90	26.55	31.15	16924	37.50	26.80	32.85	59.06
Feb - 09	33.90	25.40	26.10	13543	37.00	25.00	25.00	59.42
Mar - 09	29.85	20.00	23.30	15893	30.90	23.00	24.70	36.53

10. Registered Office

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

11. 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

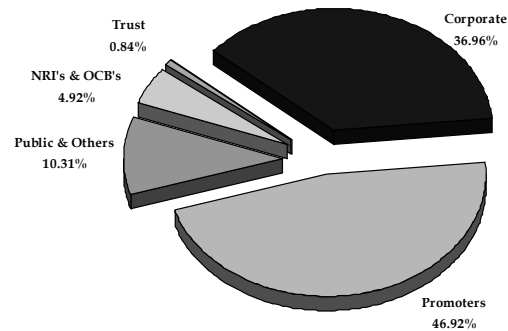
1. Categories and Distribution of Shareholding

1. Distribution of Shareholding as on 31st March 2009

KHANDWALA SECURITIES LIMITED						
DISTRIBUTION SCHEDULE AS ON 31 st March 2009						
Sl. No.	Category		Number of Cases	% of Cases	Amount	% of Amount
	From	To				
1	1	5000	2039	82.32	2636420	2.21
2	5001	10000	175	7.06	1463240	1.23
3	10001	20000	99	4.00	1619690	1.36
4	20001	30000	34	1.37	900800	0.75
5	30001	40000	24	0.97	838970	0.70
6	40001	50000	13	0.52	602690	0.50
7	50001	100000	27	1.09	1988210	1.67
8	100001	and Above	66	2.66	109339980	91.58
TOTAL			2477	100.00	119390000	100.00

2. Distribution of shareholding according to categories of shareholders as on 31st March 2009

Sl. No.	Category	No. of Shares held	% of Issued Share Capital
A.	Promoter's holding (including Persons Acting in Concert)	5601826	46.92
B.	Banks, FI, Insurance Cos. (Central / State Govt. Institutions / Non-Govt. Institutions)	-	-
C.	Mutual Funds	-	-
D.	Bodies Corporates	4412683	36.96
E.	NRI's and OCB's	586996	4.92
F.	Trust	100500	0.84
G.	Clearing Member	5391	0.05
H.	Public	1231604	10.32
Total		11939000	100



12. Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialized form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman and 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 93% 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 2009.

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

15. Address for Correspondence

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

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

The Company Secretary / Compliance Officer

Registered Office:

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

Telephone no.: +91 22 4076 7373

Fax no.: +91 22 4076 7377

Corporate office:

White House Annexe, White House,
91, Walkeshwar Road, Walkeshwar,
Mumbai 400 006

Telephone no.: +91 22 4200 7300

Fax no.: +91 22 4200 7399

Email : investorgrievances@kslindia.com

For and on behalf of;
Khandwala Securities Limited

Manisha Srivastava
Company Secretary & Compliance Officer

Date : 22nd August, 2009

Place : Mumbai

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

To,

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

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

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended 31st March, 2009.

For and on behalf of Board of Directors
Khandwala Securities Limited

**Paresh J Khandwala
Managing Director**

Date : 22nd August, 2009

Place : Mumbai

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

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

1. We have reviewed the records concerning the compliance of conditions of Corporate Governance by M/s. Khandwala Securities Limited as stipulated in Clause 49 of the Listing Agreement entered into, by the company, with the Stock Exchanges of India, for the financial year ended 31st March 2009.
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

**Aniket Kulkarni
Partner
Membership No.: A 127246**

Place : Mumbai

Date : 22nd August, 2009

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, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the period from April 1, 2008 to March 31, 2009 annexed thereto (all together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (i) The Company had advanced application money towards purchase of shares of Rs. 216.69 lacs, which is outstanding for a period more than 84 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 232.95 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 2009, are subject to confirmation and consequential adjustments, if any. No provision for interest receivable has been made from the deposits for the year. Please refer note 5 of Schedule Q to the financial statements.

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

4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to above, we report that:
 - a. Except for the matters stated in paragraph 3 above, we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The balance sheet, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the balance sheet, profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received by the Company from its directors, we report that as on March 31, 2009 none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. Except for our comments in paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 1. In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;
 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**

**Aniket Kulkarni
Partner**

Membership No: A 127246

Date : 22nd August 2009

Place : Mumbai

Annexure to the Auditor's report

(Referred to in paragraph 4 of our report of even date to the members of Khandwala Securities Limited on the financial statements for the period from April 1, 2008 to March 31, 2009)

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.
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 granted interest free trade advance to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
9. The rate of interest and the other terms and conditions are prima facie not prejudicial to the interest of the company
10. As the company has not taken any loans, secured or unsecured, from companies covered u/s 301 of the Companies Act 1956, during the period, the clause no. 4(iii)(b) and 4(iii)(c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
11. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
12. To the best of knowledge and belief, and according to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
13. No transactions have been entered during the period in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
14. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public to which the provisions of Section 58A or Section 58AA of the Companies Act, 1956 apply.
15. According to the information and explanations given to us, the Company has an internal audit system. In our opinion, the internal audit system is adequate with regards to the size of the company and the nature of its business.
16. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for any of the activities of the Company.
17. According to the information and explanations given to us, during the period the Company was generally regular in depositing with appropriate authorities, undisputed statutory dues.
18. According to the information and explanations given to us, no personal expenses have been charged to revenue account.
19. As at the balance sheet date, the Company does not have accumulated losses. The Company has 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 availed for the purpose for which they were obtained.
26. In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, prima facie, no funds raised on short-term basis have been applied for long-term investments and vice versa.
27. According to the information and explanations given to us, during the period under report, the Company has not made preferential allotments of equity shares to persons listed in the register maintained under Section 301 of the Companies Act, 1956.
28. As the company did not have any debentures outstanding during the year, the clause no. 4(xix) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
29. The Company has not made any public issue of shares or debentures during the period; accordingly, the question of disclosure of end use of proceeds of public issues does not arise.
30. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
31. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

**For Udyen Jain & Associates
Chartered Accountants**

**Aniket Kulkarni
Partner
Membership No: A 127246**

Date : 22nd August 2009

Place : Mumbai

KHANDWALA SECURITIES LIMITED

BALANCE SHEET AS AT MARCH 31, 2009

	SCHEDULE	As At March 31 2009		As At
		Rs.	Rs.	March 31 2008 Rs.
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital				
	A			
Equity Share Capital		119,390,000		119,390,000
Preference Share Capital		20,000,000		35,000,000
		<u>139,390,000</u>		<u>154,390,000</u>
Reserves and Surplus	B	<u>176,992,221</u>		<u>156,001,087</u>
			316,382,221	<u>310,391,087</u>
Loan Funds				
Secured Loans	C	15,152,198		30,802,372
Unsecured Loans	D	<u>54,633,279</u>		<u>52,883,279</u>
			69,785,477	<u>83,685,651</u>
Deferred Tax (Net) (Refer Note 7)			<u>595,511</u>	<u>330,351</u>
	TOTAL		<u>386,763,209</u>	<u>394,407,089</u>
APPLICATION OF FUNDS				
Fixed Assets				
	E			
Gross Block		127,202,174		125,099,866
Less : Depreciation		<u>34,929,456</u>		<u>30,714,126</u>
Net Block		<u>92,272,717</u>		<u>94,385,740</u>
Add:- Capital Work In Progress		<u>233,814</u>		<u>-</u>
			92,506,531	<u>94,385,740</u>
Investments	F		28,423,250	<u>20,447,073</u>
Current Assets, Loans and Advances				
Stock-in-Trade	G	6,737,542		17,724,250
Sundry Debtors	H	326,122,387		332,855,576
Cash and Bank Balances	I	103,231,107		134,582,407
Loans and Advances	J	<u>168,805,514</u>		<u>147,149,896</u>
		604,896,550		<u>632,312,128</u>
Less: Current Liabilities and Provisions				
Current Liabilities	K	320,214,535		338,962,872
Provisions	L	<u>18,848,587</u>		<u>13,774,980</u>
		339,063,122		<u>352,737,852</u>
Net Current Assets			265,833,428	<u>279,574,276</u>
	TOTAL		<u>386,763,209</u>	<u>394,407,089</u>
Significant Accounting Policies and Notes to Accounts	Q			

As per our report attached of even date.

For Udyen Jain & Associates

Chartered Accountants

For and on behalf of the Board of Directors

Aniket Kulkarni

Partner

Mem. No: A - 127246

S.M.Parande

Chairman

Paresh J. Khandwala

Managing Director

Manisha Srivastava

Company Secretary

Mumbai

Date : 22nd August, 2009

Mumbai

Date : 22nd August, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	SCHEDULE	For the year ended March 31 2009		For the year ended March 31 2008
		Rs.	Rs.	Rs.
Income				
Brokerage		39,547,677		79,647,841
Corporate Advisory Services		74,369,513		83,288,455
Income from Capital Market Operations		33,090		5,675,562
Profit on sale of Long-term investments		457,750		481,534
		114,408,030		169,093,391
Other Income	M	8,698,874		11,077,466
			123,106,904	180,170,858
Expenditure				
Employees' Remuneration and other benefits	N	35,104,037		29,017,805
Administrative and Other expenses	O	41,995,699		48,272,735
Finance charges	P	6,743,904		7,805,994
Depreciation		4,411,973		4,192,625
Loss on stock valuation		4,736,865		9,921,782
Loss on sale of fixed assets		1,660		309,208
Loss from Market Operation		3,542,917		4,155,634
			96,537,055	103,675,782
(Loss)/Profit before Tax and prior period items			26,569,848	76,495,075
Prior period Expenses/ (Income)			-	(604,822)
(Loss)/profit before Tax			26,569,848	77,099,897
Provision for Tax				
- Current Tax			3,138,047	8,567,952
- Fringe Benefit Tax			564,501	672,098
- Deferred Tax (Credited)/ Charged (Refer Note 7)			265,160	502,776
Net (Loss)/Profit for the period/ year			22,602,140	67,357,071
Balance brought forward from previous year			73,728,087	13,958,143
Balance available for Appropriation			96,330,227	81,315,214
Preference Dividend Paid			1,376,986	6,485,000
Dividend Distribution Tax Paid			234,020	1,102,127
Balance carried forward to Balance Sheet			94,719,221	73,728,087
Earnings Per Share of - Basic (Rs.) - Refer Note No. 9			1.67	5.60
- Diluted (Rs.)			1.67	5.58
Face Value Per Share			Rs.10	Rs.10
Significant Accounting Policies and Notes to Accounts	Q			

As per our report attached of even date.

For Udyen Jain & Associates

Chartered Accountants

For and on behalf of the Board of Directors

Aniket Kulkarni

Partner

Mem. No: A - 127246

S.M.Parande

Chairman

Paresh J. Khandwala

Managing Director

Manisha Srivastava

Company Secretary

Mumbai

Date : 22nd August, 2009

Mumbai

Date : 22nd August, 2009

SCHEDULE TO THE BALANCE SHEET

	As At March 31 2009 Rs.	As At March 31 2008 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
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and Paid-up		
Equity Share Capital		
1,19,39,000 (P. Y. 1,19,39,000) Shares of Rs. 10/- each fully paid-up	119,390,000	119,390,000
(Of the above shares, 7,87,500 shares of Rs.10/- each were issued as fully paid Bonus Shares by capitalisation of the Balance in Profit and Loss Account and 5,010,000 shares of Rs. 10/- each were issued as fully paid Bonus Shares by capitalisation of the balance in Share Premium Account and Special Reserve Account).		
TOTAL	<u>119,390,000</u>	<u>119,390,000</u>
Preference Share Capital		
50,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	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
TOTAL	<u>20,000,000</u>	<u>35,000,000</u>

SCHEDULE TO THE BALANCE SHEET

	As At March 31 2009 Rs.	As At March 31 2008 Rs.
SCHEDULE B - RESERVES AND SURPLUS		
Share Premium Account		
As per last Balance Sheet	48,273,000	
Add: Received during the year	-	
	<u>48,273,000</u>	48,273,000
Capital Redemption Reserve		
	34,000,000	34,000,000
Profit & Loss Account		
As per last Balance Sheet	73,728,087	13,958,143
Add: Transferred from Profit & Loss Account	20,991,134	59,769,944
	<u>94,719,221</u>	<u>73,728,087</u>
TOTAL	<u>176,992,221</u>	<u>156,001,087</u>
SCHEDULE C - SECURED LOANS		
Vehicle Loan (Secured by hypothecation of vehicle)	1,509,920	1,921,698
Bank Over Draft Account		
Canara Bank A/c 60190 (Secured by Stock in Hand)	-	15,270,035
Canara Bank A/c 60197 (Secured by Fixed Deposits)	13,642,278	13,610,639
TOTAL	<u>15,152,198</u>	<u>30,802,372</u>
SCHEDULE D - UNSECURED LOANS		
a) Short Term deposits from Companies		
Includes interest accrued and due Rs. 1,34,59,479/- (Previous Year Rs. 1,17,09,479/-)	48,459,479	46,709,479
b) Shares Warrants		
Equity Share Warrants Balance at the beginning of the year	-	-
Add:- 18,41,000 Nos. Equity Share Warrants issued during the year	32,861,800	-
Less:- 5,56,000 Nos. of Shares Conversion of Share Warrants into fully paid Equity Shares of Rs. 10/- Each at a Premium of Rs.38/- Per Shares	26,688,000	-
(10% Deposit of 12,85,000 Equity Shares Warrants of Rs.48/- Each)	6,173,800	6,173,800
TOTAL	<u>54,633,279</u>	<u>52,883,279</u>

**SCHEDULE TO THE BALANCE SHEET
SCHEDULE E- FIXED ASSETS**

Particulars	Gross Block			Depreciation				Net Block	
	As At 1-Apr-08	Additions during the Year	Deductions during the year	As At 31-Mar-09	For the Year	Acc. Dep on Deln	Adjustment *	As At 31st March, 09	As At 31st March, 08
Office Buildings	93,748,694	-	-	93,748,694	1,528,104	-	-	17,843,618	77,433,180
Computers	6,261,396	849,633	200,304	6,910,725	1,126,420	196,644	-	3,454,171	3,737,001
Office Equipments	7,358,055	237,424	-	7,595,480	355,767	-	-	2,871,598	4,842,225
Furniture and Fixtures	9,913,751	105,975	-	10,019,726	631,000	-	-	6,062,688	4,482,063
Vehicles	7,817,970	-	-	7,817,970	742,707	-	-	4,669,406	3,891,271
Plant & Machinery (Computer)	-	1,109,579	-	1,109,579	27,976	-	-	27,976	-
Total	125,099,866	2,302,612	200,304	127,202,174	4,411,974	196,644	-	34,929,456	94,385,740
Previous Year	126,940,686	3,001,050	4,841,870	125,099,866	4,192,625	4,580,798	(462,376)	30,714,126	94,385,740

SCHEDULE FORMING PART OF THE ACCOUNTS

	Face Value	As at March 31 2009		As at March 31 2008	
		Number	Amount	Number	Amount
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	3,796	3,644,429	4,796	4,603,554
			<u>88,887,455</u>		<u>89,846,580</u>
ii. Unquoted					
Equity Shares					
Elysium Pharmaceuticals Ltd	10	75,000	750,000	75,000	750,000
Kowa Spinning Limited *	10	1,008,000	21,358,200	1,008,000	21,358,200
Vadodara Stock Exchange Limited	10	500	5,000	500	5,000
TruMonee Finaincal Ltd	10	2,000,000	20,000,000	1,106,469	11,064,698
Mutual Funds					
LIC MF Top 100 Funds (close ended)	10	100,000	1,000,000	100,000	1,000,000
Reliance Natural Resources funds (open ended)	10	146,699	1,500,000	146,699	1,500,000
UTI infrastructure advantage funds (Close ended)	10	100,000	1,000,000	100,000	1,000,000
			<u>45,613,200</u>		<u>36,677,898</u>
	(i + ii)		<u>134,500,655</u>		<u>126,524,478</u>
Less : Provision for diminution			<u>106,077,405</u>		<u>106,077,405</u>
	TOTAL		<u><u>28,423,250</u></u>		<u><u>20,447,073</u></u>
Quoted :					
Aggregate Book Value (net of provision)			4,168,250		5,127,375
Market Value			5,945,987		5,945,987
Unquoted :					
Aggregate Book Value (net of provision)			24,255,000		15,319,698
* Shares are in the process of being registered in the name of the Company.					
SCHEDULE G - STOCK-IN-TRADE					
<i>(Valued and certified by the management at lower of cost and market value / break up value)</i>					
Equity Shares / Preference Shares(Refer Appendix G-1)					
			6,737,542		17,724,250
	TOTAL		<u><u>6,737,542</u></u>		<u><u>17,724,250</u></u>

KHANDWALA SECURITIES LIMITED

SCHEDULE TO THE BALANCE SHEET

Appendix G-1

NAME OF THE SCRIP	As at March 31 2009		As at March 31 2008	
	Number	Rs.	Number	Rs.
Stock In Hand - Options				
NTPC PA Apr-170	1,625	18,119	-	-
Equity/ Preference Shares :				
Alok Industries	400	5,300	400	22,800
Austin Engineering	1,500	1	1,500	1
ACC	-	-	50	41,300
Bajaj Auto Ltd	211	128,245	211	384,734
Bajaj Financial Services Ltd	211	35,670	-	-
Bajaj Holdings & Investments Ltd	211	62,857	-	-
Bajaj Hindustan Ltd	400	19,180	400	75,380
Bata India Ltd	300	28,500	300	41,370
Boss Profiles Ltd.	50,000	400,000	50,000	400,000
Bellary Steel & Alloy Ltd	50,000	79,500	50,000	205,000
Bongaigaon Refinery & Petrochemicals Ltd	350	14,351	350	17,103
Ballarpur Industries Ltd	25	368	25	700
Centurion Bank of Punjab Limited	-	-	100	1,495
Chandamama India Ltd	75,000	800,000	75,000	800,000
Creative Casting Ltd	5,900	3,894	5,900	3,894
Cyber Media (India) Limited	200	4,880	200	12,230
Deccan Granite Ltd	20,300	37,555	20,300	37,555
Dishman Pharmaceuticals & Chemicals Ltd	200	19,900	200	42,410
DLF Ltd	358	59,894	-	-
DSQ Biotech Ltd (Squared Bio)	11,576	44,261	11,576	44,261
EID Parry India Ltd	1,000	128,550	1,000	128,550
Escorts Ltd	200	7,050	300	24,100
Essar Oil Ltd	200	10,470	200	10,470
Himachal Futuristics Communication Ltd	200,000	1,602,000	200,000	3,830,000
GTL Limited	2,570	347,464	2,570	347,464
Gujarat NRE Coke Ltd	100	2,035	100	3,985
IDEA Cell	410	20,541	-	-
IFCI Ltd	1	19	1,001	44,044
Indian Petrochemicals Corporation Ltd	300	75,585	300	75,585
Infrastructure Development Financial Co. Ltd	500	27,050	-	-
Inlac Granston Ltd	126,600	1	126,600	1
ITC Ltd	250	37,788	250	37,788
Ispat Ltd	-	-	200,000	6,271,265
Jayshree Tea & Industries Ltd	200	18,270	200	21,600
KLG Systel Ltd	500	39,075	500	217,668
Kongarar Textiles Ltd.	2,500	1	2,500	1
Kothari Sugar & Chemicals Ltd	1,500	7,516	1,500	16,650
Krishna Engineering Works Ltd	250	424	250	1,238
LIC MF Liquid Plus Fund	50,052	500,516	61,232	612,324
Lloyd Steel Industries Ltd	100,000	401,000	100,000	1,365,000
Maharastra Scooter Ltd	-	-	25	6,900

NAME OF THE SCRIP	As at March 31 2009		As at March 31 2008	
	Number	Rs.	Number	Rs.
Maruti Udyog Limited	-	-	15	11,145
Master Growth 93	500	6,213	500	6,213
Mastek Ltd	5	588	5	1,575
Mangalore Refinery & Petrocheimicals Ltd	2,000	82,000	2,000	156,200
National Thermal Power Corporation Ltd	300	53,955	-	-
Natraj Ceramics Ltd	900	1	900	1
NEPC Micon	101,000	478,113	-	-
NIIT Technologies Ltd	50	2,640	50	5,095
Pertech Computers Ltd	1,000	1	1,000	1
Pritish Nandy	50	676	-	-
Rain Calcining Ltd	200	1	200	5,857
Reliance Communications Ltd	4	699	4	2,039
Reliance Industries Ltd	1	1,524	1	2,266
Reliance Petroleum Ltd	600	54,330	350	54,275
Reliance Capital Ltd	18	6,362	18	14,107
Reliance Industrial Infrastructure Ltd	-	-	150	137,520
Rushabh Bearings Ltd	5,200	1	5,200	1
Spicejet Ltd	25,000	336,825	25,000	1,020,000
Sakuma Export Ltd	329	1,833	329	5,297
Sakuma Export Ltd - Preference Share	58	2,900	58	2,900
Suzlon Energy Ltd	55	2,329	55	14,509
SVC Superchem Ltd	2,500	1,725	2,500	6,500
Steel Authority of Inda Ltd	3,610	348,185	3,610	412,623
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
Southern Petrochemical Industries Croporation Ltd	-	-	100	1,815
Spic Communication Ltd	100	605	-	-
Sterling Biotech Limited	100	12,350	100	12,350
Tata Consultancy Services Ltd	2	1,077	2	1,621
Tata Steels Ltd	100	20,590	100	69,435
Tata Steel Ltd- CCP	180	5,850	180	17,334
Teamasia Semiconductors (I) Ltd	2,350	3,243	2,350	3,243
Tata Power Company Ltd	-	-	180	195,623
Ultratech Cement Ltd	-	-	13	9,189
United Credit Ltd	80	364	-	-
Tata Communications Ltd (VSNL)	100	40,230	100	40,230
Wire & Wireless India Ltd	50	590	50	1,798
Zee Entertainment Enterprises Ltd	231	24,567	231	52,348
Zee News Ltd	145	5,488	145	7,248
Zodiac Clothing Company Ltd	250	42,675	250	97,841
		6,737,542		17,724,250

KHANDWALA SECURITIES LIMITED

SCHEDULES TO THE BALANCE SHEET

	As At March 31 2009 Rs.	As At March 31 2008 Rs.
SCHEDULE H - SUNDRY DEBTORS		
(Unsecured)		
(Refer Note No 14 of Schedule Q)		
Outstanding for more than six months		
Considered good	210,287,187	89,095,609
Considered doubtful	52,782,855	52,782,855
	<u>263,070,042</u>	<u>141,878,464</u>
Other Debts	115,835,200	243,759,967
	<u>378,905,242</u>	<u>385,638,431</u>
Less : Provision for Doubtful Debts	52,782,855	52,782,855
TOTAL	<u>326,122,387</u>	<u>332,855,576</u>
SCHEDULE I - CASH AND BANK BALANCES		
Cash on hand	458,687	306,561
Balance with Scheduled Banks:		
In Current Accounts	36,152,050	45,170,846
In Fixed Deposit Accounts *	66,620,370	89,105,000
	<u>102,772,420</u>	<u>134,275,846</u>
TOTAL	<u>103,231,107</u>	<u>134,582,407</u>
* Deposit accounts with Bank include Rs. 4,10,00,000/- fixed deposit over which the NSCCL has lien., and Rs. 1,00,00,000/- for Bank Gurantee Margin with Canara Bank, Rs. 1,51,20,370/- Canara Bank lien on Over Draft facility & Rs. 5,00,000/- ILFS for currency Derivative Segments (Previous year Rs. 6,25,00,000/- & Rs. 1,00,00,000/-respectively)		
SCHEDULE J - LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received *	53,314,535	39,725,705
Deposits with exchange & other	35,322,549	39,342,739
Trade Deposit with Companies	53,000,000	53,000,000
Advance Payment of Income Tax	27,168,431	15,081,452
TOTAL	<u>168,805,514</u>	<u>147,149,896</u>
SCHEDULE K - CURRENT LIABILITIES		
Sundry Creditors (Refer Note No 14 of Schedule Q)	251,543,049	266,862,337
Security Deposits	20,046,060	20,046,060
Credit Balance in Current Accounts (Book overdraft)	30,184,797	37,382,359
Other Liabilities	18,440,629	14,672,115
TOTAL	<u>320,214,535</u>	<u>338,962,872</u>
SCHEDULE L - PROVISIONS		
Provision for Taxation	15,482,548	11,782,952
Provision for Leave Encashment & Gratuity	3,366,039	1,992,028
TOTAL	<u>18,848,587</u>	<u>13,774,980</u>

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

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended March 31 2009 Rs.	For the year ended March 31 2008 Rs.
SCHEDULE M - OTHER INCOME		
Interest on Fixed deposits with Banks [Tax deducted at source Rs. 16,27,872/-] (Previous year Rs.12,77,103/-)	6,968,704	7,130,149
Dividend :- On stock in trade	173,907	393,594
Interest on income tax refund	-	223,751
Sundry credit balances written back	86,631	640,909
Lease Rentals	1,260,000	1,260,000
Miscellaneous Income	209,632	1,429,064
TOTAL	8,698,874	11,077,466
SCHEDULE N - EMPLOYEES' REMUNERATION AND OTHER BENEFITS		
Salaries and Bonus	26,741,403	21,988,801
Managing Director's Remuneration	3,471,549	2,967,415
Contribution to Provident and other Funds	1,581,982	1,321,690
Staff Welfare Expenses	786,754	1,239,872
Gratuity - (Refer Note No. 17)	365,099	242,051
Staff Leave Encashment	2,157,250	1,257,976
TOTAL	35,104,037	29,017,805
SCHEDULE O - ADMINISTRATIVE AND OTHER EXPENSES		
Financial Advisory charges	725,169	3,576,155
Computer Expenses	666,978	1,280,887
Demat charges	957,314	1,727,044
Rates and Taxes	12,417,122	13,224,030
Insurance	547,850	264,538
Internet Expenses	520,124	430,965
Advertisement Expenses	913,908	872,711
Legal & Professional Fees	1,997,231	3,101,002
Consultancy Charges	1,732,342	4,758,455
Telephone/Postage and Courier Charges	1,557,639	1,819,524
Electricity Charges	1,668,527	1,094,179
Registration Fees	373,559	341,915
Repairs and Maintenance	992,173	1,020,231
Printing and Stationery	986,322	1,137,196
Subscription Expenses	2,197,172	1,546,452
Travelling and Conveyance	2,181,659	1,644,153
Auditor's Remuneration		
For Audit	446,894	465,086
For Tax Audit	204,466	204,466
Directors sitting fees	80,000	90,000
Donation	750	136,002
Office Rent	6,737,871	1,058,785
Commission Paid	2,342,028	5,201,765
Miscellaneous Expenses	1,748,601	3,277,194
TOTAL	41,995,699	48,272,735
SCHEDULE P - FINANCE CHARGES		
On Other Loans	6,160,005	7,224,576
Other Financial Charges	583,900	581,418
TOTAL	6,743,904	7,805,994

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

The Company follows the accrual basis accounting.

Accounting Convention

The financial statements are prepared under historical cost convention.

Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

Depreciation

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

Investments

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

Inventories

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

Revenue recognition

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

Retirement benefits

Liability in respect of employees' gratuity is 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.

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

2. The Company provides Portfolio Management Services (PMS) to its clients. Transactions on account of PMS activities are carried out exclusively on behalf of PMS clients. Therefore, assets and liabilities arising out of the above effectively belong to the PMS clients and hence are not reflected in the Company's accounts. Management fees earned/expenditure incurred by the Company from this activity is accounted for on an accrual basis.
3. Share Application Money of Rs. 216.69 Lacs (Previous year Rs. 216.69 Lacs) is outstanding for a period of 84 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. 132.95 Lacs (included in unsecured loans) are subject to confirmation and subsequent adjustments, if any.

5. Short-term deposits to companies of Rs. 530.00 lacs together with interest accrued thereon Rs. 135.80 lacs (included in loans and advances) are subject to confirmation and subsequent adjustments, if any.
6. Debtors include debts exceeding six months aggregating Rs. 2,630.70 Lacs of which Rs. 68.47 lacs are debtors against whom legal action has been initiated/is in progress. In aggregate, an amount of Rs. 527.82 Lacs (P. Y. Rs. 527.82 Lacs) had been provided in respect of the debts exceeding six months, which in the opinion of management is adequate to cover the loss, if any, which may arise on realisation.
7. The net deferred tax assets is calculated as follows: (Rs. In Lacs)

Particulars	Accumulated As at 31 st March 2008	Charge/ Credit during the year	As at 31 st March 2009
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	(418.03)	(2.65)	(420.68)
Expenses carried forward as per books but claimed for tax purposes as incurred	(1.22)	-	(1.22)
Net Deferred tax Assets/ (Liability)	(3.30)	(2.65)	(5.95)

8. Segment Information

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

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

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

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

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

KHANDWALA SECURITIES LIMITED

Information about Primary Business Segments

(Amount in Rs. Lacs)

Sr . No.	Particulars	Year Ended 31 st March 2009	Year Ended 31 st March 2008
1	Segment Revenue-external		
	a) Investment / Stock Operations	4.91	61.57
	b) Feebased Operations	1139.17	1629.36
	Total revenue	1144.08	1690.93
2	Segment Result		
	a) Investment / Stock Operations	(111.10)	(103.52)
	b) Feebased Operations	716.50	1141.85
	Total	605.40	1038.32
	Less: Interest	67.44	78.06
	Unallocated Expenses less unallocated income	(272.26)	(189.26)
	Net (Loss) / Profit before Tax & prior Period Items	265.70	771.00
	Prior period Expenses/ (Income)	-	(6.05)
	Provision for tax (including deferred tax)	39.68	97.43
	Net (Loss)/Profit after tax for the year	226.02	673.57
	Other Items		
3	Segment Assets		
	a) Investment / Stock Operations	460.05	388.58
	b) Feebased Operations	3929.63	4134.43
	c) Unallocated Corporate Assets	2457.05	2505.63
		6846.73	7028.64
4	Segment Liabilities		
	a) Investment / Stock Operations	8.22	0.11
	b) Feebased Operations	2735.83	3023.09
	c) Unallocated Corporate Liabilities	371.47	350.17
		3115.52	3373.38
5	Depreciation	44.12	41.93
6	Non cash items other than depreciation		
	a) Investment / Stock operations	47.37	99.22
	b) Fee based operations	-	-

Earnings per share:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Basic		
Numerator used for calculating basic earnings per share – Profit after taxation (Rs. lacs)	226.02	673.57
Less: Dividend on Cumulative Preference share dividend (including dividend tax thereon)	27.22	35.68
Profit / (Loss) attributable to equity shareholders (Rs. lacs)	198.80	637.89
Weighted average number of shares (in lacs) used as Denominator for calculating basic earnings per share	119.39	113.84
Nominal value per equity share (Rs.)	10.00	10.00
Basic earnings per share – (Rs.)	1.67	5.60
Diluted		
Numerator used for calculating Diluted earning per Share-Profit /(Loss) after taxation (Rs. In Lacs)	198.80	637.89
Weighted Average Number of Shares (In Lacs) used as Denomintor for calculating Diluted Earning per Share	119.39	114.29
Diluted earning per Share- (Rs.)	1.67	5.58

Related Party Disclosures

Names of Related Parties :

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

Transactions with related parties for the year ended 31st March 2009

[Rs. in lacs]

Transaction	2008-09	2007-08
Brokerage received	2.86	(4.99)
Remuneration Paid	40.26	30.11
Amount recovered	0.00	0.00
Advisory fees paid	7.79	2.46
Consultancy charges paid	5.86	4.52
Lease rent received	(0.60)	(0.60)
Investment in Associate Company	200.00	110.65
Outstanding Balance		
Sundry Debtors	272.21	410.14
Sundry Creditors	88.86	1.65

As per information and explanation received there are no dues payable to Small Scale Industrial Undertakings as at March 31, 2009. However we are unable to comment on the status of the small-scale Industrial undertakings.

Transaction in foreign currency: (In lacs)

Foreign travel expenses – Rs. 10.63, Previous year Rs. 4.36

Foreign Currency Income – Rs. 88.22, Previous year Rs. 271.00

13. 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.
14. Increase in Debtors & Creditors is in line with the growth of business. The creditors are largely from receipt of margin money from the clients while the debtors reflect the pattern of settlement period, wherein year-end date falls within to be settled period.
15. Pursuant to the approval of the shareholders at the Extra Ordinary General Meeting of the company held 3rd December 2007, the company has allotted 18,41,000 share warrants as per the preferential allotment guidelines of SEBI at Rs. 48/- each aggregating Rs. 8,83,68,000/-, out of which 10% has been received at the time of allotment of the share warrants. The balance amount pertaining to 5,56,000 share warrant was received on or before 31st March 2008 and consequently, 5,56,000 warrants were converted into 5,56,000 equity share of Rs.10/- each at a premium of Rs. 38/- per share, No warrants have been converted into equity shares in the current year.
16. Managerial Remuneration:
(i) Remuneration to Managing Director
Salary and Other : Rs. 34.71 Lacs
Allowances (P.Y. Rs. 29.68 lacs)
(ii) Sitting fees to other directors : Rs. 0.80 lacs (P.Y. Rs. 0.90 lacs)
17. Liability for Employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder.

I. Change in Benefit Obligation:	F.Y. 08 -09
Liability at the beginning of the year	10,49,442
Interest Cost	1,05,005
Current Service Cost	2,78,199
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Settlement	-
Liability Transfer in	-
Liability Transfer out	-
Benefit Paid	(30,162)
Actuarial (Gain) / Loss on Obligations	69,187
Liability at the end of the year	14,71,671

KHANDWALA SECURITIES LIMITED

II. Fair value of Plan Assets:	F.Y. 08 -09
Fair Value of Plan Assets at the Beginning of the year	10,49,442
Expected Return on Plan Assets	82,749
Contributions	-
Transfer from other company	-
Transfer to other company	-
Benefit Paid	(30,162)
Actuarial gain / (Loss) on Plan Assets	4,543
Fair Value of Plan Assets at the end of the year	11,06,572
Total Actuarial Gain/ (Loss) to be Recognised	(64,644)

III. Actual Return on Plan Assets:	F.Y. 08 -09
Expected Return on Assets	82,749
Actuarial gain/ (Loss) on Plan Assets	4,543
Actual Return on Plan Assets	87,292

IV. Amount Recognised in the Balance Sheet:	F.Y. 08 -09
Liability at the end of the year	14,71,671
Fair Value of Plan Assets at the end of the year	11,06,572
Difference	(3,65,099)
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-
Amount Recognised in the Balance Sheet	(3,65,099)

V. Expenses Recognised in the Income Statement:	F.Y. 08 -09
Current Service Cost	2,78,199
Interest Cost	1,05,005
Expected Return on Plan Assets	(82,749)
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Recognition of Transition Liability	-
Actuarial (Gain) or Loss	64,644
Expense Recognised in P&L	3,65,099

VI. Balance Sheet Reconciliation	F.Y. 08 -09
Opening Net Liability	-
Expense as above	3,65,099
Transfer from other company Net	-
Transfer to other company Net	-
Employer's Contribution	-
Amount Recognised in Balance Sheet	3,65,099
	-

VII. Assumptions	F.Y. 08 -09
Discount Rate Previous	8.00%
Rate of Return on Plan Assets Previous	8.00%
Salary Escalation Previous	5.00%
Attrition Rate Previous Year	2.00%
Discount Rate Current	7.75%
Rate of Return on Plan Assets Current	8.00%
Salary Escalation Current	5.00%
Attrition Rate Current Year	2.00%

VIII. Other Details	F.Y. 08 -09
Gratuity is Payable at the rate of 15 Day's salary for each year of service subject to a maximum of Rs. 3,50,000/- or as per company scheme as detailed in report	
Actuarial Gain/ Loss is accounted in the year of occurrence	
As the investment is with the insurance company list of investment is not available so expected return is assumed to be available on risk free investment like PPF.	
Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees	
No. of Members	53
Salary PM	7,64,929
Contribution for next year	4,38,119

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

As per our report attached of even date.

For Udyen Jain & Associates

Chartered Accountants

Aniket Kulkarni

Partner

Mem. No: A - 127246

Mumbai

Date :- 22nd August, 2009

For and on behalf of the Board of Directors

S.M.Parande

Chairman

Paresh J. Khandwala

Managing Director

Manisha Srivastava

Company Secretary

Mumbai

Date :- 22nd August, 2009

**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, 2009		

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

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

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

	Total Liabilities		Total Assets
Source of Funds	386763		386763
	Paid Up Capital		Reserve & Surplus
	139390		176992
	Secured Loans		Unsecured Loans
Application of Funds	15152		54633
	Net Fixed Assets		Investments
	92507		28423
	Net Current Assets		Misc. Expenditure
	265833		-
	Accumulated Losses		
	-		

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

	Turnover		Total Expenditure
	123107		96537
	Profit/(Loss) before tax		Profit/(Loss) after tax
	26570		22602
	Earning Per Share (Rs.)		Dividend Rate (%)
	1.67		-
	(Face Value of Share Rs.10)		

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

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

As per our report attached of even date.

For Udyen Jain & Associates

Chartered Accountants

Aniket Kulkarni

Partner

Mem. No: A - 127246

Mumbai

Date :- 22nd August, 2009

For and on behalf of the Board of Directors

S.M.Parande

Chairman

Mumbai

Date :- 22nd August, 2009

Paresh J. Khandwala

Managing Director

Manisha Srivastava

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
A. Cash flow from operational activities		
Net (Loss)/Profit before tax adjusted for prior period items and excess provisions for tax written back	26,569,848	77,099,896
Adjustments for:		
Depreciation	4,411,973	4,192,625
Loss on sale of fixed assets	1,660	307,040
(Profit) on sale of Investments	(457,750)	(481,534)
Interest Income	(6,968,704)	(7,130,149)
Interest on Income Tax refund	-	(223,751)
Finance Expenses	6,743,904	7,805,994
Lease Rental	(1,260,000)	(1,260,000)
Reversal of Provision for Bad Debts	-	(1,255,898)
Provision for Diminution in investments/ Stock	4,736,865	9,921,782
Sundry balance written back /written off	(86,618)	1,312,638
Dividend Income	(173,907)	(393,594)
Excess Depreciation written back	-	(604,822)
	<u>6,947,424</u>	<u>12,190,332</u>
Operating profit before working capital changes	33,517,272	89,290,228
Adjustments for:		
Inventories	6,249,842	(23,217,485)
Trade Receivables & Other Receivables	(13,751,341)	(50,677,190)
Current Liabilities & Provision	(13,588,099)	(5,049,278)
	<u>(21,089,598)</u>	<u>(78,943,953)</u>
Cash generated from operations	12,427,674	10,346,275
Direct taxes Refunded / (paid)	(3,567,353)	(1,201,591)
Net cash (used in) / generated from operating activities	<u>8,860,321</u>	<u>9,144,684</u>
B. Cash flow from investing activities		
Purchase of fixed assets	(1,685,834)	(3,001,050)
Proceeds of sale of fixed assets	2,000	190,904
Sale/ (Purchase) of Investments (net of purchase)	11,481,573	2,382,979
Investment in Shares of Associate Company	(19,000,000)	(11,064,698)
Interest received	6,149,358	7,417,168
Dividend received	96,366	393,594
Share application money advance	-	(21,468)
Net cash (used in) / generated from investing activities	<u>(2,956,537)</u>	<u>(3,702,571)</u>

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
C. Cash flow from financing activities		
(Repayment)/Proceeds from long term borrowings(net)	(15,650,174)	29,810,354
(Repayment)/Proceeds from short term borrowings(net)	-	(12,500,000)
Repayment of Preference Share capital	(15,000,000)	-
Issue of Share Warrants	-	6,173,800
Proceeds from Issue of Equity Shares with Premium	-	26,688,000
Interest and other Finance charges	(4,993,904)	(6,117,540)
Payment of preference dividend and tax thereon	(1,611,006)	(7,587,127)
Net cash (used in) / generated from financing activities	(37,255,084)	36,467,487
Net increase/(decrease) in cash and cash equivalents	(31,351,300)	41,909,600
Cash and Cash equivalents (opening balance)	134,582,407	92,672,806
Cash and Cash equivalents (closing balance)	103,231,107	134,582,407
	<u>(31,351,300)</u>	<u>41,909,600</u>

As per our report attached of even date.

For Udyen Jain & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Aniket Kulkarni
Partner
Mem. No: A - 127246

S.M.Parande
Chairman

Paresh J. Khandwala
Managing Director

Manisha Srivastava
Company Secretary

Mumbai
Date : 22nd August, 2009

Mumbai
Date : 22nd August, 2009

AUDITOR'S CERTIFICATE

We have verified the attached cash flow statement of Khandwala Securities Limited for the year ended March 31, 2009 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

Aniket Kulkarni
Partner
Membership No. A 127246

Mumbai
Date: 22nd August 2009

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 SIXTEENTH ANNUAL GENERAL MEETING of the Company at Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Wednesday, 30th September 2009 at 12:30 p.m.

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

Signature

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

(i) Member : _____

(ii) Proxy : _____

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING

KHANDWALA SECURITIES LIMITED

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

PROXY FORM

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

I/We _____

of _____

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

_____ or failing him. _____

_____ of _____

AS MY/OUR PROXY TO VOTE FOR ME/US AND ON MY/OUR BEHALF AT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON COOCH BEHAR ROOM, CRICKET CLUB OF INDIA (CCI), BRABOURNE STADIUM, CHURCHGATE, MUMBAI 400 020 ON WEDNESDAY, 30TH SEPTEMBER 2009 AT 12:30 P.M. AND AT ANY ADJOURNMENT THEREOF

Signed this _____ day of _____ 2009.

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