Dear Shareholders,

FY2015 was a landmark year for us. A fall in crude oil prices, together with a decline in international food prices meant that India's inflation and trade deficit fell sharply. These were the two big lingering vulnerabilities of the Indian economy over the past three years. Deriving comfort from this windfall, and in a bid to encourage growth, the Reserve Bank of India commenced the rate earning cycle. The decisive mandate seen in the elections spurred retail and institutional investor interest. After the formation of the Modi Government at the Centre last year, business, consumer and investor confidence has improved. Over time when fully implemental, these incremental changes will add up to a much improved social and economic outcome.

In FY2015, the Indian markets rallied and investor sentiment was at peak owing to the new government, the same couldn't be said of other emerging markets. India ended the fiscal year as one of the best performing markets. Bulk of the returns came in the first quarter around the election period, while the subsequent quarters saw returns taper. Nevertheless, it outperformed most major markets on both 1-Year and 10-Year basis. Cash volumes in the market were Rs. 213.35 bn, up significantly as compared to the levels clocked during the last 3 years. It was only ~6% lower than its all time high of FY2010. Within this, cash delivery volumes reached its all time high in FY2015, as compared to the last 8 years. The fraction in cash market volumes were led by a 73% YOY growth in retail and a 50% YOY growth in Institution. The return of retail investors was the talking point this year, both through direct equities and through equity funds. While institution cash volumes were ~35% higher that its previous peak of FY2008, retail cash volumes still remain ~17% lower than its previous peak of FY2010. Equity funds saw net inflows in FY2015 after a successive quarter of net outflows. FII's also continued to repose their faith in Indian equities.

Away from home, the year was a mixed bag for the global economy. In the United States, the economy continued to gain traction, with unemployed rate declining gradually, but in the rest of the western world, economic growth remained weak. In fact, a major highlight of FY2015 was the sustained rise in USD against all major currencies, and the consequent fall in global commodity prices. The latter acted as a boon for most of the world economies, as inflation declined and real incomes improved. However, in contrast the European Union remains a stark outsider to this trend, with the region constantly battling crisis. Perhaps, it is now becoming clear that a monetary union without a fiscal union is not an ideal model, and will require requisite mechanisms in place to tackle crisis. Meanwhile, the big Emerging Market economy that has slowed down is China. It appears that the slowdown is not just a cyclical one, but more of a fundamental one. There is need for rebalancing the economy, from investments to consumption, as well as from manufacturing to services. This rebalancing will be extremely critical for not just China, but also the rest of the world.

Khandwala Securities Limited (KSL) despite its strong bearings, suffered from the adverse economic conditions and market realities even though FY2015 provided hope in the form of rejuvenated economic wave. FY2015 has been a validation to re-instate our long-term strategy. Synergistic Diversification in line with our new five year strategy to grow Return in Equity sustainably to 20% + your company will make strategic allocation of capital to long-term ROE enhancing opportunities into Capital Markets Business, Life Insurance Business, Diversified Asset Management Business, Credit Business, and Commodity Business.

This year, your Company has reported an income of Rs. 506.85 lacs up 15% from last year, and Profit After Tax of Rs. 25.10 lacs, up compared to the previous year loss. The Return on Equity has been improved to 0.21% for FY2015 to (1.01)% for FY2014. The Company's Networth is now

Rs. 2977.58 lacs with a balance sheet size of Rs. 3938.25 lacs. Your Company's future endeavors will be to have a healthy financial performance and a solid balance sheet which will allow us to serve you even better, through good times as well as lean ones.

Many of you may be aware that KSL has incredible innovated ideas under every line of business under adverse market conditions. At a time when competitors and peers were scaling back operations or mothballing investment plans, your Company has actively invested. Since FY2015, we consciously focused on building out the organization across business to support and sustain growth. This strategy of selective and efficient hiring, improving efficiency and productivity, strengthening and growing the balance sheet, robust risk management and investment in technology will bring the organization to the future ready status that it should enjoy. Your Company's five pronged focus on Profitability, Scalability, Sustainability, Governance and Quality Management will help hone performance.

I would like to share the sectoral overview of each of the business clusters with you.

1. Financial Markets – An Overview

Witnessing a massive rally in tandem with the new government at the centre, India market cap moved up 37% from Rs. 74 trillion to Rs. 101 trillion while the daily turnover for equity trading in FY15 grew 56% to Rs. 216 billion. The combine FY2015 flow in debt and equity stands at Rs. 2.7 trillion which is the highest since 1998. To top it, the Bombay Stock Exchange recently claimed a steep 34% rise to Rs. 2.67 million retail investors on the Exchange.

2. Life Insurance – An Overview

While FY2015 has been a landmark year with the passage of the Insurance bill, it has continued to be a challenging period for the Life Insurance companies in terms of business growth. Overall the Industry registered a degrowth of ~10.3% over year ago through private players witnessed some signs of fraction growth at ~16%. It is expected that increasing financial savings, huge under-penetration and rising disposable income provides huge potential for growth.

3. Asset Management – An Overview

The Indian asset management industry continued to witness growth on the back of buoyant equity markets. The Mutual Fund's industry in India witnessed a return of retail investors resulting in the industry's AUM growing 35% to reach Rs. 10.8 trillion at the end of March 2015. In the Alternative space, domestic Alternative Investment Funds have shown a significant growth and have almost doubled the AUM commitments in the fiscal period.

4. Credit – An Overview

Credit growth in commercial banking sector continued to be sluggish in FY2015. Stretched cash flows and balance sheets of corporates negatively impacted the asset quality of the banks, especially PSU banks. NBFC's, given their agility, could record reasonable growth in their credit books. Housing credit remains a low 7% as a percentage of GDP, an opportunity that is waiting to be tapped as RBI begins the ritual of reducing rates.

5. Commodities – An Overview

The size of the commodity related markets (including agri dependent industries) in India is a significant 58% of the country's GDP of 13,207 billion offering immense potential to become a separate asset class for investing community. Agri business has a significantly large and untapped potential in India with India importing almost 4.6 million tons of pulses over 3.65 million tons last fiscal.

As I write this letter, the RBI Governor has taken the much expected step to reduce interest rates. Corporate financial performance still has a couple of quarters to go before a visible turnaround can be seen. Inflation targets are holding steady though monsoons seems headed towards an unpredictable performance. We continue to believe that 'Make in India' will be successful as long as enough incentives are provided to 'Consume in India' and that goes back to the basic requirement of India's youth - jobs.

Consistent and high quality execution is also the theme of your Company for FY2016 to FY2020, years that we believe will be the foundation of a newer, energized, inclusive and aggressive India. As your Company reviews its future plan, we see that the stated long-term growth-aspirations remain intact and achievable after the FY2015 performance.

With your support, KSL stands steadfast and tall today. I would like to express my gratitude to our passionate, committed and hardworking employees for their immense contribution towards the Company's growth. I am also grateful to our Board of Directors for their guidance and to all our shareholders who have reposed their trust in us and given us their constant support and look forward to a long and mutually beneficial partnership together.

With best wishes,

Sincerely
Pranav Khandwala
CFO & Director
May 26, 2015