

**ACTION
FINANCIAL
SERVICES
(INDIA) LTD.**



**Eleventh
Annual Report
2003-2004**



THE ACTION TEAM

Mr. Milan R. Parekh	- Chairman & Managing Director
Mr. Bakul R. Parekh	- Jt. Managing Director
Mr. Haresh D. Vora	- Director
Mr. Pranav M. Doshi	- Director
Mr. Nirav K. Sanghavi	- Director

AUDIT, REMUNERATION & SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE

Mr. Haresh D. Vora

Mr. Pranav M. Doshi

Mr. Nirav K. Sanghavi

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Auditors	: Ford, Rhodes, Parks & Co. Chartered Accountants
Bankers	: Andhra Bank Bank of India Central Bank of India Progressive Co-op. Bank Ltd. Citibank N.A. UTI Bank Ltd.
Registrar & Share Transfer Agent	: M/S Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West) Mumbai – 400 078. Tel.: 25923837 Fax : 25672693
Registered Office & Broking Division	: 31, 4th Floor, Rajgir Chambers, 12/14, Shahid Bhagatsingh Road Fort, Mumbai- 400 001. Tel. 2265 8984/85/87
Securities Banking Cell (Depository Participant of NSDL)	: 46/47 and 54, Rajgir Chambers, 6th Floor, 12/14, Shahid Bhagatsingh Road, Fort, Mumbai- 400 023. Tel. 2270 4446 / 4447
Branch with BSE Terminals	: Mumbai (Fort, Bhayendar) Ranchi, Jamshedpur, Proddatur, Solapur, Dhanbad, Belgaum, Anantpur, Bharuch, Surat and Dharmavaram.
Branch with NSE Terminals	: Mumbai (Fort, Bhayendar, Goregaon), Bokaro and Dhanbad
Listed At	: Mumbai, Bangalore, Delhi & Mangalore.

Action Financial Services (India) Ltd.

NOTICE

NOTICE is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of ACTION FINANCIAL SERVICES (INDIA) LIMITED will be held on Wednesday, 23rd June, 2004 at the registered office of the Company at 31, Rajgir Chambers, 12/14, Shahid Bhagatsingh Road, Mumbai - 400 001 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2004 and the Balance Sheet as on that date together with the Report of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Shri Milan R. Parekh, Chairman & Managing Director, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Bakul R. Parekh, Jt. Managing Director, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

“ RESOLVED THAT M/s. Ford, Rhodes, Parks & Company, Chartered Accountants, Fort, Mumbai be and are hereby re-appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of directors plus reimbursement of all out of pocket expenses.”

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as SPECIAL RESOLUTION:

“ RESOLVED THAT in accordance with the provisions of section 80, 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and enabling provisions in the Memorandum and Articles of Association of the Company and Listing Agreement entered into by the Company with the stock exchanges where the shares of the Company are listed and further subject to approvals of all other concerned institutions and authorities, if any, and to the extent necessary and such other approvals, permissions and sanctions, as may be necessary, and subject to the conditions and modifications as may be imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board') and/or any duly authorised committee thereof for the time being exercising the powers conferred by the Board in that behalf, consent and approval be and same are hereby accorded to the Board to issue/offer Redeemable cumulative preference shares of the face value of Rs. 100/- each of an aggregate amount not exceeding Rs. 2 Crores as the Board in its sole discretion may at any time or time hereafter decide to the members, employees, Indian Financial Institutions, Banks, Mutual Funds, Corporate Bodies, Non Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors, Government/Semi Government's bodies/institutions and such other persons, whether members of the Company or not through private placement, for financing working capital requirement and strengthening the Depository and Broking Divisions of the Company or other corporate purpose as the Board may deem fit, and/or by any one or more or combination of the above modes or otherwise in one or more tranches at such rate of dividend and on such terms and conditions as to redemption period, manner of redemption and related incidental

matters as the Board of Committee thereof may in its absolute discretion think fit.

RESOLVED FURTHER THAT the Board or Committee thereof be and is hereby authorised on or before redemption of preference shares issued pursuant to this resolution, to issue fresh equity and/or preference shares up to the nominal amount of shares redeemed or about to be redeemed as if those shares had never been issued to persons and in manner and on terms referred to herein above.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, desirable or expedient as the Board or Committee thereof may deem fit."

Registered office:

31, 4th Floor, Rajgir Chambers,
12/14, Sahid Bhagatsingh Road,
Mumbai - 400 001.

By order of the Board

MILAN R. PAREKH
Chairman & Managing Director

Date: 21st May, 2004

Notes:

1. Members entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be lodged/received at the Registered office of the Company not less than 48 hours before the time fixed for this Annual General meeting.
2. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Special business of the Notice is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 19th June, 2004 to Wednesday, 23rd June, 2004 (both days inclusive).
4. All matters connected to shares transfers and other related matters be addressed to the Company's Share Transfer Agent M/s. Intime Spectrum Registry Limited at C- 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078.
5. Members while corresponding with the Company are requested to quote their respective Folio No. in the correspondence and also notify the change of address, if any, to the Company.
6. Members are requested to bring their copies of Annual Report at the time of attending the Annual General Meeting.
7. Members seeking any information/clarification with regard to accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
8. Members/Proxy holders are requested to produce attendance slip, at the entrance of the Hall of the meeting duly completed and signed.

Action Financial Services (India) Ltd.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

For Item No.5 :

To part finance the Company's expansion programme of its depository Division and Stock Broking Division and to meet with the long term working capital requirement the Company needs to raise funds including by way of preference shares so as to increase the net owned funds of the Company. It is therefore necessary that the present paid up capital of the Company is increased to Rs. 10 Crores by issuing redeemable cumulative preference shares upto the limit of Rs. 2 Crores in one or more trenches to such persons as the Board may decide from time to time.

None of the Directors of the Company is in way deemed concerned or interested in way in the proposed resolution except to the extent the proposed preference shares are issued and allotted to them.

Registered office:
31, 4th Floor, Rajgir Chambers,
12/14, Sahid Bhagatsingh Road,
Mumbai - 400 001.

By order of the Board,

MILAN R. PAREKH
Chairman & Managing Director

Date: 21st May, 2004



DIRECTORS' REPORT

Dear Members,

Your Directors present herewith the ELEVENTH ANNUAL REPORT together with the Audited statement of accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
Profit / (Loss) Before Interest & Depreciation	1,14,93,539	38,72,561
Interest	15,14,328	12,07,930
Depreciation	24,82,563	24,07,990
Extra Ordinary Item (SEBI Turnover Fees)	---	16,77,859
Profit / (Loss) Before Tax	74,96,649	(14,21,217)
Tax	20,29,317	---
Deferred Tax	14,58,243	33,09,671
Profit / (Loss) After Tax	40,09,089	(47,30,888)
Profit/(Loss) brought forward from Previous Year	(39,63,099)	7,67,789
Profit/(Loss) carried forward to the Balance Sheet	45,990	(39,63,099)
Paid Up Equity Share Capital	8,00,00,000	8,00,00,000
Earning Per Share	0.50	(0.59)

FINANCIAL:

During the financial year 2003-2004 your company earned operating profit of Rs.1,14,93,539/- against the operating profit of Rs.38,72,561/- compared to previous year.

DIVIDEND:

Since the company has earned a meager profit after considering the previous year loss & to conserve the resources for the long term requirement, your directors regret their inability to propose any dividend for the year.

OPERATIONS:**STOCK BROKING DIVISION**

During the year under review the total volume in Broking division improved substantially to Rs.3,250 crores. The income from broking operations in NSE / BSE / NSE F&O segment increased from Rs.70 lacs in the earlier year to Rs.175 lacs. The operations in Futures and Options (NSE) segment commenced in the month of October 2003.

The company is happy to announce that it has registered itself as a corporate member with Multi Commodity Exchange (MCX). The operations in the commodity segment, is expected to start in the next financial year.

Action Financial Services (India) Ltd.

DEPOSITORY DIVISION:

Performance of Depository Division, during the year under review, was satisfactory. Though the competition is severe, company has been able to achieve expected performance owing to better service standards, competitive rates and introduction of new schemes for customers. Company's website is regularly updated with Holdings, Transactions, Ledger Balance and other important information and announcements, making it convenient for customers to have direct access to their accounts from anywhere across the globe.

For Outstation Clients operation of their account has become very convenient, as they are able to give the Instruction at Branch Offices, resulting in saving Fax and Postage cost. Branch Offices have been provided with Branch Software with facility of processing Instructions.

Company plans to increase business volume by opening more branches at different locations in Mumbai and India.

Future Outlook & Expansion Plan :

The company is planning to set up Virtual Private Network (VPN) to connect all its branches. With the installation of VPN the branches will be able to transact in NSE / BSE / F&O as well as in Commodity markets. On the implementation of T+1 settlement system, the installation of VPN will facilitate the company's ambitious plans to link all the branches to have online connectivity for smooth & speedy services to the clients in the area of market operations & depository.

Additionally the network will facilitate the company to implement its Risk Surveillance Module to contain the risk in the Stock Markets. The company expects to expand its branch network to 50 branches in the financial year, as the running cost of VPN is low as compared to the present setup.

With the setting up of VPN the company will be able to register clients directly and transact as per the recent guidelines of SEBI.

DIRECTORS

Mr. Milan R. Parekh Chairman & Managing Director and Mr. Bakul R. Parekh Jt. Managing Director, retires by rotation at ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

ISSUE OF PREFERENCE SHARES

To implement the expansion programme of its depository division and broking division as stated hereinabove and to meet with the long term working capital requirement with an intention to increase the net worth of the company as the company's eligibility to hold the stock in Demat form on behalf of clients and institution business in broking division are co-related to the company's net worth and hence your directors propose to issue redeemable cumulative Preference Shares up to the limit of Rs.200 Lakhs through private placement to Promoters / Directors, their friends and relatives and others.

STATEMENT OF DIRECTORS' RESPONSIBILITY:

Pursuant to the requirement of section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby state that:

- a. in preparation of annual accounts, the applicable accounting standard had been followed along with proper explanation relating to material departure;
- b. the directors had selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

- c. the directors had 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 frauds and other irregularities;
- d. the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of Listing Agreement, a Report on Corporate Governance is given in Annexure A.

FIXED DEPOSITS

During year under review the company has not accepted any deposit with in the meaning of section 58A of the Companies' Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 as amended.

DELISTING OF SHARES:

The Company has applied for delisting of its equity shares from the Delhi Stock Exchange Association Ltd., Bangalore Stock Exchange Ltd. and The Mangalore Stock Exchange as per the resolution passed in Tenth AGM. The Company's equity shares shall however remain listed at Mumbai Stock Exchange.

AUDITORS :

Messrs. Ford, Rhodes, Parks & Co., Chartered Accountants, retire as Auditors of the company at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

DISCLOSURES :**a) Employees:**

Since the company does not have any employees drawing remuneration in excess of Rs. 24,00,000/- p.a. or Rs. 2,00,000/- per month the information required pursuant to provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, have not been given.

b) Conservation of Energy and Technology Absorption:

The information required under Rule 2 of the Companies (Disclosure of Particulars in report of the Board of Directors) Rules, 1988 in respect to above matters is not given as the company is not engaged in manufacturing activities.

Foreign Exchange Earning and Outgo:

During the period under review the company did neither earn nor spend anything in foreign exchange.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their gratitude to the Company's Bankers especially Bank of India, Stock Exchanges, Securities and Exchange Board of India, NSDL and other Government Departments for their continued support and guidance.

Your Directors also wish to record their appreciation of the dedicated services of the employees of the company.

For and on behalf of the Board of Directors

Place: Mumbai

Date : 21st May, 2004

Milan R. Parekh
Chairman & Managing Director

Action Financial Services (India) Ltd.

'ANNEXURE A' TO DIRECTORS' REPORT**CORPORATE GOVERNANCE:****COMPANY'S PHILOSOPHY**

The Board of Directors of the company is firmly committed to the adoption of fair business practice in the pursuit of its corporate goal of protection of the interest of its stakeholders. The Board of Directors acknowledges it is primarily responsible for devising and implementing good business practices that meets the above objective. Towards this it has adopted corporate policies, which are in harmony with the guidelines prescribed in the listing agreement.

Board of Directors:

The Board of Directors comprises of Managing Director, Joint Managing Director and three non-executive Directors. The composition of the Board, the attendance of Directors at the Board meetings during the last financial year, attendance at the last annual general meeting and directorship in other companies are listed below:

Name of Director	Category of Directorship	No. of Board meetings	Attendance at the last AGM	No. of other Directorship	No. of other committees Membership/ Chairmanship
1. Mr. Milan R. Parekh	Chairman & Managing Director	7	Yes	Nil	No
2. Mr. Bakul R. Parekh	Jt. Managing Director	7	Yes	Nil	No
3. Mr. Haresh D. Vora	Non – Executive Independent Director	6	Yes	Nil	1
4. Mr. Pranav M. Doshi	Non – Executive Independent Director	6	Yes	Nil	1
5. Mr. Nirav K. Sanghavi	Non – Executive Independent Director	5	Yes	Nil	1

A total of 7 Board meetings and 5 Audit Committee meetings were held during the year 2003-2004. The maximum interval between any two meetings was not more than 3 months. The Board meetings were held on 30th April, 2003, 31st July, 2003, 28th August, 2003, 27th September, 2003, 30th October, 2003, 30th January, 2004 and 29th March, 2004

All the Board meetings were held in Mumbai.

Details of Director, if any, co-opted on the Board. : Nil

Relationship of Directors with each other, if any. Mr. Milan R. Parekh, Chairman & Mg. Director and Mr. Bakul R. Parekh, Joint Managing Director are related to each other.

No loans or advances were given to any of the directors of the company.

AUDIT COMMITTEE:**Terms of reference:**

The role and terms of reference of the Audit committee covers the areas mentioned in the clause 49 of the Listing Agreement with stock exchange and section 292A of the Companies Act, 1956, which among other things include:

1. A periodical reviews of efficacy of the financial control systems and procedures and suggests improvement therein.
2. Review of operating results on a quarterly basis, prior to their submission to the Board for its consideration and adoption.