

CERTIFIED TRUE COPY  
ACTION FINANCIAL SERVICES (I) LTD.

*Julius K. Bwacha*

DIRECTOR



**Twelfth  
Annual Report  
2004-2005**



### THE ACTION TEAM

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

### AUDIT, REMUNERATION & SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE

**Mr. Haresh D. Vora**

**Mr. Pranav M. Doshi**

**Mr. Nirav K. Sanghavi**

### ACTION'S BELIEF

*Customer is the most important visitor  
on our premises.*

*He is not dependent on us.  
We are dependent on him.*

*He is not an interruption on our work  
He is the purpose of it.*

*He is not an outsider to our business.  
He is a part of it.*

*We are not doing him a favour  
by serving him.*

*He is doing us a favour by giving us an  
opportunity to do so.*

***Mahatma Gandhi***

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<b>Auditors</b>	<b>: Ford, Rhodes, Parks &amp; Co. Chartered Accountants</b>
<b>Bankers</b>	<b>: Bank of India Progressive Co-op. Bank Ltd. Citibank N.A. UTI Bank Ltd. ING Vysya Bank Ltd.</b>
<b>Registrar &amp; Share Transfer Agent</b>	<b>: 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</b>
<b>Registered Office &amp; Broking Division</b>	<b>: 31, 4th Floor, Rajgir Chambers, 12/14, Shahid Bhagatsingh Road Fort, Mumbai- 400 001. Tel. 2265 8984/85/87</b>
<b>Securities Banking Cell (Depository Participant of NSDL)</b>	<b>: 46/47 and 54, Rajgir Chambers, 6th Floor, 12/14, Shahid Bhagatsingh Road, Fort, Mumbai- 400 023. Tel. 2270 4446 / 4447</b>
<b>Branch with BSE Terminals</b>	<b>: Mumbai (Fort) Jamshedpur, Proddatur, Solapur, Dhanbad, Anantpur, Bharuch, Surat, Bokaro and Dharmavaram.</b>
<b>Branch with NSE Terminals</b>	<b>: Mumbai (Fort, Bhayendar), Bharuch Bokaro and Dhanbad</b>
<b>Listed At</b>	<b>: Mumbai &amp; Bangalore</b>

**NOTICE**

**NOTICE** is hereby given that the 12<sup>TH</sup> ANNUAL GENERAL MEETING of ACTION FINANCIAL SERVICES (INDIA) LIMITED will be held on Friday, 19<sup>th</sup> August, 2005 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 31<sup>st</sup> March, 2005 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 Pranav Doshi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Nirav Sanghvi, 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.”

Registered office:

31, 4<sup>th</sup> Floor, Rajgir Chambers,  
12/14, Shahid Bhagatsingh Road,  
Fort, Mumbai - 400 001.

By order of the Board

**MILAN R. PAREKH**

Chairman & Managing Director

Date: 30<sup>th</sup> June, 2005

**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. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, August 16, 2005 to Friday, August 19, 2005 (both days inclusive).
3. 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.
4. 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.
5. Members are requested to bring their copies of Annual Report at the time of attending the Annual General Meeting.
6. 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.
7. Members/Proxy holders are requested to produce attendance slip, at the entrance of the Hall of the meeting duly completed and signed.

**DIRECTORS' REPORT**

Dear Members,

Your Directors present herewith the 12<sup>th</sup> ANNUAL REPORT together with the Audited statement of accounts for the year ended 31<sup>st</sup> March, 2005.

**FINANCIAL RESULTS:**

	Year Ended 31 <sup>st</sup> March, 2005	Year Ended 31 <sup>st</sup> March, 2004
Profit / (Loss) Before Interest & Depreciation	72,03,075	1,14,93,540
Interest	17,50,037	15,14,328
Depreciation	15,86,204	24,82,563
Profit / (Loss) Before Tax	38,66,834	74,96,649
Tax	19,65,200	20,29,317
Deferred Tax	(3,74,175)	14,58,243
Profit / (Loss) After Tax	22,75,809	40,09,089
Profit/(Loss) brought forward from Previous Year	45,990	(39,63,099)
Profit/(Loss) carried forward to the Balance Sheet	23,21,799	45,990
Paid Up Equity Share Capital	8,00,00,000	8,00,00,000
Earning Per Share	0.28	0.50

**FINANCIAL:**

During the financial year 2004-2005 your company earned operating profit of Rs.72,03,075/- against the operating profit of Rs.1,14,93,540/- compared to previous year. While the net profit stood at Rs.19,01,634/- against Rs.54,67,332/- in the previous year.

**DIVIDEND:**

Since the company has earned a meager profit, your directors regret their inability to propose any dividend for the year under review to conserve the resources for the long-term requirement.

**OPERATIONS:****IMPLEMENTATION OF EXPANSION PROGRAM:**

During the financial year your company has gone ahead with their expansion plan and installed Bharti's virtual private network (VPN) for expanding the operations with better efficiency, lower risk and minimal cost. With the installation and implementation of VPN, it is possible to control the market risk through the risk surveillance software. Due to VPN in place it was possible to implement direct billing of the clients, which is mandatory as per SEBI guidelines. With the VPN In place your company will be able to expand horizontally as well as vertically by way of opening new branches and provision of other additional services. Your company also started serving to the broking clients through their web site [www.actionfin.com](http://www.actionfin.com) during the year, which will facilitate the company to excess itself globally and to provide transparency to the clients.

**STOCK BROKING DIVISION:**

During the year under review the turnover was Rs.2911 crores as compared to Rs.3250 crores in the last financial year. The income from broking operation was Rs.144.7 Lakhs as compared to Rs.175.1 Lakhs. The turnover and income from broking operations reduced due to severe competition. Company's website [www.actionfin.com](http://www.actionfin.com) is updated daily with

transaction, bills, ledger and stock ledger of all clients. Through this Password protected system customers have direct access to all information related to their Account.

The operation in commodity segment was postponed due to the implementation of Virtual Private Network. However the operation in commodity segment is expected to start in the next financial year.

#### **DEPOSITORY DIVISION:**

During the year under review performance of Depository Division was satisfactory. The division has been able to maintain the performance as a result of Competitive charges, better service standards, etc. New Schemes introduced last year saw good response from customers. Company's website [www.actionfin.com](http://www.actionfin.com) is updated daily with Holding, Transaction & Ledger balance of all accountholders. Through this Password protected system customers have direct access to all information related to their Account.

All branches are equipped with NCFM qualified personnel and latest information related to Accounts opened through the branch, making it convenient for customers to contact the branch for any information related to their account. Branches act as collection centre for acceptance of account opening forms, demat requests. Branches are equipped with offline software with facility of instruction processing.

Performance of Depository Division, during the year under review, was satisfactory. As per SEBI guidelines, Custody charges and purchase transaction charges have been withdrawn from February, 2005. However due to the stiff competition and reduction in charges, the income from the depository division has come down from Rs.94 lakhs to Rs.79 lakhs.

#### **PRIMARY MARKET & MUTUAL FUND DISTRIBUTION :**

During the year your company started marketing of IPOs and Public Issues as well as Mutual Fund Schemes to provide additional services to existing customers beneath one roof.

#### **FUTURE OUTLOOK & EXPANSION PLAN :**

The company is consistently expanding its horizon organically as well as inorganically. Expansion requires huge Financial Investment in Man Power and Infrastructure. To meet with the growing financial need and survival it is being seriously considered to consolidate with other players in the financial and capital market arena. The Indian Capital Market is growing lips and bound. At least another three to four years of capital market looks encouraging. The bullish trend of the capital market is attracting more and more retail investor from all parts of India. With the VPN In place your company will be able continue its focus on retail business through the appointment of new business partner and opening of new branches. Company is hopeful to perform better as it is committed to better service standards, competitive rates and introduction of new schemes for customers. Accordingly Company plans to increase its business volume and the profitability in the current year.

#### **DIRECTORS :**

Mr. Pranav Doshi and Mr. Nirav Sanghavi, Directors, retires by rotation at ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

During the year under review the remuneration payable to Mr. Milan Parekh, Chairman & managing Director have been increased to Rs.50,000/- from Rs.45,000/- from September 2004 and further increased to Rs.70,000/- from February, 2005. The Remuneration to Mr. Bakul Parekh, Jt. Managing Director, have been increased form Rs.40,000/- to Rs.65,000/- from February 2005.

#### **ISSUE OF PREFERENCE SHARES :**

During the year under review the company has issued 76540, 10% redeemable cumulative preference shares to the promoters and their business associates on private placement basis.

**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.

**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 engaged in service industry.

**FOREIGN EXCHANGE EARNING AND OUTGO:**

During the period under review, company 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 for the dedicated services of the employees of the company.

For and on behalf of the Board of Directors

Place: Mumbai

Date : 30<sup>th</sup> June, 2005

**Milan R. Parekh**  
Chairman & Managing Director

**'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	8	Yes	Nil	No
2. Mr. Bakul R. Parekh	Jt. Managing Director	8	Yes	Nil	No
3. Mr. Haresh D. Vora	Non – Executive Independent Director	5	Yes	Nil	3/1
4. Mr. Pranav M. Doshi	Non – Executive Independent Director	5	Yes	Nil	3/1
5. Mr. Nirav K. Sanghavi	Non – Executive Independent Director	5	Yes	Nil	3/1

A total of Board meetings 8 and 4 Audit Committee meetings were held during the year 2004-2005. The maximum interval between any two meetings was not more than 3 months. The Board meetings were held on 21.05.2004, 23.06.2004, 30.07.2004, 30.10.2004, 31.01.2005, 11.02.2005, 28.02.2005 & 31.03.2005.

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 internal 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.
3. Advise the Board on appointment / removal of statutory auditors and fix their remuneration.
4. Review with the statutory auditors their audit findings and suggest measures to address any areas of concern cited by them.
5. Assure the Board on the adequacy of company's risks management measures and implementation of financial policies and procedures.