

**ACTION
FINANCIAL
SERVICES
(INDIA)
LIMITED**



**Sixteenth
Annual Report
2008-2009**

Action Financial Services (India) Limited



THE ACTION TEAM

Mr. Milan R. Parekh	- Chairman & Managing Director
Mr. Bakul R. Parekh	- Jt. Managing Director
Mr. Pranav M. Doshi	- Director
Mr. Nirav K. Sanghavi	- Director
Mr. Sujir R. Nayak	- Director

AUDIT, REMUNERATION & SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Mr. Pranav M. Doshi
Mr. Nirav K. Sanghavi
Mr. Sujir R. Nayak

ACTION'S BELIEF

"If we don't take care of the customer... somebody else will."
"The customer is our reason for being here."
"A satisfied customer is the business strategy of all."
"There is only one boss. The customer and he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."
"It takes less effort to keep an old customer satisfied than to get new customer interested."
"Your most unhappy customers are your greatest source of learning."

..Anonymous..

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AUDITORS	: Ford, Rhodes, Parks & Co. Chartered Accountants
BANKERS	: Bank of India Citibank N.A. HDFC Bank Ltd. ICICI Bank Ltd. ING Vysya Bank Ltd.
REGISTRAR & SHARE TRANSFER AGENT :	M/S Link Intime India Private Limited. C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078. Tel.: 2596 3838 Fax : 2567 2693
REGISTERED OFFICE & BROKING DIVISION :	31, 4th Floor, Rajgir Chambers, 12/14, Shahid Bhagatsingh Road, Fort, Mumbai- 400001. Tel. 4062 4444 Fax: 4062 4446 / 7
SECURITIES BANKING CELL (Depository Participant of NSDL)	: 46/47 and 54, Rajgir Chambers, 6th Floor, 12/14, Shahid Bhagatsingh Road, Fort, Mumbai- 400001. Tel: 4062 4444 Fax: 4062 4446
BRANCH WITH BSE TERMINALS	: Mumbai (Fort, Matunga, Ghatkopar, Borivali), Bharuch, Surat (3), Bokaro (3), Dhanbad, Dharmavaram and Mangalore.
BRANCH WITH NSE TERMINALS	: Mumbai (Fort, Ghatkopar), Thane, Bharuch, Baroda, Bokaro (2), Dhanbad (2), Dharmavaram and Mangalore.
DEPOSITORY BRANCHES	: Mumbai (Fort), Thane, Ahmedabad, Baroda, Bokaro, Kakinada and Mangalore
LISTED AT	: Mumbai

Action Financial Services (India) Limited

NOTICE

NOTICE is hereby given that the 16th ANNUAL GENERAL MEETING of ACTION FINANCIAL SERVICES (INDIA) LIMITED will be held on 30th September, 2009 at the registered office of the company at 31, Rajgir Chambers, 12/14, Sahid 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, 2009 and the Balance Sheet as on that date together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Pranav M. Doshi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Nirav K. Sanghavi, 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, 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 modifications, the following resolution as **Special Resolution** :

"RESOLVED THAT in accordance with and subject to the provisions of section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and other applicable laws (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, the subsisting rules, regulations, guidelines and clarifications issued by the Securities and Exchange Board of India (SEBI) or any other relevant authorities and further subject to approvals of all other concerned institutions and authorities, if any, 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 are hereby accorded to the Board to issue/offer and allot up to 250,000 warrants of Rs.19.25

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each, convertible, at the option of the warrant holders within the aggregate period of 18 months from the date of allotment of the warrants into 250,000 Equity shares of Rs. 10/- each at a premium of Rs. 9.25 per share, as determined in accordance with the relevant Guidelines issued by the SEBI, of which 62,500 warrants to be issued to Mr. Kumar Rahul, 62,500 warrants to be issued to Mr. Vimal Kumar Mishra, 62,500 warrants to be issued to Ms. Heena Mehta and 62,500 warrants to be issued to Mr. Rajeev Tripathi, (hereinafter collectively referred to as 'investors'), on preferential basis, subject to the following:

- a. the Warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the Company.
- b. the 'relevant date' within the meaning of the Explanation 13.1.1.1. of the SEBI (Disclosure & Investor Protection) Guidelines, 2000 for the purpose of determination of applicable price for the issue of above mentioned warrants and equity shares arising out of their conversion is 31.08.2009.
- c. the equity shares to be allotted on conversion of the Warrants shall rank pari passu with the existing equity shares of the Company in all respects
- d. the said 2,50,000 warrants to be issued to the investors would qualify for conversion into equivalent number of equity shares of Rs. 10/- each at a premium of Rs. 9.25 per share in one or more tranches, however, subject to the condition that no conversion of warrants issued under the sanction of this resolution shall be admissible after a period of 18 months from the date of allotment.
- e. an amount equal to a minimum of **25%** of the price fixed under Clause 13.1.1.1 of the SEBI (Disclosure & Investor Protection) Guidelines, 2000 in relation to each of the warrant shall be paid upfront by the investors at the time of allotment of the warrants and the same shall be adjusted against the price payable for the subsequent allotment of equity shares, as and when made, against the warrants. Further in the event the option of conversion of warrants into equity shares is not exercised by the warrant holders in terms of this resolution, the up front payment shall be forfeited
- f. in no case such conversion of warrants into the equity shares shall be in violation of any of the provisions of the SEBI's (Substantial Acquisition of In no case such conversion Shares and Take over) Regulation

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."

1. To consider and, if thought fit, to pass, with or without modifications, the following resolution as **Special Resolution** :

Action Financial Services (India) Limited

WHEREAS in terms of special Resolution passed in the shareholders meeting held on 23rd June 2004 the Company issued and allotted 76,540 and 1,07,460, 10%, Redeemable Cumulative Preference shares of Rs.100/- (hereinafter referred to as 'said shares') each on 31st March, 2005 and 30th September, 2005 respectively AND WHEREAS as per the terms of the issue of said shares 33% of the total number of the said shares were to be redeemed at the end of the 3rd year from the date of allotment that is by 31st March, 2008 and 30th September, 2008 respectively AND WHEREAS in terms of power vested in the Board of Directors 1,01,200, constitution 55% of the said shares were redeemed by 31st March, 2008 AND WHEREAS the second redemption was due on or before 31st March, 2009 AND WHEREAS the Company, in anticipation of net loss for the year ended 31st March, 2009 was not in a financial position to redeem the said shares AND WHEREAS the Preference Shareholders in their special general meeting held on 12th March, 2009 approved the extension of redemption period and empowered the Board of Directors of the Company (hereinafter referred to as 'Board') to decide and modify the terms of issue of preference shares AND WHEREAS the Board thought it fit to get the same ratified/approved by the Equity Shareholders, in the ensuing Annual General Meeting.

NOW THEREFORE IT IS HEREBY Resolved that the extension of the redemption period in respect of 2nd redemption of said shares due on or before 31st March, 2009, as decided by the Board be and is hereby ratified and approved AND The Board be and is hereby further authorised, subject to requisite approval concerned authorities / agencies, if any, as may be required from time to time, to redeem the said shares, decide, modify /alter the terms of the issue of said shares including early redemption of said shares or extension of period of redemption, as and when they deem fit in the best interest of the Company, however in no case the period of redemption of the said shares be extended beyond 31st March, 2015.

Registered office:
31, Rajgir Chambers,
12/14, Shahid Bhagatsingh Road,
Mumbai - 400 001.

By order of the Board

MILAN R. PAREKH
Chairman & Managing Director

Date : 4th September, 2009

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Notes:

- 1) A Member 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 25th September 2009 to 30th September 2009 (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 Link Intime India Private 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.

DETAIL OF DIRECTORS SEEKING REAPPOINTMENT BY THE SHAREHOLDERS OF THE COMPANY AT THE ENSUING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 OF LISTING AGREEMENT)

Name of the Director	Mr. Pranav M. Doshi	Mr. Nirav K. Sanghavi
Address	Flat No. 25, 9th Floor, 1st Bldg., Navjivan Soc., Lemington Road, Mumbai – 400 008.	Block No. 5, Prem Nagar, A-305, Near Vijaya Bank, Mumbai- 400 092.
Date of Birth	29/10/1978	04/01/1981
Date of Appointment	21/08/2002	21/08/2002
Qualification	B.Com	—
Experience	12 Years	9 years
List of other companies in which director ships held	Nil	Nil

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ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 5:**

In view of increase in level of operations, the company needs induction of long term funds to meet its ongoing capital expenditure plans and working capital requirements. It is to mobilize a sum of Rs. 4,812,500 in stages through issue of 250,000 fully convertible warrants of Rs 19.25 each in the manner and on the terms and conditions mentioned in the resolution and herein below. The disclosures in terms of 13.1A of SEBI (Disclosures and Investor Protection) Guidelines, 2000, as amended, are given as under:

1. The objects of the Issue through preferential offer

Financing of the capital expenditure and working capital required to meet with the substantially increased operations. The proposed preferential allotment will strengthen the financial position of the Company.

2. Intention of Promoters/Directors/Key Management Persons to subscribe to the offer :

Mr. Kumar Rahul, Mr. Vimal kumar Mishra, Ms. Heena Mehta and Mr. Rajeev Tripathi, being investors, have indicated that they would be subscribing in full to the proposed issue.

3. Shareholding Pattern of the Company before and after the offer

The shareholding pattern pre and post allotment of warrants (assuming conversion of all warrants into equity shares) based on present capital structure is as under

Capital Structure

Sr. No	Category	Pre issue No. of Shares	%	Post Issue No. of Shares (After conversion of warrants into equity shares)	%
A	PROMOTERS HOLDING				
1.	Indian Promoters	4,244,345	48.18	4,244,345	46.85
B.	NON-PROMOTER HOLDING				
2.	Institutional Investors				
a.	Mutual Funds	2500	0.03	2500	0.03
3.	Others				
a.	Private Corporate Bodies	1,004,123	11.40	1,004,123	11.08
b.	Indian Public	3,382,525	38.39	3,632,525	40.09
c.	NRI's / OCBs	176,507	2.00	176,507	1.95
	TOTAL:	8,810,000	100	9,060,000	100

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The existing promoters will continue to be in control of the Company and there will not be any change in the management control of the company as a result of the proposed preferential allotment.

The shareholding pattern mentioned above would undergo changes to the extent of the equity shares allotted pursuant to the exercise of option by the warrant holder.

4. Proposed time within which the allotment shall be completed

The proposed issue and allotment of the warrants shall be completed within a period of 15 days from the date of approval of the issue by the shareholders of the company or where any other approval is required from Stock Exchanges, regulatory authorities or the Central Government, 15 days from the date of the receipt of such approval, whichever is later. The exercise of the option of conversion of the warrants into equity shares shall be completed within a period of 18 months from the date of allotment of warrants.

5. The identity of the proposed allottees and the percentage of pre and post Preferential issue Capital that may be held by them is as under (Base on the present capital structure)

It is proposed to issue and allot

- (i) 62,500 convertible warrants to Mr. Kumar Rahul (Investor)
- (ii) 62,500 convertible warrants to Mr. Vimal Kumar Mishra (Investor)
- (iii) 62,500 convertible warrants to Ms. Heena Mehta (Investor)
- (iv) 62,500 convertible warrants to Mr. Rajeev Tripathi (Investor)

Presently, the promoters, along with the persons acting in concert, hold 48.18% of the total voting capital and after exercising full option of conversion of warrants into equity shares the promoters holding shall stand at 46.85 % of the total voting capital of the company.

While Mr. Kumar Rahul is not holding any equity shares in the Company. The holding of Mr. Kumar Rahul after the proposed allotment of convertible warrants and equity shares arising out of conversion thereof would be 62,500 Equity Shares constituting of 0.70 % of the voting capital of the company, assuming conversion of warrants into Equity Shares.

While Mr. Vimal Kumar Mishra is not holding any equity shares in the Company. The holding of Mr. Vimal Kumar Mishra after the proposed allotment of convertible warrants and equity shares arising out of conversion thereof would be 62,500 Equity Shares constituting of 0.70 % of the voting capital of the company, assuming conversion of warrants into Equity Shares

While Ms. Heena Mehta is not holding any equity shares in the Company. The holding of Ms. Heena Mehta after the proposed allotment of convertible warrants and equity shares arising out of conversion thereof would be 62,500 Equity Shares constituting of 0.70 % of the voting capital of the company, assuming conversion of warrants into Equity Shares

While Mr. Rajeev Tripathi is not holding any equity shares in the Company. The holding of Mr. Rajeev Tripathi after the proposed allotment of convertible warrants and equity shares arising out of conversion thereof would be 62,500 Equity Shares constituting of 0.70 % of the voting capital of the company, assuming conversion of warrants into Equity Shares

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6. Payment terms:

Rs. 5.00 per warrant is payable on or before allotment by the Investors and the balance is payable on or before exercising the respective option of conversion of the warrants into equity shares.

7. Lock in period:

The warrants and the resultant equity shares shall be subject to a lock in period as per the guidelines issued by the Securities and Exchange Board of India for preferential allotment.

In terms of provisions of 13.3.1(d) of the Guidelines, the lock in on equity shares proposed to be acquired by the conversion of warrants, shall be reduced to the extent the convertible warrants have already been locked in.

The certificate of the Statutory Auditors to the effect that the issue of warrants on preferential basis in accordance with SEBI (Disclosure & Investor Protection) Guidelines, 2000 shall be placed before the members at the ensuing Extra Ordinary General Meeting and will be available for inspection thereat.

The Board of Directors of the company recommends the passing of the Special Resolutions as set out in Notice of the Meeting.

None of the director is concerned or interested in the resolutions set out at item Nos. 5 above.

ITEM NO. 6:

As you are aware that in terms of special Resolution passed in the shareholders meeting held on 23rd June 2004 the Company issued and allotted 76,540 and 1,07,460, 10%, Redeemable Cumulative Preference shares of Rs.100/- each on 31st March, 2005 and 30th September, 2005 respectively and as per the terms of the issue of said shares 33% of the total number of the said shares were to be redeemed at the end of the 3rd year from the date of allotment that it by 31st March, 2008 and 30th September, 2008 respectively while the second redemption which was due for redemption on or before 31st March, 2009 was not redeemed as the Board of Directors of the Company on financial ground as the Board had anticipated loss for the year ended 31st March, 2009 and accordingly general meeting of Preference Shareholders was convened on 12th March, 2009 seeking their approval to the Board's decision to extend the period of redemption subject to your ratification.

Accordingly your permission is sought to ratify the act of the Board in extending the period of redemption of Preference shares. And further it is proposed to authorise the Board to amend / alter the terms of issue of Preference shares as may be required from time to time including the extension of redemption of said shares, however in no case the period of redemption of the said shares be extended beyond 31st March, 2015.

Milan R. Parekh, Managing Director and Bakul R. Parekh, Jt. Managing Director, are considered to be interested in the proposed business to the extent of their holding in the Preference Share capital.

Registered office:
31, Rajgir Chambers,
12/14, Shahid Bhagatsingh Road,
Mumbai - 400 001.

By order of the Board,

Milan R. Parekh
Chairman & Mg. Director

Date : 4th September, 2009