

**ACTION  
FINANCIAL  
SERVICES  
(INDIA)  
LIMITED**



**Eighteenth  
Annual Report  
2010-2011**

## Action Financial Services (India) Limited



### THE ACTION TEAM

Mr. Milan R. Parekh	- Chairman & Managing Director
Mr. Bakul R. Parekh	- Jt. Managing Director
Mr. Nirav K. Sanghavi	- Director
Mr. Atul A. Zatakia	- Director
Mr. Ketan H. Mehta	- Director

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

Mr. Nirav K. Sanghavi  
Mr. Atul A. Zatakia  
Mr. Ketan H. Mehta

### 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."*  
  
..anonymus..

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<b>AUDITORS</b>	: Ford, Rhodes, Parks & Co. Chartered Accountants
<b>BANKERS</b>	: Bank of India HDFC Bank Ltd. ICICI Bank Ltd. N. A. Citibank
<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b>	: 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
<b>REGISTERED OFFICE &amp; BROKING DIVISION</b>	: 31, 4th Floor, Rajgir Chambers, 12/14, Shahid Bhagatsingh Road, Fort, Mumbai- 400 001. Tel. 4062 4444 Fax: 4062 4446 / 47 Email ID : actionfin@actionfin.com Website : www.actionfin.com
<b>SECURITIES BANKING CELL</b> (Depository Participant of NSDL)	: 31, 4th Floor, Rajgir Chambers, 12/14, Shahid Bhagatsingh Road, Fort, Mumbai- 400 001. Tel. 4062 4444 Fax: 4062 4446
<b>BRANCH WITH BSE TERMINALS</b>	: Mumbai (Fort, Matunga, Borivali), Bharuch, Surat (3), Bokaro (2), Dhanbad, Dharmavaram, Valsad Varanasi and Mangalore.
<b>BRANCH WITH NSE TERMINALS</b>	: Mumbai (Fort), Mumbai Central, Vaslad, Varnasi, Bharuch, Baroda, Bokaro (1), Dhanbad (2), Dharmavaram, Valsad & Mangalore.
<b>DEPOSITORY BRANCHES</b>	: Mumbai (Fort), Mumbai Central, Ahmedabad, Baroda, Bokaro, Kakinada, Bharuch, Valsad, Varanasi, Dhanbad and Mangalore
<b>LISTED AT</b>	: Mumbai

**Action Financial Services (India) Limited**

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**NOTICE**

NOTICE is hereby given that the 18<sup>th</sup> ANNUAL GENERAL MEETING of ACTION FINANCIAL SERVICES (INDIA) LIMITED will be held on 29<sup>th</sup> September, 2011 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, 2011 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 Bakul R. Parekh, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri 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, Fort, Mumbai bearing Membership No. 11549 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, Rajgir Chambers,  
12/14, Sahid Bhagatsingh Road,  
Fort, Mumbai - 400 001.

By order of the Board

**MILAN R. PAREKH**  
Chairman & Managing Director

Date: 26<sup>th</sup> August, 2011

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### 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 26<sup>th</sup> September, 2011 to 29<sup>th</sup> September, 2011 (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. Link Intime India Pravite Limited, at Agent M/s. Link Intime India Pravite 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.

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

<b>Name of the Director</b>	Mr. Bakul R. Parekh	Mr. Nirav K. Sanghavi
<b>Address</b>	Flat No. 7, 3 <sup>rd</sup> Floor, Ashish Bldg., Sion-Matunga Raod, Sion, Mumbai - 400 022.	Block No. 5, Prem Nagar, A-305, Near Vijaya Bank, Mumbai - 400 092
<b>Date of Birth</b>	30-03-1963	04-01-1981
<b>Date of Appointment</b>	01-10-2008	01-10-2009
<b>Qualification</b>	Graduate	-----
<b>Experience</b>	Over 20 Years of Capital Market Experience	Over 10 Years of Market Experience
<b>List of other companies in which director ships held</b>	Action Securities Ltd. Action Commodities Ltd.	None

## Action Financial Services (India) Limited

### DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the 18<sup>th</sup> Annual Report together with the Audited Statements of Accounts of the Company for the financial year ended 31<sup>st</sup> March 2011.

#### 1. FINANCIAL RESULTS :

Financial Results	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
	Consolidated	Standalone	Consolidated	Standalone
<b>Profit/(Loss) Before Interest &amp; Depreciation</b>	<b>10,111,584</b>	<b>10,598,765</b>	<b>9,583,410</b>	<b>9,938,962</b>
Interest	6,827,008	6,827,008	6,148,186	6,148,186
Depreciation	2,780,642	2,647,148	2,377,297	2,328,951
<b>Profit / (Loss) Before Tax</b>	<b>503,934</b>	<b>1,124,609</b>	<b>1,057,927</b>	<b>1,461,825</b>
<b>Taxation</b>				
- Current Year	107,052	107,052	-	-
- Earlier Years	-	-	25,656	25,656
- Deferred Tax (written back)	476,381	565,462	189,172	284,504
- Fringe Benefit Tax	-	-	-	-
<b>Profit / (Loss) After Tax</b>	<b>(79,499)</b>	<b>452,095</b>	<b>843,099</b>	<b>1,151,666</b>
Profit/(Loss) brought forward from Previous Year	(8,366,130)	(7,734,305)	(9,209,229)	(8,885,971)
<b>Profit available for appropriations</b>	<b>(8,445,626)</b>	<b>(7,282,210)</b>	<b>(8,366,130)</b>	<b>(7,734,305)</b>
Appropriation as under:				
Transfer to Capital Redemption Reserve	-	-	-	-
Dividend on preference Shares	-	-	-	-
Tax on Dividend	-	-	-	-
<b>Profit/(Loss) carried forward to the Balance Sheet</b>	<b>(8,445,626)</b>	<b>(7,282,210)</b>	<b>(8,366,130)</b>	<b>(7,734,305)</b>
Paid Up Equity Share Capital	99,81,000	99,81,000	88,10,000	88,10,000
Earning Per Share Re 10/- Paid up – Basic EPS	(0.08)	(0.04)	0.10	0.13
- Diluted EPS	(0.08)	(0.04)	0.10	0.13

#### CONSOLIDATED RESULTS:

The audited Standalone and consolidated Financial Statements of the Company along with its subsidiary companies are attached herewith and form part of this annual report. These have been prepared in accordance with the provisions of the Companies Act, 1956, the Listing Agreement, the Accounting Standard 21 (AS-21) on Consolidated Financial Statements and Accounting Standard 23 - (AS-23) on Accounting for Investments in Associates in Consolidated Financial Statements based on Audited Financial Results for the ended 31st March, 2011.

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### **SUBSIDIARIES:**

As on 31st March, 2011 your company has two wholly owned subsidiary companies namely Action Securities Limited and Action Commodities Limited.

In terms of section 212 of the Companies Act, 1956, the company has attached the Director's Report, Balance sheet and Profit and Loss account of its subsidiaries to the Annual Report.

### **INCOME:**

During the financial year 2010-2011 company earned operating profit of Rs.10,598,765/- against the operating profit of Rs.9,938,962/- incurred in the previous year, while the net profit (after tax) stood at Rs.452,095/- against the net profit Rs.1,151,666/- in the previous year.

### **2. DIVIDEND:**

#### **2.1 On Preference Shares:**

In view of carried forward loss of previous years your Directors regret their inability to recommend Dividend on Cumulative Redeemable Preference Shares for the year ended 31<sup>st</sup> March, 2011.

#### **2.2 On Equity Shares:**

In view of carried forward loss of previous years your Directors regret their inability to recommend Dividend on Cumulative Redeemable Preference Shares for the year ended 31<sup>st</sup> March, 2011.

### **3. OPERATIONS:**

#### **OVERVIEW:**

During the year the company carried out capital market operations at moderate level. The growth in the Indian economy together with the boom on the capital markets resulted in a better year for the company. Due to the current uncertain capital market situation where the risk factors appear to be high the company is taking a cautious view and will formulate its investment policies accordingly.

#### **REVIEW of BUSINESS DIVISIONS:**

##### **3.1 Broking Division:**

Our Services under the Broking Business comprising of Equity, Currency & Derivatives Services, we offer retail and Institutional broking services in Equity to a large institutional and retail clientele in India. During the year under review the total turnover was increased to Rs.7469.53 crores as compared to Rs. 4952 crores in the previous financial year.

## **Action Financial Services (India) Limited**

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Action offers personalized services and complete transaction support through our website to our client for investment in primary market through Mutual fund and IPO's.

The Company has expanded its retail network, branches continued to be opened on a selective basis and physical presence was enhanced through increase in the Sub broker network and also search of new retail clientele in remote and rural area to explore the wide business available opportunities. This has resulted into increase in clientele base of the company.

Action offers platform for trading in Equity Market in BSE and NSE and Derivatives Market in NSE

### **3.2 Depository Division:**

Company has completed 14 years as a Depository Participant. Company is holding approximately Rs.1251.56 Crores worth stock on behalf of clients as on 31<sup>st</sup> March 2011.

Company has registered with NSDL for Internet based IDeAS facility for the convenience of the Investor to view latest holding with valuation as well as transactions. Company has also its own website through which client can view day holding, transaction and ledger balances.

Company has introduced various tariff Schemes for clients as per their requirement & convenience. As a result, of flexible working hours, experienced staff, timely information to clients regarding failure of instructions, acceptance of last minute Pay-In instructions, less processing time, etc. Clients of other Brokers also prefer to open their Demat Accounts with us. Key areas of service are retail clientele, clearing members and promoters of various companies. DP Division caters to 30 clearing Members Pool Account and maintains 100 Promoters Accounts.

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

The Company is planning to Commence the business in Commodities Exchange and United Stock Exchanges and launching new broking product and has various branches in pipeline which will be expected to start operation to generate good revenue over the coming period and enhance the profitability of the company.

The Company is focused on building a long-term stable business with emphasis on retail brokerage that does not rely on highly leveraged trading clients. The Company predicts a huge growth in business due to increase in retail and institutional clients.

The financial year 2011-12 has commenced on a positive note. However, as in some other emerging economies, inflation remains a key concern for India. Market crashes on a day or even weeks not have an immediate impact but if it persists and the sentiment gets affected. As investor starts adjusting his purchase and order sizes get reduce. If US go into recession again, other like Europe country will follow suit.

Indian economy has slow down compare to last year, and this year growth rate may be around 8%. The Indian Market will remain attractive because of structural factor such as improve economies policies and other factor. FII Investments in India continue and have had a positive impact Indian market.



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### 5. BOARD OF DIRECTORS

During the year under review there was no change in the constitution of the Company.

Mr. Bakul R. Parekh, Jt. Managing Director of the Company and Mr. Nirav K. Sanghavi, Director, retire by rotation at ensuing Annual General Meeting and being eligible, they have offered himself for re-appointment.

Retirement of Jt. Managing Director by rotation will not amount to any break in his services as Jt. Managing Director.

Your Directors recommend the above appointments in the ensuing Annual General Meeting.

### 6. 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 judgment 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.

### 7. SHARE CAPITAL:

During the financial year 2010-11 the Paid up Equity Share Capital of the Company increased from Rs. 8,81,00,000 to Rs. 9,98,10,000/- on account of issue of 11,71,000 Equity Shares of Rs. 10/- each at a premium of Rs. 19/- per share issued to various allottees in terms of Special Resolution passed in the last Annual General Meeting.

During the year under review, as approved in previous Annual General Meeting, the unissued preference share capital was re-classified into equity shares share capital and the Authorised Share Capital of the Company was increased to Rs. 1300 Lakhs.

### 8. CORPORATE GOVERNANCE:

The Company has been following the principles and practices of good Corporate Governance and has ensured due compliance of the requirements stipulated under clause-49 of the Listing Agreement with the Stock Exchanges. A separate detailed report on Corporate Governance is given in 18th Annual Report.

## **Action Financial Services (India) Limited**

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A Certificate 15th July, 2011 issued by the company's Statutory Auditors in terms of clause – 49 of the Listing Agreement with Stock Exchanges is annexed to the said Corporate Governance Report.

### **9. SECRETARIAL AUDIT:**

As directed by Securities and Exchange Board of India (SEBI) secretarial audit is being carried out at the specified periodicity by practicing Company Secretary. The findings of the secretarial audit were entirely satisfactory.

### **10. 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

### **11. MANAGEMENT DISCUSSIONS AND ANALYSIS:**

Report on Management discussion and analysis given in the Annual Report is forming part of this report and it deals with the Operations & Business Performance, Expansion & Diversification, Research & Development etc.

### **12. AUDITORS & AUDITORS' REPORT:**

M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, Mumbai, the Company's Statutory Auditors, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. M/s. Ford, Rhodes, Parks & Co. have sought re-appointment and confirmed that their re-appointment shall be within the limits of Section 224(1B) of the Companies Act, 1956. The necessary eligibility certificate under Section 224(1B) of the Companies Act, 1956, has been received from them. The Audit Committee and Board of Directors recommend the appointment of M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, as the Auditors of the Company.

The notes to the accounts referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments.

### **13. DECLARATION:**

The Board has formulated a code of conduct for the Board members and senior management of the Company. All Board members and senior management personnel have affirmed their compliance with the code.

### **14. PARTICULARS OF EMPLOYEES:**

Your Company had a compliment of 25 staff members. Your company continues its efforts to strengthen its human-resource base by arranging requisite training and varied exposure to its existing staff to enable to keep their skills updated. Since None of the employee is in receipt of remuneration for whole/ part of the year exceeding the limit prescribed u/s. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the particulars have not been given.