

VIII Annual Report

MARCH 2004

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GLOBAL ECONOMY – AN OVERVIEW

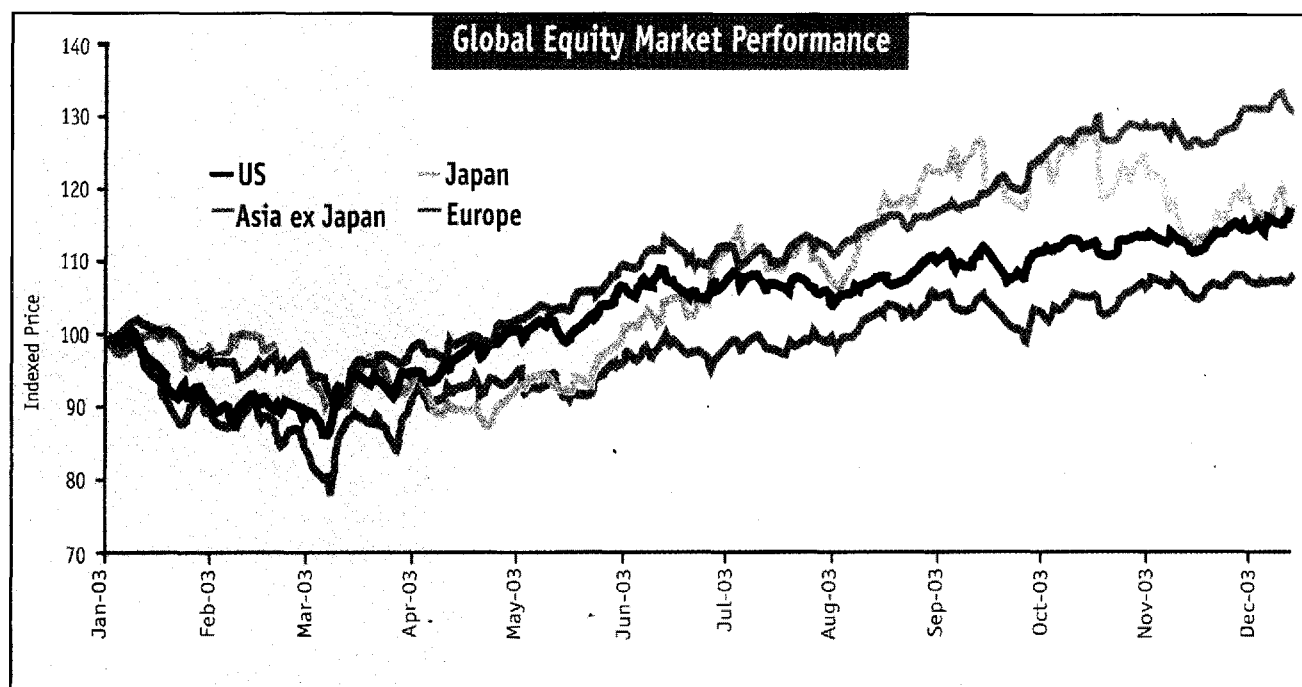
Global markets began 2003 on a bearish note, amidst the threat of the Iraqi war, SARS outbreak in Asia, terrorism threats, poor earnings predictions and discouraging economic data. Since May there had been considerable rally in the global markets fuelled by diminishing concern over SARS, weakening dollar and easing of fiscal policies, improving economic data, positive fund flows and liquidity improvements. Liquidity has improved significantly in the equity markets, with clear signs of bond-to-equity shifts occurring for both foreign and local investors. A series of positive corporate earnings have also helped push the US markets higher with a substantial increase in financing and merger activities as a consequence. Economic growth has resumed at a faster pace in the US. Investment flows should continue to favour equities, especially in economy-sensitive sectors such as technology and industrials. Interest rates have risen since the spring and may encounter rotation away from highly interest rate sensitive sectors, such as housing.

At last, the long elusive second half of the year delivered the goods in 2003. Since the slowdown in the economy and markets began in 2000, it was always the second half in which all the hopes were pinned and for about three years it was disappointment that greeted whenever the New Year began. The Federal Reserve which has been consistently hoping the much awaited revival in the second half since July 2001 Monetary Policy Report, at last found some success with its forecast made on July 15, 2003 when it expected “economic activity to strengthen later this year and in 2004 in part because of the accommodative stance of monetary policy and the broad based improvement in financial conditions”.

Even in the recent years hit by recession and fearsome prospects of deflation, US remained a major driver of world economic growth, but the pace of the world economic growth will be further bolstered by growth returning to Europe and Japan and with Asia growing at rapid speed.

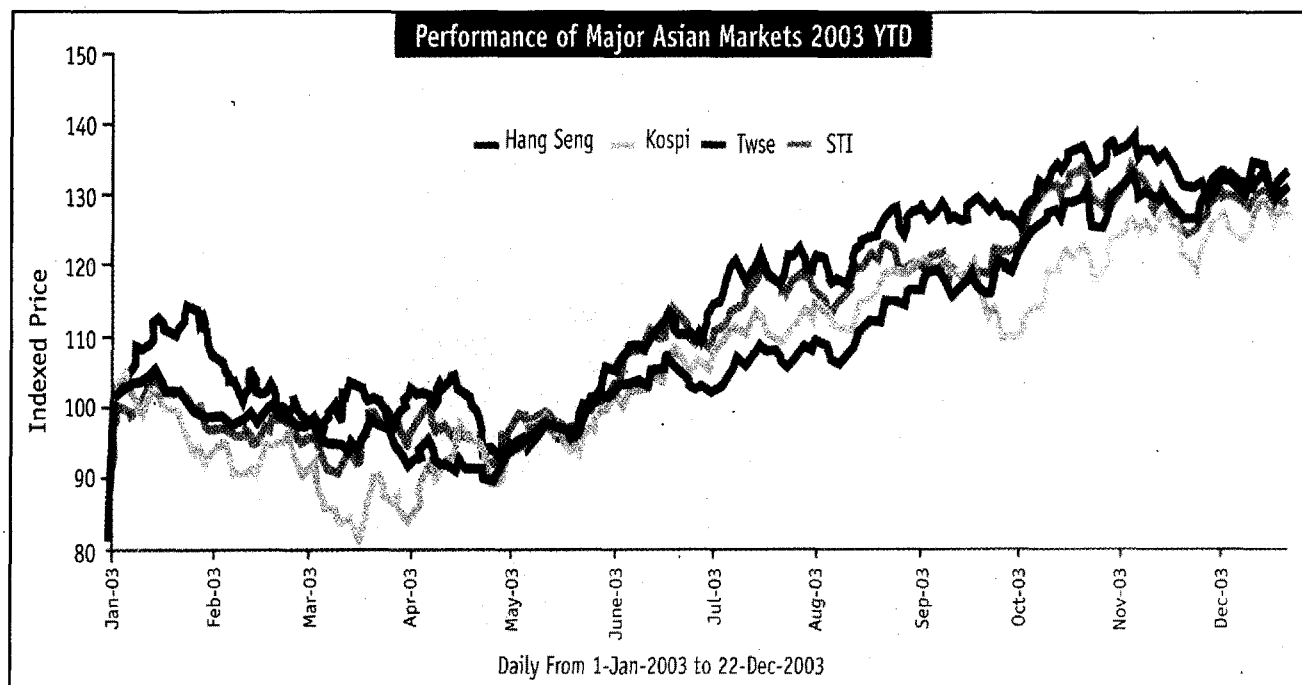
The flavour of the year 2003 was the emerging economies. Not only was growth higher in many of these countries, some of these have addressed their problems in the economy and finance in a much more satisfactory manner, contributing to the stability of the world economy and finance. China continued its relentless growth whereas India emerged as a serious contender continuously upping its growth forecasts with latest coming from the Reserve Bank of India which pegged the GDP growth in the FY04 at seven percent where as private estimates go up to 7.5 percent. Emerging economies made dramatic turn around and sizeable gains in many areas. Of particular interest has been the accumulation of foreign exchange reserves. Asia alone now holds about \$1.7 trillion of foreign exchange reserves and between the beginning of 2002 and September 2003, Asian foreign currency reserves rose by a whopping \$ 546 billion, a sizable portion of which was spent in financing US's huge trade deficit. The story of a sudden interest in emerging markets appears in stock markets also. In as many as 20 out of 25 major emerging economies stock prices rose by over 25 percent and in as many as eight countries the rise was more than 75 percent. Twenty of these countries also experienced appreciation of their respective currencies against the dollar. Emerging economies in Asia are particularly experiencing new found growth after six years of structural reforms following the Asian economic crisis. These countries are becoming more external looking with exports of goods and services as a proportion of GDP exceeding 100 percent in Singapore, Honk Kong and Malaysia. Even in China it crossed more than 30 percent. Asia, in the recent Lehmen Brothers report, also rates as least vulnerable to any financial crisis.

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EMERGING ECONOMIES:

MSCI World Index rose 29 percent in 2003, that surpassed earlier peaks of 20 percent and 25 percent rises registered in 1998 and 1999 respectively. FTSE All Emerging Markets shot up 64 percent in dollar terms and 57 percent in local currency terms. Asian stock markets gained 34 percent and Latin America was up by 62 percent.



EMERGING INDIAN ECONOMY:

An interesting feature of the year 2003 is the sudden interest shown by the world in India and a sharp rise in its spectacular growth prospects. The growth of economy has now been pegged at above seven percent and the last six months saw record FII inflows in the securities markets. With India gaining greater importance, comparisons too became intense with debates regarding the appropriate investment destination. Evidence is mounting in India's favour. A recent CLSA report states **"India beats China in terms of return on equity and corporate governance"**.

The report on Corporate Governance gives India eight points for regulation (out of 10), six points for enforcement and 6.6 for overall governance as against five, four and 4.3 respectively for China, the other fast growing economy. With respect to large and mid cap investors, India had been preferred due to better growth forecasts, double the ROE, net cash and better management, while in small capitalisation the race is even. The report says that China has 17 large capitalisation companies (each with market capitalisation of over \$2 billion) with a total market capitalisation of \$220 billion as compared to India with 16 companies with a total market capitalisation of \$84 billion.

Despite the fact that Chinese large capitalisation is more than double the large market capitalisation of India, daily trading turnover of the Indian companies is double at \$428 million compared to China at \$240 million. The report further adds that Indian basket of equities has a ROE of 30 % as against 17 % in China. Indian stocks are net cash, while the China stocks have a low 10 percent gearing. Indian basket enjoys an average corporate governance score of 67 versus 56 for China. In the mid capitalisation (market capitalisation of more than \$ 1 billion and less than \$ 2 billion), China basket comprises 14 companies versus 18 for India. A poll of fund managers revealed that India has moved up nine points in AT Kearney's 2003 Foreign Director Investment.

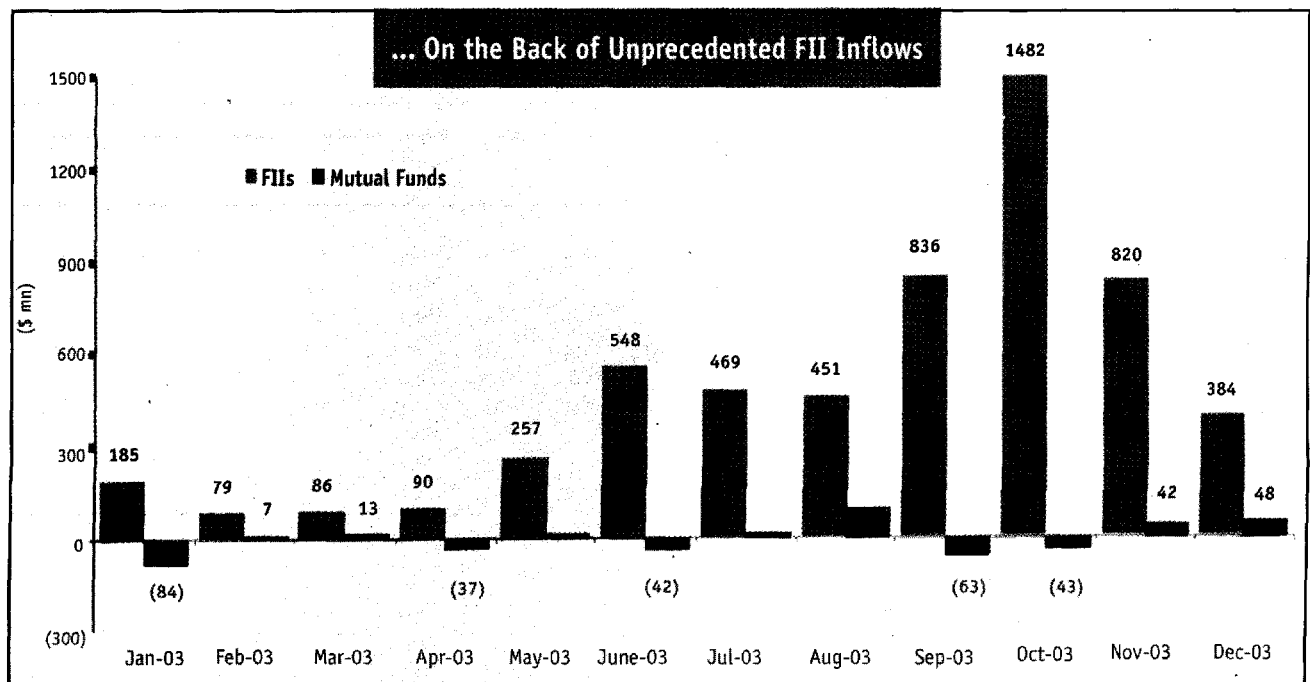
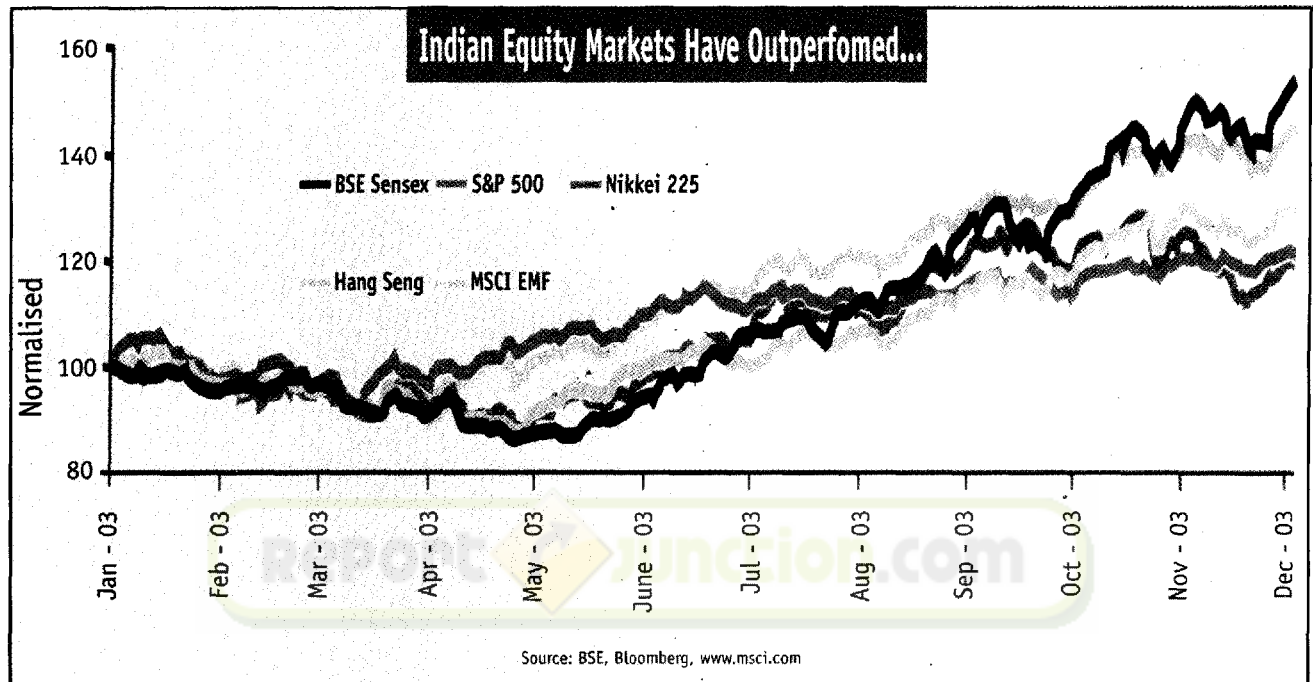
During 2003 India has been ahead of several major emerging economies such as Brazil, South Korea, Australia and Malaysia in respect of Confidence index. Another distinguishing feature of the India's economic growth has been the rapid growth of service sector. The growth is expected to sustain an increase of over seven percent in the next three years. The contribution of the services to incremental GDP growth is over 70 percent in recent years and services are also key provider of incremental employment.

India's trade as a percentage of GDP has reached 30%, making its growth process more robust. The country has committed about \$400 billion for infrastructure development and has made significant progress on divestment front. India is also poised to grow at higher rate than China in the next fifty years as per a Goldman Sachs Study and will be next only to United States in respect of size of the economy. India's securities markets are much better regulated with a wide range of products and services being offered and conducted with the state of the art technologies and a wide distribution network.

Till April, Indian markets had under performed most global markets. However the Sensex has subsequently risen by close to 80 percent thus outperforming all other major global indices. Major contribution came from Mid – cap stocks, with the CNX Midcap 200 appreciating by over 90 percent year-to-date. Indian retailing stocks have surged in 2003. Turnover has picked up in the last few months and the average daily turnover currently stand at \$ 1.5 bn in the cash market and \$2.0 bn in the derivatives market. Valuations are still compelling, with the Sensex forward P/E currently at 15x, having only recently recovered from a 10 – year low. Improved corporate profitability, softer interest rates, weak dollar and good monsoons have driven the positive sentiment among both retail and Institutional Investors. This strong up-trend is being

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led by significant FII inflow year-to-date, at close to \$6.0 bn, the highest in the last 10 years and second only to Korea and Taiwan in ex-Japan Asia for 2003. Around 45 percent of FII trades in 2003 have been through participatory notes, most of which were on behalf of Hedge Funds. Institutional participation as a proportion of total market turnover has increased to over 15 percent for CY2003 (till date) compared to less than 9 percent in 2000. The key themes for the Indian economy are rising consumer demand, infrastructure investment and global outsourcing to India.



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APOLLO SINDHOORI - PERFORMANCE & PROGRESS

Performance - A Comparison	April - March 2004 (Rs. in lacs)	April - March 2003 (Rs. in lacs)	Growth in %	April - March 2002 (Rs. in lacs)	Growth in %
Increase in number of offices	141	64	220	32	200
Increase in No of Clients Registered	13488	3491	386	1243	281
Total income earned	2350	763	308	455	68
Franchisee earnings	1245	254	491	47	543
Our share from franchisee Income	590	104	569	17	621
Set Up Cost + Vsat rent	160	99	161	26	385
Exchange Volume (in crores)	3230146	1057761	305	614791	72
Our Volume (in crores)	29036	9013	322	3480	159
Our Market Share (%)	0.90	0.85	6	0.56	52

The company has achieved the target of 250 offices, set for itself, by April 2004. Regional Offices have also come up at Delhi and Kolkata. The institutional Branch at Mumbai has shifted to a more prominent and spacious premises at Dadar enabling the branch to enlist more institutions and expand the activities further. We have also started to focus on the quality of operations by providing support to our Business partners at various levels. This is made possible through regular interaction, periodical visits by designated Dealers, Managers etc. We have also made it mandatory for all the Business Partners to visit Head Office at regular intervals to update themselves about the technology up-gradations. This would help us in assessing their awareness about the various client friendly features available in our state of the art software.

Apollo Sindhoori has commenced trading in Commodities segment successfully. We have membership of two major exchanges of India National Multi-Commodities Exchange, Ahmedabad [NMCE] and NSE Commodities Exchange of India, Mumbai, [NCDEX], the commodities trading arm of NSE. The facility has been introduced at over 15 locations and is expected to be introduced at various other locations in a phased manner during the year. Many of the offices are eager to introduce this facility at their locations. However efforts are in progress for procuring CTCL solution for this segment also. We should be able to connect all our branches for Commodities trading within the next 3-6 months period.

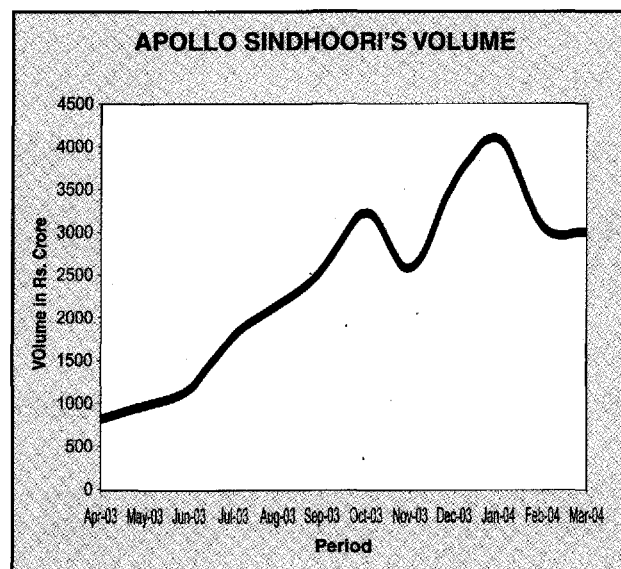
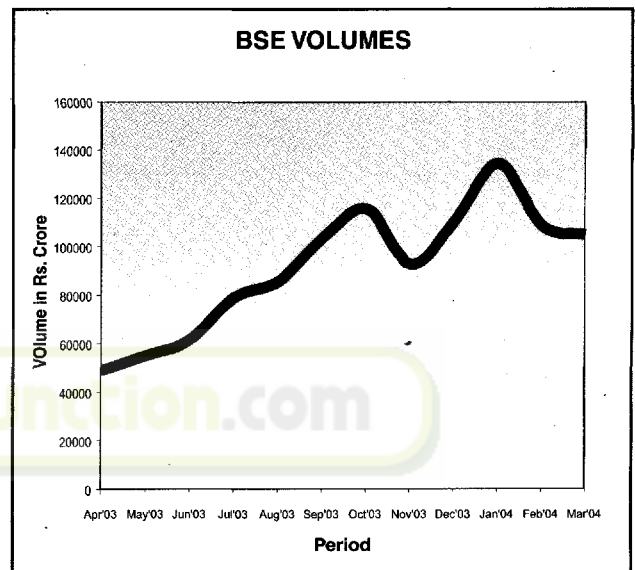
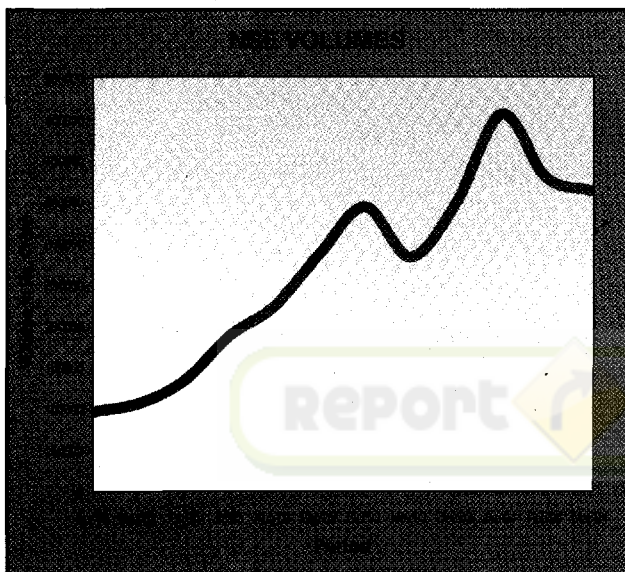
The license to trade on Wholesale Debt Markets has been cleared by the authorities, in principle. However the final clearance is eagerly awaited. Our studies reveal that there is huge potential in the market for both the Government Securities and PSU/Corporate bonds. This license would enable us to make inroads in to this highly prospective market and also register with most of the banks/institutions, which could enable us to procure equity business.

Apollo Sindhoori Capital Investments Limited

The company has been actively participating in all major Public Issues. Apollo Sindhoori has obtained approval to activate online bidding for IPOs from most of the locations, through CTCL solution.

On 19 April 2004 we have launched our website www.apollosindhoori.com with a highly innovative online trading module. The occasion was a great success and received excellent coverage. Within this short span of time we have already registered over 300 clients and the business volumes have recorded steady growth.

A graphical representation detailing the turnover achieved by our company is shown below along with the turnover of The National Stock Exchange and The Bombay Stock Exchange for better understanding of our company's performance during the year.



Annual Report March 2004**BOARD OF DIRECTORS**

Mrs Suneeta Reddy	Chairperson
Mr S Narayanan	Director
Mr K Padmanabhan	Director
Mr V J Chacko	Director
Mr S K Venkataraman	Director
Mr P B Subramaniyan	Executive Director

Company Secretary **Mrs. Geetha Sridhar**

Auditors **M/s R Subramanian and Company**
Chartered Accountants
36 Krishnaswamy Avenue
Mylapore, Chennai 600 004.

Bankers**Canara Bank**

Thousand Lights Branch
Chennai 600 006.

Corporation Bank Limited

CAPS Branch
27 Whites Road
Chennai 600 014.

State Bank of India

Commercial Branch
232 NSC Bose Road. Chennai 600 001.
& Thousand Lights Branch
129, Greaves Road, Chennai 600 006.

ICICI Bank Limited

Nungambakkam Branch
M G Road, Chennai 600 034.

Karnataka Bank Limited

Mount Road Branch
839 Anna Salai, Chennai 600 002.

UTI Bank Limited

82 Dr Radhakrishnan Salai
Chennai 600 004.

HDFC Bank Ltd

Anna Salai Branch
ITC Centre
Chennai 600 002.

Apollo Sindhoori Capital Investments Limited

NOTICE

Notice is hereby given that the 8th Annual General Meeting of the shareholders of M/s Apollo Sindhoori Capital Investments Limited, will be held on Tuesday, the 10th day of August 2004 at 12 noon at "The Sindhoori Hotels", 26/27, Poonamallee High Road, Chennai 600 003 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 the Profit and Loss Account for the financial year ended 31st March, 2004 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of S Narayanan who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in the place of S K Venkataraman who retires by rotation and being eligible, offers himself for re-election
4. To declare dividend.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the company hereby approves the re-appointment of Mr. P.B. Subramanian, as whole time Director of the company for a period of 3 years with effect from 3rd June 2004 upon the terms and conditions as set out in the Explanatory Statement attached to the notice convening the Annual General Meeting."

By order of the Board
for **APOLLO SINDHOORI CAPITAL INVESTMENTS LIMITED**

Place : Chennai
Date : 01st June 2004

GEETHA SRIDHAR
Company Secretary

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company. The instrument appointing proxy shall be deposited with the Company at its registered office at least 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Book will remain closed on 10th August 2004
3. Members are requested to immediately intimate any change in their address registered with the Company.
4. Members are requested to address all communications to the Secretarial Department at the address given below.
Ali Towers, 55 Greaves Road, Chennai 600 006.

Annual Report March 2004**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.6:**

The Board of Directors of the Company at their meeting held on 1st June 2004 re-appointed Mr. P.B. Subramaniyan as whole time Director, for a period of 3 years from 3rd June 2004 pursuant to the provisions of Section 269 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956 and subject to the approval of the members in the Annual General Meeting on a remuneration and other perquisites detailed below:

	Rs. (per month)
	Proposed
Basic & DA	90,000
HRA	20,000
Reimbursement of Conveyance (for official purpose only)	20,000
Business Promotion Reimbursement	20,000

In case of absence or inadequacy of profits he shall be entitled only to the remuneration stated above.
Besides the Company shall pay leave travel allowance of one month Basic & DA every year.

Medical Benefit :

The Company shall medically insure the appointee and his family besides reimbursement of out patient bills of the appointee and his family including dependants.

Gratuity and Provident Fund : applicable as per the rules of the Company.

During the tenure of office as Whole-time Director he shall not be liable to retire by rotation.

The Directors recommend the resolution for the approval of the members.

None of the Directors, except Mr. P.B. Subramaniyan to the extent of his directorship, is interested in the resolution.

By order of the Board
for **APOLLO SINDHOORI CAPITAL INVESTMENTS LIMITED**

Place : Chennai
Date : 01st June 2004

GEETHA SRIDHAR
Company Secretary