



EQUITIES • DERIVATIVES • COMMODITIES • DEPOSITORY

ANNUAL REPORT - 2004-05

GLOBAL ECONOMY – AN OVERVIEW

As the world of finance is growing, so is the range of risks. Several measures were put in place in the recent times to better manage risk. Risk controls were beefed up across the institutions. Regulation was made more streamlined with a number of countries – UK, Australia, Korea etc., moving towards unified regulation covering equities, banking and insurance. In countries with different regulatory structures greater cooperation and coordination was evident. Integrated regulation assumed significance across products and markets. Compliance became stronger and robust. In India too, robust risk management practices were put in place across securities markets.

International cooperation too grew at a rapid pace in assessing risk. The Committee on the Global Financial System, in May 2004, set up a group to review what financial institutions perceive as material risks for them by running stress tests in which 64 institutions from 16 countries participated. Major points of reference to stress were incidents such as Black Monday, Asian financial crisis (1997), terrorist attacks in the US (2001) etc., Movement in interest rates and credit quality were the most common form of stress tests conducted but the exercise itself is a beginning to explore the emerging frontiers on looking at risk in a much more concerted and comprehensive manner.

Simultaneously new perspectives on assessing country risk are emerging. *Debt intolerance* (debt/country risk trade offs are worse for countries with a history of economic management), *original sin* (countries less able to borrow in their own currency should be intrinsically riskier) and *Currency Mismatches* (whose net-worth is more sensitive to exchange rate depreciations) are few of the major concepts gaining momentum that expand the realm of rationale of assessing country risk.

The world economy is in much better shape now than it was two years ago. In 2004-05, corporates and financial institutions in many countries reported robust earnings with sizeable strengthening of the quality of their balance sheets. The emerging economies are gaining continued international interest and are able to attract higher levels of global capital flows. In the mature markets deleveraging is picking up momentum simultaneously with repositioning of risks on the back of hardening interest rates. No significant escalation is evident in the geo-political situation too. All these are good news for the markets, which is reflected in growing investor interest in the stock markets. MSCI All World Index rose 13 percent in 2004-05 and those of emerging markets by an equally impressive 23 percent.

2004-05 has proved to be the year of false alarms. Soaring oil prices, fears about inflation, policy tightening in the US and China, a weak dollar, disappointing US employment growth and America's twin deficits have all failed to undermine investor risk appetite, which is once again hovering just below the euphoria zone.

- The MSCI world index reached 2 ½ - year's high.
- Latin American, US, and German stocks have had the best performing equity markets. The Nordic region and emerging Europe have had the poorest returns.
- The cyclicals-to- defensives index has hardly moved during the most recent rally in global equity markets that began in late October.
- G5 equities outperformed bonds slightly, while world wealth, which has risen 4.8 percent since 25th October, made a new all-time high.

As we head into 2005-06 firms are flush with cash, real interest rates are unusually low or even falling, and there is a distinct whiff of "Goldilocks" in the air.

The dominant theme in the foreign exchange markets in recent months has been the adjustments of global imbalances. While the sizeable global imbalances in trade and current accounts are simply an indication of differing rates of growth, savings and investments across countries, these aforementioned factors are not likely to hinder global economic performance. However, market and policy reactions to these imbalances could lead to significant economic developments and currency movements.

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In 2005-06 currency movements are likely to be determined by a combination of global imbalances and the usual cyclical developments. As far as the Asian foreign exchange markets are concerned, currency movements are likely to be dominated by the China factor.

The last quarter of the fiscal 04-05 saw a mixed trend in the global markets with the European and select Asian markets moving up, while those in the US came under pressure on concerns about the pace of interest rate increases. The gains in non-US markets helped the MSCI World Index pare its losses to 1.54%. The quarter saw the US dollar bounce back on interest rate expectation and as economic data from US continued to be better on a relative basis compared to other regions in the world.

However, growing worries about central banks diversification of their reserves away from the dollar cast a shadow on the rally. With exception of the Hong Kong markets, major Asian markets notched up gains during the quarter, as the strengthening dollar reduced concerns about exports. However, regional economic data continued to be on the weaker side. South Korea's Kospi was one of the strongest movers with a 7.79% gain, but the broader MSCI Asia Pacific Index moved down by 1.46%.

European Markets closed in positive territory despite weak economic news, helped by strength in stocks on companies that derive majority of their revenue through exports, as the Euro weakened against the dollar. Increasing cross-border M&A activity saw Spain's Metrovaceasa bid for Gecina, the French property group, while ABN Amro and Spain's BBVA announced their intentions to acquire Italian banks. The FTSE Euro top 100 registered gains of 3.84% with France's bank.

The FTSE Euro top 100 registered gains of 3.48% with France's CAC 40 leading the way with gains of 6.45%. Across the Atlantic, US markets lost ground during the quarter registering losses in January and March as inflationary concerns took center stage raising the spectre of faster interest rates increases. As widely expected the Federal Reserve increased rates by 25 bps, but expressed concerns over inflation.

The eagerly anticipated jobs report indicated that the US economy had added 110,000 jobs outside the farm sector, which was below market expectations and a related report showed that unemployment declined. While the jobs report tempered interest rate concerns, the Institute for Supply Management's data on manufacturing indicated increased prices. M&A activity continued to be high during the quarter. The Dow Jones closed the quarter with a 2.59% loss, while NASDAQ and S&P 500 moved down by 8.10% and 2.59% respectively.

INDIAN ECONOMY – A SNAP SHOT

2004 was a volatile year for the equity markets with a sharp correction mid-2004 and a strong rally thereafter. On the whole the benchmark BSE Sensex gained 13 percent during the year.

The single most significant factor that affected the market positively was the FII flows in CY 2004-05, which were at a record \$8,519 mn as against \$6,706 mn in 2003-04.

India now attracts anywhere up to 40 percent of the global portfolio flows to emerging markets and in the recent past, the world's most renowned institutional investors have chosen India as their preferred choice for their investments. Foreign direct investments too are growing at good speed, which makes India a very important destination for the global financial flows.

On the back of strong financial infrastructure, efficient processes and best practices prevailing in the Indian markets, international interest gained rapid momentum, the outcome of which is evident. Good performance of the economy combined with excellent corporate results further improved the prospects as well as potential.

In just about a year the market capitalization jumped by 39%, the volumes by 32% and stock prices rose sizeably.

- In addition, retail participation in equities has remained strong, particularly in IPOs and GoI disinvestments.

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- A robust macro economic story, expected pick up of real GDP in FY 2006, appealing valuations and earnings growth relative to regional peers make India a natural investments choice.
- Key themes for the fiscal 2004-05 – Capex strength, extended commodity cycle, consumption leverage and scale driven mid cap companies.
- While Inflation and interest rates seems to be priced in, key risks for equities are slower global growth, unmet expectations from the forthcoming budget.
- In 2005-06, one could expect a powerful GDP-led India story.

The year 2004-05 will be known as second year of boom in Indian stock markets. Sensex went up from 5800 to 6600 giving a rise of 13.1 percent. The broad market went up by 15 percent but a typical stock rose by about 35 percent. Market cap during the year reached Rs. 16,90,000 Crores, a change of 27.7 percent, 50 percent of the growth has come because of new listings.

The Sensex was quite depressed in the first quarter of the fiscal 04-05 and saw a powerful recovery in the second half giving almost 50 percent rise from bottom of the year at about 4400. Indian market was among the better performing markets in the world, China went down by 17 percent, Hong Kong and Korea went up 10 percent, and US went up just about 4 percent.

Performance by Sectors

The best performing sector was Telecom, followed by Textiles sector. The change in the quota regime for textiles led to major buying in textile stock despite lackluster financial performance. Cement picked up speed under growing demand and steadily rising prices leading to rapid increase in profits. Banks in the private sector were star performers but despite the setback from treasury gains, the PSU banks also regained the lost ground. Hotels benefited from rising tourist arrival and lack of availability of rooms. IT has respectable 25 percent overall increase in value on the back of 30 percent export growth. Metals this year gained in profits but slowed down in terms of market cap change. FMCG, Oil & Gas, Consumer Durable, Fertilizer, Shipping and Media remained relatively slow performers. Rising oil price and subsidy burden kept the entire sector extremely range bound.

Sector	M Cap 03-04	M Cap 04-05	% Ch
Telecom	38556	64257	67%
Textiles	19132	29168	52%
Chemicals	13051	19242	47%
Cement	24030	34332	43%
Banks&Fin Services	152123	210105	38%
Engineering	56237	75535	34%
Hotels	5793	7621	32%
Pharma	84458	109258	29%
IT	134695	168199	25%
Metals	104339	127417	22%
Auto	79728	93083	17%
Media	9677	10823	12%
Shipping	9596	10678	11%
Fertilisers	13481	14867	10%
Consumer Durables	2932	3210	9%
Others	74844	80058	7%
Oil & Gas	211292	223889	6%
FMCG	107380	108388	1%
Packaging	3409	3392	-1%
Petrochemicals	92645	87068	-6%

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Mid-Cap v/s Large Cap

The year 2004-05 has seen a dramatic change in the valuation of mid-cap if one goes by mid-cap 200 index. Nifty, which is dominated by large cap, has grown in value from Rs.7,80,000 Crore to Rs. 9,00,000 Crore giving a net gain of about 11 percent. Whereas mid-cap 200 has gone up in values from Rs 96,000 crore to Rs 1,33,000 crore giving an appreciation of 45 percent. At the beginning of the year large-caps enjoyed 50 percent premium over mid-caps, which got reduced to about 25 per-cent by end of this year. Going by recent quarterly results, where large companies have done relatively better than small companies in general, Year 2005-06 may see the premium again widening towards large caps and hence it might be wiser to focus on large cap stocks this year.

Individual Stock Performance

Probably we have passed through one of the biggest booms in stock market during the fiscal. 222 number of companies have tripled in value, 373 numbers of companies have doubled in value and 449 numbers of companies have risen more than 50 percent. The large cap segment was dominated by Bharti Telecom (105 percent), BHEL (52 percent), Infosys (50 percent) and HDFC Bank (42 percent).

The market seems to be very conscious in valuing growth, because of earlier mistakes committed in the dotcom boom, once bitten, twice shy. This is throwing up opportunities of buying known growth stories at reasonable process. For example, Infosys Technologies, HDFC Bank, ITC, Gujarat Ambuja, Bharti Telecom are also known growth stories but priced between 15 to 20 times '06 earning. When the growth rates are in the range of 30-50 percent this level of valuation leaves opportunity to buy in. Gujarat NRE Coke, Shanthi Gears, Mercator Lines and United Breweries have stolen the show by rising more than two times in last one year.

The story does not end only after wealth creators. There are few conspicuous losers too, in this boom time. Dr. Reddy's and Hindustan Lever have lost around one third of their price during the year. Incidentally this may be the year of biggest earnings growth for Reliance, whereas HLL and Dr. Reddy's had disappointing earning season.

The last quarter of the fiscal 2004-05 saw the domestic markets consolidate as investors locked gains before the end of the fiscal year. After touching historic highs in March, markets moved down on profit booking amidst concerns over the paucity of FII flows, which were robust during the quarter. The Union Budget along with the various policy announcements outside it, reaffirmed the government's commitment to the reform programme. However, concerns remain on fiscal deficit.

One of the key developments has been the resolve to implement the Value Added Tax (VAT) regime despite the protests and strikes, which is believed to be a positive development from a medium to long-term perspective and is an important achievement on the tax reforms front. The confusion leading to the VAT implementation is expected to distort the March Numbers for companies in many sectors, especially FMCG and pharmaceuticals.

The passage of the Third Patents (Amendments) Bill 2005 by both houses of the parliament, which will meet India's obligation to usher in a new product patents regime under the Trade Related Intellectual Property Rights agreements of WTO is a step in the right direction. The BSE Sensex which crossed the 6900 mark during the quarter, closed with losses of 2.66%, while Nifty moved down by 2.16%. On the other hand, mid cap stocks continued to do well as reflected in the 7.2% gain in the CNX Midcap 200. FII flows continued to be strong and were to the tune of \$3.81 billion in the quarter.

The positive news flow on the economic front with various macro indicators continuing to show a positive trend, with the exception of the infrastructure index, which has exhibited weakness. The latest data showed that the GDP grew by 6.2% during the quarter ending December 04 compared to an 11% growth a year ago. The lower

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growth rate has been due to the slowdown in farm output, which fell by 1.1% during the quarter due to erratic monsoons and a high base.

The other major constituents of the economy viz., industry grew by 8.9% and services grew by a robust 8.8%. Growth in manufacturing was strong at 10.4% and the pick up in construction augurs well. The Balance of Payments (BOP) showed a surplus of \$6.59 billion for the quarter ending December, despite a widening trade deficit of \$5.47 billion during the same period compared to surplus of \$2.6 billion last year, largely due to a rise in imports and decline in net invisible surplus.

The current growth drivers of the economy – positive demographics, road development projects, retail lending and outsourcing in sectors like textiles, pharmaceuticals, auto & technology are expected to remain intact. The increased infrastructure spending and expected rise in manufacturing spending could help provide further impetus to the economy.

It is strongly believed that an upturn in the Capex cycle is possible in the current environment with domestic demand on the rise and exports increasing as well. Overcapacities have diminished and companies are generating free cash flow and seem well placed to invest in new assets to drive growth. However, one needs to keep in mind that sharp spikes in oil & raw material prices and increase in interest rates could have an impact on the estimations of demand.

An important upcoming segment is Interest Rate Derivatives. During the year there was an almost three fold increase in volumes – against a daily volume of Rs. 1,000 Crore in January 2004, the daily volumes now are almost at par with Gilts markets. Despite the increased volumes, the number of participants is limited to about two dozen active players.

Opportunities for India's Capital Markets

Economic liberalization as well as financial market restructuring will strengthen the progress of India's capital markets. In this regard, the future looks promising, given the perception that economic reforms are on an irreversible path. And, as the economy gradually undergoes its transformation, similar developments will be called for in India's financial markets in order to meet the more enhanced savings and investment needs of the private sector on the one hand, and the financing requirements of the corporate sector on the other.

Going forward, the availability of marketable securities and investments will be evolving in tandem with India's financial liberalization. This evolution will open a vast array of opportunities for domestic and foreign investors alike. In terms of policy, it remains instructive for India's policymakers to create a macro-economic environment that can effectively manage the anticipated amount of capital flows. This will entail, among other things, a gradual dismantling of the remaining capital controls in the country, supported by strong exchange rate management and monetary stability.

While privatisation activity slowed this fiscal year in contrast to the previous period, it seems an inevitable event, which shall resume as capital markets develop. Privatisation will not only bring in private and/or foreign expertise, leading to more efficiently run companies, but also increase corporate governance standards. Greater participation by the public should promote the concept of shareholder value, which has been gaining more ground among local investors.

India has come a long way from its near balance-of-payments crisis over a decade ago. Since then, policymakers have embarked upon various measures to reform the economy. But as the outlook for opportunities abound, so are the challenges that needs to be addressed with increased resolve for Indian citizens to reap the benefits of a fully liberalised economy.

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APOLLO SINDHOORI – PERFORMANCE & PROGRESS

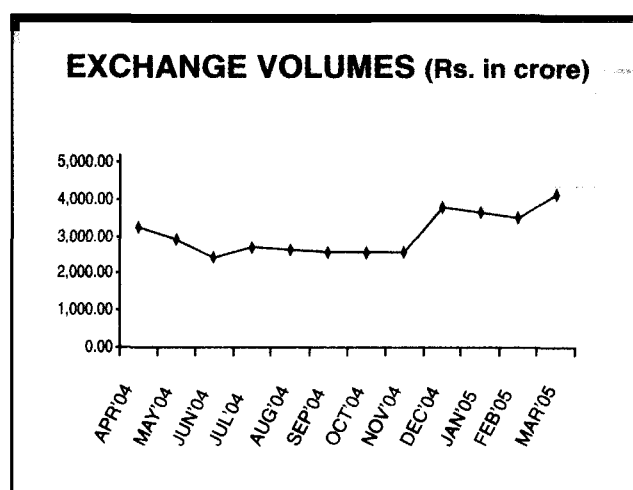
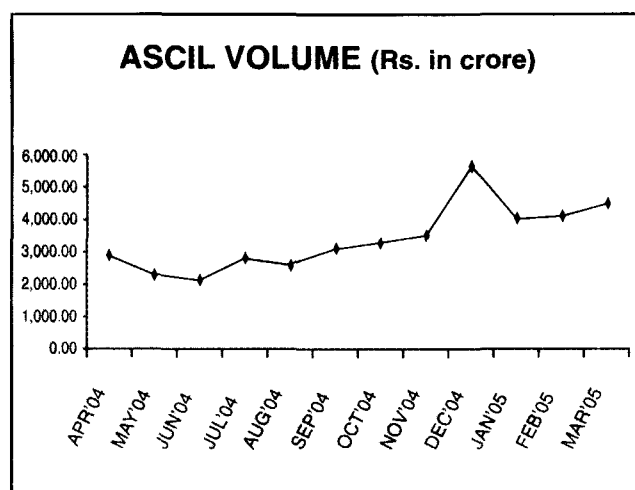
Performance - A Comparison	Growth in %	April - March 2005 (Rs. in lacs)	April - March 2004 (Rs. in lacs)	April - March 2003 (Rs. in lacs)	Growth in %
Increase in No of Client Registered	75	23538	13488	3491	286
Total Income Earned	63	3842	2350	763	208
Profit before Tax	45	807	558	77	624
Net Profit after Tax	34	622	466	51	807
Franchisee earnings	113	2651	1245	254	391
Our share from franchisee Income	113	1256	590	104	469
Total number of offices	45	343	237	96	147
Exchange Volume (in crores)	14	3687045	3230146	1057761	205
Our Volume (in crores)	28	37105	29036	9013	222
Our Market Share (%)	12	1.01	0.90	0.85	6

The company has achieved commendable results during the year under review. The client base has grown to over half a lakh and the number of offices has risen to 343 as on 31.03.2005. It is likely to reach 500 by next year. The exercise of concentrated focus on quality of services rendered by the Business Partners is bearing fruit, which is reflected by the increased client base and trade volumes.

Trading in Commodities segment has expanded to over 100 locations and the volumes have started showing reasonable increase. Consistent efforts are underway to increase the number of offices. During the current year membership of MCX is also obtained. The software is nearing completion and is likely to be integrated with the current application in due course.

Our Internet Trading module has registered impressive results. The client base has gone up to 2500. The trade volumes have been consistent and the segment is likely to witness better growth with specialized marketing efforts.

The software for online IPO bidding is almost ready and is scheduled to go in for trial run shortly. With the software in place it will give us another marketing tool for us to canvass our services and will be a value addition.



BOARD OF DIRECTORS

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

Company Secretary **Mrs Geetha Sridhar**

Auditors

R Subramanian & 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

Thousand Lights Branch, 129, Greaves Road,
Chennai - 600 006.

ICICI Bank Limited

Nungambakkam Branch, M.G. Road,
Chennai 600 034.

UTI Bank Limited

82 Dr. Radhakrishnan Salai,
Chennai 600 004.

HDFC Bank Ltd

Anna Salai Branch, ITC Centre,
Chennai 600 002.

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NOTICE

NOTICE is hereby given that the 9th Annual General Meeting of the members of M/s Apollo Sindhoori Capital Investments Limited, will be held on Friday, 9th September, 2005 at 10.15 a.m at "P Obul Reddy Hall", C/o Vani Mahal, Old No.50, New No.103, G N Chetty Road, T Nagar, Chennai 600 017 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 the Profit and Loss Account for the financial year ended 31st March, 2005 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. K Padmanabhan who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in the place of Mr. V.J. Chacko who retires by rotation and being eligible, offers himself for re-election.
4. To declare dividend.
5. To appoint the auditors and to fix their remuneration.

SPECIAL BUSINESS

6. INCREASE IN AUTHORISED CAPITAL:

To consider and if thought fit to pass *with or without modification* the following resolution as an ORDINARY RESOLUTION:

a. Increase in Authorised Share Capital:

"RESOLVED THAT pursuant to the provisions of section 94 read with Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the authorised capital of the company be and is hereby increased from Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs.5,00,00,000/- and 10,00,000 Preference shares of Rs.100/- each aggregating to Rs.10,00,00,000/- to Rs. 17,00,00,000/- (Rupees Seventeen Crores only) divided into 70,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 7,00,00,000/- and 10,00,000 Preference shares of Rs.100/- each aggregating to Rs.10,00,00,000/-"

b. Alteration of Memorandum of Association:

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the company be and is hereby deleted and the following new Clause V be inserted in its place which reads as follows:

- V. "The Share Capital of the company shall be Rs. 17,00,00,000/- (Rupees Seventeen Crores only) divided into 70,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 7,00,00,000/- and 10,00,000 Preference shares of Rs.100/- each aggregating to Rs.10,00,00,000/-"

7. ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY:

To consider and if thought fit to pass *with or without modification* the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 31 of the Companies Act 1956, Article No.4 of the Articles of Association of the company be and is hereby altered in the following manner:

4. "The Share Capital of the company shall be Rs. 17,00,00,000/- (Rupees Seventeen Crores only) divided into 70,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 7,00,00,000/- and 10,00,000 Preference shares of Rs.100/- each aggregating to Rs.10,00,00,000/-"

"RESOLVED FURTHER THAT the Board of directors be and are hereby authorized to carry out the functions for such alteration and to submit all documents and other forms as may be required to the concerned authorities with regard to the same."

8. ISSUE OF SHARES ON RIGHTS BASIS:

To consider and if thought fit to pass *with or without modification* the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to provisions of Section 81(1) and other applicable provisions, if any, of the Companies Act, 1956, the relevant provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the Company's shares are listed and subject to necessary approval, consent, permission, sanction of Securities and Exchange Board of India and any other appropriate authorities, Institutions or bodies, and subject to such conditions as may be prescribed by them while granting such approvals, consents, permissions and sanctions, the consent of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any committee which the Board may have constituted or hereinafter constitute to exercise one or more of its powers including the powers conferred by this resolution), to offer, issue and allot 5,54,000 Equity Shares of Rs. 10/- each for Rs.100/- including premium of Rs. 90/- per share on rights basis to the existing equity shareholders of the Company in proportion of 1 share for every 5 shares held by them, on the record date to be fixed by the Board.

FURTHER RESOLVED THAT subject to the total number of shares as aforesaid, fractional shares, if any, shall be rounded off to the nearest denomination and shares if any, remaining unissued as result of the rounding off be issued and allotted to such person as the Board may deem fit.

FURTHER RESOLVED THAT the equity shares offered, issued and allotted as above shall rank *pari passu* in all respects with the existing fully paid up equity shares including dividend for the financial year in which they are allotted.

FURTHER RESOLVED THAT the equity shares renounced shall be allotted to such persons as specified in such renunciation form, if any or otherwise be allotted to such persons as the Board may deem fit.

FURTHER RESOLVED THAT the Board be and is hereby authorised to enter into and execute all such arrangement / agreement with any Lead Managers / Merchant Bankers / Underwriters / Guarantors / Depositors / Custodians and all such agents as may be involved or concerned in such offering of securities and to remunerate all such agents including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any or the like and also to seek the listing of such security or securities representing the same in the Stock Exchanges where the securities of the company are listed.

FURTHER RESOLVED THAT for the purpose of giving effect to the above resolution the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its discretion deem necessary or desirable, to make or accept any alteration, variation, modification as may be suggested or prescribed by the authorities concerned or deemed necessary or desirable by the Board and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the equity shares on rights basis as it may deem fit."

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

Place : Chennai
Date : 18th July 2005

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 atleast 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Book will remain closed from 2nd September to 9th September 2005.
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.