

Annual Report 2003 - 2004



(Incorporating accounts of Mefcom Securities Limited &
Mefcom Commodity Brokers Limited for 2003-2004)

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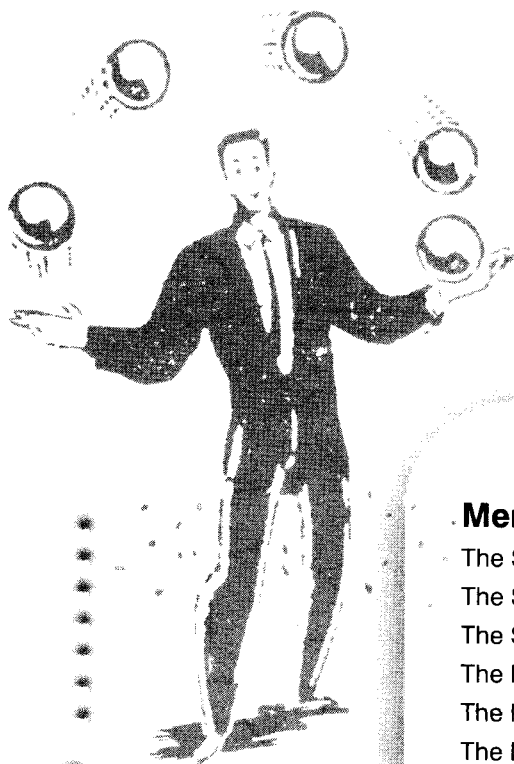
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“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider to our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.”



Group Accreditations

Member:

The Stock Exchange, Mumbai (Equity Segment)
 The Stock Exchange, Mumbai (Debt Segment)
 The Stock Exchange, Mumbai (Derivatives Segment)
 The National Stock Exchange of India Ltd. (Equity Segment)
 The National Stock Exchange of India Ltd. (Derivatives Segment)
 The Delhi Stock Exchange Association Ltd. (Equity Segment)
 Reserve Bank of India (Non-Banking Finance Company)
 Multi Commodity Exchange of India Ltd. (Commodity Segment)
 National Multi Commodity Exchange of India Ltd. (Commodity Segment)
 Central Depository Services Ltd. (CDSL)*

Technology Associates

VPN V-SAT Network Provider	: HCL Comnet Ltd.
MPLS~VPN Network Provider	: Bharat Sanchar Nigam Ltd.
ODIN Software Provider	: Financial Technologies (India) Ltd.
Back office software Provider	: Synergy Softwares Ltd.
Website Design & Development	: 4-C Plus Ltd.
Clearing Bankers	: Bank of India
Depository Participant	: IL&FS Ltd.
Share Registrars & Transfer Agents	: Intime Spectrum Registry Ltd.

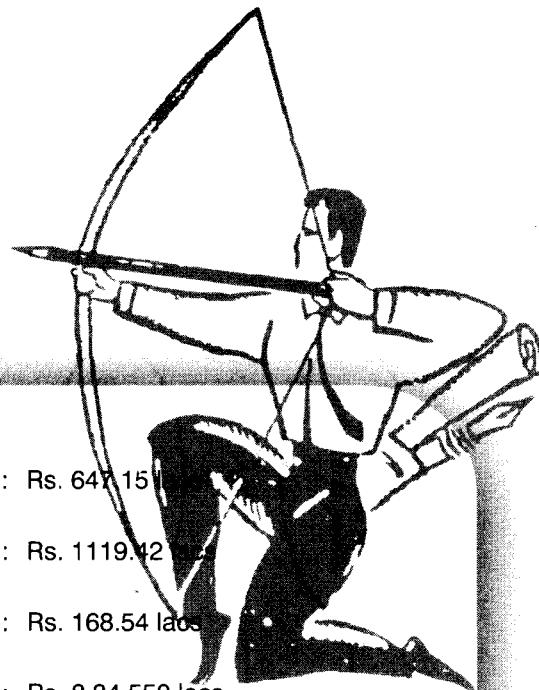
Products & Services

Equity & Derivatives • Commodity Futures • Internet Trading
 Portfolio Advisory • Mutual Funds & IPOs • Depository Services

The Network

New Delhi • Allahabad • Amritsar • Chandigarh
 Jalandhar • Lucknow • Srinagar • South Delhi • Mumbai

* applied for



Share Capital	: Rs. 647.15
Free Reserves	: Rs. 1119.42
Borrowings	: Rs. 168.54 lacs
Annual Turnover	: Rs. 8,34,550 lacs
Gross Income	: Rs. 295.54 lacs
Expenses	: Rs. 131.22 lacs
Net Income	: Rs. 164.32 lacs
Fixed Assets	: Rs. 226.02 lacs
Networth (at cost price)	: Rs. 621.58 lacs
Book Value	: Rs. 11.89
Earning Per Share	: Rs. 3.14
Return on Capital Employed	: 30 %.
No. of Employees	: 50
No. of Shareholders*	: 4000
Listing at	: The Stock Exchange, Mumbai (BSE)

*Our shareholders include institutions like Unit Trust of India PNB Mutual Fund, BOI Mutual Fund, Allahabad Bank, Catholic Syrian Bank and more than 250 NRI investors from all over the world.

*There is no formula to figure out intrinsic value.
You have to know the business*



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Ph: 011-51058222/333/444	Ph: 0522-2201610	Ph: 0172-5003960	Ph: 0181-2225656	Ph: 022-22046673
Telefax: 011-51058666	Telefax: 0522-2615263	Tele/fax: 0172-5003961	Telefax: 0181-2455786	Telefax: 022-22046675

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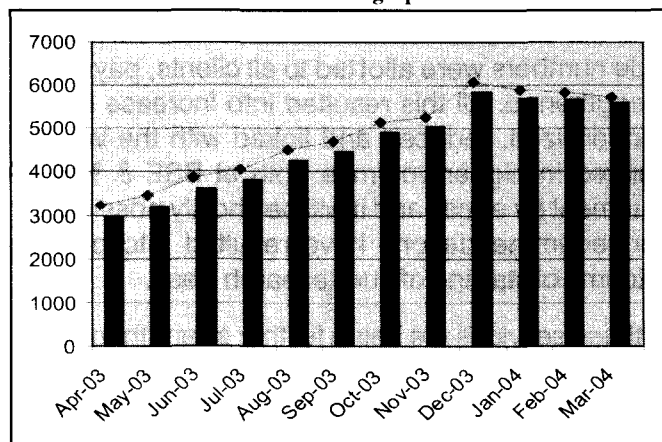


Dear Shareholders

Investment in stock markets have probably given best returns to the discerning investor during the year 2003-04 (and especially to those who booked their profits before year end). Sensex touched its all time high of 6250 on 9.1.2004 after which the markets went into the 'SELL MODE' for a period of almost 5 to 6 months. The worst came around 14th May at the time of announcement of results for Lok Sabha Elections when Sensex touched its yearly low of about 4500. This game of see-saw ended after the new democratically elected government peacefully took over the reins of the economy and the new Finance Minister assured all concerned of continuing the policies of disinvestment & foreign institutional investors (FIIs) decided to put back their trust in the new troika of Dr. Manmohan Singh, Mr. P.Chidambaram and Dr. Montek Singh Ahluwalia ~ the best India could offer in the field of finance.

It was Mr. Chidambaram whose dream budget presented in 1997 had resulted in a euphoria, bringing a bountiful year for the investors. He did not fail their expectations this year as well except for the introduction of securities transaction tax (STT) which, of course, was immediately modified after a strong reaction from the market and the upward trend in share prices resumed. Excellent first quarter results further added to the confidence of investors in general and FIIs in particular (almost 100 new FIIs have registered themselves with SEBI in the recent past). However, the rally has shifted more to fundamentally strong mid-cap stocks and is expected to continue during the balance part of this financial year.

BSE sensex graph



I would now like to share with you some of the developments of the year gone-by

Operations

The overall improvement in capital markets also positively affected the working of your companies as you may notice from the enclosed detailed balance sheets. As against the loss of Rs. 54.65 lacs for the year ended 2002-03, Mefcom Capital Markets Ltd. has earned a profit of Rs. 149.54 lacs ~ a jump of about 400% from the previous year. We were also able to recover a sum of Rs. 85 lacs (earlier written-off as Bad-Debt), major amount of which shall be received during 2004-05. There has also been an increase in the brokerage income. As against the gross brokerage income of Rs. 63.43 Lacs for the year 2002-03, Mefcom Securities Ltd. has earned a gross income of Rs. 160 lacs ~ an increase of about 150%.

As you may notice from the data given under Group Financials, consolidated gross income for the year under review has increased to Rs.295.54 lacs which is about 300% higher than the previous year. (Similar growth pattern can be observed for the net income as well). In view of the carry forward losses, no tax is payable on this income except MAT. (I would like you to appreciate that the income of Rs 295.54 lacs is actually equal to an income of about Rs. 450 lacs if calculated with the incidence of tax payment). Despite 300% increase in gross income, expenses were kept under strict guard and have actually come down.

Though it has been satisfactory to come back into the black, the growth is lower than the expectations of your management as we still had to organize ourselves on a number of fronts and could not take full advantage of the boom period. However, an experienced balance sheet analyst shall be able to appreciate the impact on our future earnings in case we are able to convert our idle capacity to full use. What is satisfying is that our relentless efforts have started yielding fruits and we look forward to better our performance year by year notwithstanding the boom conditions.

Strengthening of the Back Office operations

Securities & Exchange Board of India (SEBI), in its continuous pursuit of reforming capital markets in the country so as to bring them at-par with the international practices, kept on introducing one measure after the other to improve services and protection for investors in general. This kick-started a series of reforms in the back office of brokerage houses and we also accepted them in right earnest so that we can offer best services to our clients as well as to our shareholders. New back-office softwares were introduced during the year, new code numbers were allotted to all clients, payments and delivery procedures were further strengthened. All this resulted into increase in number of clients,. Brokerage rates were standardized, reduced and linked with the volumes of business done by a client which resulted in higher volumes both at BSE & NSE. A client can now receive his account statement by e-mail and it will be shortly possible for us to e-mail the contract notes as well. Our recommendations have resulted into better profits for our clients which was the outcome of starting of our Research Desk.

All these services are being further strengthened with the launch of our Website which shall provide 24 hour connectivity with us ~ both for your queries as well as for seeing your daily accounts and delivery statements besides transacting business on BSE through internet.



*I do not think that winning is the most important thing.
I think winning is the only thing.*

Easy, Cheaper and Fast Connectivity

Mefcom Securities Ltd. today offers connectivity for dealings in Equity/F&O/Commodities through a Single V-sat which is based on extended 'C' Band technology provided by HCL Comnet. This is the best technology presently available in the country and HCL Comnet are official technology suppliers to NSE since inception. The software support is provided by Financial Technologies (India) Ltd. which again is the best software provider in the country for stock market business and has provided technology to a number of capital market intermediaries including large banks. Your company has thus laid a lot of emphasis on technology and have taken the best available so as to provide easy connectivity to the ultimate user without affecting the speed.

An alternative mode of connectivity, albeit at much lower cost, can also be provided through MPLS-VPN Leased Line network provided by Bharat Sanchar Nigam Ltd.(BSNL) through MODEM which is almost equally efficient.

In addition to the VPN V-sat & MPLS-VPN connectivity, clients can also trade from the comforts of their home through BSE Webex which offers real time quotes and trading facility on their modified Speedex(+) system available through INTERNET.

New Memberships

During the year under review and till date, many additional memberships have been granted to your companies. As you are aware, Mefcom Capital Markets Ltd. is now the group holding company and is primarily investing its funds in medium to long term investments. In view of your management's resolve to concentrate more on stock broking and portfolio advisory, it was decided to discontinue the Merchant Banking Activities as of now. In turn, we took membership of the Debt as well as Derivatives Segments of The Stock Exchange, Mumbai. We were also granted memberships on the Derivatives Segment of The National Stock Exchange of India. At the time of writing, our membership for Multi Commodity Exchange of India Ltd. was also granted in favour of Mefcom Commodity Brokers Ltd. We propose to become a Depository Participant of CDSL/NSDL during the current year itself so as to complete the circle.

Having bagged all these memberships, your company has now become an integrated brokerage company holding licences on all major exchanges for Equities, Debt, Derivatives & Commodities. This puts us in the august company of few full-service Brokerage Houses in the country.

The Network

Having strengthened the back office services and after preparing for a single platform extending brokerage & trading services to clients under one roof, your management has decided to expand its network so as to extend these advantages to general investors. While apprehensive of the problems to be faced for being a late entrant, your management is confident of getting its due market share in view of its Reputation, Competitive brokerage rates and Excellent back office services besides best available connectivity networks in the country.

*Unless you try to do something beyond you've already mastered,
You will never grow.*

Mefcom Capital Markets Limited

AUDITED FINANCIAL RESULTS 2003-2004

BOARD OF DIRECTORS : Vijay Mehta (Chairman)
Alok Sharma
Balraj Malhotra
Priyanka Mehta
T.R. Khare

AUDITORS : V.K. Dhingra & Co.
Chartered Accountants
1E/15, Jhandewalan Extn.
New Delhi 110 055

BANKERS : HDFC Bank
Oriental Bank of Commerce

**SHARE REGISTRARS
& TRANSFER AGENTS** : Intime Spectrum Registry Ltd.
A-31, 3rd Floor, Near PVR Cinema
Naraina Indl. Area, Phase-I,
New Delhi-110028

REGISTERED OFFICE : B-350, New Friends Colony
New Delhi-110 065



Creating
Wealth
through
knowledge

A Non Banking Finance Company

(Registered with Reserve Bank of India at No. 14.00417)