

Quarterly Compliance Report on Corporate Governance

Name of Company : SMIFS Capital Markets Limited

Quarter Ending on : 30-06-2007

Particulars	Clause of Listing Agreement	Compliance Status (Yes/ No)	Remarks
1	2	3	4
I. Board of Directors	49 (I)		
(A) Composition of Board	49 (IA)	Yes	<p>As on June 30, 2007 the Board included the following 6(six) members :</p> <p>a. Promoter Director 1. Mr. Utsav Parekh – Non Executive Chairman of Board of Directors</p> <p>b. Independent Director 2. Mr. Ramesh Maheshwari 3. Mr. Chandranath Mukherjee 4. Mr. Santosh Kumar Mukherjee</p> <p>c. Mr. Kishor Shah – Whole Time Director</p> <p>d. Mr. Ajay Kayan has been appointed additional Director in the Board Meeting held on June 30, 2007.</p> <p>e. The Board in the meeting held on June 30, 2007 has recommended the appointment of Mr Utsav Parekh as Executive Chairman of the company. The appointment will be approved in the ensuing Annual General Meeting fixed to be held on September 29, 2007.</p>
(B) Non – Executive Directors’ compensation & disclosures	49 (IB)	Yes	For attendance in the Board Meetings Rs. 2500/- is paid to all Directors excepting Whole Time Director and Rs. 1000/- is paid to the Directors for attending Audit Committee and Shareholders’ Grievance Committee and Remuneration Committee meetings. The fees were approved in the AGM held on 24.09.2005.
(C) Other Provision as to Board and Committees	49 (IC)	Yes	Board Meeting was held on June 30, 2007 (Saturday).
(D) Code of Conduct	49 (ID)	Yes	The Code of Conduct (‘Code’) was approved in the Board Meeting held on 30.12.2005. The Directors and senior management have affirmed the compliance of the code on annual basis for the year 2006-07.

II. Audit Committee	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	As on 30.06.2007, the Audit Committee included the following 3 members : <ol style="list-style-type: none"> 1. Mr. Chandranath Mukherjee – Chairman 2. Mr. Utsav Parekh 3. Mr. Santosh Kumar Mukherjee Mr. Kishor Shah – Whole Time Director – Director – in – Charge of Finance
(B) Meeting of Audit Committee	49(IIB)	Yes	Audit Committee Meetings were held on May 5, 2007 and June 30, 2007.
(C) Powers of Audit Committee	49(ID)	Yes	The audit committee has the following powers : <ol style="list-style-type: none"> 1. To investigate any activity within its terms of reference. 2. To seek information from any employee. 3. To seek outside legal or other professional advice. 4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
(D) Role of Audit Committee	49(IIID)	Yes	The role of the audit committee include the following: <ol style="list-style-type: none"> 1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible. 2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees. 3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors. 4. Reviewing with the management the annual financial statement before submission to the Board for approval with particulars reference to: <ol style="list-style-type: none"> a. Matters required to be included in the Directors Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Sec 217 of the Companies Act, 1956 b. Changes, if any, in accounting policies and practices and reasons for the same. c. Major accounting entries involving estimation based on the exercise of judgement by management. d. Significant adjustments made in the financial statements arising out of audit findings. e. Compliance with the Listing and other

			<p>legal requirement relating to financial Statements</p> <p>f. Disclosure of the related party transactions</p> <p>g. Qualifications in the draft audit report</p>
			<ol style="list-style-type: none"> 5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval. 6. Reviewing with the management performance of statutory and internal auditors, adequacy of internal control systems. 7. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit. 8. Discussion with the internal auditors any significant findings and follow up there on. 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board. 10. Discussion with the Auditors before the audit commences, about the nature and scope of the audit as well as post audit discussion to ascertain any area of concern. 11. To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors. 12. To review the functioning of the Whistle Blower mechanism, in case the same is existing. 13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
(E) Review of Information by Audit Committee	49(IIE)	Yes	<p>The Audit Committee mandatorily reviews the following information:</p> <ol style="list-style-type: none"> 1. Management discussion & analysis of financial condition and result of operations. 2. Statement of significant related party transaction (as defined by the audit committee), submitted by management. 3. Management letter/letters of the internal control weaknesses issued by the statutory auditors; 4. Internal audit reports relating to internal control weaknesses; and

			5. The appointment, removal and term of remuneration of the Chief internal auditor shall be subject to review by the audit committee.
III. Subsidiary Companies	49(III)	Yes	<p>1. As on June 30, 2007 the Company had one Subsidiary Company namely;</p> <p>(i) SMIFS Capital Services Limited (100% Subsidiary)</p> <p>2. Mr. Chandranath Mukherjee independent Director in the Board of SMIFS Capital Markets Limited is also Director in the 100% Subsidiary, SMIFS Capital Services Limited.</p> <p>3. The accounts for the year ended 31st March, 2007 were reviewed in the Audit Committee Meetings held on May 5, 2007 and June 30, 2007.</p> <p>4. The minutes of the Board meetings of the subsidiary company for the quarter ended March 31, 2007 was reviewed in the Board Meeting held on June 30, 2007 (Saturday).</p>
IV. Disclosures	49(IV)		
(A) Basis of Related Party Transaction	49(IVA)	Yes	Statement in summary form of transactions with related parties for the year ended March 31, 2007 has been placed in the Audit Committee Meeting held on June 30, 2007 (Saturday).
(B) Disclosure of Accounting Treatment	49(IVB)	Yes	Accounting Standards as laid down by the Board has been followed in the preparation of the annual accounts for the year ended March 31, 2007.
(C) Board Disclosure	49(IVC)	Yes	Risk assessment and minimization procedure, as laid down by the Board, has been reviewed in the Board Meeting held on 30.06.2007 (Saturday).
(D) Proceeds from public issue, right issue, preferential issue etc.	49(IVD)	NA	<p>No amount has been raised from public, rights, and preferential issues.</p> <p>Special Resolution for issue of shares on Right Basis has been passed in the Annual General Meeting held on September 16, 2006 (Saturday).</p> <p>The Board in the meeting held on June 30, 2007 (Saturday) reviewed the status of the proposed Rights Issue.</p>

(E) Remuneration of Directors	49(IVE)	Yes	<p>Mr. Kishor Shah, Whole Time Director re-appointed w.e.f. April 1, .2006 started drawing remuneration from October 1, 2006 to the end of tenure. The Managerial Remuneration to the Whole Time Director has been approved by the shareholders in the Annual General Meeting held on September 16, 2006 by a Special Resolution.</p> <p>No other Director draws remuneration form the company apart from the sitting fees.</p> <p>In the Remuneration Committee meeting held on June 30, 2007, recommendation was made for the payment of remuneration to Mr Utsav Parekh on his proposed appointment as Executive Chairman with effect from October 1, 2007, put up by the Board to the Shareholders for their approval in the ensuing Annual General Meeting to be held on September 29, 2007.</p>
(F) Management	49(IVF)	Yes	Management Discussion and Analysis Report was the part of Annual Report for the year ended March 31, 2007 and will be incorporated in the Annual Report for the year ended March 31, 2007.
(G) Shareholders	49(IVG)	Yes	Mr Ajay Kayan has been appointed Additional Director in the Board Meeting held on June 30, 2007.
V. CEO/CFO Certification	49(V)	Yes	Certificate from CEO & CFO will be part of Annual Report for the year 2006-07.
VI. Report on Corporate Governance	49(VI)	Yes	Corporate Governance Report for the year ended March 31, 2007 will be part of Annual Report for the year ended March 31, 2007.
VII. Compliance	49(VII)	Yes	For the year ended March 31, 2007 will be part of Annual Report.

Note:

- 1) The detail under each head shall be provided to incorporate all the information required as per the provision of Clause 49 of the Listing Agreement.
- 2) In the column No.3, compliance or non-compliance may be indicated by Yes/No/N.A. For example, if the Board has been composed in accordance with the Clause 49 I of the Listing Agreement, "Yes" may be indicated, Similarly, in case the company has no related party transactions, the words "N.A." may be indicated against 49 (IVA).
- 3) In the remark Column, reasons for non-compliance may be indicated, for example, in case of requirement related to circulation of information to the shareholders, which would be done only in the

AGM/EGM, it might be indicated in the “Remarks” column as – “will be complied with at the AGM”. Similarly, in respect of matters which can be complied with only where the situation arises, for example, “Report on Corporate Governance” is to be a part of Annual Report only, the words “will be complied in the next Annual Report” may be indicated.

- 4) Mr. Kishor Shah, Whole Time Director of the Company is the CEO of the Company.
- 5) Mr. Sanjay Jhahharia, Vice President (Finance) is the CFO of the Company.
- 6) The Company Secretary cum Vice President (Legal) of the Company is also the Secretary of all the Committees.
- 7) The Company Secretary cum Vice President (Legal) of the Company is the Compliance Officer of the Company.

For **SMIFS Capital Markets Limited**

(S.C.PAL)

Company Secretary-cum-Vice President (Legal)

Dated: 09.07.2007

Place: Kolkata