

## Quarterly Compliance Report on Corporate Governance

**Name of Company :** SMIFS Capital Markets Limited

**Quarter Ending on :** 30-09-2007

Particulars	Clause of Listing Agreement	Compliance Status (Yes/ No)	Remarks
1	2	3	4
<b>I. Board of Directors</b>	49 (I)		
(A) Composition of Board	49 (IA)	Yes	<p>As on September 30, 2007 the Board included the following 6(six) members :</p> <p>A. Promoter Director</p> <p>(a) <u>Executive</u>            Mr. Utsav Parekh – Appointed as Executive Chairman of Board of Directors in the Annual General Meeting held on September 29, 2007.</p> <p>Prior to September 29, 2007, Mr. Utsav Parekh was Non-Executive Chairman.</p> <p>(b) <u>Non-Executive</u>            Mr. Ajay Kumar Kayan has been appointed Director u/s 257 of the Companies Act, 1956 in the Annual General Meeting held on September 29, 2007.</p> <p>Prior to September 29, 2007 Mr. Ajay Kumar Kayan was appointed Additional Director in the Board Meeting held on June 30, 2007.</p> <p>B. Independent Director</p> <ol style="list-style-type: none"> <li>1. Mr. Ramesh Maheshwari</li> <li>2. Mr. Chandranath Mukherjee</li> <li>1. Mr. Santosh Kumar Mukherjee</li> </ol> <p>C. Executive Director            Mr. Kishor Shah – Whole Time Director</p> <p><b>LIST OF DIRECTORS:</b></p> <ol style="list-style-type: none"> <li>1. Mr. Utsav Parekh – Chairman (appointed as Executive Chairman in the Annual General Meeting held on September 29, 2007.)</li> <li>2. Mr. Ramesh Maheshwari - Director</li> <li>3. Mr. Ajay Kumar Kayan - Director</li> <li>4. Mr. Chandranath Mukherjee - Director</li> <li>5. Mr. Santosh Kumar Mukherjee - Director</li> <li>6. Mr. Kishor Shah – Whole Time Director</li> </ol>
(B) Non – Executive Directors' compensation & disclosures	49 (IB)	Yes	The fee for attendance in the Board Meetings by the Non-Executive Directors increased from Rs. 2500/- to Rs. 7,500/- from October 1, 2007 pursuant to the Special Resolution passed in the Annual General Meeting held on Septemebr 29,

			2007. Audit Committee Meeting Fee - Rs. 1000/- per meeting. Shareholders' Grievance Committee Meeting Fee - Rs. 1000/- per meeting. Remuneration Committee Meeting Fee - Rs. 1000/- per meeting.
(C) Other Provision as to Board and Committees	49 (IC)	Yes	Board Meeting was held on July 30, 2007 (Monday).  Last Board Meeting prior to the beginning of the quarter was held on June 30, 2007.  Shareholders Grievance Committee was held on September 26, 2007.
(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.
<b>II. Audit Committee</b>	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	As on September 30, 2007, the Audit Committee included the following 3 members :  1. Mr. Chandranath Mukherjee – Chairman (Independent Director) 2. Mr. Utsav Parekh – Executive Chairman 3. Mr. Santosh Kumar Mukherjee – (Independent Director) 4. Mr. Kishor Shah – Whole Time Director – Director – in – Charge of Finance
(B) Meeting of Audit Committee	49(IIB)	Yes	Audit Committee Meetings was held on July 30, 2007.  Audit Committee Meeting prior to the beginning of the quarter was held on June 30, 2007.
(C) Powers of Audit Committee	49(ID)	Yes	The audit committee has the following powers : 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: 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

			<p>appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.</p> <ol style="list-style-type: none"> <li>3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.</li> <li>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"> <li>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</li> <li>b. Changes, if any, in accounting policies and practices and reasons for the same.</li> <li>c. Major accounting entries involving estimation based on the exercise of judgement by management.</li> <li>d. Significant adjustments made in the financial statements arising out of audit findings.</li> <li>e. Compliance with the Listing and other legal requirement relating to financial Statements</li> <li>f. Disclosure of the related party transactions</li> <li>g. Qualifications in the draft audit report</li> </ol> </li> <li>5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.</li> <li>6. Reviewing with the management performance of statutory and internal auditors, adequacy of internal control systems.</li> <li>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.</li> <li>8. Discussion with the internal auditors any significant findings and follow up there on.</li> <li>9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.</li> <li>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.</li> <li>11. To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of</li> </ol>
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			<p>non-payment of declared dividends) and creditors.</p> <p>12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.</p> <p>13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee</p>
(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"> <li>1. Management discussion &amp; analysis of financial condition and result of operations.</li> <li>2. Statement of significant related party transaction (as defined by the audit committee), submitted by management.</li> <li>3. Management letter/letters of the internal control weaknesses issued by the statutory auditors;</li> <li>4. Internal audit reports relating to internal control weaknesses; and</li> <li>5. The appointment, removal and term of remuneration of the Chief internal auditor shall be subject to review by the audit committee.</li> </ol>
<b>III. Subsidiary Companies</b>	49(III)	Yes	<ol style="list-style-type: none"> <li>1. As on September 30, 2007 the Company had one Subsidiary Company namely; <ol style="list-style-type: none"> <li>(i) SMIFS Capital Services Limited (100% Subsidiary) (SCSL)</li> <li>(ii) Board of Directors of SCSL: <ol style="list-style-type: none"> <li>a. Mr. Utsav Parekh – Executive Chairman upto 30.09.2007</li> <li>b. Mr. Yogendra Shah</li> <li>c. Mr. Chandranath Mukherjee</li> <li>d. Mr. Kishor Shah</li> </ol> </li> </ol> </li> <li>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.</li> <li>3. The accounts for the quarter ended June 30, 2007 were reviewed in the Audit Committee Meetings held on July 30, 2007.</li> <li>4. The minutes of the Board meetings of the subsidiary company for the quarter ended June 30, 2007 was reviewed in the Board Meeting held on July 30, 2007 (Monday).</li> </ol>
<b>IV. Disclosures</b>	49(IV)		
(A) Basis of Related Party Transaction	49(IVA)	Yes	Statement for the quarter ended June 30, 2007 has been placed in the Audit Committee Meeting held on July 30, 2007 (Monday).

(B) Disclosure of Accounting Treatment	49(IVB)	Yes	Accounting Standards as laid down by the Board has been followed in the preparation of the accounts for the quarter ended September 30, 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 July 30, 2007 (Monday).
(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 passed in the Annual General Meeting held on September 16, 2006 (Saturday).</p> <p>The Board in the meeting held on July 30, 2007 (Monday) decided to drop the Rights Issue. Information to Stock Exchanges was given by letter dated July 31, 2007.</p>
(E) Remuneration of Directors	49(IVE)	Yes	<p>(i) <u>Managerial Remuneration paid to Mr. Kishor Shah, Whole-Time Director</u></p> <p>Mr. Kishor Shah, Whole Time Director re-appointed w.e.f. April 1, 2006 is drawing remuneration from October 1, 2006 and would continue to draw such remuneration upto the end of his tenure expiring on March 31, 2009. The Managerial Remuneration being paid 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>(ii) <u>Managerial Remuneration paid to Mr. Utsav Parekh, Executive Chairman</u></p> <p>In the Annual General Meeting held on September 29, 2007 Mr Utsav Parekh was appointment as Executive Chairman with effect from October 1, 2007 for a period of 3 years vide Special Resolution passed in the Annual General Meeting held on September 29, 2007 would be drawing remuneration form October 1, 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 was incorporated in the Annual Report for the year ended March 31, 2007.
(G) Shareholders	49(IVG)	Yes	Mr Ajay Kayan was appointed Director in the Annual General Meeting held on September 29, 2007 u/s 257 of the Companies Act, 1956.

			Mr Ajay Kayan aged about 50 years is a Commerce Graduate with experience of over 25 years in the securities market.
<b>V. CEO/CFO Certification</b>	49(V)	Yes	Certificates from CEO & CFO formed part of Annual Report for the year ended March 31, 2007.
<b>VI. Report on Corporate Governance</b>	49(VI)	Yes	Corporate Governance Report for the year ended March 31, 2007 formed part of Annual Report for the year ended March 31, 2007.
<b>VII. Compliance</b>	49(VII)	Yes	For the year ended March 31, 2007 Compliance Certificate obtained from Statutory Auditor forms the part of the Directors Report for the year ended March 31, 2007.

Note:

- 1) Detail under each head is 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 is 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" is indicated, Similarly, in case the company has no related party transactions, the words "N.A." is indicated against 49 (IVA).
- 3) In the remark Column, reasons for non-compliance are indicated.
- 4) Mr. Utsav Parekh, Chairman upto September 30, 2007 has been appointed as Executive Chairman of the company w.e.f. October 1, 2007.
- 5) Mr. Kishor Shah, Whole Time Director of the Company is the CEO of the Company.
- 6) Mr. Sanjay Jhahharia, Vice President (Finance) is the CFO of the Company.
- 7) The Company Secretary cum Vice President (Legal) of the Company is also the Secretary of all the Committees.
- 8) 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: October 11, 2007**  
**Place: Kolkata**