

Quarterly Compliance Report on Corporate Governance

Name of Company : SMIFS Capital Markets Limited

Quarter Ending on : 31-03-2009

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 March 31, 2009 the Board included the following 6(six) members :</p> <p>A. Promoter Director</p> <p>(a) <u>Executive Chairman</u> Mr. Utsav Parekh – Appointed as Executive Chairman of Board of Directors w.e.f. October 1, 2007 in the Annual General Meeting held on September 29, 2007.</p> <p>Prior to September 30, 2007, Mr. Utsav Parekh was Non-Executive Chairman.</p> <p>(b) <u>Non-Executive</u> Mr. Ajay Kumar Kayan was 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 Directors</p> <ol style="list-style-type: none"> 1. Mr. Ramesh Maheshwari 2. Mr. Chandranath Mukherjee 3. Mr. Santosh Kumar Mukherjee <p>C. Executive Director Mr. Kishor Shah – Whole Time Director</p> <p>Board of Directors of the Company in their Meeting held on March 21, 2009 re-constituted the Board of Directors of the Company in the following manner:</p>

			<p>1. Mr. Kishor Shah, Whole-Time Director, whose tenure of 3 (Three) years expired on March 31, 2009 has been appointed Managing Director subject to the approval by Special Resolution in the ensuing Annual General Meeting of the company with effect from April 1, 2009 for 3 (three) years on fresh terms and conditions on the recommendation of the Remuneration Committee.</p> <p>2. Mr. Utsav Parekh, Executive Chairman, at his request and approval of the Board in the said meeting ceased to be the Executive Chairman of the Company w.e.f. March 31, 2009 and was appointed Chairman (in non-executive capacity) of the Board of Directors w.e.f. April 1, 2009.</p> <p>With effect from April 1, 2009 the Board of Directors of the Company will be as follows:</p> <ol style="list-style-type: none"> 1. Mr. Utsav Parekh – Chairman [(in non-executive capacity)(Executive Chairman upto March 31, 2009)] 2. Mr. Ramesh Maheshwari – Independent Director 3. Mr. Ajay Kumar Kayan – Promoter Director 4. Mr. Chandranath Mukherjee - Independent Director 5. Mr. Santosh Kumar Mukherjee - Independent Director 6. Mr. Kishor Shah – Managing Director (Whole Time Director upto March 31, 2009) <p>On retirement by rotation Mr. Ramesh Maheshwari was re-appointed Director of the company in the Annual General Meeting held on September 27, 2008</p>
(B) Non – Executive Directors’ compensation & disclosures	49 (IB)	Yes	<ol style="list-style-type: none"> (a) Fees for attendance in the Board Meetings by the Non-Executive Directors is Rs. 7500/- (Approved in the AGM held on September 29, 2007) (b) Audit Committee Meeting Fee - Rs. 1000/- per meeting. (c) Shareholders’ Grievance Committee Meeting Fee - Rs. 1000/- per meeting. (d) Remuneration Committee Meeting Fee - Rs. 1000/- per meeting.

(C) Other Provision as to Board and Committees	49 (IC)	Yes	Board Meeting for the quarter ended December 31, 2008 was held on January 28, 2009.
(D) Code of Conduct	49 (ID)	Yes	Code of Conduct ("Code") was approved in the Board Meeting held on 30.12.2005. Directors and senior management have affirmed the compliance of the code on annual basis for the year 2007-08. Compliance of the Code on annual basis for the year 2008-09 has been obtained.
II. Audit Committee	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	As on March 31, 2009, the Audit Committee included the following 3 members : <ol style="list-style-type: none"> 1. Mr. Chandranath Mukherjee – Chairman (Independent Director) 2. Mr. Santosh Kumar Mukherjee – (Independent Director) 3. Mr. Utsav Parekh – Executive Chairman Re-appointed Chairman in non-executive capacity w.e.f. April 1, 2009. <u>Director – in – Charge of Finance</u> <ol style="list-style-type: none"> 1. Mr. Kishor Shah – Whole Time Director Mr. Kishor Shah has been appointed as Managing Director w.e.f. April 1, 2009 for a period of 3 years.
(B) Meeting of Audit Committee	49(II B)	Yes	Audit Committee meeting for the quarter ended December 31, 2008 was held on January 28, 2009.
(C) Powers of Audit Committee	49(II C)	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 is considered necessary.
(D) Role of Audit Committee	49(II D)	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

			<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"> 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 legal requirement relating to financial Statements f. Disclosure of the related party transactions g. Qualifications in the draft audit report 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
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			<p>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.</p> <p>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.</p> <p>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.</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(IE)	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 Internal Auditor shall be subject to review by the audit committee.

III. Subsidiary Companies	49(III)	Yes	<p>1. As on March 31, 2009 the Company had one wholly-owned subsidiary company namely;</p> <p>(i) SMIFS Capital Services Limited (100% Subsidiary) (SCSL)</p> <p>(ii) Board of Directors of SCSL:</p> <p>a. Mr. Chandranath Mukherjee</p> <p>b. Mr. Kishor Shah</p> <p>c. Mr. Santosh Kumar Mukherjee</p> <p>2. Mr. Chandranath Mukherjee and Mr. Santosh Kumar Mukherjee, Independent Directors in the Board of SMIFS Capital Markets Limited are also Directors in the wholly-owned subsidiary, SMIFS Capital Services Limited.</p> <p>3. The accounts for the year ended March 31, 2008 were reviewed in the Audit Committee Meetings held on June 20, 2008.</p> <p>4. The minutes of the Board meetings of the subsidiary company for the quarter ended December 31, 2008 was reviewed in the Board Meeting of the company held on January 28, 2009 and on March 21, 2009.</p>
IV. Disclosures	49(IV)		
(A) Basis of Related Party Transaction	49(IVA)	Yes	Statement for the quarter ended December 31, 2008 has been placed in the Audit Committee Meeting held on January 28, 2009.
(B) Disclosure of Accounting Treatment	49(IVB)	Yes	Accounting Standards as laid down by the Board will be followed in the preparation of the accounts for the year ended March 31, 2009.
(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 January 28, 2009.
(D) Proceeds from public issue, right issue, preferential issue etc.	49(IVD)	NA	No amount has been raised on account of public, rights, and preferential issues.
(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, whose tenure of 3 (Three) years expired on March 31, 2009 has been appointed</p>

		<p>Managing Director of the Company in the Board Meeting held on March 21, 2009 on the recommendation of managerial remuneration in the Remuneration Committee Meeting held on January 28, 2009 subject to the approval by Special Resolution in the ensuing Annual General Meeting of the company with effect from April 1, 2009 for 3 (three) years on fresh terms and conditions on the recommendation of the Remuneration Committee.</p> <p>The Remuneration Committee meeting held on January 28, 2009 recommended the remuneration payable to Mr. Kishor Shah w.e.f April 1, 2009 as Managing Director in terms with Sections 198, 269, 309, 310, 311 and Schedule XIII, Part II, Section II(B) to the Companies Act, 1956.</p> <p>Abstract of terms of appointment of Mr. Kishor Shah as Managing Director of the Company and Memorandum of Interest issued to the Members of the Company pursuant to Section 302(7) of the Companies Act, 1956 has been sent to all the shareholders of the Company. (Annexure – I)</p> <p><u>(ii) 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 a Special Resolution and has been drawing remuneration form October 1, 2007.</p> <p>Mr. Utsav Parekh, on being appointed Chairman (in non-executive capacity) of the Board of Directors w.e.f. April 1, 2009 <u>will not draw any managerial remuneration from the Company</u>. However, he will be getting sitting fees for attending the Board Meeting.</p> <p>With effect from 1st October, 2008 there has been a reduction of 15 per cent of the remuneration paid to Mr. Utsav Prekh, Executive Chairman and Mr. Kishor Shah, Whole-Time Director for a period of 6 months which was recommended by the Remuneration Committee on October 30, 2008 and approved in the Board Meeting held</p>
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			<p>on October 30, 2008.</p> <p>The shareholders at the Annual General Meeting held on September 27, 2008 had approved the 'SMIFS Capital Markets Limited Employee Stock Option Scheme – 2008' for the existing employees including non-promoter Directors of the company and also the employees of the subsidiary company – SMIFS Capital Services Limited.</p>
(F) Management	49(IVF)	Yes	<p>Management Discussion and Analysis Report was the part of Annual Report for the year ended March 31, 2008 and was incorporated in the Annual Report for the year ended March 31, 2008.</p> <p>Management Discussion and Analysis Report for the year ended March 31, 2009 will be forming part of Annual Report for the year ended March 31, 2009.</p>
(G) Shareholders	49(IVG)	Yes	<p>Mr. Kishor Shah, Whole-Time Director, whose tenure of 3 (Three) years expired on March 31, 2009 has been appointed Managing Director subject to the approval by Special Resolution in the ensuing Annual General Meeting of the company with effect from April 1, 2009 for 3 (three) years on fresh terms and conditions on the recommendation of the Remuneration Committee in terms with Sections 198, 269, 309, 310, 311 and Schedule XIII, Part II, Section II(B) to the Companies Act, 1956.</p> <p>Mr. Kishor Shah aged about 52 years (B.Com (Hons), ACA, ACS) has over 17 years of experience in merchant banking and investment banking including Mergers and Acquisitions, Portfolio Management, Takeovers, Valuation of Shares, Underwriting and Financial Advisory functions and has contributed to the progress of the Company.</p> <p>Abstract of terms of appointment of Mr. Kishor Shah as Managing Director of the Company and Memorandum of Interest issued to the Members of the Company pursuant to Section 302(7) of the Companies Act, 1956 has been sent to all the shareholders of the Company. (Annexure – I)</p>

V. CEO/CFO Certification	49(V)	Yes	<p>Certificates from CEO & CFO formed part of Annual Report for the year ended March 31, 2008.</p> <p>Certificates from CEO & CFO for the year ended March 31, 2009 will be forming part of Annual Report for the year ended March 31, 2009.</p>
VI. Report on Corporate Governance	49(VI)	Yes	<p>Corporate Governance Report for the year ended March 31, 2008 formed part of Annual Report for the year ended March 31, 2008.</p> <p>Corporate Governance Report for the year ended March 31, 2009 will be forming part of Annual Report for the year ended March 31, 2009.</p>
VII. Compliance	49(VII)	Yes	<p>For the year ended March 31, 2008 Compliance Certificate obtained from Statutory Auditor forms the part of the Directors Report for the year ended March 31, 2008.</p> <p>Compliance Certificate will be obtained from the Statutory Auditors for the year ended March 31, 2009 and will form part of Annual Report for the year ended March 31, 2009.</p>

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, Executive Chairman upto March 31, 2009 has been appointed as Chairman of the company w.e.f. April 1, 2009.
- 5) Mr. Kishor Shah, Whole Time Director of the Company is the CEO of the Company. Mr. Kishor Shah on expiry of his term on March 31, 2009, has been appointed Managing Director of the Company.
- 6) Mr. Sanjay Jhajharia, 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)

Place: Kolkata
Dated: April 9, 2009