

Quarterly Compliance Report on Corporate Governance

Name of Company : SMIFS Capital Markets Limited

Quarter Ending on : 31-12-2008

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 December 31, 2008 the Board included the following 6(six) members :</p> <p>A. Promoter Director (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 1. Mr. Ramesh Maheshwari 2. Mr. Chandranath Mukherjee 3. Mr. Santosh Kumar Mukherjee</p> <p>C. Executive Director Mr. Kishor Shah – Whole Time Director</p> <p>BOARD OF DIRECTORS: 1. Mr. Utsav Parekh – Executive Chairman (Non Executive Chairman upto September 30, 2007. Executive Chairman w.e.f. October 1, 2007) 2. Mr. Ramesh Maheshwari - Director 3. Mr. Ajay Kumar Kayan - Director 4. Mr. Chandranath Mukherjee - Director 5. Mr. Santosh Kumar Mukherjee - Director 6. Mr. Kishor Shah – Whole Time Director</p> <p>On retirement by rotation Mr. Ramesh Maheshwari was re-appointed as Director of the company in the Annual General Meeting held on September 27, 2008</p>
(B) Non – Executive Directors’ compensation & disclosures	49 (IB)	Yes	(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 September 30, 2008 was held on October 30, 2008.
(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 2007-08.
II. Audit Committee	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	As on December 31, 2008, the Audit Committee included the following 3 members : 1. Mr. Chandranath Mukherjee – Chairman (Independent Director) 2. Mr. Santosh Kumar Mukherjee – (Independent Director) 3. Mr. Utsav Parekh – Executive Chairman <u>Director – in – Charge of Finance</u> 1. Mr. Kishor Shah – Whole Time Director
(B) Meeting of Audit Committee	49(IIB)	Yes	Last Audit Committee meeting was held on October 30, 2008.
(C) Powers of Audit Committee	49(IIC)	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 is considered necessary.
(D) Role of Audit Committee	49(IID)	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 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: a. Matters required to be included in the

			<p>Directors Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Sec 217 of the Companies Act, 1956</p> <ol style="list-style-type: none"> 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 <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 of 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

			<p>auditors;</p> <p>4. Internal audit reports relating to internal control weaknesses; and</p> <p>5. The appointment, removal and term of remuneration of the Internal Auditor shall be subject to review by the audit committee.</p>
III. Subsidiary Companies	49(III)	Yes	<p>1. As on December 31, 2008 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 September 30, 2008 was reviewed in the Board Meeting of the company held on October 30, 2008.</p>
IV. Disclosures	49(IV)		
(A) Basis of Related Party Transaction	49(IVA)	Yes	Statement for the quarter ended September 30, 2008 has been placed in the Audit Committee Meeting held on October 30, 2008.
(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 March 31, 2008.
(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 October 30, 2008.
(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><u>(i) 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><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>As per the aforesaid Special Resolution, in the Remuneration Committee meeting held on May 19, 2008 recommendation was made for increasing the remuneration paid to Mr Utsav Parekh, Executive Chairman and Mr. Kishor Shah, Whole-Time Director within the ceiling specified in Schedule XIII, Part II, Section II (B) to the Companies Act, 1956. The aforesaid was approved in the Board Meeting held on June 20, 2008.</p> <p>With effect from 1st October, 2008 there has been a reduction of 15 per cent of the remuneration for a period of 6 months which was recommended by the Remuneration Committee on October 30, 2008 and approved in the Board Meeting held 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 of the company and also the employees of the subsidiary company – SMIFS Capital Services Limited.</p>
(F) Management	49(IVF)	Yes	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.
(G) Shareholders	49(IVG)	Yes	<p>Mr. Ramesh Maheshwari was re-appointed Director in the Annual General Meeting held on September 27, 2008.</p> <p>Mr Ramesh Maheshwari is M.Com and L.L.B. He is President and Chief Executive of Texmaco Ltd., premier engineering company in India, having technical collaboration and tie-ups with several world-renowned companies. Mr Maheshwari serves on the board of many prestigious companies namely Lionel Edwards Ltd., Neora Hydro Ltd., Poddar Heritage Investments Ltd., Bengal Food Park Ltd., and Tim Products Ltd. and is on the Board of Birla Institute of Management Technology (IMT), New Delhi and Indian Institute of Management (IIM), Bangalore. He was also the Chairman of Engineering Export Promotion Council (EEPC), National President of Confederation of Indian Industry (CII), member of the Tandon Committee of Reserve Bank of India to frame</p>

guidelines for bank credit.

At the Annual General Meeting held on September 27, 2008 at the registered office of the company at 10.00 am following resolutions were passed:

Through Postal Ballot:

As Special Resolutions

1. Amendment of 'Clause III – C' being 'Other Objects For which the company is established' of the Memorandum of Association of the Company. (Through Postal Ballot)

Detail of Votes received for the above mentioned resolution as per the Scrutinizer's Report dated September 25, 2008:

- (a) Total Postal Ballot Forms received: 59 (Fifty Nine)
- (b) Total Number of Votes received through Postal Ballot: 3188405 (Thirty One Lac Eighty Eight Thousand Four Hundred Five)
- (c) Total valid Votes received: 3180855 (Thirty One Lac Eighty Thousand Eight Hundred Fifty Five)
- (d) Total Votes cast in favour : 3180855 (Thirty One Lac Eighty Thousand Eight Hundred Fifty Five)
- (e) Total Votes against : Nil

2. Authority to commence and undertake business specified in Sub-Clause 27) of 'Clause III – C' being 'Other Objects For which the company is established' (Through Postal Ballot)

Detail of Votes received for the above mentioned resolution as per the Scrutinizer's Report dated September 25, 2008:

- (a) Total Postal Ballot Forms received: 59 (Fifty Nine)
- (b) Total Number of Votes received through Postal Ballot: 3188405 (Thirty One Lac Eighty Eight Thousand Four Hundred Five)
- (c) Total valid Votes received: 3180855 (Thirty One Lac Eighty Thousand Eight Hundred Fifty Five)
- (d) Total Votes cast in favour : 3180855 (Thirty One Lac Eighty Thousand Eight Hundred Fifty Five)
- (e) Total Votes against : Nil

As Special Resolutions:

3. Issue of shares to employees under THE SMIFS CAPITAL MARKETS LIMITED EMPLOYEES STOCK OPTION SCHEME – 2008.

			4. Issue of shares to employees of Subsidiary Company (SMIFS Capital Services Limited) under THE SMIFS CAPITAL MARKETS LIMITED EMPLOYEES STOCK OPTION SCHEME – 2008 There were no investor complaints as such no Investor Grievance Committee meeting was required to be held.
V. CEO/CFO Certification	49(V)	Yes	Certificates from CEO & CFO formed part of Annual Report for the year ended March 31, 2008.
VI. Report on Corporate Governance	49(VI)	Yes	Corporate Governance Report for the year ended March 31, 2008 formed part of Annual Report for the year ended March 31, 2008.
VII. Compliance	49(VII)	Yes	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.

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 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: January 14, 2009