

Quarterly Compliance Report on Corporate Governance

Name of Company : SMIFS Capital Markets Limited

Quarter Ending on : 31.12.2009

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 December 31, 2009 the Board of Directors included the following 6(six) members :</p> <p>A. Promoter Directors - Non-Executive</p> <p>1. Mr. Utsav Parekh – Appointed Director u/s 257 of the Companies Act, 1956 in the Annual General Meeting held on September 12, 2009 and Non-Executive Chairman in the Board Meeting held on September 14, 2009. Earlier Mr. Utsav Parekh was appointed Additional Director and Non- Executive Chairman w.e.f 1/4/2009</p> <p>2. Mr. Ajay Kumar Kayan.</p> <p>B. Independent Directors</p> <p>3.Mr. Ramesh Maheshwari 4.Mr. Chandranath Mukherjee 5.Mr. Santosh Kumar Mukherjee</p> <p>C. Executive Director</p> <p>6. Mr. Kishor Shah – Managing Director</p>
(B) Non – Executive Directors’ compensation & disclosures	49 (IB)	Yes	<p>(a) Fees for attendance in the Board Meetings by the Non-Executive Directors is Rs. 7500/-.</p> <p>(b) Audit Committee Meeting Fee - Rs. 1000/- per meeting.</p> <p>(c) Shareholders’ Grievance Committee Meeting Fee - Rs. 1000/- per meeting.</p> <p>(d) Remuneration Committee Meeting</p>

			Fee - Rs. 1000/- per meeting.
(C) Other Provision as to Board and Committees	49 (IC)	Yes	Board Meetings for the quarter ended December 31, 2009 were held on October 29, 2009, December 3, 2009 and December 26, 2009. Information to be placed before the Board of Directors as per Annexure 1A of Clause 49 of the Listing Agreement are regularly placed before the Board of Directors.
(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 2008-09. Compliance of the code on annual basis for the year 2008-09 has been obtained. Managing Director's declaration is included in the Annual Report.
II. Audit Committee	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	As on December 31, 2009, 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 – Non Executive Chairman <u>Director – in – Charge of Finance</u> 1. Mr. Kishor Shah –Managing Director 2. Mr. Sanjay Jhaharia has been appointed Senior Vice President & Chief Financial Officer w.e.f April 1, 2009. Clause 49(II) of the Listing Agreement has been complied.
(B) Meeting of Audit Committee		Yes	Audit Committee meeting during the quarter ended December 31, 2009 was held on October 29, 2009 and December 26, 2009.

(C) Powers of Audit Committee	49(IIB)	Yes	<p>The audit committee has the following powers :</p> <ol style="list-style-type: none"> 1. To investigate into 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	<p>The role of the audit committee include the following:</p> <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 judgment by management. d. Significant adjustments made in

			<p>the financial statements arising out of audit findings.</p> <ul style="list-style-type: none"> 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. <p>5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.</p> <p>5A. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, right issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.</p> <p>6. Reviewing with the management performance of statutory and internal auditors, adequacy of internal control systems.</p> <p>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.</p> <p>8. Discussion with the internal auditors any significant findings and follow up there on.</p> <p>9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud of</p>
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(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 Internal Auditor shall be subject to review by the audit committee.

III. Subsidiary Companies	49(III)	Yes	<p>1. On December 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 on 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 September 30, 2009 were reviewed in the Audit Committee Meetings held on October 29, 2009. The minutes of the Board meetings of the subsidiary company for the quarter ended September 30, 2009 was reviewed in the Board Meeting of the company held on October 29, 2009.</p>
IV. Disclosures	49(IV)		
(A) Basis of Related Party Transaction	49(IVA)	Yes	Statement for the quarter ended September 30, 2009 has been placed in the Audit Committee Meeting held on October 29, 2009.
(B) Disclosure of Accounting Treatment	49(IVB)	Yes	Accounting Standards as laid down are followed in the preparation of the accounts for the year ended March 31, 2009.
(C) Board Disclosure – Risk Management	49(IVC)	Yes	Risk assessment and minimization procedure, as laid down by the Board, has been reviewed in the Board Meeting held on October 29, 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	49(IVE)	Yes	(i) <u>Managerial Remuneration paid to</u>

Directors		<p><u>Mr. Kishor Shah, Managing Director</u> are reproduced as under is also stated in <u>Para I(A) of the Report above.</u></p> <p>a) Remuneration</p> <p>(i) Salary :Rs. 1,35,000 (Rupees One Lac Thirty Five Thousand only) per month upto March 31, 2010 with annual increment of such amount as may be decided by the Board for the remaining two years , subject to the overall limit specified in clause (b) below.</p> <p>(ii) House Rent Allowance @ 25% (Twenty-five per cent) of the salary.</p> <p>(iii) Contribution to Provident Fund @ 12 % (Twelve per cent) of the salary as per the provisions of the Employees Provident Fund Act, 1952.</p> <p>(iv) Children Education Allowance: Rs. 1,000 (Rupees One Thousand only) per month.</p> <p>(v) Annual Flexi Benefit: Reimbursement of expenses towards Medical benefits for self and family, Leave Travel Assistance subject to revision as stated in Clause (a)(i).</p> <p>(vi) Gratuity: As per rules of the Company.</p> <p>(vii) Personal Accident and Hospitalization Insurance: As per rules of the Company.</p> <p>(viii) Leave: Entitled to leave with full pay or encashment, as per the rules of the Company.</p> <p>(ix) Conveyance Facilities: The Company shall provide suitable conveyance facilities or in lieu of conveyance facilities, the Company shall reimburse the actual conveyance expenses only for official purposes.</p> <p>(x) Telephone and other</p>
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		<p>communication facilities: The Company will provide telephone, telefax and other communication facilities at the Managing Director's residence.</p> <p>(xi) Club Membership: In accordance with the rules of the Company.</p> <p>(xii) Exgratia/ Incentive Payment: As decided by the Board of Directors from time to time.</p> <p>(xiii) Other Perquisites: Subject to the overall ceiling on the remuneration mentioned herein below the Managing Director may be given other allowances, benefits including stock option benefit as may be applicable and perquisites as the Board may decide from time to time.</p> <p>b) Overall Remuneration:</p> <p>The aggregate salary, commission and perquisites stated in clause (a)[(i) to (xiii)] in any financial year shall not exceed the limit prescribed from time to time under Sections 198,269,309,310,311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Part II, Section II(B) to the Companies Act, 1956 as in force from time to time.</p> <p>c) Minimum Remuneration:</p> <p>In the event of loss and inadequacy of profit in any financial year during the currency of tenure of the service the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed in Schedule XIII, Part II, Section II(B) to the Companies Act, 1956.</p> <p>Remuneration Committee meeting was held on September 14, 2009 at 11.30A.M. to review managerial remuneration.</p>
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(F) Management	49(IVF)	Yes	Management Discussion and Analysis Report was the part of Annual Report for the year ended March 31, 2009 and was incorporated in the Annual Report for the year ended March 31, 2009.
(G) Shareholders	49(IVG)	Yes	<p>Following Resolutions were passed in the Annual General Meeting held on 12/9/2009:</p> <p><u>1. Ordinary Resolution:</u></p> <p><u>SPECIAL BUSINESS:</u></p> <p><u>AS ORDINARY RESOLUTION</u></p> <p><u>Resolution no. 4:</u></p> <p>Appointment of Mr. Utsav Parekh as Director.</p> <p>“RESOLVED THAT Mr. Utsav Parekh a Director who was appointed as Additional Director in the meeting of Board of Directors of the company</p>

held on 21st March, 2009 and who holds office as such up to the date of Twenty-sixth Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Utsav Parekh as a candidate for the office of Director of the company be and is hereby appointed as a Director of the Company.”

2.Special Resolution:

SPECIAL BUSINESS:

AS SPECIAL RESOLUTION

13. Resolution No. 5

Appointment of Mr. Kishor Shah as Managing Director.

“**RESOLVED THAT** pursuant to the provisions of Sections 198,269,309,310,311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Part II, Section II(B) to the Companies Act, 1956, Mr. Kishor Shah be and is hereby appointed as Managing Director of the Company for a period of 3(Three) years with effect from 1.04.2009 at the remuneration and on the terms and conditions specified in the agreement entered into between the Company and Mr. Kishor Shah as per the applicable provisions of the Companies Act,1956 and approval accorded as per the resolution of the Board of Directors subject to the consent of the shareholders by special resolution.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter and vary the terms and conditions of the said appointment or remuneration or agreement so as not to exceed the limits specified in Schedule XIII Part II, Section II(B) to the Companies Act,1956 including any statutory

			<p>modification(s) that may hereafter be made by the Central Government from time to time and any amendment thereto as may be agreed to between the Board of Directors and Mr. Kishor Shah.</p> <p>RESOLVED FURTHER THAT the Board of Directors be authorized to take such steps as may be necessary, proper or expedient to give effect to the resolution.”</p>
V. CEO/CFO Certification		Yes	Certificates from CEO & CFO formed part of Annual Report for the year ended March 31, 2009.
VI. Report on Corporate Governance	49(V)	Yes	Corporate Governance Report for the year ended March 31, 2009 formed part of Annual Report for the year ended March 31, 2009.
VII. Compliance	49(VII)	Yes	For the year ended March 31, 2009 Compliance Certificate obtained from Statutory Auditor forms the part of the Directors Report for the year ended March 31, 2009.

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, is Chairman of the Board of Directors in Non- Executive Capacity, was again elected Chairman in Non – Executive Capacity in the Board Meeting held on 14.9.2009 earlier he was Non – Executive Chairman w.e.f. April 1, 2009.
- 5) Mr. Kishor Shah, Managing Director of the Company is the CEO of the Company.

- 6) Mr. Sanjay Jhaharia, Senior Vice President 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 8, 2010.