

## Quarterly Compliance Report on Corporate Governance

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

**Quarter Ending on:** 31.12.2011

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 December 31, 2011 the Board of Directors included the following 6(six) members :</p> <p><b>A. Promoter Directors</b> - <u>Non-Executive capacity</u></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. Holds position of Non-Executive Chairman.</p> <p>2. Mr. Chandranath Mukherjee retired by rotation at the Annual General Meeting held on September 10, 2011 was re-elected in the said Annual General Meeting held on September 10, 2011.</p> <p><b>B. Independent Directors</b></p> <p>1.Mr. Ramesh Maheshwari 2.Mr. Chandranath Mukherjee 3.Mr. Santosh Kumar Mukherjee</p> <p><b>C. Executive capacity</b> <b><u>Managing Director</u></b></p> <p>Mr. Kishor Shah – Managing Director with effect from April 1, 2009.</p> <p>Annual General Meeting for the year ended March 31, 2011 was held on September 10, 2011 at the Registered Office at 10.00 a.m. where apart from Ordinary Business, a Special Resolution was passed under Special Business for variation in the terms of appointment of Mr. Kishor Shah, Managing Director.</p>
(B) Non – Executive Directors' compensation & disclosures	49 (IB)	Yes	<p>(a) Fees for attendance in the Board Meetings to the Non-Executive Directors is Rs. 7500/-per meeting.</p> <p>(b) Audit Committee Meeting Fee - Rs. 1000/- per meeting.</p> <p>(c) Shareholders' Grievance Committee Meeting Fee - Rs. 1000/- per meeting.</p>

			(d) Remuneration Committee Meeting Fee - Rs. 1000/- per meeting.
(C) Other Provision as to Board and Committees	49 (IC)	Yes	Board Meetings during the quarter ended December 30, 2011 were held on October 25, 2011 at 4.00 p.m and November 25, 2011 at 4.00 p.m. 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	Code of Conduct ('Code') was approved in the Board Meeting held on 30.12.2005. The Directors and senior management confirmed the compliance of the code on annual basis for the year 2010-11.  Compliance of the code on annual basis for the year 2010-11 has been obtained. Managing Director's declaration would be included in the Annual Report for the year 2010-11.
<b>II. Audit Committee</b>	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	As on December 31, 2011, the Audit Committee included the following 3 members :  1. Mr.Chandranath Mukherjee – Independent Director- Chairman  2. Mr. Santosh Kumar Mukherjee – Independent Director-Member  3. Mr. Utsav Parekh – Promoter Director & Non Executive Chairman- Member  <u>Director – in – Charge of Finance</u> 1. Mr. Kishor Shah –Managing Director  2. Mr. Sanjay Jhajharia was been appointed Senior Vice President (Finance) and CFO w.e.f April 1, 2009 and held the position upto July 24, 2011.He continues as Senior Vice President (Investment Banking).  3. Mr. Vaibhav Chirimar was appointed CFO w.e.f July 25, 2011. He resigned w.e.f November 21, 2011.  Clause 49(II) of the Listing Agreement has been complied.
(B) Meeting of Audit Committee	49(IIB)	Yes	Audit Committee Meeting for the quarter ended September 30,2011 was held on October 25, 2011 at 3.30 p.m.
(C) Powers of Audit Committee	49(IIC)	Yes	The audit committee has the following powers : 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

			<p>professional advice.</p> <p>4. To secure attendance of outsiders with relevant expertise, if it is considered necessary.</p>
(D) Role of Audit Committee	49(IIID)	Yes	<p>The role of the audit committee includes the following:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <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 particular 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 judgment 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> </ol> <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</p>

			<p>making appropriate recommendations to the Board to take up steps in this matter.</p> <ol style="list-style-type: none"> <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 system 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 non-payment of declared dividends) and creditors.</li> <li>12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.</li> <li>12. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.</li> </ol> <p>Audit Committee Meeting for the quarter ended September 30, 2011 was held on, October 25, 2011 at 3.30 p.m</p>
(E) Review of Information by Audit Committee	49(II E)	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</li> </ol>

			<p>control weaknesses issued by the statutory 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>
<b>III. Subsidiary Companies</b>	49(III)	Yes	<p>1. On December 31, 2011 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>Mr. Kishor Shah, Director retired by rotation in the Annual General Meeting held on September 9, 2011 at the Registered Office at 10.00 a.m. and having given consent to be re-elected, was re-appointed.</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 quarter ended September 30, 2011 were reviewed in the Audit Committee Meetings of SMIFS Capital Markets Ltd. the holding company held on October 25, 2011 at 3.30 p.m</p> <p>4. The minutes of the Board meetings of the subsidiary company for the quarter ended September 30, 2011 was considered in the Board Meeting of the company held on October 25, 2011 at 4.00 p.m.</p> <p>5. Annual General Meeting for the year ended March 31, 2011 was held on September 9, 2011 at the Registered Office at 10.00 a.m.</p>
<b>IV. Disclosures</b>	49(IV)		
(A) Basis of Related Party Transaction	49(IVA)	Yes	Statement for the quarter ended September 30, 2011 has been placed in the Audit Committee Meeting held on October 25, 2011 at 3.30 p.m.
(B) Disclosure of Accounting Treatment	49(IVB)	Yes	Accounting Standards as laid down are followed in the preparation of the accounts for the quarter ended September 30, 2011.

(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 25, 2011.
(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><b><u>(i)Revision of Remuneration of Mr. Kishor Shah, Managing Director.</u></b></p> <p>Pursuant to the authority granted to the Board of directors by Special Resolution passed at the Annual General Meeting held on September 12, 2009 to vary the terms of appointment of Mr. Kishor Shah, Managing Director, Board of Directors in their meeting held on May 27, 2011, on recommendation of the Remuneration Committee in its meeting of even date, consented to vary the remuneration structure payable to Mr. Kishor Shah, Managing Director for the period April 1, 2011 to 31<sup>st</sup> March, 2012, within the limits prescribed 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 1(B) to the Companies Act, 1956. The revised remuneration structure payable to Mr. Kishor Shah, Managing Director was approved at the Annual General Meeting held on September 10, 2011.</p> <p>The revised remuneration being paid to Mr. Kishor Shah, Managing Director is stated below:</p> <p><b>a) Remuneration</b></p> <p><b>(i) Salary:</b> Rs. 1,65,000 (Rupees One Lac Sixty Five Thousand only) per month from 1<sup>st</sup> April, 2011 upto March 31, 2012.</p> <p><b>(ii) House Rent Allowance @ 25%</b> (Twenty- five per cent) of the salary.</p> <p><b>(iii) Contribution to Provident Fund @ 12 %</b> (Twelve per cent) of the salary as per the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.</p> <p><b>(iv) Children Education Allowance:</b> Rs. 1,000 (Rupees One Thousand only) per month.</p> <p><b>(v) Annual Flexi Benefit:</b> Reimbursement of expenses towards Medical benefits for self and family, Leave Travel Assistance.</p>

		<p><b>(vi) Gratuity:</b> As per rules of the Company.</p> <p><b>(vii) Personal Accident and Hospitalization Insurance:</b> As per rules of the Company.</p> <p><b>(viii) Leave:</b> Entitled to leave with full pay or encashment, as per the rules of the Company.</p> <p><b>(ix) Conveyance Facilities:</b> 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><b>(x) Telephone and other communication facilities:</b> The Company will provide telephone, mobile, internet facility, telefax and other communication facilities at the Managing Director's residence.</p> <p><b>(xi) Club Memberships:</b> In accordance with the rules of the Company.</p> <p><b>(xii) Ex-gratia Payment:</b> As decided by the Board of Directors from time to time.</p> <p><b>(xiii) Incentive Payment:</b> Rs. 33,000/- per month.</p> <p>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 and contribution to other retirement benefits as may be applicable and perquisites as the Board may decide from time to time.</p> <p><b>b) Overall Remuneration:</b></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 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>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.</p>
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			<p>the rules of the Company.</p> <p><b>(xii) Exgratia/ Incentive Payment:</b> As decided by the Board of Directors from time to time.</p> <p><b>(xiii) Other Perquisites:</b> 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>b)Overall Remuneration:</b></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><b>c) Minimum Remuneration:</b></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>The tenure of Mr. Kishor Shah as Managing Director is for the period 1/04/2009 to 31/03/2012.</p> <p>With the passing of the Special Resolution in the AGM held on September 10, 2011, the Managerial Remuneration is paid as per variation in terms approved.</p>
(F) Management	49(IVF)	Yes	<p>Management Discussion and Analysis Report was the part of Annual Report for the year ended March 31, 2011 and was included in the Annual Report for the year ended March 31, 2011.</p>
(G) Shareholders	49(IVG)	Yes	<p>Mr. Chandranath Mukherjee who retired by rotation at the Annual General Meeting held on September 10, 2011 was re-appointed Director in the said Annual General Meeting.</p> <p>Mr. Chandranath Mukherjee aged about 54 is an Advocate practicing at High Court at Calcutta, Supreme Court, New Delhi with wide experience and knowledge of Financial Market.</p>

<b>V. CEO/CFO Certification</b>	49(V)	Yes	Certificates from CEO forms part of Annual Report for the year ended March 31, 2011.
<b>VI. Report on Corporate Governance</b>	49(VI)	Yes	Corporate Governance Report dated May 27, 2011 for the year ended March 31, 2011 forms part of Annual Report for the year ended March 31, 2011.
<b>VII. Compliance</b>	49(VII)	Yes	For the year ended March 31, 2011 Compliance Certificate dated May 27, 2011 obtained from Statutory Auditor forms the part of the Directors Report for the year ended March 31, 2011.

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 did not raise any proceeds from the public issue, rights issue, preferential issue etc. “N.A.” is indicated against 49 (IVD).
- 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 re-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) Company is in the process of appointing new CFO at the ensuing Board Meeting.
- 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 6, 2012