

ANNUAL REPORT 1999-2000



SMIFS CAPITAL MARKETS LIMITED



SMIFS CAPITAL MARKETS LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Members of SMIFS CAPITAL MARKETS LIMITED will be held on Saturday, the 16th day of September, 2000 at the Registered Office of the Company at 'Vaibhav' 4F, 4, Lee Road, Calcutta - 700 020 at 11.00 A.M. for transacting the following business:

Ordinary Business

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2000, the Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. A. Shah who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. R. Maheshwari who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from conclusion of the Seventeenth Annual General Meeting until conclusion of the Eighteenth Annual General Meeting and to authorise the Board to fix their remuneration.

Special Business

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT pursuant to sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act, the Company does hereby approve the revision and amendment of the terms and conditions as specified in the draft supplemental agreement (submitted to this meeting and initialed, for the purpose of identification, by Mr. Utsav Parekh, Director) of the existing agreement for a period of 5 (five) years with effect from 19.05.1999 between the Company and Mr. William Da'Silva, Executive Director of the Company and the Board of Directors ('Board') be and is hereby authorised to execute such supplemental agreement under its Common Seal.

FURTHER RESOLVED THAT the Board of the Company be and is hereby authorised to alter and vary the terms and conditions of the said appointment and / or remuneration and / or agreement so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modifications that may hereafter be made thereto by the Central Government in that behalf from time to time and any amendment thereto as may be agreed to between the Board and Mr. W. Da'Silva.

FURTHER RESOLVED THAT the Board be authorised to take such steps as may be necessary, proper or expedient to give effect to the resolution."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and the same is hereby altered in the following manner:



- I. **After Article 4 the following new Article 4A be inserted:**
- 4A
- 1) The Company by Special Resolution and subject to any incident authorised and consent required by law may:
 - a. purchase its own shares or other specified securities out of :
 - i. its free reserves, or
 - ii. the securities premium account; or
 - iii. the proceeds of any shares or other specified securities.
 - b. reduce in any manner :
 - i. its share capital .
 - ii. any capital redemption reserve fund.
 - iii. any securities premium account.
 - 2) All the other provisions of Sections 77A, 77AA and 77B of the Act shall be applicable to the Company.
- Power to purchase its own securities.
- II. **After Article 6 the following new Article 6A be inserted:**
- 6A
- Subject to the provisions of Section 79A and other applicable provisions of the Act and rules framed from time to time, the Company may issue sweat equity shares which means equity shares issued by the Company to employees or Directors at a discount or consideration other than cash for providing know-how or making available right in the nature of intellectual property rights for value addition by whatever name called.
- Issue of Sweat Equity Shares.
- III. **After Article 7 the following new Articles 7A, 7B and 7C be inserted:**
- 7A
- Notwithstanding anything contained in these Articles, the Company shall have powers to dematerialise it shares, debentures and other securities to rematerialise the same and to offer and issue new shares, debentures or other securities in a dematerialised form in accordance with the provisions of the Depositories Act, 1996. The rights and obligations of the concerned parties in respect of the shares, debentures and other securities in dematerialised form and all matters connected therewith and / or incidental thereto shall be governed by the provisions of the Depositories Act, 1996 and the relevant provisions of the Act.
- Dematerialisation and re-materialisation of securities.
- 7B
- Every person subscribing to or holding shares, debentures and other securities of the Company shall have the option to receive certificates therefore or to hold the same with a depository in dematerialised form. A beneficial owner, i.e. a person whose name is recorded as such in a depository in respect of the securities can at any time opt out of the depository, if permitted by law and in such a case the Company, shall in the manner and within the time prescribe, issue the required certificates in respect of the subject securities to the beneficial owner.
- 7C(1) (a) Every holder of shares or debentures may at any time nominate in the manner prescribed by the Act, a person to whom his shares in or debentures of the Company shall vest in the event of his death.
- Nomination facility.
- (b) Where the shares in or debentures of the Company are held by more than one person jointly, the joint-holder may together nominate, in the manner prescribed under the Act, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint-holders.



- (c) Notwithstanding anything contained in any law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the shares or debentures where a nomination made in the manner prescribed under the Act proposed to confer on any person the right to vest in the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or the debenture holder concerned or on the death of the joint-holder, become entitled to all the rights in relation to such shares or debentures to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.
- (d) Where such nominee is a minor, the holder of the shares or debentures to make the nomination in favour of such minor shall appoint, in the manner prescribed under the Act, any person to become entitled to the shares or debentures in the event of his death till such time as the minor attains majority.

Transmission in case of nomination.

7C(2) (a) Any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, upon the production of such evidence as may be required by the Board and subject as hereinafter provided may elect either -

- i) to register himself as the holder of the shares or debentures; or
- ii) to make such transfer of the shares or debentures as the deceased shareholder or debenture holder could have made.

(b) If the person being a nominee, so entitled, elects to be registered as the holder of the shares or debentures himself, he shall deliver or send to the Company a notice in writing duly signed by him stating that he so elects and such notice shall be accompanied by death certificate of the deceased shareholder / debenture holder.

(c) All the limitations, restrictions and provisions of the Act relating to the right to transfer and the registration of transfer of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were signed by the shareholder or debenture holder, as the case may be.

(d) A person being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends / interest and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not before being registered as a member in respect of his shares or as a holder of the debentures, be entitled to exercise any rights conferred by membership in relation to meetings of the Company.

Provided that the Board may at any time give notice requiring any such person to elect either to register himself or to transfer the shares or debentures and if such notice is not complied with within ninety days, the Board may thereafter keep in hold payments of all dividends / interests, bonuses or other money payable in respect of the shares or debentures until the requirements of the notice have been complied with.

Nomination for Fixed Deposits.

7C(3) A depositor may at any time, make a nomination and the provisions of Sections 109A and 109B of the Act shall as far as may be, apply to the nominations made pursuant to the provisions of Section 58A (11) of the Act.

IV. Article 10 be deleted and new Articles 10(1) and 10(2) be inserted:

Power to borrow.

10(1) A. Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have power from time to time at their discretion to accept deposits from members of the Company either in



advance of calls or otherwise and generally to raise or borrow or secure the payment of any sum(s) of money for the purpose of the Company; provided that the aggregate of the amount raised, borrowed or secured at any time together with the money already borrowed by the Company (apart from the temporary loans obtained from the Bank outstanding and un-discharged at that time) shall not without the consent of the Company in General Meeting, exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserve not set apart for any specific purpose.

- | | | |
|----|--|--|
| B. | Subject to the provisions of the Act and these Articles the Directors may by a resolution at a meeting of the Board (and not by circular resolution) raise and secure the payment of such sum on such manner and upon such terms and conditions in all respect as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures, convertible debenture, debenture stock, or any mortgage or charge or other security on the undertaking or on the whole of any part of the property of the Company (both present and future) including its uncalled capital for the time being. | Conditions under which money may be borrowed. |
| C. | Any bond, debenture stock or other security issued or to be issued by the Company shall be under the control of the Board who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company. | Bonds, debentures, etc. to be subject to control of Board. |
| D. | Debentures, debenture stock, bonds of other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued. | Securities may be assignable free from equities. |
| E. | Subject to the provisions of the Act and these Articles, bonds, debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending and voting at General Meetings, appointment of Directors and otherwise; provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting. | Issue of securities at discount etc. or with special privileges. |
| F. | If an uncalled capital of the Company is included in or charged by any mortgage or other security by the Directors, the Board shall, subject to the provisions of the Act and these Articles, make call on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed or is permitted by the Act may, by instrument under the Seal, authorise the person in whose favour such mortgage or security is executed or any other person in trust for him, to receive monies on calls on the members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Directors' powers or otherwise and shall be assignable if expressed so to be. | Mortgage of uncalled capital. |
| G. | Subject to the provisions of the Act and these Articles if the Directors or any of them or any other person shall incur or be about to incur any liability whether as principal or surety to the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security of effecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person to becoming liable as aforesaid from any loss in respect of such liability. | Indemnity may be given. |



Register of Mortgage etc. to be kept.	H.	A proper Register of Mortgages and charges shall be kept by the Company under Section 143 of the Act and the provisions of Sections 125 and 127 to 144 shall be duly complied with in respect of all mortgages and charges and the satisfaction thereof. The Company shall if at any time issue Debentures, keep a Register and Index of debenture holders in accordance with Section 152 of the Act.
Power to make loan, provide guarantee and to make investments.	10(2)	Subject to Section 372A and other applicable provisions of the Companies Act, 1956 and provisions of these Articles the Company shall make loans to any other body corporate, give any guarantee or provide security in connection with the loan by any other person to, or to any other person by, any body corporate or acquire, by way of subscription, purchase or otherwise the securities of any other body corporate.
	V.	After Article 15, the following new Articles 15A, 15B, 15C and 15D be inserted:
	15A	Subject to the provisions of the Companies Act, 1956 and these Articles, the Board shall have power to appoint Committee(s) for performing such acts and deeds that may be delegated to such Committee(s) which shall meet such number of times that may be required. Quorum for such meetings shall be a minimum of 2 (two) Directors personally present.
	15B	A Director shall not be a member of more than ten committees or as Chairman of more than five committees across all companies in which he is a Director.
	15C	The Board shall meet at least four times in a calendar year with one meeting being held in each quarter, the time gap between two meetings shall not be more than 4 (four) months and may adjourn and otherwise regulate its meetings and proceedings as it thinks fit. Notice of every meeting of the Board shall be given to every Director for the time being in India and at his usual address in India to every other Director. Unless otherwise determined from time to time and at any time by consent of all the Directors for the time being in India, meetings of the Board shall take place at the Registered Office of the Company.
	15D	The Board shall consider inter-alia agenda that may be approved by the Chairman or the Executive Head in the absence of the Chairman of the Company. However, the following agenda apart from any other agenda that may be required to be taken up, shall be considered in the Board Meeting held during each financial year: <ul style="list-style-type: none"> i) Annual operating plans and budgets any up-dates. ii) Capital budgets and any up-dates. iii) Quarterly results for the Company and its operating divisions or business segments. iv) Minutes of meetings of Audit Committee and other committees of the Board. v) The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary. vi) Show cause, demand, prosecution notices and penalty notices which are materially important. vii) Fatal or serious accidents, dangerous, occurrences, any material effluent or pollution problems.



- viii) Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- ix) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- x) Details of any joint venture or collaboration agreement.
- xi) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- xii) Significant labour problems and their proposed solutions. Any significant development in human resources industrial relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- xiii) Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- xiv) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- xv) Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

VI. Articles 22 and 23 to be amended :

Articles 22 and 23 to be amended and in Article 22 after the words, 'provisions of', the word, 'Section' shall be read as 'Sections' and the following figures shall be inserted before the figure, '316', '197A, 198, 266, 267, 269, 309, 310, 311', and after the figure '317', the words and figure, 'and Schedule XIII' be added and in Articles 22(a), 22(b) and 23 the words, 'and/ or Whole-Time Director' shall be inserted after the words, 'Managing Director or Manager' [Article 22(a)] and after the words, 'Managing Director' [Articles 22(b) and 23] wherever the words appear in the Articles.

VII. After Article 31 the following new Article 31A be inserted:

- | | | |
|-----|---|------------------|
| 31A | <ul style="list-style-type: none"> i) An independent Audit Committee shall be set up and that : <ul style="list-style-type: none"> a. The Audit Committee shall have minimum three members, all being non-executive Directors, with the majority of them being independent and with atleast one Director having financial and accounting knowledge. b. The Chairman of the Committee shall be an independent Director. c. The Chairman shall be present at the Annual General Meeting to answer shareholder queries. d. The Audit Committee shall invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Finance Director, the head of Internal Audit and when required, a representative of the external auditor shall be present as invitee for the meetings of the Audit Committee. e. The Secretary of the Company shall be the Secretary to the Committee. | Audit Committee. |
|-----|---|------------------|



- ii) The Audit Committee shall meet at least thrice a year. One meeting shall be held before finalisation of annual accounts and one every six months. The quorum shall be either two members or one third of the members of the Audit Committee, whichever is higher and minimum of two independent Director.
- iii) The Audit Committee shall have powers which shall include the following:
 - a. to investigate any activity within its terms of reference;
 - b. to seek information from any employee;
 - c. to obtain outside legal or professional advice;
 - d. to secure attendance of outsiders with relevant expertise, if it considers necessary.
- iv) The Company agrees that the role of the Audit Committee shall include the following :
 - a. 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.
 - b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
 - c. Reviewing with management the annual financial statements before submission to the Board focusing primarily on:
 - i) any changes in accounting policies and practices;
 - ii) major accounting entries based on exercise of judgement by management;
 - iii) qualifications in draft audit report;
 - iv) significant adjustments arising out of audit;
 - v) the going concern assumptions;
 - vi) compliance with accounting standards;
 - vii) compliance with stock exchange and legal requirements concerning financial statements;
 - viii) any related party transactions, i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of the Company at large.
 - d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
 - e. Reviewing the adequacy of internal audit function, 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.



- f. Discussion with internal auditors any significant findings and follow-up there.
- g. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting to the Board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

VIII. After Article 34 the following new Article 34A be inserted :

- 34A (1) Where dividends declared by the Company have not been paid or the warrants in respect thereof have not been posted within forty two days from the date of the declaration to any shareholder entitled to the payment of the dividend, the Company shall, within seven days from the expiry of the said period of forty two days, transfer the amount of dividend which remains unpaid or in relation to which no dividend warrants have been posted to a special account called the Unpaid Dividend Account to be opened by the Company on behalf of any such shareholders in any Scheduled Bank according to the provisions of Section 205A of the Act.
- (2) Any money transferred to the Unpaid Dividend Account of the Company which remain unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government in pursuance of sub-section (1) of Section 205C of the Act.
- (3) Subject to the provisions of Section 205C of the Act, apart from the provisions in respect of unpaid dividend appearing in Article 34A(1) and (2) there shall be credited to the Fund the following accounts namely:
- (a) The application monies received by the Company for allotment of any securities and due for refund.
 - (b) Matured deposits with the Company.
 - (c) Matured debentures with the Company.
 - (d) The interest accrued on the amounts referred to above.
 - (e) Grants and donations given to the Fund by the Central Government, State Governments, companies or any other institutions for the purpose of the Fund.
 - (f) The interest or other income received out of investments made from the Fund.
- Provided that no such amounts referred to in clause (a) to (c) shall form a part of the Fund unless such amounts have remained unpaid for seven years from the date they become due for payment.

Unpaid
Dividend.



7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT the Corporate Guarantee provided by the Company vide resolution passed in the Board Meeting held on 29.4.2000, for SMIFS Securities Limited, upto Rs. 5,00,00,000/- (Rupees Five crore only) in favour of UTI Bank Ltd., Fort Branch, Mumbai, be and is hereby ratified."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT the Continuing Corporate Guarantee provided by the Company vide resolution passed in the Board Meeting held on 29.4.2000, for SMIFS Securities Limited, upto Rs. 5,00,00,000/- (Rupees Five crore only) plus commission, costs, interest charges and all other monies payable thereunder in favour of HDFC Bank Ltd., Worli, Mumbai, be and is hereby ratified."

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT the Corporate Guarantee provided by the Company vide resolution passed in the Board Meeting held on 29.7.2000, in supersession of all earlier guarantees, for SMIFS Securities Limited, upto Rs. 10,00,00,000/- (Rupees Ten crore only) in favour of UTI Bank Ltd., Fort Branch, Mumbai, be and is hereby ratified."

By order of the Board of Directors
(S. C. PAL)

Company Secretary-cum-Vice President (Legal)

Date : 12.08.2000

Regd. Office :

'Vaibhav' 4F, 4, Lee Road
Calcutta - 700 020



Notes :

- A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. Proxies, in order to be effective, must be received by the Company at 'Vaibhav' 4F, 4, Lee Road, Calcutta - 700 020 not less than forty-eight hours before the start of this Annual General Meeting.
- Members are requested to notify any change in their address immediately to the Company at 'Vaibhav' 4F, 4, Lee Road, Calcutta 700 020 or to the Registrars M/s. Maheshwari Datamatics Pvt Ltd., 6, Mangoe Lane, Calcutta 700 001.
- Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate(s) to the Company at its Registered Office for consolidation of all such shareholdings into one account to facilitate better service.
- Members are requested to notify any change in their address / mandate / bank details immediately at the Registered Office of the Company.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 13.09.2000 to 16.09.2000 (both days inclusive).
- The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.