

**ANNUAL REPORT 2001 - 2002**

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**SMIFS CAPITAL MARKETS LIMITED**

## SMIFS CAPITAL MARKETS LTD.

## NOTICE

NOTICE is hereby that the Nineteenth Annual General Meeting of the Members of SMIFS CAPITAL MARKETS LIMITED will be held on Saturday, the 28<sup>th</sup> day of September, 2002 at the Registered Office of the Company at 'Vaibhav' - 4F, 4, Lee Road, Kolkata - 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 31<sup>st</sup> March, 2002 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. P. V. S. Raju who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of the Nineteenth Annual General Meeting until conclusion of the Twentieth Annual General Meeting and to authorise the Board to fix their remuneration.

**SPECIAL BUSINESS**

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
RESOLVED THAT Mr. Kishor Shah who holds office as an Additional Director with effect from 31.01.2002 under section 260 of the Companies Act, 1956 and Article 28 of the Articles of Association of the Company and who holds office upto the Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Kishor Shah for the office of Director be and is hereby appointed a Director of the Company whose period of office will be liable to retire by rotation.
5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:  
RESOLVED THAT subject to Section 372A and other applicable provisions of the Companies Act, 1956 the Corporate Guarantee provided by the Company vide Board resolution passed on 31.01.2002 for SMIFS Securities Limited, ('SSL') upto Rs. 150,000,000/- (Rupees Fifteen crores only) in favour of HDFC Bank Ltd., Sandoz House, Dr. Annie Besant Road, Worli, Mumbai - 400 018 be and is hereby ratified.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:  
APPOINTMENT OF MR. UTSAV PAREKH AS EXECUTIVE CHAIRMAN  
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 of the Act, Mr. Utsav Parekh be and is hereby appointed as Executive Chairman of the Company for a period of 3 (three) years with effect from 01.08.2002 without remuneration, and shall be liable to retire by rotation, on the terms and conditions as specified in the draft agreement (submitted to this meeting and initialed, for the purpose of identification, by Mr. William Da'Silva, Executive Director) to be entered into between the Company and Mr. Utsav Parekh and the Board of Directors ('Board') be and is hereby authorised to execute such 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 so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including statutory modifications, if any.  
FURTHER RESOLVED THAT the Board be authorised to take such steps as may be necessary, proper or expedient to give effect to the resolution.
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:  
RESOLVED THAT the Company hereby accords its approval pursuant to Section 183 of the Companies Act, 1956 to keep the Register of Members, Index of Members and other records and documents in respect of the shares and securities held in physical form at the office of M/s Maheshwari Datamatics Pvt. Ltd., 6, Mango Lane, Kolkata - 700 001, a SEBI registered Share Transfer Agent, appointed in accordance with SEBI (Registrar to an Issue and Share Transfer Agents) Rules, 1993.

Date : 27.07.2002  
Regd. Office  
'Vaibhav' 4F, 4, Lee Road  
Kolkata - 700 020.

By order of the Board  
(S. C. PAL)  
Company Secretary - cum - Vice President (Legal)

**NOTES:-**

1. A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote instead of himself and the 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, Kolkata - 700 020 not less than forty-eight hours before the start of this Annual General Meeting.
2. Members are requested to notify any change in their address / mandate / bank details immediately to the Company at 'Vaibhav' 4F, 4, Lee Road, Kolkata - 700 020 or to the Registrars, M/s. Maheshwari Datamatics Pvt Ltd., 6, Mangoe Lane, Kolkata - 700 001.
3. 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.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 15.09.2002 to 28.09.2002 (both days inclusive).
5. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
6. Depository System - The Company, consequent to introduction of the Depository System, entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Members, therefore, now have the option of holding and dealing in shares of the Company in electronic form through NSDL or CDSL. Effective 26<sup>th</sup> December, 2000 trading in shares of the Company on any Stock Exchange is permitted only in dematerialised form.
7. Individual shareholders can now take the facility of nomination. The nominee shall be the person in whom all rights of transfer and / or amount payable in respect of shares shall lie, in the event of the death of the shareholder and the joint holder(s), if any. A minor can be a nominee provided the name of the Guardian is given in the Nomination Form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. For further details in this regard shareholders may contact Maheshwari Datamatics Pvt. Ltd., Registrars and Share Transfer Agents.
8. Members are requested to quote their account / folio numbers and in case their shares are held in dematerialised form, they must quote their Client ID Number and DP ID Number.
9. Serial no. 5 being the Special Business requires consent of shareholders through postal ballot. Postal Ballot Form along with instructions in self-addressed envelope is enclosed.
10. The Postal Ballot Forms should reach the address of the Scrutinizer given in the self addressed stamped envelope not later than 24/09/2002.
11. Members / Proxies should bring attendance slip sent herewith duly filled in, for attending the meeting.
12. As a measure of economy copies of the Annual report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4**

Mr. Kishor Shah was appointed as an Additional Director of the Company w.e.f. 31.01.2002 in accordance with Section 260 of the Companies Act, 1956 and Article 28 of the Articles of Association of the Company. He holds office upto the forthcoming Annual General Meeting and is eligible for appointment. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. Kishor Shah as Director of the company.

Your Directors recommend the resolution for your approval.  
Except Mr. Kishor Shah, no other Director is interested in the proposed resolution.

**Item No. 5**

Your Company is engaged in activities in the securities market and at the request of SMIFS Securities Limited, (SSL) which was a subsidiary of your Company upto 27.12.1999, the Board of Directors passed a resolution on 31.01.2002 providing Corporate Guarantee upto Rs. 150,000,000/- (Rupees Fifteen crores only) to HDFC Bank Ltd., Sandoz House, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

SSL is a member of NSE, BSE, CSE and OTCEI and intends to utilise the limit for their operations to increase its profitability which would benefit your Company as the present shareholding of your Company in SSL is 49.75% of the paid-up equity share capital of the Company.

Your Directors recommend the ratification of the Board resolution passed on 31.01.2002 as required by Section 372A of the Companies Act, 1956, the resolution is proposed to be passed as a Special Resolution.

Pursuant to the Companies (Passing of the resolution by Postal Ballot Rules, 2001) the resolution is proposed to be passed through postal ballot and the rules framed thereunder have been complied.

Sri U. Parekh, and Sri P.V.S. Raju are Directors of SSL. The other Directors of your Company are not personally interested in the resolution.

Item Nos. 6

Mr. Utsav Parekh is a Director of the Company since 28.05.1990. In the Remuneration Committee meeting and Board Meetings held on 29.06.2002 and 27.07.2002 respectively, the appointment was considered and subject to the approval of shareholders Mr. Utsav Parekh was appointed Executive Chairman with effect from 1<sup>st</sup> August, 2002 for 3 (three) years, being liable to retire by rotation.

Mr. Utsav Parekh is also the Executive Chairman of SMIFS Capital Services Limited, a wholly-owned subsidiary of your Company. Mr. Parekh has over 20 years experience in the securities market as a Stock Broker. He is director of other companies also.

Mr. Parekh's experience will be beneficial for the Company's business. As Executive Chairman, Mr. Parekh will be devoting considerable time and attention to the business of the Company.

As agreed no remuneration will be paid to Mr. Parekh from the Company and pursuant to sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII to the Act, the remuneration to be received from SMIFS Capital Services Limited will not exceed the limit fixed by Schedule XIII. The resolution is put before you for approval as a Special Resolution.

This may be considered as an abstract of terms of contract with Mr. Utsav Parekh, Executive Chairman, pursuant to the provisions of section 302 of the Companies Act, 1956.

The draft agreement to be entered into by the Company with Mr. Utsav Parekh is available for inspection at the Registered Office of the Company between 10 a.m. and 1.00 p.m. on any working day.

Your Directors recommend the resolution for your approval.

Except Mr. Utsav Parekh, no other Director is interested in the proposed resolution.

Item No. 7

Pursuant to Section 163 of the Companies Act, 1956, the Company is required to keep its Register of Members, Index of Members and copies of all Annual Returns etc. at its Registered Office. However, the Act provides that a Company by passing a Special Resolution may keep these documents at any other place within the city, town or village where the Registered Office is situated. The resolution is being passed to take the approval of the members to keep the records relating to physical form of shares at the office of M/s Maheshwari Datamatics Pvt. Ltd., Registrar and Share Transfer Agents. An advance copy of this Resolution will be forwarded to the Registrar of Companies, West Bengal for their intimation and record.

The Board recommends the passing of this Special Resolution.

None of the Directors is interested in the resolution.

Date: 27.7.2002

Regd. Office:

'Vaibhav' 4F, 4, Lee Road

Kolkata - 700 020

By order of the Board

(S. C. PAL)

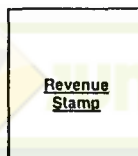
Company Secretary - cum - Vice President (Legal)

PROXY FORMSMIFS CAPITAL MARKETS LIMITED

Regd. Office: 'Vaibhav' 4F, 4 Lee Road, Kolkata - 700 020

I / We ..... of ..... In the district of ..... being a member / members of the above named Company hereby appoint ..... of ..... In the district of ..... or failing him ..... of ..... in the district of ..... as my / our Proxy to vote for me/us and on my / our behalf, at the Nineteenth Annual General Meeting of the Company to be held on Saturday, the 28<sup>th</sup> day of September, 2002 at 11.00 A.M. and at any adjournment thereof.

Signed this ..... day of ..... 2002.



.....  
(Member's Signature)

Note: The Proxy and the Power of Attorney (if any) under which it is signed or a notarially certified copy of that Power of Attorney must be deposited at the Registered Office of the Company at 'Vaibhav' 4F, 4 Lee Road, Kolkata - 700 020, forty eight hours before the aforesaid Meeting.

SMIFS CAPITAL MARKETS LIMITED

Regd. Office: 'Vaibhav' 4F, 4, Lee Road, Kolkata - 700 020

ATTENDANCE SLIP

Name of the Attending Member/Proxy\* (in block letters) .....

Member's Folio No. / DP ID no. ....

No. of Shares held .....

I hereby record presence at the Nineteenth Annual General Meeting

.....  
Member's / Proxy Signature

\* Please strike off whichever is not applicable

\*\* To be signed at the time of handing over this slip

Note:

(1.) To be handed over, duly filled in, at the Entrance of the Meeting Hall.

(2.) Shareholders / Proxy holders desiring to attend the meeting should bring a copy of the annual Accounts.

**BOARD OF DIRECTORS**

Mr. R. Maheshwari

Mr. U. Parekh

Mr. P.V.S. Raju

Mr. K. Shah

Mr. W. Da'Silva, *Executive Director*

**COMPANY SECRETARY-CUM-VICE PRESIDENT (Legal)**

Mr. Saibal Chandra Pal

**AUDITORS**

R. P. Dalmia & Co., *Chartered Accountants*

**BANKERS**

ABN AMRO Bank

HDFC Bank Ltd.

UTI Bank Ltd.

American Express Bank Ltd.

State Bank of India

Citibank N.A.

IndusInd Bank Ltd.

ICICI Banking Corporation Ltd.

Standard Chartered Grindlays Bank

**REGISTERED OFFICE**

Vaibhav-4F, 4, Lee Road, Kolkata -700 020

**BRANCH OFFICES**

Bangalore, Chennai, Hyderabad,

Mumbai, New Delhi.

**REGISTRARS**

Maheshwari Datamatics Pvt. Ltd

6, Mangoe Lane (2F), Kolkata 700001

Ph: (033) 2435039/2435809 (fax) 2484787

Email [mdpl@cal.vsnl.net.in](mailto:mdpl@cal.vsnl.net.in)

**SMIFS CAPITAL MARKETS LIMITED****DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2002.

**FINANCIAL HIGHLIGHTS**

	Year ended 31.03.2002	(Rupees in Million) Year ended 31.03.2001
Profit before Interest, Depreciation / Lease Equalisation & Tax	169.20	123.68
Less: Interest	91.04	21.62
Profit before Depreciation / Lease Equalisation & Tax	78.16	102.06
Less: Depreciation / Lease Equalisation	32.43	42.79
<b>Profit before Tax</b>	<b>45.73</b>	<b>59.27</b>
Less: Provision for Tax – Current /Deferred Tax	5.69	0.03
Add : Deferred tax / short provision for earlier years	17.76	-
<b>Profit after Tax</b>	<b>57.80</b>	<b>59.24</b>
Transfer to Reserve Fund	8.43	-
Transfer to Debenture Redemption Reserve	27.15	2.85
Deferred Tax credit adjustment on initial adoption transfer to General Reserve	17.76	-
<b>Profit carried to Balance Sheet</b>	<b>4.46</b>	<b>-</b>

Operating Profit increased from Rs.123.68 million to Rs. 169.20 million, an increase of 36.80% over the previous year. However, Profit before tax reduced from Rs.59.27 million to Rs.45.73 million in view of the sharp increase in interest cost during the year under review. Your company is taking necessary steps in the current year to reduce the interest cost.

**DIVIDEND**

In order to conserve cash resources, no dividend is being recommended on equity shares.

**YEAR IN RETROSPECT AND FUTURE GROWTH**

Your Company is a Category I Merchant Banker registered with the Securities and Exchange Board of India (SEBI). As directed by SEBI, all registered Merchant Bankers, with effect from 1<sup>st</sup> July 1998, have been prohibited from engaging in any activities, which are not related to the securities market. Accordingly, your Company has discontinued w.e.f. 1<sup>st</sup> July 1998, fund based activities viz., Leasing, Hire Purchase, Lending and Bill Discounting. However, agreements / contracts / obligations outstanding as on 30<sup>th</sup> June 1998, related to the said activities are being honoured until maturity.

During the year, your Company was appointed Managers to four open offers under the SEBI Takeover Code. Further, the Company was also appointed Manager to one buy back offer made under the SEBI Buy Back Regulations. This performance should be viewed in the context of a sharp decline in the public offerings due to depressed market sentiments. Your Company also mobilized resources for an upcoming FMCG Company by private placement of its shares. Merchant Banking activities related to the Securities market, especially Mergers, Acquisitions, Loan Syndications and Corporate Advisory Services, shall continue to be the main thrust areas of your Company.

**PUBLIC DEPOSITS**

Your Company discontinued acceptance of Public Deposits w. e. f. 15.7.1997 and complied with the rules applicable thereto. As on 31<sup>st</sup> March 2002, un-matured Public Deposits amounted to Rs. 0.10 million (previous year Rs. 2.08 million). Unclaimed Public Deposits amounted to Rs. 1.38 million (previous year Rs. 0.24 million). Against the un-matured as well as unclaimed deposits aggregating to Rs. 1.55 million (including interest thereon till the date of maturity), the Company has invested in Government Securities an aggregate sum of Rs. 2.50 million (Face Value). There was no failure to make repayments of public deposits on maturity and the interest due thereon in terms of the conditions of your Company's schemes. Reminders have been sent to persons who did not claim repayment of their deposits which had become due, amounting to Rs. 1.38 million including interest.

**LISTING OF SECURITIES OF THE COMPANY**

The equity shares of the Company continue to be listed on the Stock Exchanges at Calcutta and Mumbai, and the listing fees for the year 2001-02 have been paid.

The equity shares of the company have been compulsorily dematerialized with effect from 26.12.2000.

**SUBSIDIARIES**

As on 31.03.2002, the Company had two wholly owned subsidiaries, SMIFS Venture Capital Limited and SMIFS Capital Services Limited. The Statement pursuant to Section 212 of the Companies Act, 1956, relating to their Annual Accounts forms a part of the

Company's Annual Report. Application submitted to the SEBI for registration of SMIFS Venture Capital Limited for registration as a Venture Capital Company within the meaning of SEBI (Venture Capital Funds) Regulations, 1996 is pending approval by SEBI.

SMIFS Capital Services Limited has been incorporated to undertake inter-alia merchant banking functions. The application for registration as Category I Merchant Banker submitted under the SEBI (Merchant Bankers) Regulations, 1992 is pending approval by SEBI.

#### **CORPORATE GOVERNANCE**

Your Company is required to comply with the Corporate Governance Code prescribed by the Stock Exchanges for the current financial year 2001-02. The Company has complied with the Corporate Governance Code prescribed by the Stock Exchanges during the current financial year.

Corporate Governance and Management Discussion and Analysis Reports as well 'as' Corporate Governance Compliance Certificate are set out in separate Annexure to this report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required by the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is attached as Annexure - A, forming part of their report.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars required to be furnished by the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, under the heads: (a) Conservation of Energy; and (b) Technology, are not applicable to the Company.

Foreign Exchange earning during the year was Nil (previous year Rs. 0.46 million) and outgo Rs. 0.95 million (Rs.2.19 million in the previous year).

#### **DIRECTORS**

Mr. P. V. S. Raju, Director retires by rotation in accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company and being eligible offers himself for re-appointment.

Mr. S. A. Shah and Mr. Kamal Parekh resigned with effect from 18.08.2001. The Board places on record its sincere appreciation of the valuable contribution made by Mr. S. A. Shah, as Chairman of the Company. The Board also placed on record its sincere appreciation of the services rendered by Mr. Kamal Parekh as Director.

Mr. Ajay Kumar Kayan resigned from the Board with effect from 11.12.2001. The Board also wishes to place on record its sincere appreciation of the valuable contribution made by Mr. Ajay Kumar Kayan as Director.

Mr. Kishor Shah was appointed as Additional Director in the Board Meeting held on 31.01.2002 and he vacates office at the Annual General Meeting.

The Company has received a notice in writing from a member of the Company under section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Kishor Shah as a Director of the Company. Resolution for his appointment as Director is being included in the notice for the forthcoming Annual General Meeting.

#### **AUDITORS**

M/s. R. P. Dalmia & Co., Chartered Accountants, who retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

#### **PARTICULARS OF EMPLOYEES**

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are enclosed.

#### **ACKNOWLEDGEMENTS**

The Board of Directors place on record their gratitude for the co-operation, patronage and support received from corporate customers, the Reserve Bank of India, the Securities Exchange and Board of India (SEBI), Financial Institutions, Banks and Merchant Bankers.

On behalf of the Board

(W. DA'SILVA)  
**EXECUTIVE DIRECTOR**

(U. PAREKH)  
**DIRECTOR**

Place : Kolkata

Date: The 29<sup>th</sup> day of June 2002

**Regd Office:**

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



**ANNEXURES TO DIRECTORS' REPORT****ANNEXURE 'A'****DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanations relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of the knowledge and ability of the Directors.
4. The Directors had prepared the Annual Accounts on a going concern basis.

On behalf of the Board

(W. DA'SILVA)  
**EXECUTIVE DIRECTOR**

(U. PAREKH)  
**DIRECTOR**

Kolkata,  
The 29<sup>th</sup> day of June 2002

**ANNEXURE 'B'**

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2002

Name	Age (Yrs) & Designation	Remuneration Received	Qualification	Experience (Yrs)	Date of joining	Details of last Employment
Mr. William Da'Silva	50 Yrs, Executive Director	Rs.1,376,035	B. A. (Hons), CAIIB	27 Years	19.05.1994	SBI Capital Markets Limited

**Note:**

1. The appointment of Mr. William Da'Silva is on contractual basis.
2. Mr. Da'Silva is not related with any of the Directors.
3. The appointment of Mr. Da'Silva was renewed for a further period of 5 (Five) years effective from 19.05.1999.
4. Contribution to gratuity fund has been made on a group basis and separate figure applicable is not available. Contribution to gratuity fund has not been taken into account.

On behalf of the Board

(W. DA'SILVA)  
**EXECUTIVE DIRECTOR**

(U. PAREKH)  
**DIRECTOR**

Kolkata  
The 29<sup>th</sup> day of June 2002

**ANNEXURE-C****MANAGEMENT DISCUSSION AND ANALYSIS**

The financial year 2001-02 was a challenging year for your Company in view of the prevalent recessionary conditions all around. However, your Company could execute some prestigious assignments for leading companies. In the current year, your Company's focus would be to get more such assignments and execute them.

**INDUSTRY DEVELOPMENTS**

The stock markets remained depressed during the year and BSE sensex reached an eight year low of 2600 points immediately after the terrorist attack on World Trade Center on 11<sup>th</sup> September, 2001. The markets remained depressed in the last quarter of the year due to continuing border tension between India and Pakistan and the fear of war between the two countries. However, the stock markets have started recovering in the current year and barring unforeseen circumstances, the markets are expected to perform well in the current year as valuations are attractive.

**BUSINESS OPPORTUNITIES AND THREATS****Business Opportunities**

Despite the turmoil in the Indian stock markets, the Government has carried reforms process forward especially in relation to the markets. International practices like dematerialisation of stock exchanges, rolling settlements, derivative instruments like options and futures have been introduced. Stricter controls on insider trading and better mechanism for tracking irregular stock price movements

will help to raise investor confidence. While the short-term impact of these actions may be debated upon, the longer benefits are not in doubt.

The economy is poised to grow at around 3 % in the current year and your Company expects the stock markets to perform well. Many companies are also expected to tap the capital market with large issues. The disinvestment of Public Sector units is also expected to give a fillip to the business of your Company.

#### **Threats**

Most of the competitors of your Company have international affiliations or are a part of large global network. To compete, it has become necessary for your Company also to look for such an alliance.

#### **FULFILLMENT OF RBI NORMS AND STANDARDS**

The Company continues to fulfill all the norms and standards laid down by the Reserve Bank of India pertaining to non-performing assets, capital adequacy, and statutory liquid ratio.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The internal Control Systems are aimed at promoting operational efficiencies while emphasizing adherence to policies.

The Company has an exclusive team for Internal Audit dedicated to ensure that:

- Systems are designed with adequate internal controls commensurate with the size and nature of operations.
- Transactions are executed in accordance with the Company's policies and authorizations.
- Assets are safeguarded and deployed in accordance with the Company's policies and authorizations.
- Management Information Systems (MIS) is the backbone of our control mechanism. Clearly defined roles and responsibilities down the line for all managerial positions have been institutionalized. All operating parameters are monitored and controlled.
- Any material change in the business outlook is reported to the Board. An effective budgetary control on all capital expenditure ensures that actual spending is in line with the capital budget.

#### **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing your Company's position and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied.

On behalf of the Board

(W. DA'SILVA)  
**EXECUTIVE DIRECTOR**

(U. PAREKH)  
**DIRECTOR**

Kolkata,  
The 29<sup>th</sup> day of June 2002

**ANNEXURE -D**

#### **REPORT ON CORPORATE GOVERNANCE**

The Securities and Exchange Board of India (SEBI) introduced a Code on Corporate Governance to be adopted by listed Companies and for which purpose the Listing Agreement with the Stock Exchanges have been amended by inserting clause 49 thereto.

#### **COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Our corporate governance policies recognize the accountability of the Board and the importance of its decisions to all our constituents, including investors, employees and the regulatory authorities and to demonstrate that the shareholders are the cause of and ultimate beneficiaries of our economic activities. The Company firmly believes in the value of transparency, professionalism and accountability in its dealings with its customers, dealers, employees, and shareholders and with every individual who comes in contact with the Company. The functions of the Board and the executive management are well defined and are distinct from one another. We have taken a series of steps including the setting up of sub-committee of the Board to oversee the functions of executive management.

The company was required to mandatorily comply with the code of corporate governance by 31.03.2002 and the compliance of the code was adhered to within the time limit.

#### **BOARD OF DIRECTORS**

Our Board comprises of five members and is responsible for the management of the business. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board include:

- approving corporate philosophy and vision;
- formulation of strategic and business plans;
- reviewing and approving financial plans and budgets;
- monitoring corporate performance against strategic and business plans, including overseeing operations;
- ensuring ethical behavior and compliance with laws and regulations;



- reviewing and approving borrowing limits;
- formulating exposure limits; and
- keeping shareholders informed regarding plans, strategies and performance.

To enable the Board to discharge its responsibilities effectively, the executive management places detailed reports on our performance on a quarterly basis.

Management Discussion and Analysis Report, which forms a part of this Annual Report, is given by means of a separate annexure and is attached to the Directors' Report.

During the year, five Board Meetings were held on 30.04.2001, 30.07.2001, 18.08.2001, 20.10.2001 and 31.01.2002. None of the Directors on the Board are members in more than ten committees across all companies in which they are Directors.

*The composition of the Board, attendance at Board Meetings held during the year and at the last Annual General Meeting, number of Directorships in other public Companies and Committees across various public Companies of which the Director is a Member / Chairman are given below:*

Name of the Director	Category	Year 2001-2002 Attendance at Board Meetings	Year 2001-2002 Attendance at last AGM	No. of outside Directorship	Committee position - Member	Committee Position - Chairman
Utsav Parekh	Promotor Director	4	Yes	9	6	2
Ramesh Maheshwari	Independent Director	5	No	4	2	1
P. V. S. Raju	Independent Director	1	Yes	4	2	1
Kishor Shah	Director (Whole-Time Director of Wholly-owned subsidiary, SCSL)	1	NA (Appointed Director on 31/01/2002)	1	3	1
William Da'Silva	Executive Director	3	No	1	2	-

The present Board comprises of five members out of which one is an Executive Director (ED). Two Directors on the Board are independent Directors who have no business and / or professional relationship with the Company. The Non-Executive Directors (NEDs) with their diverse knowledge, experience and expertise bring in independent judgment in the deliberations and decisions of the Board. The Board does not have a permanent Chairman. During the year Mr. Kishor Shah was appointed the Additional Director.

#### 1. AUDIT COMMITTEE

The Company complies with the listing agreements with Stock Exchanges and provisions of Section 292A of the Companies Act, 1956, pertaining to the Audit Committee and its functioning.

The Audit Committee was constituted on 30.01.2001. The Audit Committee meets thrice in the following pattern. One meeting is held before finalisation of annual accounts and other meetings are held within a gap not extending six months. During the financial year ended 31.03.2002, the Audit Committee met on the following dates:

- 30.04.2001
- 18.08.2001
- 29.09.2001
- 31.01.2002

The Audit Committee has been vested with the following powers:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### **Term of reference**

- 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.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :-
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.

- Compliance with stock exchange and legal requirements concerning financial statements.
  - 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 interests of Company at large.
- d. Review of the Company's financial reporting process, the financial statements and financial / risk management policies.
- e. Review of the adequacy of the internal control systems and functioning of the internal audit team.
- f. Discussions with the management and the external auditors, the audit plan for the financial year and joint post-audit review of the same.
- g. 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.

**The composition of the Audit Committee and attendance at its meetings is given hereunder:**

COMPOSITION OF AUDIT COMMITTEE	NO. OF MEETINGS ATTENDED
Mr. P. V. S. Raju - <i>Chairman</i>	2
Mr. R. Maheshwari	3
Mr. Ajay Kumar Kayan *	2
Mr. Kishor Shah*	1

\*\* Mr. Utsav Parekh is the Director-in-Charge of Finance

The Audit Committee meetings were held at the Registered Office and attended by the Executive Director, the Finance Head, the Internal Auditor and Representative of the Statutory Auditor.

\* Mr. A. K. Kayan resigned from the Audit Committee with effect from 11.12.2001 and in his place, Mr. Kishor Shah was inducted.

## 2. MANAGERIAL REMUNERATION

### a) Remuneration Committee

The Remuneration Committee constituted on 30.01.2001 comprises of:

- a. Mr. Ramesh Maheshwari- Chairman
- b. Mr. Utsav Parekh
- c. Mr. Kishor Shah

\* Mr. Ajay Kumar Kayan resigned from the Remuneration Committee with effect from 11.12.2001 and in his place, Mr. Kishor Shah was inducted.

The Remuneration Committee of the Company constituted by the Board of Directors in the meeting held on 31.01.2001 has a wide scope including deciding the remuneration of the Executive Director, retirement benefit to be paid to him, service contract, notice period, severance fees and dealing with matters pertaining to Employees' Stock Option Scheme as approved by the Board of Directors.

During the year under review, two Remuneration Committee meetings were held on 18.08.2001 and 31.01.2002 wherein all members of the Remuneration Committee were present.

### b) Remuneration Policy

The remuneration of the Managing Director, Whole-Time Director (s) / appointee(s) is decided by the Remuneration Committee based on criteria such as industry benchmarks, the company's performance vis-à-vis the industry, performance track record of the Managing Director, Whole-Time Director(s) / appointee(s) and is reported to the Board of Directors. The Company remunerates by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Whole-Time Director. The remuneration by way of commission to the Non-Executive Directors is decided by the Board of Directors based on the performance.

### c) Remuneration to Directors

No commission is recommended for the year 2001-02. Your Company has one Executive Director on its Board. A statement on the remuneration paid to the Executive Director and sitting fees paid to Non-Executive Directors is given below:-

EXECUTIVE DIRECTOR	SALARY AND ALLOWANCES (Rs.)	CONTRIBUTION TO PROVIDENT FUND (Rs.)	TOTAL (Rs.)
Mr. W. Da' Silva	1,262,275	113,760	1,376,035

**Note:** The contribution to gratuity fund has been on a group basis and separate figure applicable is not available and therefore contribution to gratuity fund has not been taken into account.

NAME	EXECUTIVE / NON - EXECUTIVE DIRECTOR	NO. OF BOARD MEETINGS ATTENDED	SITTING FEES (RS.)	COMMISSION
Mr. U. Parekh	Director	4	4,000	NIL