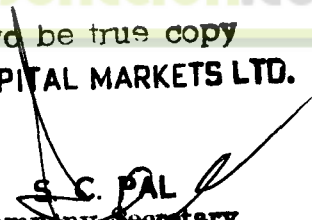


**ANNUAL REPORT 2003 2004**

Report  Junction.com

Certified to be true copy  
**For SMIFS CAPITAL MARKETS LTD.**

  
**S. C. PAL**  
Company Secretary  
Sam Vice-President (Legal)



**SMIFS CAPITAL MARKETS LIMITED**

## SMIFS CAPITAL MARKETS LIMITED

### NOTICE

NOTICE IS HEREBY GIVEN that the Twenty-first Annual General Meeting of the Member of SMIFS CAPITAL MARKETS LIMITED will be held on Thursday, the 30<sup>th</sup> of September, 2004 at the Registered Office of the Company at 'Vaibhav', 4F, 4 Lee Road, Kolkata – 700 020 at 10.30 a.m. for transacting the following business :

#### **Ordinary Business :**

- 1) To receive, consider and adopt the Profit & Loss Account for the year 31<sup>st</sup> March, 2004, 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. Utsav Parekh who retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint Auditors to hold office from conclusion of the Twenty-first Annual General Meeting until conclusion of the Twenty-second Annual General Meeting and to authorise the Board to fix their remuneration.

By Order of the Board of Directors

(S. C. PAL)

Company Secretary-cum-Vice President (Legal)

Registered Office:

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

Date : 30.06.2004

Place: Kolkata

Report Junction.com

#### **Notes:**

- 1) A Member entitled to attend and vote at this 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, 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.
- 5) The Register of Members and Share Transfer Books of the Company shall remain closed from 16.9.2004 to 30.9.2004 (both days inclusive).

## PROXY FORM

### SMIFS CAPITAL MARKETS LIMITED

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

I/We \_\_\_\_\_ resident of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member/members of the above named company hereby appoint \_\_\_\_\_ resident of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our Proxy to vote for me/us and on my/our behalf, at the Twenty-first Annual General Meeting of the Company to be held on Thursday, the 30<sup>th</sup> day of September, 2004 at 10.30 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

Revenue

Stamp

\_\_\_\_\_  
(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, 48 (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 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 filed 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.

## **SMIFS CAPITAL MARKETS LIMITED**

### **BOARD OF DIRECTORS**

Mr. U. Parekh - Chairman

Mr. R. Maheshwari - Director

Mr. Chandranath Mukherjee -Director (Appointed w. e. f. 21/06/2003)

Mr. K. Shah-Whole-Time Director

### **COMPANY SECRETARY-CUM VICE PRESIDENT(LEGAL)**

Mr. Saibal Chandra Pal

### **AUDITORS**

M/s J. S. Vanzara & Associates  
Chartered Accountants

### **BANKERS**

HDFC Bank Ltd.  
American Express Bank Ltd.  
State Bank of India  
IndusInd Bank Ltd.  
Standard Chartered Grindlays Bank

### **REGISTERED OFFICE**

Vaibhav (4F), 4, Lee Road,Kolkata-700020

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

Your Directors have pleasure in presenting the Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March 2004.

**FINANCIAL HIGHLIGHTS**

	Year ended 31.03.2004	(Rupees in Million) Year ended 31.03.2003
Profit / Loss (-) before Interest, Depreciation & Tax	(96.20)	37.91
Less: Interest	20.77	28.49
Profit / Loss (-) before Depreciation / & Tax	(116.97)	9.42
Less: Depreciation	15.52	24.47
<b>Profit / Loss (-) before Tax</b>	<b>(132.49)</b>	<b>(15.05)</b>
Less: Provision for Tax – Current / Deferred Tax	3.68	(13.27)
Add : Deferred tax for earlier years	--	--
<b>Profit / Loss (-) after Tax</b>	<b>(136.17)</b>	<b>(1.78)</b>
Transfer from Reserve Fund	9.28	--
Transfer from Debenture Redemption Reserve	30.00	--
Transfer from General Reserve	17.75	--
(Debit) / Credit balance brought forward from earlier year	2.68	4.46
<b>Profit carried to Balance Sheet</b>	<b>(76.46)</b>	<b>2.68</b>

Your Company suffered a net loss (before tax) of Rs. 132.49 million during the year. This loss occurred mainly on account of loss in dealing in shares and securities.

**DIVIDEND**

In view of the loss suffered, no dividend is being recommended on the equity shares

**YEAR IN RETROSPECT AND FUTURE GROWTH**

During the year, your company has been able to procure and execute large assignments which generated substantial revenues. Your Company suffered loss during the current year mainly on account of loss in dealing in shares and securities. In view of the requirements of SEBI, your company requested for cancellation of registration as Non-Banking Financial Company (NBFC). Reserve Bank of India cancelled the registration of your Company as Non-Banking Financial Company with effect from 10<sup>th</sup> March, 2004.

The Indian economy is expected to register a G. D. P. growth between 6% to 7% in the current year. Many large corporates have announced their investment plans and it is expected that some of these Companies will tap capital markets to mobilise resources. Your company is geared to take advantage of the same. Your Company is executing various assignments in the areas of mergers and acquisitions, resource mobilisation, debt restructuring etc., and the outlook for the current year appears to be positive.

**PUBLIC DEPOSITS**

Your Company discontinued acceptance of Public Deposits w. e. f. 15.7.1997 and complied with the rules applicable thereto. Unclaimed Public Deposits amounted to Rs. 0.36 million (previous year Rs. 0.45 million). Against the above unclaimed deposits the Company has invested in Government Securities an aggregate sum of Rs. 0.50 million [(Face Value) (Previous year Rs. 0.50 million)]. Your Company has repaid all public deposits on maturity and the interest due thereon in terms of your Company's schemes except where these deposits are not claimed. Reminders were sent to persons who have not claimed repayment of their matured deposits.

**LISTING OF SECURITIES OF THE COMPANY**

The equity shares of your Company continue to be listed on the Stock Exchanges at Kolkata and Mumbai, and the listing fees for the year 2003-04 have been paid.

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

**SUBSIDIARIES**

As on 31.03.2004, the Company had one wholly owned subsidiary, SMIFS Capital Services Limited. The shareholding of other wholly owned subsidiary, Rixebe Estates & Investments Ltd. was divested during the year

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.

#### **CORPORATE GOVERNANCE**

A separate section on Corporate Governance is attached and marked as Annexure C. The Certificate from the Company's auditors confirming compliances by the Company of norms of Corporate Governance as stipulated in the clause 49 of the Listing Agreement with the Stock Exchange is also annexed.

#### **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 absorption, are not applicable to the Company.

Foreign exchange earnings during the year amounted to Rs. 91.36 million (previous year `nil'). Foreign exchange outgo during the year aggregate to Rs. 1.06 million (previous year Rs. 1.37 million) in the previous year.

#### **DIRECTORS**

Mr. Chandranath Mukherjee was appointed Additional Director on 21.06.2003 and subsequently appointed Director in the Annual General Meeting held on 27.9.2003.

Mr. Utsav Parekh, 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.

#### **AUDITORS**

M/s. J. S. Vanzara & Associates, Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible offer themselves for re-appointment.

#### **AUDITORS' QUALIFICATION**

The qualifications in the Auditors' Report have been dealt with the Notes to Accounts and are self-explanatory.

#### **PARTICULARS OF EMPLOYEES**

The particulars as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) are not given as none of the employees were in receipt of remuneration in excess of Rs. 24 lacs per annum or Rs. 2 lacs per month.

#### **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, Financial Institutions, and Banks.

**On behalf of the Board of Directors**  
**(UTSAV PAREKH)**  
**CHAIRMAN**

'Vaibhav' 4F, 4 Lee Road,  
Kolkata - 700 020  
The 30<sup>th</sup> day of June 2004

#### **ANNEXURE TO DIRECTORS' REPORT**

#### **ANNEXURE – A**

#### **DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956**

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

1. In the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2004, the applicable accounting standards have been followed along with the proper explanations relating to material departures.
2. The Directors have adopted such accounting policies and have applied them consistently and have made judgments and estimates in a reasonable and prudent manner so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for that period.

3. The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with 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 have prepared the annual accounts on a going concern basis.

**On behalf of the Board of Directors**  
**(UTSAV PAREKH)**  
**CHAIRMAN**

'Vaibhav' 4F, 4 Lee Road,  
Kolkata - 700 020  
The 30<sup>th</sup> day of June 2004

## **ANNEXURE TO DIRECTORS' REPORT**

### **ANNEXURE – B**

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

Financial Year 2003 – 04 was yet another challenging year for your Company. Your Company has taken up number of prestigious assignments during the year. Your company was registered as an underwriter by SEBI.

#### **INDUSTRY DEVELOPMENTS**

During the year under review, the GDP grew by 8.2% and it is expected that the current year will record a GDP growth between 6% to 7%. This strong economic growth is expected to provide more opportunities for growth to the players in the capital market.

#### **BUSINESS OPPORTUNITIES AND THREATS**

##### ***Business Opportunities***

Many large corporates have announced their investment plans and it is expected that some of these companies will tap capital markets resulting in increased opportunities for capital market players.

##### ***Threats***

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

##### ***Outlook***

Your company is executing various assignments in the areas of mergers and acquisitions, resource mobilization, debt restructuring etc., and the outlook for the current year appears to be positive.

#### **DE-REGISTRATION AS NBFC WITH RBI**

Even though your Company de-registered itself as a Non-Banking Financial Institution w. e. f. 10<sup>th</sup> March, 2004, it 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**

Internal control systems are aimed at promoting operational efficiencies while emphasizing adherence to policies.

#### **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 of Directors**  
**(UTSAV PAREKH)**  
**CHAIRMAN**

'Vaibhav' 4F, 4 Lee Road,  
Kolkata - 700 020  
The 30<sup>th</sup> day of June 2004

## **ANNEXURE TO DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE**

### **ANNEXURE -C**

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

Your Company has implemented and is continuously improving the Corporate Governance with the objective of fulfilling shareholders' expectation and Company's social commitments through high standards of ethics, sound

business decisions, prudent financial management practices, professionalism in decision making and finally strict compliance with regulatory guidelines on governance.

## **BOARD OF DIRECTORS**

The Board comprised of four members upto 31.3.2004. The Board members are 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 the performance on a quarterly basis.

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

During the year, six Board Meetings were held on 21.6.2003 (11.30 a.m. and 12.30 p.m.), 31.7.2003 (5.30 pm and 5.45 pm), 23.09.2003, 23.10.2003 and 28.1.2004.

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 as on 31.3.2004 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 2003 - 04 Attendance at Board Meetings	Year 2002 - 03 Attendance at last AGM	No. of outside Director- ships	No of other Board Committee of which he is a member	No of other Board Committees of which he is a Chairman
Utsav Parekh - Chairman	Promoter Non-Executive	6	Yes	10	4	4 *
Ramesh Maheshwari	Independent Non-Executive	6	No	3	—	—
Kishor Shah	Whole-Time Director	6	Yes	1**	—	—
Chandranath Mukherjee (w.e. f. 21.6.2003)	Independent	6	Yes	1	—	—

\*Chairman of 3 companies

\*\*Whole-Time Director of SMIFS Capital Services Ltd., wholly-owned subsidiary.

The present Board comprises of four members of which one is a Whole-Time Director w.e.f. 1.4.2003. 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 Company has a Non-Executive Chairman. Mr. Chandranath Mukherjee was appointed Additional Director w.e.f. 21.6.2003 and was subsequently elected Director in the Annual General Meeting held on 27.09.2003.

## **1. AUDIT COMMITTEE**

The Company complies with the listing agreements with Stock Exchanges and the provisions of Section 292A of the Companies Act, 1956, pertaining to the Audit Committee and its functioning. The Audit Committee was re-constituted on 21.06.2003 with Mr. Chandranath Mukherjee being appointed Chairman in place of Mr. P. V. S.Raju. Mr. Utsav Parekh was appointed a member and Mr. Kishor Shah was appointed Director in charge of Finance. During the financial year ended 31.03.2004, the Audit Committee met on



21.6.2003, 31.7.2003, 23.10.2003 and 28.1.2004 The Audit Committee has been vested with the following powers:

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

**Term of reference**

- a. Overview 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:
  - Any change 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 transaction i.e. transaction 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 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:**

<b>COMPOSITION OF AUDIT COMMITTEE</b>	<b>NO. OF MEETINGS ATTENDED</b>
Mr.Chandranath Mukherjee - <i>Chairman (w. e. f. 21.6.2003)</i>	4
Mr. R. Maheshwari	4
Mr. Utsav Parekh (w.e.f. 21.6.2003)	4
Mr. Kishor Shah was appointed as the Director-in-Charge of Finance in place of Mr. Utsav Parekh w.e.f. 21.6.2003.	

The Audit Committee meetings were held at the Registered Office and attended by the Vice President (Finance), the Internal Auditor and Representative of the Statutory Auditor.

**2. MANAGERIAL REMUNERATION**

**a) Remuneration Committee**

The Remuneration Committee was re-constituted with the resignation of Mr. P.V.S. Raju w.e.f. 1.4.2003 and comprises of:

Mr. Ramesh Maheshwari - Chairman

Mr. Chandranath Mukherjee (w.e.f. 21.6.2003)

During the year under review, one Remuneration Committee meeting was held on 21.6.2003.

**b) Sitting fees paid to Directors for the year ended 31.3.2004**

NAME	Executive / Non – Executive Director	No of Board meetings attended	Sitting Fees (Rs.)	Commission
Mr. Utsav Parekh	Director	6	6,000	NIL
Mr. Ramesh Maheshwari	Director	6	6,000	NIL
Mr. Chandranath Mukherjee	Director	6	6,000	NIL
Mr. Kishor Shah	Whole-Time Director	6	NIL	NIL
TOTAL			18,000	NIL

There are no stock options available / issued to any Director of the Company and this does not form a part of their contract with the Company.

**c) Remuneration to Directors**

In view of the loss, no commission can be recommended for the year 2003-04. Your Company has one Whole-Time Director on its Board who does not draw remuneration from the company. He is also the Whole-Time Director of the wholly owned subsidiary SMIFS Capital Services Ltd. from where he draws remuneration and the remuneration drawn from the companies taken together does not exceed the limits prescribed under Schedule - XIII to the Companies Act, 1956.

**3. DISCLOSURE BY MANAGEMENT TO THE BOARD**

The management made disclosures to the Board with regard to all material, financial and commercial transactions where they had personal interest and which may have had potential conflict with the interest of the Company at large.

- Related party transactions viz. Promoters, Directors or the Management, their subsidiaries or relatives have been stated in the Notes to Accounts, Schedule - M(B)(15)(iii).
- No penalty or stricture was imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the year.
- There were no significant instances of non-compliance on any matter related to the capital market, during the last three years.

**4. SHAREHOLDERS' GRIEVANCE COMMITTEE**

The Shareholders' Grievance Committee has been constituted to specifically look into the redressal of the shareholder and investor complaints. The Committee comprises of:

Mr. Utsav Parekh - Chairman  
Mr. Chandranath Mukherjee  
Mr. Kishor Shah

Meeting of the Committee was held on 27.9.2003.

The Shareholders' Grievance Committee Meeting is attended by the Company Secretary who apprises the Chairman of the nature of complaints received and dealt with and also the process for share transfers etc. The shares are traded on the Stock Exchanges in Kolkata and Mumbai in compulsory dematerialized form. There are no pending transfers.

**5. SHARE TRANSFER COMMITTEE**

The Company has a Share Transfer Committee comprising of:

Mr. Utsav Parekh  
Mr. Chandranath Mukherjee  
Mr. Kishor Shah

The Company is prompt in attending to requests received for transfers, split, consolidation as well as issue of duplicate certificates and completes the process and dispatches the certificates, well within the stipulated time.

**6. COMMITTEE OF DIRECTORS**

In addition to the above committees, the Board has constituted a Committee of Directors to consider matters of extreme urgent nature. The Committee comprises of:

Mr. Utsav Parekh  
Mr. Chandranath Mukherjee  
Mr. Kishor Shah

**7. INVESTMENT COMMITTEE**