

ANNUAL REPORT 2004-2005

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SMIFS CAPITAL MARKETS LIMITED

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NOTICE

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of the Members of SMIFS CAPITAL MARKETS LIMITED will be held on Saturday, the 24th day of September, 2005 at the Registered Office of the Company at 'Vaibhav' (4F), 4, Lee Road, Kolkata- 700020 at 10 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, 2005, 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. Chandranath Mukherjee who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from conclusion of the Twenty -Second Annual General Meeting until conclusion of the Twenty - Third Annual General Meeting and to authorise the Board to fix their remuneration.

Special Business

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

Increase of Sitting Fee

"RESOLVED THAT pursuant to the provisions of section 310 of the Companies Act, 1956, Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956 and Article 16 of the Articles of Association, sitting fee of Rs.1,000/- (Rupees One Thousand only) paid to a Director for attending each Board Meeting be increased from Rs.1,000/- (Rupees One Thousand only) to Rs.2,500/- (Rupees Two Thousand Five Hundred only) per meeting and additionally each Director be paid sitting fee of Rs.1,000/- (Rupees One Thousand only) per meeting for attending (i) Audit; (ii) Remuneration; and (iii) Shareholders' Grievance Committee meetings."

5. To consider, and if thought fit, pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION** :
Renewal of Corporate Guarantee – Herbicure Private Limited

"RESOLVED THAT pursuant to the provisions of section 372A, other applicable provisions of the Companies Act, 1956 and other applicable laws, Corporate Guarantee renewed vide Board Resolution dated 30.06.05 on behalf of Herbicure Private Limited ('HERBICURE') for Cash Credit Limit of Rs. 2 Crores (Rupees Two Crores only) and Letter of Credit Limit of Rs. 25 Lacs (Rupees Twenty Five Lacs only) aggregating to Rs. 2,25,00,000/- (Rupees Two Crores Twenty Five Lacs only) availed from State Bank of India, Commercial Branch, Kolkata be and is hereby ratified."

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

Renewal of Corporate Guarantee – SMIFS Securities Limited

"RESOLVED THAT pursuant to the provisions of section 372A, other applicable provisions of the Companies Act, 1956 and other applicable laws, the Corporate Guarantee renewed vide Board Resolution dated 30.06.05 on behalf of SMIFS Securities Limited (SSL) for Loan and Bank Guarantee facilities of Rs.15 Crores (Rupees Fifteen Crores only) availed from HDFC Bank Ltd. Sandoz House, Dr. Annie Basant Road, Worli, Mumbai be and is hereby ratified."

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

Loan Facility to Consolidated Fibres and Chemicals Limited

"RESOLVED THAT pursuant to the provisions of section 372A, other applicable provisions of the Companies Act, 1956 and other applicable laws, the Company do and hereby advance a sum of Rs.20 Crores (Rupees Twenty Crores only) to Consolidated Fibres and Chemicals Limited for their Acrylic Fibres Plant at Haldia as per terms to be mutually agreed upon."

By order of the Board

(S. C. PAL)

Company Secretary – cum - Vice President (Legal)

Regd. Office : 'Vaibhav' (4F),
4, Lee Road,
Kolkata-700020
Date : 29.07.05

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 its registered office at 'Vaibhav' (4F), 4, Lee Road, Kolkata-700020 not less than forty-eight hours before the commencement 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 - 700020 or to the Registrars M/s. Maheshwari Datamatics Pvt. Ltd., 6, Mangoe Lane, Kolkata - 700001.
- 3) Members who have multiple accounts in identical names or joint accounts in the same order are requested to apply for consolidation of all such shareholdings into one account to facilitate better service.
- 4) 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 26.12.2000 trading in shares of the Company on any Stock Exchange is permitted only in dematerialised form.
- 5) Individual shareholders can now take the facility of nomination. The nominee shall be the person in whose name 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 shareholder(s) may contact Maheshwari Datamatics Pvt. Ltd., Registrars and Share Transfer Agents.
- 6) 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.
- 7) The Register of Members and Share Transfer Books of the Company shall remain closed from 16.09.2005 to 24.09.2005 (both days inclusive).
- 8) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
- 9) Serial Nos. 4, 5, 6 and 7 being the Special Business requires consent of shareholder(s) through postal ballot. Postal Ballot Form along with instructions in self-addressed envelope is enclosed.
- 10) The Postal Ballot Form should reach the address of the Scrutinizer given in the self addressed stamped envelope not later than forty-eight hours before the commencement of the Annual General Meeting.
- 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.

SMIFS CAPITAL MARKETS LIMITED**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

Item No 4

Your Directors are being paid from many years Rs.1,000/- (Rupees One Thousand only) for attending Board Meetings. Considering the increase in sitting fees by other listed Companies, it is proposed that the sitting fee for each meeting be increased to Rs.2,500/- (Rupees Two Thousand Five Hundred only) per meeting.

Again, your Directors are not receiving fees for attending (i) Audit; (ii) Remuneration; and (iii) Shareholders' Grievance Committee meetings and it is therefore proposed that the Directors be paid sitting fee of Rs.1,000/- (Rupees One Thousand only) for attending each of the aforesaid Committee meetings.

The increase in the amount of sitting fees and introduction of the fees for the aforesaid Committees would be within the limits laid down in the Companies Act, 1956, Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956 and Article 16 of the Articles of Association.

Your Directors commend the resolution as a Special Resolution for your approval.

The Directors are interested to the extent of fees receivable by them for the meetings.

Item No 5

At the request of Herbicare Private Limited, Corporate Guarantee provided by the Company pursuant to Section 372A, other applicable provisions of the Companies Act, 1956 and other applicable laws was renewed by the company vide Board resolution passed on 30.06.05 for the Cash Credit Limit of Rs. 2 Crores (Rupees Two Crores only) and Letter of Credit Limit of Rs.25 Lacs (Rupees Twenty Five Lacs only) aggregating to Rs 2,25,00,000/- (Rupees Two Crores Twenty Five Lacs only) provided in favour of State Bank of India, Commercial Branch, Kolkata.

The initial guarantee of Rs. 3 Crores (Rupees Three Crores only) [Rs.2 Crores (Rupees Two Crores only) for Cash Credit and Rs.1 Crore (Rupees One Crore only) for Letter of Credit] was first ratified in the Annual General Meeting held on 27.09.03.

If the resolution proposed is passed, the aggregate of loan, investments, guarantee and security so far provided by the company to other bodies corporate will exceed the limits of sixty per cent (60%) of the Paid-up Share Capital and Free Reserve or one hundred per cent (100%) of Free Reserve (whichever is higher) and accordingly, the Special Resolution as set out in the notice is proposed to be passed.

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

Your Directors commend the resolution for your approval.

None of the Directors are personally deemed to be interested in the resolution.

Item No 6

At the request of SMIFS Securities Limited, Corporate Guarantee provided by the company in 2002 pursuant to the provisions of section 372A, other applicable provisions of the Companies Act, 1956 and other applicable laws was renewed by the Company vide Board resolution passed on 30.06.05 for the Loan and Bank Guarantee limit of upto Rs.15 Crores (Rupees Fifteen Crores only) in favour of HDFC Bank Ltd., Sandoz House, Dr. Annie Besant Road, Worli, Mumbai.

The initial guarantee was first ratified in the Annual General Meeting held on 28.09.02.

If the resolution proposed is passed, the aggregate of loan, investments, guarantee and security so far provided by the company to other bodies corporate will exceed the limits of sixty per cent (60%) of Paid-up Share Capital and Free Reserve or one hundred per cent (100%) of Free Reserve (whichever is higher) and accordingly, the Special Resolution is proposed to be passed.

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

Your Directors commend the resolution for your approval.

None of the Directors are personally deemed to be interested in the resolution.

Item No 7

Your company received a proposal from Consolidated Fibres and Chemicals Limited (CFCL) for extending a loan facility of Rs.20 Crores (Rupees Twenty Crores only) and considering the merit of the proposal and the provisions of section 372A, other applicable provisions of the Companies Act, 1956 and other applicable laws, the proposal is put up at the meeting. It is expected that the loan would facilitate the CFCL's operation in a profitable manner. The loan if granted would be repaid in 20 equal installments at an interest of 8.5% p.a. commencing from 30th June, 2007. For the loan advanced your Company would have exclusive first charge on the Cogeneration Plant as such the loan would be fully secured.

If the resolution proposed is passed, the aggregate of loan, investments, guarantee and security so far provided by the company to other bodies corporate will exceed the limits of sixty per cent (60%) of Paid-up Share Capital and Free Reserve or one hundred per cent (100%) of Free Reserve (whichever is higher) and accordingly, the Special Resolution is proposed to be passed.

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

Your Directors commend the resolution for your approval.

None of the Directors are personally deemed to be interested in the resolution.

By order of the Board

(S. C. PAL)

Company Secretary – cum - Vice President (Legal)

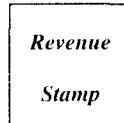
Regd. Office : 'Vaibhav' (4F),
4, Lee Road,
Kolkata-700020
Date : 29.07.2005.



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 24th day of September, 2005 at 10.00 a.m. and at any adjournment thereof.
 Signed this _____ day of _____ 2005.



 (Member's Signature)

Note : The proxy and the Power of Attorney (if any) under which it is signed or a notari ally 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 _____ **



SMIFS CAPITAL MARKETS LIMITED
Regd. Office : 'Vaibhav' (4F), 4 Lee Road, Kolkata 700020

POSTAL BALLOT FORM

1. Name(s) of Member(s) :
(including joint holders, if any)
(in block letters)
2. Registered address of the sole/first
named Member :
3. Registered folio No. :
4. DPID No./ Client ID No. :
(Applicable to investors holding
shares in demat form)
5. Number of shares held :
6. I/We hereby exercise my/our vote in respect of the Special Resolution to be passed through postal ballot for the business stated in the Notice of the Company by sending my/our assent or dissent to the said resolution by placing the tick (✓) mark at the appropriate box below.

| Item No. | Description | No. of Shares | I / We assent to the Resolution | I / We dissent to the Resolution |
|----------|--|---------------|---------------------------------|----------------------------------|
| 5. | Renewal of Corporate Guarantee – Herbicure Private Limited | | | |
| 6. | Renewal of Corporate Guarantee – SMIFS Securities Limited | | | |
| 7. | Loan Facility – Consolidated Fibres and Chemicals Limited | | | |

Place :

Date :

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(Signature of the Member)

Instructions:

1. A member desiring to exercise vote by postal ballot may complete this Postal Ballot Form and send it to the Scrutinizer in the attached self-addressed envelope. Postage will be borne and paid by the Company. However, envelopes containing Postal Ballot Form, if sent by courier at the expense of the Member will also be accepted.
2. The self-addressed envelope bears the name and address of the Scrutinizer appointed by the Board of Directors of the Company.
3. This form should be completed and signed by the Member. In case of joint holding, this form should be completed and signed (as per the specimen signature registered with the Company) by the first named Member and in his/her absence, by the next named Member.
4. Unsigned Postal Ballot Form will be rejected.
5. Duly completed Postal Ballot Form should reach the Company not later than the close of working hours on **THURSDAY, SEPTEMBER, 22ND, 2005**. Postal Ballot Form received after this date will be strictly treated as if the reply from the Member has not been received.
6. In case of shares held by companies, trusts, societies etc, the duly completed Postal Ballot Form should be accompanied by a certified true copy of Board Resolution / Authority.
7. Voting rights shall be reckoned on the paid up value of shares registered in the name of the shareholders on the date of despatch of the Notice.
8. Members are requested not to send any other paper alongwith the Postal Ballot Form in the enclosed self addressed postage prepaid envelope in as much as such enveloped will be sent to the Scrutinizer and any extraneous paper found in such envelope would be destroyed by the Scrutinizer.



SMIFS CAPITAL MARKETS LIMITED

BOARD OF DIRECTORS

Mr. U. Parekh - Chairman

Mr. R. Maheshwari - Director

Mr. Chandranath Mukherjee - Director

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 Bank

REGISTERED OFFICE

Vaibhav (4F), 4, Lee Road, Kolkata – 700 020