

SANSCO CAPITAL MARKETS LIMITED

ANNUAL REPORT 2008-09

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SMIFS CAPITAL MARKETS LIMITED

Board of Directors

Mr. Utsav Parekh – Chairman
(Executive Chairman up to 31.03.2009)
Mr. Ramesh Maheshwari – Director
Mr. Ajay Kumar Kayan – Director
Mr. Chandranath Mukherjee – Director
Mr. Santosh Kumar Mukherjee – Director
Mr. Kishor Shah – Managing Director
(Whole-Time Director up to 31.03.2009)

Company Secretary cum Vice President (Legal)

Mr. Saibal Chandra Pal

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Auditors

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

Bankers

HDFC Bank Ltd.
State Bank of India
AXIS Bank Ltd.
The Federal Bank Ltd.

Registered Office

“Vaibhav” 4F, 4 Lee Road,
Kolkata – 700 020



DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting the Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2009.

1(a) FINANCIAL HIGHLIGHTS

(Rupees in million)

	Year ended 31.03.2009	Year ended 31.03.2008
Profit / (Loss) before Interest, Depreciation & Tax	11.32	45.24
Less: Interest	0.92	2.86
Profit / (Loss) before Depreciation & Tax	10.40	42.38
Less: Depreciation	2.75	2.71
Profit / (Loss) before Tax	7.65	39.67
Less: Provision for Tax - current / earlier years	4.90	4.52
Less : Deferred tax for the year	(0.27)	(26.35)
Less: Fringe Benefit Tax	0.46	0.48
Profit / (Loss) after Tax	2.56	61.02
Profit / (Loss) Account brought forward from earlier year	107.36	57.88
Profit available for Appropriation	109.92	118.90
Proposed Dividend including Dividend Tax	-	6.54
Transfer to General Reserve	-	5.00
Profit / (Loss) carried to Balance Sheet	109.92	107.36

Operating profit (PBDIT) of the Company was Rs.11.32 million during the year as compared to Rs 45.24 million in the previous year. Net profit after tax for the year was Rs. 2.56 million compared Rs. 61.02 million in the previous year.

The Company's net worth as on March 31, 2009 stood at Rs. 654.50 million as against Rs. 651.94 million in the previous year.

(b) CAPITAL

The paid up capital of the Company as at March 31, 2009 stood at Rs. 5,58,50,000/- divided into 55,85,000 equity shares of Rs. 10/- each.

In the previous Annual General Meeting special resolutions were passed pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 read with the applicable provisions of the Companies Act, 1956 extending the stock option scheme to the employees of the Company and its wholly-owned subsidiary Company. However, in view of the adverse market conditions following the global financial crisis in mid 2008-09, the Board of Directors decided to keep the scheme in abeyance.

(c) DIVIDEND

Due to inadequacy of profits during the year, no dividend on the equity shares (previous year Re 1/- per equity share) has been recommended.

(d) MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis of financial condition and results of operations of the Company for the year under review as required under clause 49 of the listing agreement with the Stock Exchanges, is given in the section of Corporate Governance elsewhere in the Annual Report.



2. SUBSIDIARY COMPANY

As on 31.03.2009 the Company had one wholly-owned subsidiary Company namely, SMIFS Capital Services Limited. Statement required under Section 212 of the Companies Act, 1956 in respect of the subsidiary Company is attached.

3. YEAR IN RETROSPECT AND FUTURE GROWTH

Your Company has applied to the Securities and Exchange Board of India (SEBI) for renewal of its registration as a Category I Merchant Banker and Underwriter.

The global economy entered its critical phase during the month of September and October, 2008 following the large losses incurred by some of the International Financial Institutions and the collapse and bail out of a few of these large Financial Institutions and the fall of the stock markets around the world. When the credit markets became virtually inactive, the Central Banks across the globe resorted to various measures to address the situation. The Indian Economy which was on a strong growth path in the preceding five years till the fiscal 2007-08 with an average of 8.9%, experienced moderation. There was a downturn in industrial growth and the deceleration was noticed in all categories.

Slowdown of the country's economy was due to low investment demand and decrease in exports owing to lower external demand. Domestic demand levels also declined.

BSE SENSEX, which rose to record heights of around 21,000 earlier, touched a low of around 7,700 level on 27th October, 2008. Indian economy recorded a reduced GDP growth of 6.7% during 2008-09 and GDP growth for 2009-10 is now estimated at 6.8%. However, performance of Indian economy is considered encouraging compared to the near zero GDP growth in most of the developed economies.

Both the Government and the RBI resorted to various measures to overcome the situation. During September 2008 to March 2009, RBI reduced Repo Rate from 9.0% to 5.0%, Reverse Repo Rate from 6.0% to 3.5% and the Cash Reserve Ratio (CRR) from 9.0% to 5.0% to move towards a softer interest rate regime. The Finance Minister also took various measures in the interim budget to promote growth in the economy.

Equity markets remained weak on global macro economic concerns and a reversal in pattern of global capital flows. BSE SENSEX was 9,709 at March 31, 2009 compared to 15,644.44 on March 31, 2008.

BSE SENSEX has however recovered to 12,173 on May 15, 2009 and rose sharply to 14,302 on May 19, 2009 following the announcement of the results of the general elections. It is expected that with a stable government at the centre, India will revert to a growth rate of around 8% in 2010 – 2011.

The Indian financial sector is healthy despite adverse developments in global markets. Indian banking system is well capitalised and well placed to manage any asset quality concerns. The financial sector is well placed to capitalise on growth opportunities in our domestic markets.

Your Company continues to focus mainly in the areas of Mergers and Acquisitions, Loan Syndication, Capital Market operations, Placement of Equity shares and private placement of corporate debt. The outlook for the current year appears positive.

4. PUBLIC DEPOSITS

Your Company discontinued acceptance of Public Deposits w.e.f. July 15, 1997 and complied with the rules applicable thereto. No amount (previous year Rs. 1.48 lacs) is lying against matured but unclaimed amount of deposits. Pursuant to Section 205C of the Companies Act, 1956 unclaimed matured deposits lying unclaimed were deposited with the Investor Education and Protection Fund (IEPF) established by the Central Government on expiry of seven years after maturity.

5. 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 2009-10 have been paid. The Equity Shares of your Company were dematerialized with effect from December 26, 2000.



6. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the accounts for the financial year ended March 31, 2009, the applicable accounting standards have been followed and that there are no material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profit of the Company for the year ended on that date;
- the Directors have 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; and
- the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required under Section 217(1)(e) of the Act, read with 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.

During the year there was no foreign exchange earning (previous year 'nil'). Foreign Exchange outgo during the year aggregated to Rs. 0.93 million (previous year Rs. 0.68 million).

8. DIRECTORS

During the year there was no change in the Board of Directors, however, with effect from 1st April, 2009 Mr. Utsav Parekh resigned as Executive Chairman. He was appointed Additional Director and Non-Executive Chairman and holds office as Additional Director upto the ensuing Annual General Meeting. A notice has been received from a member under section 257 of the Companies Act, 1956 proposing appointment of Mr. Utsav Parekh as Director, accordingly a resolution is proposed at the ensuing Annual General Meeting.

The three year term of appointment of Mr. Kishor Shah as Whole-Time Director ended on 31st March, 2009 and on the recommendation of the Remuneration Committee and approval of the Board of Directors subject to the same being ratified by the members at the ensuing Annual General Meeting by passing a special resolution, Mr. Kishor Shah was appointed Managing Director of the Company for a period of 3 (three) years. Terms of appointment include payment of managerial remuneration with effect from 1st April, 2009 as per the provisions of Section 269 and other applicable provisions and are within the limits prescribed in Schedule XIII, Part II, Section II(B) to the Companies Act, 1956.

Mr. Santosh Kumar Mukherjee, Director retires by rotation in accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company and being eligible has offered himself for re-appointment.

Composition of the Board of Directors of the Company fulfills the criteria fixed by Clause 49 of the listing agreement with fifty per cent of the Directors being independent directors. The Board is composed of six members out of which three are independent directors.

Brief resumes of Mr. Utsav Parekh, Mr. Kishor Shah and Mr. Santosh Kumar Mukherjee, nature of their expertise in specific functional areas, names of companies in which they hold directorship and/or membership / Chairmanship of committees of the board, their shareholdings as stipulated under Clause 49 of the listing agreement with the Stock Exchanges, are given in the section of Corporate Governance elsewhere in the Annual Report.



9. AUDITORS

M/s. J. S. Vanzara & Associates, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956 upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

The Company received letter form M/s J. S. Vanzara & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act, 1956.

10. AUDITORS' QUALIFICATION

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

11. PARTICULARS OF EMPLOYEES

Your Directors wish to acknowledge the support and valuable contribution made by the employees at all levels.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) are given in a separate annexure attached hereto and forms part of this report.

12. ACKNOWLEDGEMENTS

Your Directors express their sincere appreciation of the co-operation and assistance received from the shareholders, bankers, regulatory bodies and other business constituents during the year under review.

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,
Kolkata - 700 020
The 29th June, 2009

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

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

ANNEXURE - A

1. FINANCIAL STATEMENTS

Financial Statements are in compliance with the requirements of the Companies Act, 1956 and Accounting Standards. Readers are cautioned that this discussion may contain "forward-looking statements" by the Company that are not historical in nature. Forward looking statements may include statements relating to future results, financial condition, business prospects, plans and objectives. Statements are based on the current beliefs, assumptions, expectations, estimates and projections about the business in which the Company operates. The statements do not guarantee future performance and are exposed to known and unknown uncertainties, many of which are beyond the control of your Company. Uncertainty could cause results to differ materially from the forward-looking statements. Such statements should not be construed, as representation of future performance.

2. MACRO-ECONOMIC OVERVIEW

The financial year 2008 - 2009 was a challenging year for your company and the financial markets. There has been a moderation in the growth rate in the current year due to the global crisis. India had registered a 6.7% GDP growth in 2008-09. Fiscal deficit stood at 6.2% of GDP in 2008-09 vs 2.7% in 2007-08. Compared to other emerging economies, India has several strengths that can help to mitigate the adverse effects of global financial crisis. The Government has taken several measures in this direction and the economy is expected



to return to the growth path. In December 2008, Indian government announced its stimulus package to revive India from the economic downturn in the form of policy rat cuts, \$4 billion of extra spending, a 4% cut in ad-valorem cenvat rate except for petroleum products, Interest subvention of 2% on export credit for labour intensive sector, incentives for loans for financing purchase of houses and authorizing India Infrastructure Finance Company Limited to raise Rs. 10,000 cr. to refinance bank lending for infrastructure projects. In order to give a boost to the corporate bond market, FII investment limit in rupee denominated corporate bonds in India has been increased from US \$ 6 bn to US \$ 15 bn.

Based on recent sales data on cement, steel and automobiles there are visible indications of a strong recovery in the industrial sector. This recovery in cement, steel, automobile and in the core industries index is expected to gather further momentum as the two major problems that the industry faced in the October-December quarter of the financial year 2008-09 are being addressed as inventory levels are declining and liquidity is easing. Moreover, several new capacities whose commissioning was deferred during October - December quarter of 2008-2009 are now being commissioned. New capacity expansion plans are being announced. Moreover, with the election of a stable government at the centre in May 2009, it is expected that the government will take necessary steps for accelerating economic growth and ushering in fiscal reforms. With the thrust on consumption, infrastructure spending and proper management of fiscal situation, India will be able to post higher economic growth in due course.

3. CAPITAL MARKETS

Indian capital market witnessed strong rally during 1st quarter of 2009-2010 after a decline in the major part of the year 2008-09.

4. BUSINESS OPPORTUNITIES AND THREATS

4.1. Business Opportunities

Corporates are looking for opportunities to raise funds through placement of equity shares or by raising further debt and are once again preparing to roll out expansion cum new investment plans. In view of the improvement in Capital Market in the 1st quarter of 2009-2010, many corporates are getting ready to mobilise resources through equity placements to Qualified Institutional buyers. Corporates are also actively engaged in reducing cost of debt and your company has taken assignments in these areas to increase revenues. The outlook for the year appears positive.

4.2. Threats

Indian Capital Markets are linked to international financial markets and are seriously affected by global crisis as experienced during 2008-09. Your Company being a part of the market is continuously gearing itself to meet such unforeseen situations by cutting costs wherever possible.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems are aimed at promoting operational efficiencies while emphasizing adherence to the policies adopted by the Board of Directors.

6. 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

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,
Kolkata - 700 020
The 29th June, 2009



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - B**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008-09**

(As required under Clause 49 of the Listing agreements entered into with the Stock Exchanges)

The Company believes that sound ethical practices, transparent governance practices and timely disclosures go a long way in enhancing the long-term shareholder value while safeguarding the interest of all the stakeholders. The Board has developed corporate governance guidelines to help in fulfilling the corporate responsibility to various stakeholders.

I. Company philosophy on Corporate Governance

Your Company has implemented and is continuously improving Corporate Governance procedures with the objective of fulfilling expectation of shareholders and social commitment of the Company through transparency, disclosures, accountability, compliances, ethical code, stakeholders' interests. Governance practices go beyond statutory and regulatory requirements. Your Company is committed to follow the spirit of good governance than mere compliance with the conditions specified by regulatory authorities.

Compliance with clause 49 of the Listing Agreement: Your Company is fully compliant with the mandatory requirements of clause 49 of the listing agreement formulated by SEBI.

Your Board presents the report on compliance of governance conditions specified in clause 49.

II. Board of Directors

As on March 31, 2009 the Company had 6 Directors with an Executive Chairman and a Whole-Time Director. The Board of Directors of your Company comprised of 4 Non-Executive Directors. Among 4 such directors, 3 are Independent Directors. Composition of the Board of your Company is in conformity with Clause 49 (as amended) of the Listing Agreement entered into with Stock Exchanges. Composition of the Board of the Company is given below:

Category Particulars of Directors

Non-Executive-Independent Directors	Mr. Ramesh Maheshwari Mr. Chandranath Mukherjee Mr. Santosh Kumar Mukherjee
Non-Executive -Non-Independent Director	Mr. Ajay Kumar Kayan
Executive Non Independent Director	* Mr. Utsav Parekh, Executive Chairman ** Mr. Kishor Shah, Whole-Time Director

**Mr. Utsav Parekh resigned as Executive Chairman w.e.f 1st April, 2009. The resignation was accepted in the Board Meeting held on 21st March, 2009. However, Mr. Parekh was appointed Additional Director and Chairman w.e.f. 1st April, 2009 in the Board Meeting held on 21st March, 2009.*

***On completion of the three year tenure of Mr. Kishor Shah as Whole-Time Director on 31st March, 2009, Mr. Shah was appointed Managing Director of the Company for a period of three years w.e.f. 1st April, 2009.*

None of the Directors on the Board are members of more than 10 committees and Chairman of more than 5 Committees across all companies in which they are Directors. Necessary disclosures regarding Committee position in other public companies as on March 31, 2009 have been made by the Directors.



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

- (a) approving corporate philosophy and vision;
- (b) formulation of strategic and business plans;
- (c) reviewing and approving financial plans and budgets;
- (d) monitoring corporate performance against strategic and business plans, including overseeing operations;
- (e) ensuring ethical behavior and compliance of laws and regulations;
- (f) reviewing and approving borrowing limits;
- (g) formulating exposure limits; and
- (h) keeping shareholders informed regarding plans, strategies and performance.

Name and category of Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorship and Committee Chairmanship / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorship, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name of the Director	Category	Year 2008 - 2009 Attendance at Board Meetings	Year 2008 - 2009 Attendance at last AGM	No. of Outside Directorship	No of other Board/ Comm. of which he is a member	No of other Board/ Committees of which he is a chairman
Mr. Utsav Parekh - Executive Chairman	Promoter Executive	4	Yes	6	3	Nil
Mr. Ramesh Maheswasri	Independent	6	No	4	1	2**
Mr. Chandranath Mukherjee	Independent	5	Yes	1	1	Nil
Mr. Santosh Kumar Mukherjee	Independent	6	Yes	2	1	1
Mr. Ajay Kumar Kayan	Promoter Non-Independent	5	No	11	Nil	Nil
Mr. Kishor Shah ***	Whole-Time Director	4	Yes	3	2	Nil

*Non- Executive Chairman since 1st April, 2009.

** Including Chairman of a company.

***Managing Director since 1st April, 2009.

Board Meetings

Six Board Meetings were held during the year and the gap between two meetings did not exceed four months. Dates on which Board Meetings were held in each quarter are as follows:

Quarter
First
Second
Third
Fourth

Date of Meetings
24th May, 2008 & 20th June, 2008
31st July, 2008
30th October, 2008
28th January, 2009 & 21st March, 2009



IV. Audit Committee

- (i) Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- (ii) 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.
- (iii) The terms of reference of the Audit Committee are broadly as under:
 - a. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information disclosed.
 - b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
 - c. Reviewing the financial statements, draft audit report, including quarterly / half yearly financial information.
 - d. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - 1) any change in accounting policies and practices;
 - 2) major accounting entries based on exercise of judgment by management;
 - 3) qualifications in draft audit report;
 - 4) significant adjustments arising out of audit;
 - 5) the going concern assumption;
 - 6) compliance with accounting standards;
 - 7) compliance with stock exchange and legal requirements concerning financial statements;
 - 8) 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.
 - e. Review of the Company's financial reporting process, the financial statements and financial / risk management policies.
 - f. Review of the adequacy of the internal control systems and functioning of the internal audit team.
 - g. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - h. Discussion with the management and the external auditors, the audit plan for the financial year and joint post-audit review of the same.
 - i. 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.
- (iv) Audit Committee meetings are held at the registered office of the Company and are usually attended by the Director in charge of Finance, Chief Financial Officer, representatives of the Statutory Auditors and representatives of the Internal Auditors. The Company Secretary of the Company acts as Secretary of the Audit Committee.