



**Sumedha
Fiscal
Services
Limited**

Bringing Fiscal Resources Closer

Customised financial
solutions, managing wealth,
researching markets
thereby enhancing
client relationships



CONTENTS

Company Overview	1	Integrated Financial services provider	2	Business Highlights 2009-10	4	Over the last 5 years	5
Enhancing Client Relationships	6	Synergy Across	7	Chairman's Message	10	Corporate information	12
Notice	13	CFO Certification	17	Directors' Report	18	Corporate Governance Report	24
Clause 49 - Compliance Status	35	Appointee Directors Particulars	41	Auditors' Certificate on Corporate Governance	42	Management Discussion	43
Risk Management	52	Auditors' Report	55	Annual Accounts	58	Statement Pursuant to Section 212	84
Subsidiary Accounts	85	Consolidated Accounts	105	Summarised Accounts	126		

OUR VISION

To be the best financial service provider and be a onestop shop for all market segments.

OUR MISSION

To strive for the total client satisfaction by providing integrated financial solutions through excellence, integrity and teamwork fostering continuous growth for our stakeholders.



OUR CREDENTIALS

Authority/Exchange	Segment	Function	Registration Number
SEBI	Merchant Banking	Category I	MB/INM000008753
NSE	Cash	Stock Broker	INB231075830
NSE	Derivatives	Trading Member	INF231075830
NSE	Currency Derivatives	Trading Member	INE231075830
MCX (through subsidiary)	Commodity	Trading Cum Clearing Member	12185 (MCX Membership Code) MCX/TCM/CORP/0465 (FMC Unique Member Code)
MCX-SX	Currency Derivatives	Trading Member	INE261075830
OTCEI	Cash	Dealer/Stock Broker	INB200838635
NSDL	Depository	Participant	IN-DP-NSDL-303-2008
AMFI	Distribution of Mutual Fund Products	Advisor	ARN 0205
SBI Life (through associate company)	Distribution of Life Insurance Policy	Corporate Agent	1769972 (IRDA Licence No.)
LIC (through associate company)	Distribution of Life Insurance Policy	Corporate Agent	6039604 (IRDA Licence No.)



COMPANY OVERVIEW

Sumedha Fiscal Services Limited (Sumedha Fiscal), incorporated in the year 1989 and having its registered and corporate office in Kolkata, is a front ranking financial services company. The company came out with a public issue in 1995 and got listed on Bombay Stock Exchange (BSE) and Calcutta Stock Exchange (CSE). The company started with merchant banking activities and then commenced capital market operations, which was a logical extension of its growing corporate clientele and the increasing links with the investors. This encouraged the company to enter distribution space as well. The various strategic initiatives taken by the company have yielded good results. In addition to de-risking the business portfolio, it has helped Sumedha Fiscal establish itself as a full fledged financial services company.

Over the years, the company has expanded into new geographies, adopted state-of-the-art technology, strengthened credit and risk management systems, added new products and services and established strong relationships with clients through its client centric focus. The company has evolved into a boutique financial services and advisory company providing integrated financial solutions. The company's business has been built upon its core principle of putting clients' interests first and this client focused business approach has served Sumedha Fiscal well as it continues to grow both in relationship and service network. As business and client relationships grew, an array of services was added to make Sumedha Fiscal a one stop financial shop. The company presently offers a wide bouquet of services ranging from Corporate Finance, Equities, Commodities, Insurance, Wealth Advisory, Currency Futures, Investment Banking and Institutional Broking Services.

After starting operations in Kolkata, the company expanded gradually to other cities as well. Today it has a pan India presence with branches at Bangalore, Guwahati, Mumbai, Jaipur, Chennai, Ahmedabad, Delhi and Hyderabad.

The aim has always been to make Sumedha Fiscal recognised as a leading financial service provider offering integrated financial solutions and strengthening long term client relationships by bringing various fiscal resources closer.

*"In our way of working, we attach a great deal of importance to humility and honesty;
With respect for human values, we promise to serve our customers with integrity."*

INTEGRATED FINANCIAL SERVICES PROVIDER



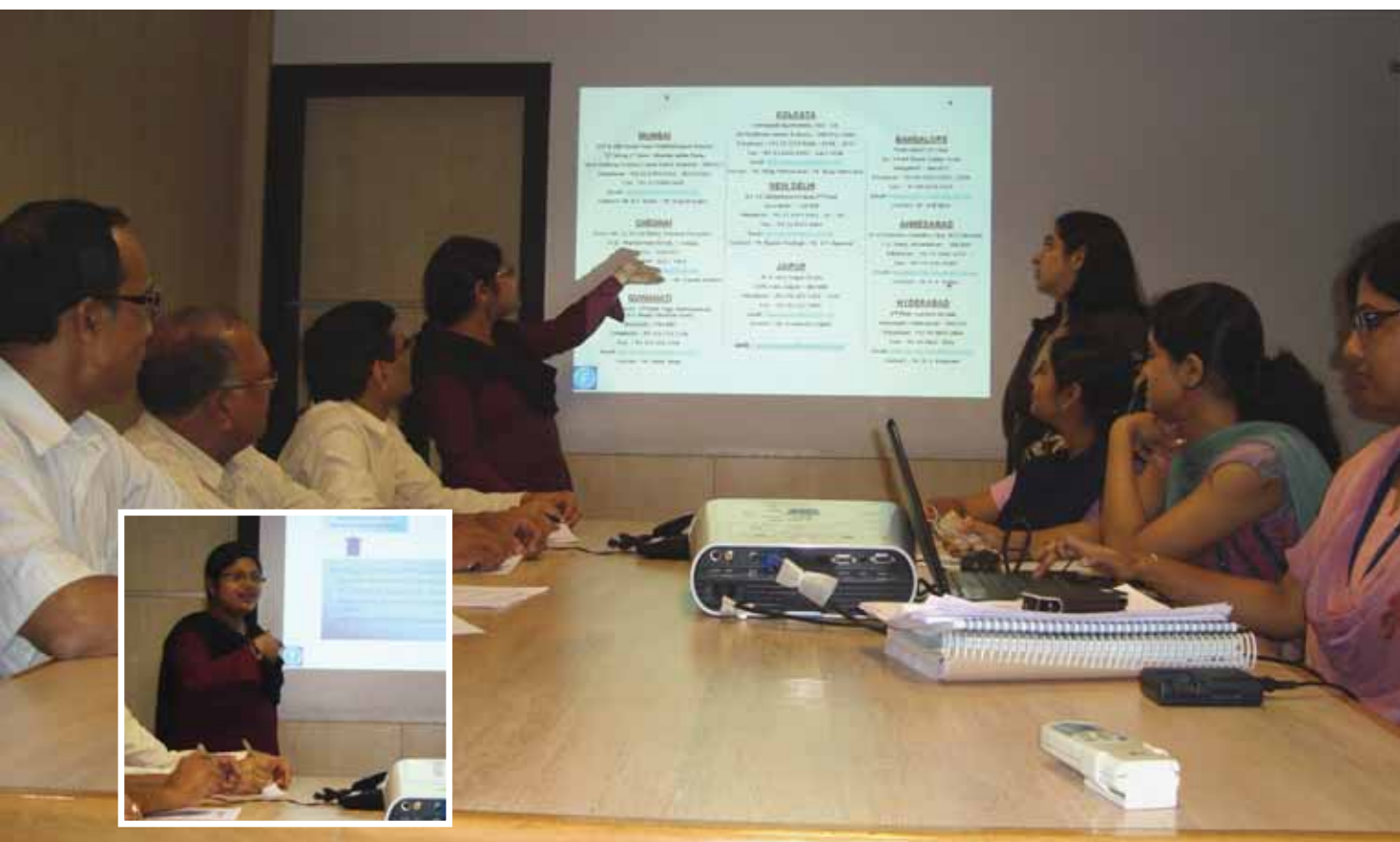
The company offers a wide bouquet of services which can be broadly clubbed across three key business verticals:

CORPORATE SERVICES

- = **Debt Syndication** – The company's team studies the options available, then sources the most beneficial route for its clients. From capital structuring to feasibility study to project appraisal to sourcing funds, the company takes care of entire transaction.
- = **Equity Placement** – The company helps clients in syndication and arrangement of private equity/venture capital financing. It also arranges equity financing for corporate /entrepreneurs from seed capital /early stage to late financing.
- = **Financial Restructuring** – Assists companies in restructuring their capital structure, negotiating with lenders for settlement of loans, rescheduling debt to lower interest costs and flexible payment period. In extreme cases, also arranges mergers and takeovers of stressed companies.

- = **Merchant Banking** – The company has been associated with several prestigious public issues, rights issue, buy back offer, open offer on take over, private placement and delisting.
- = **Mergers and Takeovers** – Efforts at revitalising companies go beyond helping clients raise and restructure their financial resources. Along with international affiliates, Sumedha Fiscal arranges global technical and financial collaborations and provides assistance in preparing necessary project documentation and obtaining statutory approvals for such projects.
- = **Debt Resolution Services and Stressed Assets Recovery** – The company has requisite experience, specialised skill sets and focused approach to facilitate resolution and settlement of loans and is empanelled with major banks /institutions as recovery agent.

"Here is a simple but powerful rule - always give people more than what they expect to get."



INVESTMENT SERVICES

- = **Stock Broking** – The company's securities dealings as member of NSE are based on high level of transparency, integrity and co-operation.
- = **Depository Services** – The company offers depository services as member of NSDL.
- = **Commodity Broking** – The company, through its subsidiary company, is a member of MCX.
- = **Currency Derivatives and Interest Rate Futures Broking** – The company offers currency futures trading services on NSE & MCX-SX and also started offering interest rate futures broking service during the year under review.

- = **MFSS Broking** – The company obtained membership of NSE's MFSS segment which allows trading of mutual funds on the exchanges during the year under review.

WEALTH MANAGEMENT SERVICES

- = **Mutual Funds/Fixed Income Products/ Primary Market Products etc.** – The company over the years has emerged as one of the pioneers in understanding and marketing of mutual funds, fixed income products, primary market products and other such instruments being offered in the market.
- = **Life Insurance Products** – The company, through its associate company, markets life insurance products that match the risk profile and financial goals of its varied clientele.

"Customers today want the very most and the very best for the very least amount of money, and on the best terms. Only the individuals and companies that provide absolutely excellent products and services at absolutely excellent prices will survive."

BUSINESS HIGHLIGHTS IN 2009-10

PERFORMANCE HIGHLIGHTS

- = Sumedha Fiscal registered with NSE's MFSS segment and commenced activities thereof
- = Obtained licence to operate as corporate agent for Life Insurance Corporation of India (LIC) which enables the company to distribute LIC's life insurance products (through an associate company)
- = Introduction of centralised accounting and back office system of the broking division of all the branches fostered enhanced control and better risk management
- = Commenced online trading operations on a full fledged commercial basis
- = Put system in place to implement Customer Relationship Management (CRM) software

FINANCIAL HIGHLIGHTS (STANDALONE)

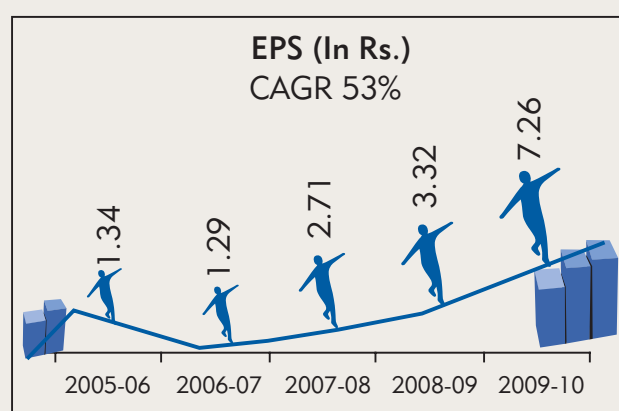
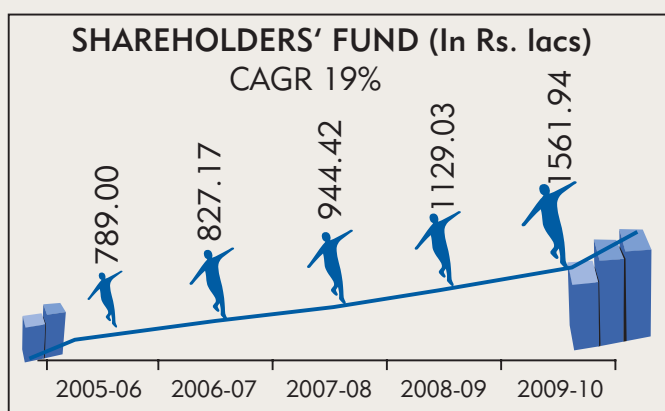
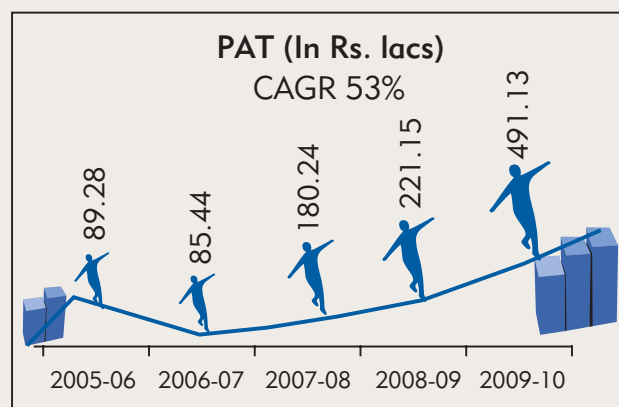
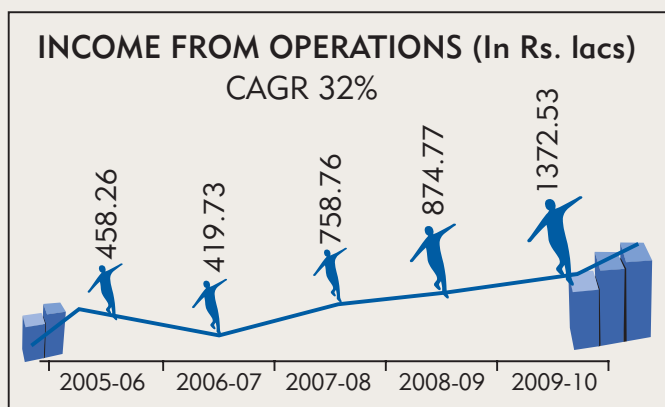
- = Total Income increased by 53% from Rs. 919.66 lacs in 2008-09 to Rs. 1402.57 lacs in 2009-10
- = Income from investment banking division registered a 47% increase to Rs. 1158.89 lacs in 2009-10 as against Rs. 787.63 lacs during the previous year
- = Income from capital market operations increased 145% to Rs. 213.64 lacs in 2009-10 from Rs. 87.14 lacs in 2008-09
- = Net Profit increased by 122% to Rs. 491.13 lacs in 2009-10 from Rs. 221.15 lacs in 2008-09
- = Shareholders' Fund increased from Rs. 1129.03 lacs in 2008-09 to Rs. 1561.94 lacs in 2009-10 registering 38% increase
- = Basic Earnings Per Share increased from Rs. 3.32 per share in 2008-09 to Rs. 7.26 per share in 2009-10 witnessing an increase of 119%
- = Recommended a Dividend at the rate of 80 paise per share i.e. 8.0% for 2009-10 against 75 paise per share i.e. 7.5% in 2008-09
- = Under SFSL Employee Stock Option Scheme 2007, 56,600 Options were exercised during the year and the company allotted 56,600 shares on 30 March 2010

EVOLUTION OF SUMEDHA FISCAL

<ul style="list-style-type: none"> = Sumedha Fiscal's Public Issue – BSE & CSE listing = Obtained Category I Merchant Banking Certificate from SEBI = Operational from Kolkata, Mumbai, Bangalore, New Delhi and Chennai 	<ul style="list-style-type: none"> = Dr. Basudeb Sen, M.A. (Eco), Ph.D. from Indian Statistical Institute, besides being an alumnus of the Harvard Business School, USA, joins Sumedha Fiscal's Board = Internal reorganisation with key recruitments = SFSL Commodity, subsidiary of Sumedha Fiscal, becomes trading and clearing member of MCX = PAT increases by 83% from Rs 23.38 lacs to Rs. 42.82 lacs 	<ul style="list-style-type: none"> = Employee Stock Option Scheme launched for employees of Sumedha Fiscal = Institutional Turnover in Broking Business crosses Rs 20,239 lacs = PAT doubles from Rs. 42.82 lacs to Rs. 89.28 lacs 	<ul style="list-style-type: none"> = Expands Branch Network to Tier II cities at Jaipur, Ahmedabad, Guwahati & Hyderabad = Connected Broking Business through CTCL/RF networking at Jaipur, Ahmedabad, Delhi, Mumbai and Bangalore branches = PAT stood at Rs. 85.44 lacs 	
1995 - 2004	2005	2006	2007	

"If you work just for money, you'll never make it, but if you love what you're doing and you always put the customer first, success will be yours."

OVER THE LAST 5 YEARS



= Awarded by Business Initiative Directions as the International Star in Quality at Paris

= Commenced Depository Services as member of National Security Depository Limited (NSDL)

= PAT stood at Rs. 180.24 lacs

2008

= Registered with NSE-Currency Derivatives Segment and MCX-SX and started Currency Derivatives Trading

= Obtained permission from NSE to start Internet Trading

= Re-launched portal www.sumedhafiscal.com to make it more vibrant as a part of corporate branding initiative

= PAT stood at Rs. 221.15 lacs

2009

= Registered with NSE's MFSS Segment and commenced trading

= Obtained licence to operate as corporate agent for Life Insurance Corporation of India through an associate company

= Under SFSL Employee Stock Option Scheme 2007, shares were allotted

= Mr. Shailesh Haribhakti, Chairman & Managing Partner of BDO Haribhakti Group, joins Sumedha Fiscal as Permanent Advisor to the Management Committee. He is a prominent professional being director on the board of 20 eminent companies and member of the corporate governance committees of ASSOCHAM and CII

= PAT stood at Rs. 491.13 lacs

2010

"When you serve the customer better, there's always a return on your investment."



ENHANCING CLIENT RELATIONSHIPS...

Customer Satisfaction is the benchmark for the success of any company. Sumedha Fiscal goes a step further. The company devises customised financial solutions, manages wealth, researches markets placing great importance to quality of service rendered and within strict timelines and at reasonable cost. All these help the company in enhancing client relationships

Sumedha Fiscal has reinforced its commitment to customer relationships through its ability to provide diverse services. The company has over the years evolved as a boutique advisory firm with a highly personalised environment and a comprehensive and safer finance model. The company does not believe in franchise model and always insists on providing specialised services by having a direct contact with its clients through its own outlets. The company like its peers could have easily expanded its reach and business by following the franchise model which reduces investment outlay (compared to setting up of branch) and yet expands businesses. But since the company places a lot of significance on focussed client service, it has not opted for such a model. Sumedha Fiscal places great importance to quality of service rendered and within strict timelines and at reasonable cost.

Sumedha Fiscal, apart from being a category I Merchant Banker, is also a trading member of the National Stock Exchange of India, trading in cash, derivatives, currency futures, interest rate futures and MFSS segments. As a one stop financial services shop, the company also offers clients a gamut of products and services across the financial services landscape ranging from mutual funds, IPOs, fixed income products to life insurance advisory services. This makes

Sumedha Fiscal, a well diversified, financial services company focused on wealth creation for all its customers (institutional, corporate, HNI and retail).

The company's offerings in the form of a wide array of products and personalised services, enables its clients to take charge of their financial decision with confidence. So whether one is a naive investor or a seasoned one, corporate (ranging from SMEs to large corporate houses) in need of resources and advice, Sumedha Fiscal facilitates to make smart, well researched investments and locate funds at best rates to be part of clients and investors growth process.

This client centric approach with a focus on creating long term relationships with clients has helped the company in carving a niche for itself in the financial services sector. The company is committed to partner its clients through all stages of the business cycle. Values of integrity and transparency further enhance trust. Many who come as clients, remain as friends. The ability, experience and creativity to structure result oriented financial solutions have also helped the company earn clients' respect. The intellectual skills of the company's people capital frequently provides innovative ideas that save costs and time. As a result, repeat clients and their referrals contribute a significant percentage of the company's business.

"You'll never have a product or price advantage again. They can be easily duplicated, but a strong customer service culture can't be copied."

SYNERGY ACROSS SUMEDHA FISCAL'S VERTICALS WHICH ASSISTS IN ENHANCING CLIENT RELATIONSHIPS



HUMAN RESOURCES

Sumedha Fiscal acknowledges its employees as its greatest asset and attributes its ability to deliver on strategy to its human capital. The people policy at Sumedha Fiscal believes in: trust and faith, focus on individuals, developing a culture of openness and integrity, flexibility and fostering the talent of employees. This has created a favourable work environment that encourages innovation and meritocracy. Good working environment is also boosted by regular meetings and quality circles so that each and every employee feels that they are part of the decision making process and hence they are motivated to perform well. The company has qualified professionals with around 10 – 15 years of work experience in various fields of financial sector who act like mentors to new joiners as well as to employees who lack certain skills. Being a knowledge-driven industry, employee skills form a critical aspect in service delivery. Sumedha Fiscal invests in training which enables employees to succeed, enrich knowledge and also helps them in career progression.

The human resources division successfully implemented enterprise resource planning software (Swelog HR Module) that helps in automation of employee database maintenance. The division also contributed towards brand building by making it mandatory for all employees to wear identity cards and office assistants to wear uniform which bears the company's logo. The company also regularly recruits candidates from reputed B-schools.

The number of employees at the beginning of April 2009 was 77. The number of employees who joined and resigned during the year under review was 19 and

13, respectively, thereby having 83 employees at the end of March 2010 which shows that the company registered 24% total increase in manpower and a meagre attrition rate in 2009-10.

Towards fostering a sense of ownership among the employees, the company has and shall continue to use programmes such as Employee Stock Option Scheme. Going forward, the division will strengthen performance management system and undertake such activities as and when required based on various human resources policies and systems.

Enhancing client relationships...

Sumedha Fiscal considers its employees to be internal clients. The company recognises that the way it will treat its employees via human resources practices will influence how employees treat their customers. The company treats every customer (both internal and external) with respect, professionalism and courtesy, which is paramount to establishing relationships and an excellent reputation.



"Our mission statement about treating people with respect and dignity is not just words but a creed we live by every day. You can't expect your employees to exceed the expectations of your customers if you don't exceed the employees' expectations of management."



INFORMATION TECHNOLOGY (IT)

Sumedha Fiscal understands the importance of technology in the business segments it operates and lays utmost emphasis on the systems development and the use of cutting-edge technology available in the industry to meet customer needs as well as to maintain a robust risk management system. The corporate office of the company is entirely computerised and equipped with modern and upto date communication system and software packages. The branch offices are all interconnected via high speed connectivity with alternate back up arrangements. The company uses high speed bandwidth provided by large and reliable vendors like Airtel, Reliance, Tata Indicom, Tulip and BSNL. In a technology-intensive business, success is derived from a high, uninterrupted uptime as well as system flexibility to adapt to diverse customer needs. The company strengthened its technology backbone with contemporary scalable technology to manage complete backoffice needs, clearing and settlements, account openings and mutual funds amongst others. The company uses subscribed databases for preparing research reports and providing data support. The company follows a balanced in-house/outourcing approach to IT combined with a quick response to business needs. It has scalable platforms for order management and risk management requiring minimal human intervention and has sophisticated server and network infrastructure with redundancy for network. Using licensed software, upgradation of latest patches, updating security software, maintenance of policies such as password, backup, server monitoring, antivirus/security and disaster recovery policy are part of ongoing process in the company.

During the year under review, the major initiatives taken by the IT department include:

- = Commencement of online trading on full fledged basis along with implementation of *E-hastakshar* software which provides online contract note to the customer ensuring safety and efficiency of business processes
- = Implementation of File Transfer Protocol (FTP) Server for quick data/file transfer and installation of a load balancer for load balancing of all internet connections as well as link fail over

- = Implementation of Firewall for network security which enables blockage of all incoming traffic through any network except which are duly allowed through configuration
- = Full implementation of modernising IT infrastructure for trading in securities pursuant to new technology called trading access point (TAP) being imposed by NSE
- = Setting up more secured Virtual Private Network (VPN) server with Secure Sockets Layer/Transport Layer Security (SSL/TLS) encryption and implementation of Neat-on-Web (NOW) for branches as trading backup solution through ODIN
- = Putting system in place for implementation of cloud based Customer Relationship Management solution provided by Salesforce
- = Effective digitisation of documents which allow faster and more secure interactions between the company and the customer and also reduces usage of printed paper
- = Put system in place for implementation of Tally enterprise solutions
- = The automation of the centralised back office software which reduces the overall organisational workload and enhances control

Enhancing client relationships...

The company adopted new technology systems in line with its growth strategies so as to cater to the requirements of growing client base. The technology infrastructure is aimed at ensuring that trading and information systems are reliable and performance enhancing and that the client data is protected. The IT and backend support with its state-of-the-art technology offers inimitable investment experience to all consumers. The company continuously keeps itself abreast with technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet business needs and effectively harness technology to facilitate processes and provide superior customer experience.

"Our business is about technology, yes. But it's also about operations and customer relationships."