

# **SMIFS CAPITAL MARKETS LIMITED**

## **Board of Directors**

<b>Mr. Utsav Parekh</b>	<b>-Chairman</b>
<b>Mr. Ramesh Maheshwari</b>	<b>-Director</b>
<b>Mr. Ajay Kumar Kayan</b>	<b>- Director</b>
<b>Mr. Chandranath Mukherjee</b>	<b>- Director</b>
<b>Mr. Santosh Kumar Mukherjee</b>	<b>- Director</b>
<b>Mr. Kishor Shah</b>	<b>- Managing Director</b>

## **Company Secretary Cum Vice President (Legal)**

**Mr. Saibal Chandra Pal**

## **Auditors**

**J.S.Vanzara & Associates**  
**Chartered Accountants**

## **Bankers**

**HDFC Bank Ltd**  
**State Bank of India**  
**Axis Bank**  
**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 Twenty Eighth Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2011.

#### **1(a). FINANCIAL HIGHLIGHTS**

(Rupees in million)

	<b>Year ended 31.03.2011</b>	<b>Year ended 31.03.2010</b>
Profit / (Loss) before Interest, Depreciation & Tax	66.00	43.49
<i>Less: Interest</i>	(0.08)	0.65
Profit / (Loss) before Depreciation & Tax	66.08	42.84
<i>Less: Depreciation</i>	3.35	2.64
<b>Profit / (Loss) before Tax</b>	<b>62.73</b>	<b>40.20</b>
<i>Less: Provision for Tax – current / earlier years</i>	7.93	6.28
<i>Less : Deferred tax for the year</i>	0.32	(17.24)
<b>Profit / (Loss) after Tax</b>	<b>54.48</b>	<b>51.16</b>
Profit / (Loss) Account brought forward from earlier year	41.31	109.92
Profit available for Appropriation	95.79	161.08
Proposed Dividend including Dividend Tax	11.03	9.77
Transfer to General Reserve	30.00	110.00
<b>Profit / (Loss) carried to Balance Sheet</b>	<b>54.76</b>	<b>41.31</b>

The operations of your Company during the year were satisfactory. Operating profit (PBDIT) of the Company for the year was Rs. 66.00 million (previous year Rs. 43.49 million) which is an increase of Rs 22.51 million over the previous year. Net profit before tax for the year stood at Rs. 62.73 million (previous year Rs. 40.20 million) which is an increase of 56.04% over the previous year.

Net worth of the Company as on March 31, 2011 was Rs.739.33 million (previous year Rs. 695.89 million).

#### **(b). CAPITAL**

The paid up capital of the Company as on March 31, 2011 stood at Rs. 55,850,000/- divided into 5,585,000 equity shares of Rs. 10/- each.

#### **(c). DIVIDEND**

Your Directors recommend payment of dividend of Rs. 1.70 per equity share, i.e. @ 17 % on the paid up equity capital for the year ended 31st March, 2011 as against 15% paid in the previous year. The said equity dividend will absorb a sum of Rs. 11.03 million including the dividend distribution tax thereon.

#### **(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 on Corporate Governance elsewhere in the Annual Report.

#### **2. SUBSIDIARY COMPANY**

As on 31.03.2011 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 OUTLOOK**

Indian economy recorded a GDP growth rate of around 8.5% in the year 2010-11 and is expected to register a growth of around 7.5% in the year 2011-12. The rate of growth has come down due to steep increase in interest rates by Reserve Bank of India leading to a slowdown in the Indian economy. Inflation continues to be high. Profit margins of companies have been impacted both due to high inflation and higher interest rates. The steep increase in oil prices is also a matter of great concern for the government. It appears that this will be a challenging year for the financial services industry including your company.

Stock markets performed well during the year and BSE Sensex was 19,445.22 as on March 31, 2011 against 17,527.77 as on March 31, 2010. Indian financial sector is healthy and is well placed to capitalise on growth opportunities in the domestic market. Prevalent banking system is well capitalised and well placed to manage asset quality concerns.

Your Company continues to focus mainly in the areas of Mergers and Acquisitions, Loan Syndication, Capital Market operations, Placement of Equity shares and debts.

#### **4. LISTING OF SECURITIES OF THE COMPANY**

Equity shares of your Company continue to be listed on the Stock Exchanges at Kolkata and Mumbai and the listing fees for the year 2011-12 have been paid. 97.14 per cent of the equity shares of your Company are held by the shareholders' in dematerialized form.

#### **5. 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:

(i) in the preparation of the accounts for the financial year ended March 31, 2011, the applicable Accounting Standards have been followed and that there are no material departures;

(ii) 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, 2011 and of the profit of the Company for the year ended on that date;

(iii) 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

(iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

## **6. 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 earnings (previous year 'nil'). Foreign Exchange outgo during the year aggregated to Rs. 0.70 million (previous year Rs. 2.44 million).

## **7. DIRECTORS**

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. Your Board comprises of six members out of which three are independent directors.

There was no change in the composition of Board of Directors during the year. Mr. Utsav Parekh is the Non-Executive Chairman. Mr. Kishor Shah is the Managing Director of the Company being appointed for a period of 3 (Three) years w.e.f 1/04/2009 at a remuneration approved by the shareholders in the Annual general Meeting held on September 12, 2009. 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, managerial remuneration paid to Mr. Kishor Shah, Managing Director is proposed to be revised within the limits prescribed under Sections 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII, Part II, Section II 1 (B) to the Companies Act, 1956.

Mr. Chandranath 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.

Brief resume of Mr. Chandranath Mukherjee, nature of his expertise in specific functional areas, names of companies in which he holds directorship and / or membership / Chairmanship of committees of the board, his shareholdings as stipulated under Clause 49 of the listing agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the Annual Report.

## **8. 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 up to the conclusion of the forthcoming Annual General Meeting.

M/s J. S. Vanzara & Associates, Chartered Accountants have confirmed 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 and they hold a valid certificate issued by the Peer Review Board of ICAI.

**9. AUDITORS' QUALIFICATION**

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

**10. PARTICULARS OF EMPLOYEES**

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report is not required to be annexed. MCA vide its notification dated March 31, 2011 has revised the limit of disclosure to Rs.5 Lac per month or Rs. 60 Lac per annum. There are no employees in your company drawing remuneration more than Rs.5 Lac per month or Rs. 60 Lac per annum

**11. 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.

*On behalf of the Board of Directors*

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,

Kolkata - 700 020

The 27<sup>th</sup> day of May, 2011

**(UTSAV PAREKH)**

CHAIRMAN

## ANNEXURE TO DIRECTORS' REPORT

ANNEXURE – A

### MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. FINANCIAL STATEMENTS

Financial Statements are in compliance with the provisions of the Companies Act, 1956 and Accounting Standards issued by ICAI still in force. Readers are cautioned that this discussion may include “forward-looking statements” 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 only positive performance, which 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, which should not be construed as representation of future performance.

#### 2. MACRO-ECONOMIC OVERVIEW

Indian economy continued on the path of rapid resurgence which began in 2009-2010 and has virtually returned to a high growth path that it had achieved during 2005-06 before the global financial crisis and economic meltdown. However, as often happens with the strong recovery coupled with high dose of liquidity, the economy faced the heat of high inflation. Inflation continues to be high even though it has come down from where it was at the beginning of the fiscal year.

It is important to note that during the past three years Indian economy has successfully withstood two shocks in rapid succession: (a) global financial crisis in 2008-09 whose ripple effects continued in 2009-10 and (b) domestically, a period of marginal growth in agriculture and allied sectors. Yet the Indian economy has grown reasonably well with resilience and strength.

Growth in the industrial sector was remarkable during the first two quarters of the year 2010-2011. Thereafter, industrial output growth started to moderate. Domestic capital markets performed well in 2010. Primary markets were reasonably buoyant. Secondary markets also performed satisfactorily. Record foreign inflows helped to support the market. Overall capital flows into India this fiscal year increased substantially mainly due to investments made by the Foreign Institutional Investors (FII).

Indian economy this year has been characterized by robust economic growth and steady fiscal consolidation. However, there are structural challenges that need to be addressed concerning economic governance, efficiency in delivery of subsidies, higher subsidy due to higher oil prices, and building up of infrastructure. Policies formulated to take care of these can help to moderate inflation, accelerate economic inclusion, boost investment and infrastructure and lead economy to a high growth path.

#### 3. CAPITAL MARKETS

Stock markets continued to perform well during the year. BSE Sensex was 19,445.22 as on March 31, 2011 against 17,527.77 as on March 31, 2010. Indian financial sector is healthy and is well placed to capitalise on growth opportunities in the domestic market.

#### **4. OPPORTUNITIES**

The buoyant growth of economy creates opportunities and it is important to seize them so that the growth becomes sustainable. Companies have raised capital in recent times to expand and grow inorganically. Moreover, acquiring global brands, gaining access to overseas markets and leveraging new technologies for Indian markets have been the key drivers for out of bound acquisitions by Indian companies. More merger and acquisition activities are envisaged in the coming years. Some large corporates have announced their expansion cum new investment plans. Corporates are also actively engaged in reducing cost of debt and your company is endeavoring to take up assignments in these areas to increase revenues.

#### **5. THREATS**

Indian Capital Market being inter-linked to international financial markets is seriously affected by any global crisis. Your Company being a part of the market is continuously gearing itself to meet such unforeseen situations by reducing costs and conserving resources for investment wherever possible.

#### **6. FUTURE OUTLOOK**

Indian economy recorded a GDP growth rate of around 8.5% in the year 2010-11 and is expected to register a growth of around 7.5% in the year 2011-12. The rate of growth has come down due to steep increase in interest rates by Reserve Bank of India leading to a slowdown in the Indian economy. Inflation continues to be high. Profit margins of companies have been impacted both due to high inflation and higher interest rates. The steep increase in oil prices is also a matter of great concern for the government. It appears that this will be a challenging year for the financial services industry including your company.

Your company is actively engaged in increasing business in the areas of mergers and acquisitions, loan syndication and raising of equity capital for companies.

#### **7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

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

#### **8. 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*

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,  
Kolkata - 700 020  
The 27<sup>th</sup> day of May, 2011

(**UTSAV PAREKH**)  
CHAIRMAN

**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-11**

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

Your Company believes that sound ethical practices, transparency in operations and timely disclosures go a long way in enhancing the long-term shareholder value while safeguarding the interest of all the stakeholders. Corporate Governance is a reflection of our culture, policies, our relationship with stakeholders and commitment to value.

Your company believes that for a company to be successful it must maintain global standards of corporate conduct towards its stakeholders. To that end, your company has always focused on good corporate governance, which is the key driver of sustainable corporate growth.

**I. Company philosophy on Corporate Governance**

Your Company has implemented and is continuously improving the Corporate Governance procedures with the objective of fulfilling expectation of the shareholders and Company's social commitments 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, 2011 the Company had 6 Directors with a Non- Executive Chairman and Managing Director. The Board of Directors of your Company comprises of 5 Non-Executive Directors. Among them, 3 are Independent Directors. Composition of the Board of your Company is in conformity with Clause 49 (as amended). Composition of the Board is given below:

<b>Category</b>	<b>Particulars of Directors</b>
(a) Non-Executive-Independent Directors	(i) Mr. Ramesh Maheshwari (ii) Mr. Chandranath Mukherjee (iii) Mr. Santosh Kumar Mukherjee
(b) Non-Executive –Non-Independent Director	(i) Mr. Ajay Kumar Kayan (ii) Mr. Utsav Parekh, Non Executive Chairman*
(c) Executive Non Independent Director	(i) Mr. Kishor Shah, Managing Director**

\* Mr. Parekh was appointed Director under Section 257 of the Companies Act, 1956 in the Annual General Meeting held on September 12, 2009.

\*\* Mr. Kishor Shah was appointed Managing Director of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2009 in the Annual General Meeting held on September 12, 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, 2011 have been made by the Directors.

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:

- i. approving corporate philosophy and vision;
- ii. formulation of strategic and business plans;
- iii. reviewing and approving financial plans and budgets;
- iv. monitoring corporate performance against strategic and business plans, including overseeing operations;
- v. ensuring ethical behavior and compliance of laws and regulations;
- vi. reviewing and approving borrowing limits;
- vii. formulating exposure limits; and
- viii. 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 2010 – 2011 Attendance at Board Meetings	Year 2010 – 2011 Attendance at last AGM	No. of outside Directorships	No of other Board / Comm. of which he is a member	No of other Board / Committees of which he is a Chairman
Utsav Parekh – Non Executive Chairman	Promoter Non-Executive	2	No	6	4	Nil
Ramesh Maheshwari	Independent	3	No	5	5	3
Chandranath Mukherjee	Independent	3	Yes	1	1	Nil
Santosh Kumar Mukherjee	Independent	4	Yes	2	1	1
Ajay Kumar Kayan	Promoter Non-Independent	4	No	2	Nil	Nil
Kishor Shah	Managing Director	4	Yes	5	3	Nil

### III. Board Meetings

Four 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	Date of Meetings
First	May 24, 2010
Second	July 30, 2010
Third	October 30, 2010
Fourth	January 28, 2011

### 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 is 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:
    - (i) any change in accounting policies and practices;
    - (ii) major accounting entries based on exercise of judgment by management;
    - (iii) qualifications in draft audit report;
    - (iv) significant adjustments arising out of audit;
    - (v) the going concern assumption;
    - (vi) compliance with accounting standards;
    - (vii) compliance with stock exchange and legal requirements concerning financial statements;
    - (viii) 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.
- (v) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee is given below:

Name	Category	No. of Meetings during the year 2010-11	
		Held	Attended
Mr. Chandranath Mukherjee - <i>Chairman</i>	Independent, Non-Executive	4	3
Mr. Santosh Kumar Mukherjee	Independent, Non-Executive	4	4
Mr. Utsav Parekh	Non-Independent, Non-Executive	4	2

- (vi) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held in each quarter are as follows:

Quarter	Date of Meetings
First	May 24, 2010
Second	July 30, 2010
Third	October 30, 2010
Fourth	January 28, 2011

## V. Remuneration Committee

- (i) The Company has constituted a Remuneration Committee of Directors.
- (ii) The broad terms of reference of the Remuneration Committee are as follows:
  - a) To approve the Annual Remuneration Plan of the Company.
  - b) To approve remuneration payable to Managing / Whole-Time Director for each financial year;
  - c) Determination of sitting fees payable to Directors.
  - d) Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.

(iii) The composition of the Remuneration Committee and the details of meetings attended by the members of the Remuneration Committee are given below:

Name	Category	No. of Meetings during the year 2010-11	
		Held	Attended
Mr. Ramesh Maheshwari – Chairman	Independent, Non-Executive	2	2
Mr. Chandranath Mukherjee	Independent, Non-Executive	2	2
Mr. Santosh Kumar Mukherjee	Independent, Non-Executive	2	2

The Company Secretary is the Secretary of the Committee

(iv) Two meetings of the Remuneration Committee were held during the year on, April 1, 2010 and October 30, 2010.

(v) Employee Stock Option Scheme approved in the Annual General Meeting held on 27.09.2008 has lapsed as the same was not approved within one year of its approval.

(vi) Details of Remuneration for the year ended March 31, 2011

**a) Non-Executive Directors:**

Name	No. of Board Meetings Attended	Sitting Fees for Board Meeting (Rs.)	No. of Audit Committee Meetings Attended	Sitting Fees for Audit Committee Meeting (Rs.)	No. of Remuneration Committee Meetings Attended	Sitting Fees for Remuneration Committee Meeting (Rs.)	No. of Shareholders' Grievance Committee Meetings Attended	Sitting Fees for Shareholders' Grievance Committee (Rs.)	Commission	Total (Rs.)
Mr. Utsav Parekh	2	15,000	2	2,000	-	-	-	-	-	17,000
Mr. Ramesh Maheshwari	3	22,500	-	-	2	2,000	-	-	-	24,500
Mr. Chandranath Mukherjee	3	22,500	3	3,000	2	2,000	-	-	-	27,500
Mr. Santosh Kumar Mukherjee	4	30,000	4	4,000	2	2,000	1	1000	-	37,000
Mr. Ajay Kumar Kayan	4	30,000	-	-	-	-	-	-	-	30,000

Pursuant to Section 310 of the Companies Act, 1956 read with Clause 49 I(B) of the Listing Agreement, the sitting fees payable to Non-Executive Directors per Board Meeting is Rs. 7,500/- per Board Meeting which is within the limits fixed by the Central Government fee of Rs. 1,000/- is paid for each committee meeting (e.g. remuneration, audit and shareholders grievance).

**b) Executive Chairman and Managing Director**

Managerial remuneration paid to Mr. Kishor Shah, Managing Director (earlier Whole-Time Director from April 1, 2006 to March 31, 2009) pursuant to compliance of section 269 of the Companies Act, 1956 read with Schedule XIII Part II, Section II(B) to the Companies Act, 1956 is given as under:

<b>Name</b>	<b>Salary, Benefits, Perquisites &amp; Allowances</b>	<b>Commission</b>	<b>Stock Options</b>
Mr. Kishor Shah	Rs. 3,415,047/-	NIL	NIL

Mr. Kishor Shah was appointed Managing Director w.e.f. April 1, 2009 and is drawing remuneration as recommended by the Remuneration Committee and Board of Directors and as approved by the shareholders at the Annual General Meeting held on September 12, 2009 and varied within the limits fixed by the shareholders by the Special Resolution passed in the Annual General Meeting held on September 12, 2009.

**VI. Shareholders / Investors Grievance Committee**

- (i) The Company has constituted a Shareholders / Investors Grievance Committee of Directors to look into the redressal of complaint of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend / notices / annual reports, etc.
- (ii) The Shareholders / Investors Grievance Committee consist of 3 Directors namely Mr. Santosh Kumar Mukherjee, Mr. Chandranath Mukherjee and Mr. Kishor Shah of which 2 are in Non-executive capacity. The Chairman is Non-executive.
- (iii) The Company Secretary is the Secretary of the Committee.

**VII. Share Transfer Committee**

- (i) The Company has constituted a Share Transfer Committee to look into requests received for transfers, split, consolidation as well as issue of duplicate share certificates and completes the process and despatch of the certificates, well within the stipulated time.
- (ii) Share Transfer Committee comprises of Mr. Utsav Parekh, Mr. Santosh Kumar Mukherjee and Mr. Kishor Shah.
- (iii) Share Transfer Committee meetings were held from time to time to give effect to transfer of shares.
- (iv) The Share Transfer Committee is prompt in dealing with all the requests received relating to transfer of shares and other related matters.
- (v) The Company Secretary is the Secretary of the Committee.

**VIII. Committee of Directors**

In addition to the above committees, the Board has constituted the Committee of Directors, which considers matters which are urgent in nature. The Committee comprises of Mr. Utsav Parekh, Mr. Santosh Kumar Mukherjee, Mr. Ajay Kumar Kayan and Mr. Kishor Shah.

The Company Secretary is the Secretary of the Committee.

## **IX. General Body Meetings**

Location and time of general meetings held in the last 3 years:

<b>YEAR</b>	<b>TYPE</b>	<b>DATE</b>	<b>VENUE</b>	<b>TIME</b>	<b>Whether Special Resolution passed</b>
2009-10	AGM	25.09.2010	Registered Office: Vaibhav (4F), 4 Lee Road, Kolkata – 700 020.	10.00 A.M	No
2008-09	AGM	12.09.2009	Registered Office: Vaibhav (4F), 4 Lee Road, Kolkata – 700 020.	10.00 A.M	Yes
2007-08	AGM	27.09.2008	Registered Office: Vaibhav (4F), 4 Lee Road, Kolkata – 700 020.	10.00 A.M	Yes

At the Annual General Meeting of the Company held on 27.09.2008 Special Resolution was passed for item nos.5,6,7 and 8 respectively (i) amendment of 'Clause III-C' being 'Other Objects' for which the Company is established of the Memorandum of Association of the Company, (ii) authority to commence and undertake business specified in sub-clause 27 of Clause III-C being Other Objects for which the Company is established.' (iii) Issue of shares to employees under the SMIFS Capital Markets Limited Employees Stock Option Scheme -2008, (iv) Issue of shares to employees of subsidiary Company (SMIFS Capital Services Limited) under the SMIFS Capital Markets Limited Employees Stock Option Scheme - 2008. The resolutions were passed with requisite majority. The resolutions were passed by postal ballot. No. of forms received were 59 nos. and the votes cast were 3188405 votes. Number of valid Postal Ballot Forms received were 47 nos. and votes cast in favour were 3180855 votes. Number of invalid Postal Ballot Forms were 12 nos. and were for 7550 votes. Section 192A of the Companies Act, 1956 read with Companies (Postal Ballot) Rules 2001 was complied with.

At the Annual General Meeting of the Company held on 12.09.2009 resolution was passed for appointment of Mr. Kishor Shah as Managing Director.

No Special Resolution was passed at the Annual General Meeting held on 25.09.2010.

## **X. Disclosure by the Management to the Board**

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

- (a) Related party transactions viz., Promoters, Directors or the Management, their subsidiaries or relatives has been stated in Clause 13 of the Notes to Accounts in Schedule M.
- (b) There were no significant instances of non-compliance on any matter related to the capital market, during the last three years.

**XI. Subsidiary Company**

The Company has one wholly-owned subsidiary Company, SMIFS Capital Services Limited. Two independent directors on the Board of the Company are the directors on the Board of the subsidiary Company. Audit committee comprising of three directors of the Company reviews the financial statements in each meeting. Minutes of the Board meetings of the subsidiary are placed before the Board meetings and significant transactions, arrangements are placed at the Board meetings of your Company at regular intervals.

**XII. Compliance Certificate**

Compliance Certificate for Corporate Governance from Auditors of the Company is annexed herewith.

**XIII. Means of communication**

Half-yearly report to each shareholder:	Financial results of the Company are published in newspapers.
Quarterly and half-yearly results:	Published in the newspapers :  i) First Quarter ended June 30, 2010, unaudited results published in Business Standard (English) and Dainik Lipi (Bengali) dated August, 1 2010.  ii) Second Quarter and half-yearly results ended September 30, 2010 published in Business Standard (English) and Dainik Lipi (Bengali) on November 1, 2010.  iii) Third Quarter ended December 31, 2010 unaudited results published in Business Standard (English) and Dainik Lipi (Bengali) on January 30, 2011.  iv) Fourth Quarter ended March 31, 2011 audited results published in Business Standard (English) and Dainik Lipi (Bengali) on May 29, 2011.
Newspapers in which results are normally published:	Business Standard (English), Dainik Lipi (Bengali).
Any website, where displayed:	The results are displayed on the Company's website at <a href="http://www.smifscap.com">www.smifscap.com</a>
Whether it also displays official news releases:	Yes. The web site also displays the official news releases.
Management's Discussions & Analysis forms part of this annual report:	Yes

#### **XIV. General Shareholder's Information**

(i) Annual General Meeting

Date: September 10, 2011  
Time : 10.00 a.m  
Venue: 'Vaibhav'(4F), 4, Lee Road, Kolkata - 700 020

(ii) Financial Calendar : April to March

(iv) Dividend Payment date : If approved in the Annual General Meeting to be held on September 10, 2011 to be paid on or after September 12, 2011.

(v) Date of Book Closure : August 30, 2011(Tuesday) to September 10, 2011 (Saturday)  
(both days inclusive)

(vi) Listing on Stock Exchange: Equity shares of the Company are listed on The Calcutta Stock Exchange Limited and Bombay Stock Exchange Limited.

(vii) Stock Code : 508905 – Mumbai  
29354 – Calcutta

(viii) ISIN Number for NSDL / CDSL: INE641A01013

(ix) Market Price Information

The following table gives the monthly high and low prices of the Equity shares traded at BSE during the year 2010-2011:

<b>Month</b>	<b>High Price</b>	<b>Low Price</b>
<b>Apr-10</b>	39.75	34.20
<b>May-10</b>	59.70	41.60
<b>Jun-10</b>	52.75	47.05
<b>Jul-10</b>	54.00	44.80
<b>Aug-10</b>	51.95	44.75
<b>Sep-10</b>	52.95	43.20
<b>Oct-10</b>	52.25	45.50
<b>Nov-10</b>	49.90	40.20
<b>Dec-10</b>	54.90	34.50
<b>Jan-11</b>	46.50	41.05
<b>Feb-11</b>	44.00	36.50
<b>Mar-11</b>	40.95	34.70

There was no trading of shares at CSE during the year.



(x) Registrar and Transfer Agents:

Name & Address : Maheshwari Datamatics Pvt. Ltd.  
6, Mangoe Lane, (2<sup>nd</sup> Floor),  
Kolkata – 700 001  
Telephone : 2243-5029, 2243-5809, 2248-2248  
Fax : (033) 2248-4787,  
E-mail : [mdpl@cal.vsnl.net.in](mailto:mdpl@cal.vsnl.net.in)

(xi) Corporate Filing and Dissemination System (CFDS)

Pursuant to Clause 52 of the Listing Agreement, Companies are now required to upload the quarterly financial results under Corporate Filing and Dissemination System (CFDS). Your Company has been duly registered under the said system and all data relating to the quarterly financial results along with corporate governance report and shareholding pattern are filed under the said system.

(xii) Share Transfer System:

Shares lodged for transfer at the Registrar's address are normally processed within 21 days from the date of lodgment, if the documents are clear in all respects. All requests for dematerialization of shares are processed and the confirmation is given to the depositories within 15 days. The Share Transfer Committee approves all transfers and transmissions. Grievances received from members, if any, and other miscellaneous correspondence on change of address, mandates are processed by the Registrar within 15 days from the date of receipt of correspondence.

(xiii) Distribution of shareholding as on March 31<sup>st</sup>, 2011:

Category	No. of shares held	% of shareholding
RESIDENT INDIVIDUALS	536709	9.6098
FINANCIAL INSTITUTIONS / BANK	101000	1.8084
FOREIGN INSTITUTIONAL INVESTORS	550000	9.8478
CORPORATE BODY-DOMESTIC	1594978	28.5582
INDIAN PROMOTERS:		
a) Individuals	847550	15.1755
b) Corporate Bodies	1499650	26.8514
NRIs / OVERSEAS CORP. BODIES (OCBs)	454517	8.1382
CLEARING MEMBER	596	0.0107
<b>TOTAL</b>	<b>5585000</b>	<b>100</b>

(xiv) Reconciliation of Share Capital Audit Report:

The Securities and Exchange Board of India vide circular no. CIR/MRD/DP/30/2010 dated September 6, 2010 has directed all the issuer companies to submit a Reconciliation of Share Capital Audit Report (REPORT), reconciling the total shares held in both the depositories viz., NSDL and CDSL and in physical form with the total issued /paid up capital. The report replaced the earlier Secretarial Audit Report.

The said report, duly certified by a Company Secretary in Practice is submitted to the stock exchanges where the securities of the Company are listed within 30 days of the end of each quarter and the certificate is also placed before the Board of Directors of the Company.

(xv) Policy on Insider Trading:

The Company has formulated a code of conduct for prevention of insider trading ('Code') in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended in February 20, 2002. The Board has appointed Mr. S. C. Pal, Company Secretary-cum-Vice President (Legal) as the Compliance Officer under the Code being responsible for complying with the procedures, monitoring adherence to the rules for preservation of price sensitive information, pre-clearance of trade monitoring of trades and implementation of the code of conduct under the overall supervision of the Board. The SCML Code, inter alia, prohibits purchase and / or sale of shares of the Company by an insider or by any other Company, while in possession of unpublished price sensitive information in relation to the Company during certain prohibited periods. The Code is available on the Company's website.

(xvi) Details of use of Public Fund obtained in the last three years:

No fund has been raised from the public in the last three years.

(xvii) Plant location:

The Company is engaged in the business of financial services and has no plant.

(xviii) Investor Correspondence:

Any query relating to financial statements of the Company may be addressed to the Chief Financial Officer of the Company:

**Mr. S. Jhajharia**  
**Senior Vice-President & CFO**

SMIFS Capital Markets Limited

Vaibhav, 4 F, 4 Lee Road,

Kolkata – 700 020

Telephone: (033) 2290 7400/ 7401

Fax: (033) 2287 4042

E-mail: [smifscap@vsnl.com](mailto:smifscap@vsnl.com)

Investors' Correspondence may be addressed to the Compliance Officer of the Company:

**Mr. S. C. Pal**  
**Company Secretary cum Vice President (Legal)**

SMIFS Capital Markets Limited

Vaibhav, 4 F, 4 Lee Road,

Kolkata – 700 020

Telephone: (033) 2290 7400/ 7401

Fax: (033) 2287 4042

E-mail: [smifscap@vsnl.com](mailto:smifscap@vsnl.com)

(xix) Other Information:

a) Compliance

Compliance Certificate for Corporate Governance from Auditors of the Company is annexed herewith.

b) Code of Conduct

In order to make the employees of the Company knowledgeable and committed to follow highest level of integrity and to outline the Company's value and principles and to set out the standards of the professional and ethical behavior expected of the employees in the organization, Board of Directors of your Company have laid down Code of Business Conduct and ethics.

Affirmation of Compliance to the code has been made by the Board members and senior management of the Company.

c) Annual declaration by CEO pursuant to Clause 49(I)(D)(ii) of Listing Agreements with Stock Exchanges

As the Chief Executive Officer of SMIFS Capital Markets Limited and as required by Clause (49)(I)(D)(ii) of the Indian Stock Exchange Listing Agreement, I hereby declare that all the Board members and the senior management personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and ethics for the Financial Year 2010-11.

(xx) Information pursuant to Clause 49 VIA (C) of the Listing Agreement

(a) Details of Mr. Chandranath Mukherjee, Director who has consented to be re-appointed as Director at the ensuing Annual General Meeting:

Mr. Chandranath Mukherjee – L.L.B, M.A- (Economics). Appointed as Director on 27/10/2006 He is a Practicing Advocate with wide experience and knowledge of Financial Market & He is also a director of SMIFS Capital Services Limited.

(xxi) Non – Mandatory Requirements

Whistle Blower Policy

Your Company has established a mechanism called "Whistle Blower Scheme" for employees to report to the management instances of unethical behavior actual or suspected, fraud or violation of Company's code of conduct or ethics policy

*On behalf of the Board of Directors*

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,  
Kolkata - 700 020  
The 27<sup>th</sup> day of May, 2011

(UTSAV PAREKH)  
CHAIRMAN

## AUDITORS' REPORT TO THE MEMBERS OF SMIFS CAPITAL MARKETS LIMITED

We have audited the attached Balance Sheet of SMIFS Capital Markets Limited, as at 31<sup>st</sup> March 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of the written representations received from the directors, as on 31<sup>st</sup> March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
  - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For J. S. VANZARA & ASSOCIATES  
Chartered Accountants  
FRN.318143E

(Aurobinda Panda)  
Partner  
Membership no. 064888

Date: 27<sup>th</sup> day of May, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 thereof)

- i) In respect of its fixed assets:
  - a) The Company is generally maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) As explained to us, some of the fixed assets have been physically verified during the year by the management in accordance with a phase programme of verification adopted by the Company. In our opinion, the period of verification is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
  - c) Based on our scrutiny of the records of the Company, we report that the Company has disposed off some fixed assets during the year. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said fixed assets has not affected the going concern.
- ii) As the Company provides Investment Banking Service and deals in share and securities which do not fall under the definition of inventory as clarified by The Institute of Chartered Accountants of India in its statement on CARO 2003, the requirements of reporting on physical verification of stock or maintenance of inventory records in our opinion are not applicable.
- iii)
  - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(b), (c) and (d) of the Order, are not applicable.
  - b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(e), (f) and (g) of the Order, are not applicable.
- iv) Having regard to the nature of the Company's business and based on our scrutiny of the Company's records and according to the information and explanations given to us, we report that the Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanation received by us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
- v)
  - a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has discontinued acceptance of public deposits w.e.f. 15.07.1997. In our opinion and according to the information and explanations given to us, the Company has complied with the provision of sections 58A and 58AA of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 as applicable, with regards to the deposits accepted from the public. As per information and explanations given to us no order under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company.
- vii) In our opinion, the Company has internal audit system commensurate with its size and nature of its business.
- viii) According to the information and explanations provided by the management, the Company is not engaged in production, processing, manufacturing or mining activities. Hence the provision of section 209(1)(d) do not apply to the Company. Hence, in our opinion, no comment on maintenance of cost records under section 209(1)(d) is required.
- ix) Statutory and other dues: -

- a) According to the information and explanations given to us, the Company has been regularly depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax Wealth Tax, Service Tax, Customs Duty and Excise Duty as applicable with the appropriate authorities during the year.
- b) According to the information and explanations given, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they become payable.
- c) According to the records of the Company and the information and explanations given to us, the following are the particulars of dues on account of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess matters that have not been deposited on account of any dispute:

Name of the Statute	Nature of Due	Amount (Rs)	Forum where Dispute is pending
Uttar Pradesh Sale Tax Act	Sales Tax Due	91,125	Commissioner of Appeal Sales Tax

- x) The company doesn't have any accumulated losses at the end of the financial year and has incurred cash losses to the tune of Rs. 43,05,391/- (Rupees Forty Three Lacs Five Thousand Three Hundred Ninety One only) during the current financial year.
- xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank during the year.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares during the year, so the requirement of maintenance of adequate documents and records is not applicable.
- xiii) In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the Company is neither a Chit Fund nor a Nidhi / Mutual benefit society. Hence, in our opinion, the provisions of any special statute as specified under paragraph 4(xiii) of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of transaction and contracts regarding its dealing as trading in shares, securities, debentures and other investments, and timely entries have been made therein; also the shares, securities, debentures and other investments, have been held by the Company in its own name except of the exemption granted under section 49 of the Companies Act, 1956 or the shares for which the Company held valid transfer forms or which are in the process of transfer in its name and as stated in note (B) (15) of schedule 'M'.
- xv) The Company has given guarantees in connection with loan taken by others from banks or financial institutions. In our opinion, the terms and conditions of the guarantees given are not prejudicial to the interest of the Company.
- xvi) In our opinion and according to the information and explanation given to us, the term loan obtained by the Company has been applied for the purpose for which it was obtained.
- xvii) Based on the information and explanations given to us and an overall examination of balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

ORIENTAL HOUSE, SUITE # 3A  
6C, ELGIN ROAD, 3<sup>RD</sup> FLOOR  
KOLKATA – 700 020.

For J. S. VANZARA & ASSOCIATES  
Chartered Accountants  
FRN.318143E

(Aurobinda Panda)  
Partner  
Membership No-064888

Date: 27<sup>th</sup> day of May, 2011

# SMIFS CAPITAL MARKETS LIMITED

## Balance Sheet as at 31st March, 2011

SCH	As at 31st March 2011	As at 31st March 2010
No.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
a. Share Capital	A 55,850,000	55,850,000
b. Reserve and Surplus	B <u>683,484,757</u>	<u>640,035,251</u>
	739,334,757	695,885,251
<b>Loan Funds</b>		
a. Secured Loans	C 5,521,612	2,878,177
b. Unsecured Loans	D <u>0</u>	<u>21,127,520</u>
	5,521,612	24,005,697
	<u><u>744,856,369</u></u>	<u><u>719,890,948</u></u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
a. Gross Block	E 244,892,090	226,259,283
b. Less: Depreciation	141,391,931	140,229,290
Lease Terminal Adjustment Account	<u>1,709,528</u>	<u>1,709,528</u>
c. Net Block	101,790,631	84,320,465
<b>Investments</b>		
	F 175,224,636	178,947,346
<b>Current Assets, Loans &amp; Advances</b>		
a. Current Assets	G 98,053,652	185,505,528
b. Loans & Advances	<u>371,890,059</u>	<u>328,576,624</u>
	<u>469,943,712</u>	<u>514,082,152</u>
<b>Less: Current Liabilities &amp; Provisions</b>		
a. Current Liabilities	H 63,802,062	120,247,639
b. Provisions	<u>27,192,845</u>	<u>26,428,280</u>
	<u>90,994,907</u>	<u>146,675,919</u>
<b>Net Current Assets</b>	378,948,805	367,406,233
<b>Net Deferred Tax Assets</b>	88,892,297	89,216,904
	<u><u>744,856,369</u></u>	<u><u>719,890,948</u></u>
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>		
Schedules referred to above form an integral part of the Balance Sheet		
In terms of our attached report of even date		

For and on behalf of the Board of Directors

In terms of our attached report of even date  
**For J. S. VANZARA & ASSOCIATES**  
 Chartered Accountants  
 FRN. 318143E

(Utsav Parekh)  
 Chairman

(Kishor Shah)  
 Managing Director

(AUROBINDA PANDA)  
 Partner  
 Membership no. 064888  
 Kolkata  
 The 27th day of May 2011

(S. C. Pal)  
 Company Secretary  
 Cum Vice President (Legal)

(S. Jhajharia)  
 Senior Vice President & CFO

# SMIFS CAPITAL MARKETS LIMITED

## Profit & Loss Account for the year ended 31st March, 2011

	SCH No.	For the year ended <u>31st March 2011</u>		For the year ended <u>31st March 2010</u>	
		Rs.	Rs.	Rs.	Rs.
<b><u>INCOME</u></b>					
Sales			162,642,186		278,736,722
Profit/Loss on Sale of Investments			(16,862,376)		(47,153,310)
Investment Banking Operations(Net)			40,720,314		119,995,567
Other Income	I		1,121,333		3,899,478
Increase / (Decrease) in Stock	J		1,033,909		(2,026,785)
			<u>188,655,366</u>		<u>353,451,672</u>
<b><u>EXPENDITURE</u></b>					
Purchases			161,177,156		274,612,464
Operating & Administration Expenses	K		31,863,981		76,323,687
Interest	L		(80,380)		654,711
Depreciation			3,349,760		2,637,984
Provision against Investments /sub-standard assets			(70,390,625)		(40,977,774)
			<u>125,919,892</u>		<u>313,251,072</u>
<b>PROFIT/ (LOSS) BEFORE TAX</b>			<b>62,735,474</b>		<b>40,200,600</b>
Provision for Taxation (Including Wealth Tax & STT)		376,728		114,815	
Short / (Excess) provision of tax for earlier years		7,549,888		6,169,782	
Deferred Tax for the year		<u>324,607</u>		<u>(17,242,194)</u>	
			8,251,223		(10,957,597)
<b>PROFIT / (LOSS) AFTER TAX</b>			<b>54,484,251</b>		<b>51,158,197</b>
(Debit) / Credit balance brought forward			41,310,251		109,920,952
<b>Amount available for Appropriation</b>			<b><u>95,794,502</u></b>		<b><u>161,079,149</u></b>
<b><u>Appropriations</u></b>					
Proposed Dividend 17%			9,494,500		8,377,500
Tax on Proposed Dividend			1,540,245		1,391,398
Transferred to General Reserve			30,000,000		110,000,000
Balance Carried to Balance Sheet			<u>54,759,757</u>		<u>41,310,251</u>
			<u>95,794,502</u>		<u>161,079,149</u>
Earning Per Share (Basic & Diluted) (Nominal Value of shares Rs.10/-)	M		<b>9.76</b>		<b>9.16</b>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	M				

Schedules referred to above form an integral part of the Profit and Loss Account  
In terms of our attached report of even date

For and on behalf of the Board of Directors

**For J. S. VANZARA & ASSOCIATES**  
Chartered Accountants  
FRN. 318143E

(Utsav Parekh)  
Chairman

(Kishor Shah)  
Managing Director

**(AUROBINDA PANDA)**  
Partner  
Membership no. 064888  
Kolkata  
The 27th day of May 2011

(S. C. Pal)  
Company Secretary  
Cum Vice President (Legal)

(S. Jhajharia)  
Senior Vice President & CFO



**Schedules Annexed to and forming part of Accounts as at 31st March 2011**

	As at <b><u>31st March 2011</u></b>		As at <b><u>31st March 2010</u></b>	
	Rs.	Rs.	Rs.	Rs.
<b><u>SCHEDULE 'A'</u></b>				
 <b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
30,000,000 Equity Shares of Rs. 10 each		300,000,000		300,000,000
2,000,000 Preference Shares of Rs. 100 each		200,000,000		200,000,000
		<u>500,000,000</u>		<u>500,000,000</u>
<b>Issued, Subscribed &amp; Paid up:</b>				
5,585,000 Equity Shares of Rs 10 each, fully paid		55,850,000		55,850,000
Out of the above shares, 2,400,000 shares of Rs. 10 each fully paid up has been issued by way of Bonus Shares by capitalisation of General Reserve:				
		<u>55,850,000</u>		<u>55,850,000</u>
 <b><u>SCHEDULE 'B'</u></b>				
 <b>RESERVES &amp; SURPLUS</b>				
<b>Capital Redemption Reserve</b>				
As per last Balance Sheet		40,000,000		40,000,000
<b>Securities Premium Account:</b>				
As per last Balance Sheet		433,725,000		433,725,000
<b>General Reserve:</b>				
As per last Balance Sheet	125,000,000		15,000,000	
Add: Transferred During the year	<u>30,000,000</u>		<u>110,000,000</u>	
		155,000,000		125,000,000
<b>Profit &amp; Loss Account</b>				
Transferred from Profit & Loss A/c		54,759,757		41,310,251
		<u>683,484,757</u>		<u>640,035,251</u>
 <b><u>SCHEDULE 'C'</u></b>				
 <b>SECURED LOANS</b>				
<b>Loans from Banks</b>				
Vehicles Loans [Payable within one year Rs. 2,198,525 (Rs.1,058,137)]		5,521,612		2,878,177
		<u>5,521,612</u>		<u>2,878,177</u>
 <b><u>SCHEDULE 'D'</u></b>				
 <b>UNSECURED LOANS</b>				
From Bodies Corporate (Short Term)		0		21,127,520
		<u>0</u>		<u>21,127,520</u>

**Schedules Annexed to and forming part of Accounts as at 31st March, 2011**

**SCHEDULE - 'E'**

**FIXED ASSETS**

Particulars	Gross Block (Cost) Rs.				Depreciation Rs.				Lease Terminal Adjustment		Net Block Rs.	
	As on 01.04.2010	Additions	Deductions	As on 31.03.2011	As on 01.04.2010	For the year	Adj. during the year	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010	As on 31.03.2011	As on 31.03.2010
Land	58,905,074	12,309,675	0	71,214,749	0	0	0	0	0	0	71,214,749	58,905,074
Buildings	26,228,404	0	0	26,228,404	8,365,587	686,087	0	9,051,674	0	0	17,176,730	17,862,816.67
Furniture and Fixtures	6,169,002	0	0	6,169,002	5,615,324	100,216	0	5,715,539	0	0	453,463	553,679
Office Equipment	2,166,038	0	0	2,166,038	1,665,975	69,559	0	1,735,534	0	0	430,504	500,063
Vehicles	11,510,479	8,825,273	2,619,763	17,715,989	6,755,986	2,191,527	2,006,460	6,941,053	0	0	10,774,937	4,754,494
Electrical Installations	1,206,229	0	0	1,206,229	1,024,016	25,346	0	1,049,362	0	0	156,868	182,214
Computers	2,471,664	241,436	191,382	2,521,718	2,122,664	212,151	180,659	2,154,156	0	0	367,562	349,000
Air Conditioners	2,481,802	67,568	0	2,549,370	2,078,596	64,875	0	2,143,471	0	0	405,899	403,206
<b>Sub total</b>	<b>111,138,694</b>	<b>21,443,952</b>	<b>2,811,145</b>	<b>129,771,501</b>	<b>27,628,148</b>	<b>3,349,760</b>	<b>2,187,119</b>	<b>28,790,789</b>	<b>0</b>	<b>0</b>	<b>100,980,712</b>	<b>83,510,546</b>
<i>Previous Year</i>	<i>100,295,995</i>	<i>13,374,592</i>	<i>2,531,893</i>	<i>111,138,694</i>	<i>26,333,325</i>	<i>2,637,984</i>	<i>1,343,161</i>	<i>27,628,148</i>	<i>0</i>	<i>0</i>	<i>83,510,546</i>	
<i>Assets on Lease</i>												
Plant & Machinery	115,120,589	0	0	115,120,589	112,601,142	0	0	112,601,142	1,709,528	1,709,528	809,919	809,919
<b>Sub total</b>	<b>115,120,589</b>	<b>0</b>	<b>0</b>	<b>115,120,589</b>	<b>112,601,142</b>	<b>0</b>	<b>0</b>	<b>112,601,142</b>	<b>1,709,528</b>	<b>1,709,528</b>	<b>809,919</b>	<b>809,919</b>
<i>Previous Year</i>	<i>115,120,589</i>	<i>0</i>	<i>0</i>	<i>115,120,589</i>	<i>112,601,142</i>	<i>0</i>	<i>0</i>	<i>112,601,142</i>	<i>1,709,528</i>	<i>0</i>	<i>809,919</i>	
<b>Total</b>	<b>226,259,283</b>	<b>21,443,952</b>	<b>2,811,145</b>	<b>244,892,090</b>	<b>140,229,290</b>	<b>3,349,760</b>	<b>2,187,119</b>	<b>141,391,931</b>	<b>1,709,528</b>	<b>1,709,528</b>	<b>101,790,631</b>	<b>84,320,465</b>
<i>Previous Year</i>	<i>215,416,584</i>	<i>13,374,592</i>	<i>2,531,893</i>	<i>226,259,283</i>	<i>138,934,467</i>	<i>2,637,984</i>	<i>1,343,161</i>	<i>140,229,290</i>	<i>1,709,528</i>		<i>84,320,465</i>	

Notes: Provision to the extent of Rs. 809,919 (Rs.809,919) has been made against doubtful leased assets as on 31.03.2011

**Schedules Annexed to and forming part of Accounts as at 31st March, 2011**

	As at <u>31st March 2011</u>		As at <u>31st March 2010</u>	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
<b>SCHEDULE 'F'</b>				
<b>INVESTMENTS (at cost )</b>				
<b>IN BODIES CORPORATE</b>				
Equity Shares of Rs.10 each (Unless otherwise stated)				
<b><u>Fully paid up : Quoted</u></b>				
Aravali Securities Ltd.	100	60	100	60
Asian Vegipro Industries Ltd.	300,000	300,000	300,000	300,000
Coventry Springs & Engg.Co.Ltd.	52,323	175,282	52,323	175,282
First Leasing Company of India Ltd	68,750	5,079,950	0	0
Gillander Arthbutnot & Co.Ltd.	9,041	120,591	0	0
HSIL Ltd.	390,000	54,310,279	0	0
Intrasoft Technologies Limited	17,500	1,750,000	0	0
Mangalam Cement Limited	0	0	7,621	603,028
Melstar Information Technologies Ltd.	300	63,675	300	63,675
Moulik Finance & Resorts Ltd.	7,100	71,000	7,100	71,000
Moving Picture Co. (India) Limited	881,600	3,076,784	0	0
Neogem India Limited	132,800	597,600	132,800	597,600
Nicco-Uco Alliance Credit Ltd.	114	650	114	650
Phillips Carbon Black Ltd	84,500	14,964,589	0	0
Punsumi Foils & Components Ltd.	15,800	19,750	15,800	19,750
PTC Industries Ltd.	1,000	16,850	1,000	16,850
Kanko Enterprises Ltd.	0	0	150,000	1,500,000
R.S.Software India Limited	98,752	5,014,750	77,150	5,014,750
Shez Leather Ltd.	35,900	359,000	35,900	359,000
Swad Industries & Leasing Ltd.	141	268	141	268
VCK Capital Markets Services Ltd.	200	220	200	220
<b><u>Partly Paid up: Quoted</u></b>				
Malvika Steels Ltd.	91,200	912,000	91,200	912,000
(Paid up Rs. 2.50 each)				
<b><u>Fully paid up : Unquoted</u></b>				
Andaman Plantations & Development Corporation Private Ltd	64,880	6,488,000	64,880	6,488,000
Antriksh Vyapaar Pvt Ltd	0	0	3,359,375	107,500,000
Bhatpara Papers Limited	44	391	44	391
C. Mackertich Ltd.	4,250,000	42,500,000	4,250,000	42,500,000
Exquisite Exports Ltd.	5,000	50,000	5,000	50,000
Fortune Biotech Limited	40,000	178,000	40,000	178,000
Spencer Retail Limitec	5,329	969,612	5,329	969,612
Gujarat Securities Ltd.	20	200	20	200
Kamal Overseas Ltd.	0	0	250,000	19,812,500
Manson And Summers Alcobev Pvt.Ltd.	0	0	125,000	19,500,000
North East Publisng & Advertising Co.Ltd.	5,045,400	504,540	5,045,400	504,540
Patriot Automation Projects Ltd.(Bonus)	65,350	0	65,350	0
Patriot Automation Projects Ltd.	2,000,000	500,000	2,000,000	500,000
Sheory Digital Systems Pvt.Ltd.	590,000	129,800	590,000	129,800
Smifs Finance Limited	240,000	3,360,000	240,000	3,360,000
Sukhraj Vinimay Pvt.Ltd.	50,000	252,500	50,000	252,500
Vaibhav Services Pvt. Ltd.	4,580	45,800	4,580	45,800
Zoom Export Ltd.	0	0	200,000	2,000,000
<b><u>Partly Paid up: Unquoted</u></b>				
Smifs Finance Limitec	1,511,600	15,174,000	1,511,600	15,174,000
[Paid up Rs. 7.50 (Rs.7.50) each]				

**Schedules Annexed to and forming part of Accounts as at 31st March, 2011**

	Aa at		Aa at	
	31st March 2011		31st March 2010	
	Quantity	Amount	Quantity	Amount
	Nos.	Rs.	Nos.	Rs.
<b><u>Fully paid up : Unquoted</u></b>				
<b><u>(Wholly owned Subsidiary Company)</u></b>				
Smifs Capital Services Ltd	7,500,070	75,000,700	7,500,070	75,000,700
<b>Preference Shares of Rs. 100/- each</b>				
<b><u>Fully paid up : Unquoted</u></b>				
12% Andaman Plantations.& Development Corporation Ltd.	140,000	4,100,000	140,000	4,100,000
Non-cummulative Preference Shares				
8.00% DIGJAM Ltd.	106,000	10,600,000	131,000	13,100,000
Non-cummulative Preference Shares				
Sub Total :	23,805,394	246,686,841	26,449,397	320,800,176
<b><u>In Government Securities : Listed</u></b>				
	Face Value	Amount	Face Value	Amount
	Rs.	Rs.	Rs.	Rs.
6.05% Govt.of India Loan - 2019	500,000	521,065	500,000	521,065
Sub Total :	500,000	521,065	500,000	521,065
Less:Provision For Diminution in Value of Investments		71,983,270		142,373,895
<b>Total :</b>	<b>24,305,394</b>	<b>175,224,636</b>	<b>26,949,397</b>	<b>178,947,346</b>
Aggregated of unquoted Investments - at book value		88,391,338		169,313,213
Aggregated of Quoted Investments - at book value		86,833,298		9,634,133
Aggregated of Quoted Investments - at market value		80,867,502		7,235,617

**Schedules Annexed to and forming part of Accounts as at 31st March, 2011**

	As at <u>31st March 2011</u>		As at <u>31st March 2010</u>	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 'G'</b>				
<b>CURRENT ASSETS, LOAN &amp; ADVANCES</b>				
<b>A. CURRENT ASSETS</b>				
Interest accrued on Govt. Securities		10,833		10,833
Stock in trade: Shares & Securities		2,680,500		1,646,591
Sundry Debtors				
Exceeding six months				
- Considered good	70,295,385		28,445,910	
- Considered doubtful	377,723		377,723	
Less : Provision for doubtful debts	377,723		377,723	
	70,295,385		28,445,910	
Other Debts				
- Considered good	12,704,353		141,337,483	
		82,999,738		169,783,393
<b>CASH &amp; BANK BALANCES:</b>				
Cash and Cheques in hand	292,695		268,482	
With Scheduled Banks				
In Current Accounts	4,486,586		6,918,932	
In Dividend Accounts	623,675		430,752	
In Deposit Accounts (Including accrued interest)	6,959,625		6,446,545	
(Certificate with Bank in safe custody)		12,362,581		14,064,711
		<b>98,053,652</b>		<b>185,505,528</b>
<b>B. LOANS &amp; ADVANCES</b>				
<b>LOANS</b>				
Considered doubtful	875,000		875,000	
Less : Provision for doubtful loans	875,000		875,000	
		0		0
To Staff (Considered good)		770,627		1,255,490
[Secured by charge against property Rs.3,42,815 (Rs.730,593)]				
<b>ADVANCES</b>				
(Recoverable in cash or in kind or for value to be received)				
To Others				
- Considered good	141,127,696		98,145,223	
- Considered doubtful	8,500,000		8,500,000	
Less: Provision for doubtful advances	8,500,000		8,500,000	
		141,127,696		98,145,223
Income Tax Payments		35,658,795		34,682,547
Security & other deposits	3,002,131		3,007,241	
Less: Provision for doubtful advances	700,000		700,000	
		2,302,131		2,307,241
Service tax input credit		30,810		186,123
Share Application Money paid		192,000,000		192,000,000
		<b>371,890,059</b>		<b>328,576,624</b>
		<b>469,943,712</b>		<b>514,082,152</b>
<b>SCHEDULE 'H'</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>A. CURRENT LIABILITIES</b>				
Sundry Creditors		19,202,033		13,842,518
Deposit received		140,000		140,000
Other Liabilities		9,443,116		18,913,150
Advances against Shares & Securities / Others		32,500,000		30,000,000
Advances from Subsidiary Company		1,893,238		56,921,219
Unclaimed dividend		623,675		430,752
		<b>63,802,062</b>		<b>120,247,639</b>
<b>B. PROVISIONS</b>				
- for Proposed Dividend		9,494,500		8,377,500
- for Tax on Proposed Dividend		1,540,245		1,391,398
- for Fringe Benefit Tax		463,231		946,615
- for Doubtful and Sub Standard assets		809,918		809,918
- for Taxes (Including for Wealth Tax)		13,798,731		13,776,598
- for Leave Salary		1,086,220		1,126,251
		<b>27,192,845</b>		<b>26,428,280</b>
		<b>90,994,907</b>		<b>146,675,919</b>

**Schedules Annexed to and forming part of Accounts as at 31st March, 2011**

	<u>For the year ended</u> <u>31st March 2011</u>		<u>For the year ended</u> <u>31st March 2010</u>	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 'I'</b>				
<b>OTHER INCOME</b>				
Miscellaneous Income		145,351		1,293,548
Rent		0		103,161
Profit on Sale of Fixed Assets		(66,026)		1,711,268
Dividend Income : - Investments	1,035,075		788,294	
-Trading	6,932		3,207	
		<u>1,042,007</u>		<u>791,501</u>
		<u><u>1,121,333</u></u>		<u><u>3,899,478</u></u>

**SCHEDULE 'J'**

<b>INCREASE / (DECREASE) IN STOCK</b>				
Closing Stock		2,680,500		1,646,591
Less : Opening Stock		<u>1,646,591</u>		<u>3,673,376</u>
		<u><u>1,033,909</u></u>		<u><u>(2,026,785)</u></u>

	<u>For the year ended</u> <u>31st March 2011</u>		<u>For the year ended</u> <u>31st March 2010</u>	
	Rs.	Rs.	Rs.	Rs.

**SCHEDULE 'K'**

<b>OPERATING &amp; ADMINISTRATIVE EXPENSES</b>				
Expenses on personnel :				
Salaries, Bonus & Allowances	12,483,705		11,481,481	
Contribution to Provident & other Funds (Including Administrative Charges)	990,708		893,916	
Training, Development & Recruitment Exp	8,455		20,423	
Staff welfare expenses	<u>1,063,790</u>		<u>981,123</u>	
		14,546,658		13,376,943
Group Gratuity Scheme		516,786		564,800
Telephone Charges		1,486,704		1,334,071
Printing & Stationeries		2,286,239		1,998,278
Professional, Legal & Consultancy Charges		1,269,193		1,282,616
Business Promotion Expenses		615,281		167,523
Rent		515,390		574,580
Repairs & Maintenance				
- Building		562,841		402,296
- Plant & Machinery		126,551		129,745
- Others		257,751		211,334
Advertisement		265,827		311,411
Electricity		416,462		380,506
Vehicle Expenses		1,249,648		1,039,072
Subscription & Membership Fees		766,621		420,518
Miscellaneous Expenses:		1,212,236		1,336,379
Bad Debts		439,710		45,361,328
Rates & Taxes		346,108		405,401
Travelling Expenses		4,455,240		6,319,703
Directors Fees		136,000		249,500
Insurance		82,735		72,683
Donation		125,000		200,000
Auditor's Remuneration		<u>185,000</u>		<u>185,000</u>
		<u><u>31,863,981</u></u>		<u><u>76,323,687</u></u>

**SCHEDULE 'L'**

**INTEREST**

<u>Interest Paid</u>				
- Banks	354,668		357,621	
- Others	216,893		918,000	
	<u>571,561</u>		<u>1,275,621</u>	
Less : <u>Received</u>				
- Govt. Securities - Investments	30,250		30,250	
- Others	621,691		590,660	
	<u>651,941</u>		<u>620,910</u>	
		<u>(80,380)</u>		654,711
		<u><u>(80,380)</u></u>		<u><u>654,711</u></u>

**SCHEDULE 'M':**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements have been prepared to comply, in all material respects, with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

**(b) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and Lease Terminal Adjustment account. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

**(c) Depreciation**

Depreciation on Fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act 1956, (as amended), except for leased assets which is written off on straight-line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. For lease contracts, which have become non-performing assets, depreciation has been provided at accelerated rate of depreciation calculated on principal recovery method.

Immovable property held on time-sharing basis is being proportionally depreciated over its time-sharing period contracted for.

Depreciation on Fixed assets added/disposed during the year is provided on a pro-rata basis with reference to the date of addition/disposal.

**(d) Lease Equalisation Charges:**

Lease rental income is recognised on accrual basis over the lease period. Except in cases where lease contracts have become non-performing assets, the cost of all leased assets is fully amortised during the lease period as per the Guidance Note issued by the Institute of Chartered Accountants of India. Lease Equalisation charge is accordingly accounted for.

**(e) Investments**

As per the guidelines issued by The Institute of Chartered Accountants of India, Long Term investments in shares and securities are carried at cost less provision for diminution, other than temporary, determined separately for each individual Investment.

**(f) Stock-in-trade**

Stock-in-trade consisting of shares and securities has been individually valued script wise at lower of cost and market rate, in case they are quoted. Other Stock-in-trade are valued at cost / net asset value whichever is lower or where balance sheet of investee Company is not

available for past two years, value of such unquoted Stock-in-trade have been taken at rupee one per share as per prudential norms issued by the Reserve Bank of India.

**(g) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

In respect of lease rentals arising out of lease agreements, it is the company's policy to recognise income as per the terms of the agreements entered into with lessees. However, where lease rentals are past due for more than one year, the Company has not recognised any income as per the past practice followed by the company. Similarly, the company has not recognised any income in cases where there is a delay of more than six months in the case of income from interest.

**(h) Retirement Benefits**

The Company has taken an appropriate group gratuity policy with Life Insurance Corporation of India to provide for its liabilities for gratuity. Premium paid on policy is charged to revenue.

Provision has been made for the monetary value of the leave due to staff.

**(i) Income Taxes**

The accounting treatment for income tax in respect of the income is based on the Accounting Standards on 'Accounting for Taxes on Income' (AS 22) issued by the Institute of Chartered Accountants of India.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax liability / asset for all timing differences arising between taxable income and accounting income at currently enacted tax rates.

Deferred tax assets are recognized only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

**(j) Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

**(k) Impairment of Assets**

In compliance with Accounting Standard (AS) 28- "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the carrying amounts of Cash Generating Units/Assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated at the higher of net selling price and value in use. Impairment loss is recognised wherever carrying amount exceeds the recoverable amount.

**(l) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable. Contingent liabilities are shown by way of Notes to the accounts in respect of obligations where, based on the



## SMIFS CAPITAL MARKETS LIMITED

evidence available, their existence at the balance Sheet date is considered not probable. Contingent assets are not recognised in the Accounts.

### B. NOTES FORMING PART OF THE ACCOUNTS

1. Contingent Liabilities not provided for:
  - a. Sales Tax demand net of payment under appeal Rs.91,125 (Rs. 91,125).
  - b. Uncalled liabilities on partly paid shares Rs.6,813,000 (Rs. 6,813,000)
  - c. Employees State Insurance Rs.142,274 (Rs. 142,274).
  - d. Guarantees given Rs.310,000,000 (Rs. 168,500,000).
2. The Company applied to the Government of West Bengal for exemption from the provision of Employees State Insurance Act, 1948, since the medical facilities / benefits provided by the Company to the Employees are superior to those covered by E.S.I. Scheme. Government of West Bengal, Labour Department in consultation with Employees State Insurance Corporation granted exemption for one year effective from 25<sup>th</sup> November, 1997. Prayer seeking exemption on permanent basis with retrospective effect is pending with the Government of West Bengal. The Employees State Insurance Corporation has raised demand for the period from June 1991 to 24<sup>th</sup> November 1997 amounting to Rs. 142,274. The Company has filed a petition against the demand before E.S.I. Court and the same has been partly heard.
3. Balances lying as sundry debtors, creditors and loans & advances are subject to confirmation to be received from the concerned parties.
4. Physical verification of investments has been done by the management and a certificate in this regard has been issued to the auditors.
5. Suitable provisions have been made against sundry debtors, loans and advances which are considered doubtful. In certain cases legal proceedings have been initiated for recovery of the dues.
6. Although legally all debtors are unsecured, the Company, in the case of debts arising from lease transactions, has recourse to the assets given to the lessees.
7. Expenses on Personnel includes Managing Director's Remuneration

	<u>2010-2011</u>	<u>2009-2010</u>
	(Rs.)	(Rs.)
Salaries & Allowances	3,199,047	2,755,955
Contribution to Provident Fund	216,000	194,400
<b>Total</b>	<u><b>3,415,047</b></u>	<u><b>2,950,355</b></u>

*Note:-*

The contribution to gratuity fund has been made on a group basis and separate figure applicable in this case is not available and therefore, contribution to gratuity fund has not been taken into account in the above calculations.

## SMIFS CAPITAL MARKETS LIMITED

8. Chairman/ Executive Chairman's Remuneration:

	<u>2010-2011</u>	<u>2009-2010</u>
	(Rs.)	(Rs.)
Salaries & Allowances	-	719,593
Contribution to Provident Fund	-	-
	<u>-</u>	<u>719,593</u>

9. Auditor's remuneration includes:

	<u>2010-2011</u>	<u>2009-2010</u>
	(Rs.)	(Rs.)
Audit Fees	175,000	175,000
Tax Audit	10,000	10,000
Total	<u>185,000</u>	<u>185,000</u>

10. Total outstanding dues of small scale industrial undertakings Rs. Nil (Nil).

11. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

a. Subsidiary Companies:

SMIFS Capital Services Limited

b. Key Management Personnel:

Mr. Utsav Parekh, Chairman

Mr. Kishor Shah, Managing Director

Mr. Ajay Kayan, Director

c. Entities over which Key Management Personnel / their relatives are able to exercise significant influence:

Stewart & Co.

SMIFS Finance Limited

Stewart & Mackertich wealth Management Ltd

Mackertich Consultancy Services Pvt. Ltd.

C. Mackertich Ltd.

Disclosure of transactions between the Company and related parties and their outstanding balances on 31<sup>st</sup> March 2011.

**SMIFS CAPITAL MARKETS LIMITED**

	<b>Entities where control exists (Subsidiary Companies)</b>	<b>Key Management <u>Personnel</u></b>	<b>Entities where significant <u>Influence exists</u></b>
Purchase of Shares & Securities	- (-)	- (-)	- (2,574,396)
Sale of Shares & Securities	55,000,000 (-)	- (19,440,000 )	- (42,590,868)
Directors' Sitting Fee	- (-)	47,000 (94,000)	- (-)
Expenses Reimbursed	- (-)	- (-)	41,894 ( 26,978)
Director's Remuneration	- (-)	3,415,047 (2,950,355)	- (-)
Chairman's/ Executive Chairman's Remuneration	- (-)	- (719,593)	- (-)
<b><u>Balance at the end of the year</u></b>			
- Creditors / Payables	1,893,238 (56,921,219)	- (-)	4,556,321 (5,098,215)
- Debtors / Receivable	- ( 71,671,365 )	- (-)	377,723 (377,723)
- Advances	- (-)	- (-)	13,838,362 (12,462,871)
- Investments	- (-)	- (-)	18,534,000 ( 18,534,000)

**SMIFS CAPITAL MARKETS LIMITED**

12

<b>Stock in trade : Shares &amp; Securities</b> (At Cost or market value whichever is lower)	<b>As at</b> <b>31st March,2011</b>		<b>As at</b> <b>31st March,2010</b>	
	<b>Quantity</b> <b>No.</b>	<b>Amount</b> <b>Rs.</b>	<b>Quantity</b> <b>No.</b>	<b>Amount</b> <b>Rs.</b>
<b>Equity share : Quoted</b>				
Rs. 10/- each (Un less other wise stated)				
<b>Fully paid up</b>				
Avon Industries Ltd.	9,800	19,600	9,800	19,600
CESC Ltd.	758	34,959	758	34,959
General Exports & Credits Ltd.	45,900	45,900	45,900	45,900
Gillander Arthbutnot & Co. Ltd	20	2117	20	8,039
H B Estate Developers Ltd.	25	451	25	451
H.B.Portfolio Ltd.	25	451	25	451
ITC Hotels Ltd.	100	5,974	100	5,974
KHSL Industries Ltd.	27,000	9,450	27,000	9,450
Kilburn Office Automation Ltd.	16,400	168,756	16,400	107,092
Lloyds Finance Ltd.	50	25	50	25
Madras Spinners Ltd.	4,000	8,000	4,000	8,000
PTC Industries Ltd.	29,000	29,000	29,000	29,000
Sellalids Publications ( I ) Ltd.	3,400	34,000	3,400	34,000
Siddhi Vinayak Metal Ltd.	400	500	400	500
Sinclairs Hotels & Transportation Ltd.	40	8,000	40	7,118
T & I Global Ltd.	146,100	1,461,000	146,100	879,522
ENSO Secutrack Ltd.	2,500	18,025	2,500	25,000
Vipras Corporation Ltd.	500	750	500	750
Worldlink Finance Ltd.	100	140	100	140
<b>Partly paid up</b>				
Metropoli Overseas Ltd (Paid up Rs. 5 each)	29,800	149,000	29,800	149,000
<i>Sub Total :</i>	<b>315,918</b>	<b>1,996,098</b>	<b>315,918</b>	<b>1,364,971</b>
<b>Govt.Securities/ Bonds: Quoted</b>				
<b>Fully paid up</b>				
07.46% Govt.of India Loan- 2017	100	10,745	100	10,745
8.37 % APSD loan-2020	5,000	503,680	1,000	100,898
<i>Sub Total :</i>	<b>5,100</b>	<b>514,425</b>	<b>1,100</b>	<b>111,643</b>

**SMIFS CAPITAL MARKETS LIMITED****Unquoted:****Fully paid up Rs. 10/- each**

Procam International Ltd.	19,977	19,977	19,977	19,977
Software Frontiers Ltd.	50,000	50,000	50,000	50,000
Tata Ceramics Ltd.(F.V.Rs.2/-)	100,000	100,000	100,000	100,000
<i>Sub Total :</i>	<u>169,977</u>	<u>169,977</u>	<u>169,977</u>	<u>169,977</u>
<b>Total :</b>	<b><u>490,995</u></b>	<b><u>2,680,500</u></b>	<b><u>486,995</u></b>	<b><u>1,646,591</u></b>

**13. Particulars regarding Purchases, Sales, Opening & Closing Stocks:**

	<u>Purchases</u>		<u>Sales</u>	
	Qty. (Nos.)	Rs.	Qty. (Nos.)	Rs.
Shares / Mutual Fund Units	-	-	-	-
	(-)	(-)	(-)	(-)
Bonds / Govt. Securities	-	161,174,628	-	162,631,191
	(-)	(274,612,464)	(-)	(278,683,323)
<b>Total</b>	<b>-</b>	<b>161,174,628</b>	<b>-</b>	<b>162,631,191</b>
	(-)	(274,612,464)	(-)	((278,683,323))
	<u>Opening Stock</u>		<u>Closing Stock</u>	
	Qty. (Nos.)	Rs.	Qty. (Nos.)	Rs.
Shares / Mutual Fund Units	485,895	1,534,948	485,895	2,166,075
	(485,963)	(1,551,913)	(485,895)	(1,534,948)
Bonds / Govt. Securities	1,100	111,643	5,100	514,425
	(19,100)	(2,121,463)	(1,100)	(111,643)
<b>Total</b>	<b>486,995</b>	<b>1,646,591</b>	<b>490,995</b>	<b>2,680,500</b>
	<b>(505,063)</b>	<b>(3,673,376)</b>	<b>(486,995)</b>	<b>(1,646,591)</b>

**14. Prudential Norms:**

- Interest for the year amounting to Rs. 140,000 (Rs. 140,000) has not been recognized as the interest has become past due for more than six months.
- Provision against Investment/substandard assets amounting to Rs. 70,390,625 has been reversed (Rs. 40,977,774 ) during the year

**15. Following equity shares held as investment have not been transferred in the name of the company:**

- 91,200 Equity Shares of Malvika Steels Limited (partly paid Rs. 2.50 per share) in which the Company has invested Rs. 912,000 have not been transferred in the name of the Company as the manner of allotment of such shares is sub-judice before the Honorable Calcutta High Court.
- 35,900 Equity Shares of Rs. 10 each of Shez Leather Ltd. (cost Rs. 359,000) as the Company is reported to be under liquidation.

## SMIFS CAPITAL MARKETS LIMITED

### 16. Earning Per Share

	<u>2010-2011</u>	<u>2009-2010</u>
Net Profit / (Loss) attributable to shareholders	Rs.54,484,251	Rs.51,158,196
Weighted average number of equity shares in issue	5,585,000	5,585,000
Earning per share of Rs. 10/- each (Basic & Diluted)	Rs.9.76	Rs.9.16

### 17. Segment Reporting: Information about Primary Business Segments

	<u>2010-2011</u>	<u>2009-2010</u>
<u>Segment Revenue</u>		
a) Capital Market Operations	(14,363,437)	(45,055,838)
b) Investment Banking Operations	40,720,314	119,995,567
c) Others	<u>1,121,333</u>	<u>3,899,479</u>
Net Sales / Income from Operations	<u>27,478,210</u>	<u>78,839,208</u>
<u>Segment Results: Profit / (Loss) before tax &amp; interest</u>		
a) Capital Market Operations	(14,363,437)	(45,055,838)
b) Investment Banking Operations	40,720,314	119,995,567
c) Others	<u>1,121,333</u>	<u>3,899,479</u>
Total	<u>27,478,210</u>	<u>78,839,208</u>
Less : Interest	(80,380)	654,711
Other un-allocable exp. net of un-allocable income	<u>(35,176,884)</u>	<u>37,983,898</u>
Total Profit before tax	<u>62,735,474</u>	<u>40,200,599</u>

#### Capital employed

Fixed Assets used in the Company's Operations or liabilities contracted have not been identified with any of the reportable segments, as the fixed assets are used interchangeably between segments. The company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of data is onerous.

18. (a) Deferred tax assets on carry forward capital losses have been recognized since there is a virtual certainty of sufficient taxable income which will be available in future to realize such assets. Net Deferred Tax Liability of Rs.324,607 [( Net Deferred Tax Assets Rs. .17,242,194)] for the year ended 31.03.2011 has been recognized in the Profit & Loss Account.

(b) Major components of deferred tax arising on account of timing differences are:

	<u>As on</u> <u>31.03.2011</u>	<u>As on</u> <u>31.03.2010</u>
<u>Deferred Tax Assets</u>	Rs.	Rs.
i) Provisions for Non-Performing Assets/ Diminution	19,681,863	35,269,867
ii) Employee Benefits	360,815	374,112
iii) Carried Forward Capital Loss	<u>72,198,679</u>	<u>57,188,134</u>
	<u>92,241,357</u>	<u>92,832,113</u>

**SMIFS CAPITAL MARKETS LIMITED**

Less:

Deferred Tax Liabilities

i) Depreciation

3,349,060	3,615,209
<u>88,892,297</u>	<u>89,216,904</u>

**19. Tax Deducted at Source on:**

	<u>2010-2011</u>	<u>2009-2010</u>
Professional fee	4,714,475	12,454,941
Interest on Fixed Deposit	57,009	52,906
Rent	-	21,251
Other Receipts	<u>43,611</u>	<u>25,236</u>
	<u>4,815,095</u>	<u>12,554,334</u>

**20. Expenditure in Foreign Currency:**

	<u>2010-2011</u>	<u>2009-2010</u>
Traveling Expenses	695,921	2,435,824
<b>21. Earnings in Foreign Currency</b>	Nil	Nil

**22.** Figures in brackets pertain to the previous year.**23.** Previous year's figures have been re-arranged, regrouped & re-classified wherever necessary to confirm to this year's classification.

Signature to Schedules 'A' to 'M'

For **J. S. VANZARA & ASSOCIATES**

Chartered Accountants

FRN. 318143E

For and on behalf of the Board of Directors

**(Utsav Parekh)**

Chairman

**(Kishor Shah)**

Managing Director

**(AUROBINDA PANDA)**

Partner

Membership no. 064888

The 27th day of May 2011

**(S. C. Pal)**

Company Secretary

Cum Vice President (Legal)

**(S. Jhajharia)**

Senior Vice President &amp; CFO

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

**Balance Sheet Abstract and Company's General Business Profile**

Registration

I Details

Registration No. 

	3	6	3	4	2
--	---	---	---	---	---

State Code 

2	1
---	---

Balance Sheet

Date 

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

Capital Raised during the year (Amount in Rs.Thousands)

II

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private

Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III Position of Mobilisation and Deployment of Fund(Amount in Rs.Thousands)

Total Liabilities

					8	3	5	8	5	1
--	--	--	--	--	---	---	---	---	---	---

Total Assets

					8	3	5	8	5	1
--	--	--	--	--	---	---	---	---	---	---

Sources of Funds

Paid-Up Capital

					5	5	8	5	0
--	--	--	--	--	---	---	---	---	---

Reserves & Surplus

					6	8	3	4	8	5
--	--	--	--	--	---	---	---	---	---	---

Secured Loans

					5	5	2	2
--	--	--	--	--	---	---	---	---

Unsecured Loans

						N	I	L
--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

					1	0	1	7	9	1
--	--	--	--	--	---	---	---	---	---	---

Investments

					1	7	5	2	2	5
--	--	--	--	--	---	---	---	---	---	---

Net Current Assets

					3	7	8	9	4	9
--	--	--	--	--	---	---	---	---	---	---

Deferred Tax Asset Net

					8	8	8	9	2
--	--	--	--	--	---	---	---	---	---

Accumulated Losses

									N	I	L
--	--	--	--	--	--	--	--	--	---	---	---

Performance of Company (Amount in Rs.

IV Thousands)

Turnover (Gross Revenue)

					1	8	8	6	5	5
--	--	--	--	--	---	---	---	---	---	---

Total Expenditure

					1	2	5	9	2	0
--	--	--	--	--	---	---	---	---	---	---

+ -

+	
---	--

Profit / Loss Before Tax

					6	2	7	3	5
--	--	--	--	--	---	---	---	---	---

+ -

+	
---	--

Profit / Loss After Tax\*

					5	4	4	8	4
--	--	--	--	--	---	---	---	---	---

+ -

+	
---	--

Earning Per Share in Rs

					9	.	7	6
--	--	--	--	--	---	---	---	---

Dividend Rate %

					1	7
--	--	--	--	--	---	---

V Generic Name of Three Principal Products/Services of Company (As per monetary Terms)

Item Code

N	I	L
---	---	---

Product

Description

F	I	N	A	N	C	I	A	L	S	E	R	V	I	C	E	S					
M	E	R	C	H	A	N	T	B	A	N	K	I	N	G							
C	A	P	I	T	A	L	M	A	R	K	E	T	O	P	E	R	A	T	I	O	N

Signature to Schedules 'A' to 'M'

**For J.S. VANZARA & ASSOCIATES**

Chartered Accountants

FRN. 318143E

For and on behalf of the Board of Directors

**(Utsav Parekh)**

Chairman

**(Kishor Shah)**

Managing Director

**(AUROBINDA**

**PANDA)**

Partner

**(S C Pal)**

Company Secretary

Cum - Vice President (Legal)

**(S. Jhajharia)**

Senior Vice President & CFO

Kolkata

Membership No.064888

The 27th day of May, 2011



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	<u>31st March, 2011</u>	<u>31st March, 2010</u>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax, Extra-ordinary items, interest & Loss on sale of Fixed Assets (net)	(7,669,505)	(1,833,731)
<b><u>Adjustment for</u></b>		
1. Depreciation	3,349,760	2,637,984
2. (Profit) / Loss on sale of Investments	16,862,376	47,153,310
3. Dividend on Investment	(1,042,007)	(791,501)
4. Interest on Govt. Securities	(30,250)	(30,250)
	<u>19,139,879</u>	<u>48,969,543</u>
<i>Operating profit before W/Capital change</i>	11,470,373	47,135,812
<b><u>Adjustment for</u></b>		
1. Trade & Other Receivable	44,446,468	53,463,933
2. Inventories	(1,033,909)	2,026,785
3. Trade payable	(56,445,577)	(4,631,183)
	<u>(13,033,018)</u>	<u>50,859,535</u>
<i>Cash Generated from Operations</i>	(1,562,645)	97,995,347
Interest paid	80,380	(654,711)
Direct Tax paid	(9,364,115)	(23,172,882)
FBT Paid	-	(113,256)
	<u>(9,283,735)</u>	<u>(23,940,849)</u>
<i>Cash Flow before Extra-ordinary items</i>	(10,846,379)	74,054,498
Extra-ordinary items (Prov. for Leave Salary)		
Provision for Leave Salary	(40,031)	142,244
Liabilities written Back	-	-
	<u>(40,031)</u>	<u>142,244</u>
<i>Net Cash Flow from Operating activity</i>	(10,886,411)	74,196,742
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(21,443,952)	(13,374,592)
Sale of Fixed Assets	558,000	2,900,000
Purchase of Investments	(298,836,095)	(185,607,896)
Sale of Investments	356,087,054	124,101,838
Interest received on Govt. Sec	30,250	30,250
Dividend on Investment	1,042,007	791,501
	<u>37,437,264</u>	<u>(71,158,899)</u>
<i>Net Cash flow from Investing Activities</i>	26,550,853	3,037,843
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	-	-
Dividend and Dividend Distribution Tax Paid	(9,768,898)	-
Proceeds from long-term borrowings	2,643,435	739,251
Proceeds from short-term borrowings	(21,127,520)	358,200
<i>Net cash used in Financing Activities</i>	<u>(28,252,983)</u>	<u>1,097,451</u>
<i>Net increase in Cash &amp; Cash equivalents</i>	(1,702,130)	4,135,293
Cash & Cash equivalents as at (Opening Balance)	<u>14,064,711</u>	<u>9,929,418</u>
Cash & Cash equivalents as at (Closing Balance)	12,362,581	14,064,711

Kolkata  
The 27th day of May 2011

**For and on behalf of the Board of Directors**

**(Kishor Shah)**  
Managing Director

**Auditors' Report**

We have verified the attached Cash Flow Statement of SMIFS Capital Markets Limited, derived from the audited financial statement and the books and records maintained by the Company for the year ended 31st March, 2011 and 31st March, 2010 and found the same in agreement therewith.

**For J. S. Vanzara & Associates**  
Chartered Accountants  
FRN: 318143E

Kolkata  
The 27th day of May 2011

**(AUROBINDA PANDA)**  
Partner  
Membership No. 064888

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANIES**

<b>Name of the Subsidiary Company</b>	<b>SMIFS Capital Services Ltd.</b>
	31.03.2011
1 The financial year of the subsidiary company ended on	
2 a. No. of Equity Shares held by SMIFS Capital Markets Limited and its nominees in the subsidiary on 31.3.2010	7,500,070
b. Extent of interest of SMIFS Capital Markets Limited in the capital of the Subsidiary	100%
3 Net aggregate amount of Profit / Loss of the subsidiary so far as it concerns the members of SMIFS Capital Markets Limited and is not dealt with in the company's Accounts	
a. Profit / (Loss) for the financial year ended on 31 <sup>st</sup> March, 2011 of the Subsidiary of SMIFS Capital Markets Limited	(Rs. 740,323)
b. Profit / (Loss) after tax for the previous financial years of the Subsidiary of SMIFS Capital Markets Limited.	(Rs. 168,165)
4 Net aggregate amount of Profit / (Loss) of the Subsidiary so far as dealt with or provision is made for those Profit / (Loss) in SMIFS Capital Markets Ltd. accounts:	
a. For the subsidiary's financial year ended on 31 <sup>st</sup> March, 2010.	NIL
b. For its previous financial years since it became the subsidiary of SMIFS Capital Markets Ltd.	NIL

On behalf of the Board of Directors

'Vaibhav' 4F, 4 Lee Road,  
Kolkata - 700 020  
The 27<sup>h</sup> day of May 2011

**(Kishor Shah)**  
**Managing Director**

# **CONSOLIDATED FINANCIAL STATEMENTS**

## **HOLDING COMPANY**

SMIFS Capital Markets Limited

## **SUBSIDIARY COMPANY**

SMIFS Capital Services Limited

## **AUDITORS**

**J.S.Vanzara & Associates**  
**Chartered Accountants**

## **Registered Office**

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

**Auditor's Report on the Consolidated Financial Statements of SMIFS Capital Markets Limited and its Subsidiaries.**

We have examined the attached Consolidated Balance Sheet of SMIFS Capital Markets Limited (the company) and its subsidiary SMIFS Capital Services Limited as at 31<sup>st</sup> March 2011, the consolidated Profit & Loss Account and the consolidated Cash Flow statement for the year then ended.

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of the company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 31<sup>st</sup> March 2011;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
- (c) in the case of the consolidated Cash Flow Statement, of the consolidated cash flow of the Company and its subsidiary for the year then ended.

For J. S. Vanzara & Associates  
Chartered Accountants  
FRN.318143E

Aurobinda Panda  
Partner  
Membership No.064888

Date: The 27<sup>th</sup> day of May, 2011

# SMIFS CAPITAL MARKETS LIMITED

Consolidated Balance Sheet as at 31st March '2011

SCH NO	As at <u>31st March, 2011</u>		As at <u>31st March, 2010</u>	
	Rs.	Rs.	Rs.	Rs.
<b><u>SOURCES OF FUNDS</u></b>				
<b>1) Shareholders' Funds</b>				
a. Capital	A	55,850,000		55,850,000
b. Reserve and Surplus	B	<u>683,137,981</u>		<u>640,629,247</u>
		738,987,981		696,479,247
<b>2) Minority Interest</b>				
a. Equity	C	-		57,720,778
b. Non Equity	D	<u>-</u>		<u>116,367</u>
			-	57,837,145
<b>Loan Funds</b>				
a. Secured Loans	E	5,660,116		3,100,475
b. Unsecured Loans	F	<u>-</u>		<u>27,776,806</u>
		5,660,116		30,877,281
		<u><b>744,648,097</b></u>		<u><b>785,193,673</b></u>
<b><u>APPLICATION OF FUNDS</u></b>				
<b>Fixed Assets</b>				
a. Gross Block	G	245,510,491		234,945,963
b. Less: Depreciation		141,816,785		140,585,400
Lease Terminal Adjustment Account		<u>1,709,528</u>		<u>1,709,528</u>
c. Net Block			101,984,178	92,651,035
<b>Investments</b>				
	H		171,890,771	96,417,360
<b>Current Assets, Loans &amp; Advances</b>				
a. Current Assets	I	99,265,561		136,157,990
b. Loans & Advances		<u>373,520,874</u>		<u>495,078,988</u>
		<u>472,786,435</u>		<u>631,236,978</u>
<b>Less: Current Liabilities &amp; Provisions</b>				
a. Current Liabilities	J	62,507,666		96,283,908
b. Provisions		<u>28,422,859</u>		<u>28,061,559</u>
		<u>90,930,525</u>		<u>124,345,467</u>
<b>Net Current Assets</b>			381,855,910	506,891,511
<b>Net Deferred Tax Asset</b>			88,917,238	89,233,766
		<u><b>744,648,097</b></u>		<u><b>785,193,673</b></u>
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>				
Schedules referred to above form an integral part of the Balance Sheet				
In terms of our attached report of even date				

For and on behalf of the Board of Directors

**For J. S. VANZARA & ASSOCIATES**

Chartered Accountants  
FRN 318143E

(Utsav Parekh)  
Chairman

(Kishor Shah)  
Managing Director

**(AUROBINDA PANDA)**

Partner  
Membership no. 064888  
Kolkata  
The 27th day of May 2011

(S. C. Pal)  
Company Secretary  
Cum Vice President (Legal)

(S. Jhajharia)  
Senior Vice President & CFO

# SMIFS CAPITAL MARKETS LIMITED

Consolidated Profit & Loss Account for the year ended 31st March, 2011

	SCH	For the year ended		For the year ended	
	NO	<u>31st March' 2011</u>		<u>31st March' 2010</u>	
		Rs.	Rs.	Rs.	Rs.
<b><u>INCOME</u></b>					
Sales			162,642,186		276,244,524
Profit/Loss on Sale of Investments			(17,582,376)		(44,236,321)
Investment Banking Operation:			41,526,753		119,995,567
Other Income	K		1,137,853		4,395,480
Increase / (Decrease) in Stock	L		1,033,909		(2,026,785)
			<u>188,758,325</u>		<u>354,372,464</u>
<b><u>EXPENDITURE</u></b>					
Purchases			161,177,156		274,612,464
Operating & Administration Expenses	M		32,625,759		77,166,227
Interest	N		(59,538)		721,182
Depreciation			3,418,501		2,731,549
Provision against Investment /sub-standard assets			(70,390,625)		(41,210,651)
			<u>126,771,253</u>		<u>314,020,772</u>
<b>PROFIT/ (LOSS) BEFORE TAX</b>			<b>61,987,072</b>		<b>40,351,691</b>
Provision for Taxation (Including Wealth Tax		376,728		125,294	
Short / (Excess) provision of tax for earlier year:		7,549,888		6,174,329	
Deferred Tax credit / (charge) for the year		316,528		(17,254,780)	
			8,243,144		(10,955,156)
<b>PROFIT / (LOSS) AFTER TAX</b>			<b>53,743,928</b>		<b>51,306,848</b>
Minority Interest			-		<b>116,367</b>
(Debit) / Credit balance brought forward			41,703,798		110,482,664
<b>Amount available for Appropriation</b>			<u><b>95,447,726</b></u>		<u><b>161,673,145</b></u>
<b><u>Appropriation</u></b>					
Proposed Dividend 17%			9,494,500		8,377,500
Tax on Proposed Dividend			1,540,245		1,391,398
Transferred to General Reserve			30,000,000		110,000,000
Balance Carried to Balance Sheet			54,412,981		41,904,247
			<u>95,447,726</u>		<u>161,673,145</u>
Earning Per Share(Basic & Diluted)					
(Nominal Value of shares Rs.10/-)	O		<b>9.62</b>		<b>9.19</b>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	O				
Schedules referred to above form an integral part of the Profit & Loss Account					
In terms of our attached report of even date				For and on behalf of the Board of Directors	
<b>For J. S. VANZARA &amp; ASSOCIATES</b>					
Chartered Accountants		(Utsav Parekh)		(Kishor Shah)	
FRN 318143E		Chairman		Managing Director	
<b>(AUROBINDA PANDA)</b>					
Partner		(S. C. Pal)		(S. Jhajharia)	
Membership no. 064888		Company Secretary		Senior Vice President & CFO	
Kolkata		Cum Vice President (Legal)			
The 27th day of May 2011					

**Schedules to the Consolidated Balance Sheet**

**SCHEDULE 'A'**

**SHARE CAPITAL**

	As at		As at	
	31st March, 2011		31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
<b>Authorised:</b>				
30,000,000 Equity shares of Rs. 10 each		300,000,000		300,000,000
2,000,000 Preference Shares of Rs. 100 each		200,000,000		200,000,000
		<u>500,000,000</u>		<u>500,000,000</u>
<b>Issued, Subscribed &amp; Paid up:</b>				
5,585,000 Equity Shares of Rs 10 each, fully paid		55,850,000		55,850,000
Out of the above shares, 2,400,000 shares of Rs. 10 each fully paid up has been issued by way of Bonus Shares by capitalisation of General Reserve:				
		<u>55,850,000</u>		<u>55,850,000</u>

**SCHEDULE 'B'**

**RESERVES & SURPLUS**

**Capital Redemption Reserve**

As per last Balance Sheet

40,000,000

40,000,000

**Securities Premium Account:**

As per last Balance Sheet

433,725,000

433,725,000

**General Reserve:**

As per last Balance Sheet

125,000,000

15,000,000

**Add :** Transferred during the Year

30,000,000

110,000,000

155,000,000

125,000,000

**Profit & Loss Account**

Transferred from Profit & Loss A/c

54,412,981

41,904,247

683,137,981

640,629,247

**SCHEDULE 'C'**

**Minority Interest in Equity**

Antriksh Vyapaar Pvt Limited

(P Y 1,950,000 Equity Shares held by minority interest)

-

57,720,778

-

57,720,778

**SCHEDULE 'D'**

**Minority Interest in Non- Equity**

Share of Profit / (Loss) for the year

-

116,367

-

116,367

**SCHEDULE 'E'**

**SECURED LOANS**

**Loans from Banks / Others**

Secured by hypothecation of vehicles [Payable within one year Rs.2,293,673 (Rs.1,141,930)]

5,660,116

3,100,475

5,660,116

3,100,475

**SCHEDULE 'F'**

**UNSECURED LOANS**

From Bodies Corporate (Short Term)

-

26,747,218

From Shareholders

-

1,029,588

-

27,776,806

Schedules to the Consolidated Balance Sheet

SCHEDULE - 'G'

FIXED ASSETS

Particulars	Gross Block (Cost) Rs.				Depreciation Rs.				Lease Terminal Adjustment		Net Block Rs.	
	As on 01.04.2010	Additions	Deductions/Adju stments	As on 31.03.2011	As on 01.04.2010	For the year	Adj. during the year	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010	As on 31.03.2011	As on 31.03.2010
Goodwill	8,068,281	0	8,068,281	0	0	0	0	0	0	0	0	8,068,281
Land	58,905,074	12,309,675	0	71,214,749	0	0	0	0	0	0	71,214,749	58,905,074
Buildings	26,228,404	0	0	26,228,404	8,365,587	686,087	0	9,051,674	0	0	17,176,730	17,862,817
Furniture and Fixtures	6,176,098	0	0	6,176,098	5,621,147	100,446	0	5,721,593	0	0	454,504	554,950
Office Equipment	2,166,038	0	0	2,166,038	1,665,975	69,559	0	1,735,534	0	0	430,504	500,063
Vehicles	11,925,605	8,825,273	2,619,763	18,131,115	6,916,708	2,257,392	2,006,460	7,167,640	0	0	10,963,474	5,008,896
Electrical Installations	1,206,229	0	0	1,206,229	1,024,016	25,346	0	1,049,362	0	0	156,867	182,213
Computers	2,667,845	241,436	191,382	2,717,899	2,312,230	214,797	180,659	2,346,368	0	0	371,531	355,615
Air Conditioners	2,481,802	67,568	0	2,549,370	2,078,596	64,875	0	2,143,471	0	0	405,899	403,206
<b>Sub total</b>	<b>119,825,376</b>	<b>21,443,952</b>	<b>10,879,426</b>	<b>130,389,902</b>	<b>27,984,260</b>	<b>3,418,502</b>	<b>2,187,119</b>	<b>29,215,643</b>	<b>0</b>	<b>0</b>	<b>101,174,259</b>	<b>91,841,116</b>
<i>Previous Year</i>	108,982,677	13,374,592	2,531,893	119,825,376	26,595,873	2,731,549	1,343,161	27,984,260			91,841,116	
<b>Assets on Lease</b>												
Plant & Machinery	115,120,589	0	0	115,120,589	112,601,142	0	0	112,601,142	1,709,528	1,709,528	809,919	809,919
<b>Sub total</b>	<b>115,120,589</b>	<b>0</b>	<b>0</b>	<b>115,120,589</b>	<b>112,601,142</b>	<b>0</b>	<b>0</b>	<b>112,601,142</b>	<b>1,709,528</b>	<b>1,709,528</b>	<b>809,919</b>	<b>809,919</b>
<i>Previous Year</i>	115,120,589	0	0	115,120,589	112,601,142	0	0	112,601,142	1,709,528	0	809,919	
<b>Total</b>	<b>234,945,965</b>	<b>21,443,952</b>	<b>10,879,426</b>	<b>245,510,491</b>	<b>140,585,402</b>	<b>3,418,502</b>	<b>2,187,119</b>	<b>141,816,785</b>	<b>1,709,528</b>	<b>1,709,528</b>	<b>101,984,178</b>	<b>92,651,035</b>
<i>Previous Year</i>	224,103,266	13,374,592	2,531,893	234,945,965	139,197,015	2,731,549	1,343,161	140,585,402	1,709,528		92,651,035	

Note: Provision to the extent of Rs. 809,919 (Rs.809,919) has been made against doubtful leased assets as on 31.03.2011



**Schedules to the Consolidated Balance Sheet**

**SCHEDULE 'H'**

INVESTMENTS (at cost)	As at <b>31st March, 2011</b>		As at <b>31st March, 2010</b>	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
<b>IN BODIES CORPORATE</b>				
Equity Shares of Rs.10 each (Unless otherwise stated)				
<b><u>Fully paid up : Quoted</u></b>				
Aravali Securities & Finance Ltd	100	60	100	60
Asian Vegipro Ltd.	300,000	300,000	300,000	300,000
Andaman Timber & Industries Ltd	-	-	360,000	360,000
ARM Polymers Ltd.	-	-	150,000	37,500
Bolton Properties Ltd.	-	-	20,500	2,562,500
Cambridge Solutions Ltd.	-	-	658	16,420
Coventry Springs & Engg Ltc	52,323	175,282	52,323	175,282
First Leasing Company of India Ltd	68,750	5,079,950	-	-
Gillander Arthbutnot & Co.Ltd.	9,041	120,591	-	-
HSIL Ltd.	390,000	54,310,279	-	-
Intrasoft Technologies Limitec	17,500	1,750,000	-	-
KEC International Ltd.	35	16,835	700	16,835
Kanko Enterprises Ltd.	-	-	150,000	1,500,000
Mangalam Cement Limited	-	-	7,621	603,028
Maya Agro products Ltd	-	-	300,000	150,000
Melstar Information Technologies Ltd	300	63,675	300	63,675
Moving Picture Company India Ltd	881,600	3,076,784	881,600	13,224,000
MSL Industries Ltd.	-	-	400,000	800,000
Moulik Finance Ltd.	7,100	71,000	7,100	71,000
Neogem India Ltc	132,800	597,600	132,800	597,600
Nicco-Uco Alliance Credit Ltd	114	650	114	650
Punsumi Foils & Compounets Ltd.	15,800	19,750	15,800	19,750
PTC Industries Ltd.	1,000	16,850	1,000	16,850
Phillips Carbon Black Ltd.	84,500	14,964,589	-	-
R.S.Software India Limitec	98,752	5,014,750	77,150	5,014,750
Shez Leather Ltd.	35,900	359,000	35,900	359,000
Swad Industries Ltd.	141	268	141	268
Universal Cables Ltd	-	-	407,185	19,834,182
VCK Capital Markets Ltd.	200	220	200	220
Vidya Telelinks Ltd.	-	-	370,376	49,312,676
<b><u>Partly Paid up: Quoted</u></b>				
Malvika Steels Ltd. (paid up Rs. 2.50 each)	91,200	912,000	91,200	912,000
<b><u>Fully paid up : Unquoted</u></b>				
Andaman Plantations.& Development Corporation Ltd	64,880	6,488,000	64,880	6,488,000
Advance Inbosal Pvt.Ltd	-	-	22,500	2,250
Apnaloan.com Pvt.Ltd	-	-	100,603	201,206
Bhatpara Papers Limited	44	391	44	391
Boss Profiles Ltd.	-	-	100,000	3,070,700
Bijco Holdings Ltd.	69,730	6,973,000	-	-
C. Mackertich Ltd.	4,250,000	42,500,000	4,250,000	42,500,000
Current Electronics Ltd.	-	-	763,400	76,340
Exquisite Exports Ltd	5,000	50,000	5,000	50,000
Global Ingologicistic Ltd.	-	-	20,000	5,000
Global Stock Pvt.Ltd.	-	-	90,500	90,500
Fortune Biotech Limited	40,000	178,000	40,000	178,000
Gujarat Securities Ltd.	20	200	20	200

**Schedules to the Consolidated Balance Sheet**

	As at		As at	
	31st March,2011		31st March,2010	
	Quantity	Amount	Quantity	Amount
	Nos.	Rs.	Nos.	Rs.
Kamal Overseas Ltd	250,000	20,000,000	250,000	19,812,500
Manson And Summers Alcobev Pvt.Ltd	125,000	35,000,000	125,000	19,500,000
Manphool Exports Ltd.	11,908	1,190,800		
Mediline Equipment Ltd.	-	-	4,000	4,000
Merlin Securities Pvt.Ltd.	-	-	1,000	10,000
North East Publisng & Advertising Co.Ltd.	5,045,400	504,540	5,045,400	504,540
Nachmo Knitex Limitec	1,499,000	5,609,200		
Nangalia Hydrocarbon Ltd	-	-	90,000	90,000
New Millenium Ltd.	-	-	100,000	10,000
Patriot Automation Projects Ltd.	2,000,000	500,000	2,000,000	500,000
Patriot Automation Projects Ltd.(Bonus)	65,350	-	65,350	-
Pyramid Cybware Ltd	-	-	666	666
Spencer Retails Limited	5,329	969,612	5,329	969,612
Sheory Digital Systems Pvt.Ltc	590,000	129,800	590,000	129,800
Shah Investment & Consultants Pvt.Ltd	-	-	25,000	2,500,000
Smifs Finance Limited	240,000	3,360,000	240,000	3,360,000
Quest Finance Services.Ltd.	30,000	2,877,000	-	-
Sukhraj Vinimay Pvt.Ltd	50,000	252,500.00	50,000	252,500
Teamasia Semiconductors (I) Ltd	0	0.00	257,500	5,304,500
Techno Pulp & Paper Board Prod.Ltd.	0	0.00	2,100,000	210,000
Utpal Vincom Pvt.Ltd	0	0.00	4,000	4,000
Vaibhav Securities (P) Ltd	4,580	45,800	4,580	45,800
Welquin Suppliers Pvt.Ltd.	-	-	5,440	5,440
Zoom Export Ltd.	-	-	200,000	2,000,000
<b><u>Partly Paid up : Unquoted</u></b>				
Smifs Finance Limited	1,511,600	15,174,000	1,511,600	15,174,000
[Paid up Rs. 7.50 (Rs.7.50) each]				
<b>Preference Shares of Rs. 100/- each</b>				
<b><u>Fully paid up : Unquoted</u></b>				
12% Non-cumulative Preference Shares				
Andaman Plant. & Dev. Corp. Ltd	140,000	4,100,000	140,000	4,100,000
8.00% DIGJAM Ltd.	106,000	10,600,000	131,000	13,100,000
Non-cumulative Preference Share				
Sub Total :	18,290,997	243,352,976	22,165,580	236,198,190
<b>Warrant</b>				
<b><u>Partly paid up : Unquoted</u></b>				
Southern Online Biotech Ltd.	-	-	800,000	2,072,000
(Unsecured Optionally Fully Convertible )				
Sub Total :	-	-	800,000	2,072,000
<b><u>In Government Securities: Listed</u></b>				
	<b>Face Value</b>	<b>Amount</b>	<b>Face Value</b>	<b>Amount</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
5.05% Govt. of India Loan - 2019	500,000	521,065	500,000	521,065
Sub Total :-	500,000	521,065	500,000	521,065
Less:Provision For Dimunition in Value of Investment		71,983,270		142,373,895
<b>Total :</b>		<b>171,890,771</b>		<b>96,417,360</b>
Aggregated of unquoted Investments - at book valu		13,390,638		94,312,513
Aggregated of Quoted Investments - at book valu		158,500,133		10,450,968
Aggregated of Quoted Investments - at market valu		80,870,390		7,714,629

**Schedules to the Consolidated Balance Sheet**

	As at		As at	
	31st March,2011		31st March,2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 'I'</b>				
<b>CURRENT ASSETS, LOAN &amp; ADVANCES</b>				
<b>A. CURRENT ASSETS</b>				
Interest accrued on Securities		10,833		10,833
Stock in trade: Shares & Securities		2,680,500		1,676,591
Sundry Debtors				
Exceeding six months				
- Considered good	71,317,440		(25,553,401)	
- Considered doubtful	377,723		509,861,857	
Less: Provision for doubtful debts.	377,723		509,861,857	
	71,317,440		(25,553,401)	
Other Debts - Considered good	12,704,353		145,327,483	
		84,021,793		119,774,082
<b>CASH &amp; BANK BALANCES:</b>				
Cash and Cheques on hand	312,375		529,466	
With Scheduled Banks				
In Current Accounts	4,656,759		7,289,721	
In Dividend Accounts	623,675		430,752	
In Deposit Accounts	6,959,625		6,446,545	
(Certificate with Bank in safe custody)		12,552,435		14,696,484
		<b>99,265,561</b>		<b>136,157,990</b>
<b>B. LOANS &amp; ADVANCES</b>				
(Unsecured)				
<b>LOANS</b>				
To Others (Considered good)	-		31,042,089	
Considered Doubtful	971,512		875,000	
Less : Provision for doubtful Loans	875,000		875,000	
		96,512		31,042,089
To Staff (Considerd good)		770,627		1,378,102
[Secured by charge against property Rs.3,42,815 (Rs.730,593)]				
<b>ADVANCES</b>				
(Recoverable in cash or in kind or for value to be received)				
To Others				
- Considered good	141,139,311		216,429,852	
- Considered doubtful	8,500,000		25,300,000	
Less : Provision for doubtful advances:	8,500,000		11,080,000	
		141,139,311		230,649,852
Income Tax Payment:		37,156,484		37,437,631
Considered Good -				
Security & other deposits	3,027,131		3,062,241	
Less : Provision for doubtful advances:	700,000		700,000	
		2,327,131		2,362,241
Service Tax input credit		30,810		209,072
Share Application Money Paid		192,000,000		192,000,000
		<b>373,520,874</b>		<b>495,078,988</b>
		<b>472,786,435</b>		<b>631,236,978</b>
<b>SCHEDULE 'J'</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>A. CURRENT LIABILITIES</b>				
Sundry Creditors		19,602,033		44,753,922
Other Liabilities		9,641,958		20,959,234
Advances from Parties:		140,000		140,000
Advances Against Shares & Securities / Other:		32,500,000		30,000,000
Unclaimed dividend		623,675		430,752
		<b>62,507,666</b>		<b>96,283,908</b>
<b>B. PROVISIONS</b>				
for Proposed Dividend		9,494,500		8,377,500
for Tax on Proposed Dividend		1,540,245		1,391,398
for Fringe Benefit Tax		484,142		968,626
for Sub Standard advances and Doubtful assets		809,918		809,918
for Taxes (Including for Wealth Tax		14,990,731		15,373,598
for Leave Salary		1,103,323		1,140,519
		<b>28,422,859</b>		<b>28,061,559</b>
		<b>90,930,525</b>		<b>124,345,467</b>

**Schedules to the Consolidated Profit & Loss Account**

<b>SCHEDULE 'K'</b>	<b>For the year ended</b>		<b>For the year ended</b>	
	<b>31st March' 2011</b>		<b>31st March' 2010</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>OTHER INCOME</b>				
Miscellaneous Income		161,661		1,293,548
Profit/(Loss) on Sale of Fixed Assets		(66,026)		1,711,268
Rent		-		103,161
Dividend Income : Investmen	1,035,285		1,284,296	-
Trading	6,932	1,042,217	3,207	1,287,503
		<b>1,137,853</b>		<b>4,395,480</b>
<b>SCHEDULE 'L'</b>				
<b>INCREASE / (DECREASE) IN STOCK</b>				
Closing Stock		2,680,500		1,646,591
Less : Opening Stock		1,646,591		3,673,376
		<b>1,033,909</b>		<b>(2,026,785)</b>
<b>SCHEDULE 'M'</b>				
<b>OPERATING &amp; ADMINISTRATIVE EXPENSES</b>				
Expenses on personnel :				
Salaries, Bonus & Allowances	12,787,817		11,821,147	
Contribution to Provident & other Funds (Including administrative Charges	1,011,780		916,076	
Training, Development & Recruitment Exp	8,455		20,423	
Staff welfare expenses	1,117,085		1,027,741	
		14,925,137		13,785,388
Group Gratuity Scheme		529,786		600,842
Telephone Charges		1,525,105		1,368,894
Printing & Stationery		2,286,239		1,998,278
Professional, Legal & Consultancy Charges		1,272,502		1,367,115
Business Promotion Expenses		618,460		169,743
Rent		635,390		694,580
Repairs & Maintenance				
- Building		562,841		402,296
- Plant & Machinery		126,551		129,745
- Others		288,001		213,881
Advertisements		265,827		311,411
Electricity		416,462		380,506
Vehicle Expenses		1,378,530		1,135,782
Subscription & Membership Fees		776,171		430,068
Miscellaneous Expenses		1,231,413		1,363,932
Bad Debt.		439,710		45,362,106
Rates & Taxes		353,658		413,073
Travelling Expenses		4,455,240		6,319,703
Directors Fees		136,000		249,500
Insurance		82,735		72,683
Donation		125,000		200,000
Auditor's Remuneration		195,000		196,700
		<b>32,625,759</b>		<b>77,166,227</b>
<b>SCHEDULE 'N'</b>				
<b>INTEREST</b>				
<u>Interest Paid</u>				
- Banks	378,275		391,228	
- Others	216,893		953,218	
	595,168		1,344,446	
Less: <u>Received</u>				
- Debentures	-		-	
- Govt. Securities - Investment	30,250		30,250	
- Others	624,455		593,013	
	654,705		623,263	
		(59,538)		721,182
		<b>(59,538)</b>		<b>721,182</b>

## **SCHEDULE 'O'**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Preparation**

The Consolidated financial statements have been prepared in accordance with Accounting Standard 21 – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting. The accounts of the parent Company and the subsidiary have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

#### **(b) Principles of Consolidation**

The consolidated financial statements relate to the SMIFS Capital Markets Limited ('the Company') and its wholly owned subsidiary Company.

The financial statements of the Company and its subsidiary Company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after fully eliminating inter-company balances and transactions including unrealized profits or losses.

The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

#### **(c) Other Significant Accounting Policies**

These are set out in the Notes to Accounts under Significant Accounting Policies for financial statements of the respective companies which are enclosed.

### **B. NOTES FORMING PART OF THE ACCOUNTS**

1. During the year Antriksh Vyapaar Pvt Ltd has ceased to be the subsidiary of the Company. Previous year's figures are not comparable to that extent.
2. The Consolidated Financial Statements represent consolidation of accounts of SMIFS Capital Markets Limited, the parent company and its subsidiary, SMIFS Capital Services Limited wherein the parent company holds an ownership interest of 100% as at 31<sup>st</sup> March, 2011.
3. As on 31<sup>st</sup> March, 2011 the parent company holds 7,500,070 Equity shares of Rs. 10 each, fully paid-up in SMIFS Capital Services Limited. For consolidation purposes, the investments in the subsidiary are being reported at NIL value
4. The parent company and its subsidiary end their respective financial years on the same date i.e. 31<sup>st</sup> March, 2011.
5. **Contingent liabilities not provided for**
  - i. Sales Tax demand net of payment under appeal Rs. 91,125 (Rs. 91,125).
  - ii. Uncalled liabilities on partly paid shares Rs. 6,813,000 (Rs. 6,813,000)
  - iii. Employees State Insurance Rs. 142,274 (Rs. 142,274)
  - iv. Guarantees given Rs. 310,000,000 (Rs.168,500,000)
6. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on “Related Party Disclosures” issued by the Institute of Chartered Accountants of India are given below:

  - i) **Key Management Personnel**  
**In Parent Company**  
Mr. Utsav Parekh, Chairman  
Mr. Kishor Shah, Managing Director  
Mr. Ajay Kayan, Director

In Subsidiary Companies

Nil

ii) **Entities over which Key Management Personnel / their relatives are able to exercise significant influence :**

Stewart & Co.  
SMIFS Finance Limited  
Stewart & Mackertich Wealth management ltd  
Mackertich Consultancy Services Pvt. Ltd.  
C. Mackertich Ltd.

Disclosure of transactions between the Company and related parties and their outstanding balances as on 31<sup>st</sup> March 2011

	<b><u>Key Management Personnel</u></b>	<b><u>Entities where control exists</u></b>
Purchase of Shares & Securities	-	-
	( - )	(2,574,396)
Sale of Shares & Securities	-	-
	( 19,440,000 )	(42,590,868)
Directors' Sitting Fee	47,000	-
	(94,000)	( - )
Expenses Reimbursed	719,593	41,894
	( - )	( 26,978)
Director's Remuneration	3,415,047	-
	(2,950,355)	( - )
Chairman's /Executive Chairman's Remuneration	-	-
	(719,593)	(-)
<b><u>Balance at the end of the year</u></b>		
- Creditors / Payables	-	4,556,321
	( - )	(5,098,215)
- Debtors / Receivable	-	377,723
	( - )	(377,723)
- Advances	-	13,838,362
	( - )	(12,462,871 )
- Investments	-	18,534,000
	( - )	( 18,534,00)

7. **Segment Reporting: Information about Primary Business Segments**

	<u>2010-2011</u>	<u>2009-2010</u>
<u>Segment Revenue</u>	Rs.	Rs.
a) Capital Market Operations	(15,083,437)	(44,631,047)
b) Investment Banking Operations	44,943,064	119,995,567
c) Others	<u>1,121,543</u>	<u>4,395,480</u>
Net Sales / Income from Operations	<u>30,981,170</u>	<u>79,759,999</u>
<b><u>Segment Results : Profit / (Loss) before tax &amp; interest</u></b>		
a) Capital Market Operations	(15,083,437)	(44,631,047))
b) Investment Banking Operations	44,943,064	119,995,567
c) Others	<u>1,121,543</u>	<u>4,395,480</u>

Total	<u>30,981,170</u>	<u>79,759,999</u>
Less : Interest	(59,538)	721,182
Other un-allocable exp. net of un-allocable income	<u>(30,946,365)</u>	<u>38,687,126</u>
Total Profit before tax	<u>61,987,072</u>	<u>40,351,691</u>

Capital employed

Fixed Assets used in the Company's Operations or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of data is onerous.

8. **Earnings Per Share**

	<u>2010-2011</u>	<u>2009-2010</u>
Net Profit / (Loss) attributable to shareholders	Rs.53,743,928	Rs. 51,190,481
Weighted average number of equity shares in issue	5,585,000	5,585,000
Earnings per share of Rs. 10/- each (Basic & Diluted)	Rs.9.62	Rs.9.19

9. Figures in brackets pertain to the previous year.

10. Previous year figures has been re-arranged, regrouped & re-classified whether necessary to confirm to this year's classification.

Signature to Schedules 'A' to 'O'

**For J. S. VANZARA &  
ASSOCIATES**  
**Chartered Accountants**  
FRN: 318143E

**(UTSAV PAREKH)**  
**Chairman**

**(KISHOR SHAH)**  
**Managing Director**

**(AUROBINDA PANDA)**  
**Partner**  
Membership no. 064888  
The 27th day of May 2011

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

**(S. JHAJHARIA)**  
**Senior Vice President & CFO**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	<u>31st March, 2011</u>	<u>31st March, 2010</u>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax, Extra-ordinary items, interest & Loss on sale of Fixed Assets (net)	(8,397,065)	2,475,660
<b>Adjustment for</b>		
1. Depreciation	3,418,501	2,731,549
2. (Profit) / Loss on sale of Investments	17,582,376	44,236,321
3. Interest on Govt. Securities	(30,250)	(30,250)
4. Dividend Income	(1,042,217)	(1,922,867)
5. Misc. Expenditure Written Off	-	-
	<u>19,928,410</u>	<u>45,014,753</u>
<i>Operating profit before W/Capital change</i>	11,531,345	47,490,413
<b>Adjustment for</b>		
1. Trade & Other Receivable	116,191,353	52,900,317
2. Inventories	(1,033,909)	2,026,785
3. Trade payable	(56,472,127)	(53,764,872)
	<u>58,685,317</u>	<u>1,162,230</u>
<i>Cash Generated from Operations</i>	70,216,662	48,652,642
Interest paid	59,538	(3,019,975)
Direct Tax paid	(9,444,115)	(23,261,364)
FBT Paid	-	(115,916)
	<u>(9,384,577)</u>	<u>(26,397,255)</u>
<i>Cash Flow before Extra-ordinary items</i>	60,832,085	22,255,387
Extra-ordinary items (Prov. for Leave Salary)		
Provision for Leave Salary	(37,196)	138,373
	<u>(37,196)</u>	<u>138,373</u>
<i>Net Cash Flow from Operating activity</i>	60,794,889	22,393,760
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(21,443,952)	(13,374,592)
Sale of Fixed Assets	558,000	2,900,000
Purchase of Investments	(370,486,095)	(264,433,961)
Sale of Investments	356,167,054	166,314,177
Interest received on Govt. Sec	30,250	30,250
Dividend Income	1,042,217	1,922,867
	<u>(34,132,526)</u>	<u>(106,641,259)</u>
<i>Net Cash flow from Investing Activities</i>	26,662,363	(84,247,499)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	-	107,500,000
Dividend and Dividend Distribution Tax Paid	(9,768,898)	-
Proceeds from long-term borrowings	2,559,642	(19,302,916)
Proceeds from short-term borrowings	(21,127,520)	358,200
<i>Net cash used in Financing Activities</i>	<u>(28,336,776)</u>	<u>88,555,284</u>
Net increase in Cash & Cash equivalents	(1,674,414)	4,307,785
Cash & Cash equivalents as at (Opening Balance)	14,226,849	10,388,700
Cash & Cash equivalents as at (Closing Balance)	<u>12,552,435</u>	<u>14,696,485</u>

Kolkata

**For and on behalf of the Board of Directors**

The 27th day of May 2011

**(Kishor Shah)**  
Managing Director

**Auditors' Report**

We have verified the attached Consolidated Cash Flow Statement of SMIFS Capital Markets Limited, derived from the audited financial statement and the books and records maintained by the Company for the year ended 31st March, 2011 and 31st March, 2010 and found the same in agreement therewith.

**For J. S. Vanzara & Associates**  
Chartered Accountants  
FRN: 318143E

Kolkata  
The 27th day of May 2011

**(AUROBINDA PANDA)**  
Partner  
Membership No. 064888



# **SMIFS CAPITAL SERVICES LIMITED**

## **Board Of Directors**

Mr. Santosh Kumar Mukherjee - Director  
Mr. Chandranath Mukherjee - Director  
Mr. Kishor Shah - Director

## **Company Secretary**

Ms. Neha Doshi (upto May 31, 2011)  
Ms. Priti Chowdhary (w.e.f June 1, 2011)

## **Bankers**

**Hdfc Bank Ltd**

## **Auditors**

**J.S.Vanzara & Associates**  
**Chartered Accountants**

## **Registered Office**

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

## DIRECTORS' REPORT

To the members of SMIFS Capital Services Limited

Your Directors have pleasure in presenting the Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS

(Rupees in million)

	Year ended 31.03.2011	Year ended 31.03.2010
Profit / (Loss) before Interest & Depreciation	(0.66)	(0.06)
Less: Interest	0.02	0.03
Profit / (Loss ) before Depreciation	(0.68)	(0.09)
Less: Depreciation	0.07	0.09
<b>Profit / (Loss) before Tax</b>	<b>(0.75)</b>	<b>(0.18)</b>
Less: Provision for Tax	(0.01)	(0.01)
<b>Profit / (Loss) after Tax</b>	<b>(0.74)</b>	<b>(0.17)</b>
Add: (Debit) / Credit balance brought forward	0.39	0.56
<b>Profit / (Loss) Carried to Balance Sheet</b>	<b>(0.35)</b>	<b>0.39</b>

### DIVIDEND

In view of the loss during the year, no dividend has been recommended on the equity shares.

### YEAR IN RETROSPECT AND FUTURE GROWTH

Your Company is a wholly – owned subsidiary of SMIFS Capital Markets Limited. Your Company is engaged in Corporate Advisory and Loan Syndication Services. Your Company is currently exploring other avenues for increasing business.

### 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 March 31, 2011 the applicable accounting standards have been followed along with the proper explanations relating to material departures.
2. The Directors had adopted such accounting policies and applied them consistently and have 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 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.
4. The Directors have prepared the Annual Accounts on a going concern basis.

### DIRECTORS

During the year there was no change in the Board of Directors. Mr. Kishor Shah retires by rotation and being eligible offers himself for re-appointment.

### AUDIT COMMITTEE

The Audit Committee under Section 292A of the Companies Act, 1956 comprised of Mr. Santosh Kumar Mukherjee, Chairman, Mr. Chandranath Mukherjee and Mr. Kishor Shah.

## **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.

## **PARTICULARS OF EMPLOYEES**

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report is not required to be annexed. MCA vide its notification dated March 31, 2011 revised the limit of disclosure to 5 Lac per month or Sixty Lac per annum. There are no employees in our company drawing remuneration more than 5 Lac per month or Sixty Lac per annum

## **STATUTORY INFORMATION**

Information in terms of Section 217(1)(e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 forming part of the report of Board of Directors is given below :

(a) **Conservation of Energy**

Though the operation of the Company is not energy intensive, regular and preventive maintenance of all equipments is undertaken by the Company.

(b) **Technology Absorption**

In view of the nature of business in which the Company is engaged, no Research and Development expenditure has been incurred.

(c) **Foreign Exchange Earnings and Outgoings**

During the year there has been no foreign exchange earning and outgo.

## **ACKNOWLEDGEMENT**

Your Directors wish to place on record their sincere appreciation for the services rendered by all the employees of the company.

On behalf of the Board of Directors

**(SANTOSH KUMAR  
MUKHERJEE)**  
DIRECTOR

**(KISHOR SHAH)**  
DIRECTOR

Place: Kolkata

Date: May 27, 2011

## **AUDITORS' REPORT TO THE MEMBERS OF SMIFS CAPITAL SERVICES LIMITED**

We have audited the attached Balance Sheet of SMIFS Capital Services Limited, as at 31<sup>st</sup> March 2011 and also the Profit and Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of the written representations received from the directors, as on 31<sup>st</sup> March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
  - (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.; and
  - (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For J. S. Vanzara & Associates  
Chartered Accountants

FRN:318143E

(Aurobinda Panda)  
Partner  
Membership no. 064888

Date: The 27<sup>th</sup> day of May , 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 thereof)

- i) In respect of its fixed assets :
  - a) The Company is generally maintaining proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified during the year by the management. To the best of our knowledge, no material discrepancies were noticed on such verification.
  - b) Based on our scrutiny of the records of the Company, we report that the Company has not disposed off fixed assets during the year.
- ii) As the Company has not purchased shares and securities during the year and also Company have no stocks during the year, so the requirements of reporting on physical verification of stock or maintenance of inventory records in our opinion are not applicable.
- iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(b), (c) and (d) of the Order, are not applicable.  
b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, to parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(e), (f) and (g) of the Order, are not applicable.
- iv) Having regard to the nature of the Company's business and based on our scrutiny of the Company's records and according to the information and explanations given to us, we report that the Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanation received by us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
- v) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
  - a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions required to be entered into the register have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time
- vi) Based on our scrutiny of the Company's records and according to the information and explanations provided by the management, in our opinion, the Company has not accepted any public deposit so far upto 31<sup>st</sup> March 2011.
- vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- viii) According to the information and explanations provided by the management, the Company is not engaged in production, processing, manufacturing or mining activities. Hence the provision of section 209(1)(d) do not apply to the Company. Hence, in our opinion, no comment on maintenance of cost records under section 209(1) (d) is required.
- ix) Statutory and other dues : -
  - a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax Wealth Tax, Service tax, Customs Duty and Excise Duty as applicable with the appropriate authorities during the year.
  - b) According to the information and explanations given, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they become payable.

- c) According to the records of the Company, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- x) The accumulated loss of the Company at the end of financial year amounted to ` 3,46,776/- and has incurred cash losses ` 6,79,661/- during the current financial year and ` 87,186/- in the immediately preceding financial year .
- xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank during the year.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the Company is neither a Chit Fund nor a Nidhi / Mutual benefit society. Hence, in our opinion, the requirements of para 4 (xiii) of the Order do not apply to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of transaction and contracts regarding its dealing in investments, and timely entries have been made therein.
- xv) According to the records of the Company and the information and explanations provided by the management, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) According to the records of the Company, the Company has not obtained any term loans. Hence, comments under the para 4 (xvi) of the Order are not applicable.
- xvii) According to the information and explanations given to us and an overall examination of balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year covered by our audit report.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

ORIENTAL HOUSE, SUITE # 3A  
6C, ELGIN ROAD, 3<sup>RD</sup> FLOOR  
KOLKATA – 700 020.

For J. S. VANZARA & ASSOCIATES  
Chartered Accountants  
FRN: 318143E

(Aurobinda Panda)  
Partner  
Membership No-064888

Date: The 27<sup>th</sup> day of May , 2011

# SMIFS CAPITAL SERVICES LIMITED

## Balance Sheet as at 31st March '2011

	Schedule No.	As at		As at	
		31st March, 2011		31st March, 2010	
		Rs.	Rs.	Rs.	Rs.
<b><u>SOURCE OF FUND</u></b>					
<b>Shareholders' Fund</b>					
Share Capital	A		75,000,700		75,000,700
Reserve and Surplus	B		-		393,547
<b>Loan Funds</b>					
Secured Loans	C		138,504		222,298
			<u>75,139,204</u>		<u>75,616,545</u>
<b><u>APPLICATION OF FUND</u></b>					
<b>Fixed Assets</b>					
a. Gross Block	D	618,399		618,399	
b. Less: Depreciation		<u>424,851</u>		<u>356,110</u>	
c. Net Block			193,548		262,289
<b>Investments</b>					
	E		71,666,835		816,835
<b>Current Assets, Loans &amp; Advances</b>					
Current Assets	F	1,211,907		17,834,192	
Loans & Advances		<u>3,524,053</u>		<u>58,538,938</u>	
		4,735,960		76,373,130	
Less: Current Liabilities & Provisions	G	<u>1,828,856</u>		<u>1,852,571</u>	
<b>Net Current Assets</b>			2,907,104		74,520,559
<b>Net Deferred Tax Assets</b>			24,941		16,862
<b>Profit &amp; Loss Account Debit Balance</b>	B		346,776		-
			<u>75,139,204</u>		<u>75,616,545</u>
NOTES TO THE ACCOUNTS	H				

The schedules referred to above form an integral part of the Balance Sheet  
In terms of our attached report of even date

For and on behalf of the Board of Directors

**For J.S.VANZARA & ASSOCIATES**  
Chartered Accountants  
FRN 318143E

**(AUROBINDA PANDA)**  
Partner  
Membership no. 064888  
Place Kolkata  
The 27th day of May 2011

**SANTOSH KUMAR MUKHERJEE )**  
Director

**(KISHOR SHAH )**  
Director

**(NEHA DOSHI)**  
Company Secretary

# **SMIFS CAPITAL SERVICES LIMITED**

## **Profit & Loss Account for the period ended 31st March, 2011**

	For the Year ended		For the Year ended		
	Schedule	31st March, 2011		31st March, 2010	
	No.	Rs.	Rs.	Rs.	Rs.
<b><u>INCOME</u></b>					
Brokerage & Commission Received			6,439		-
Service Charges Received			800,000		-
Insurance Commission Received			16,310		-
Sundry Balances Written back			-		-
Profit / (Loss) on Sale of Investment			(720,000)		303,045
Dividend			210		464,964
Interest			2,764		2,353
			<b>105,723</b>		<b>770,362</b>
<b><u>EXPENSES</u></b>					
Salary Bonus & Allowances		304,112		328,118	
Contribution to Provident Fund		21,072		22,160	
Gratuity		13,000		36,042	
Staff Welfare Expenses		53,295		46,618	
Telephone Expenses		38,401		34,823	
Rent		120,000		120,000	
Repair & Maintenance		30,250		2,547	
Professional & Legal Charges		3,309		80,249	
Membership Fees & Subscription		9,550		9,550	
Vehicle Expenses		128,882		96,710	
Audit Fees		10,000		10,000	
Business Promotion Expenses		3,179		2,220	
Filing Fees		3,060		1,500	
Miscellaneous Expenses		16,117		26,053	
Rates & Taxes		7,550		7,350	
Depreciation		68,741		93,565	
Interest		23,607		33,607	
			854,125		951,113
<b>PROFIT / (LOSS) BEFORE TAX</b>			<b>(748,402)</b>		<b>(180,751)</b>
Provision for Tax - Current			-		-
Deferred Tax for the year			(8,079)		(12,586)
<b>PROFIT / (LOSS) AFTER TAX</b>			<b>(740,323)</b>		<b>(168,165)</b>
(Debit) / Credit balance brought forward from earlier year			<b>393,547</b>		<b>561,712</b>
Balance Carried to Balance Sheet .			<b>(346,776)</b>		<b>393,547</b>

**NOTES TO THE ACCOUNTS** H

The schedules referred to above form an integral part of the Profit and Loss Account  
In terms of our attached report of even date

For and on behalf of the Board of Directors

**For J.S.VANZARA & ASSOCIATES**

Chartered Accountants

FRN 318143E

**(AUROBINDA PANDA)**

Partner

Membership no. 064888

Place Kolkata

The 27th day of May 2011

**SANTOSH KUMAR MUKHERJEE )**

**Director**

**(KISHOR SHAH )**

**Director**

**(NEHA DOSHI)**

**Company Secretary**



# **SMIFS CAPITAL SERVICES LIMITED**

## **Schedules annexed to and forming part of Accounts as at 31st March, 2011**

	As at		As at	
	31st March 2010		31st March 2010	
<b><u>SCHEDULE 'A'</u></b>	Rs.	Rs.	Rs.	Rs.
<b><u>SHARE CAPITAL</u></b>				
<u>Authorised:</u>				
15,000,000 Equity Shares of Rs. 10/- each		<u>150,000,000</u>		<u>150,000,000</u>
<u>Issued, Subscribed &amp; Paid up:</u>				
7,500,070 Equity Shares of Rs. 10/- each fully paid up in cash		<u>75,000,700</u>		<u>75,000,700</u>
 <b><u>SCHEDULE 'B'</u></b>				
<b><u>RESERVES &amp; SURPLUS</u></b>				
Profit & Loss Account		<u>(346,776)</u>		<u>393,547</u>
		<u>(346,776)</u>		<u>393,547</u>
 <b><u>SCHEDULE 'C'</u></b>				
<b><u>SECURED LOANS</u></b>				
<b>Loan from Bank</b>				
Vehicle Loan [Payable within		<u>138,504</u>		<u>222,298</u>
one year Rs.95,148 (Rs.83,793) ]		<u>138,504</u>		<u>222,298</u>

**Schedule Annexed to and forming part of Accounts as at 31st March, 2011**

**SCHEDULE - 'D'**

**FIXED ASSETS**

PARTICULARS	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K	
	AS AT	Addition	AS AT	AS AT	FOR THE YEAR	AS AT	AS AT	AS AT
	01-04-2010 Rs.	Rs.	31-03-2011 Rs.	01-04-2010 Rs.	ENDED ON 31.03.2011 Rs.	31.03.2011 Rs.	31.03.2011 Rs.	31-03-2010 Rs.
<b>Computers &amp; Peripherals</b>	196,180	0	196,180	189,565	2,646	192,211	3,969	6,615
<b>Furniture &amp; Fixtures</b>	7,095	0	7,095	5,824	230	6,054	1,041	1,271
<b>Vehicles</b>	415,124	0	415,124	160,721	65,865	226,586	188,538	254,403
<b>Total</b>	618,399	0	618,399	356,110	68,741	424,851	193,548	262,289
<i>Previous year</i>	618,399	-	618,399	262,545	93,565	356,110	262,289	

# **SMIFS CAPITAL SERVICES LIMITED**

## **Schedules annexed to and forming part of Accounts as at 31st March, 2011**

### **SCHEDULE 'E'**

#### **INVESTMENTS**

	As at		As at	
	31st March, 2011		31st March, 2010	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
Long Term - Other than Trade				
Equity Shares of Rs. 10/- each				
<u>Fully paid up: Quoted</u>				
KEC International Ltd.	35	16,835	700	16,835
MSL Industries Ltd.	-	-	400,000	800,000
	<u>35</u>	<u>16,835</u>	<u>400,700</u>	<u>816,835</u>
<u>Fully paid up: Unquoted</u>				
Bijco Holdings Ltd.	69,730	6,973,000	-	-
Kamal Overseas Ltd.	250,000	20,000,000	-	-
Manphool Exports Ltd.	11,908	1,190,800	-	-
Mason and Summers Alcobev Pvt.Ltd.	125,000	35,000,000	-	-
Nachmo Knitex Limited	1,499,000	5,609,200	-	-
Quest Finance Services.Ltd.	30,000	2,877,000	-	-
	<u>1,985,638</u>	<u>71,650,000</u>	<u>-</u>	<u>-</u>
<b>Total</b>		<b><u>71,666,835</u></b>		<b><u>816,835</u></b>
Market Value of quoted Investments Rs. 2,888 (previous year Rs. 479,012)				

### **SCHEDULE 'F'**

#### **CURRENT ASSETS, LOANS & ADVANCES**

##### **A. CURRENT ASSETS**

###### **Sundry Debtors**

(Unsecured, considered good)

exceeding six months	1,022,054	17,672,054
other debts	-	-
	<u>1,022,054</u>	<u>17,672,054</u>

###### **Cash & Bank Balances**

Cash in hand	19,680	20,976
Bank Balances with Scheduled bank in current account	<u>170,173</u>	<u>141,161</u>
	<u>189,853</u>	<u>162,138</u>
	<b><u>1,211,907</u></b>	<b><u>17,834,192</u></b>

##### **B. LOANS & ADVANCES**

###### **LOANS**

Loan to Employees (Considered Good)	96,512	122,612
-------------------------------------	--------	---------

###### **ADVANCES**

(Recoverable in cash or in kind or for value to be received)

Income Tax Payment	1,497,689	1,417,689
Due from Holding Company	1,893,238	56,921,219
Advances	11,614	22,418
Deposit to others	25,000	55,000
	<u>3,524,053</u>	<u>58,538,938</u>
	<b><u>4,735,960</u></b>	<b><u>76,373,130</u></b>

### **SCHEDULE 'G'**

#### **CURRENT LIABILITIES AND PROVISIONS**

##### **CURRENT LIABILITIES**

Sundry Creditors	400,000	400,000
Liabilities for expenses	198,842	225,392
	<u>598,842</u>	<u>625,392</u>

##### **PROVISIONS**

Provision for Tax	1,192,000	1,192,000
Provision for Fringe Benefit Tax	20,911	20,911
Provision for Leave Salary	17,103	14,268
	<u>1,230,014</u>	<u>1,227,179</u>
	<b><u>1,828,856</u></b>	<b><u>1,852,571</u></b>

**SCHEDULE – H:**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

**(b) Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises of the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

**(c) Depreciation**

Depreciation on Fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act 1956, (as amended).

Depreciation on Fixed assets added / disposed during the year is provided on a pro-rata basis with reference to the date of addition / disposal.

**(d) Investments**

As per the guidelines issued by The Institute of Chartered Accountants of India, Long Term investments in shares and securities are carried at cost less provision for diminution, other than temporary, determined separately for each individual Investment.

**(e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

**(f) Retirement Benefits**

The Company has taken an appropriate group gratuity policy with Life Insurance Corporation of India to provide for its liabilities for gratuity. Premium paid on policy is charged to revenue.

Provision has been made for the monetary value of the leave due to staff.

**(g) Income Taxes**

The accounting treatment for income tax in respect of the income is based on the Accounting Standards on 'Accounting for Taxes on Income' (AS-22) issued by the Institute of Chartered Accountants of India.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax liability / asset for all timing differences arising between taxable income and accounting income at currently enacted tax rates.

Deferred tax assets are recognized only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

**(h) Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

**B. NOTES FORMING PART OF THE ACCOUNTS**

## SMIFS CAPITAL SERVICES LIMITED

1. Contingent Liabilities: Nil (Nil).
2. Balances lying as sundry debtors, creditors and loans & advances are subject to confirmation to be received from the concerned parties.
3. Physical verification of investments has been done by the management and a certificate in this regard has been issued to the auditors.
4. Auditor's remuneration includes:

	2010-2011	2009-2010
	(Rs.)	(Rs.)
Audit Fees	10,000	10,000
Tax Audit Fees	-	
	<b>10,000</b>	<b>10,000</b>

5. Total outstanding dues to small scale industrial undertakings Rs. Nil (Nil).

### 6. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

#### Holding Company

SMIFS Capital Markets Limited

#### Key Management Personnel

Nil

Disclosure of transactions between the Company and related parties and their outstanding balances as on 31<sup>st</sup> March 2011.

	Holding Company	Key Management Personnel	Entities where control exists
	Rs.	Rs.	Rs.
Purchase of Shares / Securities	55,000,000	-	-
	(-)	(-)	(-)
<u>Balances at the end of the year</u>			
Debtors / Receivables	1,893,238	-	-
	(56,921,219)	(-)	(22,054)

### 7. **Segment Reporting:** Information about Primary Business Segments

	Year ended <b><u>31.03.2011</u></b>	Year ended <b><u>31.03.2010</u></b>
	<u>Rs.</u>	<u>Rs.</u>
<u>Segment Revenue:</u>		
a) Capital Market Operations	(720,000)	303,045
b) Investment Banking Operation	806,439	-
c) Others	19,284	467,317
Net Sales / Income from Operations	105,723	770,362
<u>Segment Results:</u>		
<u>Profit / (Loss) before tax &amp; interest</u>		
a) Capital Market Operations	(720,000)	303,045
b) Investment Banking Operation	806,439	-
c) Others	19,284	467,317
Total	105,723	770,362
Less: Interest	23,607	33,607
Other un-allocable expenditure net of in-allocable income	830,518	917,506
Total Profit/( Loss) before tax	(748,402)	(180,751)
<u>Capital employed</u>		

## SMIFS CAPITAL SERVICES LIMITED

Fixed Assets used in the Company's Operations or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of data is onerous.

8. (a) Deferred tax asset for the year amounting to Rs.8,079 (Rs 12,586) has been recognised in the Profit & Loss Account.

(b) Major component of deferred tax arising on account of timing differences are:

	<u>As on</u> <u>31.03.2011</u> (Rs.)	<u>As on</u> <u>31.03.2010</u> (Rs.)
<u>Deferred Tax Assets</u>		
(i) Employer Benefit	5,285	4,409
(ii) Depreciation	19,656	12,454
	<u>24,941</u>	<u>16,863</u>

9. Expenditure in foreign currency – Rs. Nil (Previous year – Rs. Nil).  
10. Earning in foreign currency Rs. Nil (Previous year – Rs. Nil).  
11. Figures in brackets pertain to the previous year.  
12. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

Signature to Schedules 'A' to 'H'

For **J. S. VANZARA & ASSOCIATES**  
Directors  
Chartered Accountant  
FRN. 318143E

For and on behalf of the Board of

**(SANTOSH KUMAR MUKHERJEE)**  
Director

**(KISHOR SHAH)**  
Director

**(AUROBINDA PANDA)**  
Partner  
Membership no. 64888  
The 27<sup>th</sup> day of May 2011

**(NEHA DOSHI)**  
Company Secretary

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

**Balance Sheet Abstract and Company's General Business Profile**

Registration

I Details

Registration No. 

	9	2	1	2	5
--	---	---	---	---	---

State Code 

2	1
---	---

Balance Sheet

Date 

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

Capital Raised during the year (Amount in Rs.Thousands)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III Position of Mobilisation and Deployment of Fund(Amount in Rs.Thousands)

Total Liabilities

						7	6	9	6	8
--	--	--	--	--	--	---	---	---	---	---

Total Assets

						7	6	9	6	8
--	--	--	--	--	--	---	---	---	---	---

Sources of Funds

Paid-Up Capital

						7	5	0	0	1
--	--	--	--	--	--	---	---	---	---	---

Reserves & Surplus

									N	I	L
--	--	--	--	--	--	--	--	--	---	---	---

Secured Loans

										1	3	9
--	--	--	--	--	--	--	--	--	--	---	---	---

Unsecured Loans

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

										1	9	4
--	--	--	--	--	--	--	--	--	--	---	---	---

Investments

						7	1	6	6	7
--	--	--	--	--	--	---	---	---	---	---

Net Current Assets

						2	9	0	7
--	--	--	--	--	--	---	---	---	---

Deferred Tax Asset Net

										2	5
--	--	--	--	--	--	--	--	--	--	---	---

Accumulated Losses

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Performance of Company (Amount in Rs. IV Thousands)

Turnover (Gross Revenue)

										1	0	6
--	--	--	--	--	--	--	--	--	--	---	---	---

Total Expenditure

										8	5	4
--	--	--	--	--	--	--	--	--	--	---	---	---

--	--	--	--	--	--	--	--	--	--	--	--	--

Profit / Loss Before Tax

										7	4	8
--	--	--	--	--	--	--	--	--	--	---	---	---

--	--	--	--	--	--	--	--	--	--	--	--	--

Profit / Loss After Tax\*

										7	4	0
--	--	--	--	--	--	--	--	--	--	---	---	---

--	--	--	--	--	--	--	--	--	--	--	--	--

Earning Per Share in Rs

										0	.	0	0
--	--	--	--	--	--	--	--	--	--	---	---	---	---

DividendRate %

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

V Generic Name of Three Principal Products/Services of Company (As per monetary Terms)

Item Code

N	I	L
---	---	---

Product

Description

F	I	N	A	N	C	I	A	L		S	E	R	V	I	C	E	S
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

Signature to Schedules 'A' to 'H'

**For J.S. VANZARA & ASSOCIATES**

For and on behalf of the Board of Directors

Chartered Accountants

FRN 318143E

**(SANTOSH KUMAR MUKHERJEE)**

**(KISHOR SHAH)**

Director

Director

**(AUROBINDA PANDA)**

Partner

**(NEHA DOSHI)**

Kolkata

**Company Secretary**

Membership No. 64888

The 27th day of May 2011

## SMIFS CAPITAL SERVICES LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	31st March 2011		31st March 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before Tax, Extra-ordinary items, interest & Loss on sale of Fixed Assets (net)		(727,559)	(149,497)
<b>Adjustment for</b>			
1. Depreciation	68,741		93,565
2. (Profit) / Loss on sale of Investments	720,000		(303,045)
3. Dividend Income	(210)		(464,964)
4. Misc. Expenditure Written Off	-		-
		788,531	(674,444)
<i>Operating profit before W/Capital change</i>		60,972	(823,941)
<b>Adjustment for</b>			
1. Trade & Other Receivable	71,744,885		2,030,893
2. Inventories	-		-
3. Trade payable	(26,550)		(3,733,646)
		71,718,335	(1,702,753)
<i>Cash Generated from Operations</i>		71,779,307	(2,526,694)
Interest paid	(20,843)		(31,254)
Direct Tax paid	(80,000)		(2,500)
FBT paid	-		(2,660)
		(100,843)	(36,414)
<i>Cash Flow before Extra-ordinary items</i>		71,678,464	(2,563,108)
Extra-ordinary items (Prov. for Leave Salary)		2,835	(3,871)
<i>Net Cash Flow from Operating activity</i>		71,681,299	(2,566,979)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	-		-
Sale of Fixed Assets	-		-
Purchase of Investments	(71,650,000)		-
Sale of Investments	80,000		2,260,000
Dividend Income	210		464,964
		(71,569,790)	2,724,964
<i>Net Cash flow from Investing Activities</i>		111,509	157,985
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Share Capital	-		-
Proceeds from long-term borrowings	(83,793)		(73,793)
Proceeds from short-term borrowings			
<i>Net cash used in Financing Activities</i>		(83,793)	(73,793)
Net increase in Cash & Cash equivalents		27,716	84,192
Cash & Cash equivalents as at (Opening Balance)		162,138	77,946
Cash & Cash equivalents as at (Closing Balance)		189,854	162,138

Kolkata  
The 27th Day of May 2011

For and on behalf of the Board of Directors

(Kishor Shah)  
Director

#### Auditors' Report

We have verified the attached Cash Flow Statement of SMIFS Capital Services Limited, derived from the audited financial statement and the books and records maintained by the Company for the year ended 31st March, 2011 and 31st March, 2010 and found the same in agreement therewith.

For J. S. Vanzara & Associates  
Chartered Accountants  
FRN: 318143E

(AUROBINDA PANDA)

Kolkata  
The 27th Day of May 2011

Partner  
Membership No. 064888



**REGISTERED AND CORPORATE OFFICE**

“Vaibhav” 4F

4 Lee Road

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