

## ANNUAL REPORT 2006-2007

### Corporate Governance Report:

Your Company has been practicing the principal of good corporate governance since inception. Good corporate governance comprises of all activities that result in the control of the company in a regular manner which makes management transparent accountable and fair. In accordance with Clause 49 of the listing agreement with stock exchange and best practices followed by reputed corporations on corporate governance the details of compliance by the Company are as under:

#### 1. Philosophy of the Company on the Code of Governance: -

The Company's philosophy on Corporate Governance envisage attainment of the highest levels of transparency, accountability and equity at all levels of its operation and in all its interactions with its stakeholders including shareholders, employees, Government Agencies and others. The Company strives for excellence with twin objective of enhancing customer satisfaction and shareholder's value.

The Company is committed to achieve the highest standards of Corporate Governance.

#### 2. Board of Directors: -

Composition of Board:

The current strength of the Board consists of 10 Directors out of which two are Whole-Time (Executive) Director and 8 Non-Executive Directors. The Company does have a non-executive Chairman and the Board already consists of 6 Independent Directors. The names of directors and their position are as follows:

No.	Name of the Director	Status	
1	Mr. Devesh D Chaturvedi	Non Executive Chairman.	Promoter Director
2	Mr. Gagan D Chaturvedi	Non Executive Vice Chairman.	Promoter Director
3	Dr. V.C. Shah	Non Executive Director	Independent Director
4	Mr. Bhupendra Shroff	Non Executive Director	Independent Director
5	Mr. Kantilal Shah	Non Executive Director	Independent Director
6	Mr. Mukesh Shroff	Non Executive Director	Independent Director
7	Mr. Charul Abuwala	Non Executive Director	Independent Director
8	Mr. Gyandeo Chaturvedi	Non Executive Director	Independent Director
9	Mr. R Sundaresan	Executive Director and CEO	Whole time director
10	Mr. Naveen Chaturvedi	Executive Director and CFO	Whole time Director

#### • Board Meetings: -

The Board of Directors of the Company met Six times during financial year ended 31<sup>st</sup> March 2007. The Board Meetings were held on 03<sup>rd</sup> June 2006, 27<sup>th</sup> July 2006, 02<sup>nd</sup> September 2006, 30<sup>th</sup> October 2006, 16<sup>th</sup> January and 31<sup>st</sup> March 2007. The Annual General Meeting of the Company was held on 05<sup>th</sup> August, 2006 at Ashoka Hall, Arcadia, NCPA Marg, Nariman Point, Mumbai 400 021.

The Company has held at least one meeting in every three months and the maximum time gap between any two Board Meetings was not more than four months. None of the directors of the Company was a member of more than ten committees or the Chairman of more than five committees across all public limited companies in which he is a Director.

For the purpose of considering the limit of the Committees as stated above, only Audit Committee, Shareholders/ Investors Grievances Committee and Remuneration Committee across all public limited companies has been considered in accordance with clause 49 of the Listing Agreement.

#### • Attendance: -

Attendance of each Director at the Board Meetings, last Annual General Meeting, and number of other Directorship of each Director in various companies as given below:

Name of the Director	Category	Attendance Particulars		No. of other directorships and committee member/ chairmanship		
		Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Devesh Chaturvedi	CH	5	Yes	3	—	—
Mr. Gagan Chaturvedi	VCH	4	Yes	5	1	—
Dr. V.C. Shah	NED	3	Yes	4	—	—
Mr. Bhupendra K. Shroff	NED	6	Yes	6	7	5
Mr. Mukesh Shroff	NED	2	Yes	4	1	—
Mr. R. Sundaresan	ED	6	Yes	2	3	—
Mr. Kantilal Shah	NED	5	Yes	-	1	—
Mr. Charul Abuwala	NED	3	Yes	-	1	—
Mr. Gyandeo Chaturvedi	NED	5	Yes	1	3	1
Mr. Naveen Chaturvedi	ED	2	-	-	-	-

CH - Chairman ED - Executive Director VCH – Vice Chairman NED - Non Executive Director

• **Details of Directors being appointed/re-appointed at the Annual General Meeting: -**

Mr V C Shah aged about 79 years M.Com. (Bombay University) Ph D. (Eco) (Columbia). Dr Shah has worked as Economic Advisor in Embassy of India at Belgium for 6 years and worked as General Manager of ICICI for 15 years. He holds directorship in Binani Industries Limited, Ambala Sarabhai Enterprises Ltd, Coastal Roadways Ltd and Binani Cement Ltd.

Mr. Kantilal Shah, aged 74 years, a practicing Chartered Accountant. He is a Director in Jain Sahakari Bank (co operative bank)

Mr. Charul Abuwala , aged 45 years, an Advocate and having vast experience in legal field.

Mr Naveen Chaturvedi aged 27 years an Chartered Accountant and having vast experience in the field of finance, accounts, audits, taxation, legal etc.

**3. Board Committees: -**

The Company has constituted three committees of Directors, namely Shareholders/Investor Grievances Committee, Remuneration Committee and Audit Committee to deal with matters requiring urgent decisions and monitoring of the activities falling within their terms of reference, comprising mainly of non-executive Directors. Each of these committees has their respective charters approved by the Board. The minutes of the meeting are recorded and placed before the Board for its information.

• **Shareholders /Investor Grievances Committee: -**

The said committee approves and monitors, transfers, transmission, split and consolidation of share certificates, issued by the Company investors complaint if any and any other matters related to shareholders and investors grievances. The Committee meets once in a fortnight and all effects to transfer are given and duly endorsed Share Certificates are dispatched within a period of 30 days from the date of receipt, if documents are clear in all respects. Request for dematerialized (demat) received from the Shareholders are affected within an average period of 15 days.

The Composition of the said committee is as follows:

Sr No.	Name of the Member	Status in Committee	Director status
1	Mr. Bhupendra Shroff	Chairman	Non Executive Independent Director
2	Mr. Gagan Chaturvedi	Member	Non Executive Promoter Director
3	Mr. Gyandeo Chaturvedi	Member	Non Executive Independent Director
4	Mr. R Sundaresan	Member	Executive Director

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Company has formulated the guidelines and Code of Conduct for Prevention of Insider Trading.

The total number of complaints / requests / queries received and replied to the satisfaction of the investors during the year under review was 9.

The Shares held by Non Executive Directors as on 31.03.2007 are given below:

Sr No.	Name of the Director	Status	No of Shares	% Holding
1	Mr. Devesh D Chaturvedi	Non Executive Chairman.	50,15,498	28.66
2	Mr. Gagan D Chaturvedi	Non Executive Vice Chairman.	12,11,036	6.92
3	Dr. V.C. Shah	Non Executive Director	Nil	-
4	Mr. Bhupendra K. Shroff	Non Executive Director	400	-
5	Mr. Kantilal Shah	Non Executive Director	Nil	-
6	Mr. Mukesh Shroff	Non Executive Director	800	-
7	Mr. Charul Abuwala	Non Executive Director	Nil	-
8	Mr. Gyandeo Chaturvedi	Non Executive Director	400	-

## ANNUAL REPORT 2006-2007

• **Audit Committee: -**

The Board of Directors has constituted Audit Committee of Directors to exercise powers and discharge function as stipulated in section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchanges and other statutory / regulatory provisions.

The Composition of Audit Committee is as under –

Sr. No.	Name of the Member	Status in Committee	Director status
1	Mr Kantilal M Shah	Chairman (till 16.01.07)	Non Executive Independent Director
2	Mr. Bhupendra Shroff	Member	Non Executive Independent Director
3	Mr. Gyandeo Chaturvedi	Chairman (from 16.01.07)	Non Executive Independent Director
4	Mr. R Sundaresan	Member	Executive Director

The terms of reference of the Audit Committee include: -

- 1) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- 3) Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to,
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report.
  - Changes, if any, in accounting policies and practices and reason for the same
  - Major accounting entries involve estimates based on the exercise of judgment by management
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirement relating to financial statements
  - Disclosure of any related party transactions.
  - Qualification in the draft audit report.
- 4) To review with the management, the quarterly financial statements before submission to the board for approval.
- 5) Review the adequacy of internal audit function / discussion with internal auditors any significant finding / review the finding of internal investigation by the internal auditors / discussion with the statutory auditors before the audit commence / to review the functioning of the Whistle Blower mechanism / to look into the substantial delay in payment to the depositors, shareholders and creditors if any.

The Audit Committee is vested with powers to investigate any activity of Company or seek information from any employee

Besides the Committee Members, Senior Executives of accounts, finance, internal audit, statutory auditors were standing invitees for on the spot clarification / explanation.

**Meetings of the Audit Committee: -**

During the year 2006-2007, the Committee met 5 times. The Committee Meetings were held on 03<sup>rd</sup> June 2006, 27<sup>th</sup> July 2006, 30<sup>th</sup> October 2006, 16<sup>th</sup> January 2007 and 31<sup>st</sup> March 2007. The attendance of each Member of the Committee is given below: -

Sr. No.	Name of Director	No. of Meeting attended
1	Mr. Gyandeo Chaturvedi	5
2	Mr. Bhupendra Shroff	5
3	Mr. Kantilal M Shah	5
4	Mr. R Sundaresan	5



• **Remuneration Committee: -**

Remuneration Committee has been constituted to determine and review the remuneration package of Executive Directors, Senior Executive, etc.

Sr. No.	Name of the Member	Status in Committee	Director status
1	Mr. Bhupendra Shroff	Chairman	Non Executive Independent Director
2	Mr. Charul Abuwala	Member	Non Executive Independent Director
3	Mr. Gyandeo Chaturvedi	Member	Non Executive Independent Director
4	Mr. R Sundaresan	Member	Executive Director

Details of Remuneration / Sitting fees paid to Directors: -

Name of Director	Remuneration (Rs)	Sitting Fees (Rs)
Name of Director	Remuneration (Rs)	Sitting Fees (Rs)
Mr. Devesh D Chaturvedi	NIL	25,000
Mr. Gagan D Chaturvedi	NIL	20,000
Mr. V.C. Shah	NIL	15,000
Mr. Bhupendra K Shroff	NIL	30,000
Mr. Kantilal M Shah	NIL	25,000
Mr. Mukesh Shroff	NIL	10,000
Mr Charul Abuwala	NIL	15,000
Mr. Gyandeo Chaturvedi	NIL	25,000
Mr. R Sundaresan	6,50,000	NIL
Mr Naveen Chaturvedi (appointed w.e.f. 16.01.07)	1,25,000	NIL
<b>Total</b>	<b>7,75,000</b>	<b>1,65,000</b>

**4. Disclosure on material transactions with related parties: -**

Details of the material transactions with related parties have been disclosed as Point No. 2 (E) to Schedule "O" of the Balance Sheet "Notes on Accounts".

**5. Details of Non-Compliance: -**

The Company has complied with statutory regulations and no penalty has been imposed by the Stock Exchanges, or SEBI or any other statutory authority nor any strictures passed by them.

6. The Compliance officer and Audit committee of the Company has reviewed the functioning of the whistle blower mechanism and no personnel has been denied access to the audit committee. The Company has adopted the model Code of Business Conduct & Ethics for Directors and Senior Management and the same is posted on the Company's website namely: [www.shardulsecurities.com](http://www.shardulsecurities.com)

**7. Compliance with Mandatory Requirements: -**

The Company has complied with the mandatory requirement of the Code of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges. The Company has also complied with the requirement of amended clause 49 after it came into force.

**8. Means of Communications: -**

The quarterly results are published in the proforma prescribed by the Listing Agreement in one English language Newspaper (Free Press Journal) and one Marathi language Newspaper (Navshakti). Management Discussion and Analysis forms part of the Directors' Report. The quarterly results are also available on the Company's website namely [www.shardulsecurities.com](http://www.shardulsecurities.com).

## ANNUAL REPORT 2006-2007

### Declaration on Compliance of the Company's Code of Conduct:

The Company has framed a specific Code of Conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchange to further strengthen corporate governance practices in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended 31<sup>st</sup> March, 2007.

By Order of the Board of Directors

Place : Mumbai  
Date : 28<sup>th</sup> June, 2007

**R Sundaresan**  
Executive Director

### GENERAL SHAREHOLDER INFORMATION

- 1. Annual General Meeting :**
  - Date & Time : Saturday, 01<sup>st</sup> September 2007 at 12 noon.
  - Venue : Senate Hall, Status Restaurant  
208, Regent Chamber  
Nariman Point  
Mumbai 400 021
- 2. Financial Calendar**

<b>Board Meetings</b>	<b>Tentative dates</b>
Results for the quarter ending June 30, 2007	Last week of July, 2007
Results for the quarter ending September 30, 2007	Last week of October, 2007
Results for the quarter ending December 31, 2007	Last week of January, 2008
Results for the year ending 31 <sup>st</sup> March, 2008	Last week of June, 2008
- 3. Book closure dates :** 28<sup>th</sup> August 2007 to 31<sup>st</sup> August 2007 (both days inclusive) for payment of dividend.
- 4. Dividend Payment Date :** On and from 03<sup>rd</sup> September 2007.
- 5. Registered Office :** G-12, Tulsiani Chambers  
212, Nariman Point  
Mumbai 400 021
- 6. Equity shares listed on Stock Exchanges at: -**  
The Stock Exchange, Mumbai
- 7. Annual Listing fees: -**  
The listing fees to the Stock Exchange Mumbai have duly paid by the Company up to the financial year 2006-07.
- 8. Dematerialisation of shares and Liquidity: -**  
90% of the Equity Shares have been dematerialized up to 31<sup>st</sup> March, 2007. Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 24<sup>th</sup> July 2000 as per notification issued by the Securities and Exchange Board of India (SEBI). The shares of the company are regularly traded at Mumbai Stock Exchange. Total number of shares traded during the year 2006-07 were 30,91,676 and its value was Rs. 10,61,65,777/-.
- 9. Stock Code: -**
  - i) Trading symbol at The Stock Exchange, Mumbai (Physical Segment) SHARDUL SECU.
  - ii) Demat ISIN Number in NSDL & CDSL – Equity Shares - INE037B01012
- 10. Distribution of Shareholding and Shareholding Pattern as on 31<sup>st</sup> March 2007: -**
  - l) The Distribution of Shareholding as on 31<sup>st</sup> March 2007: -

No. of Equity Shares held	Shareholders		Shares held	
	No.	%	No.	%
Up to 500	13466	96.51	1535258	8.77
501 – 1000	214	1.53	177294	1.01
1001-2000	102	0.73	157383	0.90
2001-3000	46	0.33	119253	0.68
3001-4000	29	0.21	100129	0.57
4001-5000	26	0.19	120171	0.69
5001-10,000	20	0.14	143243	0.82
10,001 and above	50	0.36	15145702	86.56
<b>TOTAL</b>	<b>13953</b>	<b>100.00</b>	<b>1,74,98,433</b>	<b>100.00</b>

**II) Shareholding Pattern as on 31<sup>st</sup> March 2007: -**

Category	No. of Shares	%
Promoters	1,22,64,804	70.09
Financial Institutions / Banks / Mutual Funds	-	-
Corporate Bodies	25,10,874	14.35
Indian Public	27,05,870	15.46
NRI / OCB	7,264	0.04
Others (Share in Transit)	9,621	0.06
<b>TOTAL</b>	<b>1,74,98,433</b>	<b>100.00</b>

**11. General Body Meetings: -**

The last three Annual General Meetings of the Company were held as under: -

Year	Location	Date	Time
2003-2004	Registered office of the Company at 715, Tulsiani Chambers 212, Nariman Point, Mumbai 400 021.	16.09.2004	10.00a.m.
2004-2005	Ashoka Hall, Arcadia, NCPA Marg Nariman Point Mumbai 400 021	16.09.2005	10.00a.m.
2005-2006	Ashoka Hall, Arcadia, NCPA Marg Nariman Point Mumbai 400 021	05.08.2006	11.00a.m.

The following special resolutions were passed with required majority during the last three Annual General Meetings:

Sr. No.	Date of AGM	Particulars of Special Business Transacted
1.	16.09.2004	a) Commencement of new business of dealing in Gold, Silver and other precious metals in terms of Clause 15 of Clause III (C) of Memorandum of Association. b) Change of place of keeping Register of Members etc. to E-2/3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri (East), Mumbai – 400 072.
2.	16.09.2005	a) Approval for payment of commission to non-whole time Directors of the Company u/s.198 read with section 309 of the Company's Act, 1956 upto a limit of Rs.5 lacs p.a. b) Approval for de-listing of Company's Equity shares from Delhi Stock Exchange. c) Approval for de-listing of Company's Equity shares from Ahmedabad Stock Exchange
3.	05.08.2006	a) Appointment of Mr. R Sundaresan as Executive Director for a period of three years. b) Deletion of Article 128 and substitution with new Article 128 of the article of association.

No special resolution was passed during the year 2005-06 through postal ballot.

**12. Share Transfer Systems: -**

Presently Share Transfer in physical form are processed and share certificate returned within a period of 30 days from the date of receipts, subject to the documents being clear in all respects.

## ANNUAL REPORT 2006-2007

### 13. Market Price Data: -

Monthly high/low market price of the Company's Equity Shares traded on The Stock Exchange, Mumbai and BSE Sensex during the last financial year 2006-2007 were as follows:

**The Stock Exchange, Mumbai – Code No.512393**

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April, 2006	42.70	24.50	12102.00	11008.43
May, 2006	47.05	29.20	12671.11	9826.91
June, 2006	34.05	20.10	10626.84	8799.01
July, 2006	24.15	18.00	10940.45	9875.35
August, 2006	27.00	21.45	11794.43	10645.99
September, 2006	30.80	22.00	12485.17	11444.18
October, 2006	36.45	29.30	13075.85	12178.83
November, 2006	35.90	30.00	13799.08	12937.30
December, 2006	50.10	31.00	14035.30	12801.65
January, 2007	55.10	40.55	14325.92	13303.22
February, 2007	51.40	36.95	14723.88	12800.91
March, 2007	43.70	31.00	13386.95	12316.10

### 14. Address for Correspondence:

Investors Correspondence for Transfer / *For Share held in physical form* For shares held in demat form

Investors Correspondence for Transfer / dematerialization of shares, payment of dividend on shares and any other query relating to shares. **Bigshare Services Pvt Ltd,** To the Depository Participant.  
E-2/3 Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri(East) Mumbai 400 072.

### 15. Compliance officer:

Mr. Viraf Katrak  
Tel: 022- 40090500  
Fax: 022- 22846585

### 14. Registrar & Share Transfer Agents:

Bigshare Services Pvt Ltd  
E-2/3 Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri(East)  
Mumbai 400 072.  
Tel: 28470652/0653 and 28473474/3747  
Fax : 28475207  
**E mail: bigshare@sify.com**



### COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Board of Directors  
**Shardul Securities Limited**  
G-12 Tulsiani Chambers  
Nariman Point  
Mumbai 400 021

We have examined the compliance of conditions of corporate governance by Shardul Securities Limited, for the year ended 31<sup>st</sup> March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the 'Guidance Note on Certification of Corporate Governance' issued by the Institute of Chartered Accountants of India, was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Rajen Damani & Associates**  
Chartered Accountants

Place : Mumbai  
Date : 28<sup>th</sup> June 2007

**Rajen J Damani**  
Partner  
Membership No. 34375

### CEO & CFO CERTIFICATION

To,  
The Board of Directors  
**Shardul Securities Limited**

We to the best of our knowledge and belief, certify that;

1. We have reviewed the financial statements and cash flow statement for the year ended 31<sup>st</sup> March 2007 and that to the best of our knowledge and belief;
  - i) these statements do not contain any material untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violating the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls over financial reporting and we have evaluated the effectiveness of internal controls systems of the company over financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls over financial reporting, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies. In our opinion, there are adequate internal controls over financial reporting.
4. We have indicated to the auditors and the Audit Committee;
  - i) significant changes in the internal controls over financial reporting during the year;
  - ii) significant changes in accounting policies during the year, as disclosed in Schedule "O" Notes to Account.
  - iii) instances of significant fraud of which we have become aware and the involvement there in , if any, of the management or an employee having a significant role in the company's internal controls systems on financial reporting. To our knowledge and belief, there were no frauds during the year.

Place : Mumbai  
Date : 28th June, 2007

**R Sundaresan**  
Chief Executive Officer (CEO)  
Executive Director

**Naveen Chaturvedi**  
Chief Financial Officer (CFO)  
Executive Director