

ANNUAL REPORT 2011-2012

Corporate Governance Report:

Your Company has been practicing the principle 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 Seven Directors out of which One is Whole-Time (Executive) Director and Six Non-Executive Directors. The Company does have a non-executive Chairman and the Board already consists of Four 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. Bhupendra Shroff	Non Executive Director	Independent Director
3	Mr. Kantilal Shah	Non Executive Director	Independent Director
4	Mr. Charul Abuwala	Non Executive Director	Independent Director
5	Mr. Gyandeo Chaturvedi	Non Executive Director	Independent Director
6	Mr. Naveen Chaturvedi	Non Executive Director	Non Independent Director
7	Mr. R Sundaresan	Executive Director and CEO	Whole time Director

• Board Meetings: -

The Board of Directors of the Company met Four times during financial year ended 31st March 2012. The Board Meetings were held on 18th May 2011, 05th August 2011, 11th November 2011 and 14th February 2012. The Annual General Meeting of the Company was held on 10th September 2011 at 10.30 a.m., at Senate Hall, 208, Regent Chambers, 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. None of the Directors of the Company has exceeded maximum number of directorship in other companies.

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

• Directors Attendance records and Directorships held: -

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 (excluding Directorship in Pvt. Co's.)	Committee Memberships	Committee Chairmanships
Mr. Devesh Chaturvedi	CH	4	Yes	--	--	--
**Late Dr.V.C. Shah	NED	3	No.	--	--	--
Mr. Bhupendra K. Shroff	NED	4	Yes	2	4	3
Mr. R. Sundaresan	ED	2	Yes	2	2	--
Mr Kantilal Shah	NED	4	Yes	1	1	--
Mr. Charul Abuwala	NED	3	Yes	--	--	--
Mr. Gyandeo Chaturvedi	NED	4	Yes	1	2	1
Mr Naveen Chaturvedi	NED	3	Yes	1	--	--

CH - Chairman

ED - Executive Director

NED - Non Executive Director

*This includes the Chairmanship/Membership only in Audit Committee and the Shareholder's/Investors Grievance Committee

** Dr V.C Shah Non Executive director of the company expired on 13.12.2011

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

Mr. Kantilal Shah, aged 79 years, a practicing Chartered Accountant. He is a Director in Jain Sahakari Bank Ltd (co operative bank) He is a Member of Audit Committee of the Company.

Mr. Charul Abuwala, aged 50 years, an Advocate and having vast experience in legal field.

Mr R.Sundaresan aged 67 years M.Sc, MBA, CAIIB was re-appointed as Whole time Director on 16th June 2012. Mr R.Sundaresan is having vast experience in Financial, Banking and Corporate Advisory Sector. He holds Directorship in Shriyam Broking Intermediary Limited and Shardul Energy Limited.

- **Disclosure of Relationship between directors inter-se**

None of the Directors are related to each other.

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, duplicate, 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 effected 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. Gyandeo Chaturvedi	Member	Non Executive Independent Director
3	Mr. R Sundaresan	Member	Executive Director

The Board has designated Ms. Monika Agarwal, Company Secretary as the Compliance Officer

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 18.

The Shares held by Non Executive Directors as on 31.03.2012 are given below:

Sr No.	Name of the Member	Status	No of Shares	% Holding
1	Mr. Devesh D Chaturvedi	Non Executive Chairman.	18,08,604	10.34
2	Mr. Bhupendra K. Shroff	Non Executive Director	400	-
3	Mr. Kantilal Shah	Non Executive Director	Nil	-
4	Mr. Charul Abuwala	Non Executive Director	Nil	-
5	Mr. Gyandeo Chaturvedi	Non Executive Director	400	-
6	Mr. Naveen Chaturvedi	Non Executive Director	Nil	-

- **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. Gyandeo Chaturvedi	Chairman	Non Executive Independent Director
2	Mr. Bhupendra Shroff	Member	Non Executive Independent Director
3	Mr Kantilal M Shah	Member	Non Executive Independent Director
4	Mr. R Sundaresan	Member	Executive Director

Ms. Monika Agarwal, Company Secretary acts as Secretary of the Committee

The terms of reference of the Audit Committee include: -

- 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.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

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- iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- iv) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
- v) Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- vi) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- vii) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- viii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- ix) Discussion with internal auditors any significant findings and follow up there on.
- x) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- xi) 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.
- xii) 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.
- xiii) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- xiv) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- xv) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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 2011-2012, the Committee met four times. The Committee Meetings were held on 18th May 2011, 05th August 2011, 11th November 2011 and 14th February 2012. The attendance of each Member of the Committee is given below: -

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

• Remuneration Committee: -

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

Sr No.	Name of 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)
Mr. Devesh D Chaturvedi	NIL	40000
Late Dr. V.C. Shah	NIL	20000
Mr. Bhupendra K Shroff	NIL	49000
Mr. Kantilal M Shah	NIL	44000
Mr Charul Abuwala	NIL	30000
Mr. Gyandeo Chaturvedi	NIL	49000
Mr. R Sundaresan	6,50,000	NIL
Mr. Naveen Chaturvedi	NIL	30000
Total	6,50,000	2,62,000

4. Disclosure on material transactions with related parties: -

Details of the material transactions with related parties have been disclosed in note no. 22 of notes forming part of financial statements.

5. Whistle blower policy and adoption of model code of Business Conduct & Ethics

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

6. 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.

7. Means of Communications: -

The quarterly results are published in the Performa 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.

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 31st March 2012.

Place: Mumbai
 Date: 21st May 2012

R Sundaresan
 Executive Director

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GENERAL SHAREHOLDER INFORMATION

1. **Annual General Meeting:**
Date & Time : 28th September 2012 at 10.00 a.m.
Venue : Senate Hall, 208, Regent Chambers, Nariman Point, Mumbai 400 021.
2. **Financial Calendar** 2012-13
Board Meetings
Results for the quarter ending June 30, 2012 **Tentative dates** Second week of August, 2012
Results for the quarter ending September 30, 2012 Second week of November, 2012
Results for the quarter ending December 31, 2012 Second week of February, 2013
Results for the year ending March 31, 2013 Last week of May, 2013
3. **Book closure dates** : 22nd September 2012 to 27th September 2012
(Both days inclusive) for payment of dividend.
4. **Dividend Payment Date** : On or after 1st October 2012
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 2012-13.
8. **Dematerialisation of shares and Liquidity: -**
94.08% of the Equity Shares have been dematerialized up to 31st March 2012. Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 24th 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 2011-12 were 9, 92,400 and its value was Rs. 6, 00, 10,664/-
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 31st March 2012: -**

I) The Distribution of Shareholding as on 31st March 2012: -

No. of Equity Shares held	Share holders		Shares held	
	No.	%	No.	%
Up to 500	11836	95.3440	1315555	7.5181
501 – 1000	253	2.0380	209004	1.1944
1001-2000	136	1.0955	206005	1.1773
2001-3000	56	0.4511	143403	0.8195
3001-4000	28	0.2256	99286	0.5674
4001-5000	23	0.1853	104080	0.5948
5001-10,000	28	0.2256	206309	1.1790
10,001 and above	54	0.4350	15214791	86.9494
TOTAL	12414	100.00	17498433	100.00

II) Shareholding Pattern as on 31st March 2012: -

Category	No. of Shares	%
Promoters	11752204	67.16
Financial Institutions / Banks / Mutual Funds / Insurance Company	1	-
Corporate Bodies	3070905	17.55
Indian Public	2653258	15.16
NRI / OCB	10390	0.06
Others (Share in Transit)	11675	0.07
TOTAL	17498433	100.00

11. General Body Meetings:-
i) The last three Annual General Meetings of the Company were held as under:-

Year	Location	Date	Time
2008-2009	712-713, Tulsiani Chambers, 212 Nariman Point, Mumbai – 400021	02.9.2009	10.00 a.m.
2009-2010	Senate Hall, 208, Regent Chambers, Nariman Point, Mumbai 400 021	28.08.2010	10.30 a.m.
2010-2011	Senate Hall, 208, Regent Chambers, Nariman Point, Mumbai 400 021	10.09.2011	10.30 a.m

ii) 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	02.09.2009	Re- appointment of Mr. R Sundaresan as Executive Director for a period of three years.
2	28.08.2010	No special resolution was passed
3	10.09.2011	No special resolution was passed

No special resolution was passed during the year 2011-12 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.

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 2011-2012 were as follows:

The Stock Exchange, Mumbai – Code No.512393

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April, 2011	99.75	70	19811.14	18976.19
May, 2011	74.8	64.65	19253.87	17786.13
June, 2011	70.4	58.75	18873.39	17314.38
July, 2011	74.4	61.1	19131.7	18131.86
August, 2011	80.9	62	18440.07	15765.53
September, 2011	79	64	17211.8	15801.01
October, 2011	71.9	60	17908.13	15745.43
November, 2011	73.95	52.3	17702.26	15478.69
December, 2011	58	48	17003.71	15135.86
January, 2012	58.7	49.3	17258.97	15358.02
February, 2012	65	55.1	18523.78	17061.55
March, 2012	66	47.1	18040.69	16920.61

14. Address for Correspondence:

Investors Correspondence for Transfer / dematerialization of shares, payment of dividend on shares and any other query relating to shares.	For Share held in physical form:	For shares held in demat form:
	Link Intime India Private Limited C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup West, Mumbai 400 078	To the Depository Participant.

15. Compliance officer:

Ms.Monika Agarwal
Tel: 022- 40090500
Fax: 022- 22846585

16. Registrar & Share Transfer Agent Address:

Link Intime India Private Limited
C-13 Pannalal Silk Mills Compound,
 LBS Road, Bhandup West, Mumbai 400078
 Tel.No.: 25946970-78
 Fax : 25946969
 Email: rnt.helpdesk@linkintime.co.in

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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 31st March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange 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 : 21st May 2012

CA Rajen J Damani
Partner
Membership No. 034375

CEO & CFO Certification issued pursuant to the provisions of clause 49 of the listing agreement

To,
The Board of Directors
Shardul Securities Limited

Subject: CEO & CFO Certificate

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 31st March 2012 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 notes forming part of financial statement.
 - 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.

R Sundaresan
Chief Executive Officer (CEO)
Executive Director

Saurabh Chaturvedi
Chief Financial Officer (CFO)

Place: Mumbai
Date: 21st May 2012