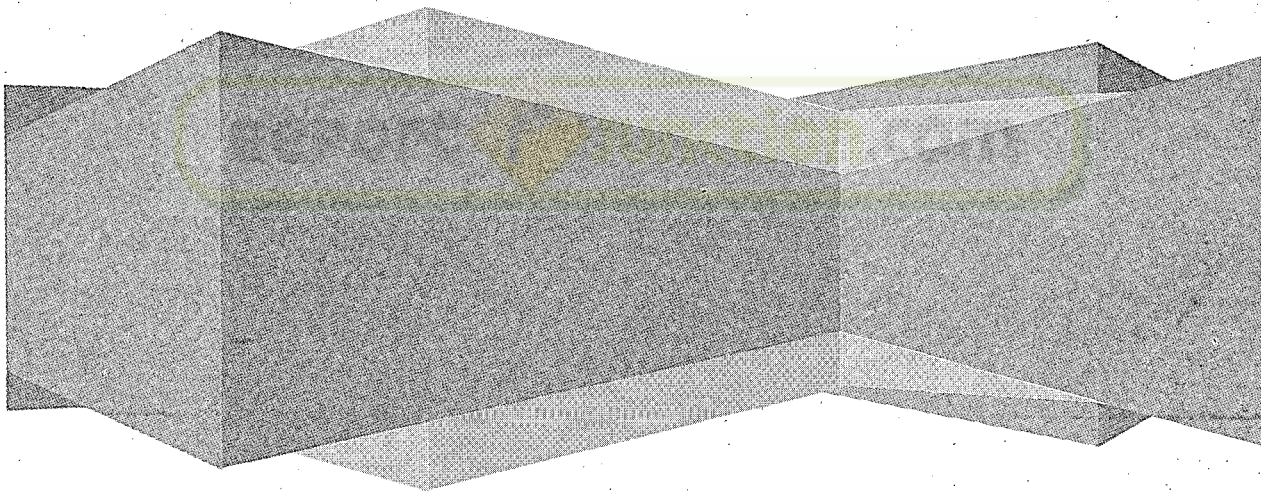


ARIHANT capital markets ltd.

Generating Wealth. Satisfying Investors.



FIFTEENTH ANNUAL REPORT | 2006-07

about us

Who we are

Integrated Financial Services Company promoted by Mr. Ashok Kumar Jain, established in 1992.

One of the leading stock broking companies of India with presence in 250 cities.

What we achieved in 2006-07

- Total revenues of Rs. 1358.98 lakhs.
- Net profit of Rs.426.05 lakhs
- Initiation of new products : Portfolio Management Services and Priority Client Group.

Our Philosophy

- Integrity and transparency in all transactions.
- Providing investment solutions based on quality and unbiased research.
- Providing personalized services to all investors, institutions, business associates.
- Achieving success through client's growth.
- Making financial services more affordable, understandable and available to all.




CHAIRMAN's Message:

From day one, I've made it our business to put the needs of individual investor first. And for 15 years, we've made sure that we create value for our customers and shareholders. At ARIHANT, our goal is simple: We want to help you grow and meet your financial goals.

With the growth in the Indian economy, new players coming in the financial industry and growing awareness of financial products among the customers, we have seen a huge shift in the demographics of the financial industry. We want to tap this opportunity and leverage our expertise to reach out to Indian consumers.

We are convinced of our ability to create value for investors. Today, we recognise that people come to us because they want to achieve financial freedom.

We also realize that we have to work hard to fulfill powerful and complex commitments made to our customers and shareholders - the owners of our company. Maintaining our position, improving our earnings, and constantly enhancing and expanding our product portfolio to ensure that it remains competitive are all crucial objectives from which we will drive this business ahead.



Mr. Ashok Kumar Jain
-Chairman

company information

Board of Directors

Mr. Ashok Kumar Jain,
Chairman and Managing Director
Mr. Sunil Kumar Jain
Mr. Akhilesh Rathi
Mr. Pramod Devpura
Mr. Ashish Maheshwari
Mr. Rakesh Jain

Company Secretary

Mr. Neeraj Dutt Pandey

Auditors

M/s Sushil Banthia & Associates
Chartered Accountants
6th Floor, Silver Arc Plaza
20/1, New Palasia, Indore - 452001

Registered Office

E-5, Ratlam Kothi
Indore-452001
Tel. : 0731-2519610/11
Fax : 0731-3048915

Corporate Office

67, Nehru Road, 3rd Floor, Krishna Bhawan
Vile Parle (E), Mumbai-400057
Tel. : 022-67664800
Fax : 022-67664880

Depository Division

F-1, Ahinsa Tower
7, M.G. Road
Indore-452001
Tel.: 0731-4068436/37
Fax: 0731-4069758

Registrar and Transfer Agent

Ankit Consultancy Pvt. Ltd.
Alankar Point, Geeta Bhavan Circle
Indore-452001
Tel. : 0731-2491298

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Notice

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of ARIHANT CAPITAL MARKETS LIMITED will be held on Saturday, the 29th day of September 2007 at Hotel President Planet, 3, R.N.T. Marg, Indore – 452 001 (M.P.) at 12:30 p.m. to transact the following business:

ORDINARY BUSINESS :

1. To consider, approve and adopt the Audited Balance Sheet as at 31st March 2007, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended on 31st March 2007.
3. To appoint a Director in place of Shri Akhilesh Rath, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Sushil Banthia & Associates, Chartered Accountants, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors exclusive of traveling and other out of pocket expenses."

SPECIAL BUSINESS :

5. To consider and, if thought fit to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Articles of Association of the Company and Section 260 of the Companies Act, 1956, Mr. Ashish Maheshwari, who was appointed as Additional Director of the Company on 1st December 2006 and who holds office as such upto the date of ensuing Annual General Meeting of the Company and in respect of whom notice under section 252 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Ashish Maheshwari as a candidate for the office of Director of Company, be and is hereby appointed as Director of the Company, liable to retire by rotation.

6. To consider and, if thought fit to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Articles of Association of the Company and Section 260 of the Companies Act, 1956, Mr. Rakesh Jain, who was appointed as Additional Director of the Company on 1st December 2006 and who holds office as such upto the date of ensuing Annual General Meeting of the Company and in respect of whom notice under section 252 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Rakesh Jain as a candidate for the office of Director of Company, be and is hereby appointed as Director of the Company, liable to retire by rotation.

By the order of the Board of Directors

Neeraj Dutt Pandey
Company Secretary

Place : Indore

Dated : 18th August 2007

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy, however in order to be effective, should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. Explanatory statement for Item no. 5 and 6 of this Notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 22nd September 2007 to Saturday, 29th September 2007 (both days inclusive) for the purpose of payment of Dividend, if declared at the ensuing Annual General Meeting of the Company, to the share holders whose names appear :
 - a) As beneficial owners as at the end of 21st September, 2007 as per the list to be furnished by Depositories in respect of shares held in electronic form; and
 - b) As members in register of the members of the Company after giving effect of valid transfer in physical form, which are lodged with company/registrar and share transfer agent on or before 21st September, 2007 as per the list to be furnished by Depositories in respect of shares held in electronic form; and
4. The company is extending Electronic Clearing Service (ECS) facility to the shareholders, which will enable them to receive dividend through electronic mode. Under ECS arrangement, the dividend amount will be directly credited to the bank of the shareholders.
5. In all correspondence with the company members are requested to quote their folio number and in case shares are held in electronic form, they should quote Client ID and DP ID Number.
6. The register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the Annual General Meeting
7. Members who hold shares in dematerialised form are requested to inform their Client ID & DP ID number for easier identification for attendance at the meeting.
8. Shareholders are requested to note that if physical documents, viz. Demat Request Form (DRF) and share certificates, etc. are not received from their DPs by the Company/Registrar within 14 days from the date of generation of the DRF for dematerialisation, the DRF will be treated as rejected/cancelled. Upon rejection/cancellation of DRF, fresh DRF has to be forwarded alongwith shares certificate by the DPs to the Company/Registrar. This note is only to caution the shareholders that they should ensure that their DP should not delay in sending the DRF and share certificates to Company / Registrar after generating DRF.
9. Members desiring to have any information on accounts are requested to write to the company at least 10 days in advance before the date of the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting. The shareholders are requested to write to the Company Secretary or to the Registrar and Share Transfer Agent, M/s Ankit Consultancy Private Limited regarding transfer of shares and for resolving grievances.
10. Members are requested to notify to the Company Secretary or to the Registrar and Share Transfer Agent of any change in address holding shares in Physical Form and to their Depository in case of shares held in Demat Form.
11. Members, who are holding physical shares in more than one folio, are requested to intimate to the Company/Registrar and Share Transfer Agent the details of all their folio numbers for consolidation into single folio.
12. Members/proxies are requested to bring their copy of Annual Report to the Meeting with the Attendance Slip, duly filled in, for attending the Meeting.
13. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting are advised to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.
14. The information pursuant to Clause 49 with respect to the details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting is annexed.

**Explanatory Statement u/s 173(2) of the Companies Act, 1956
for Item No. 5 & 6 set out in the Notice**

Item No. 5

Mr. Ashish Maheshwari was appointed by the Board of Directors as Additional Director of the Company at their duly held meeting on 1st December 2006 under Section 260 of the Companies Act, 1956. As per the provisions of Section 260 of the Companies Act, 1956, he shall hold office as such upto the date of ensuing Annual General Meeting of the Company. In terms of provisions of Section 252 of the Companies Act, 1956 the company has been received a notice alongwith requisite deposit of Rs. 500/- from one of members of the company proposing his candidature for the office of Director of Company. Therefore, Board proposes for appointment of Mr. Ashish Maheshwari as Director of the Company, liable to retire by rotation.

None of the Directors except Ashish Maheshwari is concerned or interested in the above resolution.

Item No. 6

Mr. Rakesh Jain was appointed by the Board of Directors as Additional Director of the Company at their duly held meeting on 1st December 2006 under Section 260 of the Companies Act, 1956. As per the provisions of Section 260 of the Companies Act, 1956, he shall hold office as such upto the date of ensuing Annual General Meeting of the Company. In terms of provisions of Section 252 of the Companies Act, 1956 the company has been received a notice alongwith requisite deposit of Rs. 500/- from one of members of the company proposing his candidature for the office of Director of Company. Therefore, Board proposes for appointment of Mr. Rakesh Jain as Director of the Company, liable to retire by rotation.

None of the Directors except Mr. Rakesh Jain is concerned or interested in the above resolution.

By the order of the Board of Directors

Neeraj Dutt Pandey
Company Secretary

Place : Indore
Dated: 18th August 2007

Details of the Directors Seeking Appointment / Re-Appointment in the Ensuing Annual General Meeting

Name of Directors	Mr. Akhilesh Rathi	Mr. Ashish Maheshwari	Mr. Rakesh Jain
Date of Birth	26.12.1965	19.02.1974	30.06.1966
Date of Appointment	22.01.1994	01.12.2006	01.12.2006
Expertise / Experience in specific functional areas	Finance, Banking, Public Issue and Marketing	Financial Management, Market Research and Marketing	Finance and Marketing
Qualification	B.Com, M.B.A.	M.B.A.	M. Com.
No. of Equity Shares held	NIL	NIL	NIL
List of outside Company directorship held	3	1	NIL
Chairman / Member of the Committees of the Board of Directors of the Company	Chairman : 1. Audit Committee 2. Share Transfer & Investor Grievance Committee 3. Remuneration Committee	NIL	Member : 1. Audit Committee 2. Share Transfer & Investor Grievance Committee 3. Remuneration Committee
Chairman / Member of the Committees of the Board Directors of other Companies in which he is director	NIL	NIL	NIL

Directors' Report

Dear Shareholders,

Your Directors have great pleasure in presenting the 15th Annual Report on the business and operations of the Company for the financial year ended 31st March 2007 along with the Audited Statement of Accounts.

FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2006-07	2005-06
Gross Income	1358.98	867.94
Profit Before Depreciation and Tax	468.30	448.31
Depreciation	35.74	22.48
Profit Before Tax	426.05	426.20
Provision for Taxation	142.71	98.31
Net Profit after Taxation	283.34	327.89
Balance of Profit and Loss A/c b/f	352.56	185.42
Profit available for appropriation	635.90	513.32
Appropriations :		
Transfer to General Reserve	100.00	100.00
Dividend (inclusive of Dividend Tax)	62.34	60.76
Balance carried to Balance Sheet	473.57	352.56

DIVIDEND

Your directors are pleased to recommend dividend of Rs. 1.50 (15%) per equity share for the financial year ended 31st March 2007. The total dividend payout including Dividend Distribution Tax of Rs. 9.06 Lakhs would absorb Rs. 62.34 Lakhs of PAT [Previous year Rs. 1.50 (15%) per equity share]

REVIEW OF PERFORMANCE

Your Company has posted a total income of Rs. 1358.98 Lacs for the year ended 31st March 2007 in comparison to Rs. 867.95 Lacs in the previous year, demonstrating a notable growth of 56.57%. But due to continue expansion plans of the company the Establishment, Administrative & Other Expenses for the year have increased to Rs. 865.56 Lacs from Rs. 399.52 Lacs in the previous year resulting in marginal downfall in Profit before tax to Rs. 426.05 Lacs from Rs. 426.20 Lacs. After providing Rs. 142.71 Lacs for tax which was Rs. 98.31 Lacs in the previous year, Net Profit is Rs. 283.34 Lacs, a decrease of 13.59% over the previous year.

The Company continued with its strategy of growth and invested in and expanded the ground presence to more than 250 branches in more than 90 cities of the country.

The management of the company mainly concentrated in expansion of the business of company taking it into untouched parts of the country during the year. Since the most of the expansion of company's business has taken place in the last quarter of the year, the fruits have now started rippling and result of that would be reflecting in performance of coming years.

The company has added various other services and improved its existing services such as Merchant Banking, Priority Client Group (PCG), Online Trading, Mutual Funds, PMS, Online IPO and these services would be contributing in company's performance in future.

With the upward and positive trend in Capital Market, operating efficiencies and cost effectiveness, your directors are sure to record improved performance in coming years.

Maintaining a Positive Momentum

Your company has opened 22 Branches and added 150 Business Associates till the end of 2006-07. We have been endeavoring to reach all the sections of the society and offer them a gamut of financial services to help them reach their financial goals.

During the year, retail business increased net income by 10% over FY05-06 results. Retail Business is putting comprehensive plans in place to keep the company at the forefront of our industry by strengthening our retail distribution channels and by enhancing Arihant's competitive portfolio of broking and distribution products to meet our clients' needs.

Institutional Business increased net income by 50% during the year. Our institution clients grew 35%. We have demonstrated our expertise in the financial services through our ability to retain and attract institutional clients.

DIRECTORS

Mr. Akhilesh Rath, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Ashish Maheshwari and Mr. Rakesh Jain were appointed as Additional Directors of the company by the Board on 1st Dec, 2006. Company has received duly notice in terms of provision of the Companies Act, 1956, from member of the company for appointment of Mr. Ashish Maheshwari and Mr. Rakesh Jain as directors of the company, liable to retire by rotation.

Brief information of the directors seeking appointment / re-appointment at the ensuing AGM is annexed.

AUDITORS AND AUDITORS REPORT

M/s Sushil Banthia & Associates, Chartered Accountants, Indore retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

The notes to the accounts referred to in the Auditors Report are Self-Explanatory and therefore, do not call for any further comments.

LISTING AT THE STOCK EXCHANGE

The Equity Shares of the Company continue to be listed at the Stock Exchange, Mumbai. The Annual listing fee for the year 2007-08 has been paid to The Stock Exchange, Mumbai.

PARTICULARS OF EMPLOYEES

Particulars of Employees as required under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is as under.

Name	Designation	Age in years	Qualification	Experience (Years)	Remuneration Received	Date of appointment	Last Employment
Ashok Kumar Jain	Chairman and Managing Director	53	C.A.	15	Rs. 24.17 Lacs	25.06.1992	NIL