

## ANNUAL REPORT 2009 3008

Wealth is not his that has it, but his that enjoys it.

- Benjamin Franklin



**ARIHANT** Capital markets Ltd.

Generating Wealth. Satisfying Investors.

## CHAIRMAN'S LETTER



**D**ear Shareholders,

Warm greetings to you all !

As I write this letter, I recall all the turbulent times that we have gone through in the last seventeen years' of our company's history and I think that the financial year 2008-2009 had been the most challenging of all. The financial crisis that started in the western world led to an economic slowdown across world economies, likes of which have not been seen since 1930s. The year had gone through everything that could possibly go wrong-collapse of the world's biggest financial market, some of the biggest names in the financial industry crumbled, recession gripping world economies, flu epidemic, terrorist attacks of Mumbai, record rise of crude oil prices, rising inflation, liquidity crunch and corporate fraud. I believe that one thing is certain 'uncertainty'. It is for us to accept this uncertainty as a part of life and continue to 'do the right thing', always.

My faith in the markets  
remain strong

I believe in the power of  
saving and investing

As bad as things are, this crisis presents the opportunity for transformative change. It gives us, the financial services industry and the investors, the chance to learn and grow from our mistakes and of others.

I've been through many economic cycles and stock market reversals in my career. They were painful, but they all eventually resolved themselves. I am confident the economies will revive themselves and the stock market will stabilise over time as they have done in the past. In fact we have already seen confidence revival with the start of FY 2009-10.

I believe in the power of saving and investing, and that these are the two weapons that can help an average person to meet his financial goals and lead a better life. Though the current market crisis has done real damage to people's confidence, left them wary and made them more conservative than ever, my faith in the power of markets remains strong. We want to continue to take actions that restore the faith of the people and do a better job of helping them manage their financial lives. Though it may take some time, but when the economy turns around we want to make sure that all investors benefit from the rise in the markets, and the benefits are reaped by everyone, so that an average Indian can lead a better life.

During these tough times our industry faces huge challenges. But we continue to stay committed to support our customers to ride through these turbulent times and to help them make the most of the opportunities that these times are offering, by giving them the right solution and advice. Above all, we will stay intensely focused on delivering long-term value to you, our shareholders, by capitalizing on the opportunities arising for the company in these challenging times.

I hope you will share my confidence in our ability to build a stronger and vibrant company for future and provide us your continued support and confidence as always.

Warm Regards

**Ashok Kumar Jain**  
Chairman



**ARIHANT** Capital markets Ltd.

**ANNUAL REPORT 2008-09**

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## Continued profitability in a testing year

- Profit of Rs 2.87 crore
- Gross income of Rs 44.83 crore
- Dividend of Rs 1.5 per share
- Significant levels of cash and liquid assets
- Initiation of new products Bonds and Currency Derivatives

Our conservative financial and risk management and low leverage ratios kept us relatively unscathed from the 2008 liquidity crisis and, as an organisation, helped us to deliver positive results to our shareholders despite the turbulent conditions in the financial services industry.

“

Arihant means pure soul and we do our best to live up to the name. We manage and operate our company with a consistent set of business principles and core values, which starts at the top and permeates to all employees within the organization. First and foremost, this means always trying to do the right thing.

With our core beliefs as our foundation, we will work hard to strengthen the vitality of our company, which will help us move forward through the undoubted challenges that will come in 2009 and beyond.

”

# Company Information

**BOARD OF DIRECTORS**  
Mr. Ashok Kumar Jain  
(Chairman and Managing Director)  
Mr. Sunil Kumar Jain  
Mr. Akhilesh Rathi  
Mr. Rakesh Jain

**Asst. COMPANY SECRETARY**  
Mr. Mahesh Pancholi

**AUDITORS**  
M/s Arora, Banthia & Tulsian  
Chartered Accountants  
6th Floor, Silver Arc Plaza,  
20/1, New Palasia, Indore

**ADMINISTRATIVE OFFICE**  
6, Lad Colony, Y.N. Road  
Indore 452 001 (M.P.)  
Tel : (0731) 4217100  
Fax: 0731-3016199

**REGISTERED OFFICE**  
E/5, Ratlam Kothi Area,  
Indore 452 001 (M.P.)  
Tel : (0731) 2519610-11  
Fax: 0731-3048915

**CORPORATE OFFICE**  
3rd Floor, Krishna Bhavan,  
67, Nehru Road,  
Vile Parle (E) Mumbai-400057  
Tel : +91-22-42254800/ 42254828  
Fax : 42254880

**DEPOSITORY DIVISION**  
F-1, Ahinsa Tower, 7, M.G.  
Road, Indore 452 001 (M.P.)  
Telefax : +91-0731-4217350-51,  
Fax: 4217360

**REGISTRAR & TRANSFER AGENT**  
Ankit Consultancy Private Limited  
Alankar Point, Geeta Bhavan Circle,  
Indore 452 001 (M.P.)  
Tel : +91-0731-2491298/3048602



## Notice

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of ARIHANT CAPITAL MARKETS LIMITED will be held on Saturday, the 12<sup>th</sup> day of September, 2009 at Hotel President, R.N.T. Marg, Indore 452 001 (M.P.) at 11:30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider, and adopt the Profit & Loss Account of the Company for the year ended March 31, 2009, the Balance sheet as on that date and Directors and Auditors Report thereon.
2. To declare a dividend for the year 2008-2009.
3. To appoint a Director in place of Shri Rakesh Jain, 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 Arora, Banthia & Tulsian, Chartered Accountants, Indore be and are hereby re-appointed as Auditors of the Company 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 a Special Resolution:

**RESOLVED THAT** in supersession to all earlier resolutions passed in this behalf and pursuant to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereof (including any statutory modifications and re-enactment thereof, for the time being in force) and subject to the approvals and consents that may be required, if any, the approval of the Company, be and is hereby accorded to, (1) the re-appointment of Mr. Ashok Kumar Jain as Chairman and Managing Director of the Company with effect from August 1<sup>st</sup>, 2009 to July 31<sup>st</sup>, 2012 upon the terms and conditions set out in the Agreement dated July 30<sup>th</sup>, 2009 (which is also hereby approved and is hereinafter referred to as “the Agreement”) and submitted to this meeting and (2) the payment of remuneration that the Board of Directors (hereinafter referred to as the “Board” which term shall be deemed to include any Committee thereof) may decide.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to alter/ increase or otherwise vary the terms and conditions of the Agreement in such manner as may be agreed to between the Board and Mr. Ashok Kumar Jain and in accordance with the applicable provisions of the Act and any amendment thereto or re-enactment thereof;

**RESOLVED FURTHER THAT** in the event of absence or inadequacy of profits in any financial year, the Company shall remunerate Mr. Ashok Kumar Jain, minimum remuneration which will be by way of salary, perquisites or any other allowance as mentioned in the explanatory statement and in the Agreement and in accordance with the applicable provisions of the Companies Act, 1956.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem desirable, necessary, expedient, usual or proper to implement this resolution.

**RESOLVED FURTHER THAT** Mr. Ashok Kumar Jain shall not be subject to retirement by rotation as articles of association of the company during his tenure as Chairman and Managing Director.

By the order of the Board of Directors

**Mahesh Pancholi**

Asst. Company Secretary

Place : Indore  
Dated : 30<sup>th</sup> July 2009



## 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 of this Notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 4<sup>th</sup> September 2009 to Saturday, 12<sup>th</sup> September 2009 (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 4<sup>th</sup> September, 2009 as per the list to be furnished by Depositories in respect of shares held in electric 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 4<sup>th</sup> September, 2009 as per the list to be furnished by Registrar in respect of shares held in physical form; and
4. 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.
5. 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
6. Members who hold shares in dematerialized form are requested to inform their Client ID & DP ID number for easier identification for attendance at the meeting.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.

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.



### Details Of The Directors Seeking Appointment / Re-appointment In The Ensuing Annual General Meeting

Name of Directors	Mr. Ashok Kumar Jain	Mr. Rakesh Jain
Date of Birth	01.03.1954	30.06.1966
Date of Appointment	25.06.1992	01.12.2006
Expertise / Experience in specific functional areas	He is promoter director of Arihant Capital Markets Limited and having a two decades of wide experience in the areas of financial services, stock market, capital markets, financial planning, equity research, risk management, advisory and distribution etc.	Finance & Marketing
Qualification	FCA, M.Com.	M.Com.
No. of Equity Shares held	1894700	NIL
List of outside Company directorship held	5	1
Chairman / Member of the Committees of the Board of Directors of the Company	Member : 1. Share Transfer & Investor Grievance Committee	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



## Explanatory Statement under section 173(2) of the Companies Act, 1956

### Item No. 5

Considering the overall performance and growth of the company under his dynamic leadership and based on the recommendation of the remuneration committee, the board of directors has approved the re-appointment of Mr. Ashok Kumar Jain as Managing Director of the Company for a further period of three years with effect from August 1, 2009, subject to the approval of the shareholders in a annual general meeting. The terms of appointment, including remuneration, have also been approved by the Remuneration Committee of the Company. The material terms and conditions of the Agreement are as follows:

1. The Managing Director shall, subject to the supervision and control of the Board of Directors; carry out such duties as may be entrusted to him by the Directors and shall exercise such powers as are delegated to him by the Board of Directors.
2. Period of Agreement: Three years from August 1, 2009 to July 31, 2012.
3. Remuneration :
  - a. Basic Salary:  
Minimum Rs.3 lakhs per month,  
Maximum of Rs.5 lakhs per month,  
as may be decided by the Board from time to time.
  - b. Managerial Remuneration shall not include:
    - i. Contribution to Provident Fund/Superannuation or Annuity Fund
    - ii. Gratuity payable
    - iii. Leave encashment
4. Minimum Remuneration:  
In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, the payment of salary, perquisites and other allowances shall be restricted to the amount as the Board may decide subject to a maximum amount as defined in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956 as minimum remuneration.
5. The Managing Director shall be entitled to reimbursement of all actual expenses or charges including travel, entertainment or other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects.
6. The terms and conditions of the said appointment may be altered, enhanced or varied from time to time by the Board as it may, in its discretion, deem fit.
7. The aforesaid appointments are subject to termination with 3 months notice from either side.
8. For the purposes of calculating the value of perquisites, the same shall be evaluated as per Income Tax Rules, 1962, wherever applicable or at actual cost.
9. The Managing Director shall not be entitled to receive any fees for attending meetings of the Board/Committee.
10. Other Information:
  - I. General Information
    1. Nature of industry : **Financial Services**
    2. Date or expected date of commencement of commercial production: **Not Applicable**
    3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : **Not Applicable**
    4. Financial performance based on given indicators  
**The Company has total income of Rs. 3811.39 lacs, net profit after tax of Rs. 189.02 lakhs and has an EPS of Rs. 2.90 per share**
    5. Export performance and net foreign exchange collaborations: **Not Applicable**
    6. Foreign investment or collaborators, if any : **Not Applicable**
  - II. INFORMATION ABOUT THE APPOINTEE:  
**The relevant details pertaining to background of Mr. Ashok Kumar Jain, past remuneration etc has been disclosed elsewhere in the Annual Report.**
  - III. Other Information:
    1. Reasons of loss or inadequate profits: **The Company operates in the financial services sector. The global meltdown has affected this industry and the profits of the Company have declined.**
    2. Steps taken or proposed to be taken for improvement: **The Company has already taken steps for improving turnover, by focusing on the marketing and other strategies for improving both the institutional and retail broking business.**
    3. Expected increase in productivity and profits in measurable terms: **The turnover and the profits of the Company are expected to increase by 10% to 15% in the ensuing year.**
  - IV. Disclosures:
    1. The shareholders of the company shall be informed of the remuneration package of the managerial person **The Agreement containing the terms of appointment has been kept open for inspection by members of the Company.**
    2. The necessary disclosures pertaining to remuneration package details, Details of fixed components and performance linked incentives, etc have been mentioned in the Board of Director's report under the heading "Corporate Governance", attached to this annual report
11. The draft Agreement between the Company and Mr. Ashok Kumar Jain is available for inspection by the members of the Company at its Registered Office at E-5, Ratlam Kothi, Indore (M.P) between 4.00 p.m. and 5.00 p.m. on any working day of the Company upto the date of Annual General Meeting.

This may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Except Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain, none of the other Directors is interested in this Resolution.

By the order of the Board of Directors

Sd/

Place : Indore

Dated : 30<sup>th</sup> July 2009

**Mahesh Pancholi**

Asst. Company Secretary





## Directors' Report

To the Members,

Yours Directors are pleased to present Seventeenth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

### A snapshot of the financial performance of Arihant Capital Markets Ltd:

Particulars	Standalone		Consolidated (Rs. in Lacs)	
	2008-09	2007-08	2008-09	2007-08
Gross Income	3811.40	6383.50	4483.19	6403.71
Profit Before Depreciation and Tax	409.33	1,961.43	558.54	1981.29
Depreciation	113.47	83.51	120.99	83.51
Profit Before Tax	291.28	1,879.69	432.98	1899.55
Provision for Taxation	102.26	492.40	145.79	499.10
Net Profit after Taxation	189.02	1,387.29	287.19	1400.45
Balance of Profit and Loss A/c b/f	329.30	548.11	347.63	548.11
Profit available for appropriation	518.33	1,966.33	634.60	1984.66
<b>Appropriations:</b>				
Transfer to General Reserve	50.00	1,500.00	50.00	1500.00
Dividend (inclusive of Dividend Tax)	114.19	137.03	114.19	137.03
Balance carried to Balance Sheet	354.13	329.30	470.41	347.63

### Review of Operations

Last year, the financial turmoil that started in USA spread across the world, causing a slowdown in global economies. Major world economies are still gripped with recession. The Indian economy was also severely affected by this slowdown and equity markets in India witnessed unprecedented volatility. The major Indian indices remained highly volatile during the year and saw over 53% fall from their all-time highs in January 2008. The immense volatility in the Indian equity markets resulted in sharp drop in exchange volumes that also affected your company. Moreover, since the market capitalisation of companies saw immense erosion, upto even 80% levels, the turnover in terms of market value went down south. This impacted the company's results and profitability. Company's profit after tax stood at Rs 1.89 cr on a standalone basis, down 86% y-o-y. Though the results have been severely impaired, we believe that performance is satisfactory given the negative operating environment across industries.

On a consolidated basis, the Company recorded a net profit of Rs.2.87 crore, compared to Rs. 14 crore in previous year, down 79.49% on y-o-y basis and gross revenue of Rs. 44.83 crore compared to Rs. 64.03 crore in the previous year, down 30 % y-o-y basis, in line with downtrend across the industry.

### Dividend

The Directors recommended a dividend of 1.50 per share i.e. 15% (previous year Rs. 1.80 per share) on 65,07,050 equity shares of the face value of Rs. 10 each for the year ending 31<sup>st</sup> March, 2009.

### Information on status of Company's Affairs

Information on operational and financial performance, etc, is given in the Management Discussion and Analysis Report which is annexed to the Directors' Report and has been prepared in compliance with the terms of Clause 49 of the Listing Agreement with Indian Stock Exchanges.

### Public Deposits

The Company did not accept any public deposits during the year under review.



### Human Resources

Being in the services industry, our employees are the heart of our business. The company's operations and services are heavily dependent on its people and hence we have ensured that all our employees are well-qualified and competent personnel. In addition, the company has taken several new initiatives towards employees' skill upgradation and conducted various training programs.

### New Initiatives

In line with our continuous endeavour to upgrade our product and services portfolio, we have introduced two new products in our portfolio-distribution of Bonds and Currency Derivatives Broking during the FY2008-09. In order to start full-fledged operations in commodities broking business, we increased our equity stake in the commodities broking company Arihant Futures and Commodities Ltd (AFCL), from 35.21% to 99.86%, and created it as our subsidiary, during the FY2008-09.

Moreover, we have also decided to apply for the Insurance Broking License and would soon be making our application to IRDA to obtain the same. Once we obtain this license, we will surrender our existing Corporate Agency License to IRDA (which one of our subsidiaries holds).

The company launched a new advertising campaign titled 'Investing plan to suit every style', which is in line with company's objective to offer investment plan and financial products customized to individual's needs. We have a proven expertise in managing people's money and we have always ensured that we provide objective advice that is suitable for each individual's need, and in order to re-emphasise our objective, we launched this campaign.

### Subsidiaries

Your company along with its subsidiaries offer complete financial solutions to its customers. The key business areas where the subsidiaries of Arihant operate include commodities broking, insurance corporate agency and trading and investment activity.

Arihant Futures and Commodities Ltd, a subsidiary of the Company, posted good financial performance during the year and clocked a net profit of Rs 40 lacs on revenues of Rs 2.20 crore. The Non-Banking Financial Service (NBFC) subsidiary, Arihant Financial Services Limited, which is involved in the lending and borrowing of funds, recorded income of Rs 4.78 crore and net profit of Rs 65.93 lacs.

During the year, Arihant Capital Markets Ltd shifted its trading and investment activity under its subsidiary Arihant Finsec Ltd. During FY2008-09 Arihant Finsec Ltd recorded a net loss of Rs 7.98 lacs.

The Company plans to venture into Insurance Broking, to offer insurance advice and products to its clients and for this purpose, we have promoted a 100% subsidiary, Arihant Insurance Broking Services Ltd, as on June 2009. The new subsidiary is in the process of applying for the Insurance Broking License with the IRDA.

In accordance with Accounting Standard (AS-21) on Consolidated Financial Statements, the Directors have pleasure in attaching the audited Consolidated Financial Statements, which form part of the Annual Report.

The Audited Statement of Accounts for the period ended 31<sup>st</sup> March 2009 of the subsidiaries together with the Report of Directors and Auditor's Report are attached as required by the provisions of section 212 of the Companies Act, 1956 and in accordance with Accounting Standard (AS-21).

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rakesh Jain retires by rotation and being eligible offers himself for reappointment.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

There is nothing to report in respect to information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required u/s 217(1) of the Companies Act, 1956, as the Company is not engaged in manufacturing or processing business.