



ARIHANT capital markets Ltd.
Generating Wealth. Satisfying Investors.



Creating a better **investment firm**

Annual Report 2011-2012

Staying committed

Despite a challenging business environment, we have stood by our commitment to help our customers succeed financially and to satisfy all their financial needs. We also stayed true to our commitment to offering a superior experience, which means providing with resources and knowledge that help our clients shape their futures. The result is we continued to stay profitable because of the focus on serving our clients and working for their benefit, not the other way round. And it has all been possible because of your support and trust in us.



Award Ceremony and Dinner

November 10, 2011 Hong Kong

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Arihant Capital Markets Ltd



Mr. Ashok Kumar Jain, Chairman and Managing Director, receiving Forbes Asia's 'Best under a Billion Dollar Company' award at the award ceremony held in Hong Kong.



Chairman's Message

Dear Shareholders

When I look back on FY2012, it reminds me of a typical day during the monsoons. You wake up and see the darkness, the lingering clouds and when you expect the least the grimness gives way to incredible sunshine. Just when you get accustomed to it, the dark clouds cover the skies and you don't know what comes next. Similarly the environment in FY2012 had phases of optimism that were quickly clouded by uncertainty, but not without the hope that soon this will be over and India will shine again.

After a shining FY2011, our financial performance suffered due to poor performance of equity markets that were gripped by high volatility, very low and declining retail participation in equities and staggering volumes in the cash markets. However, we are more focused than ever on clients and their needs. Looking forward to FY2013, I see challenges because even when it stops raining the after-effects linger for a while.

Like the sunshine in the rain, your Company achieved a new milestone through international

recognition despite the challenging environment. It makes me proud and also brings immense pleasure to inform you that during the FY2012 your Company was featured in Forbes Asia's "200 Best under a Billion Dollar Company" list. This accomplishment is credited to the determination of our people, the focus of our management team and your trust in us.

Looking ahead, my faith on the Indian economy continues to stay strong. There may be headwinds but that's part of life, and they help us grow stronger and wiser. We are aggressively investing in building our business for the long term, strengthening our systems and improving the quality of our client experience. Your Company is well-positioned not just to cope with the near-term headwinds, but also to capture the medium to long term prospects. I take this opportunity to express our deep appreciation of your support and association with the Company and also to convey that we remain committed to delivering value to all our stakeholders.

- Ashok Kumar Jain

Company Information

BOARD OF DIRECTORS

Mr. Ashok Kumar Jain

(Chairman and Managing Director)

Mrs. Anita Surendra Gandhi

(Whole-time Director)

Mr. Sunil Kumar Jain

Mr. Akhilesh Rathi

Mr. Rakesh Jain

Mr. Pankaj Kumar Gupta

Mr. Paragbhai Rameshbhai Shah

COMPANY SECRETARY

Mr. Mahesh Pancholi

AUDITORS

M/s Arora, Banthia & Tulsiyan

Chartered Accountants

6th Floor, Silver Arc Plaza, 20/1 New Palasia, Indore

Tel: +91-731-2534318, Fax: +91-731-2433519

REGISTERED OFFICE

E/5 Ratlam Kothi Area, Indore - 452 001 (M.P.)

Tel: +91-731-2519610, Fax: +91-731-3048915

CORPORATE OFFICE

3rd Floor, Krishna Bhavan, 67, Nehru Road,

Vile Parle (E) Mumbai - 400057

Tel: +91-22-42254800/ 42254828, Fax: +91-22-42254880

ADMINISTRATIVE OFFICE

6 Lad Colony, Y.N. Road, Indore - 452 001 (M.P.)

Tel: +91-731-4217100, Fax: +91-731-3016199

DEPOSITORY DIVISION

F-1 Ahinsa Tower, 7, M.G. Road, Indore - 452 001 (M.P.)

Tel: +91-731-4217350-51, Fax: +91-731-4217360

REGISTRAR & TRANSFER AGENT

Ankit Consultancy Private Limited

Plot No. 60, Electronic Complex,

Pardeshipura, Indore – 452 010 (M.P.)

Tel: +91-731-2551745

Fax: +91-731-4065798

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Notice

Notice is hereby given that the Twentieth Annual General Meeting (AGM) of the members of Arihant Capital Markets Limited will be held on **Saturday, 14th July, 2012** at 12:30 p.m. at Hotel President, R.N.T. Marg, Indore - 452 001 (M.P.), to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2012, the statement of Profit & Loss Account of the Company for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the year ended 31st March, 2012.
3. To appoint a director in place of Mr. Rakesh Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Pankaj Kumar Gupta, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to 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 & Tulsiyan, Chartered Accountants (registration no. 007028C), be and are hereby re-appointed as auditors of the Company from the conclusion of this AGM until the conclusion of the next AGM of the Company on such remuneration as shall be fixed by the Board of Directors exclusive of travelling and other out of pocket expenses.”

SPECIAL BUSINESS

6. To re-appoint Mr. Ashok Kumar Jain as the Managing Director 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 pursuant to the provisions of sections 198, 269, 309 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval to the appointment of Mr. Ashok Kumar Jain as a Chairman and Managing Director of the Company for a period of three years with effect from 1st August 2012 to 31st July 2015, on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit in any financial year during the term of office of Mr. Ashok Kumar Jain) as set out in the agreement entered into between the Company and Mr. Ashok Kumar Jain, a copy whereof is placed before the meeting duly initialed for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary and variable pay as also the type and amount of perquisites and other benefits payable to Mr. Ashok Kumar Jain), in such manner as may be agreed to between the Board of Directors and Mr. Ashok Kumar Jain provided however that the remuneration payable to Mr. Ashok Kumar Jain shall not exceed the limits specified in the said agreement as also the limits prescribed under schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof;

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 per Article 147 of the Articles of Association of the company during his tenure as Chairman and Managing Director.”

By the order of the Board of Directors

Dated : 30th May, 2012

Place : Indore

Sd/-
Mahesh Pancholi
Company Secretary

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken the “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ document including annual report can be sent by e-mail to its members. To support this green initiative of the government in full measures, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the depository through their concerned depository participants. Members who hold shares in physical form are requested to make updated their email id to the registrar of the company.



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. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of item no. 6 of the notice as set out above, is annexed hereto.
3. The register of members and share transfer books of the Company will remain closed from Saturday, 7th July 2012 to Saturday, 14th July 2012 (both days inclusive) in connection with the AGM and for the purpose of payment of dividend, if approved by the members.
4. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 19th July 2012 to those members:
 - a) whose names appear as beneficial owners as at the close of business on 6th July 2012 as per the list to be furnished by Depositories in respect of shares held in electronic form; and
 - b) whose names appear 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 6th July 2012 as per the list to be furnished by registrar in respect of shares held in physical form.
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 AGM.
7. Members who hold shares in dematerialized form are requested to inform their Client ID and DP ID number for easier identification for attendance at the meeting.
8. Shareholders who are still holding physical share certificate(s) are advised to dematerialise their shareholding to avail benefit of dematerialisation.
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, if any.
10. Members are requested to notify any changes in their address/bank mandate to their respective depository participants (DPs) in respect of their electronic share accounts and to the registrar and share transfer agent of the Company at Ankit Consultancy Pvt. Ltd., Plot No. 60, Electronic Complex, Pardeshipura, Indore-452010, M.P. in respect of their physical shares folio.
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 AGM are advised to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the meeting.
14. Pursuant to the requirements on corporate governance under Clause 49 of listing agreements entered into with stock exchanges, the information about directors proposed to be appointed/re-appointed is given in the annexure to the notice.
15. Dividend for the financial year ended 31st March 2005, which remains unclaimed or unpaid, will be due for transfer to the Investor Education and Protection Fund of the Central Government, pursuant to the provision of section 205C of the Companies Act, 1956, on 30th September 2012. Members, who have not yet encashed their dividend warrants for the financial year ended 31st March 2005 or any subsequent financial years are requested to lodge their claims with the Company/ Ankit Consultancy Pvt. Ltd., without delay. Members are advised that no claims shall lie against the said fund or against the Company for the amounts of dividend so transferred to the said fund.
16. All documents referred to in the notice and explanatory statement will be available for inspection by the members at the registered office of the Company between 10:00 a.m. and 5:00 p.m. on all working days from the date hereof up to the date



of meeting.

17. In terms of general exemption granted by the central government under section 212(8) of the Companies Act, 1956, pursuant to the general circular no. 2/2011 dated 8th February 2011 of the Ministry of Corporate Affairs, Government of India, copy of balance sheet, profit and loss account, reports of board of directors and auditors of the subsidiaries have not been attached with the balance sheet of the Company. The company secretary and compliance officer will make these documents available upon receipt of request from any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the annual report. These documents will also be available for inspection at the registered office of the Company and the concerned subsidiary companies, during 10 a.m. to 5 p.m. on all working days upto the date of the AGM.

Annexure to Notice

Explanatory Statement As Required By Section 173 Of The Companies Act, 1956 ('the Act').

Item No. 6

Mr. Ashok Kumar Jain is one of the promoters and founder of the Company. It is under his vision that the Company has achieved the current levels. 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 1st August 2012, subject to the approval of the shareholders in a AGM. 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, 2012 to July 31, 2015.
3. **Remuneration :**
 - a) Basic Salary:
Minimum ₹ 2 lacs per month,
Maximum of ₹ 4 lacs 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. Commission: He shall be paid commission on the net profit (subject to a maximum of 5%) as may be determined by the Board or Committee thereof from time to time, subject to maximum remuneration permissible in terms of Section 309 of The Companies Act, 1956, or Schedule XIII thereto as may be applicable.
5. Other terms and conditions, including perquisites: As laid down in the agreement.
6. 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.
7. 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.
8. 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.
9. The aforesaid appointments are subject to termination with 3 months notice from either side.



10. 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.
11. The Managing Director shall not be entitled to receive any fees for attending meetings of the Board/Committee.

Except Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain, none of the other Directors is interested in this resolution. A brief profile of Mr. Ashok Kumar Jain is enclosed at the end of this notice.

By the order of the Board of Directors

Dated : 30th May, 2012

Place : Indore

Sd/-
Mahesh Pancholi
Company Secretary

Details of The Directors Seeking Appointment / Re-appointment at the AGM

Particulars	Mr. Ashok Kumar Jain	Mr. Pankaj Kumar Gupta	Mr. Rakesh Jain
Date of Birth	March 1, 1954	September 7, 1951	June 30, 1966
Date of Appointment	June 25, 1992	January 30, 2010	December 1, 2006
Qualifications	FCA, M.Com	B. Sc, B. Com, FCA, LLB, DBM	M.Com
Expertise in Specific functional Area	He is the promoter director of the Company and has 29 years of rich experience in field of financial services, merchant banking and securities broking.	He has 36 years of experience in the field of corporate, banking and insurance sectors. He has also served as a member of the primary market advisory committee of SEBI in the past.	Wide experience in the field of real estate and stock market.
Directorship held in other public companies (excluding private companies, foreign companies and section 25 companies)	i. Savit Universal Limited. ii. Arihant Futures and Commodities Ltd. iii. Arihant Financial Services Ltd. iv. Arihant Finsec Ltd. v. Arihant Insurance Broking Services Ltd.	i. IDBI Trusteeship Services Ltd.	i. Arihant Financial Services Limited
Memberships/ Chairmanship of Committees of other public companies (includes only Audit Committee and shareholders/ Investor Grievances Committee)	Nil	Audit Committee -IDBI Trusteeship Services Ltd.*	Nil
No. of shares held in the company	6063040	Nil	Nil

*Chairman of the Committee



Directors' Report

Dear Shareholders

Your Directors are pleased to present the Twentieth Annual Report on the business and operations of your Company together with the audited financial statements and accounts for the year ended 31st March 2012.

FINANCIAL HIGHLIGHTS

The following table gives the financial highlights of your company on a standalone and consolidated basis for the financial year 2011-12:

Particulars	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
(₹ in Lacs)				
Gross income	3674.99	5394.52	6940.75	6438.14
Profit before depreciation	426.97	1257.63	762.27	1628.96
Depreciation	140.48	116.24	149.43	124.67
Profit before tax	286.50	1141.39	612.84	1504.29
Provision for taxation	92.74	350.01	195.07	464.51
Net profit after taxation	193.75	791.37	417.76	1039.77
Balance of profit and loss a/c (b/f)	34.93	125.06	240.74	407.73
Profit available for appropriation	228.69	916.43	658.25	1447.24
Appropriations:				
Transfer to general reserve	40.00	700.00	260.00	1020.00
Transfer to statutory reserve	Nil	Nil	9.00	5.00
Dividend (inclusive of dividend tax)	121.00	181.50	121.00	181.50
Balance carried to balance sheet	67.68	34.93	268.25	240.74

Review Of Operations

During the year under review, the company has posted gross income which declined 31.88% to ₹3674.99 Lacs. The Company recorded profit after tax for the current year of ₹193.75 Lacs compared to ₹791.37 Lacs in the previous year. This is attributed to poor performance in the equity markets. Indian capital markets witnessed a challenging year with volatility in FII inflows showing a negative trend, declining GDP of the country and political uncertainty. All of this resulted in muted retail participation in equities. These were reflected in the overall market performance as well as in our own business performance.

Dividend

The Directors recommended a dividend of ₹0.50 per share i.e. 10 per cent (previous year 15 per cent) on 2,08,22,560 equity shares to be appropriated from the profits of the year 2011-2012, subject to the approval of the shareholders at the ensuing Annual General Meeting (AGM).

Transfer To General Reserves

The Company proposes to transfer ₹40 Lacs to the general reserves out of the amount available for appropriations and an amount of ₹67.68 Lacs is proposed to be retained in the Profit and Loss Account.

Public Deposits

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

Subsidiaries

Your Company has five subsidiaries:



1. Arihant Futures and Commodities Limited
2. Arihant Financial Services Limited
3. Arihant Finsec Limited
4. Arihant Insurance Broking Services Limited
5. Arihant Financial Planners and Advisors Pvt. Ltd.

The statement pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiaries is annexed to this report. The Board of Directors has given its consent for not attaching the financial statements of the subsidiaries referred to in the aforesaid annexed statement, pursuant to the general circular no. 2/2011 dated 8th February 2011 of the Ministry of Corporate Affairs, Government of India.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rakesh Jain and Mr. Pankaj Kumar Gupta, who are due to retire by rotation, and being eligible, offer themselves for re-appointment.

The Board recommends the re-appointment of Mr. Rakesh Jain and Mr. Pankaj Kumar Gupta at the ensuing AGM.

Transfer Of Amounts To Investor Education And Protection Fund

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, relevant amounts which remained unpaid or unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund.

Conservation Of Energy, Technology Absorption And Foreign Exchange Earnings/ Outgo

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 concerning conservation of energy and technology absorption respectively are not applicable to the Company. There was no inflow or outflow of foreign exchange during the year under review.

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 is as under:

Name	Designation	Age	Qualification	Experience (Years)	Remuneration Received	Date of appointment	Last Employment
Mr. Ashok Kumar Jain	Chairman & Managing Director	58	C.A.	29	₹ 36.43 Lacs	25.06.1992	NIL
Mrs. Anita S. Gandhi	Whole Time Director	49	C.A.	24	₹ 29.57 Lacs	02.06.2002	M/s Somaya Julu & Company Limited

DIRECTOR'S RESPONSIBILITY STATEMENT

In pursuance of Section 217(2AA) of the Companies Act, 1956, the Director's statement, as an averment of their responsibility, is as under:

- (i) The Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at 31st March 2012 and of the profit or loss of the Company for the year ended on that date.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts for the financial year ended 31st March 2012 on a going concern basis.

AUDITORS AND AUDITORS REPORT

M/s Arora Banthia & Tulsiyan, Chartered Accountants, auditors of the company, bearing ICAI Registration no. 007028C retire at the ensuing AGM and, being eligible, offer themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limit prescribed u/s 224 (1) of the Companies Act, 1956.