

Annual Report 2012-13

**PUTTING YOUR INTEREST
AT THE FOREFRONT**



ARIHANT capital markets ltd.
Generating Wealth. Satisfying Investors.



Chairman's Message

Dear Shareholders

In my last letter, I maintained a cautious view on financial year 2013 and although unfortunate FY2013 was indeed challenging – a tough macro environment marked by high inflation and plummeting growth, a tense political environment volatile capital markets with declining retail participation and intense competition.

We planned for a continuing tough environment in FY2013, anticipating some improvement in equity markets and easing interest rates, and decided to be thoughtful and strategic; wisely use our resources do not let the tough market conditions change our focus of working for the benefit of our clients and continue getting better every day.

The equity markets, while volatile, were indeed in the positive territory ending the financial year with over 7 percent gains, but trading activity never really picked up, especially in the retail category.

For Arihant, this environment depressed revenues but a strict control on costs and proper manpower management helped us post a strong earnings growth. For investors, the continued uncertainty and volatility prompted a move out of equities in search of yield and security, i.e. a move towards traditional investment options – mainly gold and fixed deposits. In FY2013, we had to struggle reinforcing individual's belief in equity as an asset-class owing to their lack of confidence and conviction in the equity market after the losses they suffered since the 2008 debacle.

In these challenging times we have two choices – we can let the environmental challenges limit our potential or we can innovate ourselves, stand strong and continue to work the benefit of our client while building our future. We choose to do the later.

I believe that differentiating ourselves by bringing in simplicity to the financial services, i.e. making financial products understandable for all and offering appropriate products and right advice to the investors will help us create value for our customers, build a strong company and create long term shareholder value.

These are different times, these are challenging times but they bring in opportunity, while we can't predict how the environment will impact our progress but I commit to you that no matter what challenges we face, we will remain focused on every step of this journey.

I have three particular areas of focus



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 & Tulsian

Chartered Accountants

6th Floor, Silver Arc Plaza, 20/1 New Palasia,
Indore -452 001 (M.P.)

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

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 Twenty First Annual General Meeting (AGM) of the members of Arihant Capital Markets Limited will be held on Monday, **22nd July, 2013 at 11:00 a.m.** at **"Hotel President"**, R.N.T. Marg, Indore (M.P.), to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2013, 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 2012-13.
3. To appoint a director in place of Mr. Akhilesh Rathi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Parag Rameshbhai Shah, 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 & Tulsian, 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 Mrs. Anita S. Gandhi as the Whole Time 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 subject to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 (the Act) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to such approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the re-appointment of Mrs. Anita S. Gandhi, the Whole Time Director of the Company for a period of two years with effect from 1st February, 2013."

"RESOLVED FURTHER THAT the salary and perquisites (including allowances) payable or allowable to the Whole Time Director be as follows:

1. Basic Salary ₹ 1,76,000 per month.
2. Housing: Furnished/Unfurnished accommodation or house rent allowance in lieu thereof not exceeding 40% of the Basic salary.
3. Conveyance: Company will reimburse actual conveyance and travelling expenses incurred.
4. Performance Pay: Such amount as may be determined by the Remuneration Committee for each year, not exceeding 2 times of the basic salary.
5. Stock options: Mrs. Gandhi prior to her appointment as Whole Time Director was working with the Company. In her capacity as an employee of the Company, she shall be eligible for Stock Options, as and when the event happens.

Provided that the remuneration payable by way of salary, perquisites, performance pay, other allowances and benefits does not exceed the limits laid down in Section 198 and 309 of the Companies Act, 1956, including any statutory modifications or re-enactment thereof."

"RESOLVED FURTHER THAT notwithstanding anything herein, wherein any financial year during the tenure of the Whole Time Director, the Company has no profits or its profits are inadequate, the Company may pay to the Whole Time Director, the above remuneration as the minimum remuneration for a period not exceeding one years by way of salary, perquisites, performance pay, other allowances and benefits as specified above subject to receipt of the requisite approvals, if any."



"RESOLVED FURTHER THAT the nature of employment of the Whole Time Director with the Company shall be contractual and services can be discontinued by giving one month's notice from either party."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include Remuneration Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be and is hereby authorized to vary, increase, enhance, or widen from time to time the terms of appointment and remuneration of the Whole Time Director and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

"RESOLVED FURTHER THAT Mrs. Anita S. Gandhi shall not be entitled to any sitting fee for attending meetings of the Board and/or Committee of Directors. Her office shall be liable to determination by retirement of Directors by rotation."

By order of the Board of Directors

Place: Indore
Dated: 28th May, 2013

Sd/-
Mahesh Pancholi
(Company Secretary)

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 on his/her behalf. 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 (2) 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 Monday, 15th July, 2013 to Monday, 22nd July, 2013 (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 27th July, 2013 to those members:
 - a) whose names appeared as beneficial owners as at the end of 13th July, 2013 as per the list to be furnished by Depositories in respect of shares held in electronic form; and
 - b) whose names appeared 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 13th July, 2013 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, in respect of their physical shares folio, at:

Ankit Consultancy Pvt. Ltd.

Plot No. 60 Electronic Complex, Pardeshipura,
Indore-452010 (M.P.)

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, 2006, 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 October, 2013. Members, who have not yet encashed their dividend warrants for the financial year ended 31st March, 2006 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 the 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.
18. As part of green initiatives in the Corporate Governance, The Ministry of Corporate Affairs vide its circular nos. 17 and 18 dated 21st April, 2011 and 29th April, 2011 respectively, clarified that a company would have complied with Section 53 of the Companies Act, 1956, if the service of the document has been made through electronic mode, provided the company has obtained e-mail addresses of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the company.

Accordingly, the members are requested to intimate their email address to the Company's registrar and share transfer agent, Ankit Consultancy Private Limited to their dedicated e-mail I.D. i.e. cs@arihantcapital.com and to the DP in respect of shares held in physical mode and demat mode respectively, in case the members wish to avail the aforesaid facility.



Annexure to Notice

Explanatory Statement As Required By Section 173 (2) of The Companies Act, 1956.

Item No. 6

Mrs. Anita S. Gandhi has a wide experience in the field of finance including corporate finance, primary market and secondary market research. She was actively involved in the financial affairs of the company including working capital arrangements, term loan syndication, commercial paper placements, credit rating of the company and public issue of the Company. She is a member of The Institute of Chartered Accountants of India and a member of The Institute of Cost and Works Accountants of India.

The Board, subject to requisite approvals and in accordance with the recommendations of the remuneration committee, approved the re-appointment and remuneration payable to Mrs. Gandhi for a period of two years from 1st February, 2013.

The Board is of the view that the knowledge and experience of Mrs. Gandhi will be beneficial and valuable to the Company, and therefore, recommends her re-appointment as Whole-Time Director of your Company.

Your Directors recommend this resolution as an ordinary resolution for approval of the members.

Apart from Mrs. Anita S. Gandhi, no other Director is deemed to be concerned or interested in this item of business.

By order of the Board of Directors

Sd/-

Mahesh Pancholi
(Company Secretary)

Place: Indore

Dated: 28th May, 2013

Details of directors seeking appointment / Re-appointment at the AGM

Particulars	Mrs. Anita S. Gandhi	Mr. Akhilesh Rathi	Mr. Parag R. Shah
Date of Birth	December 11, 1963	December 26, 1965	March 29, 1969
Date of Appointment	January 30, 2010	January 22, 1994	January 30, 2010
Qualifications	B.Com, CA, ICWA	B.Com, MBA	B.E. (Mechanical)
Expertise in Specific functional Area	Wide experience in primary and secondary market research	Wide experience in finance, textile, real estate and service industries	Wide experience in formulation of short-term and long-term planning , budgeting etc.
Directorship held in other public companies (excluding private companies, foreign companies and section 25 companies)	Nil	- Savitt Universal Ltd. - Bhaskar Infrastructure Ltd. - New City of Bombay Manufacturing Mills Ltd.	Nil
Memberships/ Chairmanship of Committees of other public companies (includes only Audit Committee and shareholders/ Investor Grievances Committee)	Nil	Nil	Nil
No. of shares held in the company	Nil	Nil	29000



Directors' Report

Dear Shareholders

Your Directors are pleased to present the Twenty First Annual Report on the business and operations of your Company together with the audited financial statements and accounts for the year ended 31st March, 2013.

Financial Highlights

The following table gives the financial highlights of your company on a standalone and consolidated basis for the financial year 2012-13:

(₹ in Lacs)

Particulars	Standalone		Consolidated	
	2012-13	2011-12	2012-13	2011-12
Gross income	3600.99	3674.99	5094.02	6940.75
Profit before depreciation	493.96	426.98	921.50	762.27
Depreciation	128.36	140.48	137.51	149.43
Profit before tax	365.60	286.50	783.99	612.84
Provision for taxation	102.05	92.74	231.38	195.07
Net profit after taxation	263.55	193.76	552.61	417.76
Balance of profit and loss a/c (b/f)	67.68	34.93	268.25	240.74
Profit available for appropriation	331.23	228.69	819.68	658.25
Appropriations:				
Transfer to general reserve	50.00	40.00	250.00	260.00
Transfer to statutory reserve	Nil	Nil	1.00	9.00
Dividend (inclusive of dividend tax)	182.71	121.00	182.71	121.00
Balance carried to balance sheet	98.52	67.68	385.97	268.25

Review of Operations

The standalone gross income for the year under review was ₹ 36.01 crores, down 2.01% from ₹ 36.75 crores last year. Profit after tax went up by 36.02% to ₹ 2.64 crores mainly on account of strict control on expenses as your Company maintained a conservative stance looking at uncertainty in financial markets and uncertain global economic scenario. On a consolidated basis, your Company reported a net profit of ₹ 5.53 crores on gross income of ₹ 50.94 crore as against a net profit of ₹ 4.18 crore on gross income of ₹ 69.41 crores in financial year 2011-2012.

The detailed result of your Company's operational and financial performance is given in Management Discussion and Analysis (MDA) Report forming part of this report. The MDA report has been prepared in compliance with the terms of Clause 49 of the Listing Agreement with the BSE Ltd.

**Dividend**

The Directors recommended a dividend of ₹ 0.75 per share i.e. 15% (previous year 10%) on 2,08,22,560 equity shares to be appropriated from the profits of the year 2012-2013, subject to the approval of the shareholders at the ensuing Annual General Meeting (AGM).

Transfer to General Reserves

Your Company proposes to transfer ₹ 50 lacs to the general reserves out of the amount available for appropriations and an amount of ₹ 98.52 lacs is proposed to be retained in the Profit and Loss Account.

Public Deposits

Your 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 & Advisors Pvt. Ltd.

Pursuant to the approval of the central government under Section 212(8) of the Companies Act, 1956, copies of the balance sheet, profit and loss account, report of the Board of Directors and Report of the Auditors of each of the subsidiary Companies have not been attached to the accounts of your Company for financial year 2012-2013. 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. Your Company will make these documents/ details available upon request by any member of Your Company. These documents/ details will also be available for inspection by any member of Your Company at its registered office and also at the registered offices of the concerned subsidiaries. As required by Accounting Standard-21 (AS-21), issued by the Institute of Chartered Accountants of India, the Company's consolidated financial statements included in this Annual Report incorporates the accounts of its subsidiaries.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Akhilesh Rathi and Mr. Parag R. Shah, who are due to retire by rotation, being eligible, offer themselves for re-appointment. The Board recommends the re-appointment of Mr. Akhilesh Rathi and Mr. Parag R. Shah at the ensuing Annual General Meeting (AGM) of Your Company.

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 Your Company to the Investor Education and Protection Fund.

Conservation of Energy and Technology Absorption

Your Company is engaged in providing financial services and as such Rules 2A and 2B of the Companies Rules, 1988 (Disclosure of Particulars in the Report of Board of Directors) concerning conservation of energy and technology absorption, respectively, are not applicable to your Company.

Foreign Exchange Earnings/ Outgo

There was no inflow or outflow of foreign exchange during the year under review.

Particulars of Employees

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, and the rules framed thereunder, the names and other particulars of employees are as under:

Name	Designation	Age	Qualification	Work Experience (Years)	Remuneration Received	Date of appointment	Last Employment
Mr. Ashok Kumar Jain	Chairman & Managing Director	56	C.A.	30	₹ 36.38 lacs	25.06.1992	NIL
Mrs. Anita S. Gandhi	Whole-time Director	50	C.A.	25	₹ 29.57 lacs	02.06.2002	M/s Somaya Juhu & Company Ltd.