

OUR VISION PUTS OUR CUSTOMERS FIRST





We want to help our clients succeed financially.

Our vision puts our customers first. Objective advice built upon trusted long term relationships defines how we work with our clients. We try to connect our vision with the financial success of our clients. Helping them get the right answers so they can make smart financial decisions. It's how we have been endeavoring to conduct business over the years and we want this to anchor all our decisions and client interactions. Our client's growth is our objective.



Chairman's Message

Dear Shareholders

The recession may be officially over, but it still has left its traces behind. The financial year 2011 was full of ups and downs and took millions of investors associated with it on a roller coaster ride. Even though the year saw substantial increase in volumes, however most of it was contributed by institutional investors, leaving the retail investors at bay. The subdued retail participation on the revenues side coupled with cut throat competition in the broking industry has been a concern for the industry as a whole.

However, despite the rough tides, I am pleased to inform you that your company has carved out innovative ways to reach out to more investors and repose their confidence in the markets, by educating them. All this comes with our unwavering belief that if you do the right thing for your clients, they will choose to do business with you.

We started with a pretty simple idea, to make investing easier and understandable to all. This focus is still a core part of how we do business. However, over the years we continued to add financial products and services that will simplify the client's needs, because we understand that the clients want more and need more. Today we are an integrated financial services company, and our vision is to provide investors with a complete range of financial services and resources, they need to reach their financial

goals, whether those be simplified equity investments, a holistic financial planning, various investment products or advice to make it all work; all this together with the highest level of convenience, ease of access and great value. We've made sure we deliver this with complete integrity, keeping our client's interest first.

I believe that the need for right investment advice arises, more than ever before. As the Indian financial industry grows the number of offerings increases, complicating the choices for the investors. In addition to this, the entire world is undergoing a lot of changes and due to rapid development of technology; we are likely to see the investment and commodity cycles moving in a short duration. This brings moral responsibility for companies like us to offer simplified products and advice to investors, which we are geared to undertake.

For over seventeen years, we've been there with you during the highs and lows, the thick and thin and helped you weather it all smoothly. Our commitment of being there with you at all times, stands unshaken.

We step into a new year standing by our unwavering commitment to our clients and shareholders. We promise to continue to make the effort of helping investors reach their financial goals and take your company to another level of growth and enhance our position in the industry.

Ashok Kumar Jain



Corporate 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 Rath

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
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: +91-731-3198601, 3198602
Fax: +91-731-4065798

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Notice

Notice is hereby given that the Nineteenth Annual General Meeting of the members of ARIHANT CAPITAL MARKETS LIMITED will be held on Thursday September 15, 2011 at 4:00 p.m. at Hotel President, R.N.T. Marg, Indore 452001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended March 31, 2011 and the Balance Sheet as at that date together with the reports of the board of directors and the auditors thereon.
2. To declare dividend on the paid up equity of the Company for the financial year 2010-11.
3. To appoint a director in place of Mrs. Anita Surendra Gandhi, who retires by rotation, and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Sunil Kumar Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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 (Firm Registration No. 007028C), 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 travelling and other out of pocket expenses."

SPECIAL BUSINESS:

6. Re-appointment of Whole-time Director: To consider and if thought fit to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956, if any, read with Schedule XIII of the said 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, approval of the Company be and is hereby accorded to the re-appointment of Mrs. Anita Surendra Gandhi, the Whole-time Director of the Company for a period of two years with effect from 1st February, 2011 on a basic salary of ₹ 1,76,000 per month."

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

- i. Housing: Furnished/Unfurnished accommodation or house rent allowance in lieu thereof not exceeding 40% of the basic salary.
- ii. Conveyance: Company will reimburse actual conveyance and traveling expenses incurred.
- iii. Performance Pay: Such amount as may be determined by the Remuneration Committee for each year, not exceeding two times of the basic salary.
- iv. Mrs. Anita Surendra Gandhi prior to her appointment as Whole-time Director in the Company, in her capacity as an employee of the Company, shall be eligible for stock options, as and when the event happens."

"RESOLVED FURTHER THAT notwithstanding anything herein, where in 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 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 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 upon 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 Surendra Gandhi shall not be entitled to any sitting fee for attending meetings of the Board and/or Committee of Directors and her office shall be liable to determination by retirement of Directors by rotation."

7. Increase in the Remuneration of Relative of a Director of the Company: To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions of the Companies Act, 1956, if any, the approval of the members of the Company be and hereby accorded to enhance the remuneration w.e.f. June 1, 2011 of Miss Shruti Jain, Senior Vice President who holds the office of place of profit under a contract of service with a minimum of ₹ 50,000 per month subject to the maximum remuneration not exceeding ₹ 2,50,000 per month together with the usual allowances, benefits, amenities and facilities applicable to other employees occupying similar posts within the same salary scale."

"RESOLVED FURTHER THAT the Board be and is hereby authorized 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 within the aforesaid remuneration limits."

Registered Office:
E/5, Ratlam Kothi, Indore 452001

Dated : 6th August, 2011

Place : Indore

By the order of the Board of Directors

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 fill the appropriate column in the members' Go Green registration form.



Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE 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 COMMENCEMENT OF MEETING.
2. The relevant Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of Special business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 12, 2011 to Thursday, September 15, 2011 (both days inclusive) for the purpose of payment of Dividend, if declared, at the ensuing Annual General Meeting of the Company, to the shareholders whose name appear:
 - a) As beneficial owners as at the end of September 10, 2011 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 September 10, 2011 as per the list to be furnished by registrar in respect of shares held in physical form.
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 and DP ID number for easier identification for attendance at the meeting.
7. Members desiring to have any information on accounts are requested to write to the Company at least 7 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, Ankit Consultancy Private Limited regarding transfer of shares and for resolving grievances.
8. 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.
9. Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
10. Members/Proxies are requested to bring their copy of annual report at the meeting with the attendance slip, duly filled in, for attending the meeting.
11. 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.
12. 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.
13. 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.
14. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company's registered



office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's unpaid dividend account, will, as per Section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.

15. 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 February 8, 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 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 Annual General Meeting.

Annexure to Notice

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

Item No. 6

Mrs. Anita Surendra Gandhi has a wide experience in the field of finance including corporate finance, primary market and secondary market research. In the career spanning over 23 years, Mrs. Gandhi worked with Pidilite Industries Ltd for 5 years where 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. She has also acted as a faculty member for the CFA institute & has contributed various articles to their publications. She was actively involved in setting up institutional broking business, mutual fund distribution business and the research activity for the Company.

On recommendations of the remuneration committee, the Board at its meeting held on January 29, 2011, approved the re-appointment and remuneration payable to Mrs. Anita Surendra Gandhi, as a Whole-time Director for a period of two years with effect from February 1, 2011.

The Board is of the view that the knowledge and experience of Mrs. Anita Surendra Gandhi will be beneficial and valuable to the Company. Your Directors recommend this resolution as an ordinary resolution for approval of the members.

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

Item No. 7

Ms. Shruti Jain, Senior Vice- President, is a post graduate in Finance and Investments from University of Nottingham, England and has done BA (Hons) in Business Administration from De Montfort, England. Ms. Shruti Jain has over four years of experience with Arihant during which she has worked in the field of equity and mutual fund research, distribution of financial products, planning and strategy, marketing and public relations, customer relations and client portfolio management. She has also been instrumental in getting ISO 9001:2008 certification to Arihant.

She is a relative of two of our Directors namely Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain in terms of section 6(b) and Schedule 1A of the Companies Act, 1956.

Looking at her skills and performance, the Board of Directors in its meeting held on May 30, 2011 has increased remuneration of Ms. Shruti Jain and now recommends that the same be approved by shareholders.

By order of the Board of Directors

Sd/

Dated : 6th August, 2011

Place : Indore

Mahesh Pancholi
Company Secretary



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

Name of Directors	Mrs. Anita Surendra Gandhi	Mr. Sunil Kumar Jain
Date of Birth	11.12.1963	03.05.1968
Date of Appointment	30.01.2010	25.06.1992
Expertise / Experience in specific functional areas	Wide experience in finance, capital markets and institutional broking	Wide experience in the field of capital markets
Qualification	B.Com, CA, ICWA	M.Com.
Directorship held in Other Public companies (excluding private companies, foreign companies and section 25 companies)	NIL	Arihant Futures And Commodities Limited
Memberships/ Chairmanship of Committees of other public companies (includes only Audit Committee and shareholders/ Investor Grievances Committee)	NIL	NIL
No. of Equity Shares held in the Company	NIL	16,06,656



Directors' Report

Dear Shareholders,

The Directors are pleased to present the Nineteenth Annual Report on the business and operations of Arihant Capital Markets Ltd together with the audited financial statements and accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

The following table gives the financial highlights of your company on a standalone and consolidated basis for the financial year 2010-11:

Particulars	Standalone		Consolidated (in Lacs)	
	2010-11	2009-10	2010-11	2009-10
Gross Income	5394.52	5123.54	6438.14	6364.14
Profit Before Depreciation and Tax	1254.68	1129.00	1626.00	1952.36
Depreciation	116.24	128.42	124.67	136.00
Profit Before Tax	1141.39	998.87	1504.29	1813.14
Provision for Taxation	350.01	426.18	464.51	703.95
Net Profit after Taxation	791.37	572.68	1039.77	1109.18
Balance of Profit and Loss A/c b/f	125.06	354.13	407.73	450.41
Profit available for appropriation	916.43	926.81	1447.24	1566.49
Appropriations:				
Transfer to General Reserve	700.00	650.00	1020.00	1000.00
Transfer to Statutory Reserve	Nil	Nil	5.00	7.00
Dividend (inclusive of Dividend Tax)	181.50	151.76	181.50	151.76
Balance carried to Balance Sheet	34.93	125.06	240.74	407.73

Dividend

The Directors recommended a dividend of ` 0.75 per share i.e. 15% (previous year 20%) on 2,08,22,560 equity shares to be appropriated from the profits of the year 2010-2011, subject to the approval of the shareholders at the ensuing Annual General Meeting.

Transfer To General Reserves

The Company proposes to transfer ` 700 Lacs to the General Reserve out of the amount available for appropriations and an amount of ` 34.93 Lacs is proposed to be retained in the Profit and Loss Account.

Review Of Operations

During the year under review, the company has posted gross income of ` 5,394.52 Lacs in comparison to ` 5,123.54 Lacs in the previous year. The profit after tax of the Company for the year 2010-11 is ` 791.37 Lacs which was ` 572.68 Lacs in the previous year.

A detailed note on the Company's operational and financial performance is given in the Management Discussion and Analysis (MDA) Report which is annexed to the Directors' Report. The MDA report has been prepared in compliance with the terms of clause 49 of the Listing Agreement with the Bombay Stock Exchange.

Public Deposits

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

**Subsidiaries**

Your Company has four subsidiaries:

1. Arihant Futures and Commodities Limited
2. Arihant Financial Services Limited
3. Arihant Finsec Limited
4. Arihant Insurance Broking Services Limited

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. Sunil Kumar Jain and Mrs. Anita Surendra Gandhi, who are due to retire by rotation, having being eligible, offer themselves for re-appointment.

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

The information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required u/s 217(1) of the Companies Act, 1956 is NIL as the Company has no activity relating to it.

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	57	C.A.	28	Rs. 81.35 Lacs	25.06.1992	NIL
Mrs. Anita Gandhi	Whole-time Director	48	C.A.	23	Rs. 35.66 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 2011 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 2011 on a going concern basis.

AUDITORS AND AUDITORS REPORT

M/s Arora Bantia & Tulsian, Chartered Accountants, auditors of the company, bearing ICAI Registration no. 007028C retire at the ensuing Annual General Meeting 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.

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



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report covering the matters listed in clause 49 of the Listing Agreement for the year under review is given as a separate statement in the Annual Report.

CORPORATE GOVERNANCE

Your directors reaffirm that the Company has complied with the Corporate Governance norms as stipulated under the provisions of the Listing Agreement entered into with the Stock Exchanges and prescribed by the Securities and Exchange Board of India.

A Certificate from practicing Company Secretary confirming compliance to the Corporate Governance requirements by the Company is attached to this report. A detailed report on Corporate Governance as stipulated in clause 49 of the Listing Agreement is included in the Annual Report.

LISTING AT THE STOCK EXCHANGE

The Equity Shares of the Company continue to be listed at the Bombay Stock Exchange, Mumbai. The Annual listing fee for the year 2011-12 has been paid to Bombay Stock Exchange, Mumbai.

ACKNOWLEDGEMENT

Your directors take this opportunity to thank the customers, shareholders, financial institutions, Securities And Exchange Board Of India, Reserve Bank of India, Stock Exchanges, National Securities Depository Limited, Central Depository Services (India) Limited and other government and regulatory agencies for their consistent support and encouragement to the Company.

We also place on record our sincere appreciation to all the members of Arihant family including our employees and sub-brokers for their hard work, support and commitment. Their dedication and competence has ensured that the Company continues to walk on a sustained growth path and scales on a new height year after year.

For and on behalf of the Board of Directors

Dated : 30th May, 2011

Place : Mumbai

Ashok Kumar Jain

(Chairman)



Management Discussion and Analysis Report

Macroeconomic Overview

After a strong revival in the last financial year, the Indian economy continued its growth momentum in the financial year ending March 31, 2011. However, this was also accompanied by monetary tightening to curtail strong inflationary pressure, spiralling food, oil and commodity prices, moderation in industrial growth and outbreak in the political fraternity on corruption charges.

Despite all the headwinds, the Indian economy posted an impressive GDP growth of 8.6% in the financial year under review, as against 8% in the previous year. The Indian equity markets followed the trend with the BSE Sensex recording a gain of 10.94% and CNX S&P Nifty gaining 11.13% during the year.

The recession may be officially over, but it still casts a dark shadow, though perhaps not as long as the last one. On the global front, while the financial year started on a bleak note in the advanced economies, optimism built in towards the later half as the economic growth picked up later. However, the pace of the recovery was uneven and the sustainability of the recovery process casted doubts. A shaky economic recovery coupled with higher unemployment, concerns over sovereign debt levels, continued problems in European region dominated the stories in the western economies. However, the emerging economies recovered ahead of their western counterparts.

In India, inflation remained a major concern throughout the year and the government responded to it by aggressively tightening the monetary policy. From April 2010 to date, the Reserve Bank of India (RBI) cumulatively increased the repo rate by 300 basis points and the reverse repo rate by 350 basis points.

Sharp rise in cost of capital coupled with upward pressure on wages and raw material cost, dissipated government spending and slowdown in investment impinged on the industrial performance and weighed down the business sentiments in the second half of FY2011.

As for equity markets, the FY2011 started well for the Indian equities. Reasonably priced public sector issues, Coal India and MOIL, debuted in the beginning of the year and saw robust investor participation. However, the positive sentiments turned upside down and volatility and uncertainty clouded the markets, scaring away the individual investors. Volatile foreign institutional flows, lack of retail participation, high inflation and concerns on corporate earnings weighed down the market sentiments in the second half of the FY2011. However despite all the headwinds, the key Indian benchmark indices recorded impressive gains during the year.

We expect FY2011-12 GDP to moderate slightly but still maintain a healthy 8% growth. We continue to believe that the fundamentals of the Indian economy remain strong and the India growth story maintains its foothold. However, the Indian equity markets and even the funds flow into the domestic financial system are largely dependent on the development in the global economy. Any uncertainty in this area would impact the Indian markets negatively. Moreover, the sharp monetary tightening in the current financial year would have some impact on the private investment and consumer spending going forward.

We believe that India will continue to outperform the global markets by a large margin owing to its favourable demographics, growing rural economy, low dependency on exports and internal consumption potential.

Who we are and what we do

Established as a stock broking company in 1992, we are today one of India's leading integrated financial services company. We combine research with our expertise to help reach investors reach their financial goals. With an investor base of over one lac and 650 investor centres pan-India, we offer broking services, merchant banking services, distribution of financial products, financial planning, wealth management services and depository services to our clients.

We serve a wide variety of clients categorised as follows - sub-brokers, institutional clients, corporate clients and retail clients. We derive majority of our revenues from our equity broking division. The Company conducts its operations along with its subsidiaries and associates (together hereinafter referred to as Arihant or the Company).

Our goal is to create wealth for our retail and corporate customers through sound financial advice and appropriate investment strategies. The Company's strategy is to attract and retain customers by focusing on a number of areas within the financial services industry. To pursue its strategy and its objective of long-term profitable growth, the Company plans to continue to leverage its competitive advantages. These advantages include strong research, expert investment advisory team, nationally recognized trusted brand, a broad range of products and services, multi-channel delivery systems, an ongoing investment in technology and sound advice.



Over the years, your Company has developed a diverse and robust portfolio of financial services to help investors manage their money in the way that benefits them the most. Your Company offers the following products and services:

Products and Services we offer:

- Equities and Derivatives Broking
- Online Services – offers online trading, online IPO and online mutual funds
- Commodities Broking
- Currency Derivatives
- Interest Rate Futures
- Portfolio Management Services
- Financial Planning
- Advisory Services
- Mutual Fund Investment and Advisory
- IPO
- Insurance Advisory
- Bonds
- Merchant Banking

Our vision and business strategy

Our vision is to be the pre-eminent and most trusted provider of financial services.

The values to which we aspire can be summarised in 5 principles:



As the world continues to weather this global downturn, the individuals and corporates need the financial advisors more than ever before. They need help navigating storms of financial uncertainty to calmer waters. Investors now, more than ever before, need a safe, trustworthy, capable financial services company that can help them stay financially fit and who thinks about their long term needs rather than take a short term approach.

For this, our strategy is to build long term relationship with our clients, build on client loyalty, increase our client base and market share of clients' assets and sub-brokers, innovate in ways that benefit the client and leverage on our core strengths. We don't want to just sell a product or provide an outstanding service. We want to be a part of the lives of our clients and help them succeed financially by focusing on all their financial needs and offer an integrated service by keeping their goals in mind.

We intend to capitalize on the growth and consolidation of the retail brokerage industry in India and leverage our low-cost infrastructure to grow our market share and profitability.

Review of Operations

We present below consolidated financials of Arihant Capital Markets Ltd for the financial year 2010-2011:

Year ended	₹ in Lacs)	
	March 31, 2011	March 31, 2010
Income from operations	6090.73	6019.33
Other Operating Income	347.41	344.80
Total Expenditure	4933.85	4551.00
Profit before Tax	1504.29	1,813.14
Tax on Profit	464.52	703.95
Net Profit for the period	1039.51	1,116.08
Earnings Per Share (Rs)	4.49*	5.36*

*During the financial year the Company has sub-divided face value of its share from ` 10/- to ` 5/- each and has issued bonus in the ratio of 3:5 post sub-division. The EPS for the earlier period has been changed to make the same comparable with current year figures.



During the FY2010-11, the Company earned a total revenue of ` 64.38 crore with a net profit of ` 10.39 crore on a consolidated basis. While the Indian equity markets recorded gains during the financial year, the choppy markets and persistent volatility pulled away the retail investors from the equity markets during most part of the FY2011. This trend was seen across the industry. The domestic institutions also were not very active during the year. The cash market volumes and delivery volumes also saw a considerable decline in the year, which reflects in the performance of your company.

The management maintained a cautious stance throughout the year as uncertainty and volatility were the only guiding factors in the equity markets. On the industry front, entry of new players and fighting for the same share of pie toughened the competitive environment during the year. Brokerage levels came down while the employee costs rose due to limited availability of the skilled people in the industry. Continued inflationary pressure also upped the administrative and other expenses of the company.

(` in Lacs)

Statement of costs	March 31, 2011	March 31, 2010
Commission and Brokerage	2121.56	2100.22
Employees Cost	1180.01	1073.10
Depreciation	124.67	136.00
Administrative & Other Expenditure	1462.93	1178.78
TOTAL EXPENDITURE	4889.17	4488.10

Client's trading volume bears a direct relation to Company's revenues. We cannot predict future trading volumes in the Indian equity markets. However, we believe that the FY2012 would also see lesser retail participation unless the equity markets give a clear direction and the volatility curtails. This would continue to put pressure on our revenues and the stiff competition would continue to thwart profitability going forward.

Volatility is a part of our business, and hence we believe there would be periods of gyrations and volatility even in the Indian equity markets, which will also reflect in our business. Uncertainty in the global markets, concern over high inflation and strict monetary policy would have some impact on our economy. However, we would continue to focus on expanding our market share, distribution of financial products, improvising our services, working on investment advisory modules and venturing into new business areas. This would help us in offsetting the said volatility.

New Initiatives

In an effort to focus on different target segment and introduce new products in our kitty, we are pleased to announce that we formally started offering e-series commodity products on National Spot Exchange to our retail investors during the FY2011.

Commodity as an asset class has caught interest of retail and HNI investors alike. It has a huge growth potential and offers a hedge against the equity market volatility for your company. In view of this, we started broking in e-trading commodity products offered by National Spot Exchange, which offers investment in commodities like gold, silver and other metals with even low investment corpus. For example, an investor can invest in as low as 1 gram of gold through e-gold.

This product will help us to tap those retail investors who have never participated in equity markets or are inactive due to uncertainty in the environment.

Awards and Recognitions

It brings us a great pleasure to announce that one of your Company's subsidiaries, Arihant Futures and Commodities Limited was awarded Financial Leadership Award 2011 as the 'Best Emerging Commodities Broker' by Bloomberg UTV. Honourable Union Finance Minister, Mr. Pranab Mukherjee, presented the award to the Arihant Team on the occasion.

Honourable Finance Minister presenting the award to Arihant Team (Mr. Ashok Kumar Jain and Ms. Shruti Jain - in the given picture) How did we achieve this? It all starts with an unwavering belief that if you do the right thing for your clients, your work will be





acknowledged in some way or the other. We have been working over the years in the benefit of investors. We want to help them reach their financial goals and we want to do this through providing them the right advice; we want to grow with the growth of our clients, without faltering on our values. This simple philosophy drives every decision that we make.

Risk factors relating to our business operations

The Company faces a variety of risks because of the business environment it operates in, which may affect its operations or financial results, and many of those risks are driven by factors that the Company cannot control or predict. Capital markets worldwide, including the Indian capital markets, are exposed to significant fluctuations and hence, the company is exposed to several risks apart from the fundamental risk of business operations. Hence adequate risk management system has been put in place by the management to ensure the success and financial soundness of the company. However, despite the company's attempts to identify areas of potential risks and implement policies and procedures to mitigate those risks, there can be no assurance that the company will not suffer unexpected losses in its area of operations.

The following discussion addresses those risks that management believes are the most significant, although there may be other risks that could arise, or may prove to be more significant than expected, that may affect the Company's operations or financial results.

- Capital market risk is inherent in our business: The major sources of our revenues are derived from equity brokerage business. Hence, like other players in the market, our business is highly sensitive to economic and political conditions prevalent in the country. Any sustained downturn in general economic conditions or Indian equity markets and severe market fluctuations would likely result in reduced client trading volumes and net revenues, and hence, will have a material adverse effect on our profitability and are beyond our control.
- Technological risk plays a significant role in our industry: The substantial amount of costs involved in deployment of technology is a critical factor. Obsolescence is another major concern as upgradation of technology is an ongoing exercise. Any significant changes in technology would pose pressure on our profitability.
- Systems failures, delays and capacity constraints could harm our business.
- We are exposed to credit risk with clients and counterparties: We provide exposure limits to clients, based on the collaterals of securities that we receive from them, in connection with our brokerage business. By permitting clients to purchase securities on margin, we are subject to risks inherent in extending credit to them. Sharp change in market values of securities and the failure by parties to honour their commitments on a timely basis could have a material adverse effect on the profitability of our operations.
- Substantial competition could reduce our market share: Increased price competition from other financial services firms, such as reduced commissions to attract trading volume, could impact the Company's results of operations and financial condition and impact our market share.
- We are subject to various legal actions filed against us by interested parties: In our ordinary course of business, investors, trading members or any other third party may institute complaints, arbitration proceedings, lawsuits or other actions against us. Accordingly, fines, penalties or other repercussions would be borne by us that could materially affect our results of operations or cash flows.
- Regulatory uncertainties or failure to comply with any regulatory authorities could affect our business.

Human Resources

Arihant's success is dependent on our ability to attract, retain and motivate highly talented human capital including sales, marketing and infrastructure professionals and good support staff. We accomplish this by ensuring that we have competitive compensation structure. Employees are the key to achievement of the Company's objectives and strategies. The Company provides employees with a fair and equitable work environment and support from the peers to develop their capabilities, trusting them with freedom to act and to take responsibility. The Company is committed to providing an environment that is encouraging and appreciative under which the employees can work to their potential and grow professionally as well as personally. The Company continuously invests in the development of its human resources through a series of employee friendly measures aimed at talent acquisition, development, motivation and retention.

Moreover, in line with the Company's staff certification policy, all employees are mandatorily required to take relevant industry standard certifications such as NCFM, BSE Certification on Stock Markets (BCSM), Association of Mutual Funds of India (AMFI), Chartered Financial Analyst (CFA) and Chartered Financial Planner (CFP). Most of the Company's employees are qualified professionals (CA, CS, MBAs) or have obtained such certifications.



Arihant is committed to creating a team oriented and collegiate working environment.

Internal Control System

The Company has an Internal Control System commensurate with its requirements and the size of business to ensure that the assets and interests of the Company assets are safeguarded. The adequacy and effectiveness of the internal control across various activities, as well compliance with laid-down system and policies are comprehensively and frequently monitored by your Company's management at all the levels of the organization. The Company has established well defined written policies and processes across the organisation covering all major activities including authority for approvals. In all cases where monetary decision is involved, various limits and authorities are in place.

The Company has hired the services of a professional firm of chartered accountants to function as independent internal auditors and to assist the management in effective discharge of its responsibilities by furnishing it with findings, observations and pertinent comments, adherence to regulatory compliance and company's policies and procedures, adequacy of internal controls, analysis and recommendations concerning the activities covered for audit and reviewed by it during the year. Findings of internal audit reports and effectiveness of internal control measures is reviewed by top management and audit committee of the Board.

In addition to a third party, the Company has in place an internal audit team for reviewing all the branches and sub-brokers on a regular basis. This team regularly visits branches and sub-brokers to ensure regulatory compliance and company's policies and procedures are fully complied with. The Company also carries out post audit reviews to ensure follow up on the observations made and their implementation. The audit outcome and follow-up action is also discussed at the Board of Directors meeting.

The financial services business in India is well-regulated and compliance intensive. We have an exclusive compliance department run by a team of experts and headed by our Chief Compliance Officer.

Risk management

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the Company. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. We recognise that risk is inherent in our business and the markets in which we operate. As such Arihant is committed to the creation and maintenance of strong risk management as well as rigorous control standards throughout the organisation. The Company's risk management policies encompass structured reporting and strict controls to ensure smooth running of the business and security of client's data.

Uninterrupted connectivity is vital for the company's smooth running and risk management. Technology plays an integral role in the company's business operations and we have put in place a strong Business Continuity Plan to mitigate the risk owing to technology failure. Multiple data-centres, sophisticated firewalls, dual internet bandwidth are some of the elements of our BCP. We have a strong internal control system in place, discussed above, as part of our risk management process. We have sophisticated risk management applications for evaluating each client's risk and our team of experts actively monitor those to take immediate action to stay within our risk management guidelines. Being in the financial services sector and predominantly a broking company, we work in a highly regulated environment and strictly abide by the policies and laws prescribed by the regulatory authorities such as SEBI, RBI, and AMFI.

The Environment

At Arihant, we follow environmentally friendly practices in order to leave as small an environmental footprint as possible. We pursue a paperless work environment for employees. This reduces costs, saves trees and increases productivity by eliminating manual tasks, decreasing printing costs and streamlining workflow.

We also encourage our clients to go paperless by signing up for electronic trade confirmations (e-contract notes), account statements and bills. Not only is this good for the environment, but it enables clients to receive important information electronically - even if they're away from home - and reduces the threat of mailbox.

This year the company has also initiated sending all the communication to shareholders, including annual reports, through electronic email to save paper and environment.

Commitment to doing what is right

Our management team and board of directors are resolved to do what, we believe, is best for our associates, clients, shareholders



and other stakeholders.

Opportunities and Threats

India is an attractive investment destination and the Company is a part of India's growth story, which provides us immense opportunity to strengthen and grow our business. We have enough headroom available to expand our distributor network and utilise the opportunity to educate and get wallet share of many Indians who still do not invest in equity. However, the volatility in the Indian equity markets, coupled with the slowdown in economy would be a threat for the Company's business growth. The margin in the retail broking market is thinning and the competition is getting intense every day, thus affecting our bottom-lines. More opportunities and threats that the Company faces have also been discussed under different heads of this report.

Through some research conducted by Arihant and regular interaction with investors, we found that many investors do not understand how and where to invest and often end up buying an investment product that is not suitable for their needs. This shows that there is a gap between what the investor wants and what he gets. This provides us an opportunity to fill this gap through offering objective investment advisory services to investors customised to their needs, which we are prepared to capitalise on.

Going forward

Although India emerged unscathed from the global downturn and stayed resilient to the global economic uncertainty, the Indian equity markets saw some slowdown in this financial year. As we discussed earlier, retail participation in the equity markets has come down considerably, which is a matter of concern. Although the regulatory bodies have acknowledged this problem and are working for a solution to improvise this situation, we believe that it will take some time to convince retail investors to participate in the market with the same gusto as they did before the global meltdown in 2008.

Consequently, the volumes in the equity markets are shrinking, while at the same time the competition is stiffening, which is bringing down the brokerage rates resulting in direct impact on the margins. In fact we discussed this even in last year's report when we highlighted that according to an industry report released by ICRA, the average broking yields have declined from 7-8 basis points to around 5-6 basis points in the last few years.

We are leaving no stone unturned to address these concerns. Your company, as mentioned in the last year as well, has outlined a clear strategy to reduce its dependence on the volatile broking business and is focusing on the distribution of a plethora of other financial products and commodity segment. The Company's merchant banking division is also gearing up and is presently holding mandates for managing a good number of IPOs and rights issues of emerging companies from different sectors. The Division is focusing on capital issues, transaction advisory services, business valuation, syndication of debt and equity, corporate and business restructuring etc. and is poised to close a number of transactions during the FY2012. Ever since 2008, it has been our management strategy to consistently endeavour and enhance income from fee-based assignments and towards this objective, we are gradually expanding the reach and scope of our merchant banking services. We believe that our successful background in retail and institutional broking would provide further fillip to our merchant banking division and facilitate our company to rapidly emerge as a complete financial services company.

Cautionary Statement

Statements in this report describing the Company's objectives, or outlook, opportunities, future business strategies, expectations or predictions contain certain forward looking statements within the meaning of applicable laws and regulations. The actual results may differ materially from those expressed in this statement.



Report on Corporate Governance

1. Company's philosophy on corporate governance

Arihant Capital Markets Ltd (hereinafter referred to as 'the Company' or Arihant) believes that good corporate governance consists of a combination of business practices which result in enhancement of the value of the Company to its shareholders and simultaneously enables the Company to fulfill its obligations to other stakeholders such as customers, employees and financiers, and to the society in general. Transparency, integrity, fairness, accountability and disclosure are Arihant's business ethos that are central to the working the Company and its directors. We are happy to inform you that our company's existing practices and policies are significantly in conformity with the requirements stipulated by SEBI. Your company also complies with the requirement of corporate governance in terms of clause 49 of the Listing Agreement.

2. Board of Directors

a) Composition as on March 31, 2011

The Board of Arihant has an optimum combination of Executive and Non-Executive Directors, and is in conformity with the code of corporate governance as specified under clause 49 of the Listing Agreement.

The composition of the Board and details of the Board of Directors and their directorships/memberships held in committees of other companies (excluding the Company) as on March 31, 2011 was as under:

Name of Director	Position	Number of Outside Directorship(s) Held in other companies	Number of Outside Committee Position Held	
			Member	Chairman
Mr. Ashok Kumar Jain	Chairman & Managing Director	5	Nil	Nil
Mrs. Anita Surendra Gandhi	Whole-time Director	Nil	Nil	Nil
Mr. Sunil Kumar Jain	Non-executive Director	1	Nil	Nil
Mr. Akhilesh Rathi	Non-executive Independent Director	3	Nil	Nil
Mr. Pankaj Kumar Gupta	Non- executive Independent Director	1	Nil	1
Mr. Paragbhai Rameshbhai Shah	Non- executive Independent Director	Nil	Nil	Nil
Mr. Rakesh Jain	Non-executive Independent Director	1	Nil	Nil

The independent directors have confirmed that they satisfy the criteria laid down for independent directors as stipulated in clause 49(l) (A) (iii) of the Listing Agreement.

- No directors, other than Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain, are related to any other directors.
- Other directorships do not include alternate directorships, directorships of private limited companies, of companies registered under section 25 of the Companies Act, 1956 and of companies incorporated outside India.
- Chairmanship/membership of board committees includes chairmanship/membership of audit committee and shareholders/investors grievances committee only. The membership/chairmanship of board committee of private limited companies, foreign companies and companies registered under section 25 of the Companies Act, 1956 are excluded for the aforesaid purpose.

b) Board meetings held during the year

During the year under review, five board meetings were held on May 29, 2010, July 31, 2010, November 3, 2010 and January 29, 2011, respectively.

The details of director's attendance at board meeting held during financial year 2010 and at the last Annual General Meeting are as under:

Name of the Director	No. of Board Meetings		Whether attended the last AGM
	Held	Attended	
Mr. Ashok Kumar Jain	4	4	Yes
Mr. Sunil Kumar Jain	4	2	Yes
Mr. Akhilesh Rathi	4	2	Yes
Mr. Rakesh Jain	4	1	Yes
Mrs. Anita Surendra Gandhi	4	3	No
Mr. Pankaj Kumar Gupta	4	3	No
Mr. Paragbhai Rameshbhai Shah	4	3	No



c) Particulars of change in directorship during the year

During the financial year 2010-11, Mrs. Anita Surendra Gandhi was re-appointed as a Whole-time Director w.e.f. February 1, 2011.

The Board periodically reviews compliance reports of all laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

Code of Conduct for Directors and Senior Management

The Company has laid down a code of conduct for all board members and senior management personnel one level below the executive directors including all functional heads, which is in compliance with the requirements of clause 49 of the Listing Agreement entered into with the stock exchanges. The code of conduct is available on the website of the Company.

Requisite annual affirmations of compliance with respective codes have been made by the directors and senior management of the Company. A declaration signed by the Chairman & Managing Director to this effect is enclosed at the end of this report.

CEO / CFO Certification

Mr. Ashok Kumar Jain, Managing Director has given CEO/CFO certificate to the Board. The Board at its meeting held on May 30, 2011 noted that the said CEO/CFO certificate was as per the format given under clause 49(v) of the Listing Agreement.

Committees of the Board

Your Company has three major Board level Committees:-

- i) Audit Committee;
- ii) Shareholders/Investors Grievance Committee;
- iii) Remuneration/Compensation Committee.

Audit Committee:

The Audit Committee of Arihant consists of three members, viz. , Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. The chairman of the committee is Mr. Akhilesh Rathi and Mr. Mahesh Pancholi acts as the secretary to the committee. All the members of the committee have financial management expertise.

The terms of reference of this committee are wide enough covering the matters specified for audit committees under clause 49 of the Listing Agreement.

During the year, four meetings of the committee were held and the meeting was attended by the members of the committee as detailed below:

Name of Directors	Position	No. of Meetings	
		Held	Attended
1. Mr. Akhilesh Rathi	Chairman	4	3
2. Mr. Sunil Kumar Jain	Member	4	3
3. Mr. Rakesh Jain	Member	4	4

Shareholders/Investors Grievance Committee

The shareholders/Investors grievance committee comprising of four members, viz. Mr. Akhilesh Rathi, Mr. Ashok Kumar Jain Mr. Sunil Kumar Jain and Mr. Rakesh Jain, looks into redressal of shareholders/investor complaints like non-transfer of shares, non-receipt of balance-sheet, non-receipt of dividend, etc. Mr. Akhilesh Rathi is the chairman of the committee while Mr. Mahesh Pancholi, the compliance officer of the Company, acts as the secretary to the committee. This committee oversees the performance of the registrar and transfer agents and secretary who have been authorised to deal with all these matters, also recommends measures for overall improvement of the quality of investor services.

s/Investors grievance committee comprising of four members, viz. Mr. Akhilesh Rathi, Mr. Ashok Kumar Jain Mr. Sunil Kumar Jain and Mr. Rakesh Jain, looks into redressal of shareholders/investor complaints like non-transfer of shares, non-receipt of balance-sheet, non-receipt of dividend, etc. Mr. Akhilesh Rathi is the chairman of the committee while Mr. Mahesh Pancholi, the compliance officer of the Company, acts as the secretary to the committee. This committee oversees the performance of the registrar and transfer agents and secretary who have been authorised to deal with all these matters, also recommends measures for overall improvement of the quality of investor services.

During the financial year 2010-2011, the committee had four meetings. During the meeting, all queries like non-receipt of annual reports, dividend, transfer of shares, new share certificates, change of address etc., were resolved to the satisfaction of the



shareholders/investors.

Remuneration Committee

The remuneration committee consists of three non-executive directors as members, viz., Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. Mr. Mahesh Pancholi acts as the secretary and Mr. Akhilesh Rathi is the chairman of the committee. One meeting of the committee was held during the financial year 2010 -2011.

The terms of reference of remuneration committee include deciding Company's policies on specific remuneration packages for all the directors, designing and implementation of performance appraisal systems and discretionary performance bonus payments for them and such other functions as may be delegated to it by the Board of Directors.

While deciding on the remuneration to the Directors, the Board and Remuneration Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.

Remuneration to Directors

All the non-executive directors receive remuneration only by way of sitting fees for attending meeting of the board/committee. The details of the remuneration paid to Chairman & Managing director and Whole-time Director during the year is as under:

(` in Lacs)

Name of the Directors	Salary	Perquisite	Commission	Total
Mr. Ashok Kumar Jain	36.00	0.35	45.00	81.35
Mrs. Anita S. Gandhi	35.66	0.00	0.00	35.66

Shares held by Non-Executive Directors

Name of the Directors	No. of Equity Share	No. of convertible instruments
Mr. Sunil Kumar Jain	16,06,656	NIL
Mr. Akhilesh Rathi	NIL	NIL
Mr. Rakesh Jain	NIL	NIL
Mr. Pankaj Kumar Gupta	NIL	NIL
Mr. Parag Rameshbhai Shah	29,000	NIL

Disclosures

- The Company does not have any material related parties' transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in Note No. 14 of Schedule 14 to the Annual Accounts of Arihant Capital Markets Limited forming part of the Annual Report.
- The financial statements have been prepared in accordance with the accounting policies generally accepted in India.
- There were no instances of non-compliance on any matter related to the capital markets, resulting in disciplinary action against the Company, during the last three years.
- The Company has implemented the mandatory requirements of corporate governance as set out in the listing agreement with stock exchanges. In respect of compliance with the non-mandatory requirements, the Company has constituted a remuneration committee, details whereof are given under the heading remuneration committee. The quarterly, half-yearly and annual results of the Company are put up on the Company's website and are being published in national newspapers in English and Hindi language. The auditors' observations/suggestions/qualifications, if any, have been adequately explained wherever necessary in the appropriate notes to accounts and are self explanatory.
- During the financial year, the Company has adopted a risk management policy framework for risk identification, assessment and control to effectively manage risks associated with the business of the Company.

Code for Prevention of Insider-Trading practices

The Company has followed the Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Compliance Certificate

Certificate from the practicing Company Secretary confirming the compliance with all the conditions of corporate governance as stipulated in clause 49 of the Listing Agreement is enclosed along with this report.



General Body Meeting

Annual General Meetings of the last three years were held as under:

Financial Year	Venue	Date	Time
2007-2008	Hotel President, R.N.T. Marg, Indore (MP)	27/09/2008	11.30 A.M.
2008-2009	Hotel President, R.N.T. Marg, Indore (MP)	12/09/2009	11.30 A.M.
2009-2010	Hotel President, R.N.T. Marg, Indore (MP)	09/09/2010	4.00 P.M.

All the resolutions including special resolutions set out in respective notices were passed by shareholders by show of hands. During the financial year 2010-11, for passing a special resolution through postal ballot for alteration in object clause of Memorandum of Association, the Board has appointed Mr. Rajesh Lohia of Indore as scrutinizer for conducting the postal ballot voting. Based on the report submitted by Scrutinizer, the special resolution through postal ballot was passed by the requisite majority. Details of voting pattern are as follows:

Particulars	No. of Ballots	No. Shares Held
Votes in favour of the Resolution	26	4850516
Votes against the Resolution	Nil	Nil
Votes found invalid	Nil	Nil
Total	26	4850516

Means of Communication

- The quarterly/ half yearly / annual results of the Company are published in accordance with the Stock Exchange Listing Agreement in newspapers viz. "Free Press" (English), "Choutha Sansar" (Hindi) and The Economic Times.
- Company's Corporate Website: The Company's website www.arihantcapital.com is a comprehensive reference on Arihant's vision, mission, business principles, corporate governance, investor relations, product information, press releases, news and other updates. There is an exclusive section of Investor Relations that provides up-to-date information on all the vital and relevant information relating to the Company and its performance including financial results, annual reports, shareholding pattern, stock information, etc.

Green Initiative

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA), by its recent Circulars, enabling electronic delivery of documents including the Annual Report, Quarterly, Half Yearly results etc. to shareholders at their e-mail address previously registered with the Depository Participants (DPs)/Company/Registrars & Share Transfer Agents.

Shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses. Those holding shares in demat form can register their e-mail address with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with our Registrar, Ankit Consultancy Pvt. Ltd, by sending a letter, duly signed by the first/sole holder quoting details of Folio No.

Management Discussion and Analysis Report

Management Discussion and Analysis Report forms a part of the Annual Report.

Declaration by the CEO under clause 49 of the Listing Agreement regarding adherence to the Arihant Code of Conduct

In accordance with clause 49 I (D) of the Listing Agreement, I hereby declare that all the directors and senior management personnel of the Company have affirmed compliance with the code of conduct applicable to all the directors and senior management, for the year ended March 31, 2011.

Ashok Kumar Jain
Chairman and Managing Director



CERTIFICATE ON COMPLIANCE WITH CORPORATE GOVERNANCE

To
The Members of Arihant Capital Markets Limited

We have examined the relevant records of Arihant Capital Markets Limited for the purpose of certifying compliance with the conditions of corporate governance for the year ended March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Ajit Jain & Co,
Company Secretaries

Ajit Jain
(Proprietor)
Membership No.: 3933

Indore, 30th May, 2011



General Shareholder's Information

1	Date(s) of Book Closure	12.09.2011 to 15.09.2011
2	Venue of Annual General Meeting (AGM)	Hotel President, R.N.T. Marg, Indore - 452 001 (M.P.)
3	Time and Date of AGM	04.00 P.M., September 15, 2011
4	Financial Calendar	
	Financial Results for	(Tentative)
	Quarter ending June 30, 2011	Second week of August, 2011
	Quarter ending September 30, 2011	Second week of November, 2011
	Quarter ending December 31, 2011	Second week of February, 2012
	Year ending March 31, 2012.	Last week of May, 2012,
5	Listing of Equity Shares on the Stock Exchange at	Bombay Stock Exchange Limited, Mumbai
6	Registered Office	E/5, Ratlam Kothi Area, Indore - 452001, (M.P.)
		Phone : (0731) 2519610-11
		Fax : (0731) 3048915
		E-mail : compliance@arihantcapital.com
7	Stock Code	511605
8	Depository ISIN No. for Equity Shares	INE420B01028
9	Stock Market Data	

Monthly high and low stock price along with volumes of equity shares traded on BSE for the FY2010-11 is given below:

Month	High (₹)	Low (₹)	Volume
April 2010	177.90	90.40	2,67,04,238
May 2010	193.90	150.00	5,28,73,326
June 2010	251.00	175.00	25,24,39,321
July 2010	231.60	168.20	46,27,06,184
August 2010	257.85	198.80	42,63,22,871
September 2010	269.90	67.05	1,02,41,27,437
October 2010	72.50	46.50	16,48,96,101
November 2010	50.55	39.00	3,65,25,541
December 2010	41.10	30.75	94,71,648
January 2011	41.55	32.40	73,10,978
February 2011	34.80	29.00	30,39,204
March 2011	36.60	29.05	43,79,488



Distribution Schedule as on March 31, 2011

SHARE HOLDING OF NOMINAL VALUE OF		SHARE HOLDERS NUMBER	% TO TOTAL HOLDERS	AMOUNT IN `	% TO TOTAL EQUITY
(1)		(2)	(3)	(4)	(5)
UPTO	1000	1478	37.52	6,27,565	0.60
1001	2000	645	16.37	10,04,415	0.96
2001	3000	176	4.47	4,39,385	0.42
3001	4000	912	23.15	29,47,275	2.83
4001	5000	251	6.37	12,03,465	1.16
5001	10000	220	5.59	16,72,845	1.61
10001	20000	121	3.07	17,57,880	1.69
20001	30000	32	0.81	8,07,505	0.78
30001	40000	25	0.63	8,79,575	0.84
40001	50000	11	0.28	5,05,545	0.49
50001	100000	30	0.76	22,65,915	2.18
100000	ABOVE	38	0.96	9,00,01,430	86.45
Total		3939	100.00	10,41,12,800	100.00

11 Dematerialisation of Shares About 96.46 per cent of the Company's paid up Equity Share Capital has been dematerialized up to March 31, 2011

12 Demated at NSDL & CDSL 20085856
Physical 736704

13 Shareholding Pattern as on March 31, 2011 :

Category	No. of Shares Held	% of Shareholding
Promoters & Promoters Group	15421052	74.06
Mutual Funds & Institutional Investors	NIL	NIL
Corporate Bodies	696624	3.35
Indian Public	4615599	22.17
NRI / OBC	89285	0.42
TOTAL	20822560	100.00

14 Share Transfer System & Dematerialisation
Shares received for transfer in physical form are processed and the share certificates are returned within 15 days from the date of receipt, subject to the documents being valid and complete in all respects. In case no response is received within 30 days of lodging the transfer request, the lodger should write to the Company or the registrar with the full details, so that necessary action can be taken to safeguard the interest of the investor.



Shareholders who wish to get their physical shares dematerialised should approach to their Depository Participant (DP) where they have a demat account. On receipt of demat request form (DRF) and share certificates by the Company/registrar, the dematerialisation request is processed and the shares are, thereafter, credited in demat account of the shareholder.

15 Investor Correspondence/Query

A. Investor Correspondence

For Transfer / dematerialization of shares, payment of dividend and any other query relating to the shares of the Company

For shares Held in Physical Form

Ankit Consultancy Private Limited,
Plot No. 60, Electronic Complex, Pardeshipura, Indore (M.P.)
T. +91-0731-3198601-602, F. +91-0731-4065798

For shares Held in Demat Form

To the Depository Participant

B. Any other matters and unsolved complaints

Company Secretary
E-5 Ratlam Kothi, Indore - 452001, (M.P.)

Notes:

- I. Annual listing fee for the year 2011-12 has been paid to the Bombay Stock Exchange Limited, Mumbai.
- II. Distribution schedule & shareholding pattern as on March 31, 2011.



Auditors' Report

TO,
THE MEMBERS OF ARIHANT CAPITAL MARKETS LIMITED

We have audited the attached Balance Sheet of ARIHANT CAPITAL MARKETS LIMITED as at 31st March 2011 and also the related Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibilities of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (amendment) Order, 2004 issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure, a statement on the matters specified in paragraph 4 & 5 of the said order, to the extent applicable to the Company.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- (b) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as it appears from our examination of books of account.
- (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- (e) On the basis of written representation received by us from the directors of the Company as at 31st March 2011 and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion, and to the best of our information and according to the explanation given to us, the said accounts, subject to and read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of Balance Sheet of the state of affairs of the Company as at 31st March 2011;
 - (ii) In the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date;
 - (iii) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

For Arora Banthia & Tulsian
Chartered Accountants
Firm No. : 007028C

Ajay Tulsian
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011



Annexure referred to in paragraph 3 of our report of even date to the members of
Arihant Capital Markets Limited on the accounts for the period ended 31st March, 2011

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.

(b) The fixed assets of the Company are physically verified by the management at regular intervals, which in our opinion, is reasonable considering the size of the Company and the nature of assets. During the year, as informed to us by management, no material discrepancies have been noticed on such verification.

(c) In our opinion, substantial parts of the Company's fixed assets have not been disposed off by the Company, during the year.
2. The Company does not have any stock in trade during the year. Hence clause (ii) of the Order is not applicable.
3. a) The Company has granted unsecured loan to one company covered in the register maintained under section 301 of The Companies Act, 1956. The maximum amount involved was ` 690.00 Lacs and the closing balance is ` 690.00 Lacs.

b) In our opinion the rate of interest and other term and conditions of loan given by the company are not prima facie prejudicial to the interest of the Company.

c) The payments of principal amounts and interest in respect of such loans during the year has been regular/ as per stipulation.

d) The Company had outstanding unsecured loan from one companies covered in the register maintained under section 301 of The Companies Act, 1956. The maximum amount involved was ` 71.47 Lacs and the closing balance was ` Nil.

e) In our opinion the rate of interest and other term and conditions of loan taken by the company are not prima facie prejudicial to the interest of the Company.

f) The payments of principal amounts and interest in respect of such loans during the year has been regular/ as per stipulation.
4. In our opinion and according to the information and explanations given to us the Company has an adequate internal control procedure commensurate with the size and nature of its business, with regard to the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of The Companies Act, 1956, have been so entered.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred in (5)(a) above and exceeding the value of ` Five Lacs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public as governed by the provision of section 58A and 58AA or any other relevant provisions of the Act and rules framed their under.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of The Companies Act, 1956, in respect of the activities carried on by the Company.
9. a) As per the records of the Company, the company is generally regular in depositing the statutory dues including provident fund, income tax, wealth tax, service tax, cess and other material statutory dues applicable to it with the appropriate authorities.

b) There were no dues on account of Cess under Sec. 441A of The Companies Act, 1956 since the aforesaid section has not



yet been made effective by the Central Government of India.

- c) According to the information and explanations given to us, no undisputed amount in respect of income tax, sales tax, service tax, custom duty, wealth tax, excise duty, cess applicable to it is outstanding as at the last day of the financial year concerned for a period of more than six months from the date they became payable.
- d) According to the information and explanations given to us and on the basis of examination of records of the Company provident fund, sales tax, income tax, wealth tax, cess which have not been deposited on account of dispute are given below:

Name of the Statute	Nature of Dues	Year	Amount (` in Lacs)	Forum where deposit is pending
Income Tax Act, 1961	Income Tax Penalty	1999-2000	10.00	Commissioner of Income Tax - Appeals
Income Tax Act, 1961	Assessment u/s 143(3)	2008-2009	42.80	Commissioner of Income Tax - Appeals

10. The Company has no accumulated losses at the end of financial year and has not incurred cash losses in the current financial year and the immediately preceding financial year.
11. The Company has not defaulted in payments of any dues to financial institutions, banks or debenture holders.
12. The Company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures or other securities. Therefore the provisions of clause 4 (xii) of the Order are not applicable to the Company.
13. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
14. The Company is dealing in securities for which proper records have been maintained of the transactions and timely entries have been made therein. Securities held as stock in trade by the Company are held in the name of the Company or in the name of its nominees except to the extent of the exemption granted under Section 49 of the Act.
15. In our opinion and according to the information and explanations given to us, the terms & conditions on which the Company has given guarantees for loan taken by other party from bank or financial institution are not prejudicial to the interest of the Company.
16. According to the information and explanations given to us and the record examined by us, the Company has not taken any term loans.
17. According to the information and explanation given to us and on an overall examination of Balance Sheet of the Company and the Cash Flow Statement, in our opinion funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made preferential allotment of shares to the parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money through public issue during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

Balance Sheet as at 31st March, 2011

	Schedule	31 st March, 2011	31 st March, 2010
Sources of Funds			
Shareholders' Funds :			
Capital	1	10,41,12,800	6,50,70,500
Reserves and Surplus	2	39,72,63,782	37,53,18,810
Loan Funds :			
Secured Loan	3	0	3,50,11,932
Unsecured Loans	4	0	70,00,000
Deferred Tax (Refer Note 2 on Schedule 14)		89,98,161	74,71,156
Total	Total	51,03,74,743	48,98,72,398
Application of Funds			
Fixed Assets :			
Gross Block	5	12,83,35,714	11,69,21,742
Less : Depreciation / Amortisation		5,89,93,295	4,73,71,547
Net Block		6,93,42,419	6,95,50,195
Capital Work in Progress		0	0
Investments	6	6,93,42,419	6,95,50,195
Current Assets, Loans and Advances :		14,55,89,905	8,92,31,652
Sundry Debtors	7	22,73,11,416	43,73,67,859
Cash and Bank Balances	8	26,55,65,362	30,67,57,289
Loans and Advances	9	18,68,37,721	5,81,39,461
		67,97,14,499	80,22,64,609
Less : Current Liabilities and Provisions	10		
Current Liabilities		36,43,68,864	45,45,95,850
Provisions		1,99,03,215	1,65,78,208
Net Current Assets		29,54,42,419	33,10,90,551
Total	Total	51,03,74,743	48,98,72,398
Notes to the Financial Statements	14		

Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary

Profit and Loss Account for the year ended 31st March, 2011

	Schedule	31 st March, 2011	31 st March, 2010
Income			
Income from Operations	11	51,82,56,558	48,74,91,498
Other Income	12	2,11,95,778	2,48,62,109
	Total	53,94,52,336	51,23,53,607
Expenditure			
Establishment, Administrative & Other Expenses	13	40,68,78,229	38,85,52,689
Interest and Other Finance Charges		37,48,278	77,34,078
Depository Charges		33,57,860	31,66,396
	Total	41,39,84,367	39,94,53,164
Profit Before Depreciation / Amortisation and Taxation		12,54,67,969	11,29,00,444
Depreciation / Amortisation	5	1,16,24,383	1,28,41,829
Prior Period adjustments (net)		-2,95,518	1,72,035
Profit Before Taxation		11,41,39,104	9,98,86,580
Provision For Taxation			
Current Tax		3,25,00,000	3,30,00,000
Earlier years Tax		9,74,452	1,09,40,691
Deferred Tax (Refer Note 2 on Schedule 14)		15,27,005	-13,22,298
Profit After Taxation		7,91,37,647	5,72,68,187
Balance Brought Forward		1,25,05,801	3,54,13,193
		9,16,43,448	9,26,81,380
Appropriations			
Dividend		1,56,16,920	1,30,14,100
Tax on Distributed Profit		25,33,455	21,61,479
Transfer to General Reserve		7,00,00,000	6,50,00,000
Balance Carried Forward		34,93,073	1,25,05,801
		9,16,43,448	9,26,81,380
Notes to the Financial Statements	14		
Earnings per Share on Equity Shares of ₹ 5 each			
Basic and Diluted (In ₹)		3.80	2.75

Schedules referred to above form an integral part of the Profit & Loss Account.
This is the Profit & Loss Account referred to in our report of even date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary

Cash Flow Statement for the year ended 31st March, 2011

	31 st March, 2011	31 st March, 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	11,41,39,104	9,98,86,580
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	10,865	2,39,129
Depreciation / amortisation	1,16,24,383	1,28,41,829
Dividend income	-3,77,034	-9,34,547
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	12,53,97,318	11,20,32,991
Adjustments for changes in working capital :		
- Trade and other receivables	21,00,56,442	-11,87,89,447
- Stock in trade	0	0
- Loans & advances	-13,50,99,521	3,17,60,495
- Trade and other payables	-8,98,76,774	-10,17,52,343
CASH GENERATED FROM OPERATIONS	11,04,77,466	-7,67,48,305
- Taxes paid (net)	-2,70,73,191	-3,55,91,354
NET CASH FROM OPERATING ACTIVITIES (A)	8,34,04,275	-11,23,39,659
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sales of fixed assets	-1,14,27,472	-1,64,28,727
(Purchase) / Sales of investments	-5,63,58,253	-78,97,372
Dividend received	3,77,034	9,34,547
NET CASH USED IN INVESTING ACTIVITY (B)	-6,74,08,692	-2,33,91,552
CASH FLOW FROM FINANCING ACTIVITY		
Dividend paid	-1,30,14,100	-97,60,575
Dividend distribution tax paid	-21,61,479	-16,58,810
Increase/ (Decrease) in secured loans	-3,50,11,932	3,50,11,932
Increase/ (Decrease) in unsecured loans	-70,00,000	70,00,000
NET CASH USED IN FINANCING ACTIVITY (C)	-5,71,87,511	3,05,92,547
NET INCREASE IN CASH & CASH EQUIVALENT	-4,11,91,927	-10,51,38,663
Cash and cash equivalents at the beginning of the year	30,67,57,290	41,18,95,953
Cash and cash equivalents at the end of the year	26,55,65,362	30,67,57,289
Cash and cash equivalents comprise of		
Cash and cheques in hand	4,33,679	2,52,594
Balances with scheduled banks	26,51,31,684	30,65,04,695
Total	26,55,65,362	30,67,57,289
Notes to the Financial Statements	14	

This is the Cash Flow referred to in our report of even date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary



Schedules forming part of the Balance Sheet

	31 st March, 2011	31 st March, 2010
Schedule 1 - Capital		
Authorised		
2,50,00,000 Equity Shares of ` 5/- each	12,50,00,000	7,00,00,000
(Previous Year 70,00,000 Equity Shares of ` 10/- each)	12,50,00,000	7,00,00,000
Issued, Subscribed and Paid up		
2,08,22,560 Equity Shares of ` 5/- each fully paid up	10,41,12,800	6,50,70,500
(Previous year 65,07,050 Equity Shares of ` 10/- each fully paid up)		
Total	10,41,12,800	6,50,70,500
Of the above shares: 78,08,460 equity shares of ` 5 each allotted as fully paid bonus shares by capitalisation out of General Reserve.		
Schedule 2 - Reserves and Surplus		
General Reserve		
Balance as per last Balance Sheet	36,28,13,009	29,78,13,009
Less: Bonus Issue	3,90,42,300	0
Add : Transfer from Profit and Loss Account	7,00,00,000	6,50,00,000
	39,37,70,709	36,28,13,009
Profit and Loss Account	34,93,073	1,25,05,801
Total	39,72,63,782	37,53,18,810
Schedule 3 - Secured Loan		
Overdraft From IDBI Bank	0	3,50,00,000
(Secured against Pledge of Fixed Deposit Receipt)		
Overdraft From Axis Bank	0	11,932
(Secured against Exchange Payout)		
Total	0	3,50,11,932
Schedule 4 - Unsecured Loan		
Loan from Subsidiary	0	70,00,000
Total	0	70,00,000

Schedule 5 - Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 1 st April, 2010	Additions for the Year	Deductions Adjustment for the Year	As at 31 st March, 2011	As at 1 st April, 2010	For the Year	On Deductions	As at 31 st March, 2011	As at 31 st March, 2011	As at 31 st March, 2010
Premises	65,50,745	0	0	65,50,745	3,99,554	1,06,777	0	5,06,331	60,44,414	61,51,191
Furniture & Fixtures	2,13,26,730	4,86,023	0	2,18,12,753	48,47,069	13,49,149	0	61,96,218	1,56,16,535	1,64,79,661
Office Equipments	88,36,007	6,57,458	16,500	94,76,965	17,41,584	4,27,930	2,635	21,66,879	73,10,085	70,94,422
Computers & Software	7,26,53,033	57,20,449	0	7,83,73,483	3,76,93,890	88,46,003	0	4,65,39,893	3,18,33,589	3,49,59,143
Electrical Installations	27,21,493	22,498	0	27,43,991	10,17,150	3,79,299	0	13,96,449	13,47,542	17,04,343
Motor Vehicles	48,33,734	45,44,044	0	93,77,778	16,72,299	5,15,225	0	21,87,524	71,90,254	31,61,435
Total	11,69,21,742	1,14,30,472	16,500	12,83,35,714	4,73,71,547	1,16,24,383	2,635	5,89,93,295	6,93,42,419	6,95,50,195
Previous year	10,11,38,196	1,65,76,027	7,92,481	11,69,21,742	3,49,35,770	1,28,41,829	4,06,052	4,73,71,547	6,95,50,195	6,62,02,426



Schedules forming part of the accounts

	Face Value	31 st March, 2011 Quantity	31 st March, 2011	31 st March, 2010 Quantity	31 st March, 2010
Schedule 6 - Investments					
Long Term Investments (Trade)					
(a) (At cost) (Unquoted, fully paid up)					
In Equity Shares of Bombay Stock Exchange Limited	1	20000	0	130000	1,19,65,000
In Equity Shares of Saurashtra Kutch Stock Exchange	100	50	5,05,000	50	5,05,000
			5,05,000		1,24,70,000
(b) Unquoted, Equity Shares (fully paid up)					
The Saraswat Co-Operative Bank Limited	10	500	5,000	500	5,000
Investment in Subsidiary					
Arihant Finsec Limited	10	450000	4,05,00,000	450000	4,05,00,000
Arihant Future & Commodities Limited	10	354500	78,02,045	354500	78,02,045
Arihant Insurance Broking Services Limited	10	750000	75,00,000	750000	75,00,000
Arihant Financial Services Limited	10	249400	2,05,45,235	249400	2,05,45,235
			7,63,52,280		7,63,52,280
	(A)		7,68,57,280		8,88,22,280
Current Investments (Non Trade)					
(a) Quoted Equity Shares (fully paid up)					
IDBI Bank Limited	10	100000	1,62,16,582		
The Karnataka Bank Limited	10	300000	4,98,86,997		
Coal India Limited	10	9003	22,05,735		
D.B.Corp Limited	10	1931	4,09,372	1931	4,09,372
			6,87,18,686		4,09,372
(b) Quoted Mutual Fund					
LIC MF Saving Plus Fund -Daily Dividend Plan -Reinvest	10	1394	13,939		0
			13,939		0
	(B)		6,87,32,625		4,09,372
Total (A+B)			14,55,89,905		8,92,31,652
Market value of Quoted Investments ` 5,01,09,389 (Previous Year ` 4,61,798)					
Schedule 7 - Sundry Debtors					
Sundry Debtors (Considered Good)* :					
Over Six Months			85,66,965		4,61,76,875
Others			21,87,44,452		39,11,90,984
		Total	22,73,11,417		43,73,67,859
* Refer to Note 11 on schedule 14 for dues from the parties under the same management as defined under section 370(IB) of the Companies Act, 1956.					
Schedule 8 - Cash and Bank Balances					
Cash on Hand			4,33,679		2,52,594



Schedules forming part of the accounts

	31 st March, 2011	31 st March, 2010
Balances with Scheduled Banks in :		
Current Accounts	6,48,84,358	6,14,35,563
Deposits Accounts	19,79,75,000	23,95,75,000
Unclaimed Dividend Account	17,52,841	14,02,628
Balances with Other Banks in :		
Current Accounts		
With Kopergaon People Co Operative Bank Ltd	5,19,485	40,91,504
Maximum balance ` 40.91 Lacs (` 40.91 Lacs)		
Total	26,55,65,362	30,67,57,289
Schedule 9 - Loans and Advances (Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	1,34,80,126	1,14,35,392
Deposits with Exchanges / Depositories	7,42,77,000	2,36,02,000
Deposits - Others	74,69,184	70,36,173
Share Application	1,29,46,775	0
Loan to Subsidiary Company	6,90,00,000	0
Advance Tax	96,64,635	1,60,65,896
Total	18,68,37,721	5,81,39,461
Schedule 10 - Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors (includes Trade Payables)		
Other than Micro, Small and Medium Enterprises	23,89,62,435	32,92,81,522
Micro, Small and Medium Enterprises*	0	0
(Refer Note 12 on schedule 14)		
Deposits from Intermediaries	7,81,22,408	7,35,57,986
Other Liabilities	4,72,84,021	5,17,56,343
Total	36,43,68,864	45,45,95,850
Provisions		
Proposed Dividend	1,56,16,920	1,30,14,100
Tax on Distributed Profit	25,33,455	21,61,479
Provisions for Tax (net)	0	0
Unpaid Dividend	17,52,841	14,02,628
Total	1,99,03,215	1,65,78,208
Schedule 11 - Income from Operations		
Income from Brokerage - Gross	41,54,66,672	44,33,78,988
Profit on Sale of Investments (net)	2,22,15,963	71,350
Commission Received (Net)	1,83,94,929	74,37,979
[Tax deducted at source ` 0.89 Lacs (` 0.74 Lacs)]		
Fees From Merchant Banking	1,56,07,382	48,73,110
[Tax deducted at source ` 15.36 Lacs (` 5.39 Lacs)]		
Dividend Income	3,77,034	9,34,547
Deferred Payment Charges	3,12,48,586	2,12,37,578
Depository Receipts	1,49,45,994	95,57,946
Total	51,82,56,558	48,74,91,498

There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.



Schedules forming part of the accounts

	31 st March, 2011	31 st March, 2010
Schedule 12 - Other Income		
Interest on deposits	2,08,02,792	2,42,50,440
[Tax Deducted at Source ` 19.52 Lacs (` 26.39 Lacs)]		
Bad debts recovered	1,19,616	5,06,509
Miscellaneous income	2,73,370	1,05,160
Total	2,11,95,778	2,48,62,109
Schedule 13 - Establishment, Administrative & Other Expenses		
Advertisement	15,41,046	5,46,673
Auditors' Remuneration		
Audit Fees	2,50,000	2,00,000
Tax Audit Fees	50,000	50,000
In Other Capacity	2,28,500	2,89,000
Bad Debts Written Off	1,22,02,291	24,57,469
Bank & Depository Charges	60,53,314	52,44,589
Business Development	21,70,713	13,84,853
Communication including V-Sat	1,41,08,558	1,48,73,671
Director's Emoluments	1,18,72,047	92,80,648
Electricity	48,92,684	37,78,066
Exchange Transaction Charges	1,99,21,113	2,21,58,941
Insurance	5,21,662	5,18,235
Legal and Professional	73,51,485	61,51,952
Listing Fee	31,545	45,000
Loss on Sale of Fixed Assets	10,865	2,39,129
Membership Fee & Subscription	18,95,910	18,48,696
Miscellaneous Expenses	17,30,850	16,88,737
Office Expenses	20,03,386	15,65,675
Rent, Rates & Taxes	1,47,43,928	1,29,46,363
Repairs & Maintenance	58,09,926	42,79,806
Software Maintenance	1,05,77,440	83,02,974
Salaries, Allowances and Bonus	9,80,86,103	9,33,12,181
Securities Transaction Tax on Investments	83,058	0
Staff Welfare	20,29,299	14,97,909
Stationery & Printing	34,95,908	28,24,492
Sub Brokerage/Referral Fees and Expenses	18,16,40,889	19,00,07,639
Travelling, Conveyance and Motor Car Expenses	35,75,710	30,59,716
Wealth Tax	0	275
Total	40,68,78,229	38,85,52,689



Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule 14 - Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

The accounts are prepared in accordance with the accounting principles generally accepted in India and are in line with the relevant laws as well as the guidelines prescribed by the Department of Company Affairs and the Institute of Chartered Accountants of India.

B. ACCOUNTING CONVENTION

The Financial Accounts, unless otherwise stated, are prepared at historical cost under the accrual method of accounting.

C. REVENUE RECOGNITION

- i. Company recognises Brokerage Income on the basis of the date of trade of settlement, of respective stock exchanges.
- ii. Other Income is accounted for on accrual basis.
- iii. The Maintenance Charges in respect of Account Holders of the Depository Division of the Company are accounted on prorata basis. In case of receipt of lifetime fees, the total amount received is recognized in the period of receipt.
- iv. Incentive on primary market subscription - mobilisation is accounted on the basis of intimation received by the Company.
- v. Portfolio management fees are accounted on accrual basis as follows:
 - (a) In case of fees based on fixed percentage of the corpus/ fixed amount, income is accrued over the period of the agreement.
 - (b) In case of fees, based on the returns of the portfolio, income is accounted on the termination of the portfolio agreement/on each anniversary as per the agreement.
 - (c) In case of an upfront non-refundable fee, income is accounted in the year of receipt.

D. FIXED ASSETS

- i. Fixed Assets are stated at cost of acquisition less accumulated depreciation.
- ii. Depreciation on Fixed Assets has been provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 on pro rata basis which in the opinion of the management are reflective of the estimated useful lives of fixed asset.

E. INVESTMENTS

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for.

F. RETIREMENT BENEFITS

- i. Gratuity liability is a defined benefit obligation and is wholly unfunded. The Company accounts for liability for future gratuity benefits based on its own valuation.
- ii. Provident fund is a defined contribution scheme and the contributions as required by the statute are charged to the Profit and Loss Account as incurred.

G. TAXES ON INCOME

- a. Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- b. Deferred Tax is recognized on timing differences; being the differences between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets subject to the consideration of prudence are recognized and carried forward only to the extent there is a reasonable certainty that sufficient Futures taxable income will be available against which such deferred tax assets can be realized.

H. EARNING PER SHARE

The Company reports Basic and Diluted Earning Per Share in accordance with Accounting Standard -20, "Earning Per Share" issued by The Institute of Chartered Accountants of India. Basic Earning Per Share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted Earning Per Share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

I. IMPAIRMENT OF ASSETS

Impairment loss, if any, is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated Futures cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.



2. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities/Assets:

Particulars	31 st March, 2011	31 st March, 2010
a) Deferred Tax Liabilities		
Depreciation	1,01,17,656	85,89,397
b) Deferred Tax Assets		
Non Payment of Expenses	9,50,066	9,11,953
Unabsorbed Losses	1,69,430	2,06,289

3. Securities are normally held by the Company in its own name except securities pledged with exchange. Securities, which are not registered in the name of the Company, are held by the Company with valid transfer documents.
4. Securities received from clients as collateral for margins are held by the Company in its own name in a fiduciary capacity.
5. Units of Mutual Fund Purchased/ Allotted and Sold/ Redeemed during the year.

Mutual Fund Scheme	Face Value	Purchase / Allotted	Sold / Redeemed
Edelweiss Liquid Fund Institutional - Daily Dividend	10	1000525.007	1000525.007
ICICI Prudential Liquid Institutional Plus - Daily Dividend	100	590888.557	590888.557
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	100	946114.973	946114.973
Kotak Floater Long Term - Daily Dividend	10	992312.219	992312.219
LIC MF Income Plus Fund - Daily Dividend	10	2500383.906	2500383.906
LIC MF Liquid Fund - Dividend Plan	10	7287506.64	7287506.64
LIC MF Saving Plus Fund - Daily Dividend Plan	10	4002501.883	4001146.18
Peerless Liquid Fund - Institutional Daily Dividend	10	3000470.761	3000470.761
Shinsei Treasury Advantage Fund - Daily Dividend	1000	35073.252	35073.252
UTI Liquid Cash Plan Institutional - Daily Income Option	1000	68709.810	68709.810
UTI Liquid Cash Plan Regular Daily Income Option	1000	47077.194	47077.194
UTI Treasury Advantage Fund - Daily Dividend Option	1000	20007.751	20007.751

6. Director's remuneration

(in Lacs)

Particulars	2010-2011	2009-2010
(a) Salaries & Incentives	71.67	36.48
(b) Director's Fee	1.70	1.40
(c) Commission	45.00	54.58
(d) Perquisites	0.35	0.34

Determination of net profit in accordance with the provision of Sec.349 of the Companies Act, 1956 and commission payable to directors:

Particulars	For the year ended 31 st March, 2011
Profit before tax as per P & L account	11,41,39,104
Add:- Director Remuneration	1,18,72,047
Book Profit as per Schedule XIII	12,60,11,151
Maximum remuneration to Director's under the Companies Act, 1956 at 10%	1,26,01,115



7. Contingent Liabilities not provided for:

- (i) Bank Guarantees of ` 10 Lacs (Previous Year ` 10 Lacs) extended to Bombay Stock Exchange Limited under the mandatory rules for membership and ` 1190 Lacs (Previous Year ` 1165 Lacs) towards additional margin.
- (ii) Bank Guarantees of ` 75 Lacs (Previous Year ` 75 Lacs) extended to National Securities Clearing Corporation Limited under the mandatory rules for membership and ` 2750 Lacs (Previous Year ` 2750 Lacs) towards additional margin.
- (iii) Bank Guarantees of ` 75 Lacs (Previous Year ` 75 Lacs) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- (iv) Income Tax matters in respect of which appeal is pending - ` 52.80 Lacs (net of payments) (Previous year ` 10.00 Lacs).
- (v) Corporate guarantee of ` 1550 Lacs (Previous Year ` 1000 Lacs) given to banks on behalf of subsidiary M/s Arihant Futures and Commodities Limited.
- (vi) Claims against the Company not acknowledged as debts ` 3.98 Lacs (Previous Year ` 3.98 Lacs).

8. Earning Per Share (EPS)

Particulars	31 st March, 2011	31 st March, 2010
Outstanding Shares	2,08,22,560	2,08,22,560
Profit After Tax	7,91,37,647	5,72,68,187
Basic EPS	3.80	2.75
Diluted EPS	3.80	2.75
Nominal value of Share	5	5

The company during the year has split its share capital from ` 10/- per share to ` 5/- per share. Further a bonus of 3 shares for every 5 shares held after split, has been given. As per AS-20, the earning per share for the year ended 31st March 2010 has been adjusted for giving effect of split and bonus.

9. There is no income and expenditure in foreign currency.

10. Fixed deposits with scheduled banks include ` 120.00 Lacs (Previous Year ` 275.00 Lacs) which is under the lien of National Securities Clearing Corporation Limited, ` 1.25 Lacs (Previous Year ` 1.25 Lacs) which is under the lien of Bombay Stock Exchange Limited, ` 105.00 Lacs (Previous Year ` 125.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited.
11. Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures" issued by the Institute of Chartered Accountants of India for the year ended 31st March, 2011 are given below:

Relationships (During the year)

1. Key Management Personnel

Mr. Ashok Kumar Jain, Chairman & Managing Director
 Mr. Sunil Kumar Jain, Director
 Mr. Akhilesh Rathi, Director
 Mrs. Anita Gandhi, Whole-time Director
 Mr. Rakesh Jain, Director
 Mr. Parag Shah, Director
 Mr. Pankaj Kumar Gupta, Director

2. Relatives of Key Management Personnel and other proprietary / partnership concerns

Mrs. Kiran Jain
 Ms. Shruti Jain
 Mr. Arpit Jain
 Ms. Swati Jain
 Ashok Jain HUF
 Sunil Jain HUF
 Mr. Kamal Kumar Jain
 Mrs. Meena Jain
 Mrs. Shanta Jain
 S.N. Gandhi & Co.

3. Subsidiaries

Arihant Financial Services Limited
 Arihant Finsec Limited
 Arihant Futures & Commodities Limited
 Arihant Insurance Broking Services Limited



(₹ in Lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Brokerage & Other Charges				
Arihant Finsec Limited	Nil	Nil	5.19	5.19
	<i>Nil</i>	<i>Nil</i>	<i>11.83</i>	<i>11.83</i>
Depository Charges				
Arihant Financial Services Limited	Nil	Nil	0.01	0.01
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Arihant Finsec Limited	Nil	Nil	0.52	0.52
	<i>Nil</i>	<i>Nil</i>	<i>1.06</i>	<i>1.06</i>
Arihant Futures & Commodities Ltd	Nil	Nil	0.35	0.35
	<i>Nil</i>	<i>Nil</i>	<i>0.68</i>	<i>0.68</i>
Interest Received				
Arihant Financial Services Limited	Nil	Nil	2.93	2.93
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Salary & Incentive*	118.72	3.00	Nil	121.72
	<i>92.81</i>	<i>2.80</i>	<i>Nil</i>	<i>95.61</i>
Rent	Nil	19.70	Nil	19.70
	<i>Nil</i>	<i>16.20</i>	<i>Nil</i>	<i>16.20</i>
Legal & Professional*	Nil	12.80	Nil	12.80
	<i>Nil</i>	<i>4.19</i>	<i>Nil</i>	<i>4.19</i>
Interest Paid				
Arihant Financial Services Limited	Nil	Nil	2.01	2.01
	<i>Nil</i>	<i>Nil</i>	<i>39.53</i>	<i>39.53</i>
Sitting Fees	1.70	Nil	Nil	1.70
	<i>1.40</i>	<i>Nil</i>	<i>Nil</i>	<i>1.40</i>
Assets				
Deposits	Nil	21.75	Nil	21.75
	<i>Nil</i>	<i>11.75</i>	<i>Nil</i>	<i>11.75</i>
Loans Taken				
Arihant Financial Services Limited (Maximum Outstanding)	Nil	Nil	71.47	71.47
	<i>Nil</i>	<i>Nil</i>	<i>792.15</i>	<i>792.15</i>
Loans Given				
Arihant Financial Services Limited (Maximum Outstanding)	Nil	Nil	690.00	690.00
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Loans Outstanding at the year end				
Loans Taken				
Arihant Financial Services Limited	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	<i>70.00</i>	<i>70.00</i>
Loans Given				
Arihant Financial Services Limited	Nil	Nil	690.00	690.00
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Debtors as at the year end				
Arihant Finsec Limited	Nil	Nil	174.98	174.98
	<i>Nil</i>	<i>Nil</i>	<i>169.49</i>	<i>169.49</i>
Corporate Guarantee Given				
Arihant Futures & Commodities Ltd	Nil	Nil	1550.00	1550.00
	<i>Nil</i>	<i>Nil</i>	<i>1000.00</i>	<i>1000.00</i>
Equity Contribution made during the year				
Arihant Insurance Broking Services Limited	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	<i>75.00</i>	<i>75.00</i>
Reimbursement of Expenses				
Arihant Insurance Broking Services Limited	Nil	Nil	4.77	4.77
	<i>Nil</i>	<i>Nil</i>	<i>4.64</i>	<i>4.64</i>

Figures in Italics represent previous year figures.



* Figures reported for the previous year in respect of Mrs. Anita S. Gandhi are after 01.02.10, the date on which she was appointed as Whole time Director.

12. Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises (SME). The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. however, in view of the management, the amounts due to the suppliers are paid within the mutually agreed credit period and therefore, there will not be any interest that may be payable in accordance with the provisions of this Act.
13. As per the definition of 'Business Segment' and 'Geographical Segment' contained in Accounting Standard 17 "Segment Reporting", the management is of the opinion that the Company's operation comprise of operating in Primary and Secondary market and incidental activities thereto, there is neither more than one reportable business segment nor more than one reportable geographical segment, and, therefore, segment information as per Accounting Standard 17 is not required to be disclosed.
14. Figures for the previous year have been regrouped wherever necessary to conform to current year's classifications.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary



Disclosure pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies for the year ended on 31st March, 2011

Particulars	Name of the subsidiary companies			
	Arihant Financial Services Limited	Arihant Futures & Commodities Ltd.	Arihant Finsec Limited	Arihant Insurance Broking Services Ltd.
in Lacs				
I. Extent of the interest of the Company in the Subsidiaries at the end of the financial year:				
(a) Shares held in the Subsidiaries	249400 equity shares of Rs.10/- each, fully paid up	354500 equity shares of Rs. 10/- each, fully paid up	450000 equity shares of Rs. 10/- each, fully paid up	750000 equity shares of Rs. 10/- each, fully paid up
(b) Percentage of holding	99.76%	99.86%	100.00%	100.00%
II. Financial year ended of the Subsidiaries	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011
III. The net aggregate amount of Profits less Losses so far as it concerns members of the Company and is not dealt within the Company's accounts.				
(a) For the financial year ended 31-03-2011	18.25	156.71	72.51	0.68
(b) For the Previous year	28.08	129.97	378.90	-0.71
IV. The net aggregate amount of Profits less Losses so far as it concerns members of the Company and is dealt within the Company's accounts.				
(a) For the financial year ended 31-03-2011	Nil	Nil	Nil	Nil
(b) For the Previous year	Nil	Nil	Nil	Nil
V. Capital	25.00	35.50	45.00	75.00
VI. Reserves	305.54	451.19	803.43	-0.03
VII. Total Assets	1074.50	1357.50	928.43	75.00
VIII. Total Liabilities	1074.50	1357.50	928.43	75.00
IX. Turnover	55.58	893.43	142.97	8.20
X. Profit before Taxation	26.60	235.11	100.30	0.99
XI. Provision for Taxation	8.31	78.18	27.69	0.31
XII. Profit after Taxation	18.29	156.93	72.51	0.68



Additional Information Pursuant to Part IV of schedule VI to the Companies Act, 1956

Registration Details

Registration No. L 6 7 1 2 0 M P 1 9 9 2 P L C 0 0 7 1 8 2

Balance Sheet Date 3 1 - 0 3 - 2 0 1 1

State Code 1 0

Capital raised during the year (Amount in Rs. thousand)

Public Issue 0 0 0 0 0 0 N I L

Rights Issue 0 0 0 0 0 0 N I L

Bonus Issue 0 0 0 0 3 9 0 4 2

Private Placement 0 0 0 0 0 0 N I L

Position of Mobilization and Deployment of Funds (Amount in Rs. thousand)

Total Liabilities 0 0 0 5 1 0 3 7 4

Total Assets 0 0 0 5 1 0 3 7 4

Source of Funds (Amount in Rs. thousand)

Paid-up Capital 0 0 0 1 0 4 1 1 2

Reserves and Surplus 0 0 0 3 9 7 2 6 4

Deferred Tax 0 0 0 0 0 8 9 9 8

Unsecured Loans 0 0 0 0 0 0 N I L

Secured Loans 0 0 0 0 0 0 N I L

Application of Funds (Amount in Rs. thousand)

Net Fixed Assets 0 0 0 6 9 3 4 2

Investments 0 0 0 1 4 5 5 9 0

Net Current Assets 0 0 0 2 9 5 4 4 2

Miscellaneous Expenditure 0 0 0 0 0 0 N I L

Accumulated Losses 0 0 0 0 0 0 N I L

Performance of the Company (Amount in Rs. thousand)

Turnover (Income) 0 0 0 5 3 9 4 5 2

Total Expenditure 0 0 0 4 1 3 9 8 4

Profit/(-) Loss before Tax 0 0 0 1 1 4 1 3 9

Profit/(-) Loss after Tax 0 0 0 7 9 1 3 8

Earnings per share (in Rs.) 0 0 0 0 0 3 . 8 0

Dividend Rate (%) 0 0 0 0 1 5 . 0 0

Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. Not Classified

Product Description Stock Broking

Ashok Kumar Jain
Chairman & Managing DirectorAnita S. Gandhi
Whole Time DirectorMahesh Pancholi
Company SecretaryIndore, Dated : 30th May, 2011



Auditors' Report On Consolidated Financial Statements

The Members,
Arihant Capital Markets Limited

1. We have audited the attached Consolidated Balance Sheet of Arihant Capital Markets Limited (the Company) and its Subsidiary, collectively the Group as at 31st March, 2011, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
4. Based on our audit and information and explanation given to us, we are of the opinion that attached Consolidated financial statement gives a true and fair view in conformity with the accounting principals generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st March, 2011;
 - b) in the case of Consolidated Profit & Loss Account, of the Consolidated Profit for the year ended on that date;
 - c) in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows for the year ended on that date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

Consolidated Balance Sheet as at 31st March, 2011

	Schedule	31 st March, 2011	31 st March, 2010
Sources of Funds			
Shareholders' Funds :			
Capital	1	10,41,12,800	6,50,70,500
Reserves and Surplus	2	49,35,22,862	44,67,64,376
Loan Funds :			
Secured Loan	3	0	3,50,11,932
Unsecured Loans		0	0
Deferred Tax (Refer Note 3 on Schedule 15)		94,16,380	78,65,749
Minority Interest		1,45,633	1,19,272
Total		60,71,97,675	55,48,31,829
Application of Funds			
Fixed Assets :			
Gross Block		13,47,88,072	12,29,98,508
Less : Depreciation / Amortisation		6,18,56,719	4,93,92,388
Net Block		7,29,31,354	7,36,06,120
Capital Work in Progress		0	0
		7,29,31,354	7,36,06,120
Investments	5	6,97,42,625	1,33,84,372
Current Assets, Loans and Advances :			
Stock In Trade	6	9,98,91,325	8,52,11,521
Sundry Debtors	7	33,59,23,086	48,37,85,133
Cash and Bank Balances	8	44,22,19,543	44,40,46,658
Loans and Advances	9	17,13,82,805	7,80,10,423
		104,94,16,760	109,10,53,735
Less : Current Liabilities and Provisions	10		
Current Liabilities		56,49,68,730	60,57,72,397
Provisions		1,99,24,334	1,74,40,001
Net Current Assets		46,45,23,697	46,78,41,337
Miscellaneous Expenses	11	0	0
Goodwill on Consolidation		0	0
Total		60,71,97,675	55,48,31,829
Notes to the Financial Statements	15		

Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary

Consolidated Profit and Loss Account for the year ended 31st March, 2011

	Schedule	31 st March, 2011	31 st March, 2010
Income			
Income from Operations	12	60,90,73,151	60,19,33,408
Other Income	13	3,47,41,195	3,44,80,229
	Total	64,38,14,346	63,64,13,636
Expenditure			
Establishment, Administrative & Other Expenses	14	47,30,92,263	43,20,43,967
Interest and Other Finance Charges		47,63,610	59,67,731
Depository Charges		33,57,860	31,66,396
	Total	48,12,13,732	44,11,78,094
Profit Before Depreciation / Amortisation and Taxation		16,26,00,614	19,52,35,542
Depreciation / Amortisation	4	1,24,66,966	1,36,00,007
Prior Period adjustments (net)		-2,95,518	3,21,964
Profit Before Taxation		15,04,29,166	18,13,13,571
Provision For Taxation			
Current Tax		4,39,25,200	6,01,56,800
Earlier years Tax		9,75,813	1,08,81,166
Deferred Tax (Refer Note 3 on Schedule 15)		15,50,631	-6,42,552
Fringe Benefits Tax		0	0
Profit After Taxation		10,39,77,522	11,09,18,156
Less : Minority Interest		26,361	25,980
Depreciation Added Back		0	7,15,931
Balance Brought Forward		4,07,73,122	4,50,40,594
		14,47,24,283	15,66,48,701
Appropriations			
Dividend :		1,56,16,920	1,30,14,100
Tax on Distributed Profit		25,33,455	21,61,479
Transfer to General Reserve		10,20,00,000	10,00,00,000
Transfer to Statutory Reserve		5,00,000	7,00,000
Balance Carried Forward		2,40,73,908	4,07,73,122
		14,47,24,283	15,66,48,701
Notes to the Financial Statements	15		
Earnings per Share on Equity Shares of ` 5 each Basic and Diluted (In `)		4.99	5.36

Schedules referred to above form an integral part of the Profit & Loss Account.
This is the Profit & Loss Account referred to in our report of even date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary

Consolidated Cash Flow Statement for the Year Ended 31st March, 2011

	31 st March, 2011	31 st March, 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	15,04,29,166	18,13,13,571
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	10,865	2,39,129
(Profit) / Loss on sale of Investments	-2,22,50,068	-71,350
Miscellaneous Expenses written off	0	3,68,983
Depreciation / amortisation	1,24,66,966	1,36,00,007
Dividend Income	-17,25,074	-20,18,217
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	13,89,31,855	19,34,32,123
Adjustments for changes in working capital :		
- Trade and other receivables	14,78,62,047	- 15,76,89,365
- Stock in trade	-1,46,79,804	1,72,68,618
- Loans & Advances	-9,98,02,415	3,84,42,001
- Trade and other payables	-4,04,53,454	-8,02,57,783
CASH GENERATED FROM OPERATIONS	13,18,58,228	1,11,95,594
- Taxes paid (net)	-3,93,11,655	-6,21,03,867
NET CASH FROM OPERATING ACTIVITIES (A)	9,25,46,573	-5,09,08,273
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sales of fixed assets	-1,18,03,064	-1,70,87,462
(Purchase) / Sales of Investments	-3,41,08,185	-8,26,022
Dividend received	17,25,074	20,18,217
NET CASH USED IN INVESTING ACTIVITY (B)	-4,41,86,175	-1,58,95,266
CASH FLOW FROM FINANCING ACTIVITY		
Dividend Paid	-1,30,14,100	-97,60,575
Preliminary Expenses	0	-2,19,054
Proceeds from secured loans	-3,50,11,932	3,50,11,932
Increase/ (Decrease) in unsecured loans		0
Dividend distribution tax paid	-21,61,479	-16,58,810
NET CASH USED IN FINANCING ACTIVITY (C)	-5,01,87,511	2,33,73,493
NET INCREASE IN CASH & CASH EQUIVALENT	-18,27,114	-4,34,30,046
Cash and cash equivalents at the beginning of the year	44,40,46,657	48,74,76,704
Cash and cash equivalents at the end of the year	44,22,19,543	44,40,46,658
Cash and cash equivalents comprise of		
Cash and cheques in hand	4,94,828	3,25,361
Balances with scheduled banks	44,17,24,715	44,37,21,297
Total	44,22,19,543	44,40,46,658
Notes to the Financial Statements	15	

This is the Cash Flow referred to in our report of even date.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary



Schedules forming part of the Consolidated Balance Sheet

	31 st March, 2011	31 st March, 2010
Schedule 1 - Capital		
Authorised		
(Previous Year 70,00,000) Equity Shares of ` 10/- each	0	
2,50,00,000 Equity Shares of ` 5/- each	12,50,00,000	7,00,00,000
(Previous Year 70,00,000 Equity Shares of ` 10/- each)	12,50,00,000	7,00,00,000
Issued, Subscribed and Paid up		
2,08,22,560 Equity Shares of ` 5/- each fully paid up	10,41,12,800	6,50,70,500
(Previous year 65,07,050 Equity Shares of ` 10/- each fully paid up)		0
Total	10,41,12,800	6,50,70,500
Of the above shares: 78,08,460 equity shares of ` 5 each allotted as fully paid bonus shares by capitalisation out of General Reserve.		
Schedule 2 - Reserves and Surplus		
General Reserve		
Balance as per last Balance Sheet	39,98,86,255	29,98,86,255
Less: Bonus Issue	3,90,42,300	0
Add : Transfer from Profit and Loss Account	10,20,00,000	10,00,00,000
	46,28,43,955	39,98,86,255
Statutory Reserve		
Balance as per last Balance Sheet	27,00,000	20,00,000
Add : Transfer from Profit and Loss Account	5,00,000	7,00,000
	32,00,000	27,00,000
Capital Reserve on Consolidation	34,05,000	34,05,000
Profit and Loss Account	2,92,63,434	4,07,73,122
Total	49,87,12,389	44,67,64,376
Schedule 3 - Secured Loan		
Overdraft From IDBI Bank	0	3,50,00,000
(Secured against Pledge of Fixed Deposit Receipt)		
Overdraft From Axis Bank	0	11,932
(Secured against Exchange Payout)		
Total	0	3,50,11,932

Schedule 4 - Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 1 st April, 2010	Additions for the Year	Deductions Adjustment for the Year	As at 31 st March, 2011	As at 1 st April, 2010	For the Year	On Deductions	Adjustment	As at 31 st March, 2011	As at 31 st March, 2011	As at 31 st March, 2010
Premises	65,50,745	0	0	65,50,745	3,99,554	1,06,777	0	0	5,06,331	60,44,414	61,51,191
Furniture & Fixtures	2,13,37,010	5,81,810	0	2,19,18,820	48,47,069	13,49,664	0	0	61,96,733	1,57,22,087	1,64,89,941
Office Equipments	87,19,927	6,66,858	16,500	93,70,285	17,41,584	4,27,930	2,635	0	21,66,879	72,03,405	69,78,342
Computers & Software	7,56,39,626	59,90,854	0	8,16,30,480	3,86,30,028	93,45,048	0	0	4,79,75,076	3,36,55,404	3,70,09,598
Electrical Installations	27,21,493	22,498	0	27,43,991	10,17,150	3,79,299	0	0	13,96,449	13,47,542	17,04,343
Motor Vehicles	71,28,707	45,44,044	0	1,16,72,751	21,44,559	7,33,247	0	0	28,77,807	87,94,945	49,84,148
Membership	9,01,000	0	0	9,01,000	6,12,443	1,25,000	0	0	7,37,443	1,63,557	2,88,557
Total	12,29,98,508	1,18,06,064	16,500	13,47,88,072	4,93,92,388	1,24,66,966	2,635	0	6,18,56,719	7,29,31,354	7,36,06,120
Previous year	10,65,56,227	1,72,34,762	7,92,481	12,29,98,508	3,69,14,364	13,60,00,008	4,06,052	7,15,931	4,93,92,388	7,36,06,120	6,96,41,864



Schedules forming part of the Consolidated accounts

	Face Value	31 st March, 2011 Quantity	31 st March, 2011	31 st March, 2010 Quantity	31 st March, 2010
Schedule 5 - Investments					
Long Term Investments (Trade)					
(At cost) (Unquoted, fully paid up)					
In Equity Shares of Bombay Stock Exchange Limited	1	20000	0	130000	1,19,65,000
In Equity Shares of Saurashtra Kutch Stock Exchange	100	50	5,05,000	50	5,05,000
(A)			5,05,000		1,24,70,000
Current Investments (Non Trade)					
(a) Unquoted, Equity Shares (fully paid up)					
The Saraswat Co-Operative Bank Limited	10	500	5,000	500	5,000
			5,000		5,000
(b) Quoted Equity Shares (fully paid up)					
IDBI Bank Limited	10	100000	1,62,16,582		
The Karnataka Bank Limited	10	300000	4,98,86,997		
Coal India Limited	10	9003	22,05,735		
D.B.Corp Limited	10	1931	4,09,372	1931	4,09,372
			6,87,18,686		4,09,372
(c) Quoted Mutual Fund					
Axis Equity Fund - Dividend	10			50000	5,00,000
Axis Income Saver-Growth	10	50000	5,00,000		
LIC MF Saving Plus Fund - Daily Dividend Plan - Reinvest	10	1394	13,939		
			5,13,939		5,00,000
(B)			6,92,37,625		9,14,372
Total (A+B)			6,97,42,625		1,33,84,372

Market value of Quoted Investments ` 50627569 (Previous Year ` 981798)



Schedules forming part of the Consolidated accounts

	Face Value	31 st March, 2011 Quantity	31 st March, 2011	31 st March, 2010 Quantity	31 st March, 2010
Schedule 6 - Stock in Trade					
(At cost or market value whichever is lower)					
Equity Shares					
BOC India Limited	10	10000	30,05,000	50176	1,02,23,360
Bajaj Finserv Limited	5	0	0	1000	3,21,688
Balmer Lawrie & Co. Limited	10	6567	35,54,060	1105	6,42,334
Century Textiles & Industries Limited	10	20000	64,83,054	17178	87,43,602
Coal India Limited	10	100000	3,47,10,000	0	0
Dewan Housing Finance Corporation Limited	10	1000	2,43,015	0	0
Hikal Limited	10	0	0	6000	22,23,000
Honeywell Automation India Limited	10	809	18,45,167	0	0
IDBI Bank Limited	10	50000	67,12,508	25600	28,93,279
IFCI Limited	10	112000	58,96,800	0	0
IPCA Laboratories Limited	2	0	0	30000	76,91,918
Kalyani Investment Company Limited	10	581	4,95,477	0	0
The Karnataka Bank Limited	10	11436	12,29,370	0	0
Kennametal India Limited	10	9420	44,03,064	0	0
Kesoram Industries Limited	10	0	0	8784	32,93,122
Mahindra & Mahindra Financial Services Limited	10	0	0	4757	17,59,648
Mahindra & Mahindra Limited	5	0	0	7928	42,35,534
Mahindra Lifespace Developers Limited	10	11629	41,80,209	16500	63,34,350
Mangalore Chemicals & Fertilizers Limited	10	280930	89,61,667	0	0
Patel Engineering Limited	1	0	0	5000	22,71,000
PTC India Limited	10	143857	1,19,83,288	0	0
Rane Holdings Limited	10	0	0	10000	15,73,149
Raymond Limited	10	0	0	79589	1,89,26,626
SRF Limited	10	0	0	60001	1,16,24,508
Sundaram Finance Limited	10	9681	46,79,967	0	0
Tourism Finance Corporation of India Limited	10	56294	15,08,679	0	0
Uttam Galva Steels Limited	10	0	0	22142	24,54,404
Total			9,98,91,325		8,52,11,521
Aggregate Value of Stock-in-Trade					
- At Cost			10,40,08,425		8,56,59,081
- At Market Value			10,21,35,147		8,62,81,093



Schedules forming part of the Consolidated accounts

	31 st March, 2011	31 st March, 2010
Schedule 7 - Sundry Debtors		
Sundry Debtors (Considered Good):		
Over Six Months	88,22,064	4,61,76,875
Others	32,71,01,022	43,76,08,259
Total	33,59,23,086	48,37,85,133
Schedule 8 - Cash and Bank Balances		
Cash on Hand	4,94,828	3,25,361
Balances with Scheduled Banks in:		
Current Accounts	7,73,27,390	6,68,52,164
Deposits Accounts	36,21,25,000	37,13,75,000
Unclaimed Dividend Account	17,52,841	14,02,628
Balances with Other Banks in :		
Current Accounts		
with Kopergaon People Co Operative Bank Ltd	5,19,485	40,91,504
Maximum balance ` 40.91 Lacs (previous year ` 40.91Lacs)		
Total	44,22,19,543	44,40,46,658
Schedule 9 - Loans and Advances		
(Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	2,16,63,208	1,41,89,031
Deposits with Exchanges / Depositories	11,38,77,000	3,04,52,000
Deposits - Others	77,69,184	73,36,173
Initial Margin- Equity Derivative Instrument		
(Refer note 1(H) on Schedule 15)	13,15,963	95,39,226
Advance Tax	1,00,63,960	1,64,93,993
Share Application	1,66,93,490	0
Total	17,13,82,805	7,80,10,423
Schedule 10 - Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors (includes Trade Payables)		
Other than Micro, Small and Medium Enterprises	39,64,34,091	46,47,01,227
Micro, Small and Medium Enterprises	0	0
(Refer Note 14 on schedule 15)		
Deposits from Intermediaries	11,29,21,015	7,68,50,656
Other Liabilities	5,56,13,625	5,75,95,869
Credit Balance of Banks (Due to outstanding cheques)	0	66,24,644
Total	56,49,68,730	60,57,72,397
Provisions		
Proposed Dividend	1,56,16,920	1,30,14,100
Dividend Tax Payable	25,33,455	21,61,479
Provisions for Tax	21,118	8,61,793
Unpaid Dividend	17,52,841	14,02,628
Total	1,99,24,334	1,74,40,001
There are no amounts due and outstanding to be credited to IEP Fund.		
Schedule 11 - Miscellaneous Expenses		
(To the extent not written off or adjusted)		
Preliminary Expenses	0	1,44,365
Add: Incurred during the year	0	2,19,054
Less: written off during the year	0	3,63,419
(A)	0	0
Pre-operative Expenses	0	5,564
Add: Incurred during the year		
Less: written off during the year	0	5,564
(B)	0	0
Total (A+B)	0	0



Schedules forming part of the Consolidated accounts

	31 st March, 2011	31 st March, 2010
Schedule 12 - Income from Operations		
Income from Brokerage - Gross	49,05,29,605	49,80,34,838
Interest On Loans & Deposits	13,34,997	4,39,926
[Tax Deducted at Source ` 4.23 Lacs (` 11.02 Lacs)]		
Profit on Sale of Investments (net)	2,22,50,068	71,350
Profit on Trading in Securities (net)	1,27,16,565	5,50,78,184
(Refer Note 6(a) on Schedule 15)		
Profit on Jobbing Transactions (Net)	3,23,760	28,18,277
Commission Received	1,84,79,040	79,78,395
[Tax deducted at source ` 0.98 Lacs (` 1.39 Lacs)]		
Fees From Merchant Banking	1,56,07,382	48,73,110
[Tax deducted at source ` 15.36 Lacs (` 5.39 Lacs)]		
Dividend Income	17,25,074	20,18,217
Deferred Payment Charges	3,12,48,586	2,12,37,578
Depository Receipts	1,48,58,076	93,83,532
Total	60,90,73,151	60,19,33,408
Schedule 13 - Other Income		
Interest on Deposits	3,42,74,988	3,38,35,886
[Tax Deducted at Source ` 34.38 Lacs (` 38.83 Lacs)]		
Bad debts recovered	1,19,616	5,06,509
Miscellaneous Income	3,46,591	1,37,834
Total	3,47,41,195	3,44,80,229
Schedule 14 - Establishment, Administrative & Other Expenses		
Advertisement	15,41,046	5,46,673
Auditors' Remuneration		
Audit Fees	3,26,695	2,50,000
Tax Audit Fees	71,545	65,000
In Other Capacity	2,38,221	2,98,750
Bad Debts Written Off	1,66,13,203	24,57,469
Bank & Depository Charges	80,31,469	60,19,951
Business Development	22,65,309	15,59,227
Communication including V-Sat	1,50,07,121	1,54,65,383
Director's Emoluments	1,18,72,047	92,80,648
Electricity	50,80,143	39,14,784
Exchange Transaction Charges	3,64,45,323	3,65,07,806
Insurance	5,97,848	5,87,494
Legal and Professional	74,72,945	63,84,077
License Fees	0	20,000
Listing Fee	31,545	45,000
Loss on Sale of Fixed Assets	10,865	2,39,129
Membership Fee & Subscription	20,99,904	20,58,158
Miscellaneous Expenses	17,99,119	16,93,237
Miscellaneous Expenses written off	0	2,19,054
Office Expenses	20,19,534	15,91,441
Professional Tax	7,500	7,500
Rent, Rates & Taxes	1,57,21,428	1,34,41,363
Repairs & Maintenance	58,64,346	44,80,405
Software Maintenance	1,14,18,795	83,92,411
Salaries, Allowances and Bonus	10,61,29,250	9,80,29,489
Securities Transaction Tax on Investments	84,393	0
Staff Welfare	21,42,904	15,94,223
Stationery & Printing	36,88,388	31,17,146
Sub Brokerage/Referral Fees and Expenses	21,21,55,753	21,00,22,357
Travelling, Conveyance and Motor Car Expenses	43,55,627	37,55,516
Wealth Tax	0	275
Total	47,30,92,263	43,20,43,967

**Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account****Schedule 15 - Notes to the Financial Statements****1. SIGNIFICANT ACCOUNTING POLICIES:****A. BASIS OF ACCOUNTING**

The accounts are prepared in accordance with the accounting principles generally accepted in India and are in line with the relevant laws as well as the guidelines prescribed by the Department of Company Affairs and the Institute of Chartered Accountants of India.

B. ACCOUNTING CONVENTION

The Financial Accounts, unless otherwise stated, are prepared at historical cost under the accrual method of accounting.

C. REVENUE RECOGNITION

- i. Group recognises Brokerage Income and Profit/ (Loss) from Trading of Securities on the basis of the date of trade of settlement, of respective stock exchanges.
- ii. Income from interest on Loans is recognized on accrual basis.
- iii. Other Income is accounted for on accrual basis.
- iv. The Annual Maintenance Charges in respect of Account Holders of the Depository Division of the Group are accounted at the time of opening of account or completion of the year irrespective of the period they pertain to.
- v. Portfolio management fees are accounted on accrual basis as follows:
 - (a) In case of fees based on fixed percentage of the corpus/ fixed amount, income is accrued over the period of the agreement.
 - (b) In case of fees, based on the returns of the portfolio, income is accounted on the termination of the portfolio agreement/on each anniversary as per the agreement.
 - (c) In case of an upfront non-refundable fee, income is accounted in the year of receipt.

D. FIXED ASSETS

- i. Fixed Assets are stated at cost of acquisition less accumulated depreciation.
- ii. Depreciation on Fixed Assets of the group has been provided on Straight Line Method at the rates specified in schedule XIV of the Companies Act, 1956 on prorata basis which in the opinion of the management are reflective of the estimated useful lives of fixed asset.

E. INVESTMENTS

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for.

F. STOCK IN TRADE

Securities Shown as Inventories are valued scrip wise at Average Cost or Market Value whichever is lower.

G. RETIREMENT BENEFITS

- i. Gratuity liability is a defined benefit obligation and is wholly unfunded. The Group accounts for liability for future gratuity benefits based on valuation.
- ii. Provident fund is a defined contribution scheme and the contributions as required by the statute are charged to the Profit and Loss Account as incurred.

H. EQUITY INDEX/ STOCK FUTURES

- (a) "Initial Margin - Equity Derivative Instrument", representing the initial margin paid for entering into contracts for equity index/stock futures which are released on final settlement/squaring-up of underlying contracts, are disclosed under Loans and Advances.
- (b) Equity index/stock futures for arbitrage purposes are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin - Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the Balance Sheet date.
- (c) As on the Balance Sheet date, profit/loss on open positions in equity index/ stock futures are accounted for as follows:
 - Credit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account", being the anticipated profit, is ignored and no credit for the same is taken in the Profit and Loss Account.
 - Debit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account", being anticipated loss, is adjusted in the Profit and Loss Account.
- (d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance



pertaining to the settled/squared-up contract in "Mark-to-Market Margin - Equity Index/ Stock Futures Account" after adjustment of provision for anticipated losses is recognised in the Profit and Loss Account.

When more than one contract in respect of the relevant series of equity index/ stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

I. EQUITY INDEX/ STOCK OPTIONS

- (a) "Initial Margin Equity Derivative Instrument" representing the initial margin paid, and "Margin Deposit", representing the additional margin paid over and above the initial margin, for entering into contracts for equity index/ stock options, which are released on final settlement/squaring-up of the underlying contracts, are disclosed under Loans and Advances.
- (b) "Equity Index/Stock Option Premium Account" represents the premium paid or received for buying or selling the options, respectively.
- (c) As at the Balance Sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the Balance Sheet date, and in the case of short positions, for the amount by which the premium prevailing on the Balance Sheet date exceeds the premium received for those options, and is reflected in "Provision for Loss on Equity Index/ Stock Option Account".
- (d) When the options are squared up before expiry of the options, the premium prevailing in "Equity Index/Stock Option Premium Account" on that date is recognised in the Profit and Loss Account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract, the weighted average method is followed for determining the profit or loss.

On the expiry of the contracts and on exercising the options, the difference between the final settlement price and the strike price is transferred to the Profit and Loss Account.

In both the above cases, the premium paid or received for buying or selling the option, as the case may be, is recognised in the Profit and Loss Account for all squared-up/settled contracts.

J. TAXES ON INCOME

- i. Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- ii. Deferred Tax is recognized on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets subject to the consideration of prudence are recognized and carried forward only to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

K. EARNING PER SHARE

The Group reports Basic and Diluted Earning Per Share in accordance with Accounting Standard -20, "Earning Per Share" issued by The Institute of Chartered Accountants of India. Basic Earning Per Share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted Earning Per Share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

L. IMPAIRMENT OF ASSETS

Impairment loss, if any, is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

M. BASIS OF CONSOLIDATION

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies have been combined on a line-by line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- b) The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- c) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.



2. COMPANIES INCLUDED IN CONSOLIDATION

Subsidiaries:

Particulars	Country of Incorporation	Proportion of Interest as on 31 st March, 2011	Proportion of Interest as on 31 st March, 2010
Arihant Financial Services Limited	India	99.76%	99.76%
Arihant Futures & Commodities Limited	India	99.86%	99.86%
Arihant Finsec Limited	India	100%	100%
Arihant Insurance Broking Services Limited	India	100%	100%

3. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities/Assets:

Particulars	31 st March, 2011	31 st March, 2010
a) Deferred Tax Liabilities		
Depreciation	1,06,19,922	91,10,835
b) Deferred Tax Assets		
Non Payment of Expenses	9,73,350	9,50,881
Unabsorbed Losses	1,69,430	2,06,289
Preliminary Expenses	60,762	87,916

4. Securities are normally held by the Group in its own name except securities given to Brokers as Margin, securities pledged with exchange. Securities, which are not registered in the name of the Group, are held by the Group with valid transfer documents.

5. Securities received from clients as collateral for margins are held by the Group in its own name in a fiduciary capacity.

6. a) Quantitative Information in respect of Trading in Securities of cash segment (excluding jobbing transaction):

([^] in Lacs)

Particulars	2010-2011		2009-2010	
	Quantity	Amount	Quantity	Amount
Opening Stock	345760	852.12	770955	785.06
Purchases	27978832	32893.98	40620052	63863.11
Sales	27500388	33021.18	41045247	64670.68
Closing Stock	824204	998.91	345760	852.12

(b) Open Interest in Individual Stock Futures as on 31st March, 2011

Open Long Positions

([^] in Lacs)

Name of Equity Index/ Stock Futures	Expiry Date	No. of Contracts	No. of Units
KTKBANK F 280411	28/04/2011	34	73610



7. Units of Mutual Fund Purchased/ Allotted and Sold/ Redeemed during the year

Mutual Fund Scheme	Face Value	Purchase / Allotted	Sold / Redeemed
Edelweiss Liquid Fund Institutional - Daily Dividend	10	1000525.007	1000525.007
ICICI Prudential Liquid Institutional Plus - Daily Dividend	100	590888.557	590888.557
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	100	946114.973	946114.973
Kotak Floater Long Term - Daily Dividend	10	992312.219	992312.219
LIC MF Income Plus Fund - Daily Dividend	10	2500383.906	2500383.906
LIC MF Liquid Fund - Dividend Plan	10	7287506.64	7287506.64
LIC MF Saving Plus Fund - Daily Dividend Plan	10	4002501.883	4001146.18
Peerless Liquid Fund - Institutional Daily Dividend	10	3000470.761	3000470.761
Shinsei Treasury Advantage Fund - Daily Dividend	1000	35073.252	35073.252
UTI Liquid Cash Plan Institutional - Daily Income Option	1000	68709.810	68709.810
UTI Liquid Cash Plan Regular Daily Income Option	1000	47077.194	47077.194
UTI Treasury Advantage Fund - Daily Dividend Option	1000	20007.751	20007.751

8. Managerial remuneration to whole time directors included in the Profit & Loss Account

(₹ in Lacs)

Particulars	2010-2011	2009-2010
(a) Salaries & Incentives	71.67	36.48
(b) Director's Fee	1.70	1.40
(c) Commission	45.00	54.58
(d) Perquisites	0.35	0.34

9. Contingent Liabilities not provided for:

- Bank Guarantees of ₹ 10 Lacs (Previous Year ₹ 10 Lacs) extended to Bombay Stock Exchange Limited under the mandatory rules for membership and ₹ 1190 Lacs (Previous Year ₹ 1165 Lacs) towards additional margin.
- Bank Guarantees of ₹ 75 Lacs (Previous Year ₹ 75 Lacs) extended to National Securities Clearing Corporation Limited under the mandatory rules for membership and ₹ 2750 Lacs (Previous Year ₹ 2750 Lacs) towards additional margin.
- Bank Guarantees of ₹ 75 Lacs (Previous Year ₹ 75 Lacs) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- Income Tax matters in respect of which appeal is pending - ₹ 52.80 Lacs (net of payments) (Previous year ₹ 10.00 Lacs).
- Corporate guarantee of ₹ 1550 Lacs (Previous Year ₹ 1000 Lacs) given to banks on behalf of subsidiary M/s Arihant Futures and Commodities Limited.
- Claims against the Company not acknowledged as debts ₹ 3.98 Lacs (Previous Year ₹ 3.98 Lacs).

10. Earning Per Share (EPS)

Particulars	31 st March, 2011	31 st March, 2010
Outstanding Shares	2,08,22,560	65,07,050
Profit available to Equity Share Holders	10,39,51,161	11,08,92,176
Add: Depreciation Added back	0	7,15,931
Net profit for EPS	10,39,51,161	11,16,08,107
Basic EPS	4.99	5.36
Diluted EPS	4.99	5.36
Nominal value of Share	5	5



The company during the year has split its share capital from ` 10/- per share to ` 5/- per share. Further a bonus of 3 shares for every 5 shares held after split, has been given. As per AS-20, the earning per share for the year ended 31st March, 2010 has been adjusted for giving effect of split and bonus.

11. There is no income or expenditure in foreign currency.
12. Fixed deposits with scheduled banks include ` 120.00 Lacs (Previous Year ` 275.00 Lacs) which is under the lien of National Securities Clearing Corporation Limited, ` 1.25 Lacs (Previous Year ` 1.25 Lacs) which is under the lien of Bombay Stock Exchange Limited, ` 105.00 Lacs (Previous Year ` 125.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited.
13. Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures" issued by the Institute of Chartered Accountants of India for the year ended 31st March, 2011 are given below:

Relationships (During the year)

1. Key Management Personnel

Mr. Ashok Kumar Jain, Chairman & Managing Director
 Mr. Sunil Kumar Jain, Director
 Mr. Akhilesh Rathi, Director
 Mrs. Anita Gandhi, Whole-time-Director
 Mr. Rakesh Jain, Director
 Mr. Parag Shah, Director
 Mr. Pankaj Kumar Gupta, Director

2. Relatives of Key Management Personnel and other proprietary concerns

Mrs. Kiran Jain
 Ms. Shruti Jain
 Mr. Arpit Jain
 Ms. Swati Jain
 Ashok Jain HUF
 Sunil Jain HUF
 Mr. Kamal Kumar Jain
 Mrs. Meena Jain
 Mrs. Shanta Jain
 S.N. Gandhi & Co.

(` in Lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Total
Interest Received			
Salary & Incentive*	118.72	5.57	124.29
	<i>92.81</i>	<i>4.80</i>	<i>97.61</i>
Rent	Nil	19.70	19.70
	<i>Nil</i>	<i>16.20</i>	<i>16.20</i>
Legal & Professional*	Nil	12.80	12.80
	<i>Nil</i>	<i>4.19</i>	<i>4.19</i>
Sitting Fees	1.70	Nil	1.70
	<i>1.40</i>	<i>Nil</i>	<i>1.40</i>
Assets			
Deposits	Nil	21.75	21.75
	<i>Nil</i>	<i>11.75</i>	<i>11.75</i>

Figures in Italics represent previous year figures

* Figures reported for the previous year in respect of Mrs. Anita S. Gandhi are after 01.02.10, the date on which she was appointed as Whole time Director.



14. Under the Micro, Small and Medium Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium (SME). The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the management, the amounts due to the suppliers are paid within the mutually agreed credit period and therefore, there will not be any interest that may be payable in accordance with the provisions of this Act.
15. Figures for the previous year have been regrouped wherever necessary to conform to current year's classifications.

For Arora Banthia & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2011

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary



ARIHANT capital markets Ltd.

Regd. Off.: E/5, Ratlam Kothi, Indore (MP)

PROXY FORM

D.P. ID*			Regd. Folio No.	
Client ID*			No. of Shares	

I/We of being member(s) of Arihant Capital Markets Limited hereby appoint of or failing him/her of as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Hotel President, RNT Marg, Indore (MP) on 15th Day of September, 2011 or at any adjournment thereof.

AS WITNESS my/our hand(s) this Day of 2011.

Affix Rs.1.00
Revenue
Stamp

Signature of Proxy / Authorised Representative

Signature of Share Holder

- Note:** 1. The proxy in order to be effective should be duly stamped, completed and deposited at the Registered Office of the Company not less than 48 hours before the meeting. The proxy need not be a member of the Company.
2. Members holding shares in more than one folio may use photocopy of this Proxy Form for other folio. The company shall provide additional proxy form on request.



ARIHANT capital markets Ltd.

Regd. Off.: E/5, Ratlam Kothi, Indore (MP)

ATTENDANCE SLIP

Annual General Meeting on 15th Day of September, 2011.

D.P. ID*			Regd. Folio No.	
Client ID*			No. of Shares	

Please complete this sheet and hand it over at the entrance of Meeting Hall.

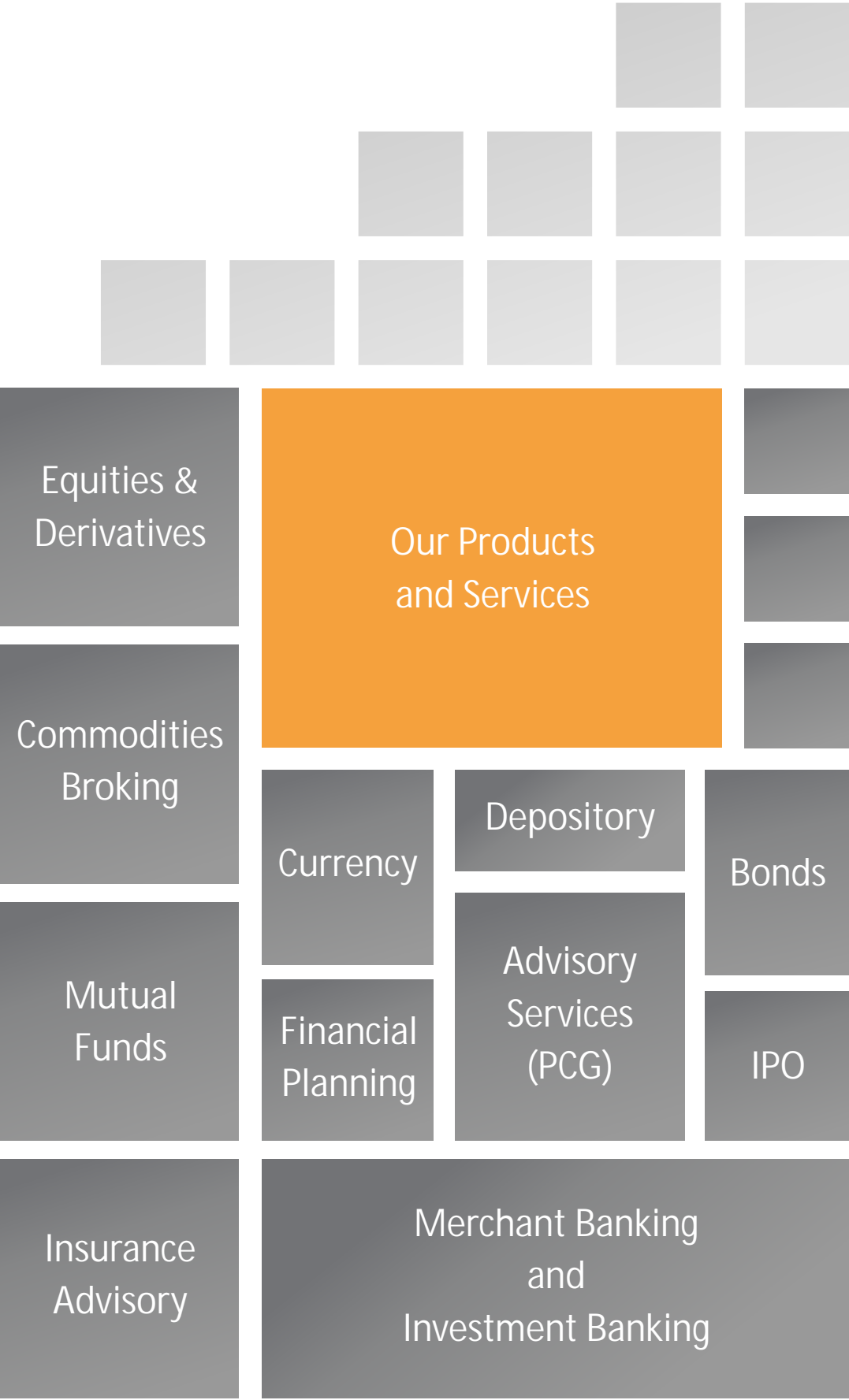
I hereby record my/or presence at the Annual General Meeting of the company being held at Hotel President, RNT Marg, Indore (MP) on 15th Day of September 2011.

Name & Address of Shareholder: _____

Name of shareholder's Representative/Proxy: _____

Signature of Shareholder or Shareholder's Representative/Proxy _____

*Applicable for shares held in electronic/demat form





ARIHANT capital markets Ltd.

Generating Wealth. Satisfying Investors.

CONTACTUS

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