



ARIHANT capital markets Ltd.
Generating Wealth. Satisfying Investors.



Creating a better **investment firm**

Annual Report 2011-2012

Staying committed

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



Award Ceremony and Dinner

November 10, 2011 Hong Kong

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Arihant Capital Markets Ltd



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



Chairman's Message

Dear Shareholders

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

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

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

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

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

- Ashok Kumar Jain

Company Information

BOARD OF DIRECTORS

Mr. Ashok Kumar Jain

(Chairman and Managing Director)

Mrs. Anita Surendra Gandhi

(Whole-time Director)

Mr. Sunil Kumar Jain

Mr. Akhilesh Rathi

Mr. Rakesh Jain

Mr. Pankaj Kumar Gupta

Mr. Paragbhai Rameshbhai Shah

COMPANY SECRETARY

Mr. Mahesh Pancholi

AUDITORS

M/s Arora, Banthia & Tulsiyan

Chartered Accountants

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

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

REGISTERED OFFICE

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

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

CORPORATE OFFICE

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

Vile Parle (E) Mumbai - 400057

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

ADMINISTRATIVE OFFICE

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

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

DEPOSITORY DIVISION

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

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

REGISTRAR & TRANSFER AGENT

Ankit Consultancy Private Limited

Plot No. 60, Electronic Complex,

Pardeshipura, Indore – 452 010 (M.P.)

Tel: +91-731-2551745

Fax: +91-731-4065798

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Notice

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

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2012, the statement of Profit & Loss Account of the Company for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the year ended 31st March, 2012.
3. To appoint a director in place of Mr. Rakesh Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Pankaj Kumar Gupta, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT M/s Arora, Banthia & Tulsiyan, Chartered Accountants (registration no. 007028C), be and are hereby re-appointed as auditors of the Company from the conclusion of this AGM until the conclusion of the next AGM of the Company on such remuneration as shall be fixed by the Board of Directors exclusive of travelling and other out of pocket expenses.”

SPECIAL BUSINESS

6. To re-appoint Mr. Ashok Kumar Jain as the Managing Director and in this regard to consider, and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution:

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

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

RESOLVED FURTHER THAT Mr. Ashok Kumar Jain shall not be subject to retirement by rotation as per Article 147 of the Articles of Association of the company during his tenure as Chairman and Managing Director.”

By the order of the Board of Directors

Dated : 30th May, 2012

Place : Indore

Sd/-
Mahesh Pancholi
Company Secretary

IMPORTANT COMMUNICATION TO MEMBERS

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



Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy, however in order to be effective, should be deposited at the registered office of the Company not less than 48 hours before the meeting.
2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of item no. 6 of the notice as set out above, is annexed hereto.
3. The register of members and share transfer books of the Company will remain closed from Saturday, 7th July 2012 to Saturday, 14th July 2012 (both days inclusive) in connection with the AGM and for the purpose of payment of dividend, if approved by the members.
4. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 19th July 2012 to those members:
 - a) whose names appear as beneficial owners as at the close of business on 6th July 2012 as per the list to be furnished by Depositories in respect of shares held in electronic form; and
 - b) whose names appear as members in register of the members of the Company after giving effect of valid transfer in physical form, which are lodged with company/registrar and share transfer agent on or before 6th July 2012 as per the list to be furnished by registrar in respect of shares held in physical form.
5. In all correspondence with the company members are requested to quote their folio number and in case shares are held in electronic form, they should quote Client ID and DP ID Number.
6. The register of Directors' shareholding maintained under section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
7. Members who hold shares in dematerialized form are requested to inform their Client ID and DP ID number for easier identification for attendance at the meeting.
8. Shareholders who are still holding physical share certificate(s) are advised to dematerialise their shareholding to avail benefit of dematerialisation.
9. Members desiring to have any information on accounts are requested to write to the Company at least 10 days in advance before the date of the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting. The shareholders are requested to write to the company secretary or to the registrar and share transfer agent, M/s Ankit Consultancy Private Limited regarding transfer of shares and for resolving grievances, if any.
10. Members are requested to notify any changes in their address/bank mandate to their respective depository participants (DPs) in respect of their electronic share accounts and to the registrar and share transfer agent of the Company at Ankit Consultancy Pvt. Ltd., Plot No. 60, Electronic Complex, Pardeshipura, Indore-452010, M.P. in respect of their physical shares folio.
11. Members, who are holding physical shares in more than one folio, are requested to intimate to the Company/registrar and share transfer agent the details of all their folio numbers for consolidation into single folio.
12. Members/Proxies are requested to bring their copy of annual report to the meeting with the attendance slip, duly filled in, for attending the meeting.
13. Corporate members intending to send their authorized representatives to attend the AGM are advised to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the meeting.
14. Pursuant to the requirements on corporate governance under Clause 49 of listing agreements entered into with stock exchanges, the information about directors proposed to be appointed/re-appointed is given in the annexure to the notice.
15. Dividend for the financial year ended 31st March 2005, which remains unclaimed or unpaid, will be due for transfer to the Investor Education and Protection Fund of the Central Government, pursuant to the provision of section 205C of the Companies Act, 1956, on 30th September 2012. Members, who have not yet encashed their dividend warrants for the financial year ended 31st March 2005 or any subsequent financial years are requested to lodge their claims with the Company/ Ankit Consultancy Pvt. Ltd., without delay. Members are advised that no claims shall lie against the said fund or against the Company for the amounts of dividend so transferred to the said fund.
16. All documents referred to in the notice and explanatory statement will be available for inspection by the members at the registered office of the Company between 10:00 a.m. and 5:00 p.m. on all working days from the date hereof up to the date



of meeting.

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

Annexure to Notice

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

Item No. 6

Mr. Ashok Kumar Jain is one of the promoters and founder of the Company. It is under his vision that the Company has achieved the current levels. Considering the overall performance and growth of the company under his dynamic leadership and based on the recommendation of the remuneration committee, the board of directors has approved the re-appointment of Mr. Ashok Kumar Jain as Managing Director of the Company for a further period of three years with effect from 1st August 2012, subject to the approval of the shareholders in a AGM. The terms of appointment, including remuneration, have also been approved by the remuneration committee of the Company. The material terms and conditions of the agreement are as follows:

1. The Managing Director shall, subject to the supervision and control of the Board of Directors; carry out such duties as may be entrusted to him by the Directors and shall exercise such powers as are delegated to him by the Board of Directors.
2. Period of Agreement: Three years from August 1, 2012 to July 31, 2015.
3. **Remuneration :**
 - a) Basic Salary:
Minimum ₹ 2 lacs per month,
Maximum of ₹ 4 lacs per month,
as may be decided by the Board from time to time.
 - b) Managerial Remuneration shall not include:
 - i. Contribution to Provident Fund/Superannuation or Annuity Fund
 - ii. Gratuity payable
 - iii. Leave encashment
4. Commission: He shall be paid commission on the net profit (subject to a maximum of 5%) as may be determined by the Board or Committee thereof from time to time, subject to maximum remuneration permissible in terms of Section 309 of The Companies Act, 1956, or Schedule XIII thereto as may be applicable.
5. Other terms and conditions, including perquisites: As laid down in the agreement.
6. Minimum remuneration: In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, the payment of salary, perquisites and other allowances shall be restricted to the amount as the Board may decide subject to a maximum amount as defined in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956 as minimum remuneration.
7. The Managing Director shall be entitled to reimbursement of all actual expenses or charges including travel, entertainment or other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects.
8. The terms and conditions of the said appointment may be altered, enhanced or varied from time to time by the Board as it may, in its discretion, deem fit.
9. The aforesaid appointments are subject to termination with 3 months notice from either side.



10. For the purposes of calculating the value of perquisites, the same shall be evaluated as per Income Tax Rules, 1962, wherever applicable or at actual cost.
11. The Managing Director shall not be entitled to receive any fees for attending meetings of the Board/Committee.

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

By the order of the Board of Directors

Dated : 30th May, 2012

Place : Indore

Sd/-
Mahesh Pancholi
Company Secretary

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

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

*Chairman of the Committee



Directors' Report

Dear Shareholders

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

FINANCIAL HIGHLIGHTS

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

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

Review Of Operations

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

Dividend

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

Transfer To General Reserves

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

Public Deposits

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

Subsidiaries

Your Company has five subsidiaries:



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

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

Directors

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

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

Transfer Of Amounts To Investor Education And Protection Fund

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

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

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

Particulars Of Employees

Particulars of employees as required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of employees) Rules, 1975 is as under:

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

DIRECTOR'S RESPONSIBILITY STATEMENT

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

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

AUDITORS AND AUDITORS REPORT

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



The notes to the accounts referred to in the Auditor's 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 (SEBI).

A Certificate from practicing Company Secretary confirming compliance of 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 on the BSE Ltd, Mumbai. The annual listing fee for the year 2012-13 has been paid to BSE Ltd., Mumbai.

ACKNOWLEDGEMENT

Your directors take this opportunity to thank the customers, shareholders, financial institutions, stock exchanges, SEBI, Reserve Bank of India, National Securities Depository Limited, Central Depository Services 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 authorized persons for their hard work, support and commitment. Their dedication and competence has made these results achievable.

For and on behalf of the Board of Directors

Dated : 30th May, 2012

Place : Mumbai

Ashok Kumar Jain
(Chairman)



Management Discussion and Analysis Report

FY2011-12: A Glance and Outlook

Financial year 2012 has been challenging for the Indian economy in the midst of global uncertainty and a host of domestic issues that hampered the growth of the Indian economy and dampened investor sentiments. After two years of a fairly robust growth of over 8%, India's GDP growth is estimated at 6.9% for FY12 by the Central Statistical Organisation, Government of India.

In FY12, the key benchmark indices Sensex and Nifty lost 10.5% (closing at 17404) and 9.23% (closing at 5295), respectively. Challenging macro-economic conditions and the continuing uncertainties in the international financial markets, owing to sovereign risk concerns in the Euro zone, weighed on the sentiments. The dark clouds of high and persisting inflation, resultant high interest rates, high fiscal deficit and delay in government policy implementation lingered over the Indian economy that led to a slowdown in the economy and increased risk aversion of the investors who preferred to stay away from equities for most part of the year.

High and persisting inflation is perceived as a risk to sustaining the country's growth and India's inflation stayed above the acceptable levels for most part of the financial year. The persistent inflation tied the hands of the Reserve Bank of India, who could not cut the interest rates and in fact had to continue with their monetary tightening fervour during the year to tame inflation. RBI cumulatively hiked repo rate by 375 basis points from 4.75% to 8.50% between March 2010 and January 2012, which resulted in tight liquidity, slowing down of investment and growth and consequently would bring down the GDP growth rate.

Since corporate earnings are sensitive to GDP growth, this will reflect in earnings estimates of companies going forward in the short-medium term. The 2004-2008 Bull Run was supported by very different dynamics and as a result India also benefitted due to low inflation, a strong fiscal situation and high profitability. The Indian economy saw its GDP growing at 9% and the Indian corporate sector enjoyed very high growth rates making India one of the fastest growing economies of the world. This made India an attractive destination for foreign funds inflow that further boosted our economy. However, things are very different now. The western countries are gripped with their own troubles and the current sovereign default risk in the Euro zone has changed things. The GDP growth rate of India is also estimated to fall considerably for FY2012, as a result corporate profit growth will also take a hit. Globally, demand has started falling after the end of the stimulus after the 2008 crisis. India is afflicted with high inflation, rupee depreciation and delay in policy implementation.

The global scenario would not see any immediate improvement and continues to remain an area of concern, although conditions have bettered since the beginning of last financial year. However we believe that the probability of upside from here is more than a downside, since we have already seen the worst. A boost in credit growth rate is imperative for situation to improvise in Indian context. Although the inflation levels continue to remain higher than RBI's comfort levels, some moderation was seen in the WPI index rate, which stood at 6.89%, for the year ending 31st March 2012. If not sooner maybe in mid or later part of the FY2013 RBI may cut policy interest rates to support growth. All these factors have made domestic and foreign investors cautious about considering India as a preferred investment destination.

Going forward into FY2013, a major turnaround in the current scenario is not likely to happen immediately unless the government proactively takes constructive steps to boost growth and implements it without any political backfire, inflation cools considerably and there is no major risk in the Euro zone. However we believe that the downside, if any, from here is limited and our economy should see a positive growth momentum in most part of FY13, which would immediately reflect in the performance on Indian equities. However, it will take some time to repose the faith of investors after the strong and consistent gyrations they have witnessed that resulted in increased risk aversion and acute drop in their participation in equities.

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 ten thousand and 660 investor centres pan-India, we offer equity, commodity and currency broking services, merchant banking services, distribution of financial products, financial planning, and depository services to our clients.

We serve a wide variety of clients categorised as follows - authorised persons, 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 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 working in the interest of the investor, 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.



Management Discussion and Analysis Report

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:

▪ Equities and Derivatives Broking	▪ Financial Planning
▪ Online Services - Ari-trade offers online trading, online IPO and online mutual funds	▪ Priority Client Group
▪ Commodities Broking	▪ Mutual Fund Investment and Advisor
▪ Currency Derivatives Broking	▪ IPO
▪ Merchant Banking	▪ Bonds
	▪ Funding through NBFC

Review of Operations

On a consolidated basis, the Company earned a total revenue of ₹69.40 crore with a net profit of ₹4.17 crore during the FY2012. The reported net profit of the company declined 59.83%, mainly due to fall in equity broking revenue this year owing to decline in cash volumes in the market and very low retail participation in equities.

Your Company's consolidated performance during the financial year 2011-2012 is as follows:

(₹ in Lacs)

Year ended	March 31, 2012	March 31, 2011
Income from operations	6,448.94	6,089.92
Other Income	491.81	348.22
Total Income	6,940.75	6,438.14
Total Expenditure	6,327.91	4,933.85
Profit before Tax	612.84	1,504.29
Tax on Profit	195.08	464.52
Net Profit for the period	417.52	1,039.51
Earnings Per Share (Rs)	2.01	4.49*

*During the financial year 2010-11 company has sub-divided share from ₹ 10/- to ₹ 5/- each and the bonus in the ratio of 3:5 post subdivision.

In uncertain times, it is very important to curtail your expenses - every penny saved is every penny earned. Going by this philosophy, your Company continued to maintain a cautious stance on the expenditure. The following table outlines company's expenditure:

(₹ in Lacs)

Year ended	March 31, 2012	March 31, 2011
Commission and Brokerage	1839.55	2121.56
Employees Cost	945.88	1180.01
Depreciation	149.43	124.67
Administrative & Other Expenditure	1400.20	1462.94
TOTAL EXPENDITURE	4335.06	4889.18



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 FY2013 should fare better with minimal downside risk from these levels.

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. Events like the European debt crisis would have some impact on our economy, if not major, as India is not completely decoupled with the world. However, focus on expanding our market share, distribution of financial products, improvising our services, working on investment advisory modules and venturing into new business areas would help us in offsetting the said volatility.

Awards and Recognitions

It brings us immense pleasure to inform you that your Company received global recognition by the esteemed Forbes Brand. Arihant was listed in Forbes Asia's '200 Best under a \$Dollar' company list in the Asia-Pacific region. Arihant was the only company from securities broking space from India and was one of the esteemed 35 Indian companies that appeared in this list.

We owe this achievement to the continued patronage extended by our clients, business associates and employees and your trust in us.

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 risk factors that can be specifically identified with our business operations are outlined below:

- 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.
- 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 receive trade orders and process them through a variety of electronic channels. Even after making substantial investments in upgrading the reliability and scalability of our systems, they are vulnerable to the damage or interruption from human errors, natural disasters, power loss, computer viruses, spurious spam attacks, etc. Further, system failures and delays could occur and, inter-alia, could cause unanticipated disruptions in service to our clients, slower system response time resulting in either non-processing of transactions in time or not as quickly as our clients desire. This would lead to decreased level of client service and could materially affect the level of client satisfaction.
- 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 the profitability of our operations.
- Substantial competition could reduce our market share: India has become one of the most attractive investment destinations in the world. Many foreign players have entered in the Indian financial services market and would continue to do so. There has been substantial price competition in the industry, including various free trade offers and a declining trend in the brokerage charges to the clients. We expect this competitive environment to continue in the future and this could affect our results of operations.



*Mr. Ashok Kumar Jain
Chairman and Managing Director
receiving Forbes award in Hong Kong*



- 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 authority could affect our business: The financial services industry is subject to extensive regulations covering all aspects of the business. SEBI, National Stock Exchange (NSE), the Bombay Stock Exchange of Mumbai (BSE), Central Government, State Government and other regulatory bodies can, among other things, impose fine, penalties, suspend our business or exercise other such powers in their jurisdiction, which could potentially harm our business operations.

Human Resources

Arihant's success is dependent on our ability to attract, retain and motivate highly talented human capital including sales and 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 is continuously invests in the development of its human resources through a series of employee friendly measures aimed at talent acquisition, development, motivation and retention.

Your Company continued to emphasise on improving and upgrading the skills of its employee and conducted several training programs in lieu of this. The HR department has been mandated to continuously monitor and identify the training needs for employees and thereafter, they conduct regular training sessions to enrich the skill set of its existing workforce and keep them updated with the new developments.

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 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. The Company is governed by the SEBI's stock brokers and sub-brokers rules, regulations, bye laws and circulars issued there under, SEBI Merchant Banker Regulations-1992, and Association of Mutual Funds of India's regulations for mutual fund distribution. Our depository division is compliant with NSDL and CDSL requirements and is governed by the SEBI. Our subsidiary, Arihant Financial Services Ltd, is a Non-Banking Financial Corporation (NBFC) registered by the Reserve Bank of India and Arihant Futures and Commodities Ltd, commodities broking subsidiary, is governed by Forwards Contract Regulation Act, 1952 and Forward Market Commission.

In an endeavour to continue to provide quality services and establish a strong internal control system within the organization your Company continues to follow the ISO 9001:2008 standards.



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, FMC, 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.

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 and shareholders.

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, political uncertainty 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-line. 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 she/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.

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

Corporate governance is about commitment to values and ethical business conduct. 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 and complies with the requirement of the corporate governance in terms of Clause 49 of the listing agreement.

2. Board of Directors

a) Size and composition of the Board

The Company has the policy to have an appropriate mix of executive and independent directors to maintain the independence of the Board. Currently the Board consists of 7 members, two of whom are executive or whole-time directors, four are independent directors and one is non-executive director. The Board believes that the current size is appropriate, based on our present circumstances. The composition of the board 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 31st March 2012 is 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	1	Nil	Nil
Mr. Akhilesh Rathi	Non-executive Independent	4	Nil	Nil
Mr. Pankaj Kumar Gupta	Non- executive Independent	1	Nil	1
Mr. Paragbhai Rameshbhai Shah	Non- executive Independent	Nil	Nil	Nil
Mr. Rakesh Jain	Non-executive Independent	1	Nil	Nil

*Founder member of the board

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

- Other than Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain who are related as brothers, none of the directors are related to one another.
- 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

Four board meetings were held during the year ended 31st March 2012. These were held on 30th May 2011, 6th August 2011, 5th November 2011 and 4th February 2012.

The details of director attendance at board meetings held during financial year 2011-12 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	3	Yes
Mr. Akhilesh Rath	4	3	No
Mr. Rakesh Jain	4	2	No
Mrs. Anita Surendra Gandhi	4	4	No
Mr. Pankaj Kumar Gupta	4	2	No
Mr. Paragbhai Rameshbhai Shah	4	4	No

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.

Committees of the Board

Your Company has three major Board level Committees:

- Audit Committee
- Shareholders' /investors' Grievance Committee
- Remuneration/Compensation Committees

Audit committee

The Audit Committee of Arihant consists of three members, viz., Mr. Akhilesh Rath, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. The chairman of the committee is Mr. Akhilesh Rath and Mr. Mahesh Pancholi acts as the secretary to the committee. All the members of the committee have requisite 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 meetings were attended by the members of the committee as detailed below:

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

Shareholders' grievance committee

The shareholders' grievance committee comprising of four members, viz. Mr. Akhilesh Rath, Mr. Ashok Kumar Jain Mr. Sunil Kumar Jain and Mr. Rakesh Jain, looks into redressal of shareholder/investor complaints like non-transfer of shares, non-receipt of balance-sheet, non-receipt of dividend, etc. Mr. Akhilesh Rath 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 and also recommends measures for overall improvement of the quality of investor services.

During the financial year 2011-2012, the committee held 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 determines and recommends to the Board the compensation payable to the directors. The remuneration committee consists of three non-executive directors as members, viz., Mr. Akhilesh Rath, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. Mr. Mahesh Pancholi acts as the secretary and Mr. Akhilesh Rath is the chairman of the committee. One meeting of the committee was held during the financial year 2011-2012.

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/her 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 and 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	0.43	0.00	36.43
Mrs. Anita S. Gandhi	29.57	0.00	0.00	29.57

Shares held by Non-executive Directors and Sitting Fees

Name of the Directors	No. of Equity Share	Sitting Fees
Mr. Sunil Kumar Jain	16,06,656	₹ 40,000
Mr. Akhilesh Rathi	NIL	₹ 30,000
Mr. Rakesh Jain	NIL	₹ 40,000
Mr. Pankaj Kumar Gupta	NIL	₹ 20,000
Mr. Parag Rameshbhai Shah	29,000	₹ 40,000

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 the Company 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 adopted a 'code of conduct' for Prevention of Insider Trading ("the code") in accordance with the requirements of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with effect from October 1, 2002.

General body meetings

Details of the Annual General Meetings held in the last three years are as under:

Financial Year	Venue	Date	Time
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.
2010-2011	Hotel President, R.N.T. Marg, Indore (MP)	15/09/2011	4.00 P.M.

Postal ballot

No special resolution was passed through Postal Ballot during the Financial Year 2011-12. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot. 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 had appointed Mr. Rajesh Lohia of Indore as scrutinizer for conducting the postal ballot voting. Based on the report submitted by the 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

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.

CEO / CFO certification

As required under Clause 49 V of the Listing Agreement with the BSE, Mr. Ashok Kumar Jain, Chief Executive Officer of the Company has certified to the Board regarding the financial statements for the financial year ended 31st March 2012.

Code of conduct for directors and senior management

In compliance with Clause 49 of the Listing Agreement, the Company has adopted a Code of Conduct and Ethics. The Code is applicable to all board members and senior management personnel one level below the executive directors including all functional heads. The code of conduct is available on the website of the Company www.arihantcapital.com.

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.

Communication to the shareholders

The quarterly/ half yearly / annual results and official news releases of the Company are published in accordance with the Stock Exchange Listing Agreement in newspapers viz. "Free Press" (English), "Choutha Sansar" (Hindi). In addition to this the annual report is also sent to all the shareholders. Quarterly and annual financial statements, along with shareholding pattern are also posted on our website www.arihantcapital.com under the caption "Investor Relations" in the Section - 'About us'.

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 to shareholders at their e-mail address previously registered with the depository participants (DPs)/company/registrar and share transfer agents.

Shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses to help us in the endeavour to save trees and protect the planet. Those holding shares in demat form can register their e-mail address with their concerned DP. Those 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.

**General Shareholder's Information**

1	Venue of Annual General Meeting (AGM)	Hotel President, R.N.T. Marg, Indore-452001 (M.P.)
2	Time and Date of AGM	12:30 P.M., July 14, 2012
3	Date(s) of Book Closure	07.07.2012 to 14.07.2012
4	Financial Calendar	
	Financial Results for -	(tentative)
	Quarter ending June 30, 2012	Second week of August, 2012
	Quarter ending September 30, 2012	Second week of November, 2012
	Quarter ending December 31, 2012	Second week of February, 2013
	Year ending March 31, 2013.	Last week of May, 2013,
5	Dividend Payment Date	On or after July 19, 2012
6	Listing of Equity Shares on The Stock Exchange at	The BSE Limited, Mumbai
7	CIN No.	L67120MP1992PLC007182
8	Stock Code	511605
9	Depository ISIN No. for Equity Shares	INE420B01028
10	Stock Market Data:	

Monthly high and low stock price along with volumes of equity shares traded on BSE for the FY2011-12 is given below:

Month	High (₹)	Low (₹)	Volume
April 2011	37.85	31.65	26,45,009
May 2011	33.55	29.30	30,81,428
June 2011	35.00	26.50	10,54,793
July 2011	34.90	27.65	19,66,092
August 2011	32.00	21.00	10,14,132
September 2011	33.00	21.55	14,70,751
October 2011	28.70	23.75	9,18,142
November 2011	31.20	20.00	8,65,487
December 2011	24.75	18.45	9,48,038
January 2012	27.30	20.00	77,94,037
February 2012	27.50	20.65	11,10,836
March 2012	27.35	18.50	10,45,891

**11. Distribution Schedule as on March 31, 2012**

SHARE HOLDING OF NOMINAL VALUE OF ₹ (1)	₹ (2)	SHARE HOLDERS NUMBER (3)	% OF TOTAL HOLDERS (4)	SHARE AMOUNT IN ₹ (5)	% OF TOTAL EQUITY (6)
UPTO	1000	1365	36.84	584745	0.56
1001	2000	589	15.90	917110	0.88
2001	3000	169	4.56	424045	0.41
3001	4000	869	23.45	2803200	2.69
4001	5000	247	6.67	1188115	1.14
5001	10000	230	6.21	1731370	1.66
10001	20000	110	2.97	1617930	1.55
20001	30000	31	0.84	778295	0.75
30001	40000	18	0.49	629045	0.60
40001	50000	12	0.32	540125	0.52
50001	100000	28	0.76	2033290	1.95
100000	ABOVE	37	1.00	90865530	87.28
Total		3705	100.00	104112800	100.00

12 **Dematerialisation of Shares** About 96.63 per cent of the Company's paid up Equity Share Capital has been dematerialized up to March 31, 2012

13 **Demated at NSDL & CDSL** **20121656**
Physical **700904**

14 Shareholding Pattern as on March 31, 2012 :

Category	No. of Shares Held	% of Shareholding
Promoters & Promoters Group	15421052	74.06
Mutual Funds & Institutional Investors	NIL	NIL
Corporate Bodies	739801	3.55
Indian Public	4582350	22.01
NRI / OBC	79357	0.38
TOTAL	20822560	100.00

15 Share Transfer System & Dematerialization

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.

**16 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. +91-731-2551745-46, F. +91-731-4065798

For shares Held in Demat Form**B Any other matters and unsolved complaints**

To the Depository Participant
Company Secretary
E-5 Ratlam Kothi, Indore - 452001, (M.P.)

Notes:

- I. Annual listing fee for the year 2012-13 has been paid to the BSE Limited, Mumbai.
- II. Distribution schedule & shareholding pattern as on March 31, 2012.
- III. The unclaimed dividend for a period of seven years is compulsorily deposited in Investor Education and Protection Fund (IEPF) Account in accordance with Section 205C of the Companies Act, 1956 administered by the Central Government which cannot be claimed by the Shareholders/Investors.

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, 2012.

For Arihant Capital Markets Ltd

Dated : 30th May, 2012

Place : Mumbai

Ashok Kumar Jain
(Chairman & Managing Director)



CERTIFICATE ON COMPLIANCE WITH CORPORATE GOVERNANCE

To
The Members
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 31st March 2012, 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, 2012



Auditors' Report

To,
THE MEMBERS
ARIHANT CAPITAL MARKETS LIMITED

1. We have audited the attached Balance Sheet of ARIHANT CAPITAL MARKETS LIMITED as at 31st March 2012 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.
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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. 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 2012 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 2012;
 - (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 & Tulsiyan
Chartered Accountants
Firm No. : 007028C

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012



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, 2012

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. (a) The securities held as stock in trade have been verified by the Management with the statement of holdings provided by depository participants and brokers at reasonable intervals. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of confirmation of securities held as stock in trade followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the records of the Company relating to securities held as stock in trade, in our opinion, the Company has maintained proper records of stock in trade and no material discrepancies between the book records and the statement of holdings provided by NSDL, other depository participants and brokers have been noticed.
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 ₹1761.00 Lacs and the closing balance is Nil.
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 ₹908.00 Lacs and the closing balance was ₹550.00Lacs.
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 thereunder.
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) 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.
 - c) 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:
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, 2012

**Balance Sheet as at 31st March, 2012**

Particulars	Note No.	31 st March, 2012 ₹	31 st March, 2011 ₹
EQUITY & LIABILITIES			
Shareholders' fund			
Share Capital	2	10,41,12,800	10,41,12,800
Reserves and Surplus	3	40,45,39,249	39,72,63,782
		50,86,52,049	50,13,76,582
Non-Current Liabilities			
Deferred Tax Liabilities (net)	4	79,56,346	89,98,160
		79,56,346	89,98,160
Current Liabilities			
Short-Term Borrowings	5	10,83,62,253	0
Trade Payables	6	19,11,99,266	23,89,62,436
Other Current Liabilities	7	16,21,49,497	12,71,59,270
Short-Term Provisions	8	1,21,00,250	1,81,50,376
		47,38,11,266	38,42,72,082
TOTAL		99,04,19,662	89,46,46,824
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	9	9,97,50,082	5,29,34,752
Intangible Assets	9	1,65,52,904	1,64,07,667
Non-Current Investments	10	7,70,41,480	7,68,57,280
Other Non-Current Assets	11	2,00,75,000	2,05,75,000
		21,34,19,466	16,67,74,699
Current Assets			
Current Investments	12	12,70,62,695	6,87,32,625
Inventories	13	6,81,84,157	0
Trade Receivables	14	23,30,02,968	22,73,11,417
Cash and Cash Equivalents	15	31,30,46,645	26,55,65,363
Short-Term Loans and Advances	16	0	6,90,00,000
Other Current Assets	17	3,57,03,731	9,72,62,721
		77,70,00,196	72,78,72,125
TOTAL		99,04,19,662	89,46,46,824
Significant Accounting Policies and Notes on Financial Statements	1 to 34		

As per report of our even date.

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary

Statement of profit and loss for the year ended 31st March 2012

	Note No.	31 st March, 2012 ₹	31 st March, 2011 ₹
Income			
I Revenue from Operations	18	33,80,22,354	51,82,56,558
II Other income	19	2,94,76,540	2,11,95,778
III Total Revenue (I+II)		36,74,98,894	53,94,52,337
IV Expenses			
Employee benefits expense	20	8,65,77,609	11,19,87,449
Finance costs	21	58,20,236	37,48,278
Other expenses	22	23,24,03,350	29,79,53,123
Net depreciation and amortization expense	9	1,40,48,182	1,16,24,383
Total (II)		33,88,49,377	42,53,13,233
V Profit Before Exceptional and Extraordinary Items and Tax (III-IV)		2,86,49,517	11,41,39,104
VI Exceptional items		0	-
VII Profit Before Extraordinary Items and Tax (V-VI)		2,86,49,517	11,41,39,104
VIII Extraordinary Items		0	-
IX Profit Before Tax (VII-VIII)		2,86,49,517	11,41,39,104
X Tax expenses			
Current tax		1,03,15,614	3,34,74,452
Deferred tax		-10,41,814	15,27,005
Total tax expense		92,73,800	3,50,01,457
XI Profit/(loss) for the year		1,93,75,717	7,91,37,647
XII Earnings per Share	24		
Equity Shares of ₹5 each			
Basic		0.93	3.80
Diluted		0.93	3.80
Significant Accounting Policies and Notes on Financial Statements	1 to 34		

As per report of our even date.

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

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, 2012**

	31 st March, 2012 ₹	31 st March, 2011 ₹
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	2,86,49,517	11,41,39,104
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	2,48,380	10,865
Depreciation / amortisation	1,40,48,182	1,16,24,383
Dividend income	-26,32,348	-3,77,034
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,03,13,730	12,53,97,318
Adjustments for changes in working capital :		
- Trade and other receivables	-56,91,551	21,00,56,442
- Inventories	-6,81,84,157	0
- Loans & advances	13,25,39,245	-13,50,99,521
- Trade and other payables	-1,27,72,944	-8,98,76,774
Cash generated from operation	8,62,04,325	11,04,77,466
- Taxes paid (net)	-1,17,95,869	-2,70,73,191
NET CASH FROM OPERATING ACTIVITY (A)	7,44,08,455	8,34,04,275
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sales of fixed assets	-6,12,57,129	-1,14,27,472
(Purchase) / Sales of investments	-5,85,14,271	-5,63,58,253
Dividend received	26,32,348	3,77,034
NET CASH USED IN INVESTING ACTIVITIES(B)	-11,71,39,051	-6,74,08,692
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-1,56,16,920	-1,30,14,100
Dividend distribution tax paid	-25,33,455	-21,61,479
Increase/ (Decrease) in secured loans	5,33,62,253	-3,50,11,932
Increase/ (Decrease) in unsecured loans	5,50,00,000	-70,00,000
NET CASH USED IN FINANCING ACTIVITIES (C)	9,02,11,878	-5,71,87,511
Net increase in cash and cash equivalents (A+B+C)	4,74,81,283	-4,11,91,927
Cash and cash equivalents at the beginning of the year	26,55,65,362	30,67,57,290
Cash and cash equivalents at the end of the year	31,30,46,645	26,55,65,362
Cash and cash equivalents comprise of		
Cash and cheques in hand	1,41,354	4,33,679
Balances with scheduled banks	31,29,05,291	26,51,31,684
Total	31,30,46,645	26,55,65,362
Significant Accounting Policies and Notes on Financial Statements	1 to 34	

As per report of our even date

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary



Notes forming part of Financial Statements

NOTE 1: STATEMENT ON 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.

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 current investments and non-current investments. Investments which are intended to be held for more than one year are classified as non-current 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 actuarial assumptions.
- 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.



Notes forming part of Financial Statements

	31 st March, 2012 ₹	31 st March, 2011 ₹
2. Share Capital		
Authorised		
2,50,00,000 (2,50,00,000) equity share of ₹5/- each	12,50,00,000	12,50,00,000
Issued, Subscribed & Paid up		
2,08,22,560 (2,08,22,560) equity share of ₹5/- each #	10,41,12,800	10,41,12,800
Total	10,41,12,800	10,41,12,800
#78,08,460(78,08,460)shares out of the issued, subscribed and paid up share capital were allotted as bonus shares in last five years by capitalisation of General Reserves.		
a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period		
<u>Equity Shares of face value ₹10/-</u>		
Share outstanding at the beginning of the period	0	65,07,050
Less: Shares extinguished due to split into face value ₹5/-	0	65,07,050
	0	0
<u>Equity Shares of face value ₹5/-</u>		
Share outstanding at the beginning of the period	2,08,22,560	0
Add : Shares issued due to split	0	1,30,14,100
Add : Bonus Share issued	0	78,08,460
Share outstanding at the end of period	2,08,22,560	2,08,22,560
b. List of the Shareholders holding more than 5% of the total number of shares issued by the company		
Name of the shareholders		
Ashok Kumar Jain	60,63,040 (29.12%)	60,63,040 (29.12%)
Kiran Jain	47,28,320 (22.71%)	47,28,320 (22.71%)
Sunil Kumar Jain	16,06,656 (7.72%)	16,06,656 (7.72%)
Arpit Jain	11,47,840 (5.51%)	11,47,840 (5.51%)
3. Reserve and Surplus		
General Reserve		
Balance as per the last financial statements	39,37,70,709	36,28,13,009
Add: Transfer from Profit & Loss	40,00,000	7,00,00,000
Less: On issue of shares	0	3,90,42,300
Closing Balance	39,77,70,709	39,37,70,709
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	34,93,073	1,25,05,801
Profit for the year	1,93,75,717	7,91,37,647
Less: Appropriations		
Proposed dividend on equity shares	1,04,11,280	1,56,16,920
[Dividend per share ₹0.50/- (Previous year ₹0.75/-)]		
Tax on proposed equity dividend	16,88,970	25,33,455
Transfer to general reserve	40,00,000	7,00,00,000
Net surplus in the statement of Profit and Loss	67,68,540	34,93,073
Total	40,45,39,249	39,72,63,782



Notes forming part of Financial Statements

	31 st March, 2012 ₹	31 st March, 2011 ₹
4.Deferred Tax Liabilities		
Deferred Tax Liability		
Related to Fixed Assets	1,02,17,201	1,01,17,656
Gross Deferred Tax Liability	1,02,17,201	1,01,17,656
Deferred Tax Asset		
Disallowance under the Income Tax Act, 1961	11,25,698	9,50,066
Unabsorbed Losses	11,35,156	1,69,430
Gross Deferred Tax Asset	22,60,855	11,19,496
Total	79,56,346	89,98,160
5.Short Term Borrowings		
Secured		
From Bank*	5,33,62,253	0
Unsecured		
From Others (Refer Note 23)	5,50,00,000	0
Total	10,83,62,253	0
* Loans from bank are secured against pledge of fixed deposit receipt and securities owned by company.		
6.Trade Payables		
Sundry Creditors (Includes Trade Payables)		
Other than Micro, Small and Medium Enterprises	19,11,99,266	23,89,62,435
Micro, Small and Medium Enterprises (Refer Note 29)	0	0
Total	19,11,99,266	23,89,62,435
7.Other Current Liabilities		
Other Payables	4,49,66,564	4,72,84,021
Unpaid Dividend #	20,87,339	17,52,841
Deposits from Intermediaries	11,50,95,594	7,81,22,408
Total	16,21,49,497	12,71,59,270
# Out of the above amount, the company is required to credit a sum of ₹ 2,09,698/- lying in the unpaid dividend account, on or before 30 th September, 2012 to the investor education & protection fund pursuant to Section 205C of the Companies Act, 1956.		
8.Short-Term Provisions		
Proposed Dividend	1,04,11,280	1,56,16,920
Tax on Dividend	16,88,970	25,33,455
Total	1,21,00,250	1,81,50,375



Notes forming part of Financial Statements

9. Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 1 st April, 2011	Additions for the Year	Deductions Adjustment for the Year	As at 31 st March, 2012	As at 1 st April, 2011	For the Year	On Deductions	As at 31 st March, 2012	As at 31 st March, 2012	As at 31 st March, 2011
Tangible Assets										
Premises	65,50,745	5,87,45,568	0	6,52,96,313	5,06,331	7,42,067	0	12,48,398	6,40,47,915	60,44,414
Furniture & Fixtures	2,18,12,753	1,14,659	6,950	2,19,20,462	61,96,218	13,66,496	2,702	75,60,012	1,43,60,450	1,56,16,535
Office Equipments	94,76,965	7,10,387	57,300	1,01,30,052	21,66,879	4,65,613	12,925	26,19,567	75,10,484	73,10,085
Computers	5,54,41,813	17,22,815	1,85,830	5,69,78,798	4,00,15,890	1,02,48,083	125,465	5,01,38,508	68,40,289	1,54,25,922
Electrical Installations	27,43,991	0	0	27,43,991	13,96,449	3,81,676	0	17,78,125	9,65,866	13,47,542
Motor Vehicles	93,77,778	0	5,27,200	88,50,578	21,87,524	8,28,984	191008	28,25,500	60,25,078	71,90,254
Sub Total (A)	10,54,04,044	6,12,93,429	7,77,280	16,59,20,193	5,24,69,292	1,40,32,919	3,32,100	6,61,70,111	9,97,50,082	5,29,34,752
Intangible Assets										
Software	2,29,31,670	1,60,500	0	2,30,92,170	65,24,003	15,263	0	65,39,266	1,65,52,904	1,64,07,667
Sub Total (B)	2,29,31,670	1,60,500	0	2,30,92,170	65,24,003	15,263	0	65,39,266	1,65,52,904	1,64,07,667
Total (A+B)	12,83,35,714	6,14,53,929	7,77,280	18,90,12,363	5,89,93,295	1,40,48,182	3,32,100	7,27,09,377	11,63,02,986	6,93,42,419
Previous year	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



Notes forming part of Financial Statements

	Face Value ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹	31 st March, 2011 Quantity	31 st March, 2011 ₹
10. Non Current Investments					
Trade Investments					
In Equity Shares - Unquoted, fully paid up					
BSE Limited	1	20000	0	20000	0
Saurashtra Kutch Stock Exchange Limited	100	50	5,05,000	50	5,05,000
Total Trade Investment (A)			5,05,000		5,05,000
Other Investments					
In Equity Shares of Subsidiary Companies					
Unquoted, fully paid up					
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	250000	2,06,24,435	249400	2,05,45,235
Arihant Financial Planner and Advisor Private Limited	10	10500	1,05,000		
			7,65,31,480		7,63,47,280
In Equity Shares - Unquoted, fully paid up					
The Saraswat Co-Operative Bank Limited	10	500	5,000	500	5,000
			5,000		5,000
Total Other Investment (B)			7,65,36,480		7,63,52,280
Total Non Current Investments (A+B)			7,70,41,480		7,68,57,280
11. Other Non Current Assets					
(Unsecured, considered good)					
Deposits with Exchanges / Depositories			2,00,75,000		2,05,75,000
Total			2,00,75,000		2,05,75,000
12. Current Investments					
Investment in Equity Shares - Quoted, fully paid up					
Coal India Limited	10	0	0	9003	22,05,735
Corporation Bank	10	68200	3,38,25,836	0	0
D.B. Corp Limited	10	0	0	1931	4,09,372
IDBI Bank Limited	10	100000	1,62,16,582	100000	1,62,16,582
Mahindra Lifespace Developers Limited	10	79115	2,71,33,280	0	0
The Karnataka Bank Limited	10	300000	4,98,86,997	300000	4,98,86,997
(A)			12,70,62,695		6,87,18,686
Investment in units - Quoted					
LIC MF Saving Plus Fund-Daily Dividend Plan-Reinvest	10	0	0	1394	13,939
(B)			0		13,939
Total (A+B)			12,70,62,695		6,87,32,625

Market value of Quoted Investments ₹ 9,32,98,886 (Previous Year ₹ 5,01,09,389)



Notes forming part of Financial Statements

	Face Value ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹	31 st March, 2011 Quantity	31 st March, 2011 ₹
13. Inventories					
Quoted Equity Shares (fully paid up)					
BOC India Limited	10	13000	59,02,000	0	0
Century Textiles & Industries Limited	10	10000	34,56,251	0	0
Honeywell Automation India Limited	10	3800	1,07,13,340	0	0
ICICI Bank Limited	10	10000	88,72,500	0	0
Kennametal India Limited	10	10852	1,06,67,897	0	0
State Bank of India	10	12500	2,61,87,500	0	0
Tourism Finance Corporation of India Limited	10	100000	23,84,669	0	0
Total			6,81,84,157		0

Market value of Inventories ₹ 6,89,98,326 (Previous Year ₹ Nil)

	31 st March, 2012 ₹	31 st March, 2011 ₹
14. Trade Receivables		
(Unsecured Considered good, except where provided for)		
Debts over six months	2,03,57,498	85,66,965
Other Debts	21,26,45,469	21,87,44,452
Total	23,30,02,968	22,73,11,417
15. Cash and Cash Equivalents		
Balances with banks		
On current accounts	5,07,67,952	6,54,03,843
On deposit account*	26,00,50,000	19,79,75,000
On Unclaimed dividend account	20,87,339	17,52,841
Cash on hand	1,41,354	4,33,679
Total	31,30,46,645	26,55,65,363
* Fixed deposits with bank include of ₹81,25,000/- (previous year ₹ 1089,00,000) with maturity of more than 12 months.		
16. Short Term Loans and Advances		
(Unsecured, considered good)		
Loans to Related Parties	0	6,90,00,000
Total	0	6,90,00,000
17. Other Current Assets		
Deposits with Exchanges / Depositories	44,52,000	5,37,02,000
Deposit with Related parties (Refer Note 23)	21,75,000	21,75,000
Other Deposits	58,84,681	52,94,184
Other Advances	86,21,559	1,34,80,127
Advance income-tax (net of provision for taxation)	1,11,44,891	96,64,635
Initial Margin	34,25,600	0
Share Application Money	0	1,29,46,775
Total	3,57,03,731	9,72,62,721



Notes forming part of Financial Statements

	31 st March, 2012 ₹	31 st March, 2011 ₹
18. Revenue From Operations		
Brokerage	27,47,07,660	41,54,66,672
Commission Received (Net)	86,89,651	1,83,94,929
Fees From Merchant Banking	2,03,24,437	1,56,07,382
Deferred Payment Charges	2,07,82,078	3,12,48,586
Depository Receipts	1,42,17,797	1,49,45,994
Profit/(Loss) on Share Trading*	-34,09,975	0
Profit on Sale of Investments (net)	78,357	2,22,15,963
Dividend Income	26,32,348	3,77,034
Total	33,80,22,354	51,82,56,558
*Trading details in cash segment		
Opening Stock	0	0
Purchase (including charges)	46,51,33,094	0
Sales	39,39,60,290	0
Closing Stock	6,81,84,157	0
19. Other Income		
Interest Received	2,46,29,531	2,08,02,792
Rent	44,55,000	0
Bad debts recovered	99,649	1,19,616
Miscellaneous income	2,92,360	2,73,370
Total	2,94,76,540	2,11,95,778
20. Employee Benefit Expenses		
Salaries, wages and bonus	8,31,27,341	10,92,85,214
Contribution to provident and other fund	4,25,359	4,04,703
Gratuity expense	11,91,723	2,68,233
Staff welfare expenses (Refer Note No.25)	18,33,186	20,29,299
Total	8,65,77,609	11,19,87,449
21. Finance Cost		
Interest expenses	58,20,236	37,48,278
Total	58,20,236	37,48,278
22. Other Expenses		
Advertisement	11,25,160	15,41,046
Auditors' Remuneration		
Audit fee	4,50,000	3,00,000
Taxation matters	3,70,000	2,00,000
Limited review	22,500	22,500
Other services	6,000	6,000
Bad Debts Written Off	41,34,651	1,22,02,291
Bank & Depository Charges	48,11,059	60,53,314
Business Development	12,61,108	21,70,713
Communication including V-Sat	1,19,02,275	1,41,08,558
Depository Charges	22,72,734	33,57,860
Electricity	42,73,005	48,92,684



Notes forming part of Financial Statements

	31 st March, 2012 ₹	31 st March, 2011 ₹
Exchange Transaction Charges	1,38,18,836	1,99,21,113
Insurance	5,17,725	5,21,662
Legal and Professional	97,91,155	73,51,485
Membership Fee & Subscription	13,39,355	18,95,910
Miscellaneous Expenses	33,39,542	17,43,870
Office Expenses	20,61,042	20,03,386
Rent	1,42,28,499	1,44,77,800
Repairs & Maintenance	40,97,894	58,09,926
Software Maintenance	68,19,021	1,05,77,440
Securities Transaction Tax on Investments	0	83,058
Stationery & Printing	21,05,492	34,95,908
Sub Brokerage/Referral Fees and Expenses	13,95,82,641	18,16,40,889
Travelling, Conveyance and Motor Car Expenses	40,73,657	35,75,710
Total	23,24,03,350	29,79,53,123

23. Related party transactions

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, 2012 are given below:

Relationships (During the year)

Key Management Personnel

Ashok Kumar Jain, Chairman & Managing Director
 Sunil Kumar Jain, Director
 Akhilesh Rathi, Director
 Anita Gandhi, Whole Time Director
 Parag Shah, Director
 Pankaj Kumar Gupta, Director
 Rakesh Jain, Director

Subsidiaries

Arihant Financial Planners & Advisors Private Limited
 Arihant Financial Services Limited
 Arihant Finsec Limited
 Arihant Futures & Commodities Limited
 Arihant Insurance Broking Services Limited

Relatives of Key Management Personnel

Arpit Jain
 Ashok Kumar Jain HUF
 Kiran Jain
 S.N Gandhi & Co
 Shruti Jain
 Swati Jain



Notes forming part of Financial Statements

(₹ in Lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Brokerage & Other Charges				
Arihant Finsec Limited	0	0	229123	229123
			518897	518897
Depository Charges				
Arihant Financial Services Limited	0	0	1914	1914
	0	0	850	850
Arihant Finsec Limited	0	0	98528	98528
	0	0	51885	51885
Arihant Futures & Commodities Ltd	0	0	46911	46911
	0	0	35183	35183
Interest Received				
Arihant Financial Services Limited	0	0	5040742	5040742
	0	0	293041	293041
Salary & Incentive*	6600243	557499	0	7157742
	11702047	300000	0	12002047
Rent#	0	3030000	0	3030000
	0	1970000	0	1970000
Legal & Professional\$	0	660000	0	660000
	0	1280000	0	1280000
Interest Paid				
Arihant Financial Services Limited	0	0	997027	997027
	0	0	201370	201370
Sitting Fees %	170000	0	0	170000
	170000	0	0	170000
Assets				
Deposits ^	0	2175000	0	2175000
	0	2175000	0	2175000
Loans Given				
Arihant Financial Services Limited (Maximum Outstanding)	0	0	176100000	176100000
	0	0	69000000	69000000
Liabilities				
Loans Taken				
Arihant Financial Services Limited (Maximum Outstanding)	0	0	90800000	90800000
	0	0	7147003	7147003
Loans Outstanding at the year end				
Loans Taken				
Arihant Financial Services Limited	0	0	55000000	55000000
	0	0	0	0
Loans Given				
Arihant Financial Services Limited	0	0	0	0
	0	0	69000000	69000000
Debtors as at the year end				
Arihant Finsec Limited	0	0	0	0
	0	0	17497845	17497845
Corporate Guarantee Given				
Arihant Futures & Commodities Ltd	0	0	300000000	300000000
	0	0	155000000	155000000
Equity Contribution made during the year				
Arihant Financial Planners and Advisors Private Limited	0	0	105000	105000
	0	0	0	0
Reimbursement of Expenses				
Arihant Insurance Broking Services Limited	0	0	0	0
	0	0	477000	477000

Figures in Italics represent previous year figures.

**Notes forming part of Financial Statements**

*Payment to key management personnel for Salaries and Incentive includes to Ashok Kumar Jain (CMD) ₹3643443 (Previous Year ₹8135142) and Anita Gandhi (as Whole Time Director) ₹2956800 (Previous Year ₹3566905) and to relatives of key management personnel includes Shruti Jain ₹557499 (Previous Year ₹240000) and Kiran Jain ₹NIL (Previous Year ₹60000).

#Rent paid to Kiran Jain ₹2205000 (Previous Year ₹1145000), Ashok Kumar Jain HUF ₹412500 (Previous Year ₹412500) and Arpit Jain ₹412500 (Previous Year ₹412500).

\$Professional fees paid to S.N. Gandhi ₹660000 (Previous Year ₹1280000).

% Sitting fees paid to Sunil kumar Jain ₹40000 (Previous Year ₹40000), Rakesh Jain ₹40000 (Previous Year ₹40000), Pankaj Kumar Gupta ₹20000 (Previous Year ₹30000), Paragbhai Shah ₹40000 (Previous Year ₹30000) and Akhilesh Rathi ₹30000 (Previous Year ₹30000).

^Deposit given includes Kiran Jain ₹1575000 (Previous Year ₹1575000), Ashok Kumar Jain HUF ₹300000 (Previous Year ₹300000) and Arpit Jain ₹300000 (Previous Year ₹300000).

24. Earning Per Share

Particulars	2011-2012	2010-2011
i) Net Profit after tax as per Statement of Profit and Loss (₹)	1,93,75,717	7,91,37,647
ii) Weighted Average number of equity shares used as	2,08,22,560	2,08,22,560
iii) Basic and Diluted Earnings per Share (₹)	0.93	3.80
iv) Face value per Equity Share (₹)	5	5

25. As per Accounting Standard 15 "Employee Benefits", the disclosure as defined in the Accounting Standard are given below:

Defined Contribution Plans	2011-2012	2010-2011
Employer's Contribution to Provident Fund	4,25,359	4,04,703

Defined Benefit Plan

The gratuity paid by the company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the financial obligation. The company does not has any policy for leave encashment.

Actuarial Assumptions

Particulars	2011-2012	2010-2011
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.50%	8.50%
Rate of escalation in salary (per annum)	5%	5%

26. Income in foreign currency ₹20,593 (previous year ₹Nil). Expenditure in foreign currency ₹160699/- (previous year ₹Nil).

27. Contingent Liability & Capital Commitments

- Bank Guarantees of ₹10 Lacs (Previous Year ₹10 Lacs) extended to Bombay Stock Exchange Limited under the mandatory rules for membership and ₹840 Lacs (Previous Year ₹1190 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 ₹2625 Lacs (Previous Year ₹2750 Lacs) towards additional margin.
- Bank Guarantees of ₹550 Lacs (Previous Year ₹75 Lacs) extended to MCX-SX Clearing Corporation Limited towards additional margin.

**Notes forming part of Financial Statements**

- (iv) Corporate guarantee of ₹3000 Lacs (Previous Year ₹1550 Lacs) given to banks on behalf of subsidiary M/s Arihant Futures and Commodities Limited.
- (v) Claims against the Company not acknowledged as debts ₹Nil (Previous Year ₹3.98 Lacs).

28. Fixed Deposits

Fixed deposits with scheduled banks include ₹ 601.50 Lacs (Previous Year ₹ 120.00 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, ₹351.00 Lacs (Previous Year ₹105.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited.

29. Disclosures under Micro, Small, & Enterprises Development Act, 2006

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 the Act.

- 30. 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.

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

32. Segment Reporting

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.

33. Previous year figures

Till the year ended 31st March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

- 34. The Ministry of Corporate Affairs, Government of India, vide General Circular No.2 and 3 dated 8th Feb 2011 and 21st Feb 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

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, 2012

Particulars	Name of the subsidiary companies					Arihant Financial Planners and Advisors Private Limited
	Arihant Financial Services Limited	Arihant Futures & Commodities Ltd.	Arihant Finsec Limited	Arihant Insurance Broking Services Ltd.		
I. Extent of the interest of the Company in the Subsidiaries at the end of the financial year:						
(a) Shares held in the Subsidiaries	250000 equity shares of Rs. 10/- each, fully paid up 100%	354500 equity shares of Rs. 10/- each, fully paid up 99.86%	450000 equity shares of Rs. 10/- each, fully paid up 100.00%	750000 equity shares of Rs. 10/- each, fully paid up 100.00%	10500 equity shares of Rs. 10/- each, fully paid up 51.22%	
(b) Percentage of holding						
II. Financial year ended of the Subsidiaries	31 st March, 2012	31 st March, 2012	31 st March, 2012	31 st March, 2012	31 st March, 2012	
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 31-03-2012	29,32,297	18366425	8,89,593	2,14,486	-2046	
(b) For the Previous year	18,29,055	15693448	72,50,788	66,583	Nil	
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 31-03-2012	Nil	Nil	Nil	Nil	Nil	
(b) For the Previous year	Nil	Nil	Nil	Nil	Nil	
V. Capital	25,00,000	35,50,000	45,00,000	75,00,000	2,05,000	
VI. Reserves	3,34,86,154	6,21,75,676	8,12,32,732	2,10,228	-2,046	
VII. Total Assets	5,97,14,095	33,53,61,075	8,69,35,518	77,56,526	2,21,090	
VIII. Total Liabilities	5,97,14,095	33,53,61,075	8,69,35,518	77,56,526	2,21,090	
IX. Turnover	1,62,41,785	32,79,40,918	59,51,358	8,88,371	43,658	
X. Profit before Taxation	42,34,995	2,72,09,128	8,78,271	3,15,261	-2,958	
XI. Provision for Taxation	13,02,698	88,42,703	-11,322	1,00,775	-912	
XII. Profit after Taxation	29,32,297	1,83,66,425	8,89,593	2,14,486	-2,046	



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, 2012, 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, 2012;
 - 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, 2012

**Consolidated Balance Sheet as at 31st March, 2012**

Particulars	Note No.	31 st March, 2012 ₹	31 st March, 2011 ₹
EQUITY & LIABILITIES			
Shareholders' fund			
Share Capital	2	10,41,12,800	10,41,12,800
Reserves and Surplus	3	52,31,74,498	49,35,22,862
		6,72,87,298	59,76,35,662
Minority Interest		1,91,017	1,45,633
Non-Current Liabilities			
Deferred Tax Liabilities (net)	4	83,11,315	94,16,379
		83,11,315	94,16,379
Current Liabilities			
Short-Term Borrowings	5	7,24,50,550	0
Trade Payables	6	36,96,13,380	39,63,95,777
Other Current Liabilities	7	23,57,31,972	17,03,25,795
Short-Term Provisions	8	1,21,28,488	1,81,71,493
		68,99,24,390	58,48,93,065
TOTAL		132,57,14,020	119,20,90,739
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	9	15,71,40,051	5,51,87,012
Intangible Assets	9	1,74,44,893	1,77,44,342
Non-Current Investments	10	6,85,058	5,10,000
Other Non-Current Assets	11	2,44,25,000	2,31,75,000
		19,96,95,002	9,66,16,354
Current Assets			
Current Investments	12	12,75,62,695	6,92,32,625
Inventories	13	8,74,45,399	9,98,91,325
Trade Receivables	14	30,08,07,005	33,59,23,086
Cash and Cash Equivalents	15	48,24,75,001	44,22,19,544
Other Current Assets	16	12,77,28,918	14,82,07,805
		112,60,19,018	109,54,74,385
TOTAL		132,57,14,020	119,20,90,739
Significant Accounting Policies and Notes on Financial Statements 1 to 32			

As per report of our even date.

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary

**Consolidated Statement of profit and loss for the year ended 31st March 2012**

	Note No.	31 st March, 2012 ₹	31 st March, 2011 ₹
Income			
I Revenue from Operations (Gross)	17	64,48,93,937	60,89,92,240
Less: Excise Duty		0	-
Revenue from operations (Net)		64,48,93,937	60,89,92,240
II Other income	18	4,91,81,347	3,48,22,106
III Total Revenue (I+II)		69,40,75,284	64,38,14,346
IV Expenses			
Purchase of traded goods	19	18,88,81,598	,
Employee benefits expense	20	9,66,26,153	12,01,44,201
Finance costs	21	1,02,99,411	47,63,610
Other expenses	22	32,20,40,806	35,60,10,405
Net depreciation and amortization expense	9	1,49,43,102	1,24,66,966
Total (II)		63,27,91,071	49,33,85,181
V Profit Before Exceptional and Extraordinary Items and Tax (III-IV)		6,12,84,214	15,04,29,165
VI Exceptional items		-	-
VII Profit Before Extraordinary Items and Tax (V-VI)		6,12,84,214	15,04,29,165
VIII Extraordinary Items		-	-
IX Profit Before Tax (VII-VIII)		6,12,84,214	15,04,29,165
X Tax expenses			
Current tax		2,06,12,807	4,49,01,013
Deferred tax		-11,05,065	15,50,631
Total tax expense		1,95,07,742	4,64,51,644
XI Profit/(loss) for the year before Minority Interest		4,17,76,472	10,39,77,521
Less : Minority Interest		24,715	26,361
XII Profit/(loss) for the year		4,17,51,757	10,39,51,160
XIII Earnings per Share			
Equity Shares of ₹5 each			
Basic		2.01	4.99
Diluted		2.01	4.99
Significant Accounting Policies and Notes on Financial Statements	1 to 32		

As per report of our even date

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

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, 2012**

	31 st March, 2012 ₹	31 st March, 2011 ₹
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	6,12,84,214	15,04,29,165
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	2,48,380	10,865
(Profit) / Loss on sale of Investments	-78,357	-2,22,50,068
Miscellaneous Expenses written off	31,600	0
Depreciation / amortisation	1,49,43,102	1,24,66,966
Dividend Income	-45,36,968	-17,25,074
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	7,18,91,971	13,89,31,855
Adjustments for changes in working capital :		
- Trade and other receivables	5,83,68,786	14,78,62,047
- Inventories	1,24,45,926	-1,46,79,804
- Loans & Advances	-12,50,000	-9,98,02,415
- Trade and other payables	3,86,23,780	-4,04,53,454
Cash generated from operation	18,00,80,463	13,18,58,227
- Taxes paid (net)	-2,33,79,505	-3,93,11,655
NET CASH FROM OPERATING ACTIVITY (A)	15,67,00,958	9,25,46,572
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sales of fixed assets	-11,68,45,072	-1,18,03,064
(Purchase) / Sales of Investments	-5,84,05,971	-3,41,08,185
Dividend received	45,36,968	17,25,074
NET CASH USED IN INVESTING ACTIVITY (B)	-17,07,14,075	-4,41,86,173
Cash flow from Financing Activities		
Dividend Paid	-1,56,16,920	-1,30,14,100
Preliminary Expenses	-31,600	0
Proceeds from secured loans	7,24,50,550	-3,50,11,932
Dividend distribution tax paid	-25,33,456	-21,61,479
NET CASH USED IN FINANCING ACTIVITIES (C)	5,42,68,575	-5,01,87,511
Net increase in cash and cash equivalents (A+B+C)	4,02,55,457	-18,27,113
Cash and cash equivalents at the beginning of the year	44,22,19,544	44,40,46,657
Cash and cash equivalents at the end of the year	48,24,75,001	44,22,19,544
Cash and cash equivalents comprise of		
Cash and cheques in hand	3,77,126	4,94,828
Balances with scheduled banks	48,20,97,875	44,17,24,716
Total	48,24,75,001	44,22,19,544
Significant Accounting Policies and Notes on Financial Statements	1 to 32	

As per report of our even date

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

Ajay Tulsian
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Anita S. Gandhi
Whole Time Director

Mahesh Pancholi
Company Secretary



Notes forming part of Consolidated Financial Statements

NOTE 1: STATEMENT ON 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.

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.

Notes on Consolidation Financial Statements for the year ended 31st March, 2012

	31 st March, 2012 ₹	31 st March, 2011 ₹
2. Share Capital		
Authorised		
2,50,00,000 (2,50,00,000) equity share of ₹5/- each	12,50,00,000	12,50,00,000
Issued, Subscribed & Paid up		
2,08,22,560 (2,08,22,560) equity share of ₹5/- each #	10,41,12,800	10,41,12,800
Total	10,41,12,800	10,41,12,800
# 78,08,460 (78,08,460) shares out of the issued, subscribed and paid up share capital were allotted as bonus shares in last five years by capitalisation of General Reserves.		
a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period		
<u>Equity Shares of face value ₹10/-</u>		
Share outstanding at the beginning of the period	0	65,07,050
Less: Shares extinguished due to split into face value ₹5/-	0	65,07,050
	0	0
<u>Equity Shares of face value ₹5/-</u>		
Share outstanding at the beginning of the period	2,08,22,560	0
Add : Shares issued due to split	0	1,30,14,100
Add : Bonus Share issued	0	78,08,460
Share outstanding at the end of period	2,08,22,560	2,08,22,560
b. List of the Shareholders holding more than 5% of the total number of shares issued by the company		
Name of the shareholders		
Ashok Kumar Jain	60,63,040 (29.12%)	60,63,040 (29.12%)
Kiran Jain	47,28,320 (22.71%)	47,28,320 (22.71%)
Sunil Kumar Jain	16,06,656 (7.72%)	16,06,656 (7.72%)
Arpit Jain	11,47,840 (5.51%)	11,47,840 (5.51%)
3. Reserve and Surplus		
General Reserve		
Balance as per the last financial statements	46,28,43,955	39,98,86,255
Add: Transfer from Profit & Loss	2,60,00,000	10,20,00,000
Less: On issue of shares	0	3,90,42,300
Closing Balance	48,88,43,955	46,28,43,955
Statutory Reserve		
Balance as per last Balance Sheet	32,00,000	27,00,000
Add : Transfer from Profit and Loss Account	9,00,000	5,00,000
	0	0
Closing Balance	41,00,000	32,00,000
Capital Reserve on Consolidation		
Balance as per last Balance Sheet	34,05,000	34,05,000
Add : Change during the year	129	0
Closing Balance	34,05,129	34,05,000

Notes on Consolidation Financial Statements for the year ended 31st March, 2012

	31 st March, 2012 ₹	31 st March, 2011 ₹
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	2,40,73,907	4,07,73,122
Profit for the year	4,17,51,757	10,39,51,160
Less: Appropriations		
Proposed dividend on equity shares	1,04,11,280	1,56,16,920
[Dividend per share ₹0.50/- (Previous year ₹0.75/-)]		
Tax on proposed equity dividend	16,88,970	25,33,455
Transfer to general reserve	2,60,00,000	10,20,00,000
Transfer to Statutory Reserve	9,00,000	5,00,000
Net surplus in the statement of Profit and Loss	2,68,25,414	2,40,73,907
Total	52,31,74,498	49,35,22,862
4.Deferred Tax Liabilities		
Deferred Tax Liability		
Related to Fixed Assets	1,06,19,667	1,06,19,922
Gross Deferred Tax Liability	1,06,19,667	1,06,19,922
Deferred Tax Asset		
Disallowance under the Income Tax Act, 1961	11,73,196	10,34,113
Unabsorbed Losses	11,35,156	1,69,430
Gross Deferred Tax Asset	23,08,352	12,03,543
Total	83,11,315	94,16,379
5.Short Term Borrowings		
Secured		
From Bank*	7,24,50,550	0
Total	7,24,50,550	0
* Loans from bank are secured against pledge of fixed deposit receipt and securities owned by company.		
6.Trade Payables		
Sundry Creditors (Includes Trade Payables)		
Other than Micro, Small and Medium Enterprises	36,96,13,380	39,63,95,777
Micro, Small and Medium Enterprises (Refer Note 28)	0	0
Total	36,96,13,380	39,63,95,777
7.Other Current Liabilities		
Other Payables	5,58,64,000	5,56,51,939
Unpaid Dividend #	20,87,339	17,52,841
Deposits from Intermediaries	17,77,80,634	11,29,21,015
Total	23,57,31,972	17,03,25,795

Out of the above amount, the company is required to credit a sum of Rs.2,09,698/- lying in the unpaid dividend account, on or before 30th September, 2012 to the Investor Education & protection Fund pursuant to Section 205C of The Companies Act, 1956.



Notes on Consolidation Financial Statements for the year ended 31st March, 2012

	31 st March, 2012 ₹	31 st March, 2011 ₹
8.Short-Term Provisions		
Proposed Dividend	1,04,11,280	1,56,16,920
Tax on Dividend	16,88,970	25,33,455
Provision for Taxation (Net)	28,238	21,118
Total	1,21,28,488	1,81,71,493

9.Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 1 st April, 2011	Additions for the Year	Deductions Adjustment for the Year	As at 31 st March, 2012	As at 1 st April, 2011	For the Year	On Deductions	As at 31 st March, 2012	As at 31 st March, 2012	As at 31 st March, 2011
Tangible Assets										
Freehold Land	0	5,48,63,890	0	5,48,63,890	0	0	0	0	5,48,63,890	0
Premises	65,50,745	5,87,45,568	0	6,52,96,313	5,06,331	7,42,067	0	12,48,398	6,40,47,915	60,44,414
Furniture & Fixtures	2,19,08,540	1,14,659	6,950	2,20,16,249	61,96,733	13,72,559	2,702	75,66,590	1,44,49,659	1,57,11,807
Office Equipments	94,86,365	7,21,037	57,300	1,01,50,102	21,66,879	4,66,238	12,925	26,20,192	75,29,910	73,19,485
Computers	5,66,20,860	17,87,129	1,85,830	5,82,22,159	4,06,52,040	1,04,42,692	1,25,465	5,09,69,266	72,52,892	1,59,68,820
Electrical Installations	27,43,991	0	0	27,43,991	13,96,449	3,81,676	0	17,78,125	9,65,866	13,47,542
Motor Vehicles	1,16,72,751	6,49,089	5,27,200	1,17,94,640	28,77,807	10,77,922	1,91,008	37,64,721	80,29,919	87,94,945
Sub Total (A)	10,89,83,251	11,68,81,372	7,77,280	22,50,87,343	5,37,96,239	1,44,83,154	3,32,100	6,79,47,293	15,71,40,051	5,51,87,012
Intangible Assets										
Software	2,49,03,821	1,60,500	0	2,50,64,321	73,23,036	3,34,949	0	76,57,985	1,74,06,336	1,75,80,785
MCX Membership	3,51,000	0	0	3,51,000	3,50,900	0	0	3,50,900	100	100
NCDEX Membership	50,000	0	0	50,000	49,900	0	0	49,900	100	100
NSEL Membership	5,00,000	0	0	5,00,000	3,36,644	1,25,000	0	4,61,644	38,356	1,63,356
Sub Total (B)	2,58,04,821	1,60,500	0	2,59,65,321	80,60,479	4,59,949	0	85,20,428	1,74,44,893	1,77,44,342
Total (A+B)	13,47,88,072	11,70,41,872	7,77,280	25,10,52,664	6,18,56,718	1,49,43,102	3,32,100	7,64,67,721	17,45,84,944	7,29,31,354
Previous year figure	12,29,98,508	1,18,06,064	16,500	13,47,88,072	4,93,92,388	1,24,66,966	2,635	6,18,56,719	7,29,31,354	7,36,06,120



Notes on Consolidation Financial Statements for the year ended 31st March 2012

	Face Value ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹	31 st March, 2011 Quantity	31 st March, 2011 ₹
10. Non Current Investments					
Trade Investments					
In Equity Shares - Unquoted, fully paid up					
BSE Limited	1	20000	0	20000	0
Saurashtra Kutch Stock Exchange Limited	100	50	5,05,000	50	5,05,000
Total Trade Investment (A)			5,05,000		5,05,000
Other Investments					
In Equity Shares - Unquoted, fully paid up					
The Saraswat Co-Operative Bank Limited	10	500	5,000	500	5,000
Quoted Mutual Fund					
Reliance Money Manager Fund - Retail Option - Growth		123.39	1,75,058		
Total Other Investment (B)			180,058		5,000
Total Non Current Investments (A+B)			685,058		510,000
11. Other Non Current Assets					
(Unsecured, considered good)					
Deposits with Exchanges / Depositories			2,44,25,000		2,31,75,000
Total			2,44,25,000		2,31,75,000
12. Current Investments					
Investment in Equity Shares - Quoted, fully paid up					
IDBI Bank Limited	10	100000	1,62,16,582	100000	1,62,16,582
The Karnataka Bank Limited	10	300000	4,98,86,997	300000	4,98,86,997
Coal India Limited	10	0	0	9003	22,05,735
D.B.Corp Limited	10	0	0	1931	4,09,372
Corporation Bank	10	68200	3,38,25,836	0	0
Mahindra Lifespace Developers Limited	10	79115	2,71,33,280	0	0
(A)			12,70,62,695		6,87,18,686
Quoted Mutual Fund					
Axis Income Saver - Growth	10	50,000	5,00,000	50,000	5,00,000
LIC MF Saving Plus Fund -Daily Dividend Plan -Reinvest	10	0	0	1394	13,939
(B)			5,00,000		5,13,939
Total (A+B)			12,75,62,695		6,92,32,625
Market value of Quoted Investments ₹ 9,38,44,521 (Previous Year ₹ 5,06,27,569)					
13. Inventories (Stock in Hand)					
Stock In Trade					
Quoted Equity Shares					
Balmer Lawrie & Co. Limited	10	0	0	6,567	35,54,060
Bharat Heavy Electricals Limited	2	30,000	77,08,500	0	0
BOC India Limited	10	13,000	59,02,000	10,000	30,05,000
Century Textiles & Industries Limited	10	10,000	34,56,251	20,000	64,83,054
Coal India Limited	10	0	0	100,000	3,47,10,000

Notes on Consolidation Financial Statements for the year ended 31st March 2012

	Face Value ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹	31 st March, 2011 Quantity	31 st March, 2011 ₹
Dewan Housing Finance Corporation Limited	10	0	0	1,000	2,43,015
Godrej Industries Limited	1	18,000	46,46,191	0	0
Honeywell Automation India Limited	10	4,800	1,35,32,640	809	18,45,167
IDBI Bank Limited	10	0	0	50,000	67,12,508
IFCI Limited	10	0	0	112,000	58,96,800
Icici Bank Ltd	10	10,000	88,72,500	0	0
Kalyani Investment Company Limited	10	0	0	581	4,95,477
Kennametal India Limited	10	10,852	1,06,67,897	9,420	44,03,064
Lanco Infratech Limited	1	100,000	18,20,000	0	0
Mahindra Lifespace Developers Limited	10	0	0	11,629	41,80,209
Mangalore Chemicals & Fertilizers Limited	10	10,000	4,04,500	280,930	89,61,667
Piramal Glass Limited	10	4,016	4,52,001	0	0
PTC India Limited	10	0	0	143,857	1,19,83,288
Steel Authority of India Limited	10	15,000	14,10,750	0	0
State Bank of India	10	12,500	2,61,87,500	0	0
Sundaram Finance Limited	10	0	0	9,681	46,79,967
The Karnataka Bank Limited	10	0	0	11,436	12,29,370
Tourism Finance Corporation of India Limited	10	100,000	23,84,669	56,294	15,08,679
Total			8,74,45,399		9,98,91,325
Aggregate Value of Stock-in-Trade					
- At Cost			8,98,50,618		10,40,08,425
- At Market Value			8,82,67,277		10,21,35,147

Notes on Consolidation Financial Statements for the year ended 31st March 2012

	31 st March, 2012 ₹	31 st March, 2011 ₹
14. Trade Receivables		
(Considered good, except where provided for)		
Debts over six months		
-Secured	0	0
-Unsecured	2,43,11,533	88,22,064
Other Debts		
-Secured	41,491	39,39,428
-Unsecured	27,64,53,982	32,31,61,594
Total	30,08,07,005	33,59,23,086
15. Cash and Cash Equivalents		
Balances with banks		
On current accounts	6,22,66,957	7,78,46,875
On deposit account*	41,77,43,579	36,21,25,000
On Unclaimed dividend account	20,87,339	17,52,841
Cash on hand	3,77,126	4,94,828
Total	48,24,75,001	44,22,19,544
*Fixed deposits with bank include deposits of ₹7,13,18,579/- (previous year ₹24,16,50,000) with maturity of more than 12 months		
16. Other Current Assets		
Deposits with Exchanges / Depositories	8,35,93,463	9,07,02,000
Deposit with Related parties (Refer Note 24)	24,75,000	24,75,000
Other Deposits	58,84,681	52,94,184
Other Advances	1,23,81,061	1,70,37,866
Advance income-tax (net of provision for taxation)	1,74,63,119	1,46,89,302
Initial Margin	59,31,594	13,15,963
Share Application Money	0	1,66,93,490
Total	12,77,28,918	14,82,07,805
17. Revenue From Operations		
Brokerage	36,91,43,423	49,05,29,605
Sale Value of Commodities Transaction	18,67,21,311	0
Commission Received (Net)	86,89,651	1,83,94,929
Consultancy Charges	43,500	0
Fees From Merchant Banking	2,03,24,437	1,56,07,382
Deferred Payment Charges	3,23,74,773	3,12,48,586
Depository Receipts	1,40,70,444	1,48,58,076
Interest on Loans and Deposit	72,68,504	13,34,997
Profit/(Loss) on Share Trading*	3,36,988	1,27,16,565
Profit from Jobbing Transactions (net)	20,518	3,23,760
Profit/(Loss) on Commodity Trading	15,96,270	0
Profit on Sale of Investments (net)	78,357	2,22,50,068
Dividend Income	41,29,755	17,25,074
Other	96,007	3,200
Total	64,48,93,937	60,89,92,240



Notes on Consolidation Financial Statements for the year ended 31st March 2012

	31 st March, 2012 ₹	31 st March, 2011 ₹
*Trading details in cash segment		
Opening Stock	9,98,91,325	8,52,11,521
Purchase (including charges)	307,94,70,846	329,54,92,083
Sales	311,86,54,907	330,21,17,566
Closing Stock	8,74,45,399	9,98,91,325
18. Other Income		
Interest Received	4,39,26,967	3,42,74,988
Rent	44,55,000	0
Bad debts recovered	99,649	1,19,616
Dividend -Current Investment	4,07,213	0
Miscellaneous income	2,92,518	4,27,502
Total	4,91,81,347	3,48,22,106
19. Purchase Value of Commodities Transaction		
Charges on Commodities (Delivery)	21,23,013	0
Purchase Value of Commodities transaction	18,67,58,586	0
Total	18,88,81,598	0
20. Employee Benefit Expenses		
Salaries, wages and bonus	9,29,71,014	11,73,28,361
Contribution to provident and other fund	4,25,359	4,04,703
Gratuity expense	11,91,723	2,68,233
Staff welfare expenses	20,38,057	21,42,904
Total	9,66,26,153	12,01,44,201
21. Finance Cost		
Interest expenses	1,02,99,411	47,63,610
Total	1,02,99,411	47,63,610
22. Other Expenses		
Advertisement	11,25,160	15,41,046
Auditors' Remuneration		
Audit fee	5,96,021	3,82,210
Taxation matters	4,24,045	2,21,545
Limited review	22,500	22,500
Other services	6,000	10,206
Bad Debts Written Off	2,13,47,064	1,66,17,973
Bank & Depository Charges	71,11,016	80,31,469
Business Development	14,06,966	22,65,309
Communication including V-Sat	1,29,63,631	1,50,07,121
Depository Charges	22,72,734	33,57,860
Electricity	46,31,594	50,80,143
Exchange Transaction Charges	3,17,40,059	3,64,45,323
Insurance	6,34,840	5,97,848
Legal and Professional	1,01,81,066	74,72,945
Membership Fee & Subscription	15,79,362	20,99,904
Miscellaneous Expenses	44,95,527	18,31,017
Office Expenses	20,61,042	20,03,386



Notes on Consolidation Financial Statements for the year ended 31st March 2012

	31 st March, 2012 ₹	31 st March, 2011 ₹
Rent	1,52,18,359	1,54,55,300
Repairs & Maintenance	41,51,647	58,64,346
Software Maintenance	85,38,784	1,14,18,795
Securities Transaction Tax on Investments	0	84,393
Stationery & Printing	23,70,788	36,88,388
Sub Brokerage/Referral Fees and Expenses	18,39,54,779	21,21,55,753
Travelling, Conveyance and Motor Car Expenses	52,07,823	43,55,627
Total	32,20,40,806	35,60,10,405

Name of Subsidiaries	Country of Incorporation	Proportion of Interest	
		31 st March, 2012 ₹	31 st March, 2011 ₹
Arihant Financial Services Limited	India	100%	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%
Arihant Financial Planners and Advisors Private Limited	India	51.22%	NA

24. Related party transactions

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, 2012 are given below:

Relationships (During the year)

Key Management Personnel

Ashok Kumar Jain, Chairman & Managing Director
 Sunil Kumar Jain, Director
 Akhilesh Rathi, Director
 Anita Gandhi, Whole Time Director
 Pankaj Kumar Gupta, Director
 Parag Shah, Director
 Rakesh Jain, Director

Relatives of Key Management Personnel

Arpit Jain
 Ashok Kumar Jain HUF
 Kiran Jain
 S.N Gandhi & Co
 Shruti Jain
 Swati Jain

Notes on Consolidation Financial Statements for the year ended 31st March 2012

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Total
Salary & Incentive*	6600243 <i>11702047</i>	1067499 <i>557499</i>	7667742 <i>12259546</i>
Rent#	0 <i>0</i>	3789072 <i>2705000</i>	3789072 <i>2705000</i>
Legal & Professional\$	0 <i>0</i>	660000 <i>1280000</i>	660000 <i>1280000</i>
Sitting Fees %	170000 <i>170000</i>	0 <i>0</i>	170000 <i>170000</i>
Assets			
Deposits ^	0 <i>0</i>	2475000 <i>2475000</i>	2475000 <i>2475000</i>

Figure in italics represents previous year figures

*Payment to key management personnel for Salaries and Incentive includes to Ashok Kumar Jain (CMD) ₹3643443 (Previous Year ₹8135142) and Anita Gandhi (as Whole Time Director) ₹2956800 (Previous Year ₹3566905) and to relatives of key management personnel includes Shruti Jain ₹557499 (Previous Year ₹240000), Swati Jain ₹270000 (Previous Year ₹Nil) and Kiran Jain ₹240000 (Previous Year ₹317499).

#Rent paid to Kiran Jain ₹2596572 (Previous Year ₹1512500), Ashok Kumar Jain HUF ₹596244 (Previous Year ₹596250) and Arpit Jain ₹596256 (Previous Year ₹596250).

\$Professional fees paid to S.N. Gandhi ₹660000 (Previous Year ₹ 1280000).

% Sitting fees paid to Sunil kumar Jain ₹40000 (Previous Year ₹40000), Rakesh Jain ₹40000 (Previous Year ₹40000), Pankaj Kumar Gupta ₹20000 (Previous Year ₹30000), Paragbhai Shah ₹40000 (Previous Year ₹30000) and Akhilesh Rathi ₹30000 (Previous Year ₹30000).

^Deposit given includes Kiran Jain ₹1725000 (Previous Year ₹1725000), Ashok Kumar Jain HUF ₹375000 (Previous Year ₹ 375000) and Arpit Jain ₹375000 (Previous Year ₹375000).

25. Earning Per Share

Particulars	2011-2012	2010-2011
i) Net Profit after tax as per Statement of Profit and Loss (₹)	4,17,51,757	10,39,51,160
ii) Weighted Average number of equity shares used as	2,08,22,560	2,08,22,560
iii) Basic and Diluted Earnings per Share (₹)	2.01	4.99
iv) Face value per Equity Share (₹)	5	5

26. Contingent Liability & Capital Commitments

- Bank Guarantees of ₹10 Lacs (Previous Year ₹10 Lacs) extended to Bombay Stock Exchange Limited under the mandatory rules for membership and ₹ 840 Lacs (Previous Year ₹1190 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 ₹2625 Lacs (Previous Year ₹2750 Lacs) towards additional margin.
- Bank Guarantees of ₹550 Lacs (Previous Year ₹75 Lacs) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- Bank Guarantees of ₹1425 Lacs (Previous Year ₹875 Lacs) extended to National Commodity Clearing Corporation Limited under the mandatory rules for membership and towards additional margin.



Notes on Consolidation Financial Statements for the year ended 31st March 2012

- (v) Bank Guarantees of ₹615 Lacs (Previous Year ₹ 675 Lacs) extended to Multi Commodity Exchange of India Ltd under the mandatory rules for membership and towards additional margin.
- (vi) Claims against the Company not acknowledged as debts ₹Nil (Previous Year ₹3.98 Lacs).

27. Fixed Deposits

Fixed deposits with scheduled banks include ₹ 601.50 Lacs (Previous Year ₹ 969.00 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, ₹351.00 Lacs (Previous Year ₹105.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited, ₹305.00 Lacs (Previous Year ₹5.00 Lacs) which is under the lien of Multi Commodity Exchange of India Ltd and ₹2.50 Lacs (Previous Year ₹2.50 Lacs) which is under the lien of National Spot Exchange Limited.

28. Disclosures under Micro, Small, & Enterprises Development Act, 2006

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 the Act.

29. Securities are normally held by the Group in its own name except securities pledged with exchange. Securities, which are not registered in the name of the Group, are held by the Group with valid transfer documents.

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

31. Segment Reporting

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.

32. Previous year figures

Till the year ended 31st March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

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

Ajay Tulsiyan
Partner
Membership No. : 74868
Indore, Dated : 30th May, 2012

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

Twentieth Annual General Meeting - 14th July 2012

D.P. ID*		Master 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 20th Annual General Meeting of the company to be held at Hotel President, RNT Marg, Indore (MP) on Saturday, 14th July 2012 at 12:30 P.M. or at any adjournment thereof.

Affix Rs.1.00
Revenue
Stamp

AS WITNESS my/our hand(s) this..... Day of..... 2012.

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

Twentieth Annual General Meeting - 14th July 2012

D.P. ID*		Master 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 presence at the 20th Annual General Meeting of the company held on Saturday, 14th July 2012 at 12:30 P.M. at Hotel President, RNT Marg, Indore (M.P.)

Name and Address of Shareholder: _____

Name of Shareholder's Representative/Proxy: _____

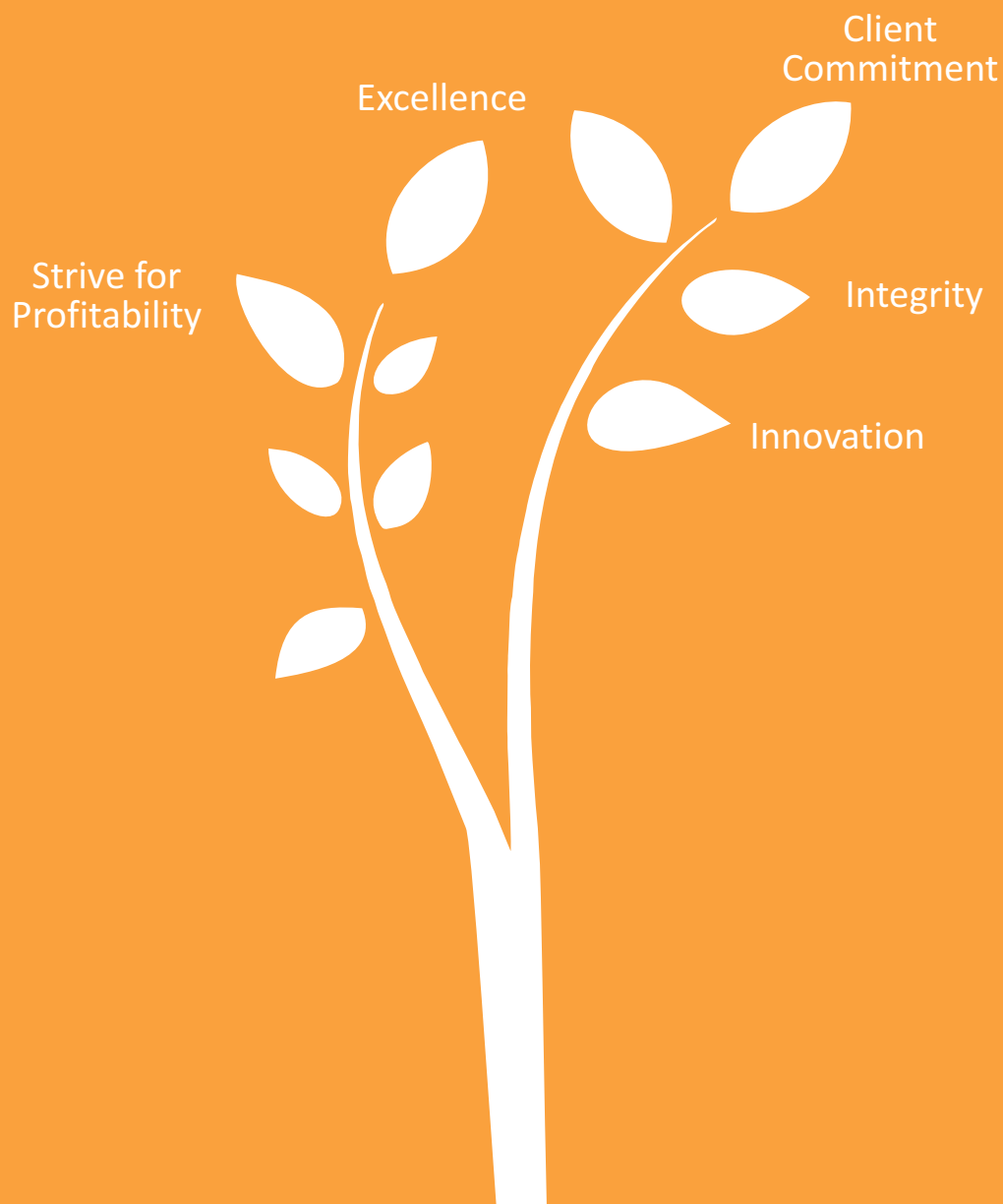
Signature of Shareholder or Shareholder's Representative/Proxy _____

Note: No duplicate Attendance Slip will be issued at the Meeting Hall. You are requested to bring your copy of the Annual Report to the Meeting.

*Applicable for investor holding shares held in electronic form

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.





ARIHANT capital markets ltd.
Generating Wealth. Satisfying Investors.

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