

Annual Report 2012-13

**PUTTING YOUR INTEREST
AT THE FOREFRONT**



ARIHANT capital markets ltd.
Generating Wealth. Satisfying Investors.



Chairman's Message

Dear Shareholders

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

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

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

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

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

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

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

I have three particular areas of focus



Ashok Kumar Jain

Company Information

BOARD OF DIRECTORS

Mr. Ashok Kumar Jain
(Chairman and Managing Director)

Mrs. Anita Surendra Gandhi
(Whole-time Director)

Mr. Sunil Kumar Jain

Mr. Akhilesh Rathi

Mr. Rakesh Jain

Mr. Pankaj Kumar Gupta

Mr. Paragbhai Rameshbhai Shah

COMPANY SECRETARY

Mr. Mahesh Pancholi

AUDITORS

M/s Arora, Banthia & Tulsian

Chartered Accountants

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

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

REGISTERED OFFICE

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

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

CORPORATE OFFICE

3rd Floor, Krishna Bhavan, 67, Nehru Road,
Vile Parle (E) Mumbai - 400057

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

ADMINISTRATIVE OFFICE

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

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

REGISTRAR & TRANSFER AGENT

Ankit Consultancy Private Limited

Plot No. 60, Electronic Complex,
Pardeshipura, Indore – 452 010 (M.P.)

Tel: +91-731-2551745

Fax: +91-731-4065798

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Notice

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

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2013, the statement of Profit & Loss Account of the Company for the year ended on that date and the reports of the Board of Directors and auditors thereon.
2. To declare a dividend on equity shares for the year 2012-13.
3. To appoint a director in place of Mr. Akhilesh Rathi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Parag Rameshbhai Shah, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

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

SPECIAL BUSINESS

6. To re-appoint Mrs. Anita S. Gandhi as the Whole Time Director and in this regard to consider, and if thought fit to pass, with or without modification(s), the following resolution as an **ordinary resolution**:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 (the Act) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to such approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the re-appointment of Mrs. Anita S. Gandhi, the Whole Time Director of the Company for a period of two years with effect from 1st February, 2013."

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

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

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

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



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

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

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

By order of the Board of Directors

Place: Indore
Dated: 28th May, 2013

Sd/-
Mahesh Pancholi
(Company Secretary)

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting on his/her behalf. The proxy need not be a member of the Company. The instrument appointing the proxy, however in order to be effective, should be deposited at the registered office of the Company not less than 48 hours before the meeting.
2. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item no. 6 of the notice as set out above, is annexed hereto.
3. The register of members and share transfer books of the Company will remain closed from Monday, 15th July, 2013 to Monday, 22nd July, 2013 (both days inclusive) in connection with the AGM and for the purpose of payment of dividend, if approved by the members.
4. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 27th July, 2013 to those members:
 - a) whose names appeared as beneficial owners as at the end of 13th July, 2013 as per the list to be furnished by Depositories in respect of shares held in electronic form; and
 - b) whose names appeared as members in register of the members of the Company after giving effect of valid transfer in physical form, which are lodged with company/registrar and share transfer agent on or before 13th July, 2013 as per the list to be furnished by registrar in respect of shares held in physical form.
5. In all correspondence with the company members are requested to quote their folio number and in case shares are held in electronic form, they should quote Client ID and DP ID Number.
6. The register of Directors' shareholding maintained under section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
7. Members who hold shares in dematerialized form are requested to inform their Client ID and DP ID number for easier identification for attendance at the meeting.
8. Shareholders who are still holding physical share certificate(s) are advised to dematerialise their shareholding to avail benefit of dematerialisation.



9. Members desiring to have any information on accounts are requested to write to the Company at least 10 days in advance before the date of the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting. The shareholders are requested to write to the company secretary or to the registrar and share transfer agent, M/s Ankit Consultancy Private Limited, regarding transfer of shares and for resolving grievances, if any.
10. Members are requested to notify any changes in their address/bank mandate to their respective depository participants (DPs) in respect of their electronic share accounts and to the registrar and share transfer agent of the Company, in respect of their physical shares folio, at:

Ankit Consultancy Pvt. Ltd.

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

11. Members who are holding physical shares in more than one folio are requested to intimate to the Company / registrar and share transfer agent the details of all their folio numbers for consolidation into single folio.
12. Members/Proxies are requested to bring their copy of annual report to the meeting with the attendance slip, duly filled in, for attending the meeting.
13. Corporate members intending to send their authorized representatives to attend the AGM are advised to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the meeting.
14. Pursuant to the requirements on corporate governance under Clause 49 of listing agreements entered into with stock exchanges, the information about directors proposed to be appointed/re-appointed is given in the annexure to the notice.
15. Dividend for the financial year ended 31st March, 2006, which remains unclaimed or unpaid, will be due for transfer to the Investor Education and Protection Fund of the Central Government, pursuant to the provision of section 205C of the Companies Act, 1956, on 30th October, 2013. Members, who have not yet encashed their dividend warrants for the financial year ended 31st March, 2006 or any subsequent financial years are requested to lodge their claims with the Company/ Ankit Consultancy Pvt. Ltd., without delay. Members are advised that no claims shall lie against the said fund or against the Company for the amounts of dividend so transferred to the said fund.
16. All documents referred to in the notice and explanatory statement will be available for inspection by the members at the registered office of the Company between 10:00 a.m. and 5:00 p.m. on all working days from the date hereof up to the date of meeting.
17. In terms of general exemption granted by the central government under section 212(8) of the Companies Act, 1956, pursuant to the general circular no. 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India, copy of the balance sheet, profit and loss account, reports of Board Of Directors and auditors of the subsidiaries have not been attached with the balance sheet of the Company. The Company Secretary and Compliance Officer will make these documents available upon receipt of request from any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the annual report. These documents will also be available for inspection at the registered office of the Company and the concerned subsidiary companies, during 10 a.m. to 5 p.m. on all working days upto the date of the AGM.
18. As part of green initiatives in the Corporate Governance, The Ministry of Corporate Affairs vide its circular nos. 17 and 18 dated 21st April, 2011 and 29th April, 2011 respectively, clarified that a company would have complied with Section 53 of the Companies Act, 1956, if the service of the document has been made through electronic mode, provided the company has obtained e-mail addresses of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the company.

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



Annexure to Notice

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

Item No. 6

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

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

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

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

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

By order of the Board of Directors

Sd/-

Mahesh Pancholi
(Company Secretary)

Place: Indore

Dated: 28th May, 2013

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

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



Directors' Report

Dear Shareholders

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

Financial Highlights

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

(₹ in Lacs)

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

Review of Operations

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

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

**Dividend**

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

Transfer to General Reserves

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

Public Deposits

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

Subsidiaries

Your Company has five subsidiaries:

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

Pursuant to the approval of the central government under Section 212(8) of the Companies Act, 1956, copies of the balance sheet, profit and loss account, report of the Board of Directors and Report of the Auditors of each of the subsidiary Companies have not been attached to the accounts of your Company for financial year 2012-2013. The Board of Directors has given its consent for not attaching the financial statements of the subsidiaries referred to in the aforesaid annexed statement, pursuant to the general circular no. 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India. Your Company will make these documents/ details available upon request by any member of Your Company. These documents/ details will also be available for inspection by any member of Your Company at its registered office and also at the registered offices of the concerned subsidiaries. As required by Accounting Standard-21 (AS-21), issued by the Institute of Chartered Accountants of India, the Company's consolidated financial statements included in this Annual Report incorporates the accounts of its subsidiaries.

Directors

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

Transfer of Amounts to Investor Education and Protection Fund

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

Conservation of Energy and Technology Absorption

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

Foreign Exchange Earnings/ Outgo

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

Particulars of Employees

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

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



Director's Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards along with proper explanations relating to material departures, if any, have been followed by your Company.
- (ii) It has been ensured that appropriate accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31st March, 2013 and of its profit 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 your 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, 2013 on a going concern basis.

Auditors and Auditor's 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. Your 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 (1B) 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 your 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 to the corporate governance requirements by your 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 your Company continue to be listed on the Bombay Stock Exchange (BSE). The annual listing fee for the year 2013-14 has been paid to the BSE Ltd., Mumbai.

Acknowledgment

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

Place: Indore
Dated: 28/05/2013

Sd/-
Ashok Kumar Jain
(Chairman)



Management Discussion & Analysis Report

FY2012-13: A Glance and Outlook

A tough macro environment with persistently high inflation, a shaky economic recovery and an uncertain political environment would aptly sum up FY2013. Despite this backdrop, Indian stock markets ended the financial year with over 7.5 per cent return to the investors owing to sustained flow of investment from foreign institutional investors (FIIs).

While we were optimistic about India's growth story and were envisaging improvement in performance of equity markets, we planned for a still-tough business environment for FY2013. The equity markets indeed delivered positive returns but trading activity, particularly in the retail segment, never really picked up, which negatively affected the company's revenues. Maintaining a cautious stance from the beginning we focused on improving efficiency by making optimum utilization of resources, including human resources, and maintaining a strict control on our cost that helped the Company post a strong growth in its bottom line.

As we enter in the FY2014, our main focus would be towards adapting to the new phase of the Indian broking industry that is marked by high competition, lower rate of brokerage and less active retail participation and would devise new market strategies to lead the industry in this new landscape and clocking higher level of growth going forward. This would require a stronger focus on client risk management, strict control on cost, exploring and spotting new opportunities for revenue generation and most importantly we would need to reinvent ourselves with this dynamic market and devise new strategies for client addition. We will have to work to be the preferred 'investment firm' for today's investor.

In our last MDA report, we mentioned that a major turnaround in the current economic scenario is not likely to happen immediately unless the government proactively takes strong steps to get the economy back on high growth trajectory. With the forthcoming elections just round the corner, we see that happening now. The government has off late been in full swing to get back the 8-10% GDP growth that eluded us last couple of years due to challenging global and domestic economic conditions. The Union Budget 2013-14 clearly demonstrated the government is keen to meet the expectations of foreign investors and credit rating agencies on the fiscal deficit front. It also incentivized the private sector to go for capital expenditure. It is hoped that foreign capital inflows coupled with government's sops would induce the corporate sector to increase its apex. These efforts will help the economy and consequently the capital markets and financial services industry could show significant revival of fortunes.

Unfortunately there is no magic wand that will make it happen immediately. The efforts and policy decisions that the government is taking and expected to take going forward, will take some time to show results. We are here for the long term and we are positive the efforts will eventually deliver results. This period will give us time to consolidate ourselves, understand better the financial markets that have become extremely dynamic and adapt to the changing landscape in order to serve our customers better. We are patient, we are optimistic and we are here for the long haul.

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. Initiated with the idea to make financial products and services easily understandable and accessible to all, the Company now offers equity, commodity and currency broking services, merchant banking services, distribution of financial products, financial planning, and depository services through its 675 investment centers across India servicing over 1.15 lac customers that includes retail, high networth individuals and domestic and financial institutions. Here is a list of products and services offered by your Company:

- Equities and Derivatives Broking
- Online Services – Ari-trade offers online trading, online IPO and online mutual funds
- Commodities Broking
- Currency Derivatives Broking
- Financial Planning
- Priority Client Group
- Mutual Fund Investment and Advisory
- IPO, Bonds (including NHAI, REC, NABARD)
- Merchant Banking (Category I)

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. 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 a sound understanding of Indian capital markets.

Review of Operations

On a consolidated basis, your Company earned total revenue of ₹ 50.94 crore with a net profit of ₹ 5.53 crore during the FY2013. While the revenues of your Company dropped 26.6% in the financial year under review, the reported net profit increased 32.27%, mainly due to the strict control on cost taken by your Company as we anticipated FY2013 to be a challenging year marked by subdued retail participation.

Your Company's consolidated performance during the financial year 2012-2013 is as follows:

₹ in lacs		
Particulars	March 31 st , 2013	March 31 st , 2012
Income from operations	4,483.27	6,448.94
Other Income	610.74	491.81
Total Income	5,094.01	6,940.75
Total Expenditure	4,310.03	6,327.91
Profit before Tax	783.99	612.84
Tax on Profit	231.38	195.08
Net Profit for the period	552.61	417.76
Earnings Per Share (₹)	2.65	2.01

As we had stated last year, in uncertain times every penny saved is a penny earned. Taking this into consideration, your Company continued to maintain a cautious stance on the expenditure and considerably reduced its expenses, wherever feasible. The following table outlines company's expenditure:

₹ in lacs		
Particulars	March 31 st , 2013	March 31 st , 2012
Commission and Brokerage	1653.40	1839.55
Employees Cost	1017.85	945.88
Depreciation	137.51	149.43
Administrative & Other Expenditure	1302.04	1400.20
TOTAL EXPENDITURE	4110.80	4335.06

Volatility is a part of our business, and hence we believe there would be periods of volatility in the Indian equity markets, which will also reflect in our business performance. However, focus on tapping new revenues streams, improving efficiencies, adapting ourselves to the changing mindset of clients and updating ourselves with the highly dynamic financial markets would help us in offsetting the said volatility.

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 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 on 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. In addition to this, due to reduction in charges to acquire stock exchange membership, many new domestic players have taken direct membership, further aggravating the competition. 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.
- **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. Securities and Exchange Board of India (SEBI), National Stock Exchange (NSE), the Bombay Stock Exchange of Mumbai (BSE), Forward Market Commission (FMC), 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 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 employees and conducted several training programs in this regard. 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 are safeguarded. The adequacy and effectiveness of the internal control across various activities, as well as 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, checking adequacy of internal controls, adherence to regulatory compliance and company's policies and procedures, analysis and recommendations concerning the activities covered for audit and conducting a review of 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 Bankers Regulation 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.

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 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 environment friendly practices in order to leave as less environmental footprint as possible. We endeavour to 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.



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 Our strengths

We believe that our competitive strengths include – commitment to working for the growth of our clients, strong brand and long standing client relationships, a strong network spanning over 675 investment centers across India in over 110 cities, low cost structure, a strong understanding of the brokerage industry and ability to scale and adapt quickly to this highly dynamic industry.

Strategy

We intend to capitalize on the growth and consolidation of the brokerage industry and leverage our low cost infrastructure to grow our market share and profitability. To achieve these goals we seek to increase business from existing and new clients, expand our network particularly in markets where the competition is not intense and potential is high. We seek to further strengthen our position by increasing our relevance to clients by being able to understand their investment requirement and offer them a solution that best meet their needs (client centric approach).

Our long term strategy is to find new ways to engage untapped clients in the capital markets to help them create wealth and increase our market share by giving superior offerings to long term investors, active traders and institutions. Helping our client make better investment decision and expanding our suite of diversified investment products and services to serve the investor's needs are the key elements of our strategy.

Our competition

A lacklustre market, changing technology, changing regulations and burgeoning compliance requirements is already taking its toll on the Indian broking industry. But when that is not enough the stiff competition makes it all the more challenging for the broking industry. We operate in a highly competitive and extremely dynamic market and compete with not only the large broking companies of the country that includes banks with huge client base but also the best broking and wealth management companies of the world – the likes of Citibank, Morgan Stanley, Merrill Lynch, CLSA (primarily operating in the institutional broking segment).

As the competition gets stiff and the target market narrows, the margins start thinning. There is a limit to which costs can be curtailed as there are certain infrastructure and regulatory costs which cannot be trimmed; on the contrary has only been rising over the years. In the future we expect this intensified competition from existing and new players to continue to haunt the industry.

We believe that the principal competitive factors in our industry is the ability to work with integrity and work for the benefit of the client, attract and retain high quality personnel, have a scalable and cost-effective business model, increase the scale and breadth of the service offering to become a one stop solution for all investment needs, keep pace with ever changing equity markets, technology and customer requirements, have a proven track record of creating value for customers and to ensure honest and professional business practise, which is particularly crucial in financial services industry. We strongly believe that we compete favourably among all these factors and our dedication towards doing what's right for our client will help us grow stronger in the future.

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

Company's philosophy on corporate governance

Corporate governance is about commitment to values and ethical business conduct. 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. We, at Arihant Capital Markets Ltd. (hereinafter referred to as 'your Company' or Arihant), believe that a sound corporate governance is critical to enhance and retain investor's trust.

Transparency, integrity, fairness, accountability and disclosure are Arihant's business ethos that are central to the working of your Company and its directors. We are happy to inform you that your Company's existing practices and policies are significantly in conformity with the requirements stipulated by SEBI and comply with the requirement of the corporate governance in terms of Clause 49 of the listing agreement.

Board of Directors

a) Size and composition of the Board

Your 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 and five are independent directors. 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, 2013 is as under:

S. No.	Name of the Director	Position	No. of directorship (s) held in other companies	No. of outside committee position held	
				Member	Chairman
1.	Mr. Ashok Kumar Jain*	Chairman & Managing Director	5	Nil	Nil
2.	Mrs. Anita Surendra Gandhi	Whole-time Director	Nil	Nil	Nil
3.	Mr. Sunil Kumar Jain	Non-executive Director	1	Nil	Nil
4.	Mr. Akhilesh Rathi	Non-executive Independent Director	3	Nil	Nil
5.	Mr. Pankaj Kumar Gupta	Non- executive Independent Director	1	Nil	1
6.	Mr. Paragbhai Rameshbhai Shah	Non- executive Independent Director	Nil	Nil	Nil
7.	Mr. Rakesh Jain	Non-executive Independent Director	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, 2013. These were held on 30th May, 2012, 6th August, 2012, 10th November, 2012 and 9th February, 2013.

The details of director's attendance at board meetings held during financial year 2012-13 and at the last annual general meeting are as under:

S. No.	Name of the Director	No. of Board Meetings		Whether attended the last AGM
1.	Mr. Ashok Kumar Jain	4	4	Yes
2.	Mr. Sunil Kumar Jain	4	3	Yes
3.	Mr. Akhilesh Rathi	4	3	No
4.	Mr. Rakesh Jain	4	3	Yes
5.	Mrs. Anita Surendra Gandhi	4	3	No
6.	Mr. Pankaj Kumar Gupta	4	2	No
7.	Mr. Paragbhai Rameshbhai Shah	4	2	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 Rathi, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. The Chairman of the Committee is Mr. Akhilesh Rathi and Mr. Mahesh Pancholi acts as the Secretary to the committee. All the members of the committee have 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:

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

Shareholders' grievance committee

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

During the financial year 2012-2013, 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, namely Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. Mr. Mahesh Pancholi acts as the Secretary and Mr. Akhilesh Rathi is the Chairman of the committee. Two meetings of the committee were held during the financial year 2012-2013.

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					
S. No.	Name of the Director	Salary	Perquisite	Commission	Total
1.	Mr. Ashok Kumar Jain	36.00	0.38	0.00	36.38
2.	Mrs. Anita S. Gandhi	29.57	0.00	0.00	29.57

Sitting fees and shares held by non-executive directors

S. No.	Name of the Director	No. of Equity Shares	Sitting fees
1.	Mr. Sunil Kumar Jain	16,06,656	₹ 60,000
2.	Mr. Akhilesh Rathi	NIL	₹ 60,000
3.	Mr. Rakesh Jain	NIL	₹ 60,000
4.	Mr. Pankaj Kumar Gupta	NIL	₹ 30,000
5.	Mr. Parag Rameshbhai Shah	29,000	₹ 30,000

**Disclosures**

- i. Your Company does not have any material related parties' transactions which have potential conflict with the interest of your 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.
- ii. The financial statements have been prepared in accordance with the accounting policies generally accepted in India.
- iii. There were no instances of non-compliance on any matter related to the capital markets, resulting in disciplinary action against your Company, during the last three years.
- iv. Your Company has implemented the mandatory requirements of corporate governance as set out in the listing agreement with stock exchanges. In respect to compliance with the non-mandatory requirements, your Company has constituted a Remuneration Committee, details whereof are given under the heading remuneration committee. The quarterly, half-yearly and annual results of your 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.
- v. During the financial year, your Company has adopted a risk management policy framework for risk identification, assessment and control to effectively manage risks associated with the business of your Company.

Code for prevention of insider-trading practices

The Company has followed the applicable Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements for the financial year 2012-13.

General body meetings

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

Financial Year	Venue	Date	Time
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.
2011-2012	Hotel President, R.N.T. Marg, Indore (MP)	14/07/2012	12:30 P.M.

Postal ballot

No special resolution was passed through Postal Ballot during the Financial Year 2012-13. 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	48,50,516
Votes against the Resolution	Nil	Nil
Votes found invalid	Nil	Nil
Total	26	48,50,516



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

The certificate required under Clause 49 (V) of the Listing Agreement with the BSE, Mr. Ashok Kumar Jain, Chief Executive Officer and Mr. Tarun Goyal, Chief Financial Officer of the Company has certified to the Board regarding the financial statements for the financial year ended 31st March, 2013.

Code of conduct for directors and senior management

In compliance with Clause 49 of the Listing Agreement, your 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 your 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 your Company are published in accordance with the Stock Exchange Listing Agreement in newspapers viz. "Free Press" (English), "Choutha Sansar" (Hindi). In addition, the annual report is also sent to all the shareholders by post or e-mail. Quarterly and annual financial statements, along with shareholding pattern are also posted on the 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/registrars 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.

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 your Company have affirmed compliance with the code of conduct applicable to all the Directors and senior management, for the year ended March 31st, 2013.

For Arihant Capital Markets Ltd.

Sd/-
Ashok Kumar Jain
Chairman and 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, 2013, 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

Mr. Ajit Jain
(Proprietor)
Membership No.: 3933

Place: Indore
Dated: 28/05/2013



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	11:00 A.M., July 22, 2013
3	Date(s) of Book Closure	15.07.2013 to 22.07.2013
4	Financial Calendar Financial Results for - Quarter ending June 30, 2013 Quarter ending September 30, 2013 Quarter ending December 31, 2013 Year ending March 31, 2014	(Tentative) Second week of August, 2013 Second week of November, 2013 Second week of February, 2014 Last week of May, 2014
5	Dividend Payment Date	on or after 27 th July, 2013
6	Listing of Equity Shares on the Stock Exchange at	The BSE Limited P.J. Towers, Dalal Street, Mumbai-400001
7	Company Registration Details	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 FY2012-13 is given below:

Month	High (₹)	Low (₹)	Volume
April 2012	22.70	19.05	3,62,819
May 2012	22.75	18.00	22,80,217
June 2012	21.50	16.65	3,17,545
July 2012	21.00	16.70	5,16,832
August 2012	19.85	14.20	7,47,326
September 2012	21.00	15.55	5,03,880
October 2012	24.50	16.25	8,81,418
November 2012	21.50	17.65	4,41,509
December 2012	21.05	18.35	5,01,379
January 2013	22.40	17.55	7,70,790
February 2013	21.60	16.10	3,44,822
March 2013	19.50	14.35	4,18,955



11. Distribution schedule as on March 31, 2013

Shareholding of Nominal Value of ₹ - ₹		Shares-holders No.	% of Total holders	Share Amount in ₹	% of Total Equity
UPTO	1000	1270	36.02	534055	0.51
1001	2000	556	15.77	867515	0.83
2001	3000	162	4.59	405415	0.39
3001	4000	842	23.88	2716330	2.61
4001	5000	237	6.72	1139100	1.10
5001	10000	223	6.32	1679785	1.61
10001	20000	106	3.01	1564935	1.50
20001	30000	32	0.91	798475	0.77
30001	40000	21	0.60	727500	0.71
40001	50000	11	0.31	499665	0.48
50001	100000	25	0.71	1805950	1.73
100000	ABOVE	41	1.16	91374075	87.76
Total		3526	100.00	104112800	100.00

- 12 **Dematerialization of Shares** About 96.70 per cent of Company's paid up equity share capital has been dematerialized up to March 31, 2013
- 13 **Dematerialized at NSDL & CDSL Physical** 20135736
686824
- 14 **Shareholding Pattern as on March 31, 2013:**

Category	No. of Shares Held	% of Shareholding
Promoters & Promoters Group	15421052	74.06
Mutual Funds & Institutional Investors	NIL	NIL
Corporate Bodies	750192	3.60
Indian Public	4575208	21.98
NRI / OBC	76108	0.36
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 7 days from the date of receipt, subject to documents being valid and complete in all respects. In case no response is received within 15 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. The Company obtains, from a Company Secretary in practice, half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the said certificate with the Stock Exchange.

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	to the depository participant
B. Any other matters & unsolved complaints	Company Secretary E-5 Ratlam Kothi, Indore - 452001, (M.P.)

Notes:

- I. Annual listing fee for the year 2013-14 has been paid to the BSE Limited, Mumbai.
- II. Annual custody fee for the year 2013-14 has been paid by the Company to NSDL and CDSL.
- III. Distribution schedule and shareholding pattern as on March 31, 2013.
- IV. During the Financial Year 2012-13, the Company has credited ₹ 2,09,698/- lying unpaid /unclaimed dividend account (2004-05), to the Investor Education & Protection Fund pursuant to Section 205C of the Companies Act, 1956. The Company shall be transferring the unclaimed/unpaid dividend amount for the financial year 2005-06, to the Investor Education And Protection Fund in term of the provisions of Section 205C of the Companies Act, 1956.
- V. The Company has also uploaded the details of unpaid/unclaimed amounts lying with the company as on July 14, 2012 (date of last Annual General Meeting) on the MCA website under the provision of IEPF (uploading of information regarding unpaid and unclaimed amount lying with the companies) Rules, 2012.
- VI. In term of Clause 5A of the Listing Agreement, the Company has opened Unclaimed Suspense Account, namely "Arihant Capital Markets Ltd. - Unclaimed Suspense Account" and the unclaimed shares lying with the registrar of the Company have been dematerialized and credited to "Arihant Capital Markets Ltd. - Unclaimed Suspense Account".



Auditors' Report

To,
The Members
Arihant Capital Markets Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Arihant Capital Markets Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. 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 Act (hereinafter referred to as the "Order"), 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 explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

CA Ajay Tulsiyan
Partner
Membership No.: 74868
Indore, 28th May, 2013

Annexure Referred to In Paragraph 1 Under The Heading of “report on other Legal and Regulatory Requirements” of Our Report of Even Date to The Members of Arihant Capital Markets Limited on the Accounts for the Period Ended 31st March, 2013

- 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 ₹968.00 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 taken from one company covered in the register maintained under section 301 of The Companies Act, 1956. The maximum amount involved was ₹1558.99 Lacs and the closing balance was ₹ Nil.
 - e. In our opinion the rate of interest and other term and conditions of loan taken by the company are not prima facie prejudicial to the interest of the Company.
 - f. The payments of principal amounts and interest in respect of such loans during the year has been regular/ as per stipulation.
4. In our opinion and according to the information and explanations given to us the Company has an adequate internal control procedure commensurate with the size and nature of its business, with regard to the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.
 5.
 - a. In our opinion and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of The Companies Act, 1956, have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred in (5)(a) above and exceeding the value of ₹ Five Lacs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
 6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public as governed by the provision of section 58A and 58AA or any other relevant provisions of the Act and rules framed their under.
 7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 8. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of The Companies Act, 1956, in respect of the activities carried on by the Company.
 9.
 - a. As per the records of the Company, the company is generally regular in depositing the statutory dues including provident fund, income tax, wealth tax, service tax, cess and other material statutory dues applicable to it with the appropriate authorities
 - b. 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:

Name of the Statue	Nature of Dues	Year	Amount (₹ in Lacs)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2010-2011	10.64	Commissioner of Appeals



10. The Company has no accumulated losses at the end of financial year and has not incurred cash losses in the current financial year and the immediately preceding financial year.
11. The Company has not defaulted in payments of any dues to financial institutions, banks or debenture holders.
12. In our opinion the Company has maintained adequate documents and records where it has granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
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 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

CA Ajay Tulsiyan
Partner
Membership No.: 74868
Indore, 28th May, 2013



Arihant Capital Markets Limited Balance Sheet as at 31st March, 2013

Particulars	Note No.	31 st March, 2013 ₹	31 st March, 2012 ₹
EQUITY & LIABILITIES			
Shareholders' fund			
Share Capital	2	10,41,12,800	10,41,12,800
Reserves and Surplus	3	41,26,22,519	40,45,39,249
		51,67,35,319	50,86,52,049
NON-CURRENT LIABILITIES			
Deferred Tax Liabilities (net)	4	77,39,110	79,56,346
		77,39,110	79,56,346
CURRENT LIABILITIES			
Short-Term Borrowings	5	65,138	10,83,62,253
Trade Payables	6	19,46,43,113	19,11,99,266
Other Current Liabilities	7	11,72,51,957	16,21,49,497
Short-Term Provisions	8	1,82,71,015	1,21,00,250
		33,02,31,223	47,38,11,266
TOTAL		85,47,05,653	99,04,19,662
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	9	9,88,31,895	9,97,50,082
Intangible Assets	9	60,64,613	1,65,52,904
Non-Current Investments	10	7,71,46,480	7,70,41,480
Other Non-Current Assets	11	2,40,85,000	2,00,75,000
		20,61,27,988	21,34,19,466
Current Assets			
Current Investments	12	10,37,42,726	12,70,62,695
Inventories	13	0	6,81,84,157
Trade Receivables	14	23,27,17,232	23,30,02,968
Cash and Cash Equivalents	15	23,60,67,951	31,30,46,645
Other Current Assets	16	7,60,49,756	3,57,03,731
		64,85,77,666	77,70,00,196
TOTAL		85,47,05,653	99,04,19,662

Significant Accounting Policies and Notes on Financial Statements 1 to 33

As per report of our even date
For Arora Banthia & Tulsian
Chartered Accountants
Firm No.: 007028C

CA Ajay Tulsian
Partner
Membership No.: 74868
Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing Director

Akhilesh Rathi
Director

Mahesh Pancholi
Company Secretary



Arihant Capital Markets Limited

Statement of Profit and Loss for the year ended 31st March, 2013

Particulars	Note No.	31 st March, 2013 ₹	31 st March, 2012 ₹
Income			
I Revenue from operations	17	32,21,75,581	33,80,22,354
II Other income	18	3,79,23,582	2,94,76,540
III Total Revenue (I+II)		36,00,99,163	36,74,98,894
IV Expenses			
Employee benefits expenses	19	8,13,35,652	8,65,77,609
Finance costs	20	2,04,36,402	58,20,236
Other expenses	21	20,89,31,309	23,24,03,350
Net depreciation and amortization expenses	9	1,28,36,055	1,40,48,182
Total (II)		32,35,39,417	33,88,49,377
V Profit before exceptional and extraordinary items and tax (III-IV)		3,65,59,746	2,86,49,517
VI Exceptional items		0	0
VII Profit before extraordinary items and tax (V-VI)		3,65,59,746	2,86,49,517
VIII Extraordinary items		0	0
IX Profit before tax (VII-VIII)		3,65,59,746	2,86,49,517
X Tax expenses			
Current tax		1,04,22,696	1,03,15,614
Deferred tax		-2,17,236	-10,41,814
Total tax expense		1,02,05,460	92,73,800
XI Profit/(loss) for the year		2,63,54,286	1,93,75,717
XII Earnings per share (equity shares of ₹5 each)	23		
Basic		1.27	0.93
Diluted		1.27	0.93

Significant Accounting Policies and Notes on Financial Statements 1 to 33

As per report of our even date

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

CA Ajay Tulsian
Partner
Membership No.: 74868
Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing Director

Akhilesh Rathie
Director

Mahesh Pancholi
Company Secretary



Arihant Capital Markets Limited

Cash Flow Statement for the year ended 31st March, 2013

Particulars	Note No.	31 st March, 2013 ₹	31 st March, 2012 ₹
Cash flow from operating activities			
Net profit before taxation		3,65,59,746	2,86,49,517
Add adjustments for :			
(Profit) / Loss on sale of fixed assets		7,13,634	2,48,380
Depreciation / Amortisation		1,28,36,055	1,40,48,182
Dividend income		-38,46,572	-26,32,348
Operating profit before working capital changes		4,62,62,863	4,03,13,730
Adjustments for changes in working capital :			
- Trade and other receivables		285,735	-56,91,551
- Inventories		6,81,84,157	-6,81,84,157
- Loans & advances		-4,52,33,210	13,25,39,245
- Trade and other payables		-4,14,53,693	-1,27,72,944
Cash generated from operation		2,80,45,852	8,62,04,325
- Taxes paid (net)		-95,45,512	-1,17,95,869
Net cash from operating activities (A)		1,85,00,340	7,44,08,455
Cash flow from investing activities			
(Purchase) / Sales of fixed assets		-21,43,211	-6,12,57,129
(Purchase) / Sales of investments		2,32,14,969	-5,85,14,271
Dividend received		38,46,572	26,32,348
Net cash used in investing activities (B)		2,49,18,330	-11,71,39,051
Cash flow from financing activities			
Dividend paid		-1,04,11,280	-1,56,16,920
Dividend distribution tax paid		-16,88,970	-25,33,455
Increase/ (Decrease) in secured loans		-5,32,97,115	5,33,62,253
Increase/ (Decrease) in unsecured loans		-5,50,00,000	5,50,00,000
Net cash used in financing activities (C)		-12,03,97,365	9,02,11,878
Net increase in cash and cash equivalents (A+B+C)		-7,69,78,695	4,74,81,283
Cash and cash equivalents at the beginning of the year		31,30,46,645	26,55,65,362
Cash and cash equivalents at the end of the year		23,60,67,951	31,30,46,645
Cash and cash equivalents comprise of			
Cash and cheques in hand		25,880	1,41,354
Balances with scheduled banks		23,60,42,071	31,29,05,291
Total		23,60,67,951	31,30,46,645

Significant Accounting Policies and Notes on Financial Statements 1 to 33

As per report of our even date

For Arora Banthia & Tulsian

Chartered Accountants

Firm No.: 007028C

CA Ajay Tulsian

Partner

Membership No.: 74868

Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing Director

Akhilesh Rathie
Director

Mahesh Pancholi
Company Secretary



Arihant Capital Markets Limited

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. The accounts are prepared on historical cost basis and on the principle of going concern. Accounting policies not specifically referred to are in consonance with prudent and generally accepted accounting practices. The accounting policies have been consistently applied unless otherwise stated.

B. Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which require the management of the company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and results of operations during the reporting periods. Although these estimates are based upon the management's best knowledge of current events & actions, actual results could differ from those estimates. Significant estimates are used by management in the preparation of these financial statements, estimates of the economic useful lives of the fixed assets, provisions for bad and doubtful debts and accruals.

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. Valuation of Inventories

Securities shown as inventories are valued scrip wise at weighted average cost of the day or market value whichever is lower. Cost includes direct expenses.

E. 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.

F. 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.

G. 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.

H. Cash & Cash Equivalents

Cash comprises cash on hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into cash and which are subject to insignificant risks of changes in value.



Arihant Capital Markets Limited

Notes Forming Part of Financial Statements

I. Foreign Currency Transactions

- a. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.
- b. Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.
- c. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

J. 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.

K. 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.

L. 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.

M. 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 other current assets.
- b. Equity index/stock futures for arbitrage purposes are marked-to-market on a daily basis. Debit or credit balance disclosed under Other Current Assets or Other 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 is 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.



Arihant Capital Markets Limited

Notes Forming Part of Financial Statements

- e. 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.

N. 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 other current assets.
- 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.

O. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.



Arihant Capital Markets Limited Notes Forming Part of Financial Statement

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
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		
Equity Shares of face value ₹5/-		
Share outstanding at the beginning of the period	2,08,22,560	2,08,22,560
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	39,77,70,709	39,37,70,709
Add: Transfer from Profit & Loss	50,00,000	40,00,000
Less: On issue of shares	0	0
Closing Balance	40,27,70,709	39,77,70,709

Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	67,68,540	34,93,073
Profit for the year	2,63,54,286	1,93,75,717
Less: Appropriations		
Proposed dividend on equity shares	1,56,16,920	1,04,11,280
[Dividend per share ₹0.75 (Previous year ₹0.50)]		
Tax on proposed equity dividend	26,54,096	16,88,970
Transfer to General Reserve	50,00,000	40,00,000
Net surplus in the statement of Profit and Loss	98,51,810	67,68,540
Total	41,26,22,519	40,45,39,249



Arihant Capital Markets Limited

Notes Forming Part of Financial Statement

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
4.Deferred Tax Liabilities/ (Asset)		
Deferred Tax Liability		
Related to Fixed Assets	94,79,869	1,02,17,201
Gross Deferred Tax Liability	94,79,869	1,02,17,201
Deferred Tax Asset		
Disallowance under the Income Tax Act, 1961	13,75,517	11,25,698
Unabsorbed Losses	3,65,242	11,35,156
Gross Deferred Tax Asset	17,40,758	22,60,855
Total	77,39,110	79,56,346
5.Short Term Borrowings		
Secured		
From Bank*	65,138	5,33,62,253
Unsecured		
From Others (Refer Note 22)	0	5,50,00,000
Total	65,138	10,83,62,253
*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	19,46,43,113	19,11,99,266
Micro, Small and Medium Enterprises (Refer Note 29)	0	0
Total	19,46,43,113	19,11,99,266
7.Other Current Liabilities		
Other Payables	3,59,49,833	4,49,66,564
Unpaid Dividend [#]	20,99,920	20,87,339
Deposits from Intermediaries	7,90,77,074	11,50,95,594
Equity Index/Stock Option Premium	1,25,130	0
Total	11,72,51,957	16,21,49,497
[#] Out of the above amount, the company is required to credit a sum of ₹2,71,242/- lying in the unpaid dividend account, on or before 30 th October, 2013 to the Investor Education & Protection Fund pursuant to Sub-section (1) of Section 205C of The Companies Act, 1956.		
8.Short-Term Provisions		
Proposed Dividend	1,56,16,920	1,04,11,280
Tax on Dividend	26,54,096	16,88,970
Total	1,82,71,016	1,21,00,250



Arihant Capital Markets Limited Notes Forming Part of Financial Statement

9.Fixed Assets

Particulars	RATE OF DEP	GROSS BLOCK				DEPRECIATION				NET BLOCK		Amount in ₹
		As at 1 st April, 2012	Additions for the Year	Deductions Adjustment for the Year	As at 31 st March, 2013	As at 1 st April, 2012	For the Year	On Deductions	As at 31 st March, 2013	As at 31 st March, 2013	As at 31 st March, 2012	
9.Fixed Assets												
Tangible Assets												
Premises	1.63%	6,52,96,313	16,12,600	0	6,69,08,913	12,48,398	10,75,203	0	23,23,601	6,45,85,312	6,40,47,915	
Furniture & Fixtures	6.33%	2,19,20,462	0	0	2,19,20,462	75,60,012	13,52,540	0	89,12,552	1,30,07,910	1,43,60,450	
Office Equipments	4.75%	1,01,30,052	4,38,282	66,700	1,05,01,634	26,19,567	4,90,151	21,690	30,88,029	74,13,605	75,10,484	
Computers	16.21%	5,69,78,798	10,73,404	62,620	5,79,89,582	4,24,07,805	60,11,451	56,313	4,83,62,943	96,26,638	68,40,289	
Electrical Installations	13.91%	27,43,991	0	0	27,43,991	17,78,125	3,80,355	0	21,58,480	5,85,511	9,65,866	
Motor Vehicles	9.50%	88,50,578	0	38,98,876	49,51,702	28,25,500	7,28,343	22,15,060	13,38,783	36,12,920	60,25,078	
Sub Total (A)		16,59,20,193	31,24,286	40,28,196	16,50,16,283	5,84,39,408	1,00,38,043	22,93,063	6,61,84,388	9,88,31,895	9,97,50,082	
Intangible Assets												
Software	16.21%	2,30,92,170	40,425	0	2,31,32,595	1,42,69,970	27,98,012	0	1,70,67,982	60,64,613	1,65,52,904	
Sub Total (B)		2,30,92,170	40,425	0	2,31,32,595	1,42,69,970	27,98,012	0	1,70,67,982	60,64,613	1,65,52,904	
Total (A+B)		18,90,12,363	31,64,711	40,28,196	18,81,48,878	7,27,09,378	1,28,36,055	22,93,063	8,32,52,370	10,48,96,508	11,63,02,986	
Previous year		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	



Arihant Capital Markets Limited

Notes Forming Part of Financial Statement

Particulars	FV ₹	31 st March, 2013 Quantity	31 st March, 2013 ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹
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 Futures & 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	250000	2,06,24,435
Arihant Financial Planner and Advisor Pvt. Ltd.	10	21000	2,10,000	10500	1,05,000
			7,66,36,480		7,65,31,480
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)			7,66,41,480		7,65,36,480
Total Non Current Investments (A+B)			7,71,46,480		7,70,41,480
11. Other Non Current Assets					
(Unsecured, considered good)					
Deposits with Exchanges / Depositories			2,40,85,000		2,00,75,000
Total			2,40,85,000		2,00,75,000
12. Current Investments					
Investment in Equity Shares - Quoted, fully paid up					
Corporation Bank	10	62476	3,03,78,144	68200	3,38,25,836
IDBI Bank Limited	10	100000	1,62,16,582	100000	1,62,16,582
Mahindra Lifespace Developers Limited	10	50000	1,71,48,000	79115	2,71,33,280
The Karnataka Bank Limited	10	0	0	300000	4,98,86,997
(A)			6,37,42,726		12,70,62,695
Investment in units - Quoted					
Kotak Flexi Debt Scheme Plan A - Daily Dividend	10	3981090	4,00,00,000	0	0
(B)			4,00,00,000	0	0
Total (A+B)			10,37,42,726		12,70,62,695

Market value of Quoted Investments ₹9,10,75,155 (Previous Year ₹9,32,98,886)



Arihant Capital Markets Limited Notes Forming Part of Financial Statement

Particulars	FV ₹	31 st March, 2013 Quantity	31 st March, 2013 ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹
13. Inventories					
Quoted Equity Shares (fully paid up)					
BOC India Limited	10	0	0	13000	59,02,000
Century Textiles & Industries Limited	10	0	0	10000	34,56,251
Honeywell Automation India Limited	10	0	0	3800	1,07,13,340
ICICI Bank Limited	10	0	0	10000	88,72,500
Kennametal India Limited	10	0	0	10852	1,06,67,897
State Bank of India	10	0	0	12500	2,61,87,500
Tourism Finance Corporation of India Limited	10	0	0	100000	23,84,669
Total			0		6,81,84,157

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

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
14. Trade Receivables		
(Unsecured considered good, except where provided for)		
Debts over six months	2,22,50,761	2,03,57,498
Other Debts	21,04,66,471	21,26,45,469
Total	23,27,17,232	23,30,02,968

15. Cash and Cash Equivalents		
Balances with banks		
On current accounts	4,38,17,151	5,07,67,952
On deposit account*	19,01,25,000	26,00,50,000
On unclaimed dividend account	20,99,920	20,87,339
Cash on hand	25,880	1,41,354
Total	23,60,67,951	31,30,46,645

*Fixed deposits with bank include deposits of ₹11,37,25,000/- (previous year ₹81,25,000) with maturity of more than 12 months

16. Other Current Assets		
Deposits with Exchanges / Depositories	31,52,000	44,52,000
Deposit with Related parties (Refer Note 22)	23,75,000	21,75,000
Other Deposits	59,04,358	58,84,681
Other Advances	3,53,03,793	86,21,559
Advance income-tax (net of provision for taxation)	1,02,67,707	1,11,44,891
Initial Margin	1,90,46,899	34,25,600
Total	7,60,49,756	3,57,03,731



Arihant Capital Markets Limited

Notes Forming Part of Financial Statement

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
17. Revenue From Operations		
Brokerage	24,92,24,606	27,47,07,660
Commission Received (net)	1,10,35,649	86,89,651
Fees From Merchant Banking	95,44,889	2,03,24,437
Deferred Payment Charges	2,70,43,704	2,07,82,078
Depository Receipts	1,39,74,157	1,42,17,797
Profit/(Loss) on Trading*	56,55,965	-34,09,975
Profit on Sale of Investments (net)	18,50,038	78,357
Dividend Income	38,46,572	26,32,348
Total	32,21,75,581	33,80,22,354
*Trading details in cash segment		
Opening Stock	6,81,84,157	0
Purchase (including charges)	26,34,33,687	46,51,33,094
Sales	33,40,59,544	39,39,60,290
Closing Stock	0	6,81,84,157
18. Other Income		
Interest received	3,09,29,734	2,46,29,531
Rent	59,49,075	44,55,000
Bad debts recovered	6,10,659	99,649
Miscellaneous income	4,34,114	2,92,360
Total	3,79,23,582	2,94,76,540
19. Employee Benefit Expenses		
Salaries, wages and bonus	7,91,49,196	8,31,27,341
Contribution to provident and other fund	4,25,283	4,25,359
Gratuity expense	61,174	11,91,723
Staff welfare expenses (Refer Note No.24)	16,99,999	18,33,186
Total	8,13,35,652	8,65,77,609
20. Finance Cost		
Interest expenses	2,04,36,402	58,20,236
	2,04,36,402	58,20,236



Arihant Capital Markets Limited

Notes Forming Part of Financial Statement

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
21. Other Expenses		
Advertisement	1,86,113	11,25,160
Auditors' Remuneration		
Audit fee	4,50,000	4,50,000
Taxation matters	62,500	3,70,000
Limited review	10,000	22,500
Other services	39,000	6,000
Bad Debts Written Off	1,13,69,165	41,34,651
Bank & Depository Charges	45,70,164	48,11,059
Business Development	15,95,382	12,61,108
Communication including V-Sat	1,00,47,780	1,19,02,275
Depository Charges	29,49,800	22,72,734
Electricity	44,81,080	42,73,005
Exchange Transaction Charges	1,51,69,483	1,38,18,836
Insurance	3,91,143	5,17,725
Legal and Professional	30,73,451	97,91,155
Loss on Sale of Fixed Assets	7,13,634	2,48,380
Membership Fee & Subscription	27,10,365	13,39,355
Miscellaneous Expenses	23,86,067	30,91,162
Office Expenses	17,98,792	20,61,042
Rent	1,42,99,522	1,42,28,499
Repairs & Maintenance	38,49,423	40,97,894
Software Maintenance	63,51,299	68,19,021
Stationery & Printing	12,90,816	21,05,492
Sub Brokerage/Referral Fees and Expenses	11,74,82,531	13,95,82,641
Travelling, Conveyance and Motor Car Expenses	36,53,799	40,73,657
	20,89,31,309	23,24,03,350

22. 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, 2013 are given below:"

Relationships (During the year)	
Key Management Personnel	Ashok Kumar Jain, Chairman & Managing Director
	Sunil Kumar Jain, Director
	Akhilesh Rathi, Director
	Anita S. Gandhi, Whole Time Director
	Parag R. 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



Arihant Capital Markets Limited Notes Forming Part of Financial Statement

Relatives of Key Management Personnel	Arpit Jain
	Ashok Kumar Jain HUF
	Kiran Jain
	S.N. Gandhi & Co.
	Shruti Jain
Enterprises over which Control	Shyam Developers

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Enterprise over which control	Total
Brokerage Received					
Arihant Finsec Limited	0	0	59093	0	59093
	0	0	229123	0	229123
Depository Charges Received					
Arihant Financial Services Limited	0	0	0	0	0
	0	0	1914	0	1914
Arihant Finsec Limited	0	0	59428	0	59428
	0		98528		98528
Arihant Futures & Commodities Ltd	0	0	1796365	0	1796365
	0	0	46911	0	46911
Interest Received					
Arihant Financial Services Limited	0	0	494055	0	494055
	0	0	5040742	0	5040742
Expenses					
Salary & Incentive*	6594982	523208	0	0	7118190
	6600243	557499	0	0	7157742
Rent [#]	0	3030000	0	0	3030000
	0	3030000	0	0	3030000
Legal & Professional ^{\$}	0	741576	0	0	741576
	0	660000	0	0	660000
Sitting Fees [%]	240000	0	0	0	240000
	170000	0	0	0	170000
Interest Paid					
Arihant Financial Services Limited	0	0	6148495	0	6148495
	0	0	997027	0	997027
Commission Paid					
Arihant Financial Planners & Advisors P Ltd	0	0	53112	0	53112
	0	0	0	0	0
Assets					
Deposits [^]	0	2525000	0	0	2525000
	0	2175000	0	0	2175000



Arihant Capital Markets Limited Notes Forming Part of Financial Statement

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Enterprise over which control	Total
Loans Given					
Arihant Financial Services Limited					
(Maximum Outstanding)	0	0	96800000	0	96800000
	0	0	176100000	0	176100000
Liabilities					
Loans Taken					
Arihant Financial Services Limited					
(Maximum Outstanding)	0	0	155899999	0	155899999
	0	0	90800000	0	90800000
Loans Outstanding at the year end					
Loans Taken					
Arihant Financial Services Limited	0	0	0	0	0
	0	0	55000000	0	55000000
Debtors as at the year end					
Arihant Finsec Limited	0	0	7875802	0	7875802
	0	0	0	0	0
Corporate Guarantee Given					
Arihant Futures & Commodities Ltd	0	0	600000000	0	600000000
	0	0	300000000	0	300000000
Equity Contribution made during the year					
Arihant Financial Planners and Advisors					
Private Limited	0	0	105000	0	105000
	0	0	105000	0	105000
Advance for Property					
Shyam Developers	0	0	0	27000000	27000000
	0	0	0	0	0

Figure in italics represents previous year figures

*Payment to key management personnel for Salaries and Incentive includes to Ashok Kumar Jain ₹ 3638182 (Previous Year ₹3643443) and Mrs. Anita S. Gandhi ₹2956800 (Previous Year ₹2956800) and to relatives of key management personal includes Shruti Jain ₹523208 (Previous Year ₹557499).

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

§Professional fees paid to S.N. Gandhi & Co. ₹741576 (Previous Year ₹660000).

%Sitting fees paid to Sunil Kumar Jain ₹60000 (Previous Year ₹40000), Rakesh Jain ₹60000 (Previous Year ₹40000), Pankaj Kumar Gupta ₹30000 (Previous Year ₹20000), Paragbhai Shah ₹30000 (Previous Year ₹40000) and Akhilesh Rathi ₹60000 (Previous Year ₹30000).

^Rent Deposit given includes Kiran Jain ₹1837500 (Previous Year ₹1575000), Ashok Kumar Jain HUF ₹343750 (Previous Year ₹300000) and Arpit Jain ₹343750 (Previous Year ₹300000).



Arihant Capital Markets Limited

Notes Forming Part of Financial Statement

23. Earning per Share

	2012 - 2013	2011 - 2012
i) Net Profit after tax as per Statement of Profit and Loss	2,63,54,286	1,93,75,717
ii) Weighted Average number of equity shares used as denominator for calculating EPS	2,08,22,560	2,08,22,560
iii) Basic and Diluted Earnings per Share (₹)	1.27	0.93
iv) Face value per Equity Share (₹)	5	5

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

	2012 - 2013	2011 - 2012
Defined Contribution Plans		
Employer's Contribution to Provident Fund	4,25,283	4,25,359

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

	2012 - 2013	2011 - 2012
Mortality Table (LIC)	1994-96	1994-96
	(Ultimate)	(Ultimate)
Discount rate (per annum)	8.00%	8.50%
Rate of escalation in salary (per annum)	5%	5%

25. Income in foreign currency ₹30,625(previous year ₹20,593). Expenditure in foreign currency ₹Nil (previous year ₹1,60,699).

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 ₹620 Lacs (Previous Year ₹840 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 ₹2545 Lacs (Previous Year ₹2625 Lacs) towards additional margin.
- Bank Guarantees of ₹850 Lacs (Previous Year ₹550 Lacs) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- Corporate guarantee of ₹5000 Lacs (Previous Year ₹3000 Lacs) given to banks on behalf of subsidiary M/s Arihant Futures and Commodities Limited.
- Claims against the Company not acknowledged as debts ₹ Nil (Previous Year ₹Nil).



Arihant Capital Markets Limited Notes Forming Part of Financial Statement

27. Fixed Deposits

Fixed deposits with scheduled banks include ₹5.00 Lacs (Previous Year ₹601.50 Lacs) which is under the lien of National Securities Clearing Corporation Limited, ₹1.25Lacs (Previous Year ₹1.25 Lacs) which is under the lien of Bombay Stock Exchange Limited, ₹265.00 Lacs (Previous Year ₹351.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited.

28. Disclosures under Micro, Small & Medium 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 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.

30. Securities received from clients as collateral for margins are held by the Company 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

The previous year figures have been regrouped/ reclassified, wherever necessary to conform to current year presentation.

33. 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 & Tulsyan
Chartered Accountants
Firm No.: 007028C

CA Ajay Tulsyan
Partner
Membership No.: 74868
Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing Director

Akhilesh Rathi
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, 2013

Particulars	Name of the subsidiary companies					Amount in ₹
	Arihant Financial Services Limited	Arihant Futures & Commodities Ltd.	Arihant Finsec Limited	Arihant Insurance Broking Services Ltd.	Arihant Financial Planners and Advisors Private Limited	
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 ₹ 10/- each, fully paid up 100%	354500 equity shares of ₹ 10/- each, fully paid up 99.86%	450000 equity shares of ₹ 10/- each, fully paid up 100.00%	750000 equity shares of ₹ 10/- each, fully paid up 100.00%	21000 equity shares of ₹ 10/- each, fully paid up 51.22%	
(b) Percentage of holding	100%	99.86%	100.00%	100.00%	51.22%	
II. Financial year ended of the Subsidiaries	31 st March, 2013	31 st March, 2013	31 st March, 2013	31 st March, 2013	31 st March, 2013	
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 31-03-2013	2,75,403	2,83,38,461	-69,198	2,04,140	1,57,890	
(b) For the Previous year	29,32,297	1,83,66,425	8,89,593	2,14,486	-2046	
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 31-03-2013	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	4,10,000	
VI. Reserves	3,37,61,558	9,05,14,136	8,11,63,534	4,14,368	1,55,844	
VII. Total Assets	4,28,68,835	26,72,47,413	12,44,73,274	79,62,985	5,78,278	
VIII. Total Liabilities	4,28,68,835	26,72,47,413	12,44,73,274	79,62,985	5,78,278	
IX. Turnover	1,22,29,989	14,94,70,829	49,15,708	9,82,312	7,74,462	
X. Profit before Taxation	3,97,686	4,19,99,447	-10,81,628	2,95,049	2,28,491	
XI. Provision for Taxation	1,22,283	1,36,60,986	-10,12,430	90,909	70,601	
XII. Profit after Taxation	2,75,403	2,83,38,461	-69,198	2,04,140	1,57,890	





Auditors' Report On Consolidated Financial Statements

To,
The Members

Arihant Capital Markets Limited

We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of Arihant Capital Markets Limited ("the Company") and its subsidiaries, hereinafter referred to as the "Group" which comprise the consolidated Balance Sheet as at March 31, 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified under Section 211(3C) of the Companies Act, 1956.

Based on our audit and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

CA Ajay Tulsiyan
Partner
Membership No.: 74868
Indore, 28th May, 2013



Arihant Capital Markets Limited

Consolidated Balance Sheet as at 31st March, 2013

Particulars	Note No.	31 st March, 2013 ₹	31 st March, 2012 ₹
EQUITY & LIABILITIES			
Shareholders' fund			
Share Capital	2	10,41,12,800	10,41,12,800
Reserves and Surplus	3	56,00,46,577	52,31,74,498
		66,41,59,377	62,72,87,298
Minority Interest		4,08,902	1,91,017
Non-Current Liabilities			
Deferred Tax Liabilities (net)	4	68,58,829	83,11,315
		68,58,829	83,11,315
Current Liabilities			
Short-Term Borrowings	5	65,138	7,24,50,550
Trade Payables	6	35,78,45,773	36,96,13,380
Other Current Liabilities	7	13,76,79,775	23,57,31,972
Short-Term Provisions	8	1,82,71,016	1,21,00,250
		51,38,61,702	68,98,96,152
TOTAL		118,52,88,810	132,56,85,781
ASSETS			
Non-Current Assets			
Fixed Assets	9		
Tangible Assets		16,01,76,886	15,71,40,051
Intangible Assets		66,45,605	1,74,44,893
Non-Current Investments	10	7,06,726	6,85,058
Other Non-Current Assets	11	2,92,05,000	2,44,25,000
		19,67,34,217	19,96,95,002
Current Assets			
Current Investments	12	10,42,42,726	12,75,62,695
Inventories	13	6,51,41,660	8,74,45,399
Trade Receivables	14	28,37,31,880	30,08,07,005
Cash and Cash Equivalents	15	44,24,47,207	48,24,75,001
Other Current Assets	16	9,29,91,121	12,77,00,680
		98,85,54,593	112,59,90,780
TOTAL		118,52,88,810	132,56,85,781

Significant Accounting Policies and Notes on Financial Statements 1 to 34

As per report of our even date

For Arora Banthia & Tulsian

Chartered Accountants

Firm No.: 007028C

For and on behalf of the Board

CA Ajay Tulsian

Partner

Membership No.: 74868

Indore, 28th May, 2013Ashok Kumar Jain
Chairman and
Managing DirectorAkhilesh Rathi
DirectorMahesh Pancholi
Company Secretary



Arihant Capital Markets Limited

Consolidated Statement of Profit and Loss for the year ended 31st March, 2013

Particulars	Note No.	31 st March, 2013 ₹	31 st March, 2012 ₹
Income			
I Revenue from operations (Gross)	17	44,83,27,500	64,53,01,150
Less: Excise Duty		0	0
Revenue from operations (Net)		44,83,27,500	64,53,01,150
II Other income	18	6,10,74,419	4,87,74,134
III Total Revenue (I+II)		50,94,01,918	69,40,75,284
IV Expenses			
Purchase of traded goods	19	34,10,187	18,88,81,598
Employee benefits expenses	20	10,17,84,959	9,66,26,153
Finance costs	21	1,65,12,735	1,02,99,411
Other expenses	22	29,55,44,121	32,20,40,806
Net depreciation and amortization expenses	9	1,37,51,126	1,49,43,102
Total (II)		43,10,03,128	63,27,91,071
V Profit before exceptional and extraordinary items and tax (III-IV)		7,83,98,790	6,12,84,214
VI Exceptional items		-	-
VII Profit before extraordinary items and tax (V-VI)		7,83,98,790	6,12,84,214
VIII Extraordinary items		0	0
IX Profit before tax (VII-VIII)		7,83,98,790	6,12,84,214
X Tax expenses			
Current tax		2,45,90,295	2,06,12,807
Deferred tax		-14,52,486	-11,05,065
Total tax expense		2,31,37,809	1,95,07,742
XI Profit/(loss) for the year before minority interest		5,52,60,981	4,17,76,472
Less : Minority Interest		1,17,886	24,715
XII Profit/(loss) for the year		5,51,43,095	4,17,51,757
XIII Earnings per share (equity shares of ₹5 each)			
Basic		2.65	2.01
Diluted		2.65	2.01

Significant Accounting Policies and Notes on Financial Statements 1 to 34

As per report of our even date

For Arora Banthia & Tulsian

Chartered Accountants

Firm No.: 007028C

CA Ajay Tulsian

Partner

Membership No.: 74868

Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing Director

Akhilesh Rathie
Director

Mahesh Pancholi
Company Secretary



Arihant Capital Markets Limited

Consolidated Cash Flow Statement for the year ended 31st March, 2013

Particulars	Note No.	31 st March, 2013 ₹	31 st March, 2012 ₹
Cash flow from operating activities			
Net profit before taxation		7,83,98,790	6,12,84,214
Add adjustments for :			
(Profit) / Loss on sale of fixed assets		9,20,820	2,48,380
(Profit) / Loss on sale of investments		-20,57,913	-78,357
Miscellaneous expenses written off			31,600
Depreciation / Amortisation		1,37,51,126	1,49,43,102
Dividend income		-55,37,226	-45,36,968
Operating profit before working capital changes		8,54,75,598	7,18,91,971
Adjustments for changes in working capital			
- Trade and other receivables		4,70,39,591	5,83,68,786
- Inventories		2,23,03,739	1,24,45,926
- Loans & advances		-47,80,000	-12,50,000
- Trade and other payables		-10,98,19,804	3,86,23,780
Cash generated from operation		4,02,19,124	18,00,80,463
- Taxes paid (net)		-1,98,45,202	-2,33,79,505
Net cash from operating activity (A)		2,03,73,922	15,67,00,958
Cash flow from investing activities			
(Purchase) / Sales of fixed assets		-69,09,494	-11,68,45,072
(Purchase) / Sales of investments		2,53,56,215	-5,84,05,971
Dividend received		55,37,226	45,36,968
Net cash used in investing activity (B)		2,39,83,947	-17,07,14,075
Cash flow from financing activities			
Dividend paid		-1,04,11,280	-1,56,16,920
Preliminary expenses			-31,600
Proceeds from secured loans		-7,23,85,412	7,24,50,550
Issue of share capital		1,00,000	0
Dividend distribution tax paid		-16,88,970	-25,33,456
Net cash used in financing activities (C)		-8,43,85,662	5,42,68,575
Net increase in cash and cash equivalents (A+B+C)		-4,00,27,793	4,02,55,457
Cash and cash equivalents at the beginning of the year		48,24,75,001	44,22,19,544
Cash and cash equivalents at the end of the year		44,24,47,207	48,24,75,001
Cash and cash equivalents comprise of			
Cash and cheques in hand		3,37,004	3,77,126
Balances with scheduled banks		44,21,10,203	48,20,97,875
Total		44,24,47,207	48,24,75,001

Significant Accounting Policies and Notes on Financial Statements 1 to 34

As per report of our even date

For Arora Banthia & Tulsian

Chartered Accountants

Firm No.: 007028C

CA Ajay Tulsian

Partner

Membership No.: 74868

Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing DirectorAkhilesh Rathi
DirectorMahesh Pancholi
Company Secretary



Arihant Capital Markets Limited

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. The accounts are prepared on historical cost basis and on the principle of going concern. Accounting policies not specifically referred to are in consonance with prudent and generally accepted accounting practices. The accounting policies have been consistently applied unless otherwise stated.

B. USE OF ESTIMATES

The preparation of financial statements is in conformity with generally accepted accounting principles which require the management of the company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and results of operations during the reporting periods. Although these estimates are based upon the management's best knowledge of current events & actions, actual results could differ from those estimates. Significant estimates are used by management in the preparation of these financial statements, estimates of the economic useful lives of the fixed assets, provisions for bad and doubtful debts and accruals.

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 weighted average cost of the day or market value whichever is lower. Cost includes direct expenses.

G. CASH & CASH EQUIVALENTS

Cash comprises cash on hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into cash and which are subject to insignificant risks of changes in value.

H. 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.



Arihant Capital Markets Limited

Notes Forming Part of Consolidated Financial Statements

I. 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.

J. 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.

K. 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



Arihant Capital Markets Limited

Notes Forming Part of Consolidated Financial Statements

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.

L. 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.

M. FOREIGN CURRENCY TRANSACTIONS

- (a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.
- (b) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.
- (c) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

N. 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.

CASH & CASH EQUIVALENTS

Cash comprises cash on hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into cash and which are subject to insignificant risks of changes in value.

O. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

P. 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.



Arihant Capital Markets Limited

Notes Consolidation Financial Statements for the year ended 31st March, 2013

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
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		
Equity Shares of face value ₹5/-		
Share outstanding at the beginning of the period	2,08,22,560	2,08,22,560
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	48,88,43,955	46,28,43,955
Add: Transfer from Profit & Loss	2,50,00,000	2,60,00,000
Less: On issue of shares	0	0
Closing Balance	51,38,43,955	48,88,43,955

Statutory Reserve		
Balance as per last Balance Sheet	41,00,000	32,00,000
Add : Transfer from Profit and Loss Account	1,00,000	9,00,000
Closing Balance	42,00,000	41,00,000

Capital Reserve on Consolidation		
Balance as per last Balance Sheet	34,05,129	34,05,000
Add : Change during the year	0	129
Closing Balance	34,05,129	34,05,129



Arihant Capital Markets Limited

Notes Consolidation Financial Statements for the year ended 31st March, 2013

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	2,68,25,414	2,40,73,907
Profit for the year	5,51,43,095	4,17,51,757
Less: Appropriations		
Proposed dividend on equity shares	1,56,16,920	1,04,11,280
[Dividend per share ₹0.75/- (Previous year ₹0.50/-)]		
Tax on proposed equity dividend	26,54,096	16,88,970
Transfer to General Reserve	2,50,00,000	2,60,00,000
Transfer to Statutory Reserve	1,00,000	9,00,000
Net surplus in the statement of Profit and Loss	3,85,97,493	2,68,25,414
Total	56,00,46,577	52,31,74,498
4.Deferred Tax Liabilities/ (Asset)		
Deferred Tax Liability		
Related to Fixed Assets	98,54,898	1,06,19,667
Gross Deferred Tax Liability	98,54,898	1,06,19,667
Deferred Tax Asset		
Disallowance under the Income Tax Act, 1961	15,83,697	11,73,196
Unabsorbed Losses	14,12,372	11,35,156
Gross Deferred Tax Asset	29,96,069	23,08,353
Total	68,58,829	83,11,315
5.Short Term Borrowings		
Secured		
From Bank*	65,138	7,24,50,550
Total	65,138	7,24,50,550
*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	35,78,45,773	36,96,13,380
Micro, Small and Medium Enterprises	0	0
(Refer Note 28)		
Total	35,78,45,773	36,96,13,380
7.Other Current Liabilities		
Other payables	4,87,49,600	5,58,64,000
Unpaid dividend [#]	20,99,920	20,87,339
Deposits from intermediaries	8,67,05,126	17,77,80,634
Equity Index/Stock Option Premium	1,25,130	0
Total	13,76,79,775	23,57,31,972

[#]Out of the above amount, the company is required to credit a sum of ₹2,71,242/- lying in the unpaid dividend account, on or before 30th October, 2013 to the Investor Education & Protection Fund pursuant to Sub-section (1) of Section 205C of The Companies Act, 1956.

**Arihant Capital Markets Limited****Notes Consolidation Financial Statements for the year ended 31st March, 2013**

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
8.Short-Term Provisions		
Proposed Dividend	1,56,16,920	1,04,11,280
Tax on Dividend	26,54,096	16,88,970
Total	1,82,71,016	1,21,00,250



Arihant Capital Markets Limited

Notes on Consolidation Financial Statements for the year ended 31st March, 2013

9.Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		amount in ₹
	As at 1 st April, 2012	Additions for the Year	Deductions Adjustment for the Year	As at 31 st March, 2013	As at 1 st April, 2012	For the Year	On Deductions	As at 31 st March, 2013	As at 31 st March, 2012		
Tangible Assets											
Freehold Land	54863890	0	0	5,48,63,890	0	0	0	0	5,48,63,890	54863890	
Premises	6,52,96,313	16,12,600	0	6,69,08,913	12,48,398	10,75,203	0	2323601	6,45,85,312	6,40,47,915	
Furniture & Fixtures	2,20,16,249	0	0	2,20,16,249	75,66,590	13,58,603	0	8925193	1,30,91,055	1,44,49,659	
Office Equipments	1,01,50,102	4,54,061	66,700	1,05,37,463	26,20,192	4,91,167	21,690	3089670	74,47,792	75,29,910	
Computers	5,82,22,159	11,53,104	62,620	5,93,12,643	4,32,38,562	61,49,678	56,313	49331928	99,80,715	72,52,892	
Electrical Installations	27,43,991	0	0	27,43,991	17,78,125	3,80,355	0	2158480	5,85,511	9,65,866	
Motor Vehicles	1,17,94,640	49,25,803	50,42,724	1,16,77,719	37,64,721	11,42,110	28,51,722	2055109	96,22,610	80,29,919	
Sub Total (A)	22,50,87,343	81,45,568	51,72,044	22,80,60,867	6,02,16,589	1,05,97,117	29,29,725	6,78,83,981	16,01,76,886	15,71,40,051	
Intangible Assets											
Software	2,50,64,321	85,425	0	2,51,49,746	1,53,88,689	31,15,753	0	18504442	66,45,304	1,74,06,336	
MCX Membership	3,51,000	0	0	3,51,000	3,50,900	0	0	350900	100	100	
NCDEX Membership	50,000	0	0	50,000	49,900	0	0	49900	100	100	
NSEL Membership	5,00,000	0	0	5,00,000	4,61,644	38,256	0	499900	100	38,356	
Sub Total (B)	2,59,65,321	85,425	0	2,60,50,746	1,62,51,132	31,54,009	0	1,94,05,141	66,45,605	1,74,44,893	
Total (A+B)	25,10,52,664	82,30,993	51,72,044	25,41,11,613	7,64,67,721	1,37,51,126	29,29,725	8,72,89,122	16,68,22,491	17,45,84,944	
Previous year figure	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	

amount in ₹



Arihant Capital Markets Limited

Notes on Consolidation Financial Statements for the year ended 31st March, 2013

Particulars	FV ₹	31 st March, 2013 Quantity	31 st March, 2013 ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹
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		61.97	93,003	123.39	1,75,058
Reliance Money Manager Fund - Growth Plan Growth Option		66.64	1,03,723	0	0
Total Other Investment (B)			201,726		180,058
Total Non Current Investments (A+B)			706,726		685,058
11. Other Non Current Assets					
(Unsecured, considered good)					
Deposits with Exchanges / Depositories			2,92,05,000		2,44,25,000
Total			2,92,05,000		2,44,25,000
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	0	0	300000	4,98,86,997
Corporation Bank	10	62476	3,03,78,144	68200	3,38,25,836
Mahindra Lifespace Developers Limited	10	50000	1,71,48,000	79115	2,71,33,280
(A)			6,37,42,726		12,70,62,695
Quoted Mutual Fund					
Axis Income Saver - Growth	10	50,000	5,00,000	50,000	5,00,000
Kotak Flexi Debt Scheme Plan A - Daily Dividend	10	3981090	4,00,00,000		0
(B)			4,05,00,000		5,00,000
Total (A+B)			10,42,42,726		12,75,62,695

Market value of Quoted Investments ₹ 9,18,58,853 (Previous Year ₹ 9,38,44,521)



Arihant Capital Markets Limited

Notes on Consolidation Financial Statements for the year ended 31st March, 2013

Particulars	FV ₹	31 st March, 2013 Quantity	31 st March, 2013 ₹	31 st March, 2012 Quantity	31 st March, 2012 ₹
13. Inventories (Stock in hand)					
Stock In Trade					
Quoted Equity Shares					
AK Capital Services Limited	10	29,900	44,75,764	0	0
Akzo Noble India Limited	10	13,027	1,28,73,879	0	0
Bajaj Finance Limited	10	5,669	65,44,010	0	0
Bharat Heavy Electricals Limited	2	0	0	30,000	77,08,500
BOC India Limited	10	0	0	13,000	59,02,000
Century Textiles & Industries Limited	10	0	0	10,000	34,56,251
Cairn India Limited	10	20,000	54,43,000	0	0
Chambal Fertilizers & Chemicals Limited	10	64,798	32,31,609	0	0
Cipla Limited	2	6,984	26,52,174	0	0
Dewan Housing Finance Corporation Limited	10	66,311	1,07,85,484	0	0
Essel Propack Limited	2	15,009	4,62,277	0	0
Godrej Industries Limited	1	0	0	18,000	46,46,191
Honeywell Automation India Limited	10	0	0	4,800	1,35,32,640
Icici Bank Ltd	10	0	0	10,000	88,72,500
Kennametal India Limited	10	0	0	10,852	1,06,67,897
Lanco Infratech Limited	1	0	0	100,000	18,20,000
Mahindra Holidays & Resorts India Limited	10	14,577	37,46,289	0	0
Mangalore Chemicals & Fertilizers Limited	10	0	0	10,000	4,04,500
NHPC Limited	10	300,000	59,55,360	0	0
Piramal Glass Limited	10	0	0	4,016	4,52,001
Petronet LNG Limited	10	20,000	27,08,000	0	0
Power Grid Corporation of India Limited	10	20,000	21,19,000	0	0
Reliance Capital Limited	10	10,000	31,20,813	0	0
Tata Global Beverages Limited	1	8,000	10,24,000	0	0
Steel Authority of India Limited	10	0	0	15,000	14,10,750
State Bank of India	10	0	0	12,500	2,61,87,500
Tourism Finance Corporation of India Limited	10	0	0	100,000	23,84,669
			6,51,41,660		8,74,45,399
Aggregate Value of Stock-in-Trade					
- At Cost			6,83,67,434		8,98,50,618
- At Market Value			6,58,10,975		8,82,67,277

**Arihant Capital Markets Limited****Notes on Consolidation Financial Statements for the year ended 31st March, 2013**

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
14. Trade Receivables (Considered good, except where provided for)		
Debts over six months		
-Secured	0	0
-Unsecured	2,45,06,341	2,43,11,533
Other Debts		
-Secured	1,87,98,879	41,491
-Unsecured	24,04,26,660	27,64,53,982
Total	28,37,31,880	30,08,07,005
15. Cash and Cash Equivalents		
Balances with banks		
On current accounts	6,64,56,733	6,22,66,957
On deposit account*	37,35,53,551	41,77,43,579
On Unclaimed dividend account	20,99,920	20,87,339
Cash on hand	3,37,004	3,77,126
Total	44,24,47,207	48,24,75,001
*Fixed deposits with bank include deposits of ₹19,15,46,988/- (previous year ₹7,13,18,579) with maturity of more than 12 months		
16. Other Current Assets		
Deposits with Exchanges / Depositories	99,28,717	8,35,93,463
Deposit with Related parties (Refer Note 24)	31,87,500	24,75,000
Other Deposits	59,04,358	58,84,681
Other Advances	4,22,33,859	1,23,81,061
Advance income-tax (net of provision for taxation)	1,26,89,788	1,74,34,881
Initial Margin	1,90,46,899	59,31,594
Total	9,29,91,121	12,77,00,680
17. Revenue From Operations		
Brokerage	36,45,52,870	36,91,43,423
Sale Value of Commodities Transaction	31,86,500	18,67,21,311
Commission Received (Net)	1,10,35,650	86,89,651
Consultancy Charges	1,18,800	43,500
Fees From Merchant Banking	95,44,889	2,03,24,437
Deferred Payment Charges	2,73,21,153	3,23,74,773
Depository Receipts	1,39,14,729	1,40,70,444
Interest on Loans and Deposit	16,25,769	72,68,504
Profit/(Loss) on Share Trading*	81,46,379	3,36,988
Profit from Jobbing Transactions (net)	3,15,533	20,518
Profit/(Loss) on Commodity Trading	7,75,423	15,96,270
Profit on Sale of Investments (net)	20,57,913	78,357
Dividend Income	55,37,226	45,36,968
Other	1,94,666	96,007
Total	44,83,27,500	64,53,01,150



Arihant Capital Markets Limited

Notes on Consolidation Financial Statements for the year ended 31st March, 2013

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
*Trading details in cash segment		
Opening Stock	8,74,45,399	9,98,91,325
Purchase (including charges)	248,86,68,397	307,94,70,846
Sales	250,94,97,209	311,86,54,907
Closing Stock	6,51,41,660	8,74,45,399
18. Other Income		
Interest Received	5,40,58,903	4,39,26,967
Rent	59,49,075	44,55,000
Bad Debts Recovered	6,10,659	99,649
Miscellaneous Income	4,55,782	2,92,518
Total	6,10,74,419	4,87,74,134
19. Purchase Value of Commodities Transaction		
Charges on Commodities (Delivery)	55,622	21,23,013
Purchase Value of Commodities transaction	33,54,565	18,67,58,586
Total	34,10,187	18,88,81,598
20. Employee Benefit Expenses		
Salaries, Wages and Bonus	9,93,61,478	9,29,71,014
Contribution to Provident and other Fund	4,25,283	4,25,359
Gratuity Expense	61,174	11,91,723
Staff Welfare Expenses	19,37,024	20,38,057
Total	10,17,84,959	9,66,26,153
21. Finance Cost		
Interest Expenses	1,65,12,735	1,02,99,411
	1,65,12,735	1,02,99,411

**Arihant Capital Markets Limited****Notes on Consolidation Financial Statements for the year ended 31st March, 2013**

Particulars	31 st March, 2013 ₹	31 st March, 2012 ₹
22. Other Expenses		
Advertisement	1,86,113	11,25,160
Auditors' Remuneration		
Audit fee	5,90,506	5,96,021
Taxation matters	1,30,590	4,24,045
Limited review	10,000	22,500
Other services	43,494	6,000
Bad Debts Written Off	1,43,67,102	2,13,47,064
Bank & Depository Charges	45,54,749	34,62,535
Business Development	51,61,371	49,56,918
Communication including V-Sat	1,11,31,304	1,29,63,631
Depository Charges	29,81,357	23,71,263
Electricity	48,15,174	46,31,594
Exchange Transaction Charges	3,91,37,294	3,17,40,059
Insurance	5,90,332	6,34,840
Legal and Professional	37,00,788	1,01,81,066
Loss on Sale of Assets	9,20,820	2,48,380
Membership Fee & Subscription	31,29,187	15,79,362
Miscellaneous Expenses	28,40,662	42,47,147
Office Expenses	17,98,792	20,61,042
Rent, Rates & Taxes	1,52,91,858	1,52,18,359
Repairs & Maintenance	40,34,579	41,51,647
Software Maintenance	83,01,213	85,38,784
Stationery & Printing	16,65,646	23,70,788
Sub Brokerage/Referral Fees and Expenses	16,53,40,232	18,39,54,779
Travelling, Conveyance and Motor Car Expenses	48,20,958	52,07,823
Total	29,55,44,121	32,20,40,806

23. Companies included in consolidation

Name of Subsidiaries	Country of Incorporation	Proportion of Interest	
		as on 31.03.13	as on 31.03.12
Arihant Financial Services Limited	India	100%	100%
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%	51.22%



Arihant Capital Markets Limited

Notes on Consolidation Financial Statements for the year ended 31st March, 2013

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, 2013 are given below:"

Relationships (During the year)	
Key Management Personnel	Ashok Kumar Jain, Chairman & Managing Director
	Sunil Kumar Jain, Director
	Akhilesh Rathi, Director
	Anita S. Gandhi, Whole time Director
	Parag R. Shah, Director
	Pankaj Kumar Gupta, 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

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Total
Salary & Incentive*	6594982	1109468	7704450
	<i>6600243</i>	<i>1067499</i>	<i>7667742</i>
Rent [#]	0	4019836	4019836
	<i>0</i>	<i>3789072</i>	<i>3789072</i>
Legal & Professional [§]	0	741576	741576
	<i>0</i>	<i>660000</i>	<i>660000</i>
Sitting Fees [%]	240000	0	240000
	<i>170000</i>	<i>0</i>	<i>170000</i>
Assets			
Deposits [^]	0	3337500	3337500
	<i>0</i>	<i>2475000</i>	<i>2475000</i>

Figure in italics represents previous year figures

*Payment to key management personnel for Salaries and Incentive includes to Ashok Kumar Jain ₹3638182 (Previous Year ₹3643443) and Anita S. Gandhi ₹2956800 (Previous Year ₹2956800) and to relatives of key management personnel includes Shruti Jain ₹523208 (Previous Year ₹557499), Swati Jain ₹336260 (Previous Year ₹270000) and Kiran Jain ₹250000 (Previous Year ₹240000).

[#]Rent paid to Kiran Jain ₹2827336 (Previous Year ₹2596572), Ashok Kumar Jain HUF ₹596244 (Previous Year ₹596244) and Arpit Jain ₹596246 (Previous Year ₹596256).

[§]Professional fees paid to S.N. Gandhi ₹741576 (Previous Year ₹660000).

[%]Sitting fees paid to Sunil kumar Jain ₹60000 (Previous Year ₹40000), Rakesh Jain ₹60000 (Previous Year ₹40000), Pankaj Kumar Gupta ₹30000 (Previous Year ₹20000), Paragbhai Shah ₹30000 (Previous Year ₹40000) and Akhilesh Rathi ₹60000 (Previous Year ₹30000).

**Arihant Capital Markets Limited****Notes on Consolidation Financial Statements for the year ended 31st March, 2013**

^ Deposit given includes Kiran Jain ₹2343750 (Previous Year ₹1725000), Ashok Kumar Jain HUF ₹496875 (Previous Year ₹375000) and Arpit Jain ₹496875 (Previous Year ₹375000).

25. Earning per Share

	2012 - 2013	2011 - 2012
(i) Net Profit after tax as per Statement of Profit and Loss	5,51,43,095	4,17,51,757
(ii) Weighted Average number of equity shares used as denominator for calculating EPS	2,08,22,560	2,08,22,560
(iii) Basic and Diluted Earnings per Share (₹)	2.65	2.01
(iv) Face value per Equity Share (₹)	5	5

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

	2012 - 2013	2011 - 2012
Defined Contribution Plans		
Employer's Contribution to Provident Fund	4,48,597	4,25,359

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

	2012 - 2013	2011 - 2012
Mortality Table (LIC)	1994-96	1994-96
	(Ultimate)	(Ultimate)
Discount rate (per annum)	8.00%	8.50%
Rate of escalation in salary (per annum)	5%	5%

27. Income in foreign currency ₹30,625 (previous year ₹20,593). Expenditure in foreign currency ₹Nil (previous year ₹1,60,699).

28. 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 ₹620 Lacs (Previous Year ₹840 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 ₹2545 Lacs (Previous Year ₹2625 Lacs) towards additional margin.
- Bank Guarantees of ₹850 Lacs (Previous Year ₹550 Lacs) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- Bank Guarantees of ₹1670 Lacs (Previous Year ₹1425 Lacs) extended to National Commodity Clearing Corporation Limited under the mandatory rules for membership and towards additional margin.
- Bank Guarantees of ₹1115 Lacs (Previous Year ₹ 615 Lacs) extended to Multi Commodity Exchange of India Ltd under the mandatory rules for membership and towards additional margin.
- Claims against the Company not acknowledged as debts ₹Nil (Previous Year ₹Nil).



Arihant Capital Markets Limited

Notes on Consolidation Financial Statements for the year ended 31st March, 2013

29. Fixed Deposits

Fixed deposits with scheduled banks include ₹5.00 Lacs (Previous Year ₹ 601.50 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, ₹265.00 Lacs (Previous Year ₹351.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited ₹200.00 Lacs (Previous Year ₹Nil), which is under the lien of National Commodity Clearing Corporation Limited and ₹ Nil (Previous Year ₹305.00 Lacs) which is under the lien of Multi Commodity Exchange of India Ltd and ₹62.50 Lacs (Previous Year ₹2.50 Lacs) which is under the lien of National Spot Exchange Limited and ₹6.00 Lacs (Previous Year ₹Nil) which is under the lien of Ace Commodity Exchange Limited

30. Disclosures under Micro, Small & Medium 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.

31. 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.

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

33. 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.

34. Previous year figures

The previous year figures have been regrouped/ reclassified, wherever necessary to conform to current year presentation.

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

CA Ajay Tulsiyan
Partner
Membership No.: 74868
Indore, 28th May, 2013

For and on behalf of the Board

Ashok Kumar Jain
Chairman and
Managing Director

Akhilesh Rathi
Director

Mahesh Pancholi
Company Secretary



ARIHANT capital markets Ltd.

www.arihantcapital.com

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

PROXY FORM

Twenty First Annual General Meeting - 22nd July, 2013

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 **21st Annual General Meeting** of the company to be held at Hotel President, RNT Marg, Indore (MP) on Monday, 22nd July, 2013 at 11:00 A.M. or at any adjournment thereof.

AS WITNESS my/our hand(s) this..... Day of..... 2013.

Affix Rs.1.00
Revenue
Stamp

Signature of Proxy / Authorised Representative

Signature of Share Holder

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



ARIHANT capital markets Ltd.

www.arihantcapital.com

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

ATTENDANCE SLIP

Twenty First Annual General Meeting - 22nd July, 2013

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 / our presence at the **21st Annual General Meeting** of the company held on Monday, 22nd July, 2013 at 11:00 A.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

*Applicable for investor holding shares held in electronic form

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.

At Arihant our goal is to help investors reach their financial goals by making financial services understandable and accessible to everyone.

A wide range of product offerings to cater every kind of investor

Equities

Markets may go up or down, but history has shown that equity is the best asset class for investors to make wealth in the long run. Arihant's research and market expertise would ensure you make the best in every situation.

Commodities

Commodities trading is one of the fastest growing markets in India and holds a huge potential to grow given the tremendous growth in developed markets. Awarded as the "Best Emerging Commodities Broker of the Year" by Bloomberg (2011), Arihant provides opportunity to trade with all the leading commodities exchanges of India - MCX, NCDEX, NSEL, ACE and N-Spot with the best technology platform of India.

Depository Services

Member of both the apex depositories of India, NSDL and CDSL, Arihant's depository services offers a convenient secure and quick mode of holding the securities electronically (equity, mutual funds, gold, commodities and other securities)

IPO, Bonds and FDs

Our trusted distribution service of IPOs, bonds - regular and tax free bonds (54EC bonds, NHAI, REC, NABARD) corporate fixed deposits and other products would make sure you get the best and diversified investment portfolio. With Arihant, you can be assured that no matter what your investment needs, we have the right advice and product for you.

Merchant Banking

Arihant is a SEBI registered Category Merchant Banker. The Merchant Banking Division, based at Mumbai, offers a wide range of advisory services relating to capital markets corporate finance and mergers & acquisitions. At Arihant, we believe that meeting our clients' needs requires an in-depth knowledge and understanding of the financial markets thorough knowledge of industry dynamics, strategic issues affecting individual business entities and the general competitive challenges encountered by them.

Priority Client Group (PCG)

For HNI clients who want to manage their own accounts but want expert guidance and want to stay updated regarding key market events, our PCG team will guide you with personalized investment advice.

Currency

Currency markets provide opportunity for individuals and corporate to invest, earn and trade benefits like no other investment tool. As one of the first few brokers to offer currency trading on both the active currency exchanges of India: MCX-SX and NSE, Arihant offers you the best platform for tapping the \$34 billion Indian forex market of exporters, importers and other entities with forex exposure.

Derivatives

Hedging portfolio or benefitting from market movements derivatives is a great way to make the most of equity markets for experts. Participate in the F&O segment through our research and product support on both futures as well as option strategies.

Mutual Funds and SIP

Mutual Funds are an excellent way to diversify your investment portfolio with the help of market experts. Get the best mutual fund research, portfolio review service to help you choose the best schemes for investment. Secure your future through disciplined and regular fixed investments with a Systematic Investment Plan in mutual funds of your choice or recommended by our experts.

Financial Planning

Financial planning helps you fulfill your ambitions, whatever they may be. Whilst you may trust friends and family on many of life's key decisions, a professional financial adviser can help you make informed decisions about your financial future.

With Arihant Financial Planning whatever your financial goals, we're here to help you achieve them.



ARIHANT Capital markets Ltd.
Generating Wealth. Satisfying Investors.



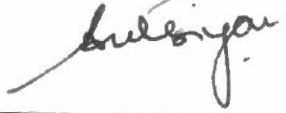
CONTACTUS contactus@arihantcapital.com

CORPORATE OFFICE 67 Nehru Road, 3rd Floor Krishna Bhavan, VileParle(E), Mumbai-57
Tel.022-42254800, 32585811 Fax.022-42254880

REGISTERED OFFICE E-5 Ratlam Kothi, Indore-452001
Tel.0731-2519610 Fax.0731-3016199

www.arihantcapital.com

FORM A

1	Name Of Company	ARIHANT CAPITAL MARKETS LTD.
2	Annual Financial Statement for the year ended	31 st March, 2013
3	Type of Audit Observation	Un-qualified
4	Frequency of Audit observation	N.A.
5	Signature	
	Ashok Kumar Jain Chairman & Managing Director	
	Akhilesh Rathi Chairman of Audit Committee	
	Ajay Tulsiyan Auditor of The Company	
	Tarun Goyal Chief Financial Officer	