

in all **ups** and **downs**
Arihant stands by you!



ARIHANT capital markets ltd.
ISO 9001 : 2008 Certified Company

Annual Report 2009-2010



ARIHANT

Net Profit up by
288.71% To
Rs 11.16 Crore

Operating income up by 32.27%
to Rs 50.79 crore while revenue
registered a growth of 41.29% y-o-y

610 investment
centers PAN-INDIA

94100 customers

Company received
ISO 9001:2008
Certification

We're there for you, at all times

In soaring heights



or Plunging lows

In full bloom



or gloom

In smooth sailing



or rough days..

Corporate Information

BOARD OF DIRECTORS

Mr. Ashok Kumar Jain
(Chairman and Managing Director)

Mrs. Anita Surendra Gandhi
(Whole-time Director)

Mr. Sunil Kumar Jain

Mr. Akhilesh Rathi

Mr. Rakesh Jain

Mr. Pankaj Kumar Gupta

Mr. Paragbhai Rameshbhai Shah

ASSISTANT COMPANY SECRETARY

Mr. Mahesh Pancholi

AUDITORS

M/s Arora, Banthia & Tulsian
Chartered Accountants

6th Floor, Silver Arc Plaza,
20/1 New Palasia, Indore
Tel: +91-731-2534318.
Fax: +91-731-2433519

REGISTERED OFFICE

E/5, Ratlam Kothi Area,
Indore - 452 001 (M.P.)
Tel: +91-731-2519610-1
Fax: +91-731-3048915

CORPORATE OFFICE

3rd Floor Krishna Bhavan, 67 Nehru Road,
Vile Parle (E) Mumbai - 400057
Te: +91-22-42254800 / 42254828
Fax: +91-731-42254880

ADMINISTRATIVE OFFICE

6, Lad Colony, Y.N. Road
Indore - 452 001 (M.P.)
Tel: +91-7314217100.
Fax: +91-731-3016199

DEPOSITORY DIVISION

F-1, Ahinsa Tower, 7 M.G. Road,
Indore - 452 001 (M.P.)
Te: +91-0731-4217350-51,
Fax: +91-731-4217360

REGISTRAR & TRANSFER AGENT

Ankit Consultancy Private Limited
Alankar Point, Geeta Bhavan Circle,
Indore - 452 001 (M.P.)
Tel: +91-731-2491298 / 3048602

www.arihantcapital.com

Contents

Notice	01
Directors' Report	10
Management Discussion and Analysis	13
Report on Corporate Governance	20
General Shareholder's Information	27
Auditor's Report	29
Balance Sheet	32
Profit and Loss Account	33
Cash Flow Statement	34
Financial Information of the Subsidiary Company	45
Consolidated Balance Sheet	48

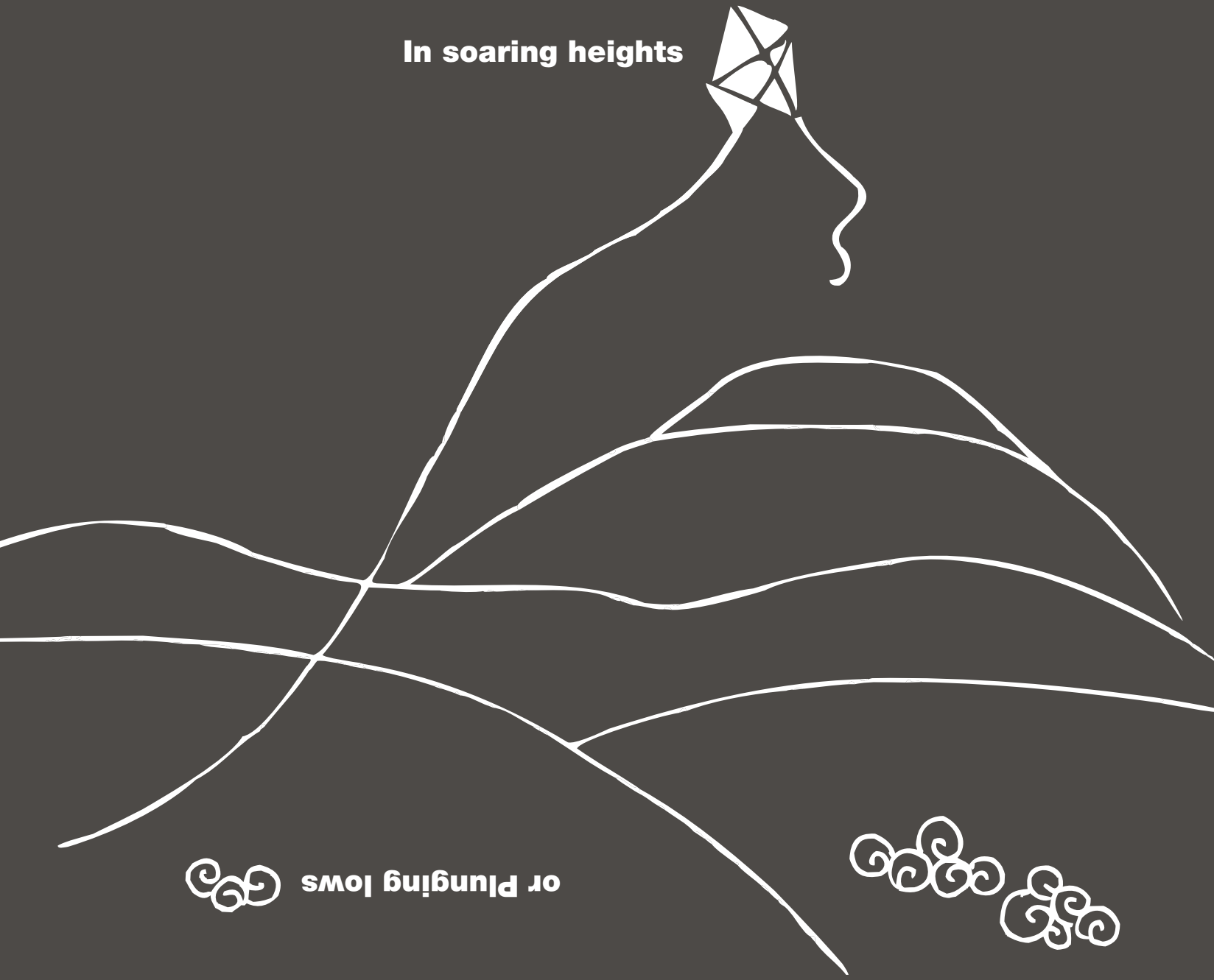
Highs and lows are a part of life.

And just like life, every stock market has its share of ups and downs too. You need someone reliable to weather it with. For over sixteen years, we've stood by you through thick and thin.

And it's just not a simple claim, our past says it all.

or Plunging lows

In soaring heights



We are committed to give our customers the best services while holding on to our core values, which always place our client's interests first. These values are reflected in our business principles, which emphasize integrity, commitment to excellent, innovation and teamwork.




In full bloom



or bloom

We are committed towards you at all times.
When the going is good, we're there.
When the going is not so good, we're still there
Helping you make the best of your money.



At Arihant, our goal is to create a partnership of trust and growth – adding value for our shareholders and making the investment process simple and effective.

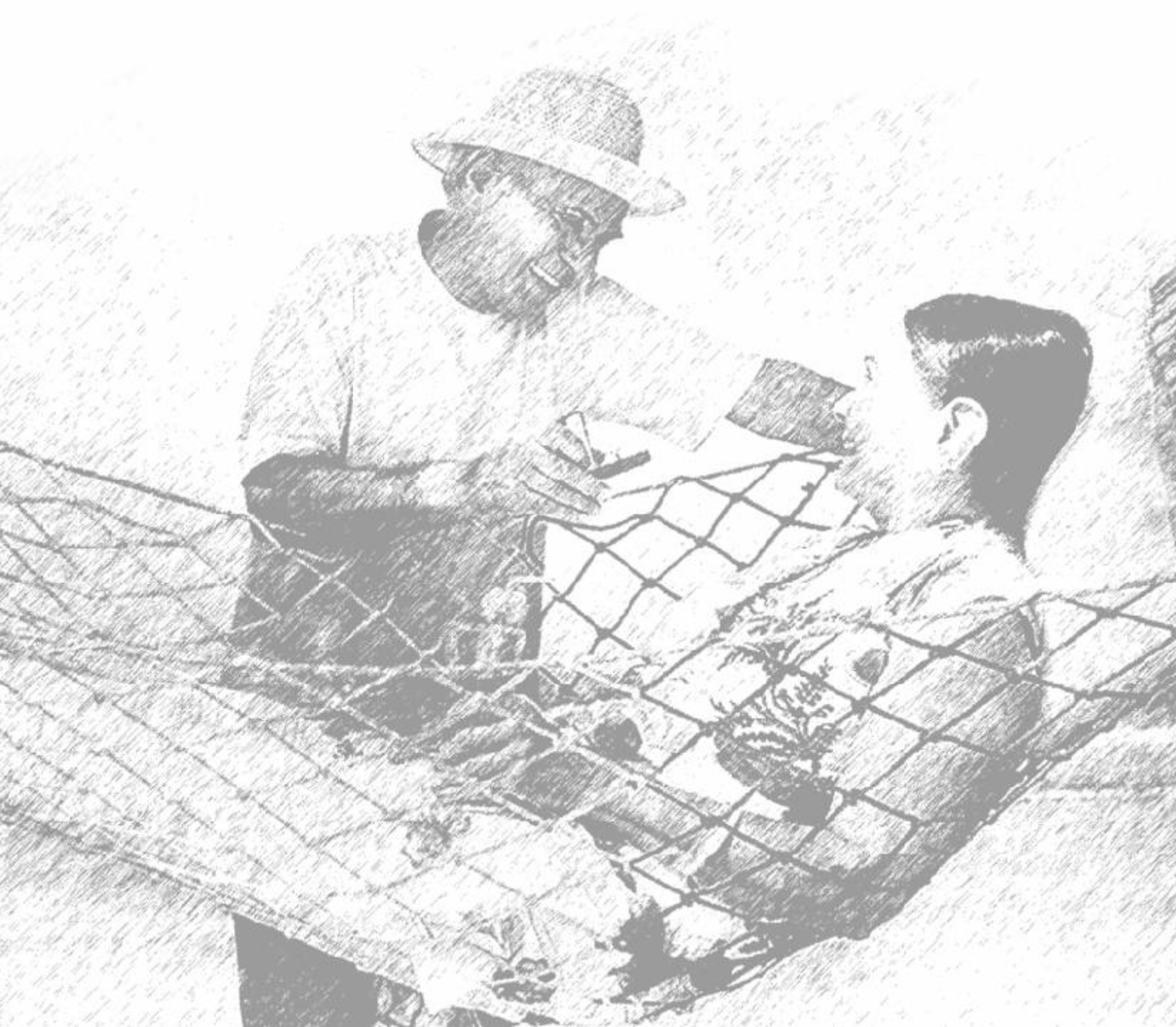
Whether the going is good or rough, you need a partner who understands your needs and works for your growth.

—or rough days—



In smooth sailing

We understand that every investor's needs and goals are different. And hence, we offer customised solutions to help investors reach their financial goals.



we'rethere
for you
at**all times**



Chairman's Message

Dear Shareholders

In my last letter I had reinforced that 'my faith in the markets remain strong', and asserted that as the economy turns around we want to make sure that our clients benefit from the rise in the markets.

I am pleased to inform you that during the financial year 2009-2010, we had made efforts to reach out to investors and repose their confidence in the markets, and help them manage their financial lives better. Going ahead, our goal is to reach out to more investors and improve their financial health.

We started with a pretty simple idea, to make investing easier and understandable to all. This focus is still a core part of how we do business. However, over the years we continued to add financial products and services because we understand that the clients want more and need more. Today we are an integrated financial services company, and our vision is to provide investors with a complete range of financial services and resources, they need to reach their financial goals, whether those be simplified equity investments, a holistic financial planning, various investment products or advice to make it all work; all this together with the highest level of convenience, ease of access and great value. We've made sure we deliver this with complete integrity, keeping our client's interest first.

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

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

As we turn the corner to a new decade, our commitment to our clients and shareholders strengthens further. We promise to continue to look for more ways to help investors reach their financial goals and take your company to another level of growth and enhance our position in the industry.

Warm Regards
Ashok Kumar Jain

helping you
reach your
financial **goals**



Notice

Notice is hereby given that the Eighteenth Annual General Meeting of the members of **ARIHANT CAPITAL MARKETS LIMITED** ("the Company") will be held on Thursday, September 9, 2010 at 4.00 p.m. at Hotel President, R.N.T. Marg, Indore 452001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date along with the schedules annexed thereto together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare dividend on the paid up equity share capital of the company for the financial year 2009-10.
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 Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

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

SPECIAL BUSINESS:

5. Appointment of Mr. Pankaj Kumar Gupta as a Director of the company

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Pankaj Kumar Gupta who was appointed by the Board of Directors as an Additional Director of the company with effect from January 30, 2010 and who holds office upto the date of this Annual General Meeting of the company in terms of section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a Member under section 257 of the Act proposing his candidature for the office of Director of the company, be and is hereby appointed a Director of the Company and who shall be subject to retire by rotation."

6. Appointment of Mr. Paragbhai Rameshbhai Shah as a Director of the company

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Paragbhai Rameshbhai Shah who was appointed by the Board of Directors as an Additional Director of the company with effect from January 30, 2010 and who holds office upto the date of this Annual General Meeting of the company in terms of section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under section 257 of the Act proposing his candidature for the office of Director of the company, be and is hereby appointed a Director of the Company and who shall be subject to retire by rotation."

7. Appointment of Whole-time Director

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Mrs. Anita Surendra Gandhi be and is hereby appointed as the Director of the Company.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions if any, of the Companies Act 1956, read with Schedule XIII thereto and all guidelines for managerial remuneration issued by the Central Government from time to time, the appointment of Mrs. Anita Surendra Gandhi as whole time director under the act for a period of one year with effect from February 1, 2010 and hereby approved on the following terms and conditions.

1. Basic Salary: Rs. 1,60,000/- 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 traveling expenses incurred.
4. Performance Pay: Such amount as may be determined by the remuneration committee for each year, not exceeding two times of the basic salary.
5. Employee stock options: Mrs. Anita Surendra Gandhi prior to her appointment as Whole Time Director in the Company, was serving 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 will 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, where in any financial year during the tenure of the whole time director, the Company has no profits or its profits are inadequate, the Company may pay to the Whole Time Director, the above remuneration as the minimum remuneration for a period not exceeding one year 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, there of, can be discontinued by giving one month's notice by 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 is 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 Surendra 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."

8. **Alteration in object clause of Memorandum of Association**

To consider and if thought fit to pass with or without modification the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to the provision of section 17 and any other applicable provisions, if any, of the Companies Act, 1956, Objects Clause III (A) 2 of the Memorandum of Association of the Company be and is hereby altered by inserting the following Clause instead of the existing clause :

2. To carry on all business and commercial activities pertaining and related to stock and share broking, equity research, depository participant activities, dealing in financial derivatives, currency derivatives, interest rate derivatives and such other associated products, securities lending and borrowing, to act as underwriters and to undertake and carry on and execute to all kinds of financial operations in connection therewith and to carry on and undertake business of the finance and investment activities relating to capital market.

"RESOLVED FUTHER THAT the Board of Directors and/or Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds, matters and things as in there absolutely discretion may be considered necessary, expedient, or desirable and to settle any question that may arise there in order to give effect to this resolution."

9. **Increase in authorized share capital**

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to the provisions of section 94 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the company be and is hereby increased from Rs. 7,00,00,000/- (rupees seven crores) to Rs. 12,50,00,000/- (rupees twelve crores fifty lacs) divided into 2,50,00,000 (two crores fifty ;acs)."

10. **Sub-division/split of Shares**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of the Articles of Association of the Company and Sections 13, 16, 94 and 97 and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendments thereto or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions, if any, as may be required from any authority, and subject to such conditions as may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall also include any committee thereof), consent of the Members be and is hereby accorded for sub-dividing the equity shares of the Company, including the paid-up value of shares, such that each existing equity share of the Company of the face value of Rs. 10/- (Rupees Ten) each be sub-divided into two equity shares of the face value Re. 5/- (Rupee Five) each and consequently, the authorized share capital of the company of Rs. 12,50,00,000/- (Rupees twelve crore fifty lacs) would comprise of 2,50,00,000 (two crore fifty lacs) equity shares of Rs. 5/- each."

"RESOLVED FURTHER THAT pursuant to the sub-division of the equity shares of the Company, the existing issued, subscribed and paid up equity shares of face value Rs. 10/- (rupees ten) each, shall stand sub-divided into equity shares of face value of Rs. 5/- (Rupee Five) each, fully paid-up."

"RESOLVED FURTHER THAT the sub-division of shares shall be effective and simultaneous with the allotment of Bonus Shares by the Board and/or as per the advice of the Stock Exchanges"



"RESOLVED FURTHER THAT the Board of Directors of the Company or any Committee thereof be and is hereby authorised to do, perform and execute all such acts, matters, deeds and things as it may consider necessary, expedient, usual or proper to give effect to this resolution, including but not limited to fixing of the record date as per requirement of the listing agreement, execution of all necessary documents with the stock exchanges and the depositories, RBI and/or any other relevant authority, if any cancellation or rectification of the existing physical share certificates in lieu of the old share certificates and to settle any question or difficulties that may arise with regard to the sub-division of the equity shares as aforesaid or for any matters connected or incidental thereto."

11. **Alteration in Memorandum & Articles of the company**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 13, 16, 94 and 97 and 31 all other applicable provisions, if any, of the Companies Act, 1956, including amendments thereto or re-enactment thereof, the Memorandum & Articles of Association of the Company be and is hereby altered as follows:

The existing Clause V of the Memorandum of Association of the Company is deleted by substitution in its place and instead the following clause as new Clause V:

'The authorized share capital of the Company shall be Rs. 12,50,00,000 (rupees twelve crores fifty lacs) divided into 2,50,00,000 (two crores fifty lacs) equity shares of Rs. 5/- (rupees five) each with the rights, privileges and conditions attaching thereto as are provided in the Articles of Association of the Company with the power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956, or provided in the Articles of Association of the Company for the time being.'

The Articles of Association of the Company be and is hereby altered by deleting the existing Article 3 and substituting in its place and instead thereof, the following new Article:

'The authorised share capital of the Company is Rs. 12,50,00,000 (rupees twelve crores fifty lacs) divided into 2,50,00,000 (two crores fifty lacs) Equity Shares of Rs. 5/- (rupees five) each.'

"RESOLVED FURTHER THAT the alteration as aforesaid shall be effective and simultaneous with the allotment of bonus shares by the Board of Directors of Committee thereof."

12. **Issue of bonus shares**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Articles of Association of the company and in accordance with applicable provisions, if any, of the Companies Act, 1956, or any Amendment or re-enactment thereof and upon recommendation of the Board of Directors and subject to the Guidelines issued by the Securities and Exchange Board of India (SEBI) in this behalf and further subject to such approvals, consents, permissions and/or sanctions, as may be necessary, consent of Members, be and is hereby accorded to the Board of Directors of the Company ('the Board', which term shall be deemed to include any Committee thereof) for capitalization of such sum standing to the credit of the General Reserves of the Company, as may be considered necessary by the Board, for the purpose of issue of bonus shares of Rs. 5/- (rupees five) each, credited as fully paid-up Equity Shares to the existing eligible holders of the Equity Shares of the Company, whose names shall appear in the Register of Members or in the respective beneficiary accounts with their respective Depository Participants, on the 'Record Date' to be determined by the Board for the purpose, in the proportion of 3 (three) bonus shares of Rs. 5/- (rupees five) each for every 5 (five) fully paid-up equity share of Rs. 5/- (rupees five) each held by shareholders and that the bonus shares issued shall, for all purposes, be treated as an increase in the nominal amount in the Capital of the Company held by each such member, and not as income."

"RESOLVED FURTHER THAT the new equity shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* with the existing (subdivided) fully paid-up equity shares of the Company."

"RESOLVED FURTHER THAT that no letter of allotment shall be issued in respect of the bonus shares but in the case of Members who hold equity shares (or opt to receive the bonus shares) in dematerialized form, the bonus shares shall be credited to the respective beneficiary accounts of the Members with their respective Depository Participants and in the case of Members who hold equity shares in certificate form, the share certificates in respect of the bonus shares shall be dispatched, within such time as prescribed by law and/or the relevant authorities."

"RESOLVED FURTHER THAT no fraction, if any, arising out of the issue and allotment of the bonus shares shall be allotted by the Company and the Company shall not issue any certificate or coupon in respect thereof but all such fractional entitlements shall be consolidated and the Bonus Shares, in lieu thereof, shall be allotted by the Board to nominee(s) to be appointed by the Board, who shall hold the same as trustee(s) for the members entitled thereto, and sell the said Shares so arising at the prevailing market rate and pay to the Company the net



sale proceeds thereof, after adjusting therefrom the cost and expenses in respect of such sale, for distribution to Members in proportion to their fractional entitlements."

"RESOLVED FURTHER THAT that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts/ deeds, matters and things and give such directions as may be necessary or expedient and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding."

Registered Office :
E-5 Ratlam Kothi Area, Indore - 452 001

Place: Indore
Dated: July 31, 2010

By the order of the Board of Directors
Mahesh Pancholi
Assistant Company Secretary



Notes

1. **A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not to be a member of the Company. The instrument appointing the proxy, however in order to be effective, should be deposited at the registered office of the company not less than 48 hours before the commencement of meeting.**
2. The relevant explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of special business to be transacted at the meeting, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, August 21, 2010 to Monday, August 23, 2010 (both days inclusive) for the purpose of payment of Dividend, if declared, at the ensuing Annual General Meeting of the Company, to the share holders whose names appear :
 - a) As beneficial owners as at the end of August 20, 2010 as per the list to be furnished by depositories in respect of shares held in electric form; and
 - b) As members in register of the members of the Company after giving the effect of valid transfer in physical form, which is lodged with the Company/Registrar and share transfer agent on or before August 20, 2010 as per the list to be furnished by registrar in respect to shares held in physical form.
4. For any correspondence with the company members are requested to quote their folio number and in case shares are held in electronic form, they are required to quote their client ID and DP ID number.
5. The register of directors' shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the Annual General Meeting
6. Members who hold shares in dematerialized form are requested to inform their client ID & DP ID number for easier identification for attendance at the meeting.
7. Members desiring to have any information on accounts are requested to write to the company at least 10 days in advance before the date of the meeting so as to enable the management to keep the information ready. Replies of such 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.
8. Members are requested to notify any changes in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at Ankit Consultancy Pvt. Ltd., Alankar Point, Geeta Bhavan Circle, Indore-452001, M.P. in respect of folio of their physical shares.
9. Members, who are holding physical shares in more than one folio, are requested to intimate to the Company/registrar and share transfer agent regarding the details of all their folio numbers for consolidation into single folio.
10. 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.
11. Corporate members intending to send their authorized representatives to attend the Annual General Meeting are advised to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the meeting.
12. Pursuant to the requirements of corporate governance under Clause 49 of the Listing Agreements entered into by the Company with the stock exchange, the information about directors proposed to be appointed/re-appointed is given in the annexure to the Notice.
13. All documents referred to in the Notice and Explanatory Statement will be available for inspection by the members at the registered office of the company between 10:00 a.m. to 5:00 p.m. on working days from the date hereof up to the date of meeting.



14. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of its transfer to the Company's Unpaid Dividend Account, shall, in terms of section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
15. In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. The Company Secretary & Compliance Officer will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report. These documents will also be available for inspection at the Registered Office of the Company and the concerned subsidiary companies, during 10 a.m. to 5 p.m. on all working days upto the date of the Annual General Meeting.



Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Mr. Pankaj Kumar Gupta has wide experience in the field of corporate, banking and insurance sectors and has handled several assignments in direct and indirect taxation, corporate restructuring, mergers and amalgamations, preparation of economic viability studies and monitoring of rehabilitation packages. He is the founder and senior partner of M/s Shah Gupta & Co.

He holds office upto the date of forthcoming Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company.

The Board is of the view that the knowledge and experience of Mr. Pankaj Kumar Gupta will be of beneficial for the Company, and therefore, recommends his appointment as a Director of your Company.

Your Directors recommend this resolution as an Ordinary Resolution for approval of the Members.

Apart from Mr. Pankaj Kumar Gupta, no other Director is deemed to be concerned or interested in this item of business.

Item No. 6

Mr. Paragbhai Rameshbhai Shah holds a Bachelor's degree in Mechanical Engineering. He is a Chairman & Managing Director of Endeavour Group of Companies, Ahmedabad.

He holds office upto the date of forthcoming Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company.

The Board is of the view that the knowledge and experience of Mr. Paragbhai Rameshbhai Shah will be of beneficial for the Company, and therefore, recommends his appointment as a Director of your Company.

Your Directors recommend this resolution as an Ordinary Resolution for approval of the Members.

Apart from Mr. Paragbhai Rameshbhai Shah, no other Director is deemed to be concerned or interested in this item of business.

Item No. 7

Mrs. Anita Surendra Gandhi has 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 of Directors in its meeting held on January 30, 2010 appointed Mrs. Anita Surendra Gandhi, as a Additional Director to hold office upto the date of forthcoming Annual General Meeting.

The Board at the same meeting, subject to requisite approvals and in accordance with the recommendations of the Remuneration Committee, approved the appointment and remuneration payable to Mrs. Gandhi for a period of one year from February 1, 2010.

The Board is of the view that the knowledge and experience of Mrs. Anita Surendra Gandhi will be beneficial and valuable to the Company, and therefore, recommends the resolution at Item No. 7 as set out in the Notice.

Your Directors recommend this resolution as an Ordinary Resolution for approval of the Members.

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

Item No. 8

The Company is at present engaged in the business of stock and share broking, the company underwriters and carries on and executes various kinds of financial operations in connection with its main business. The Company also carries on and undertakes the business of finance, investment and activities relating to capital markets. However the Board of Directors are of the opinion that it shall be financially gainful to undertake the business of depository participant activities, financial derivatives, currency derivatives interest rate derivatives and associated products by insertion of objects as set-out in the accompanying resolution, and hence it is commended to amend the respective object clause of the Memorandum. However, the amendment shall be effective only after registration of the said resolution with the concerned ROC.

As per the provisions of section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2001, this resolution needs to be passed by way of postal ballot.



Accordingly, a separate postal ballot form is being mailed along with the Annual Report. The Board of Directors has appointed Mr. Rajesh Lohia, practicing company secretary, Indore as scrutinizer for conducting the postal ballot voting in a fair and transparent manner. The scrutinizer will scrutinize and submit his report to the Chairman and the result of the postal ballot will be announced by the Chairman at the 18th Annual General Meeting to be held on Thursday, September 9, 2010 at 4.00 p.m. at Hotel President, R.N. T. Marg, Indore

Your directors consider the said resolution in the interest of the Company & therefore recommend the same for your approval through postal ballot.

None of the directors of the company is, in any way, concerned or interested in this item of the business.

ITEM No. 9

The present Authorized Share Capital of the Company is Rs. 7,00,00,000 (rupees seven crores) divided into 70,00,000 equity shares of Rs. 10 (rupees ten) each. The Board of Directors of the company has proposed to issue bonus shares at their meeting held on July 31, 2010, therefore, it has become essential to increase the present Authorized Share Capital to give effect to the said proposal. The Resolution is therefore to increase the Authorized Share Capital of the Company to Rs. 12,50,00,000 (rupees twelve crores fifty lacs).

None of the Directors of the Company is in any way interested or concerned in the Resolution, except to the extent of their shareholding and the shareholdings of their relatives, if any.

Your Directors recommend the above Resolution for your approval.

ITEM No. 10

The sub-division of equity shares has been proposed with a view to broad base the investor base by encouraging the participation of the retail investors and also with a view to increase the liquidity of the equity shares of the Company. The Board of Directors in its meeting held on July 31, 2010, recommended split of each equity shares of the Company of face value of Rs. 10/- each into two equity shares of face value of Rs. 5/- each.

As per the provisions of Section 94 of the Companies Act, 1956, approval of the Shareholder sought for subdivision of shares.

None of the Directors of the Company is in any way interested or concerned in the accompanying Resolution, except of their respective shareholding and the shareholdings of their relatives, if any.

Your Directors recommend the above Resolution for your approval.

ITEM No. 11

Consequent to the approval of resolutions as set-out in Item No.9 and 10, as above, the existing Clause V of Memorandum of Association and that of Article No.3 of Articles of Association of the company are required to be altered to reflect the present status of the capital of the company after increase in capital and split of shares.

None of the Directors of the Company is in any way interested or concerned in the accompanying Resolution, except of their respective shareholding and the shareholdings of their relatives, if any.

Your Directors recommend the above Resolution for your approval.

ITEM No. 12

The Company's performance has considerably improved during the financial year 2009-10 and the Company has reported better financial results. In view of the expansion and envisaged profitability and looking to the comfortable reserves position, the Board of Directors at its meeting held on July 31, 2010 has recommended capitalization of a portion of reserves to the extent of Rs. 3,90,42,300/- (rupees three crore ninety lacs fourty two thousand and three hundred) of Rs. 5/- each in the proportion of 3:5 (i.e. three fully paid bonus share of face value of Rs. 5/- each for every five eligible existing fully paid (sub-divided) equity shares of Rs. 5/- each) held by the members as on the record date to be hereafter decided by the Board or its Committee thereof.

The Company complied with all the conditions and requirements for issue of bonus shares contained in Chapter IX of the SEBI (issue of capital and disclosure requirements) Regulations, 2009 as presently in force.

None of the Directors of the Company is in any way interested or concerned in the accompanying resolution, except of their respective shareholding and the shareholdings of their relatives, if any.

Your Directors recommend the above resolution for your approval.

Registered Office:

E-5 Ratlam Kothi Area,
Indore 452001
Dated: July 31, 2010

By order of the Board of Directors

Mahesh Pancholi
Assistant Company Secretary



Details of directors seeking appointment/ re-appointment at the Annual General Meeting

Particulars	Mrs. Anita Surendra Gandhi	Mr. Pankaj Kumar Gupta	Mr. Paragbhai Rameshbhai Shah	Mr. Akhilesh Rath
Date of Birth	December 11, 1963	September 7, 1951	March 29, 1969	December 26, 1965
Date of Appointment	January 30, 2010	January 30, 2010	January 30, 2010	January 22, 1994
Qualifications	B.Com, CA, ICWA	B. Sc, B. Com, FCA, LLB, DBM	B.E. (Mechanical)	B.Com, MBA
Expertise in specific functional areas	Wide experience in primary and secondary market research	Wide experience in corporate, banking and insurance sectors	Wide experience in formulation of short- term and long- term planning, budgeting etc.	Wide experience in finance, textile, real estate and service industries
Directorship held in other Public companies (excluding private companies, foreign companies and section 25 companies)	Nil	-IDBI Trusteeship Services Ltd.	Nil	-Savit Capital Markets Ltd. -Bhaskar Infrastructure Ltd. -New City of Bombay Manufacturing Mills Ltd.
Memberships/Chairmanship of Committees of other public companies (includes only Audit Committee and shareholders/ Investor Grievances Committee)	Nil	Audit Committee -IDBI Trusteeship Services Ltd.*	Nil	Nil
No. of shares held in the company	Nil	Nil	Nil	Nil

*Chairman of the Committee



Directors' Report

Dear Shareholders

The Directors are pleased to present the Eighteenth Annual Report on the business and operations of Arihant Capital Markets Ltd together with the audited financial statements and accounts for the year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

The following table gives the financial highlights of your company on a standalone and consolidated basis for the financial year 2009-10:

	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
<i>(Rs. in lacs)</i>				
Gross Income	5,123.54	3,811.40	6,364.14	4,483.19
Profit Before Depreciation and Tax	1,129.00	409.33	1,952.36	558.54
Depreciation	128.42	113.47	136.00	120.99
Profit Before Tax	998.87	291.28	1,813.14	432.98
Provision for Taxation	426.18	102.26	703.95	145.79
Net Profit after Taxation	572.68	189.02	1,109.18	287.19
Balance of Profit and Loss A/c b/f	354.13	329.30	450.41	347.63
Profit available for appropriation	926.81	518.33	1,566.49	634.60
Appropriations:				
Transfer to General Reserve	650.00	50.00	1,000.00	50.00
Transfer to Statutory Reserve	Nil	Nil	7.00	20.00
Dividend (inclusive of Dividend Tax)	151.76	114.19	151.76	114.19
Balance carried to Balance Sheet	125.06	354.13	407.73	450.41

DIVIDEND

The Directors recommended a dividend of Rs. 2.00 per share i.e. 20% (previous year Rs. 1.50 per share) on 65,07,050 equity shares to be appropriated from the profits of the year 2009-2010, subject to the approval of the shareholders at the ensuing Annual General Meeting.

TRANSFERTO GENERAL RESERVES

The Company proposes to transfer Rs. 650 lacs to the General Reserve out of the amount available for appropriations and an amount of Rs. 125.06 lacs is proposed to be retained in the Profit and Loss Account.

REVIEW OF OPERATIONS

The financial year 2009-2010 marked the beginning of improvement in the global sentiments after the global turmoil in the previous year. This had a positive impact on the Indian economy as well as the Indian capital markets, and the Indian equities rose over eighty percentage points during the financial year 2010. In tandem with the improved conditions, your Company's consolidated income rose 42% to Rs. 63.64 crore and net profit after tax increased 286% to Rs. 11.09 crore.

Your Company continued strengthening its distribution spread, in line with company's goal of reaching out to more investors to help them meet their financial goals. As on March 31, 2010, the Company had 610 investment centers spread across 110 cities pan-India.

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



KEY INITIATIVES

Your Company took several new initiatives towards cost optimization, productivity improvement, employee's competence upgradation and improving overall quality management of the Company. In working towards these initiatives, the Company has successfully implemented a quality management system and obtained the **ISO 9001:2008 certification** during the financial year ended 2009-2010. The ISO 9001 standard, established by the International Standards Organization, is a quality management system that sets a global standard for quality assurance processes and ensures a company's products and services are among the best in the world.

Achieving ISO 9001 certification is excellent for our operations. It ensures that each individual and operation is dedicated to the pursuit of quality. By scrutinizing our organization at every level, we assure our customers that we are committed to providing them with superior customer service and the highest quality products. Our implementation team and employees' level of commitment and knowledge about ISO 9001 principles were an important factor in the independent audit team's unanimous favorable assessment.

PUBLIC DEPOSITS

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

SUBSIDIARIES

Your Company has four subsidiaries:

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

As per section 212 of the Companies Act, 1956, we are required to attach the Director's report, Balance sheet, and Profit & Loss account of our subsidiaries. We had applied to the government of India for an exemption from such an attachment as we present the audited consolidated financial statements in the Annual Report. The government of India has granted us an exemption from complying with section 212. Accordingly, the Annual Report does not contain the financial statements of these subsidiaries. The audited annual accounts and related information of subsidiaries, where applicable, will be made available upon request. These documents will also be available for inspection during business hours at our registered office in Indore.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Akhilesh Rathi who retires by rotation and being eligible offers himself for reappointment.

Mrs. Anita Surendra Gandhi was appointed as an additional director w.e.f. January 30, 2010 and as well as was appointed as a Whole -Time Director with effect from February 1, 2010 for one year. Mr. Pankaj Kumar Gupta and Mr. Paragbhai Rameshbhai Shah were appointed as Additional Directors with effect from 30th January 2010. All of them hold office up to ensuing Annual General Meeting. The approval of members is sought for appointing them as Whole-time Director and Directors respectively as set out in the accompanying notice convening the Annual General Meeting. The Directors commend the resolution for approval by the members. Details of all these directors are provided in the Corporate Governance Report separately.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO

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

PARTICULARS OF EMPLOYEES

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

Name	Designation	Age	Qualification	Experience (Years)	Remuneration Received	Date of appointment	Last Employment
Mr. Ashok Kumar Jain	Chairman & Managing Director	56	C.A.	18 [#]	Rs. 86.92 Lacs	25.06.1992	NIL
Mrs. Anita Surendra Gandhi	Whole-time Director*	47	C.A.	22	Rs. 26.84** Lacs	02.06.2002	M/s Somaya Julu & Company Ltd.

*Mrs. Anita Surendra Gandhi appointed as a whole time director w.e.f. Feb. 1, 2010

** RS. 4,48,000 remuneration received by Mrs. Anita Surendra Gandhi as a whole time director

#Experience in capital markets. Total experience 27 years



DIRECTOR'S RESPONSIBILITY STATEMENT

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

- (i) The Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at 31st March 2010 and of the profit or loss of the Company for the year ended on that date.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts for the financial year ended 31st March 2010 on a going concern basis.

AUDITORS AND AUDITORS REPORT

M/s Arora Banthia & Tulsian, Chartered Accountants (Firm Regd. No. 007028C), auditors of the company retires at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limit prescribed u/s 224 (1) of the Companies Act, 1956.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

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

LISTING AT THE STOCK EXCHANGE

The Equity Shares of the Company continue to be listed at the Bombay Stock Exchange, Mumbai. The Annual listing fee for the year 2010-11 has been paid to Bombay Stock Exchange, Mumbai.

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors

Place : Mumbai

Dated : May 29, 2010

Ashok Kumar Jain

Chairman & Managing Director



Management Discussion and Analysis Report

FY2009-10: A Glance and Outlook

In last year's report we talked about the financial turmoil that unfolded in FY2009 wiping away some of the world's largest financial institutions and posing serious challenges for the economies worldwide. Even the Indian economy was facing grave uncertainties then and it was hard to predict how the crisis would eventually unfold. The short term global outlook was bleak and the consensus was that the financial year 2010 would face the brunt of this crisis across the world and pose serious challenges to the Indian economy.

However, as the financial year 2009-2010 started, the uncertainty turned into recovery. The world escaped from the financial meltdown and the new Great Depression recovered faster than many dared hope in 2009. Asia in particular bounced back faster than expected and India was among the quickest to recover.

The inherently strong domestic consumption coupled with fiscal expansion and liberal monetary policy support provided by the government, over the past year, helped the Indian economy bounce back impressively. Policy rates were eased by an average of 275-425 basis points while average lending rates of banks fell by close to 275 basis points since the onset of the crisis. The Indian economy stabilised in the first quarter of 2009-10 itself and continued its strong growth in the coming quarters. India's GDP growth is estimated to be around 7.4% for the fiscal year ended March 31, 2010 as against 6.7% for the year ended March 31, 2009. This recovery of the Indian economy is very encouraging for it came despite a negative growth in the agriculture sector. The situation in the world's most advanced economies also stabilised, in FY2010, by massive government spending, financed largely by central banks printing money.

The trend in the economy was also witnessed in the financial services industry. In line with the recovery, the Indian equity markets gave an exemplary performance gaining over 80 per cent during the FY2010. During the FY, the BSE Sensex gained 7819 points, up 80.5%, from 9,708.50 points as on March 31, 2009, while S&P CNX Nifty gained 74% closing at 5249 on March 31, 2010. The turnover of the equity markets also registered a strong growth. The total turnover of the NSE's cash segment increased 50.36% to Rs 41.38 lakh crore in FY2010 as compared to Rs 27.52 lakh crore in FY2009 and Rs 35.51 lakh crore in FY2008.

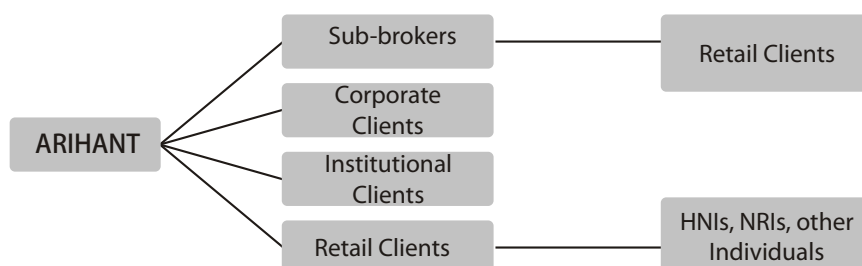
For the last several years, India has achieved healthy economic growth rates in the range 7.5-8%. The growth has been contributed by robust services sector performance as well as cyclically strong manufacturing output. This sustained growth has made India an attractive investment destination and has also contributed to increased turnover on the Indian bourses.

Among the emerging markets, India is well placed on the global map as a comparatively safer investment destination due to its less reliance on exports vis-à-vis China and its domestic consumption potential. We believe that, going forward, these factors would help our economy grow at a strong pace. India would continue to be an attractive investment destination and apart from the normal volatility, we believe that Indian equity markets would continue to perform well in the financial year 2010-11.

Who we are and what we do

Established as a stock broking company in 1994, we are today one of India's leading integrated financial services company. We combine research with our expertise to help reach investors reach their financial goals. With an investor base of 94100 and 610 investor centres pan-India, we offer broking services, merchant banking services, distribution of financial products, wealth management services and depository services to our clients.

We serve a wide variety of clients categorised as follows sub-brokers, institutional clients, corporate clients and retail clients. We derive majority of our revenues from our equity broking division.





The Company conducts its operations along with its subsidiaries and associates (together hereinafter referred to as Arihant or the Company).

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

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

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

During FY2009-10, Arihant added a new product in its portfolio as it became a distributor/arranger of NHAI 54EC Bonds. The Company also tied with UTITSL and became center for PAN Card Application Collection through its branches nationwide. The PAN Card application center will help the Company in offering a smooth financial service platform and comes in line with the company's goal to reach out to investors and help them meet their financial goals.

In order to make mutual fund investment easier and convenient for our clients, we successfully started NSE Mutual Fund Service System (MFSS) and BSE's StAR Mutual Fund platforms through which our clients can now invest in mutual funds through NSE and BSE terminals, respectively. It will reduce the client's paperwork and would also help the Company in increasing its mutual fund corpus, as the existing broking clients can be tapped for mutual fund investment with ease.

Review of Operations

From bloom to gloom to bloom, that is how the last three financial years have been for the economies and industries worldwide. The optimism and buoyancy in 2007 was shattered with the global meltdown in 2008. However, with the beginning of financial year 2009-2010 recovery knocked the doors bringing along optimism and growth.

Your Company has been able to match the recovery pace of the financial services industry as well as the Indian equity markets reflecting its endurance and agility.

Your Company's consolidated performance during the financial year 2009-2010 is as follows:

Year ended	March 31, 2010	March 31, 2009
Income from operations	6,019.33	4,163.86
Other Operating Income	344.80	319.34
Total Expenditure	4,551.00	4,050.22
Profit before Tax	1,813.14	432.98
Tax on Profit	703.95	145.79
Net Profit for the period	1,116.08	286.97
Earnings Per Share (Rs)	17.15	4.41

* During the FY2009-10, the Company earned a total revenue of Rs 63.34 crore with a net profit of 11.16 crore on a consolidated basis. The Company's revenue registered a growth of 41.29% y-o-y while the net profit soared 288.71%.



Year ended	March 31, 2010	March 31, 2009
Commission and Brokerage	2,100.22	1,436.62
Employees Cost	980.29	936.69
Depreciation	136.00	120.99
Administrative & Other Expenditure	1,334.49	1,555.92
TOTAL EXPENDITURE	4,551.00	4,050.22

The net profit margin improved from 6.9% in 2008-09 to 18.5% in 2009-10. The shareholder return improved as the EPS increased from Rs 4.41 to Rs 17.15 and the return on equity leaped beyond 20% (21.8%) as against 6.9% last year.

Client's trading volume bears a direct relation to Company's revenues. We cannot predict future trading volumes in the Indian equity markets. However, we believe that the FY2011 would continue the positive momentum as the global economies are showing signs of sustained recovery and India is well-positioned on the global map to tap the opportunities. Moreover, investors' faith on India's sustainable growth and strong economic condition is reposed, which would definitely be a positive kick for the Indian equity markets in the coming quarters.

Volatility is a part of our business, and hence we believe there would be periods of gyrations and volatility even in the Indian equity markets, which will also reflect in our business. Events like the European debt crisis would have some impact on our economy, if not major, as India is not completely decoupled with the world. However, focus on expanding our market share, distribution of financial products, improvising our services, working on investment advisory modules and venturing into new business areas would help us in offsetting the said volatility.

New Initiatives

During the financial year your Company has launched a number of key initiatives to strengthen its systems and processes, educate investors and raise the overall level of client satisfaction.

- **ISO 9001:2008 Certification:** Your Company, in adherence to ISO 9001 standards, has put in a Quality Management System (QMS) in place and acquired the ISO 9001:2008 Certification. The certification demonstrates our commitment to quality processes, client satisfaction and enhancing the skills of our human capital. QMS will provide us a systematic structured documented and effective approach to consistently maintain our product and service quality, meeting our customer requirements.
- **Investor Education Seminars:** Your Company's goal is to improve the financial well-being of Indians by offering them the right investment and money management solutions, financial inclusion and the highest level of business ethics. In order to achieve this, the Company has been actively involved in reaching out to investors through financial literacy programs. However, this year the Company put special focus on this agenda and organised twenty one Investor Education Seminars pan-India. Of these three seminars focused on the topic Financial Planning while eighteen were on awareness on 'Commodity and Currency Derivatives as Hedging Instruments'.



"Investing and Managing Money" Seminar in Pune



"Currency as an Hedging Instrument" Seminar in Mumbai



These seminars were organised in Mumbai, Pune (two seminars), Ahmedabad (two seminars), Hyderabad, Bhopal, Indore (four seminars), Itarsi, Ujjain (two seminars), Agar, Mandasaur, Nalkheda, Bhilwara, Delhi, Panipat and Raipur.

Risk factors relating to our business operations

The company has stark potential in experiencing risks because of the business environment in which it operates. Capital markets



worldwide, including the Indian capital markets, are exposed to significant fluctuations and hence, the company is exposed to several risks apart from the fundamental risk of business operations. Hence adequate risk management system has been put in place by the management to ensure the success and financial soundness of the company. However, despite the company's attempts to identify areas of potential risks and implement policies and procedures to mitigate those risks, there can be no assurance that the company will not suffer unexpected losses in its area of operations.

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

- *Capital market risk is inherent in our business:* The major sources of our revenues are derived from equity brokerage business. Hence, like other players in the market, our business is highly sensitive to economic and political conditions prevalent in the country. Any sustained downturn in general economic conditions or Indian equity markets and severe market fluctuations would likely result in reduced client trading volumes and net revenues, and hence, will have a material adverse effect on our profitability.
- *Technological risk plays a significant role in our industry:* The substantial amount of costs involved in deployment of technology is a critical factor. Obsolescence is another major concern as upgradation of technology is an ongoing exercise. Any significant changes in technology would pose pressure on our profitability.
- *Systems failures, delays and capacity constraints could harm our business:* We receive trade orders and process them through a variety of electronic channels. Even after making substantial investments in upgrading the reliability and scalability of our systems, they are vulnerable to the damage or interruption from human errors, natural disasters, power loss, computer viruses, spurious spam attacks, etc. Further, system failures and delays could occur and, inter-alia, could cause unanticipated disruptions in service to our clients, slower system response time resulting in either non-processing of transactions in time or not as quickly as our clients desire. This would lead to decreased level of client service and could materially affect the level of client satisfaction.
- *We are exposed to credit risk with clients and counterparties:* We provide exposure limits to clients, based on the collaterals of securities that we receive from them, in connection with our brokerage business. By permitting clients to purchase securities on margin, we are subject to risks inherent in extending credit to them. Sharp change in market values of securities and the failure by parties to honour their commitments on a timely basis could have a material adverse effect the profitability of our operations.
- *Substantial competition could reduce our market share:* India has become one of the most attractive investment destinations in the world. Many foreign players have entered in the Indian financial services market and would continue to do so. There has been substantial price competition in the industry, including various free trade offers and a declining trend in the brokerage charges to the clients. We expect this competitive environment to continue in the future and this could affect our results of operations.
- *We are subject to various legal actions filed against us by interested parties:* In our ordinary course of business, investors, trading members or any other third party may institute complaints, arbitration proceedings, lawsuits or other actions against us. Accordingly, fines, penalties or other repercussions would be borne by us that could materially affect our results of operations or cash flows.
- *Regulatory uncertainties or failure to comply with any regulatory authority could affect our business:* The financial services industry is subject to extensive regulations covering all aspects of the business. SEBI, National Stock Exchange (NSE), the Bombay Stock Exchange of Mumbai (BSE), Central Government, State Government and other regulatory bodies can, among other things, impose fine, penalties, suspend our business or exercise other such powers in their jurisdiction, which could potentially harm our business operations.

Strategy

We intend to capitalize on the growth and consolidation of the retail brokerage industry in India and leverage our low-cost infrastructure to grow our market share and profitability. Our long-term growth strategy is to increase our client base, market share of client assets and sub-brokers by providing superior offerings to retail investors and active traders, institutional investors and our sub-brokers. We strive to enhance the client experience by providing sophisticated asset management products and services, enhanced technological capabilities that enable self-directed investors to trade and invest in varied investment products, knowledge based guidance to investors and comprehensive long-term investor solution through our suite of diversified investment products and services to best serve investor's need.

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.

This fiscal the Company has placed special focus on employee training and introduced several training programs to enhance the skill set of our



employees. Product training, client interaction training, IT training had been given special emphasis especially for the client facing employees. Our HR department has been mandated to continuously monitor and indentify the training needs for employees and thereafter, they conduct regular training sessions to enrich the skill set of its existing workforce and keep them updated with the new developments.

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

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

Internal Control System

The Company has an Internal Control System commensurate with its requirements and the size of business to ensure that the assets and interests of the Company assets are safeguarded. The Company has established well defined written policies and processes across the organisation covering all major activities including authority for approvals. In all cases where monetary decision is involved, various limits and authorities are in place.

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

In addition to a third party, the Company has in place an internal audit team for reviewing all the branches and sub-brokers on a regular basis. This team regularly visits branches and sub-brokers to ensure regulatory compliance and company's policies and procedures are fully complied with. The Company also carries out post audit reviews to ensure follow up on the observations made and their implementation. During the FY2010, the Company has also put in place a Quality Management System (QMS) in the organisation, in compliance with ISO 9001:2008 standard and as per its requirements has provided training and certification to auditors, who periodically audit the Company's operations and ensure that the QMS put in place, to ensure the adherence to systems, policies and procedures of the QMS of the Company.

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, portfolio management rules and regulations, Association of Mutual Funds of India's regulations and is also Category I merchant banker. Our depository division is compliant with NSDL and CDSL requirements and is governed by the SEBI. Our subsidiary, Arihant Financial Services Ltd, is a Non-Banking Financial Corporation (NBFC) registered by the Reserve Bank of India and Arihant Futures and Commodities Ltd, commodities broking subsidiary, is governed by Forwards Contract Regulation Act, 1952 and Forward Market Commission.

In an endeavour to continue to provide quality services and establish a strong internal control system within the organization, the Company has also initiated compliance with ISO 27001.

Risk Management

We recognise that risk is inherent in our business and the markets in which we operate. As such Arihant is committed to the creation and maintenance of strong risk management as well as rigorous control standards throughout the organisation. The Company's risk management policies encompass structured reporting and strict controls to ensure smooth running of the business and security of client's data.

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



The Environment

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

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

Commitment to doing what is right

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

Opportunities and Threats

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

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

Going forward

The Indian equity markets recovered quickly from previous year's financial fiasco and continued showing signs of strength. The volumes have picked up significantly both from the retail as well as the institutional clients. But, based on the current global and domestic environment, we believe that there would be some consolidation happening in the markets, since all the positives in the markets have already factored in. Moreover, Europe's problems might also hinge the northward journey of the equity markets worldwide and would certainly have its impact on the Indian markets as well. We expect that this will have some impact on the revenues of the Company.

We will continue to concentrate on our "Goal" to help our clients meet their financial goals by making financial products easily accessible and understandable to all and by offering them complete financial solution. The financial markets are growing robustly but remain highly challenged and competitive. The equity and commodities broking industry is facing stiff competition particularly on the retail broking side. The brokerage yield has been under pressure since a few years now and we believe that the yield will continue to decline with increasing competition and changed dynamics, with a few of the players offering a flat fee structure. According to an industry report released by ICRA, the average broking yields have declined from 7-8 basis points to around 5-6 basis points in the last few years. We believe this would put pressure on Company's revenues going forward and hence the profits.

Your Company has a clear strategy in place to address to these concerns. We would be focusing on increasing our market share through expansion, both organically and inorganically, in order to fight back the thinning margins. The focus would be on increasing our customer reach through opening new investment centres pan-India. The Company is also focusing on expanding its market share in the electronic trading market, i.e. Online Trading. The Company has set up a strong infrastructure for its online trading division with state-of-the-art online trading platform, which is one of the best in the industry. This will help the Company increase its revenues with lesser cost, as online trading customers typically require low-servicing.

We are also making efforts to adapt our business to the changing business scenario and strengthen our business. One of the ways we can achieve is through reducing our dependence on the volatile broking business and focus on the distribution of a plethora of other financial products. This will be done through strategically tying up with agencies and optimally utilising our well spread network all over the country. The Company has added new products in its portfolio like corporate fixed deposits and government bonds (REC, NABARD, NHAI) and has also applied for the insurance broking license application to IRDA. Once granted, the acquisition of broking license would help us to offer our clients



best available cover from the entire spectrum of insurance covers offered by various companies by tying up with multiple insurance companies as an insurance broker. To carry on this business, the company has set up a separate subsidiary Arihant Insurance Broking Services Ltd. The insurance broking business will complement our financial planning division and aid in our objective to help people meet their financial goals. In addition, it will diversify our business and hence decrease our reliance on broking income.

Currently, your Company's brokerage turnover and income is largely dominated by the equity segment with commodity segment accounting for a small portion of the brokerage income, despite its relatively large volume. We are geared up to tap this opportunity and have a strategy in place to increase our revenues from commodities and currency segment. It would add to our business volumes and decrease reliance on equity market income. Our large geographic penetration and a strong client base would help us to capitalize upon this new opportunity while keeping the incremental expenses low.

Every year, we organise a sub-broker and business associates meet to discuss the current industry trends, new developments, challenges and the road ahead. The financial year 2009-2010 meet focused on diversification and theme of the conference was 'Diversification for Growth'. Mr. Satish Ramanathan, Head of Equity at Sundaram BNP Paribas AMC, was the chief guest at the conference who also reiterated that diversification is the need of the hour. The Company's business associates also seconded the opinion and have put in a clear strategy of expanding business revenues through other financial products, in addition to equity broking.



Our emphasis on risk management vis-a-vis growth has helped us sustain in bad times and we would continue to support it till stability prevails. This will also entail financial prudence of careful capital management. We believe that we are now living in a fast changing environment where volatility and uncertainty have become imperative, more than ever before. Your Company and its management understands this and hence is continuously making efforts to further strengthen our risk management systems, in terms of strict margin monitoring for handling extreme market volatility and for avoiding any margin shortfall.

As always, we will continue to be client centric by putting relentless focus on their needs, in order to deliver the strongest possible near-term performance while protecting our longer term opportunities. Above all, we will stay intensely focused on delivering long-term value to you, our shareholders, by capitalizing on the full potential of the opportunities arising and ensuring better efforts.

Cautionary Statement

Statements in this report describing the Company's objectives, 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

Transparency, integrity, fairness, accountability and disclosure are Arihant's business ethos that are central to the working the Company and its directors.

Arihant Capital Markets Ltd (hereinafter referred to as 'the Company' or Arihant) has complied with the requirement of the corporate governance in terms of Clause 49 of the listing agreement. The Company strongly believes in maintaining a simple and transparent corporate structure driven solely by business needs. Shareholders' interests are of utmost and the management acts as a trustee of the shareholders capital to carry out the activities of the Company in a truthful manner.

Board of Directors

a) Composition as on March 31, 2010

The composition of the Board of Directors of the Company is in conformity with the code of corporate governance as specified under clause 49 of the Listing Agreement. During the financial year 2009-10, the Board has reviewed its strength and composition to align itself with the changing operations of the business. One whole-time director and two non-executive independent directors have been inducted on the Board during the year. Accordingly, Arihant's board now consists of seven members including five non-executive directors, two executive directors, one whole-time director and one managing director who is also the chairman out of the five non-executive directors, four are independent directors. A brief description of all the directors is given below.

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. Details of the Board of Directors and their directorships/memberships held in committees of other companies (excluding the Company) are as under:

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

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

* Appointed as Additional Director with effect from January 30, 2010.

#Mrs Anita Surendra Gandhi, additional director, appointed as a whole time director w.e.f. February 1, 2010



A brief description of the Directors is furnished hereunder:

- **Mr. Ashok Jain** (Chairman and Managing Director): Mr. Jain, an M. Com and a Chartered Accountant founded Arihant Capital Markets Ltd. Mr. Jain has a total work experience of over 27 years, which includes over 18 years of rich experience in the capital markets. Exhibiting inspiring innovativeness and excellent entrepreneurial skills, he has distinguished himself by starting the company with a limited range of activities and then diversifying it into a full-fledged financial services group that spans across the nation. His foresightedness and inspiring leadership qualities have enabled the growth of the Company over the years.
- **Mrs. Anita Surendra Gandhi** (Whole-time Director): Mrs. Gandhi, B.Com, CA, ICWA, aged 48 years, has over 22 years of experience in the field of finance including corporate finance, primary market and secondary market research. In her 5 year stint with the Pidilite Industries Ltd 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 entered capital markets in 1994 when Indian capital markets were opening up and joined JM Share & Stock Brokers Ltd in the primary markets division and on launch of National Stock Exchange of India, where she was responsible for setting up of institutional desk for the company for NSE, which she successfully executed. Since then she is actively involved in the institutional segment with various brokerages. She joined Arihant in 2002 as an institutional head and has played a key role in the growth of institutional business and setting up mutual fund distribution business for the Company.
- **Mr. Pankaj Kumar Gupta** (Non-executive, Independent Director): Mr. Gupta, B.Sc, B.Com, FCA, LLB, DBM, aged 58 years, has over 34 years of experience in the field of corporate, banking and insurance sectors. He is the founder and senior partner of M/s Shah Gupta & Co, and has handled several assignments including that of the Life Insurance Corporation of India, General Insurance Corporation of India and various nationalised banks. Further, he has also handled assignments in direct and indirect taxation, corporate restructuring, mergers and amalgamations, preparation of economic viability studies and monitoring of rehabilitation packages. He is currently serving on the Board of various companies, which among others include, IDBI Trusteeship Services Limited, Invent Assets Securitisation and Reconstruction Pvt. Ltd, West End Investment & Finance Consultancy Private Limited and Filter Media Private Limited and Nirav Investments Private Limited. He has also served as a member of the primary market advisory committee of Securities and Exchange Board of India in the past.
- **Mr. Paragbhai Rameshbhai Shah** (Non-executive, Independent Director): Mr. Shah, B.E. (Mechanical), aged 41 years, is the Chairman and Managing Director of Endeavour Instruments Private Limited, Ahmedabad (hereinafter referred to as Endeavour). Endeavour, being involved in the manufacturing and trading of industrial electronic weighing systems, has globalised operations. Mr. Shah being the founder member of Endeavour has played an instrumental role in formulation of short-term and long-term strategic plans, budgeting plans and branding operations for continuous improvement in the operations of Endeavour.
- **Mr. Akhilesh Rathi** (Non-executive, Independent Director): Mr. Rathi, MBA, aged 45 years, has more than twenty four years of rich and diversified experience in finance, trade, textile, real estate and service industry. Mr. Rathi is currently serving on the Board of various companies, which among others include, Bhaskar Infrastructure Ltd, a company of Dainik Bhaskar Group, New City of Bombay Manufacturing Mills Ltd and Savit Capital Markets Ltd. He is also a member of various trade associations and trustee of various social and religious trusts. Mr. Rathi has been on the board of the company since 1994, and has played an instrumental role on the strategic planning and growth of the Company.
- **Mr. Sunil Kumar Jain** (Non-executive Director): Mr. Jain, M.Com, aged 42 years has immense experience in the field of capital markets. Mr. Jain was managing director of Arihant Fincap Ltd (which is now merged with Arihant Capital) and has played a pivotal role in the growth of the Company. He has an expertise in equity research and sales.
- **Mr. Rakesh Jain** (Non-executive, Independent Director): Mr. Jain, M.Com, aged 44 years also represents as an independent director on our Board.

a) Board meetings held during the year

During the year under review, five board meetings were held on May 23, 2009, June 30, 2009, July 30, 2009, October 31, 2009 and January 30, 2010.



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

S.No.	Name of the Director	No. of Board Meetings		Last AGM
		Held	Attended	Attended
1.	Mr. Ashok Kumar Jain	5	5	Yes
2.	Mr. Sunil Kumar Jain	5	4	Yes
3.	Mr. Akhilesh Rathi	5	4	Yes
4.	Mr. Rakesh Jain	5	4	Yes
5.	Mrs. Anita Surendra Gandhi	5	Nil	N.A.
6.	Mr. Pankaj Kumar Gupta	5	Nil	N.A.
7.	Mr. Paragbhai Rameshbhai Shah	5	Nil	N.A.

a) Particulars of change in directorship during the year

During the financial year 2010, Mrs. Anita Surendra Gandhi was appointed additional director w.e.f. January 30, 2010 and also appointed as a Whole-time Director w.e.f. February 1, 2010. Mr. Pankaj Kumar Gupta and Mr. Paragbhai Rameshbhai Shah were appointed as Additional Directors w.e.f. January 30, 2010.

Code of Conduct for Directors and Senior Management

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

Requisite annual affirmations of compliance with respective codes have been made by the directors and senior management of the Company.

Audit Committee

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

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

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

Name of Director	Position	No. of Meetings	
		Held	Attended
1. Mr. Akhilesh Rathi	Chairman	5	5
2. Mr. Sunil Kumar Jain	Member	5	5
3. Mr. Rakesh Jain	Member	5	5

Remuneration Committee

The remuneration committee consists of three nonexecutive directors as members, viz., Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain and Mr. Rakesh Jain. Mr. Mahesh Pancholi acts as the secretary and Mr. Akhilesh Rathi is the chairman of the committee. Two meetings of the committee were held during the financial year 2009-2010.

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.

Remuneration to Directors

All the non-executive directors, other than the chairman, receive remuneration only by way of sitting fees for each meeting of the board. The



details of the remuneration paid to chairman and managing director and whole-time director during the year is as under:

(Rs. in lacs)

S. No.	Name of the Director	Salary	Perquisite	Commission	Total
1.	Mr. Ashok Kumar Jain	32.00	0.34	54.58	86.92
2.	Mrs. Anita Surendra Gandhi	4.48	0.00	0.00	4.48

Shares held by Non-Executive Directors

S. No.	Name of the Director	No. of Equity Shares	No. of convertible instruments
1.	Mr. Sunil Kumar Jain	5,32,080	NIL
2.	Mr. Akhilesh Rathi	NIL	NIL
3.	Mr. Rakesh Jain	NIL	NIL
4.	Mr. Pankaj Kumar Gupta	NIL	NIL
5.	Mr. Parag Rameshbhai Shah	NIL	NIL

Shareholders' Grievance Committee

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

During the financial year 2009-2010, the committee had four meetings. During the meeting all queries like non-receipt of annual reports, dividend, transfer of shares, new share certificates, change of address etc., were resolved to the satisfaction of the shareholders/investors.

Disclosures

- The Company does not have any material related parties' transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in Note No. 13 of Schedule 14 to the Annual Accounts of Arihant Capital Markets Limited forming part of the Annual Report.
- The financial statements have been prepared in accordance with the accounting policies generally accepted in India.
- There were no instances of non-compliance on any matter related to the capital markets, resulting in disciplinary action against the Company, during the last three years.
- The Company has implemented the mandatory requirements of corporate governance as set out in the listing agreement with stock exchanges. In respect of compliance with the non-mandatory requirements, the Company has constituted a remuneration committee, details whereof are given under the heading remuneration committee. The quarterly, half-yearly and annual results of the Company are put up on the Company's website and are being published in Hindi and English newspapers. The auditors' observations/suggestions/qualifications, if any, have been adequately explained wherever necessary in the appropriate notes to accounts and are self explanatory.
- During the financial year, the Company has adopted a risk management policy framework for risk identification, assessment and control to effectively manage risks associated with the business of the Company.

CEO/CFO Certification

Certificate by the Managing Director is enclosed at the end of the report.

Compliance Certificate

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



General Body Meeting

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

Financial Year	Venue	Date	Time
2006-2007	Hotel President Planet, 3, R.N.T. Marg, Indore	29/09/2007	12.30 P.M.
2007-2008	Hotel President, R.N.T. Marg, Indore	27/09/2008	11.30 A.M.
2008-2009	Hotel President, R.N.T. Marg, Indore	12/09/2009	11.30 A.M.

All the resolutions including special resolutions set out in respective notices were passed by shareholders by show of hands. No postal ballot was required to be used for voting of these resolutions. The Company does not have any proposal to vote through postal ballot.

Means of Communication

- The quarterly/ half yearly / annual results of the Company are published in accordance with the Stock Exchange Listing Agreement in newspapers viz. "*The Economic Times*" (English), "*Free Press*" (English) and "*Choutha Sansar*" (Hindi).
- The Company has its own website www.arihantcapital.com on which it timely publishes all the vital and relevant information relating to the Company and its performance including financial results, press releases pertaining to important developments, performance updates, corporate presentations, etc.
- There is a separate section for General Shareholders Information and the same forms part of the Annual Report.

Management Discussion and Analysis Report

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

Declaration by the CEO under Clause 49 of the Listing Agreement regarding adherence to the ARIHANT Code of Conduct

In accordance with Clause 49 I (D) of the Listing Agreement, I hereby declare that all the directors and senior management personnel of the Company have affirmed compliance with the code of conduct applicable to all the directors and senior management, for the year ended March 31, 2010.

Ashok Kumar Jain
Chairman and Managing Director



To
The Board of Directors,
Arihant Capital Markets Ltd
Indore (M.P.)

Dear Sirs

- (a) We have reviewed the balance sheet, profit and loss account and all its schedules and notes on accounts, as well as the cash flow statement as at March 31, 2010 and that to the best of their knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further certify that, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware. We have taken necessary steps or propose to take necessary actions to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee that there is:
- No significant change in internal control over financial reporting during the year.
 - No significant change in accounting policies during the year under review and
 - No instance of any fraud in the Company in which the management has any role.

Place: Mumbai
Date: May 29, 2010

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 March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

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

For Ajit Jain & Co,
Company Secretaries

Ajit Jain
Proprietor
Membership No.: 3933

Place: Indore
Date: May 29, 2010



General Shareholder's Information

1	Date(s) of Book Closure	21.08.2010 to 23.08.2010
2	Venue of Annual General Meeting (AGM)	Hotel President , R.N.T. Marg, Indore - 452001 (M.P.)
3	Time and Date of AGM	04:00 P.M., September 9, 2010
4	Financial Calendar	
	Financial Results for	(tentative)
	Quarter ending June 30, 2010	Second week of August, 2010
	Quarter ending September 30, 2010	Second week of November, 2010
	Quarter ending December 31, 2010	Second week of February, 2011
	Year ending March 31, 2011.	Last week of May, 2011
5	Listing of Equity Shares on	The Bombay Stock Exchange Limited, Mumbai (BSE)
6	Registered Office	E-5 Ratlam Kothi, Indore - 452001, (M.P.) T. +91-0731-2519610/11. F. +91-731-3048915 E. compliance@arihantcapital.com
7	Stock Code	511605
8	Depository ISIN No. for Equity Shares	INE420B01010
9	Stock Market Data	

Monthly high and low quotations along with volumes of Equity Shares traded at BSE for 2009-10 are:

Month	High (Rs.)	Low (Rs.)	Volume (000's)
April 2009	34.95	24.25	06.04
May 2009	55.35	30.50	31.42
June 2009	59.15	45.50	25.76
July 2009	56.70	44.50	08.40
August 2009	62.70	48.00	18.62
September 2009	58.65	47.00	12.95
October 2009	60.30	50.00	24.72
November 2009	69.15	50.00	17.09
December 2009	75.00	56.05	69.53
January 2010	113.50	68.05	505.47
February 2010	114.00	82.90	517.12
March 2010	107.45	88.15	72.75

Distribution Schedule as on March 31, 2010

SHARE HOLDING OF NOMINAL VALUE OF RS.	Rs.	SHARE HOLDERS NUMBER	% TO TOTAL HOLDERS	SHARE AMOUNT IN Rs.	% TO TOTAL EQUITY
UPTO	1,000	737	30.88	5,08,620	0.78
1001	2,000	991	41.52	19,46,410	2.99
2001	3,000	257	10.77	7,49,290	1.15
3001	4,000	74	3.10	2,92,340	0.45
4001	5,000	105	4.40	5,16,460	0.79
5001	10,000	100	4.19	7,54,710	1.16
10001	20,000	51	2.14	7,99,210	1.23
20001	30,000	11	0.46	2,98,760	0.46
30001	40,000	8	0.34	2,85,720	0.44
40001	50,000	7	0.29	3,18,430	0.49
50001	1,00,000	19	0.80	14,01,330	2.15
100000	ABOVE	27	1.13	5,71,99,220	87.90
Total		2,387	100.00	6,50,70,500	100.00



11 **Dematerialisation of Shares** About 95.32 per cent of the Company's paid up Equity Share Capital has been dematerialized up to March 31, 2010

12 **Dematerialised at NSDL & CDSL** 62,02,230
Physical 3,04,820

13 **Shareholding Pattern as on March 31, 2010**

Category	No. of Shares Held	% of Shareholding
Promoters & Promoters Group	48,49,079	74.52
Mutual Funds & Institutional Investor	NIL	NIL
Corporate Bodies	3,63,376	5.58
Indian Public	12,93,736	19.88
NRI / OBC	859	0.02
TOTAL	65,07,050	100.00

14 **Share transfer system & Dematerialisation**

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

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

15 **Investor Correspondence/Query**

a Investor Correspondence

For Transfer / dematerialisation 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, Alankar Point, Geeta Bhavan Circle, Indore (M.P.)

T. +91-0731-2491298

For shares Held in Demat Form

To the Depository Participant

b Any other matters and unsolved complaints

Company Secretary

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

Notes:

1. Annual listing fee for the year 2010-11 has been paid to the Bombay Stock Exchange Limited, Mumbai.
2. Distribution schedule & shareholding pattern as on March 31, 2010.



Auditors' Report

TO,
THE MEMBERS OF ARIHANT CAPITAL MARKETS LIMITED

We have audited the attached Balance Sheet of **ARIHANT CAPITAL MARKETS LIMITED** as at **March 31, 2010** and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibilities of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 & 5 of the said order, to the extent applicable to the Company.

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

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- (b) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as it appears from our examination of books of account.
- (c) The balance sheet, profit & loss account and cash flow statement dealt by this report are in agreement with the books of account.
- (d) In our opinion, the balance sheet and profit & loss account and cash flow statement dealt by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- (e) On the basis of written representation received by us from the directors of the Company as at March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion, and to the best of our information and according to the explanation given to us, the said accounts, subject to and read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of Balance Sheet of the state of affairs of the Company as at March 31, 2010;
 - (ii) In the case of Profit & Loss Account, of the **Profit** of the Company for the year ended on that date;
 - (iii) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

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

Ajay Tulsiyan
Partner
Membership No.: 74868
Indore, Dated: May 29, 2010



Annexure referred to in paragraph 3 of our report of even date

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
(b) The fixed assets of the Company are physically verified by the management at regular intervals, which in our opinion, is reasonable considering the size of the Company and the nature of assets. During the year, as informed to us by management, no material discrepancies have been noticed on such verification.
(c) In our opinion, substantial parts of the Company's fixed assets have not been disposed off by the Company, during the year.
2. The Company does not have any stock in trade during the year. Hence clause (ii) of the order is not applicable.
3. (a) The Company has taken unsecured loan from one companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved was Rs. 792.15 lacs and the closing balance is Rs. 70.00.
(b) 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.
(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 has not granted any loan to company for covered in the register maintained under section 301 of the Companies Act, 1956.
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 Rs. Five Lacs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public as governed by the provision of section 58A and 58AA or any other relevant provisions of the Act and rules framed their under.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956, in respect of the activities carried on by the Company.
9. (a) As per the records of the Company, the company is generally regular in depositing the statutory dues including provident fund, income tax, wealth tax, service tax, cess and other material statutory dues applicable to it with the appropriate authorities.
(b) There were no dues on account of Cess under Sec.441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government of India.
(c) According to the information and explanations given to us, no undisputed amount in respect of income tax, sales tax, service tax, custom duty, wealth tax, excise duty, cess applicable to it is outstanding as at the last day of the financial year concerned for a period of more than six months from the date they became payable.



- d) According to the information and explanations given to us and on the basis of examination of records of the Company provident fund, sales tax, income tax, wealth tax, cess which have not been deposited on account of dispute are given below:

Name of the Statute	Nature of Dues	Year	Amount (Rs. in lacs)	Forum where deposit is pending
Income Tax Act, 1961	Income Tax Penalty	1999-2000	10.00	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. The Company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures or other securities. Therefore the provisions of clause 4 (xii) of the order are not applicable to the Company.
13. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provision of clause 4(ix) of the Order is not applicable to the Company.
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 course of our audit.

For Arora Banthia & Tulsian

Chartered Accountants
Firm No.: 007028C

Ajay Tulsian

Partner
Membership No.: 74868
Indore, Dated: May 29, 2010



Balance Sheet as at March 31, 2010

	Schedule	March 31, 2010 Rupees	March 31, 2009 Rupees
Sources of Funds			
Shareholders' Funds :			
Capital	1	6,50,70,500	6,50,70,500
Reserves and Surplus	2	37,53,18,810	33,32,26,202
Loan Funds:			
Secured Loan	3	3,50,11,932	0
Unsecured Loans	4	70,00,000	0
Deferred Tax (Refer Note 2 on Schedule 14)		74,71,156	87,93,454
Total		48,98,72,398	40,70,90,156
Application of Funds			
Fixed Assets :			
Gross Block	5	11,69,21,742	10,11,38,196
Less : Depreciation / Amortisation		4,73,71,547	3,49,35,770
Net Block		6,95,50,195	6,62,02,426
Investments	6	8,92,31,652	8,13,34,280
Current Assets, Loans and Advances :			
Sundry Debtors	7	43,73,67,859	31,85,78,412
Cash and Bank Balances	8	30,67,57,289	41,18,95,952
Loans and Advances	9	5,81,39,461	15,23,14,293
		80,22,64,609	88,27,88,657
Less : Current Liabilities and Provisions	10		
Current Liabilities		45,45,95,851	55,65,47,804
Provisions		1,65,78,207	6,66,87,403
Net Current Assets		33,10,90,551	25,95,53,450
Total		48,98,72,398	40,70,90,156
Notes to the Financial Statements	14		

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

For and on behalf of the Board

For Arora Banthia & Tulsiyan

Chartered Accountants
Firm No.: 007028C

Ajay Tulsiyan

Partner
Membership No.: 74868
Indore, Dated: May 29, 2010

Ashok Kumar Jain

Chairman & Managing Director

Akhilesh Rathi

Director

Mahesh Pancholi

Assistant Company Secretary



Profit and Loss Account for the year ended March 31, 2010

	Schedule	March 31, 2010 Rupees	March 31, 2009 Rupees
Income			
Income from Operations	11	48,74,91,498	35,15,29,152
Other Income	12	2,48,62,109	2,96,10,377
Total		51,23,53,607	38,11,39,529
Expenditure			
Establishment, Administrative & Other Expenses	13	38,85,52,689	33,36,84,807
Interest and Other Finance Charges		77,34,078	42,66,569
Depository Charges		31,66,396	22,55,443
Total		39,94,53,163	34,02,06,819
Profit Before Depreciation / Amortisation and Taxation		11,29,00,444	4,09,32,710
Depreciation / Amortisation	5	1,28,41,829	1,13,46,793
Prior Period Adjustments (net)		1,72,035	4,57,569
Profit Before Taxation		9,98,86,580	2,91,28,348
Provision For Taxation			
Current Tax		3,30,00,000	78,25,000
Earlier Years' Tax		1,09,40,691	1,02,141
Deferred Tax (Refer Note 2 on Schedule 14)		-13,22,298	15,33,744
Fringe Benefits Tax		0	7,65,000
Profit After Taxation		5,72,68,187	1,89,02,463
Depreciation Added Back		0	0
Balance Brought Forward		3,54,13,193	3,29,30,115
		9,26,81,380	5,18,32,578
Appropriations			
Dividend		1,30,14,100	97,60,575
Tax on Distributed Profit		21,61,479	16,58,810
Transfer to General Reserve		6,50,00,000	50,00,000
Balance Carried Forward		1,25,05,801	3,54,13,193
		9,26,81,380	5,18,32,578
Notes to the Financial Statements	14		
Earnings per Share on Equity Shares of Rs. 10 each			
Basic and Diluted (In Rupees)		8.80	2.90

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

For and on behalf of the Board

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

Ashok Kumar Jain
Chairman & Managing Director

Ajay Tulsian
Partner
Membership No.: 74868
Indore, Dated: May 29, 2010

Akhilesh Rathi
Director

Mahesh Pancholi
Assistant Company Secretary



Cash Flow Statement for the year ended March 31, 2010

	March 31, 2010 Rupees	March 31, 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	9,98,86,580	2,91,28,348
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	2,39,129	7,55,978
Depreciation / Amortisation	1,28,41,829	1,13,46,793
Dividend Income	-9,34,547	-5,06,735
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	11,20,32,991	4,07,24,384
Adjustments for changes in working capital :		
- Trade and other receivables	-11,87,89,447	15,75,28,194
- Stock in trade	0	3,83,96,770
- Loans & Advances	3,17,60,495	-1,79,23,897
- Trade and other payables	-10,17,52,343	-21,81,38,609
CASH GENERATED FROM OPERATIONS	-7,67,48,305	5,86,841
- Taxes paid including fringe benefit tax (net)	-3,55,91,354	-1,47,13,079
NET CASH FROM OPERATING ACTIVITIES (A)	-11,23,39,659	-1,41,26,238
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sales of fixed assets	-1,64,28,727	-50,00,356
(Purchase) / Sales of Investments	-78,97,372	-4,48,66,439
Dividend received	9,34,547	5,06,735
NET CASH USED IN INVESTING ACTIVITIES (B)	-2,33,91,552	-4,93,60,060
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	-97,60,575	-1,17,12,690
Proceeds from secured loans	3,50,11,932	-2,02,37,662
Proceeds from unsecured loans	70,00,000	0
Dividend distribution tax paid	-16,58,810	-19,90,572
NET CASH USED IN FINANCING ACTIVITIES (C)	3,05,92,547	-3,39,40,924
NET INCREASE IN CASH & CASH EQUIVALENT	-10,51,38,663	-9,74,27,222
Cash and cash equivalents at the beginning of the year	41,18,95,953	50,93,23,174
Cash and cash equivalents at the end of the year	30,67,57,289	41,18,95,952
Cash and cash equivalents comprise of		
Cash and cheques in hand	2,52,594	24,986
Balances with scheduled banks	30,65,04,695	41,18,70,966
Total	30,67,57,289	41,18,95,952

Notes to the Financial Statements

14

For and on behalf of the Board

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

For Arora Bantia & Tulsiyan

Chartered Accountants

Firm No.: 007028C

Ashok Kumar Jain

Chairman & Managing Director

Akhilesh Rathi

Director

Ajay Tulsiyan

Partner

Membership No.: 74868

Indore, Dated: May 29, 2010

Mahesh Pancholi

Assistant Company Secretary



Schedules forming part of the accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 1 - Capital		
Authorised		
70,00,000 (previous year 70,00,000) Equity Shares of Rs.10/- each	7,00,00,000	7,00,00,000
	7,00,00,000	7,00,00,000
Issued, Subscribed and Paid up		
65,07,050 (previous year 65,07,050) Equity Shares of Rs.10/- each fully paid up	6,50,70,500	6,50,70,500
Total	6,50,70,500	6,50,70,500
Of the above shares:		
29,54,850 equity shares were allotted as fully paid up pursuant to the Scheme of Amalgamation of Arihant Fincap Limited with the Company.		
Schedule 2 - Reserves and Surplus		
General Reserve		
Balance as per last Balance Sheet	29,78,13,009	29,28,13,009
Add : Transfer from Profit and Loss Account	6,50,00,000	50,00,000
	36,28,13,009	29,78,13,009
Profit and Loss Account	1,25,05,801	3,54,13,193
Total	37,53,18,810	33,32,26,202
Schedule 3 - Secured Loan		
Overdraft From IDBI Bank (Secured against Pledge of Fixed Deposit Receipt)	3,50,00,000	0
Overdraft From Axis Bank (Secured against Exchange Payout)	11,932	0
Total	3,50,11,932	0
Schedule 4 - Unsecured Loan		
Loan from Subsidiary	70,00,000	0
Total	70,00,000	0

Schedule 5 - Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2009	Additions for the Year	Deductions Adjustment for the Year	As at March 31, 2010	As at April 1, 2009	For the Year	On Deductions	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Premises	65,50,745	0	0	65,50,745	2,92,777	1,06,777	0	3,99,554	61,51,191	62,57,968
Furniture & Fixtures	1,93,66,281	20,17,363	56,914	2,13,26,730	35,96,985	12,60,260	10,176	48,47,069	1,64,79,661	1,57,69,296
Office Equipments	75,23,988	15,02,906	1,90,887	88,36,007	14,07,155	3,81,082	46,652	17,41,584	70,94,422	61,16,833
Computers & Software	6,04,24,768	1,27,49,043	5,20,778	7,26,53,033	2,77,49,921	1,02,81,843	3,37,874	3,76,93,890	3,49,59,143	3,26,74,847
Electrical Installations	24,38,680	3,06,715	23,902	27,21,493	6,75,838	3,52,662	11,350	10,17,150	17,04,343	17,62,842
Motor Vehicles	48,33,734	0	0	48,33,734	12,13,094	4,59,205	0	16,72,299	31,61,435	36,20,640
Total	10,11,38,196	1,65,76,027	7,92,481	11,69,21,742	3,49,35,770	1,28,41,829	4,06,052	4,73,71,547	6,95,50,195	6,62,02,426
Previous year	10,03,35,710	81,02,223	72,99,737	10,11,38,196	2,78,57,556	1,13,46,793	42,68,579	3,49,35,770	6,62,02,426	7,24,78,154



Schedules forming part of the accounts

	Face Value Rupees	March 31, 2010 Quantity	March 31, 2010 Rupees	March 31, 2009 Quantity	March 31, 2009 Rupees
Schedule 6 - Investments					
Long Term Investments (Trade)					
(a) (At cost) (Unquoted, fully paid up)					
In Equity Shares of Bombay Stock Exchange Limited	1	1,30,000	1,19,65,000	1,30,000	1,19,65,000
In Equity Shares of Saurashtra Kutch Stock Exchange	100	50	5,05,000	50	5,05,000
			1,24,70,000		1,24,70,000
(b) Unquoted, Equity Shares (fully paid up)					
The Saraswat Co-Operative Bank Limited	10	500	5,000	500	5,000
Investment in Subsidiary					
Arihant Finsec Limited	10	4,50,000	4,05,00,000	4,50,000	4,05,00,000
Arihant Future & Commodities Limited	10	3,54,500	78,02,045	3,54,500	78,02,045
Arihant Insurance Broking Services Limited	10	7,50,000	75,00,000	0	0
Arihant Financial Services Limited	10	2,49,400	2,05,45,235	2,49,400	2,05,45,235
			7,63,52,280		6,88,52,280
Total (A)			8,88,22,280		8,13,22,280
Current Investments (Non Trade)					
(a) Quoted Equity Shares (fully paid up)					
Indian Hotel	1			100	7000
Indian Hotel-warrant - Sep. 30, 2009				50	0
D.B.Corp Limited	10	1,931	4,09,372		-
			4,09,372		7,000
(b) Quoted Preference Shares (fully paid up)					
2% Cumulative Convertible of Tata Steel Limited			-		-
			0		0
(c) Quoted Debentures					
Indian Hotel NCD -6%-May 12, 2011	100			50	5,000
			0		5,000
Total (B)			4,09,372		12,000
Total (A+B)			8,92,31,652		8,13,34,280

Market value of Quoted Investments Rs. 4,61,798 (Previous Year Rs. 8,618)



Schedules forming part of the accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 7 - Sundry Debtors		
Sundry Debtors (Considered Good)* :		
Over Six Months	4,61,76,875	2,51,57,321
Others	39,11,90,984	29,34,21,091
Total	43,73,67,859	31,85,78,412
* Refer to Note 13 on schedule 14 for dues from the parties under the same management as defined under section 370(IB) of the Companies Act, 1956.		
Schedule 8 - Cash and Bank Balances		
Cash on Hand	2,52,594	24,986
Balances with Scheduled Banks in:		
Current Accounts	6,14,35,563	13,61,30,082
Deposits Accounts	23,95,75,000	27,44,25,000
Unclaimed Dividend Account	14,02,628	12,03,018
Balances with Other Banks in:		
Current Accounts	40,91,504	1,12,866
In Current Account with Kopergaon People Co-operative Bank Ltd		
Maximum balance Rs 40.91 lacs (Rs 10.69 lacs)		
Total	30,67,57,289	41,18,95,952
Schedule 9 - Loans and Advances		
(Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	1,14,35,392	1,16,51,238
Deposits with Exchanges / Depositories	2,36,02,000	5,43,58,019
Deposits - Others	70,36,173	78,24,803
Advance Tax	1,60,65,896	7,84,80,233
Total	5,81,39,461	15,23,14,293
Schedule 10 - Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors (includes trade payables)		
Other than Micro, Small and Medium Enterprises	32,92,81,522	26,44,55,260
Micro, Small and Medium Enterprises* (refer note 14 on schedule 14)	0	0
Payable to Subsidiary Companies	0	15,355
Advances from Clients	7,35,57,986	20,61,33,690
Other Liabilities	5,17,56,343	4,35,27,025
Credit Balance of Banks (due to outstanding cheques)	0	4,24,16,474
Total	45,45,95,851	55,65,47,804
Provisions		
Proposed Dividend	1,30,14,100	97,60,575
Tax on Distributed Profit	21,61,479	16,58,810
Provisions for Tax (net)	0	5,40,65,000
Unpaid Dividend	14,02,628	12,03,018
Total	1,65,78,207	6,66,87,403

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



Schedules forming part of the accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 11 - Income from Operations		
Income from Brokerage - Gross	44,33,78,988	31,37,79,943
Profit on Sale of Investments (net)	71,350	23,02,143
Profit on Trading in Securities (net) (Refer Note 5(a) on Schedule 14)	0	-5,10,061
Profit on Jobbing Transactions (net)	0	17,746
Commission Received(net)	74,37,979	29,25,094
[Tax deducted at source Rs. 0.74 lacs (Rs. Nil)]		
Fees From Portfolio Management Services	0	73,008
Fees From Merchant Banking	48,73,110	78,11,941
[Tax deducted at source Rs.5.39 lacs (Rs.6.45 lacs)]		
Dividend Income	9,34,547	5,06,735
Deferred Payment Charges	2,12,37,578	1,26,90,187
Depository Receipts	95,57,946	1,19,32,416
Total	48,74,91,498	35,15,29,152
Schedule 12 - Other Income		
Interest on Deposits	2,42,50,440	2,51,93,525
[Tax Deducted at Source Rs. 26.39 lacs (Rs. 52.02 lacs)]		
Bad debts recovered	5,06,509	18,26,556
Miscellaneous Income	1,05,160	25,90,296
Total	2,48,62,109	2,96,10,377
Schedule 13 - Establishment, Administrative & Other Expenses		
Advertisement	5,46,673	6,40,036
<u>Auditors' Remuneration</u>		
Audit Fees	2,00,000	2,00,000
Tax Audit Fees	50,000	50,000
In Other Capacity	2,89,000	40,000
Bad Debts Written Off	24,57,469	90,14,636
Bank & Depository Charges	52,44,589	48,98,287
Business Development	13,84,853	17,37,105
Communication including V-Sat	1,48,73,671	1,30,08,426
Director's Emoluments	92,80,648	23,60,000
Electricity	37,78,066	42,44,377
Exchange Transaction Charges	2,21,58,941	1,67,42,153
Insurance	5,18,235	6,03,512
Legal and Professional	61,51,952	94,59,964
Listing Fee	45,000	65,000
Loss on Sale of Fixed Assets	2,39,129	7,55,978
Membership Fee & Subscription	18,48,696	16,59,636
Miscellaneous Expenses	16,88,737	39,10,729
Office Expenses	15,65,675	19,88,601
Rent, Rates & Taxes	1,29,46,363	1,44,54,010
Repairs & Maintenance	42,79,806	35,33,362
Software Maintenance	83,02,974	79,66,860
Salaries, Allowances and Bonus	9,33,12,181	9,12,85,986
Securities Transaction Tax on Investments	0	25,439
Staff Welfare	14,97,909	14,96,447
Stationery & Printing	28,24,492	31,87,469
Sub Brokerage/Referral Fees and Expenses	19,00,07,639	13,69,95,494
Travelling, Conveyance and Motor Car Expenses	30,59,716	33,09,854
Wealth Tax	275	51,446
Total	38,85,52,689	33,36,84,807



Schedules forming part of the accounts

Schedule 14 - Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

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

B. ACCOUNTING CONVENTION

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

C. REVENUE RECOGNITION

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

D. FIXED ASSETS

- i. Fixed Assets are stated at cost of acquisition less accumulated depreciation.
- ii. Depreciation on fixed assets has been provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 on prorata basis.

E. INVESTMENTS

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

F. RETIREMENT BENEFITS

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

G. TAXES ON INCOME

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



H. EARNING PER SHARE

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

I. IMPAIRMENT OF ASSETS

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

2. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities/Assets:

Particular	March 31, 2010	March 31, 2009
a) Deferred Tax Liabilities		
Depreciation	85,89,397	98,40,677
b) Deferred Tax Assets		
Non Payment of Expenses	9,11,953	9,03,942
Unabsorbed Losses	2,06,289	1,43,281

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

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

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

(Rupees in lacs)

Particulars	2009-2010		2008-2009	
	Quantity	Amount	Quantity	Amount
Opening Stock	0	0	4,18,400	383.97
Purchases	0	0	2,050	5.91
Sales	0	0	4,20,450	386.02
Closing Stock	0	0	0	0

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

Mutual Fund Scheme	Face Value	Purchase / Allotted	Sold / Redeemed
LIC Income Plus Fund - Daily Dividend Plan	10	80,06,362.01	80,06,362.01
LIC Liquid Fund - Dividend Plan	10	97,95,404.30	97,95,404.30
LIC Liquid Fund - Growth Option	10	27,29,667.04	27,29,667.04
LIC Saving Plus Fund - Growth Plan	10	56,56,398.63	56,56,398.63
LIC Saving Plus Fund - Daily Dividend Plan	10	1,00,17,831.84	1,00,17,831.84
Reliance Floating Rate Fund - Daily Dividend	10	4,96,581.39	4,96,581.39
Reliance Medium Term Fund - Daily Dividend	10	11,70,507.83	11,70,507.83
Reliance Liquid Fund - Retail Plan - Daily Dividend	10	4,92,389.25	4,92,389.25
Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend	10	89,97,435.29	89,97,435.29
Reliance Money Manager Fund - Institutional Option - Daily Dividend	1000	1,32,527.75	1,32,527.75
Reliance Money Manager Fund - Retail Option - Daily Dividend	1000	15,004.54	15,004.54



7. Director's remuneration

(Rupees in lacs)

Particulars	2009-2010	2008-2009
(a) Salaries & Incentives	36.48	23.60
(b) Director's Fee	1.40	0.00
(c) Commission	54.58	0.00
(d) Perquisites	0.34	0.35

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

Particulars	For the year ended March 31, 2010
Profit before tax as per P & L account	9,98,86,580
Add:- Director Remuneration	92,80,648
Book Profit as per Schedule XIII	10,91,67,228
Maximum Commission to Managing Director under the Companies Act, 1956 at 5%	54,58,361

8. Contingent Liabilities not provided for:

- Bank Guarantees of Rs.10 Lacs (previous year Rs. 10 lacs) extended to Bombay Stock Exchange Limited under the mandatory rules for membership and Rs. 1165 Lacs (previous year Rs. 770 lacs) towards additional margin.
- Bank Guarantees of Rs.75 lacs (previous year Rs. 75 lacs) extended to National Securities Clearing Corporation Limited under the mandatory rules for membership and Rs. 2750 Lacs (Previous Year Rs. 2350 Lacs) towards additional margin.
- Bank Guarantees of Rs.75 lacs (previous year Rs. Nil) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- Income Tax matters in respect of which appeal is pending - Rs.10.00 Lacs (net of payments)(previous year Rs. 10.00 lacs).
- Corporate guarantee of Rs.1000 lacs (previous year Rs. 300 Lacs) given to banks on behalf of subsidiary M/s Arihant Futures and Commodities Limited.
- Claims against the Company not acknowledged as debts Rs.3.98 lacs (previous year Rs. Nil)

9. Earning Per Share (EPS)

Particulars	March 31, 2010	March 31, 2009
Outstanding Shares	65,07,050	65,07,050
Profit After Tax	5,72,68,187	1,89,02,463
Basic EPS	8.80	2.90
Diluted EPS	8.80	2.90
Nominal value of Share	10	10

10. Earning in Foreign Currency

Particulars	2009-2010 Amount in Rs	2008-2009 Amount in Rs
Consultancy Fees	0	4,49,440

11. There is no expenditure in foreign currency.

- Fixed deposits with scheduled banks include Rs.275.00 lacs (previous year Rs. 230.00 Lacs) which is under the lien of National Securities Clearing Corporation Limited, Rs. 1.25 lacs (previous year Rs. 51.25 Lacs) which is under the lien of Bombay Stock Exchange Limited, Rs.125.00 lacs (Previous Year Rs.150.00 lacs) which is under the lien of MCX-SX Clearing Corporation Limited.



13. Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures" issued by the Institute of Chartered Accountants of India for the year ended March 31, 2010 are given below:

Relationships (During the year)

- | | |
|---|---|
| 1. Key Management Personnel | Mr. Ashok Kumar Jain, Chairman & Managing Director
Mr. Sunil Kumar Jain, Director
Mr. Akhilesh Rathi, Director
Ms. Anita Gandhi, Director
Mr. Rakesh Jain, Director |
| 2. Relatives of Key Management Personnel and other proprietary/partnership concerns | Ms. Kiran Jain
Ms. Shruti Jain
Mr. Arpit Jain
Ms. Swati Jain
Ashok Jain HUF
Sunil Jain HUF
Mr. Kamal Kumar Jain
Ms. Meena Jain
Ms. Shanta Jain
S.N. Gandhi & Co. |
| 3. Subsidiaries | Arihant Financial Services Limited
Arihant Finsec Limited
Arihant Futures & Commodities Limited
Arihant Insurance Broking Services Limited |

(Rupees in lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Brokerage & Other Charges				
Arihant Finsec Limited	Nil	Nil	11.83	11.83
	<i>Nil</i>	<i>Nil</i>	7.82	7.82
Arihant Financial Services Limited	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	8.30	8.30
Depository Charges				
Arihant Financial Services Limited	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	1.46	1.46
Arihant Finsec Limited	Nil	Nil	1.06	1.06
	<i>Nil</i>	<i>Nil</i>	0.11	0.11
Arihant Futures & Commodities Ltd	Nil	Nil	0.68	0.68
	<i>Nil</i>	<i>Nil</i>	0.03	0.03
Expenses				
Salary & Incentive*	92.81	2.80	Nil	95.61
	23.95	4.80	<i>Nil</i>	28.75
Rent	Nil	16.20	Nil	16.20
	<i>Nil</i>	16.20	<i>Nil</i>	16.20

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Legal & Professional*	Nil	4.19	Nil	4.19
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Interest				
Arihant Financial Services Limited	Nil	Nil	39.53	39.53
	<i>Nil</i>	<i>Nil</i>	<i>14.17</i>	<i>14.17</i>
Shanta Jain	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>1.75</i>	<i>Nil</i>	<i>1.75</i>
Assets				
Deposits	Nil	11.75	Nil	11.75
	<i>Nil</i>	<i>11.75</i>	<i>Nil</i>	<i>11.75</i>
Loans Taken				
Arihant Financial Services Limited	Nil	Nil	792.15	792.15
(Maximum Outstanding)	<i>Nil</i>	<i>Nil</i>	<i>786.77</i>	<i>786.77</i>
Loans Outstanding at the year end				
Arihant Financial Services Limited	Nil	Nil	70.00	70.00
	<i>Nil</i>	<i>Nil</i>	<i>0.15</i>	<i>0.15</i>
Debtors as at the year end				
Arihant Finsec Limited	Nil	Nil	169.49	169.49
	<i>Nil</i>	<i>Nil</i>	<i>0.26</i>	<i>0.26</i>
Corporate Guarantee Given				
Arihant Futures & Commodities Ltd	Nil	Nil	1,000.00	1,000.00
	<i>Nil</i>	<i>Nil</i>	<i>300.00</i>	<i>300.00</i>
Sale of Assets				
Arihant Financial Services Limited	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	<i>7.00</i>	<i>7.00</i>
Arihant Futures & Commodities Ltd	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	<i>4.50</i>	<i>4.50</i>
Kamal Kumar Jain	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>1.00</i>	<i>Nil</i>	<i>1.00</i>
Purchase of Investment	Nil	Nil	Nil	Nil
	<i>24.06</i>	<i>28.75</i>	<i>Nil</i>	<i>52.81</i>
Equity Contribution made during the year				
Arihant Finsec Limited	Nil	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	<i>405.00</i>	<i>405.00</i>
Arihant Insurance Broking Services Limited	Nil	Nil	75.00	75.00
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Reimbursement of Expenses				
Arihant Insurance Broking Services Limited	Nil	Nil	4.64	4.64
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

Figures in Italics represent previous year figures

* Figures reported are in respect of period after 01.02.10, the date on which Ms. Anita Surendra Gandhi was appointed as Whole time Director.



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

For Arora Banthia & Tulsiyan

Chartered Accountants
Firm No.: 007028C

Ajay Tulsiyan

Partner
Membership No.: 74868
Indore, Dated: May 29, 2010

For and on behalf of the Board

Ashok Kumar Jain

Chairman & Managing Director

Akhilesh Rathi

Director

Mahesh Pancholi

Assistant Company Secretary



Disclosure pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies for the year ended on March 31, 2010

Amount (Rs. In lacs)

Particulars	Name of the Subsidiary:			
	Arihant Financial Services Limited.	Arihant Finsec Limited	Arihant Futures & Commodities Limited	Arihant Insurance Broking Services 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	2,49,400 equity shares of Rs. 10/- each, fully paid up	4,50,000 equity shares of Rs. 10/- each, fully paid up	3,54,500 equity shares of Rs. 10/- each, fully paid up	7,50,000 equity shares of Rs. 10/- each, fully paid up
b) Percentage of holding	99.76%	100.00%	99.86%	100.00%
II. Financial year ended of the Subsidiaries	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
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 March 31, 2010	28.15	378.90	130.15	-0.71
b) For the Previous year	79.10	-7.98	113.84	Nil
IV. The net aggregate amount of Profits less Losses so far as it concerns members of the Company and is dealt within the Company's accounts.				
a) For the financial year ended March 31, 2010	Nil	Nil	Nil	Nil
b) For the Previous year	Nil	Nil	Nil	Nil
V. Capital	25.00	45.00	35.50	75.00
VI. Reserves	287.24	730.92	281.16	-0.71
VII. Total Assets	312.40	775.92	460.99	75.00
VIII. Total Liabilities	312.40	775.92	460.99	75.00
IX. Turnover	78.86	600.86	654.53	7.81
X. Profit before Taxation	39.95	574.28	201.06	-1.02
XI. Provision for Taxation	11.80	195.38	70.90	-0.32
XII. Profit after Taxation	28.15	378.90	130.15	-0.71



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

Registration Details

Registration No.

Balance Sheet Date

State Code

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

Source of Funds (Amount in Rs. thousand)

Paid-up Capital

Reserves and Surplus

Deferred Tax

Unsecured Loans

Secured Loans

Application of Funds (Amount in Rs. thousand)

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

Performance of the Company (Amount in Rs. thousand)

Turnover (Income)

Total Expenditure

Profit/(-) Loss before Tax

Profit/(-) Loss after Tax

Earnings per share (in Rs.)

Dividend Rate (%)

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

Item Code No. Not Classified

Product Description Stock Broking

Ashok Kumar Jain
Chairman & Managing Director

Akhilesh Rathi
Director

Mahesh Pancholi
Assistant Company Secretary

Indore, Dated: May 29, 2010



Auditors' Report on Consolidated financial statements

The Members,

Arihant Capital Markets Limited,

1. We have audited the attached Consolidated Balance Sheet of Arihant Capital Markets Limited (the Company) and its Subsidiary, collectively the Group as at March 31, 2010, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. The preparation of these financial statement is the responsibility of the Comapny's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
4. Based on our audit and information and explanation given to us, we are of the opinion that attached Consolidated financial statement gives a true and fair view in conformity with the accounting principals generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at March 31, 2010;
 - b) in the case of Consolidated Profit & Loss Account, of the Consolidated Profit for the year ended on that date;
 - c) in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows for the year ended on that date.

For Arora Banthia & Tulsian

Chartered Accountants
Firm No.: 007028C

Ajay Tulsian

Partner
Membership No.: 74868
Indore, Dated: May 29, 2010



Consolidated Balance Sheet as at March 31, 2010

Schedule	March 31, 2010 Rupees	March 31, 2009 Rupees	
Sources of Funds			
Shareholders' Funds :			
Capital	1	6,50,70,500	6,50,70,500
Reserves and Surplus	2	44,67,64,376	35,03,31,849
Loan Funds:			
Secured Loan	3	3,50,11,932	0
Deferred Tax (Refer Note 3 on Schedule 15)		78,65,749	85,08,301
Minority Interest		1,19,272	93,291
Total	55,48,31,829	42,40,03,941	
Application of Funds			
Fixed Assets :			
Gross Block	4	12,29,98,508	10,65,56,227
Less : Depreciation / Amortisation		4,93,92,388	3,69,14,364
Net Block		7,36,06,120	6,96,41,863
Investments	5	1,33,84,372	1,24,87,000
Current Assets, Loans and Advances :			
Stock In Trade	6	8,52,11,521	10,24,80,139
Sundry Debtors	7	48,37,85,133	32,60,95,768
Cash and Bank Balances	8	44,40,46,658	48,74,76,704
Loans and Advances	9	7,80,10,423	18,37,35,931
		109,10,53,735	109,97,88,542
Less : Current Liabilities and Provisions	10		
Current Liabilities		60,57,72,397	68,62,29,790
Provisions		1,74,40,001	7,18,33,603
Net Current Assets		46,78,41,337	34,17,25,149
Miscellaneous Expenses	11	0	1,49,929
Total	55,48,31,829	42,40,03,941	
Notes to the Financial Statements	15		

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

For Arora Banthia & Tulsiyan

Chartered Accountants
Firm No.: 007028C

Ajay Tulsiyan

Partner
Membership No. : 74868
Indore, Dated : May 29, 2010

For and on behalf of the Board

Ashok Kumar Jain

Chairman & Managing Director

Akhilesh Rathi

Director

Mahesh Pancholi

Assistant Company Secretary



Consolidated Profit and Loss Account for the year ended March 31, 2010

	Schedule	March 31, 2010 Rupees	March 31, 2009 Rupees
Income			
Income from Operations	12	60,19,33,407	41,63,85,859
Other Income	13	3,44,80,229	3,19,33,600
Total		63,64,13,636	44,83,19,459
Expenditure			
Establishment, Administrative & Other Expenses	14	43,20,43,967	34,94,87,824
Interest and Other Finance Charges		59,67,731	4,07,21,769
Depository Charges		31,66,396	22,55,443
Total		44,11,78,094	39,24,65,036
Profit Before Depreciation / Amortisation and Taxation		19,52,35,542	5,58,54,423
Depreciation / Amortisation	4	1,36,00,007	1,20,99,180
Prior Period adjustments (net)		3,21,964	4,57,568
Profit Before Taxation		18,13,13,571	4,32,97,675
Provision For Taxation			
Current Tax		6,01,56,800	1,22,75,000
Earlier years Tax		1,08,81,166	2,78,806
Deferred Tax (Refer Note 3 on Schedule 15)		-6,42,552	12,34,076
Fringe Benefits Tax		0	7,91,200
Profit After Taxation		11,09,18,157	2,87,18,593
Less : Minority Interest		25,980	21,453
Depreciation Added Back		7,15,930	0
Balance Brought Forward		4,50,40,594	3,47,62,839
		15,66,48,701	6,34,59,979
Appropriations			
Dividend		1,30,14,100	97,60,575
Tax on Distributed Profit		21,61,479	16,58,810
Transfer to General Reserve		10,00,00,000	50,00,000
Transfer to Statutory Reserve		7,00,000	20,00,000
Balance Carried Forward		4,07,73,122	4,50,40,594
		15,66,48,701	6,34,59,979
Notes to the Financial Statements	15		
Earnings per Share on Equity Shares of Rs. 10 each Basic and Diluted (In Rupees)		17.15	4.41

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

For Arora Banthia & Tulsiyan

Chartered Accountants
Firm No.: 007028C

Ajay Tulsiyan

Partner
Membership No.: 74868
Indore, Dated: May 29, 2010

For and on behalf of the Board

Ashok Kumar Jain
Chairman & Managing Director

Akhilesh Rathi
Director

Mahesh Pancholi
Assistant Company Secretary



Consolidated Cash Flow Statement for the year ended March 31, 2010

	March 31, 2010 Rupees	March 31, 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	18,13,13,571	4,32,97,675
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	2,39,129	7,55,978
(Profit) / Loss on sale of Investments	-71,350	-23,02,143
Miscellaneous Expenses written off	3,68,983	42,536
Depreciation / Amortisation	1,36,00,007	1,20,99,180
Dividend Income	-20,18,217	-8,14,586
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	19,34,32,123	5,30,78,640
Adjustments for changes in working capital :		
- Trade and other receivables	-15,76,89,365	16,39,48,865
- Stock in trade	1,72,68,618	-6,40,83,369
- Loans & Advances	3,84,42,001	-2,68,89,859
- Trade and other payables	-8,02,57,783	-12,84,44,818
CASH GENERATED FROM OPERATIONS	1,11,95,594	-23,90,541
- Taxes paid including fringe benefit tax (net)	-6,21,03,867	-1,93,54,741
NET CASH FROM OPERATING ACTIVITIES (A)	-509,08,273	-2,17,45,282
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sales of fixed assets	-1,70,87,461	-77,99,423
(Purchase) / Sales of Investments	-8,26,022	-20,64,296
Dividend received	20,18,217	8,14,586
NET CASH USED IN INVESTING ACTIVITIES (B)	-1,58,95,266	-90,49,133
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	-97,60,575	-1,17,12,690
Preliminary Expenses	-2,19,054	-1,11,660
Proceeds from secured loans	3,50,11,932	-2,02,37,662
Dividend distribution tax paid	-16,58,810	-19,90,572
NET CASH USED IN FINANCING ACTIVITIES (C)	2,33,73,493	-3,40,52,584
NET INCREASE IN CASH & CASH EQUIVALENT	-4,34,30,046	-6,48,46,999
Cash and cash equivalents at the beginning of the year	48,74,76,704	55,23,23,703
Cash and cash equivalents at the end of the year	44,40,46,658	48,74,76,704
Cash and cash equivalents comprise of		
Cash and cheques in hand	3,25,361	66,075
Balances with scheduled banks	44,37,21,297	48,74,10,629
Total	44,40,46,658	48,74,76,704
Notes to the Financial Statements	15	

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

For Arora Banthia & Tulsian

Chartered Accountants

Firm No.: 007028C

Ajay Tulsian

Partner

Membership No.: 74868

Indore, Dated: May 29 2010

For and on behalf of the Board

Ashok Kumar Jain

Chairman & Managing Director

Akhilesh Rathi

Director

Mahesh Pancholi

Assistant Company Secretary



Schedules forming part of the Consolidated accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 1 - Capital		
Authorised		
70,00,000 (previous year 40,00,000) Equity Shares of Rs.10/- each	7,00,00,000	7,00,00,000
	7,00,00,000	7,00,00,000
Issued, Subscribed and Paid up		
65,07,050 (previous year 35,52,200) Equity Shares of Rs.10/- each	6,50,70,500	6,50,70,500
fully paid up*	6,50,70,500	6,50,70,500
Of the above shares:		
29,54,850 equity shares were allotted as fully paid up pursuant to the Scheme of Amalgamation of Arihant Fincap Limited with the Company.		
Schedule 2 - Reserves and Surplus		
General Reserve		
Balance as per last Balance Sheet	29,98,86,255	29,48,86,255
Add : Transfer from Profit and Loss Account	10,00,00,000	50,00,000
	39,98,86,255	29,98,86,255
Statutory Reserve		
Balance as per last Balance Sheet	20,00,000	0
Add : Transfer from Profit and Loss Account	7,00,000	20,00,000
	27,00,000	20,00,000
Capital Reserve on Consolidation	34,05,000	34,05,000
Profit and Loss Account	4,07,73,122	4,50,40,594
Total	44,67,64,376	35,03,31,849
Schedule 3 - Secured Loan		
Overdraft From IDBI Bank	3,50,00,000	0
(Secured against Pledge of Fixed Deposit Receipt)		
Overdraft From Axis Bank	11,932	0
(Secured against Exchange Payout)		
Total	3,50,11,932	0

Schedule 5 - Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at April 1, 2009	Additions for the Year	Deductions Adjustment for the Year	As at March 31, 2010	As at April 1, 2009	For the Year	On Deductions	Adjustment	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Premises	65,50,745	0	0	65,50,745	2,92,777	1,06,777	0	0	3,99,554	61,51,191	62,57,968
Furniture & Fixtures	1,93,66,281	20,27,643	56,914	2,13,37,010	35,96,985	12,60,260	10,176	0	48,47,069	1,64,89,941	1,57,69,296
Office Equipments	75,23,988	13,86,826	1,90,887	87,19,927	14,07,155	3,81,082	46,652	0	17,41,584	69,78,342	61,16,833
Computers & Software	6,26,47,951	1,35,12,453	5,20,778	7,56,39,626	2,87,54,419	1,06,97,001	3,37,874	4,83,518	3,86,30,028	3,70,09,598	3,38,93,533
Electrical Installations	24,38,680	3,06,715	23,902	27,21,493	6,75,838	3,52,662	11,350	0	10,17,150	17,04,343	17,62,842
Motor Vehicles	71,27,582	1,125	0	71,28,707	17,91,854	6,77,226	0	3,24,520	21,44,559	49,84,148	53,35,729
Membership	9,01,000	0	0	9,01,000	3,95,336	1,25,000	0	(92107)	6,12,443	2,88,557	5,05,664
Total	10,65,56,227	1,72,34,762	7,92,481	12,29,98,508	3,69,14,364	1,36,00,008	4,06,052	7,15,931	4,93,92,388	7,36,06,120	6,96,41,864
Previous Year	10,03,35,710	1,35,20,254	72,99,737	10,65,56,227	2,78,57,556	1,33,25,386	42,68,579	0	3,69,14,363	6,96,41,864	7,24,78,154



Schedules forming part of the Consolidated accounts

	Face Value Rupees	March 31, 2010 Quantity	March 31, 2010 Rupees	March 31, 2009 Quantity	March 31, 2009 Rupees
Schedule 5 - Investments					
Long Term Investments (Trade)					
(At cost) (Unquoted, fully paid up)					
In Equity Shares of Bombay Stock Exchange Limited	1	130000	1,19,65,000	130000	1,19,65,000
In Equity Shares of Saurashtra Kutch Stock Exchange	100	50	5,05,000	50	5,05,000
Total (A)			1,24,70,000		1,24,70,000
Current Investments (Non-trade)					
(a) Unquoted, Equity Shares (fully paid up)					
The Saraswat Co-operative Bank Limited	10	500	5,000	500	5,000
			5,000		5,000
(b) Quoted Equity Shares (fully paid up)					
Indian Hotel	1		0	100	7,000
D.B.Corp Limited	10	1931	4,09,372		0
Indian Hotel-warrant - Sep. 30, 2009			0	50	0
			4,09,372		7,000
(c) Quoted Mutual Fund					
Axis Equity Fund - Dividend	10	50000	5,00,000		0
			5,00,000		0
(d) Quoted Debentures					
Indian Hotel NCD -6%- May 12, 2011	100		0	50	5,000
			0		5,000
Total (B)			9,14,372		17,000
Total (A+B)			1,33,84,372		1,24,87,000

Market value of Quoted Investments Rs. 9,81,798 (previous year Rs. 8,618)



Schedules forming part of the Consolidated accounts

	Face Value Rupees	March 31, 2010 Quantity	March 31, 2010 Rupees	March 31, 2009 Quantity	March 31, 2009 Rupees
Schedule 6 - Stock in Trade					
(At cost or market value whichever is lower)					
Equity Shares					
3I Infotech Limited	10	0	0	10,800	3,43,629
BOC India Limited	10	50,176	1,02,23,360	0	0
Bajaj Finserv Limited	5	1,000	3,21,688	0	0
Bajaj Hindustan Limited	1	0	0	16,468	7,91,288
Balmer Lawrie & Co. Limited	10	1,105	6,42,334	0	0
Bharat Heavy Electricals Limited	10	0	0	5,100	76,72,185
Bombay Dyeing & Mfg. Co. Limited	10	0	0	10,000	16,79,500
Century Textiles & Industries Limited	10	17,178	87,43,602	35,000	76,96,500
Chambal Fertilizers & Chemicals Limited	10	0	0	62,100	26,01,990
GAIL (India) Limited	10	0	0	13,500	32,82,416
Hikal Limited	10	6,000	22,23,000	0	0
IDBI Bank Limited	10	25,600	28,93,278	72,000	32,68,800
Idea Cellular Limited	10	0	0	6,04,418	3,03,11,563
IPCA Laboratories Limited	2	30,000	76,91,918	0	0
Jaiprakash Hydro-Power Limited	10	0	0	4	113
Kesoram Industries Limited	10	8,784	32,93,122	0	0
Mahindra & Mahindra Financial Services Limited	10	4,757	17,59,648	0	0
Mahindra & Mahindra Limited	5	7,928	42,35,534	0	0
Mahindra Lifespace Developers Limited	10	16,500	63,34,350	0	0
Patel Engineering Limited	1	5,000	22,71,000	0	0
Petronet LNG Limited	10	0	0	52,800	20,07,279
Polaris Software Lab Limited	5	0	0	84,000	36,56,096
Power Grid Corporation of India Limited	10	0	0	1	83
Rajesh Exports Limited	1	0	0	39,365	9,70,585
Rane Holdings Limited	10	10,000	15,73,149	0	0
Raymond Limited	10	79,589	1,89,26,626	0	0
Reliance Industries Limited	10	0	0	2,700	41,12,640
Reliance Infrastructure Limited	10	0	0	44,040	2,26,96,014
Reliance Power Limited	10	0	0	86,000	88,15,000
SRF Limited	10	60,001	1,16,24,508	0	0
Suzlon Energy Limited	2	0	0	7,435	3,15,244
Uttam Galva Steels Limited	10	22,142	24,54,404	0	0
Zuari Industries Limited	10	0	0	16,097	22,59,214
Total			8,52,11,521		10,24,80,139
Aggregate Value of Stock-in-Trade					
- At Cost			8,56,59,081		11,11,34,634
- At Market Value			8,62,81,093		10,26,83,402



Schedules forming part of the Consolidated accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 7 - Sundry Debtors		
Sundry Debtors (Considered Good):		
Over Six Months	4,65,64,462	2,54,28,415
Others	43,72,20,671	30,06,67,353
Total	48,37,85,133	32,60,95,768
Schedule 8 - Cash and Bank Balances		
Cash on Hand	3,25,361	66,075
Balances with Scheduled Banks in:		
Current Accounts	6,68,52,165	17,04,69,745
Deposits Accounts	37,13,75,000	31,56,25,000
Unclaimed Dividend Account	14,02,628	12,03,018
Balances with Other Banks in:		
Current Accounts	40,91,504	1,12,866
In Current Account with Kopergaon People Co Operative Bank Ltd		
Maximum balance Rs. 40.91 lacs (previous year Rs 11.37 lacs)		
Total	44,40,46,658	48,74,76,704
Schedule 9 - Loans and Advances		
(Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	1,41,89,031	1,25,27,356
Deposits with Exchanges / Depositories	3,04,52,000	6,13,58,019
Deposits - Others	73,36,173	81,79,803
Initial Margin- Equity Derivative Instrument		
(Refer note 1(H) on Schedule 15)	95,39,226	1,78,93,253
Advance Tax	1,64,93,993	8,37,77,500
Total	7,80,10,423	18,37,35,931
Schedule 10 - Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors (includes Trade Payables)		
Other than Micro, Small and Medium Enterprises*	46,47,01,227	30,32,54,440
Micro, Small and Medium Enterprises*	0	0
(Refer Note 15 on schedule 15)		
Advances from Clients	7,68,50,656	20,87,76,776
Other Liabilities	5,75,95,869	4,90,12,201
Credit Balance of Banks (Due to outstanding cheques)	66,24,645	12,33,99,909
Equity Index/Stock Option Premium	0	
(Refer Note 1 (I) (b) on Schedule 15)		
Add: Provision for Loss	0	17,86,464
Total	60,57,72,397	68,62,29,790
Provisions		
Proposed Dividend	1,30,14,100	97,60,575
Dividend Tax Payable	21,61,479	16,58,810
Provisions for Tax	8,61,794	5,92,11,200
Unpaid Dividend	14,02,628	12,03,018
Total	1,74,40,001	7,18,33,603

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



Schedules forming part of the Consolidated accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 11 - Miscellaneous Expenses		
(To the extent not written off or adjusted)		
Preliminary Expenses	1,44,365	73,387
Add: Incurred during the year	2,19,054	1,11,660
Less: written off during the year	3,63,419	40,682
(A)	0	1,44,365
Pre-operative Expenses	5,564	7,418
Add: Incurred during the year	0	0
Less: written off during the year	5,564	1,854
(B)	0	5,564
Total (A+B)	0	1,49,929
Schedule 12 - Income from Operations		
Income from Brokerage - Gross	49,80,34,838	33,18,34,787
Interest On Loans & Deposits	4,39,926	4,13,96,648
[Tax Deducted at Source Rs.11.02 Lacs (Previous year Rs.29.28 Lacs)]		
Profit on Sale of Investments (net)	71,350	23,02,143
Profit on Trading in Securities (net)	5,50,78,184	4,64,449
(Refer Note 6(a) on Schedule 15)		
Profit on Jobbing Transactions (Net)	28,18,277	40,28,271
Commission Received	79,78,395	31,97,290
[Tax deducted at source Rs.1.39 Lacs (Previous year Rs.0.34 Lacs)]		
Fees From Portfolio Management Services	0	73,008
Fees From Merchant Banking	48,73,110	78,11,941
[Tax deducted at source Rs.5.39 Lacs (Previous year Rs.6.45 Lacs)]		
Dividend Income	20,18,217	8,14,586
Deferred Payment Charges	2,12,37,578	1,26,90,187
Depository Receipts	93,83,532	1,17,72,549
Total	60,19,33,407	41,63,85,859
Schedule 13 - Other Income		
Interest on Deposits	3,38,35,886	2,75,07,580
[Tax Deducted at Source Rs.38.83 Lacs (Previous year Rs.56.79 Lacs)]		
Bad debts recovered	5,06,509	18,26,556
Miscellaneous Income	1,37,834	25,99,464
Total	3,44,80,229	3,19,33,600



Schedules forming part of the Consolidated accounts

	March 31, 2010 Rupees	March 31, 2009 Rupees
Schedule 14 - Establishment, Administrative & Other Expenses		
Advertisement	5,46,673	6,40,036
<u>Auditors' Remuneration</u>		
Audit Fees	2,50,000	2,40,000
Tax Audit Fees	65,000	65,000
In Other Capacity	2,98,750	40,000
Bad Debts Written Off	24,57,469	93,14,561
Bank & Depository Charges	60,19,951	51,64,248
Business Development	15,59,227	17,37,105
Communication including V-Sat	1,54,65,384	1,31,80,166
Director's Emoluments	92,80,648	23,60,000
Electricity	39,14,784	42,44,377
Exchange Transaction Charges	3,65,07,806	2,09,81,734
Insurance	5,87,494	6,67,206
Legal and Professional	63,84,077	96,60,981
License Fees	20,000	0
Listing Fee	45,000	65,000
Loss on Sale of Fixed Assets	2,39,129	7,55,978
Membership Fee & Subscription	20,58,158	18,05,285
Miscellaneous Expenses	16,93,237	43,53,132
Miscellaneous Expenses written off	2,19,054	42,536
Office Expenses	15,91,441	20,67,419
Professional Tax	7,500	0
Rent, Rates & Taxes	1,34,41,363	1,48,84,010
Repairs & Maintenance	44,80,405	35,39,402
Software Maintenance	83,92,411	80,31,150
Salaries, Allowances and Bonus	9,80,29,489	9,36,68,612
Securities Transaction Tax on Investments	0	25,439
Staff Welfare	15,94,223	14,96,762
Stationery & Printing	31,17,146	33,24,457
Sub Brokerage/Referral Fees and Expenses	21,00,22,357	14,36,61,891
Travelling, Conveyance and Motor Car Expenses	37,55,516	34,19,891
Wealth Tax	275	51,446
Total	43,20,43,967	34,94,87,824



Schedules forming part of the Consolidated accounts

Schedule 15 - Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

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

B. ACCOUNTING CONVENTION

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

C. REVENUE RECOGNITION

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

D. FIXED ASSETS

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

E. INVESTMENTS

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

F. STOCK IN TRADE

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

G. RETIREMENT BENEFITS

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

H. EQUITY INDEX/ STOCK FUTURES

- (a) "Initial Margin- Equity Derivative Instrument", representing the initial margin paid for entering into contracts for equity index/stock futures which are released on final settlement/squaring-up of underlying contracts, are disclosed under Loans and Advances.
- (b) Equity index/stock futures for arbitrage purposes are marked-to-market on a daily basis. Debit or credit balance disclosed under



Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin-Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the Balance Sheet date.

- (c) As on the Balance Sheet date, profit/loss on open positions in equity index/ stock futures are accounted for as follows:
- Credit balance in the "Mark-to-Market Margin-Equity Index/Stock Futures Account", being the anticipated profit, is ignored and no credit for the same is taken in the Profit and Loss Account.
 - Debit balance in the "Mark-to-Market Margin-Equity Index/Stock Futures Account", being anticipated loss, is adjusted in the Profit and Loss Account.
- (d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin-Equity Index/ Stock Futures Account" after adjustment of provision for anticipated losses is recognised in the Profit and Loss Account.

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

I. EQUITY INDEX/ STOCK OPTIONS

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

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

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

J. TAXES ON INCOME

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

K. EARNING PER SHARE

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



L. IMPAIRMENT OF ASSETS

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

M. BASIS OF CONSOLIDATION

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

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

- 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.
- 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.
- Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

2. COMPANIES INCLUDED IN CONSOLIDATION

Subsidiaries:

Particulars	Country of Incorporation	Proportion of Interest as on March 31, 2010	Proportion of Interest as on March 31, 2009
Arihant Financial Services Limited	India	99.76%	99.76%
Arihant Futures & Commodities Limited	India	99.86%	99.86%
Arihant Finsec Limited	India	100%	100%
Arihant Insurance Broking Services Limited	India	100%	100%

3. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities/Assets:

Particulars	March 31, 2010	March 31, 2009
a) Deferred Tax Liabilities		
Depreciation	91,10,835	99,96,975
b) Deferred Tax Assets		
Non Payment of Expenses	9,50,881	9,26,521
Unabsorbed Losses	2,06,289	5,62,153
Preliminary Expenses	87,916	0

- Securities are normally held by the group in its own name except securities given to brokers as margin, securities pledged with exchange. Securities, which are not registered in the name of the group, are held by the group with valid transfer documents.
- Securities received from clients as collateral for margins are held by the group in its own name in a fiduciary capacity.



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

(Rs. in lacs)

Particulars	2009-2010		2008-2009	
	Quantity	Amount	Quantity	Amount
Opening Stock	7,70,955	785.06	4,18,400	383.97
Purchases	4,06,20,052	63,863.11	2,29,49,101	27,063.23
Sales	4,10,45,247	64,670.68	2,25,96,546	26,543.16
Closing Stock	3,45,760	852.12	7,70,955	785.06

b) Open Interest in Individual Stock Futures as on March 31, 2010:

Open Long Positions

Name of Equity Index/ Stock Futures	Expiry Date	No. of Contracts	No. of Units
BGRENERGY F 290410	29/04/2010	2	800
CENTURYTEX F 290410	29/04/2010	42	35,616
GAIL F 290410	29/04/2010	1	1,125
IFCI F 290410	29/04/2010	13	1,02,440
INFOSYSTCH F 290410	29/04/2010	5	1,000
M&M F 290410	29/04/2010	53	33,072
NIFTY F 290410	29/04/2010	20	1,000

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

Mutual Fund Scheme	Face Value	Purchase/Allotted	Sold/Redeemed
LIC Income Plus Fund - Daily Dividend Plan	10	8,006,362.01	80,06,362.01
LIC Liquid Fund - Dividend Plan	10	97,95,404.30	97,95,404.30
LIC Liquid Fund - Growth Option	10	27,29,667.04	27,29,667.04
LIC Saving Plus Fund - Growth Plan	10	56,56,398.63	56,56,398.63
LIC Saving Plus Fund - Daily Dividend Plan	10	1,00,17,831.84	1,00,17,831.84
Reliance Floating Rate Fund - Daily Dividend	10	4,96,581.39	4,96,581.39
Reliance Medium Term Fund - Daily Dividend	10	11,70,507.83	11,70,507.83
Reliance Liquid Fund - Retail Plan - Daily Dividend	10	4,92,389.25	4,92,389.25
Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend	10	89,97,435.29	89,97,435.29
Reliance Money Manager Fund - Institutional Option - Daily Dividend	1000	1,32,527.75	1,32,527.75
Reliance Money Manager Fund - Retail Option - Daily Dividend	1000	15,004.54	15,004.54

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

(Rs. in lacs)

	2009-2010	2008-2009
(a) Salaries & Incentives	36.48	23.60
(b) Director's Fee	1.40	0.00
(c) Commission	54.58	0.00
(d) Perquisites	0.34	0.35

9. Contingent Liabilities not provided for:

- (i) Bank Guarantees of Rs.10 Lacs (previous year Rs. 10 Lacs) extended to Bombay Stock Exchange Limited under the mandatory rules for membership and Rs. 1165 Lacs (previous year Rs. 770 Lacs) towards additional margin.



- (ii) Bank Guarantees of Rs.75 Lacs (Previous Year Rs. 75 Lacs) extended to National Securities Clearing Corporation Limited under the mandatory rules for membership and Rs. 2750 Lacs (Previous Year Rs. 2350 Lacs) towards additional margin.
- (iii) Bank Guarantees of Rs.75 Lacs (Previous Year Rs. Nil) extended to MCX-SX Clearing Corporation Limited towards additional margin.
- (iv) Income Tax matters in respect of which appeal is pending - Rs.1,0.00 Lacs (net of payments)(Previous year Rs. 10.00 Lacs).
- (v) Corporate guarantee of Rs.1,000 Lacs (Previous Year Rs. 300 Lacs) given to banks on behalf of subsidiary M/s Arihant Futures and Commodities Limited.
- (vi) Claims against the Company not acknowledged as debts Rs.3.98 Lacs (Previous Year Rs. Nil)

10. Earning Per Share (EPS)

Particulars	31 st March, 2010	31 st March, 2009
Outstanding Shares	65,07,050	65,07,050
Profit available to Equity Share Holders	11,08,92,176	2,86,97,140
Add: Depreciation Added back	7,15,931	0
Net profit for EPS	11,16,08,107	2,86,97,140
Basic EPS	17.15	4.41
Diluted EPS	17.15	4.41
Nominal value of Share	10	10

11. Earning in Foreign Currency

	2009-2010 Amount in Rs.	2008-2009 Amount in Rs.
Consultancy Fees	0	4,49,440

12. There is no expenditure in foreign currency.

13. Fixed deposits with scheduled banks include Rs.275.00 Lacs (Previous Year Rs.230.00 Lacs) which is under the lien of National Securities Clearing Corporation Limited, Rs.1.25 Lacs (Previous Year Rs.51.25 Lacs) which is under the lien of Bombay Stock Exchange Limited, Rs.125.00 Lacs (Previous Year Rs.150.00 Lacs) which is under the lien of MCX-SX Clearing Corporation Limited.

14. 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, 2010 are given below:

Relationships (During the year)		
1.	Key Management Personnel	Mr. Ashok Kumar Jain, Chairman & Managing Director Mr. Sunil Kumar Jain, Director Mr. Akhilesh Rathi, Director Ms. Anita Gandhi, Director Mr. Rakesh Jain, Director
2.	Relatives of Key Management Personnel and other proprietary concerns	Ms. Kiran Jain Ms. Shruti Jain Mr. Arpit Jain Ms. Swati Jain Ashok Jain HUF Sunil Jain HUF Mr. Kamal Kumar Jain Ms. Meena Jain Ms. Shanta Jain S.N. Gandhi & Co.



(Rs. in lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Total
Expenses			
Salary & Incentive*	92.81	4.80	97.61
	<i>23.95</i>	<i>4.80</i>	<i>28.75</i>
Rent	Nil	16.20	16.20
	<i>Nil</i>	<i>16.20</i>	<i>16.20</i>
Interest	Nil	Nil	Nil
	<i>Nil</i>	<i>1.75</i>	<i>1.75</i>
Legal & Professional*	Nil	4.19	4.19
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Assets			
Deposits	Nil	11.75	11.75
	<i>Nil</i>	<i>11.75</i>	<i>11.75</i>
Liabilities	Nil	Nil	Nil
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Other Transactions			
Sale of Assets	Nil	Nil	Nil
	<i>Nil</i>	<i>1</i>	<i>1</i>
Purchase of Investment	Nil	Nil	Nil
	<i>24.06</i>	<i>28.75</i>	<i>52.81</i>

Figures in Italics represent previous year figures

*Figures reported are in respect of period after 01.02.10 the date on which Ms. Anita Gandhi was appointed as Whole time Director.

15. Under the Micro, Small and Medium Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium (SME). The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the management, the amounts due to the suppliers are paid within the mutually agreed credit period and therefore, there will not be any interest that may be payable in accordance with the provisions of this Act.
16. Arihant Futures & Commodities Limited hitherto was charging depreciation on fixed asset as per the written down method prescribed under the Companies Act. During the year it has changed the method of charging of depreciation from written down method to straight line method to bring the accounting policies consistent with the accounting policy of the group.
17. Figures for the previous year have been regrouped wherever necessary to conform to current year's classifications.

For Arora Banthia & Tulsiyan

Chartered Accountants

Firm No.: 007028C

Ajay Tulsiyan

Partner

Membership No. : 74868

Indore, Dated : 29th May 2010

For and on behalf of the Board

Ashok Kumar Jain

Chairman & Managing Director

Akhilesh Rathi

Director

Mahesh Pancholi

Assistant Company Secretary



ARIHANT capital markets Ltd.

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

PROXY FORM

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

I/We of being member(s) of Arihant Capital Markets Limited hereby appoint of or failing him/her of as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Hotel President, RNT Marg, Indore (MP) on 9th Day of September 2010 or at any adjournment thereof.

AS WITNESS my/our hand(s) this Day of 2010.

Affix Rs.1.00
Revenue
Stamp

Signature of Proxy / Authorised Representative

Signature of Share Holder

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



ARIHANT capital markets Ltd.

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

ATTENDANCE SLIP

Annual General Meeting on 9th Day of September 2010.

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

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

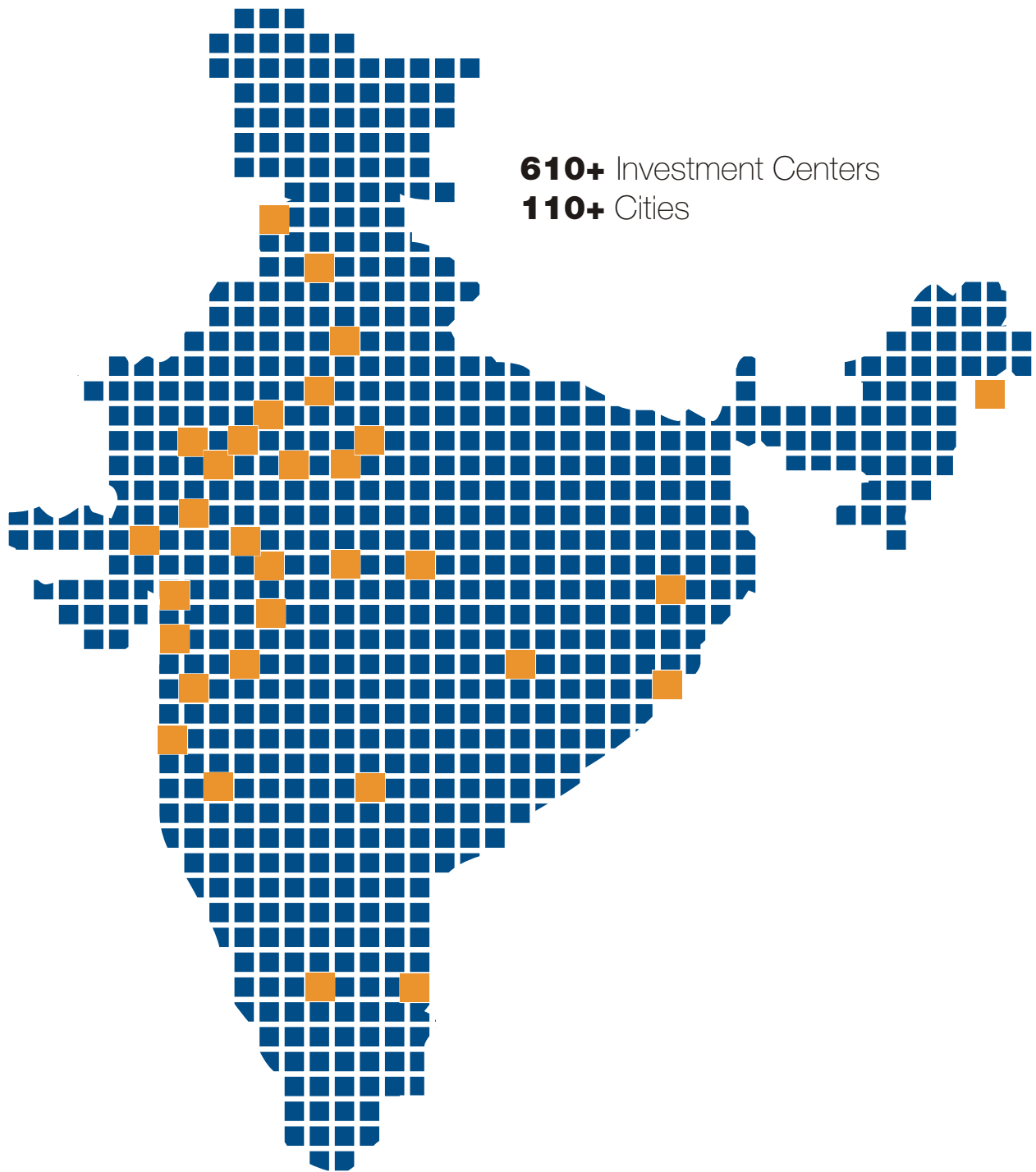
I hereby record my/or presence at the Annual General Meeting of the company being held at Hotel President, RNT Marg, Indore (MP) on 9th Day of September 2010.

Name & Address of Shareholder: _____

Name of shareholder's Representative/Proxy: _____

Signature of Shareholder or Shareholder's Representative/Proxy _____

*Applicable for shares held in electronic/demat form





ARIHANT capital markets ltd.

ISO 9001 : 2008 Certified Company

CONTACT US

contactus@arihantcapital.com
www.arihantcapital.com

CORPORATE OFFICE

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

REGISTERED OFFICE

E-5 Ratlam Kothi, Indore 452001
Tel. 0731-2519610 Fax. 0731-3048915