

Wealth is not his that has it, but his that enjoys it.  
- Benjamin Franklin



**ARIHANT** Capital markets Ltd.

Generating Wealth. Satisfying Investors.

## CHAIRMAN'S LETTER



**D**ear Shareholders,

Warm greetings to you all !

As I write this letter, I recall all the turbulent times that we have gone through in the last seventeen years' of our company's history and I think that the financial year 2008-2009 had been the most challenging of all. The financial crisis that started in the western world led to an economic slowdown across world economies, likes of which have not been seen since 1930s. The year had gone through everything that could possibly go wrong-collapse of the world's biggest financial market, some of the biggest names in the financial industry crumbled, recession gripping world economies, flu epidemic, terrorist attacks of Mumbai, record rise of crude oil prices, rising inflation, liquidity crunch and corporate fraud. I believe that one thing is certain 'uncertainty'. It is for us to accept this uncertainty as a part of life and continue to 'do the right thing', always.

**My faith in the markets  
remain strong**

**I believe in the power of  
saving and investing**

As bad as things are, this crisis presents the opportunity for transformative change. It gives us, the financial services industry and the investors, the chance to learn and grow from our mistakes and of others.

I've been through many economic cycles and stock market reversals in my career. They were painful, but they all eventually resolved themselves. I am confident the economies will revive themselves and the stock market will stabilise over time as they have done in the past. In fact we have already seen confidence revival with the start of FY 2009-10.

I believe in the power of saving and investing, and that these are the two weapons that can help an average person to meet his financial goals and lead a better life. Though the current market crisis has done real damage to people's confidence, left them wary and made them more conservative than ever, my faith in the power of markets remains strong. We want to continue to take actions that restore the faith of the people and do a better job of helping them manage their financial lives. Though it may take some time, but when the economy turns around we want to make sure that all investors benefit from the rise in the markets, and the benefits are reaped by everyone, so that an average Indian can lead a better life.

During these tough times our industry faces huge challenges. But we continue to stay committed to support our customers to ride through these turbulent times and to help them make the most of the opportunities that these times are offering, by giving them the right solution and advice. Above all, we will stay intensely focused on delivering long-term value to you, our shareholders, by capitalizing on the opportunities arising for the company in these challenging times.

I hope you will share my confidence in our ability to build a stronger and vibrant company for future and provide us your continued support and confidence as always.

Warm Regards

**Ashok Kumar Jain**  
Chairman

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### Continued profitability in a testing year

- Profit of Rs 2.87 crore
- Gross income of Rs 44.83 crore
- Dividend of Rs 1.5 per share
- Significant levels of cash and liquid assets
- Initiation of new products Bonds and Currency Derivatives

Our conservative financial and risk management and low leverage ratios kept us relatively unscathed from the 2008 liquidity crisis and, as an organisation, helped us to deliver positive results to our shareholders despite the turbulent conditions in the financial services industry.

“Arihant means pure soul and we do our best to live up to the name. We manage and operate our company with a consistent set of business principles and core values, which starts at the top and permeates to all employees within the organization. First and foremost, this means always trying to do the right thing.

With our core beliefs as our foundation, we will work hard to strengthen the vitality of our company, which will help us move forward through the undoubted challenges that will come in 2009 and beyond.”

# Company Information

**BOARD OF DIRECTORS**  
Mr. Ashok Kumar Jain  
(Chairman and Managing Director)  
Mr. Sunil Kumar Jain  
Mr. Akhilesh Rathi  
Mr. Rakesh Jain

**Asst. COMPANY SECRETARY**  
Mr. Mahesh Pancholi

**AUDITORS**  
M/s Arora, Banthia & Tulsian  
Chartered Accountants  
6th Floor, Silver Arc Plaza,  
20/1, New Palasia, Indore

**ADMINISTRATIVE OFFICE**  
6, Lad Colony, Y.N. Road  
Indore 452 001 (M.P.)  
Tel : (0731) 4217100  
Fax: 0731-3016199

**REGISTERED OFFICE**  
E/5, Ratlam Kothi Area,  
Indore 452 001 (M.P.)  
Tel : (0731) 2519610-11  
Fax: 0731-3048915

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

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

**REGISTRAR & TRANSFER AGENT**  
Ankit Consultancy Private Limited  
Alankar Point, Geeta Bhavan Circle,  
Indore 452 001 (M.P.)  
Tel : +91-0731-2491298/3048602



## Notice

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of ARIHANT CAPITAL MARKETS LIMITED will be held on Saturday, the 12<sup>th</sup> day of September, 2009 at Hotel President, R.N.T. Marg, Indore 452 001 (M.P.) at 11:30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider, and adopt the Profit & Loss Account of the Company for the year ended March 31, 2009, the Balance sheet as on that date and Directors and Auditors Report thereon.
2. To declare a dividend for the year 2008-2009.
3. To appoint a Director in place of Shri Rakesh Jain, 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 & Tulsian, 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 traveling and other out of pocket expenses.”

### SPECIAL BUSINESS

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

**RESOLVED THAT** in supersession to all earlier resolutions passed in this behalf and pursuant to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereof (including any statutory modifications and re-enactment thereof, for the time being in force) and subject to the approvals and consents that may be required, if any, the approval of the Company, be and is hereby accorded to, (1) the re-appointment of Mr. Ashok Kumar Jain as Chairman and Managing Director of the Company with effect from August 1<sup>st</sup>, 2009 to July 31<sup>st</sup>, 2012 upon the terms and conditions set out in the Agreement dated July 30<sup>th</sup>, 2009 (which is also hereby approved and is hereinafter referred to as “the Agreement”) and submitted to this meeting and (2) the payment of remuneration that the Board of Directors (hereinafter referred to as the “Board” which term shall be deemed to include any Committee thereof) may decide.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to alter/ increase or otherwise vary the terms and conditions of the Agreement in such manner as may be agreed to between the Board and Mr. Ashok Kumar Jain and in accordance with the applicable provisions of the Act and any amendment thereto or re-enactment thereof;

**RESOLVED FURTHER THAT** in the event of absence or inadequacy of profits in any financial year, the Company shall remunerate Mr. Ashok Kumar Jain, minimum remuneration which will be by way of salary, perquisites or any other allowance as mentioned in the explanatory statement and in the Agreement and in accordance with the applicable provisions of the Companies Act, 1956.

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

**RESOLVED FURTHER THAT** Mr. Ashok Kumar Jain shall not be subject to retirement by rotation as articles of association of the company during his tenure as Chairman and Managing Director.

By the order of the Board of Directors

**Mahesh Pancholi**

Asst. Company Secretary

Place : Indore  
Dated : 30<sup>th</sup> July 2009



## Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY, HOWEVER IN ORDER TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. Explanatory statement for Item no.5 of this Notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 4<sup>th</sup> September 2009 to Saturday, 12<sup>th</sup> September 2009 (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 4<sup>th</sup> September, 2009 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 effect of valid transfer in physical form, which are lodged with company/registrar and share transfer agent on or before 4<sup>th</sup> September, 2009 as per the list to be furnished by Registrar in respect of shares held in physical form; and
4. In all correspondence with the company members are requested to quote their folio number and in case shares are held in electronic form, they should quote Client ID and DP ID Number.
5. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the Annual General Meeting
6. Members who hold shares in dematerialized form are requested to inform their Client ID & DP ID number for easier identification for attendance at the meeting.
7. Shareholders are requested to note that if physical documents, viz. Demat Request Form (DRF) and share certificates, etc. are not received from their DPs by the Company/Registrar within 14 days from the date of generation of the DRF for dematerialisation, the DRF will be treated as rejected/cancelled. Upon rejection/cancellation of DRF, fresh DRF has to be forwarded alongwith shares certificate by the DPs to the Company/Registrar. This note is only to caution the shareholders that they should ensure that their DP should not delay in sending the DRF and share certificates to Company / Registrar after generating DRF.
8. Members desiring to have any information on accounts are requested to write to the company at least 10 days in advance before the date of the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting. The shareholders are requested to write to the Company Secretary or to the Registrar and Share Transfer Agent, M/s Ankit Consultancy Private Limited regarding transfer of shares and for resolving grievances.
9. Members are requested to notify to the Company Secretary or to the Registrar and Share Transfer Agent of any change in address holding shares in Physical Form and to their Depository in case of shares held in Demat Form.
10. Members, who are holding physical shares in more than one folio, are requested to intimate to the Company/Registrar and Share Transfer Agent the details of all their folio numbers for consolidation into single folio.
11. 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.
12. 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.

The information pursuant to Clause 49 with respect to the details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting is annexed.

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

Name of Directors	Mr. Ashok Kumar Jain	Mr. Rakesh Jain
Date of Birth	01.03.1954	30.06.1966
Date of Appointment	25.06.1992	01.12.2006
Expertise / Experience in specific functional areas	He is promoter director of Arihant Capital Markets Limited and having a two decades of wide experience in the areas of financial services, stock market, capital markets, financial planning, equity research, risk management, advisory and distribution etc.	Finance & Marketing
Qualification	FCA, M.Com.	M.Com.
No. of Equity Shares held	1894700	NIL
List of outside Company directorship held	5	1
Chairman / Member of the Committees of the Board of Directors of the Company	Member : 1. Share Transfer & Investor Grievance Committee	Member: 1. Audit Committee 2. Share Transfer & Investor Grievance Committee 3. Remuneration Committee
Chairman / Member of the Committees of the Board Directors of other Companies in which he is director	NIL	NIL

**Explanatory Statement under section 173(2) of the Companies Act, 1956****Item No. 5**

Considering the overall performance and growth of the company under his dynamic leadership and based on the recommendation of the remuneration committee, the board of directors has approved the re-appointment of Mr. Ashok Kumar Jain as Managing Director of the Company for a further period of three years with effect from August 1, 2009, subject to the approval of the shareholders in a annual general meeting. The terms of appointment, including remuneration, have also been approved by the Remuneration Committee of the Company. The material terms and conditions of the Agreement are as follows:

1. The Managing Director shall, subject to the supervision and control of the Board of Directors; carry out such duties as may be entrusted to him by the Directors and shall exercise such powers as are delegated to him by the Board of Directors.
2. Period of Agreement: Three years from August 1, 2009 to July 31, 2012.
3. Remuneration :
  - a. Basic Salary:  
Minimum Rs.3 lakhs per month,  
Maximum of Rs.5 lakhs per month,  
as may be decided by the Board from time to time.
  - b. Managerial Remuneration shall not include:
    - i. Contribution to Provident Fund/Superannuation or Annuity Fund
    - ii. Gratuity payable
    - iii. Leave encashment
4. Minimum Remuneration:  
In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, the payment of salary, perquisites and other allowances shall be restricted to the amount as the Board may decide subject to a maximum amount as defined in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956 as minimum remuneration.
5. The Managing Director shall be entitled to reimbursement of all actual expenses or charges including travel, entertainment or other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects.
6. The terms and conditions of the said appointment may be altered, enhanced or varied from time to time by the Board as it may, in its discretion, deem fit.
7. The aforesaid appointments are subject to termination with 3 months notice from either side.
8. For the purposes of calculating the value of perquisites, the same shall be evaluated as per Income Tax Rules, 1962, wherever applicable or at actual cost.
9. The Managing Director shall not be entitled to receive any fees for attending meetings of the Board/Committee.
10. Other Information:
  - I. General Information
    1. Nature of industry : **Financial Services**
    2. Date or expected date of commencement of commercial production: **Not Applicable**
    3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : **Not Applicable**
    4. Financial performance based on given indicators  
**The Company has total income of Rs. 3811.39 lacs, net profit after tax of Rs. 189.02 lakhs and has an EPS of Rs.2.90 per share**
    5. Export performance and net foreign exchange collaborations: **Not Applicable**
    6. Foreign investment or collaborators, if any : **Not Applicable**
  - II. INFORMATION ABOUT THE APPOINTEE:  
**The relevant details pertaining to background of Mr. Ashok Kumar Jain, past remuneration etc has been disclosed elsewhere in the Annual Report.**
  - III. Other Information:
    1. Reasons of loss or inadequate profits: **The Company operates in the financial services sector. The global meltdown has affected this industry and the profits of the Company have declined.**
    2. Steps taken or proposed to be taken for improvement: **The Company has already taken steps for improving turnover, by focusing on the marketing and other strategies for improving both the institutional and retail broking business.**
    3. Expected increase in productivity and profits in measurable terms: **The turnover and the profits of the Company are expected to increase by 10% to 15% in the ensuing year.**
  - IV. Disclosures:
    1. The shareholders of the company shall be informed of the remuneration package of the managerial person **The Agreement containing the terms of appointment has been kept open for inspection by members of the Company.**
    2. The necessary disclosures pertaining to remuneration package details, Details of fixed components and performance linked incentives, etc have been mentioned in the Board of Director's report under the heading "Corporate Governance", attached to this annual report
11. The draft Agreement between the Company and Mr. Ashok Kumar Jain is available for inspection by the members of the Company at its Registered Office at E-5,Ratlam Kothi ,Indore (M.P) between 4.00 p.m. and 5.00 p.m. on any working day of the Company upto the date of Annual General Meeting.

This may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Except Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain, none of the other Directors is interested in this Resolution.

By the order of the Board of Directors

Sd/

Place : Indore

Dated : 30<sup>th</sup> July 2009

**Mahesh Pancholi**

Asst. Company Secretary



**Directors' Report**

To the Members,

Yours Directors are pleased to present Seventeenth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

**A snapshot of the financial performance of Arihant Capital Markets Ltd:**

Particulars	Standalone		Consolidated (Rs. in Lacs)	
	2008-09	2007-08	2008-09	2007-08
Gross Income	3811.40	6383.50	4483.19	6403.71
Profit Before Depreciation and Tax	409.33	1,961.43	558.54	1981.29
Depreciation	113.47	83.51	120.99	83.51
Profit Before Tax	291.28	1,879.69	432.98	1899.55
Provision for Taxation	102.26	492.40	145.79	499.10
Net Profit after Taxation	189.02	1,387.29	287.19	1400.45
Balance of Profit and Loss A/c b/f	329.30	548.11	347.63	548.11
Profit available for appropriation	518.33	1,966.33	634.60	1984.66
<b>Appropriations:</b>				
Transfer to General Reserve	50.00	1,500.00	50.00	1500.00
Dividend (inclusive of Dividend Tax)	114.19	137.03	114.19	137.03
Balance carried to Balance Sheet	354.13	329.30	470.41	347.63

**Review of Operations**

Last year, the financial turmoil that started in USA spread across the world, causing a slowdown in global economies. Major world economies are still gripped with recession. The Indian economy was also severely affected by this slowdown and equity markets in India witnessed unprecedented volatility. The major Indian indices remained highly volatile during the year and saw over 53% fall from their all-time highs in January 2008. The immense volatility in the Indian equity markets resulted in sharp drop in exchange volumes that also affected your company. Moreover, since the market capitalisation of companies saw immense erosion, upto even 80% levels, the turnover in terms of market value went down south. This impacted the company's results and profitability. Company's profit after tax stood at Rs 1.89 cr on a standalone basis, down 86% y-o-y. Though the results have been severely impaired, we believe that performance is satisfactory given the negative operating environment across industries.

On a consolidated basis, the Company recorded a net profit of Rs.2.87 crore, compared to Rs. 14 crore in previous year, down 79.49% on y-o-y basis and gross revenue of Rs. 44.83 crore compared to Rs. 64.03 crore in the previous year, down 30% y-o-y basis, in line with downtrend across the industry.

**Dividend**

The Directors recommended a dividend of 1.50 per share i.e. 15% (previous year Rs. 1.80 per share) on 65,07,050 equity shares of the face value of Rs. 10 each for the year ending 31<sup>st</sup> March, 2009.

**Information on status of Company's Affairs**

Information on operational and financial performance, etc, is given in the Management Discussion and Analysis Report which is annexed to the Directors' Report and has been prepared in compliance with the terms of Clause 49 of the Listing Agreement with Indian Stock Exchanges.

**Public Deposits**

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



### **Human Resources**

Being in the services industry, our employees are the heart of our business. The company's operations and services are heavily dependent on its people and hence we have ensured that all our employees are well-qualified and competent personnel. In addition, the company has taken several new initiatives towards employees' skill upgradation and conducted various training programs.

### **New Initiatives**

In line with our continuous endeavour to upgrade our product and services portfolio, we have introduced two new products in our portfolio-distribution of Bonds and Currency Derivatives Broking during the FY2008-09. In order to start full-fledged operations in commodities broking business, we increased our equity stake in the commodities broking company Arihant Futures and Commodities Ltd (AFCL), from 35.21% to 99.86%, and created it as our subsidiary, during the FY2008-09.

Moreover, we have also decided to apply for the Insurance Broking License and would soon be making our application to IRDA to obtain the same. Once we obtain this license, we will surrender our existing Corporate Agency License to IRDA (which one of our subsidiaries holds).

The company launched a new advertising campaign titled 'Investing plan to suit every style', which is in line with company's objective to offer investment plan and financial products customized to individual's needs. We have a proven expertise in managing people's money and we have always ensured that we provide objective advice that is suitable for each individual's need, and in order to re-emphasise our objective, we launched this campaign.

### **Subsidiaries**

Your company along with its subsidiaries offer complete financial solutions to its customers. The key business areas where the subsidiaries of Arihant operate include commodities broking, insurance corporate agency and trading and investment activity.

Arihant Futures and Commodities Ltd, a subsidiary of the Company, posted good financial performance during the year and clocked a net profit of Rs 40 lacs on revenues of Rs 2.20 crore. The Non-Banking Financial Service (NBFC) subsidiary, Arihant Financial Services Limited, which is involved in the lending and borrowing of funds, recorded income of Rs 4.78 crore and net profit of Rs 65.93 lacs.

During the year, Arihant Capital Markets Ltd shifted its trading and investment activity under its subsidiary Arihant Finsec Ltd. During FY2008-09 Arihant Finsec Ltd recorded a net loss of Rs 7.98 lacs.

The Company plans to venture into Insurance Broking, to offer insurance advice and products to its clients and for this purpose, we have promoted a 100% subsidiary, Arihant Insurance Broking Services Ltd, as on June 2009. The new subsidiary is in the process of applying for the Insurance Broking License with the IRDA.

In accordance with Accounting Standard (AS-21) on Consolidated Financial Statements, the Directors have pleasure in attaching the audited Consolidated Financial Statements, which form part of the Annual Report.

The Audited Statement of Accounts for the period ended 31<sup>st</sup> March 2009 of the subsidiaries together with the Report of Directors and Auditor's Report are attached as required by the provisions of section 212 of the Companies Act, 1956 and in accordance with Accounting Standard (AS-21).

### **DIRECTORS**

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

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

There is nothing to report in respect to information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required u/s 217(1) of the Companies Act, 1956, as the Company is not engaged in manufacturing or processing business.

**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 as amended is as under:

Name	Designation	Age	Qualification	Experience (Years)	Remuneration Received	Date of appointment	Last Employment
Mr. Ashok Kumar Jain	Chairman & Managing Director	55	C.A.	17	Rs. 23.95 Lacs	25.06.1992	NIL
Mrs. Anita Gandhi	Head Institution	46	C.A.	21	Rs. 25.76 Lacs	02.06.2002	M/s Somaya Julu & Company Limited

**DIRECTOR'S RESPONSIBILITY STATEMENT**

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

- 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;
- 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 31<sup>st</sup> March, 2009 and of the profit or loss of the Company for the year ended on that date;
- 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;
- The Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2009 on a going concern basis.

**AUDITORS AND AUDITORS REPORT**

M/s Arora Banthia & Tulsiyan, Chartered Accountants 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**

A detailed review of operations, performance and future outlook of the company is given separately under the head Management Discussion and Analysis Report appended hereto.

**CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance norms as stipulated under the provisions of the Listing Agreement entered into with the Stock Exchanges. In terms of Clause 49 of Listing Agreement with the Bombay Stock Exchanges, a Certificate of 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 provided in Clause 49 of the Listing Agreement is also included in the Annual Report.

**LISTING AT THE STOCK EXCHANGE**

The Equity Shares of the Company continue to be listed at the Stock Exchange, Mumbai. The Annual listing fee for the year 2009-10 has been paid to The Stock Exchange, Mumbai.

**ACKNOWLEDGEMENT**

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Securities and Exchange Board of India, the Reserve Bank of India, the Stock Exchanges, NSDL, CDSL and other government and regulatory agencies. The Board would like to acknowledge the continued support of its bankers, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, team work and professionalism which made the phenomenal growth possible year after year.

For and on behalf of the Board of Directors

Place : Indore

Dated : 30<sup>th</sup> June 2009

**Ashok Kumar Jain**  
(Chairman & Managing Director)



## Management Discussion and Analysis Report

2008 was the year of extraordinary challenges in the history of the world's financial services industry, which shook the economies worldwide. With the fall of Bear Stearns and Lehman Brothers in the United States, the financial turmoil that followed gripped global markets and fundamentally reshaped the competitive landscape worldwide. Not only did we see fall of some of the biggest financial services companies in the world, but even economies were not spared. Undoubtedly the events that happened in the Western world had its impact on the Indian economy; and the Indian financial markets also came under severe stress.

Clearly, these tumultuous markets and the global economic downturn present serious challenges for every firm in our industry. But throughout this period, one overriding goal remained constant for Arihant Capital Markets Ltd: protecting our clients, our shareholders and our employees.

### FY 2008-2009 A Glance and Outlook

The financial year witnessed some of the darkest moments in the financial services industry and the extraordinary challenges that lay in front of our economy. Collapse of the world's biggest financial center shattered the confidence of investors worldwide. To top it off, WPI inflation in India increased sharply from about 7.75% in end-March 2008 to peak at 12.91% in first week of August 2008, leaving everyone wary of the country's economic condition. While we trying to cope with the rising inflation, the liquidity crunch that hit the global markets gripped the Indian economy as financial institutions tightened lending in the aftermath of the turmoil in the financial markets. This liquidity crunch affected several India Inc. resulting in a halt in their expansion plans and pressure on working capital impacting their operations.

Certainly all this mayhem caused the Indian equity markets to topple and severely impacted investor's wealth. During the FY2008-09, the BSE Sensex fell 37.87% and over 53% from its all-time high of 21206.77 on January 10<sup>th</sup> 2008. The total value of investors' holding in Indian stocks fell to just about Rs 30 trillion as the calendar year 2008 drew to a close, from over Rs 72 trillion at 2007-end.

Although the governments worldwide, including ours, took immediate actions to mitigate the risks and revive their economies, the impact and consequence of the problems and the solutions taken to fix it will take some time to give a clear picture. It is still early to predict that whether the global financial service sector's problems are resolved. But the next couple of quarters should throw up some definite indicators. However, we believe that the financial year 2009-10 is going to be another challenging year for the industry and economy as a whole.

### An integrated financial services provider company

Arihant Capital Markets Limited (Arihant), since its inception in 1994, has grown from a stock broking company into a diversified financial services company. Arihant provides a gamut of products and services including securities and commodities broking, research, distribution of financial products including mutual funds, IPO, insurance and bonds, investment planning, wealth management and merchant banking to a substantial and diversified clientele that includes individuals, corporations and financial institutions.

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 retail brokerage, distribution of financial products, support services for sub-brokers. 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 a nationally recognized trusted brand, a broad range of products and services, multi-channel delivery systems, an ongoing investment in technology and sound advice.

### Products and Services we offer:

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

During FY2008-09, Arihant introduced two new products in its offerings Currency Derivatives and Bonds. We believe that these offerings will help the company in increasing its revenues and also help company to tap the opportunity.

**Review of Operations**

The impact of the global slowdown including slowdown in the Indian economy has had its effect even on your company, along with its subsidiaries. The current year's results indicate the pressures faced by the financial services industry.

However, despite the slowdown in our economy and adversely affected Indian equity markets, our Company managed to deliver profits, as the management took swift decisions to cope up with the financial turmoil witnessed by the economies and companies worldwide.

During the FY2008-09, the company added ten new institutional clients, including two foreign institutional investors. The company's institutional division caters to the specific requirements of domestic and foreign institutional investors that include banks, mutual funds and insurance companies. Our institutional division is supplemented with a research division, which comprehensively covers company, industry and economic research for the clients.

During the FY2008-09, the Company earned total revenue of Rs 44.83 crore with a net profit of Rs 2.87 crore as against revenues of 64.03 crore and net profit of Rs 14 crore in the previous FY2007-08 on a consolidated basis. On a y-o-y basis, revenues declined 29.9% and profit witnessed a 79.50% drop in line with the adverse market conditions.

**Expenditure:** We put focus on more aggressive expense management needed to offset declining revenues.

The following table outlines company's expenditure:

Year ended	March 31, 2009	March 31, 2008
Commission and Brokerage	1,436.62	2,103.04
Employees Cost	936.69	923.93
Depreciation	120.99	83.51
Administrative & Other Expenditure	1,144.13	1,362.96
<b>TOTAL EXPENDITURE</b>	<b>3,638.42</b>	<b>4,473.44</b>

Economic conditions and its impact on the Indian equity markets significantly impact the volume of our clients' trading activity. There is a direct correlation between the volume of our clients' trading activity and our results of operations. Owing to the global financial turmoil, sharp decline in India's GDP growth rate, widening fiscal deficit, steep decline in foreign inflows and other factors, the Indian equity markets witnessed sharp fall during FY2008-09 and continued to remain highly volatile. These gyrations in the equity markets, uncertainty looming over the financial state of the companies and general health of world economies and its impact on Indian economy has turned investors and traders cautious and severely affected the volumes in the Indian equity markets, and has affected our volumes too, this trend was witnessed across the industry.

We cannot predict future trading volumes in the Indian equity markets. If client trading activity increases, we expect that it would have a positive impact on our results of operations. However if client trading activity were to decline, we expect that it would have a negative impact on our results of operations. We believe that going forward, the uncertainty would loom and consequential volatility would continue. But constantly improving our services and venturing into new business areas would help us to ride through these uncertain times.

**Risk factors relating to our business operations**

- Stock market volatility and other industry risks could adversely affect our business: Arihant's major source of revenues is derived from our equity brokerage business. Like other equity brokering companies in the industry, we are directly affected by economic and political conditions, broad trends in business and finance and changes in volume and price levels of securities transactions. We all know that the recent events in the global financial markets have left many companies shattered and some even collapsed. This global financial turmoil has resulted in substantial volatility in the Indian equity markets and affected client's trading volume. Any sustained downturn in general economic conditions or Indian equity markets and severe market fluctuations would likely result in reduced client trading volume and net revenues and will have a material adverse effect on our profitability.
- Technology: Technology plays a significant role in our industry. Cost of deployment of technology is the critical factor. Obsolescence is another major concern as investment in technology is an ongoing exercise. Any major changes in technology



would pose pressure on our profitability.

- Systems failures, delays and capacity constraints could harm our business.
- Substantial competition could reduce our market share and harm our performance: 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. The retail brokerage industry has experienced significant consolidation, which may continue in the future, and which may increase competitive pressures in the industry. There has been substantial price competition in the industry, including various free trade offers. We expect this competitive environment to continue in the future and this could have a material adverse effect on our results of operations and financial condition.
- We are subject to claims and lawsuits in the ordinary course of business and may not always be successful in defending against such claims: A substantial judgment, settlement, fine or penalty could have a material adverse effect on our results of operations or cash flows.
- Regulatory uncertainties or failure to comply with any regulatory authority could affect our business.

### 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

At Arihant, our people are the heartbeat of our business and the Company places significant importance to its human capital. The world of financial cannot stand still and we are aware that complacency can lead to annihilation. Therefore the Company makes sure that all the employees are provided continuous training to keep up with the pace of the financial services industry. Our HR department continuously identifies the training needs for employees and regular training sessions are conducted to enrich the skill set of its existing workforce and keep them updated with the new developments. Moreover, all employees are encouraged and incentivized 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.

### Internal Control System

The Company has an Internal Control System commensurate with its requirements and the size of business. Regular audits of operational functions are conducted by independent firms of Chartered Accountants and a focused branch audit and quality team has been created for reviewing all the branches and sub-brokers on a regular basis. An internal team of inspection also regularly visits branches and sub-brokers to ensure regulatory compliance is fully complied with. The Company also carries out post audit reviews to ensure follow up on the observations made and their implementation.

The financial services business in India is well-regulated and compliance intensive. We have an exclusive compliance department run by a team of experts and headed by our Chief Compliance Officer. The Company is governed by the SEBI's stock brokers and sub-brokers regulations, portfolio management 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 Finsec 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 we have also initiated ISO 9001:2008 certification and compliance with ISO 27001.

### Risk management

Your company has in place sound risk management policies and processes that 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-centers, 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 companies, 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.

#### **Commitment to doing what is right**

Our management team and board of directors are resolved to do what we believe is best for Ltd, our associates, clients and shareholders. Our prudent, strategic decisions helped us to deliver on that promise. To manage through the financial crisis of 2008, Arihant Capital Markets Ltd maintained a conservative approach to risk management, put focus on strict expense controls, and a relentless focus on serving our clients.

#### **Opportunities and Threats**

India is an attractive investment destination and the Company is a part of India's growth story, that 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.

#### **Going forward**

The financial markets right now are as challenged as we have ever seen them in our lifetime. There is no doubt that the markets will be challenging in 2009, but we are continuing to adapt our business accordingly. But we realise that with every challenge there comes an opportunity which we will take advantage of. As a company, our goal has always been to help our clients meet their financial goals. We want to make financial products easier to access and understandable to all and offer investors complete financial solution. Our perseverance to achieve this goal allows us to continuously offer new and improved products and solutions to our clients. In an endeavour to meet our goal, we have decided to apply for the Insurance Broking License. The company currently is a corporate agent of Birla Sunlife Insurance; however 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 the business, the company has set up a separate subsidiary Arihant Insurance Broking Services Ltd.

With over 50 per cent drop in broad equity indices during 2008 and a big decline in retail investor confidence in equity investment, it was clear we needed to act. Thus in an attempt to continue to build value for our clients and shareholders and protect their interest in the company, our company's management took swift actions and re-emphasized the importance of careful risk management, even though it meant halt in the growth rate. We put focus on more aggressive expense management needed to offset declining revenues. This also ensured that we would have sufficient funds for ongoing investment needed to drive future growth. We also recognised the importance of careful capital management and as always worked on the client centric approach by putting relentless focus on our clients and their needs, in order to deliver the strongest possible near-term performance while protecting our longer term opportunities. We will continue to maintain this stance in the year ahead; as we continue to believe that the challenging times are not over yet.

We also will stay close to our clients to offer them the right solution and advice and help them navigate these challenging markets. 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 in these challenging times.

#### **Cautionary Statement**

Statements made in this Management Discussion and Analysis contain certain forward looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. The actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties.



## Report on Corporate Governance

### 1. Company's philosophy on Corporate Governance

*Arihant* means pure soul and we do our best to live up to the name.

At Arihant, we believe that the more effective and trustworthy our Corporate Governance practices and processes are, the more efficiently we can address our business strategy, enhance shareholder's value with trust and achieve long term corporate goals. Our reliance on the Company's corporate governance is dependent on a strong ethos of ethical business practices that starts at the top and permeates to all employees within the organization. The Company's philosophy on Corporate Governance stresses the importance of transparency, integrity, fairness, accountability, responsibility and protection of shareholder and other stakeholder's interests. The Company is committed to achieving and maintaining the highest standards of Corporate Governance.

### 2. Board of Directors

#### Composition as on 31<sup>st</sup> March, 2009

The composition of Arihant's Board is in conformity with the code of Corporate Governance under the Listing Agreement. The Board of Directors comprises of four members, of which 3 are non-executive directors and 1, who is also the Chairman, is executive director. Out of the three non-executive directors, two are independent directors. The non-executive directors are eminent professionals with extensive experience in the areas of business, finance and law. All the directors who are on various committees are within permissible limits of the listing agreement.

The details of the directors with regards to the other Indian Directorships (other than Section 25 companies) along with positions held in any other committees of board of directors 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
Mr. Sunil Kumar Jain	Non Executive	3	Nil	Nil
Mr. Pramod Devpura**	Non Executive	Nil	Nil	Nil
Mr. Akhilesh Rathi	Non-Executive Independent	3	Nil	Nil
Mr. Rakesh Jain	Non-Executive Independent	NIL	Nil	Nil

- No Director is related to any other director on the board in terms of the provisions of the Companies Act, 1956, except for Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain who are related to each other (brothers).
- \*\*Not Appointed in AGM w.e.f.27/09/2008 (Mr. Pramod Devpura was liable to retire by rotation in the previous AGM and has not been reappointed as director)

During the financial year ended 31<sup>st</sup> March 2009 seven board meetings were held on 11<sup>th</sup> April 2008, 30<sup>th</sup> June 2008, 31<sup>st</sup> July 2008, 1<sup>st</sup> September 2008, 31<sup>st</sup> October 2008, 18<sup>th</sup> November 2008 and 31<sup>st</sup> January 2009 respectively.

The attendance record of the participating Directors at the Board Meetings during the year under review and last Annual General Meeting are as follows:

Name of the Director	No. of Board Meetings		Last AGM
	Held	Attended	Attended
Mr. Ashok Kumar Jain	7	7	Yes
Mr. Sunil Kumar Jain	7	7	Yes
Mr. Akhilesh Rathi	7	7	Yes
Mr. Rakesh Jain	7	7	Yes
Mr. Pramod Devpura*	7	Nil	No

\*Not Appointed in AGM w.e.f.27/09/2008



**3. Code of Conduct for Directors and Senior Management**

The Company has formulated a Code of Conduct ('Code') for Directors 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 has been posted on the Company's website: [www.arihantcapital.com](http://www.arihantcapital.com).

The Code has been circulated to all the Directors, Senior Management and Functional Heads and compliance of the same has been affirmed by them. A declaration to this effect signed by the Chairman is enclosed in the Annual Report.

**4. Audit Committee**

The Audit Committee comprise of 4 members, viz., Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain, Mr. Rakesh Jain. and Mr. Pramod Devpura. Mr. Akhilesh Rathi is the Chairman of the Committee. All the members of the Committee have sufficient financial management expertise. Company Secretary of the Company also acts as the Secretary to the Committee. The committee met four times during the financial year 2008-2009 and the particulars of attendance are as under:

Name of Director	Position	No. of Meetings	
		Held	Attended
1. Mr. Akhilesh Rathi	Chairman	4	4
2. Mr. Sunil Kumar Jain	Member	4	4
3. Mr. Rakesh Jain	Member	4	4
4. Mr. Pramod Devpura*	Member	4	Nil

\*Not Appointed in AGM w.e.f.27/09/2008

**5. Remuneration Committee**

The Remuneration Committee comprises of 4 Nonexecutive Directors as members, viz., Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain, Mr. Pramod Devpura\*, Mr. Rakesh Jain, and Company Secretary\*\*. Mr. Akhilesh Rathi is the Chairman of the Committee. One meeting was held during the financial year 2008-2009.

Mr. Akhilesh Rathi, Mr. Sunil Kumar Jain, Mr. Rakesh Jain and Company secretary were present at the meeting.

The terms of reference of Remuneration Committee include deciding Company's policies on specific remuneration packages for all the directors and 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.

\*Not Appointed in AGM w.e.f.27/09/2008

\*\* Mr. Neeraj Dutt Pandey and Mr. Kamlesh Joshi.

**Remuneration to Directors:** During the year no remuneration was paid to any non-executive directors. Details of the Remuneration paid to director are as under:

Name of the Director	Salary	Perquisite	(Rs. in Lacs)
			Total
Mr. Ashok Kumar Jain	23.60	00.35	23.95

**Shares held by Non-Executive Directors**

Name of the Director	No. of Equity Share	No. of convertible instruments
Mr. Sunil Kumar Jain	5,32,080	NIL
Mr. Akhilesh Rathi	NIL	NIL
Mr. Rakesh Jain	NIL	NIL



## 6. Shareholders' Grievance Committee

With a view to review all matters connected with security transfers and transmission, redressal of shareholders/investor complaints like non-transfer of shares, non-receipt of balance-sheet, non-receipt of dividend, etc., a Share Transfer and Investor Grievance Committee has been constituted. The committee consists of Mr. Akhilesh Rathi, Mr. Ashok Kumar Jain, Mr. Sunil Kumar Jain, Mr. Rakesh Jain and Company Secretary\*\*. The company secretary has been designated as compliance officer.

During the financial year 2008-2009, the Committee had four meetings held on 11<sup>th</sup> April 2008, 31<sup>st</sup> July 2008, 31<sup>st</sup> October 2008, and 31<sup>st</sup> January 2009 respectively, which were attended by all the members. 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.

## 7. Disclosures

- I. The Company does not have any material related party transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in Note No. 14 of Schedule 14 to the Annual Accounts of Arihant Capital Markets Limited forming part of the Annual Report.
- II. The financial statements have been prepared in accordance with the accounting policies generally accepted in India.
- III. There were no instances of non-compliance on any matter related to the capital markets, resulting in disciplinary action against the company, during the last three years.
- IV. 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 and half yearly financial results 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.
- V. 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.
- VI. No money was raised by the company through public issue, right issue, preferential issues, etc. in the last financial year and hence provisions contained in this behalf in Clause 49 of listing agreement are not applicable
- VII. Management discussion and analysis forms part of Annual Report to the shareholders and it includes discussion on matters as required under the provisions of clause 49 of Listing Agreement with stock exchanges.

\*Not Appointed in AGM w.e.f.27/09/2008 (Mr. Pramod Devpura was liable to retire by rotation in the previous AGM and has not been reappointed as director)

\*\* Mr. Neeraj Dutt Pandey and Mr. Kamlesh Joshi

## 9. CEO / CFO Certification

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

## 10. 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.

## 11. GENERAL BODY MEETING:

Annual General Meetings for the last 3 years were held as under:

Financial Year	Venue	Date	Time
2005-2006	Hotel President Planet, 3, R.N.T. Marg, Indore (MP)	30/09/2006	12.30 P.M.
2006-2007	Hotel President Planet, 3, R.N.T. Marg, Indore (MP)	29/09/2007	12.30 P.M.
2007-2008	Hotel President, R.N.T. Marg, Indore (MP)	27/09/2008	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.

## 12. MEANS OF COMMUNICATION

- The quarterly /Half yearly / Annual Results of the Company are published in accordance with the Stock Exchange Listing Agreement in newspapers viz. “Free Press” (English) and “*Choutha Sansar*” (Hindi).
- The Company has its own website [www.arihantcapital.com](http://www.arihantcapital.com) and all the vital and relevant information relating to the Company and its performance including financial results, press releases pertaining to important developments, performance updates and corporate presentations etc. are regularly posted on the website
- There is separate section for General Shareholders Information and the same forms part of Annual Report.

## 13. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report has been included in the Annual Report, which forms a part of the Annual Report being sent to the shareholders of the Company.

### **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, 2009.

**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 31<sup>st</sup> March 2009 and that to the best of their knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) 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 and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee that there is
- (i) No significant change in internal control over financial reporting during the year;
  - (ii) No significant change in accounting policies during the year under review; and
  - (iii) No instance of any fraud in the company in which the management has any role.

Place: Indore  
Date: 30<sup>th</sup> June 2009

**Ashok Kumar Jain**  
(Chairman and Managing Director)



## **CERTIFICATE ON COMPLIANCE WITH CORPORATE GOVERNANCE**

To  
The Members of Arihant Capital Markets Limited

We have examined the compliance of corporate governance by Arihant Capital Markets Limited (“the Company”), for the year ended on March 31, 2009, 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 management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

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

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

For Ajit Jain & Co,  
Company Secretaries

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

Indore, 30<sup>th</sup> June 2009

**General Shareholder's Information**

1	<b>Date(s) of Book Closure</b>	04.09.2009 to 12.09.2009
2	<b>Venue of Annual General Meeting (AGM)</b>	Hotel President , R.N.T. Marg, Indore - 452001 (M.P.)
3	<b>Time and Date of AGM</b>	11:30 A.M., 12 <sup>th</sup> September, 2009
4	<b>Financial Calendar</b>	
	<b>Financial Results for Financial Year 2009-10</b>	(Tentative)
	1st Quarter	Before 31 <sup>st</sup> July, 2009
	2nd Quarter	Before 31 <sup>st</sup> October,2009
	3rd Quarter	Before 31 <sup>st</sup> January,2010
	Audited Results for the year 2009-10	Before 30 <sup>th</sup> June,2010
5	<b>Listing of Equity Shares on the Stock Exchange at</b>	Bombay Stock Exchange Limited, Mumbai
6	<b>Registered Office</b>	E/5, Ratlam Kothi Area, Indore - 452001, (M.P.) Phone : (0731) 2519610-11 Fax : (0731) 3048915 E-mail : compliance@arihantcapital.com
7	<b>Stock Code</b>	511605
8	<b>Depository ISIN No. for Equity Shares</b>	INE420B01010
9	<b>Stock Market Data</b>	

Monthly high and low quotations along with volumes of Equity Shares traded at BSE for 2008-09 are:

Month	High (Rs.)	Low (Rs.)	Volume (000's)
April 2008	86.05	64.50	41.49
May 2008	82.60	66.00	12.10
June 2008	79.00	56.25	18.22
July 2008	58.90	40.25	22.92
August 2008	53.00	45.75	08.71
September 2008	48.40	35.00	05.41
October 2008	40.95	22.70	04.03
November 2008	32.00	23.90	03.16
December 2008	29.75	23.00	03.84
January 2009	31.35	23.00	02.78
February 2009	28.35	22.00	10.63
March 2009	26.55	21.70	07.96

**Distribution Schedule as on March 31<sup>st</sup>, 2009**

SHARE HOLDING OF NOMINAL VALUE OF RS. (1)	SHARE HOLDERS NUMBER (2)	% TO TOTAL HOLDERS (3)	AMOUNT IN RS. (4)	% TO TOTAL EQUITY (5)
UPTO 1000	831	31.11	577980	0.89
1001 2000	1085	40.62	2125640	3.27
2001 3000	276	10.33	805960	1.24
3001 4000	86	3.22	335760	0.52
4001 5000	126	4.72	617710	0.95
5001 10000	127	4.75	957130	1.47
10001 20000	62	2.32	952580	1.46
20001 30000	14	0.52	374810	0.58
30001 40000	10	0.37	358270	0.55
40001 50000	6	0.22	267400	0.41
50001 100000	20	0.75	1421230	2.18
100000 ABOVE	28	1.05	56276030	86.48
<b>Total</b>	<b>2671</b>	<b>100.00</b>	<b>65070500</b>	<b>100.00</b>

11 **Dematerialisation of Shares** About 95.18 % of the Company's paid up Equity Share Capital has been dematerialized up to March 31<sup>st</sup>, 2009

12 **Demated at NSDL & CDSL Physical** 6193330  
313720

13 **Shareholding Pattern as on March 31, 2009 :**

Category	No. of Shares Held	% of Shareholding
Promoters & Promoters Group	48,49,079	74.52
Mutual Funds & Institutional Investors	NIL	NIL
Corporate Bodies	1,68,218	2.59
Indian Public	14,89,004	22.88
NRI / OBC	749	0.01
<b>TOTAL</b>	<b>65,07,050</b>	<b>100.00</b>

14 **Share Transfer System & Dematerialisation**

Shares received for transfers in physical form are processed and the share certificates returned within a period of 10 to 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 lodgment of transfer request, the lodger should write to the Company or Registrar with the full details so that necessary action can be taken up to safeguard the interest of the investor.



Shareholders who wish to get dematerialised his/her physical shares should approach to his/her Depository Participant (DP) where he/she is having demat account. On duly receipt of Demat Request Form (DRF) and share certificates by the Company/Registrar, the dematerialisation request is processed and the shares is 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.)  
Tel : +91-0731-2491298

**For shares Held in D-Mat Form**

To the Depository Participant

b **Any other matters and unsolved complaints**

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

**Notes:**

1. Annual listing fee for the year 2009-10 has been paid to the Stock Exchange.
2. Distribution schedule & shareholding pattern as on 31/03/2009.





## Auditors' Report

TO,  
THE MEMBERS OF ARIHANT CAPITAL MARKETS LIMITED

We have audited the attached Balance Sheet of **ARIHANT CAPITAL MARKETS LIMITED** as at 31<sup>st</sup> March 2009 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 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion, and to the best of our information and according to the explanation given to us, the said accounts subject to and read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) In the case of Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2009;
  - (ii) In the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date;
  - (iii) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

**For Arora Banthia & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009



### 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, no material discrepancies have been noticed on such verification.  
(c) In our opinion, substantial parts of the Company's fixed assets have not been disposed off by the company, during the year.
2. (a) The securities held as stock in trade have been verified by the Management with the statement of holdings provided by depository participants and brokers at reasonable intervals. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of confirmation of securities held as stock in trade followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the records of the Company relating to securities held as stock in trade, in our opinion, the Company has maintained proper records of stock in trade and no material discrepancies between the book records and the statement of holdings provided by NSDL, other depository participants and brokers have been noticed.
3. The Company has not granted any loan to a company covered in the register maintained under section 301 of The Companies Act, 1956. The Company has taken loan from a company covered in the register maintained under section 301 of The Companies Act, 1956. The maximum outstanding during the year was Rs.786.77 Lacs and the year end balance was Rs. 0.15 Lacs. In our opinion, the rate of interest and other terms and conditions on which the said loan was taken are not prima facie prejudicial to the interest of the Company. The re-payment of principal and payment of interest are regular and there are no overdue amounts in respect of said loan.
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 thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of The Companies Act, 1956, in respect of the activities carried on by the Company.
9. (a) As per the records of the Company, the company is generally regular in depositing the statutory dues including provident fund, sales tax, income tax, wealth 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 provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and other material statutory dues 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. The Company is dealing in securities for which proper records have been maintained of the transactions and timely entries have been made therein. Securities held as stock in trade by the Company are held in the name of the Company or in the name of its nominees except to the extent of the exemption granted under Section 49 of the Act.
15. In our opinion and according to the information and explanations given to us, the terms & conditions on which the Company has given guarantees for loan taken by other party from bank or financial institution are not prejudicial to the interest of the company.
16. According to the information and explanations given to us and the record examined by us, the Company has not taken any term loans.
17. According to the information and explanation given to us and on an overall examination of balance sheet of the company and the Cash Flow Statement, in our opinion funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made preferential allotment of shares to the parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year. However share have since been allotted to the parties covered in the register maintained under section 301, pursuant to the scheme of amalgamation by the Hon'ble High Court of the Madhya Pradesh to the shareholders of the erstwhile Arihant Fincap Limited. That the terms & conditions of the said allotment is as per the scheme sanctioned and is not prejudicial to the interest of the company.
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

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

Balance Sheet as at 31<sup>st</sup> March, 2009

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds :</b>			
Capital	1A	6,50,70,500	3,55,22,000
Share Capital Suspense	1B	-	2,95,48,500
Reserves and Surplus	2	33,32,26,202	32,57,43,124
<b>Loan Funds:</b>			
Secured Loan	3	-	2,02,37,662
<b>Deferred Tax (Refer Note 2 on Schedule 14)</b>			
Deferred Tax Liability		98,40,677	86,33,124
Deferred Tax Asset		10,47,223	13,73,414
		87,93,454	72,59,710
<b>Total</b>		<b>40,70,90,156</b>	<b>41,83,10,996</b>
<b>Application of Funds</b>			
<b>Fixed Assets :</b>			
Gross Block	4	10,11,38,196	10,03,35,710
Less : Depreciation / Amortisation		3,49,35,770	2,78,57,556
Net Block		6,62,02,426	7,24,78,154
Capital Work in Progress		-	8,26,686
		6,62,02,426	7,33,04,840
<b>Investments</b>	5	8,13,34,280	3,64,67,841
<b>Current Assets, Loans and Advances :</b>			
Stock In Trade	6	-	3,83,96,770
Sundry Debtors	7	31,85,78,412	47,61,06,606
Cash and Bank Balances	8	41,18,95,952	50,93,23,174
Loans and Advances	9	15,23,14,293	14,62,76,706
		88,27,88,657	117,01,03,256
<b>Less : Current Liabilities and Provisions</b>	10		
Current Liabilities		55,65,47,804	77,50,32,513
Provisions		6,66,87,403	8,65,32,428
Net Current Assets		25,95,53,450	30,85,38,315
<b>Total</b>		<b>40,70,90,156</b>	<b>41,83,10,996</b>
Notes to the Financial Statements	14		

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

For Arora Banthia & Tulsiyan  
Chartered Accountants

Ajay Tulsiyan  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Chairman & Managing Director

Akhilesh Rathi  
Director

Mahesh Pancholi  
Asst. Company Secretary

**Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Income</b>			
Income from Operations	11	35,15,29,152	61,36,49,291
Other Income	12	2,96,10,377	2,47,00,843
	<b>Total</b>	<b>38,11,39,529</b>	<b>63,83,50,134</b>
<b>Expenditure</b>			
Establishment, Administrative & Other Expenses	13	33,36,84,807	43,57,16,082
Interest and Other Finance Charges		42,66,569	32,47,972
Depository Charges		22,55,443	32,43,220
	<b>Total</b>	<b>34,02,06,819</b>	<b>44,22,07,274</b>
Profit Before Depreciation / Amortisation and Taxation		4,09,32,710	19,61,42,860
Depreciation / Amortisation	4	1,13,46,793	83,50,788
Prior Period adjustments (net)		4,57,569	1,76,857
<b>Profit Before Taxation</b>		<b>2,91,28,348</b>	<b>18,79,68,929</b>
Provision For Taxation			
Current Tax		78,25,000	4,45,00,000
Earlier years Tax		102,141	-
Deferred Tax (Refer Note 2 on Schedule 14)		15,33,744	37,65,326
Fringe Benefits Tax		7,65,000	9,75,000
Profit After Taxation		1,89,02,463	13,87,28,603
Depreciation Added Back		-	30,93,533
Profit transferred on amalgamation of Arihant Fincap Limited		-	74,54,650
Balance Brought Forward		3,29,30,115	4,73,56,591
		<b>5,18,32,578</b>	<b>19,66,33,377</b>
<b>Appropriations</b>			
Dividend		97,60,575	1,17,12,690
Tax on Distributed Profit		16,58,810	19,90,572
Transfer to General Reserve		50,00,000	15,00,00,000
Balance Carried Forward		3,54,13,193	3,29,30,115
		<b>5,18,32,578</b>	<b>19,66,33,377</b>
Notes to the Financial Statements	14		
Earnings per Share on Equity Shares of Rs. 10 each Basic and Diluted (In Rupees)		2.90	21.80

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 & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Chairman & Managing Director

**Akhilesh Rathi**  
Director

**Mahesh Pancholi**  
Asst. Company Secretary

Cash Flow Statement for the year ended 31<sup>st</sup> March, 2009

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	2,91,28,348	18,79,68,929
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	7,55,978	75,668
Depreciation / amortisation	1,13,46,793	83,50,788
Dividend Income	-5,06,735	-21,46,254
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>4,07,24,384</b>	<b>19,42,49,131</b>
Adjustments for changes in working capital :		
- Trade and other receivables	15,75,28,194	-21,29,84,102
- Stock in trade	3,83,96,770	40,64,093
- Loans & Advances	-1,79,23,897	-1,88,98,214
- Trade and other payables	-21,81,38,609	28,57,60,286
<b>CASH GENERATED FROM OPERATIONS</b>	<b>5,86,841</b>	<b>25,21,91,194</b>
- Taxes paid including fringe benefit tax (net)	-1,47,13,079	-5,95,94,590
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>-1,41,26,238</b>	<b>19,25,96,604</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) / Sales of fixed assets	-50,00,356	-3,30,40,305
(Purchase) / Sales of Investments	-4,48,66,439	2,85,47,621
Dividend received	5,06,735	21,46,254
<b>NET CASH USED IN INVESTING ACTIVITY (B)</b>	<b>-4,93,60,060</b>	<b>-23,46,430</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Dividend Paid	-1,17,12,690	-53,28,300
Proceeds from secured loans	-2,02,37,662	2,01,76,498
Dividend distribution tax paid	-19,90,572	-9,05,545
<b>NET CASH USED IN FINANCING ACTIVITY (C)</b>	<b>-3,39,40,924</b>	<b>1,39,42,653</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>-9,74,27,222</b>	<b>20,41,92,827</b>
Cash and cash equivalents at the beginning of the year	50,93,23,174	7,25,48,509
Add : balance obtained on amalgamation	-	23,25,81,838
Cash and cash equivalents at the end of the year	41,18,95,952	50,93,23,174
Cash and cash equivalents comprise of		
Cash and cheques in hand	24,986	5,41,389
Balances with scheduled banks	41,18,70,966	50,87,81,785
<b>Total</b>	<b>41,18,95,952</b>	<b>50,93,23,174</b>
Notes to the Financial Statements	14	

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

For Arora Banthia & Tulsian  
Chartered Accountants

Ajay Tulsian  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Chairman & Managing Director

Akhilesh Rathi  
Director

Mahesh Pancholi  
Asst. Company Secretary



## Schedules forming part of the Balance Sheet

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 1A - Capital</b>		
Authorised 70,00,000 (Previous Year 4000000) Equity Shares of Rs.10/- each Issued, Subscribed and Paid up 65,07,050 (Previous year 3552200) Equity Shares of Rs.10/- each fully paid up*	7,00,00,000	4,00,00,000
<b>Total</b>	<b>6,50,70,500</b>	<b>3,55,22,000</b>
*29,54,850 Equity Shares of Rs.10/- each fully paid up allotted to shareholders of erstwhile Arihant Fincap Limited on amalgamation on April 11, 2008		
<b>Schedule 1B - Share Capital Suspense</b>		
Nil (Previous Year 29,54,850 Equity Shares of Rs.10/- each fully paid up to be issued pursuant to the scheme of Amalgamation of Arihant Fincap Limited with the Company)	-	2,95,48,500
<b>Total</b>	<b>-</b>	<b>2,95,48,500</b>
<b>Schedule 2 - Reserves and Surplus</b>		
General Reserve		
Balance as per last Balance Sheet	29,28,13,009	3,25,31,463
Addition on Amalgamation	-	13,00,36,901
Less: Adjustment on Amalgamation	-	1,97,55,355
Add : Transfer from Profit and Loss Account	50,00,000	15,00,00,000
	29,78,13,009	29,28,13,009
Profit and Loss Account	3,54,13,193	3,29,30,115
<b>Total</b>	<b>33,32,26,202</b>	<b>32,57,43,124</b>
<b>Schedule 3 - Loan Funds</b>		
Overdraft from AXIS Bank Limited (Secured by pledge of Fixed Deposit Receipt)	-	2,00,80,445
Overdraft from AXIS Bank Limited (Secured by pledge of Shares)	-	1,57,217
<b>Total</b>	<b>-</b>	<b>2,02,37,662</b>

### Schedule 4 - Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 1 <sup>st</sup> April 2008	Additions for the Year	Deductions Adjustment for the Year	As at 31 <sup>st</sup> March, 2009	As at 1 <sup>st</sup> April 2008	For the Year	On Deductions	As at 31 <sup>st</sup> March, 2009	As at 31 <sup>st</sup> March, 2009	As at 31 <sup>st</sup> March 2008	
Premises	52,15,950	13,34,795	-	65,50,745	1,98,650	94,127	-	2,92,777	62,57,968	50,17,300	
Furniture & Fixtures	1,84,97,790	16,63,105	7,94,614	1,93,66,281	24,79,390	12,11,811	94,216	35,96,985	1,57,69,296	1,60,18,400	
Office Equipments	67,35,119	8,93,769	1,04,900	75,23,988	10,71,996	3,45,514	10,355	14,07,155	61,16,833	56,63,123	
Computers & Software	5,96,17,841	30,83,218	22,76,290	6,04,24,768	2,08,45,338	86,25,187	17,20,604	2,77,49,921	3,26,74,847	3,87,72,503	
Electrical Installations	20,63,400	6,00,137	2,24,857	24,38,680	3,89,369	3,28,042	41,573	6,75,838	17,62,842	16,74,031	
Motor Vehicles	82,05,610	5,27,200	38,99,076	48,33,734	28,72,813	7,42,112	24,01,831	12,13,094	36,20,640	53,32,797	
<b>Total</b>	<b>10,03,35,710</b>	<b>81,02,223</b>	<b>72,99,737</b>	<b>10,11,38,196</b>	<b>2,78,57,556</b>	<b>1,13,46,793</b>	<b>42,68,579</b>	<b>3,49,35,770</b>	<b>6,62,02,426</b>	<b>7,24,78,154</b>	
<b>Previous year</b>	<b>4,92,81,846</b>	<b>5,12,40,442</b>	<b>1,86,578</b>	<b>10,03,35,710</b>	<b>84,02,962</b>	<b>2,25,61,536</b>	<b>31,06,942</b>	<b>2,78,57,556</b>	<b>7,24,78,154</b>	<b>4,08,78,884</b>	



## Schedules forming part of the Balance Sheet

	Face Value Rupees	31 <sup>st</sup> March 2009 Quantity	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Quantity	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 5 - Investments</b>					
Long Term Investments (Trade)					
(At cost) (Unquoted, fully paid up)					
In Equity Shares of Bombay Stock Exchange Limited	1	10000	1,19,65,000	10,000	1,19,65,000
In Equity Shares of Saurashtra Kutch Stock Exchange	100	50	5,05,000	50	5,05,000
(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
<b>Investment in Subsidiary</b>					
Arihant Finsec Limited	10	450000	4,05,00,000	-	-
Arihant Future & Commodities Limited	10	354500	78,02,045	125000	25,01,745
Arihant Financial Services Limited	10	249400	2,05,45,235	249400	2,05,45,235
			6,88,52,280		2,30,51,980
(b) Quoted Equity Shares (fully paid up)					
Indian Hotel	1	100	7,000	-	-
Indian Hotel-warrant - 30 Sep 2009		50	-	-	-
Industrial Development Bank of India Limited	10		-	211	11,101
Reliance Communication Ventures Limited	5		-	1000	1,37,970
Reliance Capital Limited	10		-	50	10,626
Reliance Energy Limited	10		-	75	20,707
Reliance Industries Limited	10		-	1000	3,28,335
Reliance Natural Resources Limited	5		-	1000	8,662
State Bank of India	10		-	200	1,27,490
Tata Steel Limited	10		-	184	55,200
Tamil Nadu Petro Products Limited	10		-	558	1,11,270
			7,000		8,11,361
(c) Quoted Preference Shares (fully paid up)					
2% Cumulative Convertible of Tata Steel Limited			-	1345	1,34,500
			-		1,34,500
(d) Quoted Debentures					
Indian Hotel NCD -6%-12 May 2011	100	50	5,000		-
			5,000		-
(B)			6,88,64,280		2,39,97,841
<b>Total (A+B)</b>			<b>8,13,34,280</b>		<b>3,64,67,841</b>

Market value of Quoted Investments Rs. 8,618 (Previous Year Rs. 36,45,410)





## Schedules forming part of the Balance Sheet

	Face Value Rupees	31 <sup>st</sup> March 2009 Quantity	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Quantity	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 6 - Stock in Trade</b>					
(At cost or market value whichever is lower)					
Equity Shares					
Industrial Development Bank of India Limited	10		-	265000	23586000
Mahanagar Telephone Nigam Limited	10		-	153400	14810770
	<b>Total</b>		-		<b>3,83,96,770</b>
Aggregate Value of Stock-in-Trade					
- At Cost			-		4,29,42,429
- At Market Value			-		3,92,08,442

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 7 - Sundry Debtors</b>		
Sundry Debtors (Considered Good) :		
Over Six Months	2,51,57,321	13,50,060
Others	29,34,21,091	47,47,56,545
	<b>Total</b>	<b>47,61,06,606</b>
<b>Schedule 8 - Cash and Bank Balances</b>		
Cash on Hand	24,986	5,41,389
Balances with Scheduled Banks in :		
Current Accounts	13,61,30,082	14,14,02,930
Deposits Accounts	27,44,25,000	36,62,25,000
Unclaimed Dividend Account	12,03,018	9,66,918
Balances with Other Banks in :		
Current Accounts	1,12,866	1,86,937
In Current Account with Kopergaon People Co Operative Bank Ltd Maximum balance Rs 10.69 Lacs (Previous year Rs 14.96 Lacs )		
	<b>Total</b>	<b>50,93,23,174</b>



## Schedules forming part of the Balance Sheet

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 9 - Loans and Advances</b>		
(Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	1,16,51,238	1,27,68,135
Deposits with Exchanges / Depositories	5,43,58,019	1,30,80,478
Deposits - Others	78,24,803	1,32,36,315
Initial Margin-Equity Derivative Instrument (Refer note 1(H) on schedule 14)	-	1,68,25,234
Mark-to-Market Margin-Equity Index/Stock Futures (Refer note 1(H) on schedule 14)	-	39,860
Less: Provision for Loss	-	-39,860
Advance Tax	7,84,80,233	9,03,66,544
<b>Total</b>	<b>15,23,14,293</b>	<b>14,62,76,706</b>
<b>Schedule 10 - Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors (includes Trade Payables) Other than Micro, Small and Medium Enterprises Micro, Small and Medium Enterprises* (Refer Note 14 on schedule 14)	26,44,55,260	36,21,53,323
Payable to Subsidiary Companies	15,355	-
Advances from Clients	20,61,33,690	33,87,98,618
Other Liabilities	4,35,27,025	6,29,70,081
Credit Balance of Banks (Due to outstanding cheques)	4,24,16,474	1,10,46,710
Equity Index/Stock Option Premium (Refer Note 1 (I) (b) on schedule 14)	-	63,781
Less: Provision for Loss	-	-
<b>Total</b>	<b>55,65,47,804</b>	<b>77,50,32,513</b>
<b>Provisions</b>		
Proposed Dividend	97,60,575	1,17,12,690
Dividend Tax Payable	16,58,810	19,90,572
Provisions for Tax	5,40,65,000	7,18,62,248
Unpaid Dividend	12,03,018	9,66,918
<b>Total</b>	<b>6,66,87,403</b>	<b>8,65,32,428</b>

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



## Schedules forming part of the Profit &amp; Loss Account

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 11 - Income from Operations</b>		
Income from Brokerage - Gross	31,37,79,943	51,44,63,543
Profit on Sale of Investments (net)	23,02,143	1,37,30,588
Profit on Trading in Securities (net ) (Refer Note 5(a) on Schedule 14)	-5,10,061	3,11,46,536
Profit on Jobbing Transactions (Net)	17,746	1,21,68,645
Commission Received	29,25,094	60,42,977
[Tax deducted at source Rs. Nil (Previous Year Rs. 61.70 Lacs)]		
Fees From Portfolio Management Services	73,008	3,32,667
Fees From Merchant Banking	78,11,941	71,16,591
[Tax deducted at source Rs.6.45 Lacs (Previous year 3.98 lacs)]		
Dividend Income	5,06,735	21,46,254
Deferred Payment Charges	1,26,90,187	1,71,41,912
Depository Receipts	1,19,32,416	93,59,578
<b>Total</b>	<b>35,15,29,152</b>	<b>61,36,49,291</b>
<b>Schedule 12 - Other Income</b>		
Interest on Deposits	2,51,93,525	2,07,70,969
[Tax Deducted at Source Rs. 52.02 lacs (Previous Year Rs. 43.80 Lacs)]		
Bad debts recovered	18,26,556	-
Miscellaneous Income	25,90,296	39,29,874
<b>Total</b>	<b>2,96,10,377</b>	<b>2,47,00,843</b>
<b>Schedule 13 - Establishment, Administrative &amp; Other Expenses</b>		
Advertisement	6,40,036	10,80,912
<u>Auditors' Remuneration</u>		
Audit Fees	2,00,000	60,000
Tax Audit Fees	50,000	40,000
In Other Capacity	-	-
Bad Debts Written Off	90,14,636	1,87,41,759
Bank & Depository Charges	48,98,287	48,16,392
Business Development	17,37,105	18,19,743
Communication including V-Sat	1,30,08,426	1,58,21,737
Director's Emoluments	23,60,000	24,25,768
Electricity	42,44,377	44,20,788
Exchange Transaction Charges	1,67,42,153	2,58,09,320
Insurance	6,03,512	4,95,411
Legal and Professional	94,99,964	91,21,746
Listing Fee	65,000	10,100
Loss on Sale of Fixed Assets	7,55,978	75,668
Membership Fee & Subscription	16,59,636	26,04,666
Miscellaneous Expenses	39,10,729	40,46,261
Office Expenses	19,88,601	34,85,427
Rent, Rates & Taxes	1,44,54,010	1,41,85,041
Repairs & Maintenance	35,33,362	84,38,376
Software Maintenance	79,66,860	63,40,463
Salaries, Allowances and Bonus	9,12,85,986	9,09,45,808
Securities Transaction Tax on Investments	25,439	3,54,915
Staff Welfare	14,96,447	14,47,354
Stationery & Printing	31,87,469	48,24,981
Sub Brokerage/Referral Fees and Expenses	13,69,95,494	21,03,04,785
Travelling, Conveyance and Motor Car Expenses	33,09,854	39,98,661
Wealth Tax	51,446	-
<b>Total</b>	<b>33,36,84,807</b>	<b>43,57,16,082</b>



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

### Schedule 14 - Notes to the Financial Statements

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### A. BASIS OF ACCOUNTING

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

##### B. ACCOUNTING CONVENTION

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

##### C. REVENUE RECOGNITION

- i. Company recognises Brokerage Income and Profit/ (Loss) from Trading of Securities on the basis of the date of pay in of settlement, of respective stock exchanges.
- ii. Other Income is accounted for on accrual basis.
- iii. The Annual 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. STOCK IN TRADE

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

##### G. 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.

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



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 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.

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.

2. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities / Assets:

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
(a) Deferred Tax Liabilities		
Depreciation	98,40,677	86,33,124
(b) Deferred Tax Assets		
Non Payment of Expenses	9,03,942	13,73,414
Unabsorbed Losses	1,43,281	-

3. Securities are normally held by the Company 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 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. (a) Quantitative Information in respect of Trading in Securities of cash segment (excluding jobbing transaction):

(Rs. in Lacs)

Particulars	2008-2009		2007-2008	
	Quantity	Amount	Quantity	Amount
Opening Stock	418400	383.97	132386	424.61
Purchases	2050	5.91	14056560	24,494.19
Sales	420450	386.02	13770546	24,667.14
Closing Stock	-	-	418400	383.97

## b) Investments pledged with Bombay Stock Exchange Limited towards Additional Base Capital in Cash segment:

Name of Scrip	Face Value	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
		Quantity	Value	Quantity	Value
Tata Steel Limited	10	Nil	Nil	2	600
2% Cumulative Convertible Preference Shares of Tata Steel	100	Nil	Nil	22	2200

## (c) Investments pledged with National Securities Clearing Corporation Limited towards Additional Base Capital in Cash segment:

(Rs. in Lacs)

Name of Scrip	Face Value	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
		Quantity	Value	Quantity	Value
Tata Steel Limited	10	Nil	Nil	130	0.39
2% Cumulative Convertible Preference Shares of Tata Steel	100	Nil	Nil	1323	1.32
Reliance Capital Limited	10	Nil	Nil	50	0.11
State Bank Of India	10	Nil	Nil	200	1.27
Reliance Industries Limited	10	Nil	Nil	1000	3.28

## (d) Investments pledged with National Securities Clearing Corporation Limited towards Additional Base Capital in Derivative segment:

(Rs. in Lacs)

Name of Scrip	Face Value	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
		Quantity	Value	Quantity	Value
Reliance Comm. Ventures Limited	5	Nil	Nil	187	0.26

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

Mutual Fund Scheme	Face Value	Purchase / Allotted	Sold / Redeemed
Baroda Pioneer Liquid Fund- Institutional Daily	10	1000228.868	1000228.868
Bharti AXA Liquid Fund - Institutional Plan	1000	10007.707	10007.707
Canara Robeco Liquid Fund	10	1993317.933	1993317.933
DSP BlackRock Strategic Bond Fund- Regular Plan- Weekly Dividend	1000	1003.349	1003.349
Fortis Overnight Fund- Institutional Daily Dividend	10	1000890.969	1000890.969
Kotak Floater Long Term- Daily Dividend	10	1489723.091	1489723.091
Kotak Floater Short Term- Daily Dividend	10	498015.514	498015.514
LICMF Liquid Fund - Dividend Plan	10	1823810.292	1823810.292
LICMF Liquid Fund - Growth Plan	10	9615556.928	9615556.928
Quantum Index Fund (QIF)	10	2490.000	2490.000
Reliance Liquid Fund - Treasury Plan-Institutional Option - Daily Dividend Option	10	1309378.133	1309378.133
Reliance Liquid Fund - Treasury Plan-Retail Option - Daily Dividend Option	10	984964.855	984964.855
Reliance Money Manager Fund-Institutional Option - Daily Dividend Plan	1000	19994.617	19994.617
Reliance Money Manager Fund-Retail Option - Daily Dividend Plan	1000	25002.049	25002.049
SBNPP Money Fund Inst.- Daily Dividend Reinvestment	10	4471040.635	4471040.635



## 7. Managerial remuneration to whole time directors included in the Profit &amp; Loss Account

Particulars	2008-2009	2007-2008
(a) Salaries & Incentives	23.95	24.26

## 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. 770 Lacs (Previous Year Rs. 790 Lacs) towards additional margin.
- Bank Guarantees of Rs.75 Lacs (Previous Year Rs. 50 Lacs) extended to National Securities Clearing Corporation Limited under the mandatory rules for membership and Rs. 2350 Lacs (Previous Year Rs. 2550 Lacs) towards additional margin.
- Income Tax matters in respect of which appeal is pending - Rs. 10.00 Lacs (net of payments)(Previous year Rs. 21.25 Lacs).
- Corporate guarantee of 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	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
Outstanding Shares	65,07,050	65,07,050
Profit After Tax	1,89,02,463	13,87,28,603
Basic EPS	2.90	21.80
Diluted EPS	2.90	21.80
Nominal value of Share	10	10

## 10. Earning in Foreign Currency

Particulars	2008-2009 Amount in Rs.	2007-2008 Amount in Rs.
Consultancy Fees	4,49,440	-

## 11. There is no expenditure in foreign currency.

- Fixed deposits with scheduled banks include Rs. 230.00 Lacs (Previous Year Rs. 1160 Lacs), which is under the lien of National Securities Clearing Corporation Limited, Rs. 51.25 Lacs (Previous Year Rs. 201.25 Lacs) which is under the lien of Bombay Stock Exchange Limited and Rs. 150 Lacs which is under the lien of MCX Stock Exchange (MCX-SX).
- 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, 2009 are given below:

## Relationships (During the year)

## 1. Key Management Personnel

Mr. Ashok Kumar Jain, Chairman & Managing Director  
Mr. Sunil Kumar 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

## 3. Subsidiaries

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



Particulars	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
<b>Income</b>				
Brokerage & Other Charges	0.04	0.76	16.12	16.92
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Depository Charges	Nil	Nil	1.57	1.57
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>Expenses</b>				
Salary & Incentive	23.95	4.80	Nil	28.75
	<i>24.26</i>	<i>8.70</i>	<i>Nil</i>	<i>32.96</i>
Rent	Nil	16.20	Nil	16.20
	<i>Nil</i>	<i>13.20</i>	<i>Nil</i>	<i>13.20</i>
Interest	Nil	1.75	14.17	15.92
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>Assets</b>				
Deposits	Nil	11.75	Nil	11.75
	<i>Nil</i>	<i>11.75</i>	<i>Nil</i>	<i>11.75</i>
Debtors	Nil	Nil	0.26	0.26
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>Liabilities</b>				
Deposits	Nil	Nil	0.15	0.15
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>Other Transactions</b>				
Guarantees Given	Nil	Nil	300.00	300.00
	<i>Nil</i>	<i>Nil</i>	<i>200.00</i>	<i>200.00</i>
Sale of Assets	Nil	1.00	11.50	12.50
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Purchase of Investment	24.06	28.75	Nil	52.81
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Equity Contribution made during the year	Nil	Nil	405.00	405.00
	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

Figures in Italics represent previous year figures.

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. The Company has a single segment namely "Capital Market". Therefore the Company's business does not fall under different business segments as defined by AS 17 - "Segmental Reporting" issued by ICAI.
16. Figures for the previous year have been regrouped wherever necessary to conform to current year's classifications.

**For Arora Banthia & Tulsiyan**  
Chartered Accountants

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Chairman & Managing Director

**Akhilesh Rathi**  
Director

**Mahesh Pancholi**  
Asst. Company Secretary





Disclosure pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies for the year ended on 31<sup>st</sup> March 2009

Rs. in Lacs

Particulars	Name of the subsidiary companies		
	Arihant Financial Services Limited	Arihant Futures & Commodities Limited	Arihant Finsec 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	249400 equity shares of Rs.10/- each, fully paid up	354500 equity shares of Rs. 10/- each, fully paid up	450000 equity shares of Rs. 10/- each, fully paid up
(b) Percentage of holding	99.76%	99.86%	100.00%
II. Financial year ended of the Subsidiaries	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009
III. The net aggregate amount of Profits less Losses so far as it concerns members of the Company and is not dealt within the Company's accounts.			
(a) For the financial year ended 31-03-2009	65.93	40.21	-7.98
(b) For the Previous year	13.16	14.76	Nil
IV. The net aggregate amount of Profits less Losses so far as it concerns members of the Company and is dealt within the Company's accounts.			
(a) For the financial year ended 31-03-2009	Nil	Nil	Nil
(b) For the Previous year	Nil	Nil	Nil
V. Capital	25.00	35.50	45.00
VI. Reserves	259.10	143.84	360.00
VII. Total Assets	284.26	180.52	405.00
VIII. Total Liabilities	284.26	180.52	405.00
IX. Turnover	477.97	219.90	-10.30
X. Profit before Taxation	95.64	58.22	-12.17
XI. Provision for Taxation	29.70	18.02	-4.19
XII. Profit after Taxation	65.93	40.21	-7.98



**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**  
Asst. Company Secretary

Indore, Dated : 30<sup>th</sup> June 2009



## Auditors' Report On Consolidated Financial Statements

The Members,  
**ARIHANT CAPITAL MARKETS LIMITED,**

1. We have audited the attached Consolidated Balance Sheet of Arihant Capital Markets Limited (the Company) and its Subsidiary, collectively the Group as at 31st March, 2009, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
4. Based on our audit and information and explanation given to us, we are of the opinion that attached Consolidated financial statement gives a true and fair view in conformity with the accounting principals generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31<sup>st</sup> March, 2009;
  - 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

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : June 30, 2009

Consolidated Balance Sheet as at 31<sup>st</sup> March, 2009

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds :</b>			
Capital	1A	6,50,70,500	3,55,22,000
Share Capital Suspense	1B	-	2,95,48,500
Reserves and Surplus	2	35,03,31,849	32,96,49,094
<b>Loan Funds:</b>			
Secured Loan	3	-	2,02,37,662
<b>Deferred Tax (Refer Note 3 on Schedule 15)</b>			
Deferred Tax Liability		99,96,975	86,33,124
Deferred Tax Asset		14,88,674	13,73,414
		85,08,301	72,59,710
Minority Interest		93,291	52,173
	<b>Total</b>	<b>42,40,03,941</b>	<b>42,22,69,139</b>
<b>Application of Funds</b>			
<b>Fixed Assets :</b>			
Gross Block	4	10,65,56,227	10,03,35,710
Less : Depreciation / Amortisation		3,69,14,364	2,78,57,556
Net Block		6,96,41,863	7,24,78,154
Capital Work in Progress		-	8,26,686
		6,96,41,863	7,33,04,840
<b>Investments</b>	5	1,24,87,000	1,85,15,516
<b>Current Assets, Loans and Advances :</b>			
Stock In Trade	6	10,24,80,139	3,83,96,770
Sundry Debtors	7	32,60,95,766	47,61,06,605
Cash and Bank Balances	8	48,74,76,704	53,07,61,409
Loans and Advances	9	18,37,35,931	14,72,67,810
		109,97,88,541	119,25,32,594
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	10	68,62,29,790	77,50,37,514
Provisions		7,18,33,603	8,72,02,428
Net Current Assets		34,17,25,149	33,02,92,653
<b>Miscellaneous Expenses</b>			
Goodwill on Consolidation	11	1,49,929	61,880
			94,250
	<b>Total</b>	<b>42,40,03,941</b>	<b>42,22,69,139</b>
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 & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Chairman & Managing Director

**Akhilesh Rathi**  
Director

**Mahesh Pancholi**  
Asst. Company Secretary

Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Income</b>			
Income from Operations	12	41,63,85,859	61,56,69,707
Other Income	13	3,19,33,600	2,47,00,843
	<b>Total</b>	<b>44,83,19,459</b>	<b>64,03,70,550</b>
<b>Expenditure</b>			
Establishment, Administrative & Other Expenses	14	34,94,87,824	43,57,50,279
Interest and Other Finance Charges		4,07,21,769	32,47,972
Depository Charges		22,55,443	32,43,220
	<b>Total</b>	<b>39,24,65,036</b>	<b>44,22,41,471</b>
Profit Before Depreciation / Amortisation and Taxation		5,58,54,423	19,81,29,079
Depreciation / Amortisation	4	1,20,99,180	83,50,788
Prior Period adjustments (net)		4,57,569	1,76,857
		<b>4,32,97,675</b>	<b>18,99,55,147</b>
<b>Profit Before Taxation</b>			
Provision For Taxation			
Current Tax		1,22,75,000	4,51,70,000
Earlier years Tax		2,78,806	-
Deferred Tax (Refer Note 3 on Schedule 15)		12,34,076	37,65,326
Fringe Benefits Tax		7,91,200	9,75,000
Profit After Taxation		2,87,18,593	14,00,44,821
Less : Minority Interest		21,453	3,159
Add : Share of Profit of Associates		-	5,19,664
Depreciation Added Back		-	30,93,533
Profit transferred on amalgamation of Arihant Fincap Limited		-	74,54,650
Balance Brought Forward		3,47,62,839	4,73,56,591
		<b>6,34,59,979</b>	<b>19,84,66,101</b>
<b>Appropriations</b>			
Dividend :		97,60,575	1,17,12,690
Tax on Distributed Profit		16,58,810	19,90,572
Transfer to General Reserve		50,00,000	15,00,00,000
Balance Carried Forward		4,70,40,594	3,47,62,839
		<b>6,34,59,979</b>	<b>19,84,66,101</b>
Notes to the Financial Statements	15		
Earnings per Share on Equity Shares of Rs. 10 each Basic and Diluted (In Rupees)		4.41	22.00

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 & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Chairman & Managing Director

**Akhilesh Rathi**  
Director

**Mahesh Pancholi**  
Asst. Company Secretary

Consolidated Cash Flow Statement for the Year Ended 31<sup>st</sup> March, 2009

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
Net profit before taxation	4,32,97,675	18,99,55,147
Add adjustments for :		
(Profit) / Loss on sale of fixed assets	7,55,978	75,668
(Profit) / Loss on sale of Investments	-23,02,143	-1,37,30,588
Miscellaneous Expenses written off	42,536	15,469
Depreciation / amortisation	1,20,99,180	83,50,788
Dividend Income	-8,14,586	-21,46,254
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>5,30,78,640</b>	<b>18,25,20,230</b>
Adjustments for changes in working capital :		
- Trade and other receivables	16,39,48,865	-21,29,84,102
- Stock in trade	-6,40,83,369	40,64,093
- Loans & Advances	-2,68,89,859	-1,92,79,123
- Trade and other payables	-12,84,44,818	28,57,60,286
<b>CASH GENERATED FROM OPERATIONS</b>	<b>-23,90,540</b>	<b>24,00,81,384</b>
- Taxes paid including fringe benefit tax (net)	-1,93,54,741	-6,02,02,539
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>-2,17,45,282</b>	<b>17,98,78,845</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) / Sales of fixed assets	-77,99,424	-3,30,40,305
(Purchase) / Sales of Investments	-20,64,296	4,22,78,209
Dividend received	8,14,586	21,46,254
<b>NET CASH USED IN INVESTING ACTIVITY (B)</b>	<b>-90,49,134</b>	<b>1,13,84,159</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Dividend Paid	-1,17,12,690	-53,28,300
Preliminary Expenses	-1,11,660	-
Proceeds from secured loans	-2,02,37,662	2,01,76,498
Dividend distribution tax paid	-19,90,572	-9,05,545
<b>NET CASH USED IN FINANCING ACTIVITY (C)</b>	<b>-3,40,52,584</b>	<b>1,39,42,653</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>-6,48,46,999</b>	<b>20,52,05,656</b>
Cash and cash equivalents at the beginning of the year	55,23,23,703	9,29,73,915
Add : balance obtained on amalgamation	-	23,25,81,838
Cash and cash equivalents at the end of the year	48,74,76,704	53,07,61,409
Cash and cash equivalents comprise of		
Cash and cheques in hand	66,075	5,91,389
Balances with scheduled banks	48,74,10,629	53,01,70,020
<b>Total</b>	<b>48,74,76,704</b>	<b>53,07,61,409</b>
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

Ajay Tulsian  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Chairman & Managing Director

Akhilesh Rathi  
Director

Mahesh Pancholi  
Asst. Company Secretary



### Schedules forming part of the Consolidated Balance Sheet

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 1A - Capital</b>		
Authorised 70,00,000 (Previous Year 4000000) Equity Shares of Rs.10/- each	7,00,00,000	4,00,00,000
Issued, Subscribed and Paid up 65,07,050 (Previous year 3552200) Equity Shares of Rs.10/- each fully paid up*	6,50,70,500	3,55,22,000
<b>Total</b>	<b>6,50,70,500</b>	<b>3,55,22,000</b>
*29,54,850 Equity Shares of Rs.10/- each fully paid up allotted to shareholders of erstwhile Arihant Fincap Limited on amalgamation on April 11, 2008		
<b>Schedule 1B - Share Capital Suspense</b>		
Nil (Previous Year 29,54,850 Equity Shares of Rs.10/- each fully paid up to be issued pursuant to the scheme of Amalgamation of Arihant Fincap Limited with the Company)	-	2,95,48,500
<b>Total</b>	<b>-</b>	<b>2,95,48,500</b>
<b>Schedule 2 - Reserves and Surplus</b>		
General Reserve		
Balance as per last Balance Sheet	29,48,86,255	3,25,31,463
Addition on Amalgamation	-	13,00,36,901
Less: Adjustment on Amalgamation	-	1,97,55,355
Add : Adjustment for opening balance of share in income of the Associates	-	20,73,246
Add : Transfer from Profit and Loss Account	50,00,000	15,00,00,000
	<u>29,98,86,255</u>	<u>29,48,86,255</u>
Capital Reserve on Consolidation	34,05,000	-
Profit and Loss Account	4,70,40,594	3,47,62,839
<b>Total</b>	<b>35,03,31,849</b>	<b>32,96,49,094</b>
<b>Schedule 3 - Loan Funds</b>		
Overdraft from AXIS Bank Limited (Secured by pledge of Fixed Deposit Receipt)	-	2,00,80,445
Overdraft from AXIS Bank Limited (Secured by pledge of Shares)	-	1,57,217
<b>Total</b>	<b>-</b>	<b>2,02,37,662</b>

### Schedule 4 - Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1 <sup>st</sup> April 2008	Additions for the Year	Deductions Adjustment for the Year	As at 31 <sup>st</sup> March, 2009	As at 1 <sup>st</sup> April 2008	For the Year	On Deductions	As at 31 <sup>st</sup> March, 2009	As at 31 <sup>st</sup> March, 2009	As at 31 <sup>st</sup> March 2008
Premises	52,15,950	13,34,795	-	65,50,745	1,98,650	94,127	-	2,92,777	62,57,968	50,17,300
Furniture & Fixtures	1,84,97,790	16,63,105	7,94,614	1,93,66,281	24,79,390	12,11,811	94,216	35,96,985	1,57,69,296	1,60,18,400
Office Equipments	67,35,119	8,93,769	1,04,900	75,23,988	10,71,996	3,45,514	10,355	14,07,155	61,16,833	56,63,123
Computers & Software	5,96,17,841	53,06,401	22,76,290	6,26,47,952	2,08,45,338	96,29,685	17,20,604	2,87,54,419	3,38,93,533	3,87,72,503
Electrical Installations	20,63,400	6,00,137	2,24,857	24,38,680	3,89,369	3,28,042	41,573	6,75,838	17,62,842	16,74,031
Motor Vehicles	82,05,610	28,21,048	38,99,076	71,27,582	28,72,813	13,20,871	24,01,831	17,91,853	53,35,729	53,32,797
Exchange Membership	-	9,01,000	-	9,01,000	-	3,95,336	-	3,95,336	5,05,664	-
<b>Total</b>	<b>10,03,35,710</b>	<b>1,35,20,254</b>	<b>72,99,737</b>	<b>10,65,56,227</b>	<b>2,78,57,556</b>	<b>1,33,25,386</b>	<b>42,68,579</b>	<b>3,69,14,363</b>	<b>6,96,41,864</b>	<b>7,24,78,154</b>
Previous Year	4,92,81,846	5,12,40,442	1,86,578	10,03,35,710	84,02,962	2,25,61,536	31,06,942	2,78,57,556	7,24,78,154	4,08,78,884

# Arihant Future & Commodities Limited was charging depreciation at WDV method prescribed under Companies Act.



Schedules forming part of the Consolidated Balance Sheet

	Face Value Rupees	31 <sup>st</sup> March 2009 Quantity	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Quantity	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 5 - Investments</b>					
Long Term Investments (Trade)					
(At cost) (Unquoted, fully paid up)					
In Equity Shares of Bombay Stock Exchange Limited	1	10000	1,19,65,000	10000	1,19,65,000
In Equity Shares of Saurashtra Kutch Stock Exchange	100	50	5,05,000	50	5,05,000
(A)			<b>1,24,70,000</b>		<b>1,24,70,000</b>
Current Investments (Non Trade)					
(a) Unquoted, Equity Shares (fully paid up)					
(i) Associates					
Arihant Future & Commodities Limited	10		-	125000	25,01,745
Add : Adjustment for opening balance of share in income of the Associates			-		20,73,245
Add : Proportionate share in income of Associates for the year			-		5,19,664
			-		50,94,654
(ii) Others					
The Saraswat Co-Operative Bank Limited	10	500	5,000	500	5,000
			5,000		5,000
			5,000		50,99,654
(b) Quoted Equity Shares (fully paid up)					
Industrial Development Bank of India Limited	10		-	211	11,101
Reliance Communication Ventures Limited	5		-	1000	1,37,970
Reliance Capital Limited	10		-	50	10,626
Reliance Energy Limited	10		-	75	20,707
Reliance Industries Limited	10		-	1000	3,28,335
Reliance Natural Resources Limited	5		-	1000	8,662
State Bank of India	10		-	200	1,27,490
Tata Steel Limited	10		-	184	55,200
Tamil Nadu Petro Products Limited			-	558	1,11,270
Indian Hotel	1	100	7,000		-
Indian Hotel-warrant - 30 Sep 2009		50	-		-
			7,000		8,11,361
(c) Quoted Preference Shares (fully paid up)					
2% Cumulative Convertible of Tata Steel Limited				1345	1,34,500
			-		1,34,500
(d) Quoted Debentures					
Indian Hotel NCD -6%-12 May 2011	100	50	5,000	-	-
			5,000		-
(B)			17,000		60,45,515
<b>Total (A+B)</b>			<b>1,24,87,000</b>		<b>1,85,15,515</b>

Market value of Quoted Investments Rs. 8,618 (Previous Year Rs. 36,45,410)





## Schedules forming part of the Consolidated Balance Sheet

	Face Value Rupees	31 <sup>st</sup> March 2009 Quantity	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Quantity	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 6 - Stock in Trade</b>					
(At cost or market value whichever is lower)					
Equity Shares					
3i Infotech Limited	10	10800	3,43,629		
Bajaj Hindusthan Limited	1	16468	7,91,287		
Bharat Heavy Electricals Limited	10	5100	76,72,185		
Bombay Dyeing & Mfg Co. Limited	10	10000	16,79,500		
Century Textiles & Industries Limited	10	35000	76,96,500		
Chambal Fertilizers & Chemicals Limited	10	62100	26,01,990		
GAIL (India) Limited	10	13500	32,82,416		
IDBI Bank Limited	10	72000	32,68,800		
Idea Cellular Limited	10	91800	46,03,770		
Idea Cellular Limited	10	512618	2,57,07,793		
Industrial Development Bank of India Limited	10			175000	1,55,71,500
Jaiprakash Hydro-Power Limited	10	4	113		
Mahanagar Telephone Nigam Limited	10			28400	27,42,020
Petronet LNG Limited	10	52800	20,07,279		
Polaris Software Lab Limited	5	84000	36,56,096		
Power Grid Corporation of India Limited	10	1	83		
Rajesh Exports Limited	1	39365	9,70,585		
Reliance Industries Limited	10	2700	41,12,640		
Reliance Infrastructure Limited	10	44040	2,26,96,014		
Reliance Power Limited	10	86000	88,15,000		
Suzlon Energy Limited	2	7435	3,15,244		
Zuari Industries Limited	10	16097	22,59,214		
<b>Total</b>			<b>10,24,80,139</b>		<b>1,83,13,520</b>
Aggregate Value of Stock-in-Trade					
- At Cost			11,11,34,634		4,29,42,429
- At Market Value			10,26,83,402		3,92,08,442



## Schedules forming part of the Consolidated Balance Sheet

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 7 - Sundry Debtors</b>		
Sundry Debtors (Considered Good) :		
Over Six Months	2,54,28,415	13,50,060
Others	30,06,67,351	47,47,56,545
<b>Total</b>	<b>32,60,95,766</b>	<b>47,61,06,605</b>
<b>Schedule 8 - Cash and Bank Balances</b>		
Cash on Hand	66,075	5,91,389
Balances with Scheduled Banks in :		
Current Accounts	17,04,69,745	14,27,91,165
Deposits Accounts	31,56,25,000	38,62,25,000
Unclaimed Dividend Account	12,03,018	9,66,918
Balances with Other Banks in :		
Current Accounts	1,12,866	1,86,937
In Current Account with Kopergaon People Co Operative Bank Ltd		
Maximum balance during 2008-09 Rs 11.37 lacs (Previous Year Rs 14.96 Lacs )		
<b>Total</b>	<b>48,74,76,704</b>	<b>53,07,61,409</b>
<b>Schedule 9 - Loans and Advances</b>		
(Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	1,25,27,356	1,19,31,067
Deposits with Exchanges / Depositories	6,13,58,019	1,43,00,701
Deposits - Others	81,79,803	1,32,36,315
Initial Margin- Equity Derivative Instrument		
(Refer note 1(H) on Schedule 15)	1,78,93,253	1,68,25,234
Mark-to-Market Margin-Equity Index/Stock Futures	93,938	39,860
(Refer note 1(H) on Schedule 15)		
Less: Provision for Loss	93,938	-39,860
Advance Tax	8,37,77,500	9,09,74,493
<b>Total</b>	<b>18,37,35,931</b>	<b>14,72,67,810</b>
<b>Schedule 10 - Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors (includes Trade Payables)		
Other than Micro, Small and Medium Enterprises*	30,32,54,440	36,21,53,323
Micro, Small and Medium Enterprises*	-	-
(Refer Note 15 on schedule 15)		
Advances from Clients	20,87,76,776	33,87,98,618
Other Liabilities	4,90,12,201	6,29,75,081
Credit Balance of Banks (Due to outstanding cheques)	12,33,99,909	1,10,46,710
Equity Index/Stock Option Premium	17,86,464	63,781
(Refer Note 1 (I) (b) on Schedule 15)		
Add: Provision for Loss	-	-
<b>Total</b>	<b>68,62,29,790</b>	<b>77,50,37,514</b>
<b>Provisions</b>		
Proposed Dividend	97,60,575	1,17,12,690
Dividend Tax Payable	16,58,810	19,90,572
Provisions for Tax	5,92,11,200	7,25,32,248
Unpaid Dividend	12,03,018	9,66,918
<b>Total</b>	<b>7,18,33,603</b>	<b>8,72,02,428</b>
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.		
<b>Schedule 11 - Miscellaneous Expenses</b>		
<b>(To the extent not written off or adjusted)</b>		
Preliminary Expenses	73,387	68,077
Add: Incurred during the year	1,11,660	0
Less: written off during the year	40,682	13,615
(A)	1,44,365	54,462
Pre-operative Expenses	7,418	9,272
Add: Incurred during the year	-	-
Less: written off during the year	1,854	1,854
(B)	5,564	7,418
<b>Total (A+B)</b>	<b>1,49,929</b>	<b>61,880</b>



## Schedules forming part of the Consolidated Profit and Loss Account

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 12 - Income from Operations</b>		
Income from Brokerage - Gross	33,18,34,787	51,44,63,543
Interest On Loans & Deposits	4,13,96,648	20,20,416
[Tax Deducted at Source Rs. 29.28 Lacs (Previous Year - Rs.4.58 Lac)]		
Profit on Sale of Investments (net)	23,02,143	1,37,30,588
Profit on Trading in Securities (net ) (Refer Note 6(a) on Schedule 15)	4,64,449	3,11,46,536
Profit on Jobbing Transactions (Net)	40,28,271	1,21,68,645
Commission Received	31,97,290	60,42,977
[Tax deducted at source Rs.Nil (Previous Year Rs.61.70 Lacs)]		
Fees From Portfolio Management Services	73,009	3,32,667
Fees From Merchant Banking	78,11,941	71,16,591
[Tax deducted at source Rs.6.45 Lacs (Previous Year Rs.3.98 Lacs)]		
Dividend Income	8,14,586	21,46,254
Deferred Payment Charges	1,26,90,187	1,71,41,912
Depository Receipts	1,17,72,549	93,59,578
<b>Total</b>	<b>41,63,85,859</b>	<b>61,56,69,707</b>
<b>Schedule 13 - Other Income</b>		
Interest on Deposits	2,75,07,580	2,07,70,969
[Tax Deducted at Source Rs. 56.79 Lacs (Previous Year Rs. 43.80 Lacs)]		
Bad debts recovered	18,26,556	-
Miscellaneous Income	25,99,464	39,29,874
<b>Total</b>	<b>3,19,33,600</b>	<b>2,47,00,843</b>
<b>Schedule 14 - Establishment, Administrative &amp; Other Expenses</b>		
Advertisement	6,40,036	10,80,912
<u>Auditors' Remuneration</u>		
Audit Fees	2,40,000	65,000
Tax Audit Fees	65,000	40,000
In Other Capacity	-	-
Bad Debts Written Off	93,14,561	1,87,41,759
Bank & Depository Charges	51,64,248	48,16,392
Business Development	17,37,105	18,19,743
Communication including V-Sat	1,31,80,166	1,58,21,737
Director's Emoluments	23,60,000	24,25,768
Electricity	42,44,377	44,20,788
Exchange Transaction Charges	2,09,81,734	2,58,09,320
Insurance	6,67,206	4,95,411
Legal and Professional	97,00,981	91,35,474
Listing Fee	65,000	10,100
Loss on Sale of Fixed Assets	7,55,978	75,668
Membership Fee & Subscription	18,05,285	26,04,666
Miscellaneous Expenses	43,53,132	40,46,261
Miscellaneous Expenses written off	42,536	15,469
Office Expenses	20,67,419	34,85,427
Rent, Rates & Taxes	1,48,84,010	1,41,85,041
Repairs & Maintenance	35,39,402	84,38,376
Software Maintenance	80,31,150	63,40,463
Salaries, Allowances and Bonus	9,36,68,612	9,09,45,808
Securities Transaction Tax on Investments	25,439	3,54,915
Staff Welfare	14,96,762	14,47,354
Stationery & Printing	33,24,457	48,24,981
Sub Brokerage/Referral Fees and Expenses	14,36,61,892	21,03,04,785
Travelling, Conveyance and Motor Car Expenses	34,19,891	39,98,661
Wealth Tax	51,446	-
<b>Total</b>	<b>34,94,87,824</b>	<b>43,57,50,279</b>

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

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

**B. ACCOUNTING CONVENTION**

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

**C. REVENUE RECOGNITION**

- i. Group recognises Brokerage Income and Profit/ (Loss) from Trading of Securities on the basis of the date of pay in 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 have been provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 on prorata basis except in the case of Arihant Future and Commodities Limited where depreciation is charged on Written Down 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:

- (a) The financial statements of the Company and its subsidiary companies have been combined on a line-by line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- (b) The consolidated financial statements include the share of profit / loss of associate companies, which are accounted under the 'Equity method' as per which the share of profit of the associate company has been added to the cost of investment. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.
- (c) 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.
- (d) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

**2. COMPANIES INCLUDED IN CONSOLIDATION**

## Subsidiaries:

Particulars	Country of Incorporation	Proportion of Interest as on 31 <sup>st</sup> March 2009	Proportion of Interest as on 31 <sup>st</sup> March 2008
Arihant Financial Services Limited	India	99.76%	99.76%
Arihant Futures & Commodities Limited	India	99.86%	-
Arihant Finsec Limited	India	100%	-

## Associates:

Particulars	Country of Incorporation	Proportion of Interest as on 31 <sup>st</sup> March 2009	Proportion of Interest as on 31 <sup>st</sup> March 2008
Arihant Futures & Commodities Limited	India	-	35.21%

**3. DEFERRED TAX LIABILITY**

## Components of Deferred Tax Liabilities/Assets:

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
a) Deferred Tax Liabilities		
Depreciation	99,96,975	86,33,124
b) Deferred Tax Assets		
Non Payment of Expenses	9,26,521	13,73,414
Unabsorbed Losses	5,62,153	

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

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

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

(Rs. in Lacs)

Particulars	2008-2009		2007-2008	
	Quantity	Amount	Quantity	Amount
Opening Stock	418400	383.97	132386	424.61
Purchases	22949101	27,063.23	14056560	24,494.19
Sales	22596546	26,543.16	13770546	24,667.14
Closing Stock	770955	785.06	418400	383.97

(b) Investments pledged with Bombay Stock Exchange Limited towards Additional Base Capital in Cash segment:

(Rs. in Lacs)

Name of Scrip	Face Value	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
		Quantity	Value	Quantity	Value
Tata Steel Limited	10	Nil	Nil	2	600
2% Cumulative Convertible Preference Shares of Tata Steel	100	Nil	Nil	22	2200



(c) Investments pledged with National Securities Clearing Corporation Limited towards Additional Base Capital in Cash segment: (Rs. in Lacs)

Name of Scrip	Face Value	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
		Quantity	Value	Quantity	Value
Tata Steel Limited	10	Nil	Nil	130	39,000
2% Cumulative Convertible Preference Shares of Tata Steel	100	Nil	Nil	1323	1,32,300
Reliance Capital Limited	10	Nil	Nil	50	10,626
State Bank Of India	10	Nil	Nil	200	2,17,490
Reliance Industries Limited	10	Nil	Nil	1000	3,28,335

(d) Investments pledged with National Securities Clearing Corporation Limited towards Additional Base Capital in Derivative segment: (Rs. in Lacs)

Name of Scrip	Face Value	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
		Quantity	Value	Quantity	Value
Reliance Comm. Ventures Limited	5	Nil	Nil	187	25800

(e) Open Interest in Individual Stock Futures as on 31st March, 2009:

Open Short Positions

Name of Equity Index/ Stock Futures	Expiry Date	No. of Contracts	No. of Units
Bharat Heavy Electricals Ltd	30/04/2009	17	5100
Idea Cellular	30/04/2009	6	32400
Reliance Power Ltd	30/04/2009	43	86000
Reliance Industries Ltd	30/04/2009	9	2700

Outstanding Options contract as on 31<sup>st</sup> March 2009 (Rs. in Lacs)

Name of the Option Index/ Stock	Total Premium Carried Forward as at 31 <sup>st</sup> March 2009, Net of Provision made
Chambal Fertilizer	1.61
Idea Cellular	11.75
Reliance Infrastructure Ltd	3.56

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

Mutual Fund Scheme	Face Value	Purchase / Allotted	Sold / Redeemed
Baroda Pioneer Liquid Fund- Institutional Daily	10	1000228.868	1000228.868
Bharti AXA Liquid Fund - Institutional Plan	1000	10007.707	10007.707
Canara Robeco Liquid Fund	10	1993317.933	1993317.933
DSP BlackRock Strategic Bond Fund- Regular Plan- Weekly Dividend	1000	1003.349	1003.349
Fortis Overnight Fund- Institutional Daily Dividend	10	1000890.969	1000890.969
Kotak Floater Long Term- Daily Dividend	10	1489723.091	1489723.091
Kotak Floater Short Term- Daily Dividend	10	498015.514	498015.514
LICMF Liquid Fund - Dividend Plan	10	1823810.292	1823810.292
LICMF Liquid Fund - Growth Plan	10	9615556.928	9615556.928
Quantum Index Fund (QIF)	10	2490.000	2490.000
Reliance Liquid Fund - Treasury Plan-Institutional Option-Daily Dividend Option	10	1309378.133	1309378.133
Reliance Liquid Fund - Treasury Plan-Retail Option-Daily Dividend Option	10	984964.855	984964.855
Reliance Money Manager Fund-Institutional Option-Daily Dividend Plan	1000	19994.617	19994.617
Reliance Money Manager Fund-Retail Option-Daily Dividend Plan	1000	25002.049	25002.049
SBNPP Money Fund Inst.- Daily Dividend Reinvestment	10	4471040.635	4471040.635



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

(Rs. in Lacs)

Particulars	2008 - 2009	2007 - 2008
(a) Salaries & Incentives	23.95	24.26

## 9. 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. 770 Lacs (Previous Year Rs. 790 Lacs) towards additional margin.
- Bank Guarantees of Rs.75 Lacs (Previous Year Rs. 50 Lacs) extended to National Securities Clearing Corporation Limited under the mandatory rules for membership and Rs. 2350 Lacs (Previous Year Rs. 2550 Lacs) towards additional margin.
- Income Tax matters in respect of which Appeal is pending - Rs. 10.00 lacs (net of payments) (Previous year Rs. 21.25 lacs).
- Claims against the Group not acknowledged as debts Rs.3.98 Lacs ( Previous Year Rs. Nil)
- Bank Guarantees of Rs.125 Lacs (Previous Year Rs. 125 Lacs) extended to National Commodity Clearing Corporation Limited under the mandatory rules for membership and towards additional margin.
- Bank Guarantees of Rs.75 Lacs (Previous Year Rs. 75 Lacs) extended to Multi Commodity Exchange of India Ltd under the mandatory rules for membership and towards additional margin.

## 10. Earning Per Share (EPS)

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
Outstanding Shares	65,07,050	65,07,050
Profit available to Equity Share Holders	2,86,97,140	14,00,44,822
Add: Depreciation Added back	-	30,93,533
Net profit for EPS	2,86,97,140	14,31,38,355
Basic EPS	4.41	22
Diluted EPS	4.41	22
Nominal value of Share	10	10

## 11. Earning in Foreign Currency

Particulars	2008 - 2009 Amount in Rs.	2007 - 2008 Amount in Rs.
Consultancy Fees	4,49,440	-

## 12. There is no expenditure in foreign currency.

13. Fixed deposits with scheduled banks include Rs. 230.00 Lacs (Previous Year Rs. 1160 Lacs), which is under the lien of National Securities Clearing Corporation Limited, Rs. 51.25 Lacs (Previous Year Rs. 201.25 Lacs) which is under the lien of Bombay Stock Exchange Limited, Rs. 150 Lacs which is under the lien of MCX Stock Exchange (MCX-SX), Rs. 50.00 Lacs (Previous Year Rs. Nil Lacs), which is under the lien of National Commodity Clearing Corporation Limited and Rs. 250.00 Lacs (Previous Year Rs. Nil Lacs) which is under the lien of Multi Commodity Exchange of India Ltd.

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 31<sup>st</sup> March, 2009 are given below:





## Relationships (During the year)

## 1. Key Management Personnel

Mr. Ashok Kumar Jain, Chairman & Managing Director  
Mr. Sunil Kumar 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

(Rupees in Lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>Income</b>			
Brokerage & Other Charges	0.04 <i>Nil</i>	0.76 <i>Nil</i>	0.80 <i>Nil</i>
<b>Expenses</b>			
Salary & Incentive	23.95 24.26	4.80 8.70	28.75 32.96
<b>Rent</b>	Nil <i>Nil</i>	16.20 13.20	16.20 13.20
<b>Interest</b>	Nil <i>Nil</i>	1.75 <i>Nil</i>	1.75 <i>Nil</i>
<b>Assets</b>			
Deposits	Nil <i>Nil</i>	11.75 11.75	11.75 11.75
<b>Liabilities</b>	Nil <i>Nil</i>	Nil <i>Nil</i>	Nil <i>Nil</i>
<b>Other Transactions</b>			
Sale of Assets	Nil <i>Nil</i>	1.00 <i>Nil</i>	1.00 <i>Nil</i>
Purchase of Investment	24.06 <i>Nil</i>	28.75 <i>Nil</i>	52.81 <i>Nil</i>

Figures in Italics represent previous year figures.

15. Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro Enterprises (SME). The group 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. Figures for the previous year have been regrouped wherever necessary to conform to current year's classifications..

For Arora Banthia & Tulsiyan  
Chartered Accountants

Ajay Tulsiyan  
Partner  
Membership No. : 74868  
Indore, Dated : 30<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Chairman & Managing Director

Akhilesh Rathi  
Director

Mahesh Pancholi  
Asst. Company Secretary

**Directors' Report**

To the Members,  
Your Directors have pleasure in presenting their Third Annual Report along with the Audited Accounts for the year ended 31<sup>st</sup> March 2009.

**FINANCIAL RESULTS***(Rs. in Lacs)*

Particulars	2008-09	2007-08
Income	477.97	20.20
Expenditures	382.33	0.34
Depreciation	.002	Nil
Profit/(Loss) before tax	95.64	19.86
Provision for Taxation	29.70	6.70
Profit/(Loss) after tax	65.93	13.16
Balance brought forward	13.16	Nil
Balance carried to Balance Sheet	59.10	13.16

**DIVIDEND**

Looking forward to the future plans and expansion activities of the company the Board of Directors of the Company do not recommend dividend for the financial year 2008-09.

**OPERATIONS**

During the year under review, the company has posted income of Rs. 477.97 Lacs in comparison to Rs. 20.20 Lacs in the previous year. The profit after tax of the Company for the year 2008-09 is Rs. 65.93 Lacs which was Rs. 13.16 Lacs in the previous year.

**DIRECTORS**

Mr. Rakesh Garg has resigned as a member of the Board of Directors of the company w.e.f. 05/03/2009. The Board places on record its deep appreciation of the valuable services rendered by Mr. Rakesh Garg in the course of directorship.

In accordance with the Articles of Association of the Company Shri Saurabh Jain, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**PARTICULARS OF EMPLOYEES**

The Company has no employees, whose particulars are required to be given under the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules 1975.

**PARTICULARS U/S 217(1)(e) REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.**

The Company has no activity relating to Conservation of Energy or Technology absorption. There was also no earnings and outgo of foreign exchange.

**FIXED DEPOSITS**

During the year, the Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

**AUDITORS**

The Auditors M/s Arora, Banthia & Tulsian, Chartered Accountants, retire and are eligible for reappointment.

**COMPLIANCE CERTIFICATE**

M/s Ajit Jain & Co., Practising Company Secretary be reappointed to give Compliance Certificate in terms of proviso to Section 383A(1) of the Companies Act, 1956. Compliance Certificate is Self-Explanatory and therefore, do not call for any further comments.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;



- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2009 and of the profit or loss for the year ended on that date.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Annual Accounts for the year ended 31<sup>st</sup> March 2009 are prepared on a going concern basis.

**ACKNOWLEDGEMENT**

Your Directors would like to express their grateful appreciation for the co-operation and assistance received from all fronts including bankers, employees and above all, the shareholders of the company during the year under review.

For and on behalf of the Board of Directors

Place : Indore

Dated : 26<sup>th</sup> June 2008

**Ashok Kumar Jain**  
(Director)



## Compliance Certificate

(Under sub-section (1) of Section 383A of the Companies Act 1956)

Registration No. of the Company U67120MP2006PLC019160

Nominal Capital: Rs 25, 00,000/-

To,

The Members,

**ARIHANT FINANCIAL SERVICES LTD.**

**INDORE (M.P.)**

We have examined the registers, records, book and paper of **ARIHANT FINANCIAL SERVICES LTD.** as required to be maintained under the Companies Act 1956 (The Act). and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Companies for the financial year ended 31<sup>st</sup> March 2009. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us the Company its officers and agents. We certify that in respect of the aforesaid financial year.

1. The Company has kept and maintained all registers as stated in Annexure, "A" to this certificate, as per provisions and the rules made there under and all entries there in have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities with in the time prescribed under the Act and the rules made there under.
3. The Company is a Public Ltd Co.
4. The Board of Directors duly met **FIVE** times on 11<sup>th</sup> April 2008, 30<sup>th</sup> June 2008, 10<sup>th</sup> July 2008, 31<sup>st</sup> October 2008, 5<sup>th</sup> March 2009. (Dates) in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Books maintained for the purpose.
5. The Company closes its Register of Members from 20/09/2008 to 27/09/2008 during the financial year.
6. Annual General Meeting was held on 27<sup>th</sup> September 2008 during the financial year 2007-08.
7. One Extra Ordinary General Meeting was held on 17.05.2008 during the financial year ended on 31<sup>st</sup> Mar 2009.
8. The Company did not advance loan to its directors and /or persons or firms or companies referred in section 295 of the Act.
9. The Company has not entered in to any contacts falling within the purview of the section 297 of the Act.
10. There was no transaction required to be entered in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the question of obtaining approvals from the Board of Directors, members or Central Government, as the case may be duly complied with.
12. The Company has not issued any duplicate share certificate during the financial year.
13. The Company has;
  - i. Delivered all the certificates on allotment of securities on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
  - ii. Not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - iii. Not required to post warrants to any of its members as no dividend was declared during the financial year
  - iv. Is not required to transfer the amount in unpaid dividend account, application money due for refund, matured debentures and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to investor education fund
  - v. Duly complied with the requirement of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and no appointments of directors have been duly made. During the financial year no director appointed as an additional director and no other alternate director was appointed. During the



financial year no casual vacancy arose.

15. The Company has not appointed Managing Directors /Whole-Time Directors /Manager during the financial year.
16. The Company has not appointed any sole-selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company law Board, Regional Director, Registrar and/or such other authorities prescribes under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provision of the Act and the rules made there under.
19. The Company has not issued Shares during the financial year.
20. The Company has not bought back shares during the financial year.
21. There are no preference shares or Debentures in the company.
22. There were no transaction necessitating the Company to keeping abeyance rights to dividend, rights shares and Bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has made borrowings during the financial year.
25. The Company has made loans and investment during the year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of Company's registered office from one state to another during the financial year.
27. The Company has not altered the provisions of the Memorandum with respect to Object clause of the company during the said financial year.
28. The Company has not altered the provisions of the Memorandum with respect to the name of Company during the said financial year.
29. The Company has not altered the provisions of the Memorandum with respect to the share capital of the company during the said financial year.
30. The Company has not altered its Articles of association during the said financial year and duly complied with the provisions of the Act.
31. There were no incidence of any prosecution against the Company nor did the Company receive any show cause notice. No fines, penalties or any other were imposed on the company during the said financial year.
32. The Company has not received any securities from its employees during the said financial year.
33. The Company was not required to deduct any contribution towards Provident fund during the financial year.2008

Place : Indore

Dated : 26<sup>th</sup> June 2009

for Ajit Jain & Co,  
Company Secretaries

**(Ajit Jain)**  
Proprietor  
C.P. No. 2876 FCS 3933



## Compliance Certificate

Annexure attached to and forming part of the Compliance Certificate under Section 383A of the Companies Act, 1956 for the Financial year ended on 31<sup>st</sup> March 2009.

### Annexure A: Registers maintained by the Company

Name of Registers		Under Section of the Companies Act, 1956
1.	Registers of Members & Index	150(1)& 151
2.	Minutes of Board of Directors' Meeting	193(1)
3.	Minutes of General Body Meetings	193(1)
4.	Books of Account	209(1)
5.	Register of Contracts	301
6.	Register of Shareholdings of Directors and Managers	307
7.	Register of Directors Attendance of Table A to the Act	71

**Annexure B :** Forms and Returns as filed by the Company with the Registrar of the Companies, Regional Director, Central Government or other Authorities during the Financial Year ending on 31<sup>st</sup> March 2009.

No	Form No./ Return	Filled Under Relevant Section of The Act	Particular	Date of filling	Whether filled within prescribed time Yes/No	If delay in filling requisite additional fee paid Yes/No
1	Form 66	383A	Compliance Certificate	23/10/2008	YES	N.A
2	Form 23 AC & ACA	220	Balance sheet & P&L	25/10/2008	YES	N.A
3	Form 20 B	159	Annual Return	24/11/2008	YES	N.A
4	Form 32	303(2), 264(2), 266(1)(a) & 266(1)(b)(iii)	Cessation of Director	25/03/2009	YES	N.A
5	Form-23B	224(1A)	Appointment of Auditor	10/06/2008	YES	N.A
6	Form-23B	224(1A)	Appointment of Auditor	18/10/2008	YES	N.A

Place: Indore  
Date: 26<sup>th</sup> June 2009

for Ajit Jain & Co,  
Company Secretaries

(Ajit Jain)  
Proprietor  
C.P. No. 2876 FCS 3933



## Auditors' Report

TO,  
THE MEMBERS OF ARIHANT FINANCIAL SERVICES LIMITED

We have audited the attached Balance Sheet of **ARIHANT FINANCIAL SERVICES LIMITED** as at 31<sup>st</sup> March 2009 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 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion, and to the best of our information and according to the explanation given to us, the said accounts subject to and read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) In the case of Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2009;
  - (ii) In the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date;
  - (iii) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

**For Arora Banthia & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009



### Annexure referred to in paragraph 1 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, no material discrepancies have been noticed on such verification.  
(c) In our opinion, substantial parts of the Company's fixed assets have not been disposed off by the company, during the year.
2. (a) The securities held as stock in trade have been verified by the Management with the statement of holdings provided by depository participants and brokers at reasonable intervals. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of confirmation of securities held as stock in trade followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the records of the Company relating to securities held as stock in trade, in our opinion, the Company has maintained proper records of stock in trade and no material discrepancies between the book records and the statement of holdings provided by NSDL, other depository participants and brokers have been noticed.
3. The Company has granted a loan to a company covered in the register maintained under section 301 of The Companies Act, 1956. The maximum outstanding during the year was Rs.786.77 Lacs and the year end balance was Rs. 0.15 Lacs. In our opinion, the rate of interest and other terms and conditions on which the said loan was given are not prima facie prejudicial to the interest of the Company. The re-payment of principal and payment of interest are regular and there are no overdue amounts in respect of said loan. The Company has not taken any loan from companies 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 there 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, sales tax, income tax, wealth 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 provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and other material statutory dues 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, there are no dues of provident fund, sales tax, income tax, wealth tax, cess which have not been deposited on account of any dispute.
10. As the Company has been registered for a period of less than 5 years at the balance sheet date, the clause regarding accumulated losses and cash loss is not applicable.
  11. The Company has not defaulted in payments of any dues to financial institutions, banks or debenture holders.
  12. The Company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures or other securities. Therefore the provisions of clause 4 (xii) of the Order are not applicable to the Company
  13. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Order are not applicable to the Company
  14. The Company is dealing in securities for which proper records have been maintained of the transactions and timely entries have been made therein. Securities held as stock in trade by the Company are held in the name of the Company or in the name of its nominees except to the extent of the exemption granted under Section 49 of the Act.
  15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from the banks or financial institutions.
  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.
  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

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**Balance Sheet as at 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds :</b>			
Capital	1	25,00,000	25,00,000
Reserves and Surplus	2	2,59,09,562	1,93,16,219
Deferred Tax Liability (Refer Note 2 on Schedule 11)		16,166	-
	<b>Total</b>	<b>2,84,25,728</b>	<b>2,18,16,219</b>
<b>Application of Funds</b>			
<b>Fixed Assets :</b>			
Gross Block	3	7,00,000	-
Less : Depreciation / Amortisation		182	-
Net Block		6,99,818	-
<b>Current Assets, Loans and Advances :</b>			
Sundry Debtors	4	15,356	
Cash and Bank Balances	5	3,03,20,741	2,14,38,235
Loans and Advances	6	36,21,999	9,91,104
		3,39,58,096	2,24,29,339
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	7	26,54,397	5,000
Provisions		36,24,200	6,70,000
Net Current Assets		2,76,79,499	2,17,54,339
<b>Miscellaneous Expenses</b>	8	46,411	61,880
	<b>Total</b>	<b>2,84,25,728</b>	<b>2,18,16,219</b>
Notes to the Financial Statements	11		

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 & Tulsian  
Chartered Accountants

Ajay Tulsian  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Director

Rakesh Jain  
Director

**Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Income</b>			
Income From Operations	9	4,77,96,657	20,20,416
	<b>Total</b>	<b>4,77,96,657</b>	<b>20,20,416</b>
<b>Expenditure</b>			
Establishment, Administrative & Other Expenses	10	3,82,32,766	34,197
	<b>Total</b>	<b>3,82,32,766</b>	<b>34,197</b>
Profit Before Depreciation / Amortisation and Taxation		95,63,891	19,86,219
Depreciation / Amortisation	3	182	-
<b>Profit Before Taxation</b>		<b>95,63,709</b>	<b>19,86,219</b>
Provision For Taxation			
Fringe Benefit Tax		4,200	-
Deferred Tax (Refer Note 2 on Schedule 11)		16,166	-
Current Tax		29,50,000	6,70,000
Profit After Taxation		65,93,343	13,16,219
Balance Brought Forward		13,16,219	-
		<b>79,09,562</b>	<b>13,16,219</b>
<b>Appropriations</b>			
Transfer to Statutory Reserve Fund		20,00,000	-
Balance Carried Forward		59,09,562	13,16,219
		<b>79,09,562</b>	<b>13,16,219</b>
Notes to the Financial Statements	11		
Earnings per Share on Equity Shares of Rs. 10 each			
Basic and Diluted (In Rupees)		26.37	5.26

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

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Rakesh Jain**  
Director

**Cash Flow Statement for the year ended 31<sup>st</sup> March, 2009**

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	95,63,709	19,86,219
Add adjustments for :		
Depreciation	182	-
Miscellaneous Expenditure	15,469	15,469
Dividend Income	-9,500	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>95,69,860</b>	<b>20,01,688</b>
Adjustments for changes in working capital :		
- Trade and other receivables	-15,356	-
- Loans & Advances	3,09,365	-3,80,910
- Trade and other payables	26,49,397	-
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,25,13,266</b>	<b>16,20,778</b>
- Taxes paid including fringe benefit tax (net)	-29,40,260	-6,07,949
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>95,73,006</b>	<b>10,12,829</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) / Sales of fixed assets	-7,00,000	-
Dividend received	9,500	-
<b>NET CASH USED IN INVESTING ACTIVITY (B)</b>	<b>-6,90,500</b>	<b>-</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>88,82,506</b>	<b>10,12,829</b>
Cash and cash equivalents at the beginning of the year	2,14,38,235	2,04,25,406
Cash and cash equivalents at the end of the year	3,03,20,741	2,14,38,235
Cash and cash equivalents comprise of		
Cash and cheques in hand	17,000	50,000
Balances with scheduled banks	3,03,03,741	2,13,88,235
<b>Total</b>	<b>3,03,20,741</b>	<b>2,14,38,235</b>
Notes to the Financial Statements	11	

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

**For Arora Banthia & Tulsiyan**  
Chartered Accountants

**For and on behalf of the Board**

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**Ashok Kumar Jain**  
Director

**Rakesh Jain**  
Director



### Schedules forming part of the Balance Sheet

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 1 - Capital</b>		
Authorised 2,50,000 Equity Shares of Rs.10/- each	25,00,000	25,00,000
Issued, Subscribed and Paid up 2,50,000 Equity Shares of Rs.10/- each fully paid up	25,00,000	25,00,000
<b>Total</b>	<b>25,00,000</b>	<b>25,00,000</b>
<b>Schedule 2 - Reserves and Surplus</b>		
Statutory Reserve Fund Balance as per last Balance Sheet	-	-
Add : Transfer from Profit and Loss Account	20,00,000	-
	20,00,000	-
Securities Premium Account	1,80,00,000	1,80,00,000
Profit and Loss Account	59,09,562	13,16,219
<b>Total</b>	<b>2,59,09,562</b>	<b>1,93,16,219</b>

### Schedule 3 - Fixed Assets

PARTICULARS BLOCK	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1 <sup>st</sup> April 2008	Additions for the Year	Deductions Adjustment for the year	As at 31 <sup>st</sup> March 2009	As at 1 <sup>st</sup> April 2008	For the Year	On Deductions	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008
Motor Vehicles	-	7,00,000	-	7,00,000	-	182	-	182	6,99,818	-
<b>Total</b>	-	<b>7,00,000</b>	-	<b>7,00,000</b>	-	<b>182</b>	-	<b>182</b>	<b>6,99,818</b>	-

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 4 - Sundry Debtors</b>		
Sundry Debtors (Considered Good) :		
Over Six Months	-	-
Others	15,356	-
<b>Total</b>	<b>15,356</b>	<b>-</b>
<b>Schedule 5 - Cash and Bank Balances</b>		
Cash on Hand	17,000	50,000
Balances with Scheduled Banks in :		
Current Accounts	3,03,03,741	13,88,235
Deposits Accounts	-	2,00,00,000
<b>Total</b>	<b>3,03,20,741</b>	<b>2,14,38,235</b>
<b>Schedule 6 - Loans and Advances</b>		
(Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	73,790	-
Accrued Interest	-	3,83,155
Advance Tax and TDS	35,48,209	6,07,949
<b>Total</b>	<b>36,21,999</b>	<b>9,91,104</b>



## Schedules forming part of the Balance Sheet

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 7 - Current Liabilities &amp; Provisions</b>		
Current Liabilities		
Audit Fees Payable	15,000	5,000
TDS Payable	26,31,897	-
Sundry Creditors (Includes Trade Payables) Other than Micro, Small and Medium Enterprises Micro, Small and Medium Enterprises*	7,500	-
(Refer Note 8 on schedule 11)	-	-
<b>Total</b>	<b>26,54,397</b>	<b>5,000</b>
<b>Provisions</b>		
Provisions for Fringe Benefit Tax	4,200	-
Provisions for Taxation	36,20,000	6,70,000
<b>Total</b>	<b>36,24,200</b>	<b>6,70,000</b>
<b>Schedule 8 - Miscellaneous Expenses</b> (To the extent not written off or adjusted)		
Preliminary Expenses	54,462	68,077
Less: written off during the year	13,615	13,615
<b>(A)</b>	<b>40,847</b>	<b>54,462</b>
Pre-operative Expenses	7,418	9,272
Less: written off during the year	1,854	1,854
<b>(B)</b>	<b>5,564</b>	<b>7,418</b>
<b>Total (A+B)</b>	<b>46,411</b>	<b>61,880</b>

## Schedules forming part of the Profit &amp; Loss Account

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 9 - Income from Operations</b>		
Interest On Loans & Deposits	4,28,13,211	20,20,416
[Tax Deducted at Source Rs. 29.28 Lakhs (Previous Year- Rs. 4.58 Lakhs)]		
Profit on Trading in Securities (Net ) (Refer Note 3 on Schedule 11)	36,63,556	-
Profit on Jobbing Transactions (Net)	13,10,390	-
Dividend Income	9,500	-
	<b>4,77,96,657</b>	<b>20,20,416</b>
<b>Schedule 10 - Establishment, Administrative &amp; Other Expenses</b>		
<u>Auditors' Remuneration</u>		
Audit Fees	10,000	5,000
Tax Audit Fees	5,000	-
In Other Capacity	-	-
Bank Commission	2,922	-
Depository Charges	1,45,718	-
Interest Paid	3,78,65,612	-
Preliminary & Preoperative Expenses written off	15,469	15,469
Legal and Professional	30,081	13,728
Salary & Other Benefit	1,48,000	-
Software Running & Maintenance	3,600	-
Stationary & Printing	6,364	-
<b>Total</b>	<b>3,82,32,766</b>	<b>34,197</b>



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

### Schedule 11 - 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. Income from interest on Loans is recognized on accrual basis.
- ii. Profit/ (Loss) from Trading of Securities is recognized on the basis of the date of transaction.

##### 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. PRELIMINARY EXPENSES

Preliminary expenses representing expenses incurred for formation of the company and expenses before start of operation of the company are amortized over a period of five years.

##### F. STOCK IN TRADE

Securities Shown as Inventories are valued scrip wise at Average Cost of the day or Market Value whichever is lower. Cost includes direct expenses.

##### G. 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 is accounted for as follows:  

Credit balance in the "Mark-to-Market Margin-Equity Index/Stock Futures Account", being the anticipated profit, is ignored and no credit for the same is taken in the Profit and Loss Account.

Debit balance in the "Mark-to-Market Margin -Equity Index/Stock Futures Account", being anticipated loss, is adjusted in the Profit and Loss Account.
- (d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the



difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in “Mark-to-Market Margin-Equity Index/ Stock Futures Account” after adjustment of provision for anticipated losses is recognised in the Profit and Loss Account.

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.

#### H. EQUITY INDEX/ STOCK OPTIONS

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

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

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

#### I. 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.

#### J. EARNING PER SHARE

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





## 2. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities/Assets:

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
(a) Deferred Tax Liabilities		
Depreciation	16,166	-
(b) Deferred Tax Assets		
Non Payment of Expenses	-	-

## 3. Quantitative Information in respect of Trading in Securities of cash segment on own account (excluding jobbing transactions) :

(Rs. in Lacs)

Particulars	2008-2009		2007-2008	
	Quantity	Amount	Quantity	Amount
Opening Stock	-	-	-	-
Purchases	4788594	9114.55	-	-
Sales	4788594	9121.10	-	-
Closing Stock	-	-	-	-

## 4. Earning Per Share (EPS)

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
Outstanding Shares	2,50,000	2,50,000
Profit After Tax	65,93,343	13,16,219
Basic EPS	26.37	5.26
Diluted EPS	26.37	5.26
Nominal value of Share	10	10

5. The Company has not made any imports during the year. The Company does not have any Earnings or Expenditure in Foreign Currency.

6. There are no Contingent Liabilities as at the year end.

7. 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, 2009 are given below:

Relationships (During the year)

1. Key Management Personnel

Mr. Ashok Kumar Jain, Director

Mr. Rakesh Jain, Director

Mr. Saurabh Jain, Director

2. Holding Company

Arihant Capital Markets Limited

3. Fellow Subsidiaries

Arihant Finsec Limited

Arihant Futures &amp; Commodities Limited



(Rs. in Lacs)

Particulars	Key Management Personnel	Holding Company	Total
<b>Income</b>			
Interest Received	Nil <i>Nil</i>	14.17 <i>Nil</i>	14.17 <i>Nil</i>
<b>Expenses</b>			
Depository Charges	Nil <i>Nil</i>	1.46 <i>Nil</i>	1.46 <i>Nil</i>
Brokerage & Other Charges	Nil <i>Nil</i>	8.30 <i>Nil</i>	8.30 <i>Nil</i>
<b>Assets</b>			
Deposits	Nil <i>Nil</i>	0.15 <i>Nil</i>	0.15 <i>Nil</i>
Purchases	Nil <i>Nil</i>	7.00 <i>Nil</i>	7.00 <i>Nil</i>
<b>Liabilities</b>	Nil <i>Nil</i>	Nil <i>Nil</i>	Nil <i>Nil</i>

Figures in Italics represent previous year figures

8. Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro 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.
9. Disclosure as per Clause 32 of the Listing Agreement.  
Loans and advances given to Holding Company

(Rs. in Lacs)

Particulars	Outstanding Balance		Maximum Balance During the Period	
	2008-09	2007-08	2008-09	2007-08
Arihant Capital Markets Limited	0.15	Nil	786.77	Nil
<b>Total</b>	0.15	Nil	786.77	Nil

10. Figures of the previous year have been regrouped wherever necessary to confirm to current year's classification.

For Arora Banthia & Tulsian  
Chartered Accountants

Ajay Tulsian  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Director

Rakesh Jain  
Director



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

## Registration Details

Registration No. U67120MP2006PLC019160

Balance Sheet Date 31-03-2009

State Code

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

Public Issue NIL

Rights Issue NIL

Bonus Issue NIL

Private Placement NIL

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

Total Liabilities 28426

Total Assets 28426

## Source of Funds (Amount in Rs. thousand)

Paid-up Capital 2500

Reserves and Surplus 25910

Deferred Tax 16

Unsecured Loans NIL

Secured Loans NIL

## Application of Funds (Amount in Rs. thousand)

Net Fixed Assets 700

Investments NIL

Net Current Assets 27679

Miscellaneous Expenditure 46

Accumulated Losses NIL

## Performance of the Company (Amount in Rs. thousand)

Turnover (Income) 47797

Total Expenditure 38233

Profit/(-) Loss before Tax 9564

Profit/(-) Loss after Tax 6593

Earnings per share (in Rs.) 26.37

Dividend Rate (%) NIL

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

Item Code No. Not Classified

Product Description Financial Activity

Ashok KumarJain  
DirectorIndore, Dated : 26<sup>th</sup> June 2009Rakesh Jain  
Director



## Directors' Report

To the Members,  
Your Directors have pleasure in presenting their Seventh Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2009.

### FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2008-09	2007-08
Income	219.90	129.60
Expenditures	154.15	101.77
Depreciation	7.52	5.93
Profit/(Loss) before tax	58.22	21.92
Provision for Taxation	18.02	7.16
Profit/(Loss) after tax	40.21	14.76
Balance brought forward	73.64	58.88
Balance carried to Balance Sheet	113.84	73.64

### DIVIDEND

Looking forward to the future plans and expansion activities of the company the Board of Directors of the Company do not recommend dividend for the financial year 2008-09.

### OPERATIONS

During the year under review, the company has posted income of Rs. 219.90 Lacs in comparison to Rs. 129.60 Lacs in the previous year. The profit after tax of the Company for the year 2008-09 is Rs. 40.21 Lacs which was Rs. 14.76 Lacs in the previous year.

### DIRECTORS

In accordance with the Articles of Association of the Company Shri Mukesh Jain, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

### PARTICULARS OF EMPLOYEES

The Company has no employees, whose particulars are required to be given under the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules 1975.

### PARTICULARS U/S 217(1)(e) REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FORIEN EXCHANGE EARNINGS AND OUTGO.

The Company has no activity relating to Conservation of Energy or Technology absorption. There was also no earnings and outgo of foreign exchange.

### FIXED DEPOSITS

During the year, the Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

### AUDITORS

During the year M/s Rakesh Narendra Kumar & Company, Chartered Accountants, Indore Auditors of the Company had resigned and M/s Arora, Banthia & Tulsian, Chartered Accountants, Indore were appointed at their place in the Extra Ordinary General Meeting.

M/s Arora Banthia & Tulsian, Chartered Accountants, Indore, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:



- a) In the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2009 and of the profit or loss for the year ended on that date.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Annual Accounts for the year ended 31<sup>st</sup> March 2009 are prepared on a going concern basis.

#### **COMPLIANCE CERTIFICATE**

The Board of Directors of the Company has appointed M/s Ajit Jain & Co., Practicing Company Secretary to give compliance certificate in terms of proviso to Section 383A(1) of the Companies Act, 1956. The Compliance Certificate is being enclosed to Directors' Report and is self-explanatory and need no comment.

#### **ACKNOWLEDGEMENT**

Your Directors would like to express their grateful appreciation for the cooperation and assistance received from the Bankers, Clients, Employees and above all, the shareholders of the company during the year under review.

For and on behalf of the Board of Directors

Place : Indore

Dated : 26<sup>th</sup> June 2008

**Ashok Kumar Jain**  
(Director)



## Compliance Certificate

(Under sub-section (1) of Section 383A of the Companies Act 1956)

Registration No. of the Company U51225MP2002PLC015401

Nominal Capital: Rs 40, 00,000/-

To,

The Members,

**ARIHANT FUTURES AND COMMODITIES LTD**

**INDORE (M.P.)**

We have examined the registers, records, book and paper of **ARIHANT FUTURES AND COMMODITIES LTD** as required to be maintained under the Companies Act 1956 (The Act). And the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Companies for the financial year ended 31<sup>st</sup> March 2009. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us the Company its officers and agents. We certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure, "A" to this certificate, as per provisions and the rules made there under and all entries there in have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities with in the time prescribed under the Act and the rules made there under.
3. The Company is a Public Ltd Co.
4. The Board of Directors duly met FIVE times on 03/06/2008, 21/07/2008, 31/10/2008, 18/11/2008, 05/03/2009 (Dates) in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Books maintained for the purpose.
5. The Company closes its Register of Members from 20/09/2008 to 27/09/2008 during the financial year.
6. The last Annual General Meeting for the Financial Year 2007-08 was held on 27.09.2008 during the year.
7. One Extra Ordinary General Meeting was held during the financial year ended on 31<sup>st</sup> Mar 2009.
8. The Company did not advanced loan to its directors and /or persons or firms or companies referred in section 295 of the Act.
9. The Company has not entered in to any contacts falling within the purview of the section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the question of obtaining approvals from the Board of Directors, members or Central Government, as the case may be duly complied with.
12. The Company has not issued any duplicate share certificate during the financial year.
13. The Company has;
  - i. Delivered all the certificates on allotment of securities on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
  - ii. Not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - iii. Not required to post warrants to any of its members as no dividend was declared during the financial year
  - iv. Is not required to transfer the amount in unpaid dividend account, application money due for refund, matured debentures and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to investor education fund
  - v. Duly complied with the requirement of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointments of directors have been duly made. During the financial year no director as an additional director or alternate director was appointed. During the financial year no casual vacancy arose.
15. The Company has not appointed Managing Directors /Whole-Time Directors /Manager during the financial year.
16. The Company has not appointed any sole-selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company law Board, Regional Director, Registrar and/or such other authorities prescribes under the various provisions of the Act during the financial year.



## Compliance Certificate

18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provision of the Act and the rules made there under.
19. The Company has not issued Shares during the financial year.
20. The Company has not brought back shares during the financial year.
21. There were no redemptions of preference shares or Debentures during the financial year.
22. There were no transaction necessitating the Company to keeping abeyance rights to dividend, rights shares and Bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans and investment during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of Company's registered office from one state to another during the financial year.
27. The Company has not altered the provisions of the Memorandum with respect to Object clause of the company during the said financial year.
28. The Company has not altered the provisions of the Memorandum with respect to the name of Company during the said financial year.
29. The Company has not altered the provisions of the Memorandum with respect to the share capital of the company during the said financial year.
30. The Company has not altered its Articles of association during the said financial year and duly complied with the provisions of the Act.
31. There were no incidence of any prosecution against the Company nor did the Company receive any show cause notice. No fines, penalties or any other were imposed on the company during the said financial year.
32. The Company has not received any securities from its employees during the said financial year.
33. The Company was not required to deduct any contribution towards Provident fund during the financial year.

Place: Indore  
Date: 26<sup>th</sup> June 2009

for Ajit Jain & Co,  
Company Secretaries

**(Ajit Jain)**  
Proprietor  
C.P. No. 2876 FCS 3933

**Compliance Certificate**

**Annexure attached to and forming part of the Compliance Certificate under Section 383A of the Companies Act, 1956 for the Financial year ended on 31<sup>st</sup> March 2009.**

**Annexure A: Registers maintained by the Company**

Sr.No.	Name of Registers	Under Section of the Companies Act, 1956
1.	Registers of Members & Index	150(1)& 151
2.	Minutes of Board of Directors' Meeting	193(1)
3.	Minutes of General Body Meetings	193(1)
4.	Books of Account	209(1)
5.	Register of Contracts	301
6.	Register of Shareholdings of Directors and Managers	307
7.	Register of Directors Attendance of Table A to the Act	71

**Annexure B : Forms and Returns as filed by the Company with the Registrar of the Companies, Regional Director, Central Government or other Authorities during the Financial Year ending on 31<sup>st</sup> March 2009.**

No	Form No./Return	Filled Under Relevant Section of The Act	Particular	Date of filling	Whether filled within prescribed time Yes/No	If delay in filling requisite additional fee paid Yes/No
1	Compliance Certificate (Form -66)	383A	Financial Year ended 31 <sup>st</sup> March 2008	24/10/2008	YES	N.A
2	Annual Return (Form 20B)	159(1)	AGM held on 27.09.08	25/11/2008	YES	N.A
3	Revised Annual Return (Form 20B)	159(1)	AGM held on 27.09.08	30/03/2009	YES	YES
4	Annual Accounts (Form 23AC & 23ACA)	220(1)	Financial Year ended 31 <sup>st</sup> March 2008	25/10/2008	YES	N.A
5	Form 23B	224(1A)	Financial Year ended 31 <sup>st</sup> March 2008	25/10/2008	YES	N.A

Place: Indore  
Date: 26<sup>th</sup> June 2009

for Ajit Jain & Co,  
Company Secretaries

(Ajit Jain)  
Proprietor  
C.P. No. 2876 FCS 3933





## Auditors' Report

To,  
**THE MEMBERS OF ARIHANT FUTURES & COMMODITIES LIMITED**

We have audited the attached Balance Sheet of **ARIHANT FUTURES & COMMODITIES LIMITED** as at 31<sup>st</sup> March 2009 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 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion, and to the best of our information and according to the explanation given to us, the said accounts subject to and read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) In the case of Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2009;
  - (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

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009



## Annexure referred to in paragraph 1 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, 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. The Company has not taken/ granted any loan to a company covered in the register maintained under section 301 of The Companies Act, 1956. Hence clause (iii) of the Order is not applicable.
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 there 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, sales tax, income tax, wealth 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 provident fund, investor



education protection fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and other material statutory dues 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 there are no dues on account of provident fund, sales tax, income tax, wealth tax, cess which have not been deposited on account of dispute.
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 Company has not given any guarantees for loans taken by others from banks or financial institutions.
  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.
  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

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**Balance Sheet as at 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds :</b>			
Capital	1	35,50,000	35,50,000
Reserves and Surplus	2	1,43,84,438	1,03,63,866
<b>Deferred Tax Liability (Refer Note 2 on Schedule 11)</b>			
Deferred Tax Liability		1,40,132	26,886
Deferred Tax Asset		22,579	12,371
		<b>1,17,553</b>	<b>14,515</b>
	<b>Total</b>	<b>1,80,51,991</b>	<b>1,39,28,381</b>
<b>Application of Funds</b>			
<b>Fixed Assets :</b>			
Gross Block	3	47,18,031	26,18,963
Less : Depreciation / Amortisation		19,78,412	12,26,207
Net Block		27,39,619	13,92,756
<b>Current Assets, Loans and Advances :</b>			
Sundry Debtors	4	75,37,835	1,39,38,026
Cash and Bank Balances	5	4,52,40,871	2,15,62,294
Loans and Advances	6	98,71,897	1,76,90,575
		6,26,50,602	5,31,90,895
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	7	4,58,30,420	3,99,83,195
Provisions		15,22,000	6,91,000
Net Current Assets		1,52,98,182	1,25,16,700
<b>Miscellaneous Expenses</b>			
(To the Extent Not written off or Adjusted)		14,190	18,925
	<b>Total</b>	<b>1,80,51,991</b>	<b>1,39,28,381</b>
Notes to the Financial Statements	11		

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

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Sunil Kumar Jain**  
Director

**Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Income</b>			
Income from Operations	8	1,96,66,672	1,19,08,928
Other Income	9	23,23,223	10,50,741
	<b>Total</b>	<b>2,19,89,895</b>	<b>1,29,59,669</b>
<b>Expenditure</b>			
Establishment, Administrative & Other Expenses	10	1,54,09,948	1,01,73,323
Interest and Other Finance Charges		5,467	3,732
	<b>Total</b>	<b>1,54,15,415</b>	<b>1,01,77,055</b>
Profit Before Depreciation / Amortisation and Taxation		65,74,479	27,82,614
Depreciation / Amortisation	3	7,52,205	5,92,623
Prior Period adjustments (net)		-	2,000
<b>Profit Before Taxation</b>		<b>58,22,275</b>	<b>21,91,991</b>
Provision For Taxation			
Current Tax		15,00,000	6,83,500
Earlier years Tax		1,76,665	-4,214
Deferred Tax (Refer Note 2 on Schedule 11)		1,03,038	29,359
Fringe Benefits Tax		22,000	7,500
Profit After Taxation		40,20,572	14,75,846
Balance Brought Forward		73,63,866	58,88,020
		<b>1,13,84,438</b>	<b>73,63,866</b>
<b>Appropriations</b>			
Transfer to General Reserve		-	-
Balance Carried Forward		1,13,84,438	73,63,866
		<b>1,13,84,438</b>	<b>73,63,866</b>
Notes to the Financial Statements	11		
Earnings per Share on Equity Shares of Rs. 10 each			
Basic and Diluted (In Rupees)		11.33	4.16

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 & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Sunil Kumar Jain**  
Director

**Cash Flow Statement for the year ended 31<sup>st</sup> March, 2009**

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	58,22,275	21,91,991
Add adjustments for :		
Preliminary Expenses w/off	4,735	4,735
Depreciation / amortisation	7,52,205	5,92,623
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>65,79,214</b>	<b>27,89,350</b>
Adjustments for changes in working capital :		
- Trade and other receivables	64,00,192	-33,40,511
- Stock in trade		
- Loans & Advances	86,17,927	-89,95,412
- Trade and other payables	58,47,225	1,38,87,612
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2,74,44,558</b>	<b>43,41,039</b>
- Taxes paid including fringe benefit tax (net)	-16,66,914	-8,30,912
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>2,57,77,644</b>	<b>35,10,127</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) / Sales of fixed assets	-20,99,068	-3,12,000
<b>NET CASH USED IN INVESTING ACTIVITY (B)</b>	<b>-20,99,068</b>	<b>-3,12,000</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>2,36,78,576</b>	<b>31,98,127</b>
Cash and cash equivalents at the beginning of the year	2,15,62,295	1,83,64,168
Cash and cash equivalents at the end of the year	4,52,40,871	2,15,62,294
Cash and cash equivalents comprise of		
Cash and cheques in hand	4,949	1,090
Balances with scheduled banks	4,52,35,922	2,15,61,204
<b>Total</b>	<b>4,52,40,871</b>	<b>2,15,62,294</b>
Notes to the Financial Statements	11	

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

**For Arora Banthia & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Sunil Kumar Jain**  
Director



**Schedules forming part of the Balance Sheet**

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 1 - Capital</b>		
Authorised 4,00,000 Equity Shares of Rs.10/- each	40,00,000	40,00,000
	40,00,000	40,00,000
Issued, Subscribed and Paid up 3,55,000 Equity Shares of Rs.10/- each fully paid up	35,50,000	35,50,000
<b>Total</b>	<b>35,50,000</b>	<b>35,50,000</b>
<b>Schedule 2 - Reserves and Surplus</b>		
Securities Premium Account	30,00,000	30,00,000
Profit and Loss Account	1,13,84,438	73,63,866
<b>Total</b>	<b>1,43,84,438</b>	<b>1,03,63,866</b>

**Schedule - 3 :Fixed Assets**

S. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 01.04.08	Addition/ Deduction	As at 31.03.09	As at 01.04.08	Addition/ Deduction	As at 31.03.09	As at 31.03.09	As at 31.03.08
1	Computers & Software	1,074,115	1,149,068	2,223,183	569,765	434,733	1,004,498	1,218,685	504,350
2	MCX Membership	351,000	-	351,000	242,465	27,134	269,599	81,401	108,535
3	NCDEX Membership	50,000	-	50,000	35,458	3,635	39,094	10,906	14,542
4	Car	1,143,848	450,000	1,593,848	378,518	200,059	578,577	1,015,271	765,330
5	NSEL Membership	-	500,000	500,000	-	86,644	86,644	413,356	-
	<b>Total</b>	<b>2,618,963</b>	<b>2,099,068</b>	<b>4,718,031</b>	<b>1,226,207</b>	<b>752,205</b>	<b>1,978,412</b>	<b>2,739,619</b>	<b>1,392,756</b>
	<b>Prev. Year</b>	<b>2,306,963</b>	<b>312,000</b>	<b>2,618,963</b>	<b>633,584</b>	<b>592,623</b>	<b>1,226,207</b>	<b>1,392,756</b>	<b>1,673,379</b>

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 4 - Sundry Debtors</b>		
Sundry Debtors (Considered Good)		
Over Six Months	2,71,094	48,24,008
Others	72,66,741	91,14,018
<b>Total</b>	<b>75,37,835</b>	<b>1,39,38,026</b>
<b>Schedule 5 - Cash and Bank Balances</b>		
Cash on Hand	4,949	1,090
Balances with Scheduled Banks in :		
Current Accounts	40,35,922	1,03,59,062
Deposits Accounts	4,12,00,000	1,12,00,000
Balances with Other Banks in :		
Current Accounts	0	2,142
Balance with Kopergaon People Co. Opt Bank Ltd. (Maximum Balance Rs.0.68 Lacs (Previous year Rs.0.02 Lacs))		
<b>Total</b>	<b>4,52,40,871</b>	<b>2,15,62,294</b>

**Schedules forming part of the Balance Sheet**

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 6 - Loans and Advances</b> (Unsecured, unless otherwise stated, considered good)		
Advances Recoverable in Cash or Kind or for Value to be Received	8,02,329	4,78,164
Deposits with Exchanges / Depositories	70,00,000	1,55,00,191
Deposits - Others	3,55,000	7,96,900
Advance Tax	17,14,568	9,15,319
<b>Total</b>	<b>98,71,897</b>	<b>1,76,90,575</b>
<b>Schedule 7 - Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors (includes Trade Payables) Other than Micro, Small and Medium Enterprises	3,87,54,520	3,92,93,700
Micro, Small and Medium Enterprises (Refer Note 8 on Schedule 11)	-	-
Advances from Clients	26,43,086	-
Other Liabilities	27,44,071	6,89,495
Credit Balance of Banks (Due to outstanding cheques)	16,88,743	-
<b>Total</b>	<b>4,58,30,420</b>	<b>3,99,83,195</b>
<b>Provisions</b>		
Provisions for Tax	15,22,000	6,91,000
<b>Total</b>	<b>15,22,000</b>	<b>6,91,000</b>



**Schedules forming part of the Profit & Loss Account**

	31 <sup>st</sup> March 2009 Rupees	31 <sup>st</sup> March 2008 Rupees
<b>Schedule 8 - Income from Operations</b>		
Income from Brokerage	1,96,66,672	1,19,08,928
<b>Total</b>	<b>1,96,66,672</b>	<b>1,19,08,928</b>
<b>Schedule 9 - Other Income</b>		
Interest on Bank Deposits [Tax Deducted at Source Rs. 4.77 Lacs (Previous Year Rs. 2.17 Lacs)]	23,14,055	10,44,885
Miscellaneous Income	9,168	5,856
<b>Total</b>	<b>23,23,223</b>	<b>10,50,741</b>
<b>Schedule 10 - Establishment, Administrative &amp; Other Expenses</b>		
Auditors' Remuneration		
Audit Fees	15,000	18,000
Tax Audit Fees	5,000	-
In Other Capacity	-	-
Bad Debts Written Off	2,99,926	6,46,548
Bank & Depository Charges	2,62,504	2,37,130
Communication including V-Sat	1,71,740	2,61,609
Exchange Transaction Charges	42,39,581	23,36,341
Insurance	63,694	51,728
Legal and Professional	1,57,610	41,083
Membership Fee & Subscription	1,45,649	1,40,376
Miscellaneous	4,42,403	9,258
Office Expenses	78,817	9,367
Preliminary Expenses Written Off	4,735	4,735
Rent, Rates & Taxes	4,30,000	3,92,500
Repairs & Maintenance	6,040	10,465
Software Maintenance	60,690	63,545
Salaries, Allowances and Bonus	21,22,861	17,60,343
Staff Welfare	315	68,911
Stationery & Printing	1,26,950	70,156
Sub Brokerage/Referral Fees and Expenses	66,66,397	40,29,592
Travelling, Conveyance and Motor Car	1,10,037	21,637
<b>Total</b>	<b>1,54,09,948</b>	<b>1,01,73,323</b>



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

### Schedule 11 - 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 pay in of settlement, of respective commodity exchanges.
- ii. Other Income is accounted for on accrual basis.

##### D. FIXED ASSETS

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

##### E. 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, wherever liable.
- 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.

##### F. 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.

##### G. 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.

##### H. 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.

##### I. PRELIMINARY EXPENSES

Preliminary expenses are amortized over a period of ten years.

#### 2. Deferred Tax Liability

Components of Deferred Tax Liabilities/Assets:

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
(a) Deferred Tax Liabilities		
Depreciation	1,40,132	26,886
(b) Deferred Tax Assets		
Non Payment of Expenses	22,579	12,371

#### 3. Contingent Liabilities not provided for:

- (i) Bank Guarantees of Rs.125 Lacs (Previous Year Rs. 125 Lacs) extended to National Commodity Clearing Corporation Limited under the mandatory rules for membership and towards additional margin.
- (ii) Bank Guarantees of Rs.75 Lacs (Previous Year Rs. 75 Lacs) extended to Multi Commodity Exchange of India Ltd under the mandatory rules for membership and towards additional margin.



## 4. Earning Per Share (EPS)

Particulars	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
Outstanding Shares	3,55,000	3,55,000
Profit After Tax	40,20,572	14,75,846
Basic EPS	11.33	4.16
Diluted EPS	11.33	4.16
Nominal value of Share	10	10

5. The Company has not made any imports during the year. The Company does not have any Earnings or Expenditure in Foreign Currency.
6. Fixed deposits with scheduled banks include Rs. 50.00 Lacs (Previous Year Rs. Nil Lacs), which is under the lien of National Commodity Clearing Corporation Limited and Rs. 250.00 Lacs (Previous Year Rs. Nil Lacs) which is under the lien of Multi Commodity Exchange of India Ltd.
7. 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, 2009 are given below:

## Relationships (During the year)

- |   |  |
|---|--|
| 1. Key Management Personnel   | Mr. Ashok Kumar Jain, Director<br>Mr. Sunil Kumar Jain, Director |
| 2. Relatives of Key Management Personnel and other proprietary concerns | Ms. Kiran Jain<br>Mr. Arpit Jain<br>Ashok Jain HUF               |
| 3. Holding Company  | Arihant Capital Markets Limited                                  |
| 4. Fellow Subsidiaries  | Arihant Financial Services Limited<br>Arihant Finsec Limited     |

(Rs. in Lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Holding Company	Total
<b>Income</b>	Nil <i>Nil</i>	Nil <i>Nil</i>	Nil <i>Nil</i>	Nil <i>Nil</i>
<b>Expenses</b>				
Rent	Nil <i>Nil</i>	1.88 <i>1.88</i>	Nil <i>Nil</i>	1.88 <i>1.88</i>
Depository Charges	Nil <i>Nil</i>	Nil <i>Nil</i>	0.03 <i>Nil</i>	0.03 <i>Nil</i>
<b>Assets</b>				
Deposits	Nil <i>Nil</i>	3.00 <i>3.00</i>	Nil <i>Nil</i>	3.00 <i>3.00</i>
Purchase of Fixed Assets	Nil <i>Nil</i>	Nil <i>Nil</i>	4.50 <i>Nil</i>	4.50 <i>Nil</i>
<b>Liabilities</b>	Nil <i>Nil</i>	Nil <i>Nil</i>	Nil <i>Nil</i>	Nil <i>Nil</i>

*Figures in Italics represent previous year figures*

8. Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro 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.
9. Figures for the previous year have been regrouped wherever necessary to conform to current year's classifications.

For Arora Banthia & Tulsian  
Chartered Accountants

Ajay Tulsian  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Director  
Sunil Kumar Jain  
Director





## Directors' Report

To the Members,  
Your Directors have pleasure in presenting their 1st Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March 2009.

### FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2008-09
Income	-10.30
Expenditures	1.86
Depreciation	Nil
Profit/(Loss) before tax	-12.17
Provision for Taxation	4.19
Profit/(Loss) after tax	-7.98
Balance brought forward	Nil
Balance carried to Balance Sheet	-7.98

### DIVIDEND

The Board of Directors of the Company has not recommend dividend for the financial year 2008-09.

### OPERATIONS

During the year under review, the company has posted Income/ (Loss) of Rs. (10.30) Lacs. The profit after tax of the Company for the year 2008-09 is Rs. (7.98) Lacs.

### DIRECTORS

In accordance with applicable provisions of Companies Act 1956, and the Articles of Association of the Company Shri Ashok Kumar Jain and Shri Mukesh Jain, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer them self for re-appointment.

Shri Rakesh Garg has resigned as a member of the Board of Directors of the company effective March 5, 2009. The Board places on record its deep appreciation of the valuable services rendered by Mr. Rakesh Garg in the course of directorship and subsequently Shri Praneet Maheshwari was appointed as an additional director of the company effective March 5, 2009. Company has received duly notice in terms of provision of the Companies Act, 1956, from member of the company for appointment of Shri Praneet Maheshwari as directors of the company liable to retire by rotation.

### PARTICULARS OF EMPLOYEES

The Company has no employees, whose particulars are required to be given under the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules 1975.

### PARTICULARS U/S 217(1) (e) REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FORIEN EXCHANGE EARNINGS AND OUTGO.

The Company has no activity relating to Conservation of Energy or Technology absorption. There was also no earnings and outgo of foreign exchange.

### FIXED DEPOSITS

During the year, the Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

### AUDITORS

M/s Arora Banthia & Tulsian, Chartered Accountants, Indore Auditors of the Company retire at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility



Statement, it is hereby confirmed that:

- a) In the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2009 and of the profit or loss for the year ended on that date.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Annual Accounts for the year ended 31<sup>st</sup> March 2009 are prepared on a going concern basis.

#### **COMPLIANCE CERTIFICATE**

The Board of Directors of the Company has appointed M/s Ajit Jain & Co., Practicing Company Secretary to give compliance certificate in terms of proviso to Section 383A(1) of the Companies Act, 1956. The Compliance Certificate is being enclosed to Directors' Report and is self-explanatory and need no comment.

#### **ACKNOWLEDGEMENT**

Your Directors would like to express their grateful appreciation for the co-operation and assistance received from the Bankers, Clients, Employees and above all, the shareholders of the company during the year under review.

For and on behalf of the Board of Directors

Place : Indore

Dated : 26<sup>th</sup> June 2009

**Ashok Kumar Jain**  
(Director)



## Compliance Certificate

(Under sub-section (1) of Section 383A of the Companies Act 1956)

Registration No. of the Company U67120MP2008PLC020730

Nominal Capital: Rs 50, 00,000/-

To,

The Members,

**ARIHANT FINSEC LTD.**

**INDORE (M.P.)**

We have examined the registers, records, book and paper of **ARIHANT FINSEC LTD.** as required to be maintained under the Companies Act 1956 (The Act). and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Companies for the financial year ended 31<sup>st</sup> March 2009. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us the Company its officers and agents. We certify that in respect of the aforesaid financial year.

1. The Company has kept and maintained all registers as stated in Annexure, "A" to this certificate, as per provisions and the rules made there under and all entries there in have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities with in the time prescribed under the Act and the rules made there under.
3. The Company is a Public Ltd Co.
4. The Board of Directors duly met **NINE** times on 22<sup>nd</sup> May 2008, 30<sup>th</sup> June2008, 10<sup>th</sup> July 2008, 15<sup>th</sup> July 2008, 18<sup>th</sup> August 2008, 27<sup>th</sup> August 2008, 31<sup>st</sup> October 2008, 31<sup>st</sup> January 2009, 5<sup>th</sup> march 2009 (Dates), in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Books maintained for the purpose.
5. The Company was not required to close its Register of Members during the financial year.
6. No Annual General Meeting was held during the financial year 2007-08.
7. One Extra Ordinary General Meeting was held on 05.08.2008 during the financial year ended on 31<sup>st</sup> Mar 2009.
8. The Company did not advance loan to its directors and /or persons or firms or companies referred in section 295 of the Act.
9. The Company has not entered in to any contacts falling within the purview of the section 297 of the Act.
10. There was no transaction required to be entered in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the question of obtaining approvals from the Board of Directors, members or Central Government, as the case may be duly complied with.
12. The Company has not issued any duplicate share certificate during the financial year.
13. The Company has;
  - i. Delivered all the certificates on allotment of securities on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
  - ii. Not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - iii. Not required to post warrants to any of its members as no dividend was declared during the financial year
  - iv. Is not required to transfer the amount in unpaid dividend account, application money due for refund, matured debentures and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to investor education fund
  - v. Duly complied with the requirement of section 217 of the Act.



14. The Board of Directors of the Company is duly constituted and appointments of directors have been duly made. During the year under review one director was appointed as an additional director, and no other alternate director was appointed. During the financial year no casual vacancy arose and one director has resigned from the Board.
15. The Company has not appointed Managing Directors /Whole-Time Directors /Manager during the financial year.
16. The Company has not appointed any sole-selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company law Board, Regional Director, ROC and/or such other authorities prescribes under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provision of the Act and the rules made there under.
19. The Company has issued Shares during the financial year and duly complied with the provisions of the Act.
20. The Company has not bought back shares during the financial year.
21. There are no preference shares or Debentures in company.
22. There were no transaction necessitating the Company to keeping abeyance rights to dividend, rights shares and Bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made loans and investment during the year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of Company's registered office from one state to another during the financial year.
27. The Company has altered the provisions of the Memorandum with respect to Object clause of the company during the said financial year.
28. The Company has not altered the provisions of the Memorandum with respect to the name of Company during the said financial year.
29. The Company has altered the provisions of the Memorandum with respect to the Share capital of the company during the said financial year.
30. The Company has altered its Articles of association during the said financial year and duly complied with the provisions of the Act.
31. There were no incidence of any prosecution against the Company nor did the Company receive any show cause notice. No fines, penalties or any other were imposed on the company during the said financial year.
32. The Company has not received any securities from its employees during the said financial year.
33. The Company was not required to deduct any contribution towards Provident fund during the financial year.

Place: Indore  
Date: 26<sup>th</sup> June 2009

for Ajit Jain & Co,  
Company Secretaries

**(Ajit Jain)**  
Proprietor  
C.P. No. 2876 FCS 3933





## Compliance Certificate

Annexure attached to and forming part of the Compliance Certificate under Section 383A of the Companies Act, 1956 for the Financial year ended on 31<sup>st</sup> March 2009.

### Annexure A: Registers maintained by the Company

Sr.No.	Name of Registers	Under Section of the Companies Act, 1956
1.	Registers of Members & Index	150(1)& 151
2.	Minutes of Board of Directors' Meeting	193(1)
3.	Minutes of General Body Meetings	193(1)
4.	Books of Account	209(1)
5.	Register of Contracts	301
6.	Register of Shareholdings of Directors and Managers	307
7.	Register of Directors Attendance of Table A to the Act	71

### Annexure B : Forms and Returns as filed by the Company with the Registrar of the Companies, Regional Director, Central Government or other Authorities during the Financial Year ending on 31<sup>st</sup> March 2009.

No	Form No./ Return	Filled Under Relevant Section of The Act	Particular	Date of filling	Whether filled within prescribed time Yes/No	If delay in filling requisite additional fee paid Yes/No
1	Form 1	33(1) & (2)	Incorporation of Company	19/05/2008	YES	N.A
2	Form 18	146	Situation of Registered office	19/05/2008	YES	N.A
3	Form 32	303(2), 264(2) or 266(1) (a) and 266(1)(b)(iii)	Appointment of Director	19/05/2008	YES	N.A
4	Form 32	303(2), 264(2), 266(1) (a) & 266(1)(b)(iii)	Appointment & Cessation of Director	25/03/2009	YES	N.A
5	Form-23B	224(1A)	Appointment of Auditor	13/06/2008	YES	N.A
6	Form-22B	187C(4)	Return with ROC	17/06/2008	YES	N.A
7	Form-2	75(1)	Return of Allotment	12/08/2008	YES	N.A
8	Form-5	95, 97 or 94A(2) or 81(4)	Increase in Share Capital	18/08/2008	YES	N.A
9	Form-22	165	Statutory Report	27/08/2008	YES	N.A
10	Form-23	192	Registration of Resolution	12/08/2008	YES	N.A
11	Form-2	75(1)	Return of Allotment	12/09/2008	YES	N.A
12	Form-20	149(2)(b)	Declaration of Compliance	22/05/2008	YES	N.A
13	Form20A	149(2A) and (2B)	Declaration of Compliance	12/08/2008	YES	N.A

Place: Indore  
Date: 26<sup>th</sup> June 2009

for Ajit Jain & Co,  
Company Secretaries

(Ajit Jain)  
Proprietor  
C.P. No. 2876 FCS 3933



## Auditors' Report

TO,  
THE MEMBERS OF ARIHANT FINSEC LIMITED

We have audited the attached Balance Sheet of **ARIHANT FINSEC LIMITED** as at 31<sup>st</sup> March 2009 and also the Profit & Loss Account and the Cash Flow Statement for the period 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 the Cash Flow Statement dealt by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement 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 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion, and to the best of our information and according to the explanation given to us, the said accounts subject to and read together with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) In the case of Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2009;
  - (ii) In the case of Profit & Loss Account, of the **Loss** of the Company for the period ended on that date;
  - (iii) In the case of Cash Flow Statement, of the Cash Flow for the period ended on that date.

**For Arora Banthia & Tulsiyan**  
Chartered Accountants

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**Annexure referred to in paragraph 1 of our report of even date**

1. The Company does not own any fixed assets, hence clause 4(i) of the Order is not applicable.
2. (a) The securities held as stock in trade have been verified by the Management with the statement of holdings provided by depository participants and brokers at reasonable intervals. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of confirmation of securities held as stock in trade followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the records of the Company relating to securities held as stock in trade, in our opinion, the Company has maintained proper records of stock in trade and no material discrepancies between the book records and the statement of holdings provided by NSDL, other depository participants and brokers have been noticed.
3. The Company has not granted/ taken any loan secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956. Hence clause (iii) of the Order is not applicable.
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 thereunder.
7. As the Company does not have paid up capital and reserves in excess of Rs. Fifty Lacs at the beginning of Financial Year, the clause of Order in respect of internal audit system is not applicable to it.
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, sales tax, income tax, wealth 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 provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and other material statutory dues 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, there are no dues of provident fund, sales tax, income tax, wealth tax, cess which have not been deposited on account of any dispute.



10. As the company has been registered for a period of less than 5 years at the balance sheet date, the clause regarding accumulated losses and cash loss is not applicable.
11. The Company has not defaulted in payments of any dues to financial institutions, banks or debenture holders. The Company did not have any dues to financial institutions or debenture holder during the year.
12. The Company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures or other securities. Therefore the provisions of clause 4 (xii) of the Order are not applicable to the Company
13. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Order are not applicable to the Company
14. The Company is dealing in securities for which proper records have been maintained of the transactions and timely entries have been made therein. Securities held as stock in trade by the Company are held in the name of the Company or in the name of its nominees except to the extent of the exemption granted under Section 49 of the Act.
15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from the banks or financial institutions.
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, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has made preferential allotment of shares to the parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year. In our opinion, the price at which the shares are issued are not prejudicial to the interest of the Company.
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

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**Balance Sheet as at 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees
<b>Sources of Funds</b>		
<b>Shareholders' Funds :</b>		
Capital	1	45,00,000
Reserves and Surplus	2	3,60,00,000
	<b>Total</b>	<b>4,05,00,000</b>
<b>Application of Funds</b>		
<b>Current Assets, Loans and Advances :</b>		
(Unsecured, unless otherwise stated, considered good)		
Stock In Trade	3	10,24,80,139
Sundry Debtors	4	1,63,364
Cash and Bank Balances	5	19,140
Loans and Advances	6	1,79,27,742
		<b>12,05,90,385</b>
<b>Less : Current Liabilities and Provisions</b>	7	
Current Liabilities		8,13,96,370
Net Current Assets		3,91,94,015
<b>Miscellaneous Expenses</b>	8	89,328
<b>Deferred Tax Asset (Refer Note 7 on Schedule 11)</b>		4,18,872
<b>Profit &amp; Loss account</b>		7,97,785
	<b>Total</b>	<b>4,05,00,000</b>
Notes to the Financial Statements	11	

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 Bantia & Tulsiyan**  
Chartered Accountants

**Ajay Tulsiyan**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Mukesh Jain**  
Director

**Profit and Loss Account for the period 21<sup>st</sup> May 2008 to 31<sup>st</sup> March, 2009**

	Schedule	31 <sup>st</sup> March 2009 Rupees
<b>Income</b>		
Income from Operations	9	-10,30,191
	<b>Total</b>	<b>-10,30,191</b>
<b>Expenditure</b>		
Establishment, Administrative & Other Expenses	10	1,86,466
	<b>Total</b>	<b>1,86,466</b>
Profit Before Depreciation / Amortisation and Taxation		-12,16,657
Depreciation / Amortisation		0
<b>Profit Before Taxation</b>		<b>-12,16,657</b>
Provision For Taxation		
Deferred Tax (Refer Note 7 on Schedule 11)		-4,18,872
Profit After Taxation		<b>-7,97,785</b>
		<b>-7,97,785</b>
<b>Appropriations</b>		
Transfer to General Reserve		-
Balance Carried Forward		-7,97,785
		<b>-7,97,785</b>
Notes to the Financial Statements	11	
Earnings per Share on Equity Shares of Rs. 10 each		
Basic and Diluted (In Rupees)		-2.51

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 & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Mukesh Jain**  
Director

**Cash Flow Statement for the period from 21<sup>st</sup> May 2008 to 31<sup>st</sup> March, 2009**

	31 <sup>st</sup> March 2009 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net profit before taxation	-12,16,657
Add adjustments for :	
(Profit) / Loss on sale of fixed assets	-
Miscellaneous Expenditure	22,332
Dividend Income	-2,98,351
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>-14,92,676</b>
Adjustments for changes in working capital :	
- Trade and other receivables	-1,63,364
- Stock in trade	-10,24,80,139
- Loans & Advances	-1,78,93,253
- Trade and other payables	8,13,96,370
<b>CASH GENERATED FROM OPERATIONS</b>	<b>-4,06,33,062</b>
- Taxes paid including fringe benefit tax (net)	-34,489
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>-4,06,67,551</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Dividend received	2,98,351
<b>NET CASH USED IN INVESTING ACTIVITY (B)</b>	<b>2,98,351</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>	
Miscellaneous Expenditure	-1,11,660
Proceeds from Issuance of Share Capital	4,05,00,000
<b>NET CASH USED IN FINANCING ACTIVITY (C)</b>	<b>4,03,88,340</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>19,140</b>
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	19,140
Cash and cash equivalents comprise of	
Cash and cheques in hand	19,140
Balances with scheduled banks	-
<b>Total</b>	<b>19,140</b>
Notes to the Financial Statements	11

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

**For Arora Banthia & Tulsian**  
Chartered Accountants

**Ajay Tulsian**  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

**For and on behalf of the Board**

**Ashok Kumar Jain**  
Director

**Mukesh Jain**  
Director



## Schedules forming part of the Balance Sheet

	31 <sup>st</sup> March 2009 Rupees
<b>Schedule 1 - Capital</b>	
Authorised	
5,00,000 Equity Shares of Rs.10/- each	50,00,000
	50,00,000
Issued, Subscribed and Paid up	
4,50,000 Equity Shares of Rs.10/- each fully paid up	45,00,000
<b>Total</b>	<b>45,00,000</b>
<b>Schedule 2 - Reserves and Surplus</b>	
Securities Premium Account	3,60,00,000
<b>Total</b>	<b>3,60,00,000</b>

	Face Value Rupees	Quantity	Rupees
<b>Schedule 3 - Stock in Trade</b>			
(At cost or market value whichever is lower)			
Equity Shares			
3i Infotech Limited	10	10800	3,43,629
Bajaj Hindusthan Limited	1	16468	7,91,287
Bharat Heavy Electricals Limited	10	5100	76,72,185
Bombay Dyeing & Mfg Co. Limited	10	10000	16,79,500
Century Textiles & Industries Limited	10	35000	76,96,500
Chambal Fertilizers & Chemicals Limited	10	62100	26,01,990
GAIL (India) Limited	10	13500	32,82,416
IDBI Bank Limited	10	72000	32,68,800
Idea Cellular Limited	10	91800	46,03,770
Idea Cellular Limited	10	512618	2,57,07,793
Jaiprakash Hydro-Power Limited	10	4	113
Petronet LNG Limited	10	52800	20,07,279
Polaris Software Lab Limited	5	84000	36,56,096
Power Grid Corporation of India Limited	10	1	83
Rajesh Exports Limited	1	39365	9,70,585
Reliance Industries Limited	10	2700	41,12,640
Reliance Infrastructure Limited	10	44040	2,26,96,014
Reliance Power Limited	10	86000	88,15,000
Suzlon Energy Limited	2	7435	3,15,244
Zuari Industries Limited	10	16097	22,59,214
<b>Total</b>			<b>10,24,80,139</b>
Aggregate Value of Stock-in-Trade			
- At Cost			11,11,34,634
- At Market Value			10,26,83,402



**Schedules forming part of the Balance Sheet**

	31 <sup>st</sup> March 2009 Rupees
<b>Schedule 4 - Sundry Debtors</b>	
Sundry Debtors (Considered Good) :	
Over Six Months	-
Others	1,63,364
<b>Total</b>	<b>1,63,364</b>
<b>Schedule 5 - Cash and Bank Balances</b>	
Cash on Hand	19,140
<b>Total</b>	<b>19,140</b>
<b>Schedule 6 - Loans and Advances</b>	
Initial Margin- Equity Derivative Instrument	1,78,93,253
Mark-to-Market Margin-Equity Index / Stock Futures	93,938
(Refer to Note 1(F)(c) on schedule 11)	
Less: Provision for Loss	93,938
Advance Tax and TDS	34,489
<b>Total</b>	<b>1,79,27,742</b>
<b>Schedule 7 - Current Liabilities &amp; Provisions</b>	
<b>Current Liabilities</b>	
Credit Balance of Bank (Due to Outstanding Cheque)	7,92,94,693
Sundry Creditors (includes Trade Payables)	
Other than Micro, Small and Medium Enterprises	2,21,005
Micro, Small and Medium Enterprises*	-
(Refer Note 8 on schedule 11)	
Audit Fees Payable	20,000
Salary Payable	46,000
TDS Payable	28,208
Equity Index/Stock Option Premium	17,86,464
(Refer to Note 1(G)(b) on schedule 11)	
Less: Provision for Loss	-
<b>Total</b>	<b>8,13,96,370</b>
<b>Schedule 8 - Miscellaneous Expenses</b>	
<b>(To the extent not written off or adjusted)</b>	
Preliminary Expenses	
Incurred during the year	1,11,660
Less: written off during the year	22,332
<b>Total</b>	<b>89,328</b>

**Schedules forming part of the Profit & Loss Account**

	31 <sup>st</sup> March 2009 Rupees
<b>Schedule 9 - Income From Operations</b>	
Profit on trading in Securities (net)	-43,00,874
Profit from Jobbing Transactions (net)	27,00,136
Dividend	2,98,351
Insurance Commission (Tax deducted at source Rs.0.34 Lakhs)	2,72,196
<b>Total</b>	<b>-10,30,191</b>
<b>Schedule 10 - Establishment, Administrative &amp; Other Expenses</b>	
<u>Auditors' Remuneration</u>	
Audit Fees	15,000
Tax Audit Fees	5,000
In Other Capacity	-
Bank Commission	3,471
Depository	11,214
Interest	684
Miscellaneous Expenses written off	22,332
Legal and Professional	13,326
Salary & Incentive	1,11,765
Stationary & Printing	3,674
<b>Total</b>	<b>1,86,466</b>



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

### Schedule 11 - 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. Profit/ (Loss) from Trading of Securities is recognized on the basis of the date of transaction.
- ii. Other Income is accounted for on accrual basis.

##### D. PRELIMINARY EXPENSES

Preliminary expenses are amortized over a period of five years.

##### E. STOCK IN TRADE

Securities Shown as Inventories are valued scrip wise at Average Cost of the day or Market Value whichever is lower. Cost includes direct expenses.

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

##### G. EQUITY INDEX/ STOCK OPTIONS

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



determining the profit or loss.

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

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

#### H. 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.

#### I. 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.

2. (a) Quantitative Information in respect of Trading in Securities of cash segment on own account (excluding jobbing transactions):

(Rs. in Lacs)

Particulars	2008-2009	
	Quantity	Amount
Opening Stock	-	-
Purchases	18158457	17942.77
Sales	17387502	17036.04
Closing Stock	770955	785.06

- (b) Open Interest in Individual Stock Futures as on 31<sup>st</sup> March, 2009:  
Open Short Positions

Name of Equity Index/ Stock Futures	Expiry Date	No. of Contracts	No. of Units
Bharat Heavy Electricals Ltd	30/04/2009	17	5100
Idea Cellular	30/04/2009	6	32400
Reliance Power Ltd	30/04/2009	43	86000
Reliance Industries Ltd	30/04/2009	9	2700

- (c) Outstanding Options contract as on 31<sup>st</sup> March 2009

(Rs. in Lacs)

Name of the Option Index/ Stock	Total Premium Carried Forward as at 31 <sup>st</sup> March 2009, Net of Provision made
Chambal Fertilizer	1.61
Idea Cellular	11.75
Reliance Infrastructure Ltd	3.56

#### 3. Earning Per Share (EPS)

Particulars	31 <sup>st</sup> March 2009
Outstanding Shares	4,50,000
Weighted Outstanding Shares	3,18,042
Profit After Tax	-7,97,785
Basic EPS	-2.51
Diluted EPS	-2.51
Nominal value of Share	10



4. The Company has not made any imports during the year. The Company does not have any Earnings or Expenditure in Foreign Currency.
5. There are no Contingent Liabilities as at the year end.
6. 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, 2009 are given below:

## Relationships (During the year)

- |                             |   |
|-----------------------------|---|
| 1. Key Management Personnel | Mr. Ashok Kumar Jain, Director<br>Mr. Mukesh Jain, Director<br>Mr. Praneet Maheshwari, Director |
| 2. Holding Company          | Arihant Capital Markets Limited   |
| 3. Fellow Subsidiaries      | Arihant Financial Services Limited<br>Arihant Futures & Commodities Limited                     |

(Rs. in Lacs)

Particulars	Key Management Personnet	Holding Company	Total
<b>Income</b>			
Interest Received	Nil	Nil	Nil
<b>Expenses</b>			
Depository Charges	Nil	0.11	0.11
Brokerage and Other Charges	Nil	7.82	7.82
<b>Assets</b>			
Deposits	Nil	Nil	Nil
<b>Liabilities</b>			
Sundry Creditors	Nil	0.26	0.26

## 7. DEFERRED TAX LIABILITY

Components of Deferred Tax Liabilities/Assets:

Particulars	31 <sup>st</sup> March 2009
(a) Deferred Tax Liabilities	0
(b) Deferred Tax Assets	
Unabsorbed Losses	4,18,872

8. Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro 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.
9. This is the first year of the Company, therefore previous year figures are not reported.

For Arora Banthia & Tulsian  
Chartered Accountants

Ajay Tulsian  
Partner  
Membership No. : 74868  
Indore, Dated : 26<sup>th</sup> June 2009

For and on behalf of the Board

Ashok Kumar Jain  
Director

Mukesh Jain  
Director

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

Registration No. U 6 7 1 2 0 M P 2 0 0 8 P L C 0 2 0 7 3 0

Balance Sheet Date 3 1 - 0 3 - 2 0 0 9

State Code [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 1 0

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

Public Issue [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Rights Issue [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Bonus Issue [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Private Placement [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 4 5 0 0

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

Total Liabilities [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 4 0 5 0 0

Total Assets [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 4 0 5 0 0

**Source of Funds (Amount in Rs. thousand)**

Paid-up Capital [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 4 5 0 0

Reserves and Surplus [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 3 6 0 0 0

Deferred Tax [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Unsecured Loans [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Secured Loans [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

**Application of Funds (Amount in Rs. thousand)**

Net Fixed Assets [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Investments [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

Net Current Assets [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 3 9 1 9 4

Miscellaneous Expenditure [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 8 9

Deferred Tax [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 4 1 9

Accumulated Losses [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 7 9 8

**Performance of the Company (Amount in Rs. thousand)**

Turnover (Income) [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] - 1 0 3 0

Total Expenditure [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 1 8 6

Profit/(-) Loss before Tax [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] - 1 2 1 7

Profit/(-) Loss after Tax [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] - 7 9 8

Earnings per share (in Rs.) [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] - 2 . 5 1

Dividend Rate (%) [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

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

Item Code No. Not Classified

Product Description Financial and Investment Activity

**Ashok Kumar Jain**  
Director**Mukesh Jain**  
DirectorIndore, Dated : 26<sup>th</sup> June 2009



**ARIHANT** capital markets Ltd.

Regd. Off.: E/5, Ratlam Kothi, 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 12<sup>th</sup> Day of September 2009 or at any adjournment thereof.

Affix Rs. 1.00 Revenue Stamp
------------------------------------

AS WITNESS my/our hand(s) this ..... Day of ..... 2009.

Signature of Proxy / Authorised Representative

Signature of Share Holder

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



**ARIHANT** capital markets Ltd.

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

**ATTENDANCE SLIP**

Annual General Meeting on 12<sup>th</sup> Day of September 2009.

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 12<sup>th</sup> Day of September 2009.

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

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anywhere









## **ARIHANT** capital markets ltd.

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Phone : (0731) 2519610-11 Fax : (0731) 3048915

[www.arihantcapital.com](http://www.arihantcapital.com)