



Date: 25th May, 2023

To, The General Manager, DCS- CRD Bombay Stock Exchange Limited., P J Towers, Dalal Street, Mumbai- 400001 Scrip Code: 511605	To, The General Manager, National Stock Exchange of India Limited., Exchange Plaza 5th Floor, Plot No. C/1, G- Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 NSE Symbol- ARIHANTCAP
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Sub: Annual Secretarial Compliance Report for the financial year ended 31st March, 2023

Dear Sir/Madam,

Pursuant to the Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular CIR/CFD/CMD1/27/2019 dated February 08, 2019, please find attached copy of Annual Secretarial Compliance Report duly issued by Mr. Virendra G Bhatt, Practicing Company Secretary, for the Financial Year ended 31st March, 2023.

This is for your information and record.

Thanking You,

For Arihant Capital Markets Limited

MAHESH Digitally signed
by MAHESH
PANCHO PANCHOLI
LI Date: 2023.05.25
15:38:56 +05'30'

Mahesh Pancholi
(Company Secretary)
M. No. F-7143

ARIHANT CAPITAL MARKETS LIMITED

(CIN: L67120MP1992PLC007182)

Regd. Off. : 6, Lad Colony YN Road, Indore - 452 001 Tel.: +91-731-4217100 Fax.: +91-731-3016199
Corp. Off.: #1011 Solitaire Corporate Park, Bldg No. 10, 1st Floor, Andheri Ghatkopar Link Road, Chakala, Andheri
(E) Mumbai- 400093

Email: contactus@arihantcapital.com Website: www.arihantcapital.com

Virendra Bhatt

Company Secretary

Office :

Office No.: 03, A Wing, 9th Floor,

Pinnacle Corporate Park,

BKC CST Link Rd., MMRDA Area,

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SECRETARIAL COMPLIANCE REPORT OF ARIHANT CAPITAL MARKETS LIMITED FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

I have conducted the review of the compliance of the applicable statutory provisions and the adherence to good corporate practices by **Arihant Capital Markets Limited** (hereinafter referred as "the listed entity"), having its Registered Office at 6, Lad Colony, Y.N. Road, Indore – 452001, Madhya Pradesh, India. Secretarial Review was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the listed entity's minutes books, forms and returns filed and other relevant records maintained by the listed entity and also the information provided by the listed entity, its officers and authorized representatives during the conduct of Secretarial Review, I hereby report that in my opinion, the listed entity has, during the review period covering the financial year ended on 31st March, 2023, prima facie complied with the statutory provisions listed hereunder and also that the listed entity has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I, Virendra G. Bhatt, Practicing Company Secretary, have examined:

- (a) the documents and records made available to me and explanation provided by the listed entity,
- (b) the filings / submissions made by the Listed Entity to the stock exchanges,
- (c) website of the Listed Entity and
- (d) any other documents / fillings, as may be relevant, which has been relied upon to make this certification,



for the financial year ended 31st March, 2023 (“Review Period”) in respect of compliance with the provisions of:

- (a) The Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, Circulars, Guidelines issued thereunder; and
- (b) The Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, Circulars, Guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

The specific Regulations, whose provisions and the Circulars / Guidelines issued thereunder, have been examined, include:-

- (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – (Not Applicable during the review period);
- (c) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - (Not applicable during the review period);
- (e) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 - (Not applicable during the review period);
- (f) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 – (Not applicable during the review period);
- (g) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (h) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
- (i) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - (Not applicable during the review period);



and based on the above examination, I hereby report that, during the Review Period:

I: (a) (**) The Listed Entity has prima facie complied with the applicable provisions of the above Regulations and circulars / guidelines issued thereunder, except in respect of the matters specified below:

Sr. No.	Compliance Requirement (Regulations / circulars / guidelines including specific clause)	Regulation / Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations / Remarks of the Practicing Company Secretary	Management Response	Remarks
1.	Structural Digital Database as per the Regulation 3(5) & 3(6) of the SEBI (Prohibition of Insider Trading) Regulations, 2015	Regulation 3(5) & 3(6) of the SEBI (Prohibition of Insider Trading) Regulations, 2015	The Company has maintained the Structural Digital Database internally with proper lock in till they installed the software in February, 2023.	-	-	The Company has maintained the Structural Digital Database internally with proper lock in till they installed the software in February, 2023.	-	The Company has maintained the Structural Digital Database internally with proper lock in till they installed the software in February, 2023.	The Company has maintained the Structural Digital Database internally with proper lock in till they installed the software in February, 2023.	-
2.	Submission of data in the weekly monitoring of clients' funds as per NSE Circular No. NSE/INSP/3327	NSE Circular No. NSE/INSP/3327 dated 27-09-2016	Incorrect data submitted in the weekly monitoring of clients' funds	SEBI / NSE	Imposed Penalty	The Company has submitted incorrect data towards weekly monitoring of clients' funds in 2 areas as of	Rs. 1,00,000/- excluding GST	The Company has submitted incorrect data towards weekly monitoring of clients' funds in 2 areas as of 26-03-2021 and in	The reporting variations are primarily due to inclusions or non-inclusions of certain items.	-



	6 dated 27-09-2016					26-03-2021 and in 1 area as of 29-10-2021.		1 area as of 29-10-2021.	
3.	Funding of clients' transaction as per NSE Circular No. NSE/INSP/35184 dated 23-06-2017	NSE Circular No. NSE/INSP/35184 dated 23-06-2017	Funding of clients' transaction beyond T+2+5 days	SEBI / NSE	Imposed Penalty	The Company has funded the clients' Transaction beyond T+2+5 days in 13 out of 50 instances (26% of the total sample instances) involving Rs. 7.75 crores.	Rs. 50,000 /- excluding GST	The Company has funded the clients' Transaction beyond T+2+5 days in 13 out of 50 instances (26% of the total sample instances) involving Rs. 7.75 crores.	The observed 13 instances pertaining to 12 clients refer to clients who opted for margin funding facility due to non-classification of MTF trades. This is evident from the fact that adequate stocks were available against the said debits. Since the intent was brought to its notice by the clients later, it was not possible to re-classify the same into MTF.
4	Margin collection & reporting as per NSE Circular No. NSE/INSP/45191 dated 31-07-2020	NSE Circular No. NSE/INSP/45191 dated 31-07-2020	Passing on penalty levied on short collection of upfront margins to clients	SEBI / NSE	Issued Warning Letter	The Company has passed on short margin reporting to clients in 10 instances pertaining to 10 clients involving Rs. 34,294/-	N.A.	The Company has passed on short margin reporting to clients in 10 instances pertaining to 10 clients involving Rs. 34,294/-	<p>a. In 1 instance, the shortfall in margin was due to non-payment of additional upfront margin requirement on the existing open position. It provided copy of the client ledger showing increase in the margin without new position.</p> <p>b. In 2 instances, the margin penalties of Rs.25,386/- in F&O segment and Rs. 3,862/- in CD segment were charged to the clients as the clients'</p>



									cheques bounced, resulting in margin shortfall. It provided the copy of the bank statements and client ledgers.
									c. In the remaining 9 instances, post-inspection, it credited the penalty charged to the clients.
									d. It established a process to ensure that the margin penalty is not passed on to client for reasons which are not attributable to the clients.
5	Business of members of a stock exchange as per Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957	Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957	Engagement as a principal in a business other than securities involving personal financial liability	SEBI / NSE	Imposed Penalty	The Company is engaged as a principal in a business other than securities involving personal financial liability by extending loans to 2 related entities to the extent of Rs. 13.07 crores and investing in 4 subsidiary	Rs. 5,00,000/- excluding GST	The Company is engaged as a principal in a business other than securities involving personal financial liability by extending loans to 2 related entities to the extent of Rs. 13.07 crores and investing in 4 subsidiary	Prior to the Exchange Circular No. NSE/COMP/50957 dated 07-01-2022, there was no express clarification on what will be considered as securities involving personal liability either in Rule 5 (b) of Chapter III of NSEIL Rules or Rule 8 (1) (f) and Rule 8 (3) (f) of SCRR or SEBI Circular No. SMD/POLICY/Cir-6/dated 07-05-1997. The restriction of lending or investment in



						companies to the extent of Rs. 7.11 crores.		companies to the extent of Rs. 7.11 crores.	<p>related or group entities is expressly provided for the first time in Exchange Circular No. NSE/COMP/50957 dated 07-01-2022, enumerating the illustrative list of activities that shall be construed as non-compliance of Rule 8 (1) (f) and Rule 8 (3) (f) of SCRR. On receipt of said Circular, the Company immediately recalled the loans and liquidated or transferred its investments.</p> <p>Further, the Company was under processing to Sell/ Transfer / otherwise disposed off Three Subsidiaries Companies i.e. Arihant Institute of Financial Education Private Limited, Arihant Insurance Broking Services Limited and Arihant Financial Services Limited.</p> <p>During the review period, the Company has also sold the investment in Arihant Lifespace Infra Developers</p>
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									Limited.
6	Clause A(2) of Code of Conduct as specified in Schedule II of the SEBI (Stock Brokers) Regulations, 1992 read with regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992 and provisions of Clauses 1.2 and 1.3 of Code of Conduct as specified in Schedule III of the SEBI (Intermediaries) Regulations, 2008 read with regulation 16 of the SEBI (Intermediaries) Regulations, 2008 for failing to file suspicious transaction reports to Financial	Clause A(2) of Code of Conduct as specified in Schedule II of the SEBI (Stock Brokers) Regulations, 1992 read with regulation 9(f) of the SEBI (Stock Brokers) Regulations, 2008 and provisions of Clauses 1.2 and 1.3 of Code of	Failing to file suspicious transaction reports to Financial Intelligence Unit- India regarding certain discrepancies noted by the applicant in the Know Your Customer documents of its clients.	SEBI	Issued Show Cause Notice	Failing to file suspicious transaction reports to Financial Intelligence Unit- India regarding certain discrepancies noted by the applicant in the Know Your Customer documents of its clients.	Settlement Amount RS. 17,50,000/-	As per SEBI's order, the Company failed to file suspicious transaction reports to Financial Intelligence Unit- India regarding certain discrepancies noted by the applicant in the Know Your Customer documents of its clients.	<p>The Company proposed to settle the proceedings initiated against it, without admitting or denying the findings of facts and conclusions of law and filed a settlement application with the SEBI in terms of the provisions of the SEBI (Settlement Proceedings) Regulations, 2018.</p> <p>The High Powered Advisory Committee in its Meeting held on 22-02-2023, considered the settlement terms proposed and recommended that the case may be settled upon payment of Rs. 17,50,000/-.</p> <p>The Company has paid the settlement amount and the SEBI vide Settlement Order dated 26-04-2023, disposed of the case.</p>



Intelligence Unit-India regarding certain discrepancies noted by the applicant in the Know Your Customer documents of its clients.	Conduct as specified in Schedule HI of the SEBI (Intermediaries) Regulations, 2008 read with regulation 16 of the SEBI (Intermediaries) Regulations, 2008									
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I. The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Compliance Requirement (Regulations / circulars / guidelines including specific clause)	Regulation / Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations / Remarks of the Practicing Company Secretary	Management Response	Remarks
1.	Due diligence for	Clause A(2) of	Violation of	SEBI	Issued	The Securities Exchange	-	The Company	The Company	-



<p>change of email id and mobile number as per Clause A(2) of Code of Conduct as specified in Schedule II of Regulation 9(f) of the Securities Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992</p>	<p>Code of Conduct as specified in Schedule II of Regulation 9(f) of the Securities Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992</p>	<p>provisions of Clause A(2) of Code of Conduct as specified in Schedule II of Regulation 9(f) of the Securities Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 in respect to exercising proper due diligence for change of email id and mobile number.</p>		<p>Show Cause Notice</p>	<p>Board of India issued Show Cause Notice dated 04th October, 2018 under Regulation 25 of the SEBI (Intermediaries) Regulations, 2008 for violation of provisions of Clause A(2) of Code of Conduct as specified in Schedule II of Regulation 9(f) of the Securities Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 in respect to exercising proper due diligence for change of email id and mobile number.</p>		<p>has filed reply of the said Notice.</p> <p>Thereafter, the Company has received Hearing Notice in respect of the aforesaid matter for hearing to be held on 07-03-2022.</p> <p>As informed, the Final hearing in the said matter is yet to be decided by the SEBI.</p>	<p>has filed reply of the said Notice.</p> <p>Thereafter, the Company has received Hearing Notice in respect of the aforesaid matter for hearing to be held on 07-03-2022.</p> <p>Final hearing in the said matter is yet to be decided by the SEBI.</p>	
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II. Compliances related to resignation of statutory auditors from listed entities and their material subsidiaries as per SEBI Circular CIR/CFD/CMD1/114/2019 dated 18th October, 2019:

Sr. No.	Particulars	Compliance status (Yes / No / NA)	Observations / Remarks by PCS
1.	Compliances with the following conditions while appointing / re-appointing an auditor		
	<p>a. If the auditor has resigned within 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter; or</p> <p>b. If the auditor has resigned after 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter as well as the next quarter; or</p> <p>c. If the auditor has signed the limited review/ audit report for the first three quarters of a financial year, the auditor before such resignation, has issued the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.</p>	<p>N.A.</p> <p>N.A.</p> <p>N.A.</p>	<p>There is no instance of resignation of Auditor.</p>
2.	Other conditions relating to resignation of statutory auditor		
	<p>i. Reporting of concerns by Auditor with respect to the listed entity / its material subsidiary to the Audit Committee:</p> <p>a. In case of any concern with the management of the listed entity / material subsidiary such as non-availability of information / non-cooperation by the</p>		



	<p>management which has hampered the audit process, the auditor has approached the Chairman of the Audit Committee of the listed entity and the Audit Committee shall receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.</p> <p>b. In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents has been brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the company, the auditor has informed the Audit Committee the details of information / explanation sought and not provided by the management, as applicable.</p> <p>c. The Audit Committee / Board of Directors, as the case may be, deliberated on the matter on receipt of such information from the auditor relating to the proposal to resign as mentioned above and communicate its views to the management and the auditor.</p> <p>ii. Disclaimer in case of non-receipt of information:</p> <p>The auditor has provided an appropriate disclaimer in its audit report, which is in accordance with the Standards of Auditing as specified by ICAI / NFRA, in case where the listed entity/ its material subsidiary has not provided information as required by the auditor.</p>	<p>N.A.</p> <p>N.A.</p> <p>N.A.</p> <p>N.A.</p>	<p>There is no instance of resignation of Auditor.</p>
3.	The listed entity / its material subsidiary has obtained information from the Auditor upon resignation, in the format as specified in Annexure-	N.A.	There is no instance of resignation



A in SEBI Circular CIR/CFD/CMD1/114/2019 dated 18 th October, 2019.		of Auditor.
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III. I hereby report that, during the Review Period the compliance status of the Listed Entity is appended as below:

Sr. No.	Particulars	Compliance status (Yes / No / NA)	Observations / Remarks by PCS
1	<p><u>Secretarial Standard:</u></p> <p>The compliances of the listed entity are in accordance with the applicable Secretarial Standards (SS) issued by the Institute of Company Secretaries India (ICSI), as notified by the Central Government under Section 118(10) of the Companies Act, 2013 and mandatorily applicable.</p>	Yes	N.A.
2	<p><u>Adoption and timely updation of the Policies:</u></p> <ul style="list-style-type: none"> All applicable policies under SEBI Regulations are adopted with the approval of board of directors of the listed entities. All the policies are in conformity with SEBI Regulations and have been reviewed & timely updated as per the regulations / circulars / guidelines issued by SEBI. 	Yes Yes	N.A. N.A.
3	<p><u>Maintenance and disclosures on Website:</u></p> <ul style="list-style-type: none"> The Listed entity is maintaining a functional website. Timely dissemination of the documents / information under a separate section on the website. Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which re- directs to the relevant document(s) / section of the 	Yes Yes Yes	N.A. N.A. N.A.



	website.		
4	<p><u>Disqualification of Director:</u></p> <p>None of the Directors of the Company are disqualified under Section 164 of Companies Act, 2013 as confirmed by listed entity.</p>	Yes	N.A.
5	<p><u>Details related to Subsidiaries of listed entities have been examined w.r.t.:</u></p> <p>(a) Identification of material subsidiary Companies.</p> <p>(b) Requirements with respect to disclosure of material as well as other subsidiaries.</p>	N.A. N.A.	The Company does not have any material subsidiary Company.
6	<p><u>Preservation of Documents:</u></p> <p>The listed entity is preserving and maintaining records as prescribed under SEBI Regulations and disposal of records as per Policy of Preservation of Documents and Archival policy prescribed under SEBI LODR Regulations, 2015.</p>	Yes	N.A.
7	<p><u>Performance Evaluation:</u></p> <p>The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the start of every financial year / during the financial year as prescribed in SEBI Regulations.</p>	Yes	N.A.
8	<p><u>Related Party Transactions:</u></p> <p>(a) The listed entity has obtained prior approval of Audit Committee for all related party transactions; or</p> <p>(b) The listed entity has provided detailed reasons along with confirmation whether the</p>	Yes N.A.	N.A. N.A.



	transactions were subsequently approved / ratified / rejected by the Audit committee, in case no prior approval has been obtained.		
9	<p><u>Disclosure of events or information:</u></p> <p>The listed entity has provided all the required disclosure(s) under Regulation 30 along with Schedule III of SEBI LODR Regulations, 2015 within the time limits prescribed thereunder.</p>	Yes	N.A.
10	<p><u>Prohibition of Insider Trading:</u></p> <p>The listed entity is in compliance with Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015.</p>	No	The Company has maintained the Structural Digital Database internally with proper lock in till they installed the software in February, 2023.
11	<p><u>Actions taken by SEBI or Stock Exchange(s), if any:</u></p> <p>No Action(s) has been taken against the listed entity / its promoters / directors / subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars / guidelines issued thereunder except as provided under separate paragraph herein (**).</p>	No	Provided in separate paragraph herein (**)
12	<p><u>Additional Non-compliances, if any:</u></p> <p>No additional non-compliance observed for any SEBI regulation / circular / guidance note etc.</p>	No	Provided in separate paragraph herein (**)



Assumptions & Limitation of scope and Review:

1. The Compliance of the applicable laws and ensuring the authenticity of documents and information furnished, are the responsibilities of the management of the listed entity.
2. My responsibility is to certify based upon my examination of relevant documents and information. This is neither an audit nor an expression of opinion.
3. I have not verified the correctness and appropriateness of financial Records and Books of Accounts of the listed entity.
4. This Report is solely for the intended purpose of compliance in terms of Regulation 24A (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is neither an assurance as to the future viability of the listed entity nor of the efficacy or effectiveness with which the management has conducted the affairs of the listed entity.

Date: 24th May, 2023

Place: Mumbai

UDIN: A001157E000369096



Virendra G. Bhatt

Practicing Company Secretary

ACS No.: 1157 / COP No.: 124

Peer Review Cert. No.: 1439/2021