



20th Annual Report 2011-2012



Arman Financial Services Limited



Arman Financial Services Limited

TWENTIETH ANNUAL REPORT 2011-2012

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20TH ANNUAL GENERAL MEETING

Day : Saturday

Date : 29th September, 2012

Time : 6:00 P.M.

Venue : Ahmedabad Textile Mills' Association (ATMA) Hall
Opp. City Gold Cinema
Ashram Road
Ahmedabad - 380009



BOARD OF DIRECTORS

SHRI CHINUBHAI R SHAH
SHRI JAYENDRA B. PATEL

CHAIRMAN
VICE CHAIRMAN &
MANAGING DIRECTOR
EXECUTIVE DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR

SHRI AALOK J. PATEL
SHRI AMIT R. MANAKIWALA
SHRI KAUSHIKBHAI D.SHAH
SMT. RITABEN J PATEL
SHRI AAKASH J. PATEL
SHRI LOKESH KUMAR SINGH
SHRI ADITYA BHANDARI
(w.e.f. 10/02/2012)

AUDITORS

J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
201/202, LALITA COMPLEX
352/3, RASALA MARG
NAVRANGPURA
AHMEDABAD 380009

COMPANY SECRETARY

SHASHIKANT N THAKAR

**COMPANY SECRETARY
CONSULTING**

PINAKIN SHAH & CO.
C-103, PANCHDHARA PLAZA
B/H OCEAN PARK
SATELLITE ROAD
AHMEDABAD - 380015

BANKERS

IDBI BANK LTD
STATE BANK OF INDIA
STATE BANK OF PATIALA
HDFC BANK LTD
SIDBI
NABARD
AXIS BANK LTD
ICICI BANK LTD.
UNITED BANK OF INDIA
DEVELOPMENT CREDIT BANK
SARVODAYA COMM. CO-OP. BANK LTD.
THE AHMEDABAD DIST. CO-OP. BANK LTD.

REGISTERED OFFICE

502-503, SAKAR III
OPP. OLD HIGH COURT
OFF. ASHRAM ROAD
AHMEDABAD 380014

**REGISTRARS & SHARE
TRANSFER AGENTS**

SHAREPRO SERVICES (INDIA) PVT LTD.
416-420, 4TH FLOOR, DEVNANDAN MALL,
OPP. SANYASH ASHRAM, ELLISBRIDGE,
AHMEDABD-380006
TEL NOS.: 079 26582381 TO 84
FAX NO. : +91-79-26582385
Email sharepro@shareproservices.com



NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of ARMAN FINANCIAL SERVICES LIMITED will be held at The Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad 380009 on the 29th Day of September, 2012 at 6:00 p.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31st March, 2012 and the reports of the Board of Directors and Auditors thereon
2. To Declare Dividend
3. To appoint a Director in place of Shri Kaushikbhai D. Shah who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mrs. Ritaben Patel who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint a Director in place of Shri Aakash Patel who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting of the Company until the conclusion of next Annual General Meeting and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution

RESOLVED THAT M/s. J. T. Shah & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the company on such remuneration as shall be fixed by the Board Of Directors, exclusive of travelling and other out of pocket expenses.”

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:
RESOLVED THAT subject to provision of Section 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval and consent for the appointment of Shri Amit Manakiwala as Consultant for a period of five years w.e.f. 01/07/2012 and for the payment of remuneration of Rs. 9,00,000/- (Rs. Nine Lacs) p.a. to appointee Shri Amit Manakiwala.
“RESOLVED FURTHER THAT where in any financial year, the company has no profit or its profit is inadequate, the appointee shall be paid the above referred remuneration as minimum remuneration.
“RESOLVED FURTHER THAT the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged or varied by the Board of Directors, in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and / or the rules and regulations made thereunder and /or such guidelines as may be announced by Government of India, from time to time.”
8. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:
“RESOLVED THAT Mr. Aditya Bhandari, who was appointed as an Additional Director on 10/02/2012 and who in terms of Section 260 of the Companies Act, 1956 holds Office as such up to the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing along with the requisite deposit under section 257 of the Companies Act, 1956, from a Shareholder of the Company signifying his intention to propose Mr. Aditya Bhandari as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on a Poll, if any, in his/her stead and the proxy need not be a member of the Company.
2. The instrument appointing proxies, in order to be effective, must be received by the Company at the registered office, not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to this notice.
3. As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges the relevant details of Shri K. D. Shah, Mrs. Rita Patel and Shri Aakash Patel, Directors retiring by rotation and seeking re-appointment under Item No. 3, 4 and 5 of the Notice respectively, are annexed herewith.
4. Register of Members and Share Transfer Books of the Company will remained closed from 22nd day September, 2012 to 29th day September, 2012 (both days inclusive).
5. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.
6. Members/Proxies are requested to bring the copy of their Annual Report alongwith them.



7. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by members at the AGM.
8. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the Members at the Registered Office of the Company.
9. As a Green Initiative in the Corporate Governance, the Ministry of Corporate Affairs ("MCA") vide its circular bearing nos. (i) 17/2011 dated April 21, 2011 and (ii) 18/2011 dated April 29, 2011 allowed the Companies to send various notices/ documents (including Notice conveying AGM, Audited Financial Statements, Auditors' Report, Directors Report and other related documents) to shareholders through electronic mode, to the registered email Id of the shareholders. Pursuant to said Green Initiative. The Company urges the members to communicate their email id to the Company and / or RTA, so that the Company can send future communications to these shareholders in electronic mode.
10. The members who have not encashed the dividend warrants for the year 2009-10 and 2010-11 are requested to send back the original dividend warrants or send the indemnity for claiming the dividend.
11. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend for the financial year ended 31.03.2010 and 31.03.2011 which would remain unclaimed for a period of seven years will be transferred to the Investors' Education and Protection Fund (IEPF) established by the Central Government pursuant to the provisions of Section 205-C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below.

Financial year Ended	Date of declaration of dividend	Last Date for claiming unpaid Div.	Due date for transfer to IEP Fund
2009-10	06.09.2010	05.09.2017	05.10.2017
2010-11	26.09.2011	25.09.2018	25.10.2018

Shareholders are requested to note that no claims shall lie against the company for the said fund in respect of any amount which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.

12. Members are requested to visit the website of the Company 'www.armanindia.com' for viewing the quarterly & annual financial results and for more information on the Company.
13. For any investor-related queries, communication may be sent by e-mail to 'finance@armanindia.com' or Toll Free Number: 18001027626 (180010ARMAN)
14. For effecting changes in address/bank details/ECS (Electronic Clearing Service) mandate, members are requested to notify:
 - (i) The R&T Agent of the Company, viz.Sharepro Services(India) Pvt Ltd., if shares are held in physical form; and
 - (ii) Their respective Depository Participant (DP), if shares are held in electronic form.
15. Members are requested to send their queries, if any, to reach the Company at its Registered Office, at least 10 days before the meeting, so that the information can be compiled in advance.
16. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the meeting.

BY ORDER OF THE BOARD

Place: Ahmedabad

Date: 07/08/2012

Jayendra Patel

Vice Chairman & Managing Director

Registered Office:

502-503 Sakar III
Opp. Old High Court
Off Ashram Road
Ahmedabad 380014,
Gujarat, India.



**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
SETTING OUT ALL MATERIAL FACTS RELATING TO THE SPECIAL BUSINESS:**

ITEM NO. 7**APPOINTMENT OF SHRI AMIT MANAKIWALA AS CONSULTANT**

On recommendation of remuneration committee, the Board of Directors of the Company at the meeting held on 30/06/2012 has, subject to the approval of the members, unanimously approved the appointment of Shri Amit Manakiwala as Consultant of the Company w.e.f. 01/07/2012 for a period of 5 (five) years, including payment of remuneration.

An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated 31 December, 2010 has already been circulated to the members.

Shri Amit Manakiwala, is a B.Com from Gujarat University and having more than 25 years of vast business experience. He has been associated with the company since incorporation. He is working with the company on full time basis since long.

Members' approval is required for the appointment of Shri Amit Manakiwala as Director of the Company w.e.f. 01/07/2012 and payment of remuneration as set out in the accompanying resolution.

The remuneration proposed is within the limits of Part II of the Schedule XIII of the Companies Act, 1956 and there is no default in repayment of any of debts or interest payable thereon till date. The remuneration is subject to provisions of the Income Tax Act, as applicable from time to time. The remuneration proposed under the resolution was also proposed to be paid as minimum remuneration during the tenure of his appointment, in case in any financial year the company earns no profit or inadequate profit.

None of the Directors, except Shri Amit Manakiwala being an appointee, are in any way, concerned or interested in the resolution set out at item no. 7 of the Notice.

The Board recommends the resolution set out at item no. 7 of the notice for your approval.

ITEM NO 8

The Board of directors appointed Mr. Aditya Bhandari as an Additional Director with effect from 10/02/2012 by passing the resolution in the Board Meeting, pursuant to article 134 of Articles of Association of the Company read with section 260 of the Companies Act, 1956. As per the said section, they hold office up to the date of this Annual General Meeting. Notice pursuant to section 257 of the Companies Act, 1956, has been received from members signifying their intention to propose him as candidate for the office of the Director.

Profile:

Name	Mr. Aditya Bhandari
Date of Birth	22/04/1983
Qualification	Chartered Accountant
Expertise	Over seven years of experience in private equity, venture capital, investment banking and corporate finance.
Directorship in other Public limited Companies	NIL
Membership of Committees	NIL
No. of Shares held in the Company	NIL

None of the directors of the company other than Mr. Aditya Bhandari being an appointee, is concerned or interested in the resolution. Your Directors, therefore, recommend the resolution for your approval.

BY ORDER OF THE BOARD

Place: Ahmedabad
Date: 07/08/2012

Jayendra Patel
Vice Chairman & Managing Director

Registered Office:

502-503 Sakar III, Opp. Old High Court, Off Ashram Road, Ahmedabad 380014, Gujarat, India.

**Details of the Directors seeking re-appointment in the Twentieth Annual General Meeting
[Pursuant to Clause 49 of Listing Agreement of Bombay Stock Exchange]**

Particulars	Shri Kaushikbhai Shah	Mrs. Rita Patel	Shri Aakash Patel
Relationships with other Directors	None	Spouse/Mother/Sister	Son/Brother
Date of Appointment	05/07/1994	26/11/1992	24/10/2000
Expertise	Direct and indirect taxation.	Banking and finance.	Well conversant with IT along with Management Techniques.
Qualification	B.com, LL.B.,F.C.A	Graduate in Economics.	M.B.A
No. of Equity Shares held in the Company	3000	250310	233140
List of other companies in which directorship are held	Brady & Morris Eng. Co. Ltd. Amoldicalite Ltd. W. H. Brady & Co. Ltd, Brady Services Pvt. Ltd, Global Trade Cracker Ltd.	None	None
Chairmanship/ Membership of committees (includes only Audit Committee and Shareholders Grievances Committee)	Nil	Nil	Nil

Note: The Directorships held by Directors as mentioned above, do not include Directorships of Private Limited Companies.

**DIRECTORS' REPORT**

To

The Members,

The Directors have pleasure in presenting the Twentieth Annual Report along with the audited accounts of the company for the year ended 31st March, 2012.

FINANCIAL RESULTS

PARTICULARS	Year Ended 31 st March, 2012 (Rupees)	Year Ended 31 st March, 2011 (Rupees)
Income from operations	15,50,29,007	11,42,25,134
Profit before Interest, & Depreciation	10,27,06,133	7,02,73,840
Less		
Interest	5,61,94,476	4,26,44,135
Depreciation	<u>10,38,109</u>	<u>9,10,477</u>
	5,72,32,585	4,35,54,612
PROFIT BEFORE TAXATION	4,54,73,548	2,67,19,228
Provision for Taxation	(14,700,000)	(91,00,000)
Deferred Tax Assets	(164,001)	5,13,953
PROFIT AFTER TAXATION	3,06,09,547	1,81,33,181
Add: Balance Brought Forward from		
Previous year	3,87,82,266	2,81,02,031
PROFIT AVAILABLE FOR		
APPROPRIATIONS	6,93,91,813	4,62,35,212
APPROPRIATIONS		
Dividend	32,61,280	32,61,280
Tax on Dividend	<u>5,28,980</u>	<u>5,41,666</u>
Transfer to General Reserve	15,50,000	NIL
Transfer to Special Reserve	62,00,000	36,50,000
PROFIT & LOSS A/C SURPLUS	5,78,51,553	3,87,82,266

FINANCIAL PERFORMANCE

For the year under review,

- Gross income rose to Rs.1550.29 lacs as compared to Rs. 1142.25 lacs in the previous year showing the growth of 35.72%.
- The Profit Before Taxes for the year is Rs. 454.74 lacs as compared to Rs. 267.19 lacs in the previous year showing the growth of 70.19%.
- The net profit for the year is Rs. 306.10 lacs versus Rs. 181.33 lacs in the previous year showing the increase of 68.81%.

APPROPRIATIONS**Dividend**

The Board has recommended a dividend of Rs. 0.80 per equity share (previous year dividend Rs. 0.80 per equity share) of fully paid up face value of Rs. 10/-, amounting to Rs. 32,61,280/- (previous year dividend Rs. 32,61,280/-). The tax on distributed profits payable on this dividend is Rs. 5,28,980/- (previous year Rs. 5,41,666/-) making the aggregate distribution to Rs. 37,90,260/- lacs (previous year Rs. 38,02,946/-). The proposed dividend would be tax free in the hands of the shareholders.

Transfer to Reserves

According to Companies (Transfer of Profits to Reserves) Rules, 1975, the Board has recommended a transfer of Rs. 15,50,000/- to the general reserve and an amount of Rs. 62,00,000/- lacs transfer to Special Reserve as required by Section 45-IC of the Reserve Bank of India Act, 1934.

SHARE CAPITAL

During the year, the following changes were effected in the Share Capital of your Company:-

- Change in Authorised Share Capital
The Authorised Share Capital of your Company was subdivided into 1,12,50,000 Equity Shares of Rs.10/- each and 37,50,000 'A' Ordinary Share of Rs.10/- each by the creation of 37,50,000 'A' Ordinary Share of Rs.10/- each.
- Increase in Issued and Paid up Share Capital



- a) The following securities were issued on a preferential basis to RIF NorthWest 2 during the financial year:
- 13,58,130 Ordinary Equity Shares of face value 10/- each at a premium of Rs 46.95 per equity share;
 - 12,75,760 10% Compulsorily Convertible Debentures [CCD] of face value of Rs 56.95 per CCD with a right exercisable by the CCD holder to subscribe for one Ordinary Equity Share of 10/- each per CCD; or for one 'A' Ordinary Share of Rs 10/- each per CCD.
- An application money for above securities was received on 28/12/2011.
- b) The following securities were issued on a preferential basis to promoters of the Company during the financial year:
- 4,28,329 Warrants of face value of Rs 28/- per warrant with a right exercisable by the warrant holder to subscribe for one Ordinary Equity Share of 10/- each per warrant.

In principal approval from BSE for listing of above securities was received on 12/04/2012 and thereafter the allotment was finalized on 16/04/2012 i.e. after close of the accounting year. Issued and Subscribed Share Capital of your Company, as on 31st March, 2012, remained the same and stands increased to Rs.: 54,347,290/- divided into 54,34,729 Equity Shares of Rs. 10/- each on 16/04/2012. The new Equity Shares rank pari passu with the existing Equity Shares of your Company.

LISTING OF SHARES

The Company's share continues to remain listed with The Stock Exchange, Mumbai, where the share is actively traded. BSE vide its letter no DCS/PREF/BS/FIP/307/20112-13 dated 30/07/2012 has approved listing of 13,58,129 equity shares of Rs 10/- each allotted at a premium of Rs 46.95 per equity share to RIF North West 2.

SUBSIDIARY COMPANY

Your Company has incorporated its wholly owned subsidiary M/s Namra Finance Limited on 27/03/2012. An application has been made to RBI for NBFC registration. The Company has invested Rs 199.90 lacs as its initial capital. The Company is not required to attach the Balance Sheet, Profit and Loss Account and other documents of the subsidiary company as it has not closed its first accounting year.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion and Analysis have been reviewed by the Audit Committee and the same is forming a part of this Annual Report.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement, a report on corporate governance along with auditors' certificate of its compliance is included as part of the annual report.

DIRECTORS

The clause 153 read with clause 154 of Articles of Association of the Company provide that at least two-thirds of our Directors shall be subject to retirement by rotation. One third of these retiring Directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election.

Shri K. D. Shah, Mrs. Rita J Patel and Shri Aakash Patel will retire by rotation and being eligible, offer themselves for re-appointment. The details of their re-appointment together with nature of their expertise in specific functional areas and names of the companies in which they hold office as Director and/or the Chairman/Membership of Committees of the Board, are provided in the Notice of the ensuing Annual General Meeting.

Mr Aditya Bhandari was appointed as additional Director on 10/02/2012 and will vacate his office at the ensuing Annual General Meeting. The Company has received notice from certain members seeking his re-appointment. The Board recommends his re-appointment.

CODE OF CONDUCT

The code of conduct for all board members and senior management of the company has been laid down and is being complied in words and spirit. The declaration on compliance of code of conduct signed by Chairman & Managing Director of the Company is included as a part of this annual report.

SECRETARIAL AUDIT

Pinakin Shah & Co., Practicing Company Secretary conducted Secretarial Audit pursuant to provisions of Section 383A of the Companies Act, 1956, for the financial year 2011-12. Pinakin Shah & Co., has submitted the Report confirming compliance with the applicable provisions of Companies Act, 1956 and other rules and regulations issued by SEBI/other regulatory authorities for Corporate law.

STATUTORY DISCLOSURES:

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO: Particulars required to be furnished by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988:

Part A and B pertaining to conservation and technology absorption is not applicable to the Company. However the Company endeavored to conserve energy consumption wherever feasible.

The Company has neither used nor earned any foreign exchange during the year under review.

PARTICULARS OF EMPLOYEES:

The information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees' amendment) Rules, 1988 as amended from time to time is nil.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to sub-Section (2AA) of Section 217 of Companies Act, 1956 the Board of Directors of the Company hereby State and confirm that:



- in the preparation of Annual Accounts, the applicable accounting standards have been followed along with prop
- the Directors had 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 of the Company at end of the financial year and of the profit of the Company for the period;
- 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;
- The Directors have prepared the annual accounts on a going concern basis.

Cash Flow

A Cash Flow statement for the year ended March 31, 2012 is attached to the Balance Sheet.

AUDITORS AND AUDITORS' REPORT:

The auditors M/s J. T. Shah & Co., Chartered Accountants, Ahmedabad holds office until the conclusion of the Next Annual General Meeting and they have intimated the company in writing of their willingness to be reappointed as auditors of the Company for the financial year 2012-13. The Company has received certificate from them to the effect that the appointment if made, would be within prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

The notes on accounts referred to in the Auditors' Report are self-explanatory and comments on Auditors' Report are as under:

Comments and replies:

1. **Strengthening of internal control system:**
The company has appointed M/s. Dharmesh Parikh & Co., Ahmedabad as Internal Auditor and also has its own internal control department. Both of them look into in the system and procedures and conduct regular audits of the entire operations, which includes disbursement and recovery of loans. The company has also engaged IntellectCash Consulting to assess, evaluate, and rehaul the current systems and procedures for the Company's Microfinance operations.
2. **Payment of Advance Tax:**
It is always Endeavour of the company to pay all taxes regularly. However there was delay in depositing advance income tax as it was difficult to predict performance of Company in Micro Finance Segment due to uncertainty of policy on sector at macro level. It was difficult to measure profitability due to announcement of acceptance of Malegam Committee Recommendations by RBI and the RBI December 2, 2011 Microfinance Directions Circular.
3. **Fraud by employees of the Company:**
Employee fraud is an inherent risk in the business the company operates in, since all Micro Finance transactions are cash-based. The services of all such employees involved have been terminated and the company has taken legal action. The outstanding balance (net of recovery) aggregating Rs 2.87 lacs has been written off. The company has recovered an amount of Rs 1.95 lacs against a total fraud of Rs 4.82 lacs. To mitigate this risk to a large extent, the management has put in place several preventive control measures such as procuring indemnity bond from every field staff, with personal guarantee of a third person. Company performs reference checks of all employees and conducts field investigation of their residence. Every bank transaction (deposit/ withdrawal) is executed by a minimum of two staff. Cash is deposited in the bank daily and minimal cash remains overnight at the branch offices. Surprise visits are conducted by managerial employees and audit executives to verify cash balances at branch and with field employees. Demand-Collection-Disbursement reconciliation occurs daily and the summary is reported to upper management daily. Company has also procured Fidelity (fraud) Insurance and Cash Transit Insurance on all employees to further mitigate risk.

FIXED DEPOSITS

The Company has not invited or accepted any deposits from the public. The Company has made all compliances in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998. Even though the company remained as Category 'A' (Deposit accepting) NBFC, it has not invited or accepted any deposits from the Public. The Company has made all the compliances in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

INSURANCE

The Company's assets are adequately insured against major risks.

ACKNOWLEDGMENTS

The Company has received excellent co-operation from its bankers and financial institutions viz. IDBI Bank Ltd., State Bank of India, State Bank of Patiala, HDFC Bank Ltd., SIDBI, NABARD, AXIS Bank Ltd., ICICI Bank Ltd., United Bank of India, Development Credit Bank Ltd., Ananya Finance for Inclusive Growth Private Ltd., MAS Financial Service Ltd., The Sarvodaya Commercial Co-op Bank Ltd., and The Ahmedabad District Co-op Bank Ltd. The Company looks forward to the continued co-operation from its Bankers in future as well.

We sincerely thank INCOFIN Investment Management and RIF NorthWest 2 for their investment and the trust they have reposed in us.

We also thank the Reserve Bank of India, our regulator, for all the co-operation extended for the year under review.

The Company puts on record its appreciation for the dedication of its staff members and the Co-operation of its stake holders received during the period under review.

For and on behalf of the Board

Place: Ahmedabad.

Date: 07/08/2012

**CHINUBHAI R. SHAH
CHAIRMAN**



CORPORATE GOVERNANCE

(As required by clause 49 of the Listing Agreement with the stock exchange)

This section on Corporate Governance forms part of the Directors' Report to the shareholders. This report is given in terms of clause 49 of the Listing Agreement entered with the Mumbai Stock Exchange where the shares of the Company have been listed.

1. Company's Philosophy & Code of Governance

Your company's corporate governance policy is directed towards adherence to ethical business practices. The company believes in conducting its affairs in a fair, transparent and professional manner and maintaining the good ethical standards in its dealing with all its constituents. The philosophy on Corporate Governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility etc. serve as the means of implementing the philosophy of Corporate Governance in letter and spirit.

All mandatory requirements and also a few non-mandatory requirements prescribed by Clause 49 of the Listing Agreement have been implemented by the Company. Non-mandatory requirements such as formation of Remuneration Committee have been implemented. Codes of business conduct, adopted by the directors and senior management personnel, are posted on the website of the Company (www.armanindia.com).

All board members and senior management personnel have affirmed compliance with the respective codes of conduct for the year ended March 31, 2012. In terms of Clause 49 (I) (D) of the Listing Agreement, the Managing Director has given the requisite declaration to this effect. In terms of Clause 49 (V) of the Listing Agreement, the Vice Chairman and Managing Director [CEO] and Executive Director [CFO] have given the requisite certification to the Board of Directors in the prescribed format for the period under review.

Name of Directors	Attendance Particular				Other Committee Membership	
	Category	Board Meeting	Last AGM	Other Director	Member	Chairman
C. R. Shah	C ID	5	No	13	3	4
J. B. Patel	VCMD	6	Yes	1	0	0
A. R. Manakiwala	ED	6	Yes	1	-	—
R. J. Patel	NED	6	Yes	1	0	—
K. D. Shah	ID	5	No	5	0	0
Aakash J. Patel	NED	-	No	—	—	—
Aalok. J. Patel	ED	5	Yes	1	—	—
Lokesh Singh	ID	1	No	2	1	—
Aditya Bhandari	NED	1	No	5	—	—

(w.e.f. 10/02/2012)

C-Chairman, VCMD-Vice Chairman And Managing Director, ED-Executive Director, NED- Non Executive Director, ID-Independent Director

Board Meetings

The Board of Directors oversees management performance in order to ensure adherence to highest standards of corporate governance. The Board evaluates the strategic direction, management policies and their effectiveness and provides guidance and leadership to the management in achieving set goals. Board meeting dates are finalised in consultation with all directors. The Board is regularly apprised about important business related information and developments. Board members express opinions and bring up matters for discussion at its meetings. Board meeting minutes are circulated to all Directors in advance and confirmed at the subsequent Board meeting. Copies of signed minutes of the various Committees of the Board and Board meetings of subsidiary company are tabled at Board meetings.

Details of Board Meetings

In compliance with the provisions of Clause 49 of the Listing Agreement, the Board meetings are held atleast once every quarter and the time gap between two meetings is not more than four months. During the year, six Board Meetings were held.

Date of Meeting	No of Directors Present
11/05/2011	6
11/08/2011	6
08/11/2011	7
21/11/2011	6
19/12/2011	4
10/02/2012	6



2. AUDIT COMMITTEE

The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and para 9A of the Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998. It comprises of following non-executive members:

Name	Designation	Attendance
Shri K. D. Shah	Chairman	4
Shri C. R. Shah	Member	4
Smt Rita Patel.	Member	4

All the members of the Audit Committee are financially literate. The meetings of the Audit Committee were attended by the finance head, representatives of accounts, statutory and internal auditors. The Audit Committee addresses matters pertaining to appropriateness of audit tests and checks, reliability of financial statements, adequacy of provisions for liabilities and internal controls. The Committee lays emphasis on adequate disclosures and compliance with all relevant statutes. The Committee performs the functions enumerated in Clause 49 of the Listing Agreement, Section 292A of the Companies Act, 1956 and duties cast upon from time to time by the Ministry of Corporate Affairs through its circulars and notifications. The matters deliberated upon by the Committee include:-

- 1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) Recommending to the Board, the appointment of statutory auditors, fixation of audit fees and approval of payments for any other services rendered by them.
- 3) Reviewing with the management the quarterly and annual financial statements before submission to the Board for approval with particular reference to: -
 - a) matters required to be included in the Directors' Responsibility Statement in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with listing and other legal requirements relating to financial statements;
 - f) disclosure of related party transactions; and
 - g) Qualifications in the draft audit report, if any.
- 4) Reviewing with the management, the performance of statutory and internal auditors and adequacy of the internal control systems.
- 5) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, its staffing, reporting structure, coverage and frequency of audits.
- 6) Discussion with the internal Auditors significant findings and follow-up thereon.
- 7) Reviewing the findings of internal auditors and reporting them to the Board.
- 8) Discussion with statutory auditors before the audit commences about the nature and scope of audit as also post-audit discussion to ascertain areas of concern.
- 9) Reviewing the Company's financial and risk management policies.

Details of Audit Committee Meetings:

The Audit Committee met four times during the year under review on 11/05/2011, 11/08/2011, 08/11/2011 and 10/02/2012 and was attended by all members.

3. REMUNERATION COMMITTEE

The Remuneration Committee comprises of following members:

Name	Position	Category
Shri C. R. Shah	Chairman	Independent, Non- Executive
Shri K. D. Shah	Member	Independent, Non- Executive
Shri Lokesh Singh	Member	Independent, Non- Executive

The Committee performs functions enumerated in Clause 49 of the Listing Agreement as also Schedule XIII of the Companies Act, 1956 and recommends to the Board the remuneration payable to executive directors. The Committee recommends the remuneration package after considering factors such as experience, expertise, position, responsibilities to be shouldered by the individual, leadership qualities, the volume of Company's business and profits earned by it.

Presently, the company does not have a scheme for grant for stock option or performance-linked incentives for its Directors.

Details of Remuneration Committee Meetings:

The Remuneration Committee met on 30/6/2012 during the year under review. It recommended appointment of Shri Amit Manakiwala as Consultant and reviewed terms of remuneration of all executive directors.

Details of remuneration paid to Directors

The aggregate value of salary and perquisites including commission payable for the year ended 31st March, 2012 to the Managing Director/Executive Directors is as follows:

Shri Jayendra Patel, Vice Chairman & Managing Director and Shri Aalok Patel, Executive Director, The aggregate value of salary and perquisites paid was Rs. 20,82,603/- during the year under review.



The Company pays sitting fees to all the Non-Executive Directors for attending each meeting of the Board and Committee thereof respectively. The sitting fees paid for the year ended 31st March, 2012 to the Directors were as follows:-

Shri C. R. Shah.	Rs. 77,500/-
Shri K. D. Shah.	Rs. 77,500/-
Smt Rita Patel.	Rs. 57,500/-
Shri Lokesh Singh	Rs. 7,500/-
Shri Aditya Bhandari	Rs. 20,000/-

4. SHAREHOLDERS/INVESTOR'S GRIEVANCES COMMITTEE

The Investors' Grievances Committee comprises three directors, namely Shri C. R. Shah, Chairman, Shri K. D. Shah & Shri Jayendra Patel. Meetings of the Investors' Grievances Committee are also attended by the head of Investors' Services Department.

The Committee oversees functioning of the Investors' Services Department covering all facets of the operations including transfer of shares in physical form, dematerialisation of shares, non-receipt of balance sheet and activities related to dividend and depository operations. The Committee also closely monitors investor grievance redressal system of the department. The Committee oversees the performance of the Registrar and Transfer Agents, & recommends measures for overall improvement in the quality of investor services.

Details of the Investors' Grievances Committee Meetings

It met 4 times during the year. Your Company received nil complaints from shareholders during the year. As on March 31, 2012, no complaints remained pending/ un-attended and no share transfers and dematerialization requests remained pending for over 30 days, during the year.

SHARE TRANSFER COMMITTEE

The Board of Directors has delegated power of approving transfer of securities to Shri Jayendra Patel and Shri Amit Manakiwala. The Committee, inter alia, reviews and approves the transfer/transmission/demat of equity shares as submitted by Sharepro Services (India) Pvt. Ltd., the Registrar and Transfer Agent of the Company.

It met 20 times during the year to approve transfer/ transmission/ demat of equity shares. It transferred 12400 equity shares submitted through physical transfer deed.

5. DETAILS OF LAST THREE ANNUAL GENERAL MEETING

Year	Venue Of AGM	Day, Date&Time	Number of Special Resolutions passed
2008-09	ATMA HALL Ahmedabad	25.09.2009 01.30 p.m.	Nil
2009-10	ATMA HALL Ahmedabad	06.09.2010 12.30 p.m.	2
2010-11	ATMA HALL Ahmedabad	26.09.2011 01.00 p.m.	Nil

No business was required to be transacted through postal ballot at the above meetings. Similarly, no business is required to be transacted through special resolution/postal ballot at the forthcoming Annual General Meeting.

6. Disclosure on materially significant related party transactions:

During the year under review, there were no materially significant related party transactions between the Company and its promoters, directors, management or their relatives, etc. which may have potential conflict with the interests of the Company. Statements of transactions in summary form with related parties in the ordinary course of business and material individual transactions with related parties, which were not in the normal course of business, were placed at meetings of the Audit Committee. The Audit Committee reviews statements of related party transactions submitted by the management. Details of transactions in which Directors are interested are recorded in the Register of Contracts maintained pursuant to the provisions of Section 301 of the Companies Act, 1956 and the same is placed at Board meetings and is signed by the Directors present. In compliance with Accounting Standard AS 18, details of related party transactions are disclosed in the notes to accounts that form part of the balance sheet and profit and loss account.

The Company has complied with requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years and they have not imposed any penalties on, or passed any strictures against the Company.

7. Means of communication

Quarterly and annual financial results of the Company are submitted to the stock exchanges immediately after the Board approves them. Thereafter, the same are published in The Economic Times -English and Gujarati-Ahmedabad editions. Disclosures pursuant to various clauses of the Listing Agreement are promptly communicated to the stock exchanges.

No formal presentation was made to the institutional investors or to the analysts during the year under review. Management Discussion and Analysis forms Part of the annual report, which is posted to the shareholders of the company.

8. General Shareholder Information

Exclusive email id for investor grievances

Pursuant to Clause 47 (f) of the Listing Agreement, the following email id has been exclusively designated for communicating investor grievances:

secretarial@armanindia.com

Person in-charge of the Department: Deepak Rathod



- **Toll Free Number for investor grievances**

Exclusive Toll Free Number has been established for the Shareholders for communicating any grievances without any phone charges (charges will be borne by the Company) The Number is 18001027626 i.e. (1800-10- ARMAN)

- **ANNUAL GENERAL MEETING**

The 20th Annual General Meeting will be held on 29th Day of September, 2012, at 6:00 p.m. at Ahmedabad Textile Mills' Association (ATMA) Hall, Opp. City Gold Cinema, Ashram Road, Ahmedabad - 380009

- **FINANCIAL CALENDAR**

First quarter results : July 2012
Second quarter results : October 2012
Third quarter results : January 2013
Annual results : April/May 2013
Annual General Meeting : August/September 2013

- **BOOK CLOSURE**

The Register of Members and the Share Transfer Register will be closed from 22nd Day of September, 2012 to 29th Day of September, 2012, (both days inclusive).

Dividend for the year ended March 31, 2012, if declared, at the Annual General Meeting, shall be paid to:

- a) Beneficial owners in respect of shares held in electronic form as per the data made available by NSDL/CDSL, as of the close of the business hours on 21st Day of September, 2012; and
- b) to all members in respect of shares held in physical form, after giving effect to valid transfers, in respect of transfer request lodged with the Company on or before the close of business hours on 21st Day of September, 2012.

- **DIVIDEND PAYMENT DATE**

Dividend, if declared, shall be paid within five working days from the date of the Annual General Meeting. Dividend shall be remitted through National Electronic Clearing Service (NECS), wherever bank details including MICR no. are available with the Company, and in other cases, through warrants, payable at par.

Transfer of unclaimed amounts to Investor Education and Protection Fund

The investors are advised to claim the un-encashed dividends lying in the unpaid dividend accounts of the Company before the due date (as indicated in notes to the Notice) before the entire amount of unclaimed dividend amount is transferred to Central Government's Investor Education and Protection Fund.

- **SHARES LISTED AT**

The equity shares of the Company are listed at:

Bombay Stock Exchange Limited (BSE).

Pursuant to the shareholders' resolution passed at the 12th Annual General Meeting held on 27.09.2004, an application for Delisting to Stock Exchange, Jaipur is made and is pending for their approval.

Annual Listing fees for the year 2012-13 have been paid to Mumbai stock exchange. The Company has also paid the Annual Custodial fees to both the depositories.

- **STOCK CODES**

The stock codes of the Company at BSE: 531179

- **INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)**

ISIN is a unique identification number allotted to dematerialised scrip. The ISIN has to be quoted in each transaction relating to dematerialised shares of the Company. The ISIN of the equity shares of the Company is INE 109C01017.

- **CORPORATE IDENTITY NUMBER (CIN)**

CIN of the Company, allotted by the Ministry of Corporate Affairs, Government of India: L55910GJ1992PLC018623.

- High/Low of monthly Market Price of the Company's Equity Shares Traded on the Mumbai Stock Exchanges during the financial year 2011-12 is furnished below:

	Bombay Stock Exchanges (BSE) (In Rs. Per share)	
	Month's High Price	Month's Low Price
April, 2011	26.85	15.50
May, 2011	24.50	16.85
June, 2011	20.15	14.75
July, 2011	23.00	16.15
August, 2011	23.65	16.55
September, 2011	23.50	16.70
October, 2011	29.25	20.10
November, 2011	34.45	24.00
December, 2011	32.85	24.85
January, 2012	31.40	25.00
February, 2012	32.00	26.00
March, 2012	31.00	21.50



EVOLUTION OF CAPITAL

Particulars of Equity shares issued by the Company:

Increase authorized capital				Increase in issued capital			
Year	Date	No. of Share increase	Total No. of Share after increase	Year	Date	No. of Share issued	Total No. of Shares after increase
1991-1992	26/11/1992	15,00,000	15,00,000	1993-1994	08/09/1993	1,39,540	1,39,540
1993-1994	20/05/1993	15,00,000	30,00,000	1994-1995	20/07/1994	1,07,900	2,47,440
1994-1995	14/09/1994	20,00,000	50,00,000	1994-1995	06/10/1994	2,49,640	4,97,080
1994-1995	20/05/1994	4,50,00,000	5,00,00,000	1995-1996	03/11/1995	35,79,520	40,76,600
2010-2011	10/09/2010	10,00,00,000	15,00,00,000	NIL	NIL	NIL	NIL

SHARE TRANSFER SYSTEM

Company's shares in dematerialised form are transferrable through depositories. Shares in physical form are transferred by the Registrar & Transfer Agent and placed before the Share Transfer Committee for its approval. The Investor Grievance Committee meets at a regular interval to consider and approve the transfer, transmission, issuance of duplicate / consolidated / sub-divided share certificates and requests for dematerialization / rematerialisation of Company's shares.

In terms of Clause 47 (c) of the Listing Agreement, every six months, a qualified Practising Company Secretary undertakes audit of the share transfer related activities carried out by the Department and issues a compliance certificate, which is submitted to the stock exchange.

Distribution of Shareholding (as on March 31, 2012)

On the basis of Share held

No of equity Shared held	No. of Share Holder (Physical)	No. of Share (Physical)	No. of Share Holder (D-mate)	No. of Share (D-mate)	Total No. of Share Holder	% of share Holders	Total No. of Shares	% of share Holding
1-500	3,398	4,06,240	1,427	2,26,272	4,825	91.57	6,32,512	15.51
501-1000	61	52,500	141	1,23,472	202	3.83	1,75,972	4.31
1001-2000	22	33,500	90	1,40,453	112	2.13	1,73,953	4.27
2001-3000	6	15,400	23	59,725	29	0.55	75,125	1.85
3001-4000	2	7,300	11	39,088	13	0.25	46,388	1.14
4001-5000	2	9,500	19	90,432	21	0.40	99,932	2.45
5001-10000	3	23,500	20	1,50,517	23	.44	1,74,017	4.27
10001-20000	3	41,300	11	1,59,676	14	.27	2,00,976	4.93
Above 20000	0	0	30	24,97,725	30	0.56	24,97,725	61.27
Total	3,497	5,89,240	1,772	34,87,360	5,269	100.00	40,76,600	100

On the basis of Category

Category	No of Shares Held	% to Total Shares Held
Individual	23,26,874	57.08
Private Corporate Bodies	2,02,353	4.96
Promoters	14,52,112	35.62
Nonresident Indians	95,261	2.33
Total	40,76,600	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY

Shares of the Company are traded compulsorily in dematerialised form and are available for trading with both the depositories with whom the Company has established direct connectivity. The demat requests received by the Company are continually monitored to expedite the process of dematerialisation. The demat requests are confirmed to the depositories within five working days of receipt.

During the year, the Company has electronically confirmed demat requests for 26,400 equity shares. As on March 31, 2012, 85.55% of the total shares issued by the Company were held in dematerialised form.

Liquidity: The Company's Shares are liquid on BSE.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Company has adopted a comprehensive Code of Conduct pursuant to the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992, for prevention of insider trading in shares of the Company.

The Code of Conduct is implemented diligently mandating initial and continual disclosures from the senior officials, directors and auditors of the Company upon trading in the shares of the Company. The Code also restricts specified employees to deal in the shares of the Company on the basis of any unpublished price sensitive information available to them by virtue of their position in the Company.



The transactions of the insiders in the shares of the Company are subjected to trading window closures, pre-clearance of trades etc. as envisaged in the Code. The Code has been disseminated through the Company's intranet for easy access to the employees and is updated from time to time.

- **RECONCILIATION OF SHARE CAPITAL AUDIT REPORT**

Pursuant to the provisions of the SEBI (Depositories & Participants) Regulations, 1996, quarterly audit is being undertaken by a Practising Company Secretary for reconciliation of share capital of the Company.

The audit report inter alia covers and certifies that the total shares held in NSDL, CDSL and those in physical form tally with the issued and paid-up capital of the Company, the Register of Members is duly updated, demat requests are confirmed within stipulated time etc. The Reconciliation of Share Capital Audit Report is submitted with BSE and is also placed before the meetings of the Board of Directors and the Investors' Grievances Committee.

- **Outstanding GDRs/ADRs/Warrants or any convertible instrument as on 31st March-12**

There were no outstanding GDRs/ADRs/Warrants or any convertible instrument as at end March-2012.

- **Plant Locations**

The nature of business is such that the company has no plant.

- **Address for Correspondence**

All enquiries, clarification and correspondence should be addressed to the compliance officer at the following Addresses.

(1) 502-503, Sakar III, Opp: Old High Court, Off Ashram Road, Ahmedabad 380014
e-mail: finance@armanindia.com

(2) SHAREPRO SERVICES (INDIA) PVT. LTD.
416-420, 4th Floor, Devnandan Mall, Opp: Sanyash Ashram, Ellisbridge, Ahmedabad- 380006
Email: sharepro@shareproservices.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Arman Financial Services Limited

We have examined the compliance of the conditions of corporate governance by Arman Financial Services Limited ("the Company") for the year ended on March 31, 2012, as stipulated in clause 49 of the listing agreements of the said company with relevant stock exchanges.

The compliance of the conditions of corporate governance is the responsibility of the management.

Our examination has been limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements 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 agreements. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Pinakin Shah & Co.,
Practising Company Secretary
FCS 2562, C.P No 2932

Place: Ahmedabad

Date: 07/08/2012

DECLARATION PURSUANT TO CLAUSE 49 1 (D) (ii) OF THE LISTING AGREEMENT

In accordance with Clause 49 1(D)(ii) of the Listing Agreement with the Stock Exchanges, I hereby declare that the Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct as applicable to them for the year ended March 31, 2012.

Place : Ahmedabad

Dated: 07/08/2012

For and behalf of Board of Directors

JAYENDRA PATEL
Vice Chairman and Managing Director



CEO-CFO Certification
CERTIFICATE PURSUANT TO CLAUSE 49 V OF THE LISTING AGREEMENT

We, Shri Jayendra Patel, Vice Chairman and Managing Director (CEO) and Shri Aalok Patel, Executive Director (CFO) do hereby certify to the Board that:

- a) We have reviewed the Balance Sheet as at March 31, 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date and that to the best of our knowledge and belief:
 - i) The said statements do not contain any false, misleading or materially untrue statements or figures or omit any material fact, which may make the statements or figures contained therein misleading;
 - ii) The said 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) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
 - i) significant changes in internal control over financial reporting during the year, if any;
 - ii) significant changes in accounting policies during the year if any and that the same have been disclosed in the notes to the financial statements; and
 - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Arman Financial Services Limited
Jayendra Patel (CEO)
Ahmedabad

For Arman Financial Services Limited
Shri Aalok Patel (CFO)



Annexure to Directors Report Management Discussion & Analysis

The Directors of Arman Financial Services Ltd (“Arman”, “Company”) are pleased to present the Management Discussion & Analysis (“MD&A”) Report for the Year Ended 31st March, 2012, a glorious year by any measure. As far as growth and profits, Arman leapt into the stratosphere compared to all previous years. Belgium based Incofin, a Private Equity Player, infused much needed equity into the company to take us into the next level of operations. Regulatory situation for NBCFs faced challenges, especially MFIs, but has shown very encouraging signs of recovery. All in all, this was a year we shall not forget very quickly. We will expand upon each of the above topics, and others, in the rest of the report.

It is prudent to draw attention to the reader that the MD&A may make references to business projections or expectations. Any forward-looking statement made by the Company are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statement relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. There are no limitations to the factors that could cause the actual results to vary materially from those in any of the projections or forward-looking statements.

Business Environment

Economic Scenario

The global economy continued to be characterized by variable speed growth as fiscal consolidation, private sector deleveraging, and the Euro-zone crisis affected growth in Western economies. Emerging market economies are growing but at a slower pace than expected earlier. Overall, conditions in the US are improving while Europe is sliding into a mild recession. Despite slowing growth, India and China are still poised to support global recovery.

For the Indian economy, GDP growth in FY’12 is estimated at 6.5% against 8.4% in FY ‘11. Notwithstanding this, India remained one of the fastest growing economies in the world. India also remained a favored destination for foreign investment which is reflected in increase in FDI to US\$ 46.85 billion in FY’12 against US\$ 34.85 billion in FY’11. NRI deposits grew substantially to US\$ 11.0 billion in FY’12 from US\$ 3.24 billion in FY’11, which shows confidence of the Foreign Community in India.

During FY’12, agriculture and services continued to perform well but industrial production particularly in manufacturing slowed noticeably. Investment was impacted by domestic and global factors, which affected manufacturing activity and overall industrial growth decelerated to 2.6% in FY’12 from 6.8% in FY’11. Good monsoons led to increase in farm production though agriculture GDP growth declined to 2.8% in FY’12 to 7.0% in FY’11. This was mainly due to high base effect. Services sector remained fairly stable and grew by 8.5% in FY’12 against 9.2% in FY’11.

On the external front, exports grew by 21% despite slowdown in global trade. However, the trade gap widened to \$185 billion due to higher import growth at 32% led by sharp increase in gold and oil imports. Rise in external debt was driven by increase in external commercial borrowings, export credit and short-term debt. Increased flows of NRI deposits also have implications for India’s external debt.

Inflation remained a big concern, especially from a political perspective with average inflation of 9.6% in FY’11 moderating only slightly to 8.8% in FY’12. Inflation concerns prompted RBI to follow a tight monetary policy and between May and October 2011, RBI increased the Repo rate five times from 7.25% to 8.50%. The liquidity situation remained in deficit mode and banks were seen borrowing under the Liquidity Adjustment Facility (LAF). To ease pressure on liquidity and ensure adequate credit availability, RBI introduced the Marginal Standing Facility (MSF) and cut CRR by 125 bps in two tranches of 50 bps and 75 bps from 6.0% to 4.75% during the year.

The moderation in GDP growth following monetary tightening by RBI affected business growth of banks, NBFC, and other financial institutions, which is reflected in slowdown in their deposit, credit, and liquidity growth. To control inflation, RBI raised the repo rate five times during FY’12 from 7.25% to 8.50%. Reflecting monetary transmission, interest rates on bank deposits and credit also rose. Deposit rate of major banks for more than one year maturity rose from 7.75-9.50% in FY’11 to 8.50-9.25% in FY’12, and base rate of major banks rose from 8.25-9.50% to 10.0-10.75% in the same period.

The Government is increasing investment in agriculture and rural development, expanding financial inclusion and pushing for investment in manufacturing and infrastructure, which will translate into growth opportunities for several sectors such as microfinance, steel, cement, aluminum, etc. To boost growth, RBI is likely to cut rates further during FY’13, though the extent of rate cuts will be contingent on the inflation trajectory. All this will provide an opportunity for banks and financial institutions to increase business in a wide range of areas.

Outlook

In FY’13, the Indian economy is expected to perform better than in FY’12. The GDP growth bottomed out in Q4 FY’12 at 5.3%, and economic growth should be gaining traction. The change in the economic environment will be led by industrial growth, particularly in the manufacturing sector, as per the Government’s New Manufacturing Policy, increased spending in the infrastructure space and efforts to push through some large projects to kick start growth will help improve the investment climate and attract FDI on the ground.

Despite what has been dubbed the “policy paralysis”, India’s growth is still among the highest in the emerging economies. In fact, the growth is spreading beyond towns and cities into smaller villages and semi-rural parts of India, with rural



GDP TREND OF MAJOR ECONOMIES					%
Countries	2012	2011			
	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	
China	8.1	8.9	9.1	9.5	
India	5.3	6.1	6.9	7.7	
Australia	4.3	2.3	2.5	1.1	
Japan	2.7	-0.5	-0.4	-1.7	
United States	2	1.6	1.5	1.6	
Canada	1.8	2.2	2.5	2	
Germany	1.7	1.5	2.6	3	
France	0.3	1.4	1.5	1.6	
South Africa	2.1	2.9	3	3.3	
Russia	4.9	4.8	5	3.4	

consumption spending risen by 65% over the past five years. Though India's GDP growth of 6.5% during 2011-12 was below the 8.5% average of preceding 8 years, it's still among the highest in the world. India has overtaken Japan to become the third largest economy in terms of purchasing power parity, next only to United States and China. According to the data released by the International Monetary Fund (IMF), India's GDP in PPP terms stood at US\$ 4.46 trillion in 2011, slightly higher than that of Japan at US\$ 4.44 trillion. The chart on the left shows GDP growth rate of the Top-Ten major economies. Hence, though the near-term outlook for India's economy appears uncertain, there's little doubt the country contains enormous potential to bounce back strongly in the medium to long-term.

What further strengthens this belief is

an increasing demand for services through new technology challenges, rising population and a rapidly growing mobile and internet user base. Data from Census 2011 indicates 63% of Indian households own telephones; two-thirds of the houses have electricity; and one-in-three rural households now own a television set vis-à-vis one-in-five a decade ago. Moreover, over one in two households now have access to a bank, compared with little less than one-in-three indicated earlier in Census 2001 data. This perfectly describes the potent force of the Indian population as an emerging consuming class.

Risks and Concerns

The main risks to the outlook are slowing global growth as the Euro zone sovereign debt crisis continues. High international oil and commodity prices could also dampen growth. As a result of the vast pools of liquidity injected by central banks of advanced countries to stimulate growth and prevent bank deleveraging, India will need to guard against volatile capital flows and build-up of asset bubbles. The situation could be exacerbated by the return of risk aversion and deleveraging by banks in developed economies. Inflation and low rainfall during the monsoons in certain areas will also play a major role in the economy during FY'13.

Non-Banking Finance Company (NBFC) Outlook

For several years, NBFCs have rapidly emerged as an important segment of the Indian Financial System. The sector is now being recognized as complementary to the banking sector due to the implementation of innovative marketing strategies, introduction of tailor made products, customer-oriented services, attractive rates of return on deposits and simplified procedures. In fact, NBFCs have emerged as a powerful force for financial inclusion in India, serving the bottom of the pyramid rural clients.

NBFCs are characterized by their ability to provide niche financial services in the Indian economy. Because of their relative organizational flexibility leading to a better response mechanism, they are often able to provide tailor-made services relatively faster than banks. This enables them to build up a clientele that ranges from small borrowers to established corporates. NBFCs have often been leaders in financial innovations, which are capable of enhancing the functional efficiency of the financial system.

In fact, RBI's latest report titled "Report on trends on progress of banking in India" observes:

"Non-Banking Financial Institutions (NBFIs) are playing pivotal role in broadening access to financial services, enhancing competition and diversification of the financial sector. They are increasingly being recognised as complementary to the banking system capable of absorbing shocks and spreading risk mitigation at the times of financial distress", further "NBFCs perform a diversified range of functions and offer various financial services to individual, corporate and institutional clients. They have been helping to bridge the credit gaps in several sectors where the institutions like banks are unable to venture. With the growing importance assigned to financial inclusion, NBFCs have come to be regarded as important financial intermediaries particularly for the small-scale and retail sectors."

NBFC's are governed and are required to be registered with RBI, follow stringent prudential norms prescribed by RBI in the matters of capital adequacy, credit investment norms, asset-liability management, income recognition, accounting standards, asset classification, provisioning for NPA and several disclosure requirements. Besides this, RBI also supervises the functioning of NBFCs by conducting annual on-site audits through its officials. Such a rigorous regulatory framework ensures that NBFCs function properly and follow all the guidelines of RBI. Thus in all respect the monitoring of NBFCs is similar to banks.



The operating environment of retail NBFCs is likely to improve over the next 12 months, led by an expected dip in inflation, easing monetary policy stance and falling wholesale borrowing rates. Regulatory issues are near finalization and are unlikely to have a material impact on earnings.

The inflation is expected to soften to 7.5% due to lower prices and the high base of the past year. With lower inflation levels, policy action by RBI over the next six months is expected – such as a further cut in repo rate and liquidity measures. Lower policy rates and liquidity measures are likely to bring down the wholesale cost of funds for NBFCs. With the lower cost of funds, margins are expected to increase in FY'13.

Microfinance

The NBFC Microfinance Institutions (MFI) was in crisis propagated by the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Ordinance, 2010. While endless reports have been published discussing the cause of the crisis - loan size, multiple lending, over-indebtedness, client retention and protection, staff working conditions, high growth, high executive compensation, high profits, politics, etc, the fact remains that India has the largest Microfinance industry by both client base (3.17 Crore) and by portfolio outstanding (Rs. 20.7 Thousand Crore). Microfinance has now been established as a significant component of the financial system in the country and its contribution to financial inclusion continues to rival, and likely exceeds by a vast margin, that of the rural banking system. The growth experienced by MFIs was nothing short of phenomenal - 62% per annum in number of unique clients and 88% per annum in terms of portfolio over six years (2005-2011).

However, with what is in effect, a ban on the offering of financial services by microfinance institutions in Andhra Pradesh, the mantra of growth in Indian microfinance has come to a halt. The drying up of commercial banks funding to MFIs all over the country in response to the crisis has brought about the shrinkage of the sector by one-third from the peak in October 2010. The sector shrank by one-third in the previous year.

NBFCs attract public attention only during times of crisis. Little attention has been paid to the silent but effective manner in which NBFCs have spread their operations across the country. NBFCs have provided financial solutions to sections of society who hitherto were at the mercy of unorganized players for credit and savings products, which were delivered on economically and socially usurious terms. Ironically, in recent times, NBFCs are once again in the spotlight for their perceived strengths and capabilities rather than their problems. Lending by bank is starting, albeit slowly, and private equity players are also starting to infuse equity.

Both the RBI and the Central Government recognizes the crucial role played by microfinance, and recognizes that “the microfinance sector is engaged in providing credit and other financial services to the poor households and their microenterprises as an extended arm of the banking system.” The sector owes a lot to the macro level political and financial sector leadership at the Union level, which has resulted in greater clarity as to the emerging regulatory landscape for this sector. Some of the major changes that occurred include:

- May 3, 2011 - The Reserve Bank of India (RBI) clarification on eligibility requirements for priority sector loans to Microfinance Institutions as a separate category.
- December 2, 2011 - RBI's NBFC-MFI Directions, 2011 creating a separate category of NBFCs i.e. NBFC-MFIs.
- May 22, 2012 - Introduction of the Micro Finance Institutions (Development and Regulation) Bill, 2012 in Parliament, which will make Reserve Bank of India the regulator for the sector. The Law on approval by Parliament and its enactment will govern microfinance institutions.
- August 3, 2012 - The Reserve Bank of India (RBI) clarification and modifications to December 2, 2011 circular for NBFC-MFIs

It is also noteworthy to mention that only bank lending to NBFC-MFIs qualify to be categorized as 'Priority Sector Lending (PSL) by banks.

The company believes these measures and the MFI bill tabled in parliament are good for the industry and are combined with adequate safeguards to help stabilize the provisions of the microfinance services in India.

Vehicle Finance

NBFCs, as an entity, play a very useful role in channelizing funds towards acquisition of commercial vehicles and consequently, aid in the development of the road transport industry. Needless to mention, the road transport sector accounts for nearly 70% of goods movement and 80% of passenger movement across the length and breadth of the country and the role of NBFCs in the growth and development of this sector has been historically acknowledged by several committees set up by the Government and RBI, over the years.

Over the last few decades, roadways have dominantly improved their share due to greater coverage, higher flexibility and lower risk of handling losses for commercial transportation. Further, the government's investment in the development of national highways over the last few years has led to higher demand for road transport. With further improvement in road infrastructure and higher growth expected in road transport, and the growth of the Indian middle-class, demand for vehicles are expected to consistently increase over the next decade.

The increased consumer appetite for two-wheelers is especially promising, especially since two-wheeler demand complements NBFC vehicle finance demand. According to the data received from Census 2011, the share of Indian households owning two-wheelers spurted to 21%, having risen from 12% indicated in Census 2001. Not surprisingly, the two-wheeler industry continued to defy gravity and the base effect. During the year, more than 15.4 million two-wheelers



were sold, recording a growth of 15% compared with 13.4 million units sold a year earlier. Each of the three industry segments posted double-digit growth. Continuing the trend witnessed in the last few years, scooters emerged as the fastest growing segment in the two-wheeler industry. The segment grew 24% with annual sales of 2.7 million, inching close to the 3-million mark, compared with 2.2 million scooters sold in the previous year. Motorcycle sales grew 14% to 11.9 million units. Domestic motorcycle sales crossed the 10 million mark during the year, compared with 9 million units sold earlier. Moped sales jumped 12% from over 0.7 million units to over 0.78 million units.

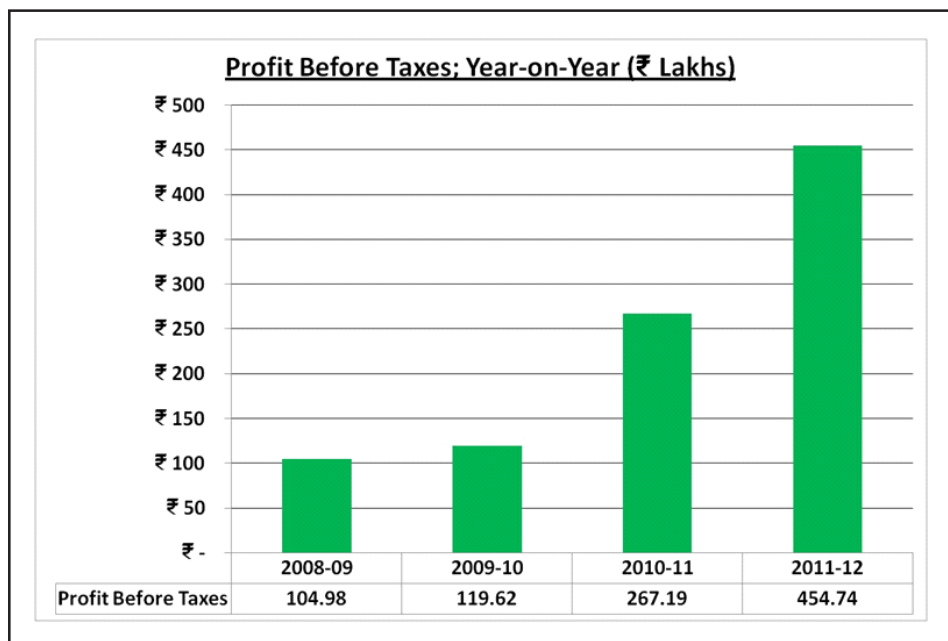
As mentioned above, the support provided by the RBI highlighted the explicit acceptance of the systemic importance of the sector. Nearly 12 years after the last of the two banking licenses were issued by RBI to private sector entities, the government has again started thinking of allowing the better-managed non-banking finance companies (NBFCs) to graduate to full-fledged banks, as suggested in the 2011 budget by the Finance Minister Pranab Mukherji.

However, there are near-term macro-headwinds for NBFCs from higher wholesale interest rates, inflation, and asset quality concerns, due to which valuations of listed NBFCs have corrected. In an effort to control inflation, RBI has raised the interest rates several times in the past year, which increases the cost of borrowing for NBFCs and their clients alike.

Arman's Business Operations

Arman is a category 'A' Non Banking Finance Company (NBFC) listed and traded on the Bombay Stock Exchange (BSE). We operate mostly in unorganized and underserved segment of the economy and mostly serve niche markets. We do this by developing a business model characterized by very close customer interaction and relationships and a deep understanding of customer needs. If we at Arman were to pick one distinctive criterion that separates us from a Bank and other NBFCs, is the last mile credit delivery system. We serve areas and clients where it is simply not possible for banks to provide financial services under the current market scenario. We at Arman have been able to bring in higher operating efficiencies within the system based on the understanding and strength of our superior knowledge of local markets, and our efficient, proactive, and conservative origination systems.

Arman operates in two major business segments 1. Two-wheeler and three-wheeler financing, and 2. JLG Microfinance.



The portfolio between the two verticals is divided almost equally. This allows us to operate a well diversified company.

We currently operate out of 27 branches spread throughout Gujarat. The company is extremely profitable, with triple digit growth across the board in the last 3 years. The chart on the left summarizes our profit levels and growth. Arman has also been rated four times in last four years by very reputed rating agencies of India. In the previous 4 fiscal years, the rating was provided by an agency by the name of M-Cril from Gurgaon who specializes in rating Microfinance Institutions. Arman has received excellent rating of α - (Alpha Minus) all

the four times and in the last two times, it's financial performance was given α (Alpha) evidencing even a better performance. The rating outlook provided was 'positive'. In fiscal 2011, a rating was also provided by CRISIL, a Standard & Poor's company and India's leading Ratings and Research firm. CRISIL provided Arman a 'BB/Stable' rating. This was renewed in fiscal 2012 and reaffirmed as 'BB/Stable'. Earnings Per Share for fiscal 2011-12 is Rs.7.51/Share.

With both of our business segments, Arman is strategically placed to cater to rising rural demand. Rural India's share in overall GDP is around 50%. Within this, nearly 40% of rural income arises from agriculture. As a result, high food prices imply a considerable rise in rural income. As a result, high food prices imply a considerable rise in rural incomes. The immediate result of rising food prices is the transfer of wealth from urban to rural India. In addition, the greater thrust of the government towards rural India has been a boon to the rural economy. The Central government's flagship Mahatma Gandhi National Rural Employment Guarantee Scheme has resulted in significant higher disposable incomes for the rural population, and many are now in a position to pursue entrepreneurial endeavors, boost their income generating activities, or to purchase a two-wheeler vehicles. The scheme has also set a floor for wages of rural unskilled workers and, thereby, substantially enhanced income and food demand, even among the lowest income stratum of the rural economy.

Due to our extensive distribution networks in semi-urban and rural areas, we expect NBFCs such as ours to be the key beneficiary of the rise in rural incomes, as a result of higher food prices and efforts to improve agricultural productivity. We



are strategically poised, with 2 decades of experience in the rural financing market, and have developed a sound business model for this niche. This model is difficult for other financiers (banks in particular) to replicate. We have also built up robust branch networks over the years and are especially strong in under-banked credit-starved rural/semi-urban areas.

We have a strong bargaining power and brand name in niche rural markets. We mainly compete with Banks, NBFCs, and money lenders. We have an advantage over such players owing to our diversified operations across Gujarat, strong parentage and brand (hence, a trusted name among borrowers), expertise gained over the years, and lower cost of funds due to long relations with banks. We also suit rural customers, as alternative sources of funds are unattractive (exorbitant interest charged by money-lenders, and lack of trust for newer small NBFCs due to their poor track record and lack of vintage). In addition, we have an edge over banks due to less stringent lending norms and less paper work; a lot of our customers are intimidated by banks and their procedures. We have designed hassle free underwriting procedures aimed at serving rural, often illiterate clientele. Our staff is heavily trained to make the process quick, simple, and hassle free.

Private Equity Funding

In December 2011, Belgium based Social Investment Management Company, Incofin, invested Private Equity in the company through one of its funds, RIF NorthWest 2. The transaction was approved by the Board of Director and the Shareholders via ballot. We strongly feel that the partnership with Incofin is the logical next step for Arman to continue with our growth. Apart from equity, Incofin will also bring in the diverse geographical experience it has working with various microfinance institutions across the globe, which will enable us to implement global best practices and help Arman to better its existing processes, human capital, and corporate governance. Arman will continue to strive for growth and profitability for its shareholders. The Incofin investment is a rare instance of private placement of equity in an MFI which is listed and actively traded.

Incofin Investment Management (<http://www.incofin.com>) is a specialized fund management company with more than 10 years of experience in microfinance and currently over EUR 300 Million assets under management. Investors are mainly Western Europe and US based, including ~50% public investors (DFIs such as IFC, KfW, EIB, FMO, BIO etc) and ~50% private (institutional investors such as banks, pension funds etc). The total investment portfolio includes over 100 MFIs in more than 40 countries around the world. Incofin IM has a strong track record, having executed more than 400 transactions since 2003.

The preferential share allotment transaction took place for Rs. 15 Crores at a price of Rs. 56.95/share, which is a significant premium over its book value and stock price. Incofin subscribed to common equity shares for Rs. 7.735 crore, and the remaining amount as compulsorily convertible debentures (CCDs) with an options to convert into common equity shares or type 'A' non-voting shares.

Performance

It is again a privilege to inform you that in tradition with the past 5 year, the company has broken all records from the previous years where profitability is concerned. This is despite a very negative market and regulatory environment. As reflected in the profit chart above, profit before taxes equaled Rs. 4.55 Crores versus Rs. 2.67 Crores the previous year and Rs. 1.2 Crores the year before. This represents a 70% growth year-over-year and 280% growth in two years. Earnings per share stood at Rs. 7.51/share.

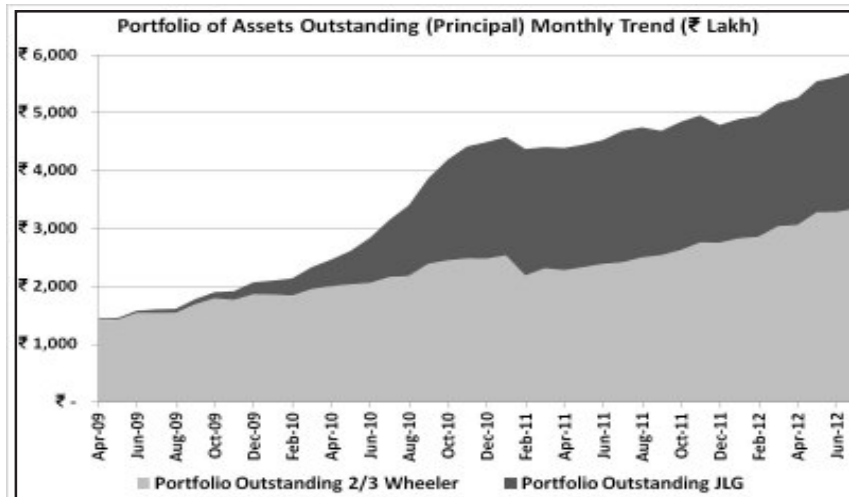
Income from operations stood at Rs. 15.5 Crores versus Rs. 11.42 Crores in the previous year, a 36% growth. The decreased growth in income from operations is due to the RBI margin and interest cap stipulated in their December 2, 2011 circular. The table below lists key performance figures for the year ended March 31, 2012.

Key Financials as on 31-03-2012		Amount
Equity capital	Rs. In Lacs	407.66
Net worth	Rs. In Lacs	1,968.23
Borrowings	Rs. In Lacs	3,614.85
Total Asset	Rs. In Lacs	651.80
Total Loans & Advances	Rs. In Lacs	5,203.97
Total Income	Rs. In Lacs	1,550.29
Interest Expenses	Rs. In Lacs	561.94
Operating Expenses	Rs. In Lacs	465.71
Provision & Write offs	Rs. In Lacs	57.52
Profit Before Tax	Rs. In Lacs	454.74
Profit After Tax	Rs. In Lacs	306.10
Total Income / Average Total Asset	%	26.89
Interest Expense / Average Borrowing	%	15.10
PAT / Average total Assets	%	5.31
PAT / Average Net Worth	%	28.86
Debt Equity Ratio	Multiple	1.84
Non Performing Assets / Loans & Advances	%	0.53
Write-Offs & Provisions / Loans & Advances	%	1.11
Capital Adequacy Ratio	%	37.80



Based on the results, the Board of Directors recommends an 8% dividend.

Loan principle outstanding, i.e. Assets Under Management for loan advances to customers, stood at Rs. 51.69 Crores at March 31, 2012. As you can see in the chart below, our portfolio under management has consistently grown at a steady pace. In the last 40 months, it has increased by almost 4 times, from Rs. 14 Crores in April 2009 to Rs. 57 Crores in July 2012. The increase in Loans Outstanding is against the industry trend; due to the Microfinance crisis, majority of the MFI's book size has decreased drastically past year. However, Arman has perceived and increased our loan portfolio. See chart below for a graphical representation of increase in Assets Under Management.



JLG Microfinance Operations

Arman has continued its commitment in the JLG Microfinance space. Disbursement for Microfinance for the FY' 12 totaled Rs. 43.27 Crores, a comfortable and controlled growth for the division. Assets under management Rs. 21.31 Crores in Microfinance division.

This was a historical year for the industry. The Reserve Bank of India, through its circular RBI/2011-12/290 dated December 2, 2011 had introduced a new set of guidelines to govern the Microfinance industry. To provide clarity and to make certain modifications, RBI very recently issued a new circular RBI/2012-13/161 dated August 3, 2012, in which it makes certain modifications to the earlier circular. Most notable being the removal of the 26% cap on interest rates charged by MFI. The relevant guidelines from the December 2, 2011 circular and the August 3, 2012 circular can be accessed through the RBI Website.

As also mentioned earlier, the Micro Finance Institutions (Development and Regulation) Bill, 2012 was introduced in Parliament on May 22, 2012, which will make Reserve Bank of India the regulator for the sector.

Asset Financing (Two/Three Wheeler) Operations

Arman remains committed to its two-wheeler and three-wheeler segment. Arman has been operating in this segment for the past decade, and have developed a niche in this market. During the latter part of the prior fiscal year, Arman had opened two new branches in Gujarat in Mehsana and Baroda. These branches already contribute towards 28% of our total portfolio. Ahmedabad still remains our strongest branch, but the growth in Baroda and Mehsana is excellent as we move into Semi-Urban and Rural areas. As far as Ahmedabad market share is concerned, the Company continues to rank in the top-five in the hypothecation of two-wheeler and three-wheeler vehicles.

Arman operates in almost all major dealers in Gujarat, and the financing the schemes offered by the company remain very attractive and popular by our customers. This is evident by the sheer volume of cases the company receives versus the competitor, the feedback we receive from the customers, and the amount of repeat customers we get on a yearly basis. What sets us apart from the competition is that we offer very flexible products where all the loan variables including tenure, down-payment, fees, installment amount etc. can be determined based on the customer's needs. Additionally, our quick underwriting time is a huge advantage for us. A customer can literally walk into a dealer early afternoon and walk out with a new motorcycle in the evening. During that very short period, we conduct background checks, telephonic verification, CIBIL credit check, Home and Business/work Field Investigation check, fill all the necessary paper work, collect all relevant documentation from the customer, including KYC documents, and perform all other underwriting tasks. This is no ordinary feat, and our operations have worked in sync and like clockwork.

The Two/Three Wheeler business can be considered mature, but Arman showed significant growth in the past fiscal year. Disbursement grew to Rs. 33 Crores from 30 Crores the previous year, a 10% increase from the past year. Assets under management was Rs. 30.38 Crores for Two & Three Wheeler loans.

All in all, this was a year of great trials and tribulation for the industry, but Arman, as always, has persevered and came out of a crisis better than we went into it. This is one thing that has defined us from the very beginning, which is the ability to overcome hardship and adversity. Over the next year and the years to come, we expect a sustainable growth. We sincerely thank our stakeholders for all their encouragement and support.



SECRETARIAL COMPLIANCE CERTIFICATE

To
The Members of
ARMAN FINANCIAL SERVICES LTD

We have examined the registers, records, books and papers of **M/S ARMAN FINANCIAL SERVICES LIMITED** (the Company), having the Registration No. 04-18623, as required to be maintained under the Companies, Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2012. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by 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 the provisions and the rules made thereunder and all entries therein 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 under the Act and the rules made thereunder. No other forms / documents are required to be filed with Regional Director, Central Government, Company Law Board or other authorities.
3. The company, being public limited company, the comments are not required.
4. The Board of Directors duly met (Six) times on 11.05.2011, 11.08.2011, 8.11.2011, 21.11.2011, 19.12.2011, and 10.02.2012, in respect of which meetings' proceedings were properly recorded and signed including the circular resolutions passed in the Minutes book maintained for the purpose.
5. The company has closed its Register of Members from 21.09.2011 to 26.09.2011 during the year under scrutiny and necessary compliance under Section 154 of the Act has been made.
6. Annual general meeting for the financial year ended on 31.03.2011 was held on 26.09.2011 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose;
7. No Extra ordinary general meeting was held during the financial year. However certain resolution were passed through postal ballot, the announcement of results of resolution passed through, was made on 19.12.2011.
8. The company has not advanced any loan to its directors and/or persons of firms or companies referred in Section 295 of the Act.
9. The company has not entered into any contracts falling within the provisions of Section 297 of the Act.
10. The company has made necessary entries in the Register maintained under Section 301 of the Act;
11. No person is holding place of profit in the company as employee pursuant to the provisions of Section 314 of the Act. ;
12. The company has not issued any duplicate share certificate during the financial year under review.
13. The company has ;
 - (i) Not made any allotment of shares and delivered all the Certificates on lodgment thereof for transfer / transmission or any other purpose in accordance with the provisions of the Act.
 - (ii) Deposited the amount of dividend declared in a separate bank account on 30.09.2011 which is within five days from the date of declaration of such dividend during the year under review.
 - (iii) Paid / posted warrants for the dividend to all the members within a period of 07 (seven) days from the date of declaration.
 - (iv) Transfer of unpaid dividend, pending application money for allotment, unpaid / matured unclaimed deposits etc is not applicable as there is no such amount pending with the company for the year under review.
 - (v) duly complied with the requirements of Section 217 of the Act;
14. The Board of Directors of the company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made ;
15. The Company has not appointed Managing Director or Manager during the financial year.
16. There is no appointment of sole selling agents in the company and therefore not applicable.
17. The company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year under review.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder;
19. The company has not issued any shares/debentures/other securities during the financial year.
20. The company has not bought back any shares during the financial year ending 31.03.2012.
21. The company has not issued any preference shares/debentures till date.
22. There were no transaction necessitating the company to in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not accepted any public deposits during the year and there are no public deposits outstanding as on 31.03.2012 and therefore compliance of Section 58A/58AA is not applicable.
24. The amount borrowed by the Company from Directors, banks, financial institutions during the financial year ended 31.03.2012 are within the borrowing limits of the company and that the necessary resolutions as per Section 293(1) (d) of the Act, have been passed in the duly convened annual / Extra ordinary general meeting of the company.
25. The company has not made any loans or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose, necessary Register of Investment is maintained for the Investment made by the company in compliance with the provisions of the Act;
26. The company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum with respect to the object of the company during the year under scrutiny.
28. The company has not altered the provisions of the Memorandum with respect to the name of the company during the year under scrutiny.
29. The company has altered the provisions of the Memorandum with respect to the share capital of the company during the year under scrutiny.
30. The company has altered the provisions of the Articles of Association of the company during the year under scrutiny.
31. No prosecution initiated against or show cause notices received by the company for alleged offences under the Act and also the fines and penalties or any other punishment imposed on the company in any of the cases.
32. The company has not received any money as security from its employees during the year under certification.
33. The company has deposited both employees' and employer's contribution to Provident Fund with the prescribed authorities pursuant to the provisions of Section 418 of the Act.

PLACE : AHMEDABAD
DATE : 07/08/2012

FOR PINAKIN SHAH & CO.
COMPANY SECRETARY
PINAKIN SHAH

C.P.NO.: 2932, FCS NO.: 2562

**ANNEXURE – A**

Registers as maintained by the company

1.	Register of Investment	u/s 49
2.	Register of Charges	u/s 143
3.	Register of Members	u/s 150
4.	Minute Book Containing Minutes of	u/s 193
	- Board Meeting	
	- General Meeting	
	- Committee Meetings	
5.	Register of Particular of Contracts	u/s 301
6.	Register of Directors	u/s 303
7.	Register of Directors' shareholding	u/s 307
8.	Register of Transfer	
9.	Register of Directors' attendance for Board Meeting	
10.	Register of Directors' attendance for Committee Meetings	
11.	Register of Directors' interest	

ANNEXURE – BForms and Returns as filed by the Company with Registrar of Companies, Regional director, Central Government or other authorities during the financial year ending on 31st March 2012.

Sr No	Particulars of Form	Form No	Under Section	Date of Filing	Receipt/ Challan No
1	Satisfaction of Charge of SIDBI Bank For Rs. 200.00 lacs	17	138	27.06.2011	B15046741
2	Creation of Hypo charge in favour of MAS Finance For Rs. 300.00 lacs	8	125	2.07.2011	B15439367
3	Creation of Hypo charge in favour of MAS Finance For Rs. 300.00 lacs	8	125	12.08.2011	B18171694
4	Creation of Hypo charge in favour of Ananya Finance For Rs. 100.00 lacs	8	125	7.09.2011	B19801380
5	Creation of Hypo charge in favour of MAS Finance For Rs. 500.00 lacs	8	125	17.09.2011	B20613162
6	Compliance Certificate for FY 2010-2011	66	383	26.09.2011	P71006217
7	Intimation of Auditors Appointment for FY 2010-2011	23B	224(1)	15.10.2011	S06292627
8	Annual Report Balance Sheet FY 2010-11	23AC	220	20.10.2011	P74004110
9	Annual Report Profit & Loss Account FY 2010-11	23ACA	220	20.10.2011	P74004110
10	Satisfaction of Charge of HDFC Bank For Rs. 150.00 lacs	17	138	22.10.2011	B22386949
11	Satisfaction of Charge of DCB Bank Ltd For Rs. 200.00 lacs	17	138	11.11.2011	B24643801
12	Annual Return as at 26.09.2011	20B	159	3.12.2011	P82118076
13	Creation of Hypo charge in favour of IDBI Bank For Rs. 400.00 lacs	8	125	19.12.2011	B27696012
14	Raising Additional Long Term Fund.	23	192	7.01.2012	B29007846
15	Increases in Share Capital or No of Members	5	97	7.01.2012	B29008067
16	Appointment of Shri Aditya Bhandari as Additional Director	32	302(2)	18.02.2012	B32347130

PLACE : AHMEDABAD
DATE : 07/08/2012

FOR PINAKIN SHAH & CO.
COMPANY SECRETARY
PINAKIN SHAH

C. P. NO.: 2932, FCS NO.: 2562



AUDITORS' REPORT

To,
The Members of
ARMAN FINANCIAL SERVICES LIMITED
Ahmedabad.

We have audited the attached Balance Sheet of **Arman Financial Services Ltd.** as at 31st March, 2012, the Statement of Profit & Loss and also Cash Flow Statement for the year ended on that date annexed thereto (herein after referred to as financial statements). These 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.

1. 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.
2. As required by the Companies (Auditors' 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 paragraphs 4 & 5 of the said Order.
3. Further to our comments in the Annexure referred in para 3 above, we report that:
 - (i) 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;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (b) in the case of the Statement of Profit and Loss, of the **Profit** of the Company for the year ended on that date; and
 - (c) in the case of the Cash flow Statement, of the **Cash Flow** for the year ended on that date.

For, J T Shah & Company
Chartered Accountants
(Firm Reg. No. 109616w)

Place: Ahmedabad
Dated: 30.06.2012

(J. J. Shah)
Partner
[M. No. 45669]

ANNEXURE

Referred to in paragraph 2 of our report of even date for the year ended 31st March 2012.

- 1) In respect of Fixed Assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As per the information and explanations given to us, all the fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed on such verification.
 - c. During the year, the Company has not disposed off any major/substantial part of the fixed assets.
- 2) In respect of its Inventories:
 - a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b. The procedures of physical verification of inventories 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 inventory, we are of opinion that the Company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and books records.
- 3) In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956
 - a. As per the information and explanation given to us, the Company has not granted any loan to any of the companies, firms and other parties covered under section 301 of the Companies Act, 1956 hence clause no (iii)(a) to (d) of Para 4 of the Companies (Auditors Report) Order, 2003 are not applicable.
 - b. During the year under audit, there are twelve parties covered in the register maintained under section 301 of the Companies Act, 1956 from whom the company has taken loans. The year end balance is amounting to Rs. Nil and the maximum amount involved during the year was Rs. 84.80 Lacs.
 - c. In our opinion and according to the information and explanations given to us, in case of loans taken during the period, the rates of interest, wherever applicable and other terms and conditions are not prima facie prejudicial to the interest of the company.
 - d. The Company is regular in repayment of principal and interest there on. Hence Para (iii) (g) of the Companies (Auditor's Report) Order, 2003.
- 4) In our opinion and according to the information and explanations given to us, the internal control system for purchase of fixed assets and for sanction, disbursements and recovery of loans given by the Company are required to be strengthened to commensurate with the size of the Company and present nature of its business. In our opinion, there was no continuing failure to correct major weaknesses in internal controls.
- 5) In respect of contract or arrangements covered under Section 301 of the Companies Act, 1956:
 - a. Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that the contract or arrangements that need to be entered into the register maintained under section 301 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 or arrangements entered in the registers maintained under section 301 of the Act, in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) During the year, the Company has not accepted any deposits from the public within the meaning of provisions of Sections 58A and 58AA and relevant other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- 7) In our opinion, the Company needs to increase the areas of Internal audit and make it commensurate with the size of the Company and nature of its business.
- 8) As informed to us, the maintenance of cost records have not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956, for the year under review.
- 9) In respect of Statutory Dues:
- a. According to information and explanations given to us and on the basis of our examination of records of the Company, the Company is regular in depositing undisputed statutory dues in respect of Sales Tax, Service Tax, Provident Fund and other material statutory dues. However, The Company is not regular in depositing Advance Income Tax.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of Sales Tax, Service Tax, Provident Fund and other material statutory dues were outstanding, as at 31st March, 2012 for a period of more than six months from the date they became payable. However, there is an undisputed amount of Rs. 13.58 lacs in respect of Advance Tax of current financial year which has remained unpaid for a period exceeding six months from the date it became payable.
- c. According to the information and explanations given to us, there is no disputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty and Excise Duty
- 10) The company has no accumulated losses and has not incurred any cash losses during the financial period under review or in the immediately preceding financial year.
- 11) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) The Company has not granted any loans and advances by way of pledge of Shares, Debentures and other securities.
- 13) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual benefit Fund / Societies are not applicable to the Company.
- 14) In our opinion the Company is not dealing in respects of shares, securities, debentures and other investments and hence clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable.
- 15) As per the information provided to us, The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16) In our opinion, and according to the information and explanations given to us, on overall basis, the term loans have been applied for the purpose for which they were obtained.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been prima-facie used for long-term investment.
- 18) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company has not issued any Debentures and therefore the question of creating the securities in respect thereof does not arise.
- 20) During the year, the Company has not raised any money by way of Public issues.
- 21) Based upon the audit procedures performed and information and explanations given to us, no fraud by the Company has been noticed or reported; fraud on the company on account of misappropriation of collection by two employees amounting to Rs. 4.82 lacs have been noticed, out of which Rs. 1.95 Lacs have been recovered subsequently.

**For, J T Shah & Company
Chartered Accountants
(Firm Reg. No. 109616w)**

**Place: Ahmedabad
Dated: 30.06.2012**

**(J. J. Shah)
Partner
[M. No. 45669]**

AUDITORS' REPORT

**To,
The Board of Directors
ARMAN FINANCIAL SERVICES LIMITED
Ahmedabad.**

In terms of Reserve Bank of India, Department of Financial Companies Notification N. DFC117/DG(SPT)-98 dated 31st January, 1998, we report that :

- The Company has received Registration Certificate, as provided in Section 45/A of the Reserve Bank of India Act, 1934 (2 to 1934) from Reserve Bank of India on 06.11.1998.
- The Company has not accepted any public deposits during the year ended 31.03.2012.
- The company has complied with the prudential norms relating to income recognition, accounting standards, assets classification and provisioning for bad and doubtful debts and concentration of the Credit/investments as specified in the direction issued by the Reserve Bank.
- Capital Adequacy Ratio as disclosed in the return submitted to the Reserve Bank of India in terms of the Non-Banking Financial Companies Prudential norms (Reserve Bank) Direction, 1998 has been correctly determined and such ratio is in compliance with the minimum Capital to Risk Assets Ratio prescribed by the Reserve Bank of India.
- The Company has furnished half yearly Return on Prudential norms to Reserve Bank of India within time prescribed in the Non-Banking Financial Companies Prudential norms (Reserve Bank) Direction, 1998.
- The Company has furnished return on Deposits to Reserve Bank of India within time prescribed in the First Schedule to the Non-Banking Financial Companies Prudential norms (Reserve Bank) Direction, 1998.
- The Company has not accepted any public deposits and hence sub clause no. (ii), (iii) (vi) and (ix) of Clause 3 (B) of the said Notification are not applicable to the Company.

**For, J T Shah & Company
Chartered Accountants
(Firm Reg. No. 109616w)**

**Place: Ahmedabad
Dated: 30.06.2012**

**(J. J. Shah)
Partner
[M. No. 45669]**



Arman Financial Services Limited

ARMAN FINANCIAL SERVICES LIMITED BALANCE SHEET AS ON 31.3.2012

Particulars	Note No.	As at 31/03/2012 Rs.	As at 31/03/2011 Rs.
<u>EQUITY AND LIABILITIES</u>			
<u>[1] Shareholders' Funds :</u>			
[a] Share Capital	1	40,766,000	40,766,000
[b] Reserves & Surplus	2	78,712,109	51,892,822
		119,478,109	92,658,822
[2] Share Application Money Pending Allotment		77,345,468	-
<u>[3] Non-Current Liabilities :</u>			
[a] Long Term Borrowings	3	42,421,905	60,066,853
[b] Deferred Tax Liabilities (Net)	4	968,330	804,329
[c] Long Term Provisions	5	659,208	348,642
		44,049,443	61,219,824
<u>[4] Current Liabilities</u>			
[a] Short-term borrowings	6	213,910,248	202,643,934
[b] Trade Payables		-	-
[c] Other Current liabilities	7	188,098,198	137,753,613
[d] Short term Provisions	8	8,919,424	7,039,741
		410,927,871	347,437,288
Total		651,800,891	501,315,934
ASSETS :			
<u>[1] Non-Current Assets</u>			
(a) Fixed Assets :			
(i) Tangible Assets	9	10,782,734	10,965,554
(ii) Intangible Assets		-	-
(iii) Capital Work in Progress		-	-
		10,782,734	10,965,554
(b) Long Term Investments	10	19,990,000	-
(c) Long-term loans and Advance	11	101,354,503	78,175,960
(d) Other Non-Current assets	12	29,740,748	34,421,282
		161,867,985	123,562,796
<u>[2] Current Assets</u>			
(a) Trade receivables	13	5,558,751	5,221,631
(b) Cash & Bank Balance	14	60,315,130	5,168,580
(c) Short term Loans and advances	11	419,042,290	367,362,927
(d) Other Current assets	15	5,016,735	-
		489,932,906	377,753,138
Total		651,800,891	501,315,934
Significant Accounting Policies Notes on Financial Statement	1 to 34		

As per our report of even date attached herewith
For, J.T. Shah & Company
Chartered Accountants
(FRN No. 109616W)

For & On behalf of Board of Directors

[J. J. Shah]
Partner
(M.No.45669)

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 30.06.2012



ARMAN FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31-03-2012

SCHEDULE	Note No.	Current Year 31/03/2012	Previous Year 31/03/2011
INCOME			
Revenue from Operations	16	155,029,007	114,110,063
Other Income	17	-	115,070
Total Revenue		155,029,007	114,225,134
EXPENDITURE			
Employee Benefits Expenses	18	21,706,130	15,000,996
Finance Costs	19	56,194,476	42,644,135
Depreciation and Amortisation expense	20	1,038,109	910,477
Other Expenses	21	30,616,744	28,950,299
Total Expenses		109,555,459	87,505,906
Profit before Tax		45,473,548	26,719,228
Less : Tax expense:			
- Current Tax		14,700,000	9,100,000
- Deferred Tax		164,001	(513,953)
Profit for the year		30,609,547	18,133,181
Basic earnings per share	25	7.51	4.45
Diluted earnings per share		6.49	4.45
Significant Accounting Policies			
Notes on Financial Statement	1 to 34		

As per our report of even date attached herewith
For, J.T. Shah & Company
Chartered Accountants
(FRN No. 109616W)

For & On behalf of Board of Directors

[J. J. Shah]
Partner
(M.No.45669)

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 30.06.2012



ARMAN FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2012

PARTICULARS	YEAR ENDED 31/03/2012	YEAR ENDED 31/03/2011
A: Cash from Operating Activities :		
Net Profit before Taxation and Adjustment For :	45,473,548	26,719,228
Depreciation	1,038,109	910,477
NPA Provisions(Net)	(54,610)	(152,965)
Contingent Provision on Standard Assets	165,000	1,100,000
Loss on Sale of Fixed Assets	10,163	Nil
Interest Paid	52,191,947	42,934,020
Dividend Income	-	(11,393)
	<u>53,350,609</u>	<u>44,780,139</u>
Operating Profit Before Working Capital changes :	98,824,158	71,499,366
Adjustment For :		
Increase/(decrease) in long-term Provision	310,566	287,890
Increase/(decrease) in short-term Provision	72,861	710,293
Increase/(decrease) in other current liability	78,112,885	521,092
Decrease/(increase) in trade receivable	(337,120)	2,560,730
Decrease/(increase) in inventories	-	301,223
Decrease/(increase) in long term loans and advances	(23,178,543)	(25,070,199)
Decrease/(increase) in short term loans and advances	(51,789,753)	(195,215,252)
Decrease/(increase) in other Current assets	(5,992,043)	6,299,723
Decrease/(increase) in other non-current assets	4,680,534	(6,337,882)
	<u>1,879,387</u>	<u>(215,942,382)</u>
Cash Generated From Operations	100,703,545	(144,443,016)
Income Tax Paid	(12,880,492)	(6,983,037)
Interest Paid	(52,191,947)	(42,934,020)
	<u>(65,072,439)</u>	<u>(49,917,057)</u>
	35,631,106	(194,360,072)
B: Cash Flow From Investment Activities :		
Purchase of Fixed Assets	(869,202)	(1,863,314)
Sale of Fixed Assets	3,750	-
Purchase of Investments	(19,990,000)	-
Sale of Investments	-	200,000
Dividend Received	-	11,393
Net Cash from Investment Activities	<u>(20,855,452)</u>	<u>(1,651,921)</u>
C: Cash Flow From Financing Activities :		
Proceeds From Share Application money	77,345,468	-
Proceeds From Long Term Borrowings	87,147,993	243,032,167
Repayment of Long Term Borrowings	(122,831,671)	(40,706,617)
Proceeds From Short Term Borrowings	34,004,626	22,482,889
Repayment of Short Term Borrowings	(32,778,227)	(22,005,544)
Dividend Paid	(3,492,602)	(2,686,733)
Net Cash from Financing Activities	<u>39,395,587</u>	<u>200,116,162</u>
Net Increase in Cash & Cash Equivalents	54,171,242	4,104,169
Cash & Cash Equivalents at the Beginning	5,143,888	1,039,719
Cash & Cash Equivalents at the End	59,315,130	5,143,888

As per our report of even date attached.

Notes :

- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents at the end includes Rs. 5,59,852/- (Prev. Year Rs.2,49,508/-) in respect of unclaimed dividends which are not available for use by the Company.

As per our report of even date attached herewith

For, J.T. Shah & Company
Chartered Accountants
(FRN No. 109616W)

For & On behalf of Board of Directors

[J. J. Shah]
Partner
(M.No.45669)

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 30.06.2012


SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED ON 31-03-2012
a) Basis of Accounting:

The financial statements are prepared on a historical cost convention on the accrual basis and materially comply with the accounting standard notified by Companies (Accounting Standard) Rules, 2008 and relevant provisions of the Companies Act, 1956.

b) Revenue Recognition
(i) Interest on Loan:

Interest on Loan is recognized in the year in which the installment falls due as per the terms of Loan Agreement. Income on non performing assets is recognized when realized as per the guidelines for prudential norms prescribed by the Reserve Bank of India.

(ii) Other Interest Income

Other Interest Income is recognized on accrual basis.

(iii) Processing Fees

Processing fees on processing of loans are recognized upfront as income.

(iv) Late Payment Charges

Income in case of late payment charges are recognized as and when realized.

(v) Insurance Commission

Insurance Commission is recognized when there is no uncertainty regarding its receipt.

c) Fixed Assets

All the assets are stated at cost less depreciation, after taking into consideration provision for NPA.

d) Depreciation

The depreciation on assets for own use is provided on straight line method at the rates Specified in Schedule XIV of the Companies Act, 1956 on Pro-rata Basis.

e) Investments

Long Term Investments are stated at cost. Provision is made for any diminution in the market value of the Quoted Investments. The Company does not have any Current Investments.

f) Retirement Benefits

(i) The Employee and Company make monthly fixed Contribution to Government of India Employee's Provident Fund equal to a specified percentage of the Covered employee's salary, Provision for the same is made in the year in which services are rendered by the employee.

(ii) The Liability for Gratuity to employees, which is a defined benefit plan, is determined on the basis of actuarial Valuation based on Projected Unit Credit method. Actuarial gain / loss in respect of the same are charged to the profit and loss account.

g) Borrowing Cost

Borrowing costs are capitalized as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

h) Provision for Taxation

Provision for taxation has been made in accordance with the tax laws and rules applicable to the relevant assessment year.

i) Deferred Taxation

Deferred Tax resulting from timing differences between book and tax profit is accounted for under the liability method, at the current rates of tax, to the extent that the timing differences are expected to crystallize.

j) Impairment

The management periodically assesses, using external and internal sources whether there is an indication that an asset may be impaired. If an asset is impaired, the company recognizes an impairment loss as the excess of the carrying amount of the asset over the recoverable amount.

k) Earning per Share

Basic earning per share is calculated by dividing net profit after tax for the year attributable to Equity Shareholders of the company by the weighted average number of Equity Shares issued during the year. Diluted earnings per share is calculated by dividing net profit attributable to equity Shareholders (after adjustment for diluted earnings) by average number of weighted equity shares outstanding during the year

l) Provisions, Contingent Liabilities and Contingent Assets

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

m) Transfer and recourse obligation under Debt Securitization.

The company assigns assets under securitization transactions. The assigned loans / assets are derecognized and gains / losses are recorded on assignment of loan contracts. Recourse obligation with respect to Debt Securitizations with other financiers is provided in books as per past track records of delinquency / servicing of the loans of the Company.

n) Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.



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

1	Share Capital	As at 31/03/12 Rs.	As at 31/03/11 Rs.
	[a] Authorised : 1,50,00,000 (Previous Year 1,50,00,000) equity shares par value of Rs. 10/- each	150,000,000	150,000,000
	[b] Issued, Subscribed & Paid-up Capital : 40,76,600 (Previous Year 40,76,600) Equity Shares of par value of Rs. 10/- each fully paid up	40,766,000	40,766,000
	Total	40,766,000	40,766,000

- 1.1 The company has only one class of shares referred to as Equity shares having face value of Rs. 10/-. Each Holder of Equity Share is entitled to 1 vote per share.
- 1.2 In the event of liquidation of the Company, the holders of Equity shares will be entitled to receive any of the remaining assets of the company , after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of Equity shares held by the shareholder.
- 1.3 The Company declares and pays dividends in Indian Rupees. The Dividend proposed by the Board of Director is subject to the approval of the shareholders in the ensuing Annual General Meeting.
- 1.4 During the year ended 31st March, 2012, the amount of per share dividend recognised as distribution to equity shareholders was Rs. 32,61,280/- (Rs. 0.80). The Total dividend appropriation for the year ended 31st March, 2012 amounted Rs. 32,61,280/- (P.Y. 32,61,280/-) excluding corporate dividend tax Tax of Rs. 5,28,980/- (P.Y. 5,41,666/-).
- 1.5 Details of Shareholder holding more than 5 % shares of the company are as follows:

Name of Shareholders	As at 31/03/2012		As at 31/03/2011	
	%	Shares	%	Shares
Jayendrabhai Patel	10.03	409,072	10.03	409,072
Ritaben Patel	5.64	229,810	5.64	229,810
Aakash Patel	5.72	233,140	5.72	233,140
Babulal Dugar	6.37	259,749	4.56	186,260

- 1.6 The Reconciliation of the number of shares outstanding and the amount of share capital as at 31/03/2012 & 31/03/2011 is set out below

Particulars	As at 31/03/2012		As at 31/03/2011	
	No. of Shares	Amount	No. of Shares	Amount
Shares at the beginning	4,076,600	40,766,000	4,076,600	40,766,000
Addition - Subscription during the year	-	-	-	-
Deletion	-	-	-	-
Shares at the end	4,076,600	40,766,000	4,076,600	40,766,000

2 Reserves & Surplus	As at 31/03/12 Rs.	As at 31/03/11 Rs.
General Reserve		
Balance as per last financial Statement	625,556	625,556
Add: Transfer from Statement of Profit and Loss	1,550,000	Nil
Closing Balance	2,175,556	625,556
Special Reserve u/s 45-IC of the RBI Act, 1934		
Balance as per last financial Statement	12,485,000	8,835,000
Add: Transfer from Statement of Profit and Loss	6,200,000	3,650,000
Closing Balance	18,685,000	12,485,000
Surplus in the Statement of Profit and Loss		
Balance as per last financial Statement	38,782,266	28,102,031
Add : Profit for the year	30,609,547	18,133,181



Less: Appropriations		
Amount transfer to General Reserve	(1,550,000)	-
Amount transfer to Special Reserve u/s 45-IC of RBI Act, 1934	(6,200,000)	(3,650,000)
Proposed Dividend	(3,261,280)	(3,261,280)
Provision for Tax on Dividend proposed	(528,980)	(541,666)
Closing Balance	57,851,553	38,782,266
Total	78,712,109	51,892,822

3	Long Term Borrowings	As at 31.03.2012		As at 31.03.2011	
		Non Current	Current	Non Current	Current
	<u>Secured</u>				
	Term Loan - From Banks	514,905	14,555,400	15,070,306	46,039,202
	- From Financial Institutes	41,907,000	90,602,091	44,996,547	77,157,019
	<u>Unsecured</u>				
	Loans & Advances from related parties	-	-	-	180,639
	Loans & Advances from Corporates	-	-	-	10,090,740
	Total	42,421,905	105,157,491	60,066,853	133,467,600
	Less : Amount disclosed under head Other Current Liability Note 7		105,157,491	-	133,467,600
	Total	42,421,905	-	60,066,853	-

	Name of Lenders	Securities Details	Interest Rate	Terms of Repayment
3.1	From Banks			
	HDFC Bank Ltd. [Vehicle Loan A/C.]	Hypothecation of Specific vehicles	8.53%	60 monthly Instalments
	HDFC Bank Ltd. [Term Loan]	Hypothecation of Specific vehicles	12.00%	6 Quaterly Instalments
	Axis Bank Ltd. [Term Loan]	Hypothecation of specific assets portfolio	12.00%	11 monthly Instalments
	DCB Bank Limited (All Facility)	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	13.00%	12 monthly Instalments
	United Bank Of India [Term Loan]	Hypothecation of specific asset portfolio & Pesonal guarantee of the directors	12.00%	34 monthly Instalments
3.2	From Financial Institution			
	Nabard	Hypothecation of specific assets portfolio	8.25%	8 Half Yearly Instalments
	SIDBI [Term Loan]	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	12.00%	36 monthly Instalments
	SIDBI [Term Loan]	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	13.00%	30 monthly Instalments
	SIDBI [Term Loan]	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	13.00%	11 monthly Instalments
	Mas Financial Services Limited	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	14.25%	24 monthly Instalments
	Mas Financial Services Limited	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	14.25%	24 monthly Instalments
	Mas Financial Services Limited	Hypothecation of specific assets portfolio & Pesonal guarantee of one of the directors	15.30%	24 monthly Instalments



Arman Financial Services Limited

Mas Financial Services Limited	Hypothecation of specific assets portfolio & Personal guarantee of one of the directors	15.00%	19 monthly Instalments
Mas Financial Services Limited	Hypothecation of specific assets portfolio & Personal guarantee of one of the directors	15.50%	36 monthly Instalments
Ananya Finance For Inclusive Growth P.Ltd.	Hypothecation of specific assets portfolio	13.50%	18 monthly Instalments
Ananya Finance For Inclusive Growth P.Ltd.	Hypothecation of specific assets portfolio	13.50%	18 monthly Instalments
Ananya Finance For Inclusive Growth P.Ltd.	Hypothecation of specific assets portfolio	13.50%	18 monthly Instalments
Ananya Finance For Inclusive Growth P.Ltd.	Hypothecation of specific assets portfolio	13.50%	18 monthly Instalments
Ananya Finance For Inclusive Growth P.Ltd.	Hypothecation of specific assets portfolio	15.00%	18 monthly Instalments

3.3 Loan from related party carry interest rate 18 %.

3.4 Loan from Corporates carry interest rate 18 %.

4	Deferred Tax Liabilities (Net)	As at 31/03/12 Rs.	As at 31/03/11 Rs.
	Deferred Tax Assets arising out of timing difference relating to :		
	Provision for Provision for Gratuity	141,129	52,204
	Right Issue Expenses	258,302	288,799
	Provision for NPA that are allowable for tax purpose in the year of actual loss	500,834	462,147
	Total Deferred Tax Assets	900,265	803,150
	Deferred Tax Liability arising out of timing difference relating to :		
	Difference of Depreciation as per Tax Provision and Company Law	1,868,595	1,607,479
	Total Deferred Tax Liability	1,868,595	1,607,479
	Net Deferred Tax Liability	968,330	804,329

5	Long Term Provision	As at 31.03.2012		As at 31.03.2011	
		Non Current	Current	Non Current	Current
	Provision for Employee Benefit- Gratuity	418,301	16,610	156,311	5,563
	Contingent Provision against standered Asset	225,000	1,040,000	175,000	925,000
	NPA Provisions	15,907	262,496	17,331	315,682
		659,208	1,319,106	348,642	1,246,245
	Less : Amount disclosed under head Short Term Provisions - Note-8	-	1,319,106	-	1,246,245
	Total	659,208	-	348,642	-

6	Short-Term Borrowings	Current	
		As at 31.03.2012	As at 31.03.2011
	Working Capital Loans from Banks -Secured	213,910,248	202,643,934
	Total	213,910,248	202,643,934

6.1	Name of Lenders	Securities	Interest Rate
	State Bank of Patiala [C C A/C.]	Hypothecation of Specific assets portfolio & Personal guarantee of one of the directors	Base Rate + 5 %
	State Bank of India [C C A/C.]	Hypothecation of Specific assets portfolio & Personal guarantee of one of the directors	Base Rate + 5 %
	IDBI Bank Ltd. [C C A/C.]	Hypothecation of Specific assets portfolio & Personal guarantee of the directors	Base Rate + 4.5 %
	HDFC Bank Ltd. [C C A/C.]	Hypothecation of specific assets portfolio	13.5%



7	Other Current Liabilities	Current	
		As at 31.03.2012	As at 31.03.2011
	Current maturity of long term borrowings (Note 3)	105,157,491	133,467,600
	CCD Application Money	72,654,532	-
	Salary & Wages Payable	2,020,431	1,778,116
	Other Statuory dues	221,272	38,593
	TDS Payable	572,443	279,072
	Security Deposit	485,955	254,491
	Unpaid Dividend	559,852	249,507
	Unpaid Expenses	6,426,222	1,686,234
	Total	188,098,198	137,753,613

7.1 Application Money received for 12,75,760 Cumulative Convertible Debenture (CCD) of Rs. 56.95 each amounting to Rs.7,26,54,532/- are convertible in Equity Shares within 18 months from allotment of CCD.

8	Provisions	Current	
		As at 31.03.2012	As at 31.03.2011
	Provisions for employee benefits - Gratuity (Note - 5)	16,610	5,563
	Contingent Provision against standarder Asset (Note - 5)	1,040,000	925,000
	NPA Provisions (Note- 5)	262,496	315,682
	Proposed Dividend	3,261,280	3,261,280
	Provision for Tax on Proposed Dividend	528,980	541,666
	Provision for Tax	23,800,000	9,100,000
	Less : Advance Tax & TDS	(19,989,942)	(7,109,450)
	Net	3,810,058	1,990,550
	Total	8,919,424	7,039,741

8.1 NPA provisions are shown net off NPA Provision written back during the year amounting to Rs. 3,31,661/- (P.Y. Rs. 4,39,226/-)

8.2 Contingent Provision against Standard Assets net off Provision written back during the year amounting to Rs. 7,70,401/- (P.Y. Rs. Nil)

Note No -9 - Fixed Assets

TANGIBLE ASSETS

Gross Block	Buildings	Furniture & Fixtures	Office Equipments	Vehicles	Computer	Intangible Assets	Total
01.04.2010	5,010,426	2,468,463	784,622	4,578,658	735,946	-	13,578,115
Addition		743,625	119,495	139,133	861,061	-	1,863,314
Disposal							-
At 31.03.2011	5,010,426	3,212,088	904,117	4,717,791	1,597,007	-	15,441,429
Addition		130,675	183,765		554,762	-	869,202
Disposal			(45,857)	(41,490)	(134,054)	-	(221,401)
At 31.03.2012	5,010,426	3,342,763	1,042,025	4,676,301	2,017,715	-	16,089,230
Depreciation	Buildings	Furniture & Fixtures	Office Equipments	Vehicles	Computer	Intangible Assets	Total
01.04.2010	860,225	1,509,197	274,935	683,085	237,956	-	3,565,398
Change for the year	81,670	165,115	38,653	434,647	190,392	-	910,477
Disposal							-
At 31.03.2011	941,895	1,674,312	313,588	1,117,732	428,348	-	4,475,875
Change for the year	81,670	196,839	45,396	441,236	272,968	-	1,038,109
Disposal			(38,030)	(39,048)	(130,410)	-	(207,488)
At 31.03.2012	1,023,565	1,871,151	320,954	1,519,920	570,906	-	5,306,496
NET BLOCK							
AS AT 31.3.2011	4,068,531	1,537,776	590,529	3,600,059	1,168,659	-	10,965,554
AS AT 31.3.2012	3,986,861	1,471,612	721,071	3,156,381	1,446,809	-	10,782,734



Arman Financial Services Limited

10 INVESTMENT	As at 31.03.2012		As at 31.03.2011	
	Non Current	Current	Non Current	Current
A Investments (Non Trade)				
<u>Investments in Subsidiary Company- Unquoted</u>				
Namra Financial Services Limited	-	-	-	-
19,99,000 Shares (P.Y. Nil) of Rs.10 each fully paid	19,990,000			
Total	19,990,000	-	-	-
Aggregate amount of unquoted investment	19,990,000	-	-	-

11 Loans and Advances (Considered Good unless otherwise stated)	As at 31.03.2012		As at 31.03.2011	
	Non Current	Current	Non Current	Current
A Secured				
- Loans secured by Hypothecation of Assets	87,374,652	191,151,753	6,522,072	142,033,886
- Individual Loans Secured by Hypothecation of Asset	-	1,055,981	1,311,407	10,171,982
B Unsecured				
- Loans from Companies, Firms and Individuals	-	212,535,022	350,000	211,942,266
- Deposits	13,979,851	8,066,958	9,992,481	209,505
- Other Loans and Advances	-	5,874,824	-	2,806,831
- Advances to Staff	-	230,437	-	164,145
- Balance with government Authority	-	127,315	-	34,312
Total	101,354,503	419,042,290	78,175,960	367,362,927

11.1 Loans secured by hypothecation of Assets (Vehicles) are secured by hypothecation of the Assets (Vehicles) under finance. In the opinion of the Board, the market value of the hypothecated Assets (Vehicle) as on Balance Sheet date is more than the amount of Loan Outstanding.

11.2 Loans secured by Hypothecation of Vehicle includes Rs. 7,65,500/- (P.Y. 7,17,570/-) outstanding portfolio on which NPA provision of Rs. 76,550/- (P.Y. Rs. 71,757/-) has been made

11.3 Loans to Companies, Firms & Individuals includes Rs. 13,760/- (P.Y. 1,47,010/-) outstanding portfolio on which NPA provision of Rs. 1,376/- (P.Y. Rs. 13,189/-) has been made

12 Other Non Current Assets	Non Current	
	As at 31.03.2012	As at 31.03.2011
Bank Fixed Deposits with Original maturity for more than 12 months (Note 14)	29,740,748	34,421,282
Total	29,740,748	34,421,282

13 Trade Receivables	Current	
	As at 31.03.2012	As at 31.03.2011
A Outstanding for a period exceeding Six Months from the date they are due for Payment		
Secured	1,445,551	2,283,856
Unsecured, considered good	864,389	167,022
	2,309,940	2,450,878
Less : Provision	Nil	Nil
	2,309,940	2,450,878
B Other Trade receivables		
Secured	2,492,156	2,752,228
Unsecured, considered good	756,655	18,525
	3,248,811	2,770,753
Less : Provision	-	-
	3,248,811	2,770,753
Total	5,558,751	5,221,631

13.1 Sundry Debtors includes Rs. 20,04,770/- (P.Y. 21,31,345/-) outstanding portfolio on which NPA provision of Rs. 2,00,477/- (P.Y. Rs. 2,48,067/-) has been made.



14	Cash and Bank Balance	As at 31.03.2012		As at 31.03.2011	
		Non Current	Current	Non Current	Current
A	cash equivalents				
	Cash on hand	-	377,203	-	538,180
	Balance With Banks	-	58,937,927	-	4,605,708
	Total	-	59,315,130	-	5,143,888
B	Other Bank Balance				
	Deposits with Original maturity for more than 12 months	29,740,748	1,000,000	34,421,282	24,692
		29,740,748	1,000,000	34,421,282	24,692
	Less Amount disclosed Under Non Current Assets (Note 12)	29,740,748	-	34,421,282	-
	Total....	-	60,315,130	-	51,68,580

14.1 Current Account with Banks includes Rs. 5,58,852/- (Prev. Year Rs. 2,49,508/-) in Unpaid Dividend Account.

15	Other Current Assets	Current	
		As at 31.03.2012	As at 31.03.2011
	PE Investment Expenses	5,016,735	-
	Total	5,016,735	-

16	Revenue from operation	2011-12 Rs.	2010-11 Rs.
	Interest Income	151,579,596	110,377,866
	Other Finanacial Services		
	Processing Fees	3,031,133	3,325,832
	Other Charges in respect of Loans	418,278	406,365
	Total	155,029,007	114,110,063

17	Other Income	2011-12 Rs.	2010-11 Rs.
	Share Trading (Del) Profit / (Loss)	-	103,677
	Misc. Income	-	11,393
	Total	-	115,070

17.1 Share Trading Income includes Nil (P.Y. Rs. 23,246/-) on account of (diminution)/ increase in the market value of closing stock.

18.	EMPLOYEE BENEFIT EXPENSES	2011-12 Rs.	2010-11 Rs.
	Salary, Wages & Bonus	21,044,014	14,490,713
	Contribution to Provident Fund & Other Funds	369,221	159,325
	Welfare Expenses	292,895	350,958
	Total	21,706,130	15,000,996

18.1 The disclosure in respect of Employee Benefit as defined in the Accounting Standard 15 is given below :

A. The Amounts (In Rs.) Recognized In The Balance Sheet Are As Follows:

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	434,911	161,874
Unrecognized past service cost	-	-



Net liability	434,911	161,874
Amounts in the balance sheet:		
Liabilities	434,911	161,874
Assets	-	-
Net liability	434,911	161,874

B. The Amounts (In Rs.) Recognized In The Statement Of Profit And Loss Are As Follows:

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Current service cost	108,257	30,852
Interest on obligation	13,597	9,135
Expected return on plan assets	-	-
Net actuarial losses (gains) recognized in year	151,183	11,161
Past service cost	-	-
Losses (gains) on curtailments and settlement	-	-
Total, included in 'employee benefit expense	273,037	51,148
Actual return on plan assets	-	-

C. Changes In The Present Value Of The Defined Benefit Obligation Representing Reconciliation Of Opening And Closing Balances Thereof Are As Follows:

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Opening defined benefit obligation	161,874	110,726
Service cost	108,257	30,852
Interest cost	13,597	9,135
Actuarial losses (gains)	151,183	11,161
Losses (gains) on curtailments	-	-
Liabilities extinguished on settlement	-	-
Liabilities assumed in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	-	-
Closing defined benefit obligation	434,911	161,874

D. Changes In The Fair Value Of Plan Assets Representing Reconciliation Of The Opening And Closing Balances Thereof Are As Follows:

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Opening fair value of plan assets	-	-
Expected return	-	-
Actuarial gains and (losses)	-	-
Assets distributed on settlements	-	-
Contributions by employer	-	-
Assets acquired in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	-	-
closing balance of fair value of plan assets	-	-


E. The Major Categories Of Plan Assets As A Percentage Of Total Plan Assets Are As follows:

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Government of India Securities	-	-
High quality corporate bonds	-	-
Equity shares of listed companies	-	-
Property	-	-
Insurance Company	-	-

F. Principal Actuarial Assumptions At The Balance Sheet Date (Expressed As Weighted Averages):

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Discount rate	8.50%	8.40%
Expected return on plan assets	-	-
Proportion of employees opting for early retirement	-	-
Annual increase in Salary costs	6.00%	6.00%
Future changes in maximum state health care benefits	-	-

G. Gratuity Benefit Amount for the current period are as follow

Particulars	Gratuity Defined Benefit Obligation 2011-12 Rs.	Gratuity Defined Benefit Obligation 2010-11 Rs.
Defined benefit obligation	434,911	161,874
Plan assets	-	-
Surplus/(deficit)	(434,911)	(161,874)
Experience adjustments on plan liabilities	157,581	(7,016)
Experience adjustments on plan assets	-	-
Actuarial Loss/(Gain) due to change in assumption	(6,398)	18,177
Actuarial Loss/(Gain) due to participant experience	157,581	(7,016)
Actuarial Loss/(Gain) on liabilities	151,183	11,161
Net Actuarial Loss/(Gain) on liabilities	151,183	11,161

Particulars	31.3.12	31.3.11	31.3.10	31.3.09	31.03.08
Defined Benefit Obligation	434,911	161,874	110,726	95,359	67,026
Plan Assets	-	-	-	-	-
Unrecognised past service Cost	-	-	-	-	-
Deficit	-	-	-	-	-
Experience adjustments on plan liabilities	434,911	161,874	110,726	95,359	67,026
Experience adjustments on plan assets	-	-	-	-	-

19	FINANCE COST	2011-12 Rs.	2010-11 Rs.
	Interest Expenses	52,191,947	41,035,554
	Other Borrowing cost	4,002,529	1,608,581
	Total	56,194,476	42,644,135



20	DEPRECIATION AND AMORTISATION EXPENSE	2011-12	2010-11
	Rs.	Rs.	
	Depreciation of Tangible Assets	1,038,109	910,477
	Depreciation of Intangible Assets	-	-
	Total	1,038,109	910,477
21	OTHER COSTS	2011-12	2010-11
		Rs.	Rs.
	Electricity & Fuel charges	308,870	384,874
	REPAIRS TO:		
	Machinery	-	-
	Other	378,848	504,715
	Sub Total	378,848	504,715
	Insurance	1,101,377	1,386,746
	Rent	1,860,429	1,191,689
	Rates & Taxes	32,358	357,228
	Stationery & Printing	974,513	915,117
	Advertisement Exps.	109,438	143,929
	Communication	1,249,192	1,260,888
	Traveling & Conveyance Exps.	1,146,167	1,394,220
	Professional Fees	7,213,432	7,073,983
	AUDITOR'S REMUNERATION:		
	Audit Fees	207,351	121,330
	For Tax Audit	73,034	44,120
	For Certification	5,516	2,758
	For Income Tax Consultancy Fee	27,024	15,000
	Sub Total	312,925	183,208
	Director Sitting Fees	277,500	180,000
	Marketing & Incentive Exps.	3,528,514	4,181,681
	Sales Incentive Exps	4,305,286	3,501,400
	Bad debts written off	5,253,927	3,278,492
	Provision for NPA	(54,610)	(152,965)
	Contigent Prov against standard Assets	165,000	1,100,000
	Sundry Balance Written Off	498,338	723,843
	Loss on Sale of Assets	10,163	-
	General Charges	1,945,077	1,341,251
	(including License Fees, Office & Misc.Expenses Bank Charges, Security Charges & Membership Fees etc.)		
	Total	30,616,744	28,950,299
21.1	Bad debts & Irrecoverable W/off are shown net off bad debts recovery during the year amounting to Rs. 11,69,860/- (P.Y. 3,91,570/-).		



**NOTES TO THE FINANCIAL STATEMENT FOR THE
YEAR ENDED ON 31-03-2012**

22. Contingent liabilities not provided for: -

(a) Disputed Demand of Income Tax Rs. 19.27 Lacs (Previous year Rs. 38.69 Lacs) (Against which the Company has paid Rs. 19.27 Lacs [Previous year Rs. 29.73 Lacs] under protest which are shown as advances)

23. Segment Reporting:

In the opinion of the management, the Company is mainly engaged in the business of providing commercial finance. All other activities of the Company revolve around the main business, and as such, there are no separate reportable segments.

24. Related Party Disclosures :

List of Related Parties with whom transactions have taken place during the year.

A) Subsidiary

Namra Finance Ltd.

B) Key Management Personnel

Mr. Jayendrabhai Patel

Mr. Aalokbhai Patel

Mr. Amitbhai Manakiwala

C) Relatives of Key Management Personnel

Name of Party

Related party Relationship

Mrs. Ritaben J. Patel

Relative of Key Management Personnel

Mr. Aakash J. Patel

Relative of Key Management Personnel

J.B.Patel HUF

Key Management personnel is Karta

Raj Enterprise

Key Management personnel is Proprietor

Mrs. Himani Manakiwala

Relative of Key Management Personnel

Mr. Maulik Manakiwala

Relative of Key Management Personnel

J B Patel & Co.

Key Management personnel is co-owner

Mrs. Sachi Patel

Relative of Key Management Personnel

Amit Manakiwala (HUF)

Key Management personnel is Karta

Aakash Patel (HUF)

Relative of Key Management Personnel

Namra Holdings & Cons.

Relative of Key Management Personnel

Services Pvt. Limited

is Director

Details of Transactions are as follows:

Sr. No.	Nature of Transactions	Subsidiary	Key Management Personnel	Relatives Key Management Personnel	Total
1	Expenses				
	Remuneration & Perquisites	Nil (Nil)	2082603 (2039664)	Nil (Nil)	2082603 (2039664)
	Sitting Fees	Nil (Nil)	37500 (20000)	57500 (30000)	95000 (50000)
	Interest Paid	Nil (Nil)	1029374 (847707)	1642681 (1336847)	2672055 (2184554)
	Rent Paid	Nil (Nil)	Nil (Nil)	19856 (19856)	19856 (19856)
	Professional Fees	Nil (Nil)	780000 (688000)	Nil (Nil)	780000 (688000)
	Dividend paid	Nil (Nil)	300538 (225403)	861952 (646461)	1162490 (871864)
2	Unsecured Loan				
	Loan taken during the year	Nil (Nil)	6520000 (3535000)	12808000 (5908000)	19328000 (9463000)
	Loan repaid during the year	Nil (Nil)	7549374 (2740927)	14631320 (12863661)	22180694 (19926979)
	Balance out standing at 31/03/2012	Nil (Nil)	Nil (Nil)	Nil (180639)	Nil (180639)
3	Acquisition of Shares	19990000 (Nil)	Nil (Nil)	Nil (Nil)	19990000 (Nil)



List of Transaction, out of the transaction reported in the above table, where the transaction entered in to with single party exceeds 10 % of the total related party transactions of similar nature are as under:

Unsecured Loan taken includes taken from Shri Jayendra Patel Rs. 47,65,000 (P.Y. Rs. 20,10,000), from Smt. Himani A. Manakiwala Rs. 7,25,000 (P.Y. Rs. 1,50,000), from Smt. Ritaben J. Patel Rs. 37,75,000 (P.Y. Rs.21,00,000), from Shri Aakash J. Patel Rs. 37,00,000 (P.Y. 5,95,000), from Shri Aalok J. Patel Rs. 17,55,000 (P.Y Rs.15,45,000), from Jayendra Patel (HUF) Rs.13,30,000 (P.Y. Rs.2,05,000), from Smt. Sachi Patel 10,78,000 (P.Y. Rs. 6,58,000), from Amit Manakiwala (HUF) Rs.7,25,000 (P.Y. Rs. 7,00,000), from Namra Holdings & Consultancy Servises Pvt. Limited Rs.13,50,000 (P.Y. Rs. 15,00,000) , from Shri Aakash J. Patel – (HUF) Rs. 1,25,000 (P.Y. Nil) Unsecured Loan repayments includes paid to Shri Jayendra Patel Rs. 54,96,878 (P.Y. Rs. 31,24,114), to Smt. Himani A. Manakiwala Rs. 8,51,567 (P.Y. Rs. 7,91,839), to Smt. Ritaben J. Patel Rs. 40,52,448 (P.Y. Rs. 35,40,297), to Shri Aakash Patel Rs.44,76,016 (P.Y. Rs. 33,58,848), to Shri Aalok Patel Rs. 20,52,496 (P.Y. Rs. 39,39,204), to Aakash Patel (HUF) Rs.1,46,417 (P.Y. Rs. 1,19,530), to Smt. Sachi Patel Rs.12,08,575 (P.Y. Rs. 7,17,287), to Amit Manakiwala(HUF) Rs.8,51,567 (P.Y. Rs. 7,89,088), to Shri Maulik Manakiwala Rs,Nil (P.Y. Rs. 4,96,551), to Jayendra Patel (HUF) Rs.15,59,853 (P.Y. Rs. 14,97,208), to Namra Holdings & Consultancy Servises Pvt. Limited Rs.14,84,877 (P.Y. Rs. 15,53,013), Acquisition of shares includes investments made in Namra Finance Limited Rs. 1,99,90,000 (P.Y. Nil)

Interest paid includes to Shri Jayendra Patel Rs. 6,58,689 (P.Y. Rs. 3,80,108), to Shri Aakash Patel Rs. 4,76,939 (P.Y. Rs. 4,42,612), to Shri Aalok Patel Rs. 2,67,744 (P.Y. Rs. 5,08,432), to Smt. Ritaben J Patel Rs. 2,49,703 (P.Y. Rs. 4,49,126), to J B Patel (HUF) Rs. 2,06,867 (P.Y. Rs. 2,17,683), to Aakash Patel (HUF) Rs.19,276 (P.Y. Rs. 17,754), to Smt. Sachi Patel Rs. 1,04,460 (P.Y. Rs. 53,359), to Amit Manakiwala(HUF), Rs. 1,13,911 (P.Y. Rs. 80,179), to Smt. Himani Manakiwala Rs.1,13,911 (P.Y. Rs. 1,07,252), to Shri Maulik Manakiwala Rs. Nil (P.Y. Rs. 21,551), to Namra Holdings & Consultancy Services Pvt. Limited Rs.1,21,390 (P.Y. Rs. 53,013) Balance Outstanding includes of Aakash Patel Rs. Nil (P.Y. Rs. 1,80,639) Remuneration includes payment to Shri Jayendrabhai Patel Rs. 15,32,603 (P.Y. Rs. 15,32,603) and to Shri Amit Manakiwala Rs. Nil (P.Y. Rs. 44,625), to Shri Aalok Patel Rs.5,50,000 (P.Y. 4,62,436) Sitting Fees included paid to Smt. Ritaben Patel Rs. 57,500 (P.Y. Rs. 30,000) and Shri Amitbhai R. Manakiwala Rs.37,500 (P.Y.Rs.20,000), Rent includes paid to J B Patel & Co. Rs. 19,856 (P.Y. 19,856), Professional Fees includes paid to Shri Amitbhai R. Manakiwala Rs. 7,80,000 (P.Y.Rs.6,88,000), Dividend Paid includes paid to Sh. Aalok Patel Rs. 1,61,432 (Rs. 1,21,074), to Jayendrabhai Patel HUF Rs.1,56,800 (P.Y. Rs. 1,17,600), to Sh. Aakash Patel Rs. 1,86,512 (P.Y. Rs. 1,39,881), to Sh. Jayendrabhai Patel Rs. 1,70,458 (P.Y. Rs. 1,27,843), to Smt. Ritaben Patel Rs. 1,83,848 (P.Y. Rs. 1,37,886), to Namra Holdings & Cons. Services Pvt. Limited Rs. 1,32,320 (P.Y. Rs. 99,240), to Sh. Amitbhai Manakiwala Rs. 1,30,080 (P.Y. Rs. 97,560)

25. Earning Per Share:

Particulars	2011-2012 Amount Rs.	2010-2011 Amount Rs.
Numerator used for calculating Basic Earnings Per Share (Profit After Tax)	3,06,09,547	1,81,33,181
Add: Interest on CCD	3,35,542	—
Numerator used for calculating Diluted Earnings Per Share (Profit After Tax)	3,09,45,089	1,81,33,181
Weighted Average No. of Shares used as denominator for calculating Basic Earnings Per Share	40,76,600	40,76,600
Weighted Average No. of Shares used as denominator for calculating Diluted Earnings Per Share	47,69,349	40,76,600
Nominal Value per Share	10	10
Basic Earnings per share	7.51	4.45
Diluted Earnings per share	6.49	4.45

26. Balances are subject to confirmation.

27. In the opinion of the Board, Current assets and loans and advances, are approximately of the value stated, if realized in ordinary course of business.

28. As per the prudential norms of the Reserve Bank of India, provision has been made in the accounts for the Non Performing Assets. Income is not recognised in respect of Non Performing Assets.

29. Disclosure requirement by Originator as per Reserve Bank of India's Guidelines on Securitization of standard Assets are as under:

Particulars	2011-12	2010-2011
Total No. of Loan Assets	—	504
Book Value of loan Assets	—	1,93,71,228
Sales Consideration received from securitized assets	—	2,13,75,872
Gain / (Loss) on Securitised Assets	—	4,68,028
Form of Service Provided	—	Post Securitization assets servicing
Quantum of Outstanding Value of Services	—	15,36,616


30. (a) Particulars in respect of Opening Stock, Purchases, Sales and Closing Stock of Shares (As Certified by Directors).

	As at 31-3-2012		As at 31-3-2011	
	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)
Opening Stock	Nil	Nil	47738	301223
Purchase	Nil	Nil	Nil	Nil
Sales	Nil	Nil	47738	404900
Closing Stock	Nil	Nil	Nil	Nil

31. As required in terms of Paragraph 13 of Non-Financial Companies Prudential Norms (Reserve Bank) Directions, 2007, schedule to the Balance Sheet of a Non-Banking Financial Company are annexed hereto.

(Amount in Rs.)

32. Earning in foreign currency Nil (Nil)

33. Expenditure in foreign Currency Nil (Nil)

34. Previous year's figures have been regrouped and rearranged wherever necessary, to make them comparable with those of current year. Till the year ended 31st March 2011, the company was using pre-revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised schedule VI notified under the Companies Act, 1956, has become applicable to the company. The Company has reclassified previous year figures to conform to this classification. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statement. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

Signature to Schedules "1" to "34"

As per our report of even date attached herewith
For, J.T. Shah & Company
Chartered Accountants
(FRN No. 109616W)

For & On behalf of Board of Directors

[J. J. Shah]
Partner
(M.No.45669)

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 30.06.2012



ARMAN FINANCIAL SERVICES LIMITED

Statement Pursuant To Section 212 of The Companies Act, 1956 Relating To Subsidiary Companies for the year ended on 31st March'2012

Sr. No.	Particulars	Namra Finance Limited (subsidiary)
1	Financial year of Subsidiary company	31 st March' 2012
2	a. No of shares held at the end of the financial year of subsidiary company	19,99,000
	b. Extent of Holding	99.95 %
3	Net aggregate Profit / Loss of the subsidiary company so far it concern the member of Holding company	
	a. Not dealt with accounts of holding company for the year ended on 31 st march-2012.	—
	i. for subsidiary's financial year ending as above in 1	—
	ii. for previous financial years of the subsidiary since it became subsidiary of Holding Company.	—
	b. dealt with accounts of holding company for the year ended on 31 st march-2012.	—
	i. for subsidiary's financial year ending as above in 1	—
	ii. for previous financial years of the subsidiary since it became subsidiary of Holding Company.	—
4	Change in the interest of Holding Company between the end of the financial year of the subsidiary and 31st March'12.	
	i. No of share	—
	ii. Extent of Holding	—
5	Material changes between the end of the financial year of the subsidiary and 31st March'2012.	
	i. Fixed Assets	—
	ii. Investments	—

Note:

1. Your company has 1 subsidiary company as on 31st March'2012.
2. Namra Finance Limited is a subsidiary of ARMAN FINANCIAL SERVICES LIMITED, which is 100 % subsidiary of the company.



ARMAN FINANCIAL SERVICES LIMITED
Schedule to the Balance Sheet of a Non-Banking Financial Company

[as required in terms of Paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding)
Companies Prudential Norms (Reserve Bank) Direction, 2007]

(Rs. In lakhs)

	Particulars		
(1)	Liabilities side:		
	Loan and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount Outstanding	Amount overdue
	(a) Debentures:	NIL	NIL
	Secured		
	Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
	(b) Deferred Credits	NIL	NIL
	(c) Term Loans	1475.79	NIL
	(d) Inter-Corporate loans and borrowing	NIL	
	(e) Commercial Paper	NIL	NIL
	(f) Public Deposits*	NIL	NIL
	(g) Other Loans (specify nature)	NIL	
	- Working capital Loans	2139.10	
	- Debenture Application Money	<u>726.55</u>	
	* Please see Note 1 below	2865.65	
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
	(a) In the form of Unsecured debentures	NIL	
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	NIL	NIL
	(c) Other Public Deposits	NIL	NIL
	Assets Side:		
		Amount Outstanding	
(3)	Break-up of Loans and Advances including bills receivable [other than those included in (4) below]:		
	(a) Secured	NIL	NIL
	(b) Unsecured	2424.35	16.21
(4)	Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial Lease	NIL	NIL
	(b) Operating lease	NIL	NIL
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	NIL	NIL
	(b) Repossessed Assets	NIL	NIL
	(iii) Hypothecation loans counting towards EL/HP activities		
	(a) Loans where assets have been re-possessed	NIL	NIL
	(b) Loans other than (a) above	2835.21	39.38
(5)	Break-up of Investments:		
	Current Investments:		
	1. Quoted:		
	(i) Shares	NIL	NIL
	(a) Equity	NIL	NIL
	(b) Preference	NIL	NIL
	(ii) Debentures and Bonds	NIL	NIL
	(iii) Units of mutual funds	NIL	NIL
	(iv) Government Securities	NIL	NIL
	(v) Others (please specify)	NIL	NIL



2.	Unquoted:			
	(i) Shares	(a) Equity	NIL	NIL
		(b) Preference	NIL	NIL
	(ii) Debentures and Bonds		NIL	NIL
	(iii) Units of mutual funds		NIL	NIL
	(iv) Government Securities		NIL	NIL
	(v) Others (please specify) FDR		307.41	NIL
Long-term investments:				
1.	Quoted:			
	(i) Shares	(a) Equity	NIL	NIL
		(b) Preference	NIL	NIL
	(ii) Debentures and Bonds		NIL	NIL
	(iii) Units of mutual funds		NIL	NIL
	(iv) Government Securities		NIL	NIL
	(v) Others (please specify)		NIL	NIL
2.	Unquoted:			
	(i) Shares	(a) Equity	199.9	NIL
		(b) Preference	NIL	NIL
	(ii) Debentures and Bonds		NIL	NIL
	(iii) Units of mutual funds		NIL	NIL
	(iv) Government Securities		NIL	NIL
	(v) Others (please specify)		NIL	NIL

(6) **Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances**
Please see Note 2 below

Category	Amount net of provision		
	Secured	Unsecured	Total
1. Related Parties**	NIL	NIL	NIL
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	2833.33	2423.45	5256.78
Total	2833.33	2423.45	5256.78

(7) **Investor group-wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted):**
Please see note 3 below

Category	Market value/ Break-up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties**	NIL	NIL
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	NIL	NIL
Total	NIL	NIL

(8) **** As per Accounting Standard of ICAI (Please see Note 3)**
Other information

Particulars	Amount
(i) Gross Non-performing Assets	NIL
(a) Related Parties	NIL
(b) Other than related parties	27.84
(ii) Net Non-Performing Assets	
(a) Related Parties	NIL
(b) Other than related parties	25.06
(iii) Assets acquired in satisfaction of debts	NIL

- As defined in paragraph 2(1) (xii) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning Norms shall be applicable as prescribed in the Non-Banking Financial Companies Norms (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of Investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break-up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long-term or current in column (5) above



ARMAN FINANCIAL SERVICES LIMITED

REGISTERED OFFICE : 502-503, SAKAR-III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD-380 014
PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL
Joint Shareholders may obtain additional slip on request.

ATTENDANCE SLIP

Dp Id*	
Client Id*	

Master Folio No.	
------------------	--

NAME AND ADDRESS OF THE SHAREHOLDER
No. of Shares held

I hereby record my presence at the **20th ANNUAL GENERAL MEETING** of the Company held on Saturday the 29th September 2012 at 6.00 p.m. at "The Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad-380 009.

SIGNATURE OF THE SHAREHOLDER OR PROXY**

* Application for Investors holding shares in electronic form.

* Strike out whichever is not applicable.

----- TEAR HERE -----



ARMAN FINANCIAL SERVICES LIMITED

REGISTERED OFFICE : 502-503, SAKAR-III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD-380 014

PROXY FORM

Dp Id*	
Client Id*	

Master Folio No.	
------------------	--

I/WE _____
of _____ being a member/
members of ARMAN FINANCIAL SERVICES LIMITED hereby appoint _____
of _____
of failing him _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the **20TH ANNUAL GENERAL MEETING**
to be held on Saturday the 29th September, 2012 at 6.00 p.m. or at any adjournment thereof..

Signed this _____ day of _____ 2012.

*Application for Investors holding shares in electronic form.

NOTE : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the company.

Affix a ₹ 1.00 Revenue Stamp

BOOK - POST



If Undelivered please return to:

Arman Financial Services Limited

502-503, Sakar-III, Opp. Old High Court,
Off Ashram Road, Ahmedabad-380 014.