



Arman
Financial Services Limited



Arman Financial Services Limited

TWENTY FIRST ANNUAL REPORT 2012-13

CONTENTS

SR. NO.	PARTICULARS	PAGE NO.
1.	Board of Directors	2
2.	Notice of Annual General Meeting	3
3.	Directors' Report	5
4.	Corporate Governance Report	8
5.	Management Discussion and Analysis (MD&A)	16
6.	Secretarial Compliance Certificate	24
7.	Auditors' Report	26
8.	Balance Sheet	28
9.	Profit & Loss Account	29
10.	Cash Flow Statement	30
11.	Notes 1 to 35	33
12.	Directors' Report of Namra Finance Limited	49
13.	Financials of Namra Finance Ltd. wholly owned subsidiary of Arman Financial Services Ltd.	50
14.	Consolidated Financial Statements of Arman Financial Services Ltd. and it's subsidiary Namra Finance Ltd.	59
15.	Attendance Slip & Proxy Form	75

21ST ANNUAL GENERAL MEETING

Day : Friday

Date : 30th August, 2013

Time : 12.00 Noon

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

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 Twenty First 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 30th Day of August, 2013 at 12:00 noon to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31st March, 2013 and the reports of the Board of Directors and Auditors thereon
2. To Declare Dividend
3. To appoint a Director in place of Shri Jayendrabhai B. Patel who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Chinubhai R. Shah who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Aalok J. 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."

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 Jayendrabhai B. Patel, Shri Chinubhai R. Shah and Shri Aalok J. 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 23rd day August, 2013 to 30th day August, 2013 (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, 2010-11 and 2011-2012 are requested to send back the original dividend warrants or send the indemnity for claiming the dividend.
11. 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.
12. For any investor-related queries, communication may be sent by e-mail to finance@armanindia.com or Toll Free Number: 18001027626
13. 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.



Arman Financial Services Limited

14. 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.
15. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
16. Details of the Directors seeking re-appointment in the Twenty first Annual General Meeting [Pursuant to Clause 49 of Listing Agreement of Bombay Stock Exchange]

Particulars	Shri Jayendra Patel	Shri Chinubhai Shah	Shri Aalok Patel
Relationships with other Directors	Father/Husband	None	Son/Brother
Date of Appointment	28/08/1995	18/10/1994	30/01/2007
Expertise	Management Acumen	Corporate Management	Accounts & Finance
Qualification	B.Sc. B.S.	M.A. LL.M. (Gold Medalist) DLP, DTP, Life Fellow AIMA, FCS	Master Degree in Accounting & Finance; C.P.A
No. of Equity Shares held in the Company	4,78,943	200	2,47,480
List of other companies in which directorship are held	Namra Finance Limited	<ul style="list-style-type: none"> • Meghmani Organics Limited, • Cadila Pharmaceuticals Limited • Nirma Limited, • Gujarat Nre Coke Ltd, • Gsec Limited, • Gulmohar Greens-Golf And Country Club Limited, • Apollo Hospitals International Limited, • Saline Area Vitalisation Enterprise Limited, • Shilp Gravures Limited, • Meghmani Finechem Limited 	Namra Finance Limited
Chairmanship/Membership of committees (includes only Audit Committee and Shareholders Grievances Committee)	Nil	3	Nil

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

BY ORDER OF THE BOARD

Place: Ahmedabad
Date: 25/07/2013

Jayendra Patel
Vice Chairman & Managing Director

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



DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting the Twenty first Annual Report along with the audited accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS

PARTICULARS	Year Ended 31 st March, 2013 (₹)	Year Ended 31 st March, 2012 (₹)
Income from operations	16,98,50,230	15,50,29,007
Profit before Interest, & Depreciation	10,58,61,241	10,27,06,133
Less		
Interest	5,72,51,632	5,61,94,476
Depreciation	<u>10,76,794</u>	<u>10,38,109</u>
PROFIT BEFORE TAXATION	4,75,32,815	4,54,73,548
Provision for Taxation	(15,605,000)	(14,700,000)
Deferred Tax Assets	1,579,779	(164,001)
PROFITS AFTER TAXATION	3,35,07,594	3,06,09,547
Prior Period Items	NIL	NIL
Excess/(Short) provision for earlier year	(71,760)	NIL
Add: Balance Brought Forward		
from Previous year	5,78,51,553	3,87,82,266
PROFITS AVAILABLE FOR APPROPRIATIONS	9,12,87,387	6,93,91,813
APPROPRIATIONS		
Dividend	45,19,114	32,61,280
Tax on Dividend	<u>7,68,023</u>	<u>5,28,980</u>
Transfer to General Reserve	15,00,000	15,50,000
Transfer to Special Reserve	65,65,000	62,00,000
PROFIT & LOSS A/C SURPLUS	7,79,35,250	5,78,51,553

FINANCIAL PERFORMANCE

In the year under review,

- Gross income was ₹ 1698.50 lacs as compared to ₹ 1550.29 lacs in the previous year showing the growth of 9.56%.
- The Profit before Taxes for the year is ₹ 475.33 lacs as compared to ₹ 454.74 lacs in the previous year showing the growth of 4.52%.
- The net profit for the year is ₹ 335.07 lacs as compared to ₹ 306.10 lacs in the previous year showing the increase of 9.46%.

APPROPRIATIONS

Dividend

The Board has recommended a dividend of ₹ 0.80 per equity share (previous year ₹ 0.80 per equity share) of fully paid up face value of ₹ 10/-, amounting to ₹ 45,19,114/- (previous year ₹ 32,61,280). The tax on distributed profits payable on this dividend is ₹ 768,023/- (previous year ₹ 528,980) making the aggregate distribution to ₹ 52,87,137/- (previous year ₹ 37,90,260). 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 ₹ 15,00,000/- to the general reserve and an amount of ₹ 65,65,000/- 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:-

Increase in Issued and Paid up Share Capital

a) The following securities were allotted on 16/04/2012 during the financial year:

- 13,58,129 Ordinary Equity Shares of face value 10/- each at a premium of ₹ 46.95 per equity share;
- 12,75,760 10% Compulsorily Convertible Debentures [CCD] of face value of ₹ 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 ₹ 10/- each per CCD.
- 4,28,329 Warrants of face value of ₹ 28/- per warrant with a right exercisable by the warrant holder to subscribe for one Ordinary Equity Share of 10/- each per warrant.

Out of it, 214,164 Warrants were converted into equity shares on 13/02/2013. The new Equity Shares rank paripassu 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 DSC/PREF/SJ/FIP/037/2013-2014 dated 15/04/2013 has approved listing of 214,164 equity shares of ₹ 10/- each converted at a premium of ₹ 18/- per equity share on 13/02/2013.

SUBSIDIARY COMPANY

M/s Namra Finance Limited a wholly owned subsidiary has received a license numbered 01.00517 dated February 14, 2013 from RBI awarding "NBFC-MFI" (Non-Banking Finance Company - Microfinance Institution) license and it became the first company in India to receive "NBFC-MFI" license. It has commenced business w.e.f 15/02/2013.

An additional capital of ₹ 300.00 lacs has been infused. Its Balance Sheet, Profit and Loss Account and other documents have been attached with this annual report.

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 Jayendrabhai Patel, Shri Chinubhai Shah and Shri Aalok Patel will retire by rotation and being eligible, offer themselves for reappointment. 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.

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 2012-13. 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 are 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 proper explanation relating to material departures;
- 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, 2013 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 2013-14. 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.

FIXED DEPOSITS

The Company has not invited or accepted any deposits from the public. However it has accepted unsecured loan from its directors. The Company has made all compliances in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

INSURANCE

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

"A" ORDINARY SHARES

12,75,760 CCD allotted on 18/04/2012 are due for conversion into one Ordinary Equity Share of ₹ 10/- each per CCD or for one "A" Ordinary Shares of ₹ 10/- each per CCD or partly in Ordinary Equity Shares and partly in "A" Ordinary Shares at the option of investor. As per clause 28A of the listing agreement executed with BSE, class "A" Ordinary Shares should not have any superior right as regards to dividend and accordingly an amendment in resolution passed by way of postal ballot on 19/12/2011 is proposed and a notice to that respect under Rule 5 (d) of Companies (Passing of resolution By Postal Ballot) Rules 2011 is issued.

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 Limited, MAS Financial Service Ltd., Reliance Capital 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.

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: 25/07/2013

**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 as 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 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, 2013. 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	6	Yes	11	3	3
J. B. Patel	VCMD	7	Yes	1	Nil	Nil
A. R. Manakiwala	ED	7	Yes	1	Nil	Nil
R. J. Patel	NED	6	Yes	1	Nil	Nil
K. D. Shah	ID	5	Yes	5	Nil	Nil
Aakash J. Patel	NED	Nil	No	Nil	Nil	Nil
Aalok. J. Patel	ED	7	Yes	1	Nil	Nil
Lokesh Singh	ID	1	No	Nil	Nil	Nil
Aditya Bhandari	NED	3	Yes	6	Nil	Nil

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 at least once every quarter and the time gap between two meetings is not more than four months. During the year, seven Board Meetings were held.

Date of Meeting	No of Directors Present
16/04/2012	3
14/05/2012	7
30/06/2012	5
07/08/2012	7
22/10/2012	7
25/01/2013	7
13/02/2013	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	5
Smt Rita Patel.	Member	5

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 five times during the year under review on 14/05/2012, 30/06/2012, 07/08/2012, 22/10/2012 and 25/01/2013 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 paid to Directors

The aggregate value of salary and perquisites including commission payable for the year ended 31st March, 2013 to the Managing Director, Executive Directors and Director are as follows:

Shri Jayendra Patel, Vice Chairman & Managing Director, Shri Aalok Patel, Executive Director and Shri Amit Manakiwala, Director, the aggregate value of salary and perquisites paid was ₹ 28,88,036/- 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, 2013 to the Directors were as follows:-

Name of the Director	Sitting fees paid	No. of Equity Shares held
Shri C.R. Shah	₹ 87,500/-	200
Shri K.D Shah	₹ 70,000/-	Nil
Smt Rita Patel	₹ 62,500/-	2,96,674
Shri Lokesh Singh	₹ 7,500/-	Nil
Shri Aditya Bhandari	₹ 60,000/-	Nil

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 were 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, 2013, 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 23 times during the year to approve transfer/ transmission/ demat of equity shares. It transferred 12,400 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
2009-10	ATMA HALL Ahmedabad	Monday, 06.09.2010 12.30 p.m.	2
2010-11	ATMA HALL Ahmedabad	Monday, 26.09.2011 01.00 p.m.	Nil
2011-12	ATMA HALL Ahmedabad	Saturday, 29.09.2012 06.00 p.m.	Nil

No business was required to be transacted through postal ballot at the above meetings. Business required to be transacted through postal ballot is circulated separately.

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

9. 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)

10. ANNUAL GENERAL MEETING

The 21st Annual General Meeting will be held on 30th Day of August, 2013, at 12:00 noon. at Ahmedabad Textile Mills' Association (ATMA) Hall, Opp. City Gold Cinema, Ashram Road, Ahmedabad - 380009

11. FINANCIAL CALENDAR

First quarter results: July 2013

Second quarter results: October 2013

Third quarter results: January 2014

Annual results: April/May 2014

Annual General Meeting: August/September 2014

12. BOOK CLOSURE

The Register of Members and the Share Transfer Register were closed from 23rd Day August, 2013 to 30th Day of August, 2013, (both days inclusive).

Dividend for the year ended March 31, 2013, 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 22nd Day of August 2013; 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 22nd Day of August, 2013.

13. 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 Governments Investor Education and Protection Fund.

14. SHARES LISTED AT

The equity shares of the Company are listed at:

Bombay Stock Exchange Limited (BSE) and Jaipur Stock Exchange 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 2013-14 have been paid to Mumbai stock exchange. The Company has also paid the Annual Custodial fees to both the depositories.

15. STOCK CODES

The stock codes of the Company at BSE : 531179

16. 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.

17. 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 2012-13 is furnished below:

	Bombay Stock Exchanges (BSE) (In ₹ Per share)	
	Month's High Price	Month's Low Price
April, 2012	32.40	25.05
May, 2012	30.00	23.10
June, 2012	29.80	21.15
July, 2012	31.45	25.00
August, 2012	30.60	21.00
September, 2012	29.00	21.65
October, 2012	29.50	25.00
November, 2012	26.75	23.00
December, 2012	30.75	23.65
January, 2013	36.75	29.00
February, 2013	34.05	28.35
March, 2013	31.70	24.80

18. EVOLUTION OF CAPITAL

Year		Increase authorized capital		Year		Increase in issued capital	
	Date	No of. Share increase	Total No. of Share after increase		Date	No. of Share issued	Total No. of Shares after increase
1991-92	26/11/1992	15,00,000	15,00,000	1993-1994	08/09/1993	1,39,540	1,39,540
1993-94	20/05/1993	15,00,000	30,00,000	1994-1995	20/07/1994	1,07,900	2,47,440
1994-95	14/09/1994	20,00,000	50,00,000	1994-1995	06/10/1994	2,49,640	4,97,080
1995-96	20/05/1995	4,50,00,000	5,00,00,000	1995-1996	03/11/1995	35,79,520	40,76,600
2010-11	10/09/2010	10,00,00,000	15,00,00,000	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	2012-2013	20/04/2012	13,58,129	54,34,729
Nil	Nil	Nil	Nil	2012-2013	18/02/2013	2,14,164	56,48,893



19. 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.

20. DISTRIBUTION OF SHAREHOLDING (AS ON MARCH 31, 2013)

On the basis of Share held

No of equity Share held	No. of Share Holders (Physical)	No. of Shares (Physical)	No. of Share Holders (D-mate)	No. of Shares (D-mate)	Total No. of Share Holders	% of share Holders	Total No. of Shares	% of share Holding
1-500	3,324	3,96,540	1,289	1,97,072	4,613	92.28	5,93,612	10.51
501-1000	59	50,800	128	1,11,099	187	3.74	1,61,899	2.87
1001-2000	22	33,500	60	90,762	82	1.64	1,24,262	2.20
2001-3000	6	15,400	15	38,423	21	0.42	53,823	0.95
3001-4000	1	3,500	12	42,039	13	0.26	45,539	0.81
4001-5000	2	9,500	12	57,798	14	0.28	67,298	1.19
5001-10000	3	23,500	18	1,40,159	21	0.42	1,63,659	2.90
10001-20000	3	41,300	13	1,84,896	16	0.32	2,26,196	4.00
Above 20000	0	0	32	42,12,605	32	0.64	42,12,605	74.57
Total	3420	5,74,040	1,579	50,74,853	4,999	100	56,48,893	100

On the basis of Category

Category	No of Shares Held	% to Total Shares Held
Individual	36,39,649	64.43
Private Corporate Bodies	2,02,353	3.58
Promoters	17,11,630	30.30
Nonresident Indians	95,261	1.69
Total	56,48,893	100.00

21. 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 15,200 equity shares. As on March 31, 2013, 89.84% of the total shares issued by the Company were held in dematerialised form.

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

22. 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.



23. 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-13

There were no outstanding GDRs/ADRs/Warrants or any convertible instrument as at end March-2013.

- 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
E-mail: 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, 2013 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 auditor's 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 abovementioned 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.

**For, Pinakin Shah & Co.,
Practicing Company Secretary
Pinakin Shah
FCS 2562, C.P No 2932**

Place : Ahmedabad
Date : 25/07/2013

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, 2013.

Place : Ahmedabad
Dated : 25/07/2013

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, 2013, 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") and its wholly-owned subsidiary, Namra Finance Limited ("Namra", "Subsidiary") are pleased to present the Management Discussion & Analysis ("MD&A") Report for the Year Ended 31st March, 2013. As far as growth and profits, Arman had another record year in all aspects of financial performance like Profit, Income, Assets Size, Disbursements, etc. We would also like to take the opportunity to introduce Namra Finance Limited, a wholly-owned subsidiary of Arman, which will exclusively conduct business in Microfinance. We take great pride to note that Namra was the first Company in India to be granted the NBFC-MFI License, a testament to our systems, processes, transparency, governance, management, and good standing with the RBI; qualities that we strive to maintain. Regulatory situation for NBFCs faced challenges again this year, especially in the Microfinance segment, which has put pressure in our Net Interest Margin. We have continued to invest into our systems, network, and servicing capabilities, which combined with our strong capital base, position us well for future growth.

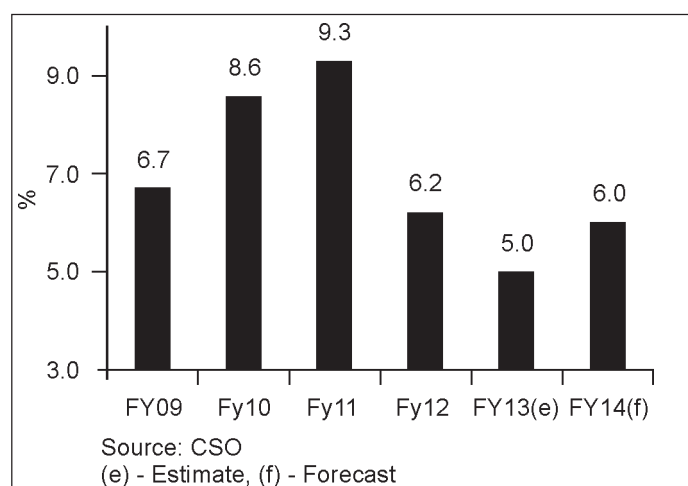
It is prudent to draw attention to the reader that the MD&A may make references to business projections or expectations. Any forward-looking statement made by the Company, are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking 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 & Outlook

Fiscal 2013 has been a challenging year for the Indian economy. Growth has slowed to levels lower than what has been seen in a long time. The current account deficit has increased substantially, which along with other factors, has put pressure on the currency. Credit and deposit growth have moderated, and interest rates remain high, though lower than a year ago. While policy measures by the Government during the second half of the year, most notably the reining in of the fiscal deficit, have begun to address the economic challenges, there continues to be widespread pessimism about India's future economic prospects and our ability to get back to 8% GDP growth.

Consumption demand and consumer-related sectors have also been impacted by inflation and high interest rates. The moderation in core inflation and the progress on fiscal consolidation have given the monetary authorities the space to reduce interest rates, and this process has commenced. Going forward, one would hope for a continued reduction in interest rates to help create conditions for growth.



Moderation of growth over the past year is a pertinent concern on the weakening of economic fundamentals for the country. Structural bottlenecks, slow policy movement, stubborn interest rates on account of high inflation, declining exports, low non-food credit growth, declining industrial growth and subdued demand for both consumption and investment has led to the systematic decline in the overall economic growth of the country in FY13 which will be at the 5.0% level projected by the Central Statistical Organisation (CSO). Growth has hence been held up this year on both the supply and demand fronts which has impeded any pick-up in activity. A 7.5% GDP growth at the beginning of the year was expected and the path followed has been quite different from what was expected.

The CSO in its advance estimate indicates growth to settle at 5.0% in FY14; this would primarily be driven by growth in

services, given that agricultural activity has taken a setback, and industrial activity with limited capital investments has been subdued so far, growth expectations from these sectors are not high. Some industry experts expect growth to revive gradually going into the next fiscal; with an estimate for GDP growth of 6.0% in FY14, 1% higher than the CSO's expectation. However, this expectation would ride on the back of normal monsoons giving a good harvest, increase in investments in a favorable interest rate regime and gradual recovery in industrial production. Above all it is assumed that the government will expedite projects that have been held up and also start spending on capital projects, which has up till now been held up on account of fiscal constraints. Further it is assumed that the government will focus more on policies that do not require legislative approval in order to revive the growth process and that while one can hope for important bills to be moved in the Parliament, the assumption here is that this may not happen and in terms of policy, the situation would largely be a status quo.



Inflation, measured by the Wholesale Price Index (WPI), remained above 7.0% between April 2012 and January 2013, and subsequently eased to 6.0% in March 2013. The moderation in inflation was driven by the manufactured products segment where inflation increased from 5.3% in April 2012 to 6.5% in September 2012 before easing to 4.1% in March 2013. Inflation in food articles remained high through the year with the average inflation at 9.9% in fiscal 2013 compared to 7.3% in fiscal 2012. Fuel inflation which initially eased picked up in the later part of the year due to hike in petrol prices and partial deregulation of diesel prices. Core inflation (defined as manufactured products excluding food products) reduced from 5.0% in March 2012 to 3.4% in March 2013. Average inflation for fiscal 2013 was 7.3% compared to 8.9% in fiscal 2012. Average annual inflation is likely to ease further in FY14 on account of decline in food inflation due to high base effect and assumption of normal monsoons that will ensure a normal harvest. The easing of core inflation due to lower/stable domestic and global demand conditions to put some downward pressure. However, the tendency for MSPs to be increased every year, will continue to exercise pressure on food prices, and hence will come in the way of inflation moderation. Also the stance on diesel and LPG subsidy will have a bearing on the movement in prices of fuel prices.

The Reserve Bank of India (RBI) undertook a calibrated easing of monetary policy during the year. During fiscal 2013, the repo rate was reduced by 100 basis points from 8.50% to 7.50% with a 50 basis points cut in April 2012 followed by a 25 basis points reduction each in January 2013 and March 2013. The cash reserve ratio (CRR) was reduced by 75 basis points during the year from 4.75% to 4.00%, with a 25 basis point cut each effective in September 2012, November 2012 and February 2013. Further, in August 2012, the statutory liquidity ratio was reduced by 100 basis points from 24.0% to 23.0%.

After being subdued in FY12 and for most part of FY13, stock markets had begun with an upward move. Movement of stock markets in FY14 would be influenced by many domestic and global factors. On the domestic front, growth-inflation trends, movement of exchange rate and current account deficit, policy changes and political stability in the wake of the 2014 General Elections would be major determinants. These factors would increase volatility in the market. Global developments in the US and Euro-zone could be potential stresses exogenously impacting Indian capital markets. Despite extraneous risks, Indian equity markets have in the last few years emerged as an attractive investment destination. Indeed, economic and financial problems in developed economies have caused money to flow into countries such as India that have been registering comparatively better growth rates. Indian markets are widely regarded to be driven by FII inflows. There has been a long prevailing and strong correlation between FII inflows and stock market movements at 0.83.

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.

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

"Non-Banking Financial Institutions (NBFI)s 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.

India Ratings has maintained a stable outlook on the Indian non-bank finance companies (NBFC) sector for 2013-14. The sector faces the dual impact of rising credit costs and elevated funding costs in the year; however, tests on asset quality and funding costs shows that the robust pre-provision operating profit (PPOP) provides a strong buffer against expected credit quality pressures.

The expected uptick in economic growth will ease some cyclical pressures. Nevertheless, industrial production is unlikely to improve soon, and this, together with the uncertainty around infrastructure projects and rising diesel prices, will weigh on credit quality. Funding costs will also remain elevated – a result of the unfavorable regulatory changes in last two years.



The operating environment for some of the key business lines of NBFCs remains challenging in 2013. Although large NBFCs have attempted to diversify their business in recent years, bulk of the NBFC business is still vehicle finance, and the diversification has been largely within different types of vehicles. Exposure to non-automobile business lines - small business loans, property loans, gold loans, personal loans, remains small at most NBFCs and is unlikely to change substantially in the near-to-medium term.

Banks and mutual funds remain the major creditors of NBFCs, despite unfavorable regulatory changes in the last two years - bank loans to NBFCs excluded from priority-sector lending from 1 April 2011 (except to 'eligible micro finance institutions'), restrictions placed on providing credit enhancement in bilateral assignment transactions under the revised securitization guidelines of August 2012 and the sectoral cap of 30% on mutual funds' debt investments (by the Securities & Exchange Board of India in October 2012).

The Company believes that the draft guidelines proposed by the RBI in December 2012, if implemented, will be positive for the NBFC sector in the long-term even though some of the clauses can impact profitability in the early stages of implementation. However, the proposed increase in standard asset provision to 0.40% (from 0.25%) from Q1FY14 will marginally impact NBFC's profitability in 2014.

We expect these new proposals to have limited financial impact on most NBFCs. We do not expect any material impact from the requirements of higher Tier 1 ratio and liquid asset coverage as most NBFCs maintain high capital ratios and well-matched asset-liability tenors.

If the proposed requirement of registration of NBFCs at an asset size of ₹ 25 Cr is implemented, we expect small and mid-sized NBFCs to consolidate further. This is because a huge majority of NBFCs are small. On the basis of the RBI data, as at 30 June 2012, there were 12,385 registered NBFCs. At end-March 2012, there were 297 deposit-taking NBFCs and 365 systematically important non-deposit-taking NBFCs, which would be largely unchanged at end-June 2013.

The RBI proposed new draft regulatory guidelines on NBFCs based on the recommendations of the Usha Thorat Committee on 12 December 2012 are listed below:

1. The Tier 1 ratio of registered NBFCs should be increased to 10% (12% for captive finance companies - financing 90% of parent's products), and three years be given to achieve the required ratio (currently the minimum Tier 1 ratio for retail finance NBFCs is 7.5%).
2. Asset classification and provisioning norms similar to those for banks are to be introduced in a phased manner. This includes standard asset provision at 0.40% (current 0.25%), the 90 days overdue norm for classifying NPLs from Q1FY16, to be transited through a 120-day NPL from Q1FY15, and a 'one-time restructuring' to be allowed for borrowers, which will not be treated as default.
3. Liquidity ratio requirement for all registered NBFCs, such that cash, bank balances and government securities fully cover the gaps, if any, between cumulative outflows and cumulative inflows for the first 30 days (currently only deposit-taking NBFCs are required to hold 15% of their public deposits in the RBI-defined liquid assets).
4. Strict corporate governance standards to be followed by large NBFCs. RBI permission necessary for change in control, or sale of 25% stake, and appointment of CEOs for NBFCs with asset size of over Rs 1,000 Cr.
5. Higher disclosures have been suggested by the RBI. These cover provision coverage ratios, liquidity ratios, asset liability profiles, the extent of financing of a parent company's products and the movement of non-performing assets.
6. Capital market and real estate exposures. Risk weights will be increased to 125% for capital market exposures and 150% for commercial real estate exposures (from the current 100% for both these categories).
7. NBFCs with asset size below ₹ 25 Cr will be exempted from registration with the RBI; existing non-deposit taking NBFCs with asset size below ₹ 25 Cr will have to provide a roadmap to the RBI, for increasing their asset size to this level or above within two years.

Management does not expect the above to have a material impact on the future financial statements of the company.

Microfinance

Ever since microcredit first began to capture public attention 25 years ago, it has been proclaimed a tool of extraordinary power to lift poor people, particularly women, out of poverty, by providing access to credit to better fund business endeavors. Along the way, microcredit expanded into microfinance, which consists of offering a variety of financial products to poor customers, including savings products, pension products, insurance products, and credit for non-business expenditures.

The Micro-Finance sector has undergone tremendous changes in the past couple of years owing to the crisis that the sector has seen. The NBFC Microfinance Institutions (MFI) was in crisis propagated by the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Ordinance, 2010. However, there is agreement within the industry that recovery is underway. Microfinance has now been established and acknowledged 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.



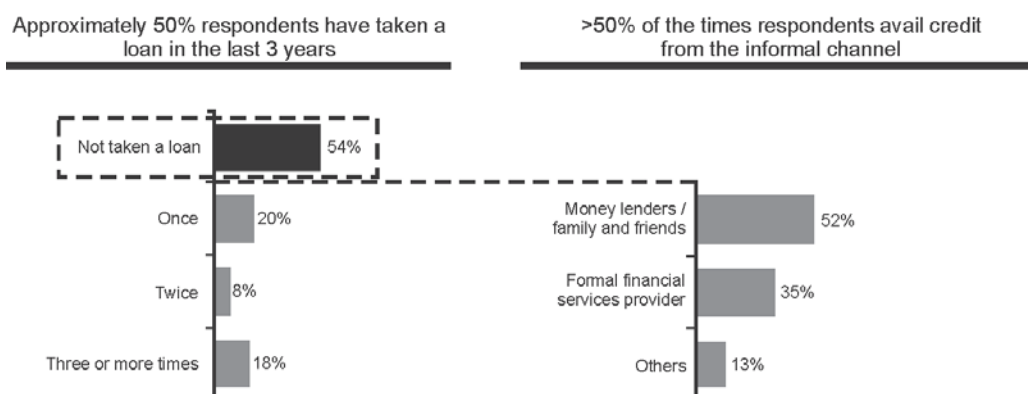
Still today, a large part of Indian households (slightly more than 50%) have no access to formal financial services. Most of their access to financial services is through informal channels such as money lenders and chit funds which have existed since times immemorial. While they are easy to access for credit, they come to the customers at a very high cost and susceptible to frauds, as we have seen with the Saradha scam. The need for saving is met in only a limited way if any. Some of the other critical customer needs such as remittances and insurance are not even met. The challenge is not only of the reach of formal channels but it is compounded by the fact that the formal channels often have need for high amounts of documentation and long lead times which make them practically unusable for the customers.

The Saradha Chit-Fund scam is now synonymous with all that is wrong with India's financial system. Financial exclusion, excessive and over burdening of laws, plenty of red tape, gullible investors, political-connections, poor enforcement of existing laws and a complete disillusionment with the financial world. The root cause of such scams is not the smartness of the scammer, rather it is the fact that formal banking and finance has so excluded the common man that less than half the eligible Indian population has a bank account. Any person who has moved into a new city would attest to the impossibility of opening a new bank account.

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.

The book *Portfolios of the Poor: How the World's Poor Live on \$2 a Day* (Collins, Morduch, Rutherford, and Ruthven 2009) presents the results of year-long financial diaries collected about twice a month from hundreds of rural and urban households in India, Bangladesh, and South Africa. These diaries reveal that financial instruments are critical survival tools for poor households—indeed, that these tools are even more important for the poor than for richer people.

The study finds that a great difficulty faced by the poor is not only the amount of their income, but also the irregularity of that income. To meet basic consumption needs, poor households must save and borrow constantly. Whether or not financial services lift people out of poverty, these services are vital tools in helping the poor to cope with their circumstance. The poor use credit and savings not only to smooth consumption, but also to deal with emergencies like health problems and to accumulate the larger sums they need to seize business opportunities and pay for big-ticket expenses like education, weddings, or funerals.



Sources: BCG's Financial Inclusion Survey, October-December 2010; BCG analysis.

Note: Number of respondents = 11583; Respondents with annual household income < ₹ 200k; For segments having annual income less than ₹ 200K per annum.

Both the RBI and the Central Government continue to recognize 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."

RBI has created a separate category of NBFC for Companies that are engaged in Microfinance Activities, called NBFC-MFI (Non-Banking Finance Company - Microfinance Institutions). Arman subsidiary, Namra Finance Ltd., was the first company in India to receive the new license, details of which will be provided later in the report.

The gross loan portfolio of microfinance institutions have shown an upward movement with 75% of MFIN (Microfinance Institutions Network) members reporting an increase in the gross loan portfolios. MFIN has 41 members that constitute about 85% of the Microfinance activity in India. Arman is also a member of MFIN. As of March 31, 2013, MFIN members reported a total client base of 2.5 Crore, with a gross loan portfolio of ₹ 21,300 Crores spread across 9,086 branches and serviced by 60,721 employees. This is a huge achievement from an industry that was almost non-existent a decade ago.

The Microfinance Bill 2012 was tabled in parliament and is expected to pass this coming fiscal year paving the way for a uniform and single regulatory regime. 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.

Commercial vehicle and passenger vehicle volumes are likely to remain muted in 2013. While the expected decline in interest rates could gradually improve business and consumer sentiments, the deregulation of diesel prices and planned monthly increases in diesel prices for the next 12-15 months (freight rates have not increased in tandem with diesel price increases) and continued slowdown in infrastructure projects will weigh down new financing and existing loan books.

The Indian automobile industry grew by only 1.20 per cent in FY 2013. The industry produced 1,685,355 vehicles in March 2013 as against 1,845,868 in March 2012, a decline of 8.70 per cent. The overall growth in domestic sales in FY 2013 was 2.61 per cent. Passenger Vehicles (PV) segment grew at 2.15 per cent in FY 2013. The Passenger Car segment declined by 6.69 per cent, while the Utility Vehicles segment grew by 52.20 per cent and Vans grew only by 1.08 per cent during FY 2013, as compared to the same period last year. The overall Commercial Vehicles (CV) segment registered a decline of 2.02 per cent in FY 2013, compared to the same period last year. While Medium and Heavy Commercial Vehicles (MHCVs) segment growth declined by 23.18 per cent, Light Commercial Vehicles grew at 14.04 per cent. Three Wheelers sales posted a modest growth of 4.87 per cent in April-March 2013. Passenger Carriers grew by 8.58 per cent during FY 2013 and Goods Carriers registered de-growth at 9.20 per cent during this period.

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. Long before 'financial inclusion' became a mainstream phrase, the vast majority of our customers have been Indians on the bottom of the pyramid, understanding their aspirations and supporting them in their hour of need.

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 (JLG Microfinance operations has demerged to Arman's wholly owned subsidiary, Namra Finance Limited). The portfolio between the two verticals is divided almost equally. This allows us to operate a well diversified company.

We currently operate out of 28 branches spread throughout Gujarat. 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. 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 and 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.

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 over 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 not comfortable 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.

After the demerger of Arman's Microfinance operations into Namra (discussed below), Arman will be the holding company of Namra and also remain 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 current fiscal year, Arman has expanded its operations in Palanpur & Surat, Gujarat. Other branches include Ahmedabad, Mehsana, and Baroda. 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.

Namra Finance Limited

On February 14, 2013, Namra Finance Ltd. became the first company in India to receive the long awaited "NBFC-MFI" (Non-Banking Finance Company - Microfinance Institution) License. This special category of NBFC was created by the RBI based on the Malegam Committee recommendations to serve the underserved and the poor segment of India by providing Microfinance, or small income-generating loans at reasonable interest rate, collateral-free.

Arman began its JLG Microfinance operations in early 2009, and by mid-2010, became one of the largest regional players in Gujarat in the microfinance space. The Reserve Bank of India ("RBI"), through its circular RBI/2011-12/290 dated December 2, 2011 has introduced a new set of guidelines to govern the Microfinance industry. The most notable and applicable two clauses of the circular indicates that an NBFC-MFI needs 85% of its Assets in the nature of "Qualifying Assets" (see circular for definition of Qualifying Assets) & A NBFC which does not qualify as an NBFC-MFI shall not extend loans to micro finance sector, which in aggregate exceed 10% of its total assets. Since Arman has two healthy and profitable verticals, viz. Asset Backed Finance & Microfinance, the regulatory guidance in the aforementioned circular compelled the Company to create a wholly owned subsidiary of Arman Financial Services Ltd.; Namra Finance Limited. The Company invested ₹ 5 Crore in October 2012 from its Reserves & Surplus to create the subsidiary Namra Finance Limited, and became the first company in the country to receive NBFC-MFI license. Namra Finance will be involved only in JLG Microfinance in the foreseeable future, and all assets created by Namra by bank financing will be qualified as Priority Sector Lending by the Bank.

Namra Finance was formed for the sole purpose of demerging Arman's Microfinance operations into a separate entity to meet with regulatory and administrative requirements. The demerger will be completed in fiscal 2013-14, with Arman's Microfinance portfolio being fully transferred to Namra. As of the End of June 30, 2013, the group entity's Microfinance operations consists of 24 active branches operating throughout Gujarat, with Assets Under Management of over ₹ 37 Crores, and an Active Client base of 50,000. Over the past fiscal year, disbursements equaled approximately ₹ 60 Crores.

The combined entity under Arman has a long standing positive track record and is a solid company with an attractive business mix of secured and unsecured lending products. On one hand it offers a very high rural and social support and on the other hand it delivers high commercial returns. Unlike many other MFIs and NBFC, we focus on controlled growth rather than irrational exponential growth. We are extremely conservative with our lending and follow very strict underwriting guidelines. We are a member of HighMark Credit verification Agency for our Microfinance Operations and the group is also a member of SRO Microfinance Institutions Network (MFIN).

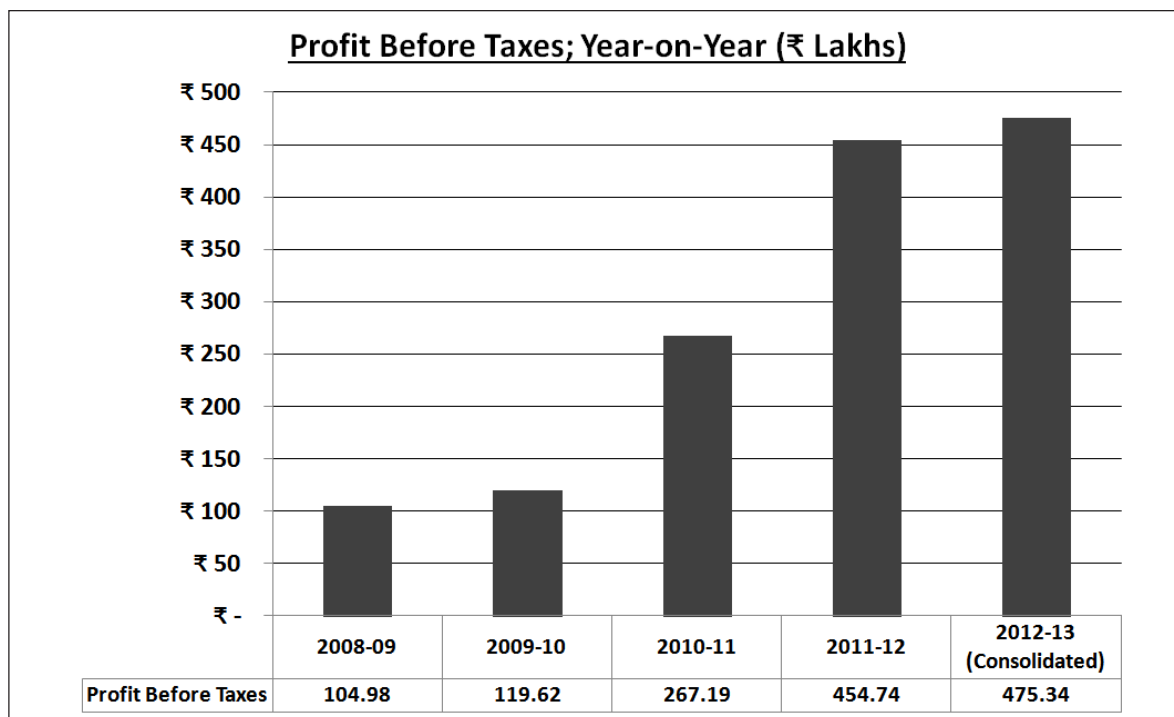
Our Microfinance operations under Arman (demerged into Namra) has been rated four times by a very reputed Microfinance rating agency of India by the name of M-Crill from Gurgaon which specializes in rating Microfinance Institutions. Arman has received excellent rating of A- (Alpha Minus) all the four times. Recently, it has also been rated by CARE with a lofty MFI-2 rating.

We at Namra believe that Inclusive growth has to encompass all segments of the population not only by income but by where they live – be it urban India or rural India. The penetration of financial services is low in rural India, and enhancing access to financial services is an important pillar of inclusive growth. Today, rural India is evolving rapidly and is changing in character. It has diversified from just agriculture to manufacturing and services sectors. Rural India has demonstrated the potential to be a sustainable growth engine for the economy.



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 below, profit before taxes equaled ₹ 4.75 Crores versus ₹ 4.55 Crores the previous year and ₹ 2.67 Crores the year before. Income from operations stood at ₹ 17.0 Crores versus ₹ 15.5 Crores in the previous year, a 10% growth. The stunted growth in income from operations and profit is due to the RBI margin and interest cap stipulated in their circular RBI/ 2011-12/290 dated December 2, 2011, which put a upper ceiling on the interest rate that can be charged to the Microfinance clients. This regulatory guideline put pressure on our Income and our bottom-line.



The table below lists key performance figures for the years ended March 31, 2012 and 2013.

Key Financials		March 31, 2012	March 31, 2013
Equity capital	₹ In Lacs	407.66	564.89
Net worth	₹ In Lacs	1,968.23	2,259.52
Borrowings	₹ In Lacs	3,614.85	5,037.83
Total Asset	₹ In Lacs	6,518.10	8,242.99
Total Loans & Advances	₹ In Lacs	5,203.97	7,227.77
Total Income	₹ In Lacs	1,550.29	1,698.50
Interest Expenses	₹ In Lacs	561.94	572.52
Operating Expenses	₹ In Lacs	533.61	604.22
Provision & Write offs	₹ In Lacs	57.52	46.44
Profit Before Tax	₹ In Lacs	454.74	475.33
Profit After Tax	₹ In Lacs	306.10	334.36
Total Income / Average Total Asset	%	20.89	16.68
Interest Expense / Average Borrowing	%	15.10	14.31
PAT / Average total Assets	%	5.31	4.67
PAT / Average Net Worth	%	28.86	21.04
Debt Equity Ratio	Multiple	1.84	2.21
Non Performing Assets / Loans & Advances	%	0.53	0.54
Write-Offs & Provisions / Loans & Advances	%	1.11	0.57
Capital Adequacy Ratio (Holding Company)	%	37.80	40.84

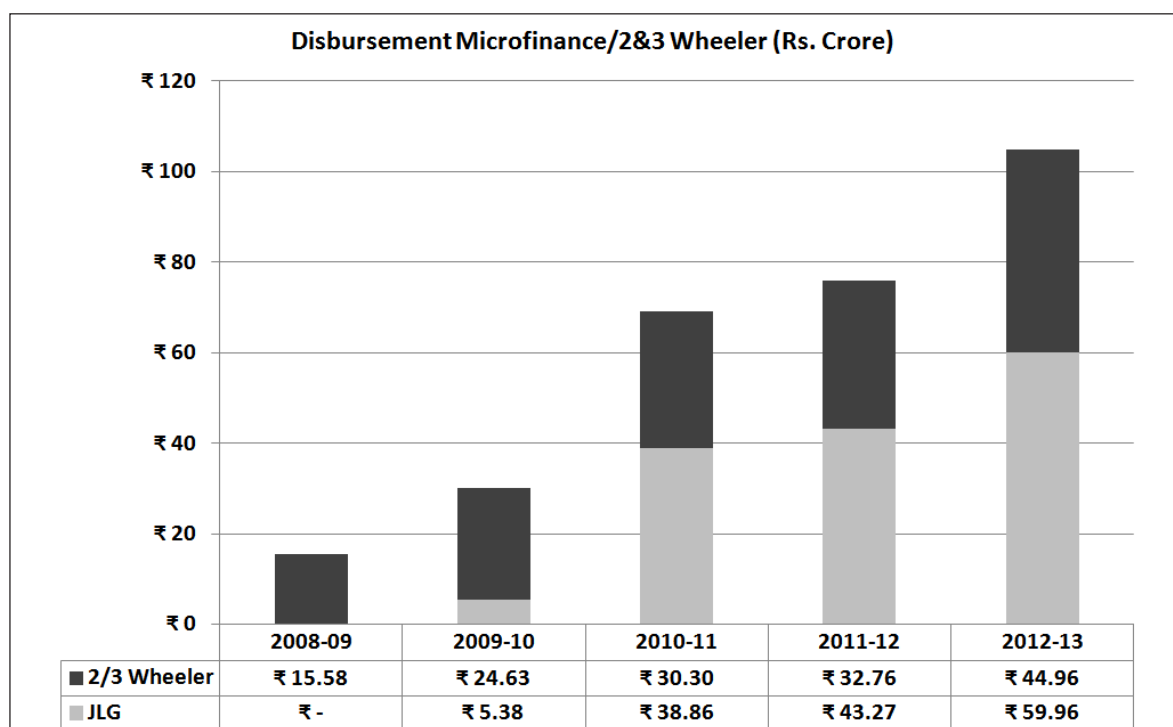
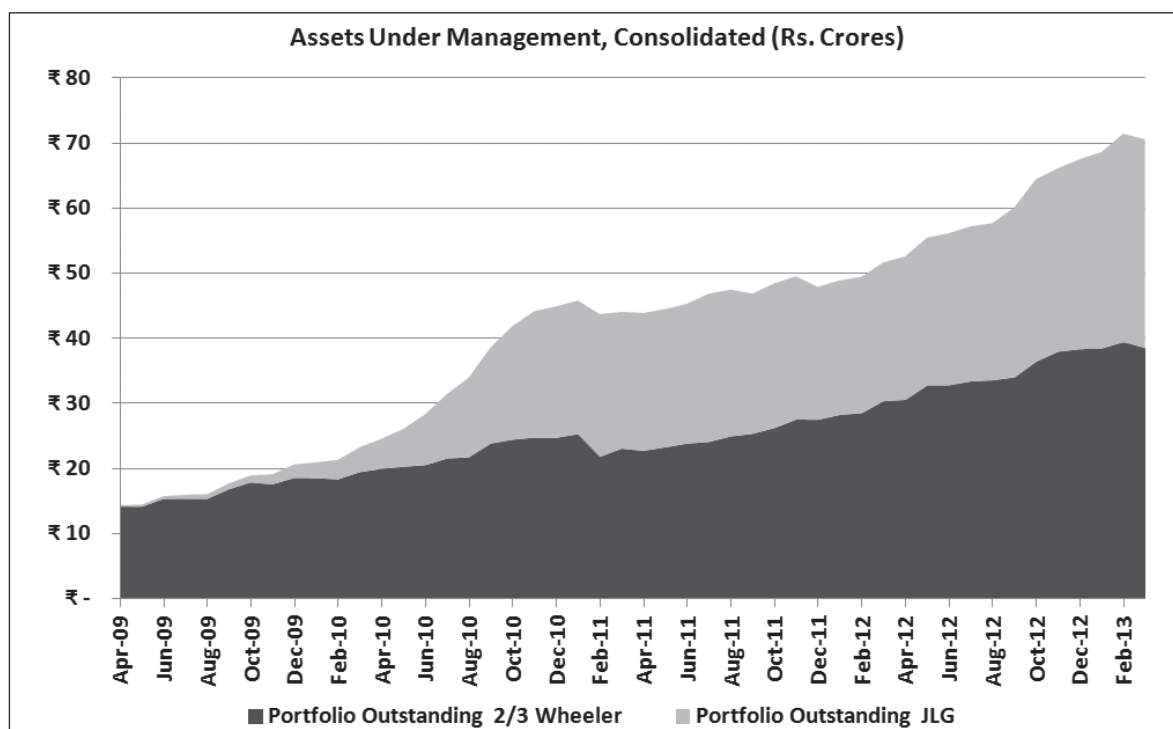


Based on the results, the Board of Directors recommends an 8% dividend.

Loan principle outstanding, i.e. Assets Under Management for loan advances to customers, stood at ₹ 70.6 Crores at March 31, 2013 versus ₹ 51.7 Crores, a 37% growth. See chart below for a graphical representation of increase in Assets Under Management for the two business segments.

Arman has continued its commitment in the JLG Microfinance space. Disbursement for Microfinance for the FY' 13 ₹ 60 Crores versus ₹ 43 Crores in FY' 12, a 40 % growth for the division. Assets under management ₹ 32 Crores was in Microfinance division this year versus ₹ 21 Crores the previous year.

In the 2-3 wheeler segment, disbursements grew from ₹ 33 Crores in FY' 12 to ₹ 45 Crores in FY' 13, a 36% increase; a considerable growth in a mature industry. Assets-under-management for 2-3 wheeler segment stood at ₹ 39 Crores at the end of FY' 13 versus ₹ 30 Crores the previous year.





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 2013. 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 a public limited Company, has the minimum prescribed paid-up capital.
4. The Board of Directors duly met (seven) times on 16/04/2012, 14/05/2012, 30/06/2012, 07/08/2012, 22/10/2012, 25/01/2013, and 13/02/2013, 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 22/09/2012 to 29/09/2012 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 31/03/2012 was held on 29/09/2012 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose;
7. No Extra ordinary general meeting was held during the financial year.
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) made allotment of 15,72,293 Equity shares and also transferred 12,400 Equity shares but not transmitted any securities during the financial year and delivered all the Certificates on allotment in accordance with the provisions of the Act;
 - (ii) deposited the amount of dividend declared in a separate bank account on 4.10.2012 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) transferred amount in unpaid dividend Accounts for period of 7 years to Investor Education and Protection Fund.
 - (v) duly Complied with the requirements of Section 217 of the Act;
14. The Board of Directors of the Company is duly constituted and there was appointment of additional Director to fill casual vacancy during the financial year.
15. The Appointment of Managing Director, Whole Time Director, Manager has been made in compliance with the provision of Sec 269 read with schedule XIII to the Act.
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 issued 15,72,293 Equity shares 2,14,165 warrant and 12,75,760 Compulsorily Convertible debenture during the financial year.
20. The Company has not bought back any shares during the financial year ending 31.03.2013
21. There was no redemption of Preference Shares or Debenture during the Financial Year.
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 from shareholders falling within the purview of Section 58A/58AA during the financial year and there are no public deposits outstanding as on 31.03.2013.
24. The amount borrowed by the Company from Directors, banks, financial institutions during the financial year ended 31.03.2013 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 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.
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 not altered the provisions of the Memorandum with respect to the share capital of the Company during the year under scrutiny.
30. The Company has not 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 : 25/07/2013

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 Share Application/ Allotment	u/s 69-75
9.	Register of Transfer	
10.	Register of Directors' attendance for Board Meeting	
11.	Register of Directors' attendance for Committee Meetings	
12.	Register of Directors' interest	

ANNEXURE – B

Forms 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 2013.

Sr No	Particulars of Form	Form No	Under Section	Date of Filing	Receipt/ Challan No
1	Return of Allotment	2	75(1)	20/04/2012	S08409294
2	Appointment of Amit Manakiwala as a Director Consultant	23	192	30/08/2012	B56509359
3	Return of Appointment of Managing Director or whole time Director	25C	269(2)	03/09/2012	B56663032
4	Appointment of Shri Shashikant N. Thakar as Company Secretary	32	303(2)	11/09/2012	B57317174
5	Satisfaction of Charge of MAS Financial Services Ltd For ₹ 500.00 lacs	17	138	28/09/2012	B58414327
6	Intimation of Auditors Appointment for FY 2011-2012	23B	224(1)	09/10/2012	S14520290
7	Modification of Hypo charge in favour of IDBI Bank Ltd For ₹ 310.00 lacs	8	125	11/10/2012	B59426791
8	Annual Report Balance Sheet FY 2011-12	23AC	220	12/10/2012	P90033846
9	Annual Report Profit & Loss Account FY 2011-12	23ACA	220	12/10/2012	P90033846
10	Creation of Hypo charge in favour of MAS Financial Services Ltd For ₹ 800.00 lacs	8	125	13/10/2012	B59552927
11	Appointment of Shri Lokesh Singh as Director	32	303(2)	23/10/2012	B60299641
12	Satisfaction of Charge of IDBI Bank Ltd For ₹ 400.00 lacs	17	138	02/11/2012	B60917085
13	Annual Return as at 29.09.2012	20B	159	09/11/2012	P95042826
14	Satisfaction of Charge of Ananya Finance for Inclusive Growth Pvt Ltd For ₹ 200.00 lacs	17	138	17/12/2012	B63858518
15	Satisfaction of Charge of Ananya Finance for Inclusive Growth Pvt Ltd For ₹ 100.00 lacs	17	138	17/12/2012	B63855464
16	Satisfaction of Charge of Ananya Finance for Inclusive Growth Pvt Ltd For ₹ 200.00 lacs	17	138	17/12/2012	B63857007
17	Creation of Hypo charge in favour of Reliance Capital Ltd For ₹ 300.00 lacs	8	125	17/01/2013	B66046897
18	Creation of Hypo charge in favour of Reliance Capital Ltd For ₹ 250.00 lacs	8	125	17/01/2013	B66046640
19	Creation of Hypo charge in favour of Reliance Capital Ltd For ₹ 200.00 lacs	8	125	17/01/2013	B66046194
20	Return of Allotment	2	75(1)	18/02/2013	S20289542
21	Satisfaction of Charge of Ananya Finance for Inclusive Growth Pvt Ltd For ₹ 100.00 lacs	17	138	12/03/2013	B69988954

PLACE : AHMEDABAD
DATE : 25/07/2013

FOR PINAKIN SHAH & CO.
COMPANY SECRETARY
PINAKIN SHAH

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



INDEPENDENT AUDITORS' REPORT

The Members of
ARMAN FINANCIAL SERVICES LIMITED
Ahmedabad

Report on the Financial Statements

We have audited the accompanying financial statements of **ARMAN FINANCIAL SERVICES LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

- i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- ii. In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

'Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For, J. T. Shah & Co.
Chartered Accountants,
[Firm Regd. No. 109616W]

Place : Ahmedabad
Date : 27/05/2013

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



ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 of "Report on Other Legal and regulatory Requirements" of our report of even date.)

- 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) The Company does not have Inventory, therefore the provisions of clause 4(ii) of the Companies (Auditor's Report) order, 2003 is not applicable to the Company.
- 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 thirteen such parties covered in the register maintained under section 301 of the Companies Act, 1956 from whom the company has taken loans. The yearend balance is amounting to ₹ Nil and the maximum amount involved during the year was ₹ 243.56 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. In our opinion and according to the information and explanations given to us, the Company is regular in repayment of principal and interest there on.
- 4) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to fixed assets and sale of services. During the course of our audit, no major weakness has been noticed in the 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 internal audit system commensurate with the size 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 Income Tax, Sales Tax, Service Tax, Provident Fund and other material statutory dues.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Provident Fund and other material statutory dues were outstanding, as at 31st March, 2013 for a period of more than six months from the date they 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 is 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 made preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, each of transaction has been made at price, which is not prejudicial to the interest the Company.
- 19) The Company has not issued any Secured 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 by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For, J. T. Shah & Co.
Chartered Accountants,
[Firm Regd. No. 109616W]

Place : Ahmedabad
Date : 27/05/2013

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



Arman Financial Services Limited

ARMAN FINANCIAL SERVICES LIMITED BALANCE SHEET AS ON 31ST MARCH, 2013

Particulars	Note No.	As at 31/03/2013 ₹	As at 31/03/2012 ₹
<u>EQUITY AND LIABILITIES</u>			
<u>[1] Shareholders' Funds :</u>			
[a] Share Capital	1	56,488,930	40,766,000
[b] Reserves & Surplus	2	169,358,537	78,712,109
		225,847,467	119,478,109
[2] Money Received Against Share Warrant		1,499,148	-
[3] Share Application Money Pending Allotment		-	77,345,468
<u>[4] Non-Current Liabilities :</u>			
[a] Long Term Borrowings	3	60,119,082	42,421,905
[b] Deferred Tax Liabilities (Net)	4	-	968,330
[c] Long Term Provisions	5	1,075,295	659,208
		61,194,377	44,049,443
<u>[5] Current Liabilities</u>			
[a] Short-Term Borrowings	6	311,673,249	213,910,248
[b] Other Current Liabilities	7	212,587,469	188,098,199
[c] Short Term Provisions	8	9,799,628	8,919,424
		534,060,346	410,927,871
Total		822,601,338	651,800,891
<u>ASSETS :</u>			
<u>[1] Non-Current Assets</u>			
<u>[a] Fixed Assets :</u>			
[i] Tangible Assets	9	10,433,643	10,782,734
[ii] Intangible Assets		-	-
		10,433,643	10,782,734
[b] Long Term Investments	10	50,000,000	19,990,000
[c] Deferred Tax Assets (Net)	4	439,860	-
[d] Long-term loans and Advance	11	146,051,869	101,354,503
[e] Other Non-Current assets	12	9,810,374	22,497,533
		216,735,746	154,624,770
<u>[2] Current Assets</u>			
[a] Trade Receivables	13	5,705,004	5,558,751
[b] Cash & Bank Balance	14	63,083,291	67,558,345
[c] Short term Loans and Advances	11	537,077,297	419,042,290
[d] Other Current Assets	15	-	5,016,735
		605,865,592	497,176,121
Total		822,601,338	651,800,891
Significant Accounting Policies	-		
Notes on Financial Statement	1 to 35		

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

For, Arman Financial Services Limited

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

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



ARMAN FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31ST MARCH, 2013

SCHEDULE	Note No.	Current Year 31/03/2013	Previous Year 31/03/2012
INCOME			
Revenue from Operations	16	167,425,319	155,029,007
Other Income	17	41,468	-
Total Revenue		167,466,787	155,029,007
EXPENDITURE			
Employee Benefits Expenses	18	32,062,950	21,706,130
Finance Costs	19	57,251,632	56,194,476
Depreciation and Amortisation expense	20	1,076,794	1,038,109
Other Expenses	21	29,730,649	30,616,744
Total Expenses		120,122,025	109,555,460
Profit before Tax		47,344,762	45,473,547
Less : Tax expense:			
- Current Tax		15,350,000	14,700,000
- Short Provision of Income Tax of earlier years		71,760	-
- Deferred Tax		(1,408,190)	164,001
Profit for the year		33,331,192	30,609,546
Basic Earnings Per Share of ₹ 10 each	24	6.17	7.51
Diluted Earnings Per share of ₹ 10 each	24	4.96	6.49
Significant Accounting Policies	-		
Notes on Financial Statement	1 to 35		

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

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

Place : Ahmedabad
Date: 27/05/2013

For, Arman Financial Services Limited

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director



ARMAN FINANCIAL SERVICES LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

PARTICULARS	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
A: Cash from Operating Activities :		
Net Profit before Taxation	47,344,762	45,473,547
Adjustment For :		
Depreciation	1,076,794	1,038,109
NPA Provisions(Net)	112,911	(54,610)
Contingent Provision on Standard Assets	450,000	165,000
Loss on Sale of Fixed Assets	-	10,163
Profit on Sale of Fixed Assets	(871)	-
	<u>1,638,834</u>	<u>1,158,662</u>
Operating Profit Before Working Capital changes :	48,983,596	46,632,209
Adjustment For :		
Increase/(Decrease) In Long-Term Provision	141,213	310,566
Increase/(Decrease) In Short-Term Provision	(3,419)	72,861
Increase/(Decrease) In Other Current Liability	(76,097,993)	78,112,886
Decrease/(Increase) In Trade Receivables	(146,253)	(337,120)
Decrease/(Increase) In Inventories	-	-
Decrease/(Increase) In Long Term Loans And Advances	(44,697,366)	(23,178,542)
Decrease/(Increase) In Short Term Loans And Advances	(118,035,007)	(51,789,753)
	<u>(238,838,825)</u>	<u>3,190,898</u>
Cash Generated From Operations	(189,855,230)	49,823,107
Income Tax Paid	<u>(16,323,051)</u>	<u>(12,880,492)</u>
	<u>(16,323,051)</u>	<u>(12,880,492)</u>
	(206,178,281)	36,942,616
B: Cash Flow From Investment Activities :		
Purchase of Fixed Assets	(736,832)	(869,202)
Sale of Fixed Assets	10,000	3,750
(Increase) /Decrease in Bank Deposits	1,431,635	(1,311,509)
Investments in Subsidiary	<u>(30,010,000)</u>	<u>(19,990,000)</u>
Net Cash from Investment Activities	(29,305,197)	(22,166,961)
C: Cash Flow From Financing Activities :		
Proceeds From Issue of Share Capital	5,996,571	-
Proceeds From Money Receipt against Share Warrant	1,499,148	-
Proceeds From Share Application Money-CCD	-	77,345,468
Proceeds From Long Term Borrowings	149,273,734	87,147,993
Repayment of Long Term Borrowings	(32,088,438)	(122,831,671)
Proceeds From Short Term Borrowings	128,777,258	34,004,626
Repayment of Short Term Borrowings	(30,070,087)	(32,778,227)
Dividend Paid	<u>(3,635,286)</u>	<u>(3,492,602)</u>
Net Cash from Financing Activities	219,752,900	39,395,587
Net Increase in Cash & Cash Equivalents	(15,730,578)	54,171,242
Cash & Cash Equivalents at the Beginning	59,315,130	5,143,888
Cash & Cash Equivalents at the End	43,584,553	59,315,130
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 ₹ 7,14,828/- (Prev. Year ₹ 5,59,852/-) 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, Arman Financial Services Limited

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

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED ON 31ST MARCH, 2013

a) Basis of preparation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rule, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on the accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b) Use of estimates

In preparing the Company's financial statements in conformity with the accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Revenue Recognition

(i) Interest from Loans:

Interest from Loans 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.

(vi) Income from Investments

Dividend from investments is accounted for as income when the right to receive dividend is established

(vii) Income from Assignment

In case of assignment of receivables "at premium", the assets are de-recognised since all the rights, title and future receivables are assigned to the purchaser. The interest spread arising on assignment is accounted over the residual tenor of the underlying assets.

d) Fixed Assets

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

The cost of assets includes other direct/indirect and incidental cost incurred to bring them into their working condition.

When assets are disposed or retired, their cost is removed from the financial statements. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in Statement of Profit and Loss for the relevant financial year.

e) 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.

When assets are disposed or retired, their accumulated depreciation is removed from the financial statements. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in Statement of Profit and Loss for the relevant financial year.

f) Investments

Long Term Investments are stated at cost. Provision is made for any diminution in the value of the Long Term Investments, if such decline is other than temporary. The Company does not have any Current Investments.

g) 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 Statement of Profit and Loss.
- (iii) The Company does not allow carry forward of unavailed leave and hence unavailed leaves are encashed in the current year itself.
- (iv) Short Term benefits are recognised as an expense at the undiscounted amounts in the Statement of Profit and Loss of the year in which the related service is rendered.

h) Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost such assets, whenever applicable, till such assets are ready for their intended use. A qualifying asset is the one which necessarily takes substantial period to get ready for intended use. All other borrowing costs are charged to revenue accounts. Capitalization of borrowing cost is suspended when active development is interrupted.

i) Segment Information:

In the opinion of the management, the Company is mainly engaged in the business of providing finance. All other activities of the Company revolve around the main business, and as such, there are no separate reportable segments as per Accounting Standard 17 -'Segment Reporting' prescribed by Companies (Accounting Standards) Rules, 2006.

j) Lease:

The company's significant leasing arrangements are in respect of operating lease for premises that cancelable are in nature. The lease rentals paid under such agreements are charge to the Statement of Profit and Loss.

k) Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provision of the Income Tax Act, 1961.

Deferred Tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or subsequently enacted as on the balance sheet date. Deferred tax asset is recognised and carried forward only to the extent that there is virtual certainty that the assets will be realized in future.

l) 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. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amounts.

m) Intangible Assets

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization. All costs, including financing costs in respect of qualifying assets till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets are capitalized.

n) Share Issue Expenses

Expenses incurred on issue of shares are adjusted against Security Premium Reserve.

o) Earnings per Share

Basic earnings 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.

p) 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.

q) 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.

- r) 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, 2013

1	Share Capital	As at 31/03/13 ₹	As at 31/03/12 ₹
	[a] Authorised : 1,50,00,000 (Previous Year 1,50,00,000) equity shares of par value of ₹ 10/- each	150,000,000	150,000,000
	[b] Issued, Subscribed & Paid-up Capital : 56,48,893 (Previous Year 40,76,600) Equity Shares of par value of ₹ 10/- each fully paid up	56,488,930	40,766,000
	Total	56,488,930	40,766,000

- 1.1 The company has only one class of shares referred to as Equity shares having face value of ₹ 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, 2013, the amount of per share dividend recognised as distribution to equity shareholders was ₹ 52,87,138/- (₹ 0.80). The Total dividend appropriation for the year ended 31st March, 2013 amounted ₹ 45,19,115/- (P.Y. 32,61,280/-) excluding corporate dividend tax of ₹ 7,68,023/- (P.Y. 5,28,980/-).
- 1.5 Details of Shareholder holding more than 5 % shares of the company are as follows:

Name of Shareholder	As at 31/03/2013		As at 31/03/2012	
	%	Shares	%	Shares
RIF NORTH WEST 2	24.04	1,358,130	-	-
Jayendrabhai Patel	8.48	478,943	10.03	409,072
Ritaben Patel	5.25	296,674	5.64	229,810
Aakash Patel	4.94	278,830	5.72	233,140
Babulal Dugar	3.84	216,835	6.37	259,749

- 1.6 The Reconciliation of the number of shares outstanding and the amount of share capital as at 31/03/2013 & 31/03/2012 is set out below

Particulars	As at 31/03/2013		As at 31/03/2012	
	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	1,572,293	15,722,930	-	-
Deletion	-	-	-	-
Shares at the end	5,648,893	56,488,930	4,076,600	40,766,000

2	Reserves & Surplus	As at 31/03/13 ₹	As at 31/03/12 ₹
	General Reserve		
	Balance as per last financial Statement	2,175,556	625,556
	Add: Transfer from Statement of Profit and Loss	1,500,000	1,550,000
	Closing Balance	3,675,556	2,175,556
	Special Reserve u/s 45-IC of the RBI Act, 1934		
	Balance as per last financial Statement	18,685,000	12,485,000
	Add: Transfer from Statement of Profit and Loss	6,565,000	6,200,000
	Closing Balance	25,250,000	18,685,000
	Securities Premium Reserve		



Arman Financial Services Limited

	As at 31/03/13 ₹	As at 31/03/12 ₹
Balance as per last financial Statement	-	-
Add: On Shares Issue During the year	67,619,109	-
Less: Shares Issue Expenditures	5,016,735	-
Closing Balance	62,602,374	-
Surplus in the Statement of Profit and Loss		
Balance as per last financial Statement	57,851,553	38,782,266
Add : Profit for the year	33,331,192	30,609,547
Less: Appropriations		
Amount transfer to General Reserve	(1,500,000)	(1,550,000)
Amount transfer to Special Reserve u/s 45-IC of RBI Act, 1934	(6,565,000)	(6,200,000)
Proposed Dividend	(4,519,114)	(3,261,280)
Provision for Tax on Dividend proposed	(768,023)	(528,980)
Closing Balance	77,830,608	57,851,553
Total	169,358,537	78,712,109

2.1	Particulars	Nature and purpose of
	General Reserve	The reserve is created out of profit in accordance with Companies (Transfer of Profit to Reserve) Rule, 1975 and is distributable in accordance with Companies (Distribution of dividend out of Reserve) Rules 1975.

3	Long Term Borrowings	As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
	Loans				
	Secured				
	From Banks				
	— Vehicle Loans @	178,972	335,933	514,905	308,576
	— Term Loans @@	-	-	-	14,246,824
	From Financial Institutes				
	— Term Loans @@	51,666,666	127,428,589	41,907,000	90,602,091
	From Others				
	— Term Loans @@	8,273,444	4,226,556	-	-
	Debentures				
	Unsecured				
	Compulsory Convertible Debentures	-	72,654,532	-	-
	Total	60,119,082	204,645,610	42,421,905	105,157,491
	Less : Amount disclosed under head				
	Other Current Liability Note 7	-	204,645,610	-	105,157,491
	Total	60,119,082	-	42,421,905	-

Security :

@ Vehicle Loans are secured by Hypothecation of Vehicle.

@@ Term Loans are secured under Hypothecation of specific assets portfolio & Personal guarantee of some of the directors

Interest:

Term Loan carries an interest rate ranging from @12.00 % to@ 15.50 % p.a.

Vehicle Loan carries an interest rate ranging between @ 8.5 % to @ 10 % p.a.

Compulsory Convertible Debentures carries interest rate @10 %

**Repayment:**

Term Loan Facilities are repayable in following schedule in Monthly / Half yearly installments as follows:-

(Amount in ₹)

Particulars	Upto 1 year	2 to 3 Years
Term Loan Repayment	131,655,145	59,940,110

Vehicle Loans are repayable in following schedule in monthly installments as follows:-

(Amount in `)

Particulars	Upto 1 year	2 to 3 Years
Vehicle Loan Repayment	335,933	178,972

Compulsory Convertible Debentures (Amount in `)

Particulars	Upto 1 year	2 to 3 Years
Compulsory Convertible Debentures	72,654,532	-

Terms and Condition in respect of conversion of Compulsorily Convertible Debentures

Each Compulsorily Convertible Debenture is convertible into 1 Equity Share of ₹ 10 each within 18 months from the date of allotment in one or more tranches at the option of investors.

4	Deferred Tax Liabilities (Net)		As at 31/03/13 ₹	As at 31/03/12 ₹		
Deferred Tax Assets arising out of timing difference relating to :						
Provision for Gratuity that are allowable for tax purpose in the year of payment			185,843	141,129		
Shares Issue Expenses that are allowable for tax purpose on deferred basis			1,474,546	258,302		
Provision for NPA that are allowable for tax purpose in the year of actual loss			683,499	500,834		
Total Deferred Tax Assets			2,343,888	900,265		
Deferred Tax Liability arising out of timing difference relating to :						
Difference of Depreciation as per Tax Provision and Company Law			1,904,028	1,868,595		
Total Deferred Tax Liability			1,904,028	1,868,595		
Net Deferred Tax Liability / (Assets)			(439,860)	968,330		
5	Long Term Provision		As at 31/03/2013		As at 31/03/2012	
			Non Current	Current	Non Current	Current
	Provision for Employee Benefit- Gratuity		559,514	13,191	418,301	16,610
	Contingent Provision against standard Assets		375,000	1,340,000	225,000	1,040,000
	NPA Provisions		140,781	250,533	15,907	262,496
			1,075,295	1,603,724	659,208	1,319,106
	Less : Amount disclosed under head					
	Short Term Provisions - Note-8		-	1,603,724	-	1,319,106
	Total		1,075,295	-	659,208	-
6	Short-Term Borrowings		Current			
			As at 31/03/13	As at 31/03/12		
	Working Capital Loans from Banks-Secured @		311,673,249	213,910,248		
Total		311,673,249		213,910,248		

Security :

@Hypothecation of Specific assets portfolio & Personal guarantee of some of the directors.



Arman Financial Services Limited

7	Other Current Liabilities	Current	
		As at 31/03/13	As at 31/03/12
	Current maturity of long term borrowings (Note 3)	204,645,610	105,157,491
	CCD Application Money	-	72,654,532
	Salary & Wages Payable	2,905,008	2,020,431
	Other Statutory dues	123,835	221,272
	TDS Payable	60,028	572,443
	Security Deposit	1,430,125	485,955
	Unpaid Dividend	714,826	559,852
	Unpaid Expenses	2,708,037	6,426,223
	Total	212,587,469	188,098,199
8	Provisions	Current	
		As at 31/03/13	As at 31/03/12
	Provisions for employee benefits - Gratuity (Note - 5)	13,191	16,610
	Contingent Provision against standard Asset (Note - 5)	1,340,000	1,040,000
	NPA Provisions (Note- 5)	250,533	262,496
	Proposed Dividend	4,519,114	3,261,280
	Provision for Tax on Proposed Dividend	768,023	528,980
	Provision for Tax 39,620,000		23,800,000
	Less : Advance Tax & TDS (36,711,233)		(19,989,942)
	Net	2,908,767	3,810,058
	Total	9,799,628	8,919,424

Note No.- 9 - Fixed Assets

TANGIBLE ASSETS

Gross Block	Buildings	Furniture & Fixtures	Office Equipments	Vehicles	Computer	Intangible Assets	Total
01.04.2011	5,010,426	3,212,088	904,117	4,717,791	1597007	-	15,441,429
Addition		130,675	183,765		554762	-	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
Addition	195,000	69,720	68,380		403732	-	736,832
Disposal				(10,896)	-		(10,896)
At 31.03.2013	5,205,426	3,412,483	1,110,405	4,665,405	2,421,447	-	16,815,166
Depreciation	Buildings	Furniture & Fixtures	Office Equipments	Vehicles	Computer	Intangible Assets	Total
01.04.2011	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
Change for the year	82,010	143,667	54,409	440,821	355887	-	1,076,794
Disposal				(1,767)	-	-	(1,767)
At 31.03.2013	1,105,575	2,014,818	375,363	1,958,974	926,793	-	6,381,523
NET BLOCK							
AS AT 31.3.2012	3,986,861	1,471,612	721,071	3,156,381	1,446,809	-	10,782,734
AS AT 31.3.2013	4,099,851	1,397,665	735,042	2,706,431	1,494,654	-	10,433,643



10	Investment	As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
A	Investments (Trade)				
	<u>In equity Shares of Subsidiary Companies</u>				
	<u>Unquoted, Fully paid up</u>				
	Namra Financial Services Limited				
	50,00,000 Shares (P.Y. 19,99,000) of ₹10 each	50,000,000	-	19,990,000	-
	Total	50,000,000	-	19,990,000	-
	Aggregate amount of Quoted investment	50,000,000	-	19,990,000	-
11	Loans and Advances				
	(Considered Good unless otherwise stated)				
		As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
A	Secured				
	- Loans secured by Hypothecation of Assets	131,789,143	237,040,713	87,374,652	192,207,734
B	Unsecured				
	- Loans to Companies, Firms and Individuals	-	282,516,403	-	212,535,022
	- Deposits	14,162,726	9,343,890	13,979,851	8,066,958
	- Other Loans and Advances	-	7,597,345	-	5,874,824
	- Advances to Staff	-	430,580	-	230,437
	- Balance with government Authority	-	148,366	-	127,315
	- Share Application money in Subsidiary company	100,000	-	-	-
	Total	146,051,869	537,077,297	101,354,503	419,042,290
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 ₹ 14,72,820/- (P.Y. 7,65,500/-) outstanding portfolio on which NPA provision of ₹ 1,47,280/-(P.Y. ₹ 76,550/-) has been made				
11.3	Loans to Companies, Firms & Individuals includes ₹ 57,457/-(P.Y. 13,760/-) outstanding portfolio on which NPA provision of ₹ 5,748/-(P.Y. ₹ 1,376/-) has been made				
12	Other Non Current Assets			Non Current	
				As at 31/03/13	As at 31/03/12
	Bank Fixed Deposits with Original maturity for more than 12 months (Note 14)			9,810,374	22,497,533
	Total			9,810,374	22,497,533
13	Trade Receivables			Current	
				As at 31/03/13	As at 31/03/12
A	<u>Outstanding for a period exceeding Six Months from the date they are due for Payment</u>				
	Secured			3,133,288	1,445,551
	Unsecured, considered good			59,360	864,389
				3,192,648	2,309,940
B	<u>Other Trade receivables</u>				
	Secured			2,231,876	2,492,156
	Unsecured, considered good			280,480	756,655
				2,512,356	3,248,811
	Total			5,705,004	5,558,751



Arman Financial Services Limited

- 13.1 Sundry Debtors includes ₹ 23,47,068/- (P.Y. 20,04,770/-) outstanding portfolio on which NPA provision of ₹ 2,38,286/- (P.Y. ₹2,00,477/-) has been made.

14	Cash and Bank Balance	As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
A	Cash and cash equivalents				
	Cash on hand	-	371,119	-	377,203
	Balance With Banks	-	43,213,434	-	58,937,927
	Total	-	43,584,553	-	59,315,130
B	Other Bank Balance				
	Deposits with Original maturity for more than 12 months	9,810,374	19,498,738	22,497,533	8,243,214
		9,810,374	19,498,738	22,497,533	8,243,214
	Less Amount disclosed Under Non Current Assets (Note 12)	9,810,374	-	22,497,533	
	Total	-	63,083,291	-	67,558,345

- 14.1 Current Account with Banks includes ₹ 7,14,828/- (Prev. Year ₹ 5,59,852/-) in Unpaid Dividend Account.

15	Other Current Assets	Current	
		As at 31/03/13	As at 31/03/12
	Shares Issue Expenses	-	5,016,735
	Total	-	5,016,735
16	Revenue from operation	2012-13 (₹)	2011-12 (₹)
	Interest Income	161,622,834	151,579,596
	<u>Other Financial Services</u>		
	Processing Fees	5,320,317	3,031,133
	Other Charges in respect of Loans	482,168	418,278
	Total	167,425,319	155,029,007
17	Other Income	2012-13 (₹)	2011-12 (₹)
	Profit on Sale of Tangible Assets	871	-
	Misc. Income	40,597	-
	Total	41,468	-
18	Employee Benefit Expenses	2012-13 (₹)	2011-12 (₹)
	Salary, Wages & Bonus	30,169,765	21,044,014
	Contribution to Provident Fund & Other Funds	1,101,808	369,221
	Welfare Expenses	791,377	292,895
	Total	32,062,950	21,706,130

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

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

Particulars	Gratuity Defined Benefit Obligation	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	572,705	434,911
Unrecognized past service cost	-	-
Net liability	572,705	434,911
Amounts in the balance sheet :		
Liabilities	572,705	434,911
Assets	-	-
Net liability	572,705	434,911

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

Particulars	Gratuity Defined Benefit Obligation	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Current service cost	131,451	108,257
Interest on obligation	36,967	13,597
Expected return on plan assets	-	-
Net actuarial losses (gains) recognized in year	(30,624)	151,183
Past service cost	-	-
Losses (gains) on curtailments and settlement	-	-
Total, included in 'employee benefit expense'	137,794	273,037
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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Opening defined benefit obligation	434,911	161,874
Service cost	131,451	108,257
Interest cost	36,967	13,597
Actuarial losses (gains)	(30,624)	151,183
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	572,705	434,911

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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Discount rate	8.10%	8.50%
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	2012-13 (₹)	2011-12 (₹)
Defined benefit obligation	572,705	434,911
Plan assets	-	-
Surplus/(deficit)	(572,705)	(434,911)
Experience adjustments on plan liabilities	(62,929)	157,581
Experience adjustments on plan assets	-	-
assumption	32,305	(6,398)
experience	(62,929)	157,581
Actuarial Loss/(Gain) on liabilities	(30,624)	151,183
Net Actuarial Loss/(Gain) on liabilities	(30,624)	151,183

Particulars	31.3.13	31.3.12	31.3.11	31.3.10	31.3.09
Defined Benefit Obligation	572,705	434,911	161,874	110,726	95,359
Plan Assets	-	-	-	-	-
Unrecognised past service Cost	-	-	-	-	-
Deficit	-	-	-	-	-
Experience adjustments on plan liabilities	572,705	434,911	161,874	110,726	95,359
Experience adjustments on plan assets	-	-	-	-	-

19 Finance Cost	2012-13 (₹)	2011-12 (₹)
Interest Expenses	56,030,783	52,191,947
Other Borrowing cost	1,220,849	4,002,529
Total	57,251,632	56,194,476



20	Depreciation And Amortisation Expense	2012-13 (₹)	2011-12 (₹)
	Depreciation of Tangible Assets	1,076,794	1,038,109
	Depreciation of Intangible Assets	-	-
	Total	1,076,794	1,038,109
21	Other Costs	2012-13 (₹)	2011-12 (₹)
	Electricity & Fuel charges	488,472	308,870
	REPAIRS TO:		
	Building	310,379	23,763
	Other	339,665	355,085
	Sub Total	650,044	378,848
	Insurance	179,673	1,101,377
	Rent	2,582,231	1,860,429
	Rates & Taxes	68,903	32,358
	Stationery & Printing	1,238,465	974,513
	Advertisement Expenses	95,357	109,438
	Communication	1,721,354	1,249,192
	Traveling & Conveyance Expenses	1,576,686	1,146,167
	Professional Fees	5,883,158	7,213,432
	Auditor's Remuneration:		
	Audit Fees	179,776	179,776
	For Tax Audit	73,034	73,034
	For Certification	21,916	5,516
	For Income Tax Consultancy Fee	11,236	54,599
	Sub Total	285,962	312,925
	Director Sitting Fees	310,000	277,500
	Marketing & Incentive Expenses	7,746,290	7,833,800
	Bad debts written off	3,981,919	5,253,927
	Provision for NPA	112,911	(54,610)
	Contingent Provision Against Standard Assets	450,000	165,000
	Sundry Balance Written Off	496,194	498,338
	Loss on Sale of Assets	-	10,163
	General Charges	1,863,030	1,945,077
	(including Bank Charges, Security Charges & Membership Fees etc.)		
	Total	29,730,649	30,616,744
21.1	Bad debts & Irrecoverable W/off are shown net off bad debts recovery during the year amounting to ₹ 5,00,941/- (P.Y. 11,69,860/-).		
21.2	NPA provisions are shown net off NPA Provision written back during the year amounting to ₹ 2,12,144/- (P.Y. ₹ 3,31,661/-)		



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2013

22. Contingent liabilities not provided for: -

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

23. 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

Mrs. Ritaben J. Patel

Mr. Aakash J. Patel

J.B.Patel HUF

Raj Enterprise

Mrs. Himani Manakiwala

J B Patel & Co.

Mrs. Sachi Patel

Amit Manakiwala (HUF)

Aakash Patel (HUF)

Namra Holdings & Cons.

Services Pvt. Limited

Related party Relationship

Relative of Key Management Personnel

Relative of Key Management Personnel

Key Management personnel is Karta

Key Management personnel is Proprietor

Relative of Key Management Personnel

Key Management personnel is co-owner

Relative of Key Management Personnel

Key Management personnel is Karta

Relative of Key Management Personnel

Relative of Key Management Personnel

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)	2475536 (2082603)	Nil (Nil)	2475536 (2082603)
	Sitting Fees	Nil (Nil)	22500 (37500)	62500 (57500)	85000 (95000)
	Interest Paid	Nil (Nil)	1022744 (1029374)	1831535 (1642681)	2854279 (2672055)
	Rent Paid	Nil (Nil)	Nil (Nil)	20224 (19856)	20224 (19856)
	Professional Fees	Nil (Nil)	390000 (780000)	Nil (Nil)	390000 (780000)
	Dividend paid	Nil (Nil)	480463 (461970)	715880 (702480)	1196343 (1164450)
2	Unsecured Loan				
	Loan taken during the year	Nil (Nil)	10495000 (6520000)	14138000 (12808000)	24633000 (19328000)
	Loan repaid during the year	Nil (Nil)	10495000 (7549374)	14138000 (14631320)	24633000 (22180694)
	Balance out standing at 31/03/2013	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
3	Investments in Subsidiary	3,01,10,000 (1,99,90,000)	Nil (Nil)	Nil (Nil)	3,01,10,000 (1,99,90,000)
4	Transfer of Receivables under Securitization	4,95,00,000 (Nil)	Nil (Nil)	Nil (Nil)	4,95,00,000 (Nil)
5	Purchase of shares of Subsidiary	Nil (Nil)	6000 (Nil)	1000 (Nil)	7000 (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 ₹ 76,15,000 (P.Y. ₹ 47,65,000), from Smt. Himani A. Manakiwala ₹ 8,00,000 (P.Y. ₹ 7,25,000), from Smt. Ritaben J. Patel ₹ 32,75,000 (P.Y. ₹ 37,75,000), from Shri Aakash J. Patel ₹ 51,80,000 (P.Y. ₹ 37,00,000), from Shri Aalok J. Patel ₹ 28,80,000 (P.Y. ₹ 17,55,000), from Jayendra Patel (HUF) ₹ 16,30,000 (P.Y. ₹ 13,30,000), from Smt. Sachi Patel ₹ 11,93,000 (P.Y. ₹ 10,78,000), from Amit Manakiwala (HUF) ₹ 11,20,000 (P.Y. ₹ 7,25,000), from Namra Holdings & Consultancy Services Pvt. Limited ₹ 7,90,000 (P.Y. ₹ 13,50,000), from Shri Aakash J. Patel – (HUF) ₹ 1,50,000 (P.Y. ₹ 1,25,000) **Unsecured Loan repayments includes** paid to Shri Jayendra Patel ₹ 82,67,416 (P.Y. ₹ 54,96,878), to Smt. Himani A. Manakiwala ₹ 9,41,239 (P.Y. ₹ 8,51,567), to Smt. Ritaben J. Patel ₹ 35,17,351 (P.Y. ₹ 40,52,448), to Shri Aakash Patel ₹ 59,08,718 (P.Y. ₹ 44,76,016), to Shri Aalok Patel ₹ 32,50,328 (P.Y. ₹ 20,52,496), to Aakash Patel (HUF) ₹ 1,74,991 (P.Y. ₹ 1,46,417), to Smt. Sachi Patel ₹ 13,95,145 (P.Y. ₹ 12,08,575), to Amit Manakiwala (HUF) ₹ 13,08,714 (P.Y. ₹ 8,51,567), to Shri Maulik Manakiwala Rs, Nil (P.Y. ₹ Nil), to Jayendra Patel (HUF) ₹ 18,19,361 (P.Y. ₹ 15,59,853), to Namra Holdings & Consultancy Services Pvt. Limited ₹ 9,04,016 (P.Y. ₹ 14,84,877),

Interest paid includes to Shri Jayendra Patel ₹ 5,87,175 (P.Y. ₹ 6,58,689), to Shri Aakash Patel ₹ 5,82,973 (P.Y. ₹ 4,76,939), to Shri Aalok Patel ₹ 3,33,293 (P.Y. ₹ 2,67,744), to Smt. Ritaben J. Patel ₹ 2,18,115 (P.Y. ₹ 2,49,703), to J B Patel (HUF) ₹ 1,70,424 (P.Y. ₹ 2,06,867), to Aakash Patel (HUF) ₹ 22,491 (P.Y. ₹ 19,276), to Smt. Sachi Patel ₹ 1,61,716 (P.Y. ₹ 1,04,460), to Amit Manakiwala (HUF) ₹ 1,69,843 (P.Y. ₹ 1,13,911), to Smt. Himani Manakiwala ₹ 1,27,114 (P.Y. ₹ 1,13,911), to Namra Holdings & Consultancy Services Pvt. Limited ₹ 1,02,614 (P.Y. ₹ 1,21,390)

Remuneration includes payment to Shri Jayendrabhai Patel ₹ 15,35,536 (P.Y. ₹ 15,32,603) and to Shri Amit Manakiwala ₹ 3,90,000 (P.Y. ₹ Nil), to Shri Aalok Patel ₹ 5,50,000 (P.Y. ₹ 5,50,000) **Professional Fees includes** payment to Shri Amit Manakiwala ₹ 3,90,000 (P.Y. ₹ 7,80,000), **Sitting Fees included** paid to Smt. Ritaben Patel ₹ 62,500 (P.Y. ₹ 57,500) and Shri Amitbhai R. Manakiwala ₹ 22,500 (P.Y. ₹ 37,500), **Rent includes paid** to J B Patel & Co. ₹ 20,224 (P.Y. ₹ 19,856), **Dividend Paid includes** paid to Sh. Aalok Patel ₹ 1,61,432 (₹ 1,61,432), to Jayendrabhai Patel HUF ₹ 1,56,800=00 (P.Y. ₹ 1,56,800), to Sh. Aakash Patel ₹ 1,86,512 (P.Y. ₹ 1,86,512), to Sh. Jayendrabhai Patel ₹ 1,88,952=80 (P.Y. ₹ 1,70,458), to Smt. Ritaben Patel ₹ 2,00,248 (P.Y. ₹ 1,83,848), to Namra Holdings & Cons. Services Pvt. Limited ₹ 1,32,320 (P.Y. ₹ 1,32,320), to Sh. Amitbhai Manakiwala ₹ 1,30,080 (P.Y. ₹ 1,30,080), to Smt. Himani Manakiwala ₹ 40,000 (P.Y. ₹ 40,000).

Investments in Subsidiary Company includes investment into Namra Finance limited ₹ 3,01,10,000/- (P.Y. ₹ 1,99,90,000/-).

Transfer of Receivables under Securitization included transaction with Namra Finance limited of ₹ 4,95,00,000 (P.Y. Nil)

Purchase of Shares of Subsidiary includes purchase made from Shri Jayendrabhai Patel ₹ 2,000 (P.Y. Nil), to Shri Amit Manakiwala ₹ 2,000 (P.Y. Nil), to Shri Aalok Patel ₹ 2,000 (P.Y. Nil), Smt. Ritaben Patel ₹ 1,000 (P.Y. Nil).

24. Earnings Per Share:

Particulars	2012-2013 Amount (₹)	2011-2012 Amount (₹)
Numerator used for calculating Basic Earnings Per Share (Profit After Tax)	3,33,31,193	3,06,09,547
Add: Interest on CCD (Net of Tax)	86,17,76	3,35,542
Numerator used for calculating Diluted Earnings Per Share (Profit After Tax)	3,41,92,968	3,09,45,089
Weighted Average No. of Shares used as denominator for calculating Basic Earnings Per Share	54,06,493	40,76,600
Weighted Average No. of Shares used as denominator for calculating Diluted Earnings Per Share	68,96,417	47,69,349
Nominal Value per Share	10	10
Basic Earnings per share	6.17	7.51
Diluted Earnings per share	4.96	6.49

25. Balances are subject to confirmation.

26. Borrowing costs attributable to the acquisition or construction of Qualifying Assets amounting to ₹ Nil (P. Y. ₹ Nil)

27. Lease:

The Company has entered into certain operating lease agreements and amounts of ₹ 25.82 Lacs (P.Y. ₹ 18.60 Lacs) paid under such agreements has been charged to the Statement of Profit and Loss. These lease are



generally not non cancellable and are renewable by mutual consent on mutually agreed terms. There are no restrictions imposed by such agreements.

28. During the year, the company has impaired the assets to the tune of ₹ Nil (P.Y. ₹ Nil).
29. 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.
30. 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.
31. Disclosure requirement by Originator as per Reserve Bank of India's Guidelines on Securitization of standard Assets are as under:

Particulars	2012-13	2011-12
Total No. of Loan Assets	9350	-
Book Value of loan Assets (₹)	46674228	-
Sales Consideration received from securitized assets (₹)	49500000	-
Gain / (Loss) on Securitised Assets (₹)	2825772	-
Form of Service Provided	-	-
Quantum of Outstanding Value of Services (₹)	37479241	-

32. 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.

	2012-13	2011-12
33. Earning in foreign currency (₹)	Nil	(Nil)
	2012-13	2011-12
34. Expenditure in foreign Currency (₹)	Nil	(Nil)
35. Previous year's figures have been regrouped and rearranged wherever necessary, to make them comparable with those of current year.		

Signature to Schedules "1" to "35"

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: 27/05/2013

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

	Particulars		
(1)	Liabilities side: Loan and advances availed by the NBFCs inclusive of interest accrued thereon but not paid: (a) Debentures: Secured Unsecured (other than falling within the meaning of public deposits*) (b) Deferred Credits (c) Term Loans (d) Inter-Corporate loans and borrowing (e) Commercial Paper (f) Public Deposits* (g) Other Loans (specify nature) - Working capital Loans 3116.73 - Debenture Application Money - * Please see Note 1 below	Amount Outstanding 726.55 NIL NIL 1,921.10 NIL NIL 3,116.73	Amount overdue NIL NIL NIL NIL NIL NIL NIL
(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 (b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security (c) Other Public Deposits	NIL NIL NIL	NIL 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 (b) Unsecured	- 3,142.99	NIL 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 (b) Operating lease (ii) Stock on hire including hire charges under sundry debtors: (a) Assets on hire (b) Repossessed Assets (iii) Hypothecation loans counting towards EL/HP activities (a) Loans where assets have been re-possessioned (b) Loans other than (a) above	NIL NIL NIL NIL NIL 3,688.30	NIL NIL NIL NIL NIL 39.38
(5)	Break-up of Investments: Current Investments: 1. Quoted: (i) Shares (a) Equity (b) Preference	NIL NIL	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		572.32	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	500.00	199.9
		(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	3688.30	2,901.14	6589.44
Total	3688.30	2,901.14	6589.44

(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	500.00	199.9
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	NIL	NIL
Total	500.00	199.9

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



(8)	Other information	
	Particulars	Amount
(i)	Gross Non-performing Assets	NIL
	(a) Related Parties	NIL
	(b) Other than related parties	38.77
(ii)	Net Non-Performing Assets	
	(a) Related Parties	NIL
	(b) Other than related parties	34.86
(iii)	Assets acquired in satisfaction of debts	NIL

1. As defined in paragraph 2(1) (xii) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
2. Provisioning Norms shall be applicable as prescribed in the Non-Banking Financial Companies Norms (Reserve Bank) Directions, 1998.
3. 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



Statement Pursuant To Section 212 of The Companies Act, 1956 Relating To Subsidiary Companies for the year ended on 31st March, 2013

Sr. No.	Particulars	Namra Finance Limited (subsidiary)
1	Financial year of Subsidiary company	31st March, 2013
2	a. No of shares held at the end of the financial year of subsidiary company	50,00,000
	b. Extent of Holding	100 %
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, 2013.	—
	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 31st March, 2013.	
	i. for subsidiary's financial year ending as above in 1	(66947)
	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, 2013.	
	i. No of share	—
	ii. Extent of Holding	—
5	Material changes between the end of the financial year of the subsidiary and 31st March, 2013.	
	i. Fixed Assets	—
	ii. Investments	—

Note:

- Your company has 1 subsidiary company as on 31st March, 2013.
- Namra Finance Limited is a subsidiary of ARMAN FINANCIAL SERVICES LIMITED, which is 100 % subsidiary of the company.

Sr. No.	Particulars	Namra Finance Limited (Subsidiary)
1	Financial year of Subsidiary company	31st March, 2013
2	a. No of shares held at the end of the financial year of subsidiary company	50,00,000
	b. Extent of Holding	100 %
		(₹ In Lacs)
3	Capital	500.00
	Reserve and Surplus	(0.67)
	Total Assets	516.25
	Total liability	15.93
	Share Application Money	1.00
	Income	23.83
	Profit Before Tax	1.88
	Provision for Tax	2.55
	Profit After Tax	(0.67)
	Dividend	-



NAMRA FINANCE LIMITED

DIRECTORS' REPORT

The Directors of the Company have pleasure in presenting to the members, the 1st Annual Report together with the Audited Statements of Accounts for the year ended 31st March 2013.

FINANCIAL PERFORMANCE

Particulars	Year ended 31 st March, 2013 (₹)
Income from operations	23,83,443
Profit before taxation	1,88,053
Provision for taxation	(2,55,000)
Profit/(Loss) after taxation	(66,947)
Profit & Loss A/c	(66,947)

OPERATIONS

The Company commenced its business w.e.f 15/02/2013 and the operating income for the year was 23.83 lacs.

APPROPRIATION

The Director need not to transfer amount to General Reserve in view of loss in Profit & Loss A/c.

SECRETARIAL AUDIT

M/s Pinakin Shah & Co., Practicing Company Secretary, Ahmedabad was appointed as Secretarial Auditor of the Company for the financial year under review.

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.

AUDITORS AND AUDITORS' REPORT

The Auditors M/s J.T. Shah & Co, Chartered Accountants, Ahmedabad hold office till the conclusion of the 1st Annual General Meeting and are recommended for reappointment. The Company has received certificate from Auditors' to the effect that the reappointment if made, would be within prescribed limit under Section 224(1-B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sub-Section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the company hereby state and confirm that:

1. In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures,
2. the Directors had selected such accounting policies and applied constantly and made judgments and estimates that are reasonable and prudent so as to give for the true and fair view of the state of affairs of the company at the end of financial year and of the profit of the Company for that period:
3. the Directors had 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 any frauds and other irregularities.
4. the Directors had prepared annual accounts on a going concern basis.

FIXED DEPOSITS

The Company has not invited or accepted deposits in the year under review.

ACKNOWLEDGEMENT

Your Directors take this opportunity and express their gratitude to the continued support and guidance extended by stake holders of the Company.

For and on behalf of the Board,

Place : Ahmedabad
Date : 25/07/2013

Jayendra Patel
Chairman



NAMRA FINANCE LIMITED
(Wholly owned subsidiary of Arman Financial Services Limited)
INDEPENDENT AUDITOR'S REPORT

The Members of
NAMRA FINANCE LIMITED
Ahmedabad

Report on the Financial Statements

We have audited the accompanying financial statements of **NAMRA FINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

- i In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- ii In the case of the statement of Profit and Loss, of the Loss for the year ended on that date; and
- iii In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

1. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For, J. T. Shah & Co.
Chartered Accountants,
[Firm Regd. No. 109616W]

Place : Ahmedabad
Date : 27/05/2013

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

**ANNEXURE**

(Referred to in paragraph 1 of "Report on Other Legal and regulatory Requirements" of our report of even date.)

- 1 In respect of Fixed Assets:
The company does not have any Fixed Assets and hence clause 4(i) of The Companies (Auditor's Report) Order, 2003 is not applicable.
- 2 In respect of its Inventories:
The company does not have any Inventories and hence clause 4(ii) of The Companies (Auditor's Report) Order, 2003 is not applicable.
- 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. The Company has not granted / taken any loans, secured or unsecured, to/from the companies, firms or other parties covered in the register, maintained under section 301 of the Companies Act, 1956, and therefore the paragraphs 4(iii)(a) to (g) of The Companies (Auditor's Report) Order, 2003 are not applicable.
- 4 In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to sale of services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5 In respect of contracts 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 contracts 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 in respect of any parties during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6 In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under are applicable.
- 7 In our opinion, the Company has an internal audit system commensurate with the size 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 the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employee's State Insurance, Income-Tax, VAT, CST, Wealth-Tax, Service Tax, Custom Duty, Excise-Duty, Cess and other statutory dues applicable to it.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty And Excise Duty were outstanding, as at 31st March, 2013 for a period of more than six months from the date they became payable.
 - c. According to the records of the Company, there are no dues of sales tax, income tax, Wealth-tax, Service tax, custom duty, excise duty, cess which have not been deposited on account of disputes.
- 10 In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred any cash losses in the immediately preceding financial year although it has incurred cash losses during the year.
- 11 The Company has not taken any loans from the Banks and hence the question of default in repayment of the same does not arise.
- 12 Based on our examination of documents and records and information and explanations given to us, the Company has not granted any loans and advances on the basis of security 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 The Company is not dealing or trading in Shares, Securities, debentures and other investments and hence clause 4(xiv) of Companies (Auditors Report) Order, 2003 is not applicable to the Company.
- 15 In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16 The Company has not taken any term loan during the year and hence sub clause (xvi) & (xvii) of clause 4 of Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- 17 In our opinion, and according to the information and explanations given to us, 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.
- 18 The Company has not issued any Debentures and therefore the question of creating the securities in respect thereof does not arise.
- 19 During the year, the Company has not raised any money by way of Public issue.
- 20 Based upon the audit procedures performed and information and explanations given by the management, there is no fraud on or by the Company has been noticed or reported during the course of our audit.

For, J. T. Shah & Co.
Chartered Accountants,
[Firm Regd. No. 109616W]

Place : Ahmedabad
Date : 27/05/2013

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



NAMRA FINANCE LIMITED
BALANCE SHEET AS ON 31ST MARCH, 2013

Particulars	Note No.	As at 31/03/2013 ₹	As at 31/03/2012 ₹
<u>EQUITY AND LIABILITIES</u>			
<u>[1] Shareholders' Funds :</u>			
[a] Share Capital	1	50,000,000	20,000,000
[b] Reserves & Surplus	2	(66,947)	-
		49,933,053	20,000,000
<u>[2] Share Application Money Pending Allotment</u>		100,000	-
<u>[3] Non-Current Liabilities :</u>		-	-
<u>[4] Current Liabilities</u>			
[a] Other Current liabilities	3	1,415,420	10,000
[b] Short term Provisions	4	177,451	-
		1,592,871	10,000
Total		51,625,924	20,010,000
<u>ASSETS :</u>			
<u>[1] Non-Current Assets</u>			
<u>[a] Fixed Assets :</u>		-	-
<u>[2] Current Assets</u>			
[a] Cash & Bank Balance	5	11,877,598	20,010,000
[b] Short term Loans and advances	6	39,748,326	-
		51,625,924	20,010,000
Total		51,625,924	20,010,000
Significant Accounting Policies	-		
Notes on Financial Statements	1 to 16		

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

For, Namra Finance Limited

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

Jayendra Patel
Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



NAMRA FINANCE LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31ST MARCH, 2013

SCHEDULE	Note No.	Current Year 31/03/2013	Previous Year 31/03/2012
INCOME			
Revenue from Operations	7	2,383,443	-
Total Revenue		2,383,443	-
EXPENDITURE			
Employee Benefits Expenses	8	519,045	-
Other Expenses	9	1,676,345	-
Total Expenses		2,195,390	-
Profit before Tax		188,053	-
Less : Tax expense:			
- Current Tax		255,000	-
- Deferred Tax		-	-
Profit /(Loss) for the year		(66,947)	-
Basic and Diluted Earnings per share of ₹ 10 each		(0.02)	-
Significant Accounting Policies		-	-
Notes on Financial Statements	1 to 16		

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

For, Namra Finance Limited

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

Jayendra Patel
Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



NAMRA FINANCE LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

PARTICULARS	YEAR ENDED 31/03/2013
A: Cash from Operating Activities :	
Net Profit before Taxation and	188,053
Adjustment For :	
Contingent Provision on Standard Assets	99,850
	99,850
Operating Profit Before Working	
Capital changes :	287,903
Adjustment For :	
Increase/(decrease) in other current liability	1,405,420
Decrease/(increase) in short term loans and advances	(39,748,326)
	(38,342,906)
Cash Generated From Operations	(38,055,003)
Income Tax Paid	(177,399)
	(177,399)
	(38,232,402)
B: Cash Flow From Investment Activities :	-
C: Cash Flow From Financing Activities :	
Proceeds From Issue of Share Capital	30,000,000
Proceeds From Share Application money	100,000
Net Cash from Financing Activities	30,100,000
Net Increase in Cash & Cash Equivalents	(8,132,402)
Cash & Cash Equivalents at the Beginning	20,010,000
Cash & Cash Equivalents at the End	11,877,598

As per our report of even date attached.

Notes :

- (1) 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.

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

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

Place : Ahmedabad
Date: 27/05/2013

For, Namra Finance Limited

Jayendra Patel
Director

Amit Manakiwala
Director

**Significant Accounting Policies:****a. Basis of preparation**

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rule, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on the accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b. Use of estimates

In preparing the Company's financial statements in conformity with the accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Revenue Recognition:**Interest from Loan:**

Interest from loan is recognised in the year in which the installments falls due as per the terms of loan agreements. Income on non performing assets is recognised when realized as per the guidelines for prudential norms prescribed by the Reserve Bank of India.

Other Interest

Other Interest Income is recognised on accrual basis.

d. Intangible Assets

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets are capitalized.

e. Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provision of the Income Tax Act, 1961.

Deferred Tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or subsequently enacted as on the balance sheet date. Deferred tax asset is recognised and carried forward only to the extent that there is virtual certainty that the assets will be realized in future.

f. Earnings per Share

Basic earnings 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.

g. 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.

h. Shares Issue Expenses

Expenses incurred on issue of shares are charged to Statement of Profit and Loss.

i. Provision, Contingent Liabilities and Contingent Assets :

A provision is recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

A disclosure for a contingent liability is made when there is a possible or present obligation that may, but probably will not require an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements.

j. 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, 2013

1	Share Capital	As at 31/03/13 ₹	As at 31/03/12 ₹
	[a] Authorised : 50,25,000 (Previous Year 20,00,000) equity shares of par value of ₹ 10/- each	50,250,000	20,000,000
	[b] Issued, Subscribed & Paid-up Capital : 50,00,000 (Previous Year 20,00,000) Equity Shares of par value of ₹ 10/- each fully paid up	50,000,000	20,000,000
	Total	50,000,000	20,000,000
1.1	The company has only one class of shares referred to as Equity shares having face value of ₹ 10/-. Each Holder of Equity Share is entitled to 1 vote per share.		
1.2	The Company is 100 % Subsidiary of Arman Financial Services Limited.		
1.3	Details of Shareholder holding more than 5 % shares of the company are as follows:		
	Name of Shareholder	As at 31/03/2013	As at 31/03/2012
		%	%
		Shares	Shares
	Arman Financial Services Limited	100.00%	99.50%
		5,000,000	1,990,000
1.4	The Reconciliation of the number of shares outstanding and the amount of share capital as at 31/03/2013 & 31/03/2012 is set out below		
	Particulars	As at 31/03/2013 (₹)	As at 31/03/2012 (₹)
		No. of Shares	No. of Shares
		Amount	Amount
	Shares at the beginning	2,000,000	2,000,000
	Addition - Subscription during the year	3,000,000	-
	Deletion	-	-
	Shares at the end	5,000,000	2,000,000
2	Reserves & Surplus	As at 31/03/13 ₹	As at 31/03/12 ₹
	Surplus in the Statement of Profit and Loss		
	Balance as per last financial Statement	-	-
	Add : Profit / (Loss) for the year	(66,947)	-
	Closing Balance	(66,947)	-
	Total	(66,947)	-
3	Other Current Liabilities	Current	
		As at 31/03/13 ₹	As at 31/03/12 ₹
	TDS Payable	83,852	-
	Salary Payable	519,045	-
	Other payables	812,523	10,000
		1,415,420	10,000
4	Provisions	Current	
		As at 31/03/13 ₹	As at 31/03/12 ₹
	Contingency Provision on Standard Assets	99,850	-
	Provision for Tax	255,000	-
	Less : Advance Tax & TDS	(177,399)	-
	Net	177,451	-
	Total	177,451	-



5	Cash and Bank Balance	As at 31/03/2013 (₹)		As at 31/03/2012 (₹)	
		Non Current	Current	Non Current	Current
A	Cash and cash equivalents				
	Cash on hand		45,000	-	-
	Balance With Banks		11,832,598	-	20,010,000
	Total	-	11,877,598	-	20,010,000
6	Loans and Advances	As at 31/03/2013 (₹)		As at 31/03/2012 (₹)	
	(Considered Good unless otherwise stated)	Non Current	Current	Non Current	Current
A	Unsecured				
	- Jlg Base Micro Finance	-	39,748,326	-	-
	Total	-	39,748,326	-	-
7	Revenue from operation			2012-13 ₹	2011-12 ₹
	Interest Income			2,383,443	-
	Total			2,383,443	-
8	Employee Benefit Expenses			2012-13 ₹	2011-12 ₹
	Salary, Wages & Bonus			519,045	-
	Total			519,045	-
9	Other Costs			2012-13 ₹	2011-12 ₹
	Traveling & Conveyance Exps.			57,885	-
	Professional Fees			786,520	
	Auditor's Remuneration:				
	Audit Fees			23,596	-
	For Tax Audit			-	-
	For Certification			28,374	-
	Sub Total			51,970	-
	Contigent Prov against Standard Assets			99,850	-
	Preliminary Expenes W/off			660,970	-
	General Charges			19,150	-
	(including legal fees& Misc.Expenses etc.)				
	Total			1,676,345	-
10.	Contingent liabilities not provided for - NIL				
11.	Related Party Disclosures :				
	List of Related Parties with whom transactions have taken place during the year:				
A)	Holding Company				
	Arman Financial Services Limited				
B)	Key Management Personnel				
	Shri Jayendrabhai Patel				
	Shri Amitbhai Manakiwala				
	Shri Aalokbhai Patel				



Arman Financial Services Limited

C) Details of Transactions are as follows:

(Amount in ₹)

Sr. No.	Nature of Transactions	Holding Company	Key Management Personnel	Relatives Key Management Personnel	Total
1	Expenses Reimbursement of Salary Expenses	519045 (Nil)	Nil (Nil)	Nil (Nil)	519045 (Nil)
2	Others Transfer of Receivables under Securitization	4,95,00,000 (Nil)	Nil (Nil)	Nil (Nil)	4,95,00,000 (Nil)
	Application money received from Holding Company	1,00,000 (Nil)	Nil (Nil)	Nil (Nil)	1,00,000 (Nil)

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

(Amounts in ₹)

Nature of Payments	Related Party	2012-13	2011-12
Salary Reimbursement	Arman Financial Services Limited.	519045	Nil
Transfer of Receivables under Securitization	Arman Financial Services Limited.	49500000	Nil
Application money received from Holding Company	Arman Financial Services Limited.	100000	Nil

12. Earnings per Share

Particular	Unit	31.03.2013	31.03.2012
Numerator used for calculating Basic and Diluted Earning per Share (Profit after Tax)	₹	(66,947)	-
Weighted average No. of shares used as denominator for calculating Basic EPS	No. of Shares	33,56,164	-
Weighted average No. of shares used as denominator for calculating Diluted EPS	No. of Shares	33,66,164	-
Face Value of Share	₹	10	10
Basic Earnings per Share	₹	(0.02)	-
Diluted Earnings per Share	₹	(0.02)	-

13. Information pursuant to provision of paragraphs 3 and 4 of part II of Schedule VI of the Companies Act, 1956. (As certified by Director):

	2012-13	2011-12
A) Earning in foreign currency (₹)	Nil	(Nil)
	2012-13	2011-12
B) Expenditure in foreign Currency (₹)	Nil	(Nil)

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

15. Balances are subject to confirmation.

16. Previous year's figures have been regrouped and rearranged wherever necessary, to make them comparable with those of current year.

Signature to notes "1" to "16"

As per our report of even date attached herewith
For, J.T. Shah & Company
Chartered Accountants
(FRN No. 109616W)
[J. J. Shah]
Partner
(M.No.45669)

For, Namra Finance Limited

Jayendra Patel
Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



ARMAN FINANCIAL SERVICES LIMITED
CONSOLIDATED INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Arman Financial Services Limited

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Arman Financial Services Limited** ("the Company") and its subsidiary, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

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

For, J. T. Shah & Co.
Chartered Accountants,
[Firm Regd. No. 109616W]

Place : Ahmedabad
Date : 27/05/2013

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



Arman Financial Services Limited

ARMAN FINANCIAL SERVICES LIMITED CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2013

Particulars	Note No.	As at 31/03/2013 ₹	As at 31/03/2012 ₹
<u>EQUITY AND LIABILITIES</u>			
<u>[1] Shareholders' Funds :</u>			
[a] Share Capital	1	56,488,930	40,766,000
[b] Reserves & Surplus	2	169,463,179	78,712,109
		225,952,109	119,478,109
[2] Money Received Against Share Warrant		1,499,148	-
[3] Share Application Money Pending Allotment		-	77,345,468
<u>[4] Non-Current Liabilities :</u>			
[a] Long Term Borrowings	3	60,119,082	42,421,905
[b] Deferred Tax Liabilities (Net)	4	-	968,330
[c] Long Term Provisions	5	1,075,295	659,208
		61,194,377	44,049,443
<u>[5] Current Liabilities</u>			
[a] Short-Term Borrowings	6	311,673,249	213,910,248
[b] Other Current Liabilities	7	214,002,889	188,108,196
[c] Short Term Provisions	8	9,977,079	8,919,424
		535,653,217	410,937,868
Total		824,298,851	651,810,888
<u>ASSETS :</u>			
<u>[1] Non-Current Assets</u>			
<u>[a] Fixed Assets :</u>			
[i] Tangible Assets	9	10,433,640	10,782,731
[ii] Intangible Assets		-	-
		10,433,640	10,782,731
[b] Deferred Tax Assets (Net)	4	611,448	-
[c] Long-term loans and Advance	10	145,951,869	101,354,503
[d] Other Non-Current assets	11	9,810,374	22,497,533
		166,807,331	134,634,767
<u>[2] Current Assets</u>			
[a] Trade Receivables	12	5,705,007	5,558,751
[b] Cash & Bank Balance	13	74,960,889	87,558,345
[c] Short term Loans and Advances	10	576,825,623	419,042,290
[d] Other Current Assets	14	-	5,016,735
		657,491,519	517,176,121
Total		824,298,851	651,810,888
Significant Accounting Policies Notes on Financial Statement	1 to 25		

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

For, Arman Financial Services Limited

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

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



ARMAN FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31ST MARCH, 2013

SCHEDULE	Note No.	Current Year 31/03/2013	Previous Year 31/03/2012
INCOME			
Revenue from Operations	15	168,034,772	155,029,007
Other Income	16	1,815,458	-
Total Revenue		169,850,230	155,029,007
EXPENDITURE			
Employee Benefits Expenses	17	32,581,995	21,706,130
Finance Costs	18	57,251,632	56,194,476
Depreciation and Amortisation expense	19	1,076,794	1,038,109
Other Expenses	20	31,406,994	30,616,744
Total Expenses		122,317,415	109,555,460
Profit before Tax		47,532,815	45,473,547
Less : Tax expense:			
- Current Tax		15,605,000	14,700,000
- Short Provision of Income Tax of earlier years		71,760	-
- Deferred Tax		(1,579,779)	164,001
Profit for the year		33,435,834	30,609,546
Basic Earnings Per Share of ₹ 10 each	23	6.18	7.51
Diluted Earnings Per share of ₹ 10 each	23	4.97	6.49
Significant Accounting Policies			
Notes on Financial Statement	1 to 25		

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

For, Arman Financial Services Limited

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

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



ARMAN FINANCIAL SERVICES LIMITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

PARTICULARS	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
A: Cash from Operating Activities :		
Net Profit before Taxation	47,532,815	45,473,547
Adjustment For :		
Depreciation	1,076,794	1,038,109
NPA Provisions(Net)	112,911	(54,610)
Contingent Provision on Standard Assets	549,850	165,000
Loss on Sale of Fixed Assets	-	10,163
Profit on Sale of Fixed Assets	(871)	-
	<u>1,738,684</u>	<u>1,158,662</u>
Operating Profit Before Working Capital changes :	49,271,499	46,632,209
Adjustment For :		
Increase/(Decrease) In Long-Term Provision	141,213	310,566
Increase/(Decrease) In Short-Term Provision	(3,419)	-
Increase/(Decrease) In Other Current Liability	(74,692,570)	78,112,886
Decrease/(Increase) In Trade Receivables	(146,256)	(327,120)
Decrease/(Increase) In Inventories	-	-
Decrease/(Increase) In Long Term Loans And Advances	(44,597,366)	(23,178,542)
Decrease/(Increase) In Short Term Loans And Advances	(157,783,333)	(51,789,753)
	<u>(277,081,732)</u>	<u>3,200,898</u>
Cash Generated From Operations	(227,810,233)	49,833,107
Income Tax Paid	(16,500,450)	(12,880,492)
	<u>(16,500,450)</u>	<u>(12,880,492)</u>
	<u>(244,310,684)</u>	<u>36,952,616</u>
B: Cash Flow From Investment Activities :		
Purchase of Fixed Assets	(736,832)	(869,202)
Sale of Fixed Assets	10,000	3,750
(Increase) /Decrease in Bank Deposits	1,431,635	(1,311,509)
Net Cash from Investment Activities	704,803	(2,176,961)
C: Cash Flow From Financing Activities :		
Proceeds From Issue of Share Capital	5,996,571	-
Proceeds From Money Receipt against Share Warrant	1,499,148	-
Proceeds From Share Application Money-CCD	-	77,345,468
Proceeds From Long Term Borrowings	149,273,734	87,147,993
Repayment of Long Term Borrowings	(32,088,438)	(122,831,671)
Proceeds From Short Term Borrowings	128,777,258	34,004,626
Repayment of Short Term Borrowings	(30,070,087)	(32,778,227)
Dividend Paid	(3,635,286)	(3,492,602)
Net Cash from Financing Activities	219,752,900	39,395,587
Net Increase in Cash & Cash Equivalents	<u>(23,852,980)</u>	<u>74,171,242</u>
Cash & Cash Equivalents at the Beginning	79,315,130	5,143,888
Cash & Cash Equivalents at the End	55,462,150	79,315,130

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 ₹ 7,14,828/- (Prev. Year ₹ 5,59,852/-) 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, Arman Financial Services Limited

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

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director

Place : Ahmedabad
Date: 27/05/2013



SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

1. Principles of Consolidation

The Consolidated Financial statements relate to ARMAN FINANCIAL SERVICES LIMITED ("the Company") and its subsidiary companies. The Consolidated financial statements have been prepared on the following basis:-

- a) The financial statements of the Company and its Subsidiary Companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (As) 21 "Consolidated Financial Statements".
- b) The difference between the costs of investment in Subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.
- c) Minority interest's share of the net profit of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attribute to shareholders of the Company.
- d) Minority interest's share of the net assets of Consolidated Subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholder.
- e) As far as possible the Consolidated Financial Statements are prepared using accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

2. Other significant accounting policies:-

These are set out under "Significant accounting policies "as given in the Standalone Financial statements of Arman Financial Services Limited."

- a) The Subsidiary Company considered in the financial statements is :-

Name of the subsidiaries	Country of Domicile	Proportion of Ownership Interest
Namra Finance Limited	India	100 %

- b) The figures of previous year are regrouped and rearranged wherever necessary so as to make them comparable with the current year. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with Parent Company's Financial Statements
- c) Shares Issue Expenses are adjusted by Parent company against Security Premium Reserve Account whereas the subsidiary company has charged the same to the Statement of Profit and Loss and hence the accounting policies followed by Holding and subsidiary company are not consistent for treatment of Share Issue Expenses.



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

1	Share Capital	As at 31/03/13 ₹	As at 31/03/12 ₹
	[a] Authorised : 1,50,00,000 (Previous Year 1,50,00,000) equity shares of par value of ₹ 10/- each	150,000,000	150,000,000
	[b] Issued, Subscribed & Paid-up Capital : 56,48,893 (Previous Year 40,76,600) Equity Shares of par value of ₹ 10/- each fully paid up	56,488,930	40,766,000
	Total	56,488,930	40,766,000

- 1.1 The company has only one class of shares referred to as Equity shares having face value of ₹ 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, 2013, the amount of per share dividend recognised as distribution to equity shareholders was ₹ 52,87,138/-(₹0.80). The Total dividend appropriation for the year ended 31st March, 2013 amounted ₹ 45,19,115/- (P.Y. 32,61,280/-) excluding corporate dividend tax of ₹ 7,68,023/- (P.Y. 5,28,980/-).
- 1.5 Details of Shareholder holding more than 5 % shares of the company are as follows:

Name of Shareholder	As at 31/03/2013		As at 31/03/2012	
	%	Shares	%	Shares
RIF NORTH WEST 2	24.04	1,358,130	-	-
Jayendrabhai Patel	8.48	478,943	10.03	409,072
Ritaben Patel	5.25	296,674	5.64	229,810
Aakash Patel	4.94	278,830	5.72	233,140
Babulal Dugar	3.84	216,835	6.37	259,749

- 1.6 The Reconciliation of the number of shares outstanding and the amount of share capital as at 31/03/2013 & 31/03/2012 is set out below

Particulars	As at 31/03/2013		As at 31/03/2012	
	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	1,572,293	15,722,930	-	-
Deletion	-	-	-	-
Shares at the end	5,648,893	56,488,930	4,076,600	40,766,000

2	Reserves & Surplus	As at 31/03/13 ₹	As at 31/03/12 ₹
	General Reserve		
	Balance as per last financial Statement	2,175,556	625,556
	Add: Transfer from Statement of Profit and Loss	1,500,000	1,550,000
	Closing Balance	3,675,556	2,175,556
	Special Reserve u/s 45-IC of the RBI Act, 1934		
	Balance as per last financial Statement	18,685,000	12,485,000
	Add: Transfer from Statement of Profit and Loss	6,565,000	6,200,000
	Closing Balance	25,250,000	18,685,000



	As at 31/03/13 ₹	As at 31/03/12 ₹
Securities Premium Reserve		
Balance as per last financial Statement	-	-
Add: On Shares Issue During the year	67,619,109	-
Less: Shares Issue Expenditures	5,016,735	-
Closing Balance	62,602,374	-
Surplus in the Statement of Profit and Loss		
Balance as per last financial Statement	57,851,553	38,782,266
Add : Profit for the year	33,435,834	30,609,547
Less: Appropriations		
Amount transfer to General Reserve	(1,500,000)	(1,550,000)
Amount transfer to Special Reserve u/s 45-IC of RBI Act, 1934	(6,565,000)	(6,200,000)
Proposed Dividend	(4,519,114)	(3,261,280)
Provision for Tax on Dividend proposed	(768,023)	(528,980)
Closing Balance	77,935,250	57,851,553
Total	169,463,179	78,712,109

2.1	Particulars	Nature and purpose of
	General Reserve	The reserve is created out of profit in accordance with Companies (Transfer of Profit to Reserve) Rule, 1975 and is distributable in accordance with Companies(Distribution of dividend out of Reserve) Rules 1975.

3	Long Term Borrowings	As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
	Loans				
	Secured				
	From Banks				
	— Vehicle Loans @	178,972	335,933	514,905	308,576
	— Term Loans @@	-	-	-	14,246,824
	From Financial Institutes				
	— Term Loans @@	51,666,666	127,428,589	41,907,000	90,602,091
	From Others				
	— Term Loans @@	8,273,444	4,226,556	-	-
	Debentures				
	Unsecured				
	Compulsory Convertible Debentures		72,654,532		-
	Total	60,119,082	204,645,610	42,421,905	105,157,491
	Less : Amount disclosed under head				
	Other Current Liability Note 7		204,645,610	-	105,157,491
	Total	60,119,082	-	42,421,905	-

Security :

@ Vehicle Loans are secured by Hypothecation of Vehicle.

@@ Term Loans are secured under Hypothecation of specific assets portfolio & Personal guarantee of some of the directors

Interest:

Term Loan carries an interest rate ranging from @12.00 % to@ 15.50 % p.a.

Vehicle Loan carries an interest rate ranging between @ 8.5 % to @ 10 % p.a.

Compulsory Convertible Debentures carries interest rate @10 %



Repayment:

Term Loan Facilities are repayable in following schedule in Monthly / Half yearly installments as follows:-

(Amount in ₹)

Particulars	Upto 1 year	2 to 3 Years
Term Loan Repayment	131,655,145	59,940,110

Vehicle Loans are repayable in following schedule in monthly installments as follows:-

(Amount in ₹)

Particulars	Upto 1 year	2 to 3 Years
Vehicle Loan Repayment	335,933	178,972

Compulsory Convertible Debentures (Amount in ₹)

Particulars	Upto 1 year	2 to 3 Years
Compulsory Convertible Debentures	72,654,532	-

Term and Condition of conversion of Compulsorily Convertible Debentures

Each Compulsorily Convertible Debenture is convertible into 1 Equity Share of ₹ 10 each within 18 months from the date of allotment in one or more trench at the option of investors.

4	Deferred Tax Liabilities (Net)	As at 31/03/13	As at 31/03/12
		₹	₹
	Deferred Tax Assets arising out of timing difference relating to :		
	Provision for Gratuity that are allowable for tax purpose in the year of payment	185,843	141,129
	Shares Issue Expenses that are allowable for tax purpose on deferred basis	1,646,133	258,302
	Provision for NPA that are allowable for tax purpose in the year of actual loss	683,499	500,834
	Total Deferred Tax Assets	2,515,475	900,265
	Deferred Tax Liability arising out of timing difference relating to :		
	Difference of Depreciation as per Tax Provision and Company Law	1,904,027	1,868,595
	Total Deferred Tax Liability	1,904,027	1,868,595
	Net Deferred Tax Liability / (Assets)	(611,448)	968,330
5	Long Term Provision	As at 31/03/2013	As at 31/03/2012
		Non Current	Current
		Non Current	Current
	Provision for Employee Benefit- Gratuity	559,514	13,191
	Contingent Provision against standard Assets	375,000	1,340,000
	NPA Provisions	140,781	250,533
		1,075,295	1,603,724
	Less : Amount disclosed under head Short Term Provisions - Note-8	-	1,603,724
	Total	1,075,295	-
6	Short-Term Borrowings	Current	
		As at 31/03/13	As at 31/03/12
	Working Capital Loans from Banks -Secured @	311,673,249	213,910,248
	Total	311,673,249	213,910,248

Security :

@ Hypothecation of Specific assets portfolio & Personal guarantee of some of the directors.



7	Other Current Liabilities	Current	
		As at 31/03/13	As at 31/03/12
	Current maturity of long term borrowings (Note 3)	204,645,610	105,157,491
	CCD Application Money	-	72,654,532
	Salary & Wages Payable	3,424,053	2,020,431
	Other Statutory dues	123,835	221,272
	TDS Payable	141,040	572,443
	Security Deposit	1,430,125	485,955
	Unpaid Dividend	714,826	559,852
	Unpaid Expenses	3,523,399	6,436,220
	Total	214,002,889	188,108,196
8	Provisions	Current	
		As at 31/03/13	As at 31/03/12
	Provisions for employee benefits - Gratuity (Note - 5)	13,191	16,610
	Contingent Provision against standard Asset (Note - 5)	1,439,850	1,040,000
	NPA Provisions (Note- 5)	250,533	262,496
	Proposed Dividend	4,519,114	3,261,280
	Provision for Tax on Proposed Dividend	768,023	528,980
	Provision for Tax	39,875,000	23,800,000
	Less : Advance Tax & TDS	(36,888,632)	(19,989,942)
	Net	2,986,368	3,810,058
	Total	9,977,079	8,919,424

Note No.- 9 - Fixed Assets**TANGIBLE ASSETS**

Gross Block	Buildings	Furniture & Fixtures	Office Equipments	Vehicles	Computer	Intangible Assets	Total
01.04.2011	5,010,426	3,212,088	904,117	4,717,791	1597007	-	15,441,429
Addition		130,675	183,765		554762	-	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
Addition	195,000	69,720	68,380		403732	-	736,832
Disposal				(10,896)		-	(10,896)
At 31.03.2013	5,205,426	3,412,483	1,110,405	4,665,405	2,421,447	-	16,815,166
Depreciation	Buildings	Furniture & Fixtures	Office Equipments	Vehicles	Computer	Intangible Assets	Total
01.04.2011	941,895	1,674,315	313,588	1,117,732	428,348	-	4,475,878
Change for the year	81,670	196,839	45,396	441,236	272,968	-	1,038,109
Disposal			(38,030)	(39,048)	(130410)	-	(207,488)
At 31.03.2012	1,023,565	1,871,154	320,954	1,519,920	570,906	-	5,306,499
Change for the year	82,010	143,667	54,409	440,821	355887	-	1,076,794
Disposal				(1,767)		-	(1,767)
At 31.03.2013	1,105,575	2,014,821	375,363	1,958,974	926,793	-	6,381,526
NET BLOCK							
AS AT 31.3.2012	3,986,861	1,471,609	721,071	3,156,381	1,446,809	-	10,782,731
AS AT 31.3.2013	4,099,851	1,397,662	735,042	2,706,431	1,494,654	-	10,433,640



Arman Financial Services Limited

10	Loans and Advances (Considered Good unless otherwise stated)	As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
A	Secured				
	- Loans secured by Hypothecation of Assets	131,789,143	237,040,713	87,374,652	192,207,734
B	Unsecured				
	- Loans to Companies, Firms, Individuals & JLG's	-	322,264,729	-	212,535,022
	- Deposits	14,162,726	9,343,890	13,979,851	8,066,958
	- Other Loans and Advances	-	7,597,345	-	5,874,824
	- Advances to Staff	-	430,580	-	230,437
	- Balance with government Authority	-	148,366	-	127,315
	- Share Application money in Subsidiary company	-	-	-	-
	Total	145,951,869	576,825,623	101,354,503	419,042,290

10.1 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.

10.2 Loans secured by Hypothecation of Vehicle includes ₹ 14,72,820/- (P.Y. 7,65,500/-) outstanding portfolio on which NPA provision of ₹ 1,47,280/- (P.Y. ₹ 76,550/-) has been made

10.3 Loans to Companies, Firms & Individuals includes ₹ 57,457/- (P.Y. 13,760/-) outstanding portfolio on which NPA provision of ₹ 5,748/- (P.Y. ₹ 1,376/-) has been made

11	Other Current Liabilities	Current	
		As at 31/03/13	As at 31/03/12
	Bank Fixed Deposits with Original maturity for more than 12 months (Note 14)	9,810,374	22,497,533
	Total	9,810,374	22,497,533

12	Trade Receivables	Current	
		As at 31/03/13	As at 31/03/12
A	<u>Outstanding for a period exceeding Six Months from the date they are due for Payment</u>		
	Secured	3,133,291	1,445,551
	Unsecured, considered good	59,360	864,389
		3,192,651	2,309,940
B	<u>Other Trade receivables</u>		
	Secured	2,231,876	2,492,156
	Unsecured, considered good	280,480	756,655
		2,512,356	3,248,811
	Total	5,705,007	5,558,751

12.1 Sundry Debtors include ₹ 23,47,068/- (P.Y. 20,04,770/-) outstanding portfolio on which NPA provision of ₹ 2,38,286/- (P.Y. ₹ 2,00,477/-) has been made.

13	Cash and Bank Balance	As at 31/03/2013		As at 31/03/2012	
		Non Current	Current	Non Current	Current
A	Cash and cash equivalents				
	Cash on hand	-	416,119	-	20,377,203
	Balance With Banks	-	55,046,032	-	58,937,927
	Total	-	55,462,150	-	79,315,130



B Other Bank Balance				
Deposits with Original maturity for more than 12 months	9,810,374	19,498,738	22,497,533	8,243,214
	9,810,374	19,498,738	22,497,533	8,243,214
Less Amount disclosed Under Non Current Assets (Note 12)	9,810,374	-	22,497,533	
Total	-	74,960,889	-	87,558,345

13.1 Current Account with Banks includes ₹ 7,14,828/- (Prev. Year ₹ 5,59,852/-) in Unpaid Dividend Account.

14 Other Current Assets	Current	
	As at 31/03/13	As at 31/03/12
Shares Issue Expenses	-	5,016,735
Total	-	5,016,735
15 Revenue from operation	Current	
	As at 31/03/13	As at 31/03/12
Interest Income	162,232,287	151,579,596
<u>Other Financial Services</u>		
Processing Fees	5,320,317	3,031,133
Other Charges in respect of Loans	482,168	418,278
Total	168,034,772	155,029,007
16 Other Income	2012-13 (₹)	
	2011-12 (₹)	
Profit on Sale of Tangible Assets	871	-
Misc. Income	40,597	-
FD interest	1,773,990	-
Total	1,815,458	-
17 Employee Benefit Expenses	2012-13 (₹)	
	2011-12 (₹)	
Salary, Wages & Bonus	30,688,810	21,044,014
Contribution to Provident Fund & Other Funds	1,101,808	369,221
Welfare Expenses	791,377	292,895
Total	32,581,995	21,706,130

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

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

Particulars	Gratuity Defined Benefit Obligation 2012-13 (₹)	Gratuity Defined Benefit Obligation 2011-12 (₹)
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	572,705	434,911
Unrecognized past service cost	-	-
Net liability	572,705	434,911
Amounts in the balance sheet:		
Liabilities	572,705	434,911
Assets	-	-
Net liability	572,705	434,911


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

Particulars	Gratuity Defined Benefit Obligation	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Current service cost	131,451	108,257
Interest on obligation	36,967	13,597
Expected return on plan assets	-	-
Net actuarial losses (gains) recognized in year	(30,624)	151,183
Past service cost	-	-
Losses (gains) on curtailments and settlement	-	-
Total, included in 'employee benefit expense'	137,794	273,037
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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Opening defined benefit obligation	434,911	161,874
Service cost	131,451	108,257
Interest cost	36,967	13,597
Actuarial losses (gains)	(30,624)	151,183
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	572,705	434,911

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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
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	Gratuity Defined Benefit Obligation
	2012-13 (₹)	2011-12 (₹)
Discount rate	8.10%	8.50%
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	2012-13 (₹)	2011-12 (₹)
Defined benefit obligation	572,705	434,911
Plan assets	-	-
Surplus/(deficit)	(572,705)	(434,911)
Experience adjustments on plan liabilities	(62,929)	157,581
Experience adjustments on plan assets	-	-
assumption	32,305	(6,398)
experience	(62,929)	157,581
Actuarial Loss/(Gain) on liabilities	(30,624)	151,183
Net Actuarial Loss/(Gain) on liabilities	(30,624)	151,183

Particulars	31.3.13	31.3.12	31.3.11	31.3.10	31.3.09
Defined Benefit Obligation	572,705	434,911	161,874	110,726	95,359
Plan Assets	-	-	-	-	-
Unrecognised past service Cost	-	-	-	-	-
Deficit	-	-	-	-	-
Experience adjustments on plan liabilities	572,705	434,911	161,874	110,726	95,359
Experience adjustments on plan assets	-	-	-	-	-

18	Finance Cost	2012-13 (₹)	2011-12 (₹)
	Interest Expenses	56,030,783	52,191,947
	Other Borrowing cost	1,220,849	4,002,529
	Total	57,251,632	56,194,476



19	Depreciation And Amortisation Expense	2012-13 (₹)	2011-12 (₹)
	Depreciation of Tangible Assets	1,076,794	1,038,109
	Depreciation of Intangible Assets	-	-
	Total	1,076,794	1,038,109
20	Other Costs	2012-13 (₹)	2011-12 (₹)
	Electricity & Fuel charges	488,472	308,870
	Repairs To:		
	Building	310,379	23,763
	Other	339,665	355,085
	Sub Total	650,044	378,848
	Insurance	179,673	1,101,377
	Rent	2,582,231	1,860,429
	Rates & Taxes	68,903	32,358
	Stationery & Printing	1,238,465	974,513
	Advertisement Expenses	95,357	109,438
	Communication Expenses	1,721,354	1,249,192
	Traveling & Conveyance Expenses	1,634,571	1,146,167
	Professional Fees	6,669,678	7,213,432
	Auditor's Remuneration:		
	Audit Fees	203,372	179,776
	For Tax Audit	73,034	73,034
	For Certification	50,290	5,516
	For Income Tax Consultancy Fee	11,236	54,599
	Sub Total	337,932	312,925
	Director Sitting Fees	310,000	277,500
	Marketing & Incentive Expenses	7,746,290	7,833,800
	Bad debts written off	3,981,919	5,253,927
	Provision for NPA	112,911	(54,610)
	Contigent Provision Against Standard Assets	549,850	165,000
	Sundry Balances Written Off	496,194	498,338
	Loss on Sale of Assets	-	10,163
	Preliminary Exp. W/off	660,970	-
	General Charges (including Bank Charges, Security Charges & Membership Fees etc.)	1,882,180	1,945,077
	Total	31,406,994	30,616,744
20.1	Bad debts & Irrecoverable W/off are shown net off bad debts recovery during the year amounting to ₹ 5,00,941/- (P.Y. 11,69,860/-).		
20.2	NPA provisions are shown net off NPA Provision written back during the year amounting to ₹ 2,12,144/- (P.Y. ₹ 3,31,661/-)		



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE
YEAR ENDED ON 31ST MARCH, 2013**

21. Contingent liabilities not provided for: -

- (a)** Disputed Demand of Income Tax ₹ 19.27 Lacs (Previous year ₹ 19.27 Lacs) (Against which the Company has paid ₹ 19.27 Lacs [Previous year ₹ 19.27 Lacs] under protest which are shown as advances)

22. Related Party Disclosures :

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

A) Key Management Personnel

Mr. Jayendrabhai Patel
Mr. Aalokbhai Patel
Mr. Amitbhai Manakiwala

B) Relatives of Key Management Personnel

Name of Party

Mrs. Ritaben J. Patel
Mr. Aakash J. Patel
J.B.Patel HUF
Raj Enterprise
Mrs. Himani Manakiwala
J B Patel & Co.
Mrs. Sachi Patel
Amit Manakiwala (HUF)
Aakash Patel (HUF)
Namra Holdings & Cons.
Services Pvt. Limited

Related party Relationship

Relative of Key Management Personnel
Relative of Key Management Personnel
Key Management personnel is Karta
Key Management personnel is Proprietor
Relative of Key Management Personnel
Key Management personnel is co-owner
Relative of Key Management Personnel
Key Management personnel is Karta
Relative of Key Management Personnel
Relative of Key Management Personnel
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)	2475536 (2082603)	Nil (Nil)	2475536 (2082603)
	Sitting Fees	Nil (Nil)	22500 (37500)	62500 (57500)	85000 (95000)
	Interest Paid	Nil (Nil)	1022744 (1029374)	1831535 (1642681)	2854279 (2672055)
	Rent Paid	Nil (Nil)	Nil (Nil)	20224 (19856)	20224 (19856)
	Professional Fees	Nil (Nil)	390000 (780000)	Nil (Nil)	390000 (780000)
	Dividend paid	Nil (Nil)	480463 (461970)	715880 (702480)	1196343 (1164450)
2	Unsecured Loan				
	Loan taken during the year	Nil (Nil)	10495000 (6520000)	14138000 (12808000)	24633000 (19328000)
	Loan repaid during the year	Nil (Nil)	10495000 (7549374)	14138000 (14631320)	24633000 (22180694)
	Balance out standing at 31/03/2013	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
3	Purchase of shares	Nil (Nil)	6000 (Nil)	1000 (Nil)	7000 (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 ₹ 76,15,000 (P.Y. ₹ 47,65,000), from Smt. Himani A. Manakiwala ₹ 8,00,000 (P.Y. ₹ 7,25,000), from Smt. Ritaben J. Patel ₹ 32,75,000 (P.Y. ₹ 37,75,000), from Shri Aakash J. Patel ₹ 51,80,000 (P.Y. ₹ 37,00,000), from Shri Aalok J. Patel ₹ 28,80,000 (P.Y. ₹ 17,55,000), from Jayendra Patel (HUF) ₹ 16,30,000 (P.Y. ₹ 13,30,000), from Smt. Sachi Patel ₹ 11,93,000 (P.Y. ₹ 10,78,000), from Amit Manakiwala (HUF) ₹ 11,20,000 (P.Y. ₹ 7,25,000), from Namra Holdings & Consultancy Services Pvt. Limited ₹ 7,90,000 (P.Y. ₹ 13,50,000), from Shri Aakash J. Patel – (HUF) ₹ 1,50,000 (P.Y. ₹ 1,25,000) **Unsecured Loan repayments includes** paid to Shri Jayendra Patel ₹ 82,67,416 (P.Y. ₹ 54,96,878), to Smt. Himani A. Manakiwala ₹ 9,41,239 (P.Y. ₹ 8,51,567), to Smt. Ritaben J. Patel ₹ 35,17,351 (P.Y. ₹ 40,52,448), to Shri Aakash Patel ₹ 59,08,718 (P.Y. ₹ 44,76,016), to Shri Aalok Patel ₹ 32,50,328 (P.Y. ₹ 20,52,496), to Aakash Patel (HUF) ₹ 1,74,991 (P.Y. ₹ 1,46,417), to Smt. Sachi Patel ₹ 13,95,145 (P.Y. ₹ 12,08,575), to Amit Manakiwala (HUF) ₹ 13,08,714 (P.Y. ₹ 8,51,567), to Shri Maulik Manakiwala Rs, Nil (P.Y. ₹ Nil), to Jayendra Patel (HUF) ₹ 18,19,361 (P.Y. ₹ 15,59,853), to Namra Holdings & Consultancy Services Pvt. Limited ₹ 9,04,016 (P.Y. ₹ 14,84,877).

Interest paid includes to Shri Jayendra Patel ₹ 5,87,175 (P.Y. ₹ 6,58,689), to Shri Aakash Patel ₹ 5,82,973 (P.Y. ₹ 4,76,939), to Shri Aalok Patel ₹ 3,33,293 (P.Y. ₹ 2,67,744), to Smt. Ritaben J. Patel ₹ 2,18,115 (P.Y. ₹ 2,49,703), to J B Patel (HUF) ₹ 1,70,424 (P.Y. ₹ 2,06,867), to Aakash Patel (HUF) ₹ 22,491 (P.Y. ₹ 19,276), to Smt. Sachi Patel ₹ 1,61,716 (P.Y. ₹ 1,04,460), to Amit Manakiwala (HUF), ₹ 1,69,843 (P.Y. ₹ 1,13,911), to Smt. Himani Manakiwala ₹ 1,27,114 (P.Y. ₹ 1,13,911), to Namra Holdings & Consultancy Services Pvt. Limited ₹ 1,02,614 (P.Y. ₹ 1,21,390)

Remuneration includes payment to Shri Jayendrabhai Patel ₹ 15,35,536 (P.Y. ₹ 15,32,603) and to Shri Amit Manakiwala ₹ 3,90,000 (P.Y. ₹ Nil), to Shri Aalok Patel ₹ 5,50,000 (P.Y. ₹ 5,50,000) **Professional Fees includes** payment to Shri Amit Manakiwala ₹ 3,90,000 (P.Y. ₹ 7,80,000), **Sitting Fees included** paid to Smt. Ritaben Patel ₹ 62,500 (P.Y. ₹ 57,500) and Shri Amitbhai R. Manakiwala ₹ 22,500 (P.Y. ₹ 37,500), **Rent includes paid** to J B Patel & Co. ₹ 20,224 (P.Y. ₹ 19,856), **Dividend Paid includes** paid to Sh. Aalok Patel ₹ 1,61,432 (₹ 1,61,432), to Jayendrabhai Patel HUF ₹ 1,56,800=00 (P.Y. ₹ 1,56,800), to Sh. Aakash Patel ₹ 1,86,512 (P.Y. ₹ 1,86,512), to Sh. Jayendrabhai Patel ₹ 1,88,952=80 (P.Y. ₹ 1,70,458), to Smt. Ritaben Patel ₹ 2,00,248 (P.Y. ₹ 1,83,848), to Namra Holdings & Cons. Services Pvt. Limited ₹ 1,32,320 (P.Y. ₹ 1,32,320), to Sh. Amitbhai Manakiwala ₹ 1,30,080 (P.Y. ₹ 1,30,080), to Smt. Himani Manakiwala ₹ 40,000 (P.Y. ₹ 40,000).

Purchase of Shares includes purchase made from Shri Jayendrabhai Patel ₹ 2,000 (P.Y. Nil), to Shri Amit Manakiwala ₹ 2,000 (P.Y. ₹ Nil), to Shri Aalok Patel ₹ 2,000 (P.Y. Nil), Smt. Ritaben Patel ₹ 1,000 (P.Y. Nil).

23. Earnings Per Share:

Particulars	2012-2013 Amount (₹)	2011-2012 Amount (₹)
Numerator used for calculating Basic Earnings Per Share (Profit After Tax)	3,34,35,834	3,06,09,546
Add: Interest on CCD (Net of Tax)	8,61,776	3,35,542
Numerator used for calculating Diluted Earnings Per Share (Profit After Tax)	3,42,97,609	3,09,45,089
Weighted Average No. of Shares used as denominator for calculating Basic Earnings Per Share	54,06,493	40,76,600
Weighted Average No. of Shares used as denominator for calculating Diluted Earnings Per Share	68,96,417	47,69,349
Nominal Value per Share	10	10
Basic Earnings per share	6.18	7.51
Diluted Earnings per share	4.97	6.49

24. 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.

25. Previous year's figures have been regrouped and rearranged wherever necessary, to make them comparable with those of current year.

Signature to Schedules "1" to "25"

As per our report of even date attached herewith
For, J.T. Shah & Company

Chartered Accountants
(FRN No. 109616W)
[J. J. Shah]
Partner
(M.No.45669)

Place : Ahmedabad
Date: 27/05/2013

For & On behalf of Board of Directors

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director



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 **21ST ANNUAL GENERAL MEETING** of the Company held on Friday the 30th August, 2013 at 12.00 Noon 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 **21ST ANNUAL GENERAL MEETING** to
be held on Friday the 30th August, 2013 at 12.00 Noon or at any adjournment thereof..

Signed this _____ day of _____ 2013.

*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

B O O K - P O S T



If Undelivered please return to :



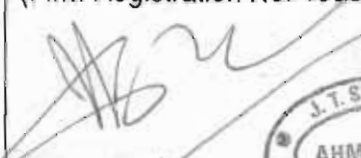
Arman Financial Services Limited
502-503, Sakar-III, Opp. Old High Court,
Off Ashram Road, Ahmedabad-380 014.

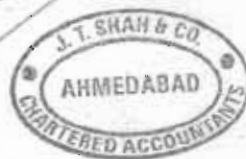
J. T. Shah & Co.

CHARTERED ACCOUNTANTS

FORM A

(Clause 31(a) of the Listing Agreement)

Sr. No	Particulars	Details
1	Name of the Company	Arman Financial Services Limited - Standalone
2	Annual financial statements for the year ended	31 st March, 2013
3	Type of Audit observation	No Observation
4	Frequency of observation	N.A.
5	To be signed by-	
	• Managing Director	Jayendra B. Patel 
	• Chairman of Audit Committee	Kausik D. Shah 
	• Auditors of the Company	For J. T. Shah & Co., Chartered Accountants (Firm Registration No. 109616W)  (J. J. Shah) Partner (M.No.- 45669)



J. T. Shah & Co.

CHARTERED ACCOUNTANTS

FORM A

(Clause 31(a) of the Listing Agreement)

Sr. No	Particulars	Details
1	Name of the Company	Arman Financial Services Limited - Consolidated
2	Annual financial statements for the year ended	31 st March, 2013
3	Type of Audit observation	No Observation
4	Frequency of observation	N.A.
5	To be signed by- <ul style="list-style-type: none"> Managing Director Chairman of Audit Committee Auditors of the Company 	<p>Jayendra B. Patel _____</p> <p>Kausik D. Shah <i>Kausik D. Shah</i></p> <p>For J. T. Shah & Co., Chartered Accountants (Firm Registration No. 109616W)</p> <p><i>(J. J. Shah)</i> (J. J. Shah) Partner (M.No.- 45669)</p> 