



# Arman Financial Services Limited

## (Erstwhile Arman Lease & Finance Limited)

EIGHTEENTH ANNUAL REPORT 2009-2010

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## 18TH ANNUAL GENERAL MEETING

Day : Monday  
 Date : 6th September, 2010  
 Time : 12:30 PM  
 Venue : Ahmedabad Textile Mills' Association (ATMA) Hall  
           Opp. City Gold Cinema  
           Ashram Road  
           Ahmedabad : 380 009



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**BOARD OF DIRECTORS**

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SHRI CHINUBHAI R SHAH.....	CHAIRMAN
SHRI JAYENDRA B. PATEL.....	VICE CHAIRMAN & MANAGING DIRECTOR
SHRI AMIT R. MANAKIWALA.....	DIRECTOR
SHRI KAUSHIKBHAI D.SHAH.....	DIRECTOR
SMT. RITABEN J PATEL.....	DIRECTOR
SHRI AAKASH J. PATEL.....	DIRECTOR
SHRI AALOK J. PATEL.....	DIRECTOR
SHRI NILESH TRIVEDI.....	DIRECTOR Till 10.01.2010
SHRI LOKESH KUMAR SINGH.....	DIRECTOR w. e. f. 28.01.2010

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**AUDITORS**

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

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**COMPANY SECRETARY  
CONSULTING**

BALAVANTSINH J VAGHELA  
COMPANY SECRETARY IN PRACTICE  
208, SHREYAS COMPLEX  
NAVRANGPURA  
AHMEDABAD 380009

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**BANKERS**

ICICI BANK LTD.  
HDFC BANK LTD  
AXIS BANK LTD  
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA  
SARVODAYA COMM. CO-OP. BANK LTD.  
THE AHMEDABAD DIST. CO-OP. BANK LTD.  
INDUSIND BANK LTD.  
IDBI BANK LTD.  
UNITED BANK OF INDIA  
STATE BANK OF PATIALA  
STATE BANK OF INDIA

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**REGISTERED OFFICE**

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

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**REGISTRARS & SHARE  
TRANSFER AGENTS**

Sharepro Services (India) Pvt Ltd.  
416-420, 4<sup>th</sup> 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 Eighteenth Annual General Meeting of the Members of ARMAN FINANCIAL SERVICES LIMITED (Erstwhile Arman Lease & Finance Limited) will be held at The Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad 380009 on the Monday the 06th Day of September, 2010 at 12:30 p.m. to transact the following business.

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31st March, 2010 and the reports of the Board of Directors and Auditors thereon
2. To Declare and approve the Dividend
3. To appoint a Director in place of Shri Jayendra Patel who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Kaushik D. Shah who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint a Director in place of Shri Aakash Patel who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting of the Company until the conclusion of next Annual General Meeting and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION

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

### **SPECIAL BUSINESS**

#### **7. APPOINTMENT OF SHRI LOKESH KUMAR SINGH AS DIRECTOR**

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

**RESOLVED THAT** Shri Lokesh Kumar Singh, in respect of whom the Company has received the Notice in writing along with a deposit of Rs. 500/- from one of the member proposing him as a candidate for the office of a director under the provisions of Section 257 of the Companies Act, 1956, and who is eligible for appointment of the office of director, be and is hereby appointed a Director of the Company liable to retire by rotation.

#### **8. REAPPOINTMENT OF SHRI JAYENDRA PATEL AS VICE CHAIRMAN & MANAGING DIRECTOR.**

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

**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the appointment of Shri Jayendra Patel, as the Vice Chairman & Managing Director of the Company for a period of 3 (Three) years effective 1<sup>st</sup> September, 2010 on the following remuneration:

#### **Remuneration**

1. Salary : Rs 50,000/- p.m. in the scale of Rs 50,000-10,000-90,000.
2. Allowances : Such amount as the Board may determine subject to a Ceiling as referred under Para 1 (B) of Section II of Schedule XIII of the Companies Act, 1956. The allowances may be paid by way of Perquisites/ Performance Linked variable Pay / Long Term Incentive Compensation including sweat equity / Bonus / Commission on profits etc.

#### **Perquisites**

Salary and allowances will include payment made by way of perquisites which shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per Income -tax Rules, 1962, and it may include followings.

- i. The Company shall reimburse expenditure incurred towards electricity, fuel charges, water charges, and all other expenses for the upkeep and maintenance of his residence.



- ii. Leave Travel Expenses : For self and family (which shall include spouse, dependent children and parents) in accordance with the Rules applicable to the Company.
- iii. The Company shall also provide and maintain a car and telephones for official use.
- iv. Payment of Club fees for two clubs and all actual entertainment expenses at the club reasonably incurred in or about the business of the Company shall be reimbursed.
- v. Medical expenses for self and family, which shall include spouse, dependant children and parents, at actuals, shall be reimbursed.
- vi. The Managing Director shall also be a beneficiary of the Group Medical Insurance and the Personal Accident Insurance Policies taken by the Company for the Management Staff of the Company.

The following perquisites which shall not be included in the computation of the ceiling on remuneration:

- Company's contribution to provident fund not exceeding such percentage of the salary as may be fixed by the Central Government from time to time and to gratuity, superannuation fund as per the rules of the Company.
- Leave in accordance with the policies applicable to Management Staff of the Company & also encashment of leave standing to his credit as per applicable policies for Management staff.

The Managing Director shall not be eligible to receive sitting fees for attending meetings of the Board of Directors or any committee thereof.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198 and 309 of the Act read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force, or otherwise as may be permissible at law.

**RESOLVED FURTHER THAT** where in any financial year, the Company has no profits or its profits are inadequate, Shri Jayendra Patel, Vice Chairman & Managing Director subject to the approval of a Remuneration Committee of the Directors of the Company shall be paid such remuneration not exceeding the ceiling limits specified under Para 1 (B) of Section II of Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above special resolution.

## 9. APPOINTMENT OF SHRI AALOK PATEL AS EXECUTIVE DIRECTOR.

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

**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the appointment of Shri Aalok Patel, as the Executive Director of the Company for a period of 5 (Five) years effective 1<sup>st</sup> July, 2010 on the following remuneration:

### Remuneration

1. Salary : Rs 20,000/- p.m. in the scale of Rs 20,000-5,000-40,000.
2. Allowances : Such amount as the Board may determine subject to a ceiling as referred under para 1 (A) of Section II of Schedule XIII of the Companies Act, 1956. The allowances may be paid by way of Perquisites/ Performance Linked variable Pay / Long Term Incentive Compensation including sweat equity / bonus / Commission on profits etc.

### Perquisites

Salary and allowances will include payment made by way of perquisites which shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per Income-tax Rules, 1962, and it may include followings.

- i. The Company shall reimburse expenditure incurred towards electricity, fuel charges, water charges, and all other expenses for the upkeep and maintenance of his residence.
- ii. Leave Travel Expenses: For self and family (which shall include spouse, dependent children and parents) in accordance with the Rules applicable to the Company.
- iii. The company shall also provide and maintain a car and telephones for official use.



- iv. Payment of Club fees for two clubs and all actual entertainment expenses at the club reasonably incurred in or about the business of the Company shall be reimbursed.
- v. Medical expenses for self and family, which shall include spouse, dependant children and parents, at actuals, shall be reimbursed.
- vi. The Executive Director shall also be a beneficiary of the Group Medical Insurance and the Personal Accident Insurance Policies taken by the Company for the Management Staff of the Company.

The following perquisites which shall not be included in the computation of the ceiling on remuneration:

- Company's contribution to provident fund not exceeding such percentage of the salary as may be fixed by the Central Government from time to time and to gratuity, superannuation fund as per the rules of the Company.
- Leave in accordance with the policies applicable to Management Staff of the Company & also encashment of leave standing to his credit as per applicable policies for Management staff.

The Executive Director shall not be eligible to receive sitting fees for attending meetings of the Board of Directors or any committee thereof.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198 and 309 of the Act read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force, or otherwise as may be permissible at law.

**RESOLVED FURTHER THAT** where in any financial year, the Company has no profits or its profits are inadequate, Shri Aalok Patel, Executive Director subject to the approval of a Remuneration Committee of the Directors of the Company shall be paid such remuneration not exceeding the ceiling limits specified under Para 1 (A) of Section II of Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution.

#### 10. INCREASE IN AUTHORISED CAPITAL.

To consider and if thought fit to pass, with or without modifications, the following as **ORDINARY RESOLUTION**:

**"RESOLVED THAT** subject to the provisions of Section 97 and all other applicable provisions, if any, of the Companies Act, 1956 or any modification or re-enactment thereof, Clause V of Memorandum of Association of the company be replaced with the following clause.

The Authorised Share Capital of the company is Rs. 15,00,00,000/- (Rupees Fifteen Crores) divided into 1,50,00,000 (One Crore Fifty lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each.

#### 11. RIGHT ISSUE :

To consider and if thought fit to pass, with or without modifications, the following as **SPECIAL RESOLUTION**:

**"RESOLVED THAT** pursuant to Section 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force) and subject to the provisions in the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to the approval, consent, permission and/or sanction, as may be necessary of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and all other concerned authorities and departments, if and to the extent necessary, and such other approval, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which the Board of Directors of the company (hereinafter referred to as "The Board" which term shall be deemed to include any committee of the Board) may agree to, at its sole discretion, the consent of the members of the company be and is hereby accorded to offer/ issue/allot such number of Equity shares of the face value of Rs. 10/- each at such price as may be fixed and determined by the Board prior to the issue and offer thereof, not exceeding Rs. 10 crores in value, including premium, (hereinafter referred to as "The Issue") on Rights basis to the existing equity shareholders of the company, in such ratio, as may be approved by the Board, in proportion to the shares held by them on a record date to be fixed by the Board at a later date, (Fractional entitlement, if any, to be rounded off to the nearest integer) or to such other person or persons (including the promoters of the company who have undertaken to take up such additional shares in case the issue being under subscribed), who may or may not be the shareholders of the company, being renounees in whose favour the rights may be renounced by the respective shareholders provided that the





Board may in its absolute discretion reject any such application without assigning any reason whatsoever, for subscription for cash, at such price per share, as may be fixed and determined by the Board prior to the issue and offer thereof in consultation with Stock Exchange or such other Authorities as may be prescribed or in accordance with such guidelines or other provisions of law as may be prevailing at that time and otherwise earning pari passu even for payment of dividend with the equity shares of the company as then issued and to retain over-subscription if any in respect of such issue to such extent as may be then permissible, and at such time or times as the Board at its absolute discretion and in the best interest of the company may deem fit”

“**RESOLVED FURTHER THAT** the offer aforesaid shall be made under a Letter of offer (LOO) specifying the number of Equity shares offered and stipulating a time not less than 15 days (or within such time as may be extended by the board of directors) from the date of offer within which time, the offer, if not accepted, will be deemed to have been declined; AND THAT after the expiry of the time specified in the Letter of Offer aforesaid or on receipt of earlier intimation from the persons to whom such Letter of Offer is given that he declines to accept the Equity shares offered, the Board of directors may dispose off the shares in such manner as they think most beneficial to the company.”

“**RESOLVED FURTHER THAT** such of these shares as are not subscribed may be disposed off by the Board thereof to such person/s as the board in its discretion think most beneficial to the company including offering or placing them with existing promoters/ employees or such other person/s as the Board / committee of directors thereof may in its absolute discretion decide.”

“**RESOLVED FURTHER THAT** the offer aforesaid may also be made with the option to the shareholders to apply for additional shares AND THAT the allotment of Additional shares to the applicants be made on an equitable basis depending upon the issue being undersubscribed or oversubscribed, in consultation with the Stock Exchange AND THAT if additional equity shares applied for are not allotted, the amount paid on application thereof shall be refunded in due course without interest.”

“**RESOLVED FURTHER THAT** these new equity shares to be issued and allotted will be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects (including voting rights and rights to dividend) with the existing Equity shares.”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the forgoing resolution, the Board of directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification (s) as they may deem fit and proper and give such directions as may necessary to settle any question or difficulty that may arise in regard to this issue and allotment of the said equity shares including the power to allot the unsubscribed equity shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company.”

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Share Transfer Books and Register of Members will remain closed from Wednesday, 01st September, 2010 to Monday, 06th September, 2010 (both days inclusive).
3. Members holding the shares in physical mode are requested to intimate immediately, change of address, if any, to the Company /Registrar quoting reference of their Registered Folio Number.
4. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.
5. Members/Proxies are requested to bring the copy of their Annual Report along with them.
6. Members desiring any information about Accounts at the meeting are requested to write to the Company at least 5 days prior to the Annual General Meeting.
7. The members who have not encashed the interim dividend warrants for the year 2004-05 are requested to send back the original dividend warrants or send the indemnity for claiming the dividend for the said year.
8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31.03.2005 which remained unclaimed for a period of seven years will be transferred by the company to the Investors' Education and Protection Fund (IEPF) established by the Central Government pursuant to the provisions of Section 205-C of the Companies Act, 1956.

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



Financial year ended	Date of declaration of dividend	Last Date for claiming unpaid Div	Due date for transfer to IEP Fund
2004-05	15.02.2005	14.02.2012	14.03.2012

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

9. The information or details pertaining to the directors retiring by rotation and being eligible for reappointment, to be provided in terms of clause 49 of the listing agreement are furnished in the Statement of Corporate Governance published elsewhere in this Report.

**BY THE ORDER OF THE BOARD**

Place: Ahmedabad  
Date: 05th August, 2010  
Registered Office:  
502-503 SAKAR III  
OPP. OLD HIGH COURT  
OFF ASHRAM ROAD  
AHMEDABAD 380014

**Jayendra Patel**  
**Vice Chairman & Managing Director**

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

**ITEM NO. 7**

**APPOINTMENT OF SHRI LOKESH KUMAR SINGH AS DIRECTOR**

Shri Lokesh Kumar Singh, who has been appointed as an additional Director under Section 260 of the Companies Act, 1956 effective from 28<sup>th</sup> January 2010 holds office upto the date of the Eighteenth Annual General Meeting of the Company as provided under Article 137 of the Articles of Association of the Company and is eligible for appointment as a Director. In terms of Section 257 of the Companies Act, 1956, the company has received the notice in writing along with a deposit of Rs. 500, from the member signifying their intention to propose the candidature of Shri Lokesh Kumar Singh for the office of director.

None of the directors are interested in the said resolution. Your directors recommends the resolution.

**ITEM NO. 8**

**REAPPOINTMENT OF SHRI JAYENDRA PATEL AS VICE CHAIRMAN & MANAGING DIRECTOR**

The Remuneration Committee in its Meeting held on 12/07/2010 has reappointed Shri Jayendra Patel as Vice Chairman and Managing Director w.e.f. 01/09/2010 for a period of three years at a remuneration not exceeding ceiling prescribed under para 1 (B) of section II of Schedule XIII of the Companies Act, 1956.

The proposed resolution also authorises the Board/Remuneration Committee to pay the remuneration as minimum remuneration in case of no profit or in adequate profit during the tenure of his appointment. However the present managerial remuneration falls within the ceiling prescribed under Section 198 of the Companies Act, 1956. The information as required to be given pursuant to guidelines issued under Schedule XIII of Companies Act, 1956 are as under:

**I. General Information**

- Nature of industry : Non Banking Financial Sector
- Financial performance based on given indicators:

	2009-10	2008-09	2007-08
Total Income/Average Total Assets	24.08%	23.3%	22.5%
Interest Expenses/Average Borrowings	10.01%	14.6%	12.3%
PAT/Average Total Assets	3.38%	3.6%	4.1%
PAT/Average Net worth	9.71%	9.9%	11.2%
Gross NPA	1.98%	3.3%	2.9%
Total Debt/Net worth	2.38	1.3	1.7

**II. Information about the appointee****• Background details:**

Shri Jayendra Patel, is a Science graduate from Gujarat University and having more than 25 years of vast business experience. He has been associated with the company since incorporation and sustained growth of the company has been achieved under his leadership as Vice Chairman & Managing Director. He is working with the company on full time basis as Vice Chairman & Managing Director of the company since long.

The members of the company have approved the appointment of Shri Jayendra Patel as Vice Chairman & Managing Director of the company for a period of five years w.e.f. 1st September 2005 in their Thirteenth Annual General Meeting held on 30th September 2005 and his term as Vice Chairman & Managing Director is expiring on 31st August 2010.

The Board of Directors have passed the necessary resolution reappointing him as Vice Chairman & Managing Director in their meeting held on 12th July 2010 subject to the approval by members in their ensuing Annual General Meeting. Thus your Board of Directors recommend you to approve his appointment as Vice Chairman & Managing Director.

**• Past remuneration:**

Salary : Rs.40,000/-per month in the scale of 40,000-2500-50000

Perquisites : Perquisites were restricted to an amount equal to the annual salary or Rs.90,000/-per annum whichever is less.

**• Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :**

As far as size of the company is concerned, it falls under the category of mid size. CEO compensation in small and mid sized companies is estimated at Rs 50 to 60 lacs per annum and industry parameter justifies salary payable to him.

The appointee holds the position since incorporation of the Company and the Company grew under his able leadership. He is designated as CEO.

The company also declares that it has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment.

None of the directors except Jayendra Patel being appointee and Smt Ritaben J. Patel, Shri Aakash Patel, Shri Aalok Patel being relatives of appointee, interested in the said resolution. Your directors recommend the resolution for approval.

**ITEM NO. 9****APPOINTMENT OF SHRI AALOK PATEL AS EXECUTIVE DIRECTOR**

The Remuneration Committee in its Meeting held on 12/07/2010 has appointed Shri Aalok Patel as Executive Director w.e.f. 01/07/2010 for a period of five years at a remuneration not exceeding ceiling prescribed under para 1 (A) of section II of Schedule XIII of the Companies Act, 1956.

The appointee is having M. S. degree in Accounting & Finance from Drake University, USA. He graduated with Honors in the top 5% trench of his class, He is a licensed Certified Public Accountant (CPA).

He has worked as an accounting & finance intern for John Deere & Co, Working for Deere, he gained experiences in Farm Credit and risk analysis. He also was an Independent Auditor working with KPMG and he excels in equity analyst and valuation also. His research has been quoted in reputable business journals. The business of the company will achieve tremendous growth with his experience in finance and marketing financial products. He is part time Professional at a very reputed College, H. L. College of Commerce and teaches there on Sunday.

The proposed resolution also authorises the Board/Remuneration Committee to pay the remuneration as minimum remuneration in case of no profit or in adequate profit during the tenure of his appointment.

The company also declares that it has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment.

None of the directors except Shri Aalok Patel being appointee and Shri Jayendra Patel, Smt Ritaben J. Patel and Shri Aakash Patel being relatives of appointee, interested in the said resolution. Your directors





recommend the resolution for approval.

**ITEM NO. 10**

**INCREASE IN AUTHORISED CAPITAL**

The Board of directors of the Company has approved the issue of equity shares on a right basis to the existing members of the company. At present the authorised share capital is Rs. 5,00,00,000/- divided into 50,00,000 Equity shares each of Rs. 10/- each. To accommodate the further issue of the capital it is proposed to increase the authorised share capital from Rs.5.00 Crores to Rs.15.00 Crores.

Pursuant to the provision of the Section 97 of the Companies Act, 1956 increase in authorised capital is to be approved by the members of the company in their general meeting by way of ordinary resolution and accordingly your directors recommend the resolution for the increase in the authorised capital from Rs. 5.00 Crores to Rs.15.00 Crores.

None of the directors are interested in the said resolution. Your directors recommend the resolution.

**ITEM NO. 11**

**FURTHER ISSUE OF EQUITY SHARES BY WAY OF RIGHT ISSUE**

The Company has net worth of Rs 811.90 lacs and borrowing of Rs 1934.89 Lacs as on March 31, 2010. This gives a Tier I CAR of 33.17%. However, your company plans disbursement of more than Rs 7000.00 lacs during current financial year. As per existing guidelines of RBI, your company can borrow maximum six times of its net worth. The Directors have, therefore, decided to recommend the issue of rights shares, the proceeds of which will be applied largely for current year disbursement programmes and margin money requirements for banks and institutions. The Directors also believe that the proposed rights issue will strengthen the equity base of the Company for its growth plans.

The Rights Shares will be offered to the holders of the existing equity shares whose names appear on the register of the Company, on such date as the Directors may hereafter fix, with the right to renounce the further equity shares, in whole or in part, in favour of nominees approved by the Directors. The shareholders who accept the offer in full will also be given the right to apply for additional shares.

The new equity shares shall rank pari passu in all respects (including voting rights and rights to dividend) with the existing equity shares

The shareholders are requested to authorise the Board of Directors to deal with any matter that may arise in connection with the proposed issue of equity shares.

The Memorandum and Articles of Association of the Company are available for inspection of any member of the Company at the registered office of the Company between the hours of 11 a.m. and 5 p.m. on any working day (i.e., excluding Saturdays, Sundays, Public Holidays or any other day on which the office of the Company remains closed).

All the Directors of the Company are concerned with or interested in the resolution to the extent to which they will have the right to subscribe to the further equity shares in proportion to their shareholding on such date as the Directors may fix.

Your directors recommend the resolutions.

Place: Ahmedabad

Date : 05th August, 2010

Registered Office :  
502-503, SAKAR III  
OPP OLD HIGH COURT  
OFF ASHRAM ROAD  
AHMEDABAD 380014

**By Order of the Board of Directors**

**Jayendra Patel**  
**Vice Chairman & Managing Director**



**DIRECTORS' REPORT**

TO THE MEMBERS,

The Directors have pleasure in presenting the Eighteenth Annual Report along with the audited accounts of the company for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS**

PARTICULARS	Year Ended 31 <sup>st</sup> March, 2010 (Rupees)	Year Ended 31 <sup>st</sup> March, 2009 (Rupees)
Income from operations	5,60,78,652	4,38,89,203
Profit before Interest, & Non cash charges, Less	3,20,67,094	2,66,43,458
Interest	1,93,80,803	1,55,30,185
Depreciation	<u>7,23,938</u>	<u>6,15,018</u>
<b>PROFIT BEFORE TAXATION</b>	<b>1,19,62,353</b>	<b>1,04,98,255</b>
Provision for Taxtion	37,00,000	35,83,000
Deferred Tax Assets	3,81,205	16,102
<b>PROFIT AFTER TAXATION</b>	<b>78,81,148</b>	<b>68,99,153</b>
Prior Period Items	NIL	NIL
Excess/(Short) Provision for earlier year	NIL	NIL
Add : Balance Brought Forward From previous year	2,47,82,534	1,93,83,381
<b>PROFITS AVAILABLE FOR APPROPRIATIONS</b>	<b>3,26,63,682</b>	<b>2,62,82,534</b>
<b>APPROPRIATIONS</b>		
Interim/Final Dividend	24,45,960	NIL
Tax on Dividend	<u>4,15,691</u>	<u>NIL</u>
Transfer to General Reserve	NIL	NIL
Transfer to Special Reserve	17,00,000	15,00,000
<b>Profit &amp; Loss A/c Surplus</b>	<b>2,81,02,031</b>	<b>2,47,82,534</b>

**DIVIDEND**

Your Directors are pleased to announce the Final Dividend for the financial year 2009-10 at the Rate of Rs. 0.60/- per Share.

**FINANCIAL PERFORMANCE**

In the year under review, the board is pleased to announce record levels on income and profits, and an unprecedented growth rate.

- Gross income rose to Rs. 560.79 lacs as compared to Rs. 438.89 lacs in the previous year showing the growth of 28%.
- The Profit Before Taxes for the year is Rs. 119.62 lacs as compared to Rs. 104.98 lacs in the previous year showing the growth of 14%.
- The net profit for the year is Rs. 78.81 lacs versus Rs. 68.99 lacs in the previous year showing the increase of 14%.

The board and management of Arman have always worked diligently towards creating long-term shareholder value and to use the principles of sound corporate governance to run the day-to-day affairs of the business. We would like to assure you that your Board will continue to uphold these traditions and strive to capitalise on right opportunities and manage the risk carefully.

**DIRECTORS:**

In accordance with Section 257 of the Companies Act, 1956 and Articles of Association of the Company, Shri Jayendra Patel, Shri Kaushik D. Patel and Shri Aakash Patel, the directors of the company retire by rotation & being eligible offer themselves for re-appointment. Your Directors recommend to reappoint them as Directors of the company.

Shri Amit Manakiwala, has resigned as Whole Time Director w. e. f. 14.10.2009 but continued as Ordinary Director on the Board.



Shri Nilesh Trivedi, the Independent Director on the Board of the company has resigned as Director w. e. f. 10-01-2010 and Shri Lokesh Kumar Singh is appointed as Independent Director on the Board w. e. f. 28-01-2010. Shri Lokesh Kumar Singh was appointed as additional Director and his term is expiring on ensuing Annual General meeting and accordingly your directors recommend to appoint him as regular director on the Board.

The term of Shri Jayendra Patel as Vice Chairman & Managing Director is expiring on 31-08-2010. Your Directors recommend to approve his reappointment as Vice Chairman & Managing Director for further period of three years on a remuneration as specified in the Notice calling Annual General Meeting.

With the increase in the work load of the company, Shri Aalok Patel, the Director of the company has been appointed as Executive Director w. e. f. 01-07.2010 for a period of five years by the Board of Directors and your directors recommend to approve his appointment as Executive Director for period of five years on a remuneration as specified in the Notice calling Annual General Meeting.

Brief resume of the Directors' retiring by rotation at the ensuing Annual General Meeting, nature of their expertise in specific functional area and name of the companies in which they hold the directorship and the Membership/Chairmanship of the Committees of the Board, as stipulated under the clause 49 of the Listing Agreement of the Stock Exchanges, are given in the section on Corporate Governance elsewhere in this Annual Report.

#### **AUDITORS:**

M/s J. T. Shah & Co., Chartered Accountants, Ahmedabad were appointed as Auditors of the Company in the Seventeenth Annual General Meeting to hold the office till the conclusion of the Eighteenth Annual General Meeting. The said Auditors retire at the conclusion of the ensuing Annual General meeting and being eligible offer themselves for re-appointment. The Auditors have furnished to Company, the requisite certificate under Section 224 (1) of the Companies Act, 1956. Your Directors recommend to reappoint them as Auditors of the company.

#### **STATUTORY COMPLIANCES:**

##### **A. PARTICULARS OF EMPLOYEES:**

The particulars of employees covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as Amended are given hereunder.

NAME	DESIGNATION	GROSS REMUNE RATION	QUALI FICA TIONS	EXPERI ENCE	DATE OF APPOIN TMENT	AGE	LAST EMPLOY MENT
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There is no employee drawing a salary of more than Rs. 24,00,000/- p.a. for the whole of the year or Rs. 2,00,000/- p.m. for the part of the year.

##### **B. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The Company has no activities relating to conservation of energy or technology absorption. The Company has no foreign exchange outgo. The Company has not earned any foreign exchange during the year.

##### **C. DEPOSITS:**

The Company does not hold any public deposits and has not accepted any public deposits from public during the year. The Company has made all compliances in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

##### **D. AUDITORS REPORT:**

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

##### **E. DEMATERIALISATION OF COMPANY'S EQUITY SHARES:**

Pursuant to Securities & Exchange Board of India's (SEBI) circular No. SMDRP/POLICY/ CIR-23/2000 DTD. 29th May 2000, the company's shares are traded in the compulsory DEMAT mode with effect from December 26, 2000 by all investors. Accordingly the equity shares of the company can be held in electronic form with any depository participant ("DP") with whom the member/investors have their Depository account. The ISIN No allotted to the equity shares of the company is INE109C01017.

##### **F. SHARE PHYSICAL AND ELECTRONIC TRANSFER AGENTS:**

Your directors are pleased to inform you that pursuant to Securities & Exchange Board of India's (SEBI) circular No. D&CC/FITTC/CIR-15/2002 DTD. 27.12.2002, the company has appointed M/s Sharepro Services (India) Pvt. Ltd., Ahmedabad for physical and electronic transfer of shares of the company w.e.f. 30th of April 2010 and members are requested to send their transfer and demat/remat requests to them at the address below.



**Sharepro Services (India) Pvt. Ltd.**  
416-420, 4<sup>th</sup> Floor, Devnandan Mall,  
Opp. Sanyash Ashram, Ellisbridge,  
Ahmedabad - 380006

**G. DIRECTORS' RESPONSIBILITY STATEMENT:**

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

- (i) That in the preparation of the accounts for the financial year ended 31st March 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That 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 frauds and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2010 on a 'Going Concern' basis.

**H. CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE:**

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai forms part of the Annual Report. The Certificate from the Auditors of the company confirming compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing agreement is attached to this report.

**I. COMPLIANCE CERTIFICATE:**

Compliance Certificate as required u/s 383A of the Companies Act, 1956 from Balvantsinh J. Vaghela, the Company Secretary in Practice forms part of the Annual Report.

**J. MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai forms part of the Annual Report. The same is attached to this report.

**K. RIGHT ISSUE OF EQUITY SHARES**

Your Directors are pleased to inform you that the Board of Directors intends to come out with the Right Issue of 48,91,920 equity shares each of Rs. 10/- each at the price of Rs. 15/- per share (Including the premium of Rs. 5/- each) in the ratio of 6 shares for each 5 shares held by the members of the company, subject to the approval of respective authorities. Separate communication in this respect will be sent to the members in due course of time. Your directors recommend the resolution for your approval which interalia gives power to the Board to alter the size and the price of the issue.

**ACKNOWLEDGMENTS:**

The Company has received very good co-operation from its bankers viz. The Sarvodaya Commercial Co-op Bank Ltd, HDFC Bank Ltd, The Ahmedabad District Co-op Bank Ltd, ICICI Bank Ltd, Small Industries Development Bank of India, AXIS Bank Ltd., IDBI Bank Ltd., United Bank of India, State Bank of India, State Bank of Patiala and the Indusind Bank Ltd. The Company looks forward to the continued co-operation from its Bankers in future also.

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

**For and on behalf of the Board**

Place: Ahmedabad.  
Date : 12<sup>th</sup> July, 2010

**CHINUBHAI R. SHAH  
CHAIRMAN**



## CORPORATE GOVERNANCE

The Company pursuant to the clause 49 of the Listing Agreement with the Stock Exchanges furnishes its report on the code of Corporate Governance as under.

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

Arman Financial Services Limited, 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 Company is committed to follow good Corporate Governance practices and policies which include having professional Directors on the Board, adopting pragmatic policies and effective systems and procedures and subjecting business processes to audits and checks measuring upto required standards.

The driving force behind the Company's management is "Tomorrow's progress Today" and baked by a culture of "High-Tech and Quality". The company quality policy is "To satisfy customer needs and retain leadership by delivering quality services through Continuous improvement by motivated employees".

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.

Your company confirms & exceeds wherever possible the prevalent mandatory guidelines on Corporate Governance.

### 2. Board of Directors

The Board of Directors consists of 8 (Eight) directors Comprising

- 1 Independent Chairman,
- 2 Independent non Executive Directors
- 2 Promoter Executive Directors
- 3 Non Executive directors.

Brief Resume of the Directors being reappointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold directorship and the membership of the committees of the Board are furnished hereunder:

- A. Shri Jayendra Patel (58) is a Science graduate from Gujarat University and having more than 25 years of vast business experience. He was in USA for more than 10 years and gained international business experience as Company Executive with Kapps Pharmaceuticals Inc. He returned to India and joined family business viz. Real Estate Development under the name and style of M/s J. B. Patel & Co. Later on he diversified into Finance business & promoted Arman Lease & Finance Ltd. He has been associated with the company since incorporation and sustained growth of the company has been achieved under his leadership as Vice Chairman & Managing Director. He was member of Finance & Banking Committee of the Gujarat Chamber of Commerce & Industry, Ahmedabad and is Committee member of the Gujarat Finance Companies Association.

He is the member of the Shareholders' Grievance Committee of the Board of Directors. He is the Vice Chairman & Managing Director of the company & successfully manages the affairs of the company

- B. Shri Kaushik D. Shah (61) is a Commerce Graduate & Chartered Accountant practising since 1975 in the areas of Income Tax & Audit. He has held various prestigious post in the Western India Regional Council of the Institute of Chartered Accountants of India and at Ahmedabad Chapter level. He was Vice Chairman of WIRC of ICAI during the year 1989-90. He is a regular Column writer in the CA journal, Ahmedabad. He is also a visiting faculty at the Indian Institute of Management, Ahmedabad, (IIMA) & several colleges of the Gujarat University. He has also held various advisory membership post at Gujarat Chamber of Commerce & Industry, Ahmedabad. At present he is the Vice President of Gujarat Chamber of Commerce and Industry, Ahmedabad.

He is the Director on the Board of Directors of reputed companies like Brady & Morris Engg. Co. Ltd, W.H. Brady & Co. Ltd, Brady Services Pvt Ltd & Amol Decalite Ltd.

He is the Director on the Board of Directors of the company since 1995. He is the Chairman of the Audit Committee and member of the Shareholders' Grievance Committee of the Board of Directors.

- C. Shri Aakash J. Patel (30), is a Graduate with BS Degree with Two Majors in Management and Computer Science from USA. He is well conversant with Information Technology and Management techniques. He is the Non Executive Director of the company since October 2000.

- D. Shri Aalok Patel (26) is having M. S. degree in Accounting & Finance from Drake University, USA. He graduated with Honors in the top 5% trench of his class, He is a licensed Certified Public Accountant (CPA) in the US.

He has worked as an accounting & finance intern for John Deere & Co, Working for Deere, he gained experiences in Farm Credit and risk analysis. He also was an independent Auditor working with KPMG and he excels in equity analysis and valuation also. His research has been quoted in reputed business journals.

- E. Shri Lokeshkumar Singh (29) is a Post Graduate Diploma in Rural Management & Bachelor of Technology-Chemical Technology. Lokeshkumar Singh is Co-founder & Managing Partner of Sanchetna Financial Services P. Ltd., based in Lucknow, UP, India. He is a Chemical Engineer from HBTI, Kanpur & a PGDRM from IRMA. He has got over four years





of professional experience in different fields. He worked in SKS Microfinance P. Ltd. (India's largest NBFC-MFI) for over 3 years & was part of its core leadership team when the organization was undergoing pan India expansion. Lokesh spearheaded the expansion in Karnataka, Maharashtra, UP, Rajasthan, Jharkhand, Bihar, Chattisgarh, Orissa, Delhi, Uttarakhand & West Bengal. During this period, he also built a team (MBAs from India's leading management institutes) from scratch. Having set up the business for SKS in UP, he is the ideal person to ensure laying a strong foundation for SAMRIDHI. He has the requisite experience, skills & knowledge of area in terms of the demographics, socio economic status and functioning of various Microfinance organizations in UP.

**3. Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:**

Name of Director		Attendance Particulars		No. of Other Directorships & Committee Member/Chairmanship		
	Category	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
C. R. Shah	C ID	4	No	15	5	3
J. B. Patel	VCMD	7	Yes	--	1	2
A. R. Manakiwala	WTD	7	Yes	--	2	--
R. J. Patel	NED	7	Yes	1	2	--
K. D. Shah	ID	4	No	5	1	1
Aakash J. Patel	NED	--	No	--	--	--
Aalok. J. Patel	NED	--	No	--	--	--
N. H. Trivedi Till 10.01.2010	ID	--	No	--	1	--
Lokesh Singh w. e. f. 28.01.2010	ID	1	No	2	--	--

C - Chairman, VCMD - Vice Chairman & Managing Director,  
WTD – Wholetime Director, NED - Non-Executive Director, ID - Independent Director

**4. Number of Board Meetings held and the dates on which held**

07 (Seven) Board Meetings were held during the year. The dates on which the meetings held were 30.04.2009, 14.07.2009, 21.07.2009, 28.10.2009, 03.12.2009, 28.01.2010 and 27.02.2010. The maximum time gap between two meetings was not more than three calendar months. None of the Directors of the Company was a member of more than ten Committee nor was the Chairman of more than five Committees across all Companies in which he was a Director.

**5. Board Committees**

**A. Standing Committees**

The Company has the following standing Committees of the Board.

**(i) Audit Committee**

The Board of Directors of the Company has constituted the Audit Committee, comprising Three independent, Non-Executive Directors viz. Shri K. D. Shah, Chairman, Shri C. R. Shah and Smt Rita Patel. 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.

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, as follows:

- a. To Monitor Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, audit fee and for payment for any other services.
- c. Reviewing with management the quarterly, half-yearly and annual financial statements before submission to the Board focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) the going concern



assumption, (v) compliance with accounting standards (vi) compliance with Stock Exchange and legal requirements concerning financial statements and (vii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

- d. Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussions with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussions with external auditors before the audit commences, nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) any creditors.

During the year, the Committee met 4 times. The Statutory Auditors and the Internal Auditors of the Company were also invited to attend the Audit Committee meetings. All the Committee members were present at all the meetings.

#### (ii) Shareholders'/Investors' Grievance Committee

The Board of Directors of the Company has constituted a Shareholders'/ Investors' Grievance Committee, comprising of Shri C. R. Shah, Chairman, Shri K. D. Shah & Shri Jayendra Patel. The Committee, inter alia, approves issue of duplicate certificates & overseas & reviews all matters connected with the securities transfers. The Committee also looks into redressal of shareholder's complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer Agents, & recommends measures for overall improvement in the quality of investor services. The Board of Directors have delegated the power of approving transfer of securities to the Managing Director and the Whole Time Director.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of conduct for Prevention of Insider Trading" and authorised the Committee and monitor the various requirements as set out in the Code.

The Board has designated Shri Amit Manakiwala, the Director, as the Compliance Officer.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, was 01. Outstanding complaints as on 31st March, 2010 were Nil. No requests for dematerialization were pending for approval as on 31<sup>st</sup> March, 2010, which were approved and dealt with during April, 2010.

#### (iii) Project Advisory Committee

The Board of Directors of the Company has constituted a Project Advisory Committee, comprising of Shri Jayendra Patel, Shri Amit Manakiwala, Shri A. C. Sahu, DGM, SIDBI and Shri Nrupesh Shah, CA. The Committee, inter alia, review the Project performance of SIDBI approved Micro Financing Project and recommends the approval and disbursement of SIDBI Term loans.

#### (iv) Share Allotment & Transfer Committee

The Board of Directors of the Company has constituted a Share Allotment & Transfer Committee, comprising of Shri Jayendra Patel, Chairman and Shri Amit Manakiwala, the member. The Committee, inter alia, review and approve the transfer/transmission/demat of equity shares of the company as submitted by Sharepro Services (India) Pvt. Ltd., the Registrar and Transfer Agent of the company.

#### (v) Remuneration Committee

The Board of Directors of the Company has constituted a Remuneration Committee, comprising of Shri Nilesh Trivedi, Chairman and Smt Rita Patel, the member. The Committee, inter alia, review and approve the remuneration payable to Executive Directors of the Committee. The Committee met once in a year and recommended the reappointment of Shri Amit Manakiwala for a period of five years. However Shri Amit Manakiwala, has resigned as Whole Time Director w. e. f. 14.10.2009 and continued as ordinary Director on the Board.

### 6. Details of remuneration to Directors for the year

The aggregate value of salary and perquisites including commission payable for the year ended 31st March, 2010 to the Managing Director/Wholetime Directors is as follows:



Shri Jayendra Patel, Vice Chairman & Managing Director and Shri Amit Manakiwala, Whole Time Director, The aggregate value of salary and perquisites paid was Rs. 8,89,980/-.

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 5000/- for attending each meeting of the Board and Committee thereof respectively. The sitting fees paid for the year ended 31st March, 2010 to the Directors are as follows:-

Shri C. R. Shah.	Rs. 52,000/-
Shri K. D. Shah.	Rs. 52,000/-
Smt Rita Patel.	Rs. 40,000/-
Shri Amit Mankiwala	Rs. 5,000/-

#### 7. Annual General Meetings

Location and time for last 3 Annual General Meetings were as follows:

Year	Location		Date	Time
2006-2007	ATMA HALL	Ahmedabad	28.09.2007	02.00 p.m.
2007-2008	ATMA HALL	Ahmedabad	25.09.2008	12.00 p.m.
2008-2009	ATMA HALL	Ahmedabad	25.09.2009	01.30 p.m.

During the year ended 31st March, 2010, there were NO resolutions passed through postal ballot. At present, no special resolution is proposed to be passed through postal ballot.

#### 8. a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

#### b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

There are no penalties, strictures imposed on the company in any relation during last three years.

#### 9. Means of communication

a. Quarterly un-audited financial results for the quarter ended 30.06.2009, 30.09.2009, and 31.12.2009 were advertised in Western Times, a leading English and Gujarati news papers at Ahmedabad and for the quarter ended 31.03.2010 in The Economic Times, Ahmedabad – English & Gujarati Daily and also posted on our website regularly.

b. AFSL has its website at [www.armanindia.com](http://www.armanindia.com)

c. The company has an email and it is [finance@armanindia.com](mailto:finance@armanindia.com)

d. Investor's Helpline:

As Mandated by SEBI, the Company has designated a separate email ID [secretarial@armanindia.com](mailto:secretarial@armanindia.com) for registering any grievances. An investor can directly approach the company for his complain / grievance at Registered Office of the company or through email.

SEBI has launched a website '<http://investor.sebi.gov.in/>', exclusively for Investor Assistance, Awareness and Education.

For any assistance or grievance investors can also contact at Office of Investor Assistance & Education, Exchange Plaza, Wing II, 4<sup>th</sup> Floor, Bandra Kurla Complex, Bandra (E), Mumbai-400051 (Tel: 022 26598509; Fax: 022 26598514/18 email: [igcc@sebi.gov.in](mailto:igcc@sebi.gov.in))

e. The Management Discussion and Analysis (MD&A) forms part of the Directors' report, which is annexed herewith separately.

#### 10.0 General Shareholder Information

##### 10.1 Annual General Meeting

Date and Time : 06th September, 2010 - 12:30 P.M.

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

##### 10.2 Financial Calendar 2010-11 (tentative)

Results for the quarter ending 30.06.2010	: Last Week July 2010
Results for the quarter ending 30.09.2010	: Last Week Oct. 2010
Results for the quarter ending 31.12.2010	: Last Week Jan. 2011
Results for the quarter ending 31.03.2011	: Last Week April 2011
Annual General Meeting	: Last Week Sept. 2011



**10.3 Book closure date** : 01st September, 2010 to 06th September, 2010

**10.4 Dividend payment date:** 10th September, 2010

**10.5 (a) Listing of Equity Shares on Stock Exchanges at:** **1. The Stock Exchange, Mumbai**  
**2. The Stock Exchange, Jaipur**

Note: (i) Annual listing fees for the year 2010-11, as applicable, paid/ will be paid to the concerned Stock Exchanges.

(ii) Pursuant to the shareholders' resolution passed the 12<sup>th</sup> Annual General Meeting held on 27.09.2004, the equity shares of the company have been delisted from the Stock Exchange, Ahmedabad w.e.f. 31.03.2005.

**10.6 (a) Stock Code:** 1. The Stock Exchange, Mumbai - 531179ARMANFIN  
2. The Stock Exchange, Jaipur - 00670ARMAN

**(b) Demat ISIN Number in NSDL & CDSL for Equity Shares:** ISIN No. INE 109C01017

**10.7 Stock Market Data (In Rs./per share)**

	<b>Bombay Stock Exchanges (BSE)</b> ( In Rs. Per share)	
	Month's High Price	Month's Low Price
April, 2009	7.35	8.94
May, 2009	8.50	7.19
June, 2009	10.20	7.77
July, 2009	13.65	8.60
August, 2009	9.00	7.81
September, 2009	9.04	7.75
October, 2009	8.97	6.90
November, 2009	8.09	6.51
December, 2009	10.00	7.27
January, 2010	12.42	9.00
February, 2010	11.02	9.04
March, 2010	15.23	8.21

**10.8 Registrars and Transfer Agents:** PINNACLE SHARE REGISTRY PVT. LTD.  
(Share transfers and communications NEARASHOKA MILLS  
regarding share certificates, dividends NARODAROAD, AHMEDABAD 380025  
and change of Address) email: [investor.service@psrpl.com](mailto:investor.service@psrpl.com)

Till 30.04.2010

**Sharepro Services (India) Pvt. Ltd.**  
416-420, 4<sup>th</sup> Floor, Devnandan Mall,  
Opp. Sanyash Ashram, Ellisbridge,  
Ahmedabad – 380006  
email: [sharepro@sharesproservices.com](mailto:sharepro@sharesproservices.com)

w.e.f. 30.04.2010

**10.9 Share Transfer System**

The company's shares which are in compulsory dematerialised (demat) list are transferable through the depository System. Shares in physical form are processed by the Registrars and Share Transfer Agents, M/s Sharepro Services (India) Pvt. Ltd., Ahmedabad and approved by the Transfer and Allotment Committee of the company. The share transfers are processed within a period of 10 to 15 days from the date of receipt, and returned to the respective shareholders, subject to the document being valid and complete in all respects.

**10.10 Distribution of Shareholding as on 31st March, 2010**

<b>CATEGORY</b>	<b>%</b>
Promoters - Indian	36.40
Banks	0.00
Bodies Corporate	2.58
Indian Public	50.37
NRIs/OCBs	10.65
<b>Total</b>	<b>100.00</b>

**10.11 Dematerialization of Shares**

Over 80 % of the Company's paid-up equity share capital has been dematerialized as per notification issued by the Securities and Exchange Board of India (SEBI). The shareholders holding equity shares in physical form are requested to send the demat request form (DRF) alongwith the share certificate through their Depository Participant (DP) to share holders to demat their shares.

Liquidity: AFSL Shares are liquid on Indian Stock Exchanges.

**10.12 Address for Correspondence**

(i) **Investor Correspondence** - For transfer/dematerialization of shares, payment of dividend on shares, and any other query relating to the shares of the Company.

\* For Shares held in

Physical form

**Sharepro Services (India) Pvt. Ltd.**

416-420, 4<sup>th</sup> Floor Devnandan Mall,  
Opp. Sanyash Ashram, Ellisbridge, Ahmedabad-380006  
Email: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

\* For Shares held in

Demat Form

to the concerned

Depository Participant (DP)

(ii) **Any query on Annual Report**

ARMAN FINANCIAL SERVICES LIMITED  
502-503, SAKAR III, OPP OLD HIGH COURT  
OFF ASHRAM ROAD, AHMEDABAD 380014  
e-mail: [finance@armanindia.com](mailto:finance@armanindia.com)

**10.13 Transfer of unclaimed amounts to Investor Education and Protection Fund**

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

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**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

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To,

**The Members of Arman Financial Services Limited**

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

We have examined the compliance of conditions of Corporate Governance by Arman Financial Services Limited, for the year ended on March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information & according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholder's Grievances Committee.

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

**For J. T. SHAH & COMPANY  
CHARTERED ACCOUNTANTS**

Place: AHMEDABAD

Date: July 12, 2010

**(J. J. SHAH)  
PARTNER  
M. No. 45669**





### **C.E.O. Certification**

I hereby certify to the Board of Directors of Arman Financial Services Limited that:

- a. I have reviewed financial statements and the cash flow statement for the year ended on 31/03/2010 and that to the best of my knowledge and belief;
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my 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. I accept responsibility for establishing & maintaining internal controls for financial reporting & that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting & I have disclosed to the auditors, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the auditors.
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which I 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**

Place: Ahmedabad  
Date: 12/07/2010

**Jayendra Patel**  
**Vice Chairman & Managing Director**

### **ANNEXURE TO DIRECTORS' REPORT** **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

Your Directors are pleased to present the Management Discussion and Analysis Report for the year ended on 31<sup>st</sup> March, 2010.

The management feels that it will be prudent to draw the attention of the reader that any business projections or forward-looking statements are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statements 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. While there is no assurance that any list of risks and uncertainties or risk factors is complete, there are no limitations to the factors that could cause actual results to differ materially from those in any of the projections or forward-looking statements.

### **BUSINESS ENVIRONMENT** **ECONOMIC SCENARIO**

By the end of Fiscal 2009, the Indian economy was reeling under pressures emanated from the global economic crisis and the prospects for economic growth in FY10 were expected to remain muted. The world economy has been through a severe recession, the worst in the last 70 years, marked by financial turmoil, large-scale destruction of wealth, and declines in global output and trade. The global crisis, which began in the financial sector in the developed countries exposed a number of unresolved fragilities within the increasingly integrated world financial system and affected the real economy. With our worst fears of the prolonged global recession behind us, management's confidence for future growth has never been stronger. Management is confident about the prospects of business growth in the next 12 months for the country's economy.

Following the global financial and economic turmoil in 2008 and parts of 2009, 2010 was a year of stability and significant restoration of confidence in global market. The stability in the global economy has been challenged to some extent by several new developments in Europe, for example, Greece and Spain.

Although China's overall economic growth continues to outpace India's, India enjoys relatively stronger domestic demand that bolsters a robust economic outlook. The Prime Minister's office estimates India's economy to grow by 8.5% in 2010-11, up from 7.2% in 2009-10 and 6.7% in 2008-09. Economic growth prospects are expected to improve significantly in fiscal 2011 as the private sector demand - both consumption as well as investment - begins to pick up. However, the government consumption demand is expected to be moderate on account of fiscal consolidation plan and expected gradual withdrawal of stimulus packages announced earlier by the Indian government. Nonetheless, the focus of government spending on infrastructure sector would continue to support growth.

India's unexpectedly acceleration in inflation is causing despair in several segments in the economy. It touched double-digit levels in May 2010, and is expected to remain a high level until the first quarter of fiscal 2011. Interest rates are also expected to rise from the current levels primarily due to monetary tightening by the RBI in an attempt to rein in inflationary



pressures. Prices are rising in tandem with strengthening consumer demand, evidenced by the 17.6% surge in industrial output in April 2010. The Reserve Bank of India says it will tighten the monetary policy at a “moderate” pace given the risks to economic expansion from Europe’s sovereign-debt crisis.

Exports growth also turned positive from October 2009 after declining for 12 consecutive months. Net FII inflows into India revived to US\$ 23.6 billion during April-December 2009 compared to net outflows of US\$ 11.3 billion during the corresponding period in the previous year.

During fiscal 2010, equity markets recovered significantly, with the BSE Sensex increasing by 80.5% from 9,709 at March 31, 2009 to 17,528 at March 31, 2010. The rupee appreciated from Rs. 51 per US dollar at year-end fiscal 2009 to Rs. 45 per US dollar at year-end fiscal 2010.

### **FUTURE OUTLOOK**

The Indian economy is likely to continue to outperform its global counterparts in the year ahead. As mentioned above, the GDP is expected to grow by around 8% against an average world growth of 3.9%. Investment and capacity expansion will be a crucial link in driving the recovery forward, while an optimistic domestic demand should help it absorb any issues caused due to rising interest rates and inflation. With private capital and infrastructure spending likely to gather ground, the ongoing recovery will be sustainable onto the next financial year and will also translate into greater advance in credit growth and stronger growth prospects for the financial sector in general. Focus on investment in the next fiscal year is likely to render India as an attractive market that is well positioned to take advantage of both structural and cyclical gains while its strong domestic base is likely to limit the impact of external stress on growth dynamics and returns.

RBI policies are geared to support the growth momentum by maintaining macro economic and financial stability and ensuring that there is smooth flow of credit to the productive sectors of the economy. Given the strong fundamentals of the Indian economy and the successful policies of RBI, there does not appear to be any major concern for the financial stability for financial services sectors.

### **ARMA'S BUSINESS OPERATIONS**

Arma is a category 'A' Non Banking Finance Company (NBFC). A majority of NBFC's operate mostly in unorganized and underserved segment of the economy and mostly serve niche market for themselves. This is in contrast to the Banks, wherein NBFC's business model is characterized by very close customer interaction and relationship and a deep understanding of customer needs. If we at Arma were to pick one distinctive criterion that separates us from a Bank, is the last mile credit delivery. NBFC's have contributed significantly towards the steady increase in the credit penetration levels. There is certainly a long-term role for NBFCs whose contribution to the economy can in fact go-up, if they get greater parity in regulatory treatments. We at Arma 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.

Arma operates in two major business segments, which will be discussed in detail below.

1. JLG Microfinance
2. Asset-backed Microfinance (Two-wheeler/three-wheeler financing)

### **REAL ESSENCE OF GROUP BASED (JLG) MICRO FINANCE**

Overall, credit penetration levels in India still remains low as compared to the developed countries despite the rapid credit growth in recent past. Thus financial intermediaries like NBFC's are presented with big opportunities to not only meet the rapidly growing credit needs of mainstream borrowers but also to address the huge untapped demand of borrowers dependent largely on informal channels. This is where our efforts in Microfinance activities play a meaningful long-term role.

Microfinance is the supply of small loans and other financial services to people with a low income that would otherwise have no access to credit from traditional banks and financial institutions. Microfinance is seen by many as a viable solution to reduce poverty and people reshaping their lives.

In a period of financial meltdown, where in the anatomy of the global financial markets was completely rewritten, one category of financial institutions remained not only unaffected but grew in all parameters. Big financiers face big defaults that are industry related in an increasingly interconnected global economy and are so humongous in nature, they can wipe out the big financiers themselves. However, this is not the case with MFIs. Micro finance still hums, despite global financial crisis because it is somewhat resistant to some of the volatility now plaguing the financial markets. That's because the MFI's customers work on projects unaffected by large-scale global banking woes.

Big financiers lend to the most credit worthy corporations against collateral security and they fail while we lend to poor women whom nobody in history considered credit worthy. However, these so-called “non-bankable” clients are paying their loans with the lowest default rate in the industry.

Why so? What lessons do the big financiers have to take from MFI's. Well the lesson here is that lending against collateral security can blind you, and the need for checking the capacity for repayments is sometimes overlooked. When the value of the collateral security comes crumbling down, the giants who has borrowed trillions of dollars also comes down like a house of cards.

We at Arma do not just depend on the collateral. We access the cash flow of borrowers and leave cushion to ensure repayment. Our loans sizes are small that are well within the repayment capacity of the borrower. and they qualify for little higher loan if they repay the first loan. Secondly, we do not have brokers in Micro finance who can fiddle with documents and data for the loan sanction. What we have is fixed rate of interest rate and fixed higher ceiling. Our Field Officers are trained to ensure that loans do not exceed the client's repayment capacity.



We only lend to group of ladies where in if one borrower defaults, the whole group is made responsible. Therefore, other members put social pressure on the defaulter to repay which is remarkably effective. This lending model, coined Joint-Liability Group (JLG) model, was established by Dr. Muhammad Yunus and the bank he founded, Grameen Bank, which created a new category of banking by granting millions of small loans to poor people with no collateral helping to establish the microcredit movement across the developing world. He won the Nobel Peace Prize for his work related to the Microfinancing. He once quoted the following; "Whatever the banks did, I did the opposite. If banks lent to the rich, I lent to the poor. If banks lent to men, I lent to women. If banks made large loans, I made small ones. Banks required collateral, and my loans were collateral-free. If banks required a lot of paperwork, my loans were illiterate-friendly. If you had to go to the bank to get a loan, I went to the village. That was my strategy." Arman operates under this very same principal. We at Arman feel that our financial system, which of course is small but sound, has failed to reach hundreds of millions of people who are in dire need of credit delivery at their doorstep. Our challenge will be to move from micro loans to mini loans, which will transform poor borrowers from objects of pity to objects of envy. We want to act as an intermediary to help people enhance and improve their lives, so every person in India can pursue 'happiness'.

#### **JLG MICROFINANCE OPERATIONS**

Arman's Micro Finance operations are in full swing with 14 branches fully operational all over Gujarat in urban, semi-urban, and rural areas. Arman expects to have 37 branches fully operational by the end of fiscal 2010-11.

Within 18 month of operations, Arman's has a total disbursement in JLG Microfinance activities approaching 12 crore with approximately 12,000 members. Arman expects to have disbursements of Rs. 50 Crore in microfinance activities by the end of fiscal 2010-11.

All the systems, including H.R., MIS, Accounts, Operations, and Internal Controls have been tediously developed and are fully operational.

#### **ASSET-BACKED MICROFINANCE (TWO-WHEELER/THREE-WHEELER FINANCING)**

Arman remains committed to its two-wheeler and three-wheeler segment, and is classified as the individual assets-backed microfinance by the company.

In the past fiscal year, the company opened new operational branches at Mehsana and Baroda. The total disbursement in asset-backed microfinance equaled approximately Rs. 25 crore in the past fiscal year. The business segment had 5315 active borrowers for the year in review, and the portfolio outstanding stood at approximately Rs. 29 crore.

Arman operates in almost all the major dealers in Ahmedabad, and the financing 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 competitors, the feedback we receive from the customers, and the amount of repeat customers we get on a yearly basis.

#### **CREDIT RATING**

Arman has been rated four times in last four years by very reputed rating agencies of India. In the previous 3 fiscal years, the rating was provided by an agency by the name of M-Cril from Gurgaon who specializes in rating Microfinance Institutions. Arman has received excellent rating of Alpha Minus all the three times except the last time when it's financial performance was given Alpha evedencing even a better performance. In the current fiscal year, the rating was provided by CRISIL, a Standard & Poor's company and India's leading Ratings and Research firm. CRISIL provided Arman a 'BB/Stable' rating.

#### **RESOURCES AND LIQUIDITY**

Being a category 'A' NBFC registered with R.B.I., Arman is eligible to accept the public deposits, but the company did not accept any deposits from public and does not intend to accept public deposits in the near future. The company continues to enjoy a high reputation with institutional fund providers and rating agencies. Arman enjoys various credit facilities, including cash credit and term loans, from various banks like State Bank of India, HDFC Bank Ltd, SIDBI, Axis Bank, ICICI Bank Ltd., IDBI Bank, State Bank of Patiala, United Bank of India, and Ananya Finance (FWWB).

In addition, Board of Directors of the Company at its meeting held on June 17, 2010, has taken the decision to issue equity shares on right basis.

#### **RISK AND CONCERNS**

The Company's risk philosophy involves the developing and maintaining a healthy portfolio within its risk appetite and the regulatory framework. While the company is exposed to various types of risk, the most important among them are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The measurement, monitoring management of risk remains key focus areas for the company. For credit risk, distinct underwriting policies and processes are in place, separately for retail credit and micro financing exposures. Business and revenue growth have therefore to be weighed in the context of the risks implicit in the finance company's business strategy.

In retail loan businesses, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, on going post-disbursement monitoring and remedial management procedures. Overall portfolio diversification and reviews also facilitate mitigation and management.

The company manages the credit risk through prudent selection of clients, delegation of appropriate lending powers and by stipulating various prudential limits. Arman maintains a conservative approach and the process undergoes thorough scrutiny by higher-level management executives. Given the granularity of individual exposures, retails credit risk is managed largely on a portfolio basis, cross various products and customer segments.



**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 31<sup>st</sup> March 2010. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded :
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies under the Act and the rules made thereunder. No other forms / documents are required to be filed with Regional Director, Central Government, Company Law Board or other authorities.
3. The company, being public limited company, the comments are not required.
4. The Board of Directors duly met 07 (SEVEN) times on 30.04.2009, 14.07.2009, 21.07.2009, 28.10.2009, 03.12.2009, 28.01.2010 and 27.02.2010 in respect of which meetings' proceedings were properly recorded and signed including the circular resolutions passed in the Minutes book maintained for the purpose :
5. The company has closed its Register of Members from 21.09.2009 to 25.09.2009 during the year under scrutiny and necessary compliance under Section 154 of the Act has been made.
6. The annual general meeting for the financial year ended on 31.03.2009 was held on 25.09.2009 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) not made any allotment of shares and delivered all the Certificates on lodgment thereof for transfer / transmission or any other purpose in accordance with the provisions of the Act.
  - (ii) Not declared any dividend during the year under review.
  - (iii) Not declared any dividend during the year and therefore payment/postage of warrants and transfer of dividend is not applicable.
  - (iv) Transfer of unpaid dividend, pending application money for allotment, unpaid / matured unclaimed deposits etc is not applicable as there is no such amount pending with the company for the year under review.
  - (v) duly complied with the requirements of Section 217 of the Act;
14. The Board of Directors of the company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made ;
15. The Company has not made any appointment of Managing director and Executive director or Manager during the financial year under review.
16. There is no appointment of sole selling agents in the company and therefore not applicable.
17. The company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year under review.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder;
19. The company has not issued any shares/debentures/other securities during the financial year.
20. The company has not bought back any shares during the financial year ending 31.03.2010.
21. The company has not issued any preference shares/debentures till date.
22. The company has not issued any dividend, right shares and bonus shares during the year and therefore it is not required to keep in abeyance any such rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not accepted any public deposits during the year and there are no public deposits outstanding as on 31.03.2010 and therefore compliance of Section 58A/58AA is not applicable.
24. The amount borrowed by the Company from Directors, banks, financial institutions during the financial year ended 31.03.2010 are within the borrowing limits of the company and that the necessary resolutions as per Section 293(1) (d) of the Act, have been passed in the duly convened annual / Extra ordinary general meeting of the company.
25. The company has not made any loans or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose, necessary Register of Investment is maintained for the Investment made by the company in compliance with the provisions of the Act;
26. The company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum with respect to the objects 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..

**FOR BALVANTSINH J. VAGHELA**  
**PLACE : AHMEDABAD**  
**DATE : 12.07.2010**

**COMPANY SECRETARY**

**B. J. VAGHELA**  
**CP 2186**

**ANNEXURE – A**

Registers as maintained by the company

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

**ANNEXURE – 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 31<sup>st</sup> March 2010.

Sr No.	Particulars of Form	Form No	Under Section	Date of Filing	Receipt / Challan No
1	Intimation of Auditors Appointment for FY 2008-09	23B	224(1A)	07.04.2009	S00372995
2	Creation of Hypo charge in favour of IDBI Bank Ltd for Rs. 300.00 lacs.	8	125	13.04.2009	A59743666
3	Satisfaction of Charge of UTI Bank for Rs.200.00 lacs	17	138	15.04.2009	A59910711
4	Creation of Hypo charge in favour of SIDBI For Rs.100.00 lacs	8	125	22.04.2009	A60403615
5	Creation of Hypo charge in favour of United Bank of India For Rs.500.00 lacs	8	125	29.07.2009	A66144049
6	Compliance Certificate for F.Y. 2008-09	66	383	06.10.2009	P35396985
7	Annual Report - Balance Sheet FY 2008-09	23AC	220	23.10.2009	P37052578
8	Annual Report - Profit & Loss Account FY 2008-09	23ACA	220	23.10.2009	P37052578
9	Intimation in change of Designation of Director - Shri Amit Manakiwala WTD to ordinary Director	32	303(2)	09.11.2009	A72351786
10	Creation of Hypo charge in favour of State Bank of Patiala For Rs. 300.00 lacs	8	125	12.11.2009	A72612153
11	Annual Return as at 25.09.2009	20B	159	16.11.2009	P40996340
12	Creation of Hypo charge in favour of AXIS Bank For Rs. 300.00 lacs	8	125	14.12.2009	A74542077
13	Intimation of Auditors Appointment for FY 2009-10	23B	224(1A)	24.11.2009	SO1909258
14	Satisfaction of Charge of HDFC Bank for Rs. 200.00 lacs.	17	138	11.01.2010	A76164078
15	Resignation of Shri Nilesh Trivedi as Director and Appointment of Shri Lokesh Singh as Director	32	302(2)	06.02.2010	A78020369
16	Satisfaction of Charge of SIDBI for Rs. 100.00 lacs	17	138	10.03.2010	A80223654
17	Satisfaction of Charge of Sarvodaya Com Co-op Bank for Rs. 122.00 lacs	17	138	25.03.2010	A81406480



**Auditors' Report**

To,  
The Members of  
**ARMAN FINANCIAL SERVICES LIMITED Ahmedabad.**

We have audited the attached Balance Sheet of **Arman Financial Services Ltd.** as at 31st March, 2010, the Profit & Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto (herein after referred to as financial statements). These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
3. Further to our comments in the Annexure referred in para 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
    - (b) In the case of the Profit and Loss Account, of the **Profit** of the Company for the year ended on that date; **and**
    - (c) In the case of the Cash flow Statement, of the **Cash Flow** for the year ended on that date.

**FOR, J T SHAH & COMPANY  
CHARTERED ACCOUNTANTS  
(REGISTRATION NO. 109616W)**

**PLACE: AHMEDABAD  
DATED: 12.07.2010**

**(J. J. SHAH)  
PARTNER  
[M. No. 45669]**

**ANNEXURE**

**Referred to in paragraph 3 of our report of even date for the year ended 31st March 2010.**

- 1) In respect of Fixed Assets:
  - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. As per the information and explanations given to us, all the fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed on such verification.
  - c. During the year, the Company has not disposed off any major/substantial part of the fixed assets.
- 2) In respect of its Inventories:
  - a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. On the basis of our examination of the records of inventory, we are of opinion that the Company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and books records.
- 3) In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 :
  - a. During the year under audit, there are twelve parties covered in the register maintained under section 301 of the Companies Act, 1956 from whom the company has taken loans. The year end balance is amounting to Rs. 99.07 Lacs and the maximum amount involved during the year was Rs. 124.35 Lacs.
  - b. 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.
  - c. There are no stipulated terms for repayment of loans taken by the company from the companies/ firms / parties listed in the register maintained under section 301 of the Companies Act, 1956. Hence we are not able to give comment on para (iii) (c) & (d) of the Companies (Auditor's Report) Order, 2003.
  - d. 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)(e) to (iii)(g) of para 4 are not applicable.
- 4) In our opinion and according to the information and explanations given to us, the internal control system for purchase of fixed assets and for sanction, disbursements and recovery of loans given by the Company are adequate and commensurate with the size of the Company and present nature of its business. During the course of audit we have not observed any continuing failure to correct major weakness in internal controls.
- 5) In respect of contract or arrangements covered under Section 301 of the Companies Act, 1956:
  - a. Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that the contract or arrangements that need to be entered into the register maintained under section 301 have been so entered.
  - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Act, in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.



- 6) During the year, the Company has not accepted any deposits from the public within the meaning of provisions of Sections 58A and 58AA and relevant other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- 7) In our opinion, the Company 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:
- According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income-tax, sales-tax, wealth-tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it except there is a short fall in payment of Advance Tax.
  - According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty and Excise Duty were outstanding, as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.
  - According to the records of the Company, the dues of sales tax, income tax, customs, wealth-tax, excise duty, cess which have not been deposited on account of disputes and the forum where the dispute is pending are as under:

Name of the Statute	Nature of the Dues	Period to which the amount relates (A.Y.)	Amount (Rs. In Lacs)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2001-2002	2.99	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2001-2002	5.35	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2002-2003	4.11	Income Tax Appellate Tribunal Ahmedabad
Income Tax Act, 1961	Income Tax	2002-2003	6.04	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2005-2006	0.83	Income Tax Appellate Tribunal
		<b>Total. . . .</b>	<b>19.32</b>	

- 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 respects of shares, securities, debentures and other investments dealt or traded by the company, proper records are maintained in respect of transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
- 15) As per the information provided to us, The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16) In our opinion, and according to the information and explanations given to us, on overall basis, the term loans have been applied for the purpose for which they were obtained.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been prima-facie used for long-term investment.
- 18) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company has not issued any Debentures and therefore the question of creating the securities in respect thereof does not arise.
- 20) During the year, the Company has not raised any money by way of Public issues.
- 21) Based upon the audit procedures performed and information and explanations given 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 & COMPANY  
CHARTERED ACCOUNTANTS  
(REGISTRATION NO. 109616W)

PLACE: AHMEDABAD

DATE: 12.07.2010

(J. J. SHAH)  
PARTNER  
[M. No. 45669]

#### AUDITOR'S REPORT

To,  
The Board of Directors  
Arman Financial Services Limited  
Ahmedabad

In terms of Reserve Bank of India, Department of Financial Companies Notifications No. DFC117/DG(SPT)-98 dated 31st January, 1998, we report that :

- The Company has received Registration Certificate, as provided in Section 451A of the Reserve Bank of India Act, 1934 (2 of 1934) from Reserve Bank of India on 06.11.1998
- The Company has not accepted any public deposits during the year ended on 31-03-2010.
- The Company complied with the prudential norms relating to income recognition, accounting standards, assets classification and provisioning for bad and doubtful debts and concentration of the Credit/investments as specified in the direction issued by the Reserve Bank.
- Capital Adequacy Ratio as disclosed in the return submitted to the Reserve Bank of India in terms of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 has been correctly determined and such ratio in compliance with the minimum Capital to Risk Assets Ratio prescribed by the Reserve Bank of India.
- The Company has furnished half yearly Return on Prudential Norms to Reserve Bank of India within time prescribed to the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- The Company has furnished return on Deposits to Reserve Bank of India within time prescribed in the First Scheduled to the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- The Company has not accepted any public deposits and hence sub clause no. (ii), (iii) (vi) and (ix) of Clause 3 (B) of the said Notification are not applicable to the company.

FOR, J T SHAH & COMPANY  
CHARTERED ACCOUNTANTS

PLACE: AHMEDABAD

DATE: 12.07.2010

(J. J. SHAH)  
PARTNER  
[M. No. 45669]

ARMAN FINANCIAL SERVICES LIMITED  
BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	Schedule No.	31/03/2010 Rs.	31/03/2009 Rs.
<b>SOURCES OF FUNDS</b>			
1. Shareholders' Funds :			
(a) Share Capital	1	40,766,000	40,766,000
(b) Reserves and Surplus	2	<u>37,562,587</u>	<u>32,543,090</u>
		<b>78,328,587</b>	<b>73,309,090</b>
2. Loan Funds :			
(a) Secured Loans	3	183,581,457	93,857,179
(b) Unsecured Loans	4	<u>9,907,999</u>	<u>4,035,000</u>
		<b>193,489,456</b>	<b>97,892,179</b>
3. Deferred Tax Liability (Net)		<u>1,318,282</u>	<u>937,076</u>
<b>Total.....</b>		<b><u>273,136,325</u></b>	<b><u>172,138,345</u></b>
<b>APPLICATION OF FUNDS</b>			
1. Fixed Assets			
Gross Block	5	13,578,115	11,656,611
Less : Depreciation		<u>3,565,398</u>	<u>3,509,962</u>
		<b>10,012,717</b>	<b>8,146,649</b>
2. Investments	6	<b>200,000</b>	<b>Nil</b>
3. Current Assets, Loans & Advances			
(a) Current Assets	7	43,531,118	26,559,245
(b) Loans & Advances	8	<u>226,675,576</u>	<u>140,417,700</u>
		270,206,694	166,976,945
4. Less : Current Liabilities & Provisions			
(a) Current Liabilities	9	3,935,457	2,502,285
(b) Provisions	10	<u>3,347,629</u>	<u>482,965</u>
		7,283,086	2,935,250
Net Current Assets		<b><u>262,923,608</u></b>	<b><u>163,991,695</u></b>
		<b><u>273,136,325</u></b>	<b><u>172,138,345</u></b>
Notes to Accounts	15		
As per our report of even date attached.			
For, J. T. SHAH & COMPANY CHARTERED ACCOUNTANTS		For & On behalf of Board of Directors	
(J. J. SHAH) PARTNER	Jayendra Patel Vice Chairman & Managing Director	Amit Manakiwala Director	
Place : Ahmedabad Date : 12/07/2010			



**ARMAN FINANCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

PARTICULARS	Schedule No.	Rupees	31/03/2010 Rs.	31/03/2009 Rs.
<b>INCOME</b>				
1. Income from Operations	11	56,078,652		43,889,203
2. Other Income	12	<u>25,950</u>		108,831
			<b><u>56,104,602</u></b>	<b><u>43,998,034</u></b>
<b>EXPENDITURE</b>				
1. Administrative & Other Expenses	13	24,037,508		17,354,576
2. Interest	14	19,380,803		15,530,185
3. Depreciation	5	<u>723,938</u>		615,018
			<b><u>44,142,249</u></b>	<b><u>33,499,779</u></b>
<b>PROFIT BEFORE TAXATION</b>			<b>11,962,353</b>	<b>10,498,255</b>
Less : Provision for Taxation				
-- Current Tax			(3,700,000)	(3,500,000)
-- Fringe Benefit Tax			Nil	(83,000)
-- Deferred Tax Assets/ (Liability)			(381,206)	(16,102)
<b>PROFIT AFTER TAXATION</b>			<b><u>7,881,148</u></b>	<b><u>6,899,153</u></b>
Excess / (Short) Provision of Earlier Years			Nil	Nil
			<b><u>7,881,148</u></b>	<b><u>6,899,153</u></b>
Add : Balance B/F from last year			<u>24,782,534</u>	<u>19,383,381</u>
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b><u>32,663,682</u></b>	<b><u>26,282,534</u></b>
Proposed Dividend			2,445,960	Nil
Corporate Dividend Tax Thereon			415,691	Nil
Transfer to Special Reserve as per Sec 45(IC) of RBI Act			1,700,000	1,500,000
<b>BALANCE CARRIED TO BALANCE SHEET</b>			<b><u>28,102,031</u></b>	<b><u>24,782,534</u></b>
Basic and Diluted Earning per Shares			1.93	1.69
Notes to Accounts			15	
As per our report of even date attached.				

For, J. T. SHAH & COMPANY  
CHARTERED ACCOUNTANTS

For & On behalf of Board of Directors

(J. J. SHAH)  
PARTNER

Place : Ahmedabad  
Date : 12.07.2010

Jayendra Patel  
Vice Chairman &  
Managing Director

Amit Manakiwala  
Director



ARMAN FINANCIAL SERVICES LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2010.

	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
<b>A: Cash from Operating Activities :</b>		
Net Profit before Taxation and Adjustment For :	11,962,353	10,498,255
Depreciation	723,938	615,018
NPA Provisions(Net)	3,013	8,049
Loss/ (Profit) on Sale of Investments	Nil	(525)
Loss on Sale of Fixed Assets	177,398	Nil
Interest Paid	19,380,803	15,530,185
Dividend Income	(25,950)	(108,306)
	20,259,202	16,044,421
Operating Profit Before Working Capital changes :	<b>32,221,555</b>	<b>26,542,676</b>
Adjustment For :		
Inventory	(116,507)	1,006,972
Trade and Other Receivables	(86,039,364)	12,385,675
Trade Payables	1,357,666	686,128
	(84,798,205)	14,078,774
Cash Generated From Operations	<b>(52,576,650)</b>	<b>40,621,450</b>
Income Tax Paid	(4,728,233)	(4,826,943)
Fringe Benefit Tax Paid	-	(84,464)
Interest Paid	(19,380,802)	(15,530,185)
	(24,109,035)	(20,441,592)
	<b>(76,685,685)</b>	<b>20,179,858</b>
<b>B: Cash Flow From Investment Activities :</b>		
Purchase of Fixed Assets	(3,174,404)	(214,179)
Sale of Fixed Assets	407,000	Nil
Purchase of Investments	(200,000)	Nil
Sale of Investmensts	Nil	1,500
Dividend Received	25,950	108,306
Net Cash from Investment Activities	(2,941,454)	(104,373)
<b>C: Cash Flow From Financing Activities :</b>		
Proceeds From Long Term Borrowings	107,500,000	12,352,000
Repayment of Long Term Borrowings	(58,263,300)	(25,584,525)
Proceesd From Short Term Borrowings	50,452,578	4,580,752
Repayment of Short Term Borrowings	(4,016,495)	(8,279,152)
Dividend Paid	Nil	(480)
Net Cash from Financing Activities	95,672,783	(16,931,405)
Net Increase in Cash & Cash Equivalents	16,045,644	3,144,081
Cash & Cash Equivalents at the Beginning	19,401,890	16,257,809
Cash & Cash Equivalents at the End	35,447,534	19,401,890

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.
- (2) Cash and cash equivalents at the end includes Rs. 74,590 /- (Prev. Year Rs.74,590/-) in respect of unclaimed dividends which are not available for use by the Company.
- (3) Cash and cash equivalent at the end includes Rs. 3,44,07,818/- (Previous year Rs. 1,90,83,102/- ) in respect of Fixed Depsoits pledged with the banks which are not available for use by the company

FOR, J. T. SHAH & COMPANY  
CHARTERED ACCOUNTANTS

For & On behalf of Board of Directors

(J. J. SHAH)  
PARTNER

Jayendra Patel  
Vice Chairman &  
Managing Director

Amit Manakiwala  
Director

Place : Ahmedabad  
Date : 12.07.2010





**ARMAN FINANCIAL SERVICES LIMITED**  
**SCHEDULES "1 TO 15" FORMING THE PART OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31st MARCH, 2010**

PARTICULARS	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL :</b>		
<b>Authorised Capital :</b>		
5,000,000 (Prev. Year 5,000,000) Equity Shares of Rs. 10/- each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, Subscribed &amp; Paid up Capital :</b>		
4,076,600 (Prev. Year 4,076,600) Equity Shares of Rs. 10/- each fully paid up	<u>40,766,000</u>	<u>40,766,000</u>
<b>Total.....</b>	<b><u>40,766,000</u></b>	<b><u>40,766,000</u></b>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS :</b>		
<b>a. General Reserve :</b>		
Balance as per last Balance Sheet	625,556	625,556
<b>b. Special Reserve</b>		
Balance as per last Balance Sheet	7,135,000	5,635,000
Add: Transferred from Profit & Loss A/c.	<u>1,700,000</u>	<u>1,500,000</u>
	8,835,000	7,135,000
<b>c. Profit and Loss Account</b>		
	<u>28,102,031</u>	<u>24,782,534</u>
<b>Total.....</b>	<b><u>37,562,587</u></b>	<b><u>32,543,090</u></b>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS :</b>		
a. Term Loans from Banks (secured against specific book debts and personal guarantee of one of the Director )	100,448,826	53,452,390
b. Term Loans from Financial Institutions (Secured by Hypothecation of hypothecated assets and also by personal guarantee of some of the Directors )	21,085,142	19,680,000
c. Working Capital Loans form Banks (Secured by way of Mortgage of Office Premises, specific Book debt and also by personal guarantee of some of the Directors )	60,680,191	20,192,613
d. Vehicle Loan from Bank (Secured by hypothecation of Vehicle)	1,367,299	532,176
<b>Total.....</b>	<b><u>183,581,457</u></b>	<b><u>93,857,179</u></b>
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS :</b>		
a. From Directors & their Relatives	<u>9,907,999</u>	<u>4,035,000</u>
<b>Total.....</b>	<b><u>9,907,999</u></b>	<b><u>4,035,000</u></b>



PARTICULARS	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
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**SCHEDULE - 5  
FIXED ASSETS :**

Sr. No.	Description of the Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As at 01/04/2009	Additions during the Year	Deduction on A/c. of Sale / Transfer or Adjustment	As at 31/03/2010	As at 01/04/2009	Provided during the Year	Deduction on A/c. of Sale / Transfer or Adjustment	As at 31/03/2010	As at 31/03/2010	As at 31/03/2009
<b>OWN ASSETS :</b>											
1	Plant & Machinery	140,000	Nil	Nil	140,000	19,476	6,650	Nil	26,126	113,874	120,524
2	Furniture & Fixture	2,316,073	152,390	Nil	2,468,463	1,367,263	141,934	Nil	1,509,197	959,266	948,810
3	Air Conditioner	108,754	57,650	Nil	166,404	15,178	6,213	Nil	21,391	145,013	93,576
4	Electric Installation	157,707	Nil	Nil	157,707	84,191	7,490	Nil	91,681	66,026	73,516
5	Office Equipments	649,408	407,049	Nil	1,056,457	271,687	102,006	Nil	373,693	682,764	377,721
6	Vehicles	3,274,243	2,557,315	1,252,900	4,578,658	973,612	377,975	668,502	683,085	3,895,573	2,300,631
7	Office Building	5,010,426	Nil	Nil	5,010,426	778,555	81,670	Nil	860,225	4,150,201	4,231,871
	<b>Total .....</b>	<b>11,656,611</b>	<b>3,174,404</b>	<b>1,252,900</b>	<b>13,578,115</b>	<b>3,509,962</b>	<b>723,938</b>	<b>668,502</b>	<b>3,565,398</b>	<b>10,012,717</b>	<b>8,146,649</b>
	<b>P.Y. Total.....</b>	<b>11,442,432</b>	<b>214,179</b>	<b>Nil</b>	<b>11,656,611</b>	<b>2,894,944</b>	<b>615,018</b>	<b>Nil</b>	<b>3,509,962</b>	<b>8,146,649</b>	<b>-</b>

**SCHEDULE - 6  
INVESTMENTS :**

**Long Term Investments (Non Trade) :**

**Unquoted**

a. 8000 Shares (P.Y. Nil) of Sarvodaya Commercial Co-op Bank Ltd. of Rs. 25/- each fully paid up	200,000	Nil
<b>Total.....</b>	<b><u>200,000</u></b>	<b><u>Nil</u></b>

**SCHEDULE - 7  
CURRENT ASSETS :**

**(Considered Good unless otherwise stated)**

**STOCK IN TRADE :**

(As Certified by Directors)

a. 150 Shares (Prev. Year 150) of Ausom Enterprise Ltd. (Formerly known as Core Emblich Ltd.) of Rs. 10/- each fully paid up	2,532	1,373
b. 400 Shares (Prev. Year 400) of Rolta India Ltd. of Rs. 10/- each fully paid up	71,580	23,020
c. 100 Shares (Prev. Year 100) of Rolatiner Ltd. of Rs. 10/- each fully paid up	32,785	4,985
d. 80 Shares (Prev. Year 80) of Silverline Ltd. of Rs. 10/- each fully paid up	428	483
e. 32 Shares (Prev. Year 32) of Silverline Animation Ltd. of Rs. 10/- each fully paid up	320	212
f. 660 Shares (Prev. Year 660) of Pentamedia Graphics Ltd. of Rs. 1/- each fully paid up	1,709	911
g. 45,000 Shares (Prev. Year 20,000) of Sanara Media Ltd. of Rs. 1/- each fully paid up	16,650	6,200
h. 800 Shares (Prev. Year 800) of Shreerama Multi Ltd. of Rs. 5/- each fully paid up	4,280	2,880
i. 100 Shares (Prev. Year 100) of Trygen Technology Ltd. of Rs. 10/- each fully paid up	2,030	800



PARTICULARS	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
j. 1 Shares (Prev. Year 1) of Reliance Capital Ltd. of Rs. 10/- each fully paid up	226	226
k. 254 Shares (Prev. Year 127) of Reliance Ind. Ltd. of Rs. 10/- each fully paid up	120,767	120,767
l. 70 (Prev. Year 70) of BGR Energy Ltd. of Rs. 10/- each fully paid up	33,600	9,979
m. 27 Shares (Prev. Year 27) of Reliance Comm. Ltd. of Rs. 5/- each fully paid up	4,589	4,721
n. 2 Shares (Prev. Year 2) of Reliance Infrastructure Ltd. of Rs. 10/- each fully paid up	1,272	1,031
o. 27 Shares (Prev. Year 27) of Reliance Natural Resources Ltd of Rs. 5/- each fully paid up	122	122
p. 5 Shares (Prev. Year 5) of Chola Mandalam Fin. Ltd. of Rs. 10/- each fully paid up	469	128
q. 5 Shares (Prev. Year 5) of Ashok Leyland Fin. Ltd. of Rs. 1/- each fully paid up	178	91
r. 5 Shares (Prev. Year 5) of First Leasing of Rs. 10/- each fully paid up	213	149
s. 5 Shares (Prev. Year 5) of HDFC Bank Ltd. of Rs. 10/- each fully paid up	3,594	3,594
t. 5 Shares (Prev. Year 5) of ICICI Bank Ltd. of Rs. 10/- each fully paid up	2,498	1,664
u. 5 Shares (Prev. Year 5) of Indusind Bank Ltd. of Rs. 10/- each fully paid up	159	159
v. 5 Shares (Prev. Year 5) of Kotak Mahindra Bank Ltd. of Rs. 10/- each fully paid up	1,222	1,222
	<u>301,223</u>	<u>184,716</u>
<b>SUNDRY DEBTORS :</b>		
<b>Unsecured, Considered good unless otherwise stated</b>		
<b>a. Outstanding for a period exceeding six months :</b>		
Good		
Secured	3,516,336	1,368,787
Unsecured	<u>1,516,003</u>	<u>1,916,715</u>
	5,032,339	3,285,502
Doubtful	<u>Nil</u>	<u>Nil</u>
	5,032,339	3,285,502
<b>b. Others :</b>		
Good		
-- Secured	2,542,397	2,983,345
-- Unsecured	<u>207,625</u>	<u>703,793</u>
	2,750,022	3,687,138
Doubtful	<u>Nil</u>	<u>Nil</u>
	<u>2,750,022</u>	<u>3,687,138</u>
	<b><u>7,782,361</u></b>	<b><u>6,972,640</u></b>



PARTICULARS	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b><u>CASH AND BANK BALANCES :</u></b>		
a. Cash on Hand	106,712	17,349
b. Balance with Scheduled Banks		
- In Current A/c.	9,389	108,412
c. Balance with Non-scheduled Banks		
- In Current A/c.	923,617	193,027
(Maximum Debit Balance at any time during the year Rs. 56349215/- ) (Prev. Year Rs. 23642911/-)		
- Fixed Deposit A/c.	34,407,816	19,083,102
(Maximum Debit Balance at any time during the year Rs. 35229940/-) (Prev. Year Rs. 20968750/-)		
<b>Total.....</b>	<b><u>35,447,534</u></b>	<b><u>19,401,890</u></b>
	<b><u>43,531,118</u></b>	<b><u>26,559,245</u></b>
 <b><u>SCHEDULE - 8</u></b>		
<b><u>LOANS AND ADVANCES :</u></b>		
<b><u>Considered good unless otherwise stated</u></b>		
a. <b><u>Secured</u></b>	136,165,484	118,897,244
Loan Secured by Hypothication of Assets (Refere Note No. 13 of the "Schedule 15")		
b. <b><u>Unsecured</u></b>		
Loans to Companies, Firms & Individuals (Refere Note No. 14 of the "Schedule 15")	88,162,484	18,689,844
c. Advances recoverable in cash or kind or for value to be received (Unsecured)	874,261	1,396,789
d. Deposits	1,151,134	2,252,500
e. Advances to Staff	195,800	83,143
f. Advance Income-Tax & TDS	126,413	(901,820)
<b>Total....</b>	<b><u>226,675,576</u></b>	<b><u>140,417,700</u></b>
 <b><u>SCHEDULE - 9</u></b>		
<b><u>CURRENT LIABILITIES :</u></b>		
a. Sundry Creditors	3,478,283	2,212,050
b. Security Deposits (Repayable within One Year Rs. 65020/- (Prev. Year Rs. Nil)	140,526	65,020
c. Others	242,058	150,625
d. Unclaimed Dividend	74,590	74,590
<b>Total.....</b>	<b><u>3,935,457</u></b>	<b><u>2,502,285</u></b>
 <b><u>SCHEDULE - 10</u></b>		
<b><u>PROVISIONS</u></b>		
a. Provision for Proposed Dividend	2,445,960	Nil
b. Provision for Corporate Dividend Tax on Proposed Dividend	415,691	Nil
c. Provision for NPA	485,978	482,965
<b>Total.....</b>	<b><u>3,347,629</u></b>	<b><u>482,965</u></b>



PARTICULARS	For the year ended 31/03/2010 Rs.	For the year ended 31/03/2009 Rs.
<b>SCHEDULE - 11</b>		
<b>INCOME FROM OPERATIONS :</b>		
a. Interest Income (TDS Rs. 304352/-) (P.Y. TDS Rs.421744/-)	55,068,001	43,128,418
b. Income from Loan	894,144	816,616
c. Share Trading Income	116,507	(55,831)
<b>Total.....</b>	<b><u>56,078,652</u></b>	<b><u>43,889,203</u></b>
<b>SCHEDULE - 12</b>		
<b>OTHER INCOME :</b>		
a. Profit on Sale of investment	Nil	525
b. Dividend	25,950	108,306
<b>Total.....</b>	<b><u>25,950</u></b>	<b><u>108,831</u></b>
<b>SCHEDULE - 13</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES :</b>		
a. Payment made to Employees (Including Director's Salary Rs. 8,89,980/- ) (Prev. Year Rs. 9,13,660/-)		
- Salary and Bonus	5,533,069	4,526,836
- Staff Welfare Expenses	<u>188,578</u>	<u>158,681</u>
	5,721,647	4,685,517
b. Rent, Rates and Taxes	247,749	117,373
c. Electricity Expenses	164,458	140,388
d. Security & Recovery Expenses	744,370	411,370
e. Insurance	56,611	54,849
f. Repairs to		
(a) Building	20,364	158,605
(b) Plant & Machinery	Nil	Nil
(c) Others	<u>193,212</u>	<u>74,475</u>
	213,576	233,080
g. Printing, Stationery & Advertisement	775,715	457,292
h. Postage & Telephone Expenses	568,120	538,816
i. Travelling, Conveyance & Vehicle Maintenance (Including Director's Travelling Rs. 39158/-) (P.Y. Rs. 96,433/-)	517,416	325,546
j. Legal & Professional Expenses	3,509,527	2,285,664
k. Sales Incentive Exp.	2,825,502	2,273,146
l. Marketing Expenses	3,866,314	1,735,143
m. Remuneration to Auditors	221,078	113,719
n. Director's Sitting Fees	149,000	144,000
o. Loss on Sale of Fixed Assets	177,398	Nil
p. Bad Debts & Irrecoverables W/off (Net)	3,193,378	2,749,384
q. Provision for N.P.A. (Net)	3,013	8,049
r. Sundry Balance Written Off	845,895	931,513
s. General Expenses	236,741	149,727
<b>Total.....</b>	<b><u>24,037,508</u></b>	<b><u>17,354,576</u></b>
<b>SCHEDULE - 14</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
On Term Loans	11,741,389	11,477,350
On Other Loans and Bank Charges	7,639,414	4,052,835
<b>Total.....</b>	<b><u>19,380,803</u></b>	<b><u>15,530,185</u></b>
<b>SCHEDULE - 15</b>		
<b>Notes Forming Part of The Accounts For The Year Ended 31st March, 2010.</b>		
<b>1. Significant Accounting Policies</b>		
<b>(a) Method of Accounting</b>		
The Company follows accrual method of accounting.		
<b>(b) Revenue Recognition</b>		
<b>(i) Interest on Loan against:</b>		
Interest on Loan against hypothecation of vehicle is recognised in the year in which the installment falls due as per the terms of contract.		





- (ii) Income is not recognized in respect of Non Performing Assets, as per the guidelines for prudential norms prescribed by the Reserve Bank of India.
- (c) **Fixed Assets**  
All the assets are stated at cost less depreciation, after taking into consideration provision for NPA.
- (d) **Depreciation**  
The depreciation on assets for own use is provided on straight line method at the rates Specified in Schedule XIV of the Companies Act, 1956 on Pro-rata Basis.
- (e) **Investments**  
Long Term Investments are stated at cost. Provision is made for any diminution in the market value of the Quoted Investments. The Company does not have any Current Investments.
- (f) **Stock In Trade**  
Stock in Trade is valued at Lower of Cost and net realizable value. Cost is determined on FIFO basis.
- (g) **Retirement Benefits**
  - a) 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.
  - b) 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 is charged to the profit and loss account.
- (h) **Borrowing Cost**  
Borrowing costs are capitalized as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.
- (i) **Provision for Taxation**  
Provision for taxation has been made in accordance with the tax laws and rules applicable to the relevant assessment year.
- (j) **Deferred Taxation**  
Deferred Tax resulting from timing differences between book and tax profit is accounted for under the liability method, at the current rates of tax, to the extent that the timing differences are expected to crystallise.
- (k) **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.
- (l) **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 Securitisations with other financiers is provided in books as per past track records of delinquency / servicing of the loans of the Company.

**1. Contingent liabilities not provided for: -**

- (a) Disputed Demand of Income Tax Rs. 58.70 Lacs (Previous year Rs.58.70 Lacs) (Against which the Company has paid Rs. 11.00 Lacs [Previous year Rs.11.00 Lacs] under protest which are shown as advances)

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

<b>A. The Amounts (In Rs.) Recognized In The Balance Sheet Are As Follows:</b>		
<b>Particulars</b>	<b>Gratuity Defined Benefit Obligation 31/03/2010</b>	<b>Gratuity Defined Benefit Obligation 31/03/2009</b>
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	110726	95359
Unrecognized past service cost	-	-
Net liability	110726	95359
Amounts in the balance Sheet		
Liabilities	110726	95359
Assets	-	-
<b>Net liability</b>	<b>110726</b>	<b>95359</b>


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

Particulars	Gratuity Defined Benefit Obligation 31/03/2010	Gratuity Defined Benefit Obligation 31/03/2009
Current service cost	17585	19806
Interest on obligation	7867	5295
Expected return on plan assets	-	-
Net actuarial losses (gains) recognized in year	(10085)	3232
Past service cost	-	-
Losses (gains) on curtailments and settlement	-	-
Total, included in 'employee benefit expense'	15367	28333
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 31/03/2010	Gratuity Defined Benefit Obligation 31/03/2009
Opening defined benefit obligation	95359	67026
Service cost	17585	19806
Interest cost	7867	5295
Actuarial losses (gains)	(10085)	3232
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	110726	95359

**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 31/03/2010	Gratuity Defined Benefit Obligation 31/03/2009
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 31/03/2010	Gratuity Defined Benefit Obligation 31/03/2009
Government of India Securities	0.00%	0.00%
High quality corporate bonds	0.00%	0.00%
Equity shares of listed companies	0.00%	0.00%
Property	0.00%	0.00%
Insurance Company	0.00%	0.00%



<b>F. Principal Actuarial Assumptions At The Balance Sheet Date (Expressed As Weighted Averages):</b>		
<b>Particulars</b>	<b>Gratuity Defined Benefit Obligation 31/03/2010</b>	<b>Gratuity Defined Benefit Obligation 31/03/2009</b>
Discount rate	8.25 %	7.90 %
Expected return on plan assets	-	-
Proportion of employees opting for early retirement	-	-
Annual increase in Salary costs	5.00%	5.00%
Future changes in maximum state health care benefits	-	-

<b>G. Gratuity Benefit Amount for the current period are as follow</b>		
<b>Particulars</b>	<b>Gratuity Defined Benefit Obligation 31/03/2010</b>	<b>Gratuity Defined Benefit Obligation 31/03/2009</b>
Defined benefit obligation	110726	95359
Plan assets	-	-
Surplus/(deficit)	(110726)	(95359)
Experience adjustments on plan liabilities	(4650)	-
Experience adjustments on plan assets	-	-
Actuarial Loss/(Gain) due to change in assumption	(5435)	-
Actuarial Loss/(Gain) due to participant experience	(4650)	-
Actuarial Loss/(Gain) on liabilities	(10085)	-
Net Actuarial Loss/(Gain) on liabilities	(10085)	-

**3. Segment Reporting:**

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

**4. Related Party Disclosures :**

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

**A) Key Management Personnel**

Mr. Jayendrabhai Patel  
Mr. Amitbhai Manakiwala

**B) Relatives of Key Management Personnels**

<b>Name of Party</b>	<b>Related party Relationship</b>
Mrs. Ritaben J. Patel	Relative of Key Management Personnel
Mr. Aakash J. Patel	Relative of Key Management Personnel
Mr. Alok J. Patel	Relative of Key Management Personnel
J.B.Patel HUF	Key Management personnel is Karta
Raj Enterprise	Key Management personnel is Proprietor
Himani Manakiwala	Relative of Key Management Personnel
Maulik Manakiwala	Relative of Key Management Personnel
J B Patel & Co.	Key Management personnel is co-owner


**Details of Transactions are as follows:**

Sr. No.	Nature of Transactions	Key Management Personnels	Relatives of Key Management	Personnel Total
1	Expenses			
	Remuneration & Perquisites	889980 (913660)	Nil (Nil)	889980 (913660)
	Sitting Fees	5000 (Nil)	40000 (40000)	45000 (40000)
	Interest Paid	258740 (242682)	1407470 (1319296)	1666210 (1561978)
	Rent Paid	Nil (Nil)	19856 (Nil)	19856 (Nil)
	Professional Fees	210000 (Nil)	Nil (Nil)	210000 (Nil)
2	Unsecured Loan			
	Loan taken by company during the year	2170000 (1691484)	6595000 (1950000)	8765000 (3641484)
	Loan Repaid by the company during the year	2484664 (2435692)	3321482 (7462407)	5806146 (9898099)
	Balance out standing at 31/03/2010	774076 (830000)	7685988 (3005000)	8460064 (3835000)

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 Sh.Jayendra Patel Rs. 21,70,000 (P.Y. Rs. 16,91,484), from Smt. Himani A. Manakiwala Rs. 5,25,000 (P.Y. Rs. 10,00,000), from Smt. Ritaben J. Patel Rs. 25,50,000 (P.Y. Rs. 2,00,000), from Aakash J. Patel Rs. 15,00,000 (P.Y. Nil), from Aalok J. Patel Rs. 13,65,000 (P.Y. Nil), from Jayendra Patel (HUF) Rs.80,000 (P.Y. Rs.Nil), Unsecured Loan repayments includes paid to Sh.Jayendra Patel Rs. 24,84,664 (P.Y. Rs. 24,35,692), to Smt. Himani A. Manakiwala Rs. NIL (P.Y. Rs. 19,75,000), to Smt. Ritaben J. Patel Rs. 23,20,709 (P.Y. Rs. 21,32,800), to Aakash Patel Rs. Nil (P.Y. Rs. 13,65,543), to Aalok Patel Rs. 2,41,277 (P.Y. Rs. 13,29,436), Interest paid includes to Sh. Jayendra Patel Rs. 2,58,740 (P.Y. Rs. 2,42,682), to Sh. Aakash Patel Rs. 3,86,585 (P.Y. Rs. 3,19,219), To Sh. Aalok Patel Rs. 3,07,798 (P.Y. Rs. 2,86,622), to Smt. Ritaben J Patel Rs. 3,49,312 (P.Y. Rs.3,54,304), to J B Patel (HUF) Rs. 1,82,789 (P.Y. Rs. 1,75,501), Balance Outstanding includes of Sh.Jayendra Patel Rs. 7,74,076 (P.Y. Rs. 8,30,000), of sh. Aakash Patel Rs. 25,32,165 (P.Y. Rs. 9,60,000), Sh.Aalok Patel Rs.18,86,535 (P.Y. Rs. 6,20,000), of Smt Ritaben Patel Rs. 10,28,603 (P.Y. Rs. 4,50,000), of J B Patel (HUF) Rs. 10,96,964 (P.Y. Rs. 9,75,000), Remuneration includes payment to Sh. Jayendra Patel Rs. 6,39,749 (P.Y. Rs. 5,54,255) and to Sh. Amit Manakiwala Rs. 2,50,231 (P.Y. Rs. 3,10,409), Sitting Fees included paid to Smt. Ritaben Patel Rs. 40000 (P.Y. Rs. 40000) and Sh.Amitbhai R. Manakiwala Rs. 5,000 (P.Y.Rs.Nil), Rent includes paid to Sh. J B Patel & Co. Rs. 19,856 (P.Y. Nil), Professional Fees includes paid to Sh.Amitbhai R. Manakiwala Rs. 2,10,000 (P.Y.Rs.Nil)

**5. Major components of deferred tax assets and liabilities arising out of timing differences are as follows:**



		2009-2010 Amount Rs.	2008-2009 Amount Rs.
<b>1</b>	<b>Deferred Tax Asset on account of</b>		
	Provision for NPAs that are allowable for Tax purpose in the year of actual loss	1,65,184	1,64,160
	Provision for Gratuity	37,636	32,413
	<b>Total Deferred Tax Assets</b>	<b>2,02,820</b>	<b>1,96,572</b>
	<b>Deferred Tax Liability on account of</b>		
	Additional Depreciation on Fixed Assets for Tax purpose due to higher tax depreciation rates.	15,21,102	11,26,851
	Allowance U/s 40 (a)(ia)	Nil	6,798
	<b>Total Deferred Tax Liability</b>	<b>15,21,102</b>	<b>11,33,649</b>
	<b>Net Deferred Tax Liability</b>	<b>13,18,282</b>	<b>9,37,076</b>

6. Earning Per Share

	2009-2010 Amount Rs.	2008-2009 Amount Rs.
Numerator used for calculating Basic and Diluted Earning Per Share (Profit After Tax)	78,81,148	68,99,153
Weight Average No. of Shares used as denominator for calculating Basic and Diluted Earning Per Share	40,76,600	40,76,600
Nominal Value per Share	10	10
<b>Basic and Diluted earning per Share</b>	<b>1.93</b>	<b>1.69</b>

7. Balances are subject to confirmation.

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

9. Remuneration Paid to Directors is as under :

	For the Year Ended 31-3-2010	For the Year Ended 31-3-2009
Salary & Bonus	795976	821312
Perquisites	57404	43352
PF	36600	48996
<b>Total...</b>	<b>889980</b>	<b>913660</b>

10. Auditor's Remuneration includes :

	For the Year Ended 31-3-2010	For the Year Ended 31-3-2009
Audit Fees	110300	56180
Tax Audit Fees	33090	16854
Taxation Matters	22060	11236
Certification & Others	55628	29449
<b>Total...</b>	<b>221078</b>	<b>113719</b>

11. 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.

12. Share Trading Income includes Rs. 1,16,507/- (P.Y. Rs. 1,22,271/-) on account of (diminution)/ increase in the market value of closing stock. There is no an actual sale or purchase of shares during the year.





13. Loans Secured by Hypothecation includes Rs. 8,39,176/- (P.Y. Rs. 14,29,202/--) out standing portfolio on which NPA provisions of Rs. 83,918/- (P.Y. Rs. 1,42,920/-) has been made.
14. Loans to Companies, Firms & Individual includes Rs. 5,04,100 /- (P.Y. Rs. 9,63,907/-) out standing portfolio on which NPA provisions of Rs. 50,410/- (P.Y. Rs. 96,391/-) has been made.
15. Sundry Debtors includes Rs. 32,73,426/- (P.Y. Rs. 24,09,816/-) principal out standing on which NPA provisions of Rs. 3,51,650/- (P.Y. Rs. 2,43,654/-) has been made.
16. Bad debts & Irrecoverable W/off are shown net off bad debts recovery during the year amounting to Rs. 1,40,077/- (P.Y. Rs. 1,79,641/-).
17. NPA Provision are shown net off NPA Provision written back during the year amounting to Rs. 4,08,258/- (P.Y. 3,53,131/-).
18. Current Account with Banks includes Rs. 74,590/- (Prev. Year Rs. 74,590/-) in Unpaid Dividend Account.
19. Loans secured by hypothecation of Assets (Vehicles) are secured by hypothecation of the Assets (Vehicles) under finance. In opinion of the Board, the market value of the hypothecated Assets (Vehicle) as on Balance Sheet date is more then the amount of Loan Outstanding.
20. To the extent of available information, at the year-end, there were no outstanding amounts due to S.S.I Units in excess of Rs. 1,00,000/-.
21. (a) **Particulars in respect of Opening Stock, Purchases, Sales and Closing Stock of Shares (As Certified by Directors).**

	As at 31-3-2010		As at 31-3-2009	
	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)
Opening Stock	22611	184716	12611	1191687
Purchase	** 25127	Nil	** 19000	Nil
Sales	Nil	Nil	9000	951140
Closing Stock	47738	301223	22611	184716

\*\* Purchase includes 25127 **Bonus shares** received during the year (P.Y. 1000) and Nil shares received on **sub-division of shares** (P.Y. 18000.)

(b) **Particular of Mutual Funds purchased and sold during the financial year 2009-2010.**

Sr. No.	Particular	Purchase during the year		Sold during the year	
		Units	Value (Rs.)	Units	Value (Rs.)
1	HDFC Cash Management Fund -SPP- Dividend Plan	Nil (1759471.17)	Nil (1,80,50,180)	Nil (1759471.17)	Nil (1,80,50,180)
2	Reliance Liquid Fund - Dividend Plan	Nil (1597514.68)	Nil (3,50,67,000)	Nil (1597514.68)	Nil (3,50,67,000)
3	GFRD IDFC Money Manager Fund	1439934.85 (Nil)	14522713.15 (Nil)	1439934.85 (Nil)	14522713.15 (Nil)
	<b>Total</b>	1439934.85 <b>(3356985.85)</b>	14522713.15 <b>(531,17,180)</b>	1439934.85 <b>(3356985.85)</b>	14522713.15 <b>(531,17,180)</b>

22. As required in terms of Paragraph 13 of Non-Financial Companies Prudential Norms (Reserve Bank) Directions, 2007, schedule to the Balance Sheet of a Non-Banking Financial Company are annexed hereto.  
(Amount in Rs.)
23. Earning in foreign currency - Nil (Nil)
24. Expenditure in foreign Currency Nil (Nil)
25. Previous years figure have been regrouped / rearranged wherever necessary so as to make them comparable with those of the current year.

**Signature to Schedules "1" to "15"**

**As per our report of even date attached.**

**FOR, J T SHAH & COMPANY  
CHARTERED ACCOUNTANTS**

**(J J SHAH)  
PARTNER**

**Place: Ahmedabad  
Date: 12.07.2010**

**For & On behalf of Board of Directors**

**Jayendra Patel  
Vice Chairman &  
Managing Director**

**Amit Manakiwala  
Director**



**ARMAN FINANCIAL SERVICES LIMITED  
(FORMERLY KNOWN AS ARMAN LEASE AND FINANCE LIMITED)  
Schedule to the Balance Sheet of a Non-Banking Financial Company**

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

(Rs. In lakhs)

Particulars			
<b>(1)</b>	<b>Liabilities side:</b>		
	<b>Loan and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>	<b>Amount Outstanding</b>	<b>Amount overdue</b>
	(a) Debentures: Secured	NIL	NIL
	Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
	(b) Deferred Credits	NIL	NIL
	(c) Term Loans	1229.01	NIL
	(d) Inter-Corporate loans and borrowing	NIL	NIL
	(e) Commercial Paper	NIL	NIL
	(f) Public Deposits*	NIL	NIL
	(g) Other Loans (specify nature)	705.88	NIL
	* Please see Note 1 below		
<b>(2)</b>	<b>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):</b>		
	(a) In the form of Unsecured debentures	NIL	NIL
	(b) In the form of party / secured debentures i.e. debentures where there is a shortfall in the value of security	NIL	NIL
	(c) Other Public Deposits	NIL	NIL
	<b>Assets Side:</b>		
		Amount Outstanding	
<b>(3)</b>	<b>Break-up of Loans and Advances including bills receivable [other than those included in (4) below]:</b>		
	(a) Secured	NIL	NIL
	(b) Unsecured	907.68	23.02
<b>(4)</b>	<b>Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities</b>		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial Lease	NIL	NIL
	(b) Operating lease	NIL	NIL
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	NIL	NIL
	(b) Repossessed Assets	NIL	NIL
	(iii) Hypothecation loans counting towards EL/HP activities		
	(a) Loans where assets have been re-possessed	NIL	NIL
	(b) Loans other than (a) above	1416.46	54.81
<b>(5)</b>	<b>Break-up of Investments :</b>		
	Current Investments:		
	1. Quoted:		
	(i) Shares (a) Equity	3.01	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 (b) Preference  (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify) FDR	2.00 NIL NIL NIL NIL 344.08	NIL NIL NIL NIL NIL NIL
	Long-term investments: 1.	Quoted: (i) Shares (a) Equity (b) Preference  (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify) 2.		
		Unquoted: (i) Shares (a) Equity (b) Preference  (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)	NIL NIL NIL NIL NIL NIL NIL NIL NIL NIL	NIL NIL NIL NIL NIL NIL NIL NIL NIL NIL
(6)	<b>Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances</b> Please see Note 2 below			
	<b>Category</b>	<b>Amount net of provision</b>		
		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	1416.46	907.68	2324.14
	<b>Total</b>	<b>1416.46</b>	<b>907.68</b>	<b>2324.14</b>
(7)	<b>Investor group-wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted):</b> Please see note 3 below			
	<b>Category</b>	<b>Market value/ Break-up or fair value or NAV</b>	<b>Book value (Net of Provision)</b>	
	1. Related Parties**	NIL	NIL	
	'(a) Subsidiaries	NIL	NIL	
	'(b) Companies in the same group	NIL	NIL	
	'(c ) Other related parties	NIL	NIL	
	2. Other than related parties	5.01	NIL	
	<b>Total</b>	<b>5.01</b>	<b>NIL</b>	

\*\* 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	46.17
	(ii)	Net Non-performing Assets	
		'(a) Related Parties	NIL
		'(b) Other than related parties	41.31
	(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

**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

**Balance Sheet abstract and Company's General business Profile**

**(a) Registration Details**

Registration No. : 18623 State Code : 04  
Balance Sheet Date : 31.03.2010

**(b) Capital Raised during the year (Amount in Rs. Lacs):**

Public Issue : Not Applicable Right Issue : Not Applicable  
Bonus Issue : Not Applicable Private Issue : Not Applicable

**(c) Position of Mobilization and Development Funds (Amount in Rs. lacs):**

Total Liabilities : 2731.36 Total Assets : 2731.36

**SOURCES OF FUNDS**

Paid-up Capital : 407.66 Reserve and Surplus : 375.62  
Secured Loans : 1835.82 Unsecured Loans : 99.08

Deferred tax Liability : 13.18

**APPLICATION OF FUND**

Net Fixed Assets : 100.13 Investments : 2.00

Net Current Assets : 2629.24 Misc. Expenditure : NIL

Accumulated loss : Not applicable

**(d) Performance of Company (Amount in Rs. Lacs)**

Total Turnover : 561.04 Total Expenditure : 441.42

Profit Before tax : 119.62 Profit After tax : 78.81

Earning per Share : 1.93 Dividend Rate Per Share : 0.60

**(Annualized)**

**(e) Generic Names of three Product/Services of Company (As per Monetary terms)**

The Company undertakes the financial service activities like Two Wheeler, Three Wheeler Financing, ICD, Micro Financing and Personal Financing.

**For & On behalf of Board of Directors**

Date : 12.07.2010  
Place : Ahmedabad

**Jayendra Patel  
Vice Chairman &  
Managing Director**

**Amit Manakiwala  
Director**



**ARMAN FINANCIAL SERVICES LIMITED**  
(Erstwhile Arman Lease & Finance 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 ENTERANCE 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 **18TH ANNUAL GENERAL MEETING** of the Company held on Monday, the 6th September 2010 at 12.30 P.M. at The Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad - 380 009.

SIGNATURE OF THE SHAREHOLDER OR PROXY \*\*

\*Application for Investors holding shares in electronic form.

\*\*Strike out whichever is not applicable.

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



**ARMAN FINANCIAL SERVICES LIMITED**  
(Erstwhile Arman Lease & Finance 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 **18TH ANNUAL GENERAL MEETING**  
to be held on Monday the 6th September, 2010 at 12.30 P.M. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

\*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 30 paise Revenue Stamp
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