



Arman Financial Services Limited

501-504, SAKAR III, OPP. OLD HIGH COURT, OFF. ASHRAM ROAD, AHMEDABAD-380 014. GUJARAT, INDIA
PH. : +91-79-40507000, 27541989 FAX : +91-79- 27543666 e-mail : finance@armanindia.com Website : www.armanindia.com

SCHEME OF ARRANGEMENT

**UNDER SECTION 230 READ WITH SECTION 66
OF THE COMPANIES ACT, 2013**

BETWEEN

ARMAN FINANCIAL SERVICES LIMITED

AND

ITS SHAREHOLDERS



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PREAMBLE

(A) GENERAL

1. This Scheme is presented pursuant to Sections 230, Section 66 and other relevant provisions of the Companies Act, 2013, as may be applicable, for reorganization of the Company's Equity Share Capital by consolidation of equity shares of different classes i.e. Ordinary Equity and Class 'A' Equity, by issuing fresh Ordinary Equity of the Company to the Specified Shareholder (defined later), holding 100% Class 'A' Equity. Additionally, this Scheme also provides for various other matters consequential or otherwise integrally connected herewith.
2. Arman Financial Services Limited is a public limited company incorporated on November 26, 1992 under the Companies Act, 1956 (now repealed and replaced by the Companies Act, 2013) having CIN: L55910GJ1992PLC018623 and PAN AABCA3165E, with its registered office at 502-503, Sakar III, Opposite Old High Court, Off: Ashram Road, Ahmedabad – 380014 Gujarat, India (official email address - finance@armanindia.com). The Company, along with its subsidiaries, provide financial services including, two-wheeler finance, micro-enterprise loans and group-based microfinance. The Company is also registered with the Reserve Bank of India as a Non-Banking Financial Company.
3. The Equity Share Capital of the Company is divided into two parts: 57,47,824 Ordinary Equity and 12,04,474 Class 'A' Equity. As on September 30, 2018, 27.13% of Ordinary Equity of the Company and 100% of Class 'A' Equity of the Company were held by the Promoter and Promoter Group of the Company. The Ordinary Equity of the Company are listed on BSE Limited and National Stock Exchange of India Limited. The Class 'A' Equity are not listed. The Company now proposes to consolidate its Equity Share Capital, as detailed in the Scheme herein.

(B) RATIONALE AND BENEFITS OF THIS SCHEME

The rationale for and the benefits of this Scheme is, *inter alia*, as follows:

- (i) Class 'A' Equity is unlisted and is therefore not liquid. Due to this non-liquidity of Class 'A' Equity, the market capitalization of the Company is being calculated without taking into consideration a substantial portion of the Equity Share Capital, which is blocked in the form of Class 'A' Equity. Since the Class 'A' Equity is not listed, therefore its value is overlooked by the stock exchanges while calculating the market value of the Company, thereby reducing the Company's market capitalization value. The Company has, therefore, not been able to scale its business and unleash its full potential for growth and profitability. The true financial position of the Company would assist the Company to expand and grow its business activity and will provide a new avenue of growth. This, in turn, will enhance the value of its shareholders.
- (ii) Due to absence of appropriate laws and guidelines for treatment of unlisted portion of the equity share capital (with differential rights), neither the stock exchanges, nor the potential investors take into account the value of Class 'A' Equity while determining the market valuation of the Company. Usually, a conservative view is taken and the value of the Company is determined by only considering the Ordinary Equity. If this Scheme is approved,





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the true financial position of the Company would be reflected which would benefit the shareholders, as their holding will yield better results.

- (iii) On implementation of the proposed Scheme, the dividend rights of the holders of the Ordinary Equity will increase, which will also increase the value of their shareholding and enable the Company to explore various opportunities to the benefit of the shareholders, as per the applicable provisions of the Act. Additionally, the surplus amount left after implementation of the Scheme will be credited to the Securities Premium of the Company, increasing its reserves and surplus. Consolidation of equity share capital of the Company pursuant to the proposed scheme will also increase the book value of the Equity Share Capital of the Company.
- (iv) The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Company to meet its obligations / commitments in the normal course of business. Post implementation of this Scheme, a fair value of the Company's Equity Shares will be ascertained and the Company's true financial position would be determined. Further, the Scheme would not in any way adversely affect the ordinary operations of the Company.

In view of above, in order to present true and fair financial position of the Company and after an analysis of the various options available to the Company, the Board of Directors believe that it would be prudent to consolidate the Equity Share Capital of the Company by issuing fresh Ordinary Equity to the holders of Class 'A' Equity. This, in view of the Board, is the most practical and economically efficient option available to the Company in the present scenario.

(C) OPERATION OF THIS SCHEME

1. This Scheme is for consolidation of Equity Share Capital of the Company by issuing fresh Ordinary Equity to the Specified Shareholder holding 100% Class 'A' Equity, in accordance with Section 230 read with Section 66 of the Companies Act. Such reduction shall take place at such a value, as determined by an independent valuer and in accordance with the pricing norms prescribed under Regulation 164 of the ICDR Regulations, 2018 (Erstwhile Regulation 76 of ICDR Regulations, 2009).
2. The Articles of Association of the Company duly authorize the Company to increase / reduce its share capital in the proposed manner and implement such scheme of arrangement, in accordance with the provision of the Act.
3. The scheme is fair and just, and not unreasonable and does not unfairly discriminate against or prejudice a class of shareholders. On consolidation of Class 'A' Equity and issuance of fresh Ordinary Equity, the surplus amount will be transferred to the Securities Premium Reserve, increasing the reserves and surplus of the Company. Further, on implementation of the Scheme, the book value of the Ordinary Equity will increase by 19.3% per share.
4. There is no outflow of / payout of funds from the Company, under this Scheme and hence the interests of the creditors will not be adversely affected. Also, the Scheme will not have any impact on the employees / workers of the Company.





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5. The Scheme only involves consolidation of Ordinary Equity and Class 'A' Equity and issuance of fresh Ordinary Equity to the Specified Shareholder of Class 'A' Equity, and does not envisage transfer or vesting of any of the properties and/or liabilities of the Company to any person or entity. The Scheme also does not involve any conveyance or transfer of any property of the Company.

(D) PARTS OF THIS SCHEME

This Scheme is divided into the following parts:

Part A	Definitions, Background and Share Capital
Part B	Details of the Scheme
Part C	Terms and Conditions





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PART A

Definitions, Background and Share Capital

1. DEFINITIONS AND INTERPRETATIONS

- 1.1. In this Scheme, unless repugnant to the subject or meaning or context thereof, the following expressions (including the recitals and introductory paragraphs above) shall have the meaning attributed to them as below:
- (i) **“Act”** means the Companies Act, 2013 or any statutory modification or re-enactment thereof for the time being in force;
 - (ii) **“Applicable Law”** or **“Law”** means any applicable statute, law, regulations, ordinance, rules, judgments, order, decree, clearance, approval from the concerned authority, directive, guideline, press-note, policy, requirement or the Governmental restructuring or any similar form of decision, or determination by, or any interpretation or administration of any of the government authority in effect in the Republic of India;
 - (iii) **“Appointed Date”** means the date as the NCLT may direct;
 - (iv) **“Appropriate Authority”** means any governmental, statutory, regulatory, departmental or public body or authority in India, including SEBI, BSE, NSE, Registrar of Companies and RBI;
 - (v) **“Board”** means the Board of Directors of the Company, and shall include a committee duly constituted and authorized for the purpose of the matters pertaining to the arrangement, this Scheme and / or any other matter relation thereto;
 - (vi) **“BSE”** means BSE Limited;
 - (vii) **“Company”** means Arman Financial Services Limited;
 - (viii) **“Class ‘A’ Equity”** means 12,04,474 (Twelve lakh four thousand four hundred and seventy-four) Class ‘A’ Ordinary Equity of the Company, carrying par value Rs. 10/- each, with inferior rights as to voting (one lakh share carrying one vote);
 - (ix) **“Effective Date”** refers to the date provided in Clause 14 of this Scheme;
 - (x) **“Equity Share Capital”** or **“Equity Shares”** includes both Ordinary Equity and Class ‘A’ Equity, as mentioned in the Memorandum of Association of the Company;
 - (xi) **“ICDR Regulations”** refers to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
 - (xii) **“Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;





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- (xiii) **"NCLT"** means the National Company Law Tribunal at Ahmedabad having jurisdiction in relation to the Company;
 - (xiv) **"NSE"** means the National Stock Exchange of India Limited;
 - (xv) **"Ordinary Equity"** means 57,47,824 (Fifty-seven lakh forty-seven thousand eight hundred twenty-four) Ordinary Equity Share of the Company of par value Rs. 10/- each;
 - (xvi) **"RBI"** means the Reserve Bank of India;
 - (xvii) **"Registrar of Companies"** means and refers to the Registrar of Companies at Ahmedabad, Gujarat;
 - (xviii) **"Relevant date"** means the date which is thirty days prior to the date on which the meeting of shareholders is held to consider the proposed Scheme and where the relevant date falls on a weekend/public holiday, the day preceding the said day will be reckoned to be the relevant date;
 - (xix) **"Scheme" or "the Scheme" or "this Scheme"** means this Scheme of Arrangement in its present form or as amended or modified in accordance with the provisions hereof;
 - (xx) **"SEBI"** means the Securities and Exchange Board of India;
 - (xxi) **"Specified Shareholder"** refers to Namra Holdings & Consultancy Services LLP, holding 100% Class 'A' Equity as on the Record Date and shall include any nominee of such shareholder;
 - (xxii) **"Takeover Regulations"** refers to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- 1.2. Terms defined in the introductory paragraphs and recitals shall have the same meaning throughout this Scheme.
 - 1.3. All terms and words, used but not defined in this Scheme shall, unless contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act or any statutory modifications or re-enactment thereof for the time being in force.
 - 1.4. The headings herein shall not affect the construction of this Scheme.
 - 1.5. The singular shall include the plural and vice versa, and references to one gender include all genders.





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2. BACKGROUND

2.1. Summary of the Main Objects of the Company

- (i) To carry on and undertake the business of leasing finance, hire purchase, bill discounting, and to finance lease and hire purchase operation of the kinds, purchasing, selling, hiring, or letting on hire and financing all kinds plants and machinery and equipments that the company may think fit and to assist in financing of all and every kind and description of hire purchase and deferred payment or similar transaction and to subsidize finance or assist in subsidizing or financing the sale and maintenance of any goods, article or commodities of all and every kind and description upon any terms whatsoever and to finance the purchase of all forms of immovable and movable property including lands and building, plant and machinery, equipments, films, ships, air-crafts, automobiles, computers, and all consumer commercial and industrial items or rights and to lease them in any manner whatsoever including resale thereof regardless of whether the property purchased and leased or hired be new and/or used.
- (ii) To advance, deposit or lend money, securities and properties to or with any company, body corporate, firm, person or association whether falling under the same management or otherwise, in accordance with and to extent permissible under the provisions contained in Sections 185 and 186 of the companies Act, 2013 with or without any securities and on such terms as may be determined from time to time and to carry on business of money lending. However, the company shall not carry on the business of banking as defined under the Banking Regulation Act, 1949.
- (iii) To carry out financing operation and perform financing services including factoring, project finance, consultancy, credit reporting, credit collectors, underwriters, registrars, brokers with provisions for computer services.
- (iv) To provide a leasing advisory consulting services to other entities and/or form the leasing arm of other entities.
- (v) To carry on the business of providing Microfinance Services (mainly Non-Banking Financial Services as permitted by the Reserve Bank of India), financing to targeted to the poor men and women in generation and enhancement of livelihoods, business development, employment generation, the economic and development activities of poor men and women through term loans, collateral free credit, other forms of credits, thrift and savings, insurance (subject to the rules and regulations prescribed by the Insurance Regulatory and Development Authority and/or Reserve Bank of India, Non-Banking Finance Companies Rules, as applicable to insurance Business) and other financial services, rendering financial services to people by acting as intermediary for banks and financial institutions, providing finance to agricultural related activities, provide / arrange finance / financial services for rural & urban housing development related activities and to carry on and undertake the business of research, consultancy, technical assistance and training in the field of livelihood promotion, development of micro/community development finance and other financial services, as intermediary for other companies or organizations, resource center institutions.





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- (vi) Subject to the Provision of Foreign Exchange Management Act, the direction of Reserve Bank of India and other applicable laws in force, to carry on in India or elsewhere the business of full-fledged and/or Restricted Money Changers and Authorized Dealers of all foreign currencies and to buy, sell and deal in foreign currencies of all kinds and types, whether in the form of coins, banks notes or travelers cheque, to conduct transactions of all types and descriptions in foreign currencies and to convert foreign currencies in Indian Rupees and vice versa, to represent National and International bankers, Investment bankers, Indian and Foreign Investment & Other Institutions, to advise and guide on foreign currencies accounts, to arrange for and provide commercial, economic and financial information/reports to importers, exporters, both foreign and India and to undertake money market purchase/ sale of foreign currencies, stock and other all kinds of securities and portfolio management.

2.2. Promoters of the Company

As on September 30, 2018, the Company had 10 (ten) Promoters. The following are the relevant details with reference to the Promoters of the Company:

Name and Address	Shareholding as a % of the Total Ordinary Equity	Shareholding as a % of the Total Class 'A' Equity
Aakash Jayendra Patel 61, Sycamore ST, Belmont Boston 02478, United States of America (MA, USA).	4.85%	Nil
Aalok Jayendra Patel 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	4.31%	Nil
Amit Rajnikant Manakiwala 4, Matangi Society, Ellisbridge Ahmedabad 380 006 (Gujarat).	0.23%	Nil
Himani Amit Manakiwala 4, Matangi Society, Ellisbridge, Ahmedabad 380 006(Gujarat).	0.53%	Nil
Jayendra Bhailal Patel-HUF 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	3.41%	Nil
Jayendrabhai Bhailalbhair Patel 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	5.02%	Nil
Maulik Amit Manakiwala 4, Matangi Society, Ellisbridge Ahmedabad 380 006 (Gujarat).	0.01%	Nil
Namra Holdings & Consultancy Services LLP* Ground Floor, Pushpak Building, Opp. Kama Hotel Khanpur, Ahmedabad 380001	2.88%	100%





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Ritaben Jayendrabhai Patel 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	5.16%	Nil
Sajni Aalok Patel 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	0.72%	Nil
TOTAL	27.13%	100%

*Mr. Jayendrabhai Patel and Mr. Aalok Patel are Designated Partners and Ms. Ritaben Jayendrabhai Patel is a partner at Namra Holdings & Consultancy Services LLP.

2.3. Directors and KMPs of the Company

As on September 30, 2018, the Company had following Directors and Key Managerial Personnel:

Name, DIN and Address	Designation	Shareholding as a % of the Total Ordinary Equity*
<i>Directors of the Company</i>		
Alok Prasad (DIN No. 00080225) 144, Vista Villas, Opposite Unitech Cyber Park, Sector 46 Gurgaon 122001 (Haryana).	Chairman & Independent Director	Nil
Jayendrabhai B. Patel (DIN No. 00011814) 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	Vice Chairman and Managing Director	5.02%
Aalok J. Patel (DIN No. 02482747) 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	Executive Director	4.31%
Kaushikbhai D. Shah (DIN No. 00024305) 25, Akashneem Bungalows, Vastrapur, Ahmedabad (Gujarat)	Independent Director	Nil
Ritaben J. Patel (DIN No. 00011818) 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	Director (Woman)	5.16%
Aakash J. Patel (DIN No. 02778878) 61, Sycamore ST Belmont Boston 02478 US.	Director (Promoter)	4.85%
Ramakant Dinanath Nagpal (DIN No. 0073205) B1/901 Delhi State, NEF CG Plot No 1, Sector 19, Dwarka, New Delhi 110075 (Delhi).	Independent Director	Nil





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Mridul Arora (DIN No. 03579584) Villa 793, Phase-3 Adarsh Palm Retreat, Bellandur Bengaluru 560103 (Karnataka).	Nominee Director	Nil
<u>Key Managerial Personnel</u>		
Jayendrabhai B. Patel (DIN No. 00011814) 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	Vice Chairman and Managing Director	5.02%
Vivek Arun Modi 18/ 19, Manavashram Society, Gopal Pura Mod Tonk Road, Jaipur 301 001 (Rajasthan).	Chief Financial Officer	0.0004%
Jaimish Govindbhai Patel 412/ 2306, G.H.B. BH. Navarang Flats, Bapunagar, Ahmedabad 380 024 (Gujarat).	Compliance Officer	0.01%
Aalok J. Patel (DIN No. 02482747) 29, Sujan Bunglows, Shreyas Tekra, Ambawadi, Ahmedabad 380 015 (Gujarat).	Executive Director	4.31%

*None of the directors or Key Managerial Personnel holds Class 'A' Equity directly.

2.4. Brief Background of Class 'A' Equity

S.No.	Date	Event
<u>Investment Agreement with RIF</u>		
1.	November 20, 2011	The shareholders of the Company passed a resolution by voting on postal ballot sanctioning, <i>inter alia</i> , a) Subdivided the authorised share capital of the Company into 1,12,50,000 Ordinary Equity Shares of Rs.10/- each and 37,50,000 'A' Ordinary Share of Rs.10/- each by the creation of 37,50,000 'A' Ordinary Share of Rs. 10/- each. b) Raising of additional capital by issue of 13,58,130 Ordinary Equity and 12,75,760 Compulsorily Convertible Debentures ("CCDs") to RIF Northwest 2 ("RIF"). The CCDs were convertible into (i) Ordinary Equity; (ii) Class 'A' Equity; or, (iii) a combination of both.
2.	December 27, 2011	Execution of share subscription agreement between the Company, RIF and others for investment of an amount of INR 15 crore by RIF.
3.	April 16, 2012	The Allotment Committee of the Company passed a





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		resolution to allot the following securities to RIF post execution of the investment agreement with RIF, <i>inter alia</i> : a) 13,58,129 Ordinary Equity, amounting to 24.99% of the total voting rights of the Company. b) 12,75,760 CCDs.
4.	July 22, 2013	RIF sent a letter to the Company expressing its intention of exercising the conversion option attached with the CCDs and proposed conversion of CCDs into: a) 71,286 Ordinary Equity b) 12,04,474 Class 'A' Equity
5.	September 5, 2013	The shareholders of the Company passed a resolution by voting on the postal ballot whereby they approved, <i>inter alia</i> : allotment of a combination of Class 'A' Equity and Ordinary Equity to RIF on conversion of CCDs.
6.	October 15, 2013	The Allotment Committee of the Company passed a resolution to allot the following securities to RIF: a) 71,286 Ordinary Equity, amounting to 1.25% of the total voting rights of the Company, increasing the share capital of the Company from 56,48,893 Ordinary Equity to 57,20,179 Ordinary Equity. b) 12,04,474 Class 'A' Equity, amounting to 0.0002% of the total voting rights of the Company. While the freshly issued Ordinary Equity were subsequently listed on BSE, the Class 'A' Equity remained unlisted.
7.	June 14, 2016	The 57,20,179 Ordinary Equity of the Company were listed on NSE.
8.	July 15, 2016	The 12,04,474 Class 'A' Equity held by RIF were transferred to one of the Specified Shareholder and Promoter of the Company: Namra Holdings & Consultancy Services LLP.
<u>Investment Agreement with SAIF</u>		
9.	March 05, 2018	The Board of the Company authorized execution of an investment agreement with SAIF Partners India V Limited ("SAIF").
10.	March 29, 2018	The shareholders of the Company approved issue of 16,66,667 CCDs having a face value of INR 300/- per CCD and convertible into Ordinary Equity to SAIF.





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11.	April 04, 2018	<p>The Company and SAIF executed a formal investment agreement. One of the clauses under the agreement provided,</p> <p>"5.3 Post-Closing Actions</p> <p>...</p> <p>5.3.3 On or before 15 June 2018, <u>the Company shall file relevant application(s) with the concerned Governmental Authorities in order to implement a scheme of capital reduction, in terms of which, the 'A' ordinary shares issued by the Company will be extinguished from the Share Capital of the Company in accordance with applicable Law. Pursuant to filing of such application, the Company shall make the necessary endeavours and take appropriate steps, including but not limited to taking necessary corporate actions, obtaining all Approvals, and consequent to receipt thereof, making of all filings, disclosures, notifications and registrations as are required under Law in order to successfully implement such scheme of capital reduction. In the event, the necessary Approvals for implementation of the scheme of capital reduction has not been obtained by the Company within a period of six (6) months from the Closing Date then <u>the Parties shall with mutual agreement determine definitive steps to be taken in order to achieve the objective of extinguishment of A' ordinary shares from the Share Capital of the Company.</u>"</u></p>
12.	April 12, 2018	<p>The Board of Directors of the Company approved and allotted 16,66,667 CCDs having a face value of INR 300/- per CCD to SAIF, convertible within a period of 18 months into Ordinary Equity.</p>

- 2.5. There was no change in the name, registered office and objects of the Company during last five years.





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3. SHARE CAPITAL

3.1. The share capital structure of the Company as on September 30, 2018, is as follows:

Authorized Capital	Amount in Rs.
1,12,50,000 Ordinary Equity Shares of Rs 10/- each	11,25,00,000
37,50,000 Class 'A' Ordinary Equity Shares of Rs. 10/- each*	3,75,00,000
Total	15,00,00,000
Issued, Subscribed and Paid-Up Capital	
57,47,824 Ordinary Equity Shares of Rs 10/- each	5,74,78,240
12,04,474 Class 'A' Ordinary Equity Shares of Rs. 10/- each*	1,20,44,740
Total	6,95,22,980/-

* Class 'A' Equity holders possess inferior rights as to voting and 1,00,000 (one lakh) shares together carry one voting rights.

- 3.2. Subsequent to the above date, there has been no change in the authorized, issued, subscribed and paid-up share capital of the Company till date of approval of the Scheme by the Board of the Company.
- 3.3. The Company has 78,855 outstanding stock options (convertible into Ordinary Equity), the exercise of which may result in an increase in the issued and paid-up share capital of the Company.
- 3.4. 16,66,667 CCDs allotted to SAIF Partners on April 12, 2018, shall be converted into a maximum of 18,90,417 Ordinary Equity, any time within 18 months from the date of allotment. On conversion of the said CCDs, the Company's share capital structure may change. The CCDs can be converted in the following manner:
- 16,66,667 Ordinary Equity of the Company to be issued upon the conversion of face value of the CCDs; and,
 - up to a maximum of 2,23,750 Ordinary Equity of the Company to be issued at the option of the holder of the CCDs, upon the conversion of the aggregate accrued but unpaid coupon (net of withholding taxes in India and interest paid in cash) on such CCDs.

4. DATE OF TAKING EFFECT AND OPERATIVE DATE

This Scheme was approved by the Board of the Company on October 13, 2018. This Scheme set out herein along with the modification(s) proposed, if any, by the NCLT, SEBI or any appropriate authority, shall be effective and operative from the Effective Date.





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PART B

Details of the Scheme

5. With a view to retaining the resources in the Company on a permanent basis and to improve its market valuation, the Company proposes this Scheme where under the Company intends to avoid utilization of surplus reserves in order to Consolidate Class 'A' Equity with Ordinary Equity and for issuance of fresh Ordinary Equity by allotting appropriate number of Ordinary Equity to the Specified Shareholder of Class 'A' Equity, based on a valuation report prepared by an independent valuer.

6. DETAILS OF THE SCHEME

- 6.1. Under the Scheme, the Equity Share Capital of the Company will be consolidated by issuing fresh Ordinary Equity to the Specified Shareholder, holding 100% of Class 'A' Equity.

- 6.2. **Valuation of Equity Shares:** The Equity Share Capital of the Company has been valued as under:

- The Ordinary Equity has been valued as per the pricing norms prescribed under Regulation 164 of the ICDR Regulations, being higher of the following:

"(a) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty-six weeks preceding the relevant date; or

(b) The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date."

The pricing of Ordinary Shares would be based on the above formula as on the Relevant Date.

- The valuation of Class 'A' Equity has been undertaken by an independent valuer. The independent valuer has valued Class 'A' Equity at 65% of the value of Ordinary Equity, i.e. 35% less than the price of the listed Ordinary Equity, as on the Record Date. This price difference is primarily due to the differential voting rights and low liquidity of Class 'A' Equity as compared to the listed Ordinary Equity. As stated by the independent valuer, it did not come across any valuation difficulties while computing such price.
 - On the Effective Date, each of Class 'A' Equity would be consolidated into Ordinary Equity and the holders of Class 'A' Equity would receive such number of Ordinary Equity as may be determined based on the valuations described above.
- 6.3. Mr. Jayendrabhai B. Patel (Vice Chairman and Managing Director of the Company), Mr. Aalok Patel (Executive Director) and Ms. Ritaben Jayendrabhai Patel (Director of the Company), being interested in the resolution, were not present during discussions on the subject related





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with the Scheme, in the Board meeting and have surrendered their voting rights with regard to the shareholders' resolution, proposed to be passed for approval of the Scheme.

- 6.4. Upon implementation of the Scheme, the 12,04,474 Class 'A' Equity will be cancelled leading to a reduction in Equity Share Capital. Since the said reduction is an integral part of the Scheme, it is hereby provided that the same shall become operative by virtue of the fact that the shareholders of the Company, while approving the Scheme, have also resolved and accorded their consent, as required under Section 66 or any other provisions of the Act and shall not be required to pass separate resolution in this respect. The order of the NCLT sanctioning the Scheme shall also be deemed to be an order under section 66 of the Act confirming the reduction.
- 6.5. Subsequently, the Specified Shareholder will be allotted 7,82,908 fresh Ordinary Equity, as part of the Scheme. Although under Regulation 158 of the ICDR Regulations, the Company is not required to follow the preferential issue norms prescribed by SEBI for fresh issuance of shares to specific persons. However, in accordance with proviso to Regulation 158(1)(b) of the ICDR Regulations, the pricing of the Ordinary Equity will be done as per the pricing provisions of Chapter V of the ICDR Regulations. Further, it is proposed that the allotment of 7,82,908 fresh Ordinary Equity pursuant to the Scheme, will be made substantially in accordance with the preferential issue guidelines prescribed under Chapter V of the ICDR Regulations, as and wherever applicable. It is further clarified that no separate special resolution under Section 42 of the Act shall be required to be passed by the Company for issuance of Ordinary Equity to the Specified Shareholder and on approval of the Scheme, it shall be deemed that they have given their consent for the issuance of Ordinary Equity to the Specified Shareholder.
- 6.6. The Specified Shareholder have undertaken to not sell their shareholding in the Company for at least 6 (six) months prior to the Record Date.
- 6.7. Change in Shareholding of the Company, pursuant to implementation of the Scheme:

Authorized Capital	Amount in Rs.
1,50,00,000 Ordinary Equity Shares of Rs 10/- each	15,00,00,000
Total	15,00,00,000
Issued, Subscribed and Paid-Up Capital	
65,30,732 Ordinary Equity Shares of Rs 10/- each	6,53,07,320
Total	6,53,07,320

- 6.8. Following will be the change in shareholding pattern of the Company, post implementation of the Scheme:





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<i>Ordinary Equity Share Capital</i>		
Category of Shareholder	Pre-Scheme of Arrangement	Post-Scheme of Arrangement
Promoter and Promoter Group	27.13%	35.86%
Public Shareholders	72.87%	64.14%
TOTAL	100%	100%
<i>Class 'A' Equity Share Capital</i>		
Category of Shareholder	Pre-Scheme of Arrangement	Post-Scheme of Arrangement
Promoter and Promoter Group	100.00%	0.00%
Public Shareholders	0.00%	0.00%
TOTAL	100%	0%

- 6.9. **Compliance with Takeover Regulations:** Regulation 3(2) of Takeover Regulations provides for requirement of making a public announcement for an open offer, if the voting rights of the existing shareholders (along with its persons acting-in-concert) holding 25% or more voting rights in a target company, increases beyond 5% in a financial year. Regulation 10 of Takeover Regulations further provides for certain situations / events wherein the acquirers are exempt from making an open offer under Regulation 3. With allotment of fresh Ordinary Equity to the Specified Shareholder, the shareholding of the Promoter and Promoter Group (who are deemed to be persons acting-in-concert) may increase beyond 5%, thus triggering the open offer requirement under Regulation 3(2). However, the proposed acquisition of additional voting rights pursuant to the Scheme, will qualify the exemption provided under Regulation 10(1)(d)(ii) of the Takeover Regulations. Therefore, the Specified Shareholder will not be required to make an open offer. However, certain forms and disclosures will be required to be filed by the Specified Shareholder. The Specified Shareholder has undertaken to comply with the said norms under the Takeover Regulations.

7. EFFECT OF THE SCHEME

- 7.1. Upon the Scheme being effective, 12,04,474 Class 'A' Equity held by the Specified Shareholder on the Effective Date provided in Clause 14 of this Scheme shall stand extinguished and 7,82,908 fresh Ordinary Equity of par value Rs. 10/- each, fully paid-up, without any further act, instrument or deed, shall be issued and allotted to the Specified Shareholder, free and clear of all liens and charges. Any fractional entitlement of Ordinary Equity arising on such conversion will be ignored. The allotment shall be made within 15 (fifteen) days from the date of sanctioning the Scheme by the NCLT and shall be made only in dematerialized form.
- 7.2. **Securities Premium Reserve:** Upon the Scheme being effective, the premium on extinguishment of Class 'A' Equity and fresh issue of Ordinary Equity, the Company shall, without any further application, act or deed, credit such difference amount (being the difference on account of voting right of the two kinds of Equity Share Capital) to its Securities Premium Reserve. The proposed credit in the Securities Premium Reserve shall be affected as an integral part of the Scheme itself and the order of the NCLT sanctioning the Scheme shall be deemed to be an order under Section 230 of the Act confirming such credit.





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- 7.3. The Class 'A' Equity will, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and the new Ordinary Equity shall be deemed to have been vested in the name of the Specified Shareholder, without any further act or deed by the Company or any Specified Shareholder.
- 7.4. Upon allotment of the Ordinary Equity, the rights of the Specified Shareholder to the extent of the Class 'A' Equity (i.e. the inferior voting rights) so cancelled, shall cease and such Specified Shareholder shall acquire similar rights as the holders of Ordinary Equity. The newly allotted Ordinary Shares shall rank *pari passu* with the existing Ordinary Equity of the Company in all respects, including with respect to entitlement to dividend and voting rights.
- 7.5. The Ordinary Equity to be allotted shall, subject to the applicable laws, be listed or admitted to trading on BSE and NSE, where the existing Ordinary Equity of the Company are presently listed and traded.

8. LOCK-IN PERIOD

The Ordinary Share allotted to the Specified Shareholder post implementation of the Scheme shall be locked-in for a period of 3 (three) years from the date of trading approval granted by BSE and NSE. Further, the Specified Shareholder will be required to observe the transferability restrictions provided under Regulation 168 of the ICDR Regulations.

9. RECLASSIFICATION OF SHARE CAPITAL

Upon the Scheme being effective, Clause V of the Memorandum of Association of the Company (relating to the Authorised Share Capital), without any further application, act, instrument or deed, shall be amended to state as follows:

"V. The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores Only) comprising 1,50,00,000 (One Crore Fifty Lakh) Ordinary Equity Shares of Rs. 10/- each."

It is hereby clarified that for the purposes of this clause, the consent of the shareholders to the Scheme shall be deemed to be sufficient for the purposes of effecting the above reclassification in the authorized share capital of the Company, and no further resolution under Section 61 or any other applicable provisions of the Act, would be required to be separately passed. Upon the Scheme being effective, the Company shall file necessary form for the reclassification of the Authorised Share Capital with the Registrar of Companies. Further, there would be no requirement for any further payment of stamp duty and/or fee (including registration fee) by the Company for reorganization of the authorized share capital.





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PART C

Terms and Conditions applicable to this Scheme

10. APPLICATION TO THE NCLT

The Company shall, with all reasonable dispatch, make application to the NCLT under Section 66 and 230 of the Act, for seeking approval of this Scheme and for such further order or orders thereunder as the NCLT may deem fit for carrying the Scheme into effect.

11. MODIFICATIONS TO THE SCHEME

The Company, through its Board, may effect or assent to any modification or amendments to the Scheme or agree to any terms, conditions or limitations, which the NCLT or any other appropriate authority, may deem fit to direct or impose or which may otherwise be considered necessary or desirable by the Board of the Company, for settling any question or doubt or difficulty that may arise in implementing and/or carrying out the Scheme or otherwise as may be considered to be in the best interest of the Company and its members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme. Such determination or directions, as the case may be, shall be binding on all the concerned parties, in the same manner as if the same are specifically incorporated in this Scheme. In the event that any conditions are imposed by the NCLT or any other appropriate authority, which the Board of the Company find unacceptable for any reason, then the Company shall be at liberty to withdraw the Scheme.

12. OTHER CONDITIONS OF THE SCHEME

This Scheme is and shall be conditional upon and subject to the following:

- 12.1. The requisite consents, approvals or permissions of the Appropriate Authority, which by law may be necessarily required for the implementation of this Scheme.
- 12.2. The Scheme being approved by the requisite majority of the members and / or creditors of the Company, in number and value, as may be directed by NCLT, as required under the Act or under Applicable Law(s).
- 12.3. The Scheme being approved by BSE and NSE and receipt of a requisite Observation Letter or No-objection Letter, under Regulation 37 of the Listing Regulations.
- 12.4. The Scheme being approved by the NCLT under Section 230 read with Section 66 of the Act and the necessary order under the said provisions being obtained.
- 12.5. Approval of the shareholders of Company shall be through e-voting and/or any other mode as may be required under any Applicable Law and the SEBI Circular. The Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders of the Company against it as required under the SEBI Circular. The term 'public' shall carry the same meaning as defined under Rule 2 of the Securities Contracts (Regulation) Rules, 1957.

13. EFFECT OF NON-RECEIPT OF REQUISITE APPROVALS

In the event of any of the said approvals or sanctions referred to in the preceding clause, not being obtained and / or Scheme not being sanctioned by the NCLT or any other Appropriate Authority, or if the Scheme does not otherwise become effective within such period or periods as may be





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considered by the Board in its absolute discretion, then the Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liabilities or obligations which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

14. EFFECTIVE DATE OF THE SCHEME

The arrangement with the members of the Company pursuant to this Scheme shall take place with effect from the date as approved by the NCLT. Upon the Scheme being effective, the same shall be binding on the Company and all concerned parties without any further act, deed, matter or thing.

15. CONDUCT OF BUSINESS

Nothing contained in this Scheme shall affect the conduct of business of the Company and/or any deeds, bonds, contracts, schemes and other instruments to which the Company is a party and/or all legal or other proceedings by or against the Company.

16. IMPACT OF SCHEME ON EMPLOYEES AND KEY MANAGERIAL PERSONNEL

The employees and key managerial personnel of the Company shall, in no way, be affected by the Scheme and generally they may be benefitted since the true financial position of the Company would be improved and made clear.

17. IMPACT OF SCHEME ON CREDITORS/ BANKS/ FINANCIAL INSTITUTIONS

This Scheme is only an arrangement between the Company, and its members under Section 230 of the Act. This Scheme does not affect or modify any of the rights and entitlements of any creditor/ Bank/Financial Institution associated with the Company, as it does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital. The Scheme does not envisage any compromise or arrangement with any of the creditors of the Company.

18. SEVERABILITY

The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes as an integral whole. The Scheme would be given effect to only if it is approved in its entirety unless specifically agreed otherwise by the Board of the Company. If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Company, affect the validity or implementation of other part(s) and/or provisions of this Scheme.

19. COST, CHARGES AND EXPENSES CONNECTED WITH THE SCHEME

All costs, charges, taxes and expenses payable, if any, in relation to or in connection with or incidental to this Scheme or the implementation thereof, shall be borne by the Company.





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20. STAMP DUTY

The Order of the NCLT approving the Scheme will not attract any stamp duty, under the Bombay Stamp Act, 1958 (as applicable to the State of Gujarat).

21. COMPLIANCE WITH APPLICABLE LAWS

The Company undertake to comply with all Applicable Laws, including making requisite intimations and disclosures to any statutory or regulatory authority and obtaining the requisite consent, approval or permission from the Appropriate Authority, which may be required under the Applicable Laws for the implementation of this Scheme or which may be required in relation to any matters connected with this Scheme.

22. DESIGNATED STOCK EXCHANGE

The Designated Stock Exchange for interaction with SEBI shall be BSE.

For, Arman Financial Services Limited

Director