



Arman Financial Services Limited

501-504, SAKAR III, OPP. OLD HIGH COURT, OFF. ASHRAM ROAD, AHMEDABAD-380 014. GUJARAT, INDIA
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EXTRACT FROM THE MINUTES OF THE 04TH (04/2018-19) MEETING OF THE BOARD OF DIRECTORS OF ARMAN FINANCIAL SERVICES LIMITED HELD AT 61, SYCAMORE, ST, BELMONT, BOSTON-U.S.A. ON THURSDAY, 13TH DAY OF SEPTEMBER, 2018 AT 06.00 P.M. (IST)

ITEM: ISSUE OF NON-CONVERTIBLE DEBENTURE (NCDs) ON PRIVATE PLACEMENT BASIS

Chairman informed the Board that Shareholders of the Company have at 26th Annual General Meeting of the Company held on 07.09.2018 approved the proposal for issuing Non-Convertible Debenture not exceeding the amount of 200 Cr. on a private placement basis by way of special resolution.

He further informed the Board that, the Company is currently having a proposal to issue Non-Convertible Debenture ("NCDs") on a private placement basis to AAV Sarl (Luxembourg), through its Indian custodian Deutsche Bank AG, Mumbai branch amounting INR 27,50,00,000/-.

Thereafter he placed before the Board, a copy of terms sheet for proposed issue of NCDs which has following terms:

1) Issuer	Arman Financial Services Limited ("Arman"), India
2) Purchaser of NCD	AAV Sarl (Luxembourg), through its Indian custodian Deutsche Bank AG, Mumbai branch in accordance with Foreign Portfolio Investment (FPI) Regulations
3) Servicer	Symbiotics SA
4) Principal amount	INR 27,50,00,000
5) Maturity Date	19 March 2022
6) Issue Date (Deemed Date of Allotment)	19 September 2018
7) Issue Price	100.0%
8) Coupon	12.60% p.a., fixed. Day Count Fraction: ACT/ACT. The Coupon is gross of Indian withholding tax of 5% (and applicable surcharge thereon). If the Indian withholding tax is modified and increased above 5% (the "WHT Increase"), the Issuer shall – starting on the date when such WHT Increase becomes effective, and for as long as such WHT Increase remains effective – pay an additional amount corresponding to the shortfall, which the debenture holder would have incurred as a consequence of the WHT Increase had the Issuer not paid such additional amount If the Indian withholding tax is modified and decreased below 5% (the "WHT Decrease"), the Issuer shall – starting on the date when such WHT Decrease becomes effective, and for as long as such WHT Decrease remains effective – deduct an amount corresponding to the excess amount, which the debenture holder would have received as a consequence of the WHT Decrease..
9) Coupon payment date	Semi-annually, on 19 March and 19 September in each year, for the first time on 19 March 2019, and on Maturity Date.





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	<p>In relation to each Coupon Payment Date and in relation to each date when any other payment is due by the Issuer under the NCD (each, a "Relevant Payment Date"), the Issuer undertakes to:</p> <ul style="list-style-type: none">- Send, by e-mail, to the Purchaser or its designated agent, a scan of the duly completed and signed Form 15 CA/CB on the Relevant Payment Date; and- Courier to the Purchaser (or its designated agent), within 3 Business Day after a Relevant Payment Date the original of the duly completed and signed Form 15 CA/CB.
10) Principal Redemption	<p>19 September 2021: 50% of the outstanding principal amount Maturity Date: 100% of the outstanding principal amount.</p>
11) Use of Proceeds	<p>Loans to MSME (MSME being defined as entities (i) classified by the Borrower as micro, small and medium enterprises; and (ii) with up to 250 employees)</p>
12) Up-Front Fee	<p>An up-front fee equal to 1.0% of the Principal Amount will be payable by the Issuer of the NCD to the Purchaser of the NCD on or about the Issue Date. Up-front fee is subject to gross-up for withholding tax. This fee will be invoiced as due diligence fee for the tenure of the NCD payable up-front.</p> <p>All costs relating to the issuance of the NCD (legal advice, financial advice, rating etc.) will have to be met by the Issuer of the NCD.</p> <p>[Note: this will not be a term of the NCD]</p>
13) Listing	<p>Not Applicable</p>
14) Ranking	<p>Obligations by the Issuer under the NCD shall rank pari passu with all other senior obligations of the Issuer.</p>
15) Security	<p>The obligations of the Issuer under the NCD will be secured by a hypothecation of loans (and/or other assets), whereas the cumulative amount of all assets subject to the hypothecation shall be, at any time, not less than 100% of the outstanding amounts under the NCD. Moreover, the Issuer shall execute and perfect a fixed charge over these assets.</p> <p>Eligibility criteria in relation to assets that form part of the hypothecation, at time of inclusion, are:</p> <ul style="list-style-type: none">- Must be a loan receivable of secured loans- In case of a loan, no arrears of greater than 90 days must have occurred in relation to such loan- Maximum notional amount of loan of not more than 1% of total on-balance outstanding portfolio <p>The Issuer shall create the security on Deemed Date of Allotment. The Issuer shall perfect the security by making the required filings no later than 30 calendar days after Deemed Date of Allotment. The Issuer shall report, on a monthly basis, of the specific assets which are subject to the hypothecation.</p>
16) Early Redemption	<p>Early redemption is possible subject to (a) applicable law; and (b) the prior written approval of the Purchaser of the NCD; (c) must occur on any Coupon Payment Date, but not on any other date, and (d) is subject</p>





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	<p>to a prepayment penalty of 2% of outstanding principal amount. The prepaid principal amount must be of not less than INR 6,00,00,000.</p>
17) Conditions precedent to NCD purchase	<ul style="list-style-type: none">- No event or potential event of default- Compliance with all representations and warranties- All governmental and third party approvals or consents- Satisfactory due diligence and internal credit scoring by the Servicer- Successful refinancing by the Purchaser of NCD- Execution of all relevant transaction documents- Satisfactory independent legal opinion regarding enforceability and capacity of Issuer of NCD- All financial documentation and reporting as reasonably requested by the Servicer- A rating shall have been assigned to the NCD of not less than BBB- by [ICRA/CARE]- Purchaser of NCD having obtained the "investment limits" required for the transaction
18) Events of Default	<p>Upon an event of default, the NCD can (at the discretion of the Purchaser of the NCD) be declared immediately repayable. The Events of Default include:</p> <ul style="list-style-type: none">- Failure to Pay- Breach of Covenant- Misrepresentation- Breach of Agreement- Cross-Default- Material Adverse Change Liquidation / Bankruptcy- Unlawfulness- Repudiation <p>The followings are considered to be Events of Default on the failure to remedy the cause within a grace period:</p> <ul style="list-style-type: none">- Breach of Financial Covenant- Creditor's Process / Court judgment
19) Financial covenants	<p>The Issuer will at all times maintain:</p> <ul style="list-style-type: none">- Ratio of outstanding amount of this NCD to total assets of not more than 15%;- Capital Adequacy ratio of not less than 15%- Ratio of total debt to total equity of not higher than 7.0 (whereas "total equity" shall include subordinated debt to the extent that such can be accounted for as Tier II capital in accordance with applicable regulations)- Uncovered Capital Ratio below 15% (defined as the PAR>90days + restructured portfolio minus loan loss provisions divided by Equity).- Less than 5% of its liabilities and assets in non INR denominated currency- Ratio of outstanding off-balance sheet portfolio (including asset securitization) to total assets less than 40%
20) Negative covenants	<p>The Issuer will not, without prior written consent of the Purchaser</p> <ul style="list-style-type: none">- Change its business such that it no longer remains an NBFC;- Undertake any merger, consolidation or reorganization;- Allow for a change of control event in relation to its shareholders





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	(change of control event defined as an event whereby existing shareholders are diluted below 67% of voting rights); and - Enter into a single transaction or a series of transactions (whether related or not) to sell, lease, transfer or otherwise dispose of all or substantially all of its assets, other than asset securitizations.
21) Representations	Standard representations for NCD will apply.
22) Reporting covenants	The Issuer shall provide: 1. Reporting documentation and due diligence requirements prior to closing and on annual basis as required by the Servicer, including a) Legal and operational documents/information - Constitutional documents (Articles of Association or bylaws) - Functioning documents (registration, license, etc.) - Shareholding structure - List of board of directors - List of management team including CVs and organizational chart - Any other legal or operational document or information as Symbiotics Research & Advisory may reasonably request. b) Financial documents/information - Audited accounts of the last 2 years - Latest business plan and financial projections - Detailed list of sources of funding - Third party rating or external evaluation, if existing - Financial position reports on the last three years to be posted on the Symbiotics online reporting platform at the address http://www.syminvest.com . - Monthly financial position reports for the last three month of the current year to be posted on Symbiotics online reporting platform at the address https://my.syminvest.com/login 2. Monthly reporting requirements - Monthly reports to be posted on Symbiotics online reporting platform at the address https://my.syminvest.com/login no later than 20 days after the close of the month
23) Governing law	Indian law. Mumbai jurisdiction (non-exclusive jurisdiction at the option of the Purchaser of NCD)

There after the board discussed and approved the term sheet and passed following resolutions unanimously.

“RESOLVED THAT pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, including any statutory modifications or re-enactments thereof for the time being in force (the "Act"), the Foreign Exchange Management Act, 1999, as amended, rules, regulations, guidelines, notifications, clarifications and circulars, if any, prescribed by the Government of India, all applicable regulations, directions, guidelines, circulars and notifications of the Reserve Bank of India ("RBI"), the Securities and Exchange Board of India ("SEBI"), including the Securities Contracts (Regulation) Act, 1956,

