NOTICE

NOTICE is hereby given that the Extra-Ordinary General Meeting of the shareholders of Janalakshmi Financial Services Limited (the "**Company**") is scheduled to be held at short notice on 6th September 2017, at 11:00 a.m., at the Registered Office Address of the Company at 'Vaishnavi', No.29, Union Street, Off Infantry Road, Bangalore – 560 001, to transact the following:

SPECIAL BUSINESS:

Item No. 1: Issue of compulsorily convertible preference shares by way of rights issue:

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

The Chairman informed the Shareholders that the Company proposes to offer and issue up to 1.4 Billion Class A compulsorily convertible preference shares ("**CCPS**") of the Company to its existing shareholders and/or third parties ("**Series G Investors**") in accordance with the provisions of Section 62(1)(a) of Companies Act, 2013 at the face value of INR 10.00 (Rupees ten) per CCPS, by way of a rights issue on such terms and conditions as are mentioned in the draft Letter of Offer, the draft securities subscription agreement to be entered into between the Series G Investors subscribing to the CCPS of the Company through the rights issue ("**SSA**") and the terms governing the rights of CCPS annexed as Schedule 8 to the SSA.

"**RESOLVED** that pursuant to Sections 55, 62(1)(a) of the Companies Act, 2013, Rule 9 of the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modifications(s) or re-enactment(s) thereof, for the time being in force) and other applicable provisions of the Companies Act, 2013, and the relevant provisions of the memorandum of association and articles of association of the Company, and subject to such other approvals, consents, sanctions, as may be required under the Companies Act, 2013 read with the relevant rules, or under any other applicable law, the approval of the Members is hereby accorded to offer and issue upto 1.4 Billion Class A compulsorily convertible preference shares ("**CCPS**") to the existing shareholders of the Company and/or third parties in accordance with the provisions of Section 62(1)(a) of Companies Act, 2013, at the face value of INR 10.00 (Rupees ten) per CCPS, by way of a rights issue, on such terms and conditions as are mentioned in the Letter of Offer, securities subscription agreement to be entered into between the investors subscribing to the compulsorily convertible preference shares of the Company ("**SSA**") and the terms governing the rights of CCPS annexed as Schedule 8 to the SSA."

"RESOLVED FURTHER THAT Mr. Ramesh Ramanathan, Chairman, Mr. Ajay Kanwal, Chief Executive Officer, Mr. Jayasheel Bhansali, Chief Financial Officer, Mr. Shantanu Ambedkar, Head - Treasury & Capital Markets and Ms. Richa Saxena – Company Secretary of the Company be and are hereby severally authorised for and on behalf of the Company to send the Letter of Offer to the shareholders of the Company and/or third parties in accordance with the provisions of Section 62(1)(a) of Companies Act, 2013 and to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in that regard and to finalise and execute all such deeds and documents as may be necessary or expedient, including offering the CCPS to third parties in accordance with the provisions of Section 62(1)(a) of Companies Act, 2013, making necessary e-filings, with the Registrar of Companies, updating the statutory registers of the Company and do all such acts, deeds, matters and things as may be necessary or desirable for and on behalf of the Company for the purpose of giving effect to this resolution."

"**RESOLVED FURTHER THAT** Mr. Ramesh Ramanathan, Chairman, Mr. V. S. Radhakrishnan, Vice Chairman, and Ms. Richa Saxena – Company Secretary of the Company, each as an authorized signatory be and are hereby severally authorised to sign the new share certificates/ letter of allotment representing the CCPS to be issued to the Series G Investors after affixation of the common seal in accordance with the articles of association of the Company on the new share certificates."

"**RESOLVED FURTHER THAT** Mr. Ramesh Ramanathan, Chairman, Mr. V. S. Radhakrishnan, Vice Chairman, and Ms. Richa Saxena – Company Secretary of the Company, each as an authorized signatory be and are hereby severally authorised to do all such acts, deeds, matters and things as may be necessary or desirable for and on behalf of the Company and to finalise and execute all such deeds and documents as may be necessary or expedient, for the purpose of issuing shares in physical form or issuing the dematerialized CCPS."

"**RESOLVED FURTHER THAT"** each CCPS shall:

A. (i) entitle its holder to preferential dividend at the rate of 0.0001% (Zero Point Zero Zero Zero One percent) per annum ("**Preferential Dividend**") of its face value; (ii) in addition to the Preferential Dividend, but subject to sub-paragraph (iii), each CCPS shall entitle its holder to also participate pari passu in any dividends paid to the holders of common equity shares of the Company **("Equity Shares**") on a pro-rata as converted basis; and (iii) No dividend shall be paid on any CCPS if and to the extent that as a consequence of such dividend a non-resident holder of a CCPS would receive dividends greater than the maximum dividends permitted to be paid by an Indian company in respect of preference shares under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2000.
B. participate in the surplus fund at par with holders of equity shares;
C. in the event (a) the Company is wound up/dissolved//liquidated prior to the conversion of the CCPS, or (b) the Company sells all or substantially all of its assets, the holders of CCPS shall receive the following amounts in priority over any other payments to any other holders of Equity Shares in respect of such Equity Shares: (A) the original amounts paid up on such CCPS by their subscribers; and; (B) unpaid Preferential Dividends (if any), but not dividends (if any) under paragraph A(ii) above;
D. entitle its holder to Preferential Dividend which is participative and cumulative and shall accrue from year to year;
E. be compulsory converted into equity shares, according to the below mentioned formula:
   (i) Every 13,836 CCPS shall convert into 100 Equity Shares. Notwithstanding the aforementioned, in the event that the Company carries out a Further Issuance,

then the number of CCPS converting into 100 Equity Shares, shall be the lower of (X) Further Share Issuance Price multiplied by 10; or (Y) 13,836 CCPS (the ratio so determined shall be the "**Conversion Ratio**").

"Further Issuance" shall mean issuance of any Equity Shares or instruments convertible into Equity Shares after the issuance of the CCPS.

"Further Share Issuance Price" shall mean the price in Rupees per Equity Share in the Further Issuance (whether directly or upon the conversion of any convertible instruments issued thereunder).

(ii) In the event that the Company carries out a bonus issue, share split, share dividend or analogous event, before the conversion of the CCPS into Equity Shares ("**Restructuring**"), the Conversion Ratio shall be adjusted so that, upon conversion, holders of the CCPS also receive the Equity Shares that they would have received in such Restructuring had the CCPS been converted immediately prior to the occurrence of such Restructuring

F. entitle his holder to vote on any matters to the extent permitted under the Companies Act 2013 or other applicable laws."

Item No. 2 : Alteration of Articles of Association by deletion of Article : "Series F Ratchet":

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

"**RESOLVED THAT** pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013; read with the Companies (Incorporation) Rules, 2014, guidelines and clarifications issued by any statutory/regulatory authorities, the clause no. 127 to 130 (both inclusive are to be deleted in the Articles of association as below:

*127. The shareholders of the Company hereby agree that on and after the Last Relevant Completion Date and until such time that a Series F Investor holds any Series F Securities, such Series F Investor shall be obligated to, at its sole discretion: **(a)** within 7 (Seven) Business Days after the sale or transfer of all of such Series F Investor's respective Series F Securities in one or more tranches (other than any sale or transfer to any of its Permitted Transferees or JCL) and the aggregate proceeds of such sales or transfers provide such Series F Investor, a consideration amount that exceeds the Series F IRR of 20% on its respective Series F Securities ("**Excess Consideration**"), transfer to the Promoters an amount representing one third of such Excess Consideration ("**Ratchet Entitlement Amount**"); or **(b)** immediately prior to the consummation of sale by such Series F Investor of Series F Securities that will result in such Series F Investor ceasing to hold at least one third of its respective Series F Securities, transfer to the Promoters (if so elected by the Promoters) the Ratchet Entitlement Shares to the Promoters at a price per Ratchet Entitlement Share which will provide such Series F Investor with a Series F IRR of 20%. It is clarified that the obligation of a Series F Investor under (i) of this Article 0 shall be discharged only at the time or after, the relevant Series F Investor has sold its respective Series F Securities completely and the Series F IRR 20% on the relevant Series F Securities of each Series F Investor set out in this Article shall be calculated on the aggregate of the relevant Subscription Amount invested by the relevant Series F Investor from the Relevant Completion Date till the date such Series F Investor has sold its respective Series F Securities entirely. It is hereby further clarified and agreed amongst the shareholders of the Company, that the Series F Investor has the sole discretion to determine if the Excess Consideration as set out in this Article should be paid in cash (subject to* *deductions of applicable withholding taxes) or by way of transfer of Class A Equity Shares (at a transfer price of Rs. 0.01 per share), or it may be in any other manner mutually agreed amongst the Series F Investor and Promoters and compliant with applicable Law. For the purposes of enabling the Promoters to exercise their rights under (b) of this Article 128, the exiting Series F Investor shall provide a prior written notice of at least 15 (Fifteen) days, notifying the Promoters of their proposal to consummate a sale which will result in such Series F Investor to hold one third of its respective Series F Securities (“**Ratchet Notice**”). The Promoters shall within 15 (fifteen) days of the receipt of a Ratchet Notice from a Series F Investor, be entitled to exercise its right under this Article by giving written notice to such Series F Investor (“**Ratchet Confirmation Notice**”). Any Ratchet Confirmation Notice so delivered by either of the Promoters, shall be binding on such Series F Investor and the Series F Investor shall be obligated to transfer its Ratchet Entitlement Shares to the Promoters within 7 Business Days of the receipt of a Ratchet Confirmation Notice. It is clarified that in the event the Promoters do not issue a Ratchet Confirmation Notice within 15 (fifteen) days of receipt of the Ratchet Notice, the Series F Investor shall be entitled to consummate the sale of all such Series F Securities Shares, set out in the Ratchet Notice.*

128. Notwithstanding the above, any Tax payable on any gains or profits or income arising in connection with the transfer of Class A Equity shares to the Promoters pursuant to Article 0 shall be the sole liability of, and shall be borne only by the Promoters without any recourse or liability to the Series F Investors. Further, the Promoters shall be responsible for obtaining any Government Approvals that may be required for discharging the Ratchet Entitlement Amount or transfer of Class A Equity Shares in accordance with Article.

129. The Ratchet Entitlement Amount shall be calculated in the manner set out below:

Assuming that a Series F Investor subscribes to 11,444 (Eleven thousand four hundred and forty four) Series F Securities on January 31, 2016, at a subscription amount of Rs. 8,738.58 per Class A Equity Share and sells all such Series F Securities on January 31, 2019 at a price per share of Rs 20,000 (Rupees twenty thousand).

1.1 ***Particular***	1.2 ***Working***	1.3 ***Amount***
Sale consideration (A)	1.4 *Number of shares * price per share*	1.5 *228,880,000*
Series F IRR achieved on sale (B)	1.6 *Determined using the XIRR function of Microsoft Excel*	1.7 *32%*
Sale consideration required to achieve a Series F IRR of 20% (C)	1.8 *Determined using the XIRR function of Microsoft Excel*	1.9 *172,893,851*
Consideration price per share required to achieve a Series F IRR of 20% (D)	1.10 *C / 11,444*	1.11 *15,107.82*
Excess Consideration (E)	1.12 *A-C*	1.13 *55,986,149*
Consideration amount in excess of Series F IRR of 20% to be transferred to promoter (Ratchet Entitlement Amount)	1.14 *Ratchet Entitlement Amount = E/3*	1.15 *18,662,050*

Alternatively in lieu of the Ratchet Entitlement Amount, the Promoters may choose to acquire in aggregate 3,815 (Three thousand eight hundred and fifteen) Class A Equity Shares, being one third of the Series F Securities subscribed to in the illustration above, at a price per share of Rs. 15,107.82 (Rupees fifteen thousand one hundred and seven and eighty two paise).

130. Notwithstanding anything to the contrary, it is agreed and clarified that Articles 0 to 0 shall stand automatically terminated as against each of the Series F Investors except VB HUF, on and from the date of the Shareholders' Agreement dated February 11, 2016, executed by and between the Promoters, JCL, Investor No. 4, VSR, RS, Investor No. 5, Investor No. 7, Investor No. 8 and Investor No. 9 being effective against all parties therein.

"RESOLVED FURTHER THAT Mr. Ramesh Ramanathan, Chairman, Mr. V. S. Radhakrishnan, Non-Executive Vice Chairman, Mr. Ajay Kanwal, Director of the Company, Mr. Jayasheel Bhansali, Chief Financial Officer and Ms. Richa Saxena, Company Secretary be and are hereby severally authorized for and on behalf of the Company to do or cause to do all acts , matters , deeds and things and execute ,sign and file the prescribed forms, returns, documents, applications and deeds with all authorities including the Registrar of Companies , and to take all steps and do all things and give such directions as may be required, necessary , expedient or desirable for giving effect to the above Resolution"

By Order of the Board,
For Janalakshmi Financial Services Limited,

Date : Bangalore
Place : 5-Sep-2017

Richa Saxena
Company Secretary

Note:

1) Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 is attached herewith which forms part of this Notice.

2) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

3) The proxy in order to be valid shall be lodged at the registered office address of the Company not less than 48 hours before the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013:

Item No 1:

The resolution at item number **1** is to issue up to 1.4 Billion Class A compulsorily convertible preference shares ("**CCPS**") of the Company to its existing shareholders at the face value of INR 10.00 (Rupees ten) per CCPS, by way of a rights issue. Information in relation to the issuance and allotment of the CCPS is set out below:

1. The number of CCPS proposed to be issued in the aggregate is 1.4 Billion. The aggregate size of the offer is up to INR 14 billion.

2. The CCPS to be issued are compulsory convertible participating and cumulative preference shares.

3. The object of the issue is to repay some of its debts and/ or for its general corporate requirements

4. The CCPS are proposed to be issued by way of a rights issue.

5. Each CCPS shall have a face value of INR 10 (Rupee Ten) only and shall be issued at par value.

6. Basis at which the price is arrived at: *Not applicable, as the CCPS are being issued at par value*.

7. The terms of issue, including the terms and rate of dividend on each CCPS are set out in Annexure 1 setting out the terms and conditions of issue of CCPS.

8. The terms of conversion are set out in Annexure 1 setting out the terms and conditions of issue of CCPS.

9. The manner and mode of redemption: *Not applicable since CCPS are not redeemable.*

10. Current shareholding pattern of the Company:

Sr No.	Shareholder	Class	No of Shares	% holding
1	Jana Holdings Limited	Class A	12,951,720	47.16%
2	TPG Asia VI SF Pte. Ltd	Class A	3,458,575	12.59%
3	North Haven Private Equity Asia Platinum Pte. Ltd (earlier known as MSPEA Platinum Pte. Ltd.)	Class A	3,448,675	12.56%
4	Caladium Investment Pte. Ltd	Class A	553,010	2.01%
5	Client Rosehill Limited	Class A	1,757,755	6.40%
6	Alpha TC Holdings Pte Ltd	Class A		6.37%

			1,748,975	
7	CVCI GP II Employee Rosehill Limited	Class A	984,455	3.58%
8	Treeline Asia Master Fund (Singapore) Pte. Ltd.	Class A	1,080,440	3.93%
9	India Financial Inclusion Fund (IFIF)	Class A	246,220	0.90%
10	QRG Enterprises Limited	Class A	760,035	2.77%
11	Vallabh Bhanshali	Class A	119,410	0.43%
12	Global Financial Inclusion Fund	Class A	141,285	0.51%
13	Enam Securities Private Limited	Class A	4,290	0.02%
14	Badri Narayan Pilinja	Class A	115,195	0.42%
15	Vallabh Bhanshali HUF	Class A	91,545	0.33%
16	Growth Partnership II Shiv Shankar Co-investment Trust	Class A	1,995	0.01%
17	Growth Partnership II Ajay Tandon Co-investment Trust	Class A	825	0.00%
	Total		**27,464,405**	**100.00%**

11. Expected dilution in the equity share capital of the Company upon conversion of preference shares: As the issuance of CCPS is on a rights basis, to the extent the existing shareholders are not subscribing to the rights issue, their shareholding in the Company would get diluted.

The issuance of CCPS is in accordance with the provisions of the articles of association of the Company.

The Director recommends the resolution as set out at Item No. 1 of the accompanying Notice for approval of the Members of the Company.

None of the Directors of the Company or their relatives, Key Managerial Personnel of the Company or their relatives are in any way concerned or interest, financial or otherwise, in the proposed resolution.

Item No 2:

The Company is hereby informing that the Series F investors have agreed to delete the Series F Ratchet articles bearing no. 127 to 130 (both inclusive) in the Articles of Association in view of the intending capital raise by way of rights issue.

The Directors recommends the resolution as set out at Item no. 2 for approval of the Members of the Company.

None of the Directors of the Company or their relatives, Key Managerial Personnel of the Company or their relatives are in any way concerned or interest, financial or otherwise, in the proposed resolution.

By Order of the Board,
For Janalakshmi Financial Services Limited,

Date: 5-Sep-2017
Place: Bangalore

Richa Saxena
Company Secretary

ANNEXURE 1

TERMS AND CONDITIONS OF ISSUE OF CCPS

The rights attached to each compulsorily convertible preference share to be issued by Janalakshmi Financial Services Limited pursuant to its rights issue in 2017 ("**CCPS**") shall be as follows:

1. **FACE VALUE**
   Each CCPS shall have a face value of INR 10 (Rupee Ten) only and shall be issued at par value.

2. **DIVIDENDS AND RANK**

2.1 Dividends. Dividends including interim dividends, shall be paid on any CCPS only subject to the availability of profits and when declared by the Board.

(A) Each CCPS shall entitle its holder to preferential dividend at the rate of 0.0001% (Zero Point Zero Zero Zero One percent) *per annum* ("**Preferential Dividend**") of its face value. The Preferential Dividend is participative and cumulative and shall accrue from year to year.

(B) In addition to the Preferential Dividend, but subject to sub-paragraph (C) below, each CCPS shall entitle its holder to also participate *pari passu* in any dividends paid to the holders of common equity shares of the Company ("**Equity Shares**") on a *pro-rata* as converted basis.

(C) No dividend shall be paid on any CCPS if and to the extent that as a consequence of such dividend a non-resident holder of a CCPS would receive dividends greater than the maximum dividends permitted to be paid by an Indian company in respect of preference shares under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2000.

2.2 Liquidation. In the event (a) the Company is wound up/dissolved//liquidated prior to the conversion of the CCPS, or (b) the Company sells all or substantially all of its assets, the holders of CCPS shall receive the following amounts in priority over any other payments to any other holders of Equity Shares in respect of such Equity Shares:

(A) the original amounts paid up on such CCPS by their subscribers; and

(B) unpaid Preferential Dividends (if any), but not dividends (if any) under paragraph 2.1(B) above.

3. **CONVERSION OF THE CCPS**

3.1 Conversion Ratio. The conversion ratio determined in accordance with sub-paragraphs 3.1.1 and 3.1.2 below shall be referred to as the "**Conversion Ratio**".

3.1.1 Every 13,836 CCPS shall convert into 100 Equity Shares.

3.1.2 Notwithstanding paragraph 3.1.1 above, in the event that the Company carries out a Further Issuance, then the number of CCPS converting into 100 Equity Shares, shall be the lower of:

- Further Share Issuance Price multiplied by 10; or
- 13,836 CCPS.

"**Further Issuance**" shall mean issuance of any Equity Shares or instruments convertible into Equity Shares after the issuance of the CCPS.

"**Further Share Issuance Price**" shall mean the price in Rupees per Equity Share in the Further Issuance (whether directly or upon the conversion of any convertible instruments issued thereunder).

3.1.3 Conversion Ratio after a Restructuring. In the event that the Company carries out a bonus issue, share split, share dividend or analogous event, before the conversion of the CCPS into Equity Shares ("**Restructuring**"), the Conversion Ratio shall be adjusted so that, upon conversion, holders of the CCPS also receive the Equity Shares that they would have received in such Restructuring had the CCPS been converted immediately prior to the occurrence of such Restructuring..

3.1.4 Disclosure of adjusted Conversion Ratio. Before a Further Issuance or a Restructuring is consummated, the Company shall disclose (in writing) to each registered holder of CCPSes, the Conversion Ratio that shall apply to the CCPS immediately after such Further Issuance or Restructuring.

3.2 Time for conversion. Unless agreed otherwise between the Company and each of the holder of the then outstanding CCPS, all CCPSes shall be automatically converted into Equity Shares at the then applicable Conversion Ratio upon the earlier of (A) such date upon which the Company files Form INC-24 with the jurisdictional registrar of companies for amending its name as part of the commencement of operations as a small finance bank, or (B) September 30, 2019. The Company shall bear all costs for issuance of share certificate or other corporate actions of the Company in connection with the conversion of the CCPS into Equity Shares including stamp duty cost, if any.

3.3 Clarificatory provisions. For the avoidance of doubt, it is expressly clarified that

3.3.1 Each CCPS shall be converted into Equity Shares simultaneously.

3.3.2 There may be more than one adjustment to the Conversion Ratio if there is more than one Further Issuance such that the final Conversion Ratio shall be determined with reference to the lowest Further Share Issuance Price in any Further Issuance which has occurred before the conversion of the CCPS, subject to the qualification in paragraph 3.3.3.

3.3.3 At the sole option of the concerned CCPS holder, if the resultant issuance of Equity Shares to any holder of CCPS (along with Equity Shares then already held, if any) would exceed the maximum shareholding of an existing non-promoter shareholder permitted by RBI or the shareholding of an existing non-promoter shareholder conveyed to RBI or the Maximum Ceiling (as defined in the letter of offer for the issuance of the CCPS) by any shareholder, then in such an event, the adjusted number of Equity Shares resulting from the conversion of the CCPS shall be the highest number of Equity Shares at which the said thresholds of the relevant shareholders are not breached.

3.3.4 If on the conversion of the CCPS, due to the Conversion Ratio, any fractional Equity Shares are to be issued to the holders of CCPS, the Board of Directors is authorised to round up to the nearest whole number of shares.

4. VOTING RIGHTS

The holders of the CCPS shall be not be entitled to vote on any matter except to the extent permitted under the Companies Act 2013 or other applicable laws.