

# Arman Financial Services Limited



Ahmedabad, Gujarat, November 1, 2023:

**Arman Financial Services Limited (NSE: ARMANFIN, BSE: 531179)**, a Gujarat-based non-banking financial Company (NBFC), with interests in microfinance, micro-enterprise (MSME) loans and two-wheelers loans, announced its un-audited financial results for the quarter and half year ended 30<sup>th</sup> September 2023. The financial numbers are based on Ind-AS.

## Consolidated Business Performance:

Particulars (INR Crore)	Q2FY24	Q2FY23	Y-o-Y	H1FY24	H1FY23	Y-o-Y
Assets Under Management (AUM)	2,304	1,436	60.5%	2,304	1,436	60.5%
Gross Total Income	160	93	73.1%	310	172	80.6%
Pre-Provisioning Operating Profit	69	36	90.4%	133	68	94.3%
Profit After Tax	41	20	104.9%	81	36	126.6%

- The company achieved an Assets Under Management (AUM) of INR 2,304 Crore, demonstrating a robust year-on-year growth of 60.5%.
- The company saw strong year-on-year growth across Micro-Finance and MSME business segments, driven by growth in rural India and our branch expansion, and supported by our technology-driven processes and rigorous underwriting practices.
- Consolidated disbursements for the H1 FY24 stood at INR 1,075 Crore, registering a 63.5% year-on-year increase compared to INR 657 Crore for the same period in the previous year.
- Net Total Income for H1 FY24 amounted to INR 179 Crore, representing a substantial 67.0% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) witnessed a robust increase of 94.3% over the same period last year, which stood at INR 133 Crore.
- The company's Profit After Tax stood at INR 81 Crore, reflecting a significant year-on-year growth of 126.6%.
- Shareholders' Equity as of Sept 30, 2023, stood at INR 470 Crore, calculated in accordance with IND-AS standards.

Shareholders Fund	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS; INDS- AS equity component of INR 56.2 Crore)	413.5	87,11,056
Unsecured Compulsorily Convertible Debentures (CCDs)	68.8	5,59,348
Optionally Convertible Redeemable Preference Shares (OCRPS)	19.5	1,58,535
<b>Total</b>	<b>501.8</b>	<b>94,28,939</b>

\*On fully diluted basis



### **Borrowing & Liquidity Profile:**

- Total borrowings stood at INR 2,245 Crore (Including off balance sheet direct assignment (DA) liability)
- Of the total borrowings, 32.3% is through Banks, 23.0% is through NBFCs, 16.8% is through debt and NCDs, 8.6% is through PTC, 18.0% is through direct assignments (off balance-sheet liabilities) and the rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- The company has successfully been diversifying its funding sources. It raised INR 89 Crore through listed Non-Convertible Debentures (NCDs) in H1 FY24.
- As on 30<sup>th</sup> September 2023, the Company has a healthy liquidity position with INR 269 Crore in cash/bank balance, liquid investments, and undrawn CC limits.
- Additionally, the Company has INR 237 Crore undrawn sanctions from existing lenders.

### **Collection Efficiency:**

- Collection efficiency in first six months of FY24 stood at 98.2%
- Segment wise collection efficiency in the month of September 2023 stood at:
  - Microfinance segment – 98.3%
  - MSME segment – 98.6%
  - 2W segment – 96.3%

### **Asset Quality:**

- GNPA stood at 2.48%; NNPA stood at 0.23%
- Cumulative Provisions stood at INR 77.1 Crore as on 30<sup>th</sup> September 2023 (covering 4.01% on-book POS), of this, provisions for Arman standalone stood at INR 15.9 Crore and for Namra stood at INR 61.2 Crore

### **Two-Wheeler and MSME Segment:**

Particulars (INR Crore)	Q2FY24	Q2FY23	Y-o-Y	H1FY24	H1FY23	Y-o-Y
Assets Under Management (AUM)	359	246	46.1%	359	246	46.1%
Gross Total Income	35	22	57.0%	65	44	47.0%
Pre-Provisioning Operating Profit	15	10	50.2%	26	20	31.5%
Profit After Tax	9	8	12.4%	17	15	16.0%



- Assets under Management for the two-wheeler and MSME stood at INR 359 Crore registering a growth of 46.1% Y-o-Y
  - AUM for Two-Wheeler segment stood at INR 69 Crore
  - AUM for MSME segment stood at INR 290 Crore
- Total Disbursement for the two-wheeler and MSME stood at INR 165 Crore in H1FY24
  - Two-Wheeler disbursements – INR 33 Crore
  - MSME disbursements – INR 132 Crore
- Net Total Income for the H1 FY24 stood at INR 42 Crore registering a strong growth of 30.8% YoY
- For H1FY24, Profit After Tax for the segment stood at INR 17 Crore registering a growth of 16.0% YoY
- GNPA stood at 3.11%; NNPA stood at 0.75%
- Company has a strong capital base with a capital adequacy ratio of 35.15% as on 30<sup>th</sup> September 2023

#### **Microfinance Segment (Namra)**

<b>Particulars (INR Crore)</b>	<b>Q2FY24</b>	<b>Q2FY23</b>	<b>Y-o-Y</b>	<b>H1FY24</b>	<b>H1FY23</b>	<b>Y-o-Y</b>
Assets Under Management (AUM)	1,945	1,190	63.4%	1,945	1,190	63.4%
Gross Total Income	127	71	78.0%	247	129	91.6%
Pre-Provisioning Operating Profit	56	27	105.0%	108	49	119.1%
Profit After Tax	33	13	162.6%	66	22	196.2%

- Assets under Management for the Microfinance segment increased by 63.4% Y-o-Y to INR 1,945 Crore from INR 1,190 Crore
- Disbursements for H1FY24 stood at INR 909 Crore compared to INR 540 Crore for H1FY23, representing a 68.4% Y-o-Y growth
- The Net Total Income for the H1FY24 stood at INR 247 Crore registering a strong growth of 91.6% Y-o-Y
- Profit After Tax stood at INR 66 Crore registering a robust growth of 196.2% Y-o-Y
- GNPA stood at 2.35%; NNPA stood at 0.12% on 30<sup>th</sup> September 2023
- As on 30<sup>th</sup> September 2023; the capital adequacy ratio for Namra stood at 25.75%



**Commenting on the Company's performance, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said,**

"The microfinance industry has exhibited remarkable strength in the face of prevailing volatility and geopolitical tensions. The resilience of India's rural economy has contributed significantly to India's economic engine.

The new RBI guidelines implemented in FY23 is an inflection point for the sector, unfolding a new era of growth and sustainability for microfinance companies. Moreover, the large untapped market presents a significant growth opportunity over the medium term.

At Arman, we are well-positioned to capitalize on the growing opportunities in the industry we operate. As of September 30, 2023, our AUM stands at INR 2,304 Crore, registering strong year-on-year (Y-o-Y) growth of 60.5% and quarter-on-quarter (Q-o-Q) growth of 7.5%. Similarly, disbursements for Q2FY24 amounted to INR 537 Crore, reflecting a year-on-year (Y-o-Y) growth of 93.3%, while H1FY24 disbursements grew by 63.5% year-on-year (Y-o-Y), totaling INR 1,075 Crore.

Furthermore, our expansion into new contiguous territories has generated substantial traction in the regions where we operate. The company is currently operational in 10 states with a branch network of 385. We've expanded our footprint further by adding 42 branches in Q2FY24 and 49 branches in H1FY24. While staying committed to our core strategy of prioritizing asset quality over business volumes, we plan to further expand our presence in new states as an essential and strategic growth lever for the future.

Our MSME vertical has also delivered a solid performance in H1 FY24. This is an excellent space to be in as the rural aspirations continue to increase. Moreover, our stringent credibility filters, systems, and processes have ensured high collection efficiency, positioning this vertical as an important growth lever in the long term.

Regarding our asset quality, we've seen a substantial improvement. Our Gross Non-Performing Assets (GNPA) have decreased to 2.48%, a drop of 99 bps compared to same period last year. At the same time, our Net Non-Performing Assets (NNPA) are at 0.23%. In addition, our collection efficiency in H1FY24 stood at 98.24%, demonstrating stringent underwriting, risk management, collections process. Our digital solutions have automated most of our business processes and have been immensely useful in enhancing customer experience and driving efficiency.

In summary, we are on the right track to achieve our long-term goals, and we believe that our prudent lending practices, unwavering commitment to customer experience, and dedication to digital innovation will help us achieve sustained growth in the coming years."



### **About Arman Financial Services Limited**

Incorporated in 1992, Arman Financial Services Ltd. is an Ahmedabad based, Category A Non-Banking Finance Company (NBFC), which provides lending services primarily in the Two-Wheeler, Micro-Enterprise (MSME), and Microfinance segment. The Microfinance division is operated through its wholly owned subsidiary, Namra Finance Ltd, an NBFC-MFI.

Arman is one of the market leaders in the NBFC space across the underpenetrated low-income parts of the country providing livelihood promotion services such as microcredit to socio-economically backward people, who have no or little access to the formal banking system or regular NBFC services. The group operates mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, Haryana, Bihar, Jharkhand and Telangana through a strong distribution network of 385 branches, 50+ two-wheeler dealerships spread across 140 districts in 10 states serving ~7.2 lakh customers.

Company focuses on small ticket retail loans to the large underserved informal segment customer in rural & semi urban geographies. Company has completely in-house operations with bottoms-up driven credit appraisal models and rigorous collections practices tailored for the areas of operations.

### **Safe Harbor**

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential project characteristics, project potential and target dates for project related issues are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. The company assumes no obligation to update forward-looking statements to reflect actual results changed assumptions or other factors.

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