



Arman Financial Services Ltd.

Arman Financial Services Limited Reports its Q2 & H1FY22 Financial Results

Consolidated AUM at ₹ 908 Crores; up 29% YoY

Disbursements for the quarter at ₹ 266 Crores; up 425% YoY

PBT at ₹ 7 Crores; up 275% YoY; PAT at ₹ 5 Crores; up 220% YoY

Ahmedabad, India, 13th November 2021: Arman Financial Services Ltd (Arman), a Gujarat based non-banking financial company (NBFC), with interests in microfinance, two-wheelers, and micro-enterprise (MSME) loans, announced its financial results for the quarter and half year ended 30th September 2021.

Particulars (In ₹ Crores)	Q2 FY22	Q2 FY21	YoY%	H1 FY22	H1 FY21	YoY%
Assets Under Management (AUM)	908.3	704.3	29%	908.3	704.3	29%
Total Disbursement	266.5	50.7	425%	388.0	50.7	665%
Gross Total Income	50.8	51.7	-2%	100.5	101.1	-1%
Pre-Provisioning Operating Profit	16.0	20.6	-22%	33.9	37.5	-10%
Total Provisioning & Write-Offs	8.7	18.7	-54%	20.0	28.9	-31%
Profit After Tax	4.9	1.5	220%	8.4	6.2	23%
GNPA %	5.61%	1.04%	456bps	5.61%	1.04%	456bps
NNPA %	1.11%	0.14%	97bps	1.11%	0.14%	97bps
RoE* %	10.20%*	3.42%*	677bps	8.86%	7.72%	114bps

*No.s annualized

Consolidated Financial Highlights – Q2 FY2022

- **Assets under management** as on 30th September'21 stood at ₹ 908.3 crores, higher by 29% YoY. Substantial reduction in COVID 19 cases and unlocking of economy across most geographies led to higher AUM growth.
- **Significant rebound in economic activities and improved consumer sentiments.** Loan Disbursements during Q2 FY22 stood at ₹ 266.5 crores, up by 425% YoY; Disbursements picked up post 2nd wave from July 2021.
- **Shareholders Equity** stood at ₹ 193.8 crores as on 30th September'21 (Book Value per Share is ₹ 223)
- **Comfortable Leverage Position:** Debt-Equity Ratio as on 30th September'21 was 4.05
- **Gross Total Income** down marginally by 2% YoY to ₹ 50.8 crores and Net Total Income declined by 6% YoY to ₹ 31.1 crores. The fall in gross income is as per expectation due to the fall in interest margins on the Microfinance portfolio. The yield on the same is regulated by the RBI.
- **Finance cost increased by 6% YoY to ₹ 19.7 crores** due to increase in disbursements and overall increase in the loan book
- **Operational costs increased by 21% to 15.1 crores** as a result of our branch expansions mainly into Haryana and Rajasthan. Additionally, staff incentives increased due as business volumes increased in comparison to the same period the previous year.
- **Loan Impairment cost for the quarter reduced to ₹ 8.7 crores**, the company prudently created extra provisions of ₹ 4.1 crores and took write-offs of ₹ 4.6 crores. Bolstering the provision coverage will help the company deal with potential asset quality risks arising due to the Covid-induced disruption while aggressive write-offs are aimed at reducing the NPA burden of Pre-Covid doubtful assets. Cumulative Total Provisions stood at ₹ 62.1 Crore as on 30th September'21, covering 6.8% of the on book AUM.
- **Profit after tax increased by 220% YoY to ₹ 4.9 crores** aided by lower provisioning requirement due to better asset quality of the loans disbursed post COVID-19 since September 2020.
- **Consolidated GNPA stood at 5.61%; NNPA stood at 1.14% for September 21**



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- **Total operational branches** as on 30th September'21 stood at 250 (208 in MFI, 36 in MSME and 6 in 2W).

Update on Collections Efficiency

Business Segment	July 2021	Aug 2021	Sep 2021	Oct 2021
Microfinance	89%	90%	91%	92%
MSME	94%	94%	94%	95%
Two-Wheeler	95%	95%	96%	95%
Total Collection Efficiency %	90%	91%	92%	92%

- **Collections in microfinance business which was impacted during Q1 FY22 due to second wave has recovered consistently during the Q2 FY22.**

Update on Liquidity

- **Healthy Liquidity position with ₹ 146.7 crore in cash/bank balance, liquid investments, and undrawn CC limits.** Pick-up in collections along with the incremental debt capital raised has materially improved the company's liquidity position. The company has duly repaid all the debt obligations that were due in Q2 FY22. The Company's **liquidity position remains strong with ₹ 146.7 crore in cash/bank balance, liquid investments, and undrawn CC limits.** ALM continues to remain positive, and the company continue to have access to new sources of funds.

Commenting on the company's performance in Q2 FY22, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said, "Q2 FY22 had been a remarkable quarter both from macro as well as from the company's point of view and was marked by sheer determination of humans to overcome unforeseen challenges. Substantial decrease in COVID 19 cases and pick up in vaccination drive led to faster unlocking across geographies.

The signs of revival in rural economy was quite evident, which assisted us in disbursing ₹ 266 crores during this quarter. Overall collection efficiency improved further during the quarter and picked up from 89% in June to 92% in September. Higher collection efficiency was aided by improvement in repayment capacity of our customers and their tendency to bounce back faster. Collection efficiency in the post covid loan book disbursed since September 2020 is 99%. Going ahead collection efficiencies are expected to further improve and reach pre-covid levels by the end of third quarter. In line with the continued focus on collections, the company has further invested in strengthening its collection team on the ground.

Our cautious approach of lending during uncertain times has helped us in managing our loan book, registering a growth of 29% YoY. Having said that, the company continues its focus on the quality of loan book with tightened credit assessment screenings. To fuel the company's future growth and enhance its customer reach, we have planned expansion in our branch network from 250 branches as on September 21 to 291 branches by March 22. The company has already initiated recruitment process for the branch expansion. The total capex for the same will be very minimal as the company works on an asset light business model.

Asset quality continues to remain steady with Net NPA at about 1.11%. Company has created adequate provisions over the time to deal with two waves of the Pandemic and hopefully withstand any further uncertainties. Our balance sheet continues to remain strong with adequate liquidity and makes us well-positioned and agile to achieve growth over the medium to long term. The company's liquidity position is comfortable with ₹ 146.7 crore in cash/bank balance, liquid investments, and undrawn CC limits. ALM continues to remain positive which has been our inherent strength over period of time.

The company is pleased to share that despite strong headwinds on the past 6 quarters due to Covid, our robust balance sheet and prudent lending practices have been acknowledged by 'Acuite Ratings & Research Limited' and is reflected in their assigned credit rating to Arman Financial Services and its Micro Finance subsidiary Namra Finance Limited with rating of '**ACUITE A-'** (read as **ACUITE A minus**) with 'Stable' outlook.



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Arman over the period has faced many challenges from external environment in form of regulatory changes, demonetisation and Covid and every time, we have managed to emerge stronger. We thus feel that with the worst behind us, we are fully geared up to harvest the benefits of fairer weather in the short-term (barring an unexpected third wave). Our focus will be on scaling up disbursements in a calibrated manner going ahead to fuel our growth. While our focus will be to maximise revenue growth going ahead, our larger interest is to build profitability and maintain the quality of our loan book. We are optimistic about our future growth and earning potential and believe that we are well positioned and have a strong foundation for the future which can provide us sustainable and profitable growth for the long term”.

Segmental Performance Update – Q2 FY22 v/s. Q2 FY21

Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q2 FY22	Q2 FY21	YoY%	H1FY22	H1FY21	YoY%
Assets Under Management (AUM)	741.7	523.0	42%	741.7	523.0	42%
Total Disbursement	220.0	38.6	469%	318.4	38.6	724%
Gross Total Income	37.6	35.6	5%	74.3	69.0	8%
Pre-Provisioning Operating Profit	11.7	12.7	-8%	23.4	21.7	8%
Total Provisioning & Write-Offs	6.5	11.8	-45%	14.0	17.6	-20%
Profit After Tax	3.2	0.6	401%	5.4	3.3	64%
<i>GNPA %</i>	4.25%	0.91%	333bps	4.25%	0.91%	333bps
<i>NNPA %</i>	0.75%	0.03%	72bps	0.75%	0.03%	72bps
<i>RoE %</i>	9.93%*	2.19%*	273bps	8.38%	5.65%	273bps

*No.s annualized

- **MFI AUM increased by 42% YoY and stood at ₹ 742 crores.** Substantial reduction in COVID 19 cases and unlocking of economy across most geographies led to higher AUM Booking.
- Gross NPA % was higher at 4.25% in Q2 FY22. Post ECL adjustment, NNPA stood at 0.75%.
- PAT for the quarter increased by 401% on the back of lower provisioning requirement on the post covid loan book and better operational efficiencies.
- **Strengthened provision coverage by prudently earmarking ₹ 3.5 crore for provisions in this quarter. Additionally, the company also took an aggressive write-off of Rs 3.0 crores.**
- **Cumulative total ECL Provisions as on 30th September'21 were ₹ 41.23 crores covering 5.6% of the total AUM.**

Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q2 FY22	Q2 FY21	YoY%	H1FY22	H1FY21	YoY%
Assets Under Management (AUM)	166.6	181.3	-8%	166.6	181.3	-8%
Total Disbursement	46.5	12.1	285%	69.6	12.1	475%
Gross Total Income	14.1	17.4	-19%	28.6	34.3	-16%
Pre-Provisioning Operating Profit	4.7	8.8	-46%	11.5	17.2	-33%
Total Provisioning & Write-Offs	2.2	6.8	-68%	6.0	11.3	-47%
Profit After Tax	2.0	1.7	20%	4.1	5.0	-17%
<i>GNPA %</i>	11.79%	1.58%	1021 bps	11.79%	1.58%	1021 bps
<i>NNPA %</i>	2.74%	0.45%	229 bps	2.74%	0.45%	229 bps
<i>RoE %</i>	14.8%*	11.4%*	342 bps	14.94%	16.57%	-163 bps

*No.s annualized

- **2W & MSME AUM stood at ₹ 166.6 crores in Q2 FY22**



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- MSME AUM stood at ₹ 124.7 crores
- 2W AUM declined by 33% YoY to ₹ 41.9 crores, as the 2W sales declined in the last one year given the challenging economic environment. Further, lower disbursements during the year along with high repayment rates have led to a run down in the 2-wheeler book.
- **In-line with the decline in AUM, Pre-Provisioning Operating Profit** declined by 46% YoY to ₹ 4.7 crores.
- **GNPA % and NNPA %** stood at 11.8% and 2.7% respectively.
- Total Provisions as on 30th September'21 were ₹20.89 crores covering 12.54% of the total AUM.

For, Arman Financial Services Limited

 Director



Arman Financial Services Ltd.

About Arman Financial Services Limited

Arman Financial Services Ltd (NSE: ARMANFIN; BSE: 531179) is a category 'A' Non-Banking Finance Company (NBFC) active in the 2-Wheeler, MSME, and Microfinance Lending business. The Microfinance division is operated through its wholly-owned subsidiary, Namra Finance Ltd, an NBFC-MFI. The group operates mostly in unorganized and underserved segment of the economy and mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, and Haryana through its network of 250 branches.

Arman's big differentiator from a Bank and other NBFCs is the last mile credit delivery system. They serve areas and clients where it is simply not possible for banks to provide financial services under the current market scenario. For more information, please visit our web site www.armanindia.com.

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For, Arman Financial Services Limited

Director