

Arman Financial Services Limited



Ahmedabad, Gujarat, August 14, 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 audited financial results for the quarter ended 30th June 2023. The financial numbers are based on Ind-AS.

Consolidated Business Performance:

Particulars (INR Crore)	Q1 FY24	Q1 FY23	Y-o-Y	FY23
Assets Under Management (AUM)	2,143	1,388	54.5%	1,943
Gross Total Income	150	79	89.5%	424
Pre-Provisioning Operating Profit	63	32	98.8%	170
Profit After Tax	40	16	154.2%	94

- Company recorded the highest ever AUM of INR 2,143 Crore registering a healthy growth of 54.5% YoY and 10.3% QoQ
- Company experienced strong demand across all business segments, attributed to a robust credit need in rural India, combined with our technology-driven processes and rigorous underwriting practices.
- Consolidated disbursements for the quarter stood at INR 537 Crore as compared to INR 380 Crore for the same period last year resulting an increase of 41.6% YoY
- Net Total Income for the Q1FY24 stood at INR 86 Crore registering a strong growth of 70.0% YoY
- PPop grew by healthy 98.8% over same period last year to INR 63 Crore
- Profit After Tax stood at INR 40 Crore registering a robust growth of 154.2% YoY
- Shareholders Equity stood at INR 406 Crore as on 30th June 2023 (*calculated as per IND-AS*)

Shareholders Fund	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS; INDS- AS equity component of INR 63.8 Crore)	342.2	84,93,579
Unsecured Compulsorily Convertible Debentures (CCDs)	76.8	6,24,388
Optionally Convertible Redeemable Preference Shares (OCRPS)	38.3	3,10,972
Total	457.3	94,28,939

*on fully diluted basis



Borrowing & Liquidity Profile:

- Total borrowings stood at INR 2,161 Crore. (Including the debt component of OCRPS and CCDs as per IND AS INR 48 Crore)
- Of the total borrowings, 33.2% is through Banks, 19.3% is through NBFCs, 13.4% is through debt and NCDs, 11.3% is through PTC, 19.2% 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 45 Crore through Market linked debentures (MLDs) last year and raised another INR 49 Crore through listed non-convertible debentures (NCDs) in Q1 FY24.
- As on 30th June 2023, the Company has a healthy liquidity position with INR 294 Crore in cash/bank balance, liquid investments, and undrawn CC limits.

Collection Efficiency:

- Collection efficiency stood at 98.2% for Q1 FY24
- Segment wise collection efficiency in the month of June 2023 stood at:
 - Microfinance segment – 98.3%
 - MSME segment – 98.4%
 - 2W segment – 96.6%

Asset Quality:

- GNPA stood at 2.49%; NNPA stood at 0.14%
- Cumulative Provisions stood at INR 72 Crore as on 30th June 2023 (covering 4.1% on-book POS), of this, provisions for Arman standalone stood at INR 15.5 Crore and for Namra stood at INR 56.5 Crore
- The additional management overlay, over the regular ECL provisions is included in the INR 72 Crore, of which INR 7.7 Crore is for Arman and INR 19.9 Crore is for Namra.

Two-Wheeler and MSME Segment:

Particulars (INR Crore)	Q1 FY24	Q1 FY23	Y-o-Y	FY23
Assets Under Management (AUM)	343	229	49.8%	315
Gross Total Income	30	22	37.0%	96
Pre-Provisioning Operating Profit	12	10	13.4%	40
Profit After Tax	8	7	20.0%	28



- Assets under Management for the two-wheeler and MSME stood at INR 343 Crore registering a growth of 49.8% YoY and 8.7% QoQ
 - AUM for Two-Wheeler segment stood at INR 66.5 Crore
 - AUM for MSME segment stood at INR 276.5 Crore
- Total Disbursement for the two-wheeler and MSME stood at INR 84 Crore in Q1FY24
 - Two-Wheeler disbursements – INR 17 Crore
 - MSME disbursements – INR 67 Crore
- Net Total Income for the quarter stood at INR 30 Crore registering a strong growth of 37.0% YoY
- For Q1FY24, Profit After Tax for the segment stood at INR 8 Crore registering a growth of 20.0% YoY
- GNPA stood at 2.80%; NNPA stood at 0.58% on 30th June 2023
- Company has a strong capital base with a capital adequacy ratio of 31.64% as on 30th June 2023
- Company entered into a new state of Telangana with 3 branches for MSME loans

Microfinance Segment (Namra)

Particulars (INR Crore)	Q1FY24	Q1FY23	Y-o-Y	FY23
Assets Under Management (AUM)	1,801	1,159	55.4%	1,628
Gross Total Income	120	58	108.4%	332
Pre-Provisioning Operating Profit	53	22	136.3%	132
Profit After Tax	33	10	239.7%	67

- Assets under Management for the Microfinance segment increased by 55.4% YoY to INR 1,801 Crore from INR 1,159 Crore
- Disbursements for Q1FY24 stood at INR 453 Crore compared to INR 317 Crore for Q1FY23, representing a 42.9% YoY
- The Net Total Income for the Q1FY24 stood at INR 67 Crore registering a strong growth of 93.8% YoY
- Profit Before Tax stood at INR 40 Crore registering a robust growth of 237.4% YoY
- GNPA stood at 2.40%; NNPA stood at 0.03% on 30th June 2023
- As on 30th June 2023; the capital adequacy ratio for Namra stood at 26.32%



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

The Microfinance sector demonstrated robust growth throughout FY23, propelled by the post-Covid economic resurgence and regulatory reforms. This upswing has catalyzed a substantial boost in rural economy dynamics, resulting in heightened credit demand. This positive trajectory instils confidence in both lending institutions and borrowers alike, and prominently contributes to the remarkable expansion of the microfinance AUM.

We've embarked on a promising journey in Q1FY24 and are steadfast in our commitment to sustain this momentum throughout the year. As of Q1FY24, our AUM stands impressively at INR 2,143 Crores, marking an 54.5% YoY escalation and 10.3% QoQ increment. Similarly, disbursements have increased to INR 537 Crore, showcasing a 41.6% YoY surge. This growth owes its gratitude to a favourable credit cycle, favourable regulatory policies from the RBI, and successful entry into new states like Bihar and Haryana in the preceding year. Notably, we've initiated our expansion into two more states, Telangana and Jharkhand.

The Company is currently operational in 10 states with a network of 343 branches, we've extended our footprint further by adding 7 branches this quarter. We have also inaugurated our Zonal Division with a new zonal office in UP.

On the front of asset quality, our Gross Non-Performing Assets (GNPA) have exhibited a commendable reduction to 2.49%, marking a significant 115 basis points YoY decline and a 26 basis points QoQ contraction. Simultaneously, Net Non-Performing Assets (NNPA) at 0.14% as of Q1FY24, signifying a 20 basis points YoY decline. Our collection efficiency as of Q1FY24 stands at 98.2%, a testament to our underwriting & risk management, collections process, incorporation of advanced technology, and our progressive approach.

As we cast our gaze towards the future, our core focus remains resolute – expanding our branch network and client base, fortifying the digital experience, and being vigilant with our lending. With an optimistic outlook, we remain confident in achieving our long-term goals, buoyed by the favourable regulatory climate and the unwavering momentum witnessed across preceding quarters.



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 343 branches, 55+ two-wheeler dealerships spread across 139 districts in 10 states serving ~6.8 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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