

Arman Financial Services Limited



Ahmedabad, Gujarat, February 3, 2024:

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 nine months ended 31st December 2023. The financial numbers are based on Ind-AS.

Consolidated Business Performance:

Particulars (INR Crore)	Q3FY24	Q3FY23	Y-o-Y	9MFY24	9MFY23	Y-o-Y
Assets Under Management (AUM)	2,437	1,642	48%	2,437	1,642	48%
Gross Total Income	169	103	64%	479	275	74%
Pre-Provisioning Operating Profit	72	39	85%	205	107	92%
Profit After Tax	42	22	91%	123	58	113%

- Growth momentum has continued driven by Micro-Finance and MSME business segments. Consolidated Asset Under Management (AUM) stood at INR 2,437 Crore which grew by 48% on a year-on-year basis and 6% sequentially.
- Disbursements for the 9M FY24 stood at INR 1,628 Crore, registering a growth of 43% year-on-year compared to INR 1,135 Crore.
 - Disbursements for Q3 FY24 stood at INR 561 Crore, registering a growth of 17% year-on-year and 4% sequentially.
- Net total income for 9M FY24 amounted to INR 276 Crore, registering a 66% year-on-year growth, while Q3 FY24 net total income grew by 65% to INR 98 Crore.
- Pre-Provision Operating Profit (PPoP) for 9M FY24 registered a 92% year-on-year growth to INR 205 Crore.
 - PPoP for Q3 FY24 grew by 88% year-on-year to INR 72 Crore
- Profit After Tax for 9M FY24 stood at INR 123 Crore, reflecting a year-on-year growth of 113%.
- Shareholders' Equity as of Dec 31, 2023, stood at INR 741 Crore, calculated in accordance with IND-AS standards.
- Return on Average AUM stood at 7.47%; while Return on Equity stood at 30.51% (ROE calculation includes QIP proceeds of INR 230 Crores raised in the last week of December 2023, which was yet to be deployed)



Shareholders Fund	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS; INDS- AS equity component of INR 55.99 Crore)	685.0	97,87,346
Unsecured Compulsorily Convertible Debentures (CCDs)	68.8	5,59,348
Optionally Convertible Redeemable Preference Shares (OCRPS)	16.0	1,30,080
Total	769.8	1,04,76,774

*On fully diluted basis

Borrowing & Liquidity Profile:

- Total borrowings stood at INR 2,240 Crore (Including off balance sheet direct assignment (DA) liability)
- Of the total borrowings, 35.7% is through Banks, 19.7% is through NBFCs, 16.1% is through debt and NCDs, 5.7% is through PTC, 19.7% is through direct assignments (off balance-sheet liabilities) and the rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- The company is successfully diversifying its funding sources. It has raised INR 89 Crore through listed Non-Convertible Debentures (NCDs) in 9M FY24.
- As on 31st December 2023, the Company has a healthy liquidity position with INR 355 Crore in cash/bank balance, liquid investments, and undrawn CC limits.
- Additionally, the Company has INR 105 Crore undrawn sanctions from existing lenders.

Collection Efficiency:

- Collection efficiency in the first nine months of FY24 stood at 98.0%.
- Segment wise collection efficiency in the month of December 2023 stood at:
 - Microfinance segment – 97.98%
 - MSME segment – 98.63%
 - 2W segment – 96.01%

Asset Quality:

- GNPA stood at 2.83%; NNPA stood at 0.33%.
- Cumulative Provisions stood at INR 81.57 Crore as on 31st December 2023 (covering 3.35% of consolidated AUM), of this, provisions for Arman standalone stood at INR 16.28 Crore and for Namra stood at INR 65.29 Crore.



Two-Wheeler and MSME Segment:

Particulars (INR Crore)	Q3FY24	Q3FY23	Y-o-Y	9MFY24	9MFY23	Y-o-Y
Assets Under Management (AUM)	391	275	42%	391	275	42%
Gross Total Income	34	24	39%	99	69	44%
Pre-Provisioning Operating Profit	13	9	53%	39	29	38%
Profit After Tax	9	7	40%	26	21	23%

- Assets under Management for the two-wheeler and MSME stood at INR 391 Crore registering a growth of 42% Y-o-Y.
 - AUM for Two-Wheeler - INR 79 Crore.
 - AUM for MSME - INR 312 Crore.
- Total Disbursement for the two-wheeler and MSME stood at INR 267 Crore in 9MFY24.
 - Two-Wheeler disbursements – INR 54 Crore
 - MSME disbursements – INR 213 Crore
- Net total income for 9M FY24 amounted to INR 64 Crore, registering a 35% year-on-year growth, while Q3 FY24 net total income grew by 43% to INR 22 Crore
- Pre-Provision Operating Profit (PPoP) for 9M FY24 registered a 38% year-on-year growth to INR 39 Crore.
 - PPoP for Q3 FY24 grew by 53% year-on-year to INR 13 Crore
- Profit After Tax for 9M FY24 stood at INR 26 Crore, reflecting a year-on-year growth of 23%.
- GNPA stood at 3.03%; NNPA stood at 1.01%
 - Two-Wheeler GNPA stood at 5.13%; NNPA stood at 1.86%
 - MSME GNPA stood at 2.47%; NNPA stood at 0.78%
- Company has a strong capital base with a capital adequacy ratio of 65.76% as on 31st December 2023

Microfinance Segment (Namra)

Particulars (INR Crore)	Q3FY24	Q3FY23	Y-o-Y	9MFY24	9MFY23	Y-o-Y
Assets Under Management (AUM)	2,046	1,367	50%	2,046	1,367	50%
Gross Total Income	136	81	68%	383	209	83%
Pre-Provisioning Operating Profit	61	30	100%	169	80	112%
Profit After Tax	34	16	112%	100	38	164%



- Assets under Management stood at INR 2,046 Crore registering a growth of 50% Y-o-Y.
- Disbursements for 9MFY24 stood at INR 1,362 Crore compared to INR 949 Crore for 9MFY23, representing a 44% Y-o-Y growth.
- Net Total Income for 9MFY24 stood at INR 215 Crore registering a strong growth of 79% Y-o-Y.
- Profit After Tax for 9MFY24 stood at INR 100 Crore registering a robust growth of 164% Y-o-Y.
- GNPA stood at 2.79%; NNPA stood at 0.18% as on 31st December 2023.
- As on 31st December 2023; the capital adequacy ratio for Namra stood at 26.45%.

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

"I am delighted to share that during the quarter, the Company has the successfully closed Qualified Institutional Placement (QIP) of INR 230 Crore. The fundraise saw participation by various marquee names and is a testament of their confidence in the business model of Arman Financial.

The completion of QIP is a milestone in our journey towards enhancing financial inclusion in rural India; and will further solidify our presence in the market by expanding footprint and strengthening position in key verticals, including Microfinance, MSME, Two-Wheeler, and other loan segments.

On 9M FY24 performance, the company's consolidated assets under management stood at INR 2,437 Crore registering a growth of 48% year-on-year and 6% sequentially. This growth was largely fueled by restoration in rural demand; well supported by favorable regulatory measures implemented by the Reserve Bank of India.

At Arman, we have put stringent credit filters in place, resulting in a high rejection rate and a very high-quality book. Despite this, we reported strong disbursement growth as demand was robust and consistent during the period under review. Disbursements for 9M FY24 stood at INR 1,628 Crore registering a strong growth of 43% year-on-year, while disbursement for Q3 FY24 stood at INR 561 Crore registering a growth of 17% year on year and 4% sequentially.

Furthermore, the Company has always adopted a progressive approach which has helped us sustain growth while maintaining asset quality as well as collection efficiency. The Gross non-performing asset stood at 2.83%; while Net non-performing asset for the period stood at 0.33%. Collection efficiency for the first nine months of FY24 continues to be north of 98.0%.

On the branch expansion, we have opened 73 new branches in the last twelve months, taking our total branch count to 394 branches. Our growth was also supported by our penetration in new states of Telangana and Jharkhand. We are doing good business in these states, and we expect strong traction to persist in these geographies.

In conclusion, post the recent fund raise the company is adequately capitalized and believes it to be on the right track to achieve its outlined strategy of building 5,000+ Crore of Assets Under Management with balanced debt equity ratio."



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 394 branches, 50+ two-wheeler dealerships spread across 140 districts in 10 states serving ~7.6 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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