



Arman Financial Services Ltd.

Arman Financial Services Limited Reports its Q1 FY22 Financial Results

Consolidated AUM at ₹ 785 Crores

Net Total Income at ₹ 30 Crores; up 10% YoY

Pre-Provision Operating Profit at ₹ 18 Crores; up 6% YoY

Ahmedabad, India, 13 August 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 year ended 30th June 2021.

Particulars (In ₹ Crores)	Q1 FY22	Q1 FY21	YoY%	FY21	FY20	YoY%
Assets Under Management (AUM)	784.8	823.1	-5%	814.4	859.1	-5%
Total Disbursement	121.6	-	-	509.7	873.6	-42%
Gross Total Income	49.7	49.0	1%	193.3	215.2	-10%
Pre-Provisioning Operating Profit	17.9	16.9	6%	66.4	73.8	-10%
Total Provisioning & Write-Offs	11.3	10.2	11%	54.6	20.0	173%
Profit After Tax	3.6	5.3	-33%	10.6	41.5	-74%
GNPA %	5.68%	1.13%	455bps	4.58%	1.05%	353bps
NNPA %	1.43%	0.22%	122bps	0.63%	0.20%	43bps
RoE* %	7.60%*	11.60%*	-372bps	5.91%	28.80%	-

*No.s annualized

Consolidated Financial Highlights – Q1 FY2022

- **Assets under management** as on 30th June'21 stood at ₹ 784.8 crores, lower by 5% YoY as disbursements fluctuated during the year due to the ongoing Covid crisis and especially during Q1 FY22 as a result of the Second Wave.
- **Company's cautious approach on disbursements on account of the Second Wave kept disbursement under check.** Loan Disbursements during Q1 FY22 stood at ₹ 121.6 crores; Disbursements have started picking up, as the covid situation gets normalised across the country.
- **Shareholders Equity** stood at ₹ 189.5 crores as on 30th June'21 (Book Value per Share is ₹ 223)
- **Comfortable Leverage Position:** Debt-Equity Ratio as on 30th June'21 was 3.64x
- **Gross Total Income** up marginally by 1% YoY to ₹ 49.7 crores and Net Total Income increased by 10% YoY to ₹ 29.9 crores.
- **Finance cost came down by 10% YoY to ₹ 19.8 crores** due to a decrease in the weighted average cost of borrowings.
- **Operational costs increased by 18% to 12.07 crores** as a result of our branch expansions into Haryana and Rajasthan.
- **Pre-Provisioning Operating Profit** increased by 6% YoY to ₹ 17.8 crores due to lower interest. The cost-to-income ratio stood at 40.3% in Q1 FY22 versus 37.6% in Q1 FY21.
- **Loan Impairment cost for the quarter increased to ₹ 11.3 crores**, as the company prudently created extra provisions of ₹ 5.9 crores and took write-offs of ₹ 5.4 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 ₹ 55.8 Crore as on 30th June'21, covering 7.1% of the on book AUM
- **Profit after tax stood lower YoY at ₹ 3.6 crores** due to higher provisioning and Tax expense
- **Consolidated GNPA stood at 5.68%; NNPA stood at 1.43% for June 21.**
- **Total operational branches** as on 30th June'21 stood at 246 (204 in MFI, 36 in MSME and 6 in 2W).



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Update on Collections Efficiency

Business Segment	Apr 2021	May 2021	June 2021	July 2021
Microfinance	87%	75%	88%	89%
MSME	89%	87%	90%	94%
Two-Wheeler	94%	95%	93%	95%
Total Collection Efficiency %	88%	78%	89%	90%

- Collections in microfinance business which was impacted in May 2021 due to second wave has recovered sharply

Update on Liquidity

- **Healthy Liquidity position with ₹ 103.4 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 Q1 FY22. The Company's **liquidity position remains strong with ₹ 103.4 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 Q1 FY22, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said, "Q1 FY22 started off on a challenging note for the finance industry as a whole due to second wave of pandemic and subsequent localised lockdowns across geographies. It had a severe impact on the semi urban and rural market where the company has its major operations. With restrictions on movements, many customer's earnings were temporarily impacted, which in turn affected their ability to service their EMIs. Many customers and family members were also infected, which resulted in both financial and health related strain. In addition, it was difficult to access customers to collect EMIs in areas with strict lock-downs. That said, the rural customers have proven themselves time and again of having the ability to bounce back quickly.

During Q1 FY22, Arman decided to momentarily shift focus from growth to collections and employees/customers' wellbeing. The company's collection efficiency, after a dip in month of May, bounced back quickly in June. As on date, there is decent recovery in collection efficiency with 90% repayment rate for the month of July 21.

Asset quality continues to remain steady with Net NPA at about 1.43%. The company enjoys adequate liquidity and a strong balance sheet position, which makes it well-positioned and agile to achieve growth over the medium to long term. The company's liquidity position remains strong with ₹ 103.4 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.

To lend a helping hand to the customers, the company provided repayment holiday between 1 to 3 months to Level 1 standard customers as on March 21' in the Microfinance loan book under the RBI Resolution Framework 2.0. These customers' tenure was pushed forward by 1 to 3 months. Approximately 70,000 customers were eligible for the scheme, with approximately 40% of them with 1 EMI deferred, and 30% each with 2 EMIs and 3 EMIs, respectively. There was no payment holidays or restructuring provided for MSME or Two-Wheeler customers.

While it is difficult to predict how the covid situation pans out over the coming months, the time taken to come back has reduced drastically and this time, the pace of recovery will be much stronger than last year as the company is better prepared. The past learnings, experienced management team and strong balance sheet positions the company to successfully navigate its way and emerge stronger."



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Segmental Performance Update – Q1 FY22 v/s. Q1 FY21

Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q1 FY22	Q1 FY21	YoY%	FY21	FY20	YoY%
Assets Under Management (AUM)	630.7	605.1	4%	643.1	620.7	4%
Total Disbursement	98.5	-	-	417.6	653.1	-36%
Gross Total Income	36.7	32.9	12%	134.0	148.4	-10%
Pre-Provisioning Operating Profit	11.8	9.1	30%	41.3	46.2	-11%
Total Provisioning & Write-Offs	7.6	5.8	31%	36.7	13.3	175%
Profit After Tax	2.2	2.7	-17%	4.9	25.2	-81%
GNPA %	4.46%	0.95%	352bps	4.13%	0.94%	319bps
NNPA %	0.99%	0.02%	96bps	0.57%	0.00%	57bps
RoE %	7.26%*	9.27%*	-202bps	4.19%	26.20%	-

*No.s annualized

- **MFI AUM stood at ₹ 631 crores – marginally higher by 4% vis-à-vis last year**
- Gross NPA % was higher at 4.46% in Q1 FY22. Post ECL adjustment, NNPA stood at 0.99%.
- **Pre-provisioning Operating Profit increased by 30% YoY to ₹ 11.8 Crore in Q1 FY22.**
- **Strengthened provision coverage by prudently earmarking ₹ 4.2 crore for provisions in this quarter. Additionally, the company also took an aggressive write-off of Rs 3.4 crores.**
- **Cumulative total ECL Provisions as on 30th June'21 were ₹ 36.3 crores covering 5.8% of the total AUM.**
- **The interest recognized on NPA assets (90+DPD) was ₹ 5.6 Crore. There is a 100% provision on this not included in ₹36.3 Crore provisions mentioned above.**

Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q1 FY22	Q1 FY21	YoY%	FY21	FY20	YoY%
Assets Under Management (AUM)	154.1	218.0	-28%	171.3	238.4	-28%
Total Disbursement	23.1	-	-	92.1	220.5	-58%
Gross Total Income	14.5	16.8	-14%	63.6	70.1	-9%
Pre-Provisioning Operating Profit	6.8	8.4	-20%	27.3	29.5	-7%
Total Provisioning & Write-Offs	3.8	4.5	-16%	17.9	6.7	168%
Profit After Tax	2.1	3.3	-36%	8.0	18.2	-56%
GNPA %	10.90%	1.64%	926 bps	6.60%	1.50%	511 bps
NNPA %	3.32%	0.78%	254 bps	0.87%	0.71%	16 bps
RoE %	12.49%*	19.59%*	-710 bps	12.85%	35.38%	-

*No.s annualized

- **2W & MSME AUM stood at ₹ 154.1 crores in Q1 FY22**
 - MSME AUM stood at ₹ 113.2 crores
 - 2W AUM declined by 50% YoY to ₹ 40.9 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 20% YoY to ₹ 6.8 crores.**
- **GNPA % and NNPA % stood at 10.9% and 3.32% respectively.**
- **Total Provisions as on 30th June'21 were ₹19.47 crores covering 12.64% 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 246 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