

**Ahmadabad, India, 28 May 2018:** Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance, two wheelers and MSME loans, announced its financial results for the fourth quarter 31st March, 2018.

Commenting on the Company's performance for Q4FY2017-18, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"For better or for worst, fiscal 2017-18 was one of the most memorable years in recent history. In the first half of the year, we concentrated mostly on recovery from the post-demonetization doldrums and getting our growth trajectory back on track. The latter half of the year was marked by strong resurgence in growth and profitability.*

*In March 2018, the shareholders approved a much-needed equity infusion by a SAIF Partners managed fund. The deal was concluded in April 2018, and we are thrilled to embark on this partnership, which we hope to be a very long and mutually fruitful relationship. The funds were invested by way of subscription to 16,66,667 Compulsorily Convertible Debentures (CCDs) of the Company, having face value of INR 300 per CCDs. The CCDs and the accrued unpaid interest will convert into 18,90,417 shares, having a conversion price of INR 300 per share, within 18 months for an aggregate investment up to INR 56.71 crores on a fully diluted basis. This is a big milestone in the company's history and once these CCDs are converted, it will approximately double the current net worth of the company.*

*The total AUM of the company has grown from Rs.191.64 Cr on 31st March 2017 to Rs.423.34 Cr as on 31st March 2018, a growth of 121%. The growth on a QoQ basis is 17% from Rs.362.93 Cr as on 31 December 2017 to Rs.423.34 Cr on 31 March 2018. We have significantly increased our disbursement rates in the MFI segments. Beside this, our new product line in the MSME segment has played significant role in the growth. We look forward beginning fiscal 2018-19 with the same zest and enthusiasm as the previous year, and we seek your continued support."*



## Consolidated Business Review

### Financial Highlights

#### Q4 FY2017-18 (Jan - March 2018) v/s. Q4 FY2016-17 (Jan - March 2017)

- Net Revenues increased by 108.91% to Rs. 25.80 Cr from Rs.12.35 Cr
- Employee costs increased by 54.52% to Rs. 4.79 Cr from Rs. 3.10 Cr
- Interest costs increased by 70.57% to Rs. 12.81 Cr from Rs. 7.51 Cr

### Operational Highlights

#### Q4 FY2017-18 (Jan - March 2018) v/s. Q4 FY2016-17 (Jan - March 2017)

- 8 new microfinance branches opened during the quarter, out of which 4 in UP and 3 in Maharashtra
- MSME segment growing well, where AUM has increased to Rs.46.24Cr as compared to Rs.5.89 Cr in Q4FY17
- We opened 1 new MSME branches in the quarter, and plan to open several more in the coming quarter
- Interest income up by more than 108% due to AUM growth in Microfinance segment and MSME segment

### Business Mix (Consolidated)

Revenues income from operations (Rs. Cr.)	Q4	Q4	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Jan - Mar) FY 2017-18	(Jan - Mar) FY 2016-17		(Apr - Mar) FY 2017-18	(Apr - Mar) FY 2016-17	
Namra Finance	17.71	7.86	125.32%	52.73	37.01	42.48%
Arman Financial Services	8.09	4.49	80.18%	27.3	16.56	64.86%
Total	25.8	12.35	108.91%	80.03	53.57	49.39%

As on date, MFI loans are serviced thru Namra Finance Ltd., a NBFC-MFI and wholly owned subsidiary of Arman Financial. Arman Financial Services manages the 2-Wheeler and MSME



loans. MSME loans in a new product line in which the company provides business loans of Rs 50,000 to 1,50,000 to small business owners in rural segments. The increase in revenue is driven by an 123% growth in consolidated AUM during the year.

## Expenditure Analysis (Consolidated)

Expenses (Rs. Cr.)	Q4	Q4	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Jan - Mar)	(Jan - Mar)		(Apr - Mar)	(Apr - Mar)	
	FY 2017-18	FY 2016-17		FY 2017-18	FY 2016-17	
Employee Costs	4.79	3.10	54.52%	16.38	10.18	60.90%
Other Expenses	5.21	2.37	119.83%	17.60	11.02	59.71%
Interest Costs	12.81	7.52	70.35%	36.26	22.52	61.01%
Total Costs	22.81	12.99	75.60%	70.24	43.72	60.66%

On a YoY basis, we opened 35 new branches, mostly in the microfinance and the MSME division. This resulted in an AUM growth of 123% and can account for the increase in overall expenses. Additionally, a large portion of the 'Other Expenses' include Provisioning and Bad Debts, which were higher by Rs. 4.2 crores compared to the previous year due to the impact of demonetization. Many of these expenses would get optimized as the portfolio per branch goes up in FY 18-19.

Finance cost increased due to higher leveraging to fund the AUM growth. In the last quarter, finance cost was slightly higher as several new loans were disbursed by banks that resulted in larger origination costs. Additionally, these new loans remained largely unutilized, but will be used in Q1:FY19.

## Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q4	Q4	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Jan - Mar)	(Jan - Mar)		(Apr - Mar)	(Apr - Mar)	
	FY 2017-18	FY 2016-17		FY 2017-18	FY 2016-17	
EBIT	15.81	6.89	129.46%	46.05	32.39	42.17%
PAT	2.43	-0.74	NM	7.30	6.32	15.50%
EPS (Rs Per Share)	3.50	-1.09	NM	10.21	8.00	27.63%



In the previous quarter, we had declared a loss due to the impact of demonetization. Our operations have since turned around and we reported a profit as compared to a loss in Q4 last year. Despite large disruption and the lingering effect of demonetization during the first 2 quarters of the current year, we reported a 16% increase in PAT from the previous year. Current year PAT was Rs. 7.30 Cr compared to Rs. 6.32 Cr the previous year. Going forward, our profitability will increase as we grow and achieve economies of scale.

## Net Interest Income (NII) & Net Interest Margin (NIM) Analysis (Consolidated)

Particulars (Rs. Cr.)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
Period Ending (AUM)	183.91	226.9	296.27	362.93	423.34
Net Interest Income (NII)	4.84	8.89	9.50	12.41	12.99
Net Interest Margin (NIM) (Annualised)	10.10%	17.31%	14.52%	15.07%	13.22%

The NIM have decreased slightly compared to the last quarter due to higher leveraging. The company has been leveraging higher for the last 3 quarters to ensure the growth in loan book. “Other borrowing costs” which are front ended have also have also impacted the NIM in the current quarter due to several disbursements that occurred in towards the end of the quarter. As the leverage of the company increases, the NIM will also tend to be lower. We expect the NIMs to stabilize going forward.

## Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
AUM	103.2	131.42	190.8	240.14	287.46
Disbursement for the Qtr	18.3	67.44	104.53	110.16	117.93
Gross Interest Income (Interest Income + Processing Fee)	7.86	9.2	11.46	14.36	17.71



We did our highest ever disbursements of Rs 117.93 Cr in this quarter. The contribution from the newly opened branches has kicked in and we continue to open new branches strategically. AUMs have increased by 179% from the previous year and 20% from the previous quarter.

## Operational Branches (Microfinance)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul– Sep)	(Oct - Dec)	(Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
Gujarat	37	37	36	36	36
Madhya Pradesh	23	25	26	23	24
Maharashtra	9	12	13	12	15
Uttar Pradesh	12	24	26	28	32
Total Branches	81	98	101	99	107

Of the outstanding AUM, UP portfolio has grown to 23% and Maharashtra accounts for 13% of the total portfolio in the past year. The company has consciously increased its Geographical diversification as a key risk mitigating strategy.

We have ramped up our operations in UP in a big way. We have an excellent operational team on the ground and we are also capitalizing on the space ceded by some of the other microfinance players in the state. In the current year, we are considering making our foray into Rajasthan as well.

## Business Tracker (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul– Sep)	(Oct - Dec)	(Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
AUM	74.80	81.22	81.70	88.63	89.64
Disbursement for the Qtr	22.30	20.59	22.75	27.44	21.51
Interest Income	4.49	4.43	5.03	5.73	5.21

The two-wheeler financing business is mature, and we are gradually ramping it up to maintain our overall market share and profitability levels in the business. Due to competition and margin pressures, the growth has been muted in the last few quarters; however, we remain committed to expand our two-wheeler business as the opportunity arises.

## Business Tracker (MSME)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul– Sep)	(Oct - Dec)	(Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
AUM	5.89	14.26	23.77	34.16	46.24
Disbursement for the Qtr	4.91	10.6	12.44	12.93	16.70
Interest Income	0	0.66	1.51	1.86	2.90

MSME is our newest business line and starting this quarter we have started reporting it as a separate product line. Our MSME loans are in the range of Rs 50,000 to Rs 150,000 and offers doorstep collections, building on the strength of our MFI distribution network.

Our MSME portfolio is performing quite well. Our total AUM for MSME stands at Rs.46.24Cr as on 31st March 2018 against Rs.5.89Cr on 31st March 2017. It has contributed to 11.24% of our Topline in the current quarter. This will continue to increase in the coming quarters.

Quarterly disbursement has increased from Rs.4.91Cr in Q4FY17 to Rs.16.70Cr in Q4FY18. While there is opportunity to expand rapidly into this segment and increase disbursements, our strategy has always been one of caution for any new product. As we gain comfort in this new segment, we will continue to ramp up branch openings and disbursements.



## NPA Analysis (Microfinance)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul– Sep)	(Oct - Dec)	(Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
Gross NPA	0.32	2.44	2.19	2.15	3.60
Provisions on NPA	0	0	0	0	0
Net NPA	0	2.44	2.19	2.15	3.60
Net NPA Percentage	0.32%	1.66%	1.10%	0.87%	1.12%
Provision on Standard Assets	1.24	1.40	1.94	2.46	3.22

Our NPA percent has increased marginally as compared with the last quarter. Many of these are the straggler remnant customers from demonetization, while the rest are defaulting customers in the ordinary course of business. Our recovery efforts continue for these defaulting customers.

## NPA Analysis (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul– Sep)	(Oct - Dec)	(Jan-Mar)
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
Gross NPA	2.28	2.41	2.69	2.73	3.54
Provisions on NPA	0.23	0.24	0.27	0.28	0.36
Net NPA	2.05	2.17	2.42	2.45	3.18
Net NPA Percentage	2.54%	2.40%	2.51%	1.99%	2.33%

The absolute NPAs in the 2-wheeler business has increased from the previous years due to the RBI mandated policy of recognizing NPAs after a delay of 90 days vs the earlier norm of 180 days. Our assets quality in the 2-wheeler segment remains mostly consistent after accounting for the change in NPA recognition policy. The MSME portfolio continues to perform admirably, with total NPA of Rs. 2.54 lacs.

For, Arman Financial Services Limited



Director



## About Arman Financial Services Ltd

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**Arman Financial Services Ltd. (BSE: 531179, NSE: ARMANFIN)** 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, a NBFC-MFI. The group operates mostly in unorganized and underserved segment of the economy and mostly serve niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, and Uttarakhand through its network of 128 branches and 54 dealer touch-points.

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 on Arman, please visit [www.armanindia.com](http://www.armanindia.com)

## If you have any questions or require further information, please feel free to contact

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