



ARMAN FINANCIAL SERVICES LIMITED

Reg. off: 502-503, SAKAR III, OPP. OLD HIGH COURT, AHMEDABAD-380014

CIN:L55910GJ1992PLC018623 Ph-079-40507000; E-mail: finance@armanindia.com; Website: www.armanindia.com

STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED ON JUNE 30, 2021

(Rs. In Lakhs except per share data)

Sr.No.	Particulars	Quarter Ended		Year Ended	
		30.06.2021	31.03.2021	30.06.2020	31.03.2021
		Unaudited	Unaudited (Refer Note-4)	Unaudited	Audited
1	Income from operations				
	a. Revenue from Operations				
	i. Interest Income	4,769.05	4,265.37	4,745.79	18,564.13
	ii. Gain on assignment of financial assets	-	-	-	-
	iii. Fees and Commission income	108.97	133.46	120.53	506.40
	iv. Net Gain on Fair Value Changes of Assets through Profit & Loss	54.41	(100.74)	(2.16)	201.45
	Total revenue from Operations (a)	4,932.43	4,298.09	4,864.16	19,271.98
	b. Other Income	37.19	40.00	32.97	231.91
	Total Income (a + b)	4,969.62	4,338.09	4,897.13	19,503.89
2	Expenses				
	a. Finance cost	1,984.18	1,832.22	2,193.29	7,922.50
	b. Impairment losses on financial assets	1,133.53	1,101.16	1,024.43	5,459.22
	c. Employees benefits expense	940.45	918.19	829.88	3,556.60
	d. Depreciation and amortisation expense	20.52	20.17	20.73	80.98
	e. Other expenses	240.83	481.68	166.06	1,308.24
	Total Expenses	4,319.51	4,353.42	4,234.39	18,327.54
3	Profit / (Loss) before an Exceptional and Tax (1-2)	650.11	(15.33)	662.74	1,176.35
4	Exceptional Items	-	-	-	-
5	Profit / (Loss) before Tax (3 - 4)	650.11	(15.33)	662.74	1,176.35
6	Tax Expense (net)				
	- Current tax	253.60	65.40	408.90	1,089.70
	- Short / (excess) Provision of Income Tax of earlier years	-	6.36	-	6.36
	- Deferred tax liability / (asset)	39.26	(174.09)	(277.03)	(981.31)
	Net Tax Expenses	292.86	(102.33)	131.87	114.75
7	Profit for the period / year from continuing operations (5-6)	357.25	87.00	530.87	1,061.60
8	Profit / (loss) from discontinued operations	-	-	-	-
9	Tax expense of discontinued operations	-	-	-	-
10	Profit / (loss) from discontinued operations (after tax) (8-9)	-	-	-	-
11	Profit for the period / year (7+10)	357.25	87.00	530.87	1,061.60
12	Other comprehensive income / (loss)				
	(a) (i) Items that will not be reclassified to profit and loss				
	- Remeasurement of Defined Benefit Obligations	5.40	30.37	(2.92)	21.62
	(ii) Income tax relating to items that will not be reclassified to profit and loss	(1.36)	(7.64)	0.73	(5.44)
	Sub Total (a)	4.04	22.73	(2.19)	16.18
	(b) (i) Items that will be reclassified to profit and loss				
	- Fair valuation gain / (loss) on financial instruments measured at FVOCI	(116.00)	185.95	(6.81)	468.05
	(ii) Income tax relating to items that will be reclassified to profit and loss	29.19	(46.80)	1.71	(117.80)
	Sub Total (b)	(86.81)	139.15	(5.10)	350.25
	Net Other comprehensive income / (loss) (a)+(b)	(82.77)	161.88	(7.29)	366.43
13	Total Comprehensive Income	274.48	248.88	523.58	1,428.03
	Paid up Equity Share capital (face value of Rs. 10/-)	848.84	848.76	845.09	848.84
14	Earnings per share (of Rs. 10/- Each) (Not Annualised)				
	(a) Basic EPS	4.21	1.02	6.28	12.53
	(b) Diluted EPS	4.21	1.02	6.26	12.53



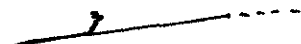
Notes

1	The unaudited consolidated financial results of the Company and its subsidiary (collectively referred to as the 'Group') have been prepared in accordance with Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act 2013 [the 'Act'] read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
2	The unaudited consolidated financial results for the quarter ended June 30, 2021 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors of the Holding Company at its meeting held on August 12, 2021.
3	<p>The financial results, includes the potential impact of the COVID-19 pandemic on the Group's financial results which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of COVID-19 pandemic and any action to contain its further spread or mitigate its impact whether Government mandated or elected by the Group and its subsequent impact on the recoverability's on the Group's assets. The Group has, based on current available information determined the provision for impairment of financial assets including the additional overlay for uncertainty over the potential macro-economic impact of the pandemic.</p> <p>Based on the current indicators of future economic conditions, the Group considers this provision to be adequate and expects to recover the carrying amount of these financial assets. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Group will continue to closely monitor any material changes to future economic conditions.</p>
4	Figures for the quarter ended March 31, 2021 are the balancing figures between the audited figures for the financial year ended March 31, 2021 and unaudited published year to date figures upto December 31, 2020.
5	Figures of previous reporting periods have been regrouped/ reclassified wherever necessary to correspond with the figures of the current reporting period.
6	The Group operates in a single business segment i.e. financing, since the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment for the purpose of Ind AS 108 on 'Operating Segments'. The Group operates in a single geographical segment i.e. domestic.

For and on behalf of the Board,
ARMAN FINANCIAL SERVICES LIMITED

Date: August 12, 2021
Place: Ahmedabad




Jayendra Patel
Vice Chairman & Managing Director
DIN-00011814

**LIMITED REVIEW REPORT ON UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL RESULTS OF
ARMAN FINANCIAL SERVICES LIMITED UNDER REGULATION 33 OF THE SEBI (LISTING OBLIGATIONS
AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

To,
The Board of Directors of
Arman Financial Services Limited

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of Arman Financial Services Limited (the "Parent") and its subsidiary (the Parent and its subsidiary together referred to as the "Group"), for the quarter ended June 30, 2021 (the "Statement") being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India ("ICAI"). A review of interim financial information consists of making inquiries, primarily of Parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

4. The Statement includes the results of the following entities:

Name of the Company	Relationship
Namra Finance Limited	Wholly owned Subsidiary



5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of the other auditors referred to in paragraph 7 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.
6. We draw attention to Note 3 to the consolidated financial results in which the Group describes the continuing uncertainties arising from the COVID 19 pandemic.

Our conclusion on the Statement is not modified in respect of this matter.

7. We did not review the interim financial information/financial results of one subsidiary included in the Statement, whose interim financial information/financial results reflects total income of Rs. 3649.67 lakhs for the quarter ended June 30, 2021, total net profit after tax of Rs. 220.51 lakhs for the quarter ended June 30, 2021 and total comprehensive income of Rs. (-) 52.21 lakhs for the quarter ended June 30, 2021. These interim financial information/ financial results have been reviewed by the other auditors whose reports have been furnished to us by the Management, and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph 3 above.

Our conclusion on the Statement is not modified in respect of this matter.

Place: Ahmedabad
Date: 12/08/2021

For, Samir M Shah & Associates
Chartered Accountants,
[Firm Regd. No. 122377W]

Samir S

(Samir M. Shah)
Partner

[M. No. 111052]

[UDIN : 21111052AAAAUA1988]





ARMAN FINANCIAL SERVICES LIMITED

Reg. off: 502-503, SAKAR III, OPP. OLD HIGH COURT, AHMEDABAD-380014 GUJARAT
CIN:L55910GJ1992PLC018623 Ph-079-40507000; E-mail: finance@armanindia.com; Website: www.armanindia.com
STATEMENT OF STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED ON JUNE 30, 2021

(Rs. In Lakhs except per share data)

Sr.No.	Particulars	Quarter Ended		Year Ended	
		30.06.2021	31.03.2021	30.06.2020	31.03.2021
		Unaudited	Unaudited (Refer Note-4)	Unaudited	Audited
1	Income from operations				
	a. Revenue from Operations				
	i. Interest Income	1,348.61	1,312.57	1,617.88	6,033.51
	ii. Gain on Assignment of Financial Assets	-	-	-	-
	iii. Fees and Commission Income	10.10	1.31	-	1.31
	iv. Net Gain on Fair Value Changes of Assets through Profit & Loss	1.64	(7.25)	-	-
	Total revenue from Operations (a)	1,360.35	1,306.63	1,617.88	6,034.82
	b. Other Income	86.51	82.22	65.73	319.95
	Total Income (a + b)	1,446.86	1,388.85	1,683.61	6,354.77
2	Expenses				
	a. Finance cost	411.65	491.66	531.30	1,997.74
	b. Impairment on Financial Assets	377.60	332.56	447.14	1,791.98
	c. Employees benefits expense	272.58	317.39	257.41	1,166.34
	d. Depreciation and amortisation expense	2.59	2.36	2.71	10.12
	e. Other expenses	82.32	225.27	48.46	449.11
	Total Expenses	1,146.74	1,369.25	1,287.02	5,415.29
3	Profit / (Loss) before an Exceptional and Tax (1-2)	300.12	19.61	396.59	939.48
4	Exceptional Items	-	-	-	-
5	Profit / (Loss) before Tax (3 - 4)	300.12	19.61	396.59	939.48
6	Tax Expense (net)				
	- Current tax	88.50	29.40	199.00	525.70
	- Short / (excess) Provision of Income Tax of earlier years	-	6.36	-	6.36
	- Deferred tax liability / (asset)	3.53	(65.29)	(127.92)	(392.31)
	Net Tax Expenses	92.03	(29.53)	71.08	139.75
7	Profit for the period / year from continuing operations (5-6)	208.09	49.14	325.51	799.73
8	Profit / (loss) from discontinued operations	-	-	-	-
9	Tax expense of discontinued operations	-	-	-	-
10	Profit / (loss) from discontinued operations (after tax) (8-9)	-	-	-	-
11	Profit for the period / year (7+10)	208.09	49.14	325.51	799.73
12	Other comprehensive income / (loss)				
	(a) (i) Items that will not be reclassified to profit and loss				
	- Remeasurement of Defined Benefit Obligations	1.82	10.93	(1.22)	7.27
	(ii) Income tax relating to Items that will not be reclassified to profit and loss	(0.46)	(2.75)	0.31	(1.83)
	Sub Total (a)	1.36	8.18	(0.91)	5.44
	(b) (i) Items that will be reclassified to profit and loss				
	- Fair valuation gain / (loss) on financial instruments measured at FVOCI	(42.64)	281.41	(6.75)	232.37
	(ii) Income tax relating to Items that will be reclassified to profit and loss	10.73	(70.82)	1.70	(58.48)
	Sub Total (b)	(31.91)	210.59	(5.05)	173.89
	Net Other comprehensive income / (loss) (a)+(b)	(30.55)	218.76	(5.96)	179.34
13	Total Comprehensive Income	177.54	267.90	319.55	979.07
	Paid up Equity Share capital (face value of Rs. 10/-)	848.84	848.84	845.09	848.84
14	Earnings per share (of Rs. 10/- Each) (Not Annualised)				
	(a) Basic EPS	2.45	0.58	3.85	9.44
	(b) Diluted EPS	2.45	0.58	3.84	9.44



Notes

1	The unaudited standalone financial results of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act 2013 [the 'Act'] read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
2	The unaudited standalone financial results for the quarter ended June 30, 2021 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors of the Company at its meeting held on August 12, 2021.
3	<p>The financial results, includes the potential impact of the COVID-19 pandemic on the Company's financial results which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of COVID-19 pandemic and any action to contain its further spread or mitigate its impact whether Government mandated or elected by the Company and its subsequent impact on the recoverability's on the Company's assets. The Company has, based on current available information determined the provision for impairment of financial assets including the additional overlay for uncertainty over the potential macro-economic impact of the pandemic.</p> <p>Based on the current indicators of future economic conditions, the Company considers this provision to be adequate and expects to recover the carrying amount of these financial assets. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Company will continue to closely monitor any material changes to future economic conditions.</p>
4	Figures for the quarter ended March 31, 2021 are the balancing figures between the audited figures for the financial year ended March 31, 2021 and unaudited published year to date figures upto December 31, 2020.
5	Figures of previous reporting periods have been regrouped/ reclassified wherever necessary to correspond with the figures of the current reporting period.
6	The Company operates in a single business segment i.e. financing, since the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment for the purpose of Ind AS 108 on 'Operating Segments'. The Company operates in a single geographical segment i.e. domestic.

For and on behalf of the Board,
ARMAN FINANCIAL SERVICES LIMITED

Date: August 12, 2021
Place: Ahmedabad



Jayendra Patel
Vice Chairman & Managing Director
DIN-00011814

**LIMITED REVIEW REPORT ON UNAUDITED QUARTERLY STANDALONE FINANCIAL RESULTS OF
ARMAN FINANCIAL SERVICES LIMITED UNDER REGULATION 33 OF THE SEBI (LISTING OBLIGATIONS
AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

To,
The Board of Directors of
Arman Financial Services Limited

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of Arman Financial Services Limited (the "Company"), for the quarter ended June 30, 2021 (the "Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended).
2. This Statement, which is the responsibility of the Company's management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 'Interim Financial Reporting' ('Ind AS 34'), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India and in compliance with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the 'SEBI Listing Regulations'). Our responsibility is to issue a report on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and



Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. We draw attention to Note 3 to the standalone financial results in which the Company describes the uncertainties arising from the COVID 19 pandemic.

Our conclusion on the Statement is not modified in respect of this matter.

Place: Ahmedabad
Date: 12/08/2021

For, Samir M Shah & Associates
Chartered Accountants,
[Firm Regd. No. 122377W]

Samir M. Shah

(Samir M. Shah)
Partner

[M. No. 111052]

[UDIN : 21111052AAAATZ4090]





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).

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."

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.**



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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Certain statements in this document that are not historical facts are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Arman Financial Services Ltd will not be in any way be responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

For, Arman Financial Services Limited

Director



Arman Financial Services Ltd.



Arman Financial
Services Ltd.

Q1 FY22 - Investor Presentation
August 2021

from ACCESS to INCLUSION

DISCLAIMER

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Arman Financial Services Ltd.



Arman Financial Services Ltd.



Financial Performance Update - Q1 FY22

Q1 FY22 - Financial Performance Highlights



Total AUM declined by 5% YoY to INR 7,848 Mn in Q1FY22 vs INR 8231 Mn in Q1FY21 (Q4 FY21 AUM: INR 8,144 Mn)



Shareholders Equity Stood at INR 1,895.4 Mn in Q1 FY22

Consolidated Debt-Equity Ratio stood at 3.6x on 30th June'21 (exclude direct assignment)



Collection Efficiency was impacted by COVID 19 second wave and fell to ~89% in June 2021 vis-à-vis ~94% in March 2021 witnessing improvement from July 2021



Operating expenses increased by 18% YoY to INR 120 Mn in Q1 FY22

Cost-to-Net Income ratio stood at 40.3% in Q1 FY22



Pre-Provisioning Operating Profit increased by 6% YoY to INR 178.4 Mn in Q1 FY22



Cumulative Provisions stood at INR 558 Mn as on 30th June 2021 (covering 7.1% of the total AUM)

Update on Collections

- ❑ Collections were severely impacted in the months of April & May to reach ~88% & ~78% respectively due to covid second wave restrictions, since our collection executives were not able to visit door to door for recovery. However, with the easing of restrictions there is recovery in the month of June & July to reach ~89% and ~90% respectively.
 - **'Microfinance' collections picked-up** as the repayment rates reached 88% in June 2021 from 75% in May 2021
 - **2W and MSME collections** continued to be well-north of 91% during June 2021 and 94% in July 2021
- ❑ Cumulative Provisions stood at INR 558 Mn as of 30th June 2021 covering 7.1% of the total AUM
 - **Namra:** Cumulative Provisions stood at INR 363.0 Mn as of 30th June 2021 covering 5.8% of the total AUM
 - **Standalone:** Cumulative Provisions stood at INR 194.8 Mn as of 30th June 2021 covering 12.6% of the total AUM
- ❑ The company is continuously monitoring the Covid related provision requirements closely.

Collection Efficiency % (April 2021 – July 2021)

Business Segment	Collections Due (Apr'21)	Amount Collected (Apr'21)	Collection Efficiency % (Apr'21)	Collections Due (May'21)	Amount Collected (May'21)	Collection Efficiency % (May'21)	Collections Due (Jun'21)	Amount Collected (Jun'21)	Collection Efficiency % (Jun'21)	Collections Due (Jul'21)	Amount Collected (Jul'21)	Collection Efficiency % (Jul'21)
Total	730	644	88%	730	573	78%	727	646	89%	709	640	90%
Microfinance	555	486	87%	559	422	75%	557	491	88%	541	482	89%
MSME	136	121	89%	134	116	87%	130	117	90%	128	119	94%
Two-wheeler	39	37	94%	38	35	95%	40	37	93%	41	38	95%

Note: All the amounts are in INR Mn.



Update on Liquidity

❑ **Healthy Liquidity position with INR 1,034 Mn in cash/bank balance, liquid investments, and undrawn CC limits**

- The company has duly repaid all the debt obligations that were due in Q1 FY22.
- ALM continues to remain positive, and the company continue to have access to new sources of funds.
- Additionally company has INR 550 Mn undrawn sanctions from existing lenders

Update on Disbursements

❑ **Disbursements remained subdued across all segments in Q1FY22 due to Company's cautious approach on disbursements on account of the Second Wave of Covid**

- Loan Disbursements during Q1 FY22 stood at INR 1,216 Mn. Disbursements have started picking up, as the COVID situation gets normalised across the country.
- In microfinance, the company primarily focused on renewing loans of existing customers who have already made their repayments and completed their tenure during Q1 FY22.
- In the MSME & 2-wheeler segments, the company has started disbursing with a more stringent underwriting process

❑ **Incremental measures taken by the company to further tighten its 2-Wheeler and MSME credit appraisal process. These measures are over & above the existing requirements.**

- **2-Wheeler:** 1) Increased down payment and credit score requirements, 2) Currently, not making any fresh disbursements in areas witnessing higher default rates
- **MSME:** 1) Tightened the positive cash flow requirement, 2) Added an Additional 'Covid Impact Assessment Layer' – where the 'credit team' assess the 'forward-looking impact on cash flows' for the 'occupations that have been impacted by the on-going Covid crisis' as a part of the appraisal process for evaluating fresh disbursals

Q1 FY22 - Consolidated Profit & Loss Statement



Particulars (INR Mn)	Q1 FY22	Q1 FY21	YoY (%)	FY21	FY20	YoY (%)
Assets Under Management (AUM)	7,848	8,231	-5%	8,144	8,591	-5%
Disbursements	1,216	-	-	5,097	8,736	-42%
Shareholder's Equity *	1,895	1,775	7%	1,868	1,722	8%
Income from Operations	493.2	486.4	1%	1,909.4	2,115.1	-10%
Other Income	3.7	3.3	13%	23.2	36.4	-36%
Gross Total Income	497.0	489.7	1%	1,932.6	2,151.5	-10%
Finance Costs	198.4	219.3	-10%	774.5	875.9	-12%
Net Total Income (NTI)	298.5	270.4	10%	1,158.1	1,275.5	-9%
Employee Benefits Expenses	94.0	83.0	13%	355.7	364.6	-2%
Depreciation and Amortisation	2.1	2.1	-1%	8.1	8.0	1%
Other Expenses	24.1	16.6	45%	130.8	165.1	-21%
Pre-Provision Operating Profit	178.4	168.7	6%	663.6	737.8	-10%
Total Provisions & Write-offs	113.4	102.4	11%	545.9	200.1	173%
Profit Before Tax	65.0	66.3	-2%	117.6	537.8	-78%
Profit After tax	35.7	53.1	-33%	106.2	415.2	-74%
GNPA %	5.7%	1.1%	455 bps	4.6%	1.0%	353 bps
NNPA %	1.4%	0.2%	122 bps	0.6%	0.2%	43 bps
Return on Avg. AUM %	1.8%	2.6%	-77 bps	1.3%	5.4%	-411 bps
Return on Avg. Equity % *	7.9%	11.6%	-372 bps	5.9%	28.8%	-2288 bps

Note:

- * Fully-diluted equity base
- There may be minor variations between Namra + Standalone figures and the consolidated figures due to eliminations / knock-offs
- RoE = PAT / Avg. Fully Diluted Equity; GNPA % = GNPA / AUM (On + Off-Book); NNPA % = NNPA / AUM (On + Off-Book). RoE and Return on Avg. AUM figures are annualized.

Q1 FY22 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q1 FY22	Q1 FY21	YoY (%)	FY21	FY20	YoY (%)
Asset Under Management	6,307	6,051	4%	6,431	6,207	4%
Disbursements	985	-	-	4,176	6,531	-36%
Income from Operations	365.0	326.5	12%	1,325.7	1,458.5	-9%
Other Income	2.2	2.8	-21%	14.1	25.6	-45%
Gross Total Income	367.2	329.3	12%	1,339.8	1,484.2	-10%
Finance Costs	165.0	168.0	-2%	594.4	670.3	-11%
Net Total Income (NTI)	202.2	161.2	25%	745.3	813.9	-8%
Employee Benefits Expenses	66.8	57.2	17%	239.0	232.3	3%
Depreciation and Amortisation	1.8	1.8	-	7.1	6.9	3%
Other Expenses	15.9	11.6	36%	85.9	113.0	-24%
Pre-Provision Operating Profit	117.7	90.5	30%	413.3	461.8	-11%
Total Provision & Write-offs	75.6	57.7	31%	366.7	133.2	175%
Profit After Tax	22.1	26.7	-17%	49.1	252.0	-81%
GNPA %	4.5%	0.9%	352 bps	4.1%	0.9%	319 bps
NNPA %	1.0%	0.0%	96 bps	0.6%	0.0%	57 bps
Return on Avg. AUM %	1.4%	1.8%	-38 bps	0.8%	4.6%	-379 bps
Return on Avg. Equity %	7.3%	9.3%	-202 bps	4.2%	26.2%	-2202 bps

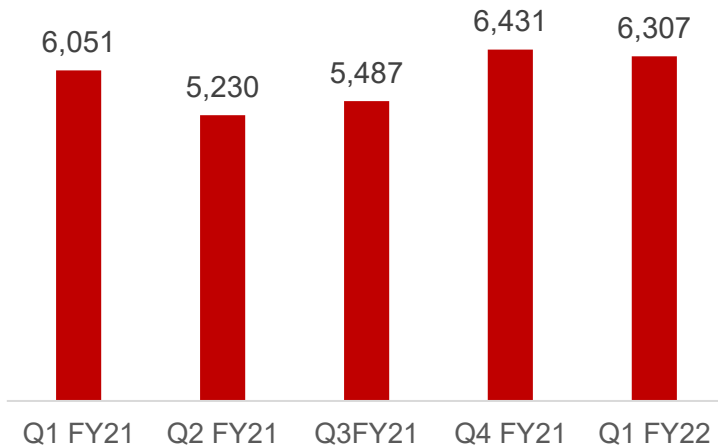
Note:

- Income from Operations includes: Interest Income on loans and managed assets; processing fees, and other charges in respect of loans. Other Income includes capital gains on liquid funds
- NIM = NTI / Avg. AUM (On + Off-Book); Yields = Gross Interest Income / Avg. AUM (On + Off-Book); Cost-to-Income Ratio = Opex (excl. provisions) / Net Total Income; RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book); NNPA % = NNPA / AUM (On + Off-Book); NIM %, RoE and Return on Avg. AUM figures are annualized

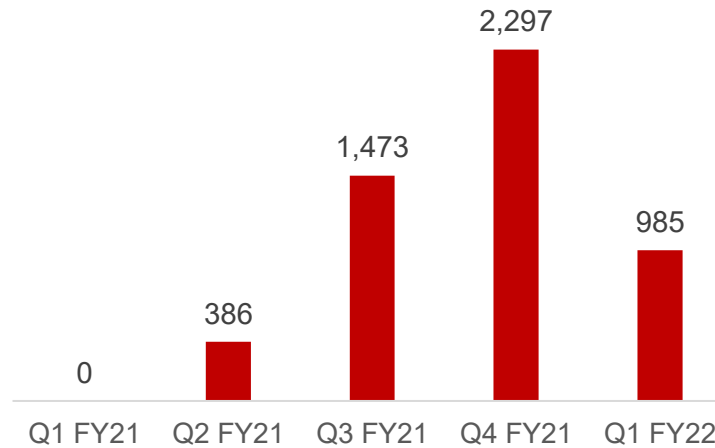
- ❖ **Q1FY22 MFI AUM stood at INR 6,307 Mn – marginally higher by 4% vis-à-vis last year**
 - Active MFI Customer base stood at 3.13 Lakhs in Q1 FY22. Adding 28,697 new loans in Q1 FY22.
- ❖ **Cautious approach in disbursement due to second wave of COVID**
 - Completed disbursements of INR 985 Mn in Q1 FY22. Due to localised lockdown in various states, disbursements were lower than historical run rate. However post easing of restrictions, activity has picked up translating into higher disbursements.
- ❖ **Gross Total Income** increased by 12% YoY to INR 367.2 Mn due higher average AUM
- ❖ **Similarly, Net Total Income increased by 25% YoY to INR 202.2 Mn** aided by lower cost of fund
- ❖ **Pre-Provisioning Operating Profit increased by 30% YoY to INR 117.7 Mn** due to lower cost to income ratio
- ❖ **Provisions & write off for the quarter increased by 31% YoY to INR 75.6 Mn.**
 - Strengthening the provision coverage should hold the company in good stead in future to deal with potential asset quality risks on account of COVID.
 - Strengthened provision coverage by prudently earmarking INR 42 Mn for provisions in this quarter. Additionally, the company also took an aggressive write-off of INR 34 MN
 - Cumulative total ECL Provisions as on 30th June'21 were INR 363 Mn covering 5.8% of the total AUM.**
- ❖ **Repayment rates is picking up and has reached 89% in July'21**



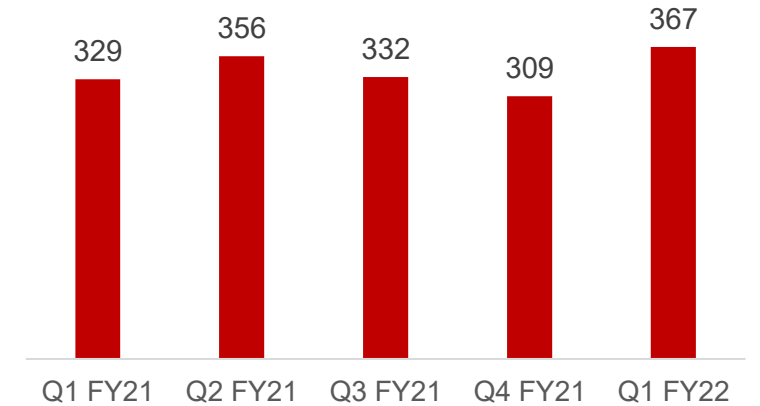
AUM (INR Mn)



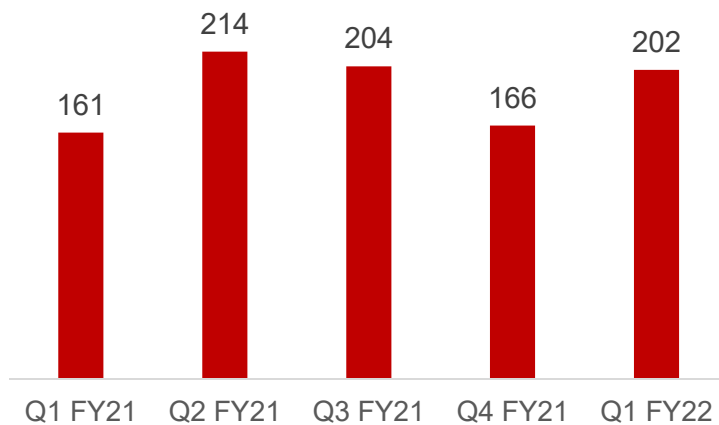
Disbursement (INR Mn)



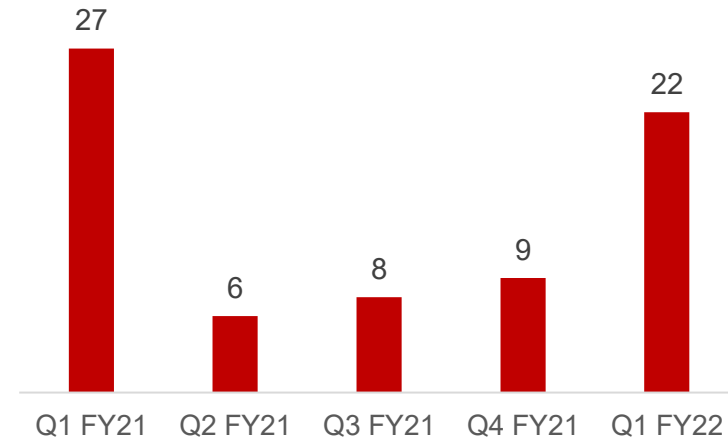
Gross Total Income (INR Mn)



Net Total Income (INR Mn)



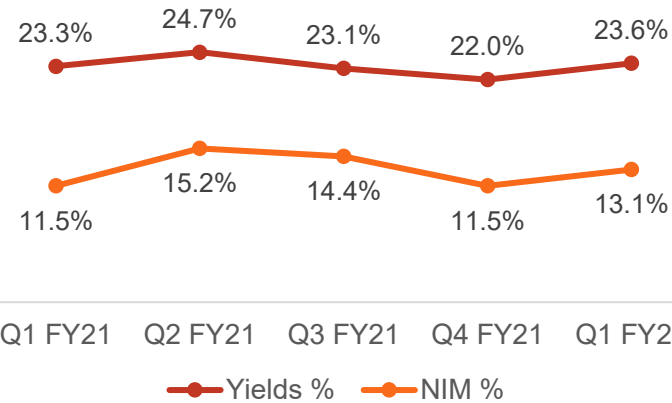
PAT (INR Mn)



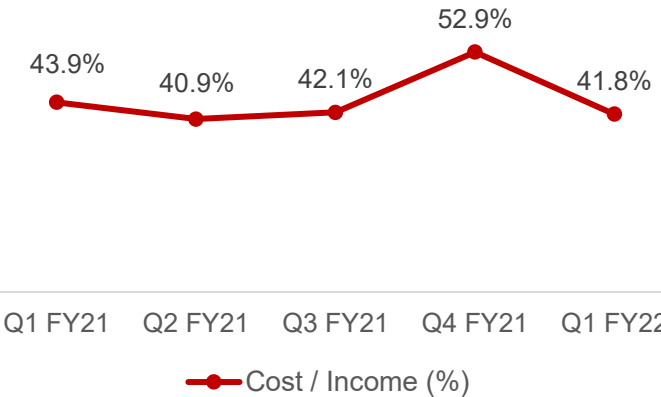
Q1 FY22 - Microfinance Performance Update



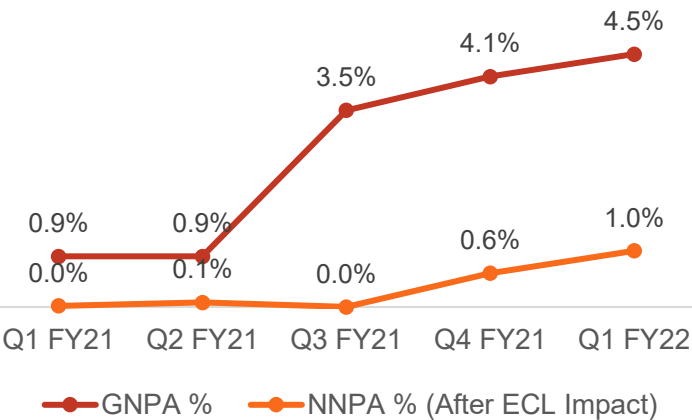
Yields % and NIM %



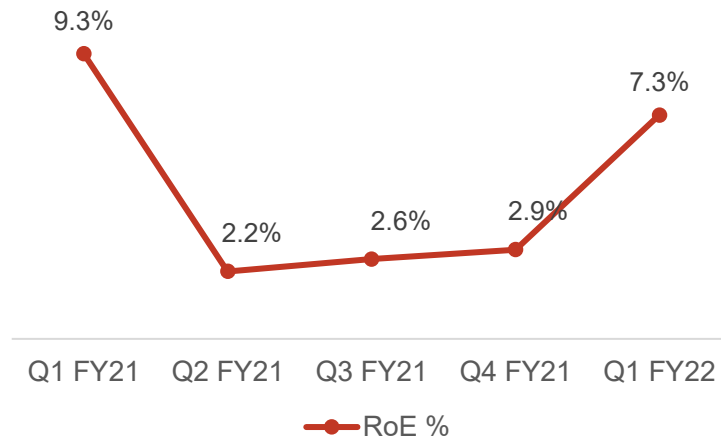
Cost-to-Income Ratio %



Asset Quality[#]



ROE %



Note:

- * Includes Covid specific provision in FY21
- NIM = $NTI / \text{Avg. AUM (On + Off-Book)}$; Yields = $\text{Gross Interest Income} / \text{Avg. AUM (On + Off-Book)}$; Cost-to-Income Ratio = $\text{Opex (excl. provisions)} / \text{Net Total Income}$; NNPA % = $NNPA / AUM$; RoE = $PAT / \text{Avg. Equity}$. RoE, Yields and NIM % figures are annualized

Q1 FY22 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q1 FY22	Q1 FY21	YoY (%)	FY21	FY20	YoY (%)
Asset Under Management	1,541	2,180	-29%	1,713	2,384	-28%
Disbursements	231	-		921	2,205	-58%
Income from Operations	136.0	161.8	-16%	603.5	671.1	-10%
Other Income	8.7	6.6	32%	32.0	29.9	7%
Gross Total Income	144.7	168.4	-14%	635.5	701.0	-9%
Finance Costs	41.2	53.1	-23%	199.8	220.3	-9%
Net Total Income (NTI)	103.5	115.2	-10%	435.7	480.7	-9%
Employee Benefits Expenses	27.3	25.7	6%	116.6	132.3	-12%
Depreciation and Amortisation	0.3	0.3	- 5%	1.0	1.1	-9%
Other Expenses	8.2	4.8	70%	44.9	52.2	-14%
Pre-Provision Operating Profit	67.8	84.4	-20%	273.1	295.1	-7%
Total Provision & Write-offs	37.8	44.7	-16%	179.2	66.9	168%
Profit After Tax	20.8	32.5	-36%	80.0	182.4	-56%
GNPA %	10.9%	1.6%	926 bps	6.6%	1.5%	511 bps
NNPA %	3.3%	0.8%	254 bps	0.9%	0.7%	16 bps
Return on Avg. AUM %	5.1%	5.7%	-59 bps	3.9%	8.3%	-440 bps
Return on Avg. Equity %	12.5%	21.4%	-890 bps	12.8%	35.4%	-2253 bps

Note:

- Income from operations includes interest income on loans and managed assets, other Income includes processing fees, other charges in respect of loans, late payment charges, etc.
- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book) ; NNPA % = NNPA / AUM (On + Off-Book).
- ROAE and ROAA figures are annualized

❖ Standalone AUM stood at INR 1,541 Mn on June'21

- MSME AUM stood at INR 1,131.4 Mn
- 2W AUM declined by 50% YoY to, INR 409.2 Mn, as the 2W sales declined in the last one year given the challenging economic environment. Further, lower disbursements during the year along with healthy repayment rates have led to a run down in the 2-wheeler book.

❖ MSME disbursements has started bouncing back after bottoming out in May 2021 due to second wave of COVID. The total MSME & 2W Disbursement in Q1 were INR 160 Mn and INR 71 Mn respectively

❖ In-line with the decline in AUM, Pre-Provisioning Operating Profit declined by 20% YoY to INR 67.8 Mn.

❖ **The total Provisions as on 30th June 21 stood at INR 194.7 mn covering 12.6% of total AUM**

❖ GNPA % and NNPA % stood at 10.9% and 3.3% respectively.

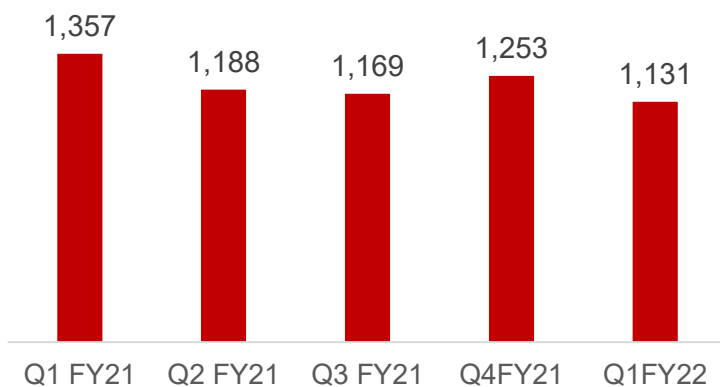
❖ **Repayment rates bounced back after dipping due to second wave of COVID -**

- MSME:** Repayment rates improved to 94% in July'21
- 2W:** Repayment rates were healthy and steady at 95% in July'21

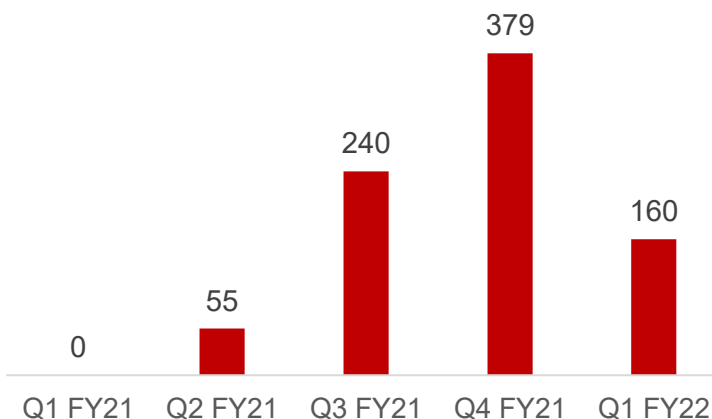
Q1 FY22 - MSME Performance Update



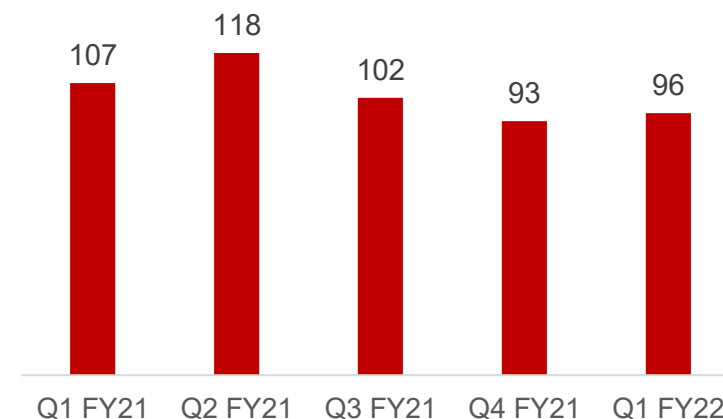
AUM (INR Mn)



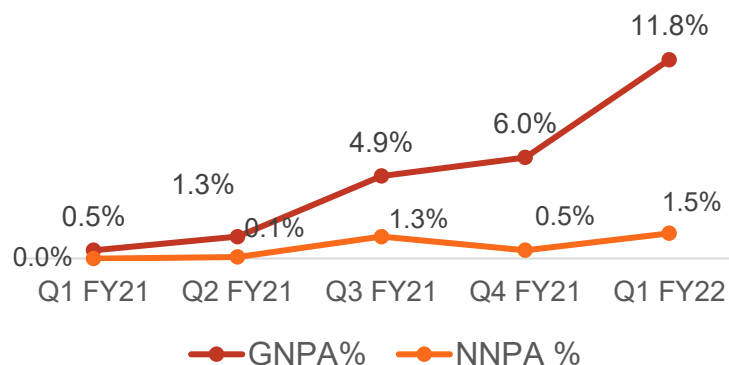
Disbursements (INR Mn)



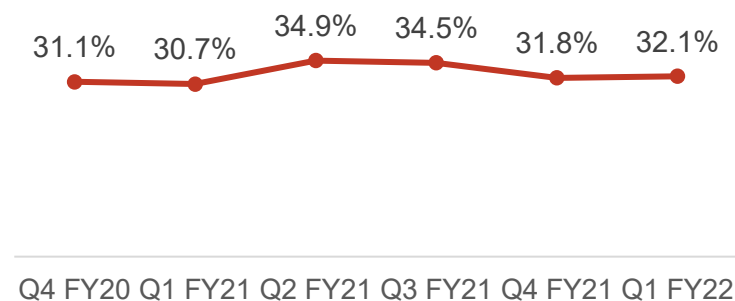
Gross Interest Income (INR Mn)



Asset Quality[#]



Yields %



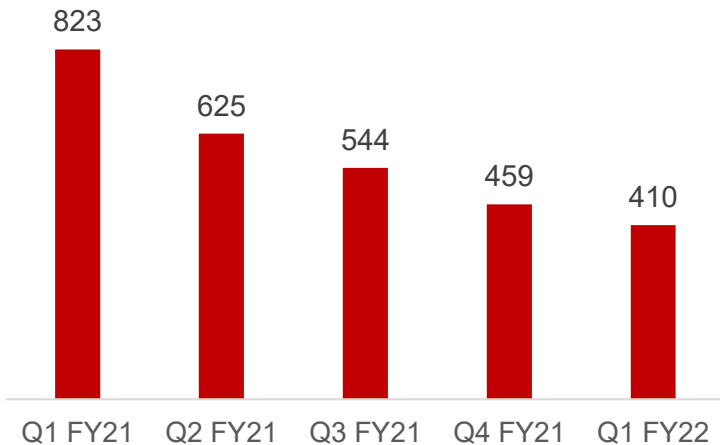
Note:

- Gross Interest Income = Interest Income + processing fees / other charges, Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NNPA % = NNPA / AUM. Yields % figures are annualized.

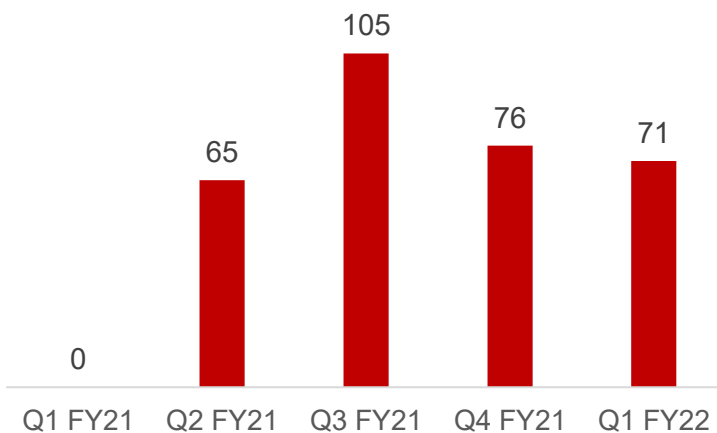
Q1 FY22 - 2W Performance Update



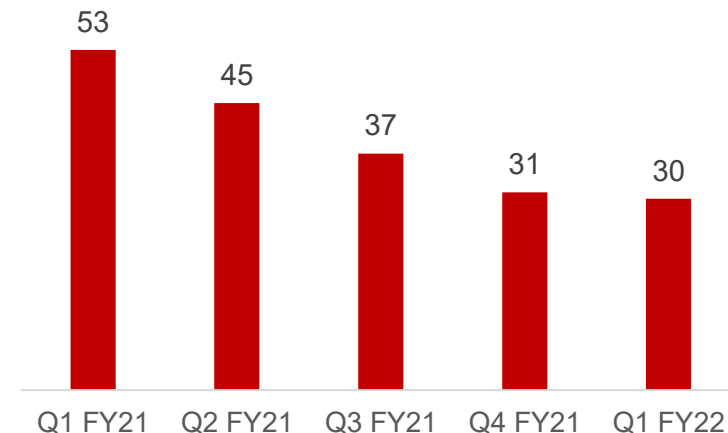
AUM (INR Mn)



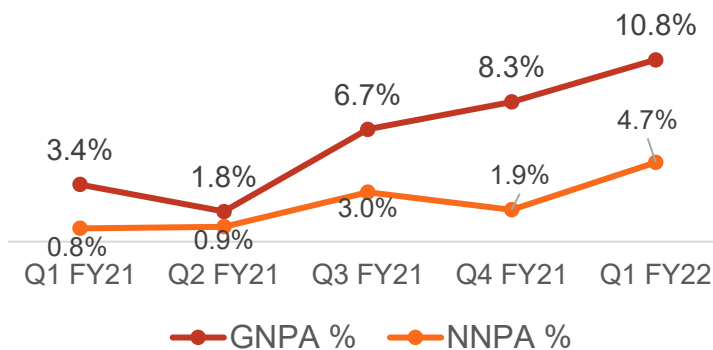
Disbursement (INR Mn)



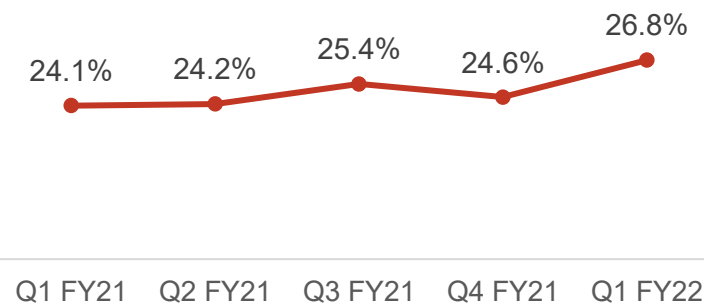
Gross Interest Income (INR Mn)



Asset Quality



Yields %



Note:

- Gross Interest Income = Interest Income + processing fees / other charges, Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NNPA % = NNPA / AUM. Yields % figures are annualized



Arman Financial Services Ltd.

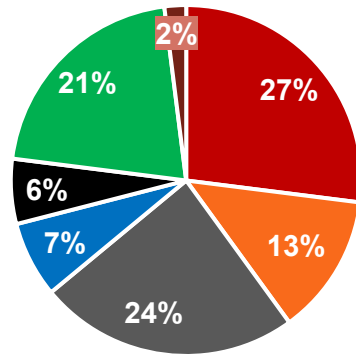


Liability Overview

Funding profile is well diversified with increase in share of funds from NCDs & DFIs

FY21 - Borrowing Mix %

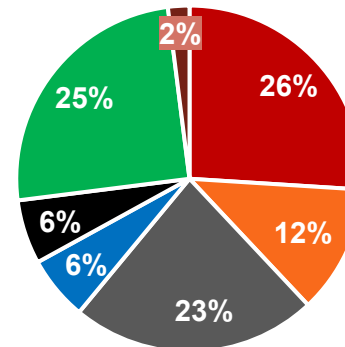
INR 7,665 Mn *



Note: * INR 7,665 Mn includes direct assignment of INR 581 Mn

Q1 FY22 - Borrowing Mix %

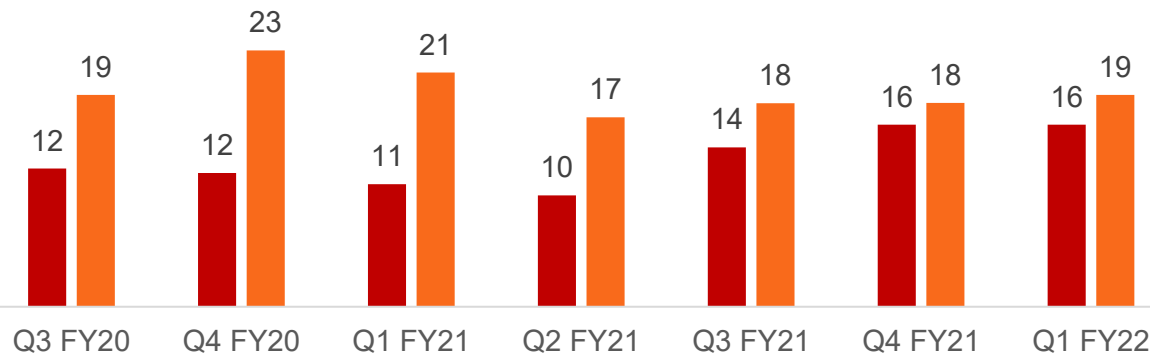
INR 7,012 Mn *



Note: # INR 7,012 Mn includes direct assignment of INR 120 Mn

- Banks & SFBs
- DFIs (NABARD, MUDRA & SIDBI)
- NBFC / FI
- Securitization
- ECB
- NCD
- DA

Positive ALM (in Months)



■ Average Tenor of Active Assets (months) ■ Average Maturity of Active Borrowings (months)

- Well-diversified borrowing mix with increasing share of NCD's, ECB's, DFIs (NABARD Refinance, MUDRA) and Securitization
 - Share of NCD's, ECB's, DFIs, and Securitization represented **~45% of borrowings in Q1 FY22**
- **Constant rating upgrades** have helped lower cost of funds in recent years
 - Credit rating was reaffirmed to **BBB+ with stable outlook in FY21 (CARE Ratings)** despite covid related disruptions.
 - Group has A2 rating by CARE Ratings for **short-term bank facilities**
- **Increasing share from DFI's has led to overall lower cost of borrowings**
- **Comfortable liquidity position with a potential to increase leverage.**



Lending partners

Bank Borrowings



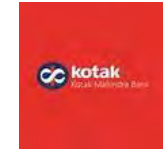
Non-Bank Borrowings



Securitization Partners



IndusInd Bank



niyogin



NCDs & ECB





Arman Financial Services Ltd.



Company Overview



Genesis

- Arman Financial Services (“Arman”) is a **diversified NBFC** focusing on large under-served rural & semi-urban retail markets
- Founded in 1992 by Mr. Jayendra Patel in Ahmedabad. Listed on BSE in 1995 and on NSE in 2016
- Strong Management Team led by Mr. Jayendra Patel having a combined experience of 100+ years in the Lending Business

Presence in Attractive Retail Lending

Segments

- Total Loan Assets of INR 7,848 Mn in Q1 FY22
- Microfinance – 80.4% of AUM (via 100% owned subsidiary “*Namra Finance*”)
- MSME Loans – 14.4% of AUM
- 2-Wheeler Loans – 5.2% of AUM



Arman Financial Services Ltd.

Strong Retail Presence & Wide Distribution Network

- 246 branches; 55+ Two-Wheeler dealerships
- 94 Districts, 7 states
- ~3.74 lakh live customers
- Undertaken contiguous expansion from Gujarat since 2014 to achieve geographic diversification

Robust Risk Management Framework

- **Consistent rating upgrades** backed by strong financial & operating performance – Currently rated **BBB+** by CARE Ratings
- **Track record of consistent profitability** - Never reported an annual loss
- **Completely in-house operations** with **bottoms up** driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

Strong Financial Performance

- High-Growth Trajectory (FY2016-21 CAGR) :
 - AUM: 36%
 - Net Income: 36%
- Consolidated debt to equity ratio of 3.9:1 – Sufficient Capital to drive growth going forward
- High Return Ratios except for COVID impacted for FY21 - ROE: 5.9%; ROAA: 1.3%

Efficient Liability Management

- **Comfortable Liquidity Position: Positive ALM**
 - Avg. lending tenor at origination: ~24 months; Avg. tenor of debt at origination: ~36 months
- Diversified Borrowing Profile with Relationship across 30+ Banks & other Financial Institutions

Note:

- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book) ; NNPA % = NNPA / AUM (On + Off-Book). Yields, NIM, ROAA and ROE figures are annualized.

Business Progression



Company incorporated.
Started bill discounting & machine leasing

Launched 2W Loans

Raised PE funding from Incofin;
Disbursement crosses 50 Cr

Expanded to Maharashtra, MP, UP & Uttarakhand;
listing on NSE

Crosses 100 branches across 5 states & 3 products;
Disbursement crosses 500 Cr

Disbursement crosses 750 Cr;
100% Cashless disbursements;
Expanded into Rajasthan

Despite COVID-19 challenges, the company expanded its Footprint to Haryana

1992

1995

1998

2010

2011

2013

2014-16

2017

2017-18

2018

2019

2020

2021

Listing on BSE – Issue subscribed 22x

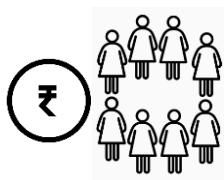
Launched Microfinance business

Demerged MFI operations into “**Namra Finance**”;
Disbursement crosses 100 Cr

Launched MSME Loans business

Raised PE funding from SAIF Partners

Disbursement Crosses 875 Cr





ARMA FINANCIAL SERVICES LTD.

- 28 years of existence
- Active customer base of 3.74 lakh
- Employee strength of 2,028 employees
- Completely in-house operations – Sourcing, Credit & Collections

Microfinance



MSME Loans



2-Wheeler Loans



Rural 2W Loans



% of Total AUM	79%	15%	6%	1% (in Pilot Stage)
LTV	Unsecured	Cash flow & FOIR based	65-85%	60-80%
Ticket size	Cycle 1 & 2 - INR 20-30k Cycle 3+ - INR 20-45k	INR 50-70k	INR 30-55k	INR 40-50k
Average Ticket size	INR 35,000	INR 70,000	INR 52,000	INR 45,000
Tenure	18-24 months	24 months	12-36 months	12-24 months
Yield (%)	22-25% (Spread capped by RBI guidelines)	30-32%	21-23%	26-28%
Disbursement	100% Cashless	100% Cashless	100% Cashless to dealer	100% Cashless to sub-dealer
Credit Check	CRIF / Equifax Score; JLG Model with Training, Home Visit, Life Style Appraisal	CIBIL & CRIF Score; Detailed Cash Flow Assessment; Home & Business Field Investigation	CIBIL / CRIF Score & Field Investigation	CIBIL / CRIF Score; Detailed Cash Flow Assessment; Field Investigation
Collections	Cash collection at centre meeting	Door step cash collection	NACH / Direct Debit	Door step cash collection



KEY STRATEGIC DIFFERENTIATORS

Focus on **small-ticket retail loans** to the **large under-served informal** segment customer in **rural & semi-urban** geographies

Diversifying products, geographies, sources of funds and delivering **growth by increase in volumes** rather than ticket sizes

Conservative operations framework with focus on risk & asset quality

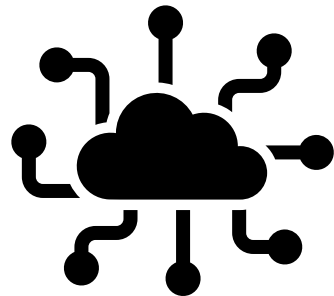
Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

Business model centered around conservative approach to high yielding assets to deliver a sustainable ROA of 3-5%

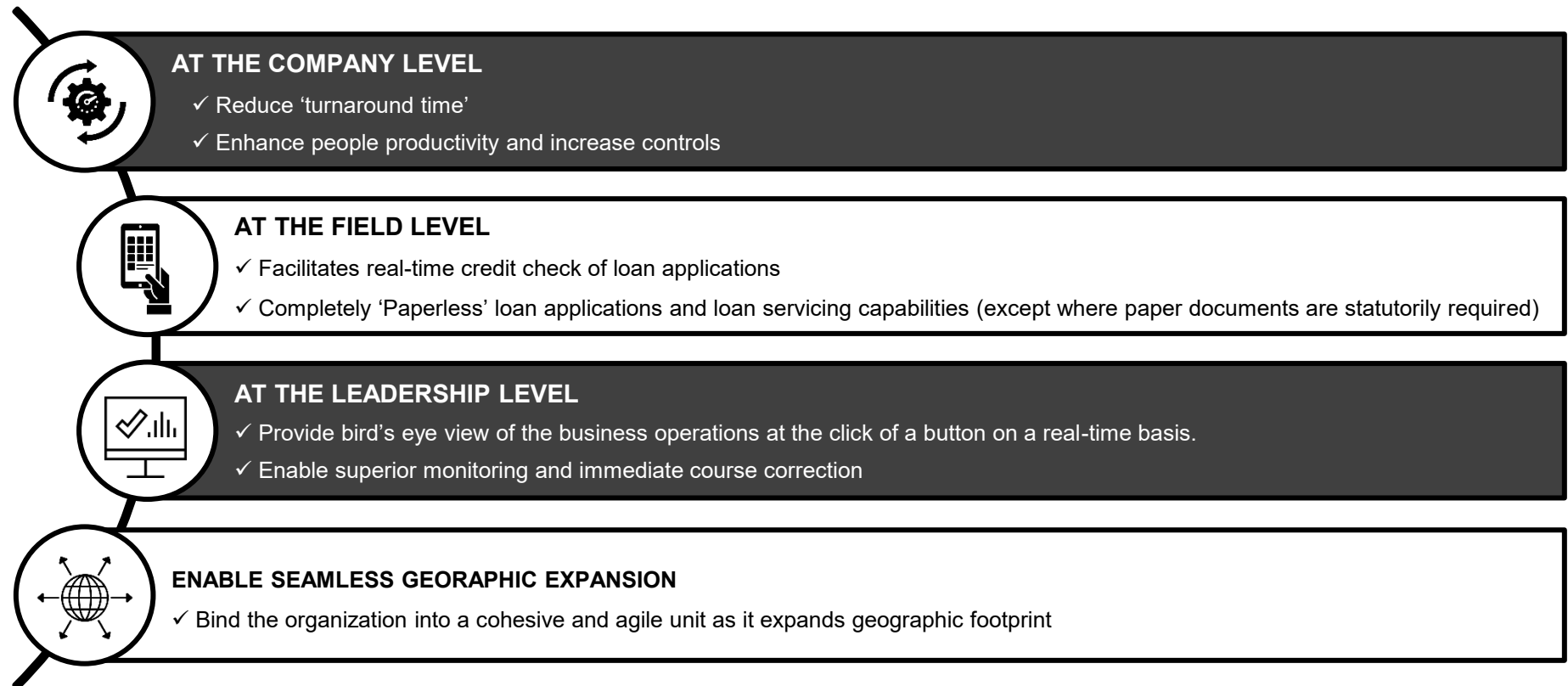
Technological Initiatives to Strengthen Operations

- ❖ In FY19, the company launched an integrated mobile interface for its MFI field staff to enable seamless on-boarding of MFI customers by digitizing & standardizing the loan origination and appraisal process. **‘This technology has been successfully implemented across all the MFI branches now.’**
- ❖ Rolled-out the **‘Jayam’ initiative** across the company’s MFI operations to transform business processes from physical to digital. **‘As a part of this initiative, the ‘integrated loan origination system (LOS) & loan management system (LMS)’ is hosted on the Cloud. This system manages and tracks originations and recoveries on a real-time basis.’**
- ❖ In the next phase, the company will be implementing these initiatives for its MSME & 2W operations as well. However, the next phase will a bit delayed due to the Covid disruption

ADVANTAGES OF IMPLEMENTING THE ‘JAYAM’ INITIATIVE & INTEGRATED MOBILE INTERFACE FOR FIELD OPERATIONS



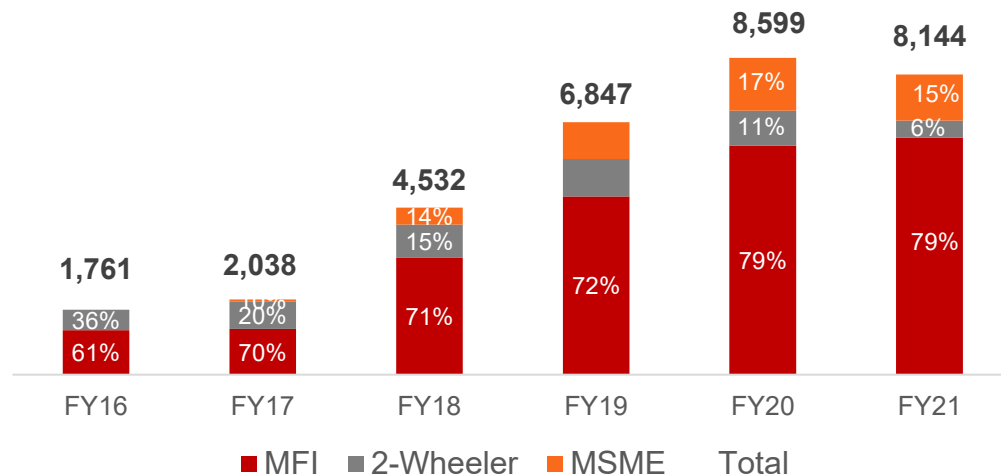
DRIVING DIGITAL TRANSFORMATION



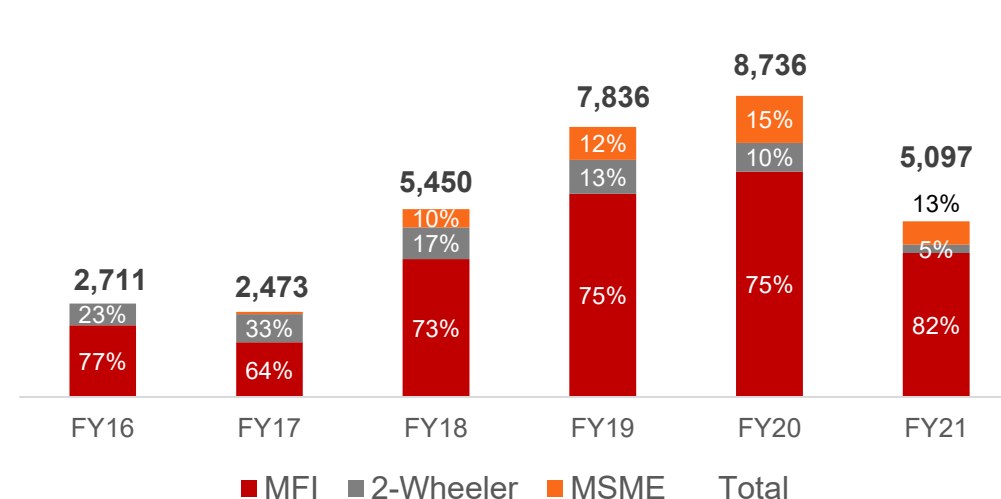
Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 7,848 Mn in Q1 FY22 split between –
 - Microfinance: INR 6,307 Mn (80.4%),
 - MSME Loans: INR 1,131 Mn (14.4%)
 - 2-Wheeler Loans: INR 409 Mn (5.2%)
- Strategically forayed into MSME Loans in 2017. Successfully scaled up the business to INR 1,254 Mn (15% of Total AUM) in the last 4 years
- Further, we recently launched a new product “*Rural 2-wheeler loans*”(currently in pilot stage) to effectively meet the under-served market.
 - Higher ROA business offering immense growth potential
- Plan to reduce share of MFI book in overall AUM to ~60% over time

Asset Strategy at Arman

Small ticket, granular loans - Ticket size INR 20,000 – 1,50,000

Self-employed / cash-income informal segment customers

High-yield rural focused products – 20%+ yields

Stringent underwriting

Rigorous collections practices – in-house, feet-on-street model

Aim to deliver 3-5% post-tax ROA

Note: FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

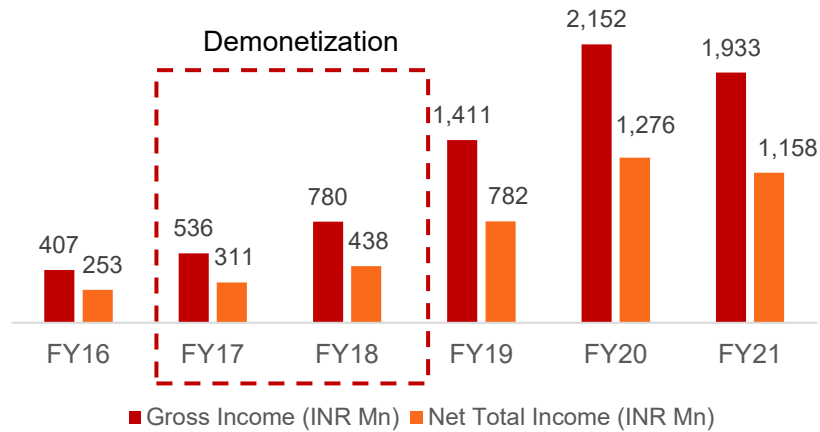
.....While Maintaining Superior Cost Efficiency & Asset Quality



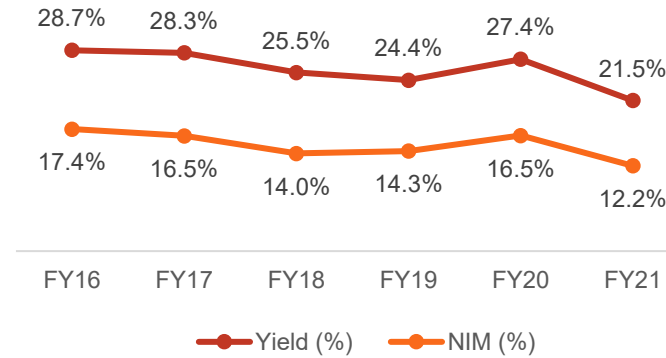
Gross Income and Net Total Income (INR Mn)

CAGR: 37%

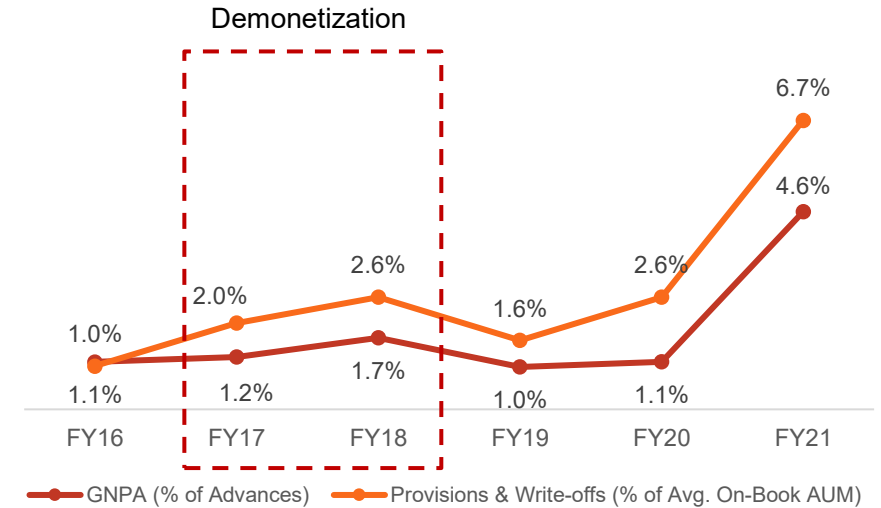
CAGR: 36%



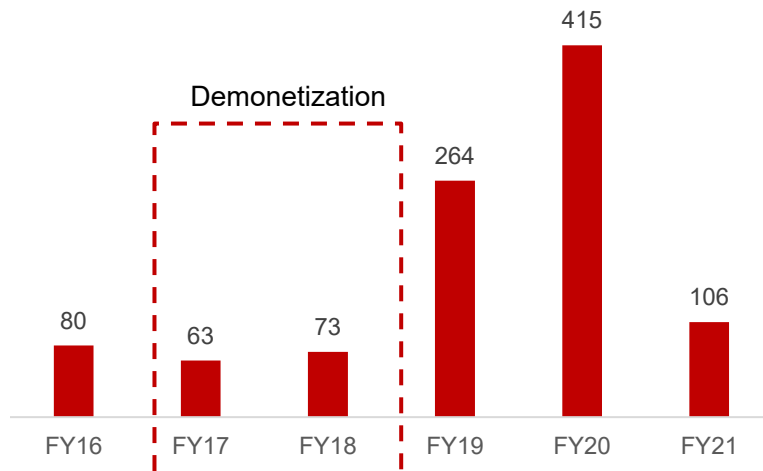
Yield % and NIM %



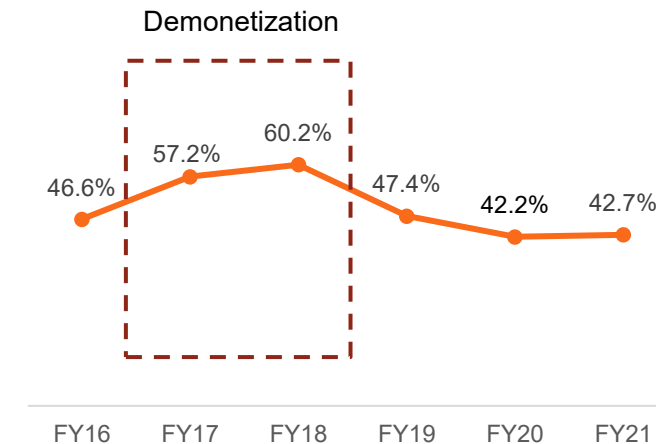
Focus on risk have led to immaculate through-cycle asset quality



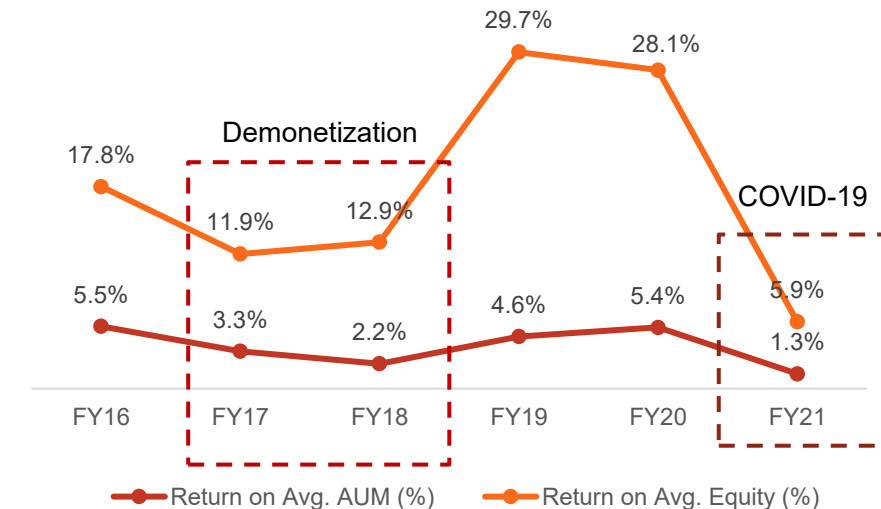
PAT (INR Mn)



Cost to Income Ratio %



Consistently high through cycle ROA / ROE



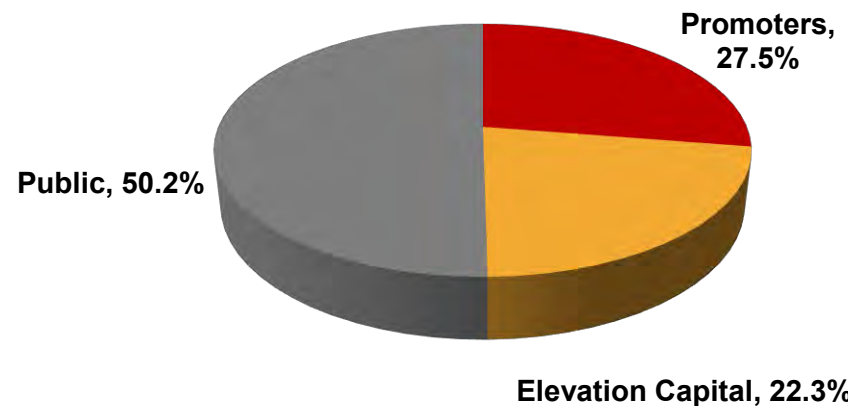
Note:

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Shareholding Pattern

SHAREHOLDING – 30th June 2021



Source – Company

- **Elevation Capital (Erstwhile SAIF Partners)** invested **INR 500 Mn** in CCDs in April 2018 Post conversion of CCD's, Elevation Capital stake in the company stands at 22.3%
- **Mr. Mridul Arora, MD at SAIF Partners is a Nominee Director on the Arman Board**



Arman Financial Services Ltd.



MSME LOANS



MICROFINANCE



TWO WHEELER LOANS

Product Overview



Product Overview

- **JLG model with small ticket loans** (Avg. Ticket Size – INR 35,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- Operations in **7 states; 204 MFI branches; 3.1 lakh live customers**
- Arman MFI operating model –
 - **High touch monthly collection model**
 - **Rural concentration:** ~85% rural & semi-urban portfolio (vs 43% for MFI industry)
 - **Conservative risk framework**
 - 100% Cashless disbursement
 - JLG groups formed by customers themselves
 - Loan utilization checks to ensure loan for income generating purpose
 - **Controlled growth targets** driven by bottom-up projections

FY21 – Key Metrics (Mn)

6,431	4,176	
AUM (INR Mn)	Disbursement (INR Mn)	
1,334	49	35,000
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size (INR)

FY21 – Key Metrics (%)

23.0%	13.0%	0.8%
Yield	NIM	ROAA
4.1%	0.6%	4.2%
GNPA	NNPA	ROE



Product Overview

- Hypothecation (secured) loans given to self-employed / cash-salaried customer in the informal segment in semi-urban / rural areas for a 2W
- Currently operates only in Gujarat; across 55+ dealerships
- **Piloting new Rural 2W product:** Operating in Tier 3-4 & below locations for higher yields; higher ROA business; key growth driver going forward
- Growth levers –
 - Increase in finance penetration
 - Geographical & new product expansion
- Arman 2W & Rural 2W operating model –
 - Focus on **quick turn around time**
 - Excellent **relationships with dealers and OEMs**
 - **In-house feet-on-street** model for **rigorous collections**

FY21 – Key Metrics (Mn)

459

AUM (INR Mn)

246

Disbursement (INR Mn)

251

Total Income (INR Mn)

52,000

Avg. Ticket Size (INR)

FY21 – Key Metrics (%)

24.4%

Yield

14.0%

NIM

8.3%

GNPA

1.97%

NNPA

Product Overview: MSME Loans



Product Overview

- Individual enterprise / working capital loans for small rural businesses in low competition areas
- Currently operates across 3 states – Gujarat, MP & Maharashtra, with 36 branches
- Arman MSME operating model –
 - Dual credit bureau check** for both customer and spouse on CRIF (for MFI loans) and CIBIL (for non-MFI loans)
 - High-touch monthly cash collection model**
 - Cash Flow assessment** using tailored appraisal techniques
 - Locally drawn field force** with personal knowledge of the market
 - In-house teams** for pre-lending field investigations and appraisals, with **centralized final credit approval**
- Highest ROA product at Arman**; focus on growing this business over time
- Focus on quality underwriting & rigorous collections to ensure asset quality

FY21 – Key Metrics (%)

1,254

AUM (INR Mn)

419

Total Income (INR Mn)

674

Disbursement (INR Mn)

70,000

Avg. Ticket Size (INR)

FY21 – Key Metrics (%)

33.8%

Yield

6.0%

GNPA

23.4%

NIM

0.5%

NNPA

MSME Process Overview

Sourcing

- In-house sourcing team (No DSAs)
- Feet-on-Street sales team model
- Door-to-door knocking & cold calling
- BTL activities such as pamphlet distribution, stalls at village level gatherings
- Referrals from existing customers

“Sales team logs-in the case & collects KYC docs”

Underwriting

“Trigger sent to independent credit team for FI”

- Credit bureau check (CRIF & CIBIL)
- Physical FI & PD by in-house credit manager at residence & workplace
- Capacity to Pay** - Use of non-traditional income & expense estimation methodologies
- Willingness to pay** – Reference checks
- Final sanction by centralized credit team

Collections

“Door-step cash collection”

- X-bucket (current) collections to be handled by sales team
- Door-to-door collection allows Company to maintain relations with customer and ensures high collection efficiency
- Monthly collections – High touch, relationship driven model



Thank You



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Vivek Modi

Group – CFO

Arman Financial Services Ltd

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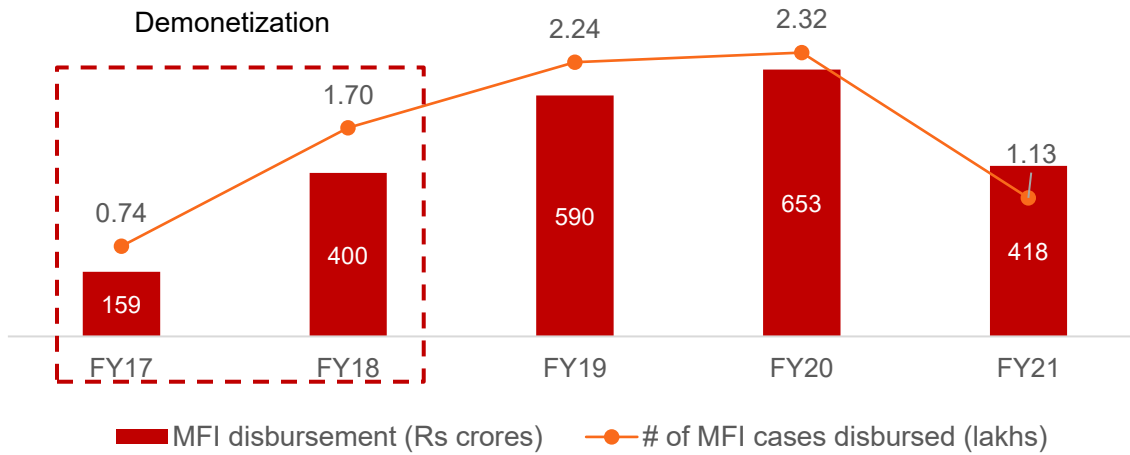
from ACCESS to INCLUSION

Annexures

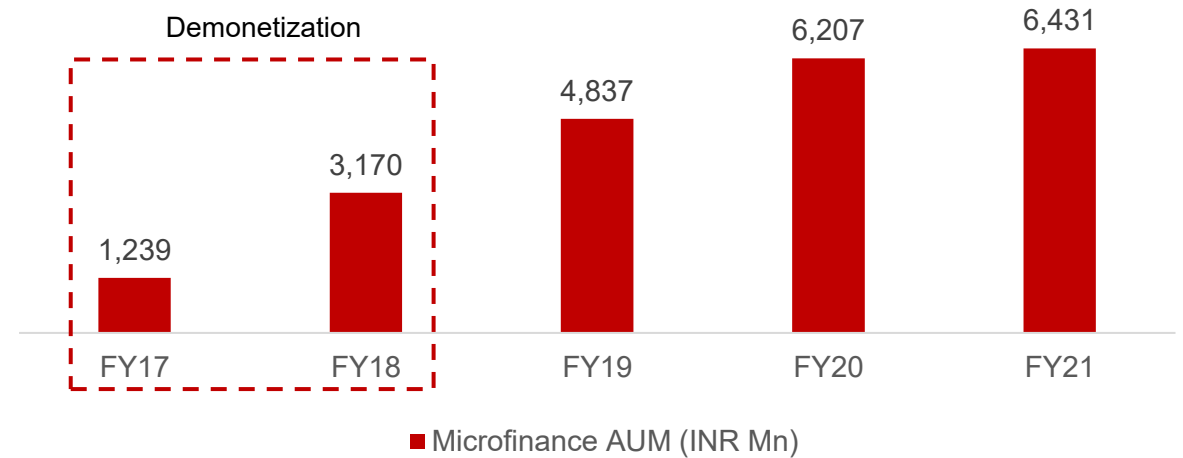
Microfinance: 5-Year Performance



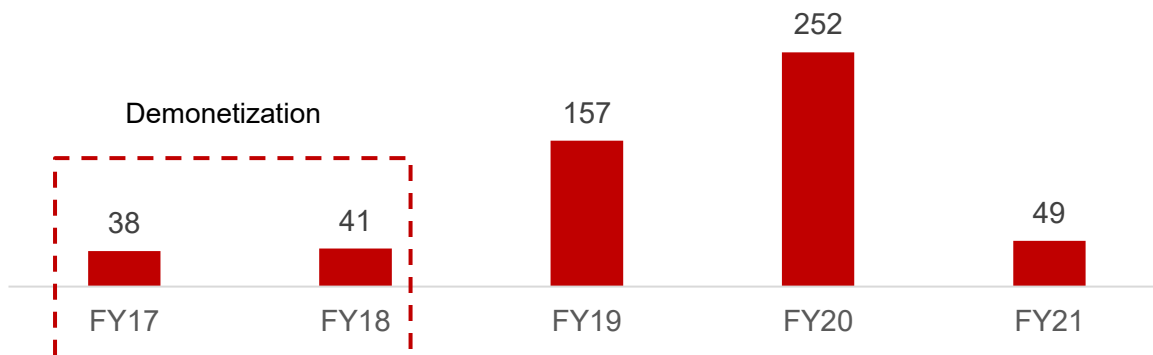
Disbursement growth is driven by customer & branch addition



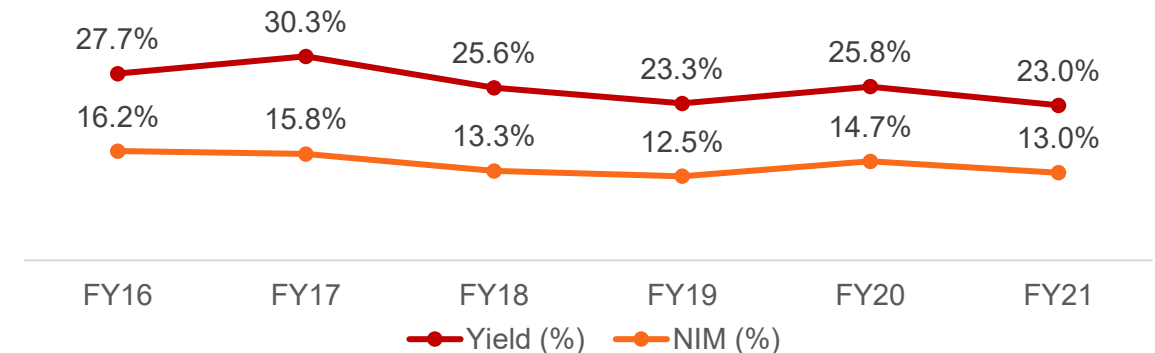
AUM growth exceeds MFI industry growth rates



PAT (INR Mn)



Yields (%) & NIM (%) Trend

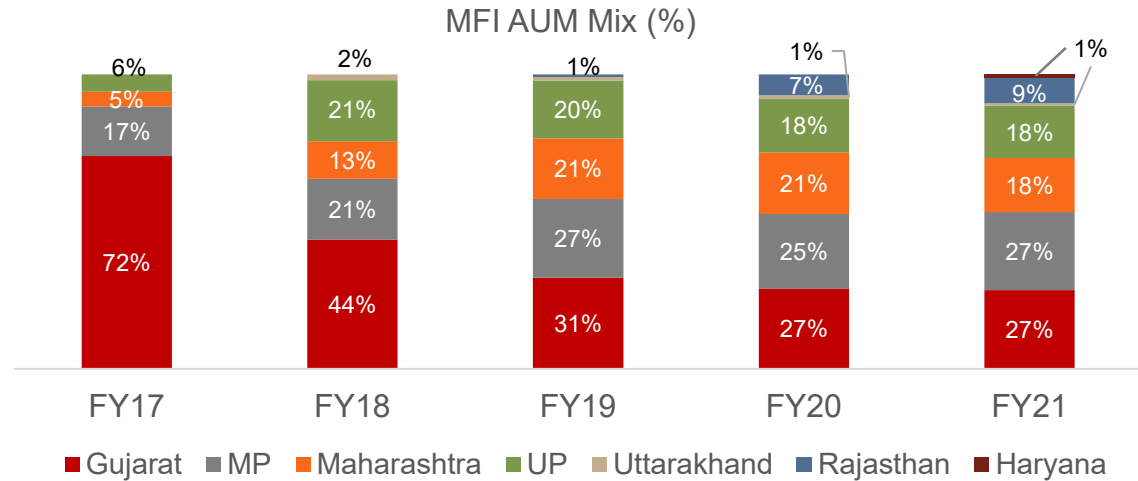


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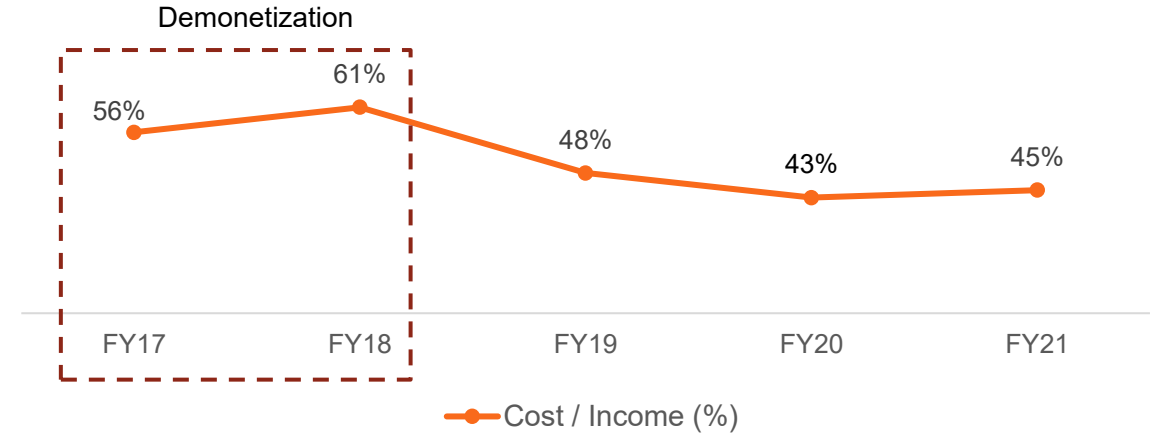
Microfinance: 5-Year Performance



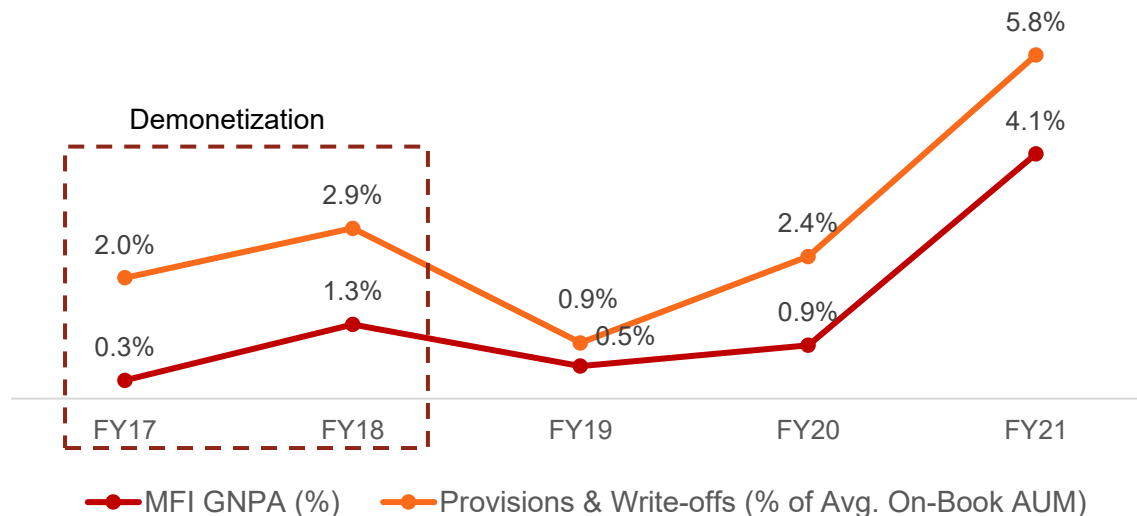
Well diversified across geographies



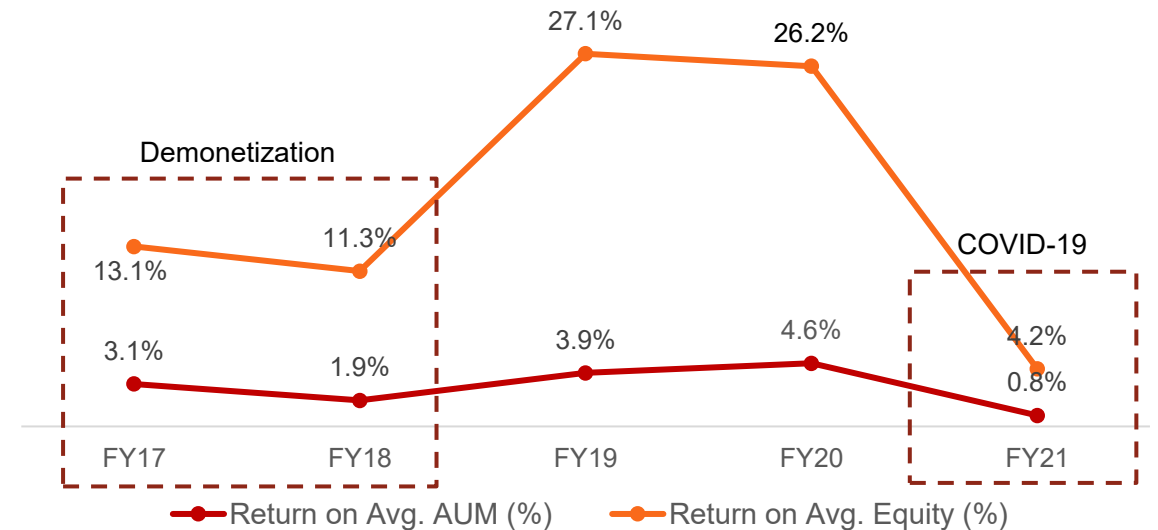
Maintaining high operational efficiency



Through cycle asset quality under control



Sustaining strong ROA (%) & ROE (%)

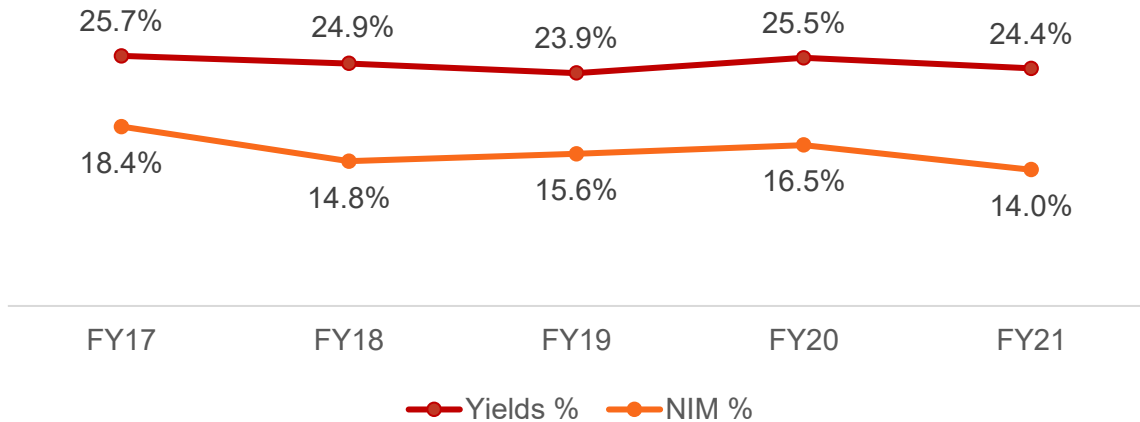


Note: FY20, FY21 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

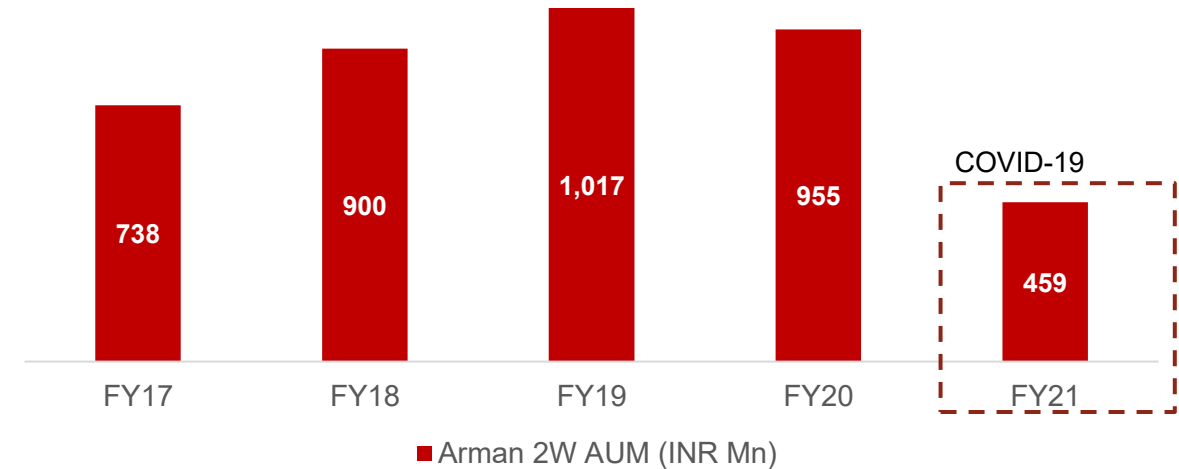
2W Loans: 5-Year Performance



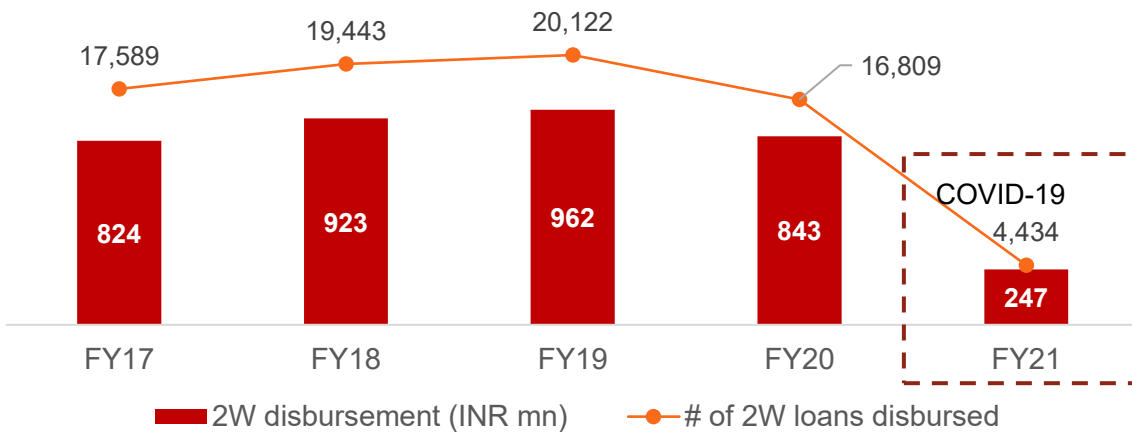
Yields (%) & NIM (%) Trend



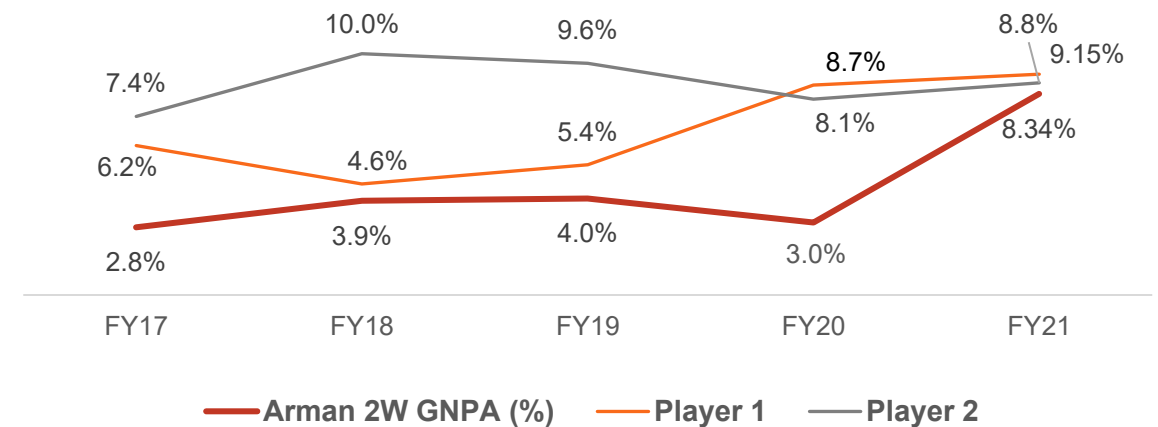
Arman 2W AUM/ has seen steady growth over FY15-20



Disbursement growth is driven by increase in 2W volumes



Collection focus has ensured superior NPA as compared to peers; NPA has inched up because of change in recognition norms



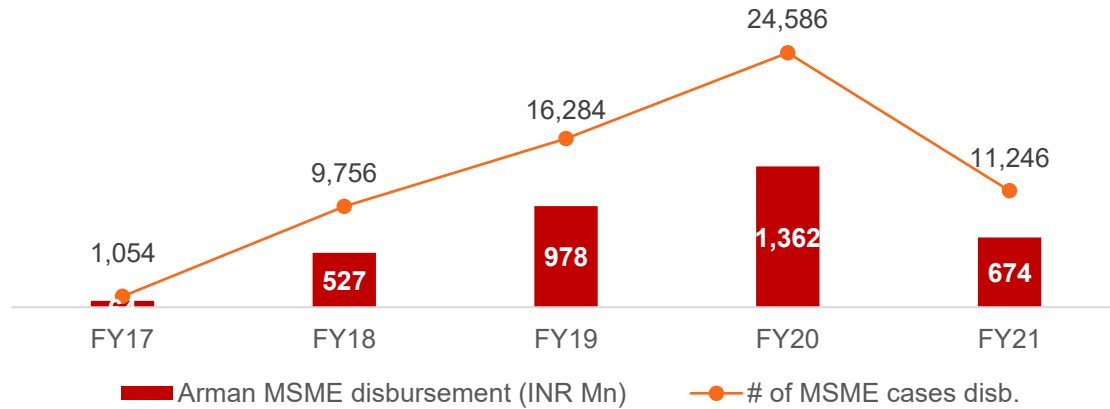
Note: FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

MSME Loans: 5-Year Performance

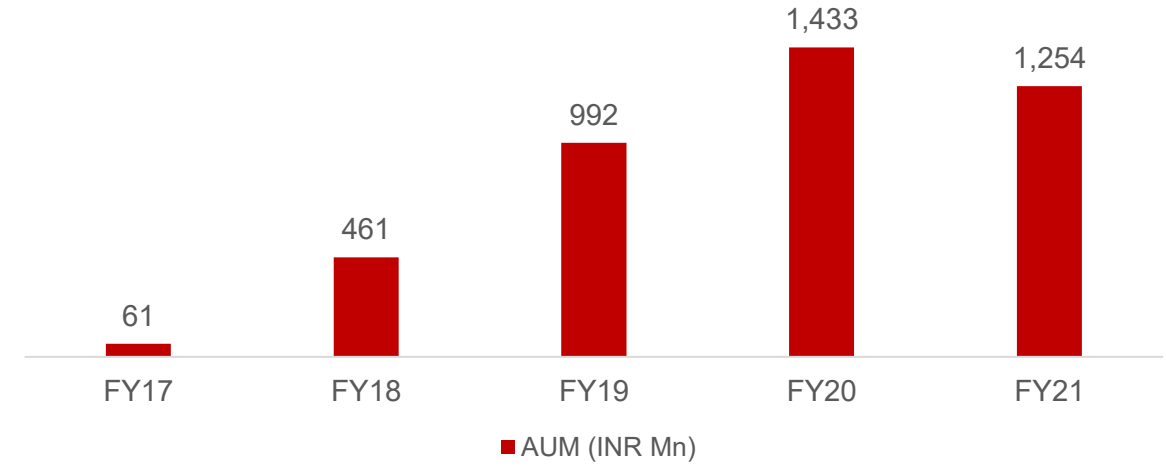


Disbursement Growth

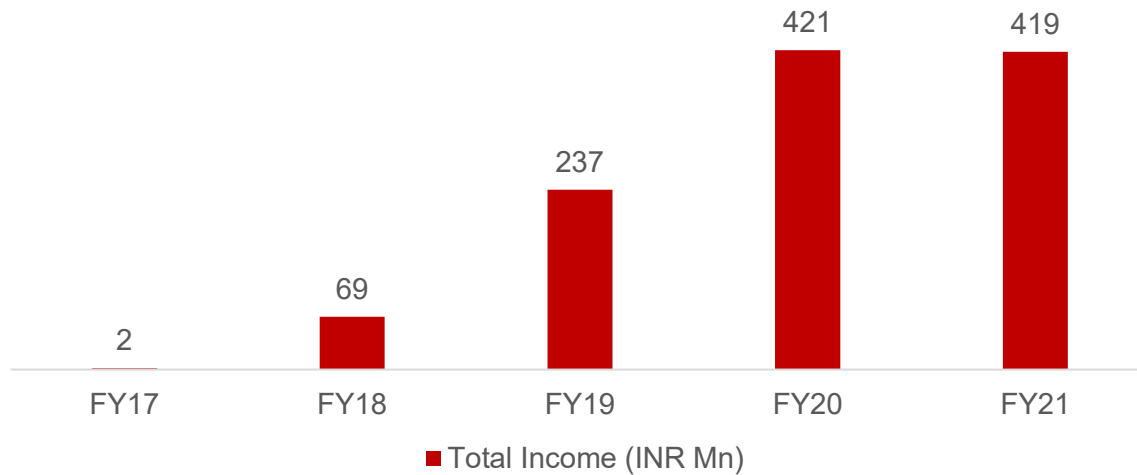
(83% CAGR)



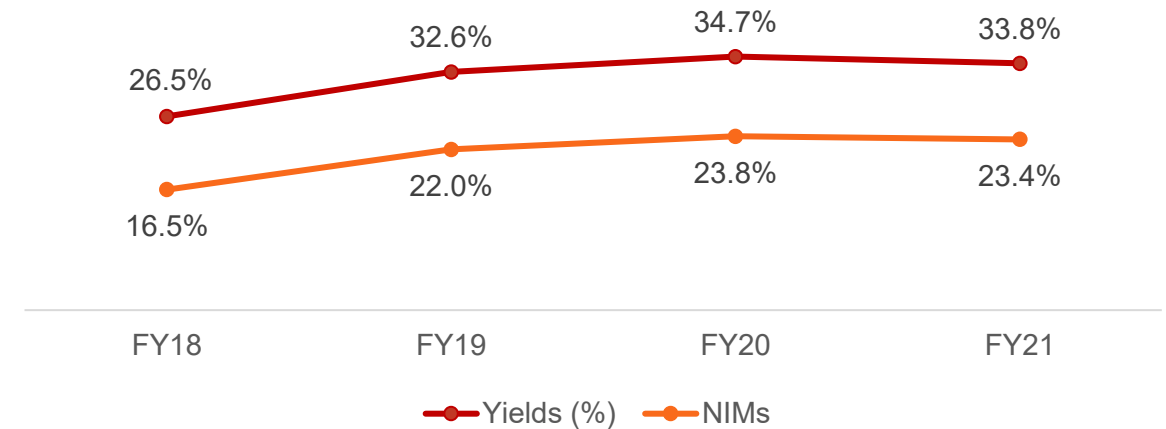
AUM Growth



Total Income Growth



Yields (%) & NIM (%) Trend



Note: FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.