



Arman Financial Services Ltd.

Arman Financial Reports Highest Ever Annual Profit After Tax of ₹ 41.5 Crores in FY20

Consolidated AUM grows to ₹ 860 Crores; up 26% Y-o-Y

Ahmedabad, India, 29 June 2020: 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 fourth quarter and full year ended 31st March 2020.

Particulars (In ₹ Crores)	Q4 FY20	Q4 FY19	YoY%	FY20	FY19	YoY%
Assets Under Management (AUM)	859.9	684.8	26%	859.9	684.8	26%
Total Disbursement	229.2	220.5	4%	873.6	783.6	12%
Gross Total Income	55.5	41.3	34%	215.1	139.6	54%
Pre-Provisioning Operating Profit	14.9	11.1	34%	73.8	42.7	73%
Total Provisioning & Write-Offs	11.9	2.4	396%	20.0	6.5	207%
Provisioning & Write-Offs *	5.2	2.4	117%	13.3	6.5	105%
Addl. COVID Specific Provisioning	6.7	-	-	6.7	-	-
Profit After Tax	3.8	7.2	(47%)	41.5	26.4	57%
Profit After Tax (Adj. for Covid Provision)	10.5	7.2	46%	48.2	26.4	82%
GNPA %	1.1%	1.0%	6 bps	1.1%	1.0%	6 bps
NNPA %	0.2%	0.5%	(28 bps)	0.2%	0.5%	(28 bps)
RoE % **	8.9%	23.8%	(1489 bps)	28.1%	29.7%	(161 bps)
RoE %** (Adj. for Covid Provisioning)	24.7%	23.8%	84 bps	32.6%	29.7%	291 bps

Note: * Provisioning & Write-offs also includes ₹ 3.9 crores for aggressive write-offs for Pre-Covid NPAs during Q4 FY20.

** RoE figures have been computed a fully diluted equity base and annualized for Q4 FY20 & Q4 FY19

Consolidated Financial Highlights – Q4 FY2020

- Assets under management** as on 31 March 2020 stood at ₹ 860 crores (+26% YoY). Covid induced disruption in March led to a lower booking in AUM by ₹ ~75-80 crores. Adjusted for this the AUM growth would have been in the range of 35-40% YoY. (AUM in Feb-20 was ₹ 890 crores – higher by 37% YoY vis-a-vis ₹ 650 crores in Feb-19)
- Disbursements** were marginally higher at ₹ 229.2 crores in Q4 compared to the same quarter in the previous year. Due to the Covid disruption in March, disbursements were only 20% of the targeted volumes as majority of disbursement occur in last week of the month. Adjusting for this, the growth in disbursements would have been 35-40% YoY. (Disbursements for “Jan-Feb 2020” were higher by 33% YoY)
- Shareholders Equity** stood at ₹ 172.2 crores as on 31 March’20 (BVPS is ₹ 204)
- Comfortable Leverage Position:** Debt-Equity Ratio as on 31 March’20 was 4.1x (excludes direct assignment)
- Net Total Income** increased by 36% YoY to ₹ 30.7 crores up from ₹ 22.5 crores
- Pre-Provisioning Operating Profit** rose by 34% YoY to ₹ 14.9 crores as against ₹ 11.1 crores, driven by strong growth in Net Total Income and efficient cost management
- Provisions** during the quarter increased to ₹ 11.9 crores, as the company prudently created a 1) contingency provision of ₹ 6.7 crores on account of Covid, and further 2) took aggressive write-offs of ₹ 3.9 crores for pre-Covid NPAs
- Profit after tax** stood lower at ₹ 3.8 crores. Adjusted for the contingency provision due to Covid - 1) PAT growth would have been 46% on YoY basis, and the 2) ROE would have been 24.7%
- Asset quality continued to remain robust – Consolidated GNPA stood stable at 1.1%, and NNPA improved to 0.2%**
- Total operational branches** as on 31 March 2020 stood at 211 (170 in MFI, 35 in MSME and 6 in 2W)

Consolidated Financial Highlights – FY2020

- Net Total Income** increased by 57% YoY to ₹ 127.6 crores up from ₹ 81.2 crores
- Pre-Provisioning Operating Profit** rose by 73% YoY to ₹ 73.8 crores compared to ₹ 42.7 crore





Arman Financial Services Ltd.

- **Profit after tax** grew by 57% YoY to ₹ 41.5 crores despite the higher provisioning taken on account of Covid. Adjusted for the contingent Covid provisioning - 1) PAT growth would have been 82% YoY, and 2) ROE would have been 32.6%

Update on Liquidity

- Sufficient reserves to cover the 1) necessary operational expenses for the next 6 months, and 2) other immediate liabilities. The company did not seek any moratorium from lenders in March 2020 and received moratorium from most of its lenders in April & May 2020.
- Liquidity position has improved substantially in June driven by the pick-up in collections. As a result, for June, the company has repaid all obligations that were due and not applied for any moratorium.
- Successfully raised ₹ 160 crores in Q4 FY20, and ₹ 75 crores since the lockdown to bolster liquidity. ₹ 30 crores was received from NABARD and ₹ 35 crores received from SIDBI at very attractive rates of 7.1% and 7.0%, respectively.

Commenting on the company's performance in FY20, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, "Arman reported its highest ever annual net profit of ₹ 41.5 crores in FY20, despite facing multiple external and macro-economic challenges during the year. To deal with any potential deterioration in the asset quality in FY21, we have prudently earmarked ₹ 6.7 crores (0.8% of AUM) as contingent provision for Covid and further undertaken an aggressive write-off of ₹ 3.9 crores for the pre-Covid NPAs. A combination of sustained strong growth in the MFI and the MSME book, higher NIMs, and an improved cost-to-income ratio helped us to deliver a robust operating performance with the pre-provision operating profit rising by 73% to ₹ 73.8 crores. Further, the gross and net NPA levels have continued to remain low, and steady vis-à-vis FY19.

Post the announcement of the nation-wide lockdown in March, we had temporarily closed all of our branches and suspended our operations. We gradually re-started our branch operations from May onwards, with the majority of the collection operations resuming post 1st June 2020. As of today, almost all of our branches are fully operational, with a few of them operating from different locations as they were originally located in containment zones. In-line with the broader microfinance industry, and as advised by SRO bodies like MFIN and Sa-Dhan, we extended moratorium to all our MFI and MSME customers for the months of April & May 2020. Meanwhile, in the 2W segment, we continued to accept collections in April & May, granting a moratorium to only the customers that specifically requested for it.

We have resumed our MFI and MSME collections from 1st June onwards, and so far, we have received very encouraging response as a majority of our customers have repaid their dues for the month of June and have not requested for any further moratorium. In the 2-wheeler segment, collections in June have seen a material improvement compared to April & May. It is a positive sign that a majority of our customers are willing to repay even though the RBI has extended the moratorium until 31st August. As the bulk of our MFI & MSME customers are based in rural India (>85% of AUM) and engaged in essential activities they are relatively less impacted. Moreover, the various economic relief measures announced by the Government for the bottom-of-the-pyramid is also expected to support quicker on-ground recovery. Repayment rates for June 2020 dues are expected to close at ~59% for the MFI segment; 84% for the MSME segment; and 85% for the 2-wheeler segment. The remaining customers remain under moratorium, though most have expressed a desire to resume repayments in 1 or 2 months and are not expected to use the full moratorium tenor available until August 31, 2020.

While it is difficult to predict the trajectory that the Covid-19 pandemic will take in the coming months and the year, as things stand today operationally speaking, we feel that the worst is behind us and in the next few months we will be focused on getting the repayment rates back to a semblance of normalcy, towards which we have made significant strides in the Month of June 2020. Going forward, we expect our collection efficiency to improve substantially over the next 2-3 months as the unlocking of economy gains pace and the RBI mandated moratorium ends in August 2020. Our primary focus will be on protecting our asset quality & improving collections from the field, maintaining a healthy liquidity position, and keeping our operating costs in check. The situation on the ground will require us to be nimble and constantly adapt to changing circumstances, a difficult task even during normal times, much less a global pandemic.

A special thanks to all the stakeholders of Arman, especially the employees who many times went above and beyond the call of duty to ensure the best interests of the company, and many who had to 're-learn' and 'un-learn' their jobs to adapt to the changing ground situations. Our mostly rural customers remain resilient as ever and will need credit in the coming months and years to rebuild their businesses; to that end, our mission to help the bottom of the pyramid becomes more critical than before. On the whole, we remain confident of overcoming these near-term challenges, and getting back on our growth trajectory as the conditions gradually normalize. We thank everyone for their outpouring of wishes and encouragement during the exceedingly difficult past few months. Together, we will persevere, and come out stronger and more resilient than ever before.





Arman Financial Services Ltd.

Segmental Performance Update – Q4 & FY2020 v/s. Q4 & FY2019

Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q4 FY20	Q4 FY19	YoY%	FY20	FY19	YoY%
Assets Under Management	621.5	483.8	28%	621.5	483.8	28%
Total Disbursement	180.2	165.7	9%	653.1	589.6	11%
Gross Total Income	39.0	27.8	40%	148.4	94.0	58%
Pre-Provisioning Operating Profit	9.4	7.1	33%	46.2	25.9	79%
Total Provisioning & Write-Offs	7.8	1.7	367%	13.3	3.7	259%
Provisioning & Write-Offs *	3.3	1.7	97%	8.8	3.7	137%
Addl. COVID Specific Provisioning	4.5	-	-	4.5	-	-
Profit After Tax	2.1	4.2	(50%)	25.2	15.7	61%
Profit After Tax (Adj. for Covid Provision)	6.6	4.2	59%	29.7	15.7	90%
GNPA %	0.9%	0.5%	38 bps	0.9%	0.5%	38 bps
NNPA % ***	0.9%	0.5%	38 bps	0.9%	0.5%	38 bps
NNPA % (after ECL Impact)	0.0%	0.1%	(5 bps)	0.0%	0.1%	(5 bps)

Note: * Provisioning & Write-offs also includes ₹ 2.4 crores for aggressive write-offs for Pre-Covid NPAs during Q4 FY20.

*** Provisioning for NBFC-MFIs are on Standard Assets. The NNPA% does not consider provisioning on Standard Assets

- **MFI AUM stood at ₹ 621.5 crores – higher by 28% YoY vis-à-vis last year. Disbursements rose by 9% YoY to ₹ 180.2 crores in Q4 FY20**, even as the disruption caused by Covid impacted the March disbursements by ₹ 50-55 crores. Notwithstanding the Covid disruption, the AUM and Disbursement growth would have been higher at 40-45% YoY.
- **Gross NPAs were slightly higher at 0.9% in Q4 FY20. Post ECL adjustment, NNPA % stood at 0.01%**
- **The company adopted a conservative stance and took higher provisioning in Q4 FY20** to account for any potential deterioration in asset quality in FY21. This includes recognizing contingent provision for Covid of ₹ 4.5 crore and an aggressive write-off of ₹ 2.4 crore for pre-covid NPA's over and above the ECL provision.
- PAT in Q4 FY20 was lower at ₹ 2.1 crores on account of higher provisioning. Despite the higher provisioning, for the full-year FY20, the net profit grew by 61% YoY to ₹ 25.2 crores. Adjusted for contingent Covid provisioning, the PAT growth for Q4 FY20, and for full-year FY20 would have been 59% YoY and 90% YoY, respectively.

Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q4 FY20	Q4 FY19	YoY%	FY20	FY19	YoY%
Assets Under Management	238.4	201.0	19%	238.4	201.0	19%
Total Disbursement	49.0	54.8	(11%)	220.5	194.0	14%
Gross Total Income	17.2	14.3	20%	70.1	48.4	45%
Pre-Provisioning Operating Profit	5.9	4.5	32%	29.5	18.5	60%
Total Provisioning & Write-Offs	4.1	0.7	460%	6.7	2.8	138%
Provisioning & Write-Offs *	1.9	0.7	159%	4.5	2.8	60%
Addl. COVID Specific Provisioning	2.2	-	-	2.2	-	-
Profit After Tax	2.1	3.5	(38%)	18.2	12.4	48%
Profit After Tax (Adj. for Covid Provision)	4.4	3.5	24%	20.4	12.4	65%
GNPA %	1.5%	2.2%	(69 bps)	1.5%	2.2%	(69 bps)
NNPA %	0.7%	1.5%	(79 bps)	0.7%	1.5%	(79 bps)

Note: * Provisioning & Write-offs also includes ₹ 1.5 crores for aggressive write-offs for Pre-Covid NPAs during Q4 FY20.

- **2W & MSME AUM increased by 19% YoY to ₹ 238.4 crores in Q4 FY20**
 - MSME book continued to see good traction – recording a growth of 44% YoY to ₹ 143 crores
 - 2W AUM declined by 7% YoY to ₹ 95 crores, as the portfolio growth was adversely impacted by the ongoing slump in two-wheeler sales, and the Covid induced disruption in March.





Arman Financial Services Ltd.

- Notwithstanding the Covid disruption which hampered disbursements in March, the growth in the standalone AUM and Disbursements in Q4 FY20 would have been significantly higher at 32% YoY and 39% YoY, respectively.
- GNPA % and NNPA % improved to 1.5% and 0.7%, respectively
- **Provisions increased to ₹ 4.1 crores in Q4 FY20 as against ₹ 0.7 crores in Q4 FY19. This increase in provisions is primarily due to creation of contingent provision of ₹ 2.2 crores on account of Covid (MSME: ₹ 0.3 crores, 2W: ₹ 1.9 crores).** Further, the company had raised standard provisioning on the MSME book to 1.0% compared to 0.4% earlier, resulting in additional 0.6% provision on standard assets for possible future COVID impairments. The company has also taken an aggressive write-off for the pre-Covid NPAs resulting in an increase of ₹ 1.5 crores in provisioning for Q4 FY20. This is above and beyond the ECL and statutory provisioning requirements.
- **Net Profit declined to ₹ 2.1 crores in Q4 FY20 primarily due to higher provisioning. However, for the full-year FY20, PAT grew by 48% YoY to ₹ 18.2 crores for full-year** Notwithstanding the contingent Covid related provision, the growth in net profit for Q4 FY20 and full-year FY20 would have been higher at 24% YoY and 65% YoY, respectively.

About Arman Financial Service Limited

Arman Financial Services Ltd (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, and Rajasthan through its network of 211 branches and 70+ dealer touchpoints.

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.

For more information, contact



Vivek Modi, CFO
Arman Financial Services Ltd
Tel: +91 79 40507000
vivek@armanindia.com

DICKENSON

Mandar Kapse, Investor Relations
Dickenson World
Tel: +91 98675 50004
armanfinancial@dickensonworld.com

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

