

# Arman Financial Services Limited



Ahmedabad, Gujarat, May 30, 2023:

Arman Financial Services Limited (NSE: ARMANFIN, BSE: 531179), a Gujarat-based non-banking financial Company (NBFC), with interests in microfinance, micro-enterprise (MSME) loans and two-wheelers loans, announced its audited financial results for the quarter and full year ended 31<sup>st</sup> March 2023. The financial numbers are based on Ind-AS.

## Consolidated Business Performance:

Particulars (INR Crore)	Q4FY23	Q4FY22	Y-o-Y	FY23	FY22	Y-o-Y
Assets Under Management (AUM)	1,943	1,233	57.5%	1,943	1,233	57.5%
Gross Total Income	149	76	96.9%	424	235	80.4%
Pre-Provisioning Operating Profit	63	33	91.5%	170	83	104.8%
Profit After Tax	36	16	120.9%	94	32	195.0%

- Company recorded the highest ever AUM of INR 1,943 Crore registering a healthy growth of 57.5% YoY and 18.3% QoQ
- With resurgent demand and greater emphasis on sourcing, underwriting, and technology, the company demonstrated robust growth across all its businesses.
- Consolidated disbursements for the year stood at INR 1,767 Crore as compared to INR 1,023 Crore for the same period last year resulting an increase of 72.7% YoY
- Net Total Income for the FY23 stood at INR 252 Crore registering a strong growth of 73.1% YoY
- PPOP grew by healthy 104.8% over same period last year to INR 170 Crore
- Profit After Tax stood at INR 94 Crore registering a robust growth of 195.0% YoY
- Shareholders Equity stood at INR 365 Crore as on 31<sup>st</sup> March 2023 (calculated as per IND-AS)

Shareholders Fund	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS; INDS- AS equity component of INR 63.8 Crore)	301.9	84,92,334
15% Unsecured Compulsorily Convertible Debentures (CCDs)	76.8	6,24,388
10% Optionally Convertible Redeemable Preference Shares (OCRPS)	38.3	3,10,972
<b>Total</b>	<b>417.0</b>	<b>94,27,694</b>

\*on fully diluted basis



### **Borrowing Profile:**

- Total borrowings stood at INR 1,937 Crore. (Including the debt component of OCRPS and CCDs as per IND AS INR 49 Crore)
- Of the total borrowings, 35.3% is through Banks, 31.3% is through NBFCs, 14.7% is through debt and NCDs, 16.6% is through direct assignments (off balance-sheet liabilities) and the rest is borrowed through DFIs (NABARD, MUDRA & SIDBI)

### **Liquidity:**

- In Q2FY23 Company had successfully completed raising of INR 115 Crore via allotment of CCDs and OCRPS to marquee investors on a preferential basis
  - Major investors include fund(s) controlled by Singapore based Sixteenth Street Capital and USA based Seven Canyons Advisors
  - Other investors include both domestic and foreign individuals
- As on 31<sup>st</sup> March 2023, the Company has a healthy liquidity position with INR 185 Crore in cash/bank balance, liquid investments, and undrawn CC limits

### **Collection Efficiency:**

- Collection efficiency improved to 98.3% for FY23 as compared to 91.0% in FY22
- Segment wise collection efficiency in the month of April 2023 stood at:
  - Microfinance segment – 98.4%
  - MSME segment – 98.5%
  - 2W segment – 96.9%

### **Asset Quality:**

- GNPA stood at 2.75%; NNPA stood at 0.16%
- Cumulative Provisions stood at INR 67 Crore covering 4.1% of the on-book POS, of which provisions for Arman standalone stood at INR 13 Crore and for Namra stood at INR 54 Crore

### **Two-Wheeler and MSME Segment:**

Particulars (INR Crore)	Q4FY23	Q4FY22	Y-o-Y	FY23	FY22	Y-o-Y
Assets Under Management (AUM)	315	211	49.3%	315	211	49.3%
Gross Total Income	27	21	30.7%	96	66	45.2%
Pre-Provisioning Operating Profit	11	11	-	40	29	38.6%
Profit After Tax	7	8	-7.6%	28	16	74.7%



- Assets under Management for the two-wheeler and MSME stood at INR 315 Crore registering a growth of 49.3% YoY and 14.5% QoQ
  - AUM for Two-Wheeler segment stood at INR 61 Crore
  - AUM for MSME segment stood at INR 255 Crore
- Total Disbursement for the two-wheeler and MSME stood at INR 282 Crore in FY23
  - Two-Wheeler disbursements – INR 54 Crore
  - MSME disbursements – INR 228 Crore
- Net Total Income for the FY23 stood at INR 65 Crore registering a strong growth of 35.4% YoY
- For FY23, Profit After Tax for the segment stood at INR 28 Crore registering a growth of 74.7% YoY
- GNPA stood at 2.63%; NNPA stood at 0.63% on 31<sup>st</sup> March 2023
- Company has a strong capital base with a capital adequacy ratio of 32.61% up from 28.99% as on 31st March 2022

#### **Microfinance Segment (Namra)**

<b>Particulars (INR Crore)</b>	<b>Q4FY23</b>	<b>Q4FY22</b>	<b>Y-o-Y</b>	<b>FY23</b>	<b>FY22</b>	<b>Y-o-Y</b>
Assets Under Management (AUM)	1,628	1,022	59.3%	1,628	1,022	59.3%
Gross Total Income	122	56	118.3%	332	173	91.6%
Pre-Provisioning Operating Profit	52	23	126.6%	132	57	130.4%
Profit After Tax	29	10	202.2%	67	18	262.9%

- Assets under Management for the Microfinance segment increased by 59.3% YoY to INR 1,628 Crore from INR 1,022 Crore
- Disbursements for FY23 stood at INR 1,485 Crore compared to INR 840 Crore for FY22, representing a 76.8% YoY
- Disbursements for the quarter stood at INR 536 Crore, recording is as the highest ever quarterly disbursement
- The Net Total Income for the FY23 stood at INR 189 Crore registering a strong growth of 87.9% YoY
- PPOP grew by a healthy 130.4% over same period last year to INR 132 Crore
- Profit After Tax stood at INR 67 Crore registering a robust growth of 262.9% YoY
- GNPA stood at 2.78%; NNPA stood at 0.05% on 31<sup>st</sup> March 2023
- As on 31<sup>st</sup> March 2023; the capital adequacy ratio for Namra stood at 25.32%



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

"The microfinance industry has demonstrated remarkable resilience in the face of a global economic slowdown and rising inflation. With the rebounding demand in the rural economy, our company has achieved robust growth across all business segments, successfully navigating the challenges and surpassing pre-pandemic levels of growth. In fact, in FY23, we achieved our highest-ever Asset Under Management (AUM) of Rs. 1,943 Crore, marking a remarkable year-on-year growth of 57.5%. This exceptional performance signifies the trust we have earned from our customers. Moreover, our efforts have resulted in a record-breaking Profit After Tax of INR 94 Crores.

Now moving on to our disbursements, A key factor contributing to its healthy growth is our enhanced emphasis on sourcing and underwriting mechanisms. Disbursements for FY23 amounted to INR 1,767 Crore, a significant increase from INR 1,023 Crore same period last year, reflecting a growth rate of 72.7%. This growth can be attributed to Arman's adoption of a strategic approach in the post pandemic recovery and showcases our ability to adapt and thrive in uncertain economic conditions.

Furthermore, our expansion into the states of Bihar and Haryana has played a crucial role in supporting this growth. With the opening of a total of 42 branches in these regions, we have witnessed increased traction. As of 31<sup>st</sup> March 2023, we have 336 branches in total, and we remain focused on expanding our presence to newer districts within existing states, with the aim of expanding into 2 or 3 additional states in the medium term.

The implementation of new technology and systems has enabled us to automate processes and enhance the customer experience. This has resulted in improved collection efficiencies, leading to a significant reduction in non-performing assets. As of 31st March 2023, our gross non-performing assets stood at 2.7%, a notable improvement of 170 basis points from 4.4% year-on-year, and a sequential improvement of 60 basis points from 3.4%. Moreover, our collection efficiency for the quarter stood at 98.3%, compared to 95.3% for the same period last year.

In terms of achievements, we have accomplished two significant milestones in FY23. Firstly, we successfully raised INR 115 Crore through CCDs and OCRPS on a preferential basis, indicating investors' confidence in our company and providing us with the necessary resources for growth and expansion. Secondly, our subsidiary 'Namra Finance' received the highest-ever grading of MFI 1 (MFI One) from CARE Ratings, which reflects our strong financial performance, robust operations, and overall creditworthiness.

Looking ahead in FY24, we believe that the favorable regulatory environment, combined with the sustained growth momentum witnessed in recent quarters, will continue to support our pursuit of achieving our targeted Assets Under Management. The supportive measures implemented by the regulator have further strengthened our confidence and reaffirmed our belief in the long-term growth potential of the microfinance industry."



### **About Arman Financial Services Limited**

Incorporated in 1992, Arman Financial Services Ltd. is an Ahmedabad based, Category A Non-Banking Finance Company (NBFC), which provides lending services primarily in the Two-Wheeler, Micro-Enterprise (MSME), and Microfinance segment. The Microfinance division is operated through its wholly owned subsidiary, Namra Finance Ltd, an NBFC-MFI.

Arman is one of the market leaders in the NBFC space across the underpenetrated low-income parts of the country providing livelihood promotion services such as microcredit to socio-economically backward people, who have no or little access to the formal banking system or regular NBFC services. The group operates mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, Haryana, and Bihar through a strong distribution network of 336 branches, 55+ two-wheeler dealerships spread across 120 districts in 8 states serving ~6.2 lakh customers.

Company focuses on small ticket retail loans to the large underserved informal segment customer in rural & semi urban geographies. Company has completely in-house operations with bottoms-up driven credit appraisal models and rigorous collections practices tailored for the areas of operations.

### **Safe Harbor**

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential project characteristics, project potential and target dates for project related issues are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. The company assumes no obligation to update forward-looking statements to reflect actual results changed assumptions or other factors.

**For further information, please contact**

**Company:**

**Investor Relations Advisors:**



**Arman Financial Services Limited**

CIN: L55910GJ1992PLC018623

**Mr. Vivek Modi**

Chief Financial Officer (CFO)

[vivek@armanindia.com](mailto:vivek@armanindia.com)

[www.armanindia.com](http://www.armanindia.com)

**SGA** Strategic Growth Advisors

**Strategic Growth Advisors Pvt. Ltd.**

CIN: U74140MH2010PTC204285

**Ms. Krunali Shah / Mr. Abhishek Shah**

[krunali.shah@sgapl.net](mailto:krunali.shah@sgapl.net) / [abhishek.shah@sgapl.net](mailto:abhishek.shah@sgapl.net)

+91 9820987564 / +91 9930651660

[www.sgapl.net](http://www.sgapl.net)