



Arman Financial Services Ltd.

Arman Financial Declares Q4 & FY21 Results Q4 Disbursements Grew 51% Sequentially Accelerated Provisioning to minimise Future Volatility

Ahmedabad, India, 25 June 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 31st March 2021.

Particulars (In ₹ Crores)	Q4 FY21	Q4 FY20	YoY%	FY21	FY20	YoY%
Assets Under Management (AUM)	814.4	859.1	-5%	814.4	859.1	-5%
Total Disbursement	275.2	229.2	20%	509.7	873.6	-42%
Gross Total Income	44.3	55.6	-20%	193.3	215.2	-10%
Pre-Provisioning Operating Profit	10.9	14.9	-27%	66.4	73.8	-10%
Total Provisioning & Write-Offs	11.0	11.9	-8%	54.6	20.0	173%
Profit After Tax	0.9	3.8	-77%	10.6	41.5	-74%
GNPA %				4.58%	1.05%	353bps
NNPA %				0.63%	0.20%	43bps
RoE %				5.91%	28.80%	-

Consolidated Financial Highlights – Q4 FY2021

- **Assets under management** as on 31st Mar'21 stood at ₹ 814 crores, lower by 5% YoY as higher repayment rates combined with lower disbursements led to a run-down in the loan book.
- **Disbursements picked-up the pace across all segments from Oct'20 onwards.** Loan Disbursements during Q4 FY21 stood at ₹ 275 crores, up 51% QoQ; the pace of disbursements is expected to reach pre-covid level as the second wave situations seems to normalize now.
 - In Microfinance segment, the company had primarily focused on renewing loans of existing customers in the previous quarters. During Q4, the company started servicing new customers as well. Monthly disbursement reached a peak of ₹ 90 crores in March 2021 as a result of new branch openings and economic recovery post Covid 1.0 lockdowns.
 - In the MSME & two-wheeler segments, the company continues to take a cautious approach while disbursing the fresh loans by increasing underwriting and reducing ticket sizes. The MSME segment has reached average disbursements of pre-covid levels in March, while two-wheeler segment has yet to reach pre-covid levels.
- **Shareholders Equity** stood at ₹ 186.8 crores as on 31st Mar'21.
- **Comfortable Leverage Position:** Debt-Equity Ratio as on 31st Mar'21 was 3.9x
- **Gross Total Income** declined by 20% YoY to ₹ 44.3 crores on account of lower booking of processing fees due to lower disbursements and a decline in the portfolio. Similarly, Net Total Income decreased by 18% YoY to ₹ 25.1 crores.
- **Finance cost came down by 23% YoY to ₹ 19.2 crores** as the average borrowings reduced on YoY basis, combined with raising of debt funds at relatively lower rates from NABARD, SIDBI & MUDRA.
- **Pre-Provisioning Operating Profit** decreased by 27% YoY to ₹ 10.9 crores due to lower net total income as a result of a decline in the average portfolio. The cost-to-income ratio stood at 56.7% in Q4 FY21 versus 51.4% in Q4 FY20.
- **Provisions & write-off (Impairment Losses)** Cumulative Total Provisions and write-off (Impairment Losses on Financial Assets) for the year was ₹ 54.6 Crore as on 31st Mar'21, The total provisions on the books stood at ₹ 51.54 cr as on 31st March 2021.



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- Given the higher provisioning, Profit after tax stood lower at ₹ 0.9 crores for 3 months ended and ₹ 10.6 crores for 12 months ended 31-Mar-21. Adjusted for the higher provisioning on account of the Covid-induced disruption, Profit after tax would have been substantially higher.
- Consolidated GNPA stood at 4.6%; NNPA stood at 0.6% for March 21.
- Total operational branches as on 31st Mar'21 stood at 239 (198 in MFI, 35 in MSME and 6 in 2W). The company opened 27 new branches during Q4 in the microfinance segment in anticipation of higher growth in the coming fiscal year 2022.

Update on Collections Efficiency

Business Segment	Jan 2021	Feb 2021	Mar 2021
Microfinance	92%	94%	95%
MSME	95%	95%	94%
Two-Wheeler	96%	96%	94%
Total Collection Efficiency %	93%	95%	94%

- Collections continued to show sequential improvement since September 2020 to March 2021 across all segments. Collections were impacted due to Covid second wave in April and May 2021, which is now again coming back to normal with the easing of lockdown restrictions across geographies. Decline in repayment rate during April and May was primarily due to lack of access to the customers in many of the geographies with more stringent lockdowns. There is significant improvements in the MTD repayment figures during June 2021.

Update on Liquidity

- Healthy Liquidity position with ₹ 132.06 crore in cash/bank balance, liquid investments, and undrawn CC limits

The company has duly repaid all the debt obligations that were due in Q4 FY21 and had accelerated the debt repayment for higher coupon debts in Q3FY21. Company's liquidity position remains strong with ₹ 132.1 crore in cash/bank balance, liquid investments and undrawn CC limits. Our ALM continues to remain positive and we continue to have access to new sources of funds.

Commenting on the company's performance in Q4 FY21, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said, "Despite FY21 starting off on a challenging note for the micro finance industry as a whole, due to pandemic and subsequent lockdowns in H1FY21 company's performance has been more resilient in H2FY21. The company's collection efficiency saw a sequential improvement quarter on quarter with collections improving from 87% in Sep'20 to 94% in Mar'21. Consolidated AUM at the end of Q4 stood at ₹ 814 Crore marginally lower by 5% on a YoY basis. This was driven by a run-down in the loan book as there were virtually no disbursements during the Lock-Down and Moratorium period, coupled with higher collections efficiencies, and a cautious approach in disbursements.

In-keeping with the conservative approach, the company bolstered its provision coverage during the year by prudently creating provisions ₹ 38.1 crores during the year, and additionally also took an aggressive write-off of ₹ 16.5 crores. The cumulative total provisions stood at ₹ 51.4 Crore as on 31st Mar'21, covering 6.7% of the on-book AUM; this will help the company to deal with any possible impairments on account of Covid-19 in the future. Asset quality continues to remain steady with Net NPA at about 0.6%. 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, while the demand remains strong. The company's liquidity position remains strong with ₹ 132.1 crore in cash/bank balance, liquid investments, and undrawn CC limits.

Most importantly, collections across all the 3 segments improved since October 2020 to March 21 before being marginally impacted during April 21 & May 21 due to second wave of Covid-19 which we are again seeing coming back on track with the normalizing situation in June 21. Repayment rates for March 2021 dues closed at 95% for the MFI segment and 94% for the MSME & 2-wheeler segment. Overall, the company has achieved ~94% blended collection efficiency in March 2021. The company's



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strategy of going conservative on disbursements post covid has paid off, with a collection efficiency of 99.87% for all newly disbursed loans during March 2021.

After resuming the disbursements from August 2020 onwards, the company witnessed uptick in the disbursements in Q4FY21 which grew 51% sequentially to ₹ 275 Crore. However, the company is undertaking disbursements through a very cautious lens. The company has tightened its credit assessment screenings, and the focus remains on maintaining the quality and profitability of the portfolio. The company is also very happy to announce that it has resumed its pan-india expansion strategy, with new branches opening in Haryana and Rajasthan in the fourth quarter. With the resuming of pan-india expansion strategy the company has opened 27 MFI branches in the Q4FY21. This has marked co.s footprint in Haryana as the 7th state and also deeper penetration in Rajasthan. These new branches will put the company in a better position for growth post the Covid 2.0 disruption.

Various RBI and government initiatives to support the NBFCs-MFI have helped the industry as well as Arman to reduce the incremental cost of debt significantly. We also welcome RBI's announcement to harmonise the regulatory frameworks for various regulated lenders in the microfinance space, which would stop the regulatory arbitrage amongst the 'Non-NBFC-MFI' microfinance practitioners, and create a more robust industry to prevent overleveraging by the microfinance clients, amongst other benefits. As we have mentioned numerous times in the past few years, there was a genuine need for having such framework which would be uniformly applicable to all regulated lenders in the microfinance space rather than prescribing stringent guidelines for NBFC-MFIs alone. This new guidelines, if implemented, will put all microfinance practitioners on a level playing field.. The removal of the existing pricing caps will allow MFIs to innovate risk-based products and enter previously underserved geographies, while the 50% FOIR rule will ensure customers are not over leveraged.

Going forward, Arman's foremost priority will be to improve its collections from the field and restoring it to the pre-Covid levels. Further, the company will also be focusing on scaling-up disbursements in a calibrated manner and expects the pace of disbursements to pick-up in the forthcoming quarters."

Segmental Performance Update – Q4 FY21 v/s. Q4 FY20

Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q4 FY21	Q4 FY20	YoY%	FY21	FY20	YoY%
Assets Under Management (AUM)	643.1	620.7	4%	643.1	620.7	4%
Total Disbursement	229.7	180.2	28%	417.6	653.1	-36%
Gross Total Income	31.8	39.0	-18%	134.0	148.4	-10%
Pre-Provisioning Operating Profit	7.8	9.4	-17%	41.3	46.2	-11%
Total Provisioning & Write-Offs	7.7	7.8	-2%	36.7	13.3	175%
Profit After Tax	0.9	2.1	-59%	4.9	25.2	-81%
GNPA %				4.13%	0.94%	319bps
NNPA %				0.57%	0.00%	57bps
RoE %				4.19%	26.20%	-

- **MFI AUM stood at ₹ 643 crores – marginally higher by 4% vis-à-vis last year**
- Gross NPA % was higher at 4.13% in Q4 FY21. Post ECL adjustment, NNPA stood at 0.57%.
- **Pre-provisioning Operating Profit decreased by 17% YoY to ₹ 7.8 Crore in Q4 FY21.**
- **Cumulative Total Provisions & write off for FY 21 was ₹ 36.7 crores. The total ECL Provisions as on 31-03-2021 were ₹ 33.11 crores covering 5.15% of the total AUM.**
- **Interest recognized on NPA assets (90+DPD) was 4.56 cr. There is a 100% provision on this not included in ₹ 33.11 Crore provisions mentioned above.**



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Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q4 FY21	Q4 FY20	YoY%	FY21	FY20	YoY%
Assets Under Management (AUM)	171.3	238.4	-28%	171.3	238.4	-28%
Total Disbursement	45.5	49.0	-7%	92.1	220.5	-58%
Gross Total Income	13.9	17.2	-19%	63.6	70.1	-9%
Pre-Provisioning Operating Profit	3.5	5.9	-40%	27.3	29.5	-7%
Total Provisioning & Write-Offs	3.3	4.1	-19%	17.9	6.7	168%
Profit After Tax	0.5	2.2	-77%	8.0	18.2	-56%
GNPA %				6.60%	1.50%	511 bps
NNPA %				0.87%	0.71%	16 bps
RoE %				12.85%	35.38%	-

- **2W & MSME AUM stood at ₹ 171.3 crores in Q4 FY21**
 - MSME AUM stood at ₹ 125.4 crores
 - 2W AUM declined by 52% YoY to ₹ 45.9 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 40% YoY to ₹ 3.5 crores.**
- **GNPA % and NNPA % stood at 6.6% and 0.87% respectively.**
- **Cumulative Total Provisions stood at ₹ 18.4 crores as on 31 Mar'21, covering 11% of the AUM. (Cumulative Total Provisions includes Cumulative Covid Provision of ₹ 12.7 crores as on 31 Mar21). Interest recognized on NPA assets (90+DPD) was ₹ 1.52 cr. There is a 100% provision on this not included in ₹ 18.4 crores above**

For, Arman Financial Services Limited

Director



Arman Financial Services Ltd.

About Arman Financial Services Limited

Arman Financial Services Ltd (NSE: ARMANFIN; BSE: 531179) is a category 'A' Non-Banking Finance Company (NBFC) active in the 2-Wheeler, MSME, and Microfinance Lending business. The Microfinance division is operated through its wholly-owned subsidiary, Namra Finance Ltd, an NBFC-MFI. The group operates mostly in unorganized and underserved segment of the economy and mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, and Harayana through its network of 239 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.

For more information, contact

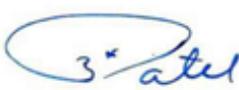


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For, Arman Financial Services Limited

Director