





# Arman Financial Services Limited

**Ahmadabad, India, 13 August, 2016:** Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance and two wheelers loans, announced its financial results for the fourth quarter and year ended 30 June, 2016.

Commenting on the Company's performance for Q1 FY2016-17, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"The total AUM of the company has grown from Rs 127.70 Cr on 30 June 2015 to Rs 187.22 Cr as on 30 June 2016, a growth of 46.62%. The growth in the microfinance business has been substantial where the AUM has grown from Rs 77.05 Cr as on 30 June 2015 to Rs 130.64 Cr as on 30 June 2016, a growth of over 69.55 %. The consolidated Revenues for the quarter have grown to Rs 12.70 Cr in, an overall growth of 43.22% on a YoY basis.*

*We achieved another big milestone by foraying into the new states of Maharashtra & Uttar Pradesh in this quarter. As on 30 June 2016, we have 4 branches operational in Maharashtra and 2 branches in Uttar Pradesh. We are very satisfied with the rollout in Madhya Pradesh, and that has given us the confidence to foray into newer states. We now have 61 branches operational in the Microfinance (37 in Gujarat & 18 in Madhya Pradesh, 4 in Maharashtra & 2 in Uttar Pradesh). With 5 operating branches in 2-Wheeler financing our overall branch count has reached 66 branches.*

*We have started a pilot for SME financing in our Godhra branch. These loans are in the range of Rs50,000-100,000 and are given to individuals, with a repayment period of 2 years. We are aiming to give these loans at higher yields to customers with a good track record, long established small businesses, who are in need of higher sums of money.*

*We have been able to improve productivity at our existing branches and are very focused on keep our costs under control while we expand across new geographies.*



## Consolidated Business Review

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### Financial Highlights

#### Q1 FY2016-17 (Apr – June 2016) v/s. Q1 FY2015-16 (Apr – June 2015)

- Net Revenues increased by 43.18% to Rs. 12.7 Cr from Rs. 8.87 Cr
- Employee costs increased by 45.8% to Rs. 1.91 Cr from Rs. 1.31 Cr
- Interest costs increased by 37.99% to Rs. 4.54 Cr from Rs. 3.29 Cr
- Net Profit after Tax was up by 40.69% to Rs. 2.87 Cr from Rs. 2.04 Cr.
- Earnings Per Share increased by 31.63% to Rs. 3.87 from Rs. 2.94

### Operational Highlights

#### Q1 FY2016-17 (Apr – June 2016) v/s. Q1 FY2015-16 (Apr – June 2015)

- The company has opened 4 branches in Maharashtra and 2 branches in Uttar Pradesh, taking our overall MFI branch count to 61. We plan to open another 15 branches in this financial year.
- The average Monthly disbursement was Rs 17.21 Cr in Microfinance Business vs 13.46 Cr last year, a growth of 27.85%.
- The average Monthly disbursement was Rs 5.45 Cr in 2 wheelers & others finance business vs Rs 4.10 Cr last year, a growth of 33.11%.
  - We have got additional lines of credit from DCB Bank and Bhartiya Mahila Bank. We are working towards further reducing our cost of funds.



## Business Mix (Consolidated)

Revenues (Rs. Cr.)	Q1	Q1	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Apr– Jun)	(Apr– Jun)		(Apr – Mar)	(Apr – Mar)	
	FY 2016-17	FY 2015-16		FY 2015-16	FY 2014-15	
<b>Namra Finance</b>	8.95	4.85	84.54%	25.75	14.36	79.32%
<b>Arman Financial Services</b>	3.75	4.02	-6.72%	15.91	15.23	4.46%
<b>Total</b>	12.7	8.87	43.18%	41.66	29.59	40.79%

We have started seeing the results of higher disbursements in our revenue growth. The disbursements for this quarter were controlled, as we concentrated our operations into geographic expansion.

As on date, while the entire loan portfolio of Namra is microfinance, the loan portfolio of Arman Financial Services is largely Asset Loans (2 & 3 Wheeler loans) with a small portion is microfinance loans, which have been securitized by Namra Finance to Arman Finance for cash flow management by the group.

## Expenditure Analysis (Consolidated)

Expenses (Rs. Cr.)	Q1	Q1	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Apr– Jun)	(Apr– Jun)		(Apr – Mar)	(Apr – Mar)	
	FY 2016-17	FY 2015-16		FY 2015-16	FY 2014-15	
Employee Costs	1.91	1.31	45.80%	6.28	5.23	20.08%
Other Expenses	1.80	1.18	52.54%	6.74	4.16	62.02%
Interest Costs	4.54	3.29	37.99%	16.36	10.74	52.33%
Total Costs	8.25	5.78	42.73%	29.38	20.13	45.95%

Our employee costs are largely under control and we have been able to improve our per employee



metrics.

Our other expenses (largely driven by the costs of opening new branches) have increased over time, and we are focused on bringing these costs to a more manageable level. We are working on reducing our funding costs and we are already seeing more traction on this front in this year.

## Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q1	Q1	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Apr– Jun)	(Apr– Jun)		(Apr – Mar)	(Apr – Mar)	
	FY 2016-17	FY 2015-16		FY 2015-16	FY 2014-15	
EBIT	8.95	6.34	41.17%	28.47	19.98	42.49%
PAT	2.87	2.04	40.69%	8.01	6.14	30.46%
EPS (Rs Per Share)	3.87	2.94	31.63%	11.28	8.87	27.17%
Book Value (Per Share)	NA	NA		72.92	56.10	29.98%

Net profit has shown a jump of 40.69% for the quarter. This was driven by improved productivity and better utilization of newer branches. As the scale of our operations grows we will further improve on our operating metrics.

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

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16	FY 2016-17
Period Ending (AUM)	127.7	138.97	155.5	172.31	187.22
Net Interest Income (NII)	5.58	6.06	5.69	7.98	8.16
Net Interest Margin (NIM) (Annualised)	18.39%	18.18%	15.46%	19.47%	18.16%



The Net Interest Income has grown by 46.23 % to Rs 8.16 Cr YOY in this quarter. Our consolidated Annualized NIMs are 18.16 % in this quarter. As we grow and increase the leverage and expand our balance sheet, these NIMs will gradually reduce as the equity component in balance sheet reduces.

We raised 5 Cr Tier 2 Capital last year and further aim to enhance our Tier 2 Capital.

## Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16	FY 2016-17
AUM	77.05	88.57	99.84	116.84	130.64
Disbursement for the Qtr	40.38	46.09	44.47	53.10	51.63
Gross Interest Income (Interest Income + Processing Fee)	5.80	6.66	6.71	8.85	9.09

AUM has increased by 69.55 % YOY, and the disbursement has increased by 27.86 % YOY. There is a slight slowdown in the disbursement rate for this quarter, as we slowed disbursement in certain branches to check the quality of loans and to concentrate on our geographical expansion. Going forward, we expect the disbursement rates to pick up.

## Operational Branches (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16	FY 2016-17
Gujarat	32	32	36	37	37
Madhya Pradesh	13	16	17	18	18

Maharashtra	0	0	0	0	4
Uttar Pradesh	0	0	0	0	2
<b>Total Branches</b>	<b>45</b>	<b>48</b>	<b>53</b>	<b>55</b>	<b>61</b>

This quarter we opened 4 branches in Maharashtra and 2 branches in Uttar Pradesh. These branches have been opened in the month of June and should start contributing to our disbursements and revenues in the coming quarters.

### NPA Analysis (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16	FY 2016-17
Gross NPA	0.02	0.02	0.01	0.22	0.15
Provisions	-	-	-	0.22	0.15
Net NPA	0.02	0.02	0.01	0.00	0.00
Net NPA Percentage	0.03%	0.02%	0.01%	0.00%	0.00%

We have strived to keep our NPAs low in the Microfinance business. After going through multiple loan cycles over the last 5 years, the NPAs in the microfinance business are among the lowest in the industry. Since the RBI has asked to provision 1% against the standard assets, we no longer need to make additional provisions.

## Business Tracker (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16	FY 2016-17
AUM	50.65	50.4	55.66	55.47	56.58
Disbursement for the Qtr	12.29	13.16	21.91	13.94	16.36
Interest Income	3.07	3.87	2.01	3.34	3.62

2-wheeler business has shown some good traction in this quarter. The new branch in Indore has started contributions, and there has been an overall rebound in the 2-wheeler sales across our areas of operations. With a good monsoon we expect a revival in the rural economy and that should bode well for the 2-wheeler sales in the coming year.

## NPA Analysis (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16	FY 2016-17
Gross NPA	0.96	1.31	1.15	1.80	1.85
Provisions	0.09	0.13	0.15	0.18	0.18
Net NPA	0.87	1.18	1.00	1.62	1.67
Net NPA Percentage	1.52%	2.34%	1.80%	2.92%	2.81%

The NPAs in the 2-wheeler business has increased last year due to the RBI mandated policy of recognizing NPAs after a delay of 150 days vs the earlier norm of 180 days. The net NPAs have moved from 1.52% to 2.81%.

We expect the business to do well, with lower NPAs with forecasts of above average monsoon.





# Arman Financial Services Limited

## About Arman Financial Services Ltd

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**Arman Financial Services Ltd (BSE: 531179)** is a category 'A' Non-Banking Finance Company (NBFC) active in the 2-wheeler finance business. Arman also operates a wholly-owned subsidiary, Namra Finance Ltd, exclusively for its Microfinance operations. It operates mostly in unorganized and underserved segment of the economy and mostly serve niche markets in Gujarat. The company has recently forayed into Madhya Pradesh for its microfinance operations.

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

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

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For, Arman Financial Services Limited  
 Director

