



# Arman Financial Services Limited

Ahmedabad, Gujarat, May 30, 2025:

**Arman Financial Services Limited (NSE: ARMANFIN, BSE: 531179)**, a Gujarat-Based Non-Banking Financial Company (NBFC), with interests in microfinance, micro-enterprise (MSME) loans, two-wheelers loans and Loan Against Property (LAP) announced its audited financial results for the quarter and full year ended 31<sup>st</sup> March 2025. The financial numbers are based on Ind-AS.

## Consolidated Business Performance:

Particulars (INR Crore)	Q4FY25	Q4FY24	Y-o-Y	FY25	FY24	Y-o-Y
Assets Under Management (AUM)	2,245.4	2,639.3	-14.9%	2,245.4	2,639.3	-14.9%
Gross Total Income	199.4	182.9	+9.0%	730.0	661.5	+10.4%
Pre-Provisioning Operating Profit	101.6	88.1	+15.3%	333.2	293.2	+13.6%
Profit After Tax	12.8	50.8	-74.8%	52.1	173.6	-70.0%

- Company's consolidated Asset Under Management (AUM) stood at ~INR 2,245 Crore
- Consolidated disbursements for FY25 stood at ~INR 1,713 Crore, as compared to ~INR 2,297 Crore, a de-growth of 25% year-on-year, led by industry challenges in microfinance sector.
  - Disbursements for Q4 FY25 stood at ~INR 544 Crore
  - During the period ended 31<sup>st</sup> March 2025, the company has deliberately prioritized collections and portfolio quality over rapid expansion.
- Net total income for FY25 amounted to ~INR 491 Crore, registering a 24% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for FY25 registered a 14% year-on-year growth to ~INR 333 Crore.
  - PPoP for Q4FY25 grew by 15% year-on-year to ~INR 102 Crore.
- Shareholders' Equity as of March 31, 2025, stood at ~INR 874 Crore

Shareholders' Funds	As on 31st March 2025		As on 31st March 2024	
	Amount (INR Crore)	No of shares	Amount (INR Crore)	No of shares*
Shareholders fund	874.4	1,04,90,538	812.7	1,04,76,774

\*On fully diluted basis



### **Borrowing & Liquidity Profile:**

- Total borrowings stood at ~INR 1,759 Crore (Including off balance sheet direct assignment (DA) liability)
- Of the total borrowings, 32.2% is through banks, 12.31% is through NBFCs & FIs, 19% is through NCDs, and 29.7% is through direct assignments (off-balance-sheet liabilities). The rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- ALM continues to remain positive, and the company continue to have access to new sources of funds via DA and NCDs
- As on 31<sup>st</sup> March 2025, the Company has healthy Liquidity position with INR 269.1 Crore in cash/bank balance, liquid investments, and undrawn CC limits
- Additionally, the company has INR 212.4 Crore undrawn sanctions from existing lenders

### **Collection Efficiency:**

- Collection efficiency for the month of March 2025 stood at 95.6%.
- Segment-wise collection efficiency for FY25 stood at:
  - Microfinance segment – 95.5%
  - MSME segment – 95.7%
  - 2W segment – 95.8%

### **Asset Quality:**

- GNPA stood at 3.37%; NNPA stood at 0.55%
- Cumulative Provisions stood at INR 117.43 Crore as on 31st March 2025 (covering 5.23% of the consolidated AUM, 6.55% on book)

### **Two-Wheeler, MSME Segment, Loan Against Property:**

Particulars (INR Crore)	Q4FY25	Q4FY24	Y-o-Y	FY25	FY24	Y-o-Y
Assets Under Management (AUM)	559.6	446.2	+25.4%	559.6	446.2	+25.4%
Gross Total Income	54.8	39.3	+39.3%	185.3	138.2	+34.0%
Pre-Provisioning Operating Profit	24.6	16.1	+52.6%	86.9	55.6	+56.3%
Profit After Tax	12.8	11.6	+10.2%	43.2	37.9	+13.9%

- Assets under Management for the MSME, Two-Wheeler, LAP stood at ~INR 560 Crore
  - AUM for MSME - ~INR 454 Crore.



- AUM for Two-Wheeler - ~INR 78 Crore.
- AUM for LAP - ~INR 28 Crore.
- Total Disbursement for the MSME, Two-Wheeler and LAP stood at ~INR 481 Crore in FY25.
- Net total income for FY25 amounted to ~INR 142 Crore, registering a 53% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for FY25 registered a 56% year-on-year growth to ~INR 87 Crore.
  - PPoP for Q4FY25 grew by 53% year-on-year to ~INR 25 Crore.
- Profit After Tax for FY25 stood at ~INR 43 Crore, reflecting a year-on-year growth of 14%.
  - PAT for Q4FY25 stood at ~INR 13 Crore.
- GNPA for MSME stood at 3.62%; while NNPA stood at 0.92%.
- GNPA for Two-Wheeler stood at 3.18%; while NNPA stood at 1.39%.
- GNPA for LAP stood at 0.17%; while NNPA stood at 0.08%.
- The company has a strong capital base with a capital adequacy ratio of 37.34% as on 31<sup>st</sup> March 2025.

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

Particulars (INR Crore)	Q4FY25	Q4FY24	Y-o-Y	FY25	FY24	Y-o-Y
Assets Under Management (AUM)	1,685.8	2,193.1	-23.1%	1,685.8	2,193.1	-23.1%
Gross Total Income	150.3	147.1	+2.2%	552.4	530.2	+4.2%
Pre-Provisioning Operating Profit	76.8	71.5	+7.3%	245.3	240.3	+2.1%
Profit After Tax	-0.3	38.8	-	7.8	138.3	-94.3%

- As of March 31, 2025, Namra's AUM stands at ~INR 1,686 Crore
- Disbursements for Q4FY25 amounted to ~INR 393 Crore
- During Q4FY25, Gross Total Income stood at ~INR 150 Crore and Net Total Income reached ~INR 109 Crore
- In Q4FY25 Reported loss of ~INR 26 Lakhs
- Provisions increased by 23.68% YoY to INR 90.22 Crore
- The write-off (net of recovery) during the quarter at INR 105.56 Crore as an aggressive write-off and provisioning policy was followed
- Active MFI Customers stood at ~6.06 lakh.
- GNPA stood at 3.36%; NNPA stood at 0.37% as on 31<sup>st</sup> March 2025.
- As on 31<sup>st</sup> March 2025; the capital adequacy ratio for Namra stood at 48.37%.



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

"The financial results for the quarter and full year ended 31st March 2025 reflect the challenging operating environment that has persisted across the microfinance sector. In FY25, Namra Finance, Arman's wholly owned MFI subsidiary, reported a net profit of Rs. 7.8 crore compared to Rs. 138.3 crore in FY24. However, for Q4FY25, Namra reported a net loss of Rs. 0.26 crore as compared to a profit of Rs. 38.7 crore in Q4 FY24. This performance was primarily on account of elevated provisioning requirements driven by continued stress in rural markets. We have been sufficiently diligent to ensure sufficient provisions are in place to reflect the ground realities and have also taken accelerated write-offs.

We remain confident in the MFI sector as a whole in the long term. However, until the sector deleverages and adapts to the changing culture of the rural sector, overall growth rate in the MFI segment will not return to normal.

Over the years, the company has taken many initiatives to deal with both temporary and permanent changes in the sector. We have always believed in staying agile enough to take advantage of opportunities when they present themselves but also be prudent enough to step back and slow down when the situation demands. Namra Finance AUM declined by 23%, from Rs. 2,193.1 crore as on March 31, 2024, to Rs. 1,685.8 crore as on March 31, 2025. Overall consolidated AUM declined by 15%, from Rs. 2,639.3 crore on March 31, 2024, to Rs. 2,245.4 crore as on March 31, 2025.

For Namra Finance, quarterly disbursements stood at Rs. 393.3 crore, reflecting a year-on-year decline of 26%. For the full year FY25, disbursements stood at Rs. 1,231.9 crore compared to Rs. 1,895.2 crore in FY24.

In FY25, the company has taken two key decisions: completely separating the credit and recovery functions from the branch operations. These decisions are based on data and logic, not emotions. While emotionally, we would like for rural culture to return to what it was; evidence and logic suggest that this is unlikely to happen, at least not fully.

Traditionally, microfinance heavily relied on the Joint Liability Group (JLG) model and intertwined its sales, credit, and collection functions. Also, credit decisioning policies were largely population based. However, we believe that the time is ripe for change. This one-size-fits-all approach will have to be supplemented by individual assessment; we must change our systems to be able to evaluate each customer on his or her own individual merits and circumstances. That would require a strong and independent credit culture at the ground level and would require us to completely separate the historical conflict of interest between credit and sales. While this change would lead to higher operating costs, it will help us avoid higher credit costs, something we believe is the better trade-off. Separating collections is also a natural progression; field officers will continue to service regular collections and early delinquencies to preserve the FO-customer relationship and the essence of the JLG model.

Currently, we have implemented the new credit structure in 140 of our 391 branches, with the remaining branches to be implemented by Q2 of FY26. Early indicators in asset quality for loans originated under the new credit structure are encouraging.

Additionally, all disbursements in the MFI segment starting from November 2024 are covered under the Credit Guarantee Fund for Micro Units (CGFMU) scheme. As of March 2025, 34% of the MFI AUM is covered under the CGFMU scheme. The company is also in compliance with MFIN Guardrails as of March 31, 2025. We have also successfully completed an ARC transaction in March 2025.



Zero-bucket collection efficiency for the quarter stood at 98.5% and improve to 98.8% March 2025 for the MFI book, which is lower than expected but a significant improvement in comparison to Q3FY25. Overall collection efficiency on a consolidated basis stood at 95.3% for the quarter.

The company completed the sale of written-off assets to an Asset Reconstruction Company (ARC) during Q4 ended March 31, 2025. The details are as follows:

Particular	Quarter ended March 31, 2025 (INR in Crs)
Number of accounts	74,609
Principal outstanding for written off assets	185.98
Net Book value of loans transferred (at the time of transfer)	Nil
Purchase consideration realized in respect for the assigned pool	36.75
Aggregate gain / (loss) over net book value	36.75

The standalone segments under Arman, which include lending to MSMEs, Micro LAP, and two-wheeler customers, have shown resilience and delivered a stronger performance during the year. As of 31st March 2025, the standalone AUM stood at Rs. 559.6 crore, registering a year-on-year growth of 25%. Disbursements for FY25 stood at Rs. 481 crore, reflecting a growth of 20% over FY24. The portfolio continues to demonstrate healthy asset quality, with Gross NPA at 3.38%.

This business benefits from a more diversified customer base, relatively lower delinquency levels, and a stable operating environment. Focused execution and prudent underwriting in these segments have helped offset some of the pressures seen in the microfinance business.

Our consolidated balance sheet remains strong, supported by a healthy capital adequacy ratio—37.34% for Arman (standalone) and 48.37% for Namra as well as surplus liquidity of Rs. 269.1 crore, providing us with the financial resilience to navigate this challenging phase. While the short-term outlook remains cautious, our strategic focus will remain on stabilizing the portfolio, improving operational efficiency, and reinforcing asset quality. We thank all our stakeholders and especially all the employees for the continued support.”

#### **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), Microfinance and LAP segments. 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 mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, Haryana, Bihar, Jharkhand, and Telangana through a strong distribution network of 489 branches, 50+ two-wheeler dealerships spread across 162 districts in 11 states serving ~7.2 lakh customers.



Company focuses on small ticket retail loans to the large underserved informal segment customers in rural & semi urban geographies. The Company has completely in-house operations with bottom-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.

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