

# Arman Financial Services Limited



Ahmedabad, Gujarat, August 14, 2024:

**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 unaudited financial results for the quarter ended 30<sup>th</sup> June 2024. The financial numbers are based on Ind-AS.

## Consolidated Business Performance:

Particulars (INR Crore)	Q1FY25	Q1FY24	Y-o-Y	Q4FY24	Q-o-Q
Assets Under Management (AUM)	2,594	2,143	21%	2,639	-2%
Gross Total Income	184	149	23%	183	1%
Pre-Provisioning Operating Profit	85	63	34%	88	-4%
Profit After Tax	31	40	-22%	51	-38%

- Consolidated Asset Under Management (AUM) stood at ~INR 2,594 Crore, growing by 21% on a year-on-year basis.
- Macroeconomic challenges led to a moderation in disbursement activity, with disbursements for Q1 FY25 standing at ~INR 459 Crore.
- Net total income for Q1 FY25 amounted to ~INR 119 Crore, registering a 39% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for Q1 FY25 registered a 34% year-on-year growth to ~INR 85 Crore.
- Profit After Tax for Q1 FY25 stood at ~INR 31 Crore.
- Shareholders' Equity as of June 30, 2024, stood at ~INR 847 Crore.
- For Q1 FY25, Return on Average AUM stood at 4.79%, while Return on Equity stood at 15.09%.

Shareholders' Funds	As on 30th June 2024		As on 31st March 2024	
	Amount (INR Crore)	No of shares	Amount (INR Crore)	No of shares*
Shareholders fund	846.8	1,04,78,684	812.7	1,04,76,774

\*On fully diluted basis

- Credit Rating upgraded to '**A | Stable**' by Acuite Ratings for Namra Finance Limited.



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

- Total borrowings stood at ~INR 2,217 Crore (including off-balance sheet direct assignment (DA) liability).
- Of the total borrowings, 40.2% is through banks, 11.6% is through NBFCs, 16.7% is through debt and NCDs, 2.0% is through PTC, and 24.0% is through direct assignments (off-balance-sheet liabilities), of which 18.5% is through banks and 5.5% is through financial institutions. The rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- As of June 30, 2024, the company has a healthy liquidity position with ~INR 248 Crore in cash/bank balance, liquid investments, and undrawn CC limits.
- Additionally, the company has ~INR 225 Crore in undrawn sanctions from existing lenders.

### **Collection Efficiency:**

- Collection efficiency Q1FY25 stood at 95.8%.
- Segment wise collection efficiency in the month of June 2024 stood at:
  - Microfinance segment – 95.1%
  - MSME segment – 97.2%
  - 2W segment – 96.1%

### **Asset Quality:**

- GNPA stood at 2.79%; NNPA stood at 0.18%
- Cumulative Provisions stood at ~INR 101 Crore as on 30<sup>th</sup> June 2024 (covering 3.9% of the consolidated AUM, 4.8% on book)

### **Two-Wheeler, MSME Segment, Loan Against Property (Arman Standalone):**

<b>Particulars (INR Crore)</b>	<b>Q1FY25</b>	<b>Q1FY24</b>	<b>Y-o-Y</b>	<b>Q4FY24</b>	<b>Q-o-Q</b>
Assets Under Management (AUM)	465	343	36%	446	4%
Gross Total Income	42	30	40%	37	14%
Pre-Provisioning Operating Profit	21	12	85%	16	33%
Profit After Tax	13	8	56%	12	8%



- Assets under Management for MSME, Two-Wheeler, and LAP stood at ~INR 465 Crore, registering a growth of 36% year-on-year.
  - AUM for MSME: ~INR 383 Crore.
  - AUM for Two-Wheeler: ~INR 76 Crore.
  - AUM for LAP: ~INR 6 Crore.
- Total Disbursement for MSME, Two-Wheeler, and LAP stood at approximately INR 102 Crore in Q1 FY25.
- Net total income for Q1 FY25 amounted to ~INR 33 Crore, registering a 73% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for Q1 FY25 registered an 85% year-on-year growth to ~INR 21 Crore.
- Profit After Tax for Q1 FY25 stood at ~INR 13 Crore, reflecting a year-on-year growth of 56%.
- GNPA for MSME stood at 2.04%, while NNPA stood at 0.43%.
- GNPA for Two-Wheeler stood at 4.34%, while NNPA stood at 1.17%.
- The company has a strong capital base with a capital adequacy ratio of 48.2% as of June 30, 2024.

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

<b>Particulars (INR Crore)</b>	<b>Q1FY25</b>	<b>Q1FY24</b>	<b>Y-o-Y</b>	<b>Q4FY24</b>	<b>Q-o-Q</b>
Assets Under Management (AUM)	2,129	1,801	18%	2,193	-3%
Gross Total Income	143	120	19%	147	-3%
Pre-Provisioning Operating Profit	64	53	21%	72	-11%
Profit After Tax	19	33	-42%	39	-51%

- We steadily expanded and deepened our MFI presence through our wholly owned subsidiary, Namra Finance. This involves entering new geographies, increasing the number of branches, and enhancing our outreach to underserved communities.
- As of June 30, 2024, Namra's AUM stands at ~INR 2,129 Crore, registering year-on-year growth of 18%.
- Disbursements for Q1 FY25 amounted to ~INR 356 Crore.
- During Q1 FY25, Gross Total Income increased by 19% year-on-year to ~INR 143 Crore, and Net Total Income increased by 28% year-on-year to ~INR 86 Crore.
- Profit After Tax stood at ~INR 19 Crore in Q1 FY25.
- Provisions and write-offs for the quarter increased by 219% year-on-year to ~INR 39 Crore.



- Write-offs (net of recovery) during the quarter amounted to ~INR 31 Crore, as an aggressive write-off and provisioning policy was adopted.
- Active MFI Customers stood at approximately 6.9 lakh.
- GNPA stood at 2.88%, and NNPA stood at 0.07% as of June 30, 2024.
- As of June 30, 2024, the capital adequacy ratio for Namra stood at 37.94%.

### **Credit Rating (Namra)**

- Credit Rating upgraded to '**ACUITE A | Stable**' from '**ACUITE A(-) | Stable**' by Acuite Ratings

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

"In Q1 FY25, Arman navigated a challenging environment marked by economic uncertainties, disruptions related to central elections, and reports of excessive heat waves in key geographies. Over and above these issues, there are signs of overleveraging with MFI clients which has resulted in lower repayment rates. This issue is being addressed both by industry and Arman. Owing to these headwinds, we maintained a cautious approach to growth, ensuring the stability of our operations.

Total disbursements for the quarter stood at Rs. 459 Crore and Assets Under Management reached Rs. 2,594 Crore, reflecting a year-on-year growth of 21.0%. This cautious growth aligns with our strategy to prioritize portfolio quality over aggressive expansion.

Our Net Interest Income (NII) for Q1 FY25 increased by 39.2% to Rs. 119 Crore. The Pre-Provision Operating Profit (PPOP) for the quarter stood at Rs. 85 Crores, a 34.2% increase compared to the same period last year.

The Gross Non-Performing Assets (GNPA) stood at 2.79%, while the Net Non-Performing Assets (NNPA) stood at 0.18%. This increase highlights the challenges faced during the quarter, particularly in key geographies affected by economic uncertainties and disruptions. However, we have implemented stringent corrective measures and enhanced our monitoring mechanisms to address asset quality stress. We are confident that our proactive approach and focused efforts on improving collections and credit assessments will lead to a gradual improvement in asset quality in the coming quarters.

Profit After Tax (PAT) for the quarter was Rs. 31 Crores as compared to Rs. 40 Crores in the same period last year. Lower PAT was on account of higher provisioning and our focus on managing risk. Looking ahead in the short term, we will remain vigilant and selective in our growth strategy. Our priorities include continuing to strengthen our risk management practices to protect portfolio quality, adopting a measured approach to expansion by focusing on markets where we have a strong understanding of local dynamics, and enhancing our capabilities to ensure operational efficiency.

To summarize, our industry has matured and has ebbs and flows like any other industry. However, we are confident that the company, our customers, and the industry are resilient. While the rural environment remains uncertain, we are well-capitalized for future growth and are confident that our prudent approach will enable us to navigate challenges effectively and yield better performance in the coming quarters. We



are confident that the many large and small initiatives we are taking will be adequate and, before long, we will be well on our way to continuing our growth story."

#### **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, Bihar, Jharkhand, and Telangana through a strong distribution network of 434 branches, 20+ two-wheeler dealerships spread across 158 districts in 11 states serving ~8 lakh customers.

The company focuses on small ticket retail loans to the large underserved informal segment customer in rural & semi urban geographies. The 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.

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