



Arman Financial Services Ltd.

Arman Financial Services Limited fires on all cylinders injected by solid organic growth as reported in its Q3 & 9M FY22 Financial Results:

- Consolidated AUM crosses the ₹ 1,000 Crores Milestone, reaching ₹1,045 Crores - up by 45% YoY
- Disbursements for the quarter at ₹ 296 Crores - up 63% YoY
- PBT at ₹ 10 Crores - up by 192% QoQ & by 188% YoY
- PAT at ₹ 7 Crores - up 140% YoY

Ahmedabad, India, 14th February 2022: 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 nine months ended 31st December 2021 and displayed performance numbers that truly demonstrate a post second wave turnaround phase for the Company.

Particulars (In ₹ Crores)	Q3 FY22	Q3 FY21	YoY%	9M FY22	9M FY21	YoY%
Assets Under Management (AUM)	1,044.6	720.0	45%	1044.6	720.0	45%
Total Disbursement	296.5	181.9	63%	684.5	234.5	192%
Gross Total Income	58.7	47.9	23%	159.2	149.0	7%
Pre-Provisioning Operating Profit	16.2	18.0	-10%	50.0	55.5	-10%
Total Provisioning & Write-Offs	6.6	14.7	-55%	26.6	43.6	-39%
Profit After Tax	7.0	2.9	140%	15.4	9.7	58%
GNPA %	5.00%	3.94%	106bps	5.00%	3.94%	106bps
NNPA %	1.07%	0.71%	36bps	1.07%	0.71%	36bps
RoE* %	14.44%*	6.57%*	787bps	15.88%	10.95%	494bps

*No.s annualized

Consolidated Financial Highlights – Q3 FY2022

- **Assets Under Management (AUM):** As on 31st December 2021, Company's AUM stood at ₹ 1,044.6 crores, higher by 45% YoY. Improvement in overall macro- economic environment and improved consumer sentiment led to higher AUM growth.
- **Disbursements picked up across all segments:** Loan Disbursements during Q3 FY22 stood at ₹ 296.5 crores, up by 63% YoY; and by 192% QoQ
- **Shareholders' Equity:** Stood at ₹ 202.12 crores as on 31st December 2021 (Book Value per Share is ₹ 238)
- **Comfortable Leverage Position:** Debt-Equity Ratio as on 31st December'21 was 4.35
- **Gross Total Income:** Increased by 23% YoY to ₹ 58.7 crores and Net Total Income increased by 9% YoY to ₹ 33.5 crores. The increase in gross & net income was due to strong growth in portfolio.
- **Finance cost:** Increased by 46% YoY to ₹ 25.2 crores in line with increase in disbursements and overall increase in the loan book
- **Operational costs:** Increased by 37% to 17.3 crores as a result of expansion in MFI/MSME branches and recruitment of staff for the branch expansions. Further the increase is also due to the growth in the loan portfolio.



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- **Loan Impairment cost:** For the quarter, this reduced to ₹ 6.6 crores. The Company prudently created extra provisions of ₹ 1.91 crores and took and aggressive write-offs of ₹ 6.4 crores. Cumulative Total Provisions stood at ₹ 64.0 Crore as on 31st December 2021, covering 6.1% of the on-book AUM.
- **Profit after tax increased by 140% YoY to ₹ 7.0 crores** aided by strong growth in portfolio and lower provisioning requirement due to better asset quality of the loans disbursed post COVID-19 since September 2020.
- **Consolidated GNPA stood at 5.00%; NNPA stood at 1.07% for December 21**
- **Total operational branches:** As on 31st December 2021 stood at 262 (211 in MFI, 45 in MSME and 6 in 2W).

Update on Collections Efficiency

Business Segment	Oct 2021	Nov 2021	Dec 2021	Jan 2022
Microfinance	92%	92%	92%	93%
MSME	95%	93%	95%	95%
Two-Wheeler	95%	96%	96%	96%
Total Collection Efficiency %	92%	92%	93%	94%

- **Collections in microfinance business has remained at healthy levels and reached 93% in January 2022, despite the pervasive Omicron variant. MSME and 2-wheeler segments performed excellently with 95% and 96% collections respectively in January 2022.**

Update on Liquidity

- **Healthy Liquidity position with ₹ 126.4 crore in cash/bank balance, liquid investments, and undrawn CC limits:** Pick-up in collections along with the incremental debt capital raised has materially improved the Company's liquidity position. The Company has duly repaid all the debt obligations that were due in Q3 FY22. ALM continues to remain positive, and the Company continues to have access to new sources of funds.

Commenting on the company's performance in Q3 FY22, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said, "During the quarter, the overall economic environment and consumer sentiment remained positive despite the sharp increase in number of COVID cases due to the newly evolved Omicron variant. The economy has moved towards normalcy, which is quite visible from the uptick in tax collections, highway toll collections and power consumption etc. Moreover, the push given on the massive infrastructure projects during the Budget 2022-23 will give additional impetus to the consumer segment that we target by providing them vast employment opportunities.

The quarter gone by marks our significant achievement of crossing ₹ 1,000 crore AUM. This not only gives us a morale boost but is also testimony of our unwavering determination and robust business model. The disbursements during the quarter stood at ₹296 crore, up by 63% YoY and 192% QoQ mainly due to the rebound in economic activities and significant improvement in the overall macro environment. While we focus on improving our disbursements, our foremost priority remains the quality of our loan book. Our stringent credit assessment screenings ensure that we only lend to customers with good credit history and no defaults in past.

Overall collection efficiency improved further during the quarter and picked up to 93% in December 21. Collection efficiency in the post covid loan book disbursed since September 2020 stood at almost 99%. Higher collection efficiencies were aided by improvements in the cash flow position of the borrowers and the strengthened collection team on the ground. Collection efficiencies have further improved in the month of January and February 22. We fully expect collection efficiencies to reach pre-covid levels by the end of Q1 FY2023, if there are no further disruptions due to COVID.



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I am pleased to inform you all that we are well on track on the branch expansion plan and have already opened 24 new branches during the months of December, January, and February till date. Our total branch network is expected to reach 280-290 branches by the end of March 22. This expansion will not only give us deeper penetration by tapping into newer districts in existing states but will also give us an opportunity to explore new geographies.

Asset quality continues to remain steady with Net NPA at about 1.07%. The Company has steadily created adequate provisions to take care of the unprecedented pandemic. Our balance sheet continues to remain strong with adequate liquidity and comfortable debt to equity ratio of 4.35x as of December 2021.

The outlook for the sector remains positive with asset quality metrics across the sector remaining well-supported by the Government, RBI and regulatory authorities. We are pledged to our long-term goal of value creation for our shareholders and all our stakeholders by providing the last mile credit delivery and focus on maintaining strong risk base with high quality assets and sufficient provisioning. We strongly believe that our strong borrower's base, resilient business model, continuous customer engagement, growing reach, robust balance sheet, passionate on ground workforce and experienced management team will ensure sustainable and profitable growth going forward without compromising on our asset quality".

Segmental Performance Update – Q3 FY22 v/s. Q3 FY21

Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q3 FY22	Q3 FY21	YoY%	9M FY22	9M FY21	YoY%
Assets Under Management (AUM)	855.7	548.7	56%	855.7	548.7	56%
Total Disbursement	242.1	147.3	64%	560.6	187.8	198%
Gross Total Income	42.8	33.2	29%	117.1	102.1	15%
Pre-Provisioning Operating Profit	10.7	11.8	-9%	34.2	33.5	2%
Total Provisioning & Write-Offs	6.2	11.4	-46%	20.2	29.0	-30%
Profit After Tax	3.3	0.8	334%	8.7	4.1	114%
GNPA %	3.77%	3.60%	16bps	3.77%	3.60%	16bps
NNPA %	0.82%	0.36%	45bps	0.82%	0.36%	45bps
RoE %	9.38%*	2.57%*	681bps	8.31%	4.62%	369bps

*No.s annualized

- **MFI AUM increased by 56% YoY and stood at ₹ 856 crores.** Improvement in cash flows with the borrowers and return of the economy to normalcy led to growth in the portfolio.
- Gross NPA % was higher at 3.77% in Q3 FY22. Post ECL adjustment, NNPA stood at 0.82%.
- PAT for the quarter increased by 334% on the back of strong growth of loan portfolio, lower provisioning requirement on the post covid loan book and better operational efficiencies.
- **Strengthened the provision Coverage with additional provision of 1.53 cr. Additionally, the company also took an aggressive write-off of Rs 6.35 crores.**
- **Cumulative total ECL Provisions as on 31st December'21 were ₹ 42.76 crores covering 5.0% of the total AUM.**



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Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q3 FY22	Q3 FY21	YoY%	9M FY22	9M FY21	YoY%
Assets Under Management (AUM)	188.9	171.3	10%	188.9	171.3	10%
Total Disbursement	54.3	34.6	57%	123.9	46.7	166%
Gross Total Income	16.6	15.4	8%	45.2	49.7	-9%
Pre-Provisioning Operating Profit	6.2	6.6	-6%	17.7	23.8	-26%
Total Provisioning & Write-Offs	0.4	3.3	-87%	6.4	14.6	-56%
Profit After Tax	4.5	2.5	75%	8.6	7.5	15%
<i>GNPA %</i>	<i>10.67%</i>	<i>5.47%</i>	<i>520 bps</i>	<i>10.67%</i>	<i>5.47%</i>	<i>520 bps</i>
<i>NNPA %</i>	<i>2.26%</i>	<i>1.82%</i>	<i>44 bps</i>	<i>2.26%</i>	<i>1.82%</i>	<i>44 bps</i>
<i>RoE %</i>	<i>30.78%*</i>	<i>16.05%*</i>	<i>1473 bps</i>	<i>29.57%</i>	<i>23.62%</i>	<i>595 bps</i>

*No.s annualized

- **2W & MSME AUM stood at ₹ 188.9 crores in Q3 FY22**
 - MSME AUM increased by 19% YoY to ₹ 139.5 crores
 - 2W AUM declined by 9% YoY to ₹ 49.4 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
- **Pre-Provisioning Operating Profit** stood at ₹ 6.2 crores
- **GNPA % and NNPA %** stood at 10.67% and 2.26% respectively
- Total Provisions as on 30th September'21 were ₹21.26 crores covering 11.28% of the total AUM

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 Haryana through its network of 262 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.

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For, Arman Financial Services Limited

Director