



## Arman Financial Services Ltd.

### Arman Financial Services Limited Reports its Q1 FY21 Financial Results

**Consolidated AUM at ₹ 823 Crores; up 14% Y-o-Y**

**Collection Efficiency Improves to 80% in Aug'20 vis-à-vis 66% in June'20**

**Consolidated PAT Stood at ₹ 5.3 Crores (Covid Adjusted PAT at Rs 13.0 Crores)**

**Ahmedabad, India, 29 August 2020:** 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 fourth quarter ended 30<sup>th</sup> June 2020.

Particulars (In ₹ Crores)	Q1 FY21	Q1 FY20	YoY%	FY20	FY19	YoY%
<b>Assets Under Management (AUM)</b>	<b>823.1</b>	<b>724.1</b>	<b>14%</b>	<b>859.9</b>	<b>684.8</b>	<b>26%</b>
Total Disbursement	-	190.1	-	873.6	783.6	12%
Gross Total Income	49.4	48.2	2%	215.1	139.6	54%
<b>Pre-Provisioning Operating Profit</b>	<b>16.9</b>	<b>17.7</b>	<b>(4%)</b>	<b>73.8</b>	<b>42.7</b>	<b>73%</b>
Total Provisioning & Write-Offs	10.2	1.5	592%	20.0	6.5	207%
Provisioning & Write-Offs	0.1	1.5	(96%)	13.3	6.5	105%
Addl. COVID Specific Provisioning	10.2	-	-	6.7	-	-
<b>Profit After Tax</b>	<b>5.3</b>	<b>12.1</b>	<b>(56%)</b>	<b>41.5</b>	<b>26.4</b>	<b>57%</b>
<b>Profit After Tax (Adj. for Covid Provision)</b>	<b>13.0</b>	<b>12.1</b>	<b>7%</b>	<b>48.2</b>	<b>26.4</b>	<b>82%</b>
GNPA %	1.1%	1.1%	6 bps	1.1%	1.0%	6 bps
NNPA %	0.1%	0.5%	(45 bps)	0.2%	0.5%	(28 bps)
RoE % *	12.1%	36.0%	(2386 bps)	28.1%	29.7%	(161 bps)
<b>RoE %* (Adj. for Covid Provisioning)</b>	<b>29.5%</b>	<b>36.0%</b>	<b>(648 bps)</b>	<b>32.6%</b>	<b>29.7%</b>	<b>291 bps</b>

Note: \* RoE figures have been computed a fully diluted equity base and annualized for Q1 FY21 & Q1 FY20

#### Consolidated Financial Highlights – Q1 FY2021

- Assets under management** as on 30<sup>th</sup> June'20 stood at ₹ 823 crores (+14% YoY). Nationwide Lockdown and the Covid-19 induced disruption led to disbursements being halted in Q1 FY21. This combined with the resumption of repayments from June onwards led to a run down in the loan book on a sequential basis.
- Shareholders Equity** stood at ₹ 177.5 crores as on 30<sup>th</sup> June'20 (Book Value per Share is ₹ 211)
- Comfortable Leverage Position:** Debt-Equity Ratio as on 30<sup>th</sup> June'20 was 4.0x (excludes direct assignment)
- Net Total Income** declined by 8% YoY to ₹ 27.0 crores. No booking of processing fees in the absence of disbursements, softer yields in the microfinance segment, and negative carry cost owing to the company's focus on maintaining ample liquidity buffer given the uncertain environment adversely impacted the net total income.
- Pre-Provisioning Operating Profit** stood marginally lower at ₹ 16.9 crores. The company took steps to rationalize the overheads. As a result, operating expenses have come down by 14% YoY to ₹ 10.2 crores, and cost-to-income ratio improved to 37.6% in Q1 FY21 (40.1% in Q1 FY20)
- Provisions** for the quarter increased to ₹ 10.2 crores, as the company prudently created a contingency provision of ₹ 10.2 crores on account of Covid. Cumulative ECL Provisions stood at ₹ 29.7 Crore as on 30<sup>th</sup> June'20, covering 3.9% of the on-book AUM
- Profit after tax** stood lower at ₹ 5.3 crores. Adjusted for the contingent Covid provisioning, Profit after tax would have stood at ₹ 13.0 crores (higher by 7% YoY), and the 2) ROE would have been 29.5%
- Asset quality continued to remain robust – Consolidated GNPA stood stable at 1.1%; NNPA improved to 0.1%**





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- **Total operational branches** as on 30<sup>th</sup> June'20 stood at 211 (170 in MFI, 35 in MSME and 6 in 2W)

### Update on Collections

Business Segment	June 2020	July 2020	Aug 2020*
Microfinance	59%	76%	75%
MSME	84%	95%	92%
Two-Wheeler	85%	97%	97%
<b>Total Collection Efficiency %</b>	<b>66%</b>	<b>82%</b>	<b>80%</b>

\*: August repayment rates are month-end estimates

- **Collections have improved significantly across all 3 segments since June 2020, reducing the loan book under moratorium.** Priority of the company remains on getting the repayment rates back to normal in the forthcoming months and it took significant strides towards achieving this objective in July and August 2020.
- August 2020 repayment rates have shown a minor decline compared to July 2020 owing to
  - Large number of festival and holidays during the month of August
  - Heavy rains in numerous areas of operations which created logistical issues
  - Continued intermittent lockdowns in several areas of operations

### Update on Liquidity

- **Healthy Liquidity position with ₹ 141 crore in cash/bank balance, liquid investments, and undrawn CC limits**
- Pick-up in collections along with the incremental debt capital raised (₹ 75 crore since April'20) has materially improved the company's liquidity position. The company has repaid all the debt obligations that were due from June'20 onwards and also repaid the moratorium obligations of April & May 2020 (i.e. voluntarily cancelled moratorium) to reduce moratorium interest burden.

### Update on Disbursements

- Gradually resumed disbursements from August 2020 onwards. In microfinance, the company is primarily renewing loans of existing customers who have made their repayments and completed their tenure. In the MSME & two-wheeler segments, the company has tightened the underwriting process.

*Commenting on the company's performance in Q1 FY21, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services Limited said, "Arman delivered a resilient performance in Q1 FY21, despite being faced with substantial challenges in the form of a prolonged nationwide lockdown, a challenging & uncertain economic environment, and intermittent localized lockdowns and restrictions in some territories hampering operations. Post the lockdown, we have been successful in getting our operations back on track, ramping-up collections from the field, and rationalizing our operating expenditure.*

*Further, in-keeping with our conservative approach, we strengthened our provision coverage by creating a contingent provision of ₹ 10.2 crores on account of Covid this quarter. Overall, cumulative Provisions stood at ₹ 29.7 Crore as on 30<sup>th</sup> June'20; this will help us to deal with any possible impairments on account of Covid in the future. The company will continue creating further reserves on account of Covid in future quarters, if required. Considering the uncertain environment, we chose to maintain ample liquidity buffer thereby adversely impacting our NII owing to the negative carry cost, which has continued to increase due to increased cash reserves and reduction in liquid investment returns. Our asset quality continued to remain unchanged due to RBI announced moratorium, with Net NPA improving to 0.1% due to a minor decline in Portfolio. Adjusted for the contingent Covid provision, Net Profit for the quarter stood at ₹ 13.0 crores.*





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Most importantly, collections across all the 3 segments improved significantly since June 2020. Repayment rates for August 2020 dues are expected to close at 75% for the MFI segment; 92% for the MSME segment; and 97% for the 2-wheeler segment. It is especially encouraging to see the strong pick-up in collections in the MSME and 2W segments..

Going forward, our foremost priority will be on improving our collections from the field and maintaining ample liquidity. Our target is to achieve 90% repayment rates by the end of the third quarter. Further, we are also focusing on scaling-up our disbursements in a calibrated manner with tighter credit screens in place. While it is difficult to predict the trajectory the pandemic will take over the coming months, we feel that the worst is behind operationally speaking. On the whole, we are confident that we will be able to successfully navigate our way through this storm and emerge stronger.

### Segmental Performance Update – Q1 FY21 v/s. Q1 FY20

#### Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q1 FY21	Q1 FY20	YoY%	FY20	FY19	YoY%
<b>Assets Under Management</b>	<b>605.1</b>	<b>513.7</b>	<b>18%</b>	<b>621.5</b>	<b>483.8</b>	<b>28%</b>
Total Disbursement	-	139.5	-	653.1	589.6	11%
Gross Total Income	33.3	32.4	3%	148.4	94.0	58%
<b>Pre-Provisioning Operating Profit</b>	<b>9.0</b>	<b>11.0</b>	<b>(18%)</b>	<b>46.2</b>	<b>25.9</b>	<b>79%</b>
Total Provisioning & Write-Offs	5.8	0.9	575%	13.3	3.7	259%
Provisioning & Write-Offs	0.1	0.9	(94%)	8.8	3.7	137%
Addl. COVID Specific Provisioning	5.7	-	-	4.5	-	-
<b>Profit After Tax</b>	<b>2.7</b>	<b>7.2</b>	<b>(63%)</b>	<b>25.2</b>	<b>15.7</b>	<b>61%</b>
<b>Profit After Tax (Adj. for Covid Provision)</b>	<b>7.0</b>	<b>7.2</b>	<b>(3%)</b>	<b>29.7</b>	<b>15.7</b>	<b>90%</b>
GNPA %	0.9%	0.7%	27 bps	0.9%	0.5%	38 bps
NNPA % (after ECL Impact)	0.0%	0.2%	(20 bps)	0.0%	0.1%	(5 bps)

- **MFI AUM stood at ₹ 605.1 crores – higher by 18% vis-à-vis last year**
- Gross NPA % was slightly higher at 0.9% in Q1 FY21. Post ECL adjustment, NNPA % stood at 0.00% since the entire NPA has been completely provided for.
- Beefed up provision coverage by earmarking ₹ 5.72 crore as contingent provision for Covid this quarter. Cumulative ECL Provisions as of 30 June'20 stood at ₹ 19.17 crore covering 3.4% of the on-book AUM
- Adjusted for the contingent Covid provisioning, Profit After Tax stood at ₹ 7.0 crores

#### Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q1 FY21	Q1 FY20	YoY%	FY20	FY19	YoY%
Assets Under Management	218.0	210.4	4%	238.4	201.0	19%
Total Disbursement	-	50.6	-	220.5	194.0	14%
Gross Total Income	16.8	16.2	4%	70.1	48.4	45%
<b>Pre-Provisioning Operating Profit</b>	<b>8.4</b>	<b>7.0</b>	<b>20%</b>	<b>29.5</b>	<b>18.5</b>	<b>60%</b>
Total Provisioning & Write-Offs	4.5	0.6	616%	6.7	2.8	138%
Provisioning & Write-Offs	-	0.6	-	4.5	2.8	60%
Addl. COVID Specific Provisioning	4.5	-	-	2.2	-	-
<b>Profit After Tax</b>	<b>3.3</b>	<b>5.2</b>	<b>(38%)</b>	<b>18.2</b>	<b>12.4</b>	<b>48%</b>
<b>Profit After Tax (Adj. for Covid Provision)</b>	<b>6.6</b>	<b>5.2</b>	<b>26%</b>	<b>20.4</b>	<b>12.4</b>	<b>65%</b>
GNPA %	1.6%	2.0%	(41 bps)	1.5%	2.2%	(69 bps)
NNPA %	0.3%	1.3%	(102 bps)	0.7%	1.5%	(79 bps)

- **2W & MSME AUM increased by 4% YoY to ₹ 218.0 crores in Q1 FY21**





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- MSME book grew by 22% YoY to ₹ 135.7 crores
- 2W AUM stood lower at ₹ 82.3 crores, as the 2W sales declined in the previous year due to the challenging economic environment and drastically declined in Q1 due to the nation-wide lockdown.
- **Pre-Provisioning Operating Profit** grew by 20% YoY to ₹ 8.4 crores aided by higher contribution from the MSME business and efficient cost management
- **Asset quality improved** as GNPA % and NNPA % stood lower at 1.6% and 0.3%, respectively, owing to increased provisioning and reduced portfolio.
- **Provisions** increased in Q1 FY21 owing to creation of contingent Covid provision, and higher standard provisioning on the MSME book of 1.0% versus 0.4% earlier resulting in additional 0.6% provision on standard assets for possible future Covid impairments. Adjusted for contingent Covid provisioning, Q1 FY21 PAT stood at ₹ 6.6 crores - higher by 26% YoY
- Cumulative ECL Provisions stood at ₹ 10.6 crores as on 30 June '20, covering 5.1% of the on-book AUM

### About Arman Financial Services Limited

**Arman Financial Services Ltd (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, and Rajasthan through its network of 211 branches and 55+ dealer touchpoints.

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).

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For, Arman Financial Services Limited

 Director

