

Arman Financial Services Limited



Ahmedabad, Gujarat, February 14, 2023:

Arman Financial Services Limited (NSE: ARMANFIN, BSE: 531179), a Gujarat-based non-banking financial Company (NBFC), with interests in microfinance, micro-enterprise (MSME) loans and two-wheelers loans, announced its unaudited financial results for the quarter and nine months ended 31st December 2022. The financial numbers are based on Ind-AS.

Consolidated Business Performance:

Particulars (INR Crore)	Q3FY23	Q3FY22	Y-o-Y	9MFY23	9MFY22	Y-o-Y
Assets Under Management (AUM)	1,642	1,045	57.2%	1,642	1,045	57.2%
Gross Total Income	103	59	75.6%	275	159	72.5%
Pre-Provisioning Operating Profit	39	16	138.6%	107	50	113.6%
Profit After Tax	22	7	213.1%	58	15	273.1%

- Company's AUM stood at INR 1,642 Crore registering a healthy growth of 57.2% YoY and 14.4% QoQ
- Consolidated disbursements stood at INR 478 Crore for Q3FY23 as compared to INR 296 Crore in Q3FY22 an increase of 61.5% YoY
- Company has witnessed healthy offtake in credit owing to improving on-ground recovery in the rural and semi-rural markets
- Net Total Income for the Q3FY23 stood at INR 59 Crore registering a strong growth of 76.3% YoY
- PPop grew by a solid 138.6% over same period last year to INR 39 Crore
- Profit After Tax stood at INR 22 Crore registering a robust growth of 213.1% YoY
- Shareholders Equity stood at INR 332 Crore as on 31st December 2022 (*calculated as per IND-AS*)

Shareholders Fund	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS)	267.7	84,92,334
15% Unsecured Compulsorily Convertible Debentures (CCDs)	76.8	6,24,388
10% Optionally Convertible Redeemable Preference Shares (OCRPS)	38.3	3,10,972
Total	382.8	94,27,694

*on fully diluted basis

Borrowing Profile:

- Total borrowings stood at INR 1,584 Crore. (Excluding the debt component of OCRPS and CCDs as per IND AS INR 53 Crore)
- Of the total borrowings, 57.4% is through Banks & NBFCs, 15.5% is through the securitization - PTC route, 14.3% is through NCDs and the rest is borrowed through DFIs (NABARD, MUDRA & SIDBI), ECB and Direct Assignment



Liquidity:

- In Q2FY23 Company had successfully completed raising of INR 115 Crore via allotment of CCDs and OCRPS to marquee investors on a preferential basis
 - Major investors include fund(s) controlled by Singapore based Sixteenth Street Capital and USA based Seven Canyons Advisors
 - Other investors include both domestic and foreign individuals
- As on 31st December 2022, the Company has a healthy liquidity position with INR 285 Crore in cash/bank balance, liquid investments, and undrawn CC limits

Collection Efficiency:

- Collection efficiency improved to 98.3% in January 2023 as compared to 97.5% in March 2022
- Segment wise collection efficiency in January 2023 stood at:
 - Microfinance segment – 98.4%
 - MSME segment – 98.1%
 - 2W segment – 96.5%

Asset Quality:

- GNPA stood at 3.37%; NNPA stood at 0.15%
- Cumulative Provisions stood at INR 70 Crore covering 4.6% of the on-book POS, of which provisions for the standalone business stood at INR 15 Crore and for Namra stood at INR 55 Crore

Two-Wheeler and MSME Segment:

Particulars (INR Crore)	Q3FY23	Q3FY22	Y-o-Y	9MFY23	9MFY22	Y-o-Y
Assets Under Management (AUM)	275	189	45.7%	275	189	45.7%
Gross Total Income	24	17	47.5%	69	45	51.9%
Pre-Provisioning Operating Profit	9	6	38.9%	29	18	61.7%
Profit After Tax	7	4	49.8%	21	9	147.8%

- Assets under Management for the two-wheeler and MSME stood at INR 275 Crore registering a growth of 45.7% YoY and 12.1% QoQ
 - AUM for Two-Wheeler segment stood at INR 58 Crore
 - AUM for MSME segment stood at INR 217 Crore
- Total Disbursement for the two-wheeler and MSME stood at INR 69 Crore in Q3FY23
 - Two-Wheeler disbursements – INR 19 Crore
 - MSME disbursements – INR 50 Crore



- Net Total Income for the Q3FY23 stood at INR 15 Crore registering a strong growth of 30.7% YoY
- PPop grew by a healthy 38.9% over same period last year to INR 9 Crore
- For Q3FY23, Profit After Tax stood at INR 7 Crore registering a growth of 49.8% YoY
- GNPA stood at 3.91%; NNPA stood at 0.55% on 31st December 2022
- Company has a strong capital base with a capital adequacy ratio of 48.05% up from 28.99% as on 31st March 2022

Microfinance Segment (Namra)

Particulars (INR Crore)	Q3FY23	Q3FY22	Y-o-Y	9MFY23	9MFY22	Y-o-Y
Assets Under Management (AUM)	1,367	856	59.7%	1,367	856	59.7%
Gross Total Income	81	43	88.1%	209	117	78.8%
Pre-Provisioning Operating Profit	30	11	182.3%	80	34	133.0%
Profit After Tax	16	3	375.8%	38	9	334.0%

- Assets under Management for the Microfinance segment increased by 59.7% YoY to INR 1,367 Crore from INR 856 Crore
- Disbursements for Q3FY23 stood at INR 409 Crore compared to INR 242 Crore for Q3FY22, representing a 69.0% YoY and 83.4% QoQ increase.
 - With a healthy demand and the implementation of our new LOS and LMS systems, the microfinance process is now entirely paperless, including the use of digital signatures for loan documentation.
 - These systems will allow us to increase our efficiency, reduce our operational risk, and improve our customers' experiences.
- The Net Total Income for the Q3 FY23 stood at INR 45 Crore registering a strong growth of 97.4% YoY
- PPop grew by a healthy 182.3% over same period last year to INR 30 Crore
- Profit After Tax stood at INR 16 Crore registering a robust growth of 375.8% YoY and 23.9% QoQ
- GNPA stood at 3.26%; NNPA stood at 0.07% on 31st December 2022
- Capital adequacy ratio stood at 21.7% up from 18.7% as on 31st March 2022
- In January 2023, Namra Finance Limited received a highest ever grading of MFI-1 (MFI One) by CARE Ratings



Commenting on the Company's performance during Q3FY23, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said,

"The Microfinance and Micro-Credit Industry seems to have put the COVID-19 disruptions firmly behind and is going ahead with positive intent. Specifically for the quarter three and the nine months gone by, the company has witnessed healthy offtake in credit owing to improving on-ground recovery in the rural markets. In Q3 FY23, the Company registered a strong disbursement growth of 61.2%, which stood at INR 478 Crore, while disbursements for 9M FY23 grew by 65.8% to INR 1,135 Crore. This improved rural & semi-rural market demand coupled with implementation of the company's new LOS and LMS system has also aided our Assets Under Management to grow by a solid 57.2%. Our Assets Under Management as on 31st December 2022 stood at INR 1,642 Crore from INR 1,045 Crore over same period last year.

Within our microfinance vertical the company also provides Individual Business Loans to its graduating Microfinance Customers. As on 31st December 2022 Individual Business Loans (IBL) constitute 2.3% of our AUM. The idea of the product is to retain good microfinance customers into individual higher ticket size loans with the cashless repayment methodology and higher underwriting. Further, our technological shift towards implementation of new LOS and LMS systems will enable us to improve our efficiencies, lower the operational risk, and enhance customer experiences. We are pleased to report that the entire microfinance process is now completely paperless, including the loan documentation using digital signatures.

In terms of asset quality, the GNPA stood at 3.37% while NNPA stood at 0.15%. Overall Collection efficiency as of December 2022 stood at 98.2%. Additionally, post the recent equity fund raise of INR 115 Crore, the Company has adequate liquidity and a strong balance sheet position which makes us well-positioned and agile to achieve growth over the medium to long term, while the demand remains strong. Our CRAR stood at 48.05% for Arman and 21.66% for Namra (100% Subsidiary).

In January 2023, we have achieved one major milestone where our wholly owned subsidiary Namra Finance, has been assigned the highest ever grading of MFI-1 (MFI One) by CARE Ratings. This is a highest possible grading for an MFI Company to manage microfinance operations in a sustainable manner. This grading of MFI 1 (MFI One) will not only help the company to improve its borrowing profile but also lend confidence to all of our stakeholders of our ability to manage operations at scale.

The company is on track to scale its disbursements and achieve an AUM of INR 2,500 Crore while maintaining book quality and in the coming quarters, we anticipate multiple tailwinds and a plethora of opportunities unfolding for the MFI and MSME sector due to government's emphasis on rural and semi-rural India."



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, and Bihar through a strong distribution network of 321 branches, 55+ two-wheeler dealerships spread across 114 districts in 8 states serving ~5.8 lakh customers.

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