



## Arman Financial Services Ltd.

### Arman Financial Services Limited declares solid bounce-back performance for Q1FY23 on profitability, asset quality, disbursements and collections.

- *Disbursement volumes increase to ₹ 380 crore in a traditionally low-key quarter with a growth of 12% QoQ and 212% YoY.*
- *Consolidated AUM for Q1FY23 reaches ₹1,388 Crore – 77% higher YoY; and 13% up QoQ despite the adoption of the new MFI regulatory framework, keeping the Company ahead of the curve*
- *Produces PAT of ₹ 15.7 Crore compared to ₹ 3.6 Crore YoY, a 336% growth*

**Ahmedabad, India, 14<sup>th</sup> August, 2022:** Arman Financial Services Ltd (Arman), a Gujarat-based non-banking financial Company (NBFC), with interests in microfinance, micro-enterprise (MSME) loans and two-wheelers, announced its financial results for the quarter ended 30<sup>th</sup> June 2022

Arman Financial's firm Q1FY23 results are testimony to the Company's dedicated efforts in keeping fortified during a tough macro environment and bouncing back when more conducive conditions return. The Company has had a solid track record for successfully navigating through macro challenges since its inception and has always emerged stronger and improved after every major domestic or global disruption.

For Q1FY23, Arman produced an all-time high disbursement, growing 12% QoQ in a traditionally soft quarter for the industry on the disbursements front. Besides higher disbursements, the Company's collections efficiency has also witnessed steady improvement over the last five quarters sequentially. The collection efficiency of 85% in Q1FY22 has improved to 98% in Q1FY23, and against 95% in Q4FY22. Its AUM growth of 77% YoY, along with adequate ECL provisions (5.33%) signifies an all-around improvement in the quality of growth. This has led to PAT growth of 336% YoY and annualized ROEs to return to Pre-Covid Levels at 28.5%.

Particulars (In ₹ Crore)	Q1FY23	Q1FY22	YoY%	Q4FY22	YoY%
<b>Assets Under Management (AUM)</b>	<b>1,388</b>	<b>785</b>	<b>77%</b>	<b>1,233</b>	<b>13%</b>
Total Disbursement	380	122	212%	337	12%
Gross Total Income	78.90	49.70	59%	75.81	4%
<b>Pre-Provisioning Operating Profit</b>	<b>31.82</b>	<b>17.84</b>	<b>78%</b>	<b>32.82</b>	<b>-3%</b>
Total Provisioning & Write-Offs	11.80	11.34	4%	10.75	10%
<b>Profit After Tax</b>	<b>15.71</b>	<b>3.57</b>	<b>336%</b>	<b>16.28</b>	<b>-3%</b>
GNPA %	3.60%	5.72%	-209 bps	4.41%	-78 bps
NNPA %	0.30%	1.45%	-111 bps	0.76%	-42 bps
RoE* %	28.5%	7.6%	2096 bps	31.8%	-330 bps

\*No's annualized



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### Consolidated Financial Highlights – Q1 FY2023

- **Assets Under Management (AUM):** As on 31<sup>st</sup> March 2022, the Company's AUM stood at ₹ 1,388 crore, higher by 77% YoY. Enhanced branch networks which helped in catering to new customers and geographies and increased demand from existing geographies led to higher AUM growth. The group has ventured into new geographies like Haryana & Bihar while consolidating its presence in existing states like Gujarat , UP and Rajasthan post covid
- **Disbursements picked up across all segments:** Loan Disbursements during Q1FY23 stood at ₹ 380 crore, up by 212% YoY; and by 12% QoQ. Higher disbursements were aided by an increase in the number of branches and continuous efforts by the Company in making further inroads into existing as well as newer geographies, thereby expanding the customer base across eight states. Increased Disbursements were further aided by an increased post-covid loan demand in the rural economy.
- **Shareholders' Equity:** Stood at ₹ 228 crore as on 30th June 2022 (Book Value per Share is ₹ 268)
- **Comfortable Leverage Position:** Debt-Equity Ratio on 30<sup>th</sup> June '22 was 4.75
- **Gross Total Income:** Increased by 59% YoY to ₹ 78.9 crore and Net Total Income increased by 71% YoY to ₹ 50.3 crore. The increase in gross and net income was due to strong growth in the portfolio.
- **Finance cost:** Increased by 44% YoY to ₹ 28.6 crore, in line with the portfolio growth.
- **Operational costs:** Increased by 54% to 18.5 crore as a result of expansion in MFI/MSME branches and recruitment of staff for the branch expansions. Furthermore, the increase is also due to the growth in the loan portfolio. However, the QoQ basis remained flat signifying better operating leverage
- **Loan Impairment cost:** Provisions and write-offs (Impairment Losses on Financial Assets) during the quarter was ₹ 11.8 Crore. The total provisions on the books stood at ₹ 70 crore as of June 2022 covering 5.33% of the on-book AUM.
- **Profit after tax increased sharply to ₹ 15.7 crore** in Q1FY23 compared to ₹ 3.6 crore in Q1FY22 aided by strong growth in the portfolio and significant improvements in the post-covid disbursement asset quality.
- **Consolidated GNPA stood at 3.6%; NNPA stood at 0.30% on 30<sup>th</sup> June 22.**
- **Total operational branches:** As of June 2022 stood at 308 (246 in MFI, 56 in MSME and 6 in 2-wheeler)

### Update on Collections Efficiency-At Pre-Covid Levels.

Business Segment	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Microfinance	84%	90%	93%	96%	99%
MSME	89%	94%	94%	95%	98%
Two-Wheeler	94%	95%	95%	96%	96%
<b>Total Collection Efficiency %</b>	<b>85%</b>	<b>91%</b>	<b>92%</b>	<b>95%</b>	<b>98%</b>

- **Collections in the microfinance business have remained at healthy levels and improved further to 99% in Q1FY23. MSME and 2-wheeler segments performed excellently with 98% and 96% collections respectively in Q1FY23.**



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**Commenting on the Company's performance during Q1FY23, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said,** "The numbers clearly seem to indicate that Covid is behind us, but we remain ever vigilant, and are back on track with our growth and profitability. With a little bit of luck, Q1FY23 will be one of the bookmarks in a new chapter in the Company's history. A fitting start to the fiscal year that marks our 30<sup>th</sup> year in existence. We achieved some of our best-ever performance KPIs despite aligning with new microfinance underwriting guidelines announced by the RBI in Mar-22, which involved a significant amount of background operational changes and extensive training for our large field force. The Company has yet again witnessed a performance which has broken all its previous records. With traditionally, a softer quarter for industry on the disbursements front, allied with challenges in implementing the new MFI policy, the Company has been able to grow its disbursements sequentially by 12%. Despite such challenges, it's immensely satisfying to have delivered such strong results. Over the years we have emerged stronger after each major disruptive event or far-reaching regulatory rules that have been transformational. Our conservative DNA remains one of our formidable strengths, playing a big part in helping us navigate through tough times. We have achieved significant targets in terms of our AUM for FY22, and have been further building upon it since then.

While we focus on growth, our foremost priority remains to maintain the quality of our loan book. A key outcome of our outstanding operational excellence is our collection efficiency, which remains robust at above 98% for Q1FY23.

We have successfully completed our branch expansion plan, which largely included "branch splits" for larger branches which have exceeded our risk parameters due to AUM size or customer base.. Our total branch network as of 30<sup>th</sup> June 2022 stands at 308 branches. The expansion has not only given us deeper penetration by tapping into newer districts in existing states, but has also given us an opportunity to explore new underpenetrated geographies.

The 2<sup>nd</sup> and 3<sup>rd</sup> quarter of the fiscal year will raise new challenges and opportunities for the company. The company will transition to a new technology which will fundamentally shift how we do business and how we service our customers. The Company will also attempt to raise equity capital to fund our growth plans with healthy capital adequacy and debt-equity ratio.

We remain bullish about the resilience of the overall economy and our endeavour is to serve the most underserved and unserved population of India so that they could also be part of India's growth story. I would like to express my gratitude to the employees, customers, Government and RBI for their unwavering support and guidance during these recent turbulent times."

### Segmental Performance Update

#### Microfinance - Financial Highlights

Particulars (In ₹ Crore)	Q1FY23	Q1FY22	YoY%	Q4FY22	QoQ
<b>Assets Under Management (AUM)</b>	<b>1159</b>	<b>631</b>	<b>84%</b>	<b>1022</b>	<b>13%</b>
Total Disbursement	317	98	222%	280	14%
Gross Total Income	57.67	36.32	59%	55.94	3%
<b>Pre-Provisioning Operating Profit</b>	<b>22.20</b>	<b>11.71</b>	<b>90%</b>	<b>23.00</b>	<b>-3%</b>
Total Provisioning & Write-Offs	10.24	7.56	35%	9.81	4%
<b>Profit After Tax</b>	<b>9.62</b>	<b>2.06</b>	<b>367%</b>	<b>9.77</b>	<b>-2%</b>
GNPA %	3.1%	4.4%	-135 bps	3.7%	-58 bps
NNPA %	0.25%	0.98%	-74 bps	0.59%	-34 bps

\*No's annualized



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- **MFI AUM increased by 84% YoY; 13% QoQ and stood at ₹ 1159.0 crore.** Improvement in cash flows of the borrowers and return of the economy to normalcy post-covid led to growth in the portfolio.
- Gross NPA % is lower at 3.1% in Q1 FY23 compared to 4.4% in Q1 FY22. Improvement in NPA is due to the quality of our loan book which was possible due to robust internal credit control. Improvement in NPA is a result of stricter underwriting and monitoring, resulting in robust collection from the Post covid disbursements. Post ECL provisioning, NNPA stood at 0.25%.
- PAT for the quarter increased sharply to ₹ 9.6 crore in Q1FY23 compared to ₹ 2.1 crore in Q1FY22 on the back of strong growth of loan portfolio and better operational efficiencies.

### Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crore)	Q1FY23	Q1FY22	YoY%	Q4FY22	QoQ
<b>Assets Under Management (AUM)</b>	<b>229</b>	<b>154</b>	<b>49%</b>	<b>211</b>	<b>8%</b>
Total Disbursement	62	23	170%	58	7%
Gross Total Income	22.09	14.47	53%	21.02	5%
<b>Pre-Provisioning Operating Profit</b>	<b>10.23</b>	<b>6.78</b>	<b>51%</b>	<b>10.95</b>	<b>-7%</b>
Total Provisioning & Write-Offs	1.56	3.78	-59%	0.94	66%
<b>Profit After Tax</b>	<b>6.72</b>	<b>2.08</b>	<b>223%</b>	<b>7.64</b>	<b>-12%</b>
GNPA %	6.2%	10.9%	-474 bps	7.6%	-144 bps
NNPA %	0.7%	3.3%	-257 bps	1.5%	-75 bps

\*Numbers are annualized

- **2W & MSME AUM stood at ₹ 229 crore in Q1 FY23**
  - MSME AUM increased by 61% YoY; 10% QoQ to ₹ 182 crore
  - 2W AUM was flat at ₹ 47.0 crore QoQ
- **Pre-Provisioning Operating Profit increased by 51% YoY and stood at ₹ 10.2 crore**
- **GNPA % and NNPA % stood at 6.2% and 0.7% respectively**
- Total Provisions were ₹17.8 crore covering 7.8% of the total AUM. The Interest recognized on NPA assets in accordance with IND-AS amount to Rs 2.10 crore – NPA interest has a 100% provision cover.

For, Arman Financial Services Limited

 Director



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### 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 the unorganized and underserved segment of the economy and mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, Haryana, and Bihar through its network of 308 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 website [www.armanindia.com](http://www.armanindia.com).

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For, Arman Financial Services Limited  
  
Director