

Arman Financial Services Limited



Ahmedabad, Gujarat, May 27, 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 audited financial results for the quarter and full year ended 31st March 2024. The financial numbers are based on Ind-AS.

Consolidated Business Performance:

Particulars (INR Crore)	Q4FY24	Q4FY23	Y-o-Y	FY24	FY23	Y-o-Y
Assets Under Management (AUM)	2,639	1,943	36%	2,639	1,943	36%
Gross Total Income	183	149	23%	662	424	56%
Pre-Provisioning Operating Profit	88	63	40%	293	170	73%
Profit After Tax	51	36	40%	174	94	85%

- Growth momentum has continued driven by Micro-Finance and MSME business segments. Consolidated Asset Under Management (AUM) stood at ~INR 2,639 Crore which grew by 36% on a year-on-year basis.
- Disbursements for the FY24 stood at ~INR 2,297 Crore, registering a growth of 30% year-on-year compared to ~INR 1,767 Crore.
 - Disbursements for Q4 FY24 stood at ~INR 669 Crore, registering a growth of 6% year-on-year.
- Net total income for FY24 amounted to ~INR 396 Crore, registering a 57% year-on-year growth, while Q4 FY24 net total income grew by 40% to ~INR 120 Crore.
- Pre-Provision Operating Profit (PPoP) for FY24 registered a 73% year-on-year growth to ~INR 293 Crore.
 - PPoP for Q4 FY24 grew by 40% year-on-year to ~INR 88 Crore
- Profit After Tax for FY24 stood at ~INR 174 Crore, reflecting a year-on-year growth of 85%.
- Shareholders' Equity as of Mar 31, 2024, stood at ~INR 813 Crore, calculated in accordance with IND-AS standards.
- For FY24, Return on Average AUM stood at 7.58%; while Return on Equity stood at 27.76% (ROE calculation includes QIP proceeds of ~INR 230 Crores raised in the last week of December 2023, which was yet to be fully deployed)



Shareholders' Funds	As on 31st March 2024		As on 31st March 2023	
	Amount (INR Crore)	No of shares	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS; INDS- AS equity component)	812.7	1,04,76,774	301.9	84,92,334
Unsecured Compulsorily Convertible Debentures (CCDs)	-	-	76.8	6,24,388
Optionally Convertible Redeemable Preference Shares (OCRPS)	-	-	38.2	3,10,972
Total	812.7	1,04,76,774	416.9	94,27,694

*On fully diluted basis

Borrowing & Liquidity Profile:

- Total borrowings stood at ~INR 2,261 Crore (Including off balance sheet direct assignment (DA) liability)
- Of the total borrowings, 41.1% is through Banks, 13.8% is through NBFCs, 13.5% is through debt and NCDs, 3.0% is through PTC, 23.5% is through direct assignments (off balance-sheet liabilities) of which (18.78% Direct Assignment is through Banks and 4.75 % Direct Assignments is through Financial Institutions) and the rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- The company is successfully diversifying its funding sources. It has raised ~INR 89 Crore through listed Non-Convertible Debentures (NCDs) in FY24.
- As on 31st March 2024, the Company has a healthy liquidity position with ~INR 179 Crore in cash/bank balance, liquid investments, and undrawn CC limits.
- Additionally, the Company has ~INR 320 Crore undrawn sanctions from existing lenders.

Collection Efficiency:

- Collection efficiency FY24 stood at 97.7%.
- Segment wise collection efficiency for FY 2024 stood at:
 - Microfinance segment – 97.6%
 - MSME segment – 98.4%
 - 2W segment – 96.4%



Asset Quality:

- GNPA stood at 2.88%; NNPA stood at 0.31%
- Cumulative Provisions stood at ~INR 90.16 Crore as on 31st March 2024 (covering 3.42% of the consolidated AUM, 4.20% on book)

Two-Wheeler, MSME Segment, Loan Against Property:

Particulars (INR Crore)	Q4FY24	Q4FY23	Y-o-Y	FY24	FY23	Y-o-Y
Assets Under Management (AUM)	446	315	42%	446	315	42%
Gross Total Income	37	27	36%	136	96	42%
Pre-Provisioning Operating Profit	16	11	46%	56	40	40%
Profit After Tax	12	7	65%	38	28	34%

- Assets under Management for the MSME, Two-Wheeler, LAP stood at ~INR 446 Crore registering a growth of 42% Y-o-Y.
 - AUM for MSME - ~INR 367Crore.
 - AUM for Two-Wheeler - ~INR 77 Crore.
 - AUM for LAP - ~INR 2 Crore.
- Total Disbursement for the MSME, Two-Wheeler and LAP stood at ~INR 402 Crore in FY24.
- Net total income for FY24 amounted to ~INR 91 Crore, registering a 38% year-on-year growth, while Q4 FY24 net total income grew by 48% to ~INR 27 Crore
- Pre-Provision Operating Profit (PPoP) for FY24 registered a 40% year-on-year growth to ~INR 56 Crore.
 - PPoP for Q4 FY24 grew by 46% year-on-year to ~INR 16 Crore
- Profit After Tax for FY24 stood at ~INR 38 Crore, reflecting a year-on-year growth of 34%.
 - PAT for Q4 FY24 grew by 65% year-on-year to INR 12 Crore
- GNPA for MSME stood at 2.24%; while NNPA stood at 0.74%
- GNPA for Two-Wheeler stood at 4.36%; while NNPA stood at 1.55%
- Company has a strong capital base with a capital adequacy ratio of 62.74% as on 31st March 2024



Microfinance Segment (Namra)

Particulars (INR Crore)	Q4FY24	Q4FY23	Y-o-Y	FY24	FY23	Y-o-Y
Assets Under Management (AUM)	2,193	1,628	35%	2,193	1,628	35%
Gross Total Income	147	122	20%	530	332	60%
Pre-Provisioning Operating Profit	72	52	37%	240	132	82%
Profit After Tax	39	30	31%	138	67	106%

- 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 March 31, 2024, Namra's AUM stands at ~INR 2,193 Crore, registering strong Y-o-Y growth of 35% and Q-o-Q growth of 7%.
- Disbursements for FY24 amounted to ~INR 1,895 Crore, reflecting a year-on-year (Y-o-Y) growth of 28%
- During FY24, Gross Total Income increased by 60% YoY to ~INR 530 Crore and Net Total Income increased by 64% YoY to ~INR 308 Crore
- Profit After Tax increased sharply to INR 138 Crore in FY24 compared to ~INR 67 Crore in FY23 on the back of improving efficiencies.
- Total Provisions on Loan assets for the quarter increased by 36% Y-o-Y to ~INR 73 Crore
- Active MFI Customers stood at ~7 lakh.
- GNPA stood at 2.94%; NNPA stood at 0.16% as on 31st March 2024.
- As on 31st March 2024; the capital adequacy ratio for Namra stood at 32.80%.

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

"After the initial two years of COVID-induced stress, the economy has made a significant recovery during the last two financial years. This rebound has positively impacted various sectors, particularly the microfinance and the MSME sectors. As a result, the industry has recorded steady and sharp growth over the last 2 years, with all parameters showing excellent results. Key indicators such as disbursements, AUM Growth, Opex, cost of borrowing, and asset quality have all shown improvements or have remained stable, reflecting the resilience and adaptability of the industry.



Throughout the year, the sector maintained its momentum without any major negative news. This stability was bolstered by effective risk management practices and efficient last-mile delivery of credit to the customers. The consistent performance and positive developments have set a solid foundation for continued growth in the sector in the coming years. As a result, the credit ratings were upgraded to A- (Outlook Stable) by CARE Ratings in March'24 for both Arman & Namra.

Now, turning to Arman's FY24 consolidated performance, the company has implemented stringent credit filters, resulting in a high rejection rate but ensuring that we maintain a high-quality loan book. Despite the rigorous screening process, we reported 30% growth in disbursement to ~INR 2,297 Crore, driven by robust and consistent demand during the review period. Our Micro-Finance and MSME AUM reported a 35% and 44% year-on-year growth respectively.

This growth was also fuelled by the favourable economic environment and the revised regulatory framework issued by the Reserve Bank of India. Our consolidated Profit After Tax as on Mar-24 stood at ~INR 174 Crore, registering a growth of 85% year-on-year.

Furthermore, Arman has always embraced a progressive approach, which has been instrumental in sustaining growth while maintaining asset quality and collection efficiency. Our gross non-performing assets (NPA) stood at 2.88%, and net non-performing assets were at a low 0.31% for the period.

Regarding branch expansion, we have opened 67 new branches over the last twelve months, bringing our total branch count to 402. This expansion has been complemented by our successful penetration into newer states and geographies where the performance has been promising. Of the new branches opened in FY24. In addition, we have also initiated the Rural Micro-LAP product pilot in Q4. While it is too early to comment, we are bullish on this product gaining significant traction in the long run.

Over the last year, the company initiated several new technological initiatives, such as Aadhaar based Biometric eSign, launch of new HR software, live staff tracking, streamlined paperless loan origination, AI Bot Calling, Monitoring App for Audit/Supervisors, launched Business Intelligence Unit using Advance Analytics, and many other initiatives.

During the year, the company also concluded its a fund raise by way of a QIP of ~INR 230 Crore, which makes us adequately capitalized for future growth. We are confident that we are on the right track to achieve our strategic goal of building over ~INR 5,000 Crore of Assets Under Management while maintaining a balanced debt-to-equity ratio. This solid financial foundation and our strategic initiatives position us well for continued growth and success."



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 402 branches, 50+ two-wheeler dealerships spread across 149 districts in 10 states serving ~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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