





# Arman Financial Services Limited

**Ahmadabad, India, 08 August, 2017:** Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance, two wheelers and MSME loans, announced its financial results for the first quarter ended 30th June, 2017.

Commenting on the Company's performance for Q1 FY2017-18, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"The total AUM of the company has grown from Rs 187.22 Cr on 30 June 2016 to Rs. 226.9 Cr as on 30 June 2017, a growth of 21.19%. The growth on a QonQ basis is 23.38% from 183.91 Cr as on 31 Mar 2017 to Rs.226.9 Cr on 30 June 2017. The disbursements will continue to grow in the coming quarters, reflecting the stable environment and growing stability in the microfinance segment.*

*Your company has scripted a turnaround, by reporting profits in all of our business segments this quarter compared to the Q4 of FY2016-17. The performance of the company was impacted since November 2016 due to disruption in microfinance segment post demonetization. However, we are pleased to report that the worst is behind us and one can expect steady increase in all metrics in the coming quarters. Operationally the management team has revamped our disbursement process and have gained confidence to further scale up its operations. This is reflected amply in the number of operational branches which has increased QonQ to 116 Branches from 97. Currently we have 6 Two-Wheeler Branches, 98 Microfinance Branches and 12 SME Branches. We are gaining more confidence in our SME business and plan to ramp up that segment at a fast pace.*

*We have moved past the worst impacts of demonetization and we are working on our next year goals with a renewed focus with an aim to increase disbursements, stabilize our cost structures and increase our geographic and product diversifications.*



## Consolidated Business Review

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### Financial Highlights

#### Q1 FY2017-18 (April – June 2017) v/s. Q1 FY2016-17 (April – June 2017)

- Net Revenues increased by 10.00 % to Rs. 13.97 Cr from Rs.12.70 Cr
- Employee costs increased by 68.06% to Rs. 3.21 Cr from Rs. 1.91 Cr
- Interest costs increased by 11.89% to Rs. 5.08 Cr from Rs. 4.54 Cr

### Operational Highlights

#### Q1 FY2017-18 (April – June 2017) v/s. Q1 FY2016-17 (April – June 2016)

- 5 new branches were opened in the SME segment totaling to 12 branches, which a major focus area for the company going forward
- Opened 18 new branches in Microfinance segment totaling to 98, with 13 new branches being opened in UP
- The collection efficiency in the microfinance segment has improved and worst of the delinquency is behind us
- The 2 Wheeler segment has performed well during the period, and impact of demonetization was negligible.

## Business Mix (Consolidated)

Revenues income from operations (Rs. Cr.)	Q1	Q1	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Apr-June)	(Apr-June)		(Apr – Mar)	(Apr – Mar)	
	FY 2017-18	FY 2016-17		FY 2016-17	FY 2015-16	
<b>Namra Finance</b>	9.2	8.95	2.79%	37.01	25.74	43.78%
<b>Arman Financial Services</b>	4.77	3.75	27.20%	16.55	15.91	4.09%
<b>Total</b>	13.97	12.7	10.00%	53.57	41.66	28.59%

As on date, the entire loan portfolio of Microfinance is in Namra, and the entire loan portfolio of 2-wheeler is in Arman. The MSME portfolio is split into Arman and Namra. SME loans is a new product line in which the company provides business loans of 50,000 to 1,50,000 to small business owners.

## Expenditure Analysis (Consolidated)

Expenses (Rs. Cr.)	Q1	Q1	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Apr-June)	(Apr-June)		(Apr – Mar)	(Apr – Mar)	
	FY 2017-18	FY 2016-17		FY 2016-17	FY 2015-16	
Employee Costs	3.21	1.91	68.06%	10.18	6.28	62.10%
Other Expenses	4.15	1.80	130.56%	11.02	6.74	63.50%
Interest Costs	5.08	4.54	11.89%	22.65	16.36	38.45%
<b>Total Costs</b>	12.44	8.25	50.79%	43.85	29.38	49.25%

Our employee costs spiked up due to the employees in our new branches, especially in UP and Maharashtra. Microfinance salary and incentive structure was also modified to reflect the market pulls, which added to the overall increase in employee costs.

Our other expenses include provisioning and bad-debt costs which have spiked as a result of the disruption in our business during demonetisation.



## Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q1	Q1	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Apr-June)	(Apr-June)		(Apr – Mar)	(Apr – Mar)	
	FY 2017-18	FY 2016-17		FY 2016-17	FY 2015-16	
EBIT	1.44	8.95	-83.91%	32.39	28.47	13.77%
PAT	0.94	2.87	-67.25%	6.33	8.01	-20.97%
EPS (Rs Per Share)	1.36	3.87	-64.86%	9.94	11.58	-14.16%
Book Value (Per Share)				80.87	72.87	10.98%

During the quarter company has scripted a turnaround by posting a profit of Rs 0.94 Cr compared to a Rs 0.75 Cr loss in Q4FY17. The profitability was hit due to provisions and bad-debts, and we expect our profitability to increase in the coming quarters as operations recover from the impact of demonetization.

## Net Interest Income (NII) & Net Interest Margin (NIM) Analysis (Consolidated)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2016-17	FY 2016-17	FY 2016-17	FY 2016-17	FY 2017-18
Period Ending (AUM)	187.22	214.97	199.33	183.91	226.9
Net Interest Income (NII)	8.16	8.63	9.42	4.84	8.89
Net Interest Margin (NIM) (Annualised)	18.16%	17.17%	18.19%	10.10%	17.31%

The NIMs have recovered well during the last quarter and we hope to improve them further in the coming quarters.



## Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2016-17	FY 2016-17	FY 2016-17	FY 2016-17	FY 2017-18
AUM	130.64	150.1	130.22	103.22	131.42
Disbursement for the Qtr	51.63	62.05	26.53	18.3	67.44
Gross Interest Income (Interest Income + Processing Fee)	9.09	10.16	10.22	7.86	9.20

We did our highest ever disbursements of Rs 67.44 Cr in this quarter. The contribution from the newly opened branches has kicked in and we aim to maintain our growth.

## Operational Branches (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2016-17	FY 2016-17	FY 2016-17	FY 2016-17	FY 2017-18
Gujarat	37	37	37	37	37
Madhya Pradesh	18	23	23	23	25
Maharashtra	4	7	7	9	12
Uttar Pradesh	2	10	11	11	24
<b>Total Branches</b>	<b>61</b>	<b>77</b>	<b>78</b>	<b>80</b>	<b>98</b>

We have ramped up the no of branches to 24 in UP, as we gain comfort in our operations there. WE have an excellent operational team on the ground and we are also capitalizing on the space ceded by some of the other microfinance players in the state.



Overall we are very happy with the quality of the portfolio for disbursements done since January 2017 and are aiming to expand our presence in the new geographies. The repayment rate for the new disbursements post demonetization is 99.99%.

## NPA Analysis (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2016-17	FY 2016-17	FY 2016-17	FY 2016-17	FY 2017-18
Gross NPA	0.15	0.03	0.03	0.32	2.44
Provisions	0.15	0.03	0.03	0.32	1.40
Net NPA	0	0	0	0	1.04
Net NPA Percentage	0.00%	0.00%	0.00%	0.00%	0.71%

The repayment of Microfinance segment was severely impacted post demonetization. The events following November 8th, 2016, caused a severe disruption to our business and the repayment culture due to lack of cash liquidity and severe disruption to the rural income generation. The company has made every conceivable effort to ensure repayment of overdue debt for the clients, and in most areas, the situation has gradually improved. The company has aggressively written-off assets in the past 2 quarters that we judged to be highly difficult to recover. Our recovery efforts will continue and it is very encouraging to note that the repayment rate for the new disbursements post demonetization is 99.99%. Therefore, the high credit costs due to demonetization represents an “one-off” event. The discipline the microfinance methodology is intact. We expect Net-NPAs to return to normal by Q3FY18.

## Business Tracker (2 Wheeler Finance & MSME Lending)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2016-17	FY 2016-17	FY 2016-17	FY 2016-17	FY 2017-18
AUM	56.58	64.87	69.11	80.7	95.48
Disbursement for the Qtr	16.36	18.16	25.92	27.21	31.19
Interest Income	3.62	4.01	4.13	4.49	4.77

Our two-wheeler financing business is doing well and we have further ramped up our disbursements in this segment. We are working towards reducing our cost of funds to become more competitive in our geographical areas of operations. The new MSME division is performing well, with an overall portfolio of Rs 14.25 Cr and a disbursement of Rs 10.60 Cr for the quarter ended.

## NPA Analysis (2 Wheeler Finance & MSME Lending)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2016-17	FY 2016-17	FY 2016-17	FY 2016-17	FY 2017-18
Gross NPA	1.85	1.96	2.09	2.28	2.41
Provisions	0.18	0.2	0.21	0.23	0.24
Net NPA	1.67	1.76	1.88	2.05	2.17
Net NPA Percentage	2.95%	2.71%	2.71%	2.54%	2.40%

The absolute NPAs in the 2-wheeler business and MSME has increased from the previous years due to the due to an increase in the portfolio while the percentage marginally decreased. The net NPAs have remained relatively stable at approximately 2.5% for the last 2 quarters.







# Arman Financial Services Limited

## About Arman Financial Services Ltd

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**Arman Financial Services Ltd (BSE: 531179 NSE: ARMANFIN)** is a category 'A' Non-Banking Finance Company (NBFC) active in the 2-wheeler finance and MSME lending business. Arman also operates a wholly-owned subsidiary, Namra Finance Ltd, exclusively for its Microfinance operations. It operates mostly in unorganized and underserved segment of the economy and mostly serves niche markets in Gujarat and Madhya Pradesh. The company has recently forayed into Maharashtra and Uttar Pradesh for its microfinance operations.

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) .

## If you have any questions or require further information, please feel free to contact

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For, Arman Financial Services Limited  
  
Director

