



Arman Financial Services Limited

Ahmedabad, Gujarat, February 14, 2025:

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 unaudited financial results for the quarter and nine months ended 31st December 2024. The financial numbers are based on Ind-AS.

Consolidated Business Performance:

Particulars (INR Crore)	Q3FY25	Q3FY24	Y-o-Y	9M FY25	9M FY24	Y-o-Y
Assets Under Management (AUM)	2,279.8	2,437.0	-6.5%	2,279.8	2,437.0	-6.5%
Gross Total Income	164.8	168.8	-2.4%	530.7	478.6	+10.9%
Pre-Provisioning Operating Profit	69.1	72.5	-4.7%	231.6	205.1	+13%
Profit After Tax	-7.3	42.0	-117%	39.3	122.8	-68%

- Company's consolidated Asset Under Management (AUM) stood at ~INR 2,280 Crore
- Consolidated disbursements for 9MFY25 stood at ~INR 1,170 Crore, as compared to ~INR 1,628 Crore, a de-growth of 28.2% year-on-year, led by industry challenges in microfinance sector.
 - Disbursements for Q3 FY25 stood at ~INR 338 Crore
 - During the period ended 31st December 2024, the company has deliberately prioritized collections and portfolio quality over rapid expansion.
- Net total income for 9MFY25 amounted to ~INR 343 Crore, registering a 24% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for 9MFY25 registered a 13% year-on-year growth to ~INR 232 Crore.
 - PPoP for Q3FY25 de-grew by 5% year-on-year to ~INR 69 Crore.
- Shareholders' Equity as of December 31, 2024, stood at ~INR 859 Crore

Shareholders' Funds	As on 31st December 2024		As on 31st March 2024	
	Amount (INR Crore)	No of shares	Amount (INR Crore)	No of shares*
Shareholders fund	858.8	1,04,90,538	812.7	1,04,76,774

*On fully diluted basis



- Credit Rating upgraded to 'A | Stable' by Acuite Ratings for Namra Finance Limited

Borrowing & Liquidity Profile:

- Total borrowings stood at ~INR 1,765 Crore (Including off balance sheet direct assignment (DA) liability)
- Of the total borrowings, 33.9% is through banks, 11.8% is through NBFCs & FIs, 20.3% is through NCDs, and 29.7% is through direct assignments (off-balance-sheet liabilities). The rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- ALM continues to remain positive, and the company continue to have access to new sources of funds via DA and NCDs
- As on 31st December 2024, the Company has healthy Liquidity position with INR 262.3 Crore in cash/bank balance, liquid investments, and undrawn CC limits
- Additionally, company has INR 120.0 Crore undrawn sanctions from existing lenders

Collection Efficiency:

- Collection efficiency for the month of December 2024 stood at 95.3%.
- Segment-wise collection efficiency for 9M FY25 stood at:
 - Microfinance segment – 95.2%
 - MSME segment – 96.2%
 - 2W segment – 95.7%

Asset Quality:

- GNPA stood at 4.1%; NNPA stood at 0.7%
- Cumulative Provisions stood at INR 138.94 Crore as on 31st December 2024 (covering 6.09% of the consolidated AUM, 7.68% on book)

Two-Wheeler, MSME Segment, Loan Against Property:

Particulars (INR Crore)	Q3FY25	Q3FY24	Y-o-Y	9M FY25	9M FY24	Y-o-Y
Assets Under Management (AUM)	512.2	391.4	+30.9%	512.2	391.4	+30.9%
Gross Total Income	44.9	33.9	+32.4%	130.5	98.9	+32.0%
Pre-Provisioning Operating Profit	21.9	13.1	+67.3%	62.2	39.4	+57.8%
Profit After Tax	9.9	9.3	+5.7%	30.4	26.3	+15.6%



- Assets under Management for the MSME, Two-Wheeler, LAP stood at ~INR 512 Crore
 - AUM for MSME - ~INR 410 Crore.
 - AUM for Two-Wheeler - ~INR 83 Crore.
 - AUM for LAP - ~INR 19 Crore.
- Total Disbursement for the MSME, Two-Wheeler and LAP stood at ~INR 331 Crore in 9MFY25.
- Net total income for 9MFY25 amounted to ~INR 99 Crore, registering a 55% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for 9MFY25 registered a 58% year-on-year growth to ~INR 62 Crore.
 - PPoP for Q3FY25 grew by 67% year-on-year to ~INR 22 Crore.
- Profit After Tax for 9MFY25 stood at ~INR 30 Crore, reflecting a year-on-year growth of 16%.
 - PAT for Q3FY25 stood at ~INR 10 Crore.
- GNPA for MSME stood at 3.43%; while NNPA stood at 0.90%.
- GNPA for Two-Wheeler stood at 4.03%; while NNPA stood at 1.47%.
- The company has a strong capital base with a capital adequacy ratio of 39.5% as on 31st December 2024.

Microfinance Segment (Namra)

Particulars (INR Crore)	Q3FY25	Q3FY24	Y-o-Y	9M FY25	9M FY24	Y-o-Y
Assets Under Management (AUM)	1,767.6	2,045.6	-13.6%	1,767.6	2,045.6	-13.6%
Gross Total Income	120.9	136.2	-11.2%	402.1	383.1	5.0%
Pre-Provisioning Operating Profit	47.1	60.7	-22.4%	168.5	168.7	-0.1%
Profit After Tax	-17.2	34.0	-150.6%	8.1	99.6	-91.9%

- As of December 31, 2024, Namra's AUM stands at ~INR 1,768 Crore
- Disbursements for Q3FY25 amounted to ~INR 214 Crore
- During Q3FY25, Gross Total Income stood at ~INR 121 Crore and Net Total Income reached to ~INR 73 Crore
- In Q3 FY25 Profit After Tax stood at ~INR -17 Crore
- Provisions increased by 73.47% YoY to INR 113.25 Crore
- The write-off (net of recovery) during the quarter at INR 45.44 Crore as an aggressive write-off and provisioning policy was followed
- Active MFI Customers stood at ~6.56 lakh.
- GNPA stood at 4.41%; NNPA stood at 0.56% as on 31st December 2024.



- As on 31st December 2024; the capital adequacy ratio for Namra stood at 45.7%.

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

“Over the past few quarters, the microfinance sector has faced a challenging landscape, impacting both operational efficiency and financial stability. Key issues such as overleveraging, weakening of center discipline, deterioration of the Joint Liability Group (JLG) model, and rising employee attrition have adversely affected collection efficiency. High attrition, particularly among field staff, has disrupted borrower engagement—critical for ensuring timely repayments and maintaining portfolio quality.

Furthermore, the post-COVID euphoria among MFIs and, especially, non-MFI lenders in the retail unsecured space, coupled with a favourable regulatory environment, has significantly increased household indebtedness, despite limited real-income growth. This has further strained borrowers' ability to meet repayment obligations, resulting in higher delinquencies and a subsequent rise in impairment costs across the industry. These challenges have directly contributed to increased default rates and financial stress within the sector.

In response, both the company and the industry have made significant efforts to strengthen underwriting standards and reduce customer leverage. Naturally, this has led to higher rejection rates and lower disbursements. Additionally, the increased focus on collections has stretched field bandwidth, further impacting sourcing and exacerbating staff attrition. As a result, disbursements and AUM have declined. However, the company remains well-capitalized and has not faced any restrictions in credit flows from banks or financial institutions.

The evolving macroeconomic conditions have intensified pressures on microfinance institutions, necessitating a strategic recalibration of business models. The industry-wide AUM degrowth has also created liquidity issues for microfinance borrowers, which need to stabilize before the cycle reaches equilibrium.

Arman's Strategic Response and Performance Review

In response to these challenges, we have adopted a risk-mitigating approach, prioritizing portfolio quality and collections over growth. Our strategic focus remains on strengthening internal credit assessment processes, enhancing borrower engagement, and improving asset quality amid ongoing sector volatility.

Performance of Namra Finance (Wholly Owned MFI Subsidiary)

In Q3 FY25, Namra Finance disbursed approximately ~INR 214 crore, compared to ~INR 459 crore in Q3 FY24. This deliberate reduction aligns with our strategy to preserve asset quality and manage risk exposure. As of the quarter-end, our Assets Under Management (AUM) stood at ~INR 1,768 crore.

Our portfolio remains under close monitoring, with Gross Non-Performing Assets (GNPA) at 4.4% and Net Non-Performing Assets (NNPA) at 0.6%, both of which remain within manageable thresholds given current industry conditions. For the quarter, our Pre-Provision Operating Profit (PPoP) stood at ~INR 47.1 crore, compared to ~INR 60.7 crore in Q3 FY24, while impairment costs totalled ~INR 67.5 crore, reflecting broader industry challenges.



Performance of Arman (Standalone Business)

On a positive note, our standalone business under Arman, which provides financing to MSMEs, two-wheeler, and Micro-LAP segments, has demonstrated resilience. In Q3 FY25, disbursements in this segment stood at ~INR 124 crore, compared to ~INR 101 crore in Q3 FY24, with AUM at ~INR 512 crore.

From an asset quality perspective, Gross Non-Performing Assets (GNPA) stood at 3.4%, while Net Non-Performing Assets (NNPA) remained at 0.96%. The Pre-Provision Operating Profit (PPoP) for the period was ~INR 22 crore, compared to ~INR 13 crore in Q3 FY24.

Outlook and Strategic Initiatives

Recognizing the challenges faced during Q3 and 9M FY25, we have proactively implemented corrective measures to ensure financial stability and long-term sustainability. Our key initiatives include strengthening internal policies to closely track and mitigate asset quality stress. We have also introduced a dedicated Credit Department at the branch level, with a singular focus on maintaining credit quality. Additionally, we have expanded our collections team to enhance borrower engagement and ensure timely repayments, while reinforcing underwriting standards to mitigate lending risks and improve portfolio quality.

Based on data available to us for December and January, early indicators—such as zero DPD flow-forward rates—are showing signs of improvement, suggesting that the credit cycle may be bottoming out. While these trends are encouraging, they are not yet definitive. If these positive indicators persist, we will recalibrate our business strategy accordingly.

Looking ahead, we remain committed to maintaining financial resilience, strengthening operational efficiency, and ensuring compliance with evolving regulations”

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), Microfinance and LAP segments. 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 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 486 branches, 50+ two-wheeler dealerships spread across 167 districts in 11 states serving ~7.7 lakh customers.

Company focuses on small ticket retail loans to the large underserved informal segment customers in rural & semi urban geographies. The Company has completely in-house operations with bottom-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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