



# Arman Financial Services Limited

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**Ahmadabad, India, 10 February, 2018:** 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 third quarter 31st December, 2017.

Commenting on the Company's performance for Q3 FY2017-18, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"The total AUM of the company has grown from Rs 199.33 Cr on 31 Dec 2016 to Rs. 362.46 Cr as on 31 Dec 2017, a growth of 81.84%. The growth on a QoQ basis is 22.35% from 296.27 Cr as on 30 September 2017 to Rs.362.46 Cr on 31 December 2017. We have played contrarian and accelerated our growth in the past few months once we became confident of the receding impact of demonetisation on our portfolio. Demonetization also created a competition vacuum in certain areas, in which we are well poised to gain market share.*

*Arman has moved beyond the disruption caused by the demonetisation and building up its loan portfolio. As far profitability, the results for the 3 months ended are encouraging also improved drastically. 3-month PAT was a record Rs. 3.14 Cr. Return on Equity (ROE) on an annualized basis for the 3-months ended also crossed 22% for the first time. We are reinvigorated by our recovery and hope to continue increasing profitability in the coming quarters.*

*We have built up our MSME loan book as a separate product line and that has been doing quite well, with the division reporting respectable income and profitable figures for the past 3 months. There are 119 operational branches, of which 6 are Two Wheeler Branches, 99 are Microfinance Branches and 14 are MSME Branches. We have rapidly expanded our MSME business and our MFI business in UP, MP, and Maharashtra is growing fast.*

*We are primed to continue our growth trajectory into the next financial year, albeit with our usual conservative risk framework.*



## Consolidated Business Review

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### Financial Highlights

#### Q3 FY2017-18 (Oct – Dec 2017) v/s. Q3 FY2016-17 (Oct – Dec 2016)

- Net Revenues increased by 57.07 % to Rs. 22.54 Cr from Rs.14.35 Cr
- Employee costs increased by 58.63% to Rs. 4.40 Cr from Rs. 2.78 Cr
- Interest costs increased by 105.68% to Rs. 10.14 Cr from Rs. 4.93 Cr
- Profit after taxes increased by 82.56% to Rs. 3.14 Cr from Rs. 1.72 Cr

### Operational Highlights

#### Q3 FY2017-18 (Oct – Dec 2017) v/s. Q3 FY2016-17 (Oct – Dec 2016)

- 2 new MSME branches were opened in this quarter. No new branches were opened for the Microfinance or Two-Wheeler segments.
- The collection efficiency in the Microfinance segment has improved and worst of the delinquency is behind us. The collection efficiency for disbursements that occurred post demonetization is over 99.7%.
- The MSME portfolio is performing well contributing almost 11% to this quarter's consolidated revenues.
- Peak monthly disbursement in the Microfinance segment has increased from Rs. 26 Cr pre-demonetization to Rs. 38 Cr post-demonetization.





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## Business Mix (Consolidated)

Revenues income from operations (Rs. Cr.)	Q3	Q3	YOY	9 Months	9 Months	YOY
	(Oct - Dec)	(Oct - Dec)		(Apr - Dec)	(Apr - Dec)	
	FY 2017-18	FY 2016-17	Change (%)	FY 2017-18	FY 2016-17	Change (%)
<b>Namra Finance</b>	14.36	10.22	40.51%	35.01	29.15	20.14%
<b>Arman Financial Services</b>	8.18	4.13	98.06%	19.22	12.07	59.15%
<b>Total</b>	<b>22.54</b>	<b>14.35</b>	<b>57.07%</b>	<b>54.23</b>	<b>41.22</b>	<b>31.56%</b>

Income from operations has increased as a result of an increase in AUM in both Arman and Namra. As on date, the entire loan portfolio of Namra is microfinance while the loan portfolio of Arman Financial Services is Two-Wheeler and MSME loans. MSME, or Micro-Enterprise loans is a new product line in which the company provides business loans of 50,000 to 1,50,000 to small business owners.

Namra's book saw an 41% increase in income compared to the same quarter the previous year. This is as a result of a corresponding increase in average AUM in the segment.

Arman's book saw an 98% overall increase in income compared to the same quarter the previous year. A large part of the increase is attributable to the new MSME division, which contributed an added Rs. 2.45 Cr of income this quarter. The remaining income is due to an increase in the Two-Wheeler AUM.

## Expenditure Analysis (Consolidated)

Expenses (Rs. Cr.)	Q3	Q3	YOY	9 Months	9 Months	YOY
	(Oct - Dec)	(Oct - Dec)		(Apr - Dec)	(Apr - Dec)	
	FY 2017-18	FY 2016-17	Change (%)	FY 2017-18	FY 2016-17	Change (%)
<b>Employee Costs</b>	4.41	2.78	58.63%	11.59	7.08	63.70%
<b>Other Expenses</b>	3.57	3.97	-10.08%	12.11	8.43	43.65%
<b>Interest Costs</b>	10.14	4.93	105.68%	23.44	15.01	56.16%
<b>Total Costs</b>	<b>18.12</b>	<b>11.68</b>	<b>55.14%</b>	<b>47.14</b>	<b>30.52</b>	<b>54.46%</b>



Our other expenses normalized due to lower provisioning and bad debt costs, which have normalized as the impact of demonetization has softened. Employee costs have increase in proportion to the increased disbursement and AUM in all three business segments. Interest costs represents the largest increase due to higher borrowings to fund our increased AUM.

## Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q3	Q3	YOY Change (%)	9 Months	9 Months	YOY Change (%)
	(Oct - Dec)	(Oct - Dec)		(Apr - Dec)	(Apr - Dec)	
	FY 2017-18	FY 2016-17		FY 2017-18	FY 2016-17	
EBIT	14.47	7.52	92.42%	30.24	25.5	18.59%
PAT	3.14	1.72	82.56%	4.87	7.08	-31.21%
EPS (Rs Per Share)	4.53	2.49	81.93%	7.03	9.94	-29.28%

Our net profit saw a sharp jump of 83% in this quarter. We expect our profitability to increase further in the coming quarters as higher AUM starts generating more Interest Income and the newer branches in new states become larger and more efficient.

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

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr - Jun)	(Jul - Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
Period Ending (AUM)	199.33	183.91	226.9	296.27	362.46
Net Interest Income (NII)	9.42	4.84	8.89	9.50	12.41
Net Interest Margin (NIM) (Annualised)	18.19%	10.10%	17.31%	14.52%	15.07%

The NIM have increased after a dip in the last quarter. The company has been leveraging higher for the last 2 quarters to ensure the growth in loan book. "Other borrowing costs" which are front ended have also have also impacted the NIM in the past quarters. As the leverage of the company increases, the NIM will also tend to be lower.





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## Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
AUM	130.22	103.22	131.42	190.8	240.14
Disbursement for the Qtr	26.53	18.3	67.44	104.53	110.16
Gross Interest Income (Interest Income + Processing Fee)	10.22	7.86	9.2	11.46	14.36

We did our highest ever disbursements of Rs 110.16 Cr in this quarter. The contribution from the newly opened branches has kicked in and our disbursement levels will likely peak at Rs 40 Cr a month in the coming quarter. Average ticket size has remained consistent over the last 3 quarters between Rs. 22,000 and 23,000, as most of the growth is from client acquisition and not from an increase in ticket size. The AUM also has shown a consistent growth, which has led to increased income.

## Operational Branches (Microfinance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
Gujarat	37	37	37	36	36
Madhya Pradesh	23	23	25	26	23
Maharashtra	7	9	12	13	12
Uttar Pradesh	11	11	24	26	28
<b>Total Branches</b>	78	80	98	101	99

We have ramped up our operations in UP in a big way. 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. We have merged few branches in MP and Maharashtra for better operational efficiencies during the past quarter.

## NPA Analysis (Microfinance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
Gross NPA	0.03	0.32	2.44	2.19	2.15
Provisions	0.00	0.00	0.00	0.00	0.00
Net NPA	0.00	0.00	2.44	2.19	2.15
Net NPA Percentage	0.02%	0.02%	1.66%	1.10%	0.87%

The NPA have reduced consistently since the demonetization. The Net NPA percentage has significantly come down in the last 2 quarters. The total write-off and provisioning for the 9-months ended 31<sup>st</sup> December 17 was Rs. 4.92 Cr. As far as the Provisioning for NPAs, the company has been following the RBI guidelines which require that the aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of (a) 1% of the outstanding loan portfolio or (b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more. The Provision for the Standard Assets created as per (a) above is Rs. 2.46 Crores, which is higher than (b); therefore, no provisioning for NPA is required.

## Business Tracker (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
AUM	67.84	74.80	81.22	81.70	88.63
Disbursement for the Qtr	25.93	22.30	20.59	22.75	27.44
Interest Income	4.13	4.49	4.43	5.03	5.73



Our two-wheeler financing business has been growing consistently in the last five quarters. The business is mature, and we are gradually ramping it up to maintain our overall profitability levels in the business.

## NPA Analysis (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
Gross NPA	2.09	2.28	2.41	2.69	2.73
Provisions	0.21	0.23	0.24	0.27	0.28
Net NPA	1.88	2.05	2.17	2.42	2.45
Net NPA Percentage	2.71%	2.54%	2.40%	2.51%	2.22%

The absolute NPAs in the 2-wheeler business has increased from the previous years due to the RBI mandated policy of recognizing NPAs after a delay of 120 days vs the earlier norm of 180 days, and the growth on the AUM in the Two-Wheeler segment. The MSME segment currently has zero NPAs. The Net NPA percentage has fallen as a result of the growth in the MSME portfolio

## Business Tracker (MSME)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct - Dec)
	FY 2016-17	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18
AUM	1.27	5.89	14.26	23.77	34.16
Disbursement for the Qtr	1.12	4.91	10.60	12.44	12.93
Interest Income	**	**	0.34	1.23	2.45

(\*\* Not Meaningful. Included in the 2-Wheeler Segment)





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MSME is our newest business segment and starting this quarter, we will report it as a separate product line. Our MSME loans are in the range of Rs 50,000 to Rs 150,000 and offers doorstep collections, building on the strength of our MFI distribution network.

Our MSME portfolio is performing quite well. Our total AUM for MSME stands at Rs. 34.16 Cr as on 31st Dec 2017 against Rs.1.27 Cr on 31st Dec 2016. It has contributed to 10.8% of our Topline in the current quarter. We are witnessing a very encouraging demand for the product and the repayment rate has been very encouraging.

For, Arman Financial Services Limited  
  
Director







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## 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 business and has recently also forayed in the MSME lending. 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, Madhya Pradesh, Uttar Pradesh, and Maharashtra.

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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Aalok Patel  
Arman Financial Services Ltd  
Tel: +91 79 40507000  
Email:  
[aalokpatel@armanindia.com](mailto:aalokpatel@armanindia.com)

Gaurav Sud  
Kanav Capital Advisors Pvt Ltd  
Tel: +91 98101 22432  
Email:  
[gaurav@kanavcapital.com](mailto:gaurav@kanavcapital.com)

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