



Arman Financial Services Ltd.

501-504 SAKAR III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD, GUJARAT-380014, INDIA
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Ahmadabad, India, 23 May, 2016: Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance and two wheelers loans, announced its financial results for the fourth quarter and year ended 31 March, 2016.

Commenting on the Company's performance for FY2016, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"The total AUM of the company has grown from Rs 114.88 Cr on 31 March 2015 to Rs 172.31 Cr as on 31 March 2016, a growth of 49.99%. The growth in the microfinance business has been substantial where the AUM has grown from Rs 65.05 Cr as on 31 Mar 2015 to Rs 116.84 Cr as on 31 March 2016, a growth of over 79.62 %. The consolidated Revenues for the quarter have grown to Rs 13.55 Cr in, an overall growth of 55.21% on a YoY basis.*

In Microfinance we are planning to foray into Maharashtra in this financial year. We will start with 3-4 branches which will become operational by the end of June 2016. Our aim is to have over 15 branches in Maharashtra by the end of FY2016-17, if our initial foray is a success. We are also looking at foraying into UP later this year. We now have 55 branches operational in the Microfinance (37 in Gujarat & 18 in Madhya Pradesh). We have now 5 operating branches in 2-Wheeler financing, with the new branch in Indore, Madhya Pradesh. Our overall branch count has reached 60 branches.

We hit an important milestone in this year. Namra Finance Ltd, our wholly owned subsidiary has raised Tier II capital, for the first time in our history. We have recently engaged IntelCap for a consulting assignment to evaluate and revise our systems & processes, to handle the increased scale and geographical diversification of the business.

Our profitability has rebounded post the muted performance last quarter. This can be attributed to profitability being achieved in newer branches and better productivity from employees. Consolidated profit before taxes increased by 30% to Rs. 12.11 Cr from the previous year. We have ended the year with record profits and increased our dividend to Rs 1.40 per share FY2015-16, which represents the fourth consecutive year we have increased dividend. We are expanding into new geographies and hope to get the rewards of this expansion in the years ahead.





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Consolidated Business Review

Financial Highlights

Q4 FY2015-16 (Jan – Mar 2016) v/s. Q4 FY2014-15 (Jan – Mar 2016)

- Net Revenues increased by 55.21% to Rs. 13.55 Cr from Rs. 8.73 Cr
- Employee costs increased by 24.54% to Rs. 2.03 Cr from Rs. 1.63 Cr
- Interest costs increased by 68.79% to Rs. 5.57 Cr from Rs. 3.30 Cr
- Net Profit after Tax was up by 63.46% to Rs. 2.56 Cr from Rs. 1.56 Cr.
- Earnings Per Share increased by 50.38% to Rs. 3.39 from Rs. 2.55

Operational Highlights

Q4 FY2015-16 (Jan – Mar 2016) v/s. Q4 FY2014-15 (Jan – Mar 2016)

- The company now has 18 branches operational in Madhya Pradesh and 37 branches in Gujarat for the Microfinance business. We are planning to open 3 more branches in Madhya Pradesh the coming quarter. We are also planning to foray into Maharashtra in the coming quarter with 4 new branches.
- The average Monthly disbursement was Rs 17.70 Cr in Microfinance Business in Q4 FY2015-16 vs Rs. 11.37 Cr the same quarter the previous year, a growth of 55.58%
- The average Monthly disbursement was Rs 4.65 Cr in 2 wheelers & others finance business of Arman Financial Services Ltd
- We are seeking additional lines of credit and will be focusing on reducing our costs of funds.





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Business Mix (Consolidated)

	Q4	Q4		12 Months	12 Months	
	(Jan-Mar)	(Jan-Mar)	YOY	(Apr – Mar)	(Apr – Mar)	YOY
Revenues (Rs. Cr.)	FY 2015-16	FY 2014-15	Change (%)	FY 2015-16	FY 2014-15	Change (%)
Namra Finance	9.43	4.27	120.84%	25.75	14.36	79.32%
Arman Financial Services	4.12	4.46	-7.62%	15.91	15.23	4.46%
Total	13.55	8.73	55.21%	41.66	29.59	40.79%

We have started seeing the results of higher disbursements in our revenue growth. We are seeing good growth in our Microfinance business and are now aiming to diversify our exposure by entering more states in the coming year. Additionally, we will be running several pilots this year to diversify our product lines.

As on date, while the entire loan portfolio of Namra is microfinance, the loan portfolio of Arman Financial Services is largely Asset Loans (2 & 3 Wheeler loans) with a small portion is microfinance loans, which have been securitized by Namra Finance to Arman Finance for cash flow management by the group.

Expenditure Analysis (Consolidated)

	Q4	Q4		12 Months	12 Months	
	(Jan-Mar)	(Jan-Mar)	YOY	(Apr – Mar)	(Apr – Mar)	YOY
Expenses (Rs. Cr.)	FY 2015-16	FY 2014-15	Change (%)	FY 2015-16	FY 2014-15	Change (%)
Employee Costs	2.03	1.63	24.54%	6.28	5.23	20.08%
Other Expenses	1.97	1.27	55.12%	6.74	4.16	62.02%
Interest Costs	5.57	3.30	68.79%	16.36	10.74	52.33%
Total Costs	9.57	6.20	54.35%	29.38	20.13	45.95%





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The company has focused heavily this past year to reduce employee costs by increasing productivity. Our employee costs are largely under control and we have been able to improve our per employee metrics. Productivity will continue to be a big focus area as we aim to further improve our operational metrics by using technology and continue to grow profitably with reduced margins.

Our other expenses (largely driven by the costs of opening new branches) have increased over time, and we are focused on bringing these costs to a more manageable level. We are working on reducing our funding costs and will see more traction on this front in the coming year as our debt mix becomes less reliant on Financial Institution funding and becomes more focused on Bank funding.

Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q4	Q4	YOY Change (%)	12 Months	12 Months	YOY Change (%)
	(Jan-Mar)	(Jan-Mar)		(Apr – Mar)	(Apr – Mar)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
EBIT	9.50	5.78	64.36%	28.47	19.98	42.49%
PAT	2.55	1.56	63.46%	8.01	6.14	30.46%
EPS (Rs Per Share)	3.39	2.25	50.38%	11.28	8.87	27.17%
Book Value excluding Pref. Shares (Per Share)	65.65	56.10	17.09%	65.65	56.10	17.09%

Net profit has shown a big jump of 63.56% for the quarter. This was driven by improved productivity and better utilization of assets, as well as a large increase in Assets Under Management. As the scale of operations grows, we will further improve on our operating metrics.





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Interest Income & Interest Margin Analysis (Consolidated)

Consolidated (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)
	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16
Period Ending AUM	114.88	127.7	138.97	155.5	172.31
Interest Income	5.43	5.58	6.06	5.69	7.98
Interest Margin (Interest Income / Avg AUM) (Annualised)	19.27%	18.39%	18.18%	15.46%	19.47%

The Interest Income has grown by 46.96% to Rs 7.98 Cr this quarter. Our consolidated Annualized margins are 19.47% in this quarter. As we grow and increase the leverage and expand our balance sheet, these NIMs will gradually reduce as the equity component in balance sheet reduces.

This year we have raised 5 Cr in Tier 2 Capital to help us further expand our balance sheet.

Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)
	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16
AUM	65.05	77.05	88.57	99.84	116.84
Disbursement for the Qtr	34.13	40.38	46.09	44.77	53.10
Gross Interest Income (Interest Income + Processing Fee)	5.50	5.80	6.66	6.71	8.85





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AUM has increased by 79.62% YOY, and the disbursement has increased by 55.58% YOY. The higher AUM growth is being driven by a 64% YoY increase in disbursements and partially due to a gradual increase in the 2 year loans that were given to repeat customers.

Operational Branches (Microfinance)

	Q4 (Jan-Mar) FY 2014-15	Q1 (Apr – Jun) FY 2015-16	Q2 (Jul – Sep) FY 2015-16	Q3 (Oct-Dec) FY 2015-16	Q4 (Jan-Mar) FY 2015-16
Gujarat	31	32	32	36	37
Madhya Pradesh	8	13	16	17	18
Total Branches	39	45	48	53	55

This quarter we have focused on entering the new state of Maharashtra. In Maharashtra we are planning to expand north by north-west near the Nashik belt. We are also exploring opportunities in the state of Uttar Pradesh.

NPA Analysis (Microfinance)

	Q4 (Jan-Mar) FY 2014-15	Q1 (Apr – Jun) FY 2015-16	Q2 (Jul – Sep) FY 2015-16	Q3 (Oct-Dec) FY 2015-16	Q4 (Jan-Mar) FY 2015-16
Microfinance (Rs. Cr.)					
Gross NPA	0.07	0.02	0.02	0.01	0.22
Provisions	-	-	-	-	-
Net NPA	0.07	0.02	0.02	0.01	0.22
Net NPA Percentage	0.11%	0.03%	0.02%	0.01%	0.18%





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We have strived to keep our NPAs low in the Microfinance business. After going through multiple loan cycles over the last 5 years, the NPAs in the microfinance business are among the lowest in the industry. Since the RBI has asked to provide a provision of 1% against the standard assets, we no longer need to make additional provisions. The provision against standard assets totaled Rs. 1.13 Cr, which is much higher than our total NPA

Business Tracker (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q4	Q1	Q2	Q3	Q4
	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)	(Jan-Mar)
	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16
AUM	49.83	50.65	50.4	55.66	55.47
Disbursement for the Qtr	13.25	12.29	13.16	21.91	13.94
Interest Income	3.24	3.07	3.87	2.01	3.34

The 2-wheeler financing business has slowed down due to the challenges faced by the two-wheeler industry in increasing sales and due to competition provided by captive finance companies. The scanty rains along with decreased rural income has impacted the incremental 2-wheeler sales. The new branch in Indore is gradually scaling up and we expect some additional business from there in this financial year. In addition, we are changing few of our procedures to make the loans more rural friendly, and we will be running a pilot this year for a product specifically tailored towards rural customers.





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NPA Analysis (2 Wheeler Finance)

	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
2 Wheeler Finance (Rs. Cr.)	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16	FY 2015-16
Gross NPA	0.79	0.96	1.31	1.15	1.80
Provisions	0.09	0.09	0.13	0.15	0.18
Net NPA	0.7	0.87	1.18	1.00	1.62
Net NPA Percentage	1.09%	1.52%	2.34%	1.80%	2.92%

The NPAs in the 2-wheeler business has increased last year due to the RBI mandated policy of recognizing NPAs after a delay of 150 days vs the earlier norm of 180 days. The net NPAs have moved from 1.09% to 2.92%.

We have stopped disbursements in the 3-Wheelers finance business due to a decrease in asset quality and are actively monitoring our 2-wheeler portfolio. We expect the business to do well as sales in the two-wheeler industry increase with forecasts of a better monsoon.

Note - On February 14, 2013, Namra Finance Ltd. became the first company in India to receive the long awaited "NBFC-MFI" (Non-Banking Finance Company - Microfinance Institution) License. This special category of NBFC was created by the RBI based on the Malegam Committee recommendations to serve the underserved and the poor segment of India by providing Microfinance, or small income-generating loans at reasonable interest rate, collateral-free.





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About Arman Financial Services Ltd

Arman Financial Services Ltd (BSE: 531179) is a category 'A' Non-Banking Finance Company (NBFC) active in the 2-wheeler finance 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 serve niche markets in Gujarat & Madhya Pradesh. The company has recently forayed into Maharashtra 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.

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

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For, Arman Financial Services Limited

Director

