

Ahmedabad, India, 15 May, 2015: 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 third quarter ended 31st March, 2015.

Commenting on the Company's performance for Q4 FY2015, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"I am happy with the overall performance of the company, with the total AUM of the company having grown from Rs 91.11 Cr on 31 Mar 2014 to 114.88 Cr as on 31 Mar 2015, a growth of 26.10%. A large part of this growth has been driven by Microfinance business where the AUMs have grown to Rs 65.05 Cr as on 31 Mar 2015, a growth of 43.3%. We had a very good quarter with our overall revenues jumping up to Rs 8.73% an over growth of 31.48% YOY.*

Our foray into Madhya Pradesh has worked very well for us and we plan to further open more branches in the coming year. On the 2 wheeler business front, after a challenging year in terms of industry growth, we are further looking to expand that business by opening a new branch in Madhya Pradesh this year.

As of now there are 39 branches operational in microfinance (31 in Gujarat and 8 in Madhya Pradesh). Overall branch strength including both microfinance and two wheeler business is 43. We are further planning to open over 15-20 branches in the coming year to scale up the business.

We have increased the dividend from Rs 1.00 per share to Rs 1.20 per share for FY2014-15, and remain committed to reward the shareholders who have supported us with their faith and trust.

The Modi government has taken positive steps towards financial inclusion agenda, and in the past quarter has inaugurated MUDRA bank, which should open huge opportunities for the company.

We are very confident of our prospects for the coming year, and feel that the strong foundation that we have built for both our businesses, will help us scale to the next level."

Consolidated Business Review

Financial Highlights

Q4 FY2015 (Jan– Mar 2015) v/s. Q4 FY2014 (Jan– Mar 2014)

- Net Revenues increased by 32% to Rs. 8.73 cr from Rs. 6.64 cr
- Employee costs increased by 26% to Rs. 1.63 cr from Rs. 1.30 cr



- Interest costs increased by 29% to Rs. 3.3 cr from Rs. 2.55 cr
- Net Profit after Tax was up by 124% to Rs. 1.24 cr from Rs. 0.7 cr.
- Earnings Per Share increased 124% to Rs. 2.27 from Rs. 1.01

Operational Highlights

Q4 FY2015 (Jan– Mar 2015) v/s. Q4 FY2014 (Jan– Mar 2014)

- The company now has 8 branches operational in Madhya Pradesh for the Microfinance business. The disbursements have started in 7 of them, and we expect substantial contribution from this in the year to come.
- The average Monthly disbursement was Rs 11.38 Cr in Microfinance Business
- The average Monthly disbursement was Rs 4.42 Cr in 2 wheelers & others finance business of Arman Financial Services Ltd (Seasonally, Q3 has the highest disbursements in the year)
- In the current period, the cost of financing went up marginally, as the company had to borrow higher cost funds for sustaining the growth in the disbursement rates. We expect the interest costs to gradually come down as we capture the gain from the investment grade rating and replace the higher cost borrowings with lower cost borrowings

Business Mix (Consolidated)

	Q4 (Jan– Mar)	Q4 (Jan– Mar)	YOY	12 Months (Apr – Mar)	12 Months (Apr – Mar)	YOY
Revenues (Rs. Cr.)	2015	2014	Change (%)	2015	2014	Change (%)
Namra Finance	4.27	2.65	61.23%	14.36	6.19	131.99%
Arman Financial Services	4.46	3.99	11.82%	15.23	18.28	-16.68%
Total	8.73	6.64	32%	29.59	24.47	20.92%

In FY2013-14, the microfinance business was being demerged from Arman Financial Services to Namra Finance, as per the RBI guidelines. So while Arman revenues show a negative growth in FY2014-15, what happened was as the Microfinance loans matured in Arman Finance, they were not renewed and all incremental loans were disbursed by Namra Finance Ltd.



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). 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 (Jan– Mar)	Q4 (Jan– Mar)	YOY	12 Months (Apr – Mar)	12 Months (Apr – Mar)	YOY
Revenues (Rs. Cr.)	2015	2014	Change (%)	2015	2014	Change (%)
Employee Costs	1.63	1.30	25.38%	5.23	4.54	15.20%
Other Expenses	1.27	1.62	-21.60%	4.17	4.02	3.73%
Interest Costs	3.3	2.55	29.41%	10.74	9.12	17.76%
Total Costs	6.20	5.47	13.35%	20.15	17.68	13.97%

Our employee costs have increased as we are hiring more people for the expansion of the microfinance business with the opening of new branches.

The interest costs have increased in line with the increase in AUM. The interest costs have been higher due to higher cost borrowings to support increased disbursement in the microfinance business.

Profitability Mix (Consolidated)

	Q4 (Jan– Mar)	Q4 (Jan– Mar)	YOY	12 Months (Apr – Mar)	12 Months (Apr – Mar)	YOY
Particulars (Rs. Cr.)	2015	2014	Change (%)	2015	2014	Change (%)
EBIT	5.79	3.69	56.91%	19.99	15.79	26.60%
PAT	1.57	0.70	124.29%	6.15	4.49	36.97%
EPS (Rs Per Share)	2.25	1.01	124.29%	8.89	6.49	36.97%
Book Value (Per Share)	58.16	48.71	19.40%	58.16	48.71	19.40%

The profitability jump for this quarter is largely driven by the improved business growth of the microfinance business and the improved profitability of the new branches we have opened in the last 1 year.



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

	Q4 (Jan – Mar)	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
Consolidated (Rs. Cr.)	2014	2014	2014	2014	2015
Period Ending (AUM)	91.11	91.39	97.34	110.58	114.88
Net Interest Income (NII)	3.85	4.22	4.28	4.14	5.09
Net Interest Margin (NIM) (Annualized)	18.13%	19.42%	19.29%	17.08%	19.27%

The Net Interest Income has grown by 32.32 % from Rs 3.85 Cr to Rs 5.09 Cr this quarter. Our consolidated NIMs are 19% in the last one year.

One of the characteristics of our business is that there is a time-lag between Interest Income and disbursement. If the disbursement jumps sharply, the effect of that on interest income is seen in the subsequent quarters.

Business Tracker (Microfinance)

	Q4 (Jan – Mar)	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
Particulars (Rs. Cr.)	2014	2014	2014	2014	2015
AUM	45.74	44.53	45.73	52.85	65.05
Disbursement for the Qtr	23.42	22.15	27.55	30.04	34.13
Interest Income	3.35	3.38	3.64	4.20	5.16

Disbursement has increased by 45.71% YOY, and the interest income has increased by 53.91%. This quarter we started getting the benefit of increased pace of disbursement in the last few months.

Currently all the microfinance loans have a maturity of less than 1 year. We have started a pilot,



starting 2 year loans in 5 branches. We are being very prudent around this product and only offering it to customers who have completed 3 cycles with us. We will scale up this product in case we face no issues in the pilot phase.

NPA Analysis (Microfinance)

	Q4 (Jan – Mar)	Q4 (Jan – Mar)	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)
Microfinance (Rs. Cr.)	2015	2014	2014	2014	2014
Gross NPA	0.09	0.04	0.02	0.07	0.07
Provisions	0.01	-	-	-	-
Net NPA	0.08	0.04	0.02	0.07	0.07
Net NPA Percentage	0.19%	0.09%	0.05%	0.12%	0.11%

The NPAs in the microfinance business are 0.11% and among the lowest in the industry. Since the RBI has asked to provision 1% against the standard assets, we no longer provision for NPAs as our actual NPAs are much below 1%.

Business Tracker (2 Wheeler Finance)

	Q4 (Jan – Mar)	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
Particulars (Rs. Cr.)	2014	2014	2014	2014	2015
AUM	45.37	46.85	51.62	57.73	49.83
Disbursement for the Qtr	10.38	11.20	13.43	16.57	12.25
Interest Income	3.05	3.09	2.93	2.84	3.24

The 2 Wheeler business is highly seasonal in nature, with the highest disbursements in Q3 quarter. Our AUM have reduced on a QoQ basis, as the advances given to dealers for the festival season were repaid back.

We had a relatively subdued year for 2 Wheeler finance due to slow growth in the industry and increase competition from manufacturer finance companies, but we do see signs of recovery in the



coming year as the industry growth recovers and as we expand into new markets. As a matter of our prudent and conservative lending nature, we have reduced disbursing loans in the 3-Wheeler business as the taxi and rickshaw industry is changing very rapidly with the introduction of alternatives such as Meru, Uber, and Ola. We are unclear what effect these alternative modes will have on the industry. We have plans to open a new branch for the 2 Wheeler finance business in Madhya Pradesh.

NPA Analysis (2 Wheeler Finance)

	Q4	Q1	Q2	Q3	Q4
	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)
2 Wheeler Finance (Rs. Cr.)	2014	2014	2014	2014	2015
Gross NPA	0.57	0.55	0.70	0.79	0.96
Provisions	0.06	0.06	0.07	0.09	0.09
Net NPA	0.51	0.49	0.63	0.70	0.87
Net NPA Percentage	0.88%	0.89%	1.23%	1.09%	1.52%

The NPAs in the 2-wheeler business have increased moderately in this quarter. This is largely due to the cyclical nature of the business and the overall pressure on the industry with low growth and new competition. Some challenges being faced by the 3-Wheeler operators due to increased competition in alternative modes of transport such as taxi services and public transportation.

The 3-Wheeler AUM is less than 10% of our gross AUM and we have stopped incremental lending in this area as a prudent measure

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.



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. The company has recently forayed into Madhya 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 .

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

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For, Arman Financial Services Limited

Director