



Arman Financial Services Limited

Ahmedabad, India, 12 November, 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 second quarter ended 30 September, 2015.

Commenting on the Company's performance for Q2 FY2016, **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 97.34 Cr on 30 Sep 2014 to Rs 138.97 Cr as on 30 Sep 2015, a growth of 42.77%. The growth in the microfinance business has been substantial where the AUM has grown from Rs 51.62 Cr as on 30 Sep 2014 to Rs 88.57 Cr as on 30 Sep 2015, a growth of over 71.60%. Revenues have grown to Rs 9.61 Cr, an overall growth of 40.50% on a YoY basis.

Our growth has largely been driven by the expansion in Madhya Pradesh. The disbursement there has been quite robust and we are running ahead of our business plan for the year. We now have 48 branches operational in the Microfinance (32 in Gujarat & 16 in Madhya Pradesh). Including 2-wheelers our overall branch count has crossed the landmark figure of 50, to reach 52 branches.

We are excited by the recent development in financial technology space and the increased focus on financial inclusion by the government. New startups are getting funded who are focusing exclusively in unbanked space. The new business models that are emerging will play to our strengths and the last mile access that we provide will form an integral part in the rollout that incumbent players are planning for.

Overall we are progressing well in our business and look forward to continue our growth momentum.


Consolidated Business Review

Financial Highlights

Q2 FY2015-16 (Jul – Sep 2015) v/s. Q2 FY2014-15 (Jul – Sep 2014)

- Net Revenues increased by 40.50% to Rs. 9.61 Cr from Rs. 6.84 Cr
- Employee costs increased by 8.78% to Rs. 1.30 Cr from Rs. 1.20 Cr
- Interest costs increased by 54.58% to Rs. 3.54 Cr from Rs. 2.29 Cr
- Net Profit after Tax was up by 38.30% to Rs. 2.03 Cr from Rs. 1.47 Cr.





Arman Financial Services Limited

- Earnings Per Share increased 38.30% to Rs. 2.94 Cr from Rs. 2.12

Operational Highlights

Q2 FY2015-16 (Jul – Sep 2015) v/s. Q2 FY2014-15 (Jul – Sep 2014)

- The company now has 16 branches operational in Madhya Pradesh for the Microfinance business vs 2 branches last year. The disbursements have started in 15 of them
- The average Monthly disbursement was Rs 15.36 Cr in Microfinance Business vs 9.18 Cr last year, a growth of 67.30%
- The average Monthly disbursement was Rs 4.39 Cr in 2 wheelers & others finance business of Arman Financial Services Ltd
- 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)

Revenues (Rs. Cr.)	Q2	Q2	YOY Change (%)	6 Months	6 Months	YOY Change (%)
	(Jul– Sep)	(Jul– Sep)		(Apr – Sep)	(Apr – Sep)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
Namra Finance	5.51	3.22	71.12%	10.35	6.41	61.47%
Arman Financial Services	4.10	3.62	13.26%	8.12	7.11	14.21%
Total	9.61	6.84	40.50%	18.47	13.52	36.61%

We have started seeing the results of higher disbursements in our revenue growth. We are seeing robust growth in our Microfinance business and expect the momentum to continue as we open new branches.

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)

Revenues (Rs. Cr.)	Q2	Q2	YOY Change (%)	6 Months	6 Months	YOY Change (%)
	(Jul- Sep)	(Jul- Sep)		(Apr - Sep)	(Apr - Sep)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
Employee Costs	1.31	1.21	8.26%	2.62	2.28	14.91%
Other Expenses	1.65	1.10	50.00%	2.82	1.86	51.61%
Interest Costs	3.55	2.29	55.02%	6.84	4.54	50.66%
Total Costs	6.51	4.60	41.52%	12.28	8.68	41.47%

Our employee cost has stabilised as we focus on increased operational efficiency. Our funding costs have risen at a higher rate as the incremental loans are being raised at a higher costs due to higher leverage being built in the balance sheet, and limited track record of Namra.

Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q2	Q2	YOY Change (%)	6 Months	6 Months	YOY Change (%)
	(Jul- Sep)	(Jul- Sep)		(Apr - Sep)	(Apr - Sep)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
EBIT	6.62	4.47	48.10%	12.96	9.26	39.96%
PAT	2.03	1.47	38.10%	4.07	3.17	28.39%
EPS (Rs Per Share)	2.94	2.12	38.68%	5.88	4.58	28.38%
Book Value (Per Share)	61.99	53.22	16.48%	61.99	53.22	16.48%

Our net profits have increased by 38.10% YOY to Rs 2.03 Cr. The profitability growth will be slightly lower than our revenue growth as we are increasing the leverage in our balance sheet. Our costs of funds are also higher. As we scale up and hit a certain critical mass, we will benefit from the operational efficiencies and the reduced cost of funds.





Arman Financial Services Limited

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

Consolidated (Rs. Cr.)	Q2	Q3	Q4	Q1	Q2
	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)
	FY 2014-15	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16
Period Ending (AUM)	97.34	110.58	114.88	127.7	138.97
Net Interest Income (NII)	4.55	4.44	5.43	5.58	6.06
Net Interest Margin (NIM) (Annualised)	19.29%	17.08%	19.27%	18.39%	18.18%

The Net Interest Income has grown by 33.19 % to Rs 6.06 Cr this quarter. Our consolidated Annualised NIMs are 18.18% 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.

We are also looking to raise Tier 2 Capital to help us better leverage the balance sheet..

Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q2	Q3	Q4	Q1	Q2
	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)
	FY 2014-15	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16
AUM	51.62	57.73	65.05	75.77	88.57
Disbursement for the Qtr	27.55	30.04	34.13	40.38	45.32
Gross Interest Income (Interest Income + Processing Fee)	3.91	4.5	5.5	5.8	6.66

AUM has increased by 71.58% YOY, and the disbursement has increased by 73.66%. Our growth in disbursements will reflect in higher Interest Income in the coming quarters.



Our rollout of the 2 year loans is progressing well and we aim to start these loans in more branches in the coming quarters. One challenge we are facing is the high cost of funds for Namra, due to the fact that it only became operational in 2013. It is considered a relatively new entity where there are limited loan cycles. This has forced us to take high cost loans to support our growth. We are focused on reducing our cost on funding and will start seeing the benefits in the next financial year.

Operational Branches (Microfinance)

	Q2	Q3	Q4	Q1	Q2
	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)
	FY 2014-15	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16
Gujarat	34	32	31	32	32
Madhya Pradesh	3	7	8	13	16
Total Branches	37	39	39	45	48

We have rapidly grown our presence in Madhya Pradesh in the last 1 year and are quite happy with our progress. We aim to ramp our presence by opening another 16-18 branches in the next 12 months.

NPA Analysis (Microfinance)

Microfinance (Rs. Cr.)	Q2	Q3	Q4	Q1	Q2
	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)
	FY 2014-15	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16
Gross NPA	0.02	0.07	0.07	0.02	0.02
Provisions	-	-	-	-	-
Net NPA	0.02	0.07	0.07	0.02	0.02
Net NPA Percentage	0.05%	0.12%	0.11%	0.03%	0.02%



The NPAs in the microfinance business are 0.02% and are 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)

Particulars (Rs. Cr.)	Q2	Q3	Q4	Q1	Q2
	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)
	FY 2014-15	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16
AUM	45.73	52.85	49.83	50.65	50.4
Disbursement for the Qtr	13.43	16.57	13.25	12.29	13.16
Interest Income	2.93	2.84	3.24	3.07	3.87


There is a slight contraction in margins due to the increased competitive scenario in our area of operations. The business is showing some signs of revival, and we expect the business mix to improve in the next year.

We are on track to open a branch in Madhya Pradesh later this year..

NPA Analysis (2 Wheeler Finance)

2 Wheeler Finance (Rs. Cr.)	Q2	Q3	Q4	Q1	Q2
	(Jul – Sep)	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)
	FY 2014-15	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16
Gross NPA	0.55	0.7	0.79	0.96	1.31
Provisions	0.06	0.07	0.09	0.09	0.13
Net NPA	0.49	0.63	0.7	0.87	1.18
Net NPA Percentage	0.89%	1.23%	1.09%	1.52%	2.34%






Arman Financial Services Limited

The NPAs in the 2-wheeler business have jumped this quarter due to the RBI mandated policy of recognizing NPAs after a delay of 150 days vs the earlier norm of 180 days. But for this change, there is no jump in the NPAs in the 2-Wheeler loan book.

We are actively monitoring our loan book and working towards recovering the dues.

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.





Arman Financial Services Limited

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

Aalok Patel
Executive Director & CFO
Arman Financial Services Ltd
Tel: +91 79 40507000
Email:
aalokpatel@armanindia.com

Certain statements in this document that are not historical facts are forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Arman Financial Services Ltd will not be in any way be responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

For, Arman Financial Services Limited



Director