



## Arman Financial Services Limited

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Date: February 13, 2020

To, BSE Limited P. J. Tower, Dalal Street, Mumbai-400001	To, National Stock Exchange of India Limited "Exchange Plaza" C-1, Block G, Bandra Kurla Complex, Bandra, Mumbai- 400051
Script Code: 531179 ISIN: INE109C01017	Symbol: ARMANFIN Series: EQ

Dear Sir,

### SUB: PRESENTATION ON FINANCIAL PERFORMANCE

Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and our previous letter dated February 11, 2020 vide which the Company has published the standalone / consolidated financial results for the quarter / period ended on December 31, 2019, we are enclosing a presentation on financial performance of the Company.

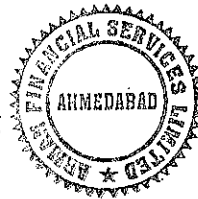
Kindly take it on your record.

Thanking you,

Yours faithfully,

For, Arman Financial Services Limited

Jaimish Patel  
Company Secretary





**Arman Financial Services Ltd.**



**Arman Financial  
Services Ltd.**

Q3 FY20 - Investor Presentation  
February 2020

**from ACCESS to INCLUSION**

# DISCLAIMER

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.





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**Arman Financial Services Ltd.**



**Arman Financial Services Ltd.**

# Financial Performance Update - Q3 & 9M FY20







# Q3 & 9M FY20 - Financial Performance Highlights



Total AUM increased by 41% YoY to INR 8,142 Mn (Q3 FY19 AUM: INR 5,796 Mn)



Total Disbursements Increased by 6% YoY to INR 2,241 Mn in Q3 FY20; and 14% YoY to INR 6,444 Mn in 9M FY20



Shareholders Equity Stood at INR 1,680 Mn in Q3 FY20 (BVPS is INR 199)



Net Total Income increased by 58% to INR 358 Mn in Q3 FY20; and 65% YoY to INR 969 Mn in 9M FY20



Total PPoP increased by 80% to INR 225 Mn in Q3 FY20; and 86% YoY to INR 589 Mn in 9M FY20



Total Profit After Tax increased by 88% to INR 136 Mn in Q3 FY20; and 96% YoY to INR 377 Mn in 9M FY20

# Q3 & 9M FY20 - Consolidated Profit & Loss Statement



As per IND-AS

Particulars (INR Mn)	Q3 FY20	Q3 FY19	YoY (%)	9M FY20	9M FY19	YoY (%)
<b>Asset Under Management</b>	<b>8,142</b>	<b>5,796</b>	<b>41%</b>	<b>8,142</b>	<b>5,796</b>	<b>41%</b>
<b>Disbursements</b>	<b>2,241</b>	<b>2,112</b>	<b>6%</b>	<b>6,444</b>	<b>5,631</b>	<b>14%</b>
<b>Shareholder's Equity *</b>	<b>1,680</b>	<b>1,178</b>	<b>43%</b>	<b>1,680</b>	<b>1,178</b>	<b>43%</b>
Income from Operations	567.0	378.3	50%	1,575.0	981.9	60%
Other Income	3.4	0.0	-	21.0	0.6	-
<b>Gross Total Income</b>	<b>570.4</b>	<b>378.3</b>	<b>51%</b>	<b>1596.0</b>	<b>982.5</b>	<b>62%</b>
Finance Costs	212.9	151.4	41%	627.1	395.3	59%
<b>Net Total Income (NTI)</b>	<b>357.5</b>	<b>226.9</b>	<b>58%</b>	<b>968.9</b>	<b>587.2</b>	<b>65%</b>
Employee Benefits Expenses	90.2	68.6	32%	258.3	184.2	40%
Depreciation and Amortisation	2.1	1.2	65%	5.9	3.7	57%
Other Expenses	40.4	32.2	26%	115.8	82.8	40%
<b>Pre-Provision Operating Profit</b>	<b>224.9</b>	<b>124.9</b>	<b>80%</b>	<b>589.0</b>	<b>316.5</b>	<b>86%</b>
Provision & Write-offs	43.7	19.4	125%	80.8	41.0	97%
<b>Profit Before Tax</b>	<b>181.2</b>	<b>105.5</b>	<b>72%</b>	<b>508.2</b>	<b>275.5</b>	<b>84%</b>
Less : Tax expense:	45.6	33.4	36%	131.1	83.0	58%
<b>Profit After tax</b>	<b>135.6</b>	<b>72.1</b>	<b>88%</b>	<b>377.1</b>	<b>192.6</b>	<b>96%</b>
<b>GNPA %</b>	<b>1.2%</b>	<b>1.1%</b>	<b>9 bps</b>	<b>1.2%</b>	<b>1.1%</b>	<b>9 bps</b>
<b>NNPA %</b>	<b>0.5%</b>	<b>0.5%</b>	<b>(7 bps)</b>	<b>0.5%</b>	<b>0.5%</b>	<b>(7 bps)</b>
<b>Return on Avg. AUM %</b>	<b>6.9%</b>	<b>5.3%</b>	<b>165 bps</b>	<b>6.7%</b>	<b>5.1%</b>	<b>159 bps</b>
<b>Return on Avg. Equity % *</b>	<b>34.5%</b>	<b>25.3%</b>	<b>924 bps</b>	<b>34.5%</b>	<b>29.8%</b>	<b>471 bps</b>

**Note:**

- \* Fully-diluted equity base
- There may be minor variations between Namra + Standalone figures and the consolidated figures due to eliminations / knock-offs
- RoE = PAT / Avg. Fully Diluted Equity; GNPA % = GNPA / AUM (On + Off-Book); NNPA % = NNPA / AUM (On + Off-Book). RoE and Return on Avg. AUM figures are annualized

# Q3 & 9M FY20 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q3 FY20	Q3 FY19	YoY (%)	9M FY20	9M FY19	YoY (%)
<b>Asset Under Management</b>	<b>5,826</b>	<b>4,016</b>	<b>45%</b>	<b>5,826</b>	<b>4,016</b>	<b>45%</b>
<b>Disbursements</b>	<b>1,605</b>	<b>1,543</b>	<b>4%</b>	<b>4,729</b>	<b>4,239</b>	<b>12%</b>
Income from Operations	391.4	251.6	56%	1,073.0	661.5	62%
Other Income	3.4	0.0	-	21.0	0.0	-
<b>Gross Total Income</b>	<b>394.9</b>	<b>251.6</b>	<b>57%</b>	<b>1,094.0</b>	<b>661.5</b>	<b>65%</b>
Finance Costs	165.9	107.7	54%	479.9	299.9	60%
<b>Net Total Income (NTI)</b>	<b>229.0</b>	<b>143.9</b>	<b>59%</b>	<b>614.2</b>	<b>361.6</b>	<b>70%</b>
Employee Benefits Expenses	56.2	43.1	30%	162.2	117.2	38%
Depreciation and Amortisation	1.8	1.1	64%	5.1	2.9	77%
Other Expenses	26.5	22.6	17%	79.1	53.8	47%
<b>Pre-Provision Operating Profit</b>	<b>144.6</b>	<b>77.2</b>	<b>87%</b>	<b>367.8</b>	<b>187.8</b>	<b>96%</b>
Provision & Write-offs	27.7	12.5	122%	55.0	20.3	170%
<b>Profit Before Tax</b>	<b>116.8</b>	<b>64.7</b>	<b>81%</b>	<b>312.9</b>	<b>167.5</b>	<b>87%</b>
Less : Tax expense	29.4	22.3	32%	81.7	52.3	56%
<b>Profit After Tax</b>	<b>87.4</b>	<b>42.4</b>	<b>106%</b>	<b>231.2</b>	<b>115.1</b>	<b>101%</b>
<b>GNPA %</b>	<b>0.9%</b>	<b>0.5%</b>	<b>37 bps</b>	<b>0.9%</b>	<b>0.5%</b>	<b>37 bps</b>
<b>NNPA % *</b>	<b>0.9%</b>	<b>0.5%</b>	<b>37 bps</b>	<b>0.9%</b>	<b>0.5%</b>	<b>37 bps</b>
<b>NNPA % (after ECL impact)</b>	<b>0.1%</b>	<b>0.0%</b>	<b>9 bps</b>	<b>0.1%</b>	<b>0.0%</b>	<b>9 bps</b>
<b>Return on Avg. AUM %</b>	<b>6.1%</b>	<b>4.5%</b>	<b>165 bps</b>	<b>5.8%</b>	<b>4.3%</b>	<b>148 bps</b>
<b>Return on Avg. Equity %</b>	<b>32.6%</b>	<b>23.5%</b>	<b>914 bps</b>	<b>32.4%</b>	<b>27.5%</b>	<b>497 bps</b>

- ❖ Witnessed strong traction in AUM (+45 YoY) backed by an increase in customer base
  - Active MFI Customer base stood at ~3.6 Lakhs in Dec 2019 (+44% YoY)
- ❖ Net total income grew by 59% YoY to INR 229.0 Mn. NIM's improved by 70 bps to 16.0% led by -
  - Increase in yields to 26.0% (+100 bps YoY)
- ❖ With bulk of the branch network expansion for FY20 done in H1, the company focused on ramping up of those branches in a prudent manner
  - Operating leverage resulted in lower Cost-to-Income Ratio (36.9% in Q3 FY20 vs. 46.4% in Q3 FY19)
  - This led to disproportionately higher growth in Pre-provisioning Operating Profit (+87% YoY)
- ❖ **As a prudent measure, the company recognized higher provisioning in Q3 FY20 considering the weak macro environment**
  - Recognized additional ECL provision of INR ~8 Mn over and above the regular ECL provisioning for PAR >90 Days
- ❖ Despite higher provisioning, net profit more than doubled to INR 87.4 Mn
- ❖ **Robust Asset Quality** - GNPA and NNPA stood steady at 0.9% compared to 0.8% at the end of Q2 FY20.
  - Post ECL adjustment, NNPA stood at 0.1%.

## Note:

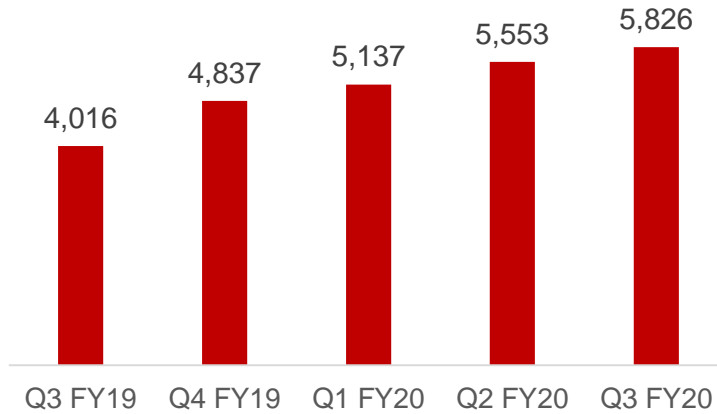
- \* Provisioning for NBFC-MFIs are on Standard Assets. The NNPA% does not consider provisioning on Standard Assets.
- Income from Operations includes: Interest Income on loans and managed assets; processing fees, and other charges in respect of loans. Other Income includes capital gains on liquid funds
- $NIM = NTI / Avg. AUM (On + Off-Book)$ ;  $Yields = Interest Income / Avg. AUM (On + Off-Book)$ ;  $Cost-to-Income Ratio = Opex (excl. provisions) / Net Total Income$ ;  $RoE = PAT / Avg. Equity$ ;  $GNPA \% = GNPA / AUM (On + Off-Book)$ ;  $NNPA \% = NNPA / AUM (On + Off-Book)$ ;  $NIM \%$ ,  $RoE$  and  $Return on Avg. AUM$  figures are annualized



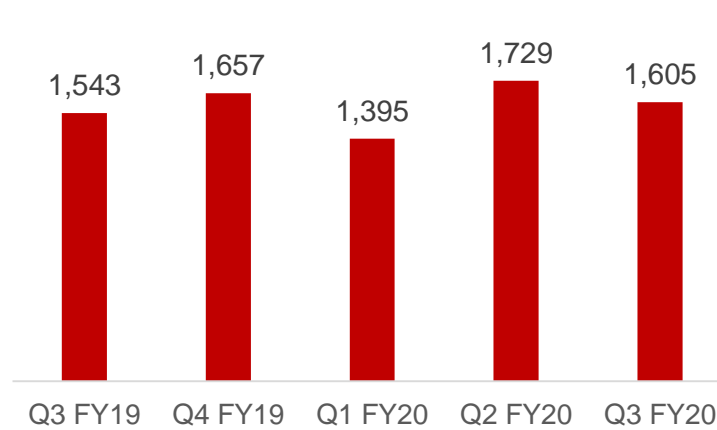
# Q3 FY20 - Microfinance Performance Update



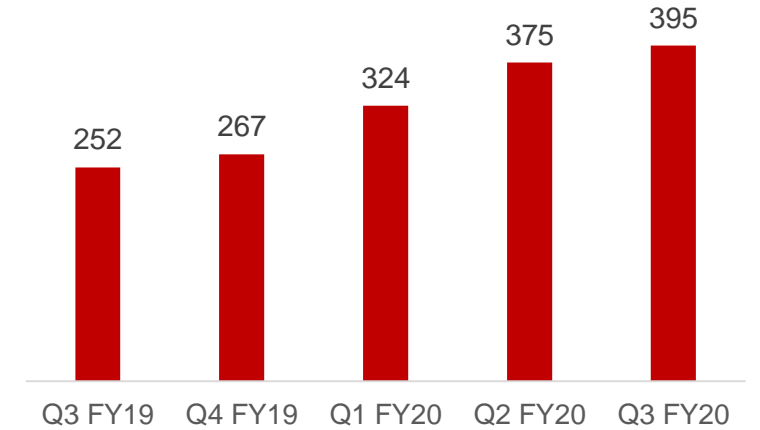
## AUM (INR Mn)



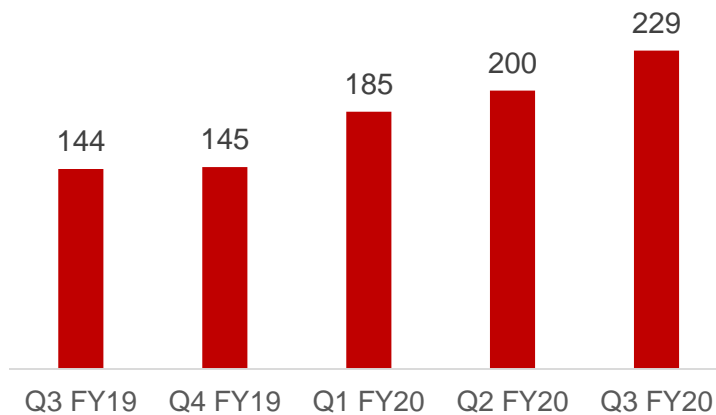
## Disbursement (INR Mn)



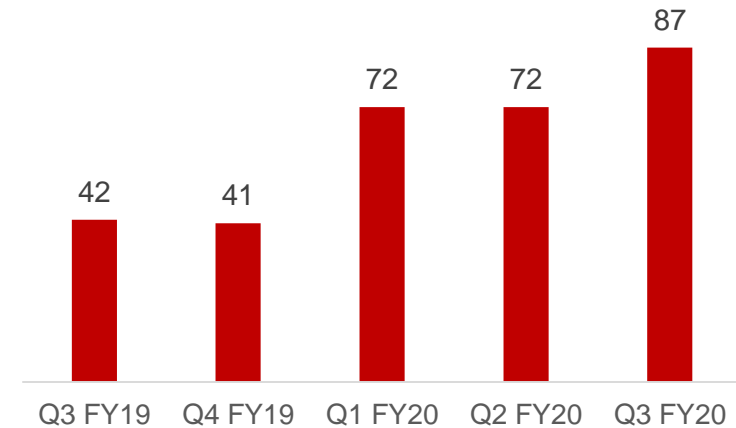
## Gross Total Income (INR Mn)



## Net Total Income (INR Mn)



## PAT (INR Mn)



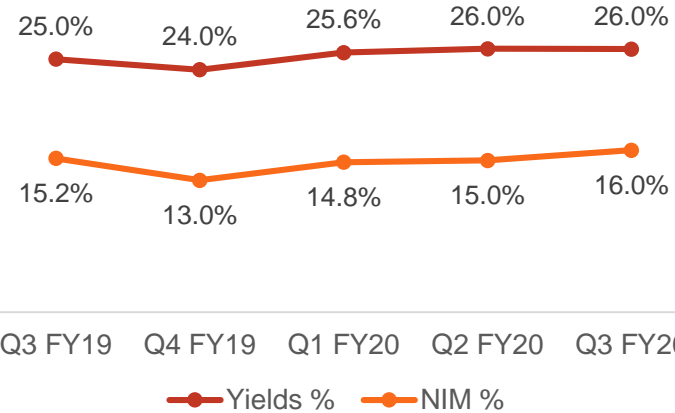
### Note:

- Q1 FY20, Q2 FY20, Q3 FY20, Q1 FY19, Q2 FY19 and Q3 FY19 figures are as per IND-AS accounting standards, figures for all other periods are as per I-GAAP
- $Net\ Total\ Income = Gross\ Total\ Income - Finance\ Cost$

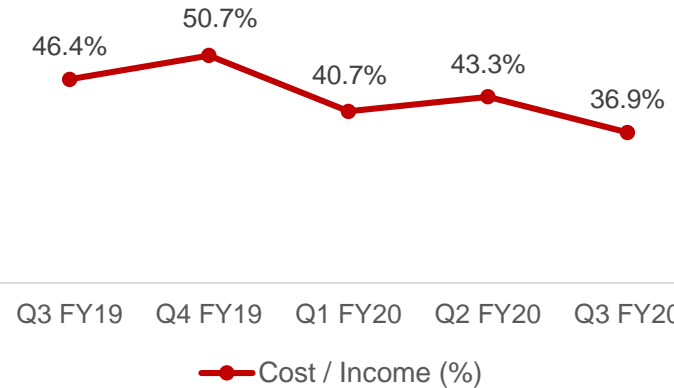
# Q3 FY20 - Microfinance Performance Update



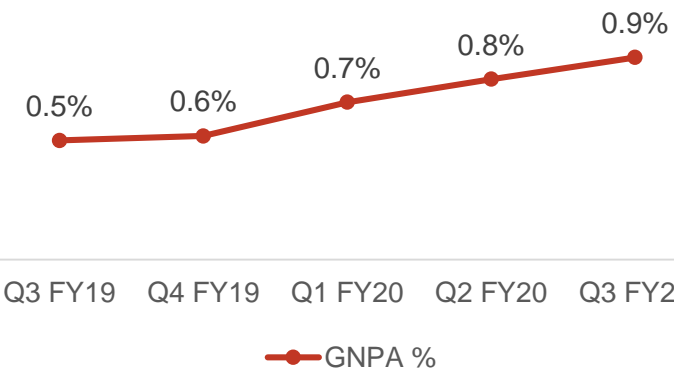
## Yields % and NIM %



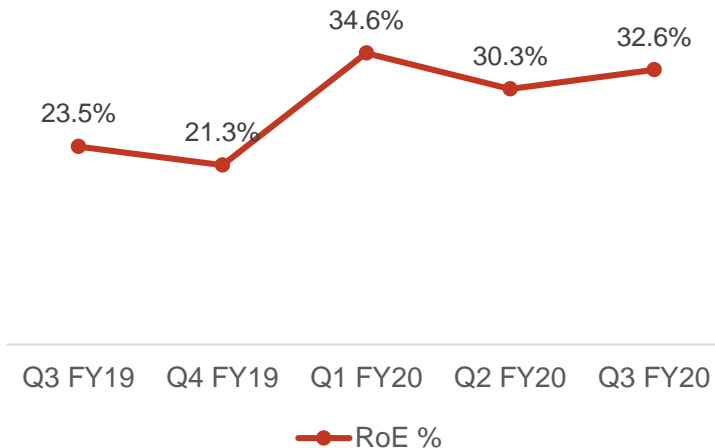
## Cost-to-Income Ratio %



## Asset Quality



## ROE %



**Note:**

- Q1 FY20, Q2 FY20, Q3 FY20, Q1 FY19, Q2 FY19 and Q3 FY19 figures are as per IND-AS accounting standards, figures for all other periods are as per I-GAAP
- $NIM = NTI / \text{Avg. AUM (On + Off-Book)}$ ;  $Yields = \text{Interest Income} / \text{Avg. AUM (On + Off-Book)}$ ;  $\text{Cost-to-Income Ratio} = \text{Opex (excl. provisions)} / \text{Net Total Income}$ ;  $NNPA \% = NNPA / \text{AUM}$ ;  $RoE = PAT / \text{Avg. Equity}$ . RoE, Yields and NIM % figures are annualized

# Q3 & 9M FY20 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q3 FY20	Q3 FY19	YoY (%)	9M FY20	9M FY19	YoY (%)
<b>Asset Under Management</b>	<b>2,348</b>	<b>1,791</b>	<b>31%</b>	<b>2,348</b>	<b>1,791</b>	<b>31%</b>
<b>Disbursements</b>	<b>636</b>	<b>569</b>	<b>12%</b>	<b>1,715</b>	<b>1,392</b>	<b>23%</b>
Income from Operations	184.7	127.7	45%	514.5	328.8	56%
Other Income	5.4	4.2	28%	15.0	12.1	24%
<b>Gross Total Income</b>	<b>190.1</b>	<b>131.9</b>	<b>44%</b>	<b>529.5</b>	<b>340.9</b>	<b>55%</b>
Finance Costs	56.2	44.7	26%	159.8	103.8	54%
<b>Net Total Income (NTI)</b>	<b>133.8</b>	<b>87.2</b>	<b>54%</b>	<b>369.8</b>	<b>237.1</b>	<b>56%</b>
Employee Benefits Expenses	34.0	25.4	34%	96.1	67.0	43%
Depreciation and Amortisation	0.3	0.2	71%	0.8	0.9	-7%
Other Expenses	13.9	9.6	45%	36.7	29.0	27%
<b>Pre-Provision Operating Profit</b>	<b>85.6</b>	<b>52.0</b>	<b>65%</b>	<b>236.1</b>	<b>140.2</b>	<b>68%</b>
Provision & Write-offs	14.9	6.5	128%	26.0	20.7	25%
<b>Profit before Tax</b>	<b>70.7</b>	<b>45.4</b>	<b>56%</b>	<b>210.2</b>	<b>119.5</b>	<b>76%</b>
Less : Tax expense	16.4	11.3	45%	49.3	30.6	61%
<b>Profit After Tax</b>	<b>54.3</b>	<b>34.1</b>	<b>59%</b>	<b>160.8</b>	<b>88.9</b>	<b>81%</b>
<b>GNPA %</b>	<b>1.9%</b>	<b>2.3%</b>	<b>-46 bps</b>	<b>1.9%</b>	<b>2.3%</b>	<b>-46 bps</b>
<b>NNPA %</b>	<b>1.3%</b>	<b>1.6%</b>	<b>-33 bps</b>	<b>1.3%</b>	<b>1.6%</b>	<b>-33 bps</b>
<b>Return on Avg. AUM %</b>	<b>9.5%</b>	<b>7.8%</b>	<b>171 bps</b>	<b>9.9%</b>	<b>7.5%</b>	<b>233 bps</b>

## Note:

- Q1 FY20, Q2 FY20, Q3 FY20, Q1 FY19, Q2 FY19 and Q3 FY19 figures are as per IND-AS accounting standards, figures for all other periods are as per I-GAAP
- Income from operations includes interest income on loans and managed assets, other Income includes processing fees, other charges in respect of loans, late payment charges, etc.
- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book); NNPA % = NNPA / AUM (On + Off-Book). Return on Avg. AUM figures are annualized

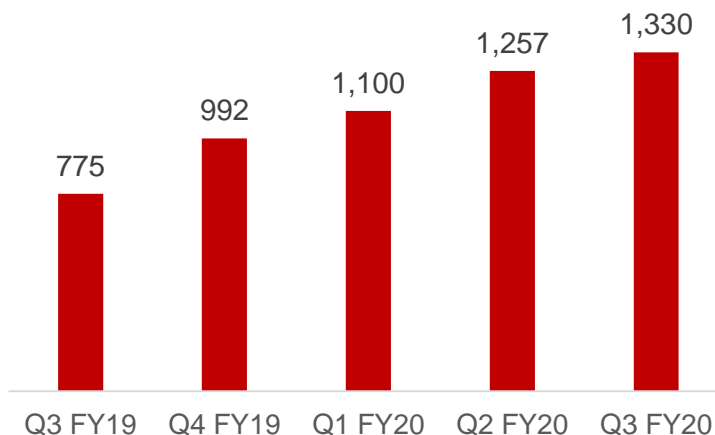
- ❖ Witnessed strong growth in MSME AUM (+72% YoY) to INR 1,330 Mn
  - No. of loans disbursed increased by 47% YoY
- ❖ 2W AUM stood flat on YoY basis at INR 1,018 Mn. However, on a sequential basis, the book grew by 6%. Ongoing slowdown in two-wheeler sales continues to impact the business, however, better demand in festive period aided in driving growth on QoQ basis.
- ❖ Net total income grew by 54% YoY to INR 133.8 Mn in Q3 FY20. NIM's improved by 349 bps YoY to 23.4% led by -
  - Higher blended yields at 32.0% (+290 bps YoY) driven by increase in share of MSME business to 57% in Q3 FY20 (up from 43% in Q3FY19)
- ❖ Cost-to-Income Ratio improved by ~440 bps YoY to 36.0% in Q3 FY20 (40.4% in Q3 FY19) resulting in disproportionately higher growth in Pre-provisioning Operating Profit (+65% YoY)
- ❖ **Provisions rose during the quarter mainly on account of increase in standard provisioning on the MSME book to 1.0% from Q3 FY20 onwards (from 0.4% earlier) resulting in a one-time higher impact of INR ~8 Mn**
  - This is not due to any deterioration in asset quality, but purely a prudent measure by the company
- ❖ Despite higher provisioning, net profit grew by 59% YoY to INR 54.3 Mn
- ❖ Prudent lending and lower NPA's in MSME segment helped in improve Asset Quality on a YoY basis – **GNPA improved to 1.9% (lower by ~46 bps) and NNPA improved to 1.3% (lower by ~33 bps)**



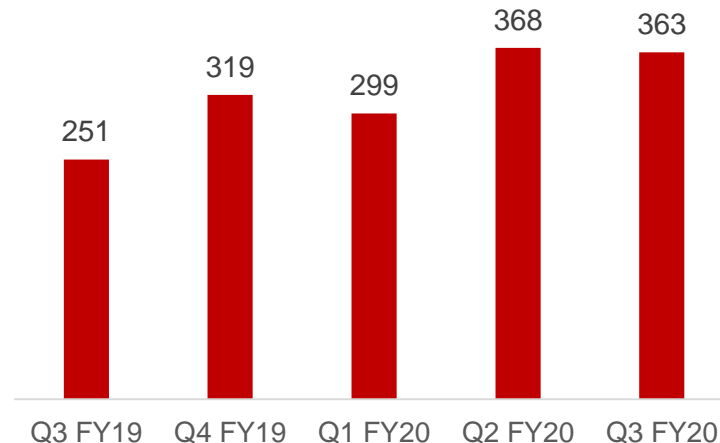
# Q3 FY20 - MSME Performance Update



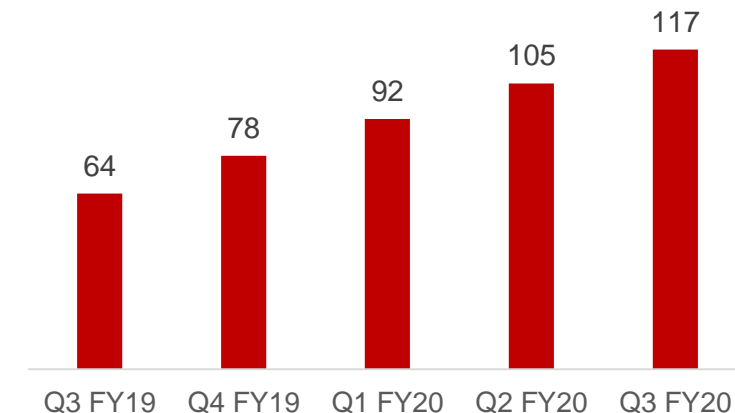
## AUM (INR Mn)



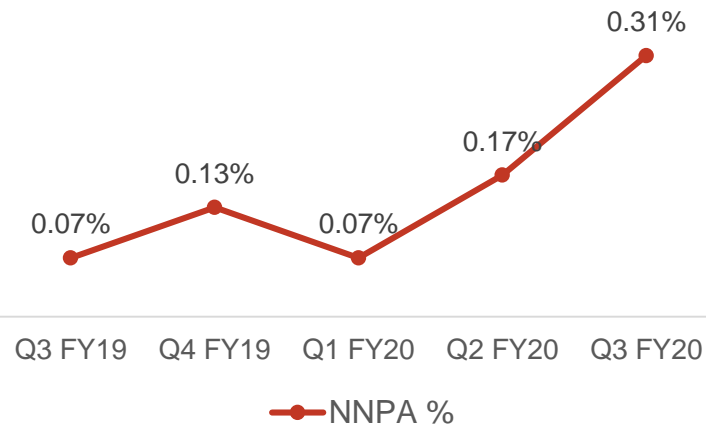
## Disbursements (INR Mn)



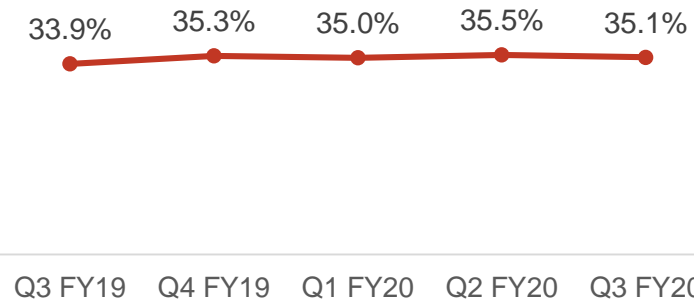
## Gross Interest Income (INR Mn)



## Asset Quality



## Yields %



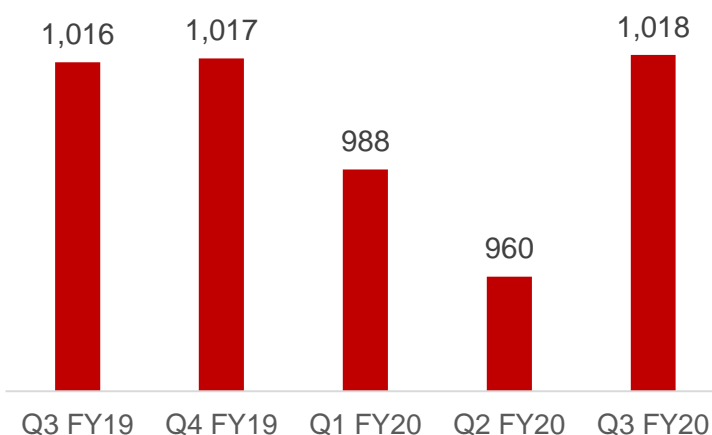
### Note:

- Q1 FY20, Q2 FY20, Q3 FY20, Q1 FY19, Q2 FY19 and Q3 FY19 figures are as per IND-AS accounting standards, figures for all other periods are as per I-GAAP
- Gross Interest Income = Interest Income + processing fees / other charges, Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NNPA % = NNPA / AUM. Yields % figures are annualized.

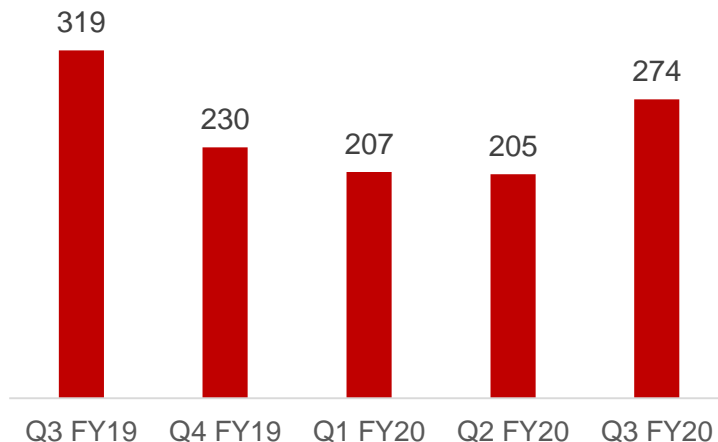
# Q3 FY20 - 2W Performance Update



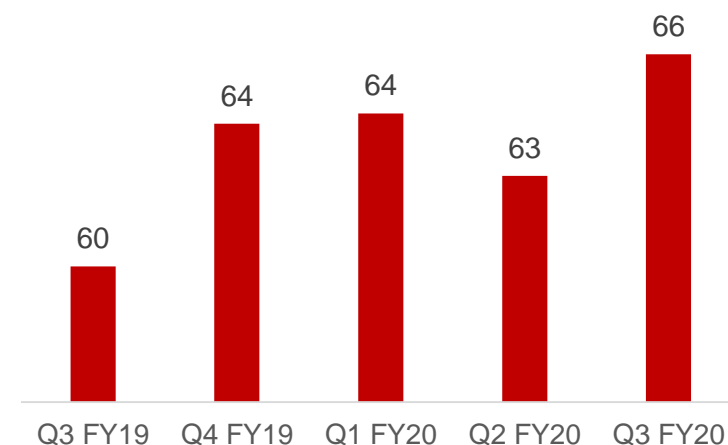
## AUM (INR Mn)



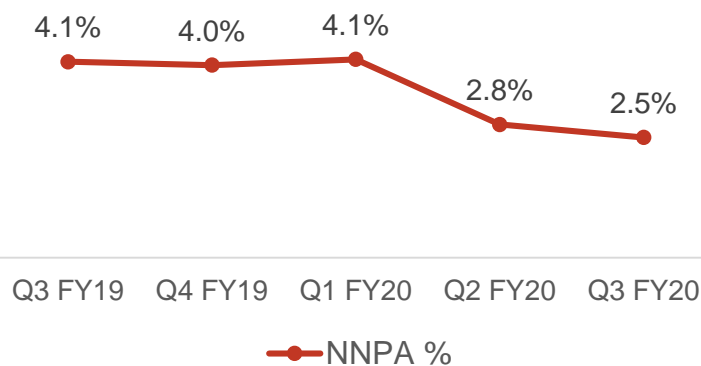
## Disbursement (INR Mn)



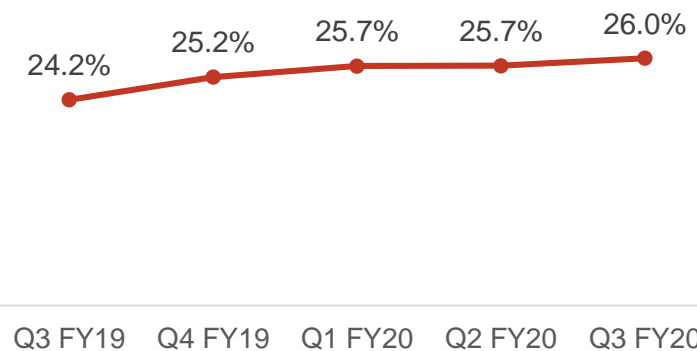
## Gross Interest Income (INR Mn)



## Asset Quality



## Yields %



### Note:

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- Gross Interest Income = Interest Income + processing fees / other charges, Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NNPA % = NNPA / AUM. Yields % figures are annualized



**Arman Financial Services Ltd.**



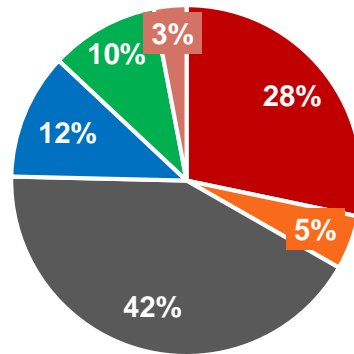
## Liability Overview



Funding profile is well diversified with increase in share of funds from Banks/SFB's and NCDs

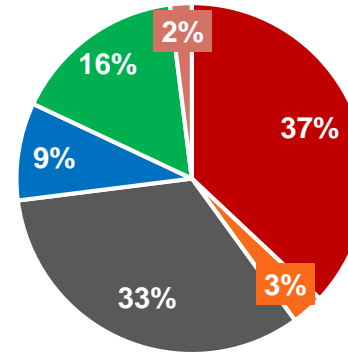
FY19 - Borrowing Mix %

INR 5,885 Mn



Q3 FY20 - Borrowing Mix %

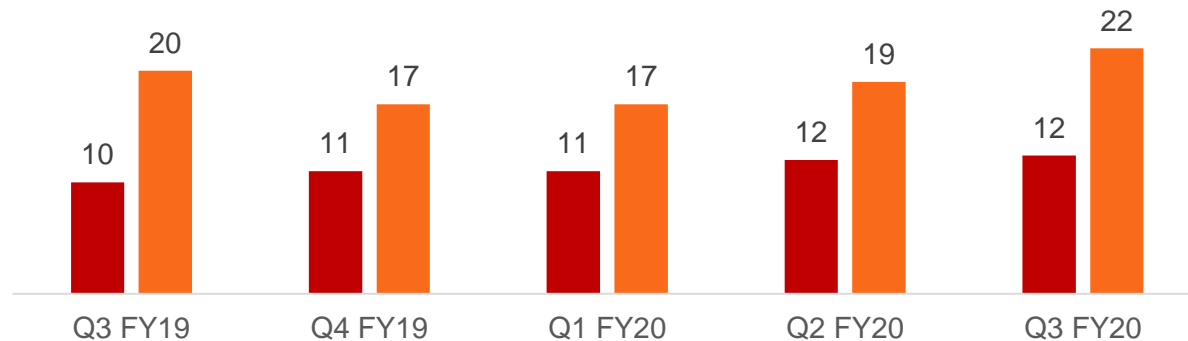
INR 7,543 Mn \*



- Banks & SFBs
- NABARD
- NBFC / FI
- Securitization
- NCD
- Subordinate Debt

Note: \* INR 7,543 Mn includes direct assignment of INR 332 Mn

## Positive ALM (in Months)



■ Average Tenor of Active Assets (months) ■ Average Maturity of Active Borrowings (months)

- Well-diversified borrowing mix with increasing share of NCD's, NABARD Refinance, Sub-ordinate Debt and Securitization
  - Share of NCD's, NABARD Refinance, Subordinate Debt and Securitization represented **~30% of borrowings in Q3 FY20**
- **Share of Banks / SFB's increased from 28% to 37%**
- **Constant rating upgrades** have helped lower cost of funds in recent years
  - Credit rating has moved up **1 notch** in last year: Upgraded to **BBB+** in **FY19 (CARE Ratings)**
  - **Ratings Reaffirmed recently to BBB+ for FY-20 by CARE Ratings**
  - Group has A2 rating by CARE Ratings for **short-term bank facilities**
- **Comfortable liquidity position backed by Positive ALM**

# Lending partners



## Bank Borrowings



## Non-Bank Borrowings



## Securitization Partners







**Arman Financial Services Ltd.**



## Company Overview





## Genesis

- Arman Financial Services (“Arman”) is a **diversified NBFC** focusing on large under-served rural & semi-urban retail markets
- Founded in 1992 by Mr. Jayendra Patel in Ahmedabad. Listed on BSE in 1995 and on NSE in 2016
- Strong Management Team led by Mr. Jayendra Patel having a combined experience of 100+ years in the Lending Business

## Robust Risk Management Framework

- **Superior Asset Quality – GNPA: 1.2%; NNPA: 0.5% (Q3 FY20)**
- **Consistent rating upgrades** backed by strong financial & operating performance – Currently rated **BBB+** by CARE Ratings
- **Track record of consistent profitability** - Never reported an annual loss
- **Completely in-house operations** with **bottoms up** driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

## Presence in Attractive Retail Lending Segments

- **Total Loan Assets of INR 8,142 Mn in Q3 FY20**
- **Microfinance – 71% of AUM** (via 100% owned subsidiary “**Namra Finance**”)
- **MSME Loans – 16% of AUM**
- **2-Wheeler Loans – 13% of AUM**
- **Healthy Spreads:** Yields 28.7%, NIM 18.2% (Q3FY20)



**Arman Financial Services Ltd.**

## Strong Financial Performance

- **High-Growth Trajectory (FY2014-19 CAGR) :**
  - **AUM: 50%**
  - **PAT: 37%**
- **Consolidated debt to equity ratio of 4.3:1** – Sufficient Capital to drive growth going forward
- **High Return Ratios:**
  - **Q3 FY20 - ROE (%): 34.5% , ROAA\* (%): 6.9%**

## Strong Retail Presence & Wide Distribution Network

- 223 branches; 70+ 2-Wheeler dealerships
- 83 Districts, 6 states
- 4.36 lakh live customers
- Undertaken contiguous expansion from Gujarat since 2014 to achieve geographic diversification

## Efficient Liability Management

- **Comfortable Liquidity Position: Positive ALM**
  - Avg. lending tenor at origination: ~18 months; Avg. tenor of debt at origination: ~36 months
- **Diversified Borrowing Profile with Relationship across 34 Banks & other Financial Institutions**

### **Note:**

- \* Return on Avg. AUM
- *Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book) ; NNPA % = NNPA / AUM (On + Off-Book). Yields, NIM, ROAA and ROE figures are annualized.*



Company incorporated.  
Started bill discounting & machine leasing

1992

1995

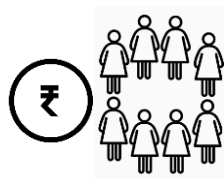
Listing on BSE – Issue subscribed 22x

Launched 2W Loans

1998

2010

Launched Microfinance business



Raised PE funding from Incofin; Disbursement crosses 50 Cr

2011

2013

Demerged MFI operations into “**Namra Finance**”; Disbursement crosses 100 Cr

Expanded to Maharashtra, MP, UP & Uttarakhand; listing on NSE

2014-16

2017

Launched MSME Loans business



Crosses 100 branches across 5 states & 3 products; Disbursement crosses 500 Cr

2017-18

2018

Raised PE funding from SAIF Partners

Disbursement crosses 750 Cr; 100% Cashless disbursements; Expanded into Rajasthan

2019

# Product Snapshot



**ARMA FINANCIAL SERVICES LTD.**

- 27 years of existence
- Active customer base of 4.36 lakh
- Employee strength of 1,774 employees
- Completely in-house operations – Sourcing, Credit & Collections

## Microfinance



## MSME Loans



## 2-Wheeler Loans



## Rural 2W Loans



% of Total AUM	71%	16%	12%	1% (in Pilot Stage)
LTV	Unsecured	Cash flow & FOIR based	65-85%	60-80%
Ticket size	Cycle 1 & 2 - INR 20-30k Cycle 3+ - INR 20-45k	INR 50-150k	INR 30-55k	INR 40-50k
Average Ticket size	INR 26,000	INR 70,000	INR 42,000	INR 40,000
Tenure	14-24 months	24 months	12-36 months	12-24 months
Yield (%)	24-25% (Spread capped by RBI guidelines)	30-32%	21-23%	26-28%
Disbursement	100% Cashless	100% Cashless	100% Cashless to dealer	100% Cashless to sub-dealer
Credit Check	CRIF / Equifax Score; JLG Model with Training, Home Visit, Life Style Appraisal	CIBIL & CRIF Score; Detailed Cash Flow Assessment; Home & Business Field Investigation	CIBIL / CRIF Score & Field Investigation	CIBIL / CRIF Score; Detailed Cash Flow Assessment; Field Investigation
Collections	Cash collection at centre meeting	Door step cash collection	NACH / Direct Debit	Door step cash collection



# Differentiated Operations



## KEY STRATEGIC DIFFERENTIATORS

Focus on **small-ticket retail loans** to the **large under-served informal** segment customer in **rural & semi-urban** geographies

**Diversifying products, geographies, sources of funds** and delivering **growth by increase in volumes** rather than ticket sizes

**Conservative operations framework with focus on risk & asset quality**

**Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices – tailored for the areas of operations**

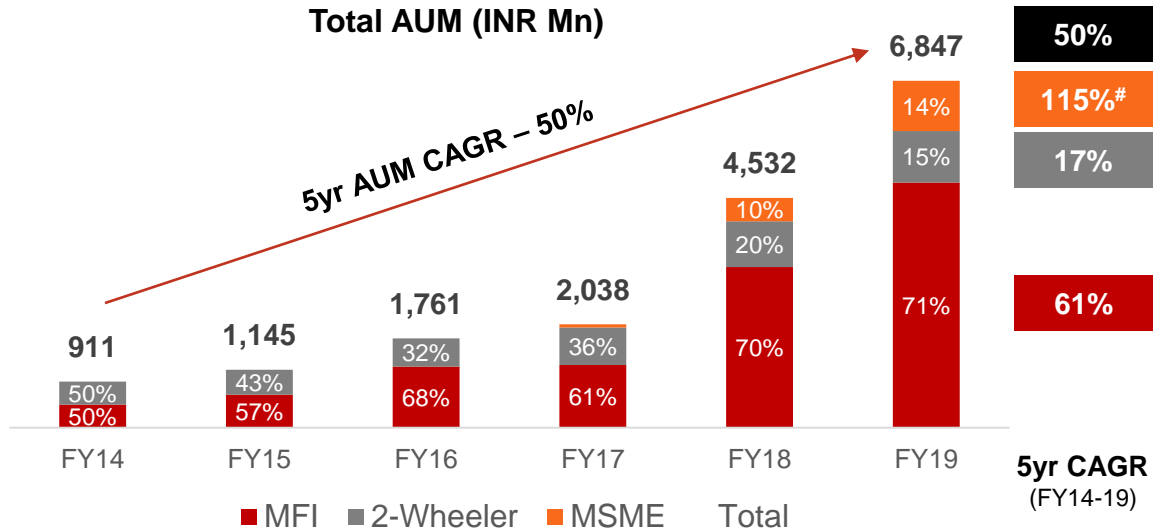
**Business model centred around conservative approach to high yielding assets to deliver a sustainable ROA of 3-5%**



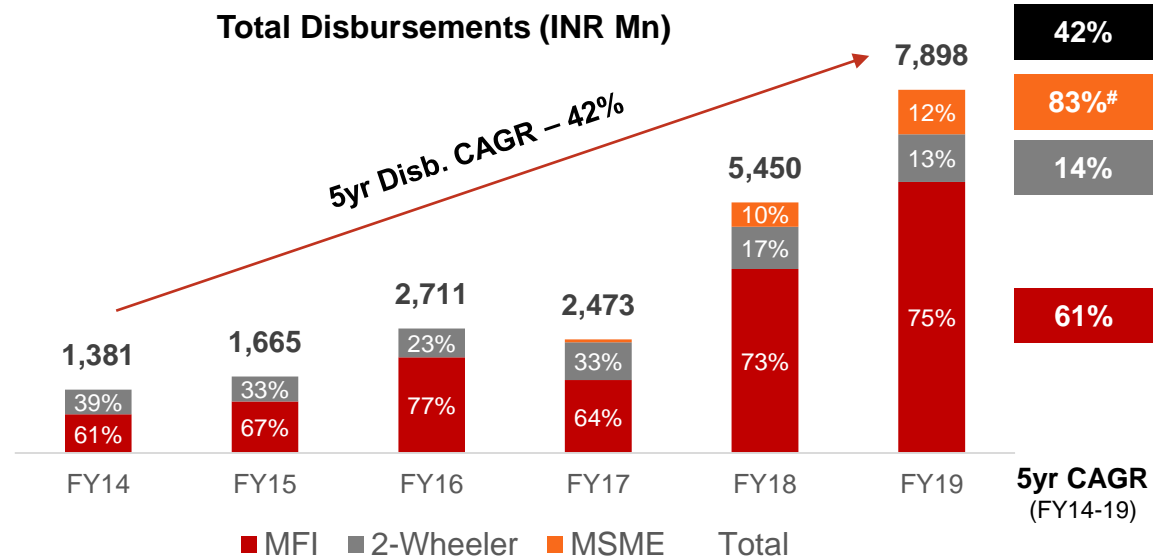
# Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 8,142 Mn in Q3 FY20 split between –
  - Microfinance: INR 5,826 Mn (71%),
  - 2-Wheeler Loans: INR 1,018 Mn (13%)
  - MSME Loans: INR 1,330 Mn (16%)
- Strategically forayed into MSME Loans in 2017.** Successfully scaled up the business to INR 1,330 Mn (16% of Total AUM) in the last 2 years
- Further, we **recently launched a new product “Rural 2-wheeler loans”**(currently in pilot stage) to effectively meet the under-served market.
  - Higher ROA business offering immense growth potential
- Plan to reduce share of **MFI book in overall AUM to ~60% over time**

## Asset Strategy at Arman

Small ticket, granular loans - Ticket size INR 20,000 – 1,50,000

Self-employed / cash-income informal segment customers

High-yield rural focused products – 20%+ yields

Stringent underwriting

Rigorous collections practices – in-house, feet-on-street model

Aim to deliver 3-5% post-tax ROA

# - MSME started in FY17; MSME CAGR is 1yr CAGR (FY18-19)

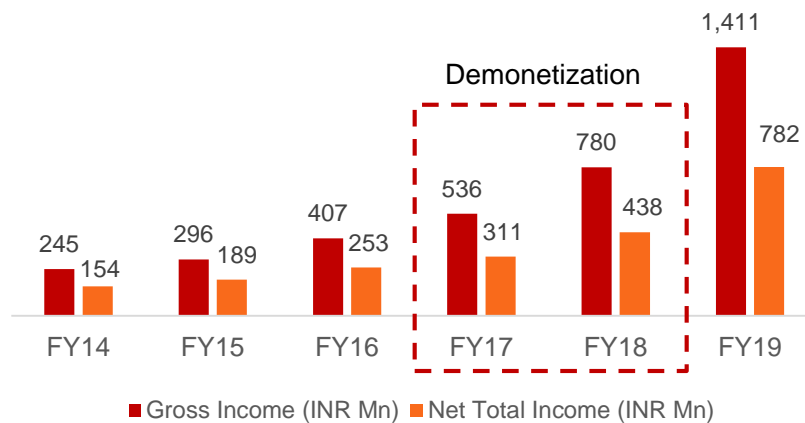
# .....While Maintaining Superior Cost Efficiency & Asset Quality



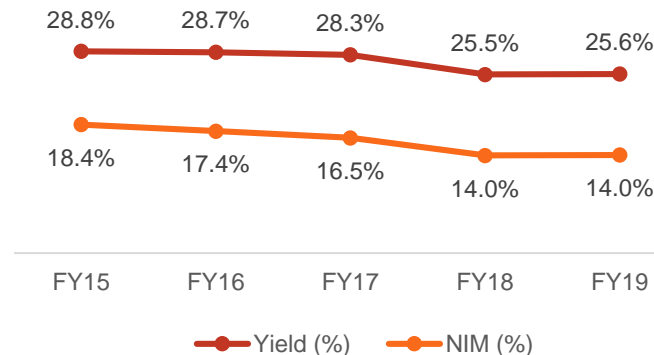
## Gross Income and Net Total Income (INR Mn)

CAGR: 42%

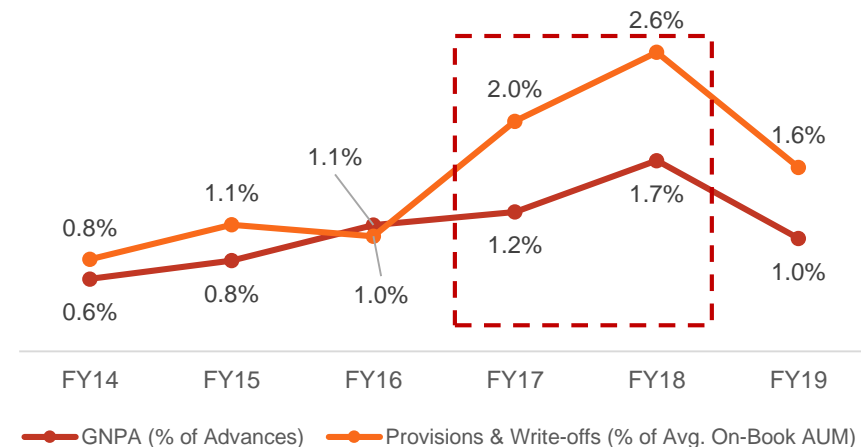
CAGR: 38%



## Yield % and NIM %

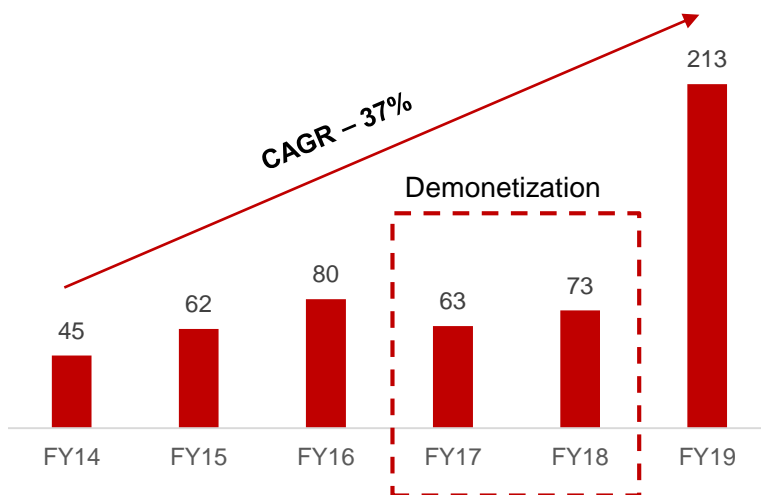


## Focus on risk have led to immaculate through-cycle asset quality

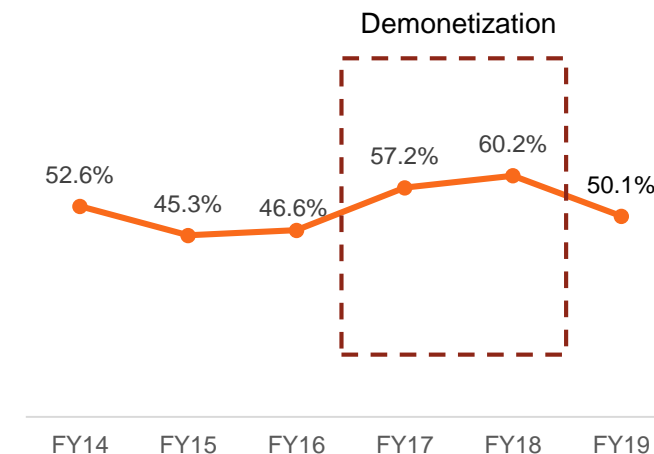


## PAT (INR Mn)

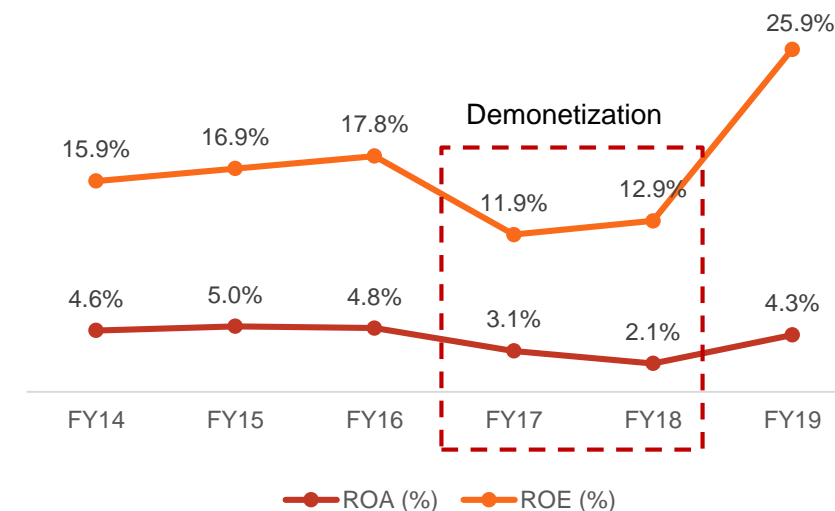
CAGR - 37%



## Cost to Income Ratio %



## Consistently high through cycle ROA / ROE



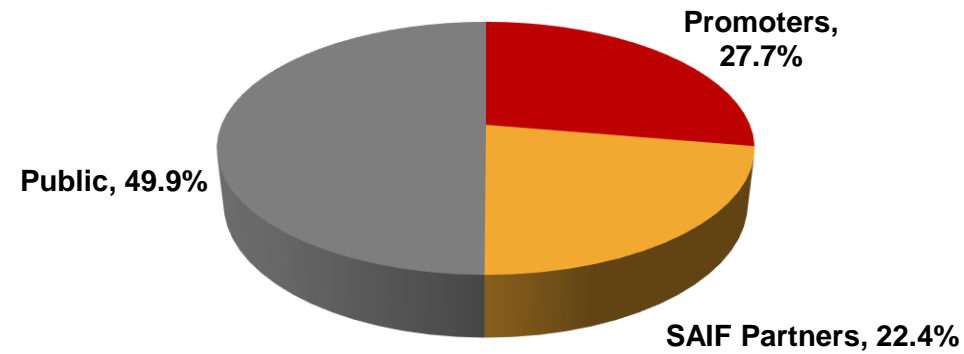
Note: NIM = NII / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM



# Shareholding Pattern



SHAREHOLDING – 31<sup>st</sup> December 2019



Source – Company

- **\*SAIF Partners** invested INR 500 Mn in CCDs in April 2018. Post conversion of CCD's, SAIF Partners stake in the company stands at 22.4%
- **Mr. Mridul Arora, MD at SAIF Partners is a Nominee Director on the Arman Board**





**Arman Financial Services Ltd.**



**MSME LOANS**



**MICROFINANCE**



**TWO WHEELER LOANS**

## Product Overview



## Product Overview

- **JLG model with small ticket loans** (Avg. Ticket Size – INR 26,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- Operations in **6 states; 182 MFI branches; 3.6 lakh live customers**
- Arman MFI operating model –
  - **High touch monthly collection model**
  - **Rural concentration:** ~85% rural & semi-urban portfolio (vs 43% for MFI industry)
  - **Conservative risk framework**
    - 100% Cashless disbursement
    - JLG groups formed by customers themselves
    - Loan utilization checks to ensure loan for income generating purpose
  - **Controlled growth targets** driven by bottom-up projections

## FY19 – Key Metrics (Mn)

<b>4,837</b>	<b>5,896</b>	
AUM (INR Mn)	Disbursement (INR Mn)	
<b>948</b>	<b>150</b>	<b>26,000</b>
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size(INR)

## FY19 – Key Metrics (%)

<b>24.6%</b>	<b>13.2%</b>	<b>3.5%</b>
Yield	NIM	ROA
<b>0.5%</b>	<b>0.5%</b>	<b>25.1%</b>
GNPA	NNPA	ROE

# Product Overview: 2W & Rural 2W Loans



## Product Overview

- Hypothecation (secured) loans given to self-employed / cash-salaried customer in the informal segment in semi-urban / rural areas for a 2W
- Currently operates only in Gujarat; across 70+ dealerships
- **Piloting new Rural 2W product:** Operating in Tier 3-4 & below locations for higher yields; higher ROA business; key growth driver going forward
- Growth levers –
  - Increase in finance penetration
  - Geographical & new product expansion
- Arman 2W & Rural 2W operating model –
  - Focus on **quick turn around time**
  - Excellent **relationships with dealers and OEMs**
  - **In-house feet-on-street** model for **rigorous collections**

## FY19 – Key Metrics (Mn)

**1,017**

AUM (INR Mn)

**1,041**

Disbursement (INR Mn)

**233**

Total Income (INR Mn)

**42,000**

Avg. Ticket Size (INR)

## FY19 – Key Metrics (%)

**24.3%**

Yield

**12.2%**

NIM

**4.0%**

GNPA

**3.7%**

NNPA



# Product Overview: MSME Loans



## Product Overview

- Individual enterprise / working capital loans for small rural businesses in low competition areas
- Currently operates across 3 states – Gujarat, MP & Maharashtra, with 35 branches
- Arman MSME operating model –
  - Dual credit bureau check** for both customer and spouse on CRIF (for MFI loans) and CIBIL (for non-MFI loans)
  - High-touch monthly cash collection model**
  - Cash Flow assessment** using tailored appraisal techniques
  - Locally drawn field force** with personal knowledge of the market
  - In-house teams** for pre-lending field investigations and appraisals, with **centralized final credit approval**
- Highest ROA product at Arman**; focus on growing this business over time
- Focus on quality underwriting & rigorous collections to ensure asset quality

### FY19 – Key Metrics (%)

<b>992</b>	<b>962</b>
AUM (INR Mn)	Disbursement (INR Mn)
<b>236</b>	<b>55,000</b>
Total Income (INR Mn)	Avg. Ticket Size (INR)

### FY19 – Key Metrics (%)

<b>32.5%</b>	<b>20.0%</b>
Yield	NIM
<b>0.03%</b>	<b>0.03%</b>
GNPA	NNPA

## MSME Process Overview

### Sourcing

- In-house sourcing team (No DSAs)
- Feet-on-Street sales team model
- Door-to-door knocking & cold calling
- BTL activities such as pamphlet distribution, stalls at village level gatherings
- Referrals from existing customers

***“Sales team logs-in the case & collects KYC docs”***

### Underwriting

***“Trigger sent to independent credit team for FI”***

- Credit bureau check (CRIF & CIBIL)
- Physical FI & PD by in-house credit manager at residence & work place
- Capacity to Pay** - Use of non-traditional income & expense estimation methodologies
- Willingness to pay** – Reference checks
- Final sanction by centralized credit team

### Collections

***“Door-step cash collection”***

- X-bucket (current) collections to be handled by sales team
- Door-to-door collection allows Company to maintain relations with customer and ensures high collection efficiency
- Monthly collections – High touch, relationship driven model



# Thank You



**Arman Financial Services Ltd.**

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Group – CFO  
Arman Financial Services Ltd  
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**DICKENSON**

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Email : armanfinancial@dickensonworld.com



from ACCESS to INCLUSION

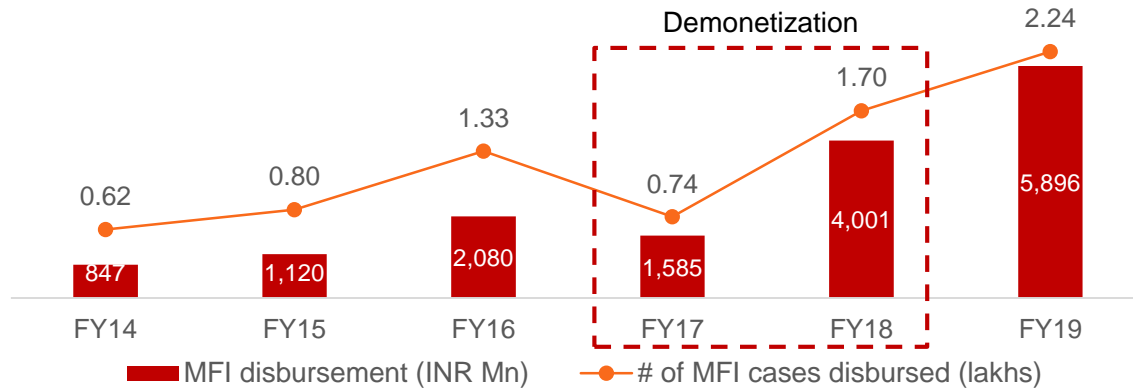
## Annexures



# Microfinance: 5-Year Performance



## Disbursement growth is driven by customer & branch addition

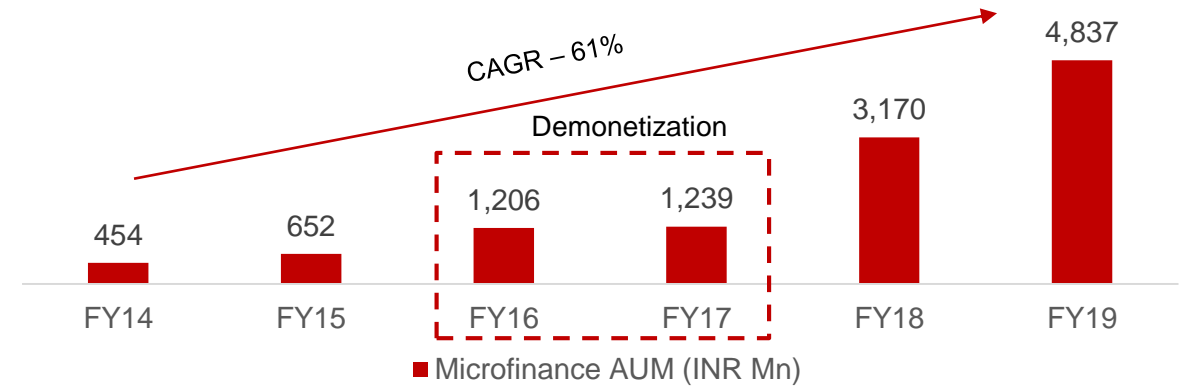


	FY14	FY15	FY16	FY17	FY18	FY19
MFI Branches	29	39	55	80	107	138
Avg. Ticket size (INR)	13,600	13,937	15,583	21,477	23,517	26,358

	Disbursement	Customers	Ticket size
FY14-19 CAGR (%)	47%	32%	15%

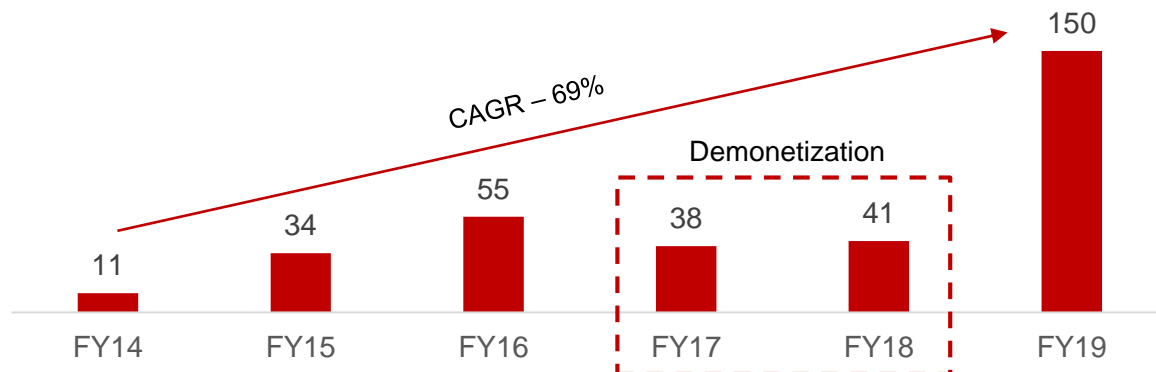
## AUM growth exceeds MFI industry growth rates



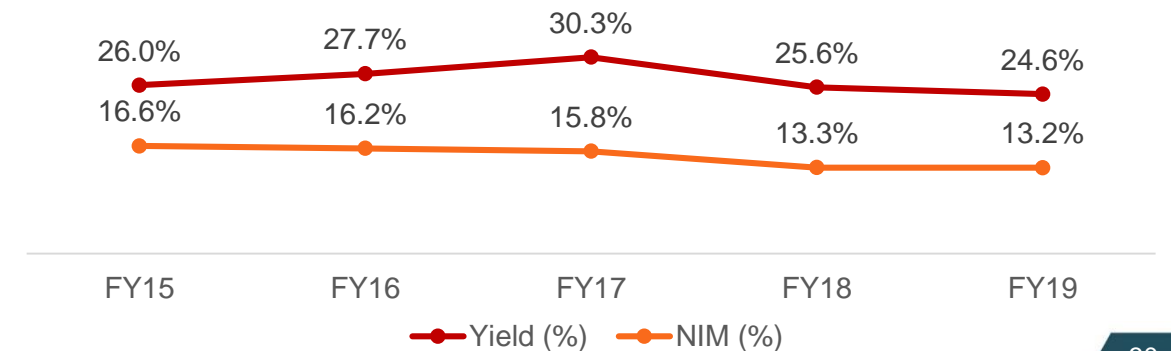
	5yr AUM CAGR (%)	FY19 AUM growth (%)
MFI Industry	33%	32%
Namra (MFI Operations)	61%	51%

\*MFI Industry = NBFC-MFIs + SFBs only. Source - MFIN Micrometer Q4FY19

## PAT (INR Mn)



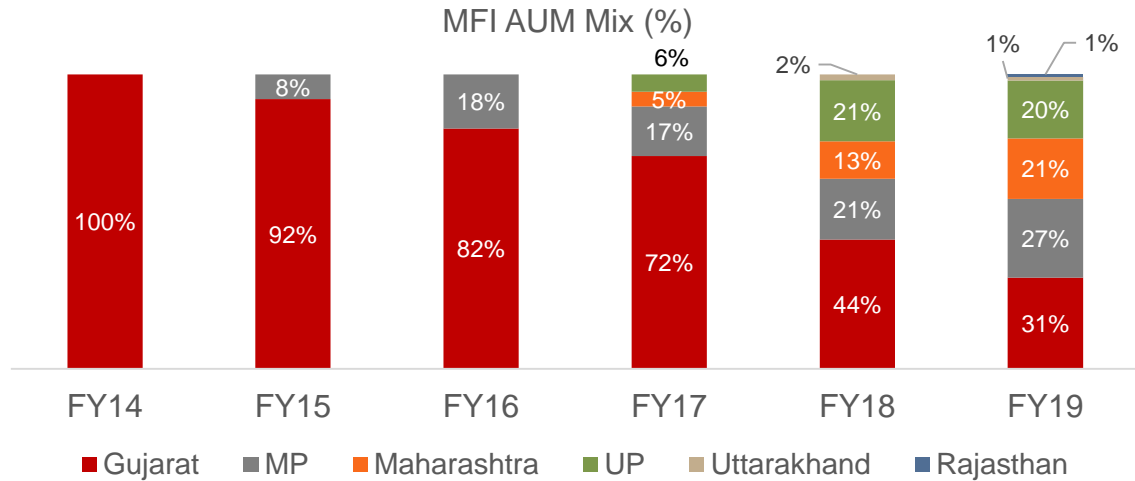
## Yields (%) & NIM (%) Trend



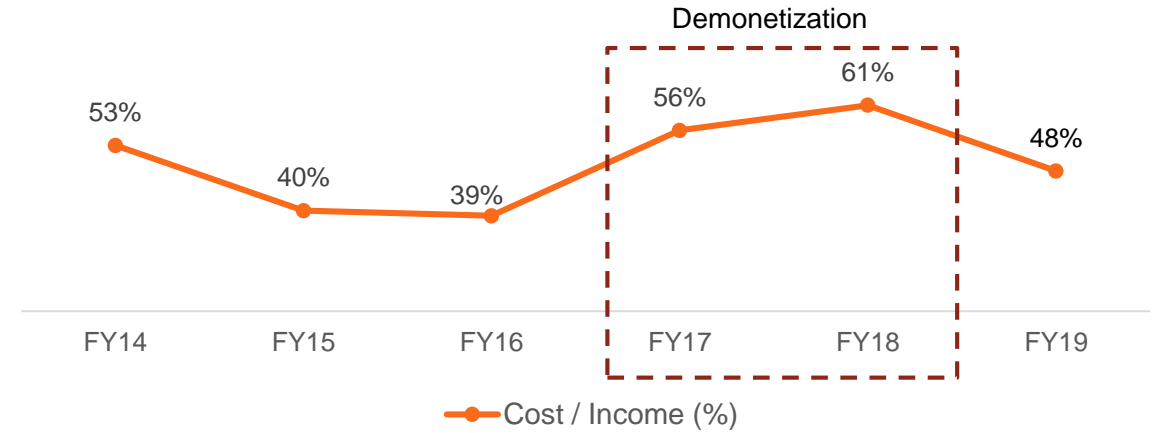
# Microfinance: 5-Year Performance



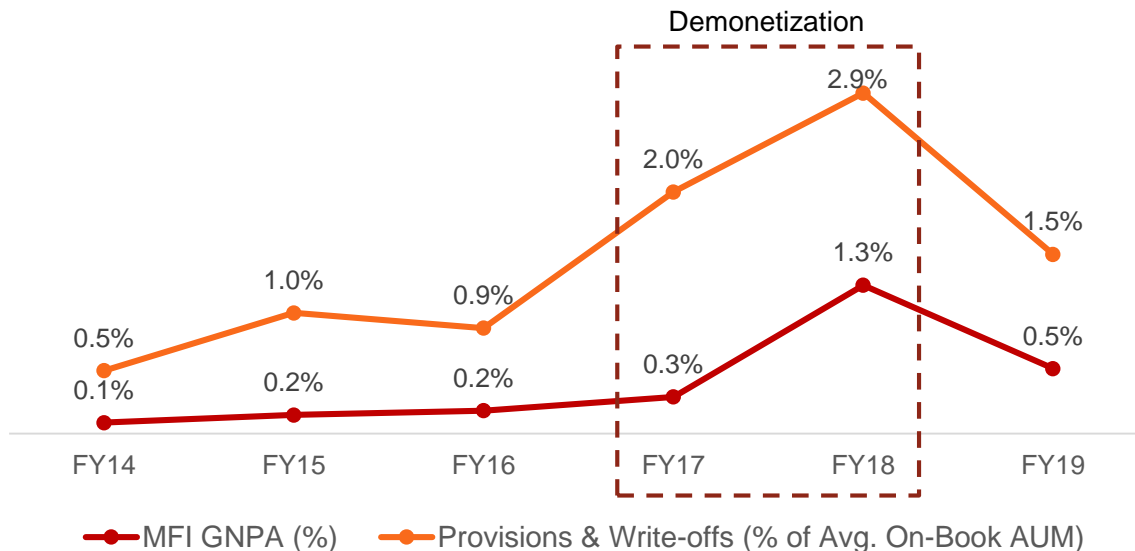
## Well diversified across geographies



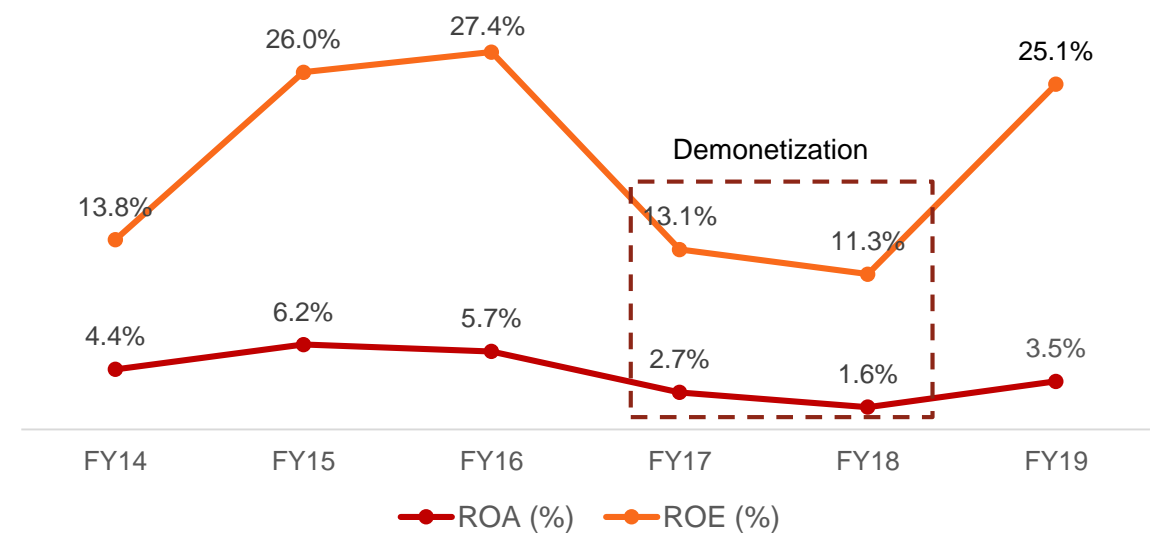
## Maintaining high operational efficiency



## Through cycle asset quality under control



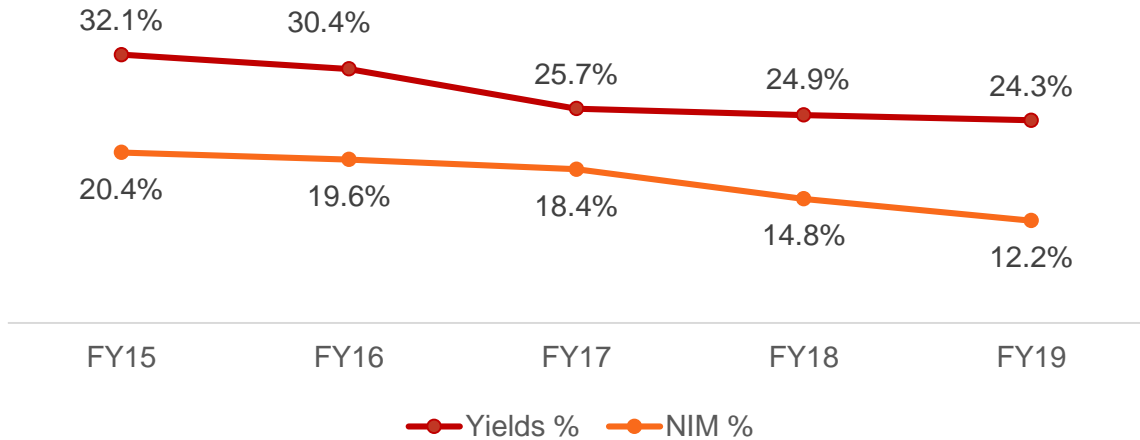
## Sustaining strong ROA (%) & ROE (%)



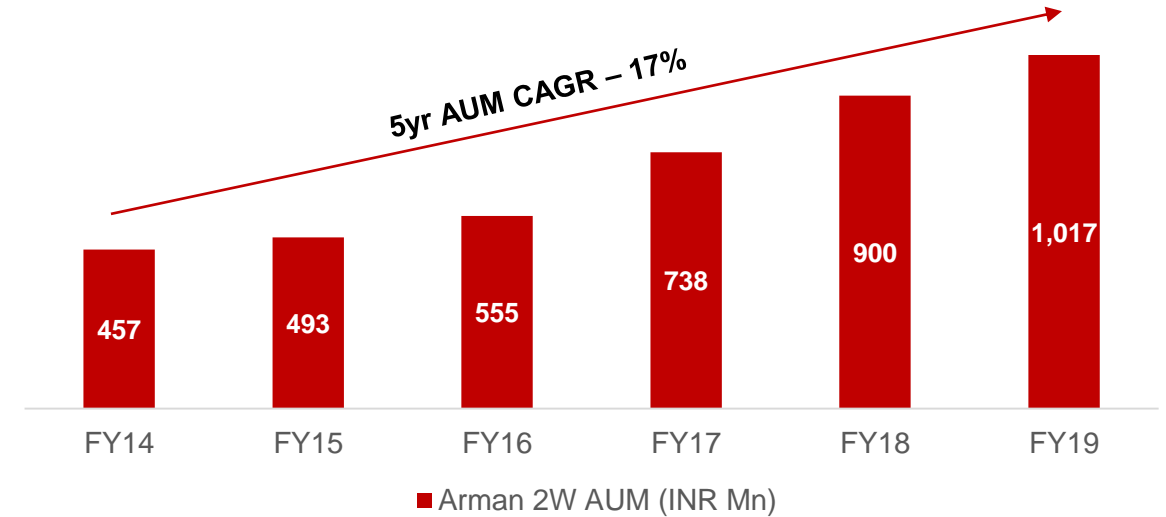
# 2W Loans: 5-Year Performance



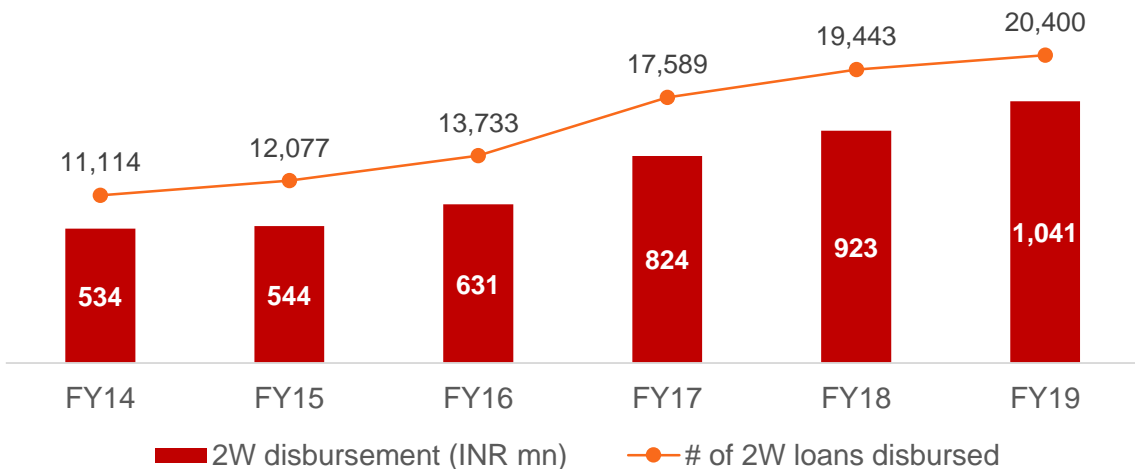
## Yields (%) & NIM (%) Trend



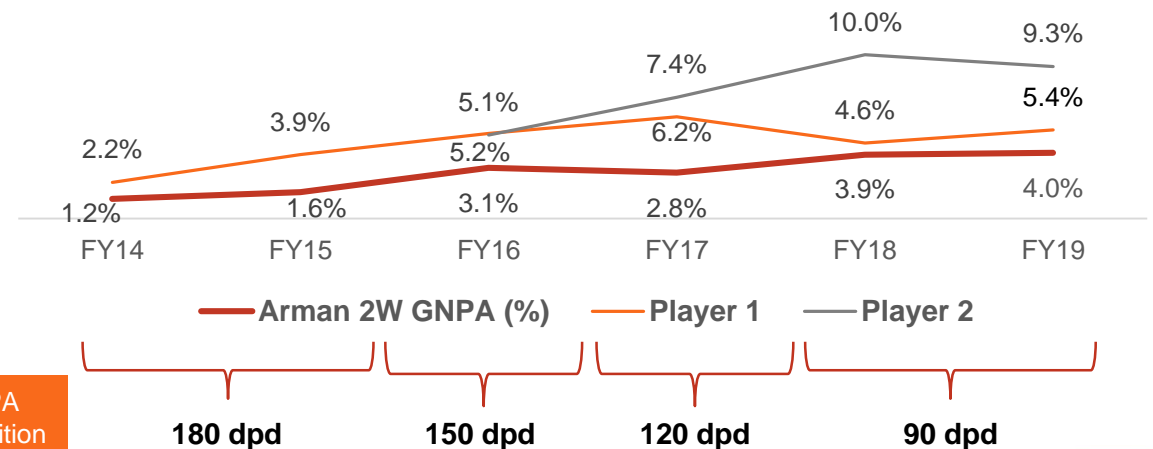
## Arman 2W AUM/ has seen steady growth over FY14-19



## Disbursement growth is driven by increase in 2W volumes



## Collection focus has ensured superior NPA as compared to peers; NPA has inched up because of change in recognition norms

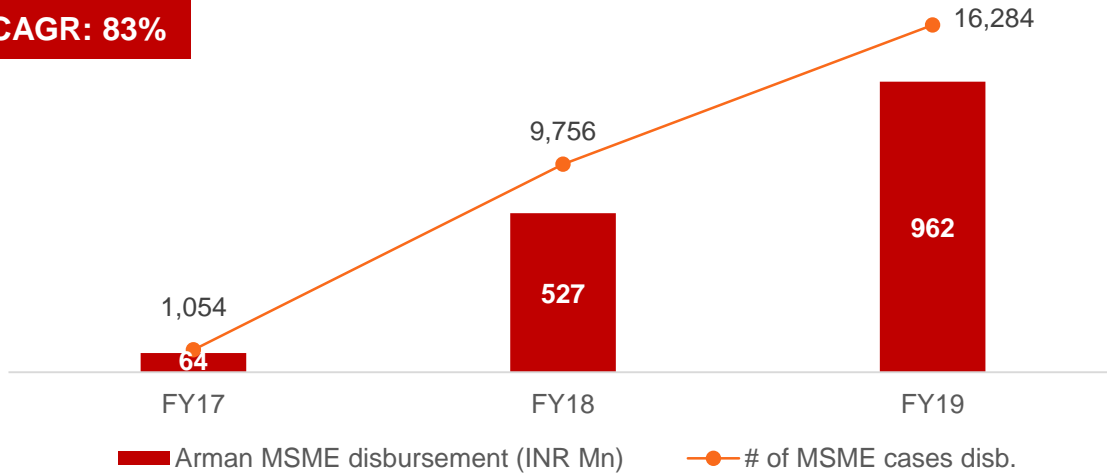


# MSME Loans: 3-Year Performance



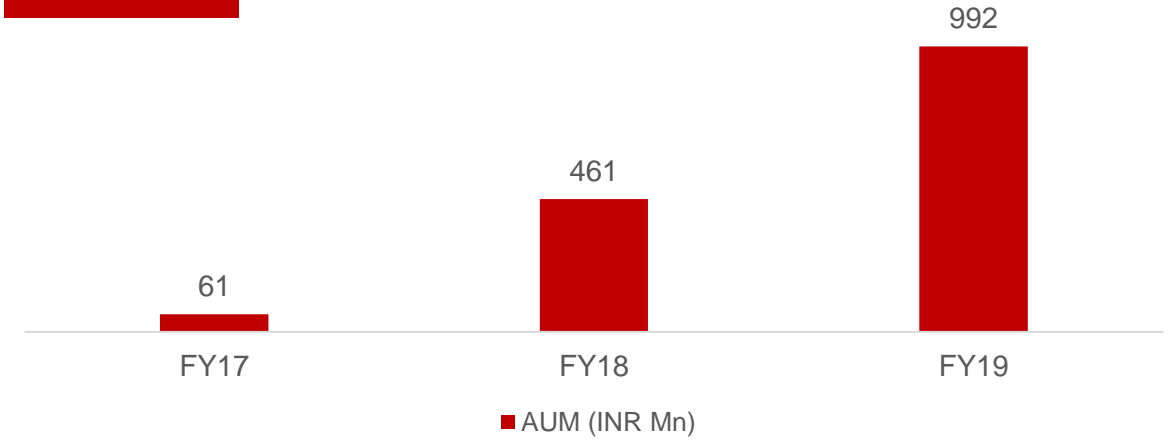
## Disbursement Growth

CAGR: 83%

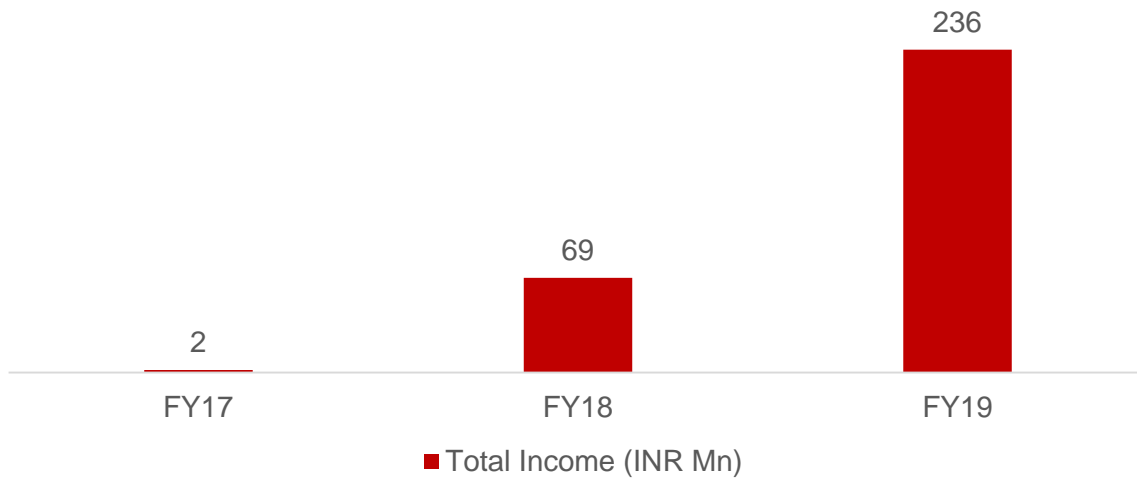


## AUM Growth

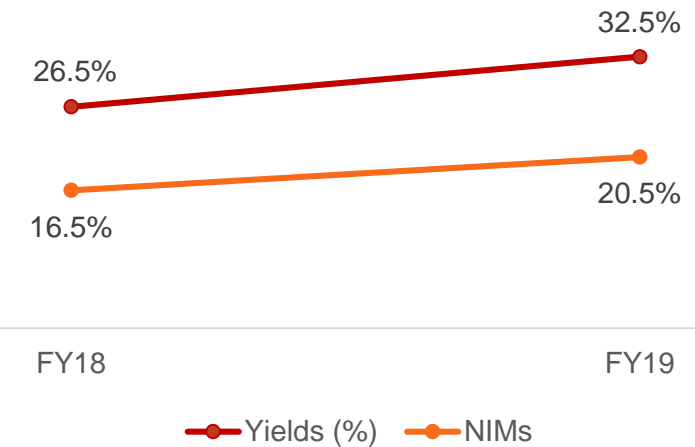
CAGR: 115%



## Total Income Growth



## Yields (%) & NIM (%) Trend





# P&L Statement - Consolidated



Particulars (INR Mn)	FY15	FY16	FY17	FY18	FY19	YoY (%)
<b>Revenue from Operations</b>	<b>296</b>	<b>407</b>	<b>536</b>	<b>780</b>	<b>1,405</b>	<b>80%</b>
Interest income	284	381	497	713	1,313	84%
Other interest income	0	8	22	9	16	78%
Income From Securitization	0	0	0	0	6	
Interest income from Managed Assets	0	0	0	17	7	-59%
Processing fees	11	18	16	40	59	48%
Other charges in respect of loans	1	0	1	1	4	300%
Other Income	0	0	0	0	6	
<b>Total Revenue</b>	<b>296</b>	<b>407</b>	<b>536</b>	<b>780</b>	<b>1,411</b>	<b>81%</b>
Finance Costs	107	154	225	343	628	83%
<b>Net Total Income</b>	<b>189</b>	<b>253</b>	<b>311</b>	<b>437</b>	<b>783</b>	<b>79%</b>
Employee Benefits Expenses	52	63	102	164	264	61%
Depreciation and Amortisation expense	2	2	3	4	5	25%
Other Expenses	31	53	73	96	124	29%
<b>Pre-Provision Operating Profit</b>	<b>104</b>	<b>135</b>	<b>133</b>	<b>174</b>	<b>390</b>	<b>124%</b>
Provision & Write-offs	11	14	34	76	84	11%
<b>Profit before Tax</b>	<b>93</b>	<b>121</b>	<b>99</b>	<b>98</b>	<b>307</b>	<b>213%</b>
Less : Tax expense:	31	41	35	25	93	272%
<b>Profit for the year</b>	<b>62</b>	<b>80</b>	<b>63</b>	<b>73</b>	<b>213</b>	<b>192%</b>
Basic Earnings Per Share of Rs. 10 each	8.89	11.55	8	10.2	30.7	201%
Diluted Earnings Per share of Rs. 10 each	8.89	11.55	8	10.1	28.1	178%

# - MSME started in FY17; MSME CAGR is 1yr CAGR (FY18-19)

# Balance Sheet - Consolidated



Equity & Liabilities	FY15	FY16	FY17	FY18	FY19
Share Capital	69	119	119	69	70
Reserves & Surplus	323	385	441	500	723
<b>Shareholder's Funds</b>	<b>392</b>	<b>505</b>	<b>560</b>	<b>569</b>	<b>792</b>
Long Term Borrowings	223	458	482	2,221	2,534
Long Term Provisions	2	3	3	7	16
<b>Non-Current Liabilities</b>	<b>225</b>	<b>461</b>	<b>484</b>	<b>2,228</b>	<b>2,550</b>
Short-Term Borrowings	416	334	423	498	902
Other Current Liabilities	26	30	41	73	213
Current maturity of long-term borrowings	287	588	615	1,236	2,449
Short Term Provisions	25	35	30	42	80
<b>Current Liabilities</b>	<b>754</b>	<b>987</b>	<b>1,109</b>	<b>1,848</b>	<b>3,644</b>
<b>Total Liabilities</b>	<b>979</b>	<b>1,448</b>	<b>1,593</b>	<b>4,076</b>	<b>6,194</b>
<b>Total Equity + Liabilities</b>	<b>1,372</b>	<b>1,953</b>	<b>2,153</b>	<b>4,645</b>	<b>6,986</b>
Assets	FY15	FY16	FY17	FY18	FY19
Property, Plant & Equipment	16	18	23	26	33
Intangible Assets	0	2	2	2	3
Long Term Investments	0	14	24	27	27
Deferred Tax Assets (Net)	2	4	4	11	18
Long-term Loans and Advances	141	263	269	772	1,547
Other Non-Current Assets	24	68	62	105	179
<b>Non-Current Assets</b>	<b>183</b>	<b>367</b>	<b>384</b>	<b>943</b>	<b>1,806</b>
Trade Receivables	12	20	55	74	64
Cash & Bank Balances	168	107	214	189	506
Short term Loans and Advances	1,009	1,459	1,499	3,436	4,606
Other Current Assets	0	0	0	3	4
<b>Current Assets</b>	<b>1,189</b>	<b>1,585</b>	<b>1,769</b>	<b>3,702</b>	<b>5,180</b>
<b>Total Assets</b>	<b>1,372</b>	<b>1,953</b>	<b>2,153</b>	<b>4,645</b>	<b>6,986</b>

# P&L Statement - Standalone



Particulars (INR Mn)	FY15	FY16	FY17	FY18	FY19	YoY (%)
<b>Revenue from Operations</b>	<b>152</b>	<b>159</b>	<b>166</b>	<b>273</b>	<b>469</b>	<b>72%</b>
Interest income	152	159	165	272	463	70%
Income From Securitization	0	0	0	0	2	
Other charges in respect of loans	1	0	1	1	4	300%
<b>Other Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	
<b>Total Revenue</b>	<b>153</b>	<b>159</b>	<b>166</b>	<b>273</b>	<b>469</b>	<b>72%</b>
Finance Costs	56	57	48	109	203	86%
<b>Net Total Income</b>	<b>97</b>	<b>102</b>	<b>118</b>	<b>164</b>	<b>266</b>	<b>62%</b>
Employee Benefits Expenses	26	26	37	63	98	56%
Depreciation and Amortisation expense	2	1	1	1	1	0%
Other Expenses	21	31	32	29	36	24%
<b>Pre-Provision Operating Profit</b>	<b>48</b>	<b>44</b>	<b>48</b>	<b>71</b>	<b>131</b>	<b>85%</b>
Provision & Write-offs	6	6	10	13	27	108%
<b>Profit before Tax</b>	<b>42</b>	<b>37</b>	<b>38</b>	<b>45</b>	<b>94</b>	<b>109%</b>
Less : Tax expense:	14	12	13	13	31	138%
<b>Profit for the year</b>	<b>28</b>	<b>25</b>	<b>25</b>	<b>32</b>	<b>64</b>	<b>100%</b>
Basic Earnings Per Share of Rs. 10 each	4	3.6	3.6	4.6	9.2	100%
Diluted Earnings Per share of Rs. 10 each	4	3.6	3.6	4.6	9.1	98%

# Balance Sheet - Standalone



Equity & Liabilities	FY15	FY16	FY17	FY18	FY19
Share Capital	69	69	69	69	70
Reserves & Surplus	274	287	313	333	406
<b>Shareholder's Funds</b>	<b>343</b>	<b>357</b>	<b>382</b>	<b>402</b>	<b>476</b>
Long Term Borrowings	74	16	0	283	676
Long Term Provisions	1	1	1	3	6
<b>Non-Current Liabilities</b>	<b>75</b>	<b>17</b>	<b>1</b>	<b>286</b>	<b>682</b>
Short-Term Borrowings	317	306	352	496	855
Other Current Liabilities	8	9	29	35	104
Current maturity of long-term borrowings	92	59	114	234	410
Short Term Provisions	12	15	4	7	8
<b>Current Liabilities</b>	<b>429</b>	<b>388</b>	<b>500</b>	<b>772</b>	<b>1,377</b>
<b>Total Liabilities</b>	<b>505</b>	<b>406</b>	<b>501</b>	<b>1,058</b>	<b>2,060</b>
<b>Total Equity + Liabilities</b>	<b>848</b>	<b>762</b>	<b>883</b>	<b>1,460</b>	<b>2,535</b>
Assets	FY15	FY16	FY17	FY18	FY19
Property, Plant & Equipment	15	16	14	14	8
Intangible Assets	0	1	1	0.4	0.2
Long Term Investments	100	104	154	224	482
Deferred Tax Assets (Net)	0	0	0	2	3
Long-term Loans and Advances	140	130	176	445	774
Other Non-Current Assets	10	13	28	34	5
<b>Non-Current Assets</b>	<b>265</b>	<b>264</b>	<b>373</b>	<b>719</b>	<b>1,272</b>
Trade Receivables	11	16	21	32	31
Cash & Bank Balances	121	24	5	34	115
Short term Loans and Advances	451	458	484	673	1,115
Other Current Assets	0	0	0	2	2
<b>Current Assets</b>	<b>583</b>	<b>498</b>	<b>510</b>	<b>741</b>	<b>1,263</b>
<b>Total Assets</b>	<b>848</b>	<b>762</b>	<b>883</b>	<b>1,460</b>	<b>2,535</b>



# P&L Statement - Namra (NBFC-MFI Subsidiary)



Particulars (INR Mn)	FY15	FY16	FY17	FY18	FY19	YoY (%)
<b>Revenue from Operations</b>	<b>144</b>	<b>257</b>	<b>370</b>	<b>527</b>	<b>948</b>	<b>80%</b>
Interest income	132	203	329	441	850	93%
Other interest income	0	4	15	21	14	-33%
Income From Securitization	0	0	0	0	4	
Interest income from Managed Assets	0	28	3	17	7	-59%
Processing fees	11	18	16	40	59	48%
Other charges in respect of loans	0	4	7	8	14	75%
Other Income	0	0	0	0	5	
<b>Total Revenue</b>	<b>144</b>	<b>257</b>	<b>370</b>	<b>527</b>	<b>953</b>	<b>81%</b>
Finance Costs	52	107	177	254	437	72%
<b>Net Total Income</b>	<b>92</b>	<b>150</b>	<b>193</b>	<b>273</b>	<b>516</b>	<b>89%</b>
Employee Benefits Expenses	27	36	65	101	166	64%
Depreciation and Amortisation expense	0	0	2	3	4	33%
Other Expenses	10	22	41	54	77	43%
<b>Pre-Provision Operating Profit</b>	<b>50</b>	<b>84</b>	<b>61</b>	<b>115</b>	<b>269</b>	<b>310%</b>
Provision & Write-offs	5	8	24	63	56	-11%
<b>Profit before Tax</b>	<b>50</b>	<b>84</b>	<b>61</b>	<b>53</b>	<b>212</b>	<b>300%</b>
Less : Tax expense:	17	29	23	12	63	425%
<b>Profit for the year</b>	<b>34</b>	<b>55</b>	<b>38</b>	<b>41</b>	<b>150</b>	<b>266%</b>
Basic Earnings Per Share of Rs. 10 each	3.4	5.5	2.6	2.9	7	141%
Diluted Earnings Per share of Rs. 10 each	3.4	5.5	2.6	2.9	7	141%

# Balance Sheet - Namra (NBFC-MFI Subsidiary)



Equity & Liabilities	FY15	FY16	FY17	FY18	FY19
Share Capital	100	154	174	152	242
Reserves & Surplus	49	98	159	239	557
<b>Shareholder's Funds</b>	<b>149</b>	<b>252</b>	<b>333</b>	<b>391</b>	<b>799</b>
Long Term Borrowings	149	441	482	1,938	1,858
Long Term Provisions	0	2	1	4	10
<b>Non-Current Liabilities</b>	<b>150</b>	<b>443</b>	<b>483</b>	<b>1,942</b>	<b>1,868</b>
Short-Term Borrowings	99	28	70	59	48
Other Current Liabilities	24	24	26	38	119
Current maturity of long term borrowings	201	530	598	1,002	2,039
Short Term Provisions	13	23	24	46	76
<b>Current Liabilities</b>	<b>339</b>	<b>605</b>	<b>719</b>	<b>1,145</b>	<b>2,282</b>
<b>Total Liabilities</b>	<b>488</b>	<b>1,048</b>	<b>1,202</b>	<b>3,086</b>	<b>4,149</b>
<b>Total Equity + Liabilities</b>	<b>637</b>	<b>1,301</b>	<b>1,534</b>	<b>3,478</b>	<b>4,948</b>
Assets	FY15	FY16	FY17	FY18	FY19
Property, Plant & Equipment	1	2	9	12	25
Intangible Assets	0	1	1	2	2
Long Term Investments	0	14	24	27	27
Deferred Tax Assets (Net)	2	3	4	9	14
Long-term Loans and Advances	1	136	92	337	779
Other Non-Current Assets	14	55	34	71	174
<b>Non-Current Assets</b>	<b>18</b>	<b>211</b>	<b>164</b>	<b>459</b>	<b>1,021</b>
Trade Receivables	1	3	34	43	32
Cash & Bank Balances	47	83	209	154	391
Short term Loans and Advances	571	1,004	1,126	2,821	3,501
Other Current Assets	0	0	0	1	2
<b>Current Assets</b>	<b>619</b>	<b>1,090</b>	<b>1,370</b>	<b>3,019</b>	<b>3,927</b>
<b>Total Assets</b>	<b>637</b>	<b>1,301</b>	<b>1,534</b>	<b>3,478</b>	<b>4,948</b>