



## Arman Financial Services Limited

501-504 SAKAR III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD, GUJARAT - 380014, INDIA  
PHONE : +91-79-40507000 E-MAIL : [finance@armanindia.com](mailto:finance@armanindia.com). WEBSITE : <https://armanindia.com>

Date: February 11, 2019

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 Complx, Bandra, Mumbai- 400051
<b>Script Code: 531179</b> <b>ISIN: INE109C01017</b>	<b>Symbol: ARMANFIN</b> <b>Series: EQ</b>

Dear Sir,

### SUB: PRESENTATION FOR ANALYST / INVESTOR CONFERENCE

In continuation with our previous letter dated February 11, 2019 and Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, we hereby submit Company Presentation for the investor conference to be held at Mumbai on February 12, 2019.

Kindly take it on your record.

Thanking you,

Yours faithfully,

**For, Arman Financial Services Limited**

Aalok Patel  
Executive Director  
(DIN: 02482747)





## ***Company Presentation***



# About Us

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- Arman Financial Services Ltd is a leading Gujarat based NBFC rapidly expanding from a regional to a national player. Incorporated on 26th November, 1992.
- Listed on Bombay Stock Exchange & National Stock Exchange. Initial Public Offering (IPO) on September 27, 1995.
- Operates in Microfinance, 2 wheeler lending, and Micro-Enterprise Loans (Microfinance segment through 100% subsidiary Namra Finance Ltd.)
- Operations in 6 States Gujarat, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand & Rajasthan .
- Investment Grade Rating of **BBB+** and **MFI-2 +** Grading
- Team of over 1400 people. Current AUM Rs. 575 Cr. (Nov 18)



# Current Products



- **Microfinance**

- Classic JLG model. 85% Rural/Semi-Rural
- AUM ~ Rs. 406 Cr
- Average ticket size Rs. 24000
- Current Rate 24.50% + 1% Processing Fee
- Operations in 6 states, 137 branches
- Average Tenure 18 months
- 100% cash-less disbursement
- 15% Bi-weekly, 85% Monthly; door-step cash collections

- **Two-wheeler**

- Dealer based originations
- AUM ~ Rs. 102 Cr
- Average ticket size Rs. 45000
- IRR 21% - 24%.
- Operations mainly in Gujarat, 5

branches/55 dealer tie-ups

- Average Tenure 22 months
- 100% cash-less disbursement
- Monthly ECS/NACH collections

- **Micro-Enterprise (MSME)**

- New product. Introduced in March
- Rural individual enterprise loans
- AUM ~ Rs. 78 Cr
- Average ticket size Rs. 60000
- Current Rate 28% + 2% Processing Fee
- Operations in 2 states, 22 branches
- Average Tenure 23 months
- 100% cash-less disbursement
- Monthly door-step cash collection

# Financial Highlights (Actual & Estimates)



Financial Summary (Consolidated, Rs. Cr)	FY17A	FY18A	FY19 (9 Months)	FY19E	FY20E
Operational Income	54	80	100	138	195
PBT	10	9.80	23	27	41
PAT	6	7.30	16	19	27
Disbursements					
Microfinance	159	400	424	600	900
2-Wheeler	77	87	80	100	115
MSME	6	53	64	100	200
TOTAL	242	540	568	800	1215
Portfolio Mix (Rs. Cr)					
Microfinance	112	287	406	450	665
Two-Wheeler Finance	74	90	102	100	115
Micro-Enterprise (MSME)	6	46	78	100	175
Total	192	423	586	650	955

# Asset Quality – PAR : 31 Dec 2018



	NAMRA (MICRO)		AMRAN (TW & MSME)		Consolidated	
Bucket	Amt (Cr)	%age	Amt (Cr)	%age	Amt (Cr)	%age
>30 Days	3.34	0.82%	7.26	4.04%	10.60	1.81%
> 60 Days	2.72	0.67%	5.62	3.13%	8.34	1.42%
➤90 Days (NPA)	2.17	0.53%	4.20	2.34%	6.37	1.09%
➤180 Days	1.58	0.39%	2.34	1.31%	3.92	0.67%

## Provisioning

- NAMRA provisioning is as per RBI regulations – currently 1% of Standard assets
- ARMAN
  - 0.40% on Standard asset,
  - 10% on NPAs -90 to 365 days &
  - 30% over 365 days

# Branch Network (existing)



<b>Dec-2018</b>	<u>Gujarat</u>	<u>M P/ Rajasthan</u>	<u>U P/ Uttrakhand</u>	<u>Maharashtra</u>	<u>Total</u>
Microfinance	38	34	42	23	137
MSME	17	5			22
Two-Wheeler *	5				6
<b>Total</b>	<b>51</b>	<b>39</b>	<b>26</b>	<b>13</b>	<b>165</b>

- Two Wheeler origination is typically done from the dealerships, which we have a network of 55 dealers. Arman's branches are essentially back offices.
- Recently started 4 branches in Rajasthan which are an extension of MP operations

# Branch Network (Expansion FY 19-20)



Microfinance	<u>Gujarat</u>	<u>MP</u>	<u>Rajasthan</u>	<u>U P/ Uttrakhand</u>	<u>Maharashtra</u>	<u>Total</u>
Existing	38	31	2	42	23	136
Additions 2019-20	5	10	10	10	10	45
Total	43	36	12	52	33	181
Average Disbursement per Branch : 45-50 Lac pm						

MSME	<u>Gujarat</u>	<u>M P/ Rajasthan</u>	<u>Total</u>
Existing	17	5	22
Additions 2019-20	5	10	15
Total	22	15	37
Average Disbursement per Branch : 50 Lac pm			

Expansion Plan	Q1	Q2	Q3	Q4	total
Microfinance	20	15	6	4	45
MSME	7	4	2	2	15
	27	14	8	6	60

# Recent Developments

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- Company expanded into Maharashtra and UP in the last 2 year, Further added Rajasthan in the current year
- Company Raised Rs. 15 Cr Sub-Debt in 2017-18
- Namra issued INR 33.3 Cr of listed NCDs in August 2016 to a foreign debt fund
- Capital Infusion of INR 50 Cr by SAIF Partners in April 2018
- Arman issued INR 27.50cr NCD in September 2018
- Received refinance facility of INR 35 Cr from NABARD in January-2019
- Successfully raised funds through Multi Origination Securitization (MOSEC) from Kotak Mahindra Bank in February -19
- Successfully added new lending partners Q on Q post demonetization
- Has moved to cashless disbursements across all segments for past 9 months
- Acquired a license for new ERP software, E-FIMO, for the Microfinance Division. Implementation expected to be completed by March 2019.
- Faced negligible impact in borrowing in Q3 FY19 during the liquidity crisis. Positive ALM.

# 1000 Crores...



- Setting up infrastructure to reach Rs. 1000 crores in the next 12 months. Key Challenges.
  - Funding
    - Adding more Banks and Financial Institutions
    - Reducing cost of borrowing to remain competitive.
  - Risk Management
    - Internal
      - Ramping up HR and technology to minimize leakages. Moving towards cashless disbursements & collections
      - Centralized sanctioning authority for all products.
      - Hiring a lot of talent to oversee smooth operations. Issuing ESOPs to inspire ownership
    - External
      - Strong policy of internal promotions
      - Political risk represents a significant portion of the overall risk for Rural Financing. Interest rate politically sensitive.
      - Diversifying product line and diversifying geographies. Lower exposure to direct agri.
      - Financial inclusion has central government support. Strong association with MFIN & strong ties with the industry.
      - Staying out of the lime light.

# 1000 Crores...

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- Technology
  - Moving towards new ERP system with mobile based support
  - Geo-location based tracking and controls over staff. Efficient route planning
  - Ensuring 99.9% server uptime after new ERP system by moving to Cloud (Microsoft Azure). Using website and social media positively.
- Strategy
  - Higher competition from Banks, SFBs, NBFCs, MFIs, etc.
  - Consolidating our position as strong regional player in Two-Wheeler in Gujarat
  - Ramping up MSME division and adding higher ticket LAP Loans
  - Recruiting and setting up Micro-Housing Model
- Operations
  - Offsetting trend of higher HR costs. Working to reduce overall operating costs
  - Hiring and retaining good talent
  - Stronger back office needed. Infrastructure issues in Rural areas (roads, electricity, etc.)