



## Arman Financial Services Limited

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Date: July 2, 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
<b>Script Code: 531179</b> <b>ISIN: INE109C01017</b>	<b>Symbol: ARMANFIN</b> <b>Series: EQ</b>

Dear Sir,

### **SUB: PRESENTATION ON FINANCIAL PERFORMANCE**

Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and our previous letter dated June 29, 2020 vide which the Company has published the standalone / consolidated financial results for the quarter / year ended on March 31, 2020, 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.

Q4 FY20 - Investor Presentation  
July 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 - Q4 & FY20

# Q4 & FY20 - Financial Performance Highlights



Total AUM increased by 26% YoY to INR 8,599 Mn (Q4 FY19 AUM: INR 6,848 Mn)  
*Adjusted for the lower new loan booking of INR 750-800 Mn due to Covid, the FY20 AUM would have grown by 35-40% YoY*



Total Disbursements Grew by 4% YoY to INR 2,292 Mn in Q4 FY20; and 12% YoY to INR 8,736 Mn in FY20  
*Adjusted for the lower disbursements due to Covid, disbursements growth in Q4 FY20 would have been ~40% YoY, and 21% YoY in FY20*



Shareholders Equity Stood at INR 1,722 Mn in Q4 FY20 (BVPS is INR 204)



Net Total Income increased by 36% YoY to INR 307 Mn in Q4 FY20; and 57% YoY to INR 1,276 Mn in FY20



Total PPOp increased by 34% YoY to INR 149 Mn in Q4 FY20; and 73% YoY to INR 738 Mn in FY20



Q4 FY20 PAT declined to INR 38 Mn in Q4 FY20. However, for the full year FY20, PAT recorded strong growth of 57% YoY to INR 415 MN  
*Adjusted for the contingent provision created for the Covid, Profit After Tax would have stood at INR 105 Mn (+46% YoY) in Q4 FY20 ; and INR 482 Mn (+82% YoY) for the full-year FY20*

# Impact of Covid-19 Pandemic on the Operations - (1/2)



## Impact on Assets under Management and Disbursements

All Figures in INR Mn	AUM Impact - Segment Wise					Disbursement Impact - Segment Wise									
	Q4 FY20 vs. Q4 FY19					Q4 FY20 vs. Q4 FY19					Full-Year FY20 vs. FY19				
Business Segment	Q4 FY19	Q4 FY20 (Reported)	(COVID Impact)	COVID Adjusted	YOY % (Adjusted)	Q4 FY19	Q4 FY20 (Reported)	(COVID Impact)	COVID Adjusted	YOY % (Adjusted)	FY19	FY20 (Reported)	(COVID Impact)	COVID Adjusted	YOY % (Adjusted)
<b>Consolidated</b>	<b>6,848</b>	<b>8,599</b>	<b>800</b>	<b>9,399</b>	<b>37.3%</b>	<b>2,205</b>	<b>2,292</b>	<b>800</b>	<b>3,092</b>	<b>40.2%</b>	<b>7,836</b>	<b>8,736</b>	<b>800</b>	<b>9,536</b>	<b>21.7%</b>
Microfinance	4,838	6,215	530	6,745	39.4%	1,657	1,802	530	2,332	40.7%	5,896	6,531	530	7,061	19.8%
MSME	992	1,433	200	1,633	64.6%	335	333	200	533	59.1%	978	1,362	200	1,562	59.7%
2W	1,017	951	70	1,021	0.4%	213	157	70	227	6.5%	962	843	70	913	-5.1%

## Impact on Loan Losses & Provisions, and Profitability

All Figures in INR Mn	Q4 FY20					Full-Year FY20				
	Reported PAT	Contingent Provisioning (COVID)	COVID Adjusted PAT	Adjusted ROAA %	Adjusted ROE*	Reported PAT	Contingent Provisioning (COVID)	COVID Adjusted PAT	Adjusted ROAA %	Adjusted ROE*
Consolidated	38	67	105	5.0%	24.7%	415	67	482	6.2%	32.6%
Microfinance	21	45	66	4.4%	23.4%	252	45	297	5.4%	30.9%
Standalone	22	22	44	7.4%	30.4%	182	22	204	9.3%	39.7%

**Note:** Standalone figures include MSME & 2W Business Segments

### Update on Operations

- Following the announcement of lockdown on 25<sup>th</sup> March, Arman had temporarily closed down all its Branches and the HO. Centre meetings and door-step collections were suspended. The company commenced gradual re-opening of the branches in a phased manner from May onwards. **As of today, almost all of our branches are fully operational, with a few of them operating from different locations as they were originally located in containment zones.**

### Update on Liquidity

- Sufficient reserves to cover 1) necessary operational expenses for the next 6 months, and 2) other immediate liabilities. The company received moratorium from most of its lenders in April & May 2020
- Liquidity position has improved substantially in June driven by the pick-up in collections, and incremental debt capital raised since lockdown. As a result, for the month of June, the company has repaid all the obligations that were due and not applied for any moratorium.**
- Successfully raised INR 1,600 Mn in Q4 FY20, and INR 750 Mn since the lockdown to bolster liquidity. Funds raised since lockdown are at a lower rate than blended cost of funds



## Update on Collections

### □ MSME & MFI:

- In-line with the broader microfinance industry, and as advised by SRO bodies like MFIN and Sa-Dhan, Arman had extended moratorium to almost all of its MFI and MSME customers for the months of April & May 2020. Further, government restrictions and multiple on-ground challenges also prevented the field officers from physically meeting and collecting cash from customers during this period.
- However, throughout this period, the company's field officers remained in regular touch with the customers (via phone calls) – 'to enquire about their safety, understanding of the situation on the ground, and assessing the income impact.
- ***The company resumed has collections from 1<sup>st</sup> June onwards, and so far, response has been very satisfactory, as a majority of the MFI & MSME customers have repaid their dues for the month of June. Repayments rates against June dues closed at ~59% for the MFI segment and 85% for the MSME segment (see the table below for details)***

### □ 2-Wheeler

- In the 2W segment, as the collections are received in the electronic form via "NACH/Direct Debit", the company continued to accept collections in April & May, granting moratorium to only the customers that specifically requested for it. In April & May, the bounce rates were 45-50% compared to the normalized level of 15-20%
- ***In June, collection levels have seen a material improvement driven by unlocking of the economy. Repayments rates against June dues closed at ~95% for the 2W segment (see the table below for details)***

□ ***It is a positive sign that a majority of our customers are willing to repay even though the RBI has extended the moratorium period until 31st August***

□ ***"Overall, the collection efficiency to improve substantially over the next 2-3 months as the unlocking of economy gains pace, restrictions are further relaxed, and the RBI's moratorium period comes to an end in August"***

## Collection Efficiency % for June 2020

Business Segment	Demand (Jun'20)	Amount Collected (Jun'20)	Repayment Rate % (Jun'20)
Microfinance	672	393	59%
MSME	140	119	85%
Two-wheeler	72	68	95%
<b>Total</b>	<b>883</b>	<b>580</b>	<b>66%</b>

Note: All the amounts are in INR Mn



# Q4 & FY20 - Consolidated Profit & Loss Statement



## As per IND-AS

Particulars (INR Mn)	Q4 FY20	Q4 FY19	YoY (%)	FY20	FY19	YoY (%)
<b>Assets Under Management (AUM)</b>	<b>8,599</b>	<b>6,848</b>	<b>26%</b>	<b>8,599</b>	<b>6,848</b>	<b>26%</b>
<b>Disbursements</b>	<b>2,292</b>	<b>2,205</b>	<b>4%</b>	<b>8,736</b>	<b>7,836</b>	<b>12%</b>
<b>Shareholder's Equity *</b>	<b>1,722</b>	<b>1,232</b>	<b>40%</b>	<b>1,722</b>	<b>1,232</b>	<b>40%</b>
Income from Operations	548.2	408.1	34%	2,115.1	1,389.1	52%
Other Income	7.3	5.2	41%	36.4	6.7	442%
<b>Gross Total Income</b>	<b>555.5</b>	<b>413.3</b>	<b>34%</b>	<b>2,151.5</b>	<b>1,395.8</b>	<b>54%</b>
Finance Costs	248.9	188.1	32%	875.9	583.4	50%
<b>Net Total Income (NTI)</b>	<b>306.6</b>	<b>225.2</b>	<b>36%</b>	<b>1,275.5</b>	<b>812.5</b>	<b>57%</b>
Employee Benefits Expenses	106.3	72.2	47%	364.6	256.4	42%
Depreciation and Amortisation	2.1	1.1	90%	8.0	4.8	65%
Other Expenses	49.4	41.0	20%	165.1	123.8	33%
<b>Pre-Provision Operating Profit</b>	<b>148.9</b>	<b>110.9</b>	<b>34%</b>	<b>737.8</b>	<b>427.4</b>	<b>73%</b>
Regular Provisions & Write-offs *	52.5	24.1	118%	133.3	65.1	105%
Additional Covid-Specific Provision	66.8	-	-	66.8	-	-
<b>Profit Before Tax</b>	<b>29.6</b>	<b>86.8</b>	<b>(66%)</b>	<b>537.8</b>	<b>362.3</b>	<b>48%</b>
<b>Profit After tax</b>	<b>38.1</b>	<b>71.8</b>	<b>(47%)</b>	<b>415.2</b>	<b>264.3</b>	<b>57%</b>
<b>Profit After tax (Adjusted for Covid Provision)</b>	<b>104.9</b>	<b>71.8</b>	<b>46%</b>	<b>482.0</b>	<b>264.3</b>	<b>82%</b>
<b>GNPA %</b>	<b>1.1%</b>	<b>1.0%</b>	<b>6 bps</b>	<b>1.1%</b>	<b>1.0%</b>	<b>6 bps</b>
<b>NNPA %</b>	<b>0.2%</b>	<b>0.5%</b>	<b>(28 bps)</b>	<b>0.2%</b>	<b>0.5%</b>	<b>(28 bps)</b>
<b>Return on Avg. AUM %</b>	<b>1.8%</b>	<b>4.5%</b>	<b>(272 bps)</b>	<b>5.4%</b>	<b>4.6%</b>	<b>73 bps</b>
<b>Return on Avg. Equity % #</b>	<b>8.9%</b>	<b>23.8%</b>	<b>(1487 bps)</b>	<b>28.1%</b>	<b>29.8%</b>	<b>(161 bps)</b>

**Note:**

- \* Provisioning & Write-offs include aggressive INR 39 Mn of write-offs for Pre-Covid NPAs during Q4 FY20
- # 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

# Q4 & FY20 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q4 FY20	Q4 FY19	YoY (%)	FY20	FY19	YoY (%)
<b>Asset Under Management</b>	<b>6,215</b>	<b>4,838</b>	<b>28%</b>	<b>6,215</b>	<b>4,838</b>	<b>28%</b>
<b>Disbursements</b>	<b>1,802</b>	<b>1,657</b>	<b>9%</b>	<b>6,531</b>	<b>5,896</b>	<b>11%</b>
Income from Operations	385.5	273.3	41%	1,458.5	934.8	56%
Other Income	4.6	5.0	-7%	25.6	5.0	417%
<b>Gross Total Income</b>	<b>390.1</b>	<b>278.3</b>	<b>40%</b>	<b>1,484.2</b>	<b>939.8</b>	<b>58%</b>
Finance Costs	190.4	138.3	38%	670.3	438.2	53%
<b>Net Total Income (NTI)</b>	<b>199.8</b>	<b>140.0</b>	<b>43%</b>	<b>813.9</b>	<b>501.6</b>	<b>62%</b>
Employee Benefits Expenses	70.1	44.7	57%	232.3	161.9	43%
Depreciation and Amortisation	1.8	0.9	103%	6.9	3.7	83%
Other Expenses	33.9	23.6	43%	113.0	77.4	46%
<b>Pre-Provision Operating Profit</b>	<b>94.0</b>	<b>70.8</b>	<b>33%</b>	<b>461.8</b>	<b>258.6</b>	<b>79%</b>
Regular Provision & Write-offs *	32.9	16.8	97%	87.9	37.1	137%
Addl. Covid-Specific Provision	45.3	-	-	45.3	-	-
<b>Profit After Tax</b>	<b>20.8</b>	<b>41.6</b>	<b>(50%)</b>	<b>252.0</b>	<b>156.8</b>	<b>61%</b>
<b>Profit After Tax (Adj. for Covid Provision)</b>	<b>66.1</b>	<b>41.6</b>	<b>59%</b>	<b>297.3</b>	<b>156.8</b>	<b>90%</b>
<b>GNPA %</b>	<b>0.9%</b>	<b>0.5%</b>	<b>38 bps</b>	<b>0.9%</b>	<b>0.5%</b>	<b>38 bps</b>
<b>NNPA % #</b>	<b>0.9%</b>	<b>0.5%</b>	<b>38 bps</b>	<b>0.9%</b>	<b>0.5%</b>	<b>38 bps</b>
<b>NNPA % (after ECL impact)</b>	<b>0.0%</b>	<b>0.1%</b>	<b>(5 bps)</b>	<b>0.0%</b>	<b>0.1%</b>	<b>(5 bps)</b>
<b>Return on Avg. AUM %</b>	<b>1.4%</b>	<b>3.8%</b>	<b>(238 bps)</b>	<b>4.6%</b>	<b>3.9%</b>	<b>64 bps</b>
<b>Return on Avg. Equity %</b>	<b>7.4%</b>	<b>21.8%</b>	<b>(1,442 bps)</b>	<b>26.2%</b>	<b>27.1%</b>	<b>(92 bps)</b>

#### Note:

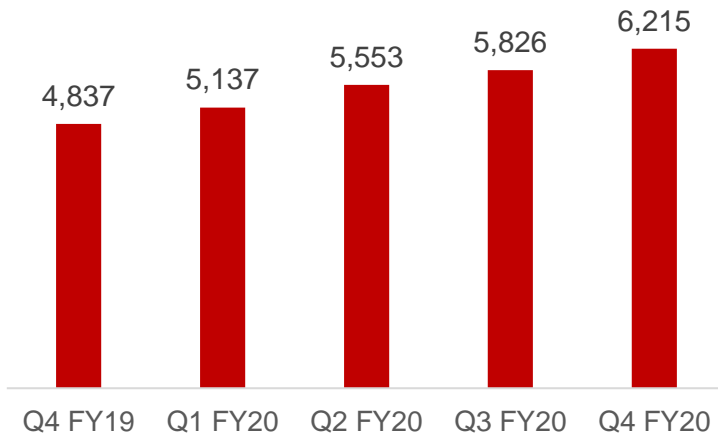
- \* Regular Provision & Write-offs include INR 24 Mn of aggressive write-offs for pre-Covid NPAs. # Provisioning for NBFC-MFIs are on Standard Assets. The NNPA% does not consider provisioning on Standard Assets.
- Income from Operations includes: Interest Income on loans and managed assets; processing fees, and other charges in respect of loans. Other Income includes capital gains on liquid funds
- NIM = NTI / Avg. AUM (On + Off-Book); Yields = Gross 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

- ❖ Witnessed healthy traction in AUM (+28 YoY) driven by an increase in customer base and average ticket size
- ❖ Covid disruption hampered disbursements in March, leading to lower booking in AUM by INR 500-550 Mn. Adjusting for this, the AUM growth would have been in the corridor of 35-40% in Q4 FY20
- ❖ In Q4 FY20, Net total income grew by 43% YoY to INR 199.8 Mn led by higher NIM's (NIM improved by 60 bps YoY to 13.3% in Q4 FY20 as against 12.7% in Q4 FY19)
- ❖ Increase in Opex (+53% YoY) was on account of branch expansion (170 in Q4 FY20 vs 128 in Q4 FY19), and further the company had also made recruitments earlier in Q4 FY20 with a view to expand branch network in Q1 FY21.
- ❖ Higher opex combined with lower income booking due to Covid resulted in a higher Cost-to-Income Ratio at 52.9% in Q4 FY20 (+350 bps YoY)
- ❖ **Net Profit came in lower primarily due to recognition of higher provisions (to deal with any potential deterioration in asset quality in FY21) -**
  - Recognized additional Covid specific provision of INR 45.3 Mn
  - Regular provision & write-offs include INR 24 Mn of aggressive write-offs for pre-Covid NPAs.
- ❖ **Adjusted for the Covid provisioning of INR 45.3, the Profit After Tax would have stood at INR 66.1 Mn in Q4 FY20 (higher by 59% YoY)**
  - **Q4 FY20 Adjusted ROE : 23.4% (as against 7.4%)**
  - **Q4 FY20 Adjusted ROAA : 4.4% (as against 1.4%)**
- ❖ GNPA and NNPA (post ECL adjustment) stood steady at 0.9%.and 0.01%
- ❖ **Repayment rates for June 2020 dues are expected to close at ~59%. Collections are expected to pick-up substantially in the next 2-3 months as the economy opens-up further and the RBI's moratorium period comes to end in August**

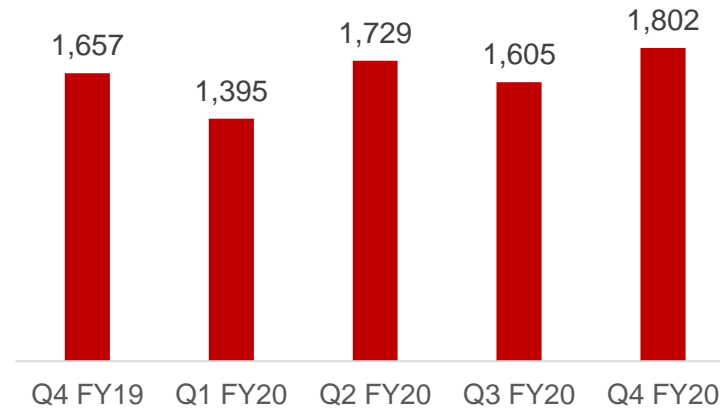
# Q4 FY20 - Microfinance Performance Update



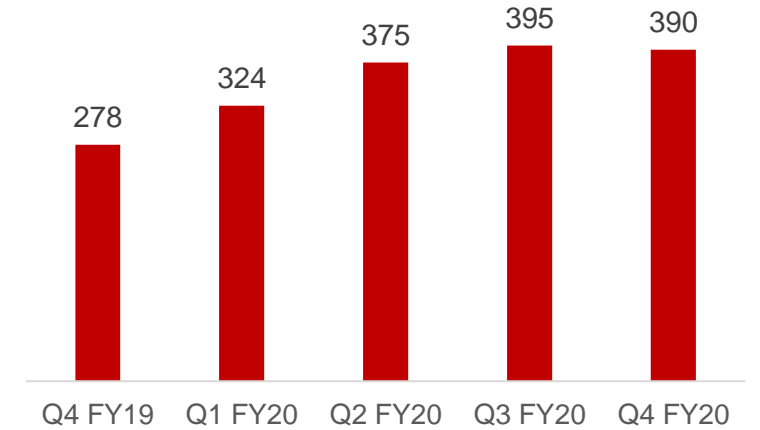
## AUM (INR Mn)



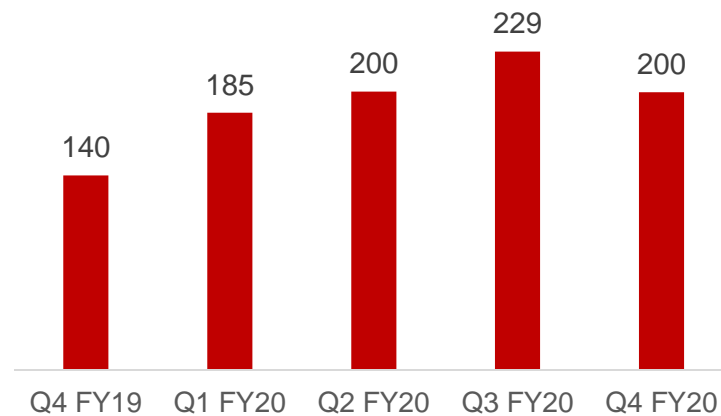
## Disbursement (INR Mn)



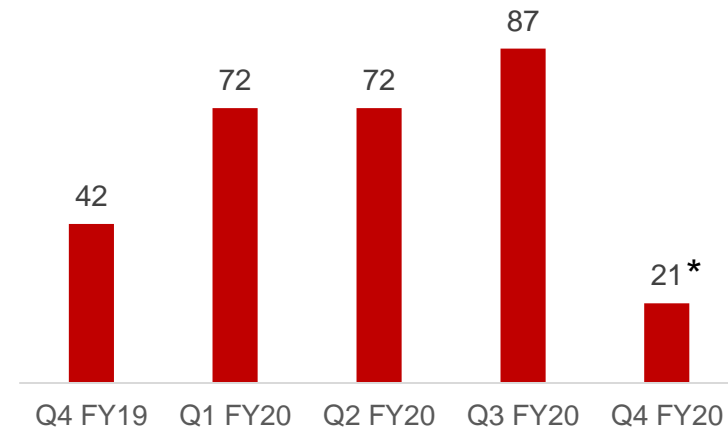
## Gross Total Income (INR Mn)



## Net Total Income (INR Mn)



## PAT (INR Mn)



**Note:**

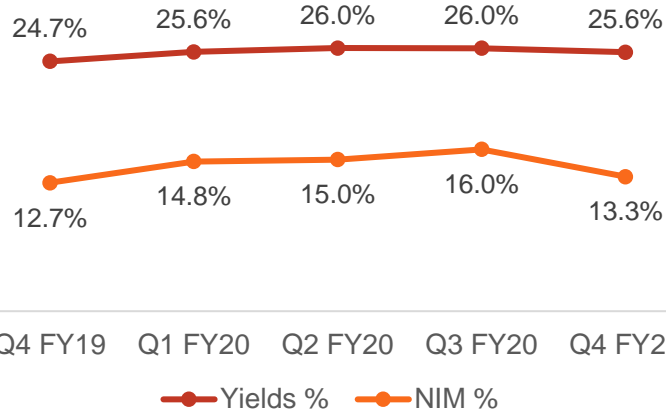
- \* Adjusted for the Covid provisioning of INR 45.3 Mn, the Profit After Tax would have stood at INR 66.1 Mn in Q4 FY20
- All the figures are as per IND-AS accounting standards
- *Net Total Income = Gross Total Income – Finance Cost*



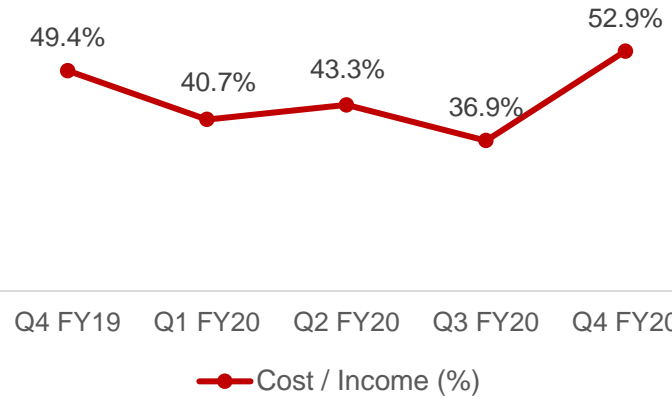
# Q4 FY20 - Microfinance Performance Update



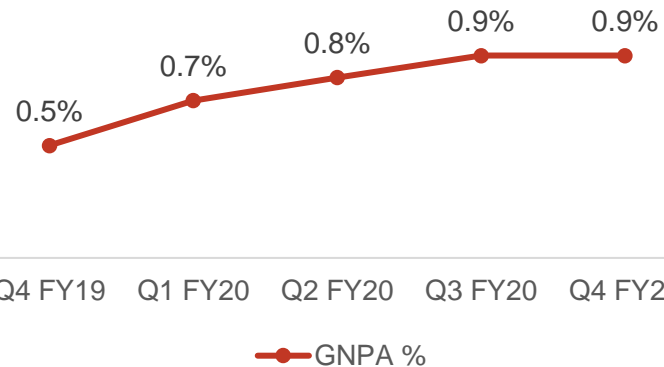
## Yields % and NIM %



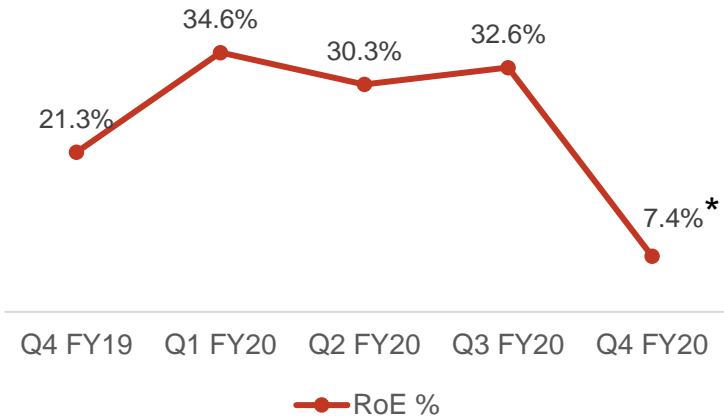
## Cost-to-Income Ratio %



## Asset Quality



## ROE %



**Note:**

- \* Adjusted for the Covid provisioning of INR 45.3 Mn, the Return on Equity would have stood at 23.3% in Q4 FY20
- All the figures are as per IND-AS accounting standards
- $NIM = NTI / Avg. AUM (On + Off-Book)$ ;  $Yields = Gross\ Interest\ Income / Avg. AUM (On + Off-Book)$ ;  $Cost-to-Income\ Ratio = Opex (excl. provisions) / Net\ Total\ Income$ ;  $NNPA\ \% = NNPA / AUM$ ;  $RoE = PAT / Avg. Equity$ . RoE, Yields and NIM % figures are annualized

# Q4 & FY20 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q4 FY20	Q4 FY19	YoY (%)	FY20	FY19	YoY (%)
<b>Asset Under Management</b>	<b>2,384</b>	<b>2,010</b>	<b>19%</b>	<b>2,384</b>	<b>2,010</b>	<b>19%</b>
<b>Disbursements</b>	<b>490</b>	<b>548</b>	<b>(11%)</b>	<b>2,205</b>	<b>1,940</b>	<b>14%</b>
Income from Operations	164.7	138.1	19%	671.1	466.0	44%
Other Income	6.8	4.8	44%	29.9	17.8	68%
<b>Gross Total Income</b>	<b>171.5</b>	<b>142.9</b>	<b>20%</b>	<b>701.0</b>	<b>483.8</b>	<b>45%</b>
Finance Costs	60.6	53.2	14%	220.3	156.9	40%
<b>Net Total Income (NTI)</b>	<b>111.0</b>	<b>89.7</b>	<b>24%</b>	<b>480.7</b>	<b>326.9</b>	<b>47%</b>
Employee Benefits Expenses	36.2	27.5	32%	132.3	94.6	40%
Depreciation and Amortisation	0.3	0.2	35%	1.1	1.1	1%
Other Expenses	15.5	17.4	(11%)	52.2	46.4	13%
<b>Pre-Provision Operating Profit</b>	<b>59.0</b>	<b>44.6</b>	<b>32%</b>	<b>295.1</b>	<b>184.8</b>	<b>60%</b>
Regular Provision & Write-offs *	18.9	7.3	159%	45.0	28.0	60%
Addl. Covid-Specific Provision	22.0	-	-	22.0	-	-
<b>Profit After Tax</b>	<b>21.5</b>	<b>34.7</b>	<b>(38%)</b>	<b>182.4</b>	<b>123.6</b>	<b>48%</b>
<b>Profit After Tax (Adj. for Covid Provision)</b>	<b>43.5</b>	<b>34.7</b>	<b>25%</b>	<b>204.4</b>	<b>123.6</b>	<b>65%</b>
<b>GNPA %</b>	<b>1.5%</b>	<b>2.2%</b>	<b>(69 bps)</b>	<b>1.5%</b>	<b>2.2%</b>	<b>(69 bps)</b>
<b>NNPA %</b>	<b>0.7%</b>	<b>1.5%</b>	<b>(79 bps)</b>	<b>0.7%</b>	<b>1.5%</b>	<b>(79 bps)</b>
<b>Return on Avg. AUM %</b>	<b>4.0%</b>	<b>7.3%</b>	<b>(327 bps)</b>	<b>8.3%</b>	<b>7.3%</b>	<b>98 bps</b>
<b>Return on Avg. Equity %</b>	<b>15.0%</b>	<b>32.3%</b>	<b>(1727 bps)</b>	<b>35.4%</b>	<b>32.5%</b>	<b>286 bps</b>

**Note:**

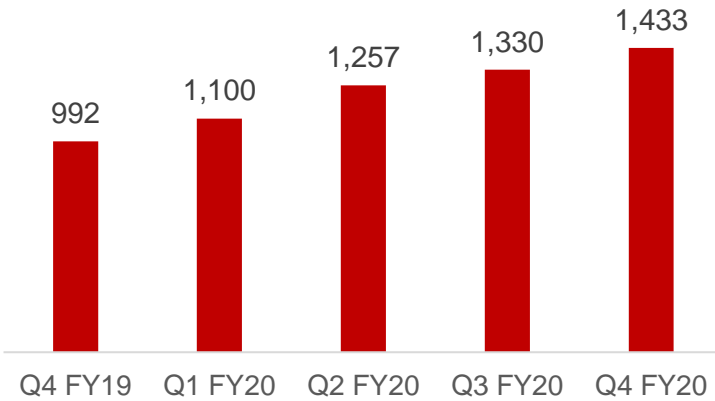
- \* Provisioning & Write-off include INR 15 Mn of aggressive write-offs for Pre-Covid NPAs during Q4 FY20
- All the figures are as per IND-AS accounting standards
- Income from operations includes interest income on loans and managed assets, other Income includes processing fees, other charges in respect 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 (+44% YoY) to INR 1,433 Mn as the no. of loans disbursed increased by 29% YoY
- ❖ 2W AUM de-grew in Q4 FY20, impacted by the ongoing slowdown in two-wheeler sales and by the disbursements being hampered in March by the Covid disruption. However, Rural 2W saw good traction as AUM grew by 68% YoY to INR 114 Mn
- ❖ Covid disruption impacted the MSME & 2W disbursements in March, leading to lower booking in AUM by INR 270 Mn. Adjusting for this, the AUM growth would have been in the corridor of 30-35%
- ❖ Net total income grew by 24% YoY to INR 111.0 Mn in Q4 FY20. NIM's remained steady at ~19%
- ❖ Cost-to-Income Ratio improved by ~345 bps YoY to ~47% in Q4 FY20 (~50% in Q4 FY19) resulting in higher growth in the Pre-provisioning Operating Profit (+32% YoY)
- ❖ **Net Profit declined owing to recognition of higher provisions (to deal with any potential deterioration in asset quality in FY21) -**
  - Recognized additional Covid specific provision of INR 22.0 Mn
  - Regular provision & write-offs include INR 15 Mn of aggressive write-offs for pre-Covid NPAs.
- ❖ Prudent lending and lower NPA's in 2W segment helped in reporting lower NPA levels – GNPA and NNPA improved to 1.5%, and 0.7% respectively (lower by 70-80 bps)
- ❖ **Adjusted for the Covid provisioning of INR 22 Mn, the Profit After Tax would have stood at INR 43.5 Mn in Q4 FY20 (higher by 25% YoY)**
  - **Q4 FY20 Adjusted ROE : 30.4% (as against 15.0%)**
  - **Q4 FY20 Adjusted ROAA : 7.4% (as against 4.0%)**
- ❖ **Repayment rates for June 2020 dues closed at ~85% for the MSME segment; and ~95% for the 2-wheeler segment. Primary focus will be on getting collections close to normalized levels in the next 2-3 months**

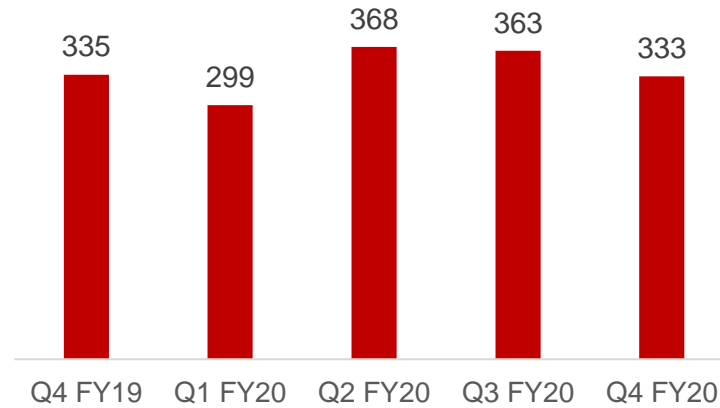
# Q4 FY20 - MSME Performance Update



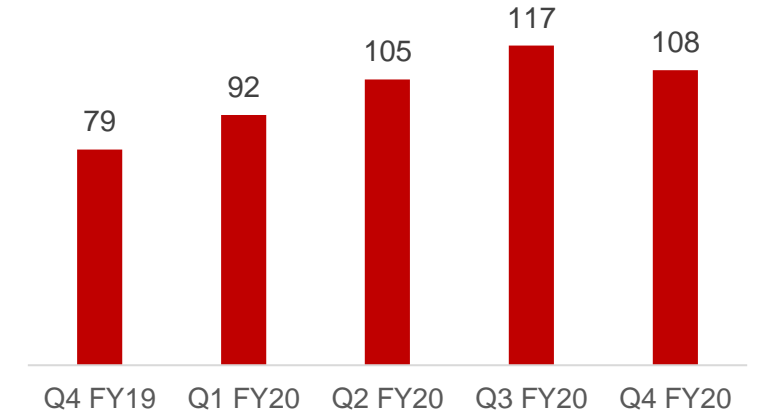
## AUM (INR Mn)



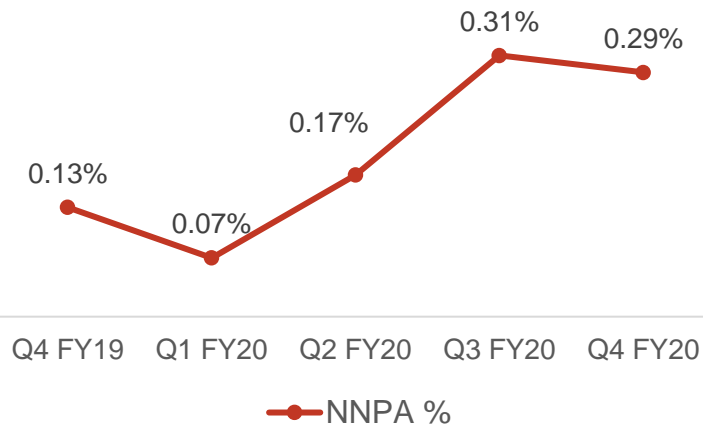
## Disbursements (INR Mn)



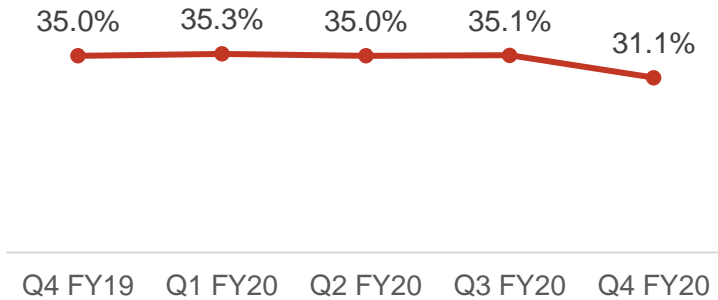
## Gross Interest Income (INR Mn)



## Asset Quality



## Yields %



**Note:**

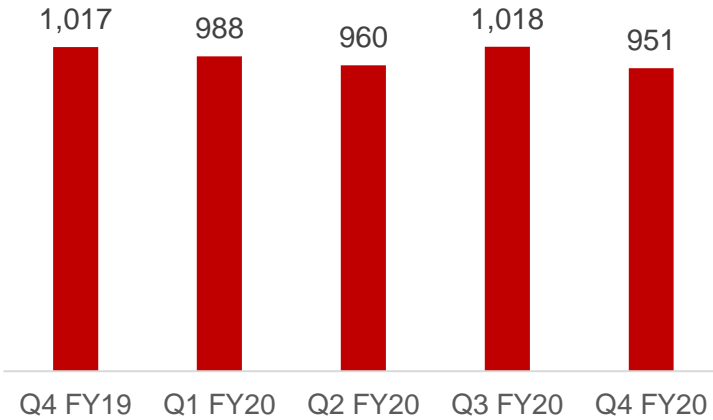
- All the figures are as per IND-AS accounting standards
- Gross Interest Income = Interest Income + processing fees / other charges, Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NNPA % = NNPA / AUM. Yields % figures are annualized.



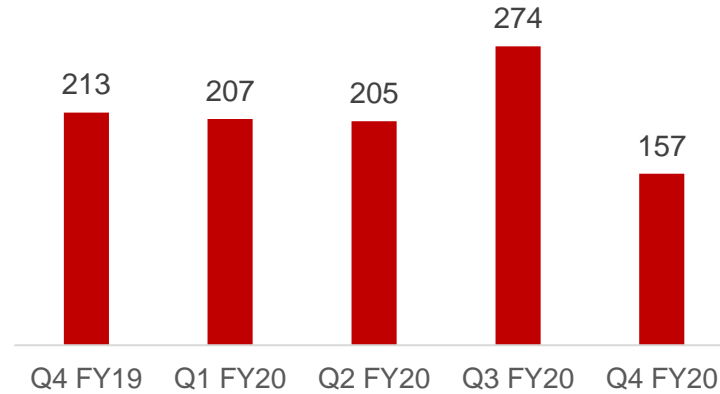
# Q4 FY20 - 2W Performance Update



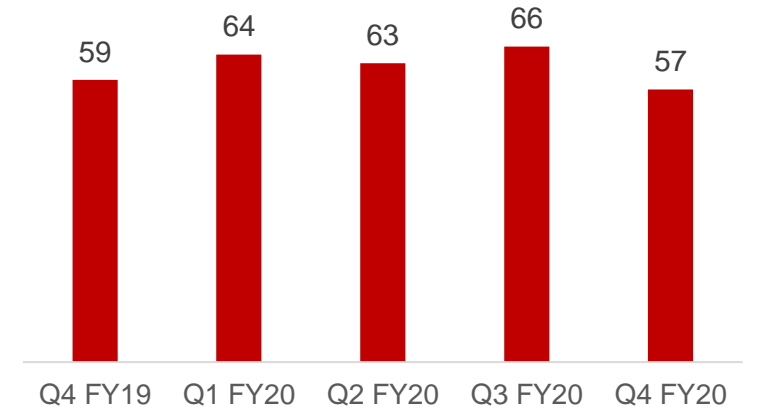
## AUM (INR Mn)



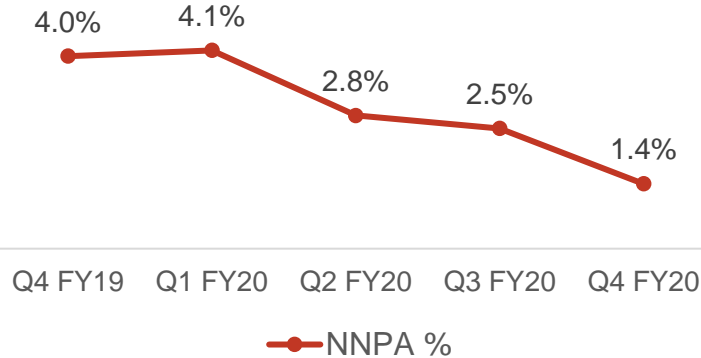
## Disbursement (INR Mn)



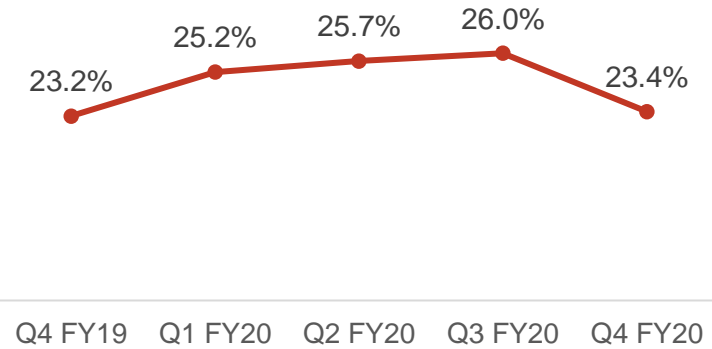
## Gross Interest Income (INR Mn)



## Asset Quality



## Yields %



**Note:**

- All the figures are as per IND-AS accounting standards
- 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.**



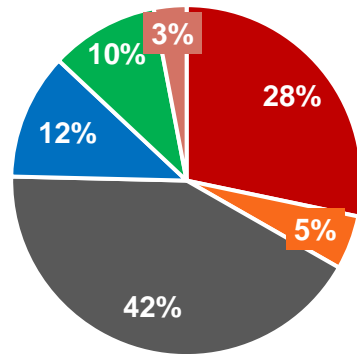
## Liability Overview



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

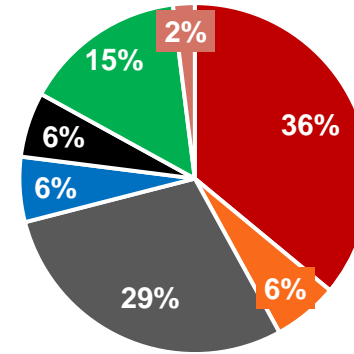
Q4 FY19 - Borrowing Mix %

INR 5,885 Mn



Q4 FY20 - Borrowing Mix %

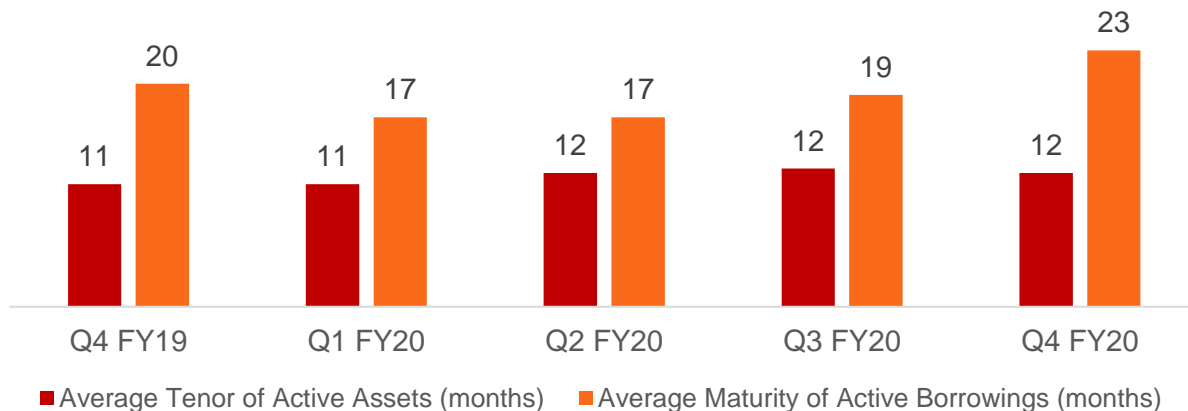
INR 7,655 Mn \*



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

Note: \* INR 7,655 Mn includes direct assignment of INR 581 Mn

## Positive ALM (in Months)



- Well-diversified borrowing mix with increasing share of NCD's, ECB's, NABARD Refinance, MUDRA, Sub-ordinate Debt and Securitization
  - Share of NCD's, ECB's, MUDRA, NABARD Refinance, Subordinate Debt and Securitization represented ~35% of borrowings in Q4 FY20
- **Share of Banks / SFB's increased from 28% to 36%**
- **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



## NCDs & ECB





**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: 1.1%; NNPA: 0.2% (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 8,599 Mn in FY20**
- **Microfinance – 72% of AUM** (via 100% owned subsidiary “**Namra Finance**”)
- **MSME Loans – 17% of AUM**
- **2-Wheeler Loans – 11% of AUM**
- **Healthy Spreads:** Yields 27.4%, NIM 16.5% (FY20)



**Arman Financial Services Ltd.**

## Strong Financial Performance

- **High-Growth Trajectory (FY2015-20 CAGR) :**
  - **AUM: 50%**
  - **PAT: 46%**
- **Consolidated debt to equity ratio of 4.1:1** – Sufficient Capital to drive growth going forward
- **High Return Ratios:**
  - **FY20 - ROE (%) : 28.1% , ROAA\* (%) : 5.4%**

## Strong Retail Presence & Wide Distribution Network

- 211 branches; 70+ 2-Wheeler dealerships
- 78 Districts, 6 states
- 4.48 lakh live customers (+33% YoY)
- 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.*

# Business Progression



Company incorporated. Started bill discounting & machine leasing

Launched 2W Loans

Raised PE funding from Incofin; Disbursement crosses 50 Cr

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

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

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



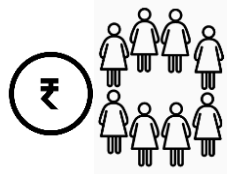
Listing on BSE – Issue subscribed 22x

Launched Microfinance business

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

Launched MSME Loans business

Raised PE funding from SAIF Partners







## ARMA FINANCIAL SERVICES LTD.

- 28 years of existence
- Active customer base of 4.48 lakh
- Employee strength of 1,812 employees
- Completely in-house operations – Sourcing, Credit & Collections

### Microfinance



### MSME Loans



### 2-Wheeler Loans



### Rural 2W Loans



<b>% of Total AUM</b>	72%	17%	11%	1% (in Pilot Stage)
<b>LTV</b>	Unsecured	Cash flow & FOIR based	65-85%	60-80%
<b>Ticket size</b>	Cycle 1 & 2 - INR 20-30k Cycle 3+ - INR 20-45k	INR 50-70k	INR 30-55k	INR 40-50k
<b>Average Ticket size</b>	INR 28,000	INR 70,000	INR 42,000	INR 40,000
<b>Tenure</b>	14-24 months	24 months	12-36 months	12-24 months
<b>Yield (%)</b>	24-25% (Spread capped by RBI guidelines)	30-32%	21-23%	26-28%
<b>Disbursement</b>	100% Cashless	100% Cashless	100% Cashless to dealer	100% Cashless to sub-dealer
<b>Credit Check</b>	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
<b>Collections</b>	Cash collection at centre meeting	Door step cash collection	NACH / Direct Debit	Door step cash collection



## 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**

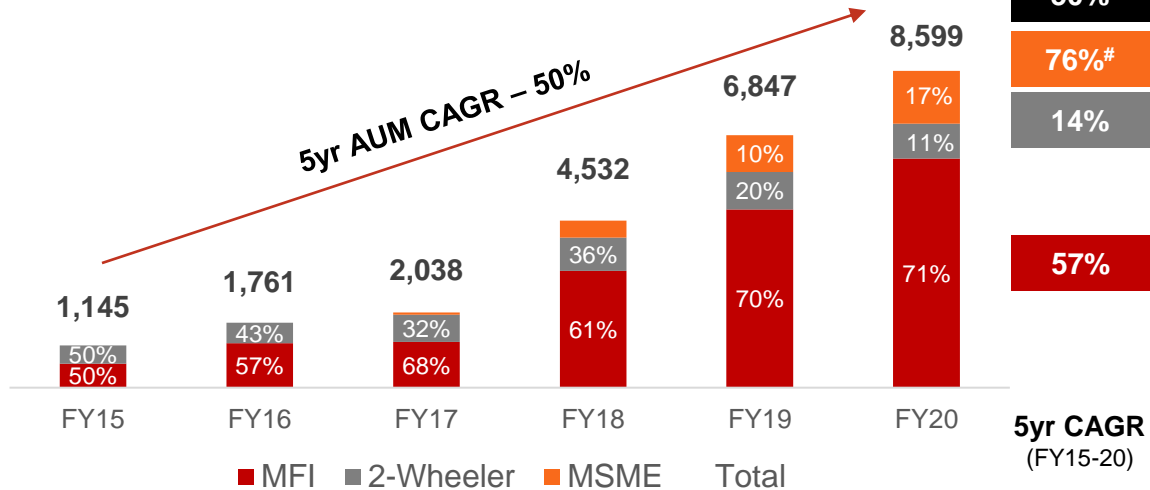
**Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices – tailored for the areas of operations**

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

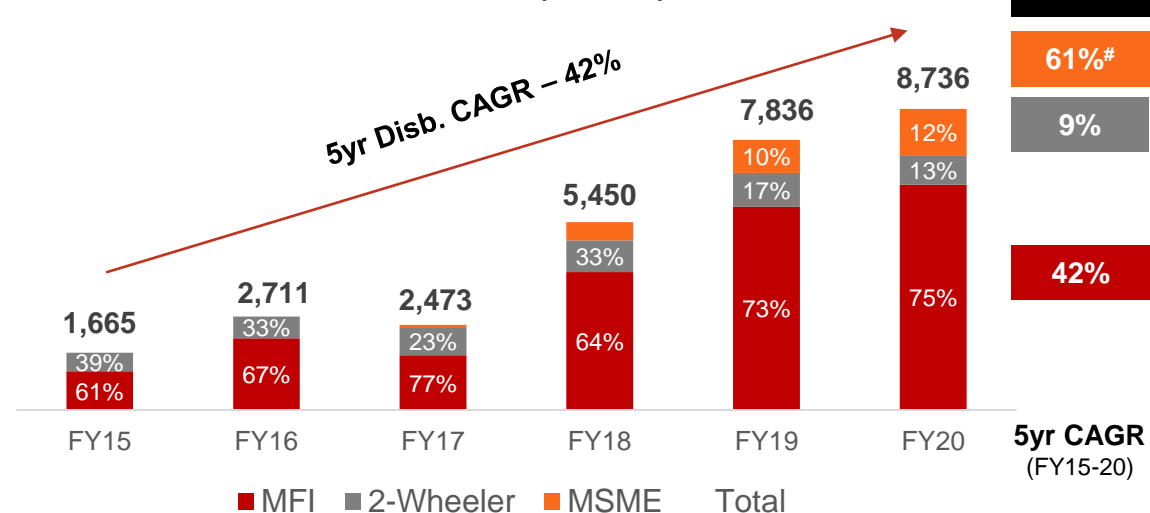
# Strong Growth in AUM & Disbursements.....



## Total AUM (INR Mn)



## Total Disbursements (INR Mn)



- Diversified portfolio of 8,599 Mn in Q4 FY20 split between –
  - Microfinance: INR 6,215 Mn (71%),
  - MSME Loans: INR 1,433 Mn (17%)
  - 2-Wheeler Loans: INR 951 Mn (11%)
- Strategically forayed into MSME Loans in 2017.** Successfully scaled up the business to INR 1,433 Mn (17% 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**

**Note:** FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. # - MSME started in FY17; MSME CAGR is 2yr CAGR (FY18-20)

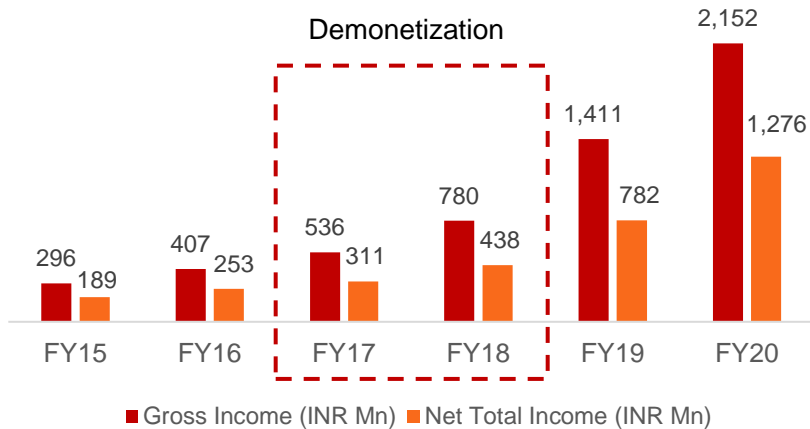
# .....While Maintaining Superior Cost Efficiency & Asset Quality



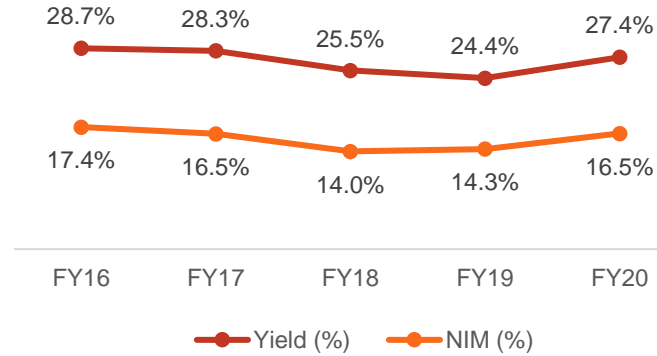
## Gross Income and Net Total Income (INR Mn)

CAGR: 49%

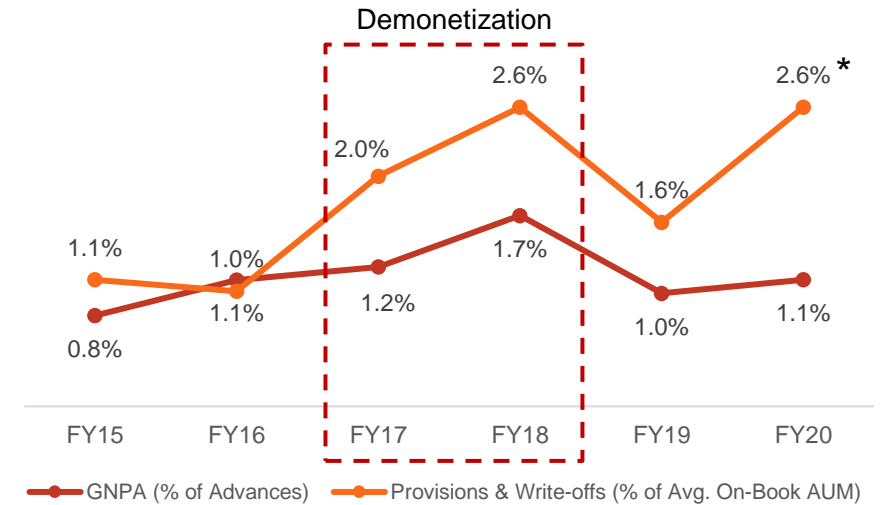
CAGR: 47%



## Yield % and NIM %

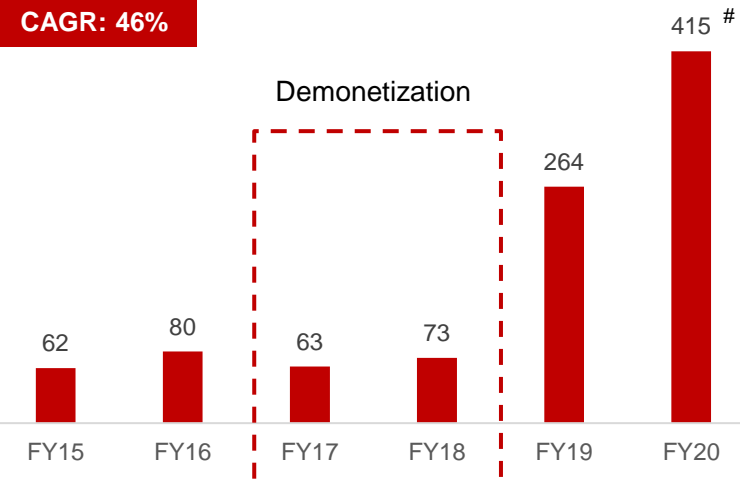


## Focus on risk have led to immaculate through-cycle asset quality

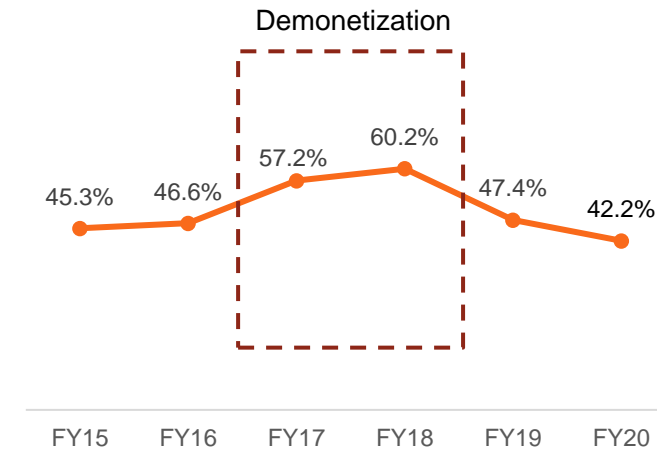


## PAT (INR Mn)

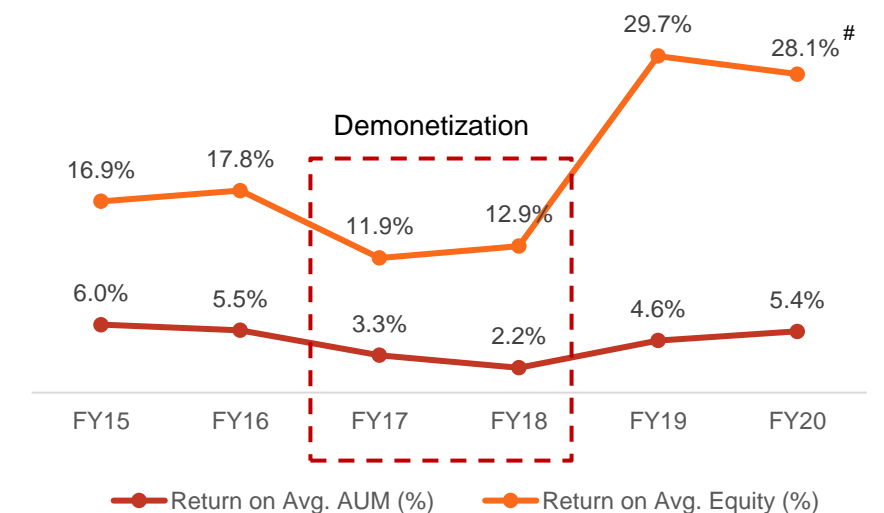
CAGR: 46%



## Cost to Income Ratio %



## Consistently high through cycle ROA / ROE



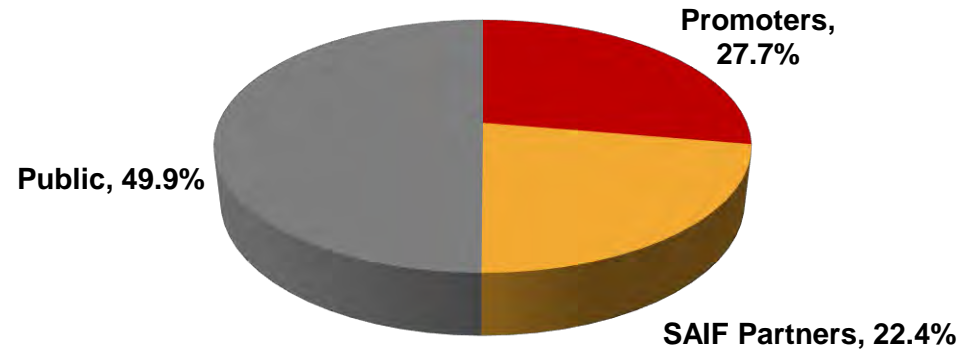
**Note:**

- \* Includes Covid specific provisioning of INR 66.8 Mn. Adjusted for the Covid Provisioning of INR 66.8 Mn, PAT would have stood at INR 482 Mn in FY20; and ROE would have been 32.6%
- FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. NIM = NII / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM





**SHAREHOLDING – 31<sup>st</sup> March 2020**



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; 170 MFI branches; 3.73 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

### FY20 – Key Metrics (Mn)

<b>6,215</b>	<b>6,531</b>	
AUM (INR Mn)	Disbursement (INR Mn)	
<b>1,484</b>	<b>252</b>	<b>28,000</b>
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size(INR)

### FY20 – Key Metrics (%)

<b>25.8%</b>	<b>14.7%</b>	<b>4.6%</b>
Yield	NIM	ROAA
<b>0.9%</b>	<b>0.01%</b>	<b>26.2%</b>
GNPA	NNPA	ROE



## 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**

## FY20 – Key Metrics (Mn)

**951**

AUM (INR Mn)

**843**

Disbursement (INR Mn)

**251**

Total Income (INR Mn)

**42,000**

Avg. Ticket Size (INR)

## FY20 – Key Metrics (%)

**25.5%**

Yield

**16.5%**

NIM

**3.0%**

GNPA

**1.4%**

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

FY20 – Key Metrics (%)	
<u>1,433</u>	<u>1,362</u>
AUM (INR Mn)	Disbursement (INR Mn)
<u>421</u>	<u>70,000</u>
Total Income (INR Mn)	Avg. Ticket Size (INR)

FY20 – Key Metrics (%)	
<u>34.7%</u>	<u>23.8%</u>
Yield	NIM
<u>0.5%</u>	<u>0.3%</u>
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





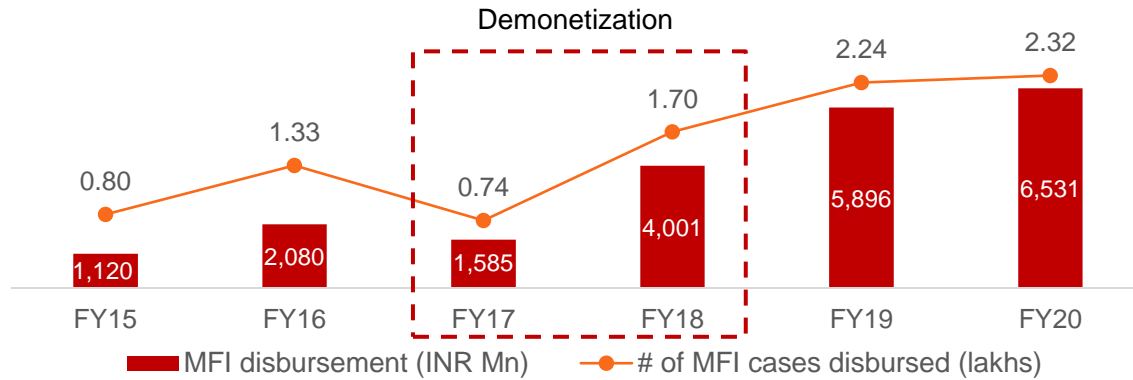
from ACCESS to INCLUSION

Annexures



# Microfinance: 5-Year Performance

## Disbursement growth is driven by customer & branch addition

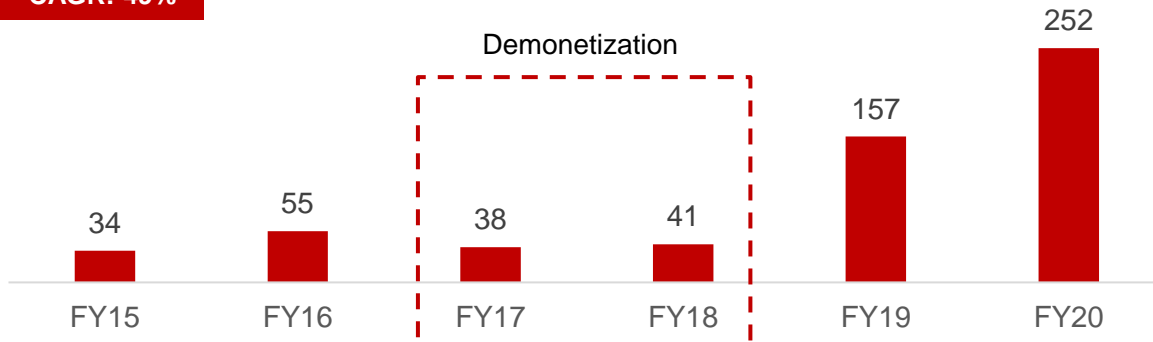


	FY15	FY16	FY17	FY18	FY19	FY20
MFI Branches	39	55	80	107	138	170
Avg. Ticket size (INR)	13,937	15,583	21,477	23,517	26,358	28,133

	Disbursement	Customers	Ticket size
FY15-20 CAGR (%)	42%	26%	16%

## PAT (INR Mn)

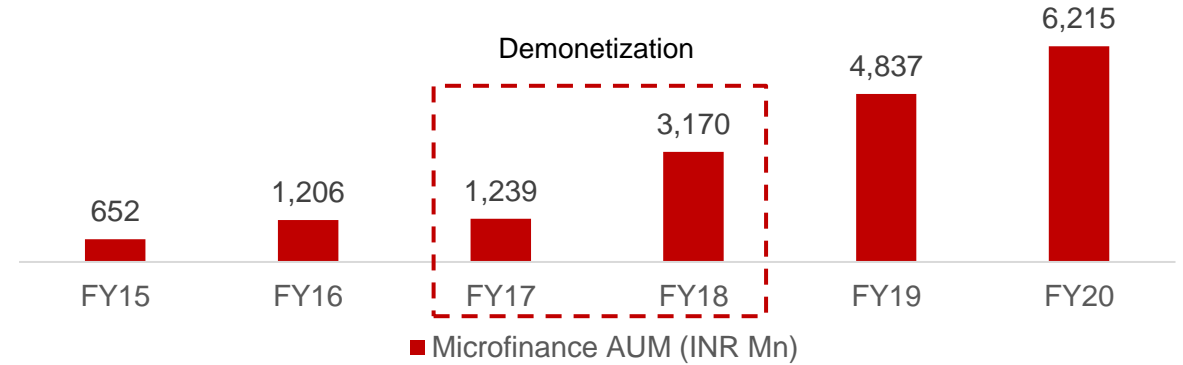
CAGR: 49%



Note: FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

## AUM growth exceeds MFI industry growth rates

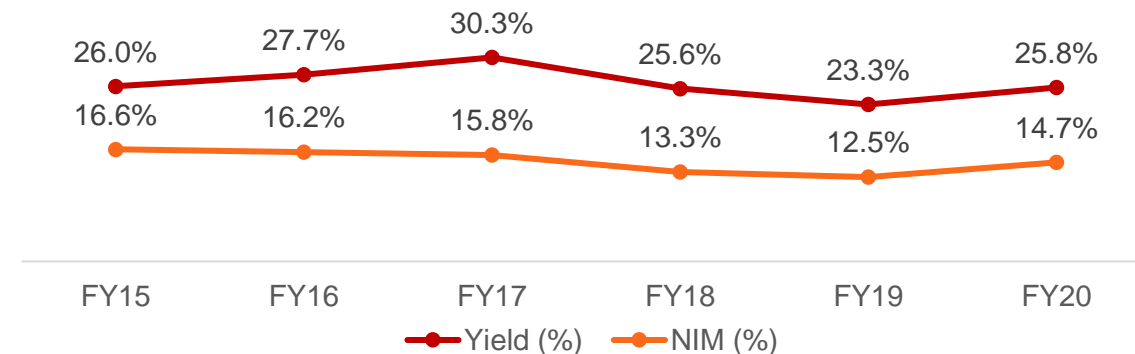
CAGR: 57%



	5yr AUM CAGR (%)	FY20 AUM growth (%)
MFI Industry	23%	18%
Namra (MFI Operations)	57%	29%

\*MFI Industry = NBFC-MFIs + SFBs only. Source - MFIN Micrometer Q4FY20

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

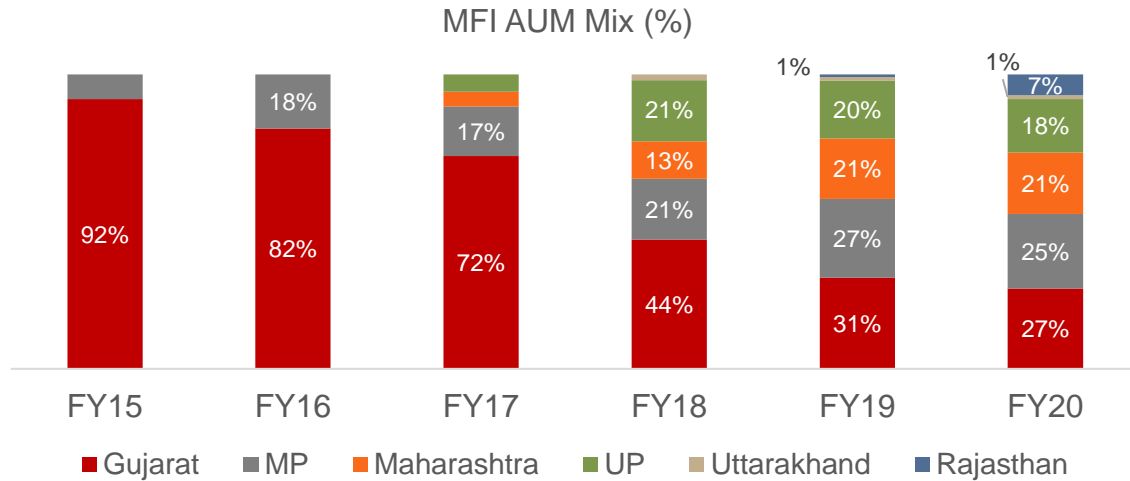




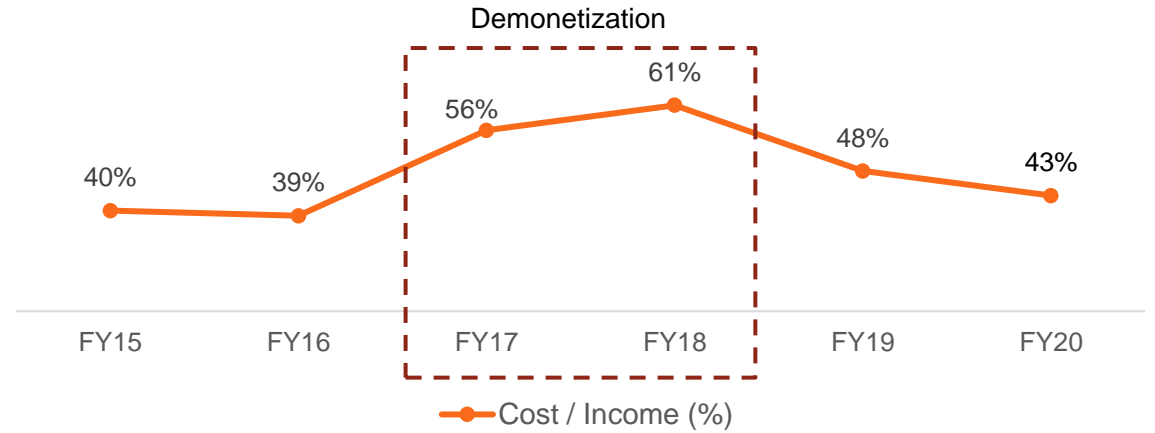


# Microfinance: 5-Year Performance

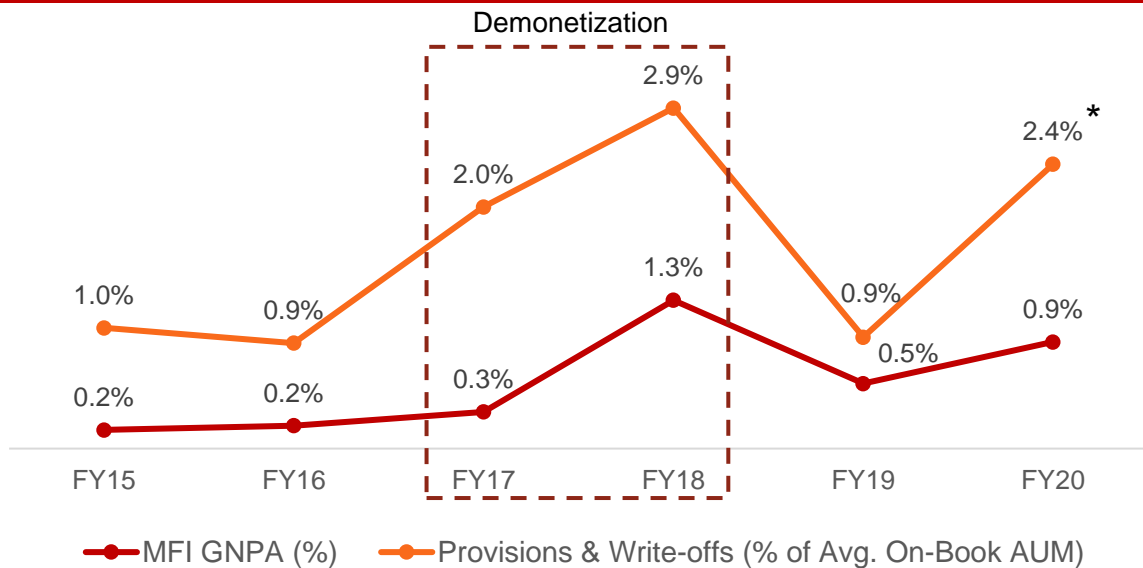
## Well diversified across geographies



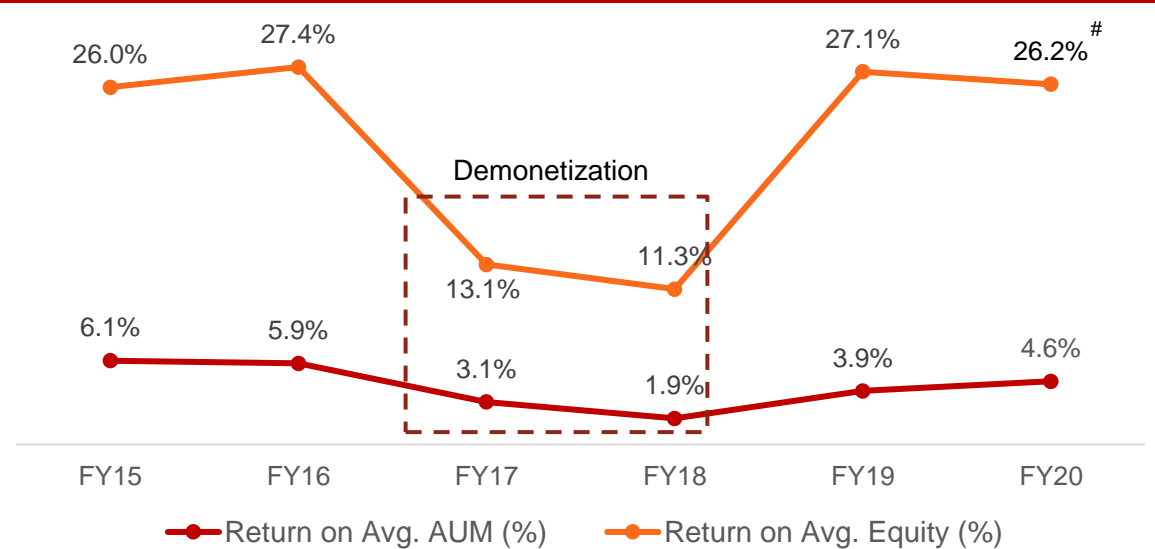
## Maintaining high operational efficiency



## Through cycle asset quality under control



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

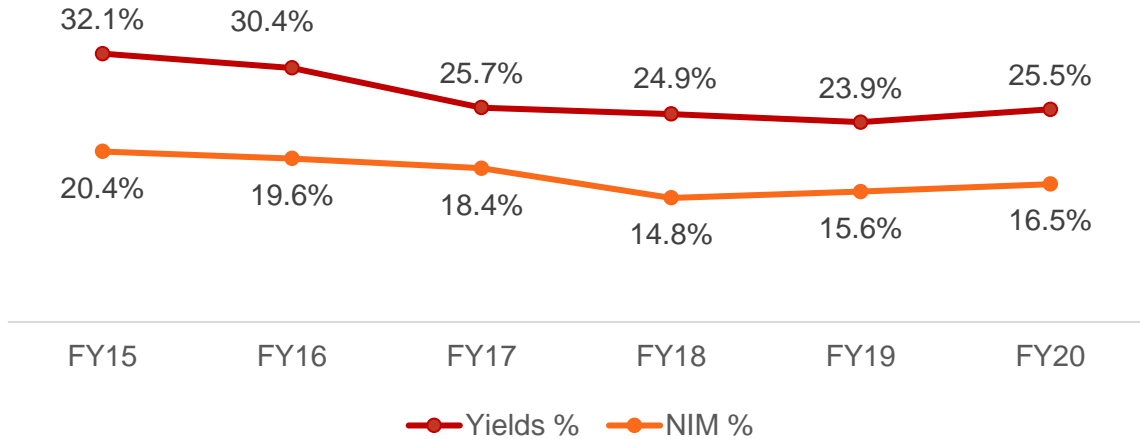


Note: FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. \* Includes Covid specific provisioning of INR 45.3 Mn. # Adjusted for Covid Provisioning, ROE stood at 30.9% in FY20



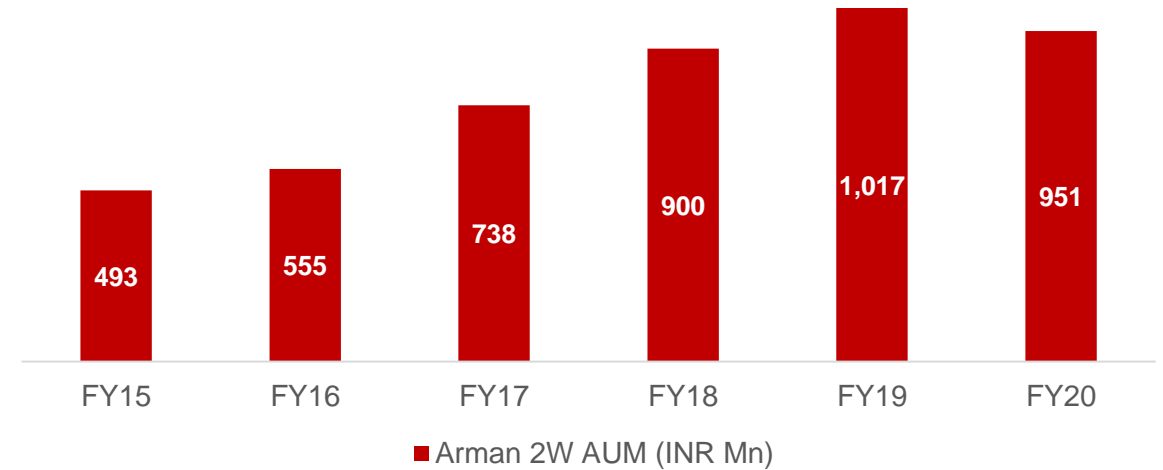
# 2W Loans: 5-Year Performance

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

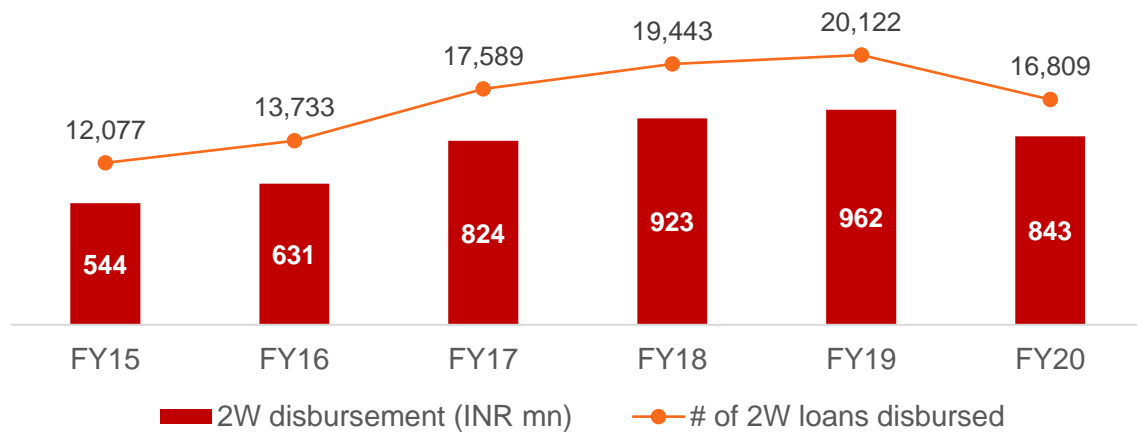


## Arman 2W AUM/ has seen steady growth over FY15-20

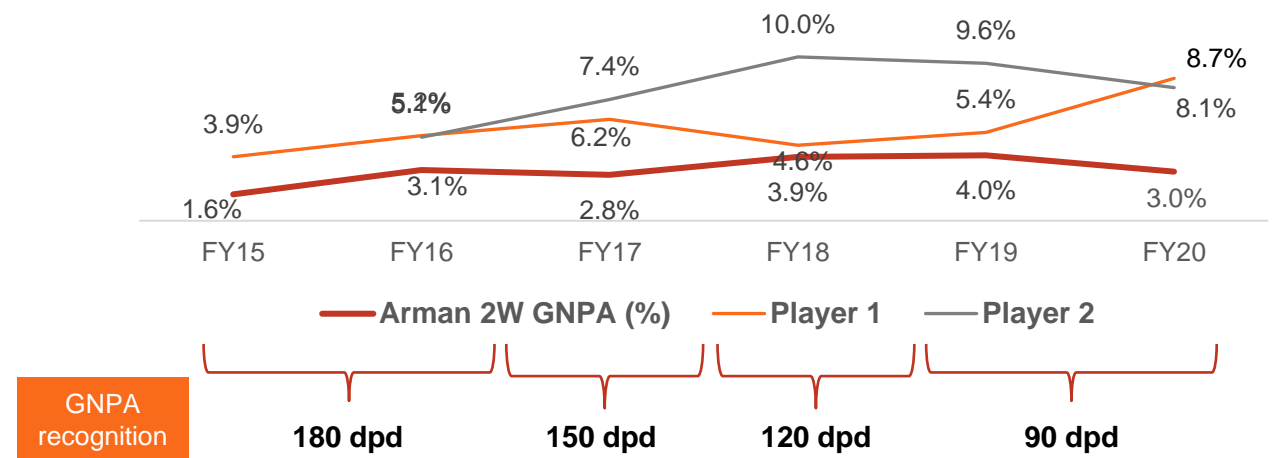
CAGR: 14%



## 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



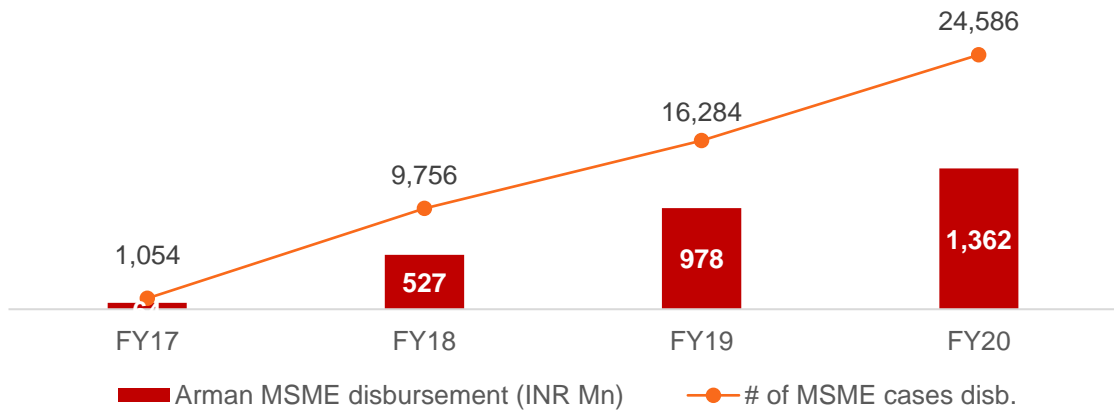
Note: FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.



# MSME Loans: 3-Year Performance

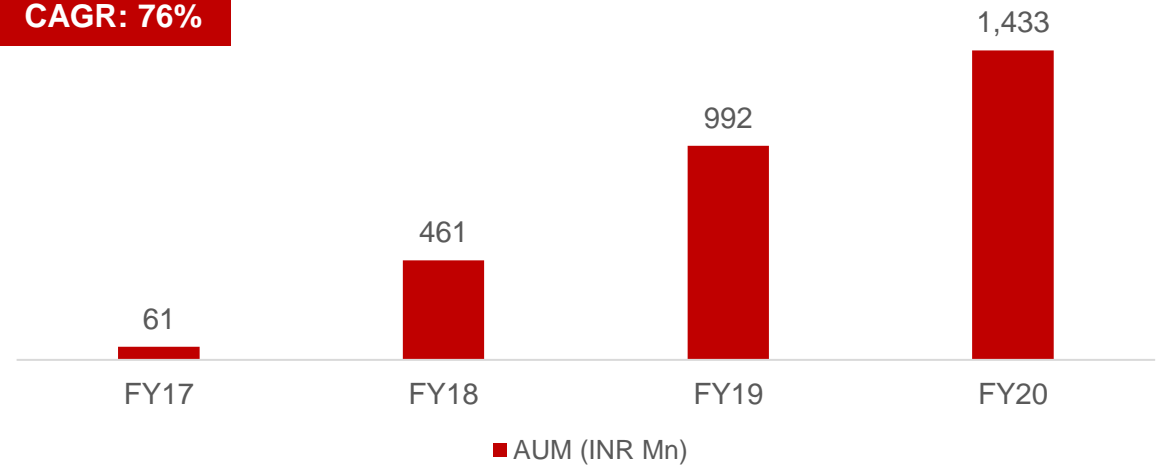
## Disbursement Growth

CAGR: 61%

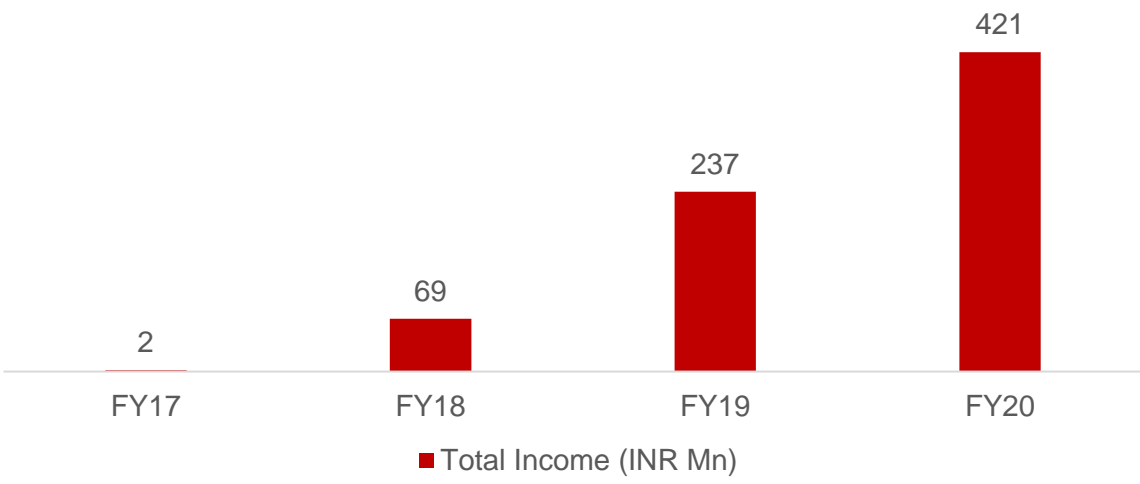


## AUM Growth

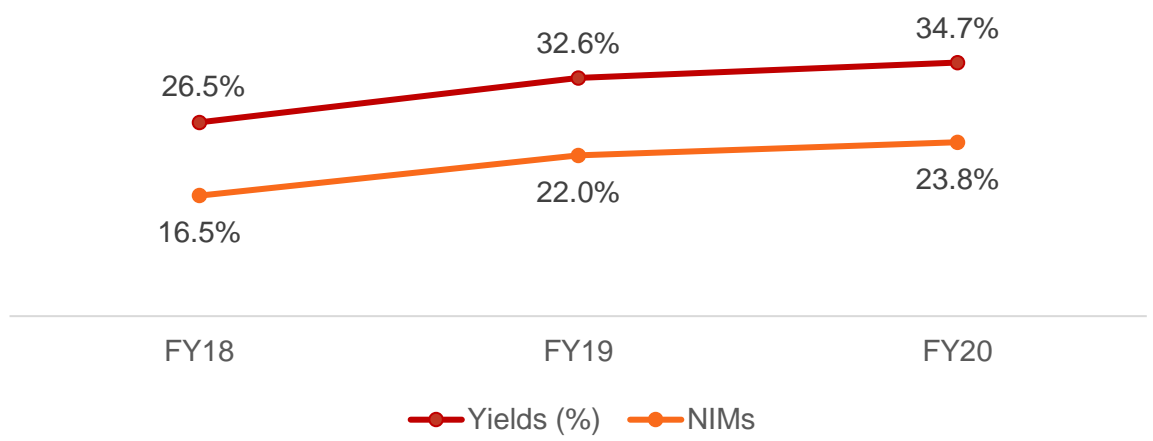
CAGR: 76%



## Total Income Growth



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



Note: FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. # - MSME started in FY17; MSME CAGR is 2yr CAGR (FY18-20)