



# Arman Financial Services Limited

Registered Office: 502-503, SAKAR III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD-380014, GUJARAT, INDIA  
PH.: +91-79-40507000, 27541989 E-mail: finance@armanindia.com CIN: L55910GJ1992PLC018623

Date: June 02, 2022

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 May 30, 2022 vide which the Company has published the standalone / consolidated financial results for the quarter / year ended on March 31, 2022, we are enclosing a presentation on financial performance of the Company.

Kindly take it on your record.

Thanking you,

Yours faithfully,

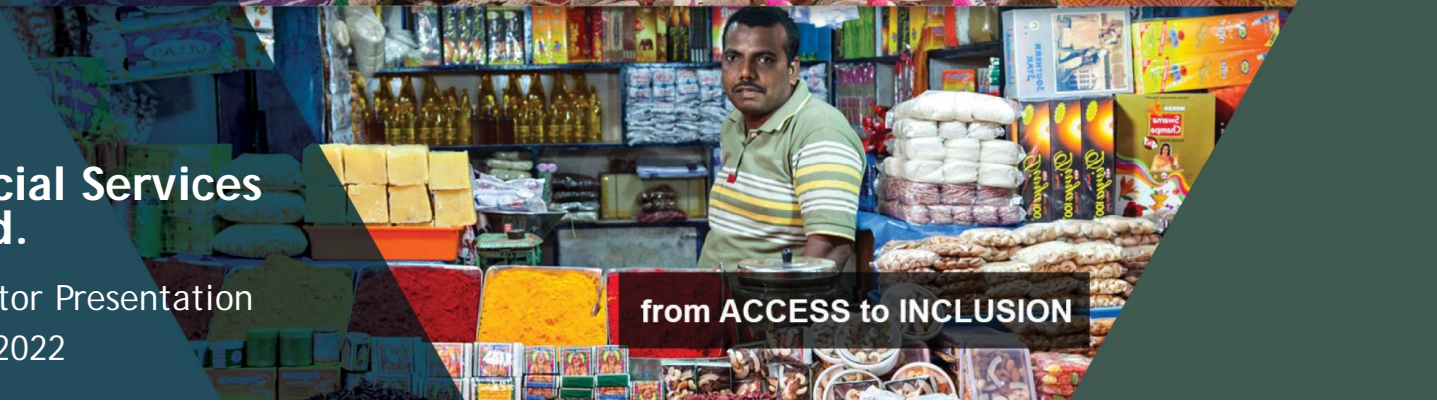
**For, Arman Financial Services Limited**

Jaimish Patel  
Company Secretary





**Arman Financial Services Ltd.**



**Arman Financial Services  
Ltd.**

Q4 & FY22 - Investor Presentation  
June 2022

**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.





# CONTENTS

04 Performance Update - Q4 & FY22

17 Liability Overview

20 Company Overview

29 Product Overview

34 Annexures



**Arman Financial Services Ltd.**



**Arman Financial Services Ltd.**



# Financial Performance Update - Q4 & FY22



## Q4 FY22 - Financial Performance Highlights



Total AUM up by 51% YoY to INR 12,332 Mn in Q4FY22 vs INR 8,144 Mn in Q4FY21  
We have added more than 80,000 new customers in Q4 FY22. Active Customer base of more than 4.6 lakh.



Shareholders Equity Stood at INR 2,127 Mn in Q4 FY22  
*Consolidated Debt-Equity Ratio stood at 4.65x on 31<sup>st</sup> March 2022*



Collection Efficiency was steady and healthy with each month being north of 95%



Operating expenses increased by 29% YoY to INR 183 Mn in Q4 FY22 as a result of expansion in MFI & MSME branches and recruitment of staff for the branch expansions. Further the increase is also due to the growth in the loan portfolio.  
*Disbursements grew by 23% YoY to INR 3,375 Mn in Q4 FY22*



Profit before Tax stood at INR 221 Mn compared to loss of INR 2 Mn in Q4 FY21  
*Profit after tax increased sharply to INR 163 Mn compared to INR 9 Mn in Q4 FY21*



Provisions and write-offs (Impairment Losses on Financial Assets) during the quarter was INR 10.8 Crores  
*Cumulative Provisions stood at INR 653 Mn as on 31<sup>st</sup> March 2022 (covering 5.7% of the total AUM)*

*AUM Crosses INR 12,000 Mn growing at a CAGR of more than 30% in last 7 years*

# Update on Collections



## Update on Collections

☐ Collections in all the segments were healthy and remained above 95% during the quarter

- 'Microfinance' collections was healthy and reached 98% during March 2022 .
- 2W and MSME collections continued to be well-north of 95% during December 2021

☐ Cumulative collection Efficiency in the post covid loan book disbursed since September 2020 stands at ~99%

☐ Cumulative Provisions stood at INR 653 Mn as of 31<sup>st</sup> March 2022 covering 5.7% of the total AUM

- **Namra:** Cumulative Provisions stood at INR 472 Mn as on 31<sup>st</sup> March 2022 covering 5.0% of the total AUM
- **Standalone:** Cumulative Provisions stood at INR 181 Mn as on 31<sup>st</sup> March 2022 covering 8.6% of the total AUM

☐ The company has adequately provided to withstand any further uncertainties pertaining to the pandemic

## Collection Efficiency % (January 2022 – March 2022)

Business Segment	Collections Due (Jan'22)	Amount Collected (Jan'22)	Collection Efficiency % (Jan'22)	Collections Due (Feb'22)	Amount Collected (Feb'22)	Collection Efficiency % (Feb'21)	Collections Due (Mar'22)	Amount Collected (Mar'22)	Collection Efficiency % (Mar'22)
<b>Total</b>	748	700	94%	765	725	95%	795	775	98%
Microfinance	578	537	93%	597	567	95%	622	611	98%
MSME	138	131	95%	138	130	94%	143	135	94%
Two-wheeler	32	31	96%	30	29	95%	30	29	96%

**Note:** All the amounts are in INR Mn.



# Update on Liquidity & Disbursements



## Update on Liquidity

- ❑ **Healthy Liquidity position with INR 1,504 Mn in cash/bank balance, liquid investments, and undrawn CC limits**
  - The company has duly repaid all the debt obligations that were due in Q4 FY22.
  - ALM continues to remain positive, and the company continue to have access to new sources of funds.
  - Additionally, company has INR 400 Mn undrawn sanctions from existing lenders

## Update on Disbursements

- ❑ **Disbursements picked up across all segments**
  - Loan Disbursements during Q4 FY22 stood at INR 3,375 Mn up by 23% YoY and 12% QoQ. Disbursements picked up in all the businesses aided by Increase in number of branches and revival in demand in rural economy
  
- ❑ **While the focus is on the growth and increasing the size of loan book, the foremost priority remains the asset quality** and to maintain the quality of loan book, the loans are given only after thoroughly analysing the customers cashflows, payback capability and good credit history. Result of which is healthy collection efficiency, which remains robust at above 95% for Q4 FY22 and scaling towards its pre covid levels of 98%



# Q4 & FY22 - Consolidated Profit & Loss Statement

Particulars (INR Mn)	Q4 FY22	Q4 FY21	YoY (%)	FY22	FY21	YoY (%)
<b>Assets Under Management (AUM)</b>	<b>12,332</b>	<b>8,144</b>	<b>51%</b>	<b>12,332</b>	<b>8,144</b>	<b>51%</b>
<b>Disbursements</b>	<b>3,375</b>	<b>2,752</b>	<b>23%</b>	<b>1,0233</b>	<b>5,097</b>	<b>101%</b>
<b>Shareholder's Equity *</b>	<b>2,127</b>	<b>1,868</b>	<b>14%</b>	<b>2,127</b>	<b>1,868</b>	<b>14%</b>
Income from Operations	756.5	450.0	68%	2340.1	1943.6	20%
Other Income	1.6	2.4	-32%	9.9	6.8	47%
<b>Gross Total Income</b>	<b>758.1</b>	<b>452.3</b>	<b>68%</b>	<b>2,350.1</b>	<b>1,950.4</b>	<b>20%</b>
Finance Costs	247.0	201.8	22%	894.5	792.3	13%
<b>Net Total Income (NTI)</b>	<b>511.1</b>	<b>250.6</b>	<b>104%</b>	<b>1455.6</b>	<b>1158.1</b>	<b>26%</b>
Employee Benefits Expenses	118.2	91.8	29%	418.5	355.7	18%
Depreciation and Amortisation	3.4	2.0	68%	9.5	8.1	18%
Other Expenses	61.3	48.2	27%	19.9	13.1	52%
<b>Pre-Provision Operating Profit</b>	<b>328.2</b>	<b>108.6</b>	<b>202%</b>	<b>828.5</b>	<b>663.6</b>	<b>25%</b>
Total Provisions & Write-offs	107.5	110.1	-2%	373.3	545.9	-32%
<b>Profit Before Tax</b>	<b>220.8</b>	<b>-1.5</b>		<b>455.2</b>	<b>117.6</b>	<b>287%</b>
<b>Profit After tax</b>	<b>162.8</b>	<b>8.7</b>	<b>1772%</b>	<b>317.2</b>	<b>106.2</b>	<b>199%</b>
<i>GNPA %</i>	<b>4.1%</b>	<b>4.6%</b>	(50 bps)	<b>4.1%</b>	<b>4.6%</b>	(50 bps)
<i>NNPA %</i>	<b>0.7%</b>	<b>0.6%</b>	7 bps	<b>0.7%</b>	<b>0.6%</b>	7 bps
<i>Return on Avg. AUM %</i>	<b>6.4%</b>	<b>1.5%</b>	594 bps	<b>3.1%</b>	<b>1.3%</b>	180 bps
<i>Return on Avg. Equity % *</i>	<b>31.3%</b>	<b>1.9%</b>	2940 bps	<b>15.6%</b>	<b>5.8%</b>	980 bps

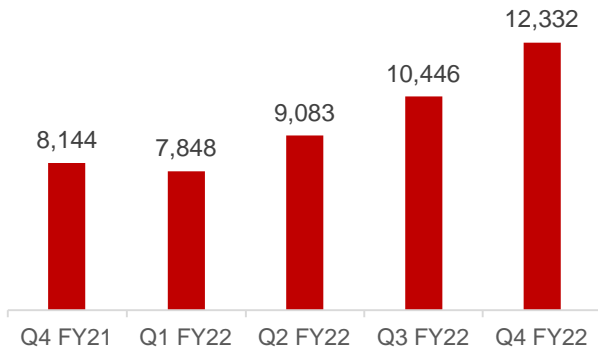
**Note:**

- \* 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.

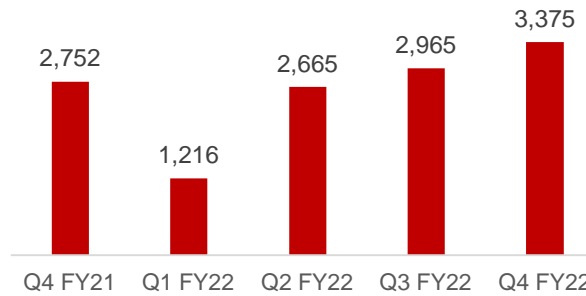
# Q4 FY22 - Consolidated Performance Update



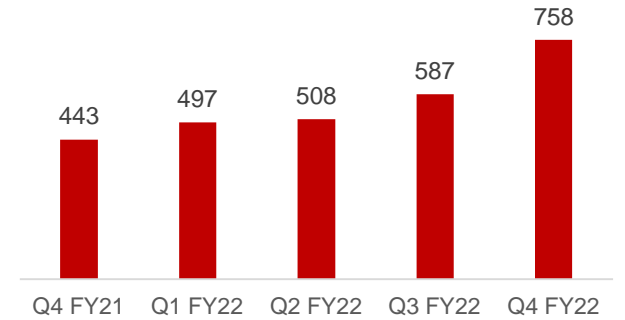
### AUM (INR Mn)



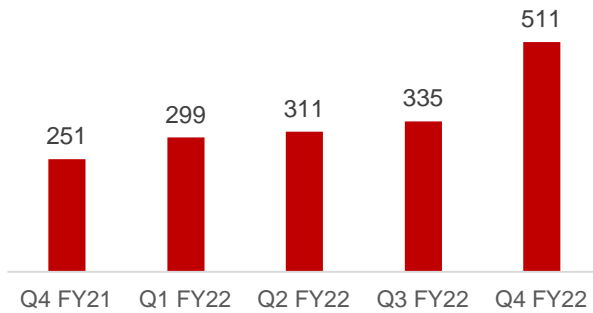
### Disbursement (INR Mn)



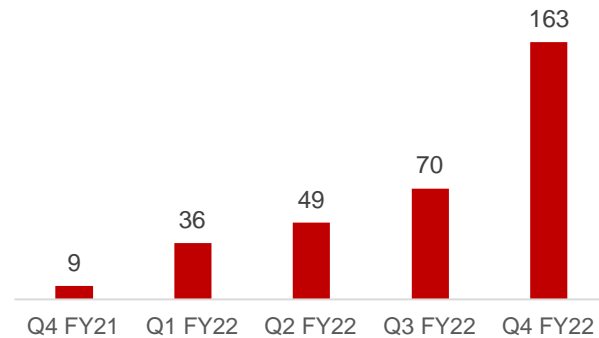
### Gross Total Income (INR Mn)



### Net Total Income (INR Mn)



### PAT (INR Mn)



# Q4 & FY22 - Consolidated Balance Sheet



Particulars (in INR Mn)	Consolidated		Standalone	
	March 2022	March 2021	March 2022	March 2021
<b>ASSETS</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	755	879	310	491
Bank Balance	668	805	76	178
Loans & Advances	10,576	7,432	1,883	1,512
Investments	59	32	930	652
Other Financial assets	129	76	11	17
<b>Total Financial Assets</b>	<b>12,187</b>	<b>9,224</b>	<b>3,210</b>	<b>2,848</b>
<b><u>Non-Financial Assets</u></b>				
Current tax Assets (Net)	0	0	2	0
Deferred tax Assets (Net)	165	134	46	44
Property, Plant and Equipment	37	35	8	8
Right To Use Asset	12	6	0	0
Other non-financial assets	11	3	7	7
<b>Total Non-Financial Assets</b>	<b>225</b>	<b>177</b>	<b>63</b>	<b>59</b>
<b>Total Assets</b>	<b>12,413</b>	<b>9,401</b>	<b>3,274</b>	<b>2,907</b>

	Consolidated		Standalone	
	March 2022	March 2021	March 2022	March 2021
<b>LIABILITIES &amp; EQUITY</b>				
Equity Share capital	85	85	85	85
Reserves & Surplus	2,042	1,783	1,325	1,193
<b>Total Shareholders Funds</b>	<b>2,127</b>	<b>1,868</b>	<b>1,410</b>	<b>1,278</b>
<b><u>Financial Liabilities</u></b>				
Other Payables	12	8	0	0
Debt Securities	1,951	1,776	673	648
Total Borrowings	7,696	5,288	1,057	835
Subordinated Liabilities	250	150	50	50
Other Financial Liabilities	329	242	50	50
<b>Total Financial Liabilities</b>	<b>10,238</b>	<b>7,464</b>	<b>1,829</b>	<b>1,583</b>
<b><u>Non-Financial Liabilities</u></b>				
Current tax liabilities (Net)	27	49	0	4
Provisions	12	9	4	4
Other non-financial liabilities	10	12	31	37
<b>Total Non-Financial Liabilities</b>	<b>49</b>	<b>70</b>	<b>35</b>	<b>45</b>
<b>Total Liabilities &amp; Equity</b>	<b>12,413</b>	<b>9,401</b>	<b>3,274</b>	<b>2,907</b>

# Q4 & FY22 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q4 FY22	Q4 FY21	YoY (%)	FY22	FY21	YoY (%)
<b>Asset Under Management</b>	<b>10,220</b>	<b>6,431</b>	<b>59%</b>	<b>10,220</b>	<b>6,431</b>	<b>59%</b>
<b>Disbursements</b>	<b>2,795</b>	<b>2,297</b>	<b>22%</b>	<b>8,401</b>	<b>4,176</b>	<b>101%</b>
Income from Operations	559.4	336.1	66%	1,729.0	1,357.3	27%
Other Income	0.0	0.0		0.15	0.02	607%
<b>Gross Total Income</b>	<b>559.4</b>	<b>336.1</b>	<b>66%</b>	<b>1,730.4</b>	<b>1,357.5</b>	<b>27%</b>
Finance Costs	205.8	170.5	21%	728.6	612.2	19%
<b>Net Total Income (NTI)</b>	<b>353.6</b>	<b>165.6</b>	<b>113%</b>	<b>1001.8</b>	<b>745.3</b>	<b>34%</b>
Employee Benefits Expenses	82.0	60.1	36%	290.5	239.0	22%
Depreciation and Amortisation	3.1	1.8	76%	8.5	7.1	20%
Other Expenses	38.4	25.6	50%	131.0	85.9	53%
<b>Pre-Provision Operating Profit</b>	<b>230.0</b>	<b>78.1</b>	<b>194%</b>	<b>571.7</b>	<b>413.3</b>	<b>38%</b>
Total Provision & Write-offs	98.1	76.9	28%	300.0	366.7	-18%
<b>Profit After Tax</b>	<b>97.7</b>	<b>8.5</b>	<b>1044%</b>	<b>184.5</b>	<b>49.1</b>	<b>276%</b>
GNPA %	<b>3.7%</b>	<b>4.1%</b>	(44 bps)	<b>3.7%</b>	<b>4.1%</b>	(44 bps)
NNPA %	<b>0.6%</b>	<b>0.6%</b>	3 bps	<b>0.6%</b>	<b>0.6%</b>	3 bps
Return on Avg. AUM %	<b>4.2%</b>	<b>0.6%</b>	359 bps	<b>2.6%</b>	<b>0.8%</b>	179 bps
Return on Avg. Equity %	<b>25.0%</b>	<b>2.8%</b>	2217 bps	<b>13.1%</b>	<b>4.2%</b>	890 bps

## Note:

- 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

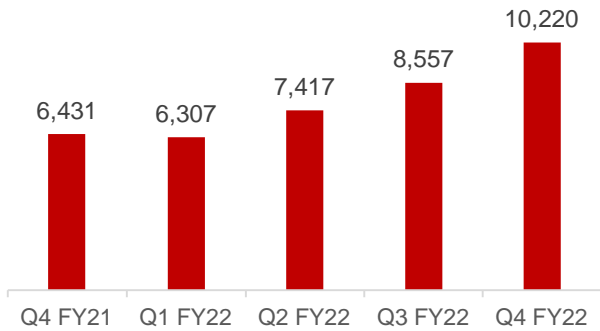
- ❖ **Q4 FY22 MFI AUM stood at INR 10,220 Mn – higher by 59% vis-à-vis last year**
  - Active MFI Customer base stood at 4.01 Lakhs in Q4 FY22. Added more than 74,000 new customers in Q4 FY22.
- ❖ **Disbursements grew by 22% with opening of new, along with increase in ticket size of second cycle borrowers**
- ❖ **Gross Total Income** increased by 66% YoY to INR 428.1 Mn due to higher average AUM
- ❖ **Similarly, Net Total Income increased by 113% YoY to INR 353.6 Mn**
- ❖ **Profit After Tax increased sharply to INR 97.7 Mn** in Q4FY22 compared to ₹ INR 8.5 Mn in Q4FY21 on the back of strong growth of loan portfolio and better operational efficiencies
- ❖ **Provisions & write off for the quarter increased by 28% YoY to INR 98.1 Mn**
  - Strengthened provision coverage by prudently earmarking INR 44 Mn for provisions in this quarter. Additionally, the company also took an aggressive write-off of INR 53.7 Mn.
  - Cumulative total ECL Provisions as on 31<sup>st</sup> March 2022 were INR 471 Mn covering 5.0% of the total AUM.**
- ❖ **Repayment rates has been steady and healthy at 95% during the quarter and reached 98% in March 2022**



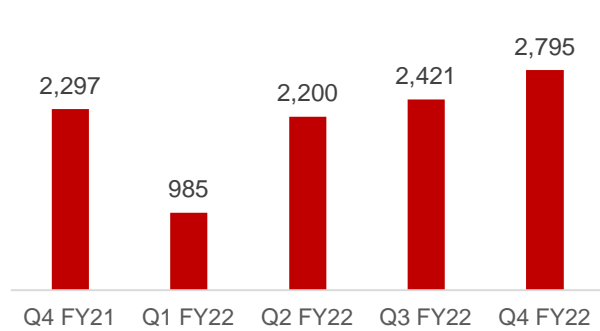
# Q4 FY22 - Microfinance Performance Update



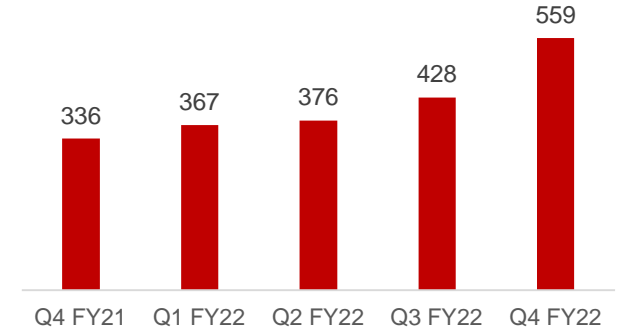
**AUM (INR Mn)**



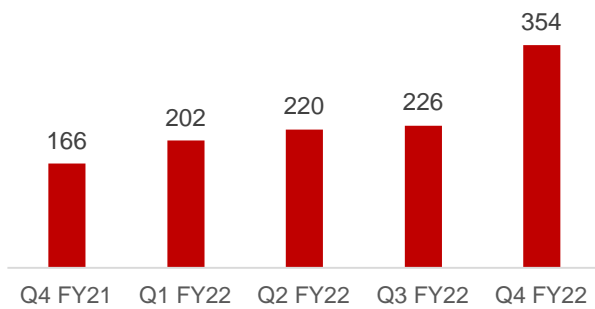
**Disbursement (INR Mn)**



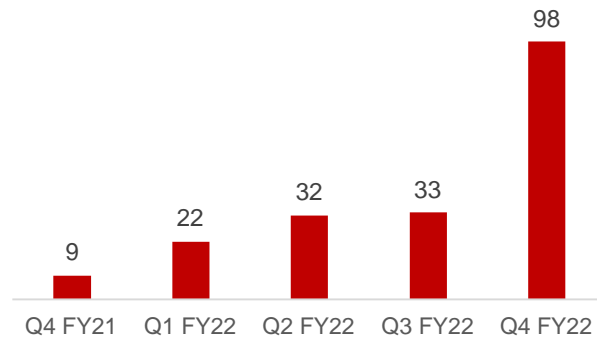
**Gross Total Income (INR Mn)**



**Net Total Income (INR Mn)**



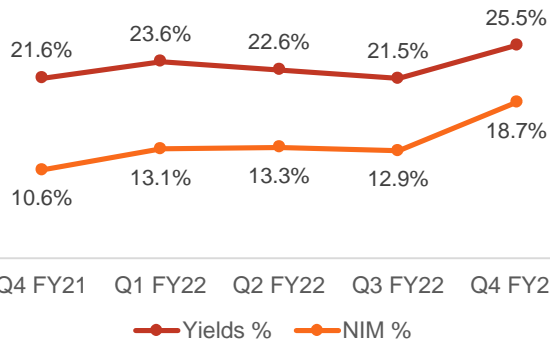
**PAT (INR Mn)**



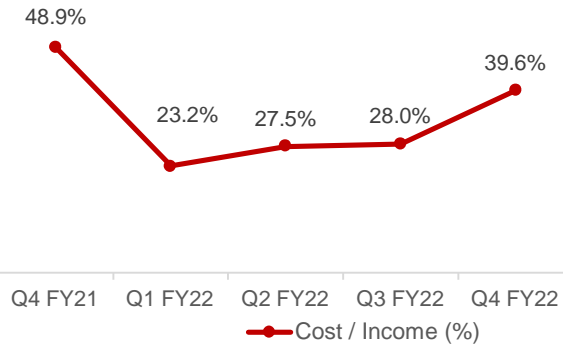
# Q4 FY22 - Microfinance Performance Update



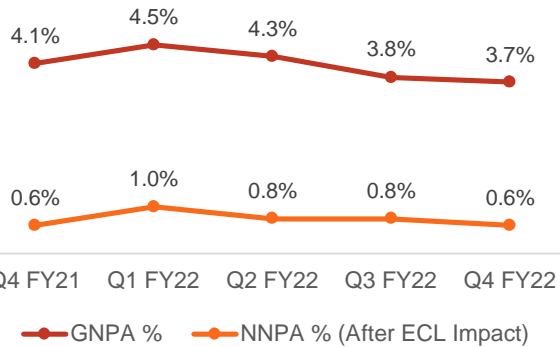
## Yields % and NIM %



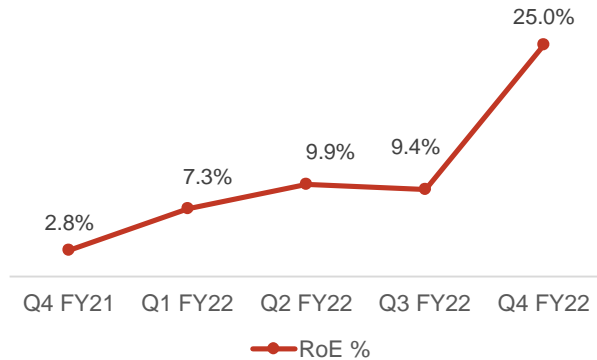
## Cost-to-Income Ratio %



## Asset Quality#



## ROE %



**Note:**

- \* Includes Covid specific provision in FY21
- 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 FY22 yield is high on account of gain on securitization transaction of INR 1000 Mn with SBI in January 2022

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



Particulars (INR Mn)	Q3 FY22	Q3 FY21	YoY (%)	FY22	FY21	YoY (%)
<b>Asset Under Management</b>	<b>2,112</b>	<b>1,713</b>	<b>23%</b>	<b>2,112</b>	<b>1,713</b>	<b>23%</b>
<b>Disbursements</b>	<b>580</b>	<b>455</b>	<b>27%</b>	<b>1,832</b>	<b>921</b>	<b>99%</b>
Income from Operations	197.4	130.7	51%	624.1	606.0	3%
Other Income	12.8	8.2	56%	38.0	29.5	29%
<b>Gross Total Income</b>	<b>210.2</b>	<b>138.9</b>	<b>51%</b>	<b>662.2</b>	<b>635.5</b>	<b>4%</b>
Finance Costs	41.4	49.1	-16%	178.9	199.8	-10%
<b>Net Total Income (NTI)</b>	<b>168.8</b>	<b>89.7</b>	<b>88%</b>	<b>314.5</b>	<b>346.0</b>	<b>-9%</b>
Employee Benefits Expenses	36.2	31.7	14%	128.0	116.6	10%
Depreciation and Amortisation	0.3	0.2	13%	1.0	1.0	-1%
Other Expenses	22.9	22.5	2%	68.0	44.9	51%
<b>Pre-Provision Operating Profit</b>	<b>109.5</b>	<b>35.2</b>	<b>-6%</b>	<b>286.3</b>	<b>273.1</b>	<b>5%</b>
Total Provision & Write-offs	9.4	3.3	-72%	73.3	179.2	-59%
<b>Profit After Tax</b>	<b>76.4</b>	<b>4.9</b>	<b>1454%</b>	<b>162.3</b>	<b>80.0</b>	<b>103%</b>
GNPA %	<b>7.7%</b>	<b>6.7%</b>	93 bps	<b>7.7%</b>	<b>6.7%</b>	93 bps
NNPA %	<b>1.5%</b>	<b>0.9%</b>	62 bps	<b>1.5%</b>	<b>0.9%</b>	62 bps
Return on Avg. AUM %	<b>15.3%</b>	<b>1.1%</b>	1415 bps	<b>8.5%</b>	<b>4.1%</b>	441 bps
Return on Avg. Equity %	<b>44.2%</b>	<b>3.0</b>	4126 bps	<b>23.5%</b>	<b>12.1%</b>	bps

### Note:

- 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).
- ROAE and ROAA figures are annualized

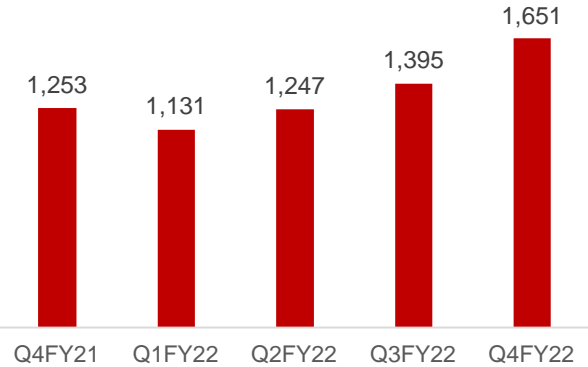
- ❖ **Standalone AUM stood at INR 1,889 Mn on 31<sup>st</sup> March 2022**
  - MSME AUM increased by 32% YoY to INR 1,651 Mn on the back of revival in demand
  - 2W AUM was flat at INR 461 Mn in Q4FY22 as compared to INR 459 Mn in Q4FY21
- ❖ **Disbursements in MSME segment has picked up** sharply with recovery in rural economy after bottoming out in May 2021 due to second wave of COVID. The total MSME & 2W Disbursement in Q4 were INR 380 Mn and INR 163 Mn respectively
- ❖ The total Provisions as on 31<sup>st</sup> March 2022 stood at INR 181.4 Mn covering 8.6% of total AUM
- ❖ GNPA % and NNPA % stood at 7.7% and 1.5% respectively.
- ❖ Return on average equity during the quarter has improved sharply by 4126 bps to 44.2% from 3.0%
- ❖ **Repayment rates for both MSME and 2W were healthy and steady during the quarter at 95% & 96% respectively**



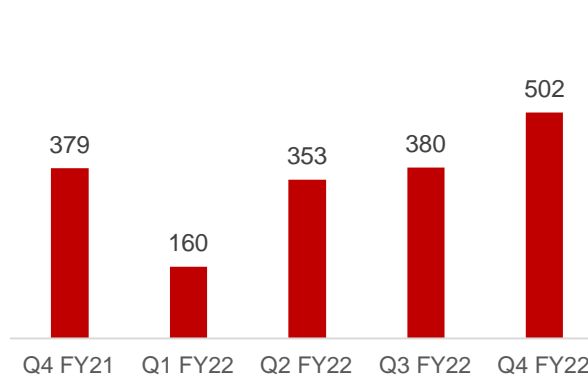
# Q4 FY22 - MSME Performance Update



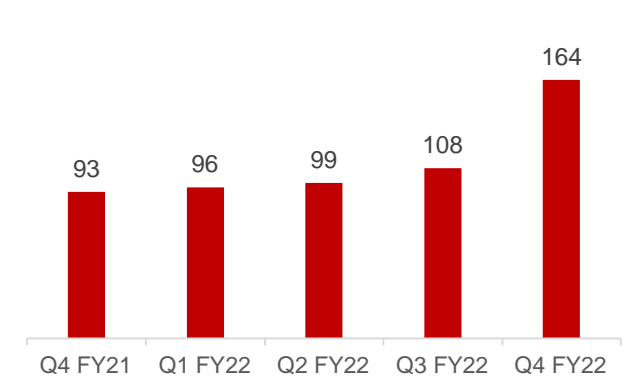
### AUM (INR Mn)



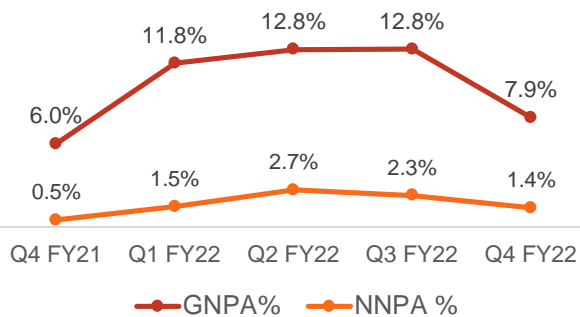
### Disbursements (INR Mn)



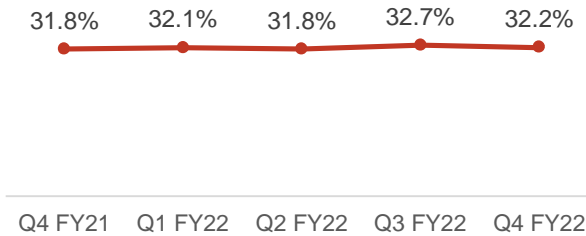
### Gross Interest Income (INR Mn)



### Asset Quality#



### Yields %



**Note:**

- 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.

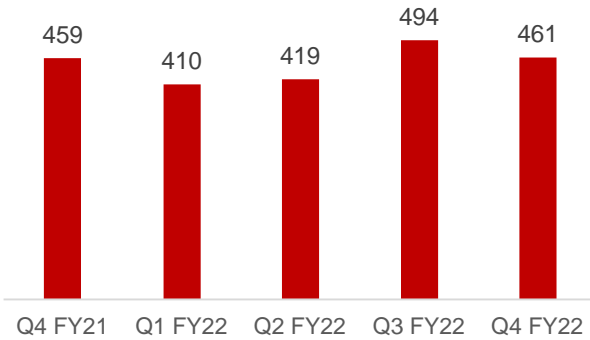




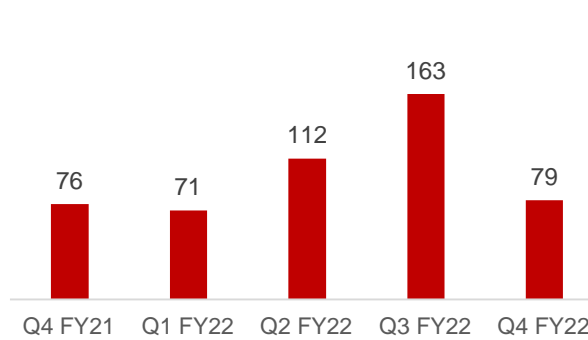
# Q4 FY22 - 2W Performance Update



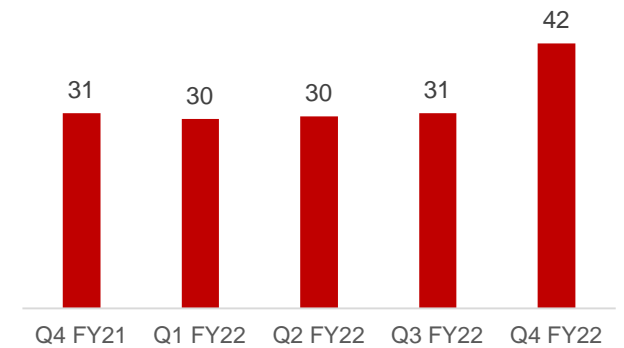
### AUM (INR Mn)



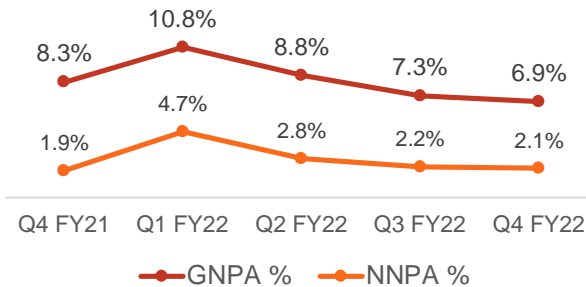
### Disbursement (INR Mn)



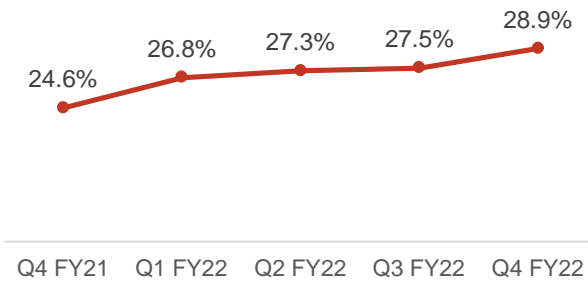
### Gross Interest Income (INR Mn)



### Asset Quality



### Yields %



**Note:**

• 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



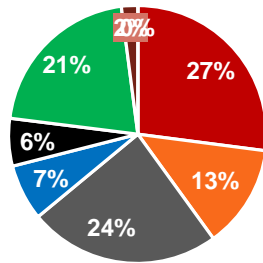
# Efficient Liability Management



Funding profile is well diversified with increase in share of funds from NCDs & DFIs

Q4 FY21 - Borrowing Mix %

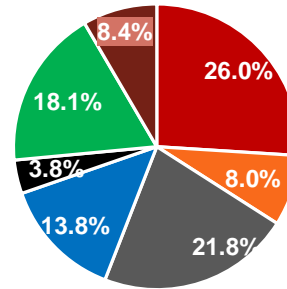
INR 7,665 Mn \*



Note: \* INR 7,665 Mn includes direct assignment of INR 581 Mn

Q4 FY22 - Borrowing Mix %

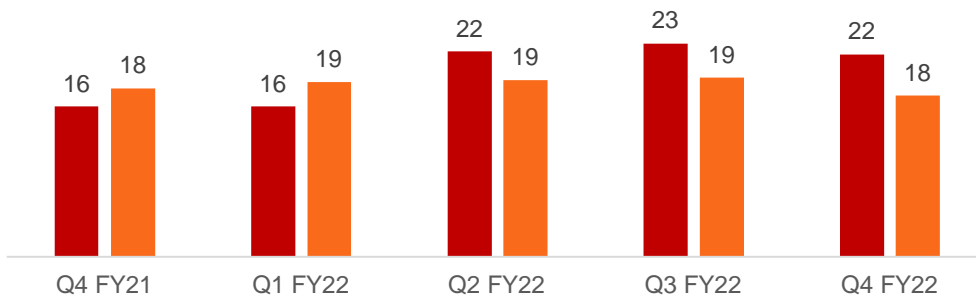
INR 10,858 Mn \*



Note: # INR 10,858 Mn includes direct assignment of INR 917 Mn

- Banks & SFBs
- DFIs (NABARD, MUDRA & SIDBI)
- NBFC / FI
- Securitization
- ECB
- NCD
- DA

## 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, ECB's, DFIs (NABARD Refinance, MUDRA) and Securitization
  - Share of NCD's, ECB's, DFIs, and Securitization represented **~44% of borrowings in Q4 FY22**
- **Comfortable liquidity position with a potential to increase leverage.**



# Lending partners



## Bank Borrowings



## Non-Bank Borrowings



## Securitization Partners



## NCDs & ECB







**Arman Financial Services Ltd.**



## Company Overview



# Key Strengths



## 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

- **Consistent rating upgrades** backed by strong financial & operating performance – Currently rated **BBB+** by CARE Ratings and ACUITE A- with stable outlook
- **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 12,332 Mn in Q4 FY22**
- **Microfinance – 82.9% of AUM** (via 100% owned subsidiary “*Namra Finance*”)
- **MSME Loans – 13.4% of AUM**
- **2-Wheeler Loans – 3.7% of AUM**



**Arman Financial Services Ltd.**

## Strong Financial Performance

- **High-Growth Trajectory (FY2016-22 CAGR) :**
  - **AUM: 38%**
  - **Net Income: 34%**
- **Consolidated debt to equity ratio of 4.65:1** – Sufficient Capital to drive growth going forward
- **High Return Ratios - ROE: 15.6%; ROAA: 3.1% - fast recovering from the COVID impact**

## Strong Retail Presence & Wide Distribution Network

- 292 branches; 55+ Two-Wheeler dealerships
- 107 Districts, 8 states
- ~4.65 lakh live customers
- Undertaken contiguous expansion from Gujarat since 2014 to achieve geographic diversifications

## Efficient Liability Management

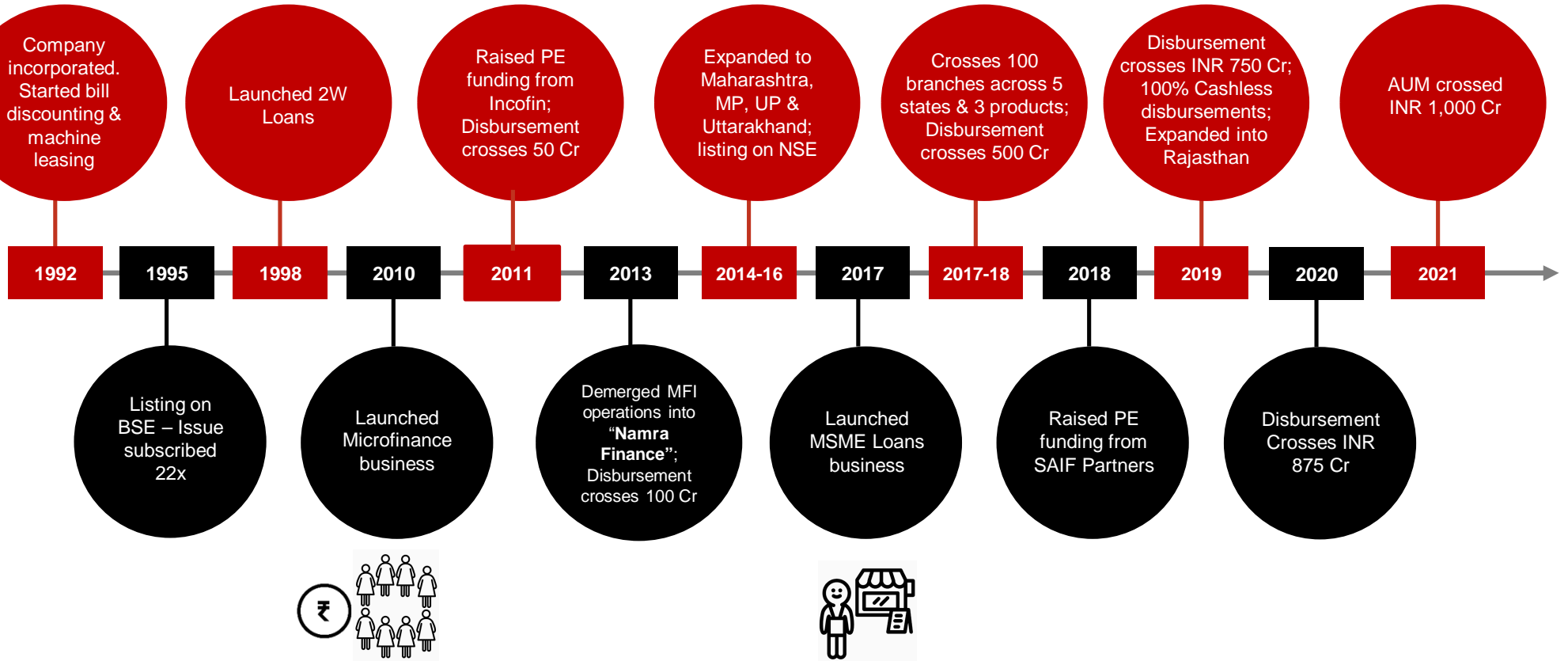
- **Comfortable Liquidity Position: Positive ALM**
  - Avg. lending tenor at origination: ~24 months; Avg. tenor of debt at origination: ~36 months
- Diversified Borrowing Profile with Relationship across 30+ Banks & other Financial Institutions

### Note:

- *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



# Product Snapshot



**ARMAN FINANCIAL SERVICES LTD.**

- 30 years of existence
- Active customer base of 4.65 lakh
- Employee strength of 2,270 employees
- Completely in-house operations – Sourcing, Credit & Collections

## Microfinance



## MSME Loans



## 2-Wheeler Loans



## Rural 2W Loans



<b>% of Total AUM</b>	83%	13%	3%	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 35,000	INR 70,000	INR 52,000	INR 45,000
<b>Tenure</b>	18-24 months	24 months	12-36 months	12-24 months
<b>Yield (%)</b>	22-25% (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



## Differentiated Operations



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

**KEY STRATEGIC  
DIFFERENTIATORS**



# Technological Initiatives to Strengthen Operations

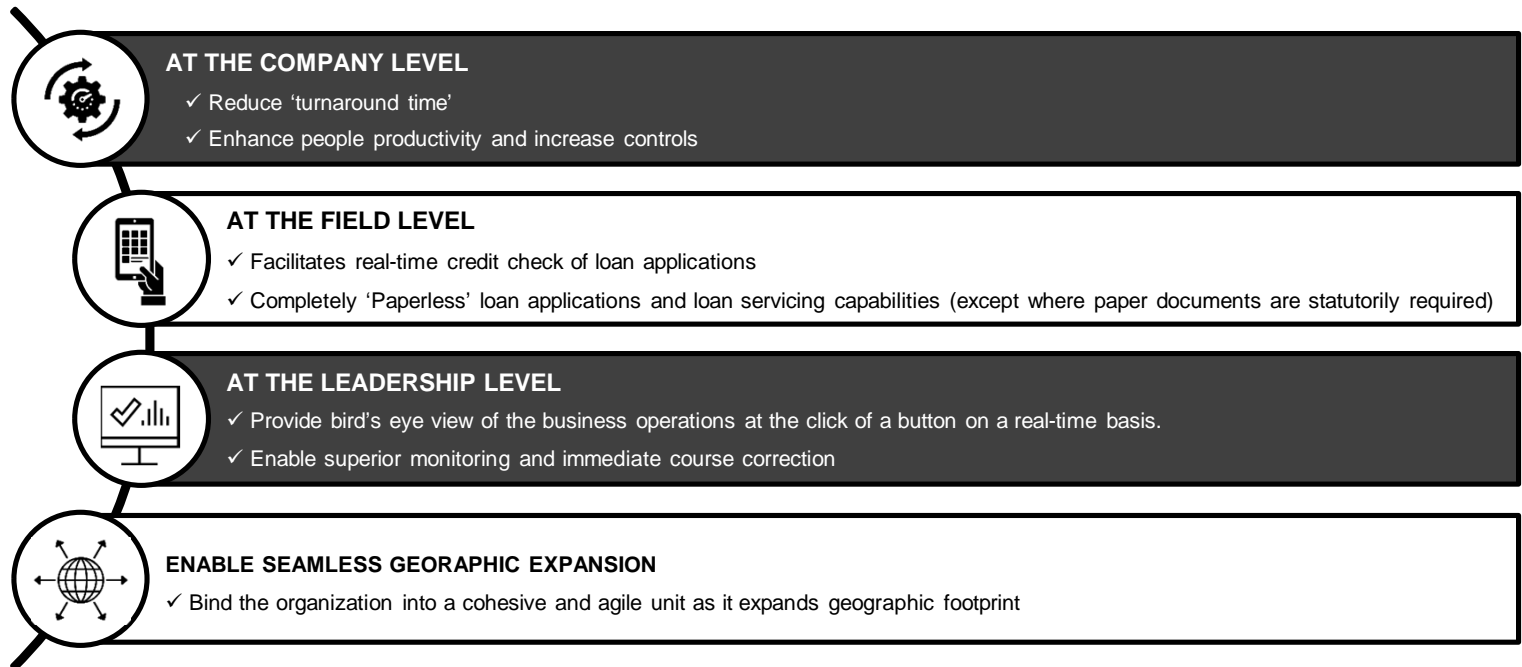


- ❖ In FY19, the company launched an integrated mobile interface for its MFI field staff to enable seamless on-boarding of MFI customers by digitizing & standardizing the loan origination and appraisal process. **'This technology has been successfully implemented across all the MFI branches now.'**
- ❖ Rolled-out the **'Jayam' initiative** across the company's MFI operations to transform business processes from physical to digital. **'As a part of this initiative, the 'integrated loan origination system (LOS) & loan management system (LMS)' is hosted on the Cloud. This system manages and tracks originations and recoveries on a real-time basis.'**
- ❖ In the next phase, the company will be implementing these initiatives for its MSME & 2W operations as well. However, the next phase will a bit delayed due to the Covid disruption

## ADVANTAGES OF IMPLEMENTING THE 'JAYAM' INITIATIVE & INTEGRATED MOBILE INTERFACE FOR FIELD OPERATIONS



**DRIVING DIGITAL  
TRANSFORMATION**

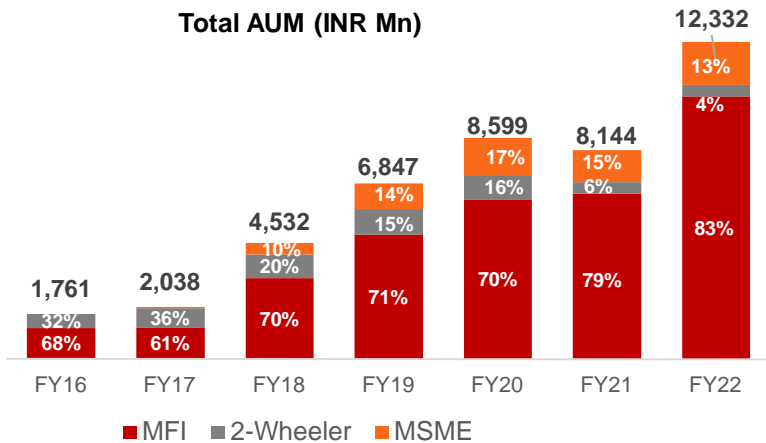




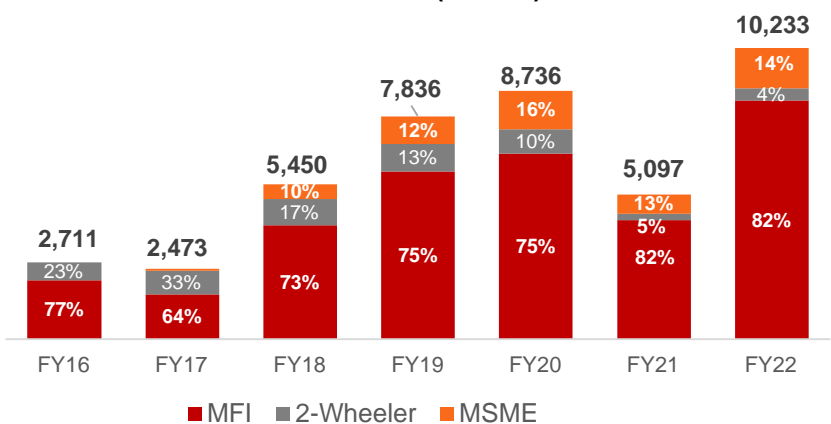
# Strong Growth in AUM & Disbursements.....



**Total AUM (INR Mn)**



**Total Disbursements (INR Mn)**



- **Diversified portfolio of 12,332 Mn in Q4 FY22 split between –**
  - Microfinance: INR 10,220 Mn (82.9%),
  - MSME Loans: INR 1,651 Mn (13.4%)
  - 2-Wheeler Loans: INR 461 Mn (3.7%)
- **Strategically forayed into MSME Loans in 2017.** Successfully scaled up the business to INR 1,651 Mn (13.4% of Total AUM) in the last 5 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:** FY22, FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.



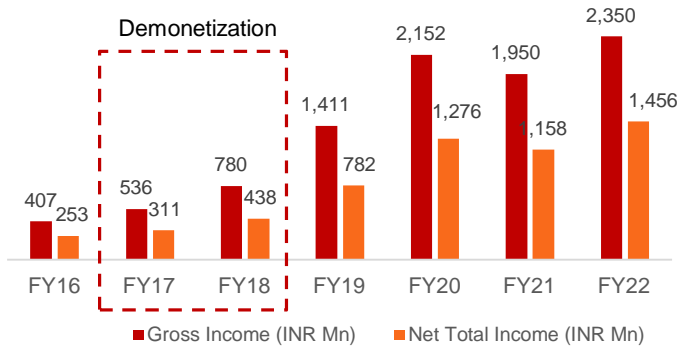
# .....While Maintaining Superior Cost Efficiency & Asset Quality



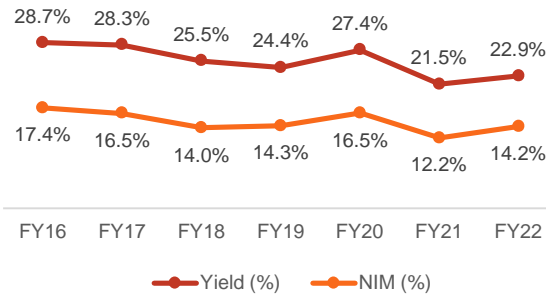
Gross Income and Net Total Income (INR Mn)

CAGR: 34%

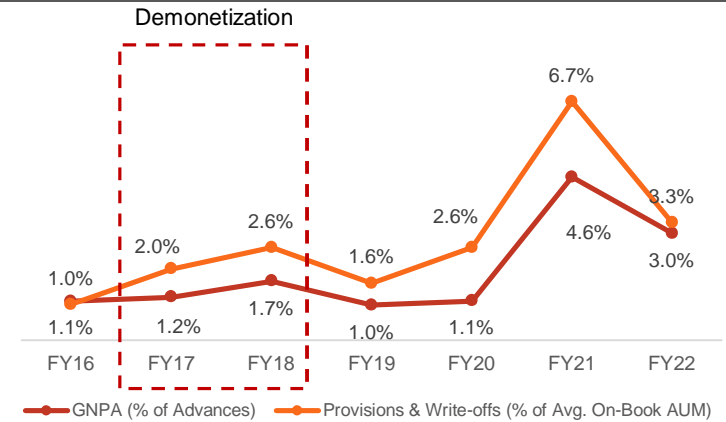
CAGR: 34%



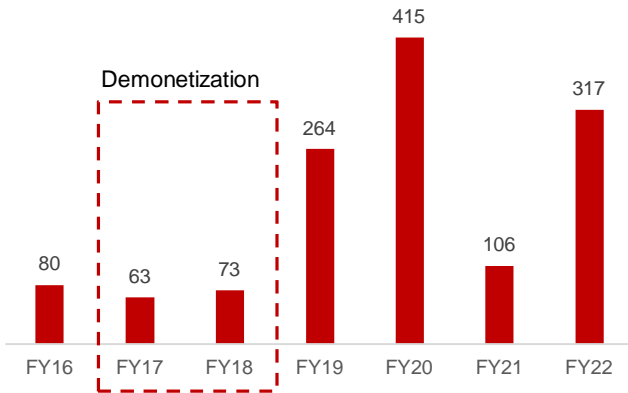
Yield % and NIM %



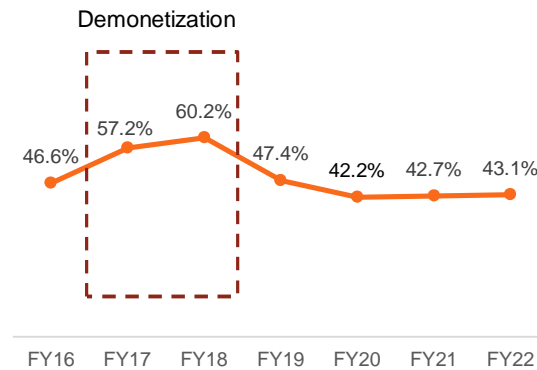
Focus on risk have led to immaculate through-cycle asset quality



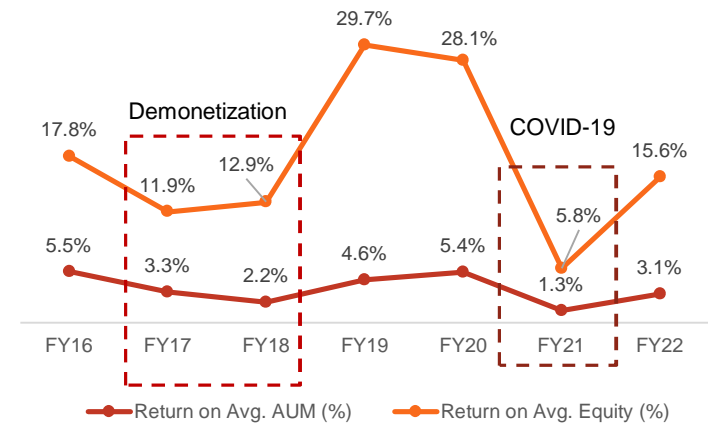
PAT (INR Mn)



Cost to Income Ratio %



Consistently high through cycle ROA / ROE



**Note:**

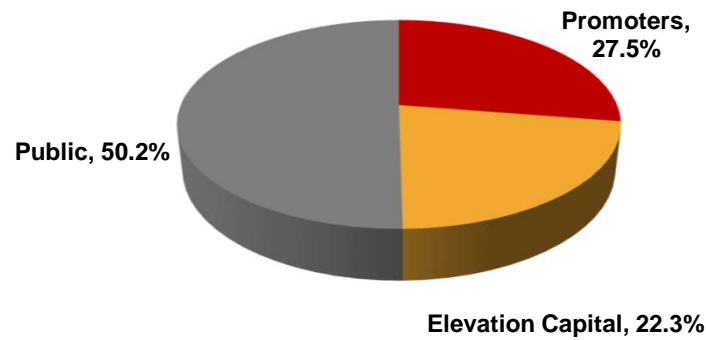
FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. NIM = Nil / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM



# Shareholding Pattern



SHAREHOLDING – 31<sup>st</sup> March 2022



Source – Company

- **Elevation Capital (Erstwhile SAIF Partners)** invested **INR 500 Mn** in CCDs in April 2018 Post conversion of CCD's, Elevation Capital stake in the company stands at 22.3%
- **Mr. Mridul Arora,** is a Nominee Director of Elevation Capital on the Arman Board



**Arman Financial Services Ltd.**



**MSME LOANS**



**MICROFINANCE**



**TWO WHEELER LOANS**

## **Product Overview**



# Product Overview: Microfinance



## Product Overview

- **JLG model with small ticket loans** (Avg. Ticket Size – INR 35,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- Operations in **8 states; 236 MFI branches; 4.01 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

FY22 – Key Metrics (Mn)		
<b>10,220</b>	<b>8,401</b>	
AUM (INR Mn)	Disbursement (INR Mn)	
<b>1,730</b>	<b>49</b>	<b>36,500</b>
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size (INR)

FY22 – Key Metrics (%)		
<b>22.2%</b>	<b>12.9%</b>	<b>2.6%</b>
Yield	NIM	ROAA
<b>3.7%</b>	<b>4.1%</b>	<b>13.1%</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 55+ 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**

## FY22 – Key Metrics (Mn)

**461**

AUM (INR Mn)

**428**

Disbursement (INR Mn)

**133**

Total Income (INR Mn)

**68,000**

Avg. Ticket Size (INR)

## FY22 – Key Metrics (%)

**28.9%**

Yield

**19.0%**

NIM

**6.9%**

GNPA

**2.05%**

NNPA





# Product Overview: MSME Loans



## Product Overview

- Individual enterprise / working capital loans for small rural businesses in low competition areas
- Currently operates across 4 states – Gujarat, MP, Maharashtra & Rajasthan with 45 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

FY22 – Key Metrics (%)	
<b>1,651</b>	<b>1,391</b>
AUM (INR Mn)	Disbursement (INR Mn)
<b>467</b>	<b>70,000</b>
Total Income (INR Mn)	Avg. Ticket Size (INR)

FY22 – Key Metrics (%)	
<b>32.2%</b>	<b>22.9%</b>
Yield	NIM
<b>7.9%</b>	<b>1.4%</b>
GNPA	NNPA

## MSME Process Overview



- 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”**



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



- “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.**

**Vivek Modi**  
Group – CFO  
Arman Financial Services Ltd  
Tel : + 91 79 4050 7000 (Extn. 210)  
Email : vivek@armanindia.com

**DICKENSON**

**Pushpa Mani/Chintan Mehta**  
Dickenson World  
Tel : +91 9911684123 / 9892183389  
Email : armanfinancial@dickensonworld.com



from ACCESS to INCLUSION

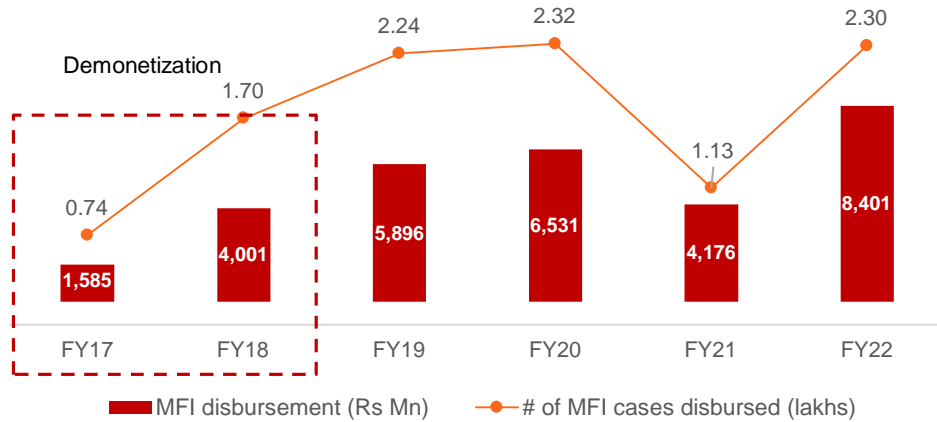
## Annexures



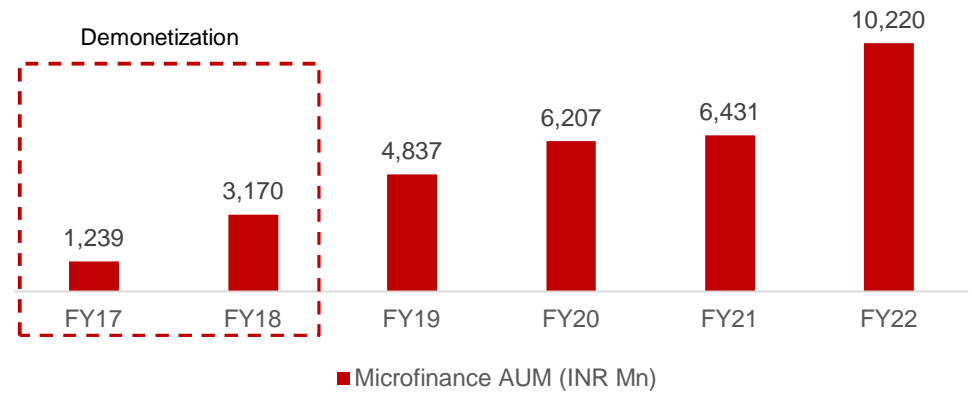
# Microfinance: 5-Year Performance



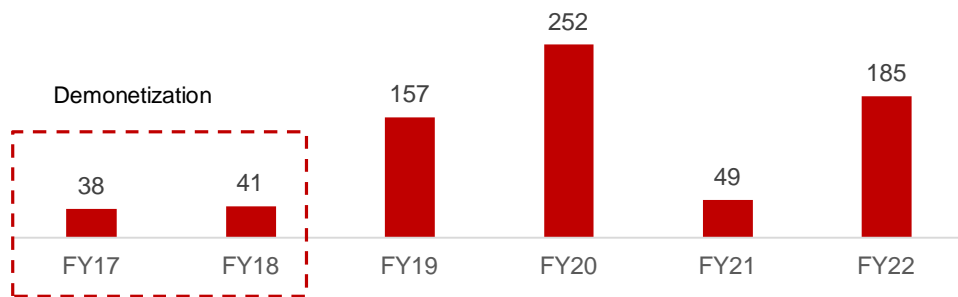
## Disbursement growth is driven by customer & branch addition



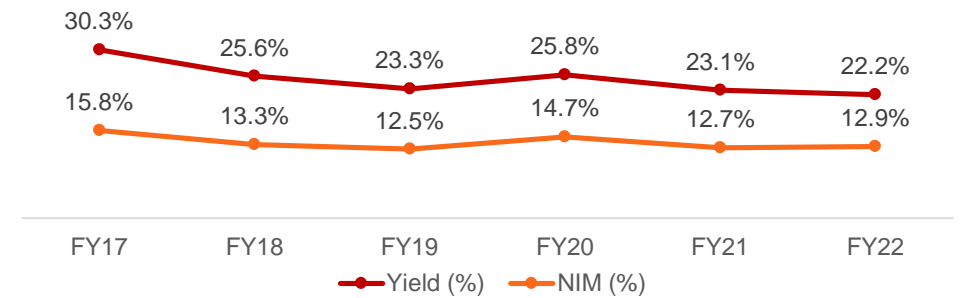
## AUM growth exceeds MFI industry growth rates



## PAT (INR Mn)



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



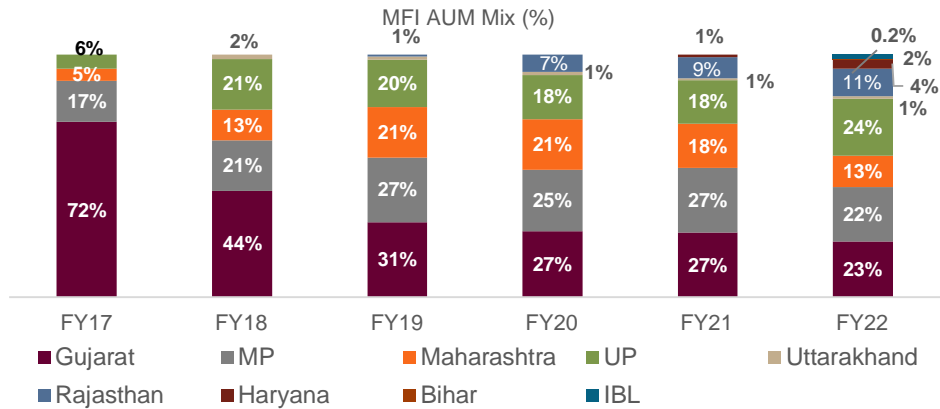
Note: FY22, FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.



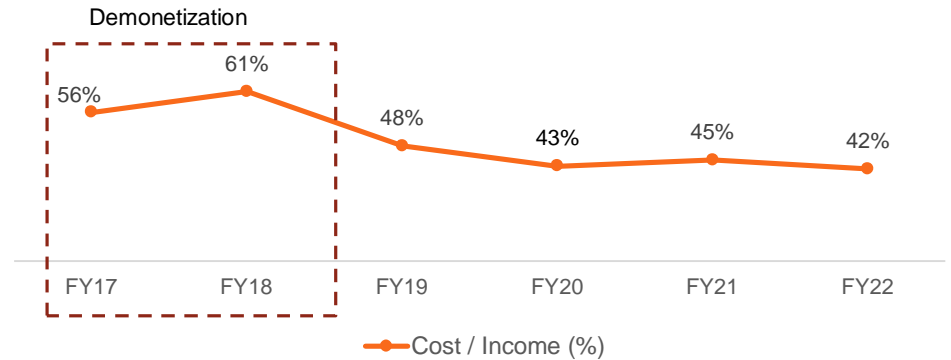
# Microfinance: 5-Year Performance



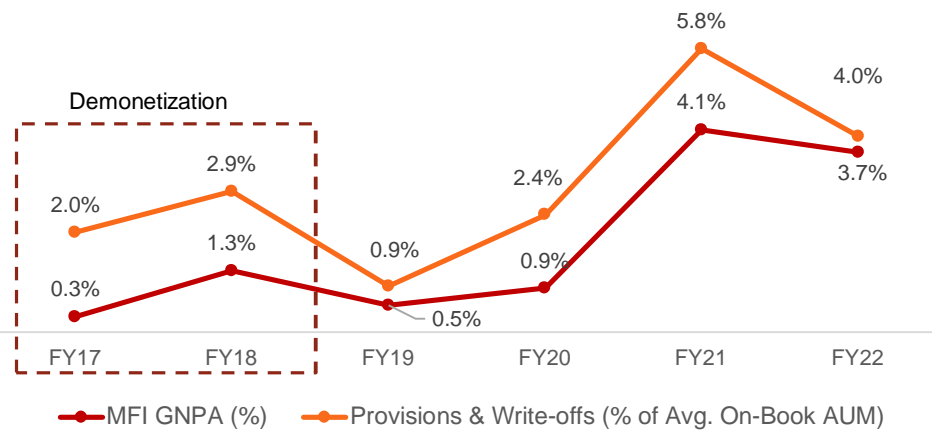
## Well diversified across geographies



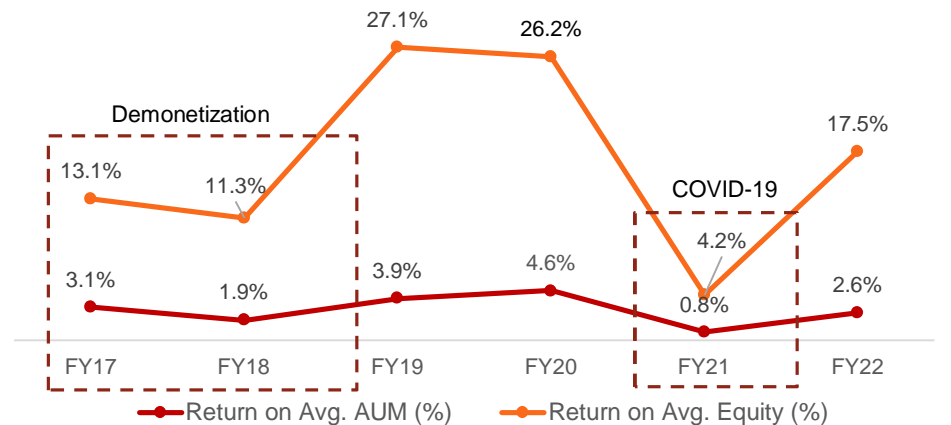
## Maintaining high operational efficiency



## Through cycle asset quality under control



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



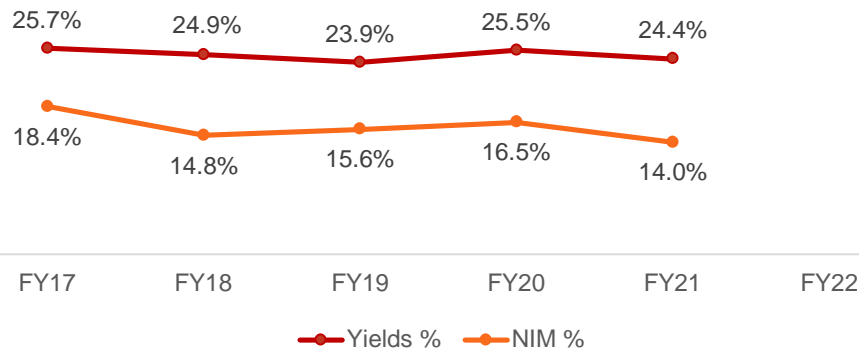
Note: FY22, FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.



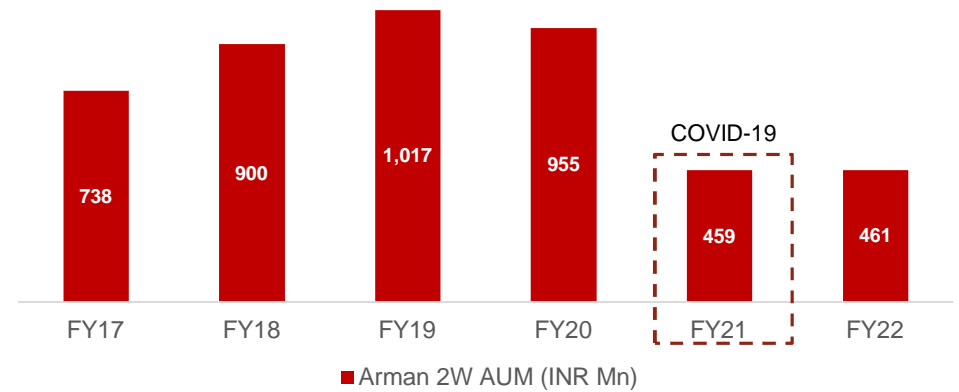
# 2W Loans: 5-Year Performance



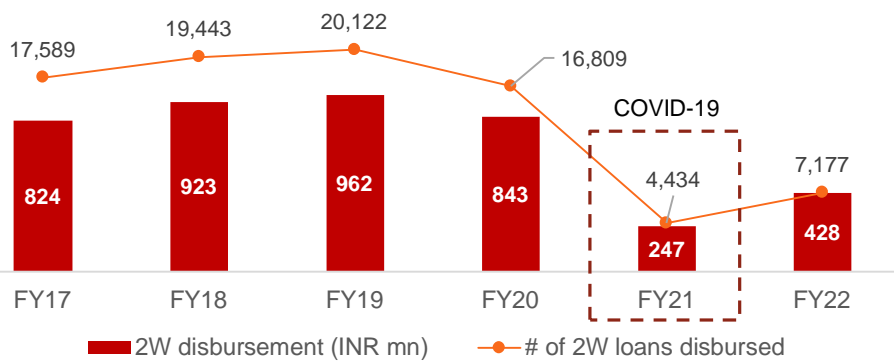
## Yields (%) & NIM (%) Trend



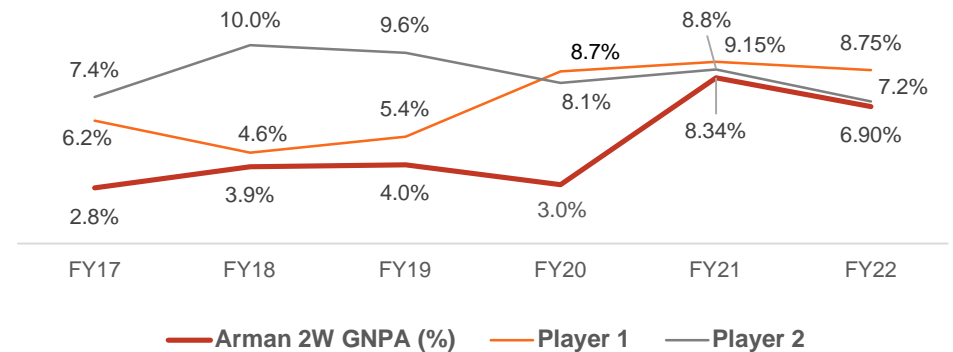
## Arman 2W AUM/ has seen steady growth over FY15-20



## Disbursement growth is driven by sharp recovery in 2 wheeler sales



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



Note: FY22, FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

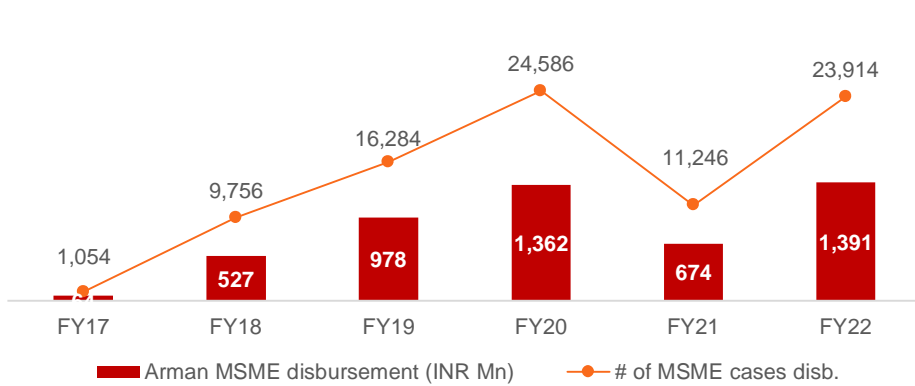




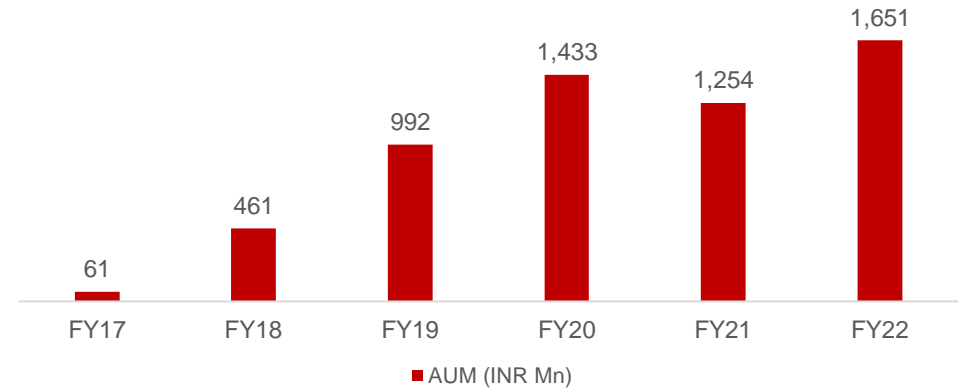
# MSME Loans: 5-Year Performance



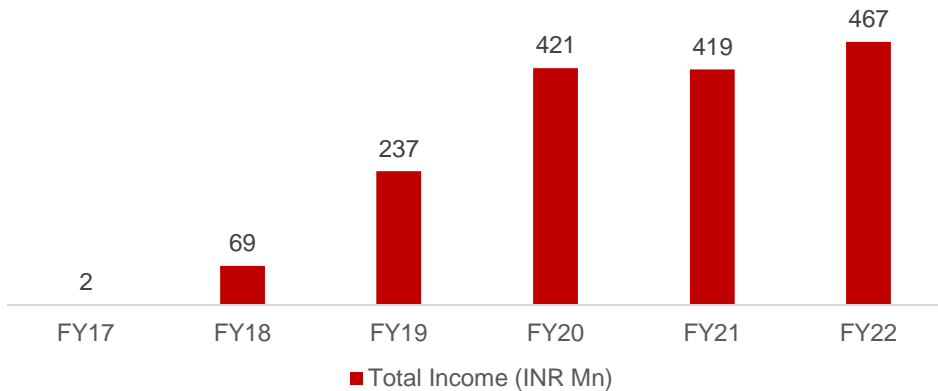
## Disbursement Growth



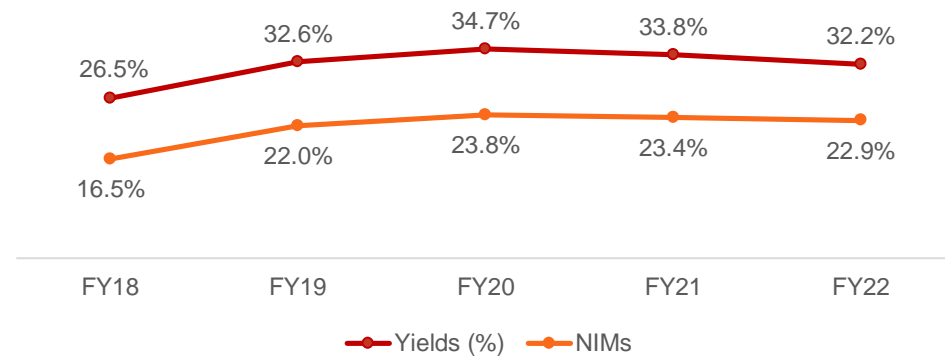
## AUM Growth



## Total Income Growth



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



**Note:** FY22, FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.