



# **Arman Financial Services Limited**

**Investor Presentation – August 2023**



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## Quarterly Business Update



# Q1FY24 Performance Highlights



## Assets Under Management

**INR 2,143 Crore**

(+54% Y-o-Y)

## Provisions and write offs

**INR 13 Crore**

*Cumulative Provisions stood at INR 72 Crore (covering 3.4% of the consolidated AUM, 4.1% on-book)*

## Disbursement

**INR 537 Crore**

(+42% Y-o-Y)

## Asset Quality

**GNPA: 2.5%**

**NNPA: 0.1%**

## Shareholder's Equity

**INR 406 Crore\***

*CRAR: Arman (Standalone): 31.64%;  
CRAR: Namra Finance: 26.32%*

## Return Ratios<sup>#</sup>

**ROAA: 7.8%**

**ROE: 36.5%**

## Profit Before Tax

**INR 50 Crore**

(+149% Y-o-Y)

## Collection Efficiency

**Steady and healthy with each month being north of 98% for Q1FY24**

## Profit After Tax

**INR 40 Crore**

(+154% Y-o-Y)

## Active Customer Base

**More than 6.8 Lakhs**

All numbers are on consolidated basis

\*As per IND-AS; <sup>#</sup>On annualised basis

ROAA - Return on Average AUM; ROE - Return on Equity

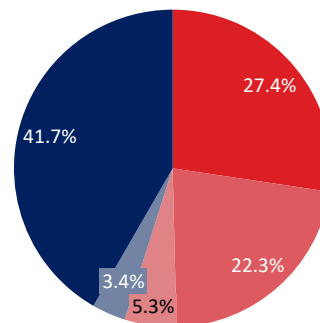
# Recent Fund Raise – September 2022 (1/2)



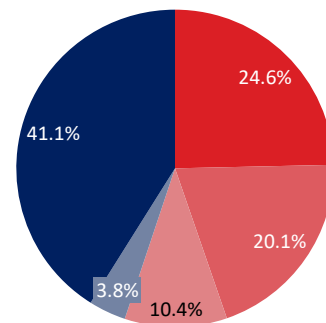
Company raised INR 115 crore via allotment of CCDs and OCRPS on a preferential basis

- Allotment of 6,24,388 Unsecured Compulsorily Convertible Debentures (“CCDs”) on preferential basis to Investors belonging to non-promoter category.
  - The total amount raised is approximately Rs. 76.8 crore.
  - Some of the marquee investors include fund(s) controlled by Singapore based Sixteenth Street Capital and USA based Seven Canyons Advisors.
  - Other investors include both domestic and foreign individuals.
- Allotment of 3,10,972 Optionally Convertible Redeemable Preference Shares (“OCRPS”) on preferential basis belonging to non-promoter category.
  - The total amount raised is approximately Rs. 38.2 crore.
  - The investors include a mix of individuals and family offices.

Shareholding Pattern -  
Pre-Capital Raise



Shareholding Pattern -  
Post-Capital Raise\*



Promoters Elevation Capital FII Bodies Corporates Retail & Others

***The mix of Tier I & II equity capital will be used to fund the targeted growth plans of approximately INR 2,700 Crore with a healthy capital adequacy and debt-equity ratio by leveraging our presence in the MFI, MSME, Two-Wheeler, and other loan segments which will enables the company to achieve a sustained growth momentum in the coming few quarters.***

# Recent Fund Raise – September 2022 (2/2)



Particulars	31-Mar-23
Equity Share Capital	INR 365 Crore
Total Shares Outstanding	84,92,334 Shares

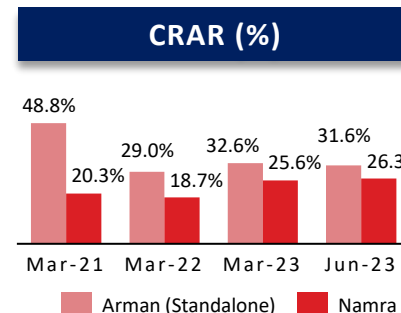
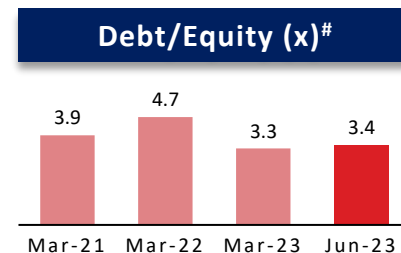
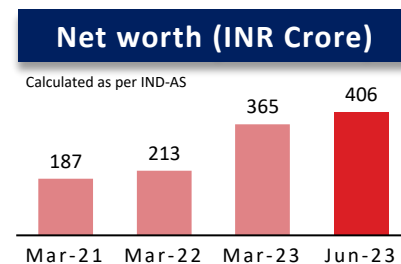
Particulars	Fund Raised on 28-Sep-22
CCDs	INR 76.8 Crore
CCDs Outstanding	6,24,388 CCDs
OCRPS	INR 38.2 Crore
OCRPS Outstanding	3,10,972 OCRPS



Shareholders Fund as on 30 <sup>th</sup> June 2023	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS; INDS- AS equity component of INR 63.8 Crore)	342.2	84,93,579
Unsecured Compulsorily Convertible Debentures (CCDs)	76.8	6,24,388
Optionally Convertible Redeemable Preference Shares (OCRPS)	38.3	3,10,972
<b>Total</b>	<b>457.3</b>	<b>94,28,939</b>

\*on fully diluted basis

\*After adjusting the impact of CCDs and OCRPS, debt component as per IND-AS and overdrafts (OD) from banks having 100% security against fixed deposits amounts to INR 124 Crore.





## Annual household income limit raised to INR 3 Lakh

- Increased annual household limit from INR 1.25 Lakh to INR 3 Lakh will provide more headroom to NBFC-MFIs to lend to more customers.
- This will help microfinance lenders to service consumers from diverse segments.

## Maximum FOIR of 50% considering all outstanding loans of the household

- The regulator has capped the monthly loan repayment of borrowers, it should not exceed half the monthly household income.
- This will reduce the pressure of EMI repayments on the borrowers, as well as lead to lower delinquency and lower credit costs for the industry.



## Removal of Pricing Cap

- The RBI removal of the interest rate ceiling on loans offered by NBFC-MFIs has put all microfinance lenders including banks, small finance banks, NBFC and not-for-profit companies on a uniform regulatory platform.
- This has allowed lenders to go for risk-based pricing.

## Qualifying assets limit revised from 85% of net assets to 75% of the total assets

- Increasing the non-qualifying asset limit provide MFIs more flexibility to experiment and innovate new products and achieve more balanced lending portfolio, reduce the cyclicality and volatility impact on the balance sheet, and strengthen the ability of institutions to weather any external risks.







## About the Company



# About Arman Financial Services



## About the Company

- 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 having a **combined experience of 100+ years** in the Lending Business

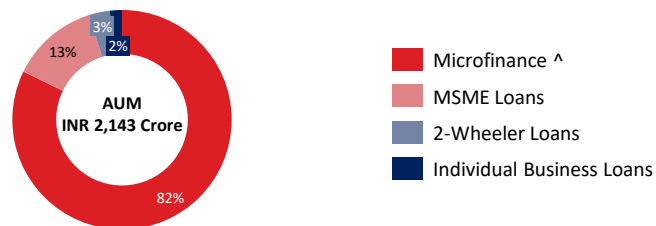
## Strong Financial Performance

- High-Growth Trajectory (FY16-23 CAGR):
  - AUM: **41%**
  - Net Income: **40%**
  - PAT: **42%**
- Consolidated debt to equity ratio of 3.4:1– Sufficient Capital to drive growth going forward<sup>#</sup>
- High Return Ratios - ROE: 36.5%; ROAA: 7.8%

## Efficient Liability Management

- Consistent rating upgrades backed by strong financial & operating performance
  - Currently rated BBB+(Stable Outlook) by CARE Ratings for NCDs and ACUTE A- (Stable Outlook) for NCDs and Bank Borrowings
  - MFI-1 (MFI One) rating has been awarded to Namra Finance Limited, the wholly owned subsidiary offering microfinance loans
- 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

### Presence in Attractive Retail Lending Segments



As of June 2023

**343**

Branches

**139**

Districts

**10**

States

**~6.8 Lakh**

Live Customers

**50+**

Two-Wheeler dealerships

**Positive ALM**

Comfortable Liquidity Position

**52+**

Diversified Borrowing Profile & Relationship with Banks & FIs

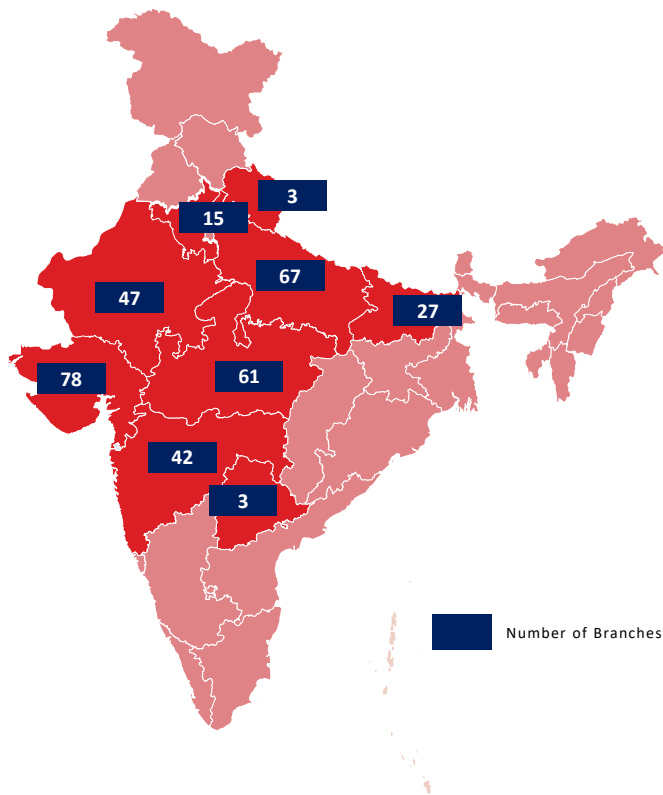
Began operations in Gujarat and has continuously undertaken expansion since 2014 to achieve geographic diversifications

<sup>#</sup>After adjusting the impact of CCDs and OCRPS, debt component as per IND-AS and overdrafts (OD) from banks having 100% security against fixed deposits amounts to INR 124 Crore.

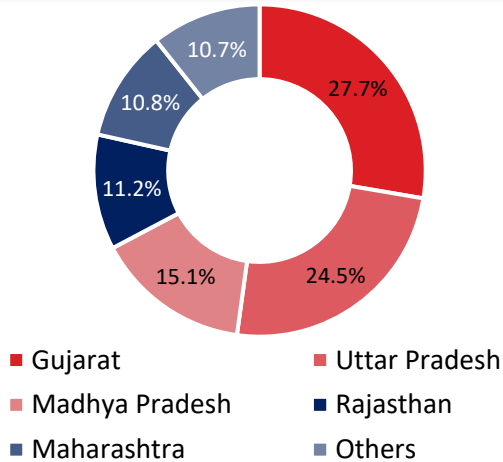
<sup>^</sup>Company's wholly owned subsidiary 'Namra Finance Limited' offers microfinance loans



# Geographical Footprint



Geographical AUM Mix (Consolidated)



Number of Branches	Q1FY24	Q1FY23
Microfinance	274	246
MSME	64	56
2W & Rural 2W	4	6
Total	343	308

343	~6.8 Lakh	2,865	2,336
Branches	Active Customers	No of Employees	No of Loan Officers

After successful entry in Bihar and Haryana, the Company is now expanding its footprints in states of Telangana and Jharkhand

# Strong Underwriting Measures by Leveraging Digital Transformation



## Loan Management

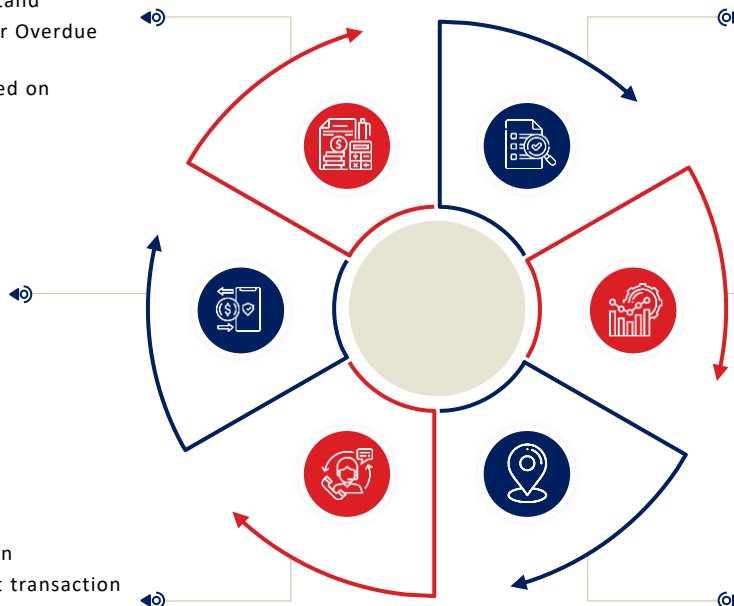
- Loan Utilization check
- Instant pre-closure and pre-settlement and its simulation for the customer to understand
- Hassle-free check in case of advance or Overdue collection
- Centre & Customer categorization based on repayment trends

## Superior Collection

- Mobile-based collection at Point of transaction
- Customized UPI QR code to each customer facilitating them to Go Cashless
- An easy way out to Prepone and postpone the due dates in case of Holidays
- Instant acknowledgment SMS to the customer in vernacular languages

## Customer Gain

- Paperless disbursement through eSign
- Providing intimation of each relevant transaction through SMS to every customer
- Tele-calling will happen through the system with a call recording facility
- Will develop customer facing app post implementation



## Instant Verification Of Key Details

- The LOS\* & LMS\* System facilitates instant verification
- KYC Validation through OCR and face recognition
- Mobile No. verification through OTP
- Customer identity verification through UPI System
- Bank Account verification through "penny-drop"

## Instant First-level Credit Assessment

- Immediate household-based credit assessment through Credit Bureau API integration and robust rule engine
- Algorithm based risk assessment
- Fully compliant with new RBI regulations for household income assessment
- Overlapping customers will be alerted by the system across products and divisions to avoid over indebtedness

## Traceability

- Better customer traceability by 4D customer Verification, which includes geotagging (Latitude, Longitude), House Picture, auto address capture, and Mobile verification
- Centre Branch Geo fencing to avoid any slippages in the defined process
- Audit trail of each stage

**~50% Reduction in TAT between sourcing documents and fund disbursement**



# Eminent Board of Directors



## Alok N. Prasad *Chairman*

- A veteran banker with over 35 years of regulatory, banking and financial services experience, with Senior positions at RBI, NHB, and Citi Bank.
- He was the founder CEO of MFIN, the Industry Body and Self-Regulatory Organization (SRO) for Microfinance Institutions (MFIs) in India.
- He has served on a number of committees of the Ministry of Finance, Govt of India.

## Jayendrabhai B. Patel *Vice Chairman & Managing Director*

- He has been an entrepreneur for 45 years. He was involved in a pharmacy business in a USA early in his career followed by running a textile start-up in Gujarat.
- He founded Arman in 1992 and has been at the helm of management since then.
- He is the founder member of the Gujarat Finance Companies Association and presently serves as Vice-Chairman of the Association.

## Aalok J. Patel *Joint Managing Director*

- He has 16 years of banking and finance experience, including 12 years at Arman. Prior to Arman, he worked as an independent auditor at KPMG in US.
- He is a licensed Certified Public Accountant (CPA) from USA. He also has served as a visiting professor at HL College of Commerce and is a guest lecturer at IIM-A.
- He holds a Bachelor's in Accounting & Finance and Master's in Accountancy from Drake University, USA.

## Yash K. Shah *Independent Director*

- He is a Chartered Accountant and currently a partner at DBS & Co.
- He is an expert in the fields of Mergers & Acquisitions and Valuations. Prior to DBS, he was at KPMG in the MA division.
- He has written various papers on Domestic Transfer Pricing and Cross Border Transactions and also given numerous lectures in the topic of M&A.

## Ritaben J. Patel *Non-Executive Director*

- She holds Banking qualifications from First National Bank of Chicago, USA and has worked with various other USA banks like Golf Mill Bank and Morton Grove Bank in various capacities for more than a decade. She holds a B. A. in Economics.

## Aakash J. Patel *Non-Executive Director*

- He has over 18 years of Information Technology, Computer Science, and business experiences. Currently, he works as a Manager- PMO for Bullhorn Inc.
- Prior to that, he worked at various other roles such as IT Consulting with Deloitte, software developer at Intellitools, and other companies such as Hewlett Packard, EMC Corporation, Softscape Inc and Sumtotals Systems.
- He holds a MBA from Bentley College, USA.

## Ramakant Nagpal *Independent Director*

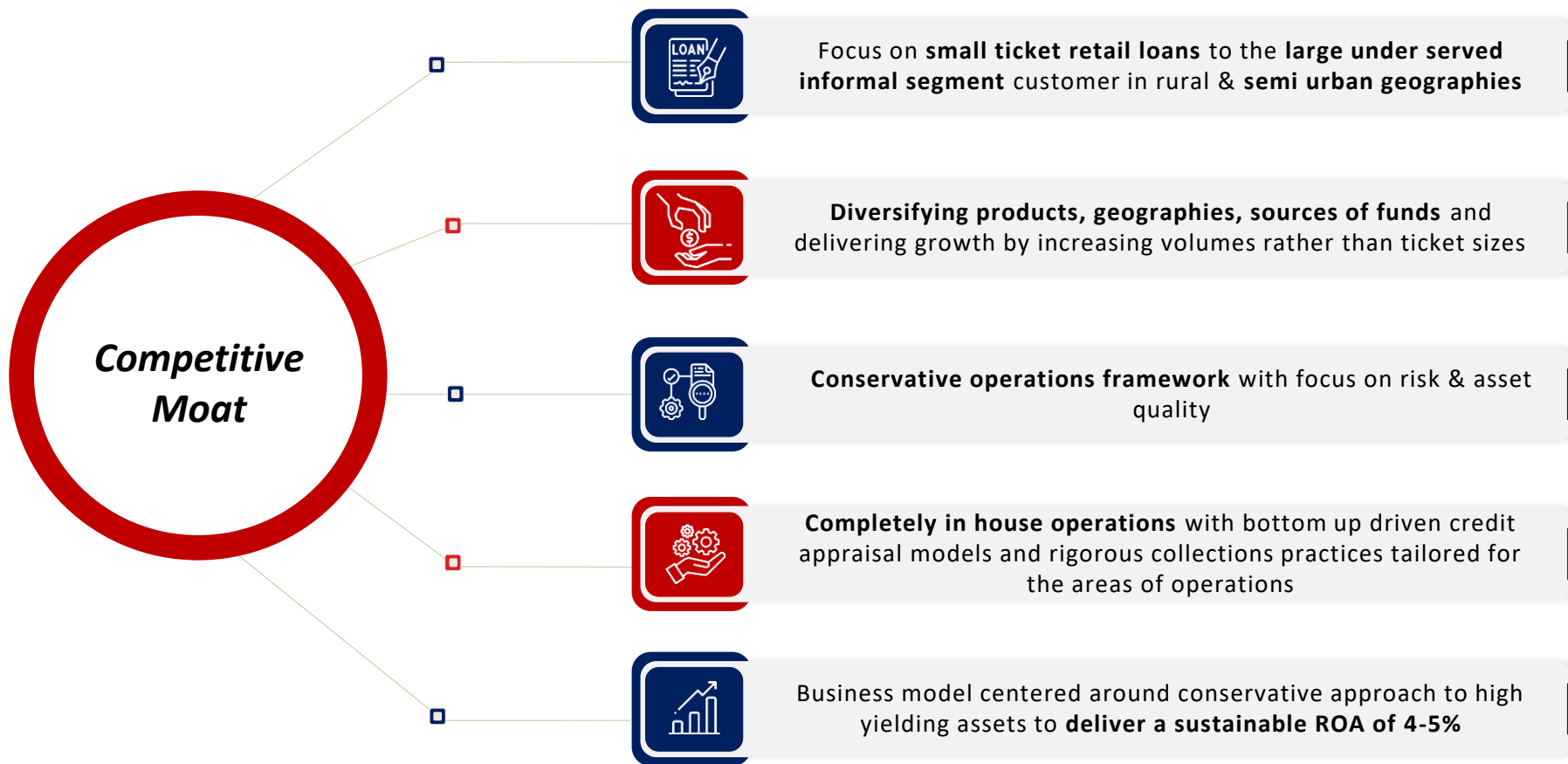
- He is a Chartered Accountant with over three decades of senior level banking and finance experience. He has worked at Centurion Bank, Central Bank, and was the MD/CEO of Central Bank Housing Finance.
- He was heading Internal audit at Central Bank of India, and as statutory auditor of a Cooperative Bank.
- He also headed the Finance Department of a Leading Central Government Pharma Company.

## Mridul Arora *Nominee Director*

- He is the nominee director of Elevation Capital (Erstwhile SAIF Partners).
- Prior to joining Elevation, Mridul was an Engagement Manager with McKinsey & Company where he focused on financial services, in particular banking, insurance, and asset management.
- He is a Chemical Engineering from IIT Madras and holds his MBA from IIM Lucknow.

## Geeta Haresh Solanki *Independent Director*

- She is a serial social entrepreneur in Women's health, hygiene, and social development.
- She co-founded a company for educating and providing women hygiene care to bottom of the pyramid customers.
- She received the 'Bharat Ki Laxmi' award from The Ministry of Women and Child Development, and also serves as an expert on numerous panels and summits on Women's hygiene.

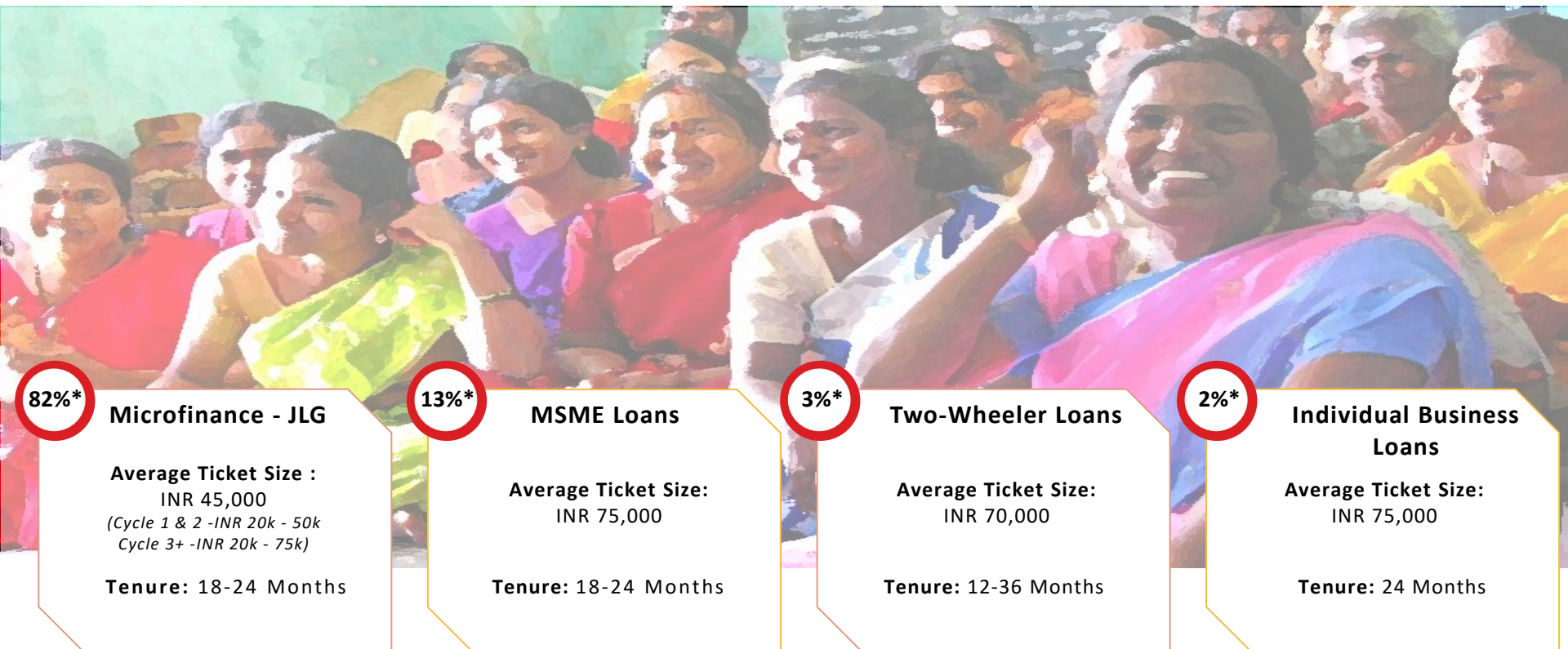




## Presence in Attractive Retail Lending Segments



# Product Offerings across Verticals

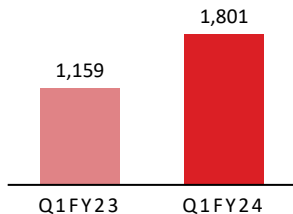


# Microfinance Loans

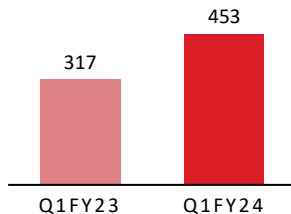


(INR Crore)

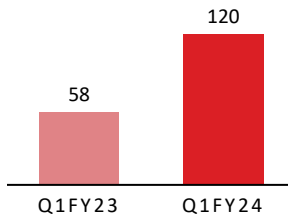
## AUM\*



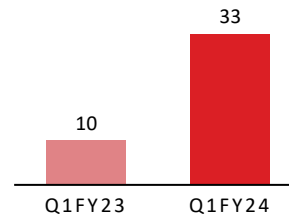
## Disbursement



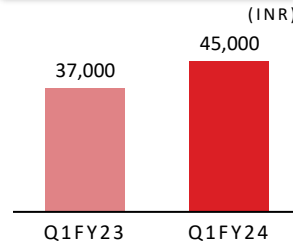
## Total Income



## Profit After Tax



## Avg. Ticket Size



\*Includes Individual Business Loans

- JLG model with small ticket loans (Avg. Ticket Size – INR 45,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- **Operations:** Operations in 10 states; 274 MFI branches; 6 lakh active customers
- **Operating Model:**
  - High touch monthly collection model
  - Rural concentration: ~88% rural & semi-urban portfolio (vs 70% 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

- **Disbursement:** 100% Cashless
- **Credit Check:** CRIF / Equifax Score; JLG Model with Training, Home Visit, Lifestyle Appraisal
- **Collections:** Cash collection at centre meeting

## Key Ratios (Q1FY24)

**Yield:** 24.4%

**NIM:** 12.0%

**ROAA:** 7.6%

**GNPA:** 2.4%

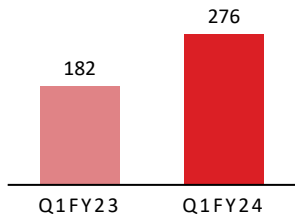
**NNPA:** 0.03%

**ROE:** 38.3%

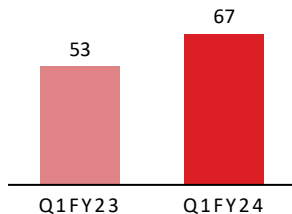


(INR Crore)

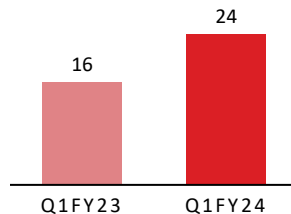
## AUM



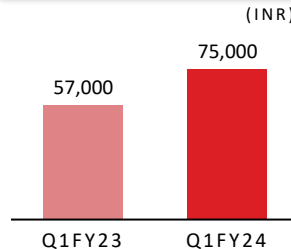
## Disbursement



## Total Income



## Avg. Ticket Size



- Individual enterprise /working capital loans for small rural businesses in low competition areas
- Currently operates across 5 states – Gujarat, MP, Maharashtra, Rajasthan & Telangana with 69 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

- Disbursement:** 100% Cashless
- Credit Checks:** CIBIL & CRIF Score; Detailed Cash Flow Assessment; Home & Business Field Investigation
- Collections:** Doorstep cash collection

## Key Ratios (Q1FY24)

**Yield: 36.1%**

**GNPA: 2.4%**

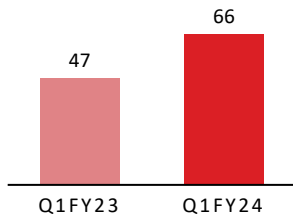
**NNPA: 0.4%**

# 2W and Rural 2W Loans

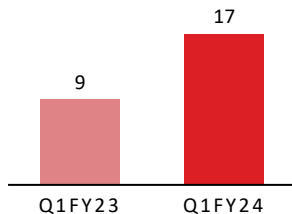


(INR Crore)

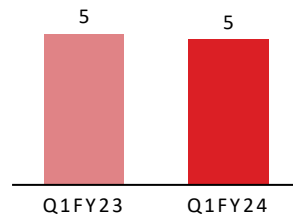
## AUM



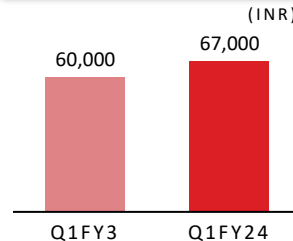
## Disbursement



## Total Income



## Avg. Ticket Size



- 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 50+ 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**

- **Disbursement:** 100% Cashless
- **Credit Checks:** CIBIL & CRIF Score; Home & Business Field Investigation
- **Collections:** Doorstep cash collection

## Key Ratios (Q1FY24)

**Yield: 28.4%**

**GNPA: 4.5%**

**NNPA: 1.3%**

## 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



- Credit bureau check (CRIF & CIBIL)
- Physical FI & PD by in house credit manager at residence & workplace
- Capacity to Pay Use of nontraditional income & expense estimation methodologies
- Willingness to pay reference checks
- Final sanction by centralized credit team

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

### Collections



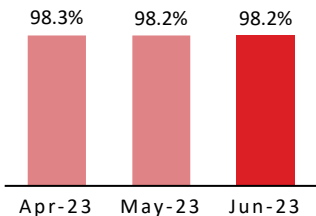
- Team member that does sales also handles collections
- Door to door collection allows Company to maintain relations with customer and ensures high collection efficiency
- Monthly collections high touch, relationship driven model

*“Door-step cash collection”*

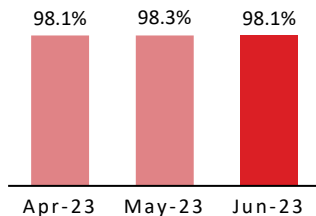
# Collection Efficiency



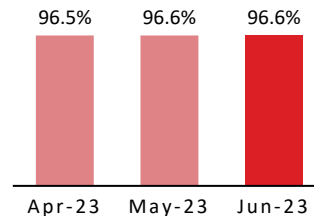
## Microfinance



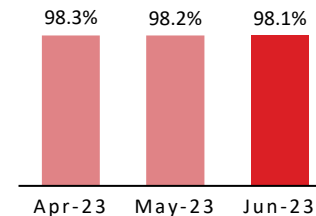
## MSME



## Two-Wheeler



## Total



### Update on Collections

- Collections in all the segments were healthy and were aligned to its pre covid levels
  - Microfinance and MSME collections was healthy and reached 98%+ in June 2023
  - 2W collections continued to be well-north of 97% in June 2023
- Cumulative Provisions stood at INR 72 Crore as on 30th June 2023 (covering 3.35% of the consolidated AUM, 4.12% on book)
  - Namra Finance: Cumulative Provisions stood at INR 56 Crore as on 30<sup>th</sup> June 2023 (covering 3.13% of the consolidated AUM, 4.01% on book)
  - Standalone: Cumulative Provisions stood at INR 15 Crore as on 30<sup>th</sup> June 2023 (covering 4.52% of the consolidated AUM, 4.53% on book)
- The company has adequately provided to withstand any further uncertainties pertaining to the pandemic

Particulars (INR Crore)		Microfinance	MSME	Two Wheeler	Total
Apr-23	Collection Due	123.0	20.2	3.6	<b>146.8</b>
	Amount Collected	120.9	19.9	3.5	<b>144.3</b>
May-23	Collection Due	123.8	21.1	3.7	<b>148.6</b>
	Amount Collected	121.5	20.7	3.6	<b>145.8</b>
Jun-23	Collection Due	127.8	23.5	3.8	<b>155.1</b>
	Amount Collected	125.5	23.1	3.7	<b>152.3</b>



## Efficient Liability Management

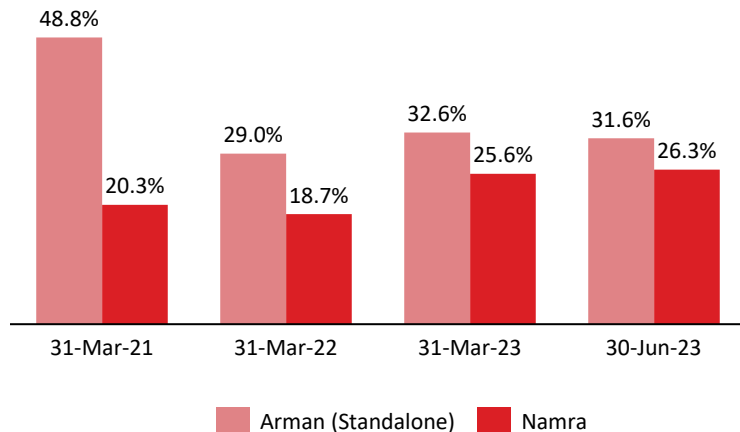




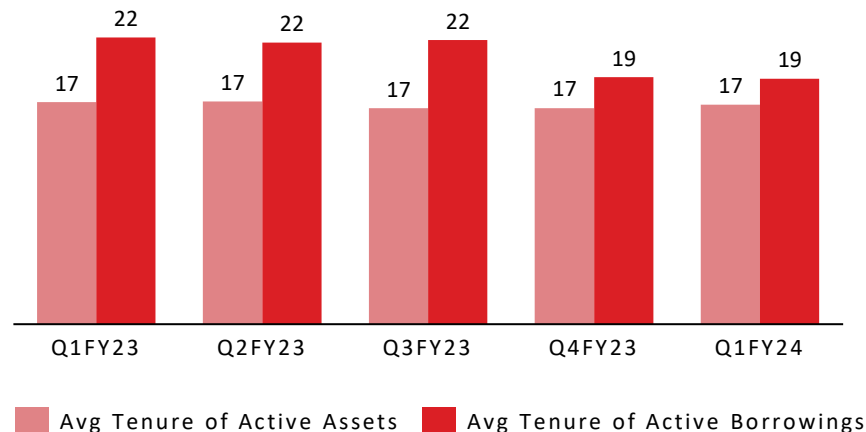
# Strong Capitalization with Sufficient Liquidity



## Capital Adequacy Ratio



## ALM Position (in Months)



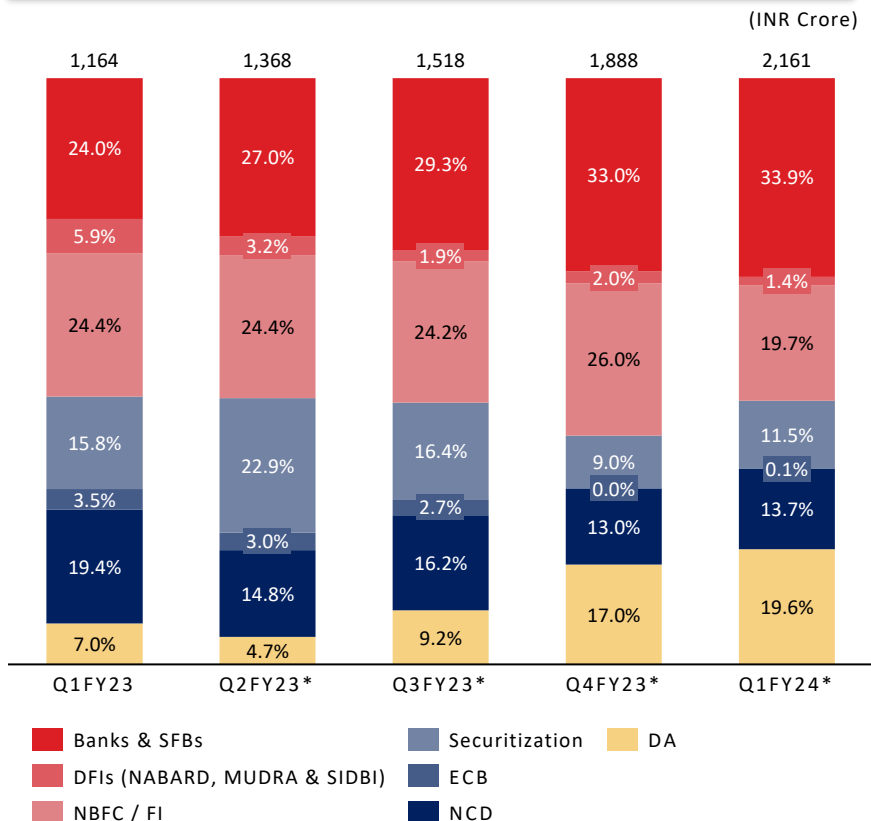
### Update on Liquidity

- Healthy Liquidity position with INR 294 Crore in cash/bank balance, liquid investments, and undrawn CC limits
- ALM continues to remain positive, and the company continue to have access to new sources of funds via CCD's and OCRPS
- Additionally, company has INR 42 Crore undrawn sanctions from existing lenders

# Lending Profile



## Borrowing Mix (%)



## Top 5 Lending Partners

Top 5 Lenders	% of Borrowings
Lender 1 – Term Loans, FDOD & DA	20.9%
Lender 2 –Term Loans, PTC & DA	8.3%
Lender 3 – Term Loans, FDOD & DA	7.4%
Lender 4 –Term Loans, PTC & DA	6.2%
Lender 5 – NCD	4.4%

## Credit Rating

Credit Rating	CARE	ACUITE
Long Term Bank Facilities	-	ACUITE A-Stable Outlook
Non Convertible Debentures	CARE BBB+ Stable Outlook	

In January 2023, Namra Finance Limited is assigned 'MFI-1' (MFI One) grading by CARE Advisory Research & Training Limited.

# Lending Partners



## Bank Borrowings



## Non-Bank Borrowings



## Securitization Partners



## NCDs & ECB



## Strong Financial Performance



# Q1 FY24 Consolidated Profit & Loss Statement



Particulars (INR Crore)	Q1 FY24	Q1 FY23	Y-o-Y (%)	Q4 FY23	Q-o-Q (%)	FY23
Income from Operations	149.5	78.4		149.3		423.9
Other Income	0.0	0.5		0.0		0.0
<b>Gross Total Income</b>	<b>149.5</b>	<b>78.9</b>	<b>89.5%</b>	<b>149.3</b>	<b>0.1%</b>	<b>423.9</b>
Finance Costs	64.0	28.6		63.3		172.0
<b>Net Total Income (NTI)</b>	<b>85.5</b>	<b>50.3</b>	<b>70.0%</b>	<b>86.0</b>	<b>-0.5%</b>	<b>251.9</b>
Employee Benefits Expenses	15.0	12.7		14.2		54.7
Depreciation and Amortisation	0.3	0.3		0.3		1.2
Other Expenses	7.0	5.5		8.7		26.4
<b>Pre-Provision Operating Profit</b>	<b>63.3</b>	<b>31.8</b>	<b>98.8%</b>	<b>62.8</b>	<b>0.8%</b>	<b>169.7</b>
Total Provisions & Write-offs	13.5	11.8		14.0		44.7
<b>Profit Before Tax</b>	<b>49.8</b>	<b>20.0</b>	<b>148.9%</b>	<b>48.8</b>	<b>2.1%</b>	<b>125.0</b>
<b>Profit After tax</b>	<b>39.9</b>	<b>15.7</b>	<b>154.2%</b>	<b>36.2</b>	<b>10.3%</b>	<b>93.6</b>



# Balance Sheet as on June 2023



Particulars (INR Crore)	Consolidated		Standalone	
ASSETS	Jun-23	Mar-23	Jun-23	Mar-23
<b>Financial Assets</b>				
Cash and cash equivalents	77.7	26.2	8.1	1.4
Bank Balance	431.9	404.1	68.9	64.0
Loans & Advances	1,646.1	1,536.7	324.1	297.0
Investments	18.3	19.5	198.0	196.4
Other Financial assets	35.1	28.9	2.9	1.9
<b>Total Financial Assets</b>	<b>2,209.1</b>	<b>2,015.4</b>	<b>602.0</b>	<b>560.7</b>
<b>Non-Financial Assets</b>				
Current tax Assets (Net)	0.0	0.0	1.7	1.8
Deferred tax Assets (Net)	17.7	15.5	4.1	3.7
Property, Plant and Equipment	5.3	5.2	0.8	0.8
Right To Use Asset	0.9	0.9	0.0	0.0
Other non-financial assets	1.9	1.2	1.2	0.5
<b>Total Non-Financial Assets</b>	<b>25.8</b>	<b>22.8</b>	<b>7.8</b>	<b>6.8</b>
<b>Total Assets</b>	<b>2,234.8</b>	<b>2,038.2</b>	<b>609.8</b>	<b>567.5</b>

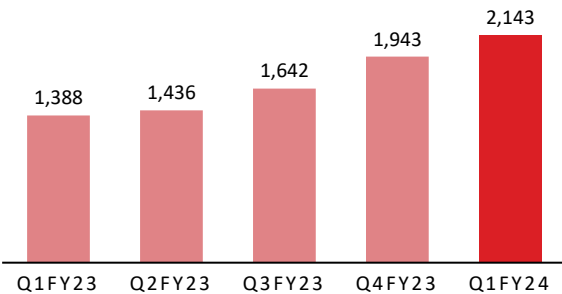
Particulars (INR Crore)	Consolidated		Standalone	
LIABILITIES & EQUITY	Jun-23	Mar-23	Jun-23	Mar-23
Equity Share capital	8.5	8.5	8.5	8.5
Reserves & Surplus	397.4	357.0	229.2	220.9
<b>Total Shareholders Funds</b>	<b>405.9</b>	<b>365.5</b>	<b>237.7</b>	<b>229.4</b>
<b>Financial Liabilities</b>				
Other Payables	2.4	1.6	1.0	0.4
Debt Securities	295.8	243.4	148.9	101.8
Total Borrowings	1,382.0	1,336.1	158.8	176.6
Subordinated Liabilities	64.9	25.0	44.9	43.6
Other Financial Liabilities	68.1	56.3	9.7	7.4
<b>Total Financial Liabilities</b>	<b>1,813.3</b>	<b>1,662.0</b>	<b>363.4</b>	<b>329.9</b>
<b>Non-Financial Liabilities</b>				
Current tax liabilities (Net)	10.6	4.8	0.0	0.0
Provisions	2.1	2.0	0.7	0.7
Other non-financial liabilities	3.0	3.6	8.0	7.6
<b>Total Non-Financial Liabilities</b>	<b>15.6</b>	<b>10.4</b>	<b>8.7</b>	<b>8.2</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,234.8</b>	<b>2,038.2</b>	<b>609.8</b>	<b>567.5</b>

# Consolidated Business Performance

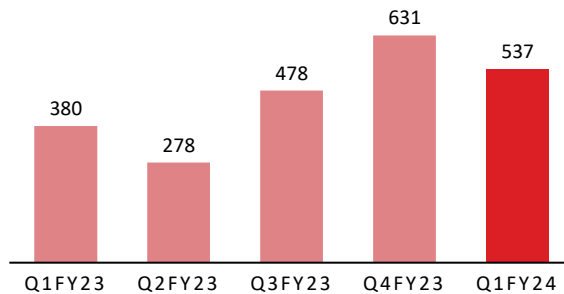


(INR Crore)

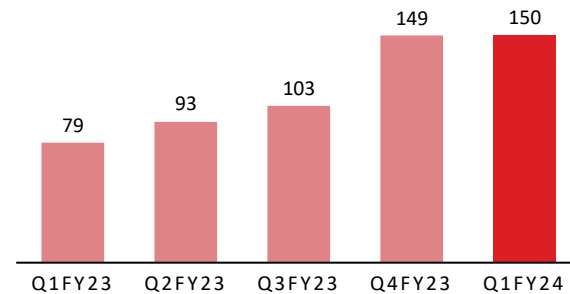
## AUM



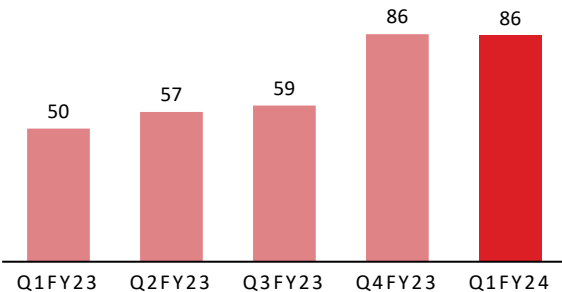
## Disbursement



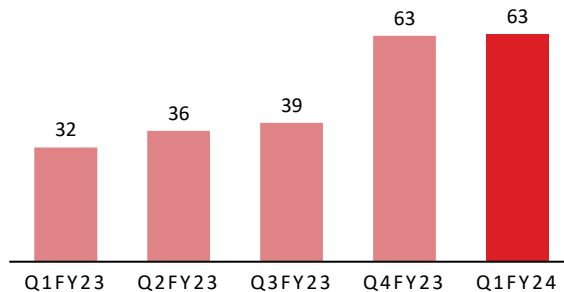
## Gross Total Income



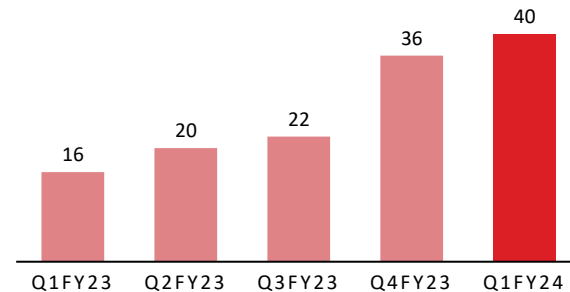
## Net Total Income



## Pre-provision Operating Profit



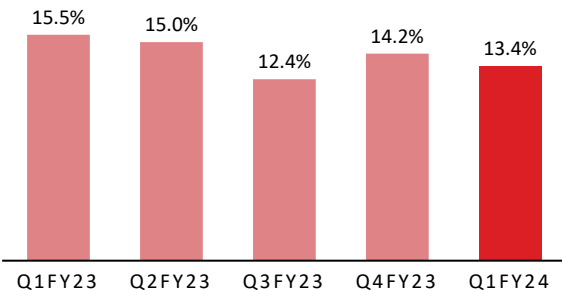
## Profit After Tax



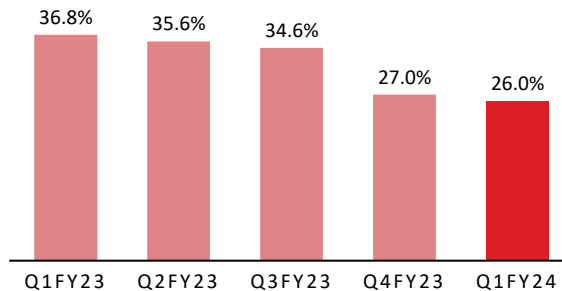
# Consolidated Business Performance



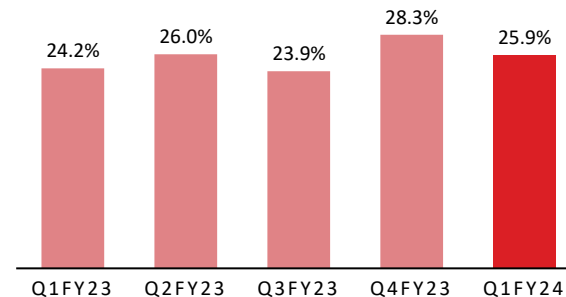
## Net Interest Margin (%)



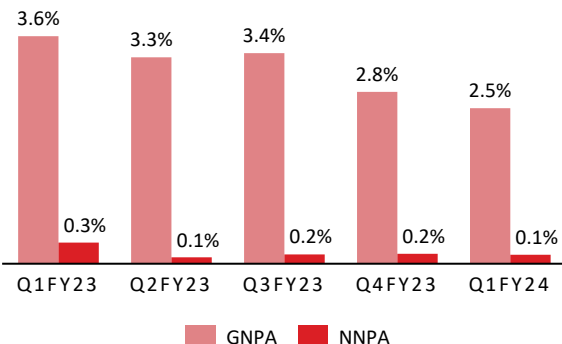
## Cost to Income Ratio (%)



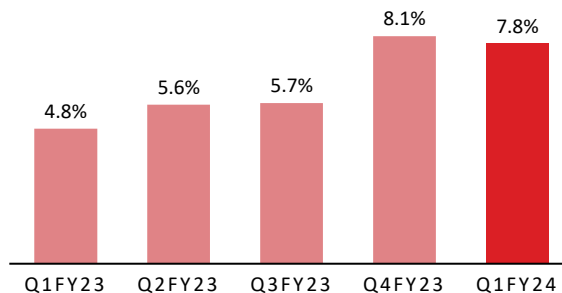
## Yield (%)



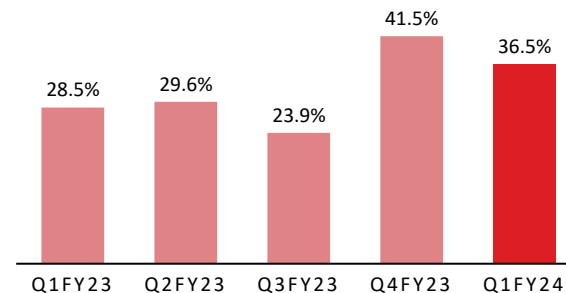
## Asset Quality (%)



## Return on Average AUM (%)

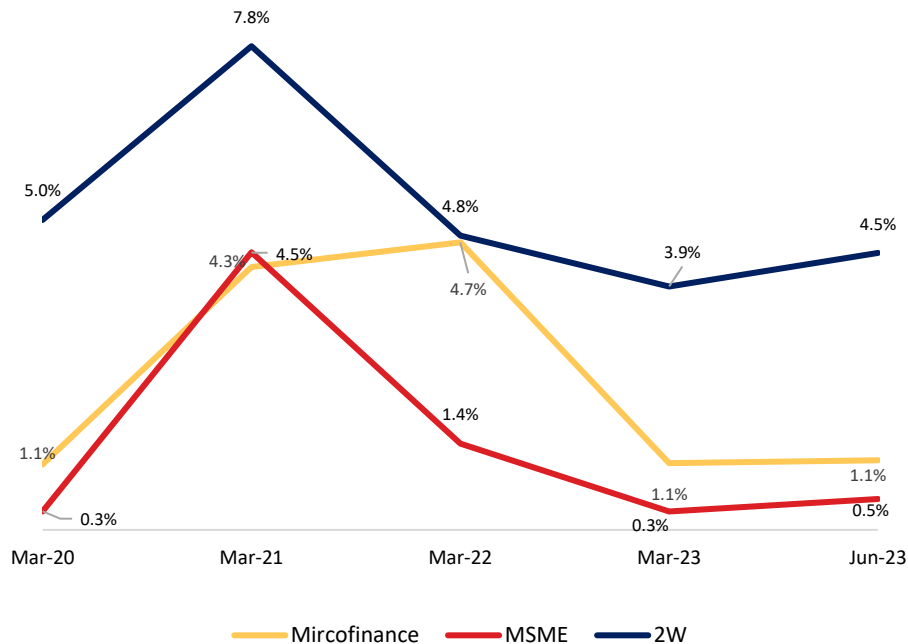


## Return on Equity (%)

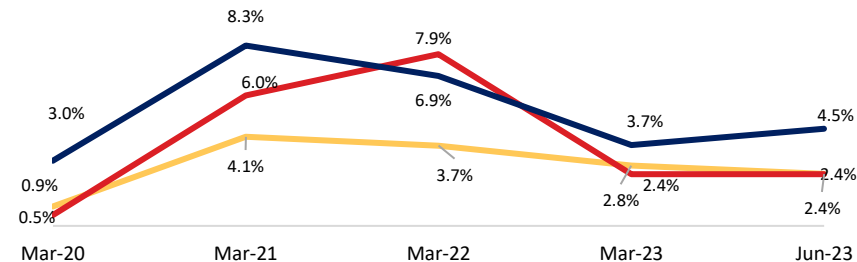


GNPA NNPA

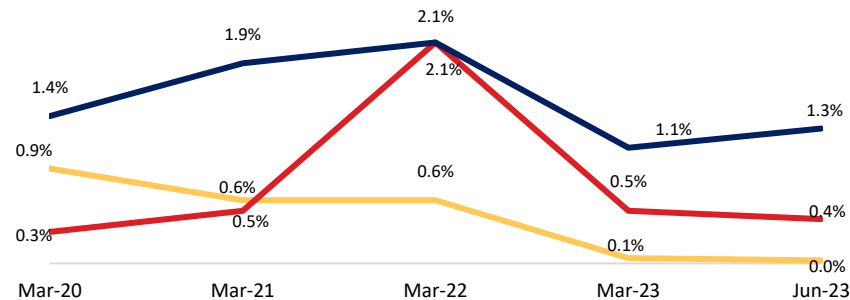
## PAR 31-90 (%) Movement



## GNPA (%)



## NNPA (%)



- The Company continues to maintain superior asset quality and is back to its pre-covid levels
- With improved emphasis on collections and processes, Company has witnessed a significant reduction in PAR 31 - 90 bucket across all segments

# Q1 FY24 – Standalone Profit & Loss Statement (2W & MSME)

Particulars (INR Crore)	Q1 FY24	Q1 FY23	Y-o-Y (%)	Q4 FY23	Q-o-Q (%)	FY23
Income from Operations	29.4	21.3		27.4		94.4
Other Income	0.9	0.8		-0.2		1.7
<b>Gross Total Income</b>	<b>30.3</b>	<b>22.1</b>	<b>37.0%</b>	<b>27.3</b>	<b>11.3%</b>	<b>96.1</b>
Finance Costs	11.1	5.8		9.2		30.7
<b>Net Total Income (NTI)</b>	<b>19.1</b>	<b>16.3</b>	<b>17.7%</b>	<b>18.0</b>	<b>6.3%</b>	<b>65.4</b>
Employee Benefits Expenses	5.4	4.1		4.7		17.7
Depreciation and Amortisation	0.0	0.0		0.0		0.1
Other Expenses	2.1	1.9		2.2		8.0
<b>Pre-Provision Operating Profit</b>	<b>11.6</b>	<b>10.2</b>	<b>13.4%</b>	<b>11.1</b>	<b>4.8%</b>	<b>39.7</b>
Total Provisions & Write-offs	1.4	1.6		1.4		2.1
<b>Profit Before Tax</b>	<b>10.2</b>	<b>8.7</b>	<b>17.8%</b>	<b>9.7</b>	<b>5.6%</b>	<b>37.6</b>
<b>Profit After tax</b>	<b>8.1</b>	<b>6.7</b>	<b>20.0%</b>	<b>7.1</b>	<b>13.6%</b>	<b>28.4</b>

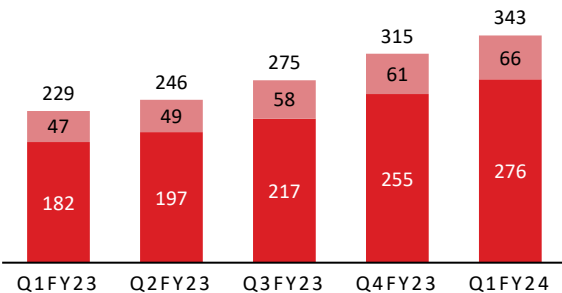
- Standalone AUM grew by 49.8% YoY to INR 343 Crore as compared to INR 229 Crore
- With an upswing in rural economy and strong credit demand in MSME and 2W segments, the company recorded a disbursement growth of 35.1% YoY for Q1 FY24
  - Disbursements for the quarter stood at INR 84 Crore of which MSME contributed INR 67 Crore and 2W contributed INR 17 Crore
- During the quarter, the company entered a new state of Telangana with 3 branches
- Similarly, the Opex cost increased with new hiring and opening of new branches taking the total count to 69 branches across 5 states
- As on 30<sup>th</sup> June 2023, GNPA for the MSME business stood at 2.39% and for 2W business stood at 4.47%
- Total Provisions for the year stood at INR 15 Crore i.e. 4.5% of the AUM
- With lower provisioning and improving asset quality profit after tax has grown 20% YoY to INR 8.1 Crore in Q1 FY24.

# Standalone Business Performance

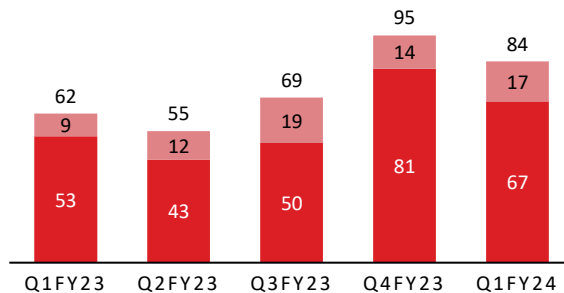


(INR Crore)

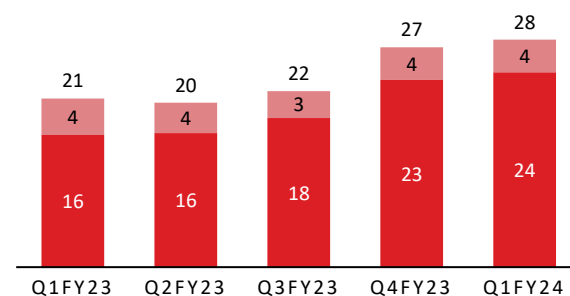
## AUM



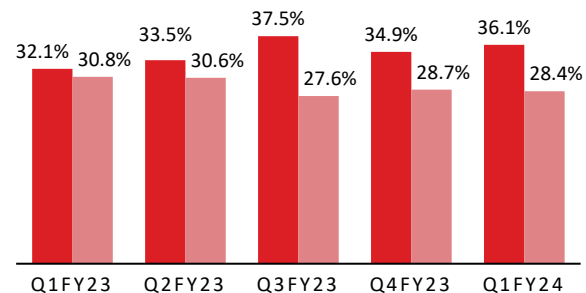
## Disbursement



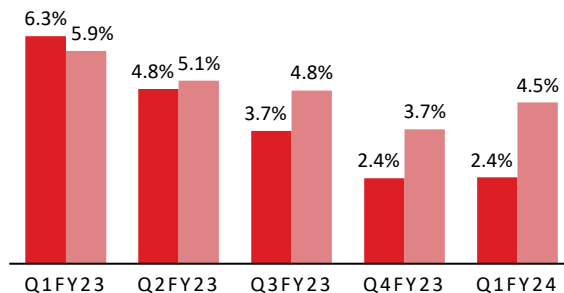
## Gross Total Income



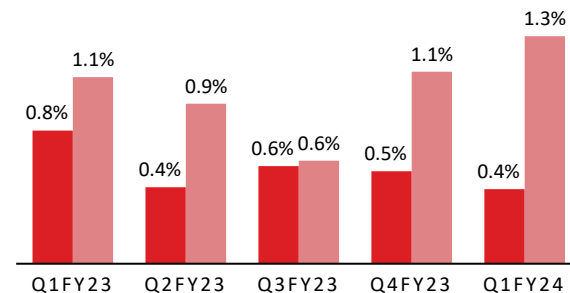
## Yield (%)



## Gross NPA (%)



## Net NPA (%)



Two Wheeler Loans MSME

Note: Yield is calculated excluding DA income.

# Q1 FY24 – Namra Finance Profit & Loss Statement



Particulars (INR Crore)	Q1 FY24	Q1 FY23	Y-o-Y (%)	Q4 FY23	Q-o-Q (%)	FY23
Income from Operations	120.3	57.4		122.1		331.5
Other Income	0.0	0.4		0.0		0.0
<b>Gross Total Income</b>	<b>120.3</b>	<b>57.7</b>	<b>108.4%</b>	<b>122.1</b>	<b>-1.5%</b>	<b>331.5</b>
Finance Costs	53.0	23.0		54.3		143.3
<b>Net Total Income (NTI)</b>	<b>67.3</b>	<b>34.7</b>	<b>93.8%</b>	<b>67.8</b>	<b>-0.8%</b>	<b>188.2</b>
Employee Benefits Expenses	9.5	8.6		9.5		37.0
Depreciation and Amortisation	0.3	0.2		0.3		1.0
Other Expenses	4.9	3.6		5.9		18.4
<b>Pre-Provision Operating Profit</b>	<b>52.6</b>	<b>22.2</b>	<b>136.3%</b>	<b>52.1</b>	<b>0.9%</b>	<b>131.7</b>
Total Provisions & Write-offs	12.1	10.2		12.6		42.6
<b>Profit Before Tax</b>	<b>40.5</b>	<b>12.0</b>	<b>237.4%</b>	<b>39.5</b>	<b>2.5%</b>	<b>89.1</b>
<b>Profit After tax</b>	<b>32.8</b>	<b>9.6</b>	<b>239.7%</b>	<b>29.5</b>	<b>11.0%</b>	<b>67.2</b>

- Our technological advancements, along with the rising demand in rural India, have resulted an AUM growth of 55.4% YoY and 10.6% QoQ to Rs.1,801 Crore.
- During the quarter company added, 51,100 new customers and the active MFI customer base stands at 6 Lakhs.
- The shift from group lending to individual lending has generated momentum, contributing to the company's successful disbursement of Rs. 453 Crore in the quarter.
  - The IBL product currently contributes 2% of the total AUM
- In Q1FY24, Gross Total Income grew by 108.4% and Net Total Income grew by 93.8%
- Profit After Tax reported a strong growth of 239.7% to INR 33 Crore in Q1FY24; this was led by a strong AUM growth, better yields and improving asset quality.
- Company followed a stringent provisioning and write-off policy in Q1FY24
  - Total provisions stood at INR 56 Crore; write-offs during the quarter stood at INR 9.5 Crore
- In January 2023, Namra Finance, was assigned the highest ever grading of MFI-1 (MFI One) by CARE Ratings.

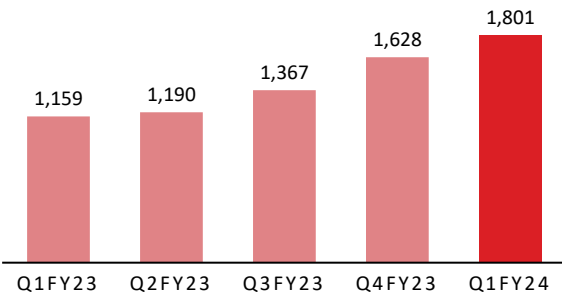


# Microfinance Business Performance – Namra Finance (1/2)

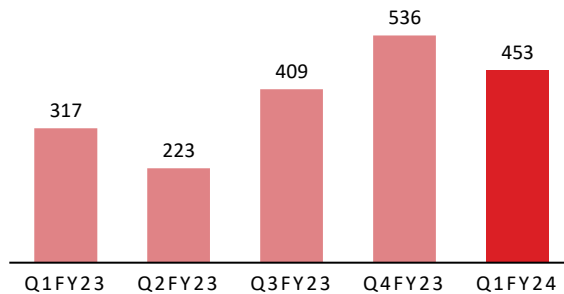


(INR Crore)

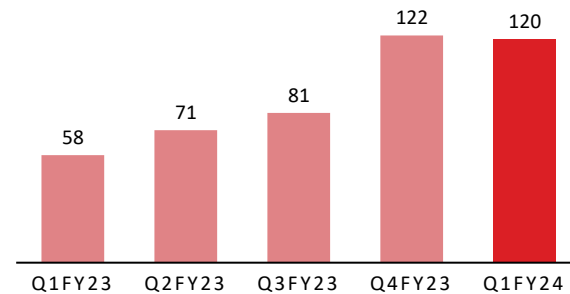
## AUM



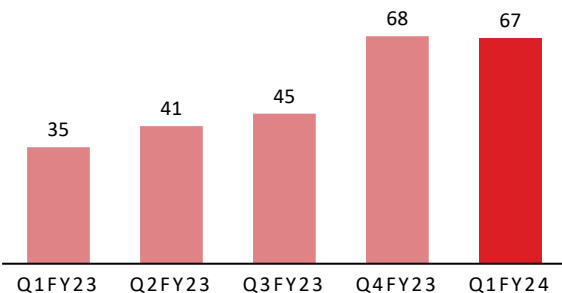
## Disbursement



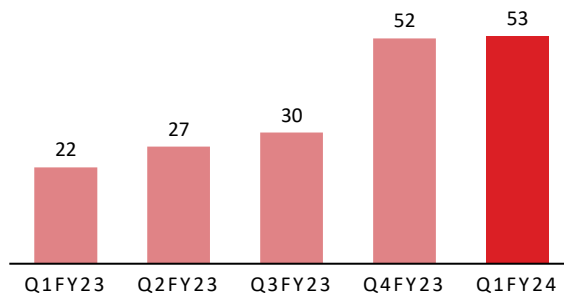
## Gross Total Income



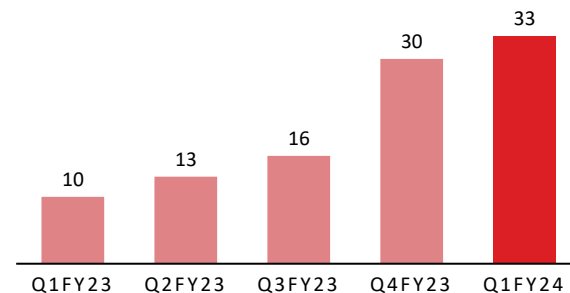
## Net Total Income



## Pre-provision Operating Profit



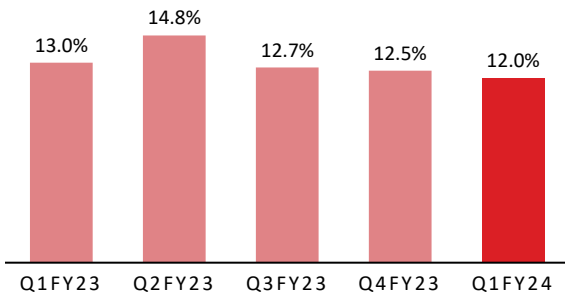
## Profit After Tax



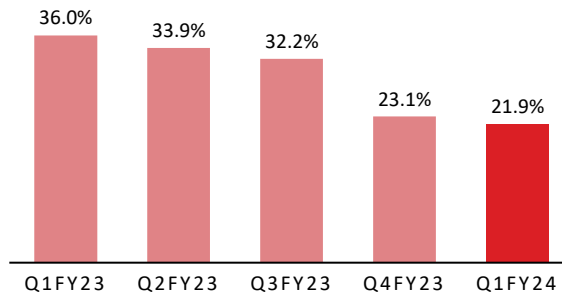
# Microfinance Business Performance – Namra Finance (2/2)



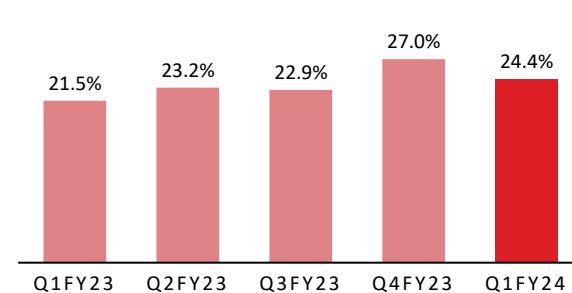
## Net Interest Margin (%)



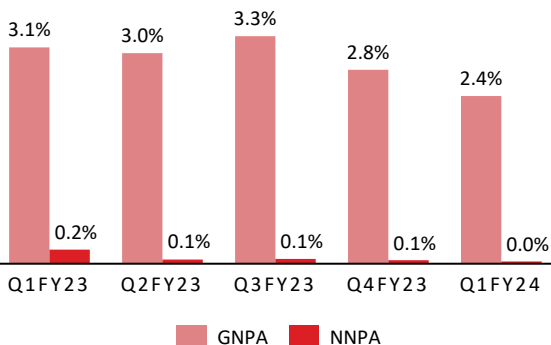
## Cost to Income Ratio (%)



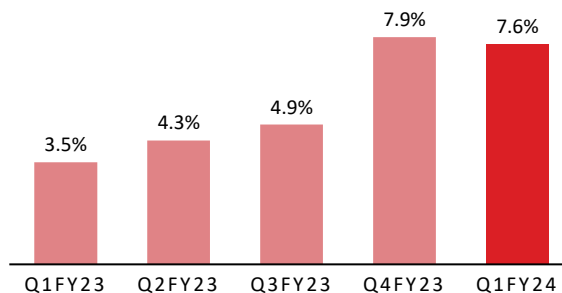
## Yield (%)



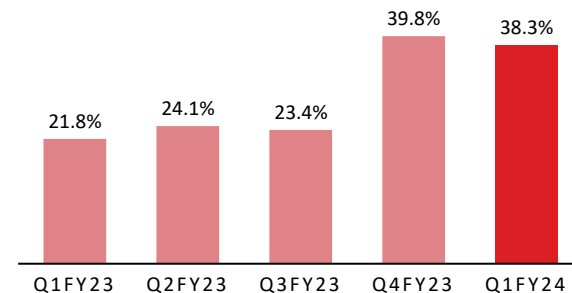
## Asset Quality (%)



## Return on Average AUM (%)



## Return on Equity (%)

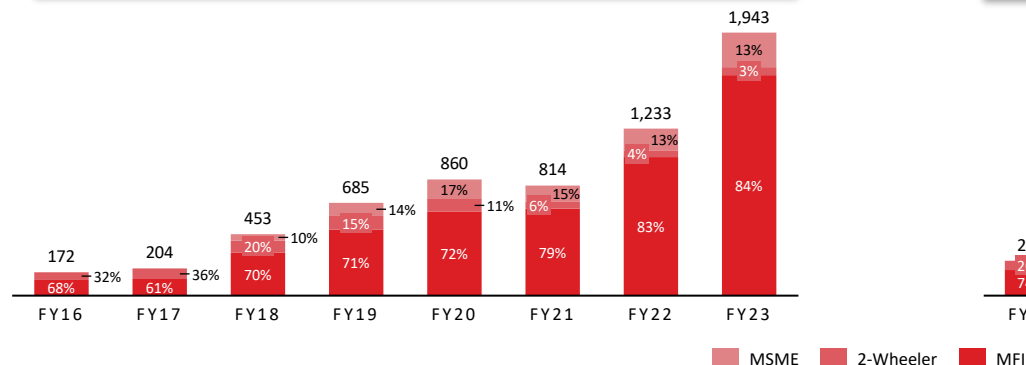


GNPA NNPA

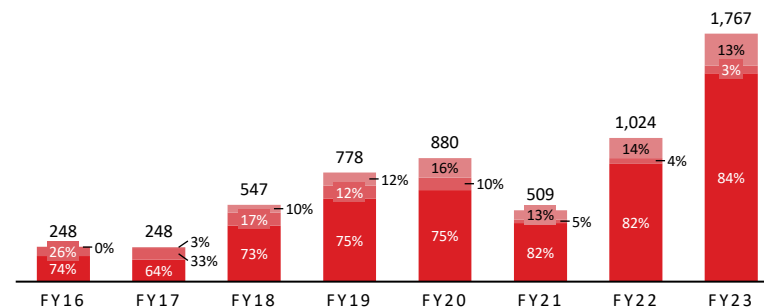
# Strong Growth in AUM and Disbursements



## Total AUM (INR Crore)



## Total Disbursements (INR Crore)



- Diversified portfolio of 1,943 Crore in FY23 split between –
  - Microfinance:** INR 1,587 Crore (81.7%),
  - MSME Loans:** INR 255 Crore (13.1%),
  - 2-Wheeler Loans:** INR 61 Crore (3.1%),
  - Individual Business Loans:** INR 40 Crore (2.1%)
- Strategically forayed into MSME Loans in 2017. Successfully scaled up the business to INR 255 Crore (13.1% of Total AUM) in the last 6 years
- Further, we recently launched a new products “Rural 2-wheeler loans” and “individual business loan”(currently in pilot stage) to effectively meet the under-served market.
  - Higher ROA business offering immense growth potential
- Plans to expand SME Portfolio in way that share of SME book increases to 35% and share of MFI Book reduces to ~60% over time.

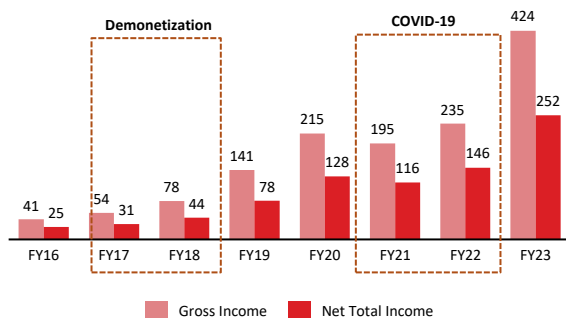
- Small ticket, granular loans - Ticket size INR 30,000 – 3,00,000
- Self-employed / cash cash-income informal segment customers
- High -yield rural focused products – 20%+ yields
- Stringent underwriting
- Rigorous collections practices – in-house, feet feet-on - street model
- Aim to deliver 5-6% post-tax ROA

# While Maintaining Cost Efficiency & Asset Quality

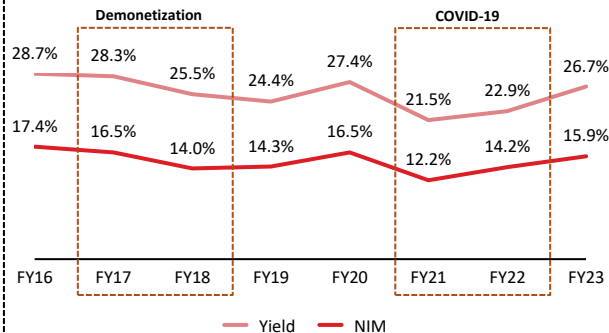


## Gross and Net Total Income

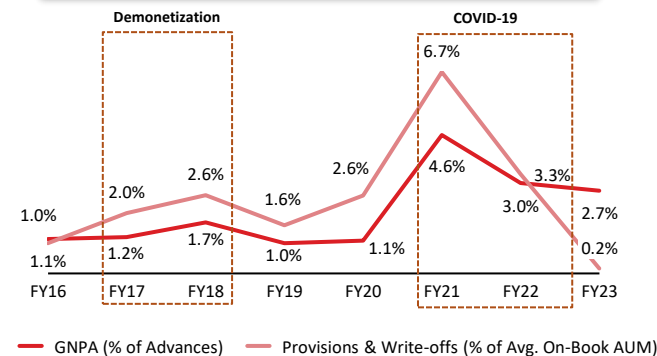
(INR Crore)



## Yield & NIM (%)

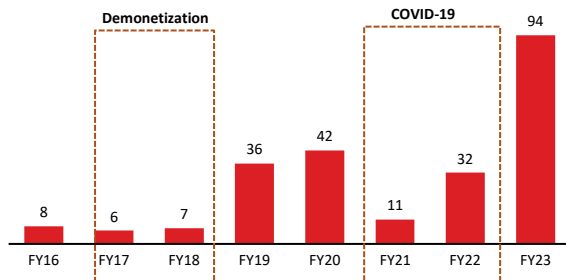


## Asset Quality

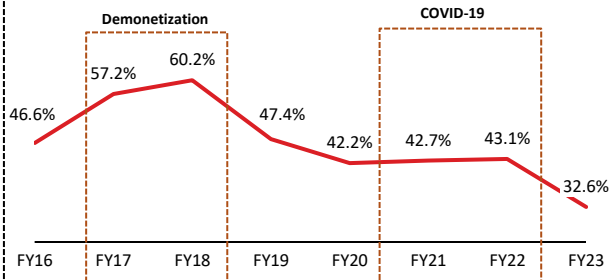


## Profit After Tax

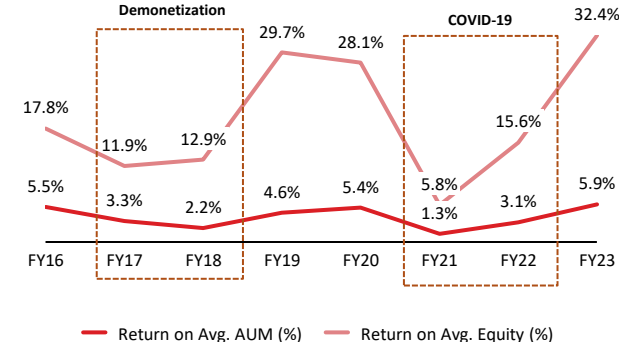
(INR Crore)



## Cost to Income Ratio %



## Return Ratios



- $\text{Gross Interest Income} = \text{Interest Income} + \text{processing fees} / \text{other charges}$
- $\text{Net Interest Margins} = \text{Net Interest Income} / \text{Average AUM (On + Off-Book)}$
- $\text{Yields} = \text{Gross Interest Income} / \text{Avg. AUM (On + Off Off-Book)}$
- $\text{Cost-to -Income Ratio} = \text{Opex (excl. provisions)} / \text{Net Total Income}$
- $\text{GNPA \%} = \text{GNPA} / \text{AUM (On + Off Off-Book)}$
- $\text{NNPA \%} = \text{NNPA} / \text{AUM (On + Off Off-Book)}$
- $\text{Return on Average AUM} = \text{Profit After Tax} / \text{Avg. AUM}$
- $\text{Return on Equity} = \text{Profit After Tax} / \text{Avg. Equity}$



**Thank You**

## Contact Information

### Company:



**Arman Financial Services Limited**

CIN: L55910GJ1992PLC018623

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### Investor Relations Advisors:

**SGA** Strategic Growth Advisors

**Strategic Growth Advisors Pvt. Ltd.**

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