



**Arman Financial Services Ltd.**



**Arman Financial  
Services Ltd.**

Q1 FY21 - Investor Presentation  
September 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.**



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# Financial Performance Update - Q1 FY21



# Q1 FY21 - Financial Performance Highlights



Total AUM increased by 14% YoY to INR 8,231 Mn (Q1 FY20 AUM: INR 7,241 Mn)



Shareholders Equity Stood at INR 1,775 Mn in Q1 FY21 (BVPS is INR 210)  
*Consolidated Debt-Equity Ratio stood at 4.0x on 30 June'20 (exclude direct assignment)*



Q1 FY21 Net Total Income at INR 270 Mn; and Pre-Provisioning Operating Profit at INR 169 Mn



Operating expenses declined by 14% YoY to INR 102 Mn  
*Cost-to-income ratio expanded by ~250 bps YoY to 37.6% in Q1 FY21 (40.1% in Q1 FY20)*



Profit After Tax stood at INR 53 Mn in Q1 FY21  
*Adjusted for the contingent Covid provision, the Q1 FY21 Profit After Tax stood at INR 130 Mn (+7% YoY)*



Cumulative Provisions stood at INR 297 Mn (3.9% of the on-book AUM)  
*Strengthened Provision Coverage by creating contingent Covid Provision of INR 102 Mn during the quarter*

# Impact of Covid-19 Pandemic on the Operations



## Impact on Loan Losses & Provisions, and Profitability

All Figures in INR Mn	Q1 FY21					FY20				
Business Segment	Reported PAT	Contingent Provisioning (COVID)	COVID Adjusted PAT	Adjusted ROAA %	Adjusted ROAE*	Reported PAT	Contingent Provisioning (COVID)	COVID Adjusted PAT	Adjusted ROAA %	Adjusted ROAE*
Consolidated	53	102	130	6.2%	29.5%	415	67	482	6.2%	32.6%
Microfinance	27	57	70	4.5%	23.7%	252	45	297	5.4%	30.9%
Standalone	33	45	66	11.6%	43.1%	182	22	204	9.3%	39.7%

**Note:** ROAE refers to Return on Avg. Equity; ROAA refers to Return on Avg. AUM

### Update on Liquidity

- ☐ **Healthy Liquidity position with INR ~1,410 Mn in cash/bank balance, liquid investments, and undrawn CC limits**
- ☐ Successfully raised INR 750 Mn since April 2020
- ☐ Liquidity position has improved driven by the pick-up in collections and the incremental debt capital raised since the start of April. Consequently, the company has repaid all the debt obligations that were due from June'20 onwards and also repaid the moratorium obligations of April & May 2020 (i.e. voluntarily cancelled moratorium) to reduce moratorium interest burden

### Update on Disbursements

- ☐ **Gradually resumed disbursements across all segments from August 2020 onwards**
  - In microfinance, the company is primarily renewing loans of existing customers who have made their repayments and completed their tenure.
  - In the MSME & two-wheeler segments, the company has slowly started disbursing with a more stringent underwriting process

## Update on Collections

❑ Collections have improved across all 3 segments since June 2020, reducing the loan book under moratorium (*details given in the table below*)

- Healthy pick-up witnessed in 2W and MSME collections in July and August 2020; with both segments witnessing over 90% repayment rates, the moratorium book is now in single digits as % of the standalone loan book
- August 2020 repayment rates have shown a minor decline compared to July 2020 owing to - 1) Many festivals and holidays falling in the month of August; 2) Heavy rains in numerous areas of operations which created logistical issues; and 3) Continued intermittent lockdowns in several areas of operations

❑ Cumulative Provisions stood at INR 297 Mn as of 30<sup>th</sup> June 2020 covering 3.9% of the on-book AUM

- **Namra:** Cumulative Provisions stood at INR 192 Mn as of 30<sup>th</sup> June 2020 covering 3.4% of the on-book AUM (June'20)
- **Standalone:** Cumulative Provisions stood at INR 105 Mn as of 30<sup>th</sup> June 2020 covering 5.1% of the on-book AUM (June'20)

❑ *“Overall, the collection efficiency is expected to improve significantly over the next 2-3 months as the unlocking of economy gains pace, restrictions are further relaxed, and the RBI moratorium period comes to an end.”*

## Collection Efficiency % (June – August 2020)

Business Segment	Collections Due (Jun'20)	Amount Collected (Jun'20)	Collection Efficiency % (Jun'20)	Collections Due (July'20)	Amount Collected (July'20)	Collection Efficiency % (July'20)	Collections Due * (Aug'20)	Amount Collected * (Aug'20)	Collection Efficiency % * (Aug'20)
<b>Total</b>	<b>884</b>	<b>580</b>	<b>66%</b>	<b>863</b>	<b>694</b>	<b>81%</b>	<b>844</b>	<b>666</b>	<b>80%</b>
Microfinance	672	393	59%	657	497	76%	651	485	75%
MSME	140	119	85%	139	132	95%	129	119	92%
Two-wheeler	72	68	95%	68	66	97%	63	61	97%

**Note:** All the amounts are in INR Mn. \* August repayment rates are month-end estimates

# Q1 FY21 - Consolidated Profit & Loss Statement



Particulars (INR Mn)	Q1 FY21	Q1 FY20	YoY (%)	FY20	FY19	YoY (%)
<b>Assets Under Management (AUM)</b>	<b>8,231</b>	<b>7,241</b>	<b>14%</b>	<b>8,599</b>	<b>6,848</b>	<b>26%</b>
<b>Disbursements</b>	<b>-</b>	<b>1,901</b>	<b>-</b>	<b>8,736</b>	<b>7,836</b>	<b>12%</b>
<b>Shareholder's Equity *</b>	<b>1,775</b>	<b>1,356</b>	<b>31%</b>	<b>1,722</b>	<b>1,232</b>	<b>40%</b>
Income from Operations	490.6	477.8	3%	2,115.1	1,398.1	52%
Other Income	3.3	4.1	(20%)	36.4	6.7	442%
<b>Gross Total Income</b>	<b>493.9</b>	<b>482.0</b>	<b>2%</b>	<b>2,151.5</b>	<b>1,395.8</b>	<b>54%</b>
Finance Costs	223.5	187.2	19%	875.9	583.4	50%
<b>Net Total Income (NTI)</b>	<b>270.4</b>	<b>294.8</b>	<b>(8%)</b>	<b>1,275.5</b>	<b>812.5</b>	<b>57%</b>
Employee Benefits Expenses	83.0	80.1	4%	364.6	256.4	42%
Depreciation and Amortisation	2.1	1.6	31%	8.0	4.8	65%
Other Expenses	16.6	36.5	(55%)	165.1	123.8	33%
<b>Pre-Provision Operating Profit</b>	<b>168.7</b>	<b>176.6</b>	<b>(4%)</b>	<b>737.8</b>	<b>427.4</b>	<b>73%</b>
Regular Provisions & Write-offs	0.5	14.8	(96%)	133.3	65.1	105%
Additional Covid-Specific Provision	101.9	-	-	66.8	-	-
<b>Profit Before Tax</b>	<b>66.3</b>	<b>161.8</b>	<b>(59%)</b>	<b>537.8</b>	<b>362.3</b>	<b>48%</b>
<b>Profit After tax</b>	<b>53.1</b>	<b>121.1</b>	<b>(56%)</b>	<b>415.2</b>	<b>264.3</b>	<b>57%</b>
<b>Profit After tax (Adjusted for Covid Provision)</b>	<b>129.9</b>	<b>121.1</b>	<b>7%</b>	<b>482.0</b>	<b>264.3</b>	<b>82%</b>
GNPA %	1.1%	1.1%	6 bps	1.1%	1.0%	6 bps
NNPA %	0.1%	0.5%	(45 bps)	0.2%	0.5%	(28 bps)
Return on Avg. AUM %	2.5%	6.9%	(435 bps)	5.4%	4.6%	73 bps
Return on Avg. Equity % *	12.1%	36.0%	(2386 bps)	28.1%	29.8%	(161 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



# Q1 FY21 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q1 FY21	Q1 FY20	YoY (%)	FY20	FY19	YoY (%)
<b>Asset Under Management</b>	<b>6,051</b>	<b>5,137</b>	<b>18%</b>	<b>6,215</b>	<b>4,838</b>	<b>28%</b>
<b>Disbursements</b>	<b>-</b>	<b>1,395</b>	<b>-</b>	<b>6,531</b>	<b>5,896</b>	<b>11%</b>
Income from Operations	330.6	320.1	3%	1,458.5	934.8	58%
Other Income	2.8	4.1	(32%)	25.6	5.0	417%
<b>Gross Total Income</b>	<b>333.4</b>	<b>324.3</b>	<b>3%</b>	<b>1,484.2</b>	<b>939.8</b>	<b>58%</b>
Finance Costs	172.2	139.3	24%	670.3	438.2	53%
<b>Net Total Income (NTI)</b>	<b>161.2</b>	<b>184.9</b>	<b>(13%)</b>	<b>813.9</b>	<b>501.6</b>	<b>62%</b>
Employee Benefits Expenses	57.2	49.9	15%	232.3	161.9	43%
Depreciation and Amortisation	1.8	1.3	35%	6.9	3.7	83%
Other Expenses	11.8	24.0	(51%)	113.0	77.4	46%
<b>Pre-Provision Operating Profit</b>	<b>90.4</b>	<b>109.7</b>	<b>(18%)</b>	<b>461.8</b>	<b>258.6</b>	<b>79%</b>
Regular Provision & Write-offs *	0.5	8.6	(94%)	87.9	37.1	137%
Addl. Covid-Specific Provision	57.2	-	-	45.3	-	-
<b>Profit After Tax</b>	<b>26.6</b>	<b>71.9</b>	<b>(63%)</b>	<b>252.0</b>	<b>156.8</b>	<b>61%</b>
<b>Profit After Tax (Adj. for Covid Provision)</b>	<b>69.5</b>	<b>71.9</b>	<b>(3%)</b>	<b>297.3</b>	<b>156.8</b>	<b>90%</b>
GNPA %	0.9%	0.7%	27 bps	0.9%	0.5%	38 bps
NNPA % (after ECL impact)	0.0%	0.2%	(20bps)	0.1%	0.0%	(5 bps)
Return on Avg. AUM %	1.7%	5.8%	(403 bps)	4.6%	3.9%	64 bps
Return on Avg. Equity %	9.3%	35.0%	(2,579 bps)	26.2%	27.1%	(92 bps)

## Note:

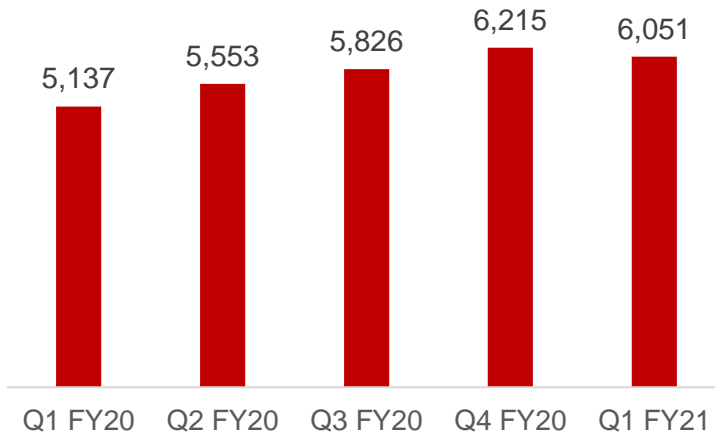
- \* August repayment rates are month-end estimates
- Income from Operations includes: Interest Income on loans and managed assets; processing fees, and other charges in respect of loans. Other Income includes capital gains on liquid funds
- NIM = NTI / Avg. AUM (On + Off-Book); Yields = Gross Interest 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

- ❖ **Microfinance AUM grew by 18% YoY to INR 6,051 Mn**
  - Active MFI Customer base stood at ~3.7 Lakhs in Q1 FY21 (+23% YoY)
  - Nation-wide Lockdown and the Covid induced disruption led to the disbursements being halted during the quarter.
- ❖ Gradually begun disbursements from August onwards - renewing loans of customers that have made their repayments and completed their tenure
- ❖ Net Total Income Declined by 13% YoY to INR 161.2 Mn due to softer yields, and no processing fees being booked in the absence of disbursements. Further, the company chose to maintain ample liquidity buffer given the uncertain environment which resulted in a negative carry cost.
- ❖ **Net Profit came in lower primarily due to recognition of higher provisions**
  - Recognized contingent Covid provision of INR 57.2 Mn
- ❖ **Adjusted for the Covid provisioning, Profit After Tax have stood at INR 69.5 Mn in Q1 FY21**
  - Q1 FY21 Adjusted ROE : 23.7% (as against 9.3%)
  - Q1 FY21 Adjusted ROAA : 4.5% (as against 1.7%)
- ❖ GNPA and NNPA (post ECL adjustment) stood steady at 0.9%.and 0.0%
- ❖ **Repayment rates picked-up significantly since June'20 – repayment rates for July'20 were 76% and are expected to close at ~75% for Aug'20\* as compared to 59% in June'20.**
- ❖ **Cumulative Provisions on 30<sup>th</sup> June'20 stood at INR 192 Mn covering 3.4% of on-book AUM (June'20)**

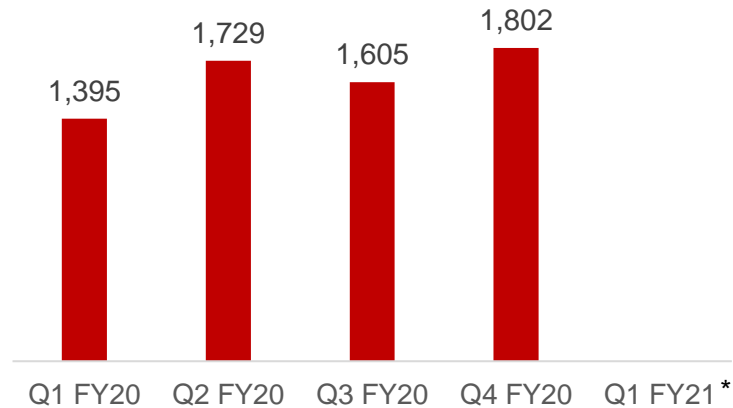
# Q1 FY21 - Microfinance Performance Update



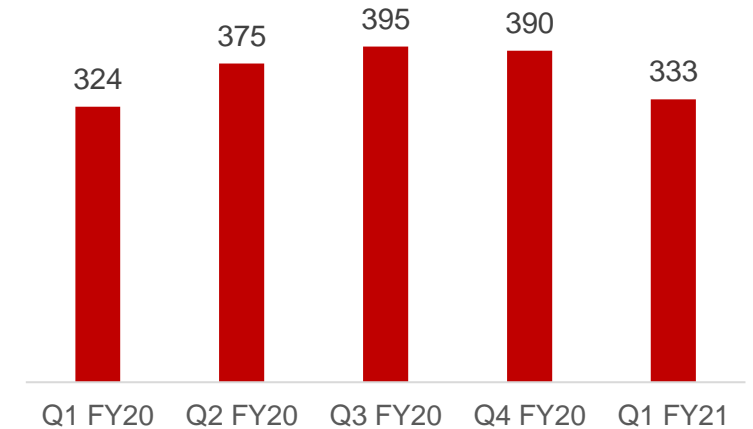
## AUM (INR Mn)



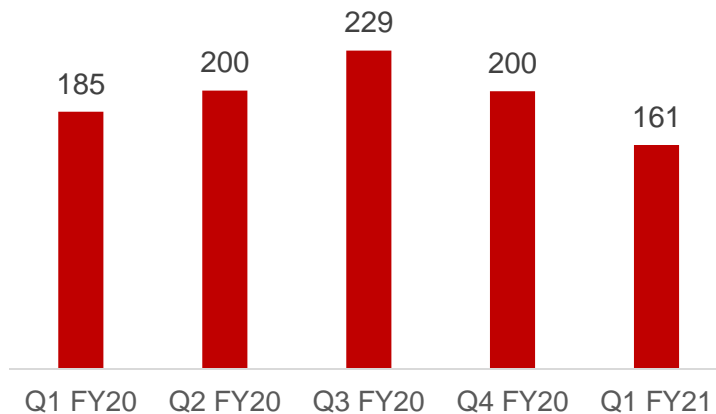
## Disbursement (INR Mn)



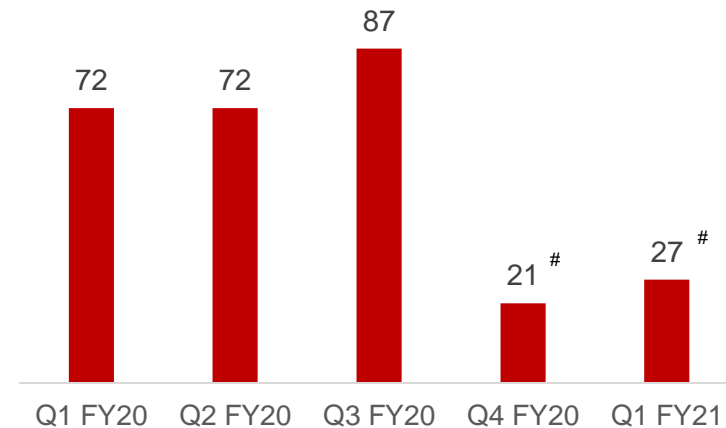
## Gross Total Income (INR Mn)



## Net Total Income (INR Mn)



## PAT (INR Mn)



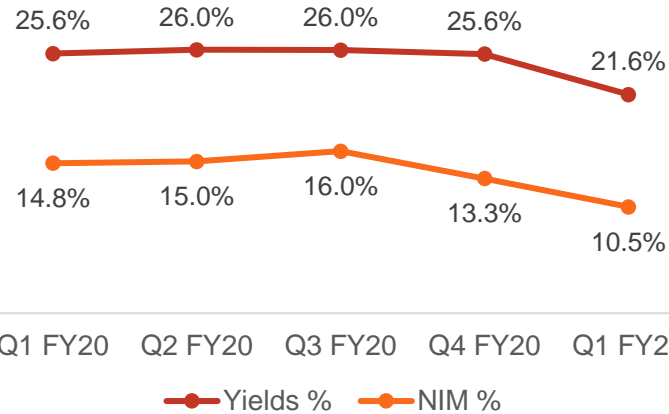
### Note:

- \* Nationwide Lockdown and the Covid-19 induced disruption led to the disbursements being halted. Company's priority was on improving the collection efficiency
- # Includes Covid specific provision of INR 45.3 Mn in Q4 FY20 and INR 57.2 Mn in Q1 FY21
- Net Total Income = Gross Total Income – Finance Cost

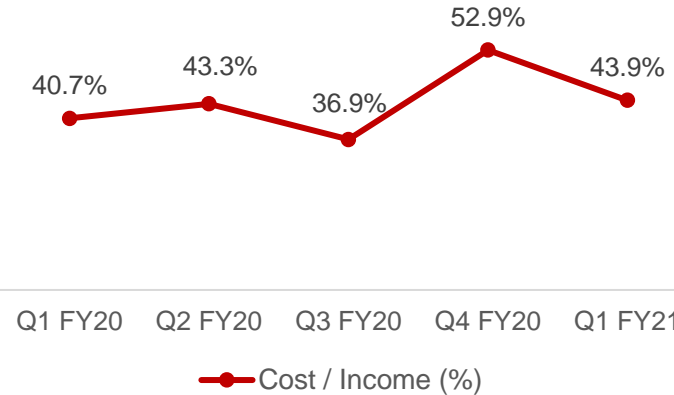
# Q1 FY21 - Microfinance Performance Update



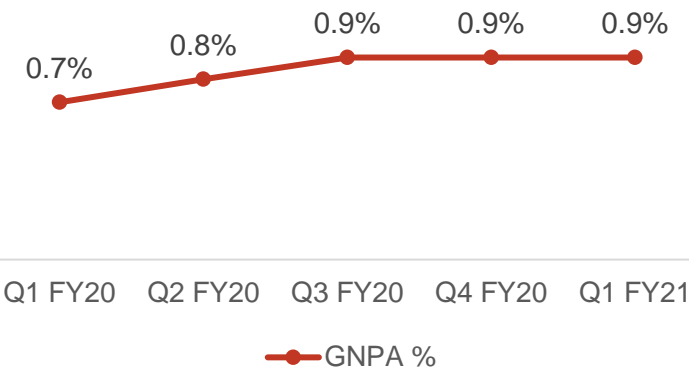
## Yields % and NIM %



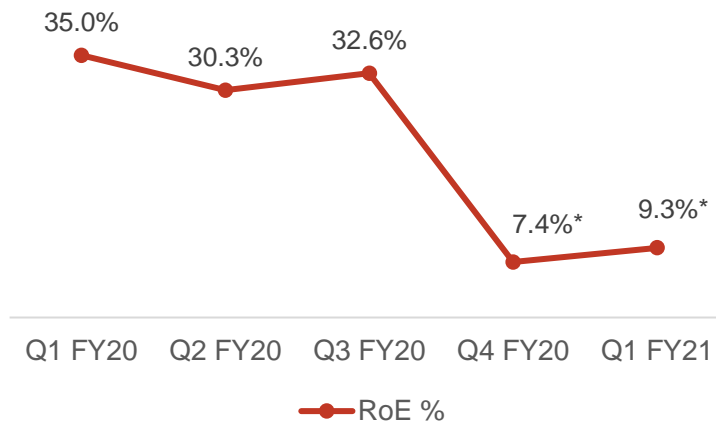
## Cost-to-Income Ratio %



## Asset Quality



## ROE %



### Note:

- \* Includes Covid specific provision of INR 45.3 Mn in Q4 FY20 and INR 57.2 Mn in Q1 FY21
- NIM =  $NTI / \text{Avg. AUM (On + Off-Book)}$ ; Yields =  $\text{Gross Interest Income} / \text{Avg. AUM (On + Off-Book)}$ ; Cost-to-Income Ratio =  $\text{Opex (excl. provisions)} / \text{Net Total Income}$ ; NNPA % =  $\text{NNPA} / \text{AUM}$ ; RoE =  $\text{PAT} / \text{Avg. Equity}$ . RoE, Yields and NIM % figures are annualized



# Q1 FY21 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q1 FY21	Q1 FY20	YoY (%)	FY20	FY19	YoY (%)
<b>Asset Under Management</b>	<b>2,180</b>	<b>2,104</b>	<b>4%</b>	<b>2,384</b>	<b>2,010</b>	<b>19%</b>
<b>Disbursements</b>	<b>-</b>	<b>506</b>	<b>-</b>	<b>2,205</b>	<b>1,940</b>	<b>14%</b>
Income from Operations	161.8	158.5	2%	671.1	466.0	44%
Other Income	6.6	3.1	109%	29.9	17.8	68%
<b>Gross Total Income</b>	<b>168.4</b>	<b>161.7</b>	<b>4%</b>	<b>701.0</b>	<b>483.8</b>	<b>45%</b>
Finance Costs	53.1	48.7	9%	220.3	156.9	54%
<b>Net Total Income (NTI)</b>	<b>115.2</b>	<b>113.0</b>	<b>2%</b>	<b>480.7</b>	<b>326.9</b>	<b>47%</b>
Employee Benefits Expenses	25.7	30.0	(14%)	132.3	94.6	40%
Depreciation and Amortisation	0.3	0.2	9%	1.1	1.1	1%
Other Expenses	4.9	12.7	(62%)	52.2	46.4	13%
<b>Pre-Provision Operating Profit</b>	<b>84.4</b>	<b>70.1</b>	<b>20%</b>	<b>295.1</b>	<b>184.8</b>	<b>60%</b>
Regular Provision & Write-offs	-	6.2	-	45.0	28.0	60%
Addl. Covid-Specific Provision	44.7	-	-	22.0	-	-
<b>Profit After Tax</b>	<b>32.5</b>	<b>52.3</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>66.1</b>	<b>52.3</b>	<b>26%</b>	<b>204.4</b>	<b>123.6</b>	<b>65%</b>
GNPA %	1.6%	2.0%	(41 bps)	1.5%	2.2%	(69 bps)
NNPA %	0.3%	1.3%	(102 bps)	0.7%	1.5%	(79 bps)
Return on Avg. AUM %	5.7%	10.2%	(447 bps)	8.3%	7.3%	98 bps
Return on Avg. Equity %	21.8%	39.8%	(1802 bps)	35.4%	32.5%	286 bps

## Note:

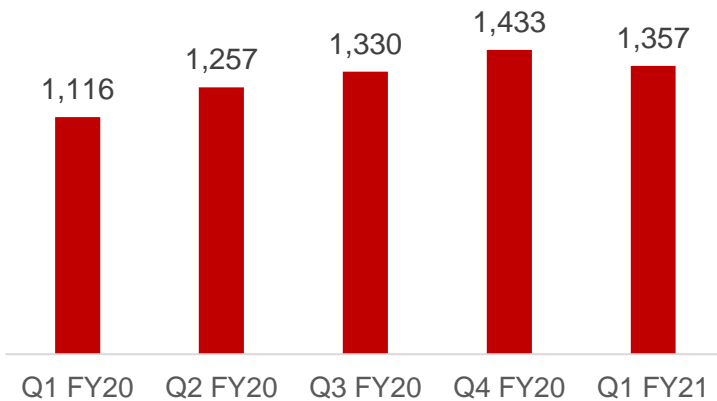
- \* August repayment rates are month-end estimates
- Income from operations includes interest income on loans and managed assets, other Income includes processing fees, other charges in respect of loans, late payment charges, etc.
- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / 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 2,180 Mn – higher by 4% YoY**
  - MSME AUM grew by 22% YoY to INR 1,357 Mn
  - 2W AUM stood lower at INR 823 Mn as the 2W sales declined in the previous year due to the challenging economic environment and drastically declined in Q1 FY21 given the nation-wide lockdown
  - Rural 2W Book saw good traction till Feb'20. The loan book stands at INR 109 Mn (higher by 51% YoY)
- ❖ Implemented cost rationalization measures which resulted in operating expenses coming down by 28% YoY to INR 309 Mn.
- ❖ **Consequently, Cost-to-Income Ratio improved by ~1,120 bps YoY to 27% in Q1 FY21 resulting in higher growth in Pre-provisioning Operating Profit (+20% YoY)**
- ❖ **Net Profit declined owing to recognition of higher provisions**
  - Recognized additional Covid specific provision of INR 44.7 Mn
- ❖ **Adjusted for the contingent Covid provisioning, Profit After Tax stood at INR 66.1 Mn in Q1 FY21 (higher by 26% YoY)**
  - Q1 FY21 Adjusted ROE: 43.1% (as against 21.8%)
  - Q1 FY21 Adjusted ROAA: 11.6% (as against 5.7%)
- ❖ GNPA improved to 1.6% (2W: 3.4%, MSME: 0.5%), and Net NPA improved to 0.3%
- ❖ **Repayment rates improved in the last couple of months -**
  - MSME:** Repayment rates improved to 95% in July'20, and 92% in Aug'20\*, versus 85% in June'20
  - 2W:** Repayment rates improved to 97% in July'20 and Aug'20\*, versus 95% in June'20
- ❖ **Cumulative Provisions on 30<sup>th</sup> June'20 stood at INR 105 Mn covering 5.1% of on-book AUM (June'20)**

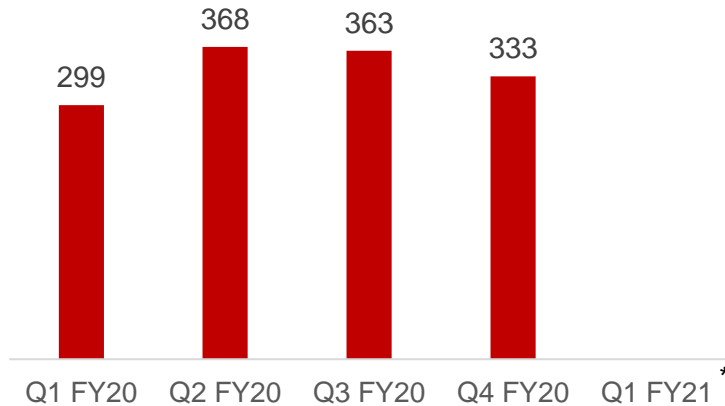
# Q1 FY21 - MSME Performance Update



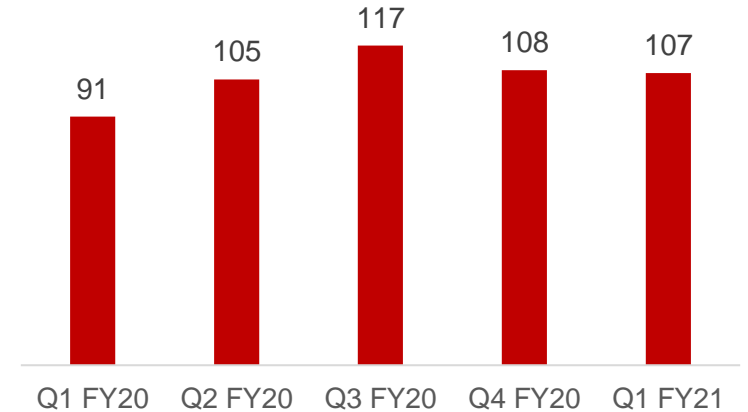
## AUM (INR Mn)



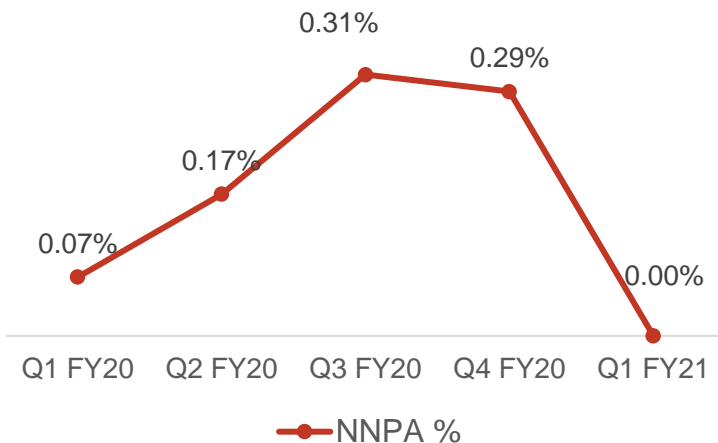
## Disbursements (INR Mn)



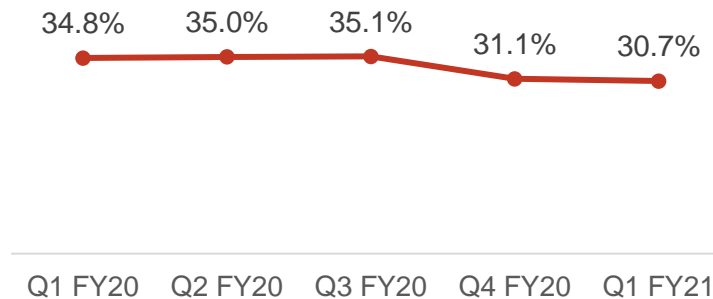
## Gross Interest Income (INR Mn)



## Asset Quality



## Yields %



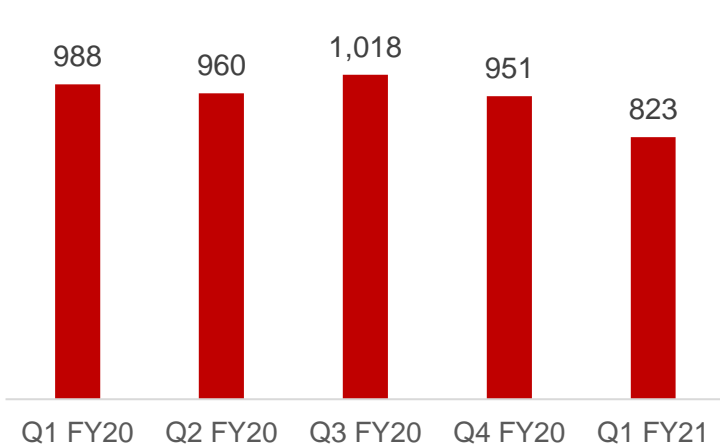
### Note:

- \* Nationwide Lockdown and the Covid-19 induced disruption led to the disbursements being halted. Company's priority was on improving the collection efficiency
- 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.

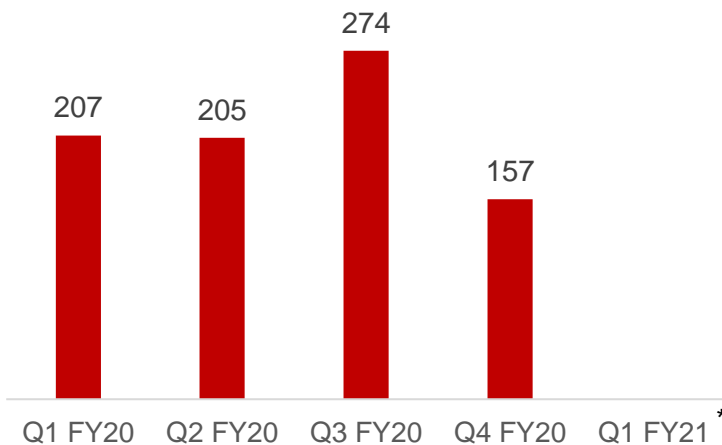
# Q4 FY20 - 2W Performance Update



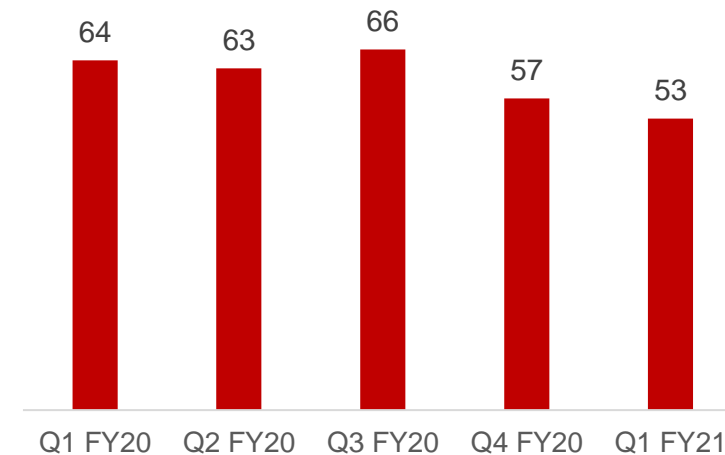
## AUM (INR Mn)



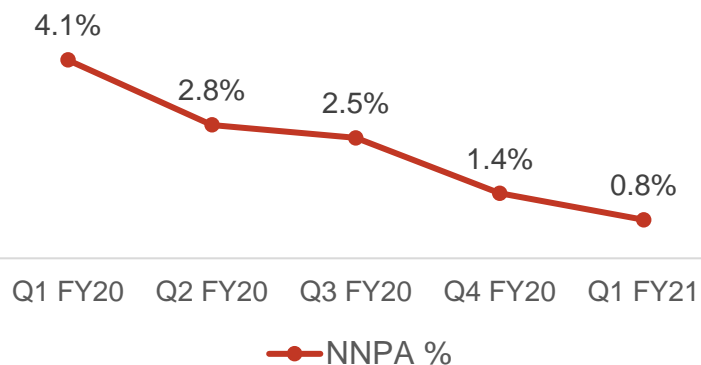
## Disbursement (INR Mn)



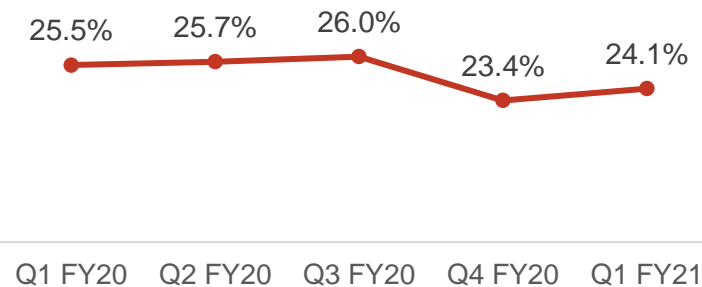
## Gross Interest Income (INR Mn)



## Asset Quality



## Yields %



### Note:

- \* Nationwide Lockdown and the Covid-19 induced disruption led to the disbursements being halted. Company's priority was on improving the collection efficiency
- 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

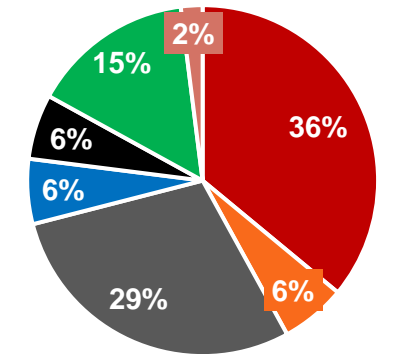
# Efficient Liability Management



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

Q4 FY20 - Borrowing Mix %

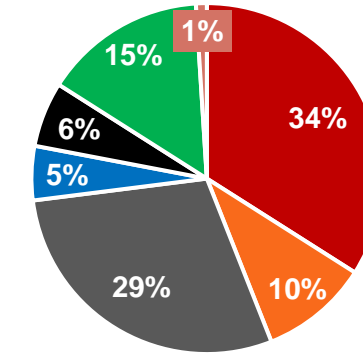
INR 7,655 Mn \*



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

Q1 FY21 - Borrowing Mix %

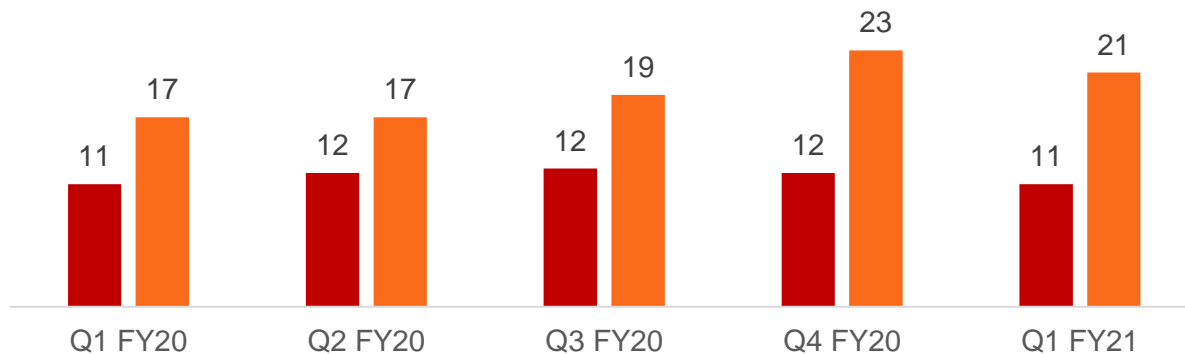
INR 7,560 Mn #



Note: # INR 7,560 Mn includes direct assignment of INR 545 Mn

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

## Positive ALM (in Months)



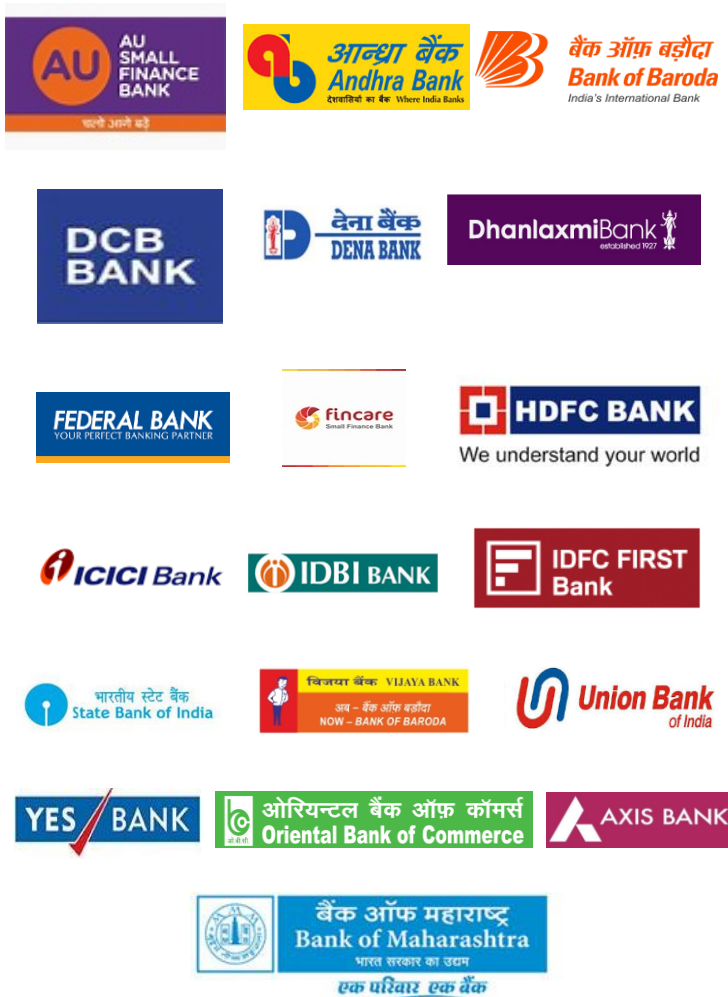
■ Average Tenor of Active Assets (months) ■ Average Maturity of Active Borrowings (months)

- Well-diversified borrowing mix with increasing share of NCD's, ECB's, NABARD Refinance, MUDRA, Sub-ordinate Debt and Securitization
  - Share of NCD's, ECB's, MUDRA, NABARD Refinance, Subordinate Debt and Securitization represented ~**37% of borrowings in Q1 FY21**
- **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: 0.1% (Q1 FY21)**
- **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 8,231 Mn in Q1 FY21**
- **Microfinance – 74% of AUM** (via 100% owned subsidiary “**Namra Finance**”)
- **MSME Loans – 16% of AUM**
- **2-Wheeler Loans – 10% of AUM**
- **Healthy Spreads:** Yields 23.3%, NIM 12.9% (Q1 FY21)



**Arman Financial Services Ltd.**

## Strong Financial Performance

- **High-Growth Trajectory (FY2015-20 CAGR) :**
  - **AUM: 50%**
  - **PAT: 46%**
- **Consolidated debt to equity ratio of 4.0:1** – Sufficient Capital to drive growth going forward
- **High Return Ratios:**
  - **Q1 FY21 - ROE (%): 12.1% , ROAA\* (%): 2.5%**

## Strong Retail Presence & Wide Distribution Network

- 211 branches; 70+ 2-Wheeler dealerships
- 78 Districts, 6 states
- 4.44 lakh live customers (+22% 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.



Company incorporated.  
Started bill discounting & machine leasing

1992

1995

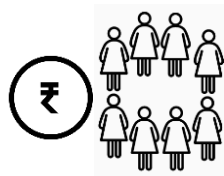
Listing on BSE – Issue subscribed 22x

1998

Launched 2W Loans

2010

Launched Microfinance business



2011

Raised PE funding from Incofin; Disbursement crosses 50 Cr

2013

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

2014-16

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

2017

Launched MSME Loans business



2017-18

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

2018

Raised PE funding from SAIF Partners

2019

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



# Product Snapshot



**ARMA FINANCIAL SERVICES LTD.**

- 28 years of existence
- Active customer base of 4.44 lakh
- Employee strength of 1,752 employees
- Completely in-house operations – Sourcing, Credit & Collections

## Microfinance



## MSME Loans



## 2-Wheeler Loans



## Rural 2W Loans



% of Total AUM	74%	16%	9%	1% (in Pilot Stage)
LTV	Unsecured	Cash flow & FOIR based	65-85%	60-80%
Ticket size	Cycle 1 & 2 - INR 20-30k Cycle 3+ - INR 20-45k	INR 50-70k	INR 30-55k	INR 40-50k
Average Ticket size	INR 28,000	INR 70,000	INR 42,000	INR 40,000
Tenure	14-24 months	24 months	12-36 months	12-24 months
Yield (%)	24-25% (Spread capped by RBI guidelines)	30-32%	21-23%	26-28%
Disbursement	100% Cashless	100% Cashless	100% Cashless to dealer	100% Cashless to sub-dealer
Credit Check	CRIF / Equifax Score; JLG Model with Training, Home Visit, Life Style Appraisal	CIBIL & CRIF Score; Detailed Cash Flow Assessment; Home & Business Field Investigation	CIBIL / CRIF Score & Field Investigation	CIBIL / CRIF Score; Detailed Cash Flow Assessment; Field Investigation
Collections	Cash collection at centre meeting	Door step cash collection	NACH / Direct Debit	Door step cash collection



# Differentiated Operations



## KEY STRATEGIC DIFFERENTIATORS

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

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

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

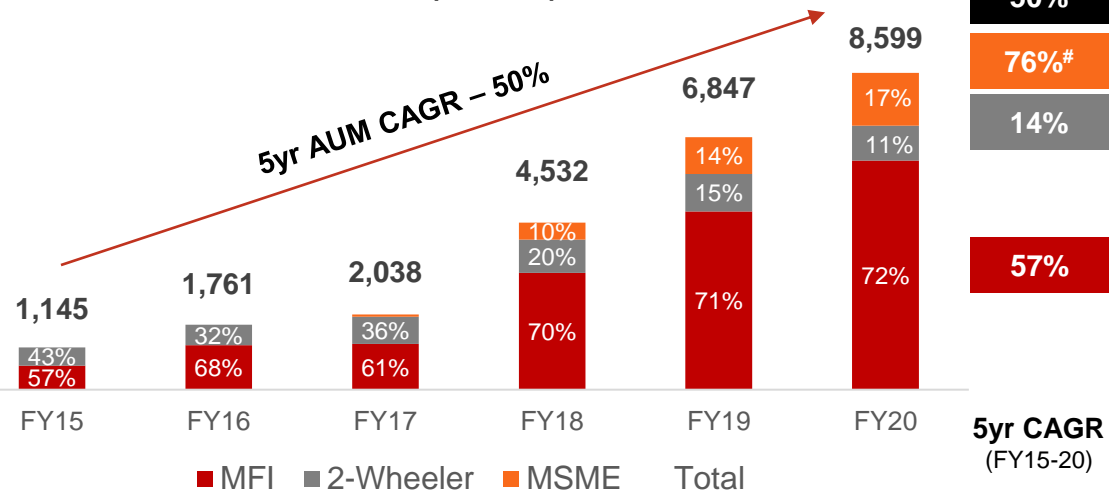
**Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices – tailored for the areas of operations**

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

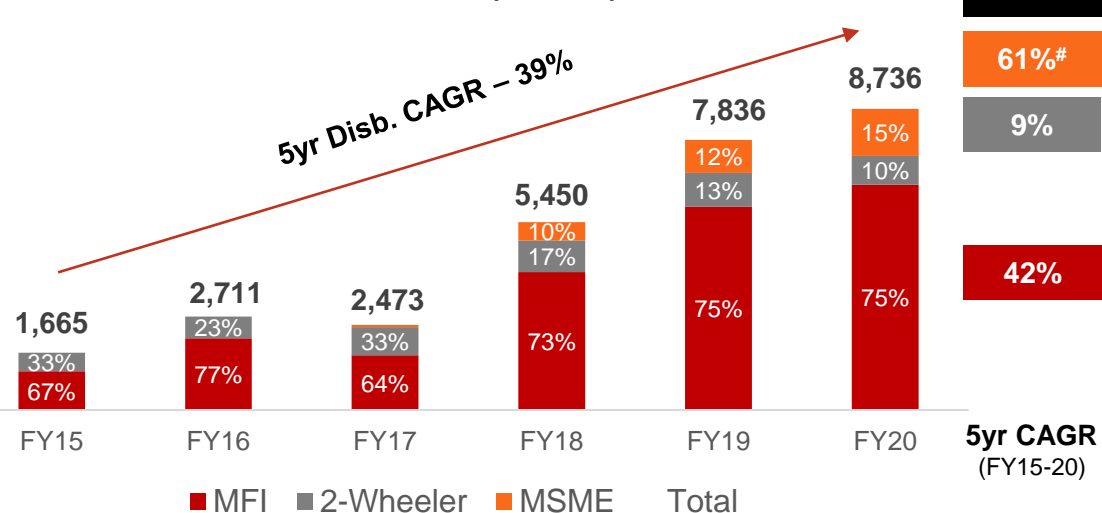
# Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 8,231 Mn in Q1 FY21 split between –
  - Microfinance: INR 6,051 Mn (74%),
  - MSME Loans: INR 1,357 Mn (16%)
  - 2-Wheeler Loans: INR 823 Mn (10%)
- Strategically forayed into MSME Loans in 2017.** Successfully scaled up the business to INR 1,357 Mn (16% of Total AUM) in the last 2 years
- Further, we **recently launched a new product “Rural 2-wheeler loans”**(currently in pilot stage) to effectively meet the under-served market.
  - Higher ROA business offering immense growth potential
- Plan to reduce share of **MFI book in overall AUM to ~60% over time**

## Asset Strategy at Arman

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

**Self-employed / cash-income informal** segment customers

**High-yield rural focused products** – 20%+ yields

**Stringent underwriting**

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

**Aim to deliver 3-5% post-tax ROA**

**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)

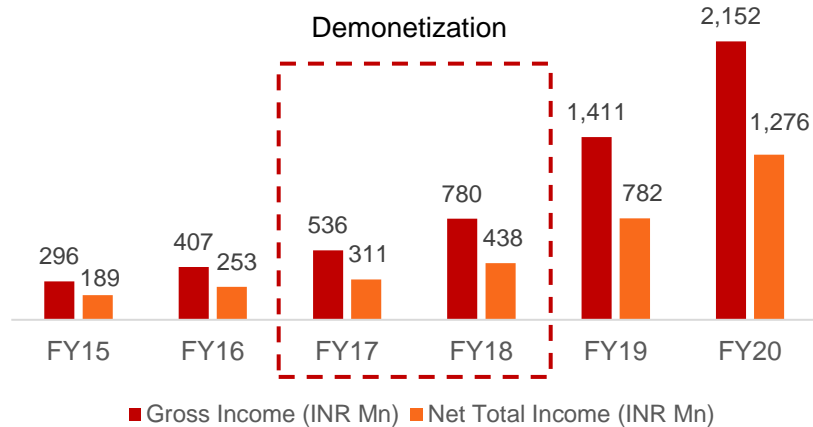
# .....While Maintaining Superior Cost Efficiency & Asset Quality



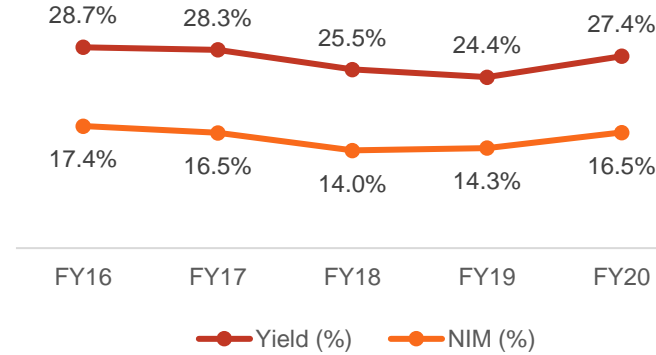
## Gross Income and Net Total Income (INR Mn)

CAGR: 49%

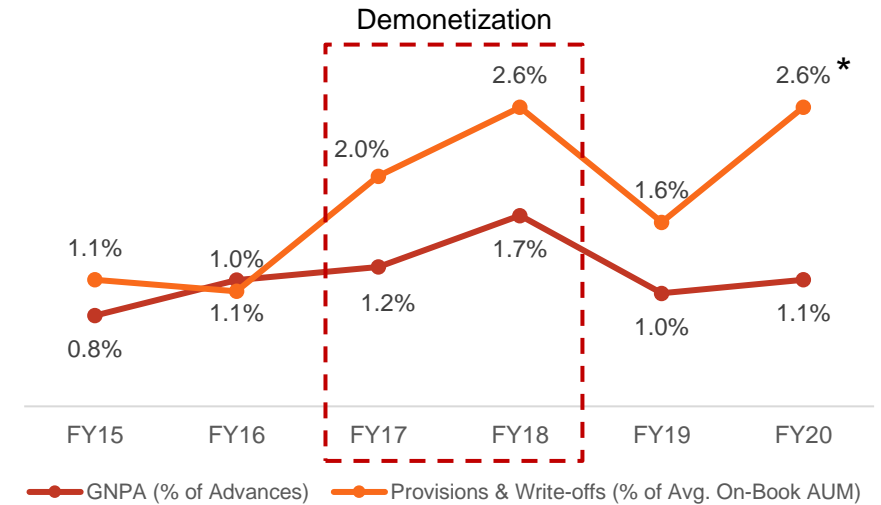
CAGR: 47%



## Yield % and NIM %

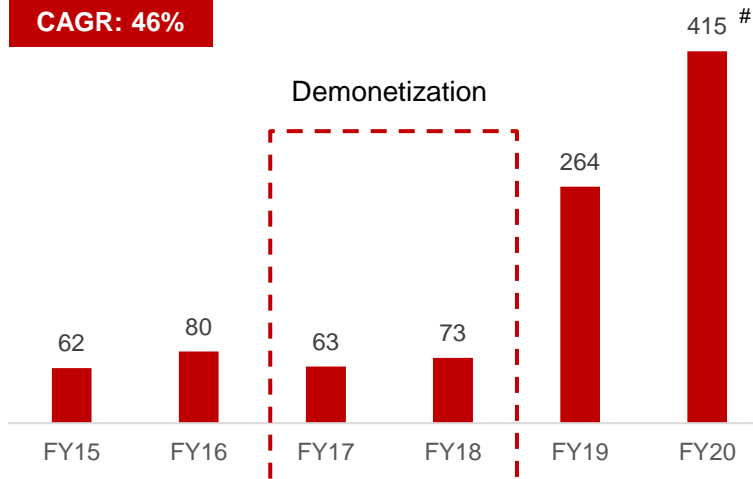


## Focus on risk have led to immaculate through-cycle asset quality

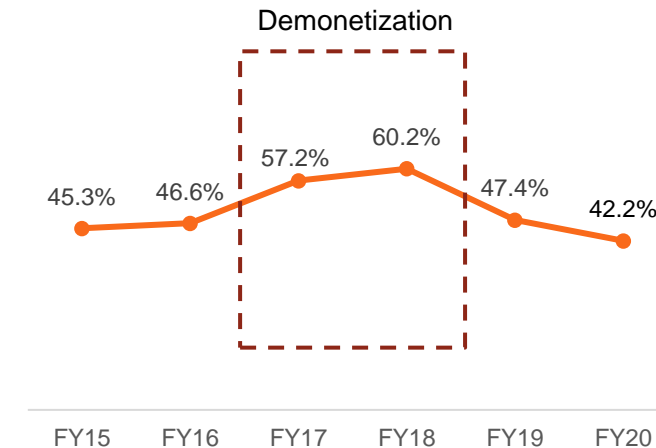


## PAT (INR Mn)

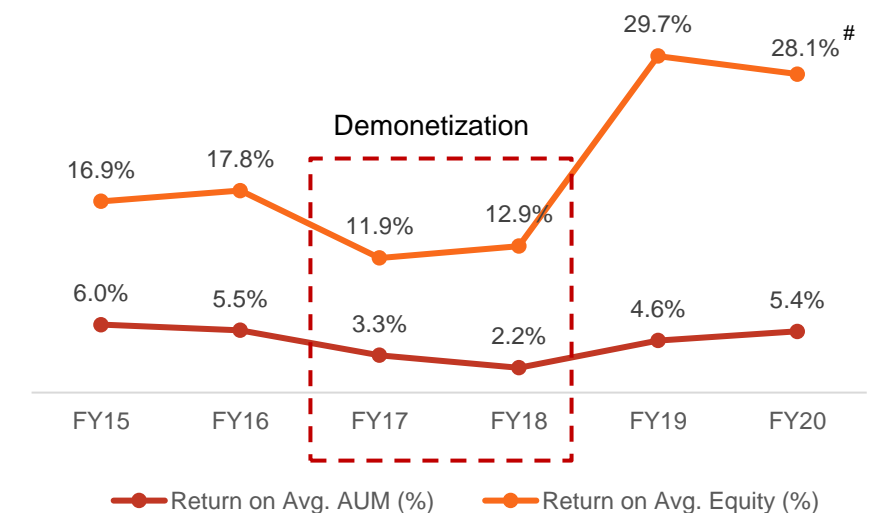
CAGR: 46%



## Cost to Income Ratio %



## Consistently high through cycle ROA / ROE



### Note:

- \* Includes Covid specific provisioning of INR 66.8 Mn. <sup>#</sup> 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

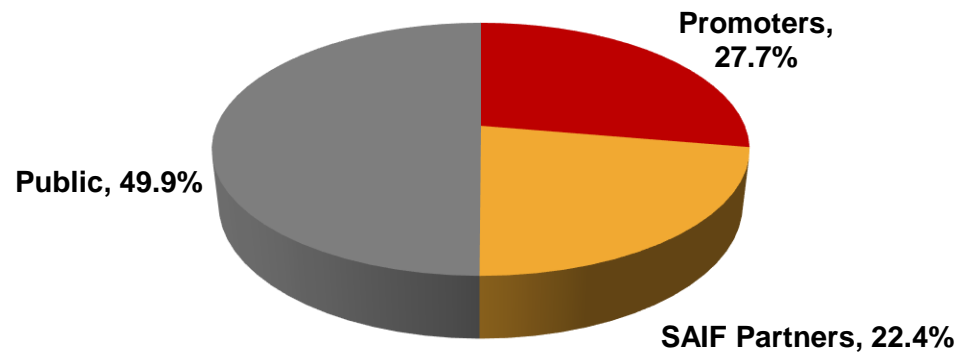




# Shareholding Pattern



SHAREHOLDING – 30<sup>th</sup> June 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; 3.69 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: 2W & Rural 2W Loans



## Product Overview

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

## 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 (%)

<b>1,433</b>	<b>1,362</b>
AUM (INR Mn)	Disbursement (INR Mn)
<b>421</b>	<b>70,000</b>
Total Income (INR Mn)	Avg. Ticket Size (INR)

### FY20 – Key Metrics (%)

<b>34.7%</b>	<b>23.8%</b>
Yield	NIM
<b>0.5%</b>	<b>0.3%</b>
GNPA	NNPA

## MSME Process Overview

### Sourcing

- In-house sourcing team (No DSAs)
  - Feet-on-Street sales team model
  - Door-to-door knocking & cold calling
  - BTL activities such as pamphlet distribution, stalls at village level gatherings
  - Referrals from existing customers
- “Sales team logs-in the case & collects KYC docs”**

### Underwriting

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

### Collections

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



# Thank You



**Arman Financial Services Ltd.**

**Vivek Modi**

Group – CFO

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from ACCESS to INCLUSION

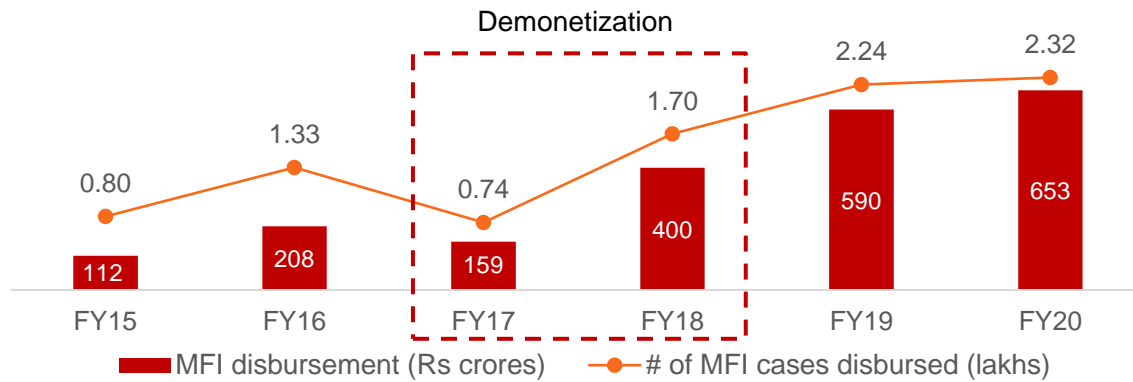
## Annexures



# Microfinance: 5-Year Performance



## Disbursement growth is driven by customer & branch addition



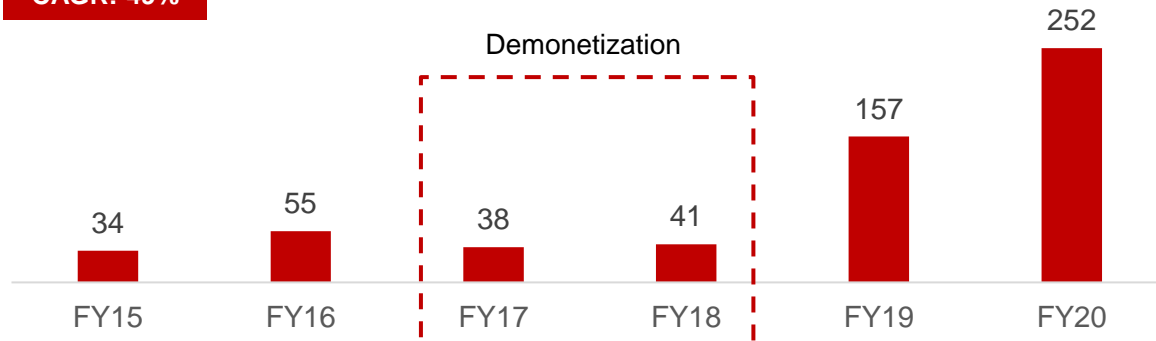
	FY15	FY16	FY17	FY18	FY19	FY20
MFI Branches	39	55	80	107	138	170
Avg. Ticket size (INR)	13,937	15,583	21,477	23,517	26,358	28,133

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

## PAT (INR Mn)

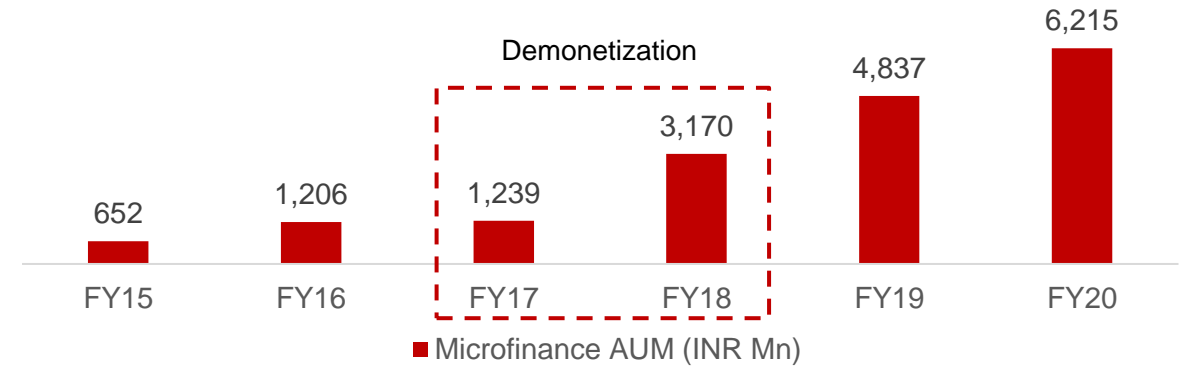
CAGR: 49%



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

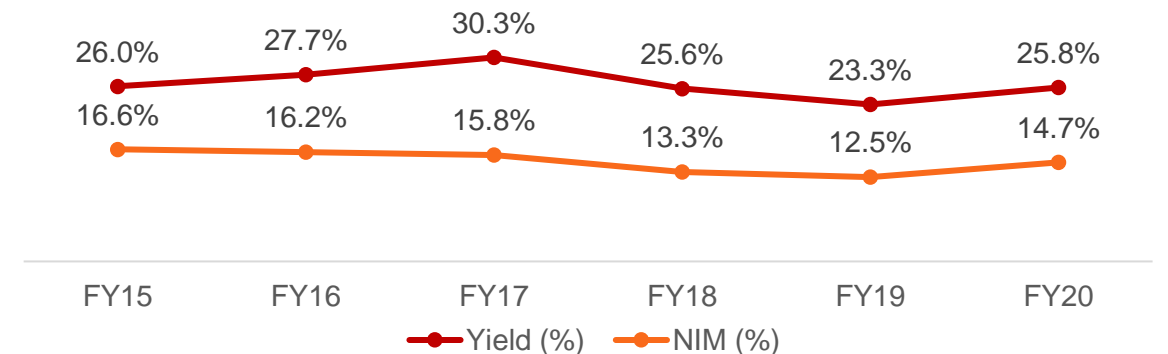
CAGR: 57%



	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

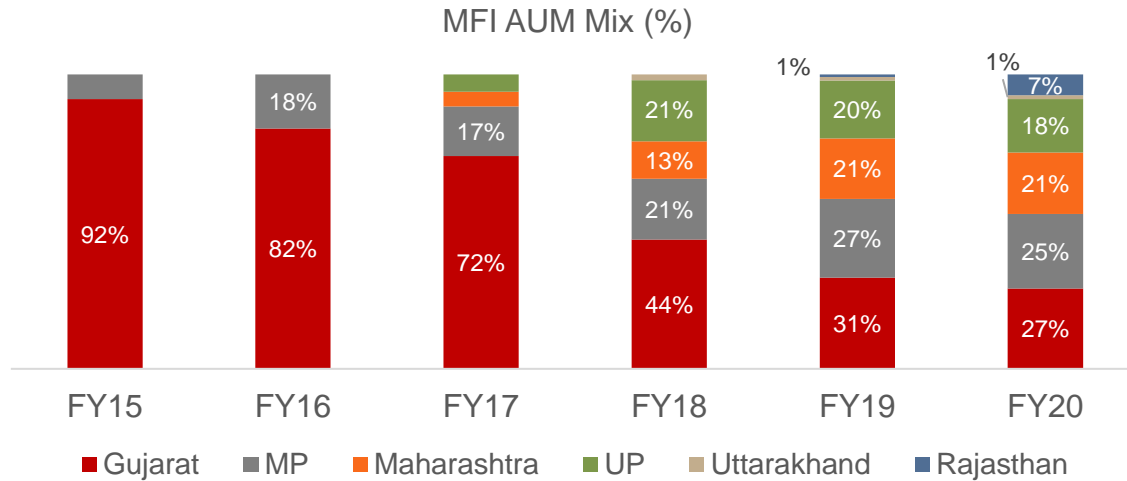




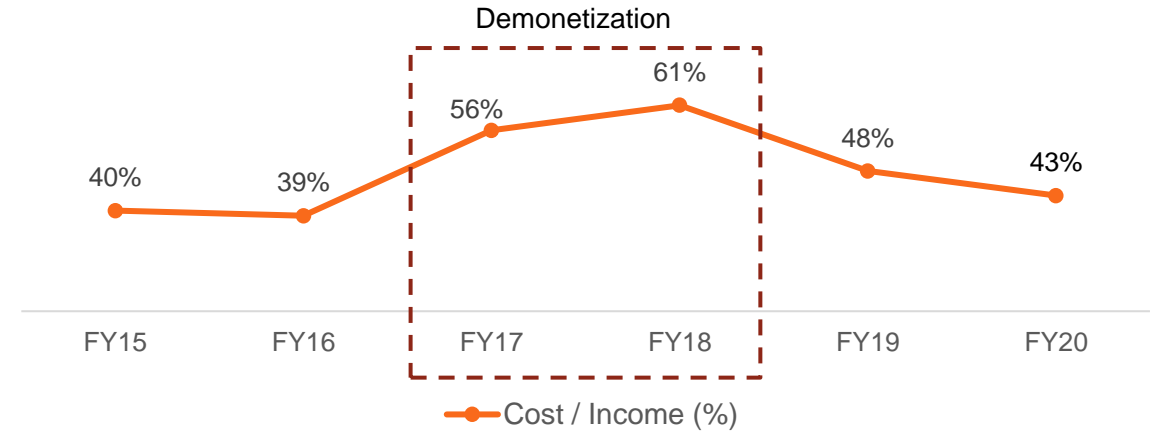
# Microfinance: 5-Year Performance



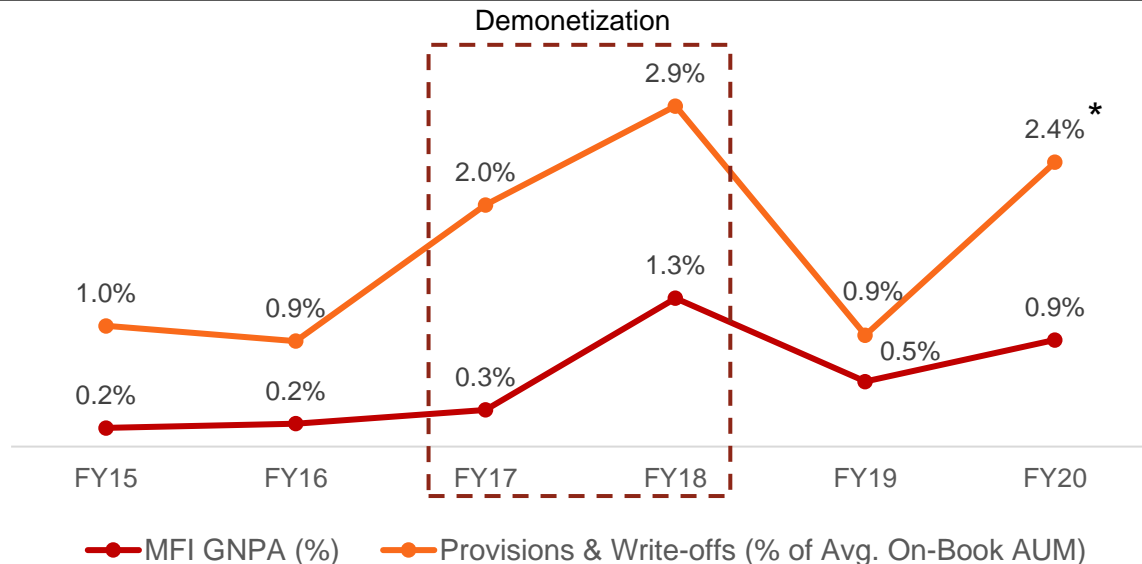
## Well diversified across geographies



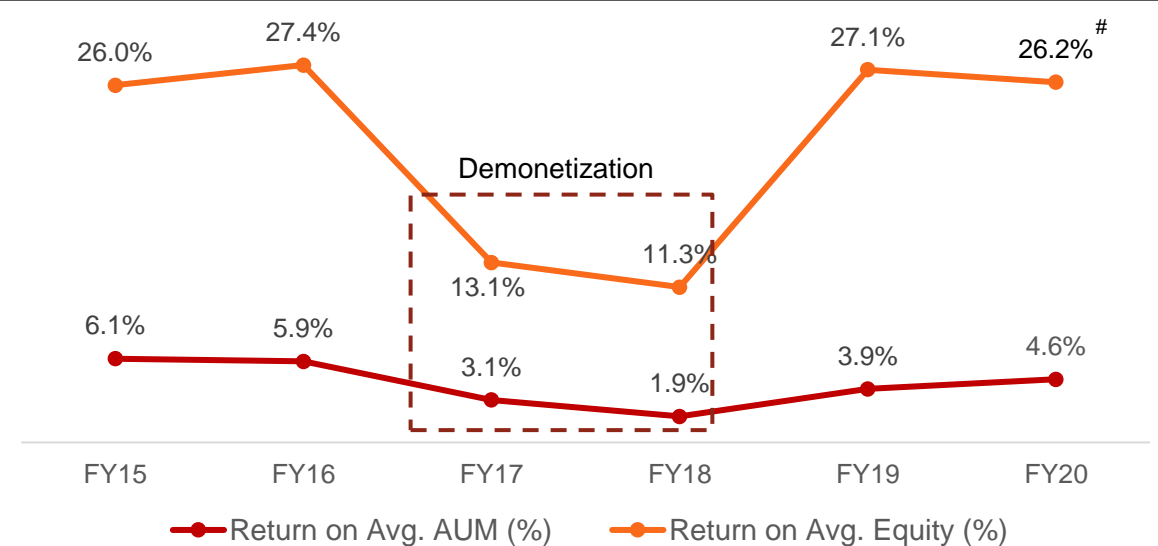
## Maintaining high operational efficiency



## Through cycle asset quality under control



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

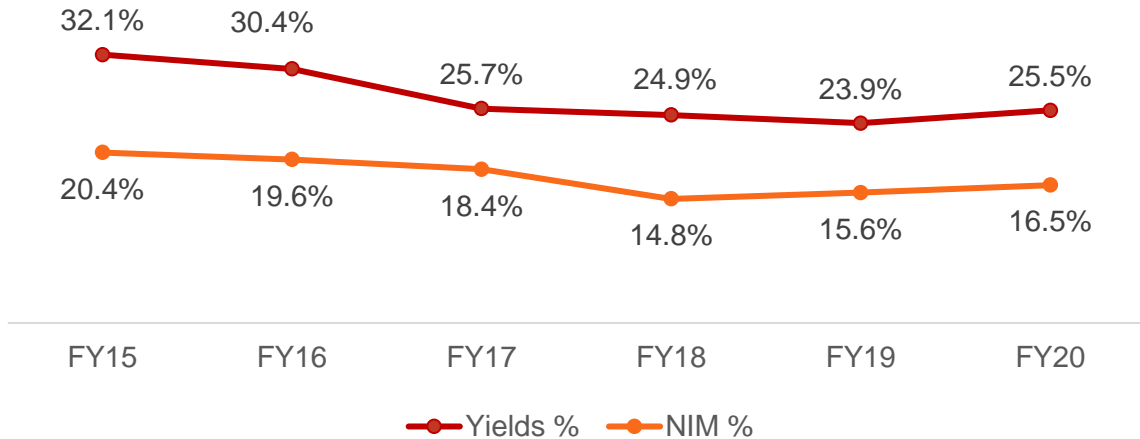


**Note:** FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. \* Includes Covid specific provisioning of INR 45.3 Mn. # Adjusted for Covid Provisioning, ROE stood at 30.9% in FY20

# 2W Loans: 5-Year Performance

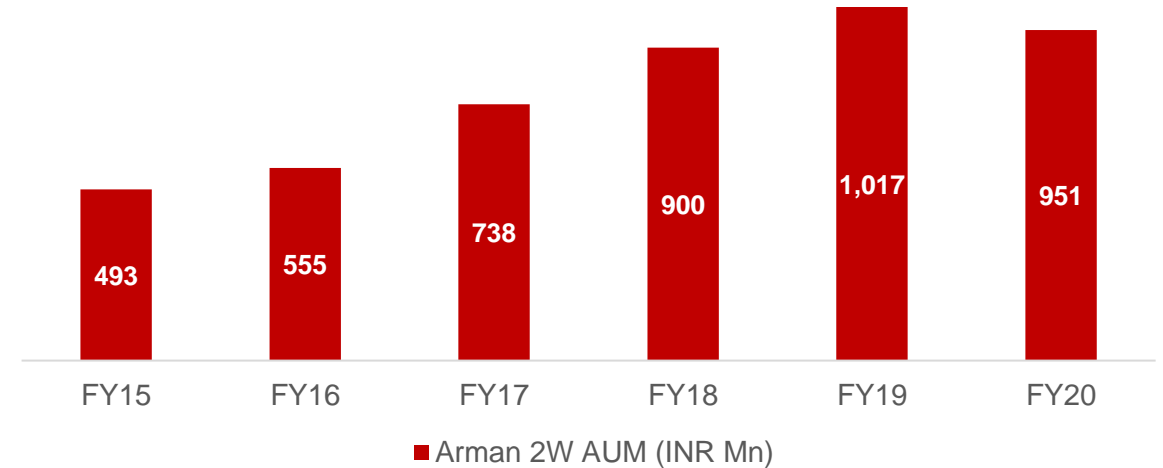


## Yields (%) & NIM (%) Trend

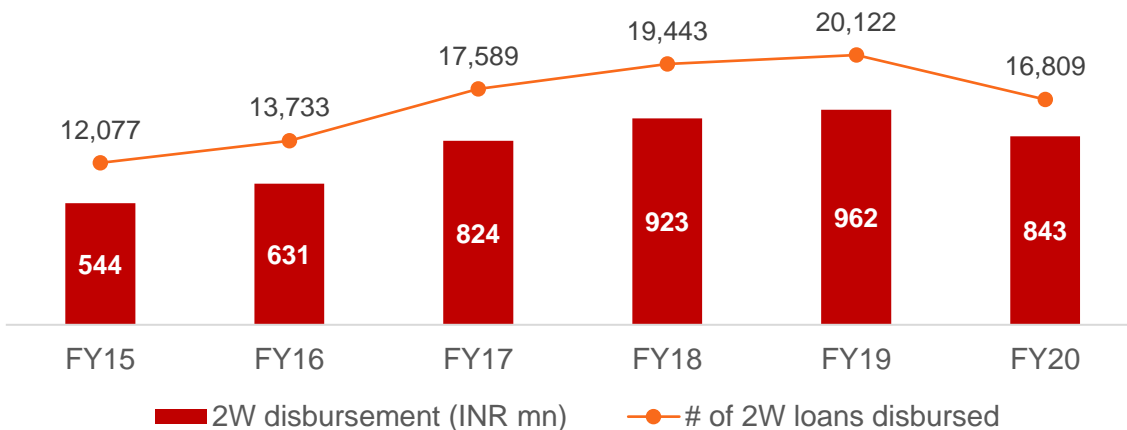


## Arman 2W AUM/ has seen steady growth over FY15-20

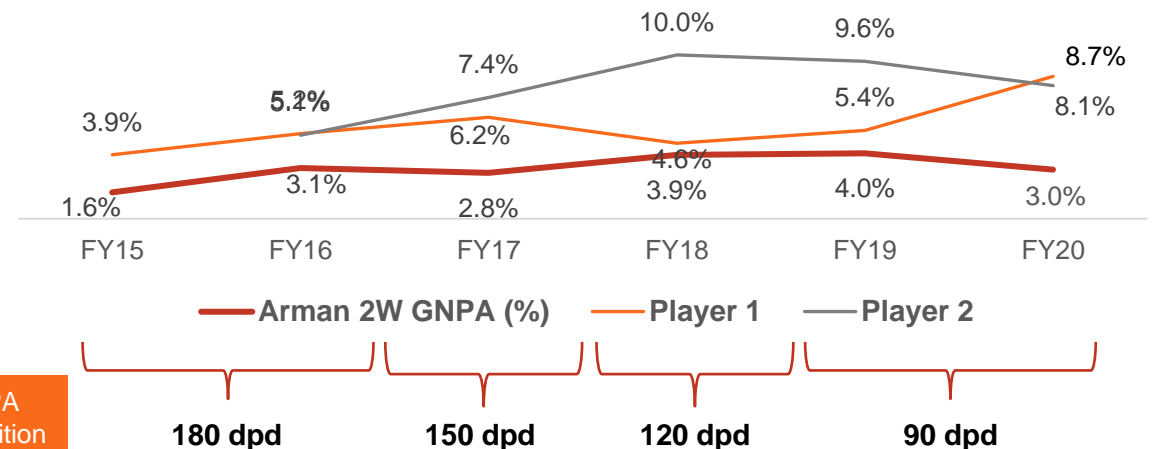
CAGR: 14%



## 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



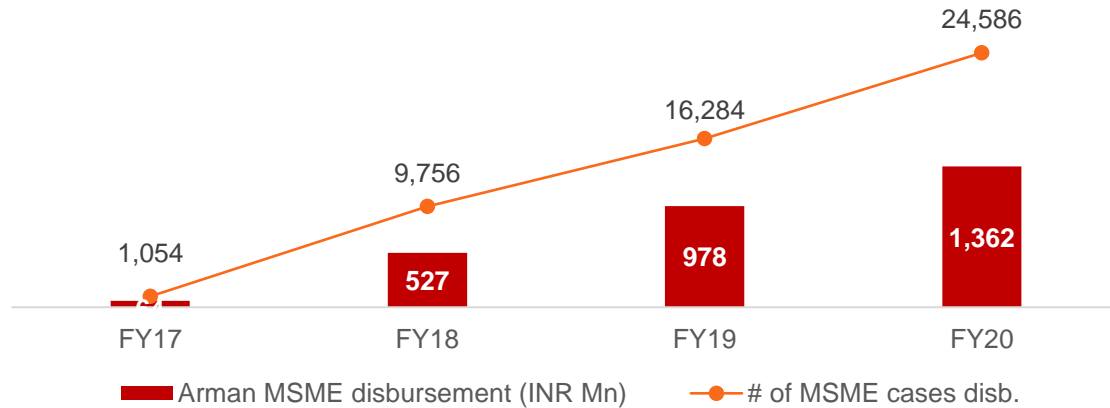
Note: FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

# MSME Loans: 3-Year Performance



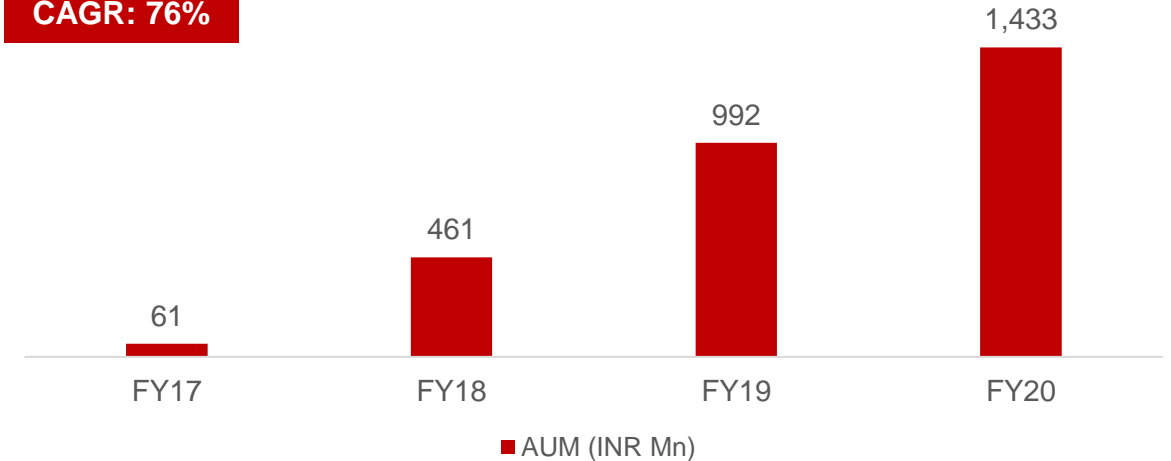
## Disbursement Growth

CAGR: 61%

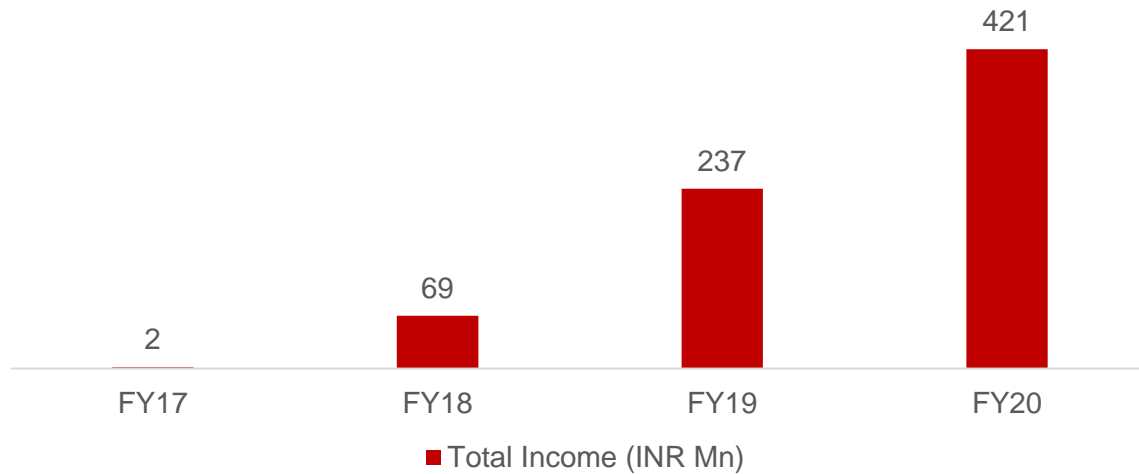


## AUM Growth

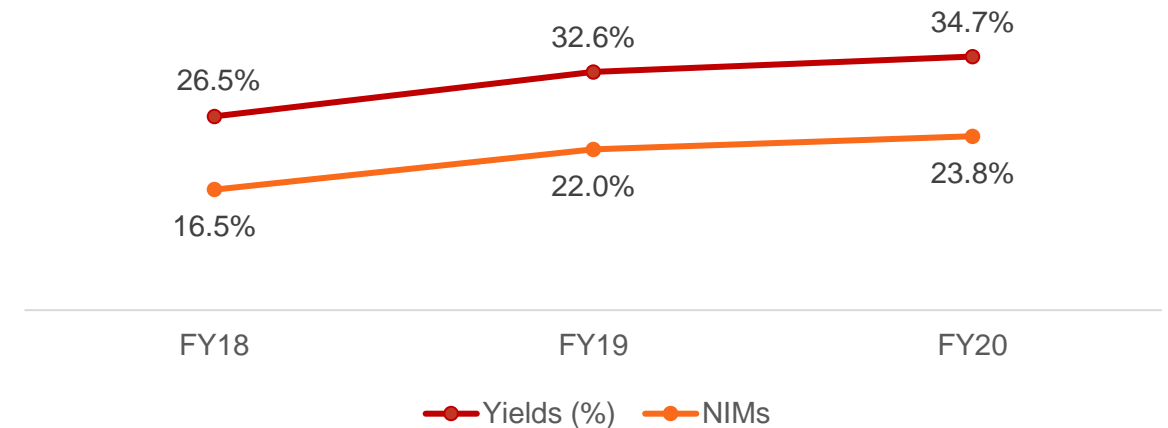
CAGR: 76%



## 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)