

Q1 2024

1. Loan Portfolio Quality

- **Narrative:** Management highlighted their approach to bolster the loan portfolio quality through strategic provisioning. This involves creating a management overlay to mitigate potential risks and enhance the robustness of the financial framework.

- **Management's Guidance:**

- Management plans to continue creating a management overlay with current provisioning at Rs.73 Crores, representing 3.5% of the portfolio.

- **Actual Results:**

['Q4', '2024']:

- Overall, the provisions at the AUM level is about 4%.

['Q1', '2024']:

- For the quarter, cumulative provisions stood at Rs.72 Crores, which is about 3.4% of the total book.

['Q3', '2024']:

- We have taken aggressive provisioning this quarter, refraining from utilizing any available overlays which amounted to a balance of INR27 crores.

['Q2', '2024']:

- Cumulative Provisions stood at ~INR 15.9 Crore as on 30th September 2023 (covering 4.43% of the consolidated AUM, 4.74% on book)

- **Evaluation:**

- **Expectations Exceeded:** Management aimed for provisioning at 3.5% of the portfolio, but the actual results showed provisions reaching up to 4.43% of the AUM, indicating a more robust coverage than initially guided.

2. Cost-to-Income Ratio

- **Narrative:** Management addressed the anticipated all-inclusive cost structure, emphasizing a target of maintaining cost efficiency.

- **Management's Guidance:**

- Management indicated that the all-inclusive cost will be about 12.5%, suggesting a focus on controlling expenses to improve the cost-to-income ratio.

- **Actual Results:**

['Q3', '2024']:

- Cost to income stood at 25.7%.

['Q2', '2024']:

- 2fca68e61d3bf903106f5635e56262ee --> [Arman Financial Services Limited] Cost to income for the quarter stood at about 25%.

['Q4', '2024']:

- Cost to income stood at 26.6%.

['Q1', '2024']:

- Cost to income for the quarter stood at 26% as compared to 37% over the same period last year.

- **Evaluation:**

- **Expectations Not Met: Management targeted a cost-to-income ratio of 12.5%, but actual results ranged from 25% to 26.6% over the subsequent quarters, significantly higher than the expected target.**

3. Return on Assets

- **Narrative:** Management highlighted their focus on enhancing asset utilization to improve overall return on assets. They are actively engaging in strategies that are expected to optimize asset performance over the coming quarters.

- **Management's Guidance:**

- Management indicated that the income generated will be reflective of their asset utilization strategies, with expected impacts over the next seven to eight quarters.

- **Actual Results:**

['Q4', '2024']:

- Return on Average AUM Q4 FY24: 6.8%

['Q1', '2024']:

- ROAA: 7.8%

['Q3', '2024']:

- ROA is reported to be in the 7% to 7.5% range for Q3 FY24.

['Q2', '2024']:

- ROAA for Q2 2024 is 7.61%.

- **Evaluation:**

- **Expectations Not Met: Management's guidance anticipated improved asset utilization impacting return on assets over several quarters, but the actual ROAA figures fluctuated, showing a decline from 7.8% in Q1 to 6.8% in Q4 FY24, indicating that the expected optimization did not materialize as projected.**

4. Market Share in Microfinance Sector

- **Narrative:** Management has articulated a clear strategy to increase the company's market share within the microfinance sector. They aim to achieve this through targeted efforts that are expected to enhance their competitive positioning over the coming years.

- **Management's Guidance:**

- Management has set a goal to expand the company's market share by 5% within the next two years.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

5. Geographic Expansion Plans

- Narrative: Management highlighted a strategic focus on expanding both in existing states and evaluating opportunities for entering new states. The aim is to strategically position the company for long-term growth by planting seeds in new areas before market saturation makes it more challenging to enter.

- Management's Guidance:

- The company is committed to expanding its presence in new states with plans to open several new branches before the end of the fiscal year. Management is also confident that the equity funding raised last year will significantly support achieving the targeted growth in the upcoming quarter.

- Actual Results:

['Q3', '2024']:

- Arman Financial Services Ltd. The company is currently operational in 10 states with a total branch network of 394, of which 73 branches have been added in the last 12 months, which too are yielding positive outcomes.

['Q2', '2024']:

- The company is currently operational in 10 states with a branch network of 385 branches. We've expanded our footprints further by adding 42 branches in the last 1 quarter. During the quarter, the company added 2 new branches.

['Q4', '2024']:

- In terms of branch expansion, the company reported opening 67 new branches over the last 12 months, bringing the total branch count to 402 branches. The number of branches as of 31st March 2024 stood at 402, while the active customer base was approximately 8 lakh.

['Q1', '2024']:

- In the quarter, we opened seven new branches bringing the total branch count to 343 with workforce of about 2900 employees and customer base of almost 7 lakhs across 10 states.

- Evaluation:

- Expectations Exceeded: The company exceeded management's guidance by opening 73 new branches over the last 12 months, surpassing the planned expansion, and achieving positive outcomes, thereby strategically positioning for long-term growth.

6. Client Acquisition Rate

- Narrative: The management has reiterated their focus on maintaining a strong client acquisition rate by targeting a consistent compound annual growth rate (CAGR) which reflects their confidence in sustaining growth momentum over an extended period.

- Management's Guidance:

- Management indicates a long-term target of maintaining a CAGR of 35% to 40% over the next three to four years.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q1', '2024']:

- During Q1 2024, the company added 51,100 new customers, and the active microfinance institution (MFI) customer base stood at 6 lakhs. This reflects the company's efforts in client acquisition within the stated period.

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Use of Digital Platforms for Loan Disbursement

- Narrative: Management highlighted the company's initiative to integrate Aadhaar-based digital signatures to streamline the loan disbursement process, aiming to enhance efficiency and accessibility for all customers.

- Management's Guidance:

- Management indicated the rollout of Aadhaar-based digital signatures for all customers is expected in the upcoming to next quarter.

- Actual Results:

['Q4', '2024']:

- Approximately 12% of the collections are done via digital mode. Increased focus on digital mode with ~10% cashless collections.

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Expectations Not Met: Management expected a full rollout of Aadhaar-based digital signatures for all customers by Q2 2024, but the actual results in Q4 2024 only show a partial digital integration with 12% collections via digital mode, indicating the rollout was not fully achieved.