



Arman Financial Services Ltd.



**Arman Financial Services
Ltd.**

Q1 FY23 - Investor Presentation
August 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.



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Arman Financial Services Ltd.



Arman Financial Services Ltd.



Financial Performance Update - Q1FY23

Q1 FY23 - Financial Performance Highlights



Total AUM up by 77% YoY & 13% QoQ to INR 13,880 Mn in Q1FY23
We have added more than ~50,000 new customers in Q1 FY23. Active Customer base of more than 5.2 lakh.



Shareholders Equity Stood at INR 2,280 Mn as on 30th June 2022.
Debt-Equity Ratio stood at 4.75x on 30th June 2022



Collection Efficiency was steady and healthy with each month being north of 98%.



Operating expenses increased by 54% YoY to INR 185 Mn in Q1 FY23 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 212% YoY to INR 3,800 Mn in Q1 FY23



Profit Before Tax stood at INR 200.1 Mn compared to INR 65 Mn in Q1 FY22
Profit After Tax increased sharply to INR 157 Mn compared to INR 36 Mn in Q1 FY22



Provisions and write-offs (Impairment Losses on Financial Assets) during the quarter was INR 118 mn
Cumulative Provisions stood at INR 699 Mn as on 30th June 2022 (covering 5.04% of the total AUM, 5.33% on book)

A solid bounce-back performance for Q1FY23 on profitability, asset quality, disbursements and collections.

Update on Collections- Consistently improving for last five quarters



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 98.6% during June 2022 .
- **2W collections** continued to be well-north of 96% during June 2022

❑ Cumulative Provisions stood at INR 118 Mn as of 30th June 2022 covering 5.33% of the total AUM (on Book)

- **Namra:** Cumulative Provisions stood at INR 521.6 Mn as on 30th June 2022 covering 4.5% of the total AUM
- **Standalone:** Cumulative Provisions stood at INR 178 Mn as on 31st March 2022 covering 7.8% of the total AUM

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

Collection Efficiency % (April 2022 – June 2022)

Business Segment	Collections Due (Apr'22)	Amount Collected (Apr'22)	Collection Efficiency % (Apr'22)	Collections Due (May'22)	Amount Collected (May'22)	Collection Efficiency % (May'22)	Collections Due (Jun'22)	Amount Collected (Jun'22)	Collection Efficiency % (Jun'22)
Total	828	812	98%	868	852	98%	916	904	99%
Microfinance	653	642	98%	686	676	97%	722	714	98%
MSME	143	139	97%	148	144	97%	159	157	98%
Two-wheeler	32	31	96%	33	32	96%	34	33	96%

Note: All the amounts are in INR Mn.



Update on Liquidity

❑ **Healthy Liquidity position with INR 758.4 Mn in cash/bank balance, liquid investments, and undrawn CC limits**

- The company has duly repaid all the debt obligations that were due in Q1FY23
- 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 560 Mn undrawn sanctions from existing lenders

Update on Disbursements

❑ **Disbursements picked up across all segments**

- Loan Disbursements during Q1 FY23 stood at INR 3,795 Mn up by 212% 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 98% for Q1 FY23.

Q1 FY23 - Consolidated Profit & Loss Statement



Particulars (INR Mn)	Q1 FY23	Q1 FY22	YoY (%)	FY22	FY21	YoY (%)
Assets Under Management (AUM)	13,878	7848	77%	12,332	8,144	51%
Disbursements	3,796	1,216	212%	1,0233	5,097	101%
Shareholder's Equity *	2279	1,895	20%	2,127	1,868	14%
Income from Operations	783.8	494.7	58%	2340.1	1943.6	20%
Other Income	5.2	2.2	135%	9.9	6.8	47%
Gross Total Income	789	497	53%	2,350.1	1,950.4	20%
Finance Costs	285.7	198.4	44%	894.5	792.3	13%
Net Total Income (NTI)	503.3	298.5	71%	1455.6	1158.1	26%
Employee Benefits Expenses	127	94	35%	418.5	355.7	18%
Depreciation and Amortisation	2.7	2.1	32%	9.5	8.1	18%
Other Expenses	55.3	24.1	130%	19.9	13.1	52%
Pre-Provision Operating Profit	318.2	178.4	84%	828.5	663.6	25%
Total Provisions & Write-offs	118.0	113.4	4%	373.3	545.9	-32%
Profit Before Tax	200.1	65.0	208%	455.2	117.6	287%
Profit After tax	157.1	35.7	340%	317.2	106.2	199%
GNPA %	3.6%	5.7%	-	4.1%	4.6%	(50 bps)
NNPA %	0.3%	1.4%	-	0.7%	0.6%	7 bps
Return on Avg. AUM %	4.8%	1.7%	309bps	3.1%	1.3%	180 bps
Return on Avg. Equity % *	28.5%	7.6%	2096bps	15.6%	5.8%	980 bps

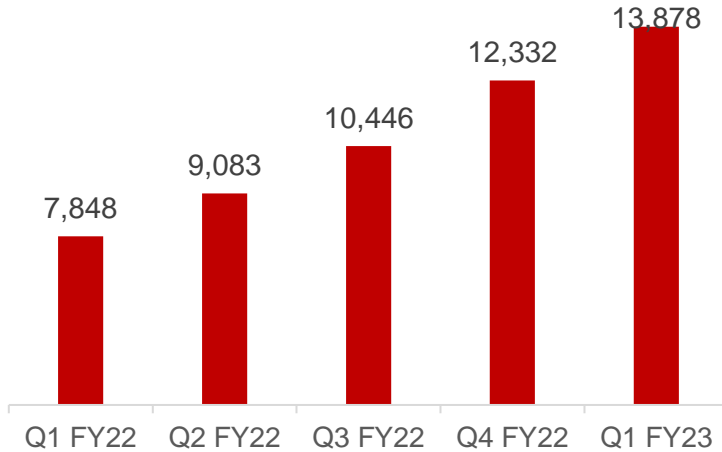
Note:

- * 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.

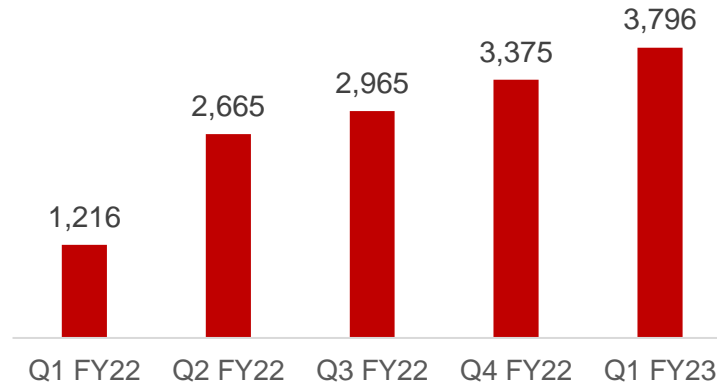
Q1 FY23 - Consolidated Performance Update



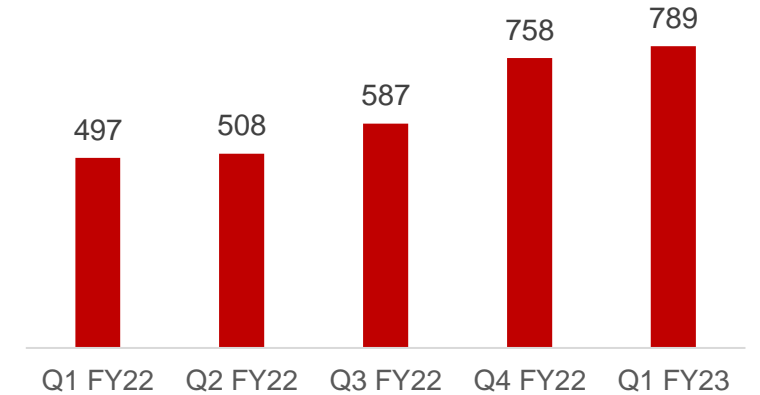
AUM (INR Mn)



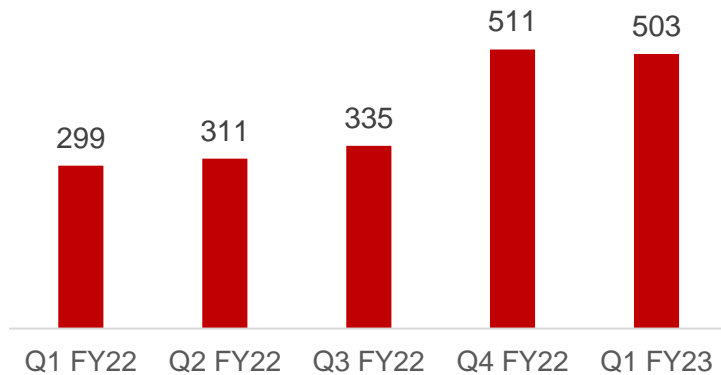
Disbursement (INR Mn)



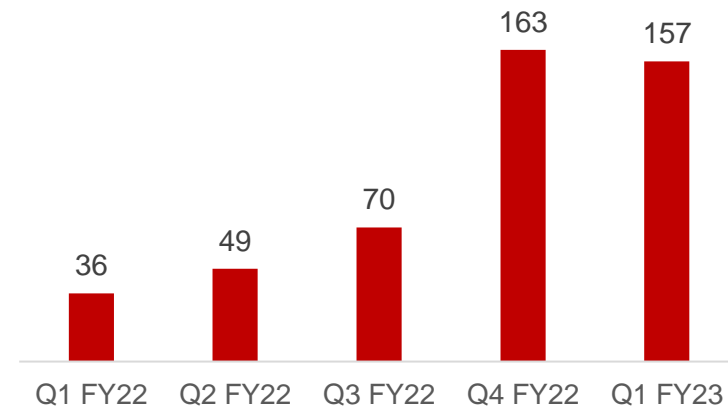
Gross Total Income (INR Mn)



Net Total Income (INR Mn)



PAT (INR Mn)



FY22 - Consolidated Balance Sheet



Particulars (in INR Mn)	Consolidated		Standalone	
	March 2022	March 2021	March 2022	March 2021
ASSETS				
<u>Financial Assets</u>				
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
Total Financial Assets	12,187	9,224	3,210	2,848
<u>Non-Financial Assets</u>				
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
Total Non-Financial Assets	225	177	63	59
Total Assets	12,413	9,401	3,274	2,907

	Consolidated		Standalone	
	March 2022	March 2021	March 2022	March 2021
LIABILITIES & EQUITY				
Equity Share capital	85	85	85	85
Reserves & Surplus	2,042	1,783	1,325	1,193
Total Shareholders Funds	2,127	1,868	1,410	1,278
<u>Financial Liabilities</u>				
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
Total Financial Liabilities	10,238	7,464	1,829	1,583
<u>Non-Financial Liabilities</u>				
Current tax liabilities (Net)	27	49	0	4
Provisions	12	9	4	4
Other non-financial liabilities	10	12	31	37
Total Non-Financial Liabilities	49	70	35	45
Total Liabilities & Equity	12,413	9,401	3,274	2,907

Q1 FY23 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QnQ (%)	FY22
Asset Under Management	11,590	6310	84%	10,220	13%	10,220
Disbursements	3,170	980	222%	2,795	14%	8,401
Income from Operations	572.9	361.0	59%	559.4	2%	1,729.0
Other Income	3.8	0.0	-	0.0	-	1.5
Gross Total Income	576.7	363.2	59%	559.4	3%	1,730.4
Finance Costs	229.9	160.7	43%	205.8	12%	728.6
Net Total Income (NTI)	346.8	202.5	71%	353.6	-2%	1001.8
Employee Benefits Expenses	86.4	66.8	29%	82.0	5%	290.5
Depreciation and Amortisation	2.1	1.8	15%	3.1	-34%	8.5
Other Expenses	36.4	1.68	116%	38.4	-5%	131.0
Pre-Provision Operating Profit	222.0	117.1	90%	230.0	-3%	571.7
Total Provision & Write-offs	102.4	75.6	35%	98.1	4%	300.0
Profit After Tax	96.2	20.6	367%	97.7	-2%	184.5
GNPA %	3.1%	4.4%	(130 bps)	3.7%	(60 bps)	3.7%
NNPA %	0.2%	1.0%	(80 bps)	0.6%	(40 bps)	0.6%
Return on Avg. AUM %	3.8%	1.3%	250 bps	4.2%	(40 bps)	2.6%
Return on Avg. Equity %	21.8%	6.9%	1490 bps	25.0%	(320 bps)	13.1%

Note:

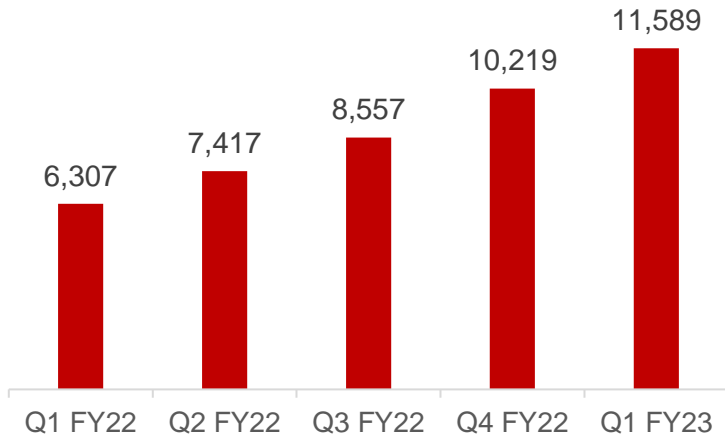
- Income from Operations includes: Interest Income on loans and managed assets; processing fees, and other charges in respect of loans. Other Income includes capital gains on liquid funds
- NIM = NTI / Avg. AUM (On + Off-Book); Yields = Gross Interest Income / Avg. AUM (On + Off-Book); Cost-to-Income 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

- ❖ **Q1 FY23 MFI AUM stood at INR 11,590 Mn – higher by 84% vis-à-vis last year**
 - Active MFI Customer base stood at 4.5 Lakhs in Q1 FY23. Added more than 44,000 new customers in Q1 FY23.
- ❖ **Disbursements grew by 222% with opening of new, along with increase in ticket size of second cycle borrowers**
- ❖ **Gross Total Income** increased by 59% YoY to INR 576.7 Mn due to higher average AUM
- ❖ **Similarly, Net Total Income increased by 71% YoY to INR 346.8 Mn**
- ❖ **Profit After Tax increased sharply to INR 96.2 Mn** in Q1FY23 compared to ₹ INR 20.6 Mn in Q1FY22 on the back of strong growth of loan portfolio and better operational efficiencies
- ❖ **Provisions & write off for the quarter increased by 35% YoY to INR 102.4 Mn**
 - Strengthened provision coverage by prudently earmarking INR 54 for provisions in this quarter. Additionally, the company also took an aggressive write-off of INR 48.6 Mn.
 - Cumulative total ECL Provisions as on 30th June 2022 were INR 521.6 Mn covering 4.5% of the total AUM.**

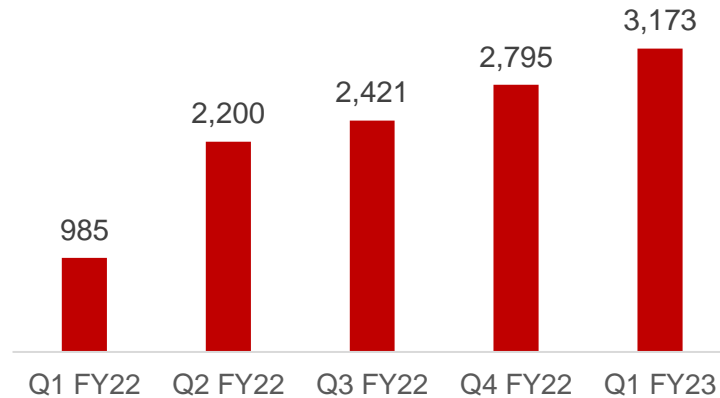
Q1 FY23 - Microfinance Performance Update



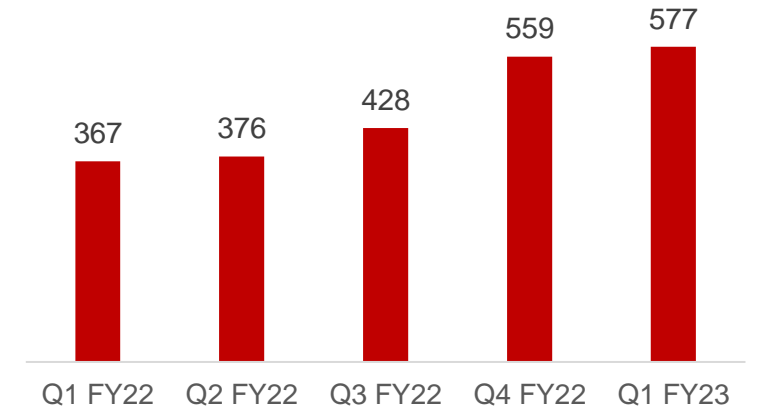
AUM (INR Mn)



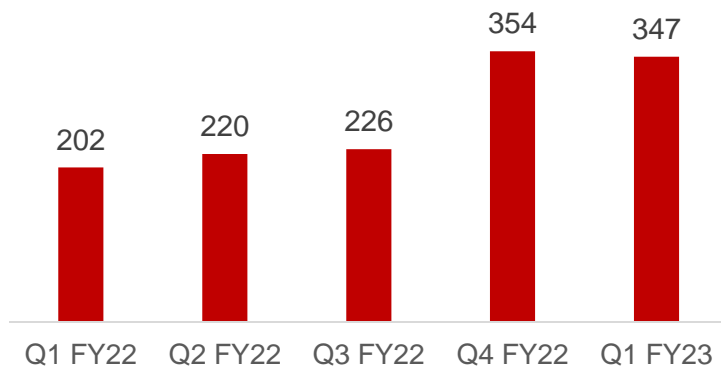
Disbursement (INR Mn)



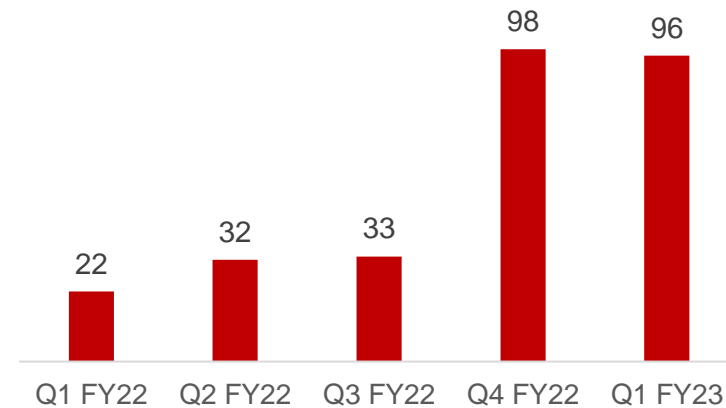
Gross Total Income (INR Mn)



Net Total Income (INR Mn)



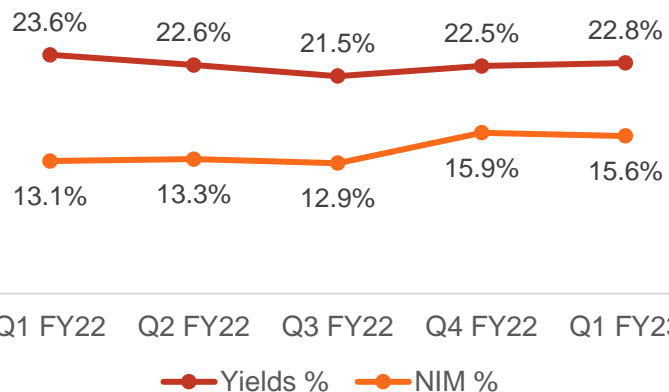
PAT (INR Mn)



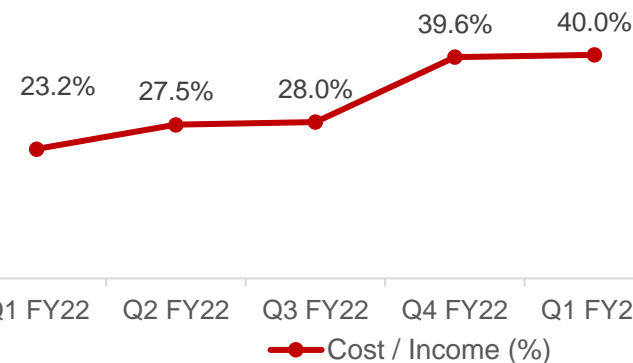
Q1 FY23 - Microfinance Performance Update



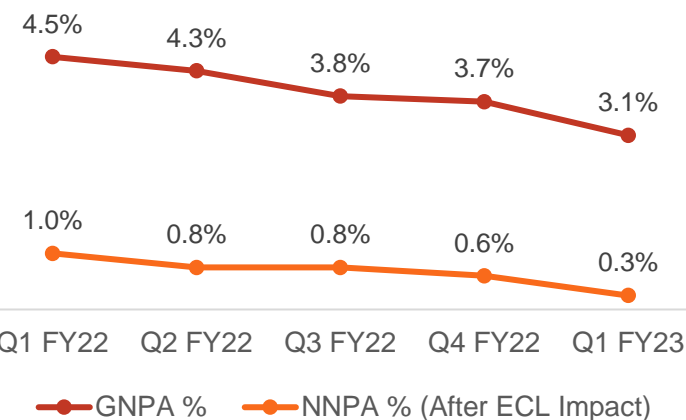
Yields % and NIM %



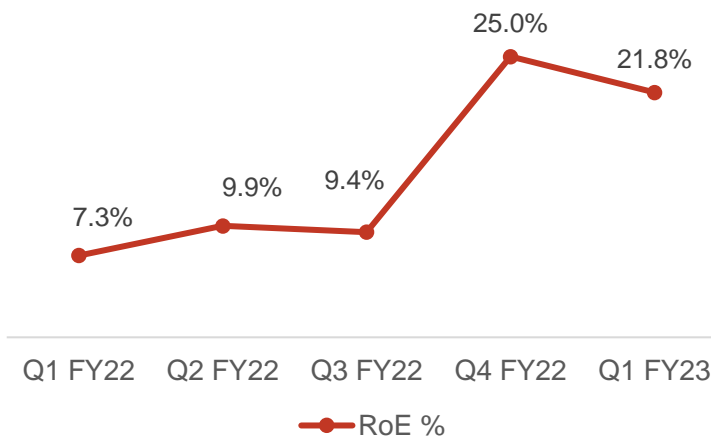
Cost-to-Income Ratio %



Asset Quality[#]



ROE %



Note:

- * Includes Covid specific provision in 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 % = $NNPA / AUM$; RoE = $PAT / \text{Avg. Equity}$. 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

Q1FY23 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q1 FY23	Q1 FY22	YoY (%)	Q4FY22	QnQ (%)	FY22
Asset Under Management	2,289	1,540	49%	2,112	8%	2,112
Disbursements	620	230	170%	580	7%	1,832
Income from Operations	213.1	136.0	57%	197.4	8%	624.1
Other Income	7.8	8.7	-10%	12.8	-39%	38.0
Gross Total Income	220.9	144.7	45%	210.2	5%	662.2
Finance Costs	58.4	41.2	42%	41.4	41%	178.9
Net Total Income (NTI)	162.5	103.5	63%	168.8	-4%	314.5
Employee Benefits Expenses	40.7	27.3	49%	36.2	13%	128.0
Depreciation and Amortisation	0.3	0.3	20%	0.3	16%	1.0
Other Expenses	19.2	8.2	133%	22.9	-16%	68.0
Pre-Provision Operating Profit	102.3	67.8	62%	109.5	-7%	286.3
Total Provision & Write-offs	15.6	37.8	-59%	9.4	66%	73.3
Profit After Tax	67.2	20.8	223%	76.4	-12%	162.3
GNPA %	6.2%	10.9%	(470 bps)	7.7%	7.6%	7.7%
NNPA %	0.7%	3.3%	(260 bps)	1.5%	1.5%	1.5%
Return on Avg. AUM %	12.2%	5.1%	710 bps	15.3%	15.3%	8.5%
Return on Avg. Equity %	52.1%	12.6%	3950 bps	44.2%	62.7%	23.5%

Note:

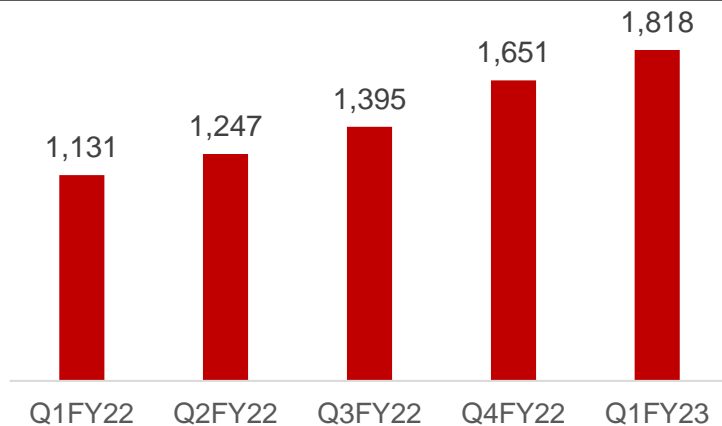
- Income from operations includes interest income on loans and managed assets, other Income includes processing fees, other charges in respect of loans, late payment charges, etc.
- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book); NNPA % = NNPA / AUM (On + Off-Book).
- ROAE and ROAA figures are annualized

- ❖ **Standalone AUM stood at INR 2289 Mn on 30th June 2022**
 - MSME AUM increased by 59% YoY to INR 1,818 Mn on the back of revival in demand
 - 2W AUM was flat at INR 471 Mn in Q1FY23as compared to INR 419 Mn in Q1FY212 registering a 12% growth
- ❖ **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 Q1 FY23 were INR 528 Mn and INR 94 Mn respectively
- ❖ The total Provisions as on 30th June 2022 stood at INR 178 Mn covering 7.8% of total AUM
- ❖ GNPA % and NNPA % stood at 6.2% and 0.7% respectively.
- ❖ **Repayment rates for both MSME and 2W were healthy and steady during the quarter at 95% & 96% respectively**

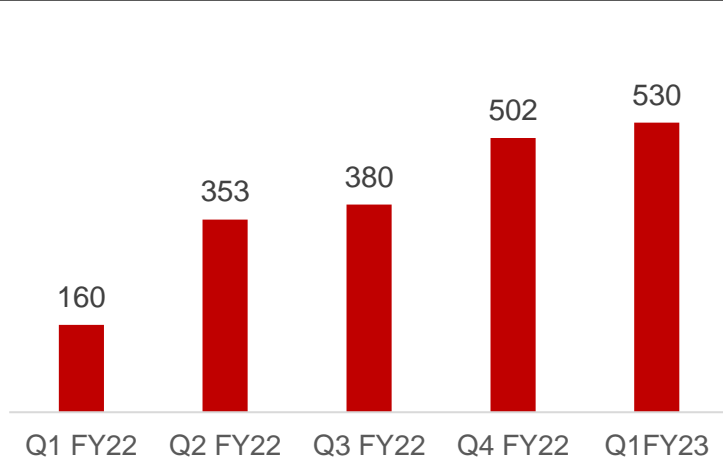
Q1 FY23 - MSME Performance Update



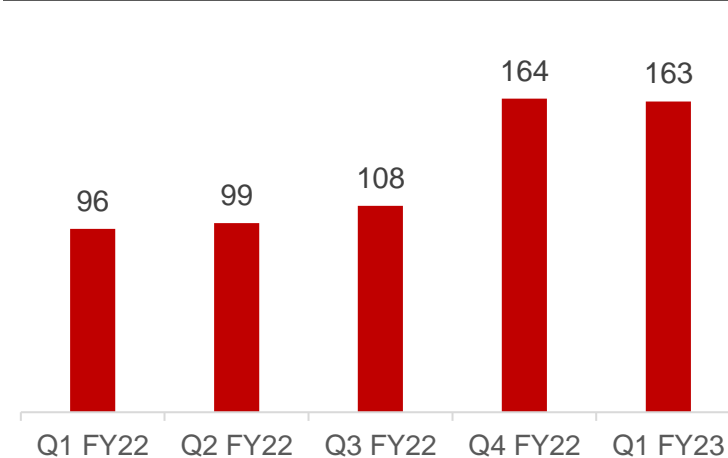
AUM (INR Mn)



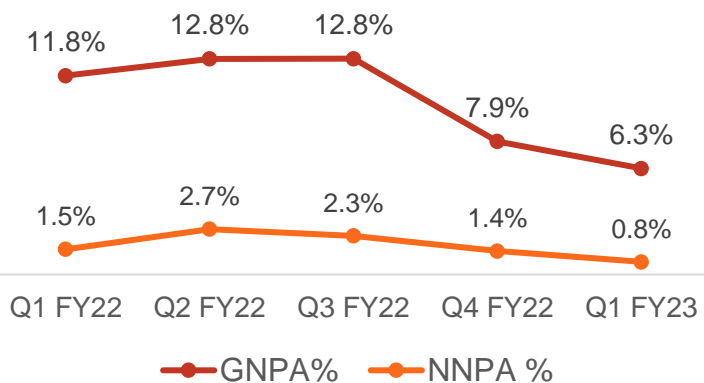
Disbursements (INR Mn)



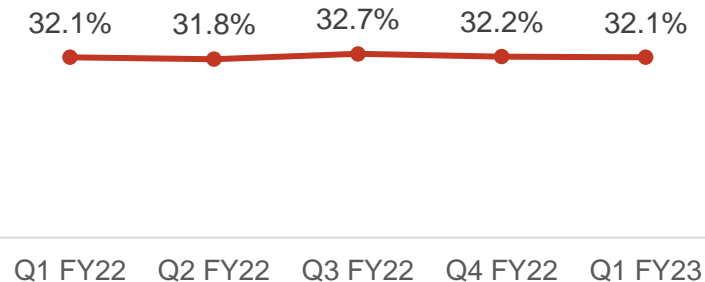
Gross Interest Income (INR Mn)



Asset Quality[#]



Yields %



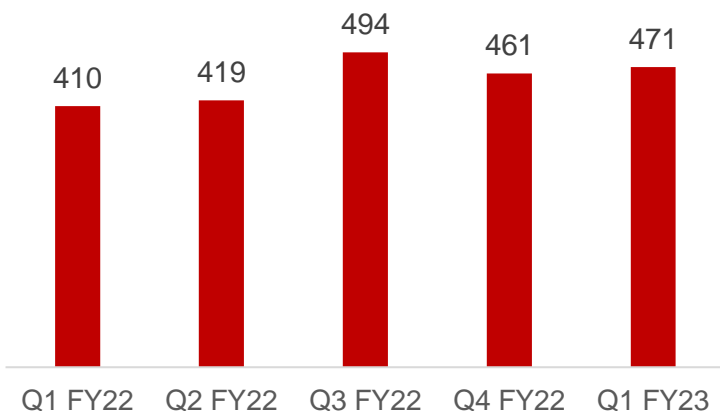
Note:

- 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.

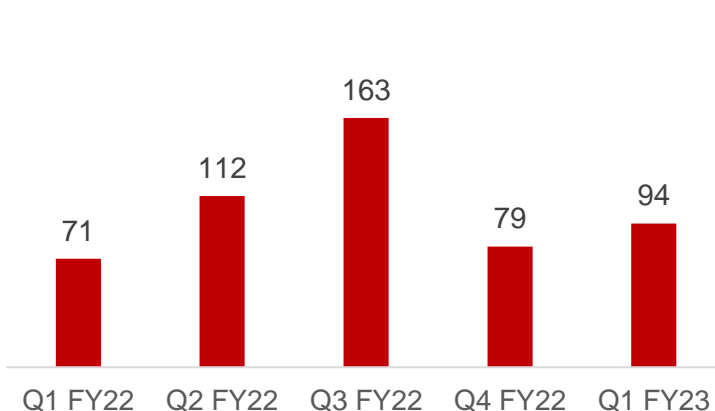
Q1 FY23 - 2W Performance Update



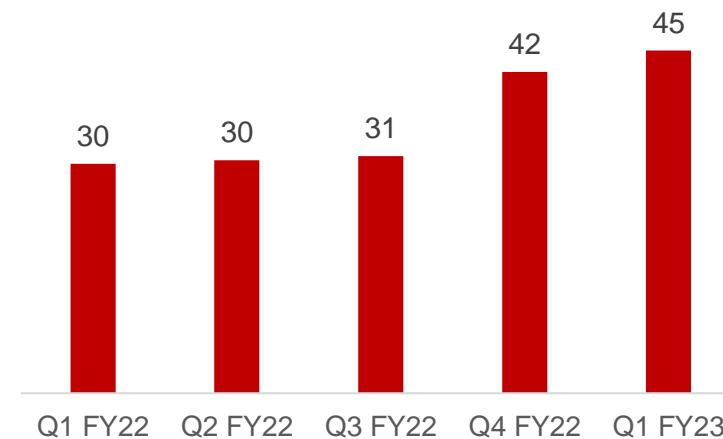
AUM (INR Mn)



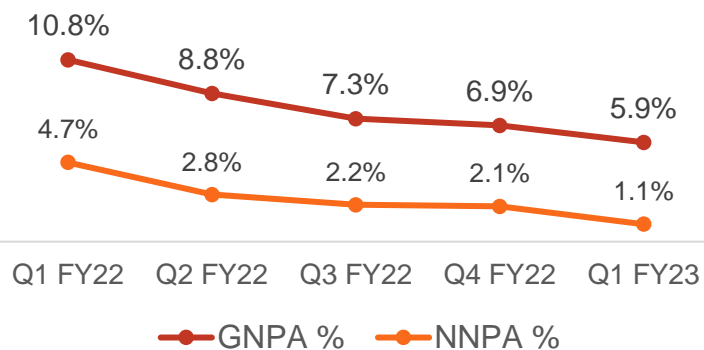
Disbursement (INR Mn)



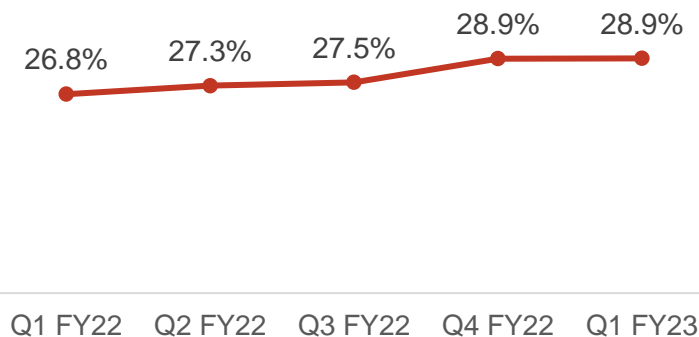
Gross Interest Income (INR Mn)



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

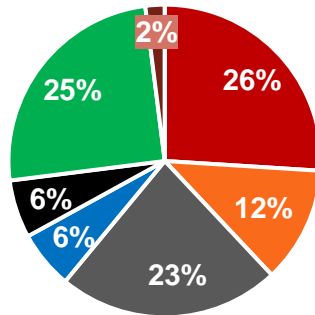
Efficient Liability Management



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

Q1 FY22 - Borrowing Mix %

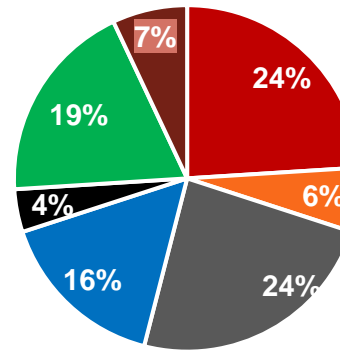
INR 7,012 Mn *



Note: * INR 7,012 Mn includes direct assignment of INR 120 Mn

Q1 FY23 - Borrowing Mix %

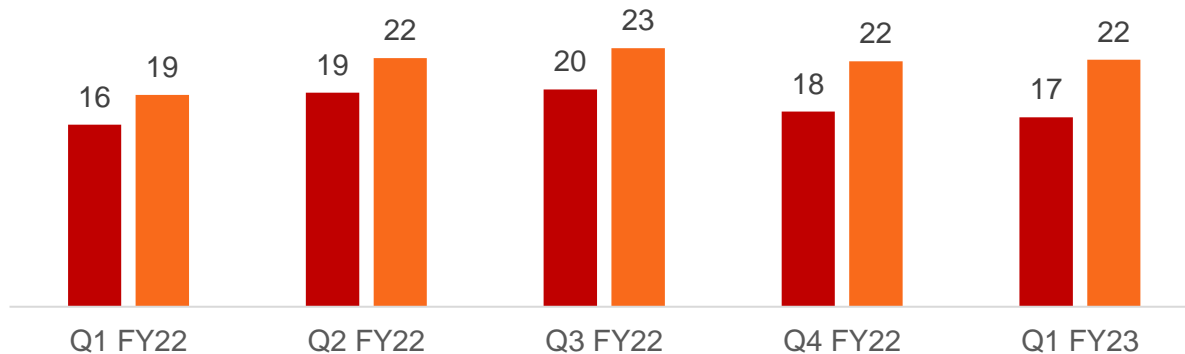
INR 11,637 Mn *



Note: # INR 11,637 Mn includes direct assignment of INR 812 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 **~45% of borrowings in Q1 FY23**
- **Comfortable liquidity position with a potential to increase leverage.**

Lending partners



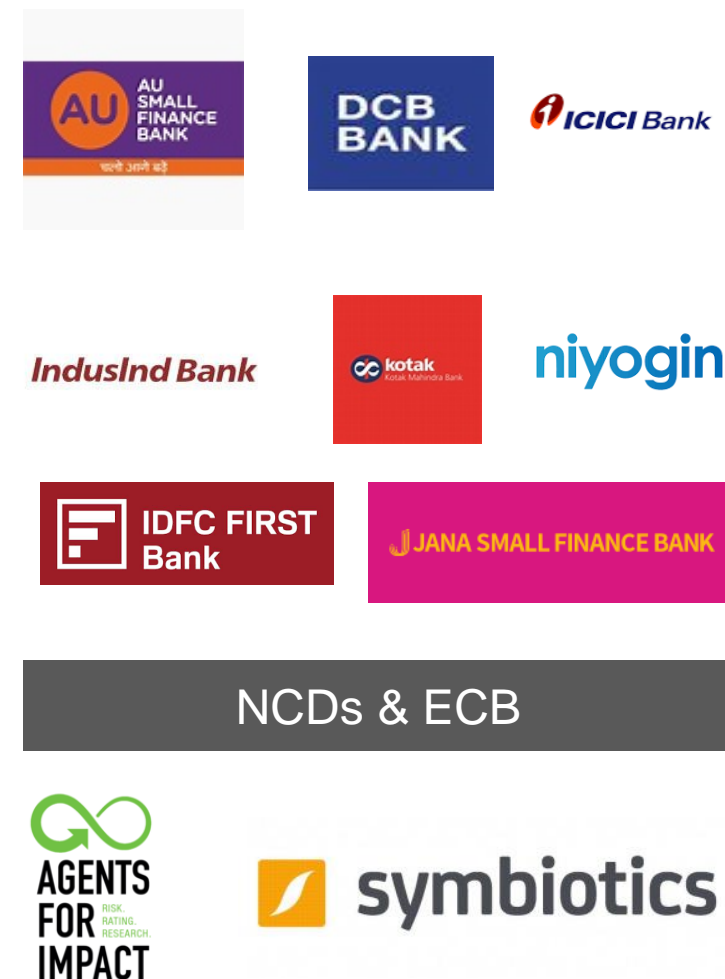
Bank Borrowings



Non-Bank Borrowings



Securitization Partners





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

Presence in Attractive Retail Lending

Segments

- Total Loan Assets of INR 13878 Mn in Q1 FY23
- Microfinance – 84.3% of AUM (via 100% owned subsidiary “**Namra Finance**”)
- MSME Loans – 12.4% of AUM
- 2-Wheeler Loans – 3.3% of AUM



Arman Financial Services Ltd.

Strong Retail Presence & Wide Distribution Network

- 308 branches; 55+ Two-Wheeler dealerships
- 110 Districts, 8 states
- ~5.2 lakh live customers
- Undertaken contiguous expansion from Gujarat since 2014 to achieve geographic diversifications

Robust Risk Management Framework

- **Consistent rating upgrades** backed by strong financial & operating performance – Currently rated **BBB+** by CARE Ratings and ACUTE 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

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

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



Company incorporated.
Started bill discounting & machine leasing

Launched 2W Loans

Raised PE funding from Incofin;
Disbursement crosses 50 Cr

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

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

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

AUM crossed INR 1,000 Cr

1992

1995

1998

2010

2011

2013

2014-16

2017

2017-18

2018

2019

2020

2021

Listing on BSE – Issue subscribed 22x

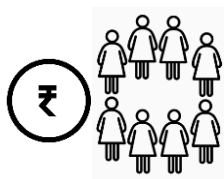
Launched Microfinance business

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

Launched MSME Loans business

Raised PE funding from SAIF Partners

Disbursement Crosses INR 875 Cr



Product Snapshot



ARMA FINANCIAL SERVICES LTD.

- 30 years of existence
- Active customer base of 5.2 lakh
- Employee strength of 2700+ employees
- Completely in-house operations – Sourcing, Credit & Collections

Microfinance



MSME Loans



2-Wheeler Loans



Rural 2W Loans



% of Total AUM	83%	13%	3%	1%
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 35,000	INR 70,000	INR 52,000	INR 45,000
Tenure	18-24 months	24 months	12-36 months	12-24 months
Yield (%)	22-27%	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

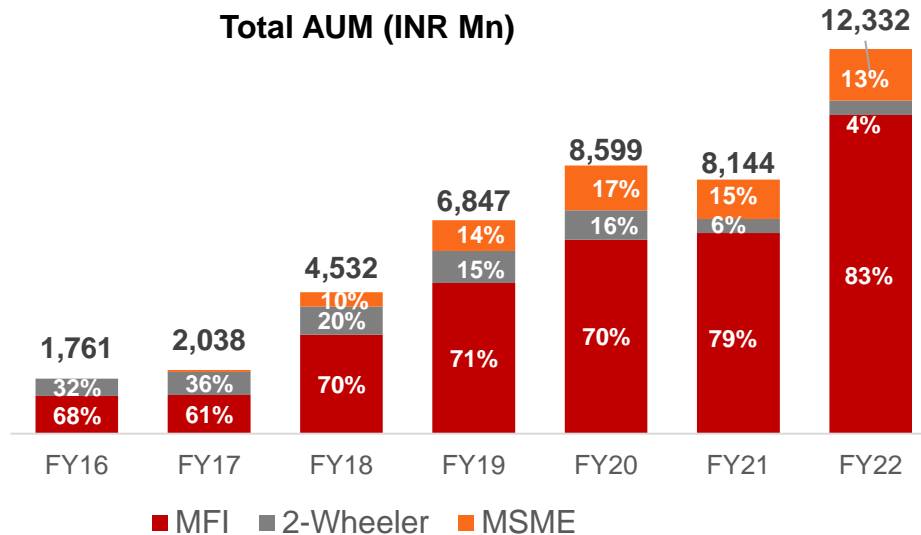
Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

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

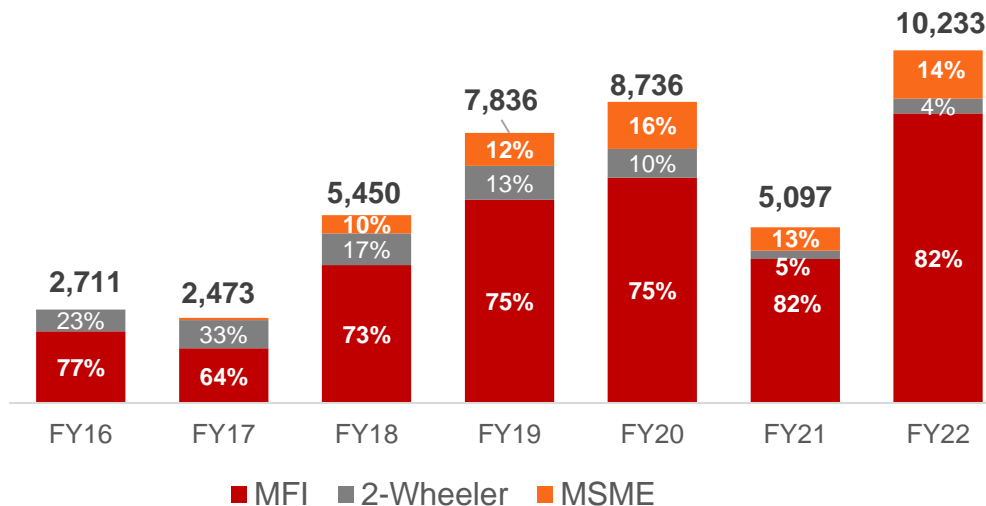
Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 13,878 Mn in Q1 FY23 split between –
 - Microfinance: INR 11,589 Mn (83.5%),
 - MSME Loans: INR 1,818 Mn (13.1%),
 - 2-Wheeler Loans: INR 471 Mn (3.4%),
- 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.

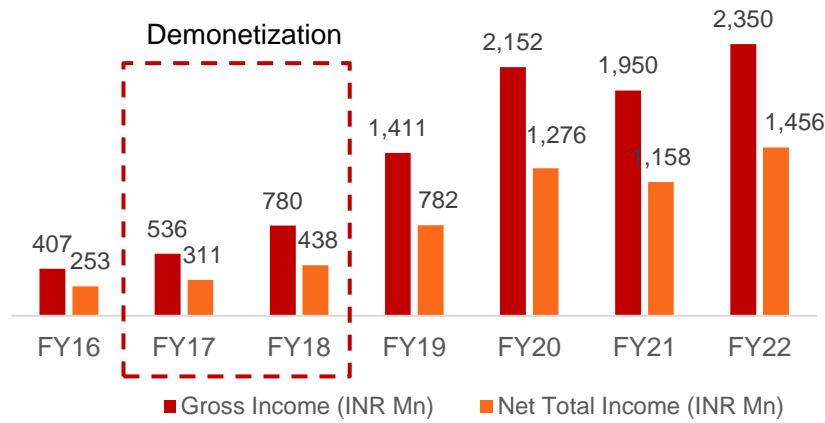
.....While Maintaining Superior Cost Efficiency & Asset Quality



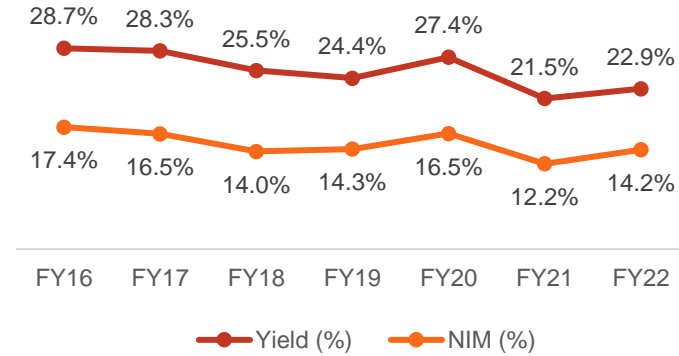
Gross Income and Net Total Income (INR Mn)

CAGR: 34%

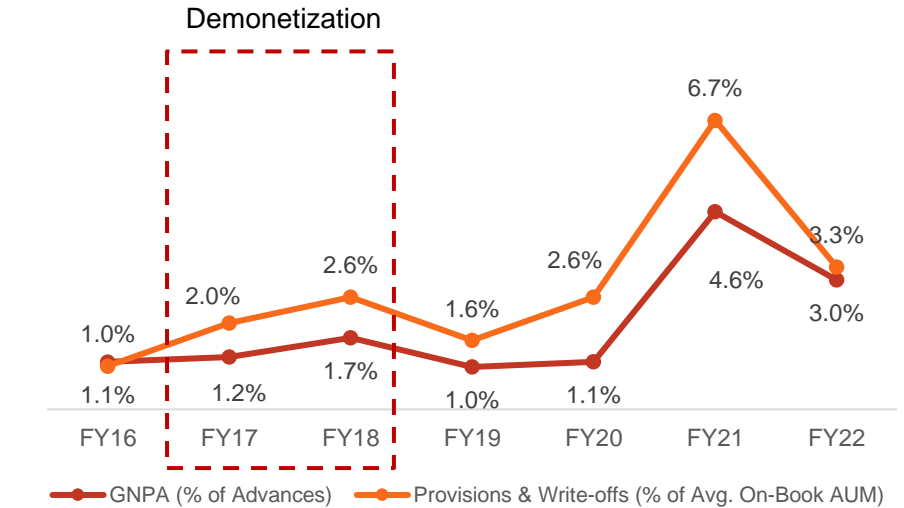
CAGR: 34%



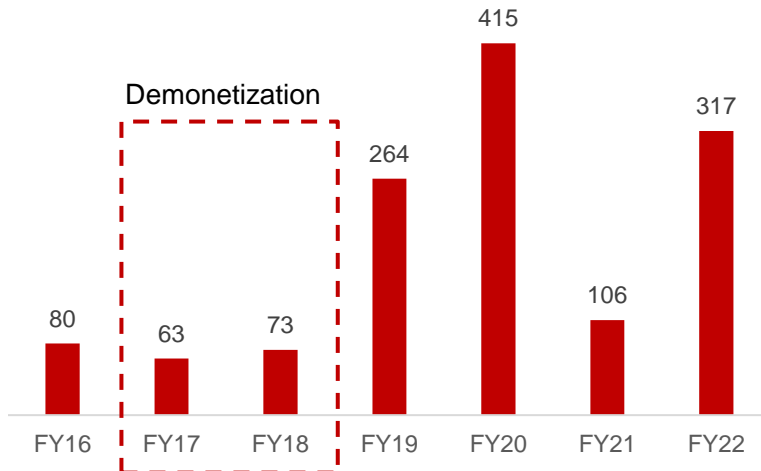
Yield % and NIM %



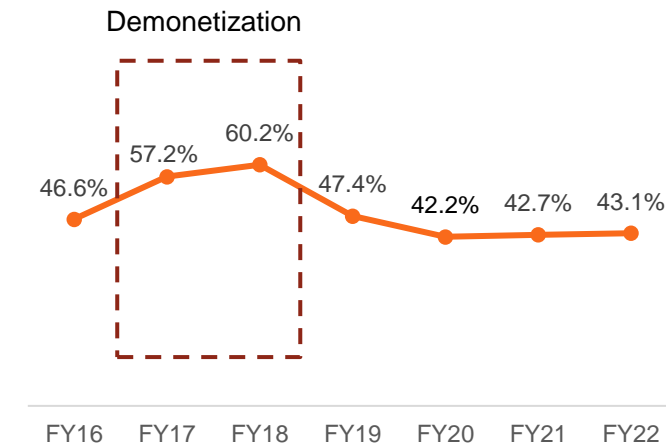
Focus on risk have led to immaculate through-cycle asset quality



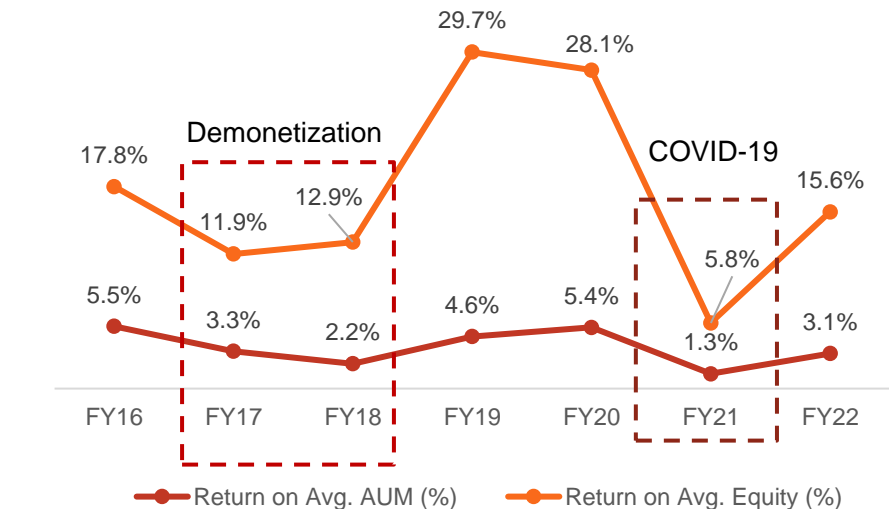
PAT (INR Mn)



Cost to Income Ratio %



Consistently high through cycle ROA / ROE



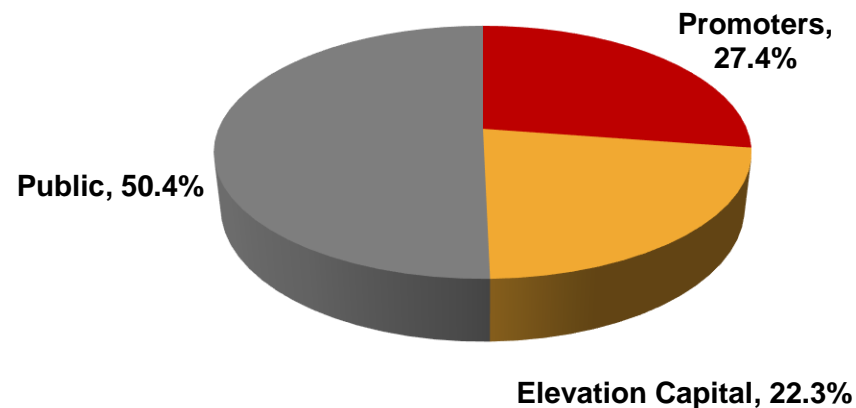
Note:

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



Shareholding Pattern

SHAREHOLDING – 30th June 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

- **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)

10,220	8,401	
AUM (INR Mn)	Disbursement (INR Mn)	
1,730	49	36,500
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size (INR)

FY22 – Key Metrics (%)

22.2%	12.9%	2.6%
Yield	NIM	ROAA
3.7%	0.6%	13.1%
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 (%)

1,651	1,391
AUM (INR Mn)	Disbursement (INR Mn)
467	70,000
Total Income (INR Mn)	Avg. Ticket Size (INR)

FY22 – Key Metrics (%)

32.2%	22.9%
Yield	NIM
7.9%	1.4%
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 & workplace
- 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



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Vivek Modi

Group – CFO

Arman Financial Services Ltd

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DICKENSON

Manoj Saha / Sonam Raghuvanshi

Dickenson World

Email : armanfinancial@dickensonworld.com



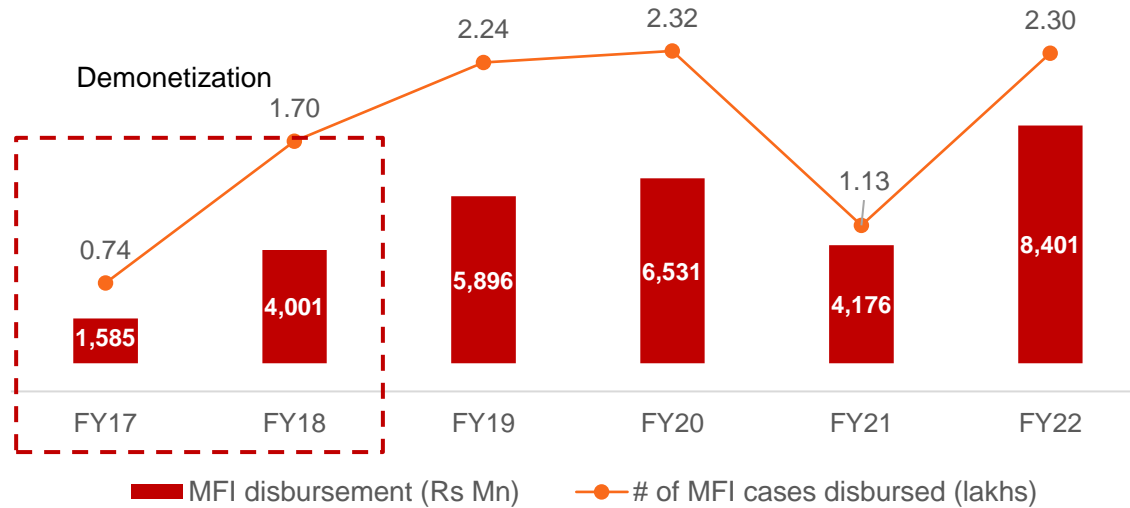
from ACCESS to INCLUSION

Annexures

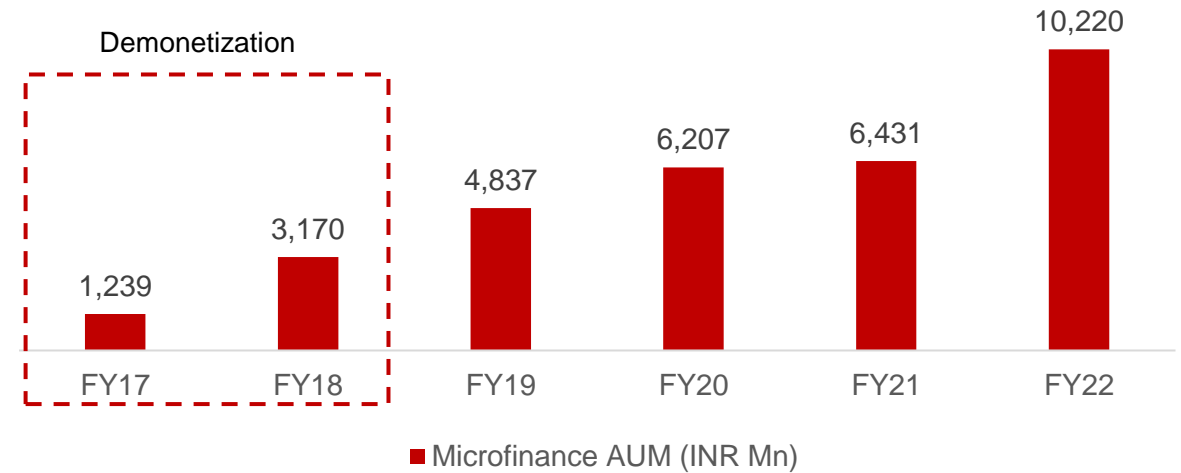
Microfinance: 5-Year Performance



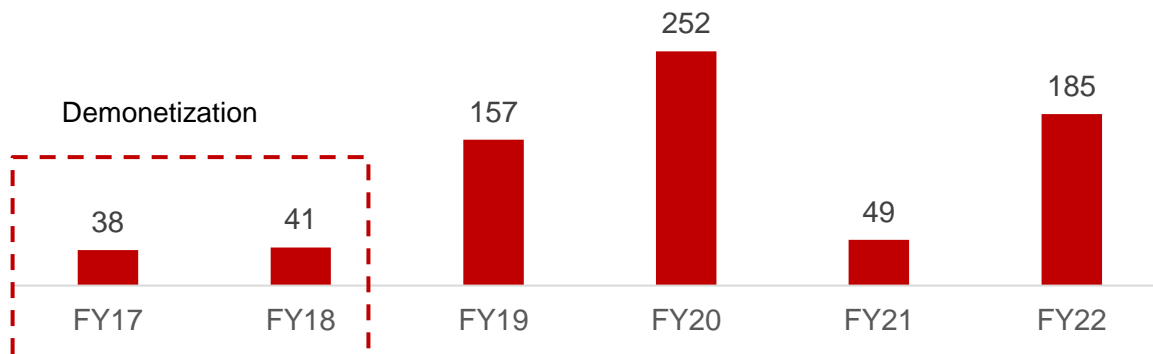
Disbursement growth is driven by customer & branch addition



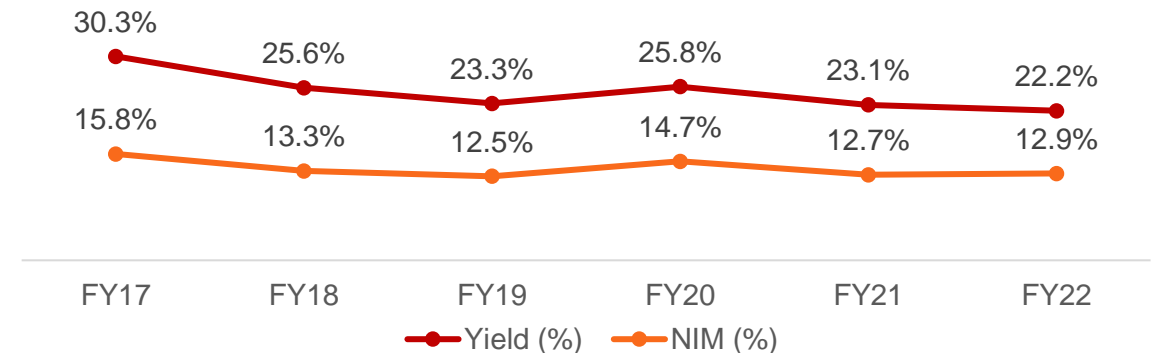
AUM growth exceeds MFI industry growth rates



PAT (INR Mn)



Yields (%) & NIM (%) Trend

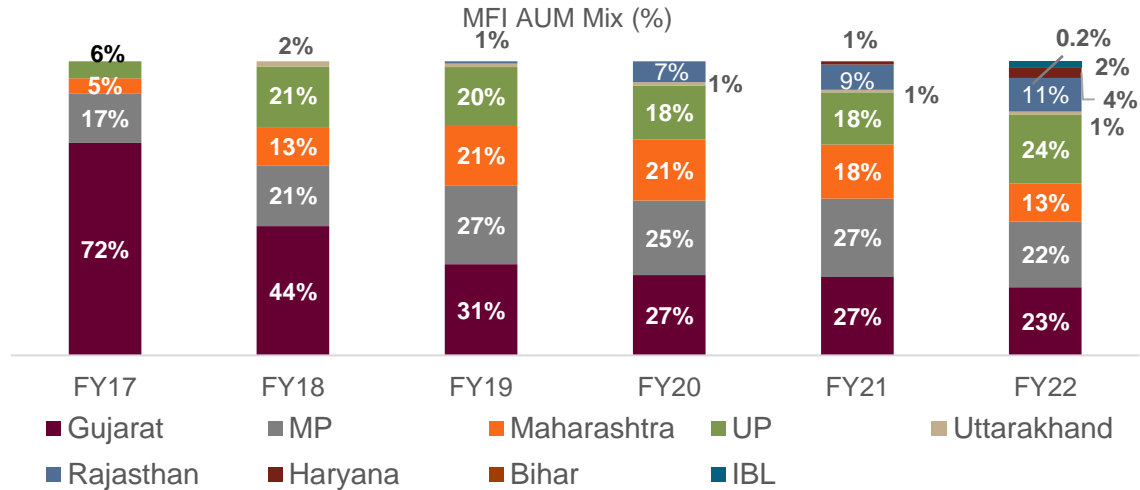


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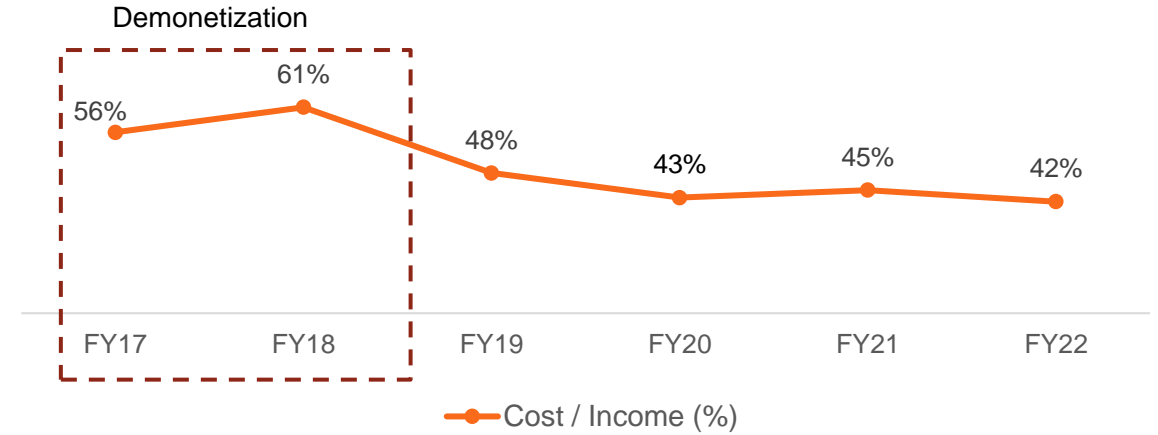
Microfinance: 5-Year Performance



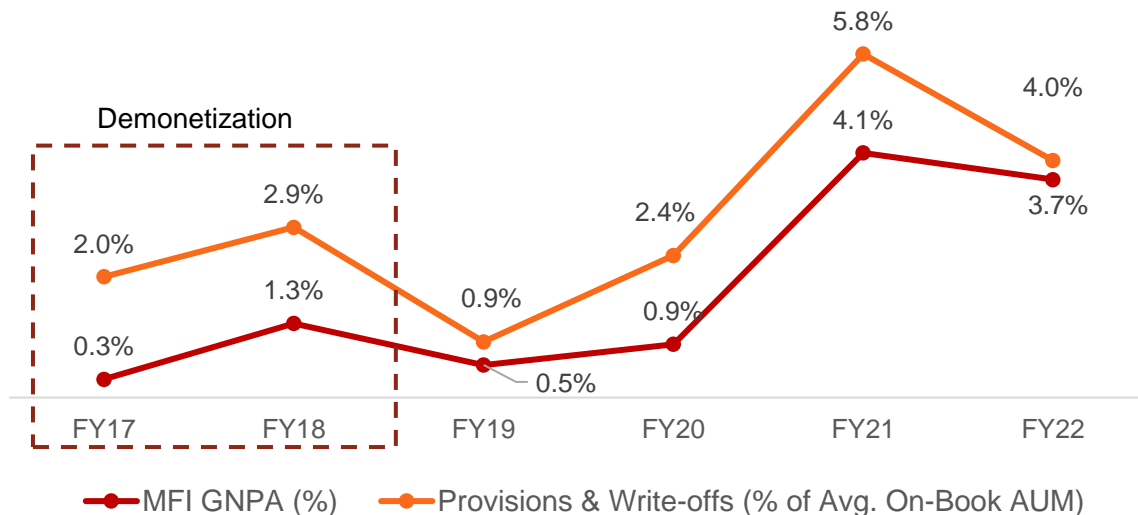
Well diversified across geographies



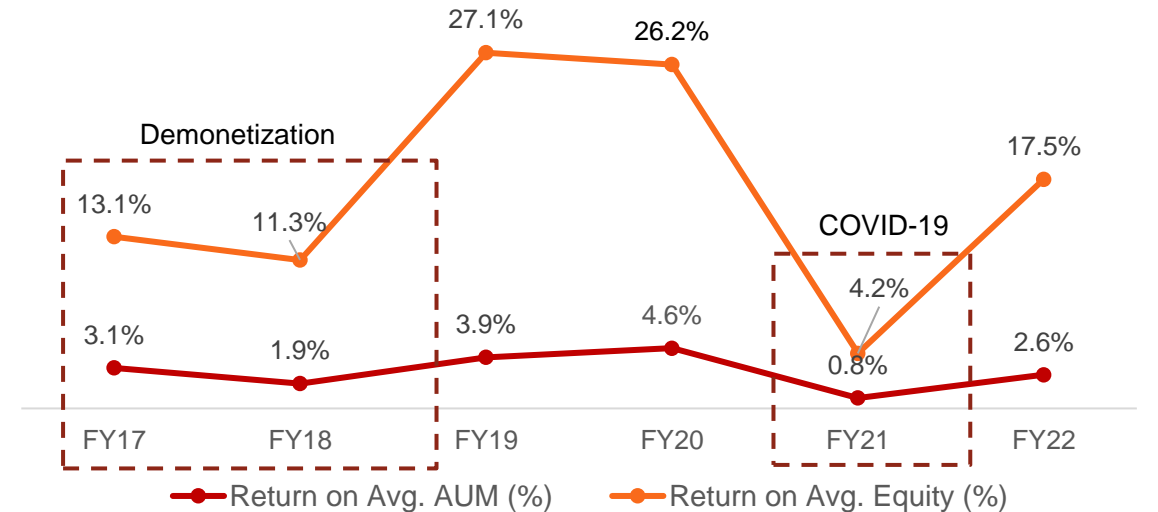
Maintaining high operational efficiency



Through cycle asset quality under control



Sustaining strong ROA (%) & ROE (%)

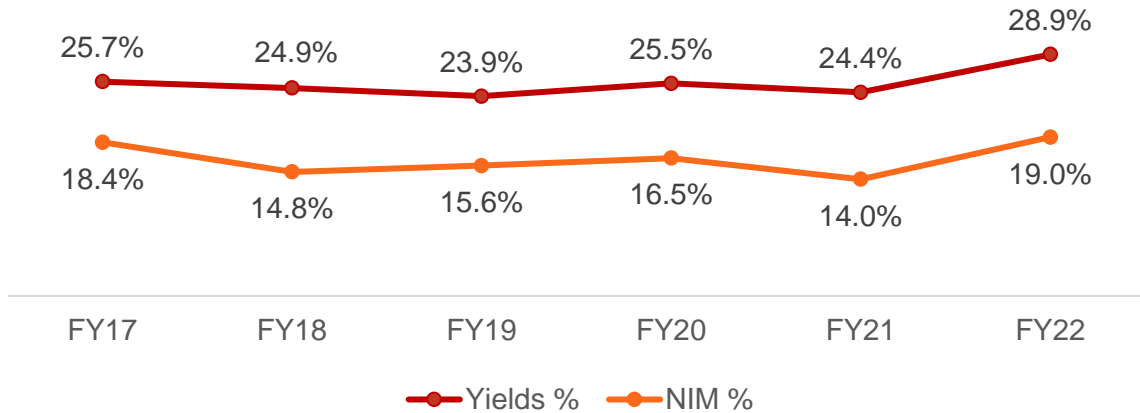


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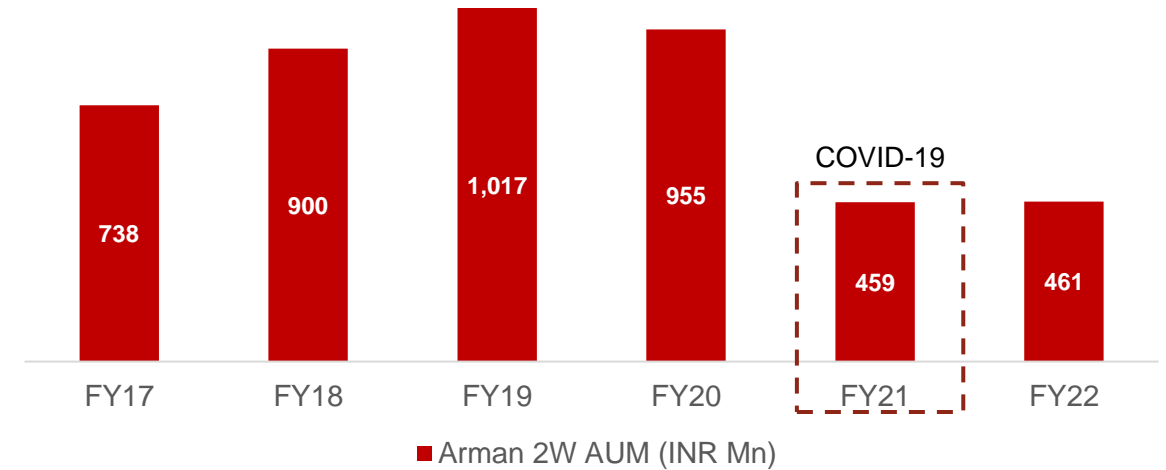
2W Loans: 5-Year Performance



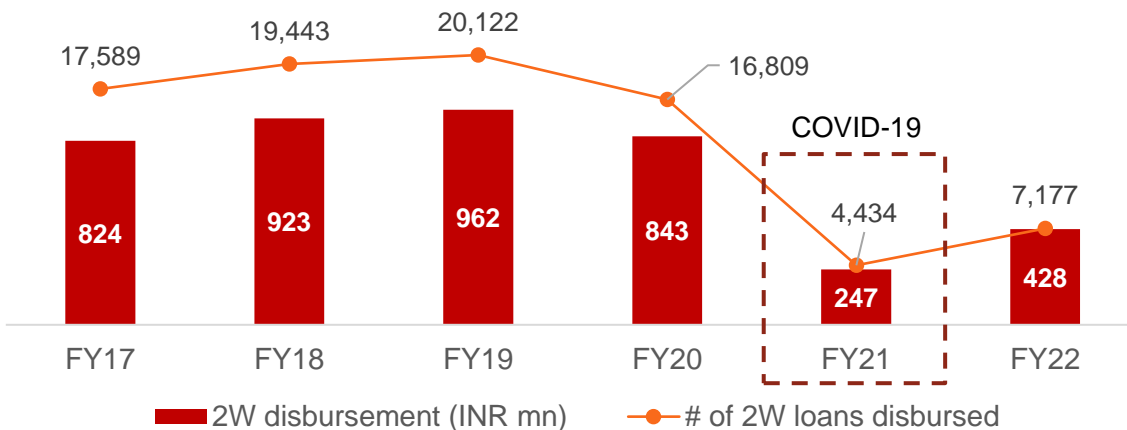
Yields (%) & NIM (%) Trend



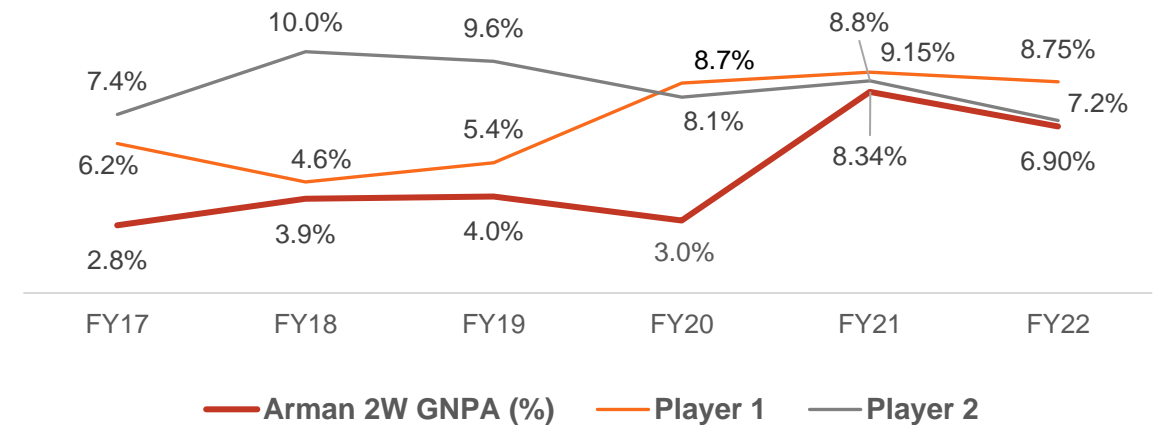
Arman 2W AUM/ has seen steady growth over FY15-20



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

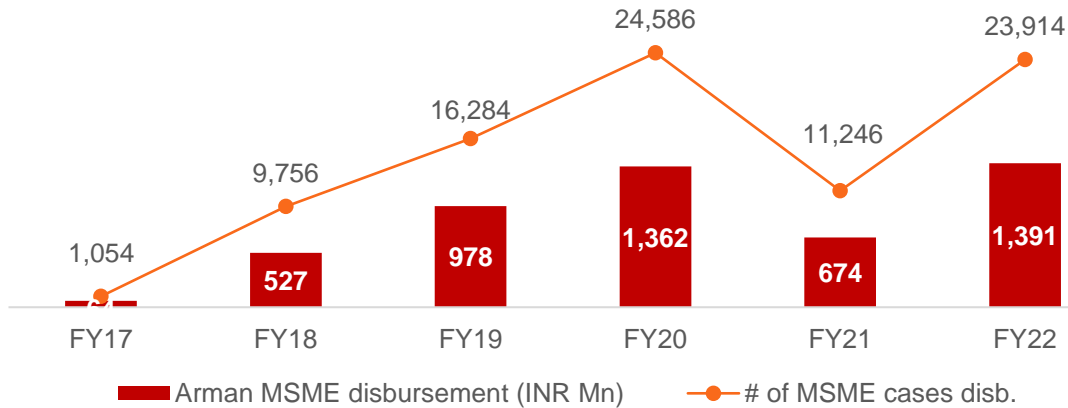


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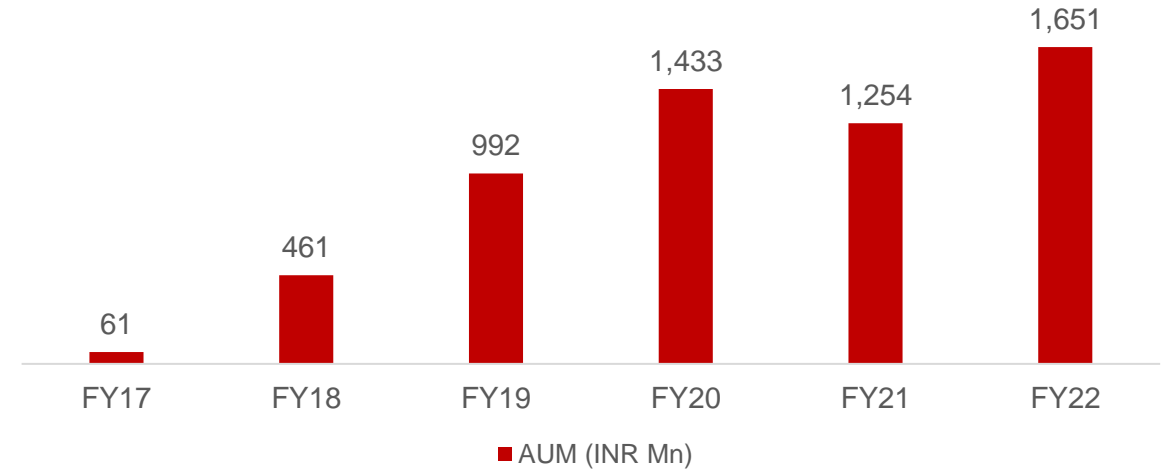
MSME Loans: 5-Year Performance



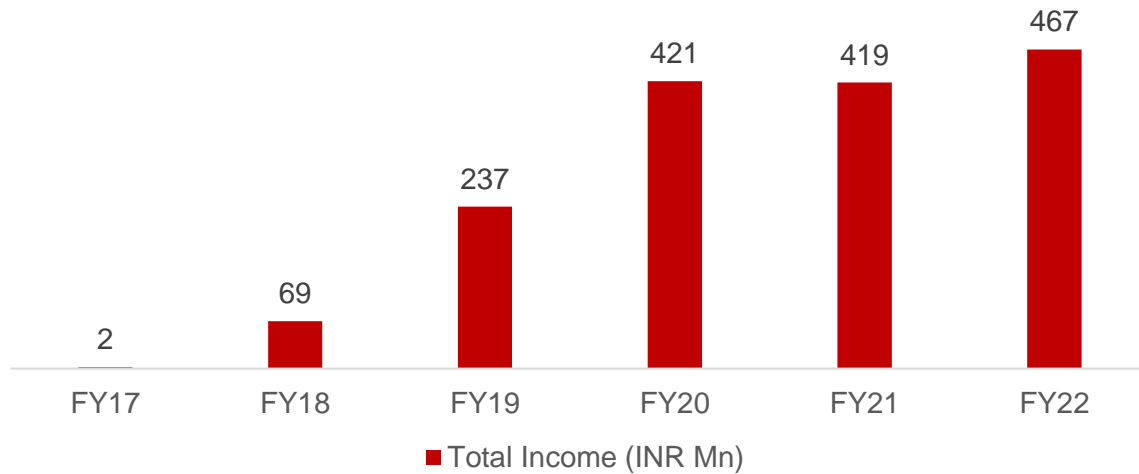
Disbursement Growth



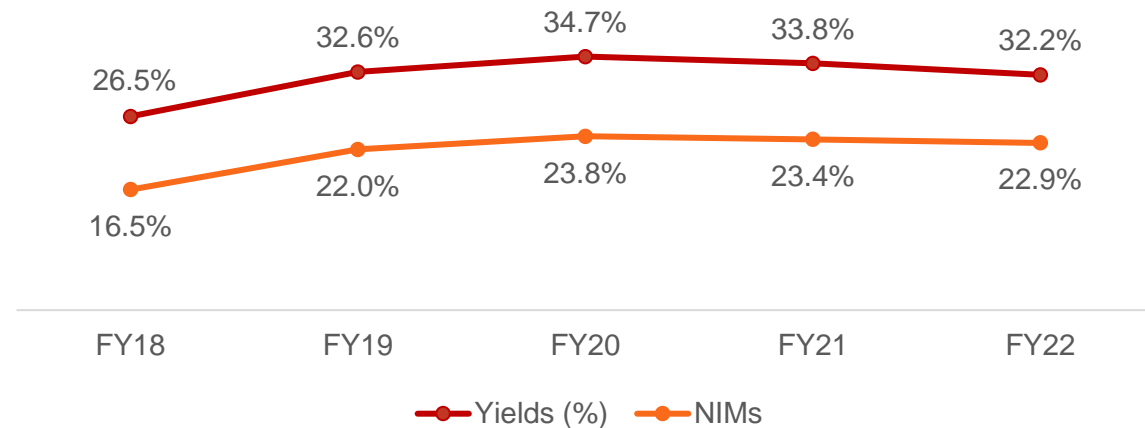
AUM Growth



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.