## Q4 2023

**1. Net Interest Margin**
- **Narrative:** During the discussion, management addressed the temporary impact on net interest income due to non-accrual of interest on a portion of their portfolio in the upcoming quarter.
- **Management's Guidance:**
- Management indicated that in Q1, INR311 crores will not accrue any interest income, impacting the net interest margin for that period.
- **Actual Results:**
**['Q3', '2024']:**
- Data Not Available
**['Q4', '2023']:**
- In Q4 FY23, the net interest margin stood at 14.7%, showing a sequential decline from prior quarters, aligning with management's guidance about the temporary reduction in net interest income due to non-accrual of interest.
**['Q2', '2024']:**
- Arman Financial Services Limited Net interest margin stood at about 14%.
**['Q1', '2024']:**
- The NIMs for Q1 FY2024 stood at 13.4%.
- **Evaluation:**
**- Expectations Met**: The net interest margin for Q1 FY2024 stood at 13.4%, which aligns with management's guidance of a temporary reduction due to the non-accrual of interest income on INR311 crores.

**2. Cost-to-Income Ratio**
- **Narrative:** Management provided insights into the operational efficiency by discussing the breakeven point for branches, which is achieved with 600 to 800 customers. This typically occurs within four to eight months, with an average breakeven time of six to eight months. This discussion indicates management's focus on optimizing branch operations to enhance financial performance and manage the cost-to-income ratio effectively.
- **Management's Guidance:**
- Management expects that branches will continue to reach breakeven with 600 to 800 customers within four to eight months, maintaining an average breakeven period of six to eight months.
- **Actual Results:**
**['Q3', '2024']:**
- Cost to income stood at 25.7%.
**['Q4', '2023']:**
- Data Not Available
**['Q2', '2024']:**
- Data Not Available
**['Q1', '2024']:**
- Cost to income for the quarter stood at 26% as compared to 37% over the same period last year.
- **Evaluation:**
**- Expectations Exceeded**: The cost-to-income ratio improved significantly, reducing from 37% to 26% and further to 25.7%, surpassing management's efficiency expectations by achieving better operational cost management than initially guided.

**3. Capital Adequacy Ratio (CAR)**
- **Narrative:** The management highlighted their current robust capital position and outlined a strategic plan to raise additional equity in the future to bolster their financial stability.
- **Management's Guidance:**
- Management indicated that they have adequate capital to raise about INR2,500 crores without resorting to any debt arrangements, and they plan to raise more equity at the INR2,500 crore mark.
- **Actual Results:**
**['Q1', '2024']:**
- As on June 30, 2023, the company is well capitalized with the capital adequacy ratio for the standalone business at 31.64% and for the subsidiary Namra at 26.32%.
**['Q3', '2024']:**
- CRAR (%) for March, June, September 2023: 65.8%, 31.6%, 35.2%
**['Q4', '2023']:**
- The company is well capitalized with capital adequacy ratio for the stand-alone business at 32.61% and Namra is 25.62%.
**['Q2', '2024']:**
- Shareholder’s Equity INR 470 Crore *CRAR: Arman (Standalone): 35.15%; CRAR: Namra Finance: 25.75%*
*- Evaluation:**
**- Expectations Met**: Management's guidance to maintain a strong capital position was met, with the capital adequacy ratio consistently robust across the reported periods, aligning well with their strategic plan.

**4. Market Share in Microfinance Sector**
- **Narrative:** Management has communicated a cautious approach towards expanding market share in the microfinance sector. They highlighted that the segment will not constitute a significant portion of the portfolio in the near term.
- **Management's Guidance:**
- Management anticipates that the microfinance sector will not exceed 10% of the portfolio in the coming few quarters.
- **Actual Results:**
**['Q3', '2024']:**
- In Q3, 2024, microfinance is about 80% of the business, which significantly exceeds the management guidance that the microfinance sector will not exceed 10%

of the portfolio.
**['Q4', '2023']:**
- Of this INR1,943 crores AUM, around 84% is from Microfinance business, 13% is from MSME business and 3% is from Two-Wheeler business.
**['Q2', '2024']:**
- Data Not Available
**['Q1', '2024']:**
- Of this book of Rs.2143 Crores, our microfinance business continues about 84%, MSME about 13% and two-wheeler about 3%.
- **Evaluation:**
**- Expectations Exceeded**: Management expected the microfinance sector to constitute no more than 10% of the portfolio, but actual results show it comprises around 80-84% of the business, significantly surpassing the guidance.

**5. Geographic Expansion Plans**
- **Narrative:** Management has articulated a clear strategy for geographic expansion, emphasizing their intent to broaden their presence within existing states while also exploring opportunities to extend their footprint into two to three additional states. This expansion is aligned with the company's vision of enhancing its market position and growth in the microfinance sector.
- **Management's Guidance:**
- The company plans to open between 50 to 70 new branches for Microfinance and MSME this year, with 32 branches already underway and the remainder expected in the next quarter. The continuous expansion in current states and potential entry into new states is expected to drive growth.
- **Actual Results:**
**['Q3', '2024']:**
- Arman Financial Services Ltd. reported that the company is operational in 10 states with a total branch network of 394, of which 73 branches have been added in the last 12 months.
**['Q4', '2023']:**
- During the year, we opened 44 new branches, taking our total branch count to 336.
**['Q2', '2024']:**
- The company has expanded its footprint by adding 42 branches in the last quarter, indicating progress in their geographic expansion plans.
**['Q1', '2024']:**
- In Q1 2024, the company opened seven new branches, bringing the total branch count to 343. Operations were spread across 10 states, including the entry into new states like Telangana with 3 branches. The company maintained a workforce of about 2900 employees and a customer base of almost 7 lakhs.
- **Evaluation:**
**- Expectations Exceeded**: The company exceeded its goal by opening 73 new branches compared to the planned 50 to 70, and successfully expanded into new states, demonstrating stronger-than-anticipated growth in geographic expansion.

**6. Client Acquisition Rate**
- **Narrative:** Management has emphasized a strategic focus on expanding their client base through the addition of new customers and branches. This approach is aligned with their long-term growth strategy of maintaining a consistent growth rate. The company is also monitoring potential increases in ticket sizes, although any changes are expected to be marginal and not significantly impactful in the immediate future.
- **Management's Guidance:**
- Management aims to maintain a Compound Annual Growth Rate (CAGR) of 35% to 40%, reflecting the historical growth rate they have achieved over the past 10-12 years. Additionally, the primary plan for the current year is to increase the customer base and open more branches, with potential minor increases in ticket sizes projected around 7% to 10%, mainly in the latter half of the year.
- **Actual Results:**
**['Q1', '2024']:**
- During Q1 2024, the company reported the addition of 51,100 new customers, with the active MFI customer base reaching 6 lakhs.
**['Q3', '2024']:**
- Active Customer Base More than 7.6 Lakhs
**['Q4', '2023']:**
- In Q4 FY23, the active MFI customer base stood at 5.4 lakhs, with more than 30,000 new customers added during the quarter.
**['Q2', '2024']:**
- Active More than 7.2 Lakhs Customer Base
- **Evaluation:**
**- Expectations Met**: The company's active customer base increased from 5.4 lakhs in Q4 FY23 to more than 7.6 lakhs by Q3 2024, aligning with management's guidance to expand the customer base and maintain historical growth rates.

**7. Use of Digital Platforms for Loan Disbursement**
- **Narrative:** Management has indicated their ongoing commitment to technological integration with a focus on enhancing loan disbursement processes through digital platforms. This strategic move is aimed at improving operational efficiency and customer experience.
- **Management's Guidance:**
- Management is planning to develop a new ESOP tool, expected to be released soon, reflecting their continuous investment in technology to support future growth and streamline operations.
- **Actual Results:**
**['Q1', '2024']:**
- 1b639dde69b9185ea455df709d3ba25c --> [100% Cashless disbursements 2021]
**['Q3', '2024']:**
- Data Not Available
**['Q4', '2023']:**
- In Q4 2023, management reported that all loans were disbursed cashless, reflecting the company's commitment to technological integration and the use of digital platforms for loan disbursement.
**['Q2', '2024']:**
- Data Not Available

- **Evaluation:**
**- Expectations Exceeded**: Management's goal of enhancing loan disbursement processes through digital platforms was surpassed, as evidenced by the achievement of 100% cashless disbursements by Q4 2023, indicating a successful integration of technology.

**8. Debt-to-Equity Ratio**
- **Narrative:** Management highlighted their strategic focus on maintaining a balanced Debt-to-Equity Ratio while continuing to grow their Asset Under Management (AUM). This involves leveraging additional funding to upscale operations, indicating a strategic maneuver to balance growth with financial stability.
- **Management's Guidance:**
- Management anticipates an increase in AUM to approximately INR2,800 crores to INR2,900 crores through additional funding initiatives ranging between INR300 crores to INR400 crores.
- **Actual Results:**
**['Q1', '2024']:**
- The debt to equity ratio stood at 3.4x.
**['Q3', '2024']:**
- Comfortable debt-to-equity ratio now of about 2.1x, post the QIP.
**['Q4', '2023']:**
- In Q4 2023, the debt-to-equity ratio was reported as 3.3:1, indicating a balanced level in line with management's focus on financial stability.
**['Q2', '2024']:**
- Consolidated debt to equity ratio of 3.4:1
- **Evaluation:**
**- Expectations Met**: Management's strategic focus was on maintaining a balanced Debt-to-Equity Ratio while growing AUM. The Debt-to-Equity Ratio remained aligned with their focus on financial stability, moving from 3.4x to a more comfortable 2.1x, indicating their guidance was met.