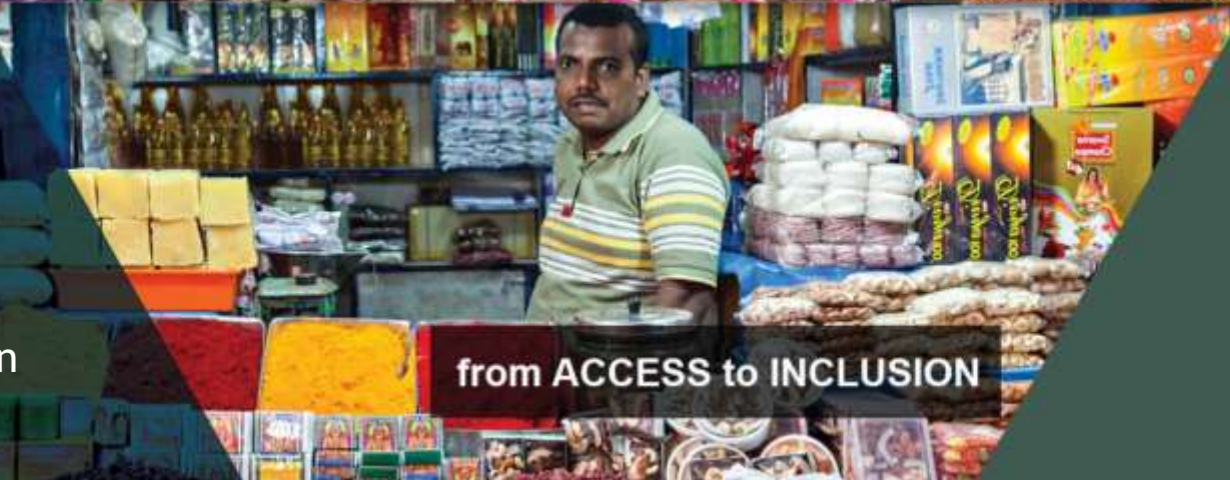




**Arman Financial Services Ltd.**



**Arman Financial Services  
Ltd.**

Q3 & 9M FY22 - Investor Presentation  
February 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 - Q3 & 9M FY22

# Q3 FY22 - Financial Performance Highlights



Total AUM up by 45% YoY to INR 10,446 Mn in Q3FY22 vs INR 7,200 Mn in Q3FY21  
We have added more than 35,000 new customers in Q3 FY22 and more than 50,000 new customers added since July 22



Shareholders Equity Stood at INR 2,021 Mn in Q3 FY22  
*Consolidated Debt-Equity Ratio stood at 4.35x on 31<sup>st</sup> December 2021*



Collection Efficiency was steady and healthy with each month being north of 92%



Operating expenses increased by 37% YoY to INR 173 Mn in Q3 FY22 as a result of expansion in MFI/MSME branches and recruitment of staff for the branch expansions  
*Disbursements grew by 63% YoY to INR 2,965 Mn in Q3 FY22*



Profit before Tax increased by 188% YoY to ₹ 96 Mn in Q3 FY22  
*Profit after tax increased by 140% YoY to ₹ 70 Mn in Q3 FY22*



Prudently earmarked INR 19 Mn for provisions and also took an aggressive write-off of INR 64 Mn  
*Cumulative Provisions stood at INR 640 Mn as on 31st December 2021 (covering 6.1% of the total AUM)*

**AUM Crosses INR 10,000 Mn growing at a CAGR of more than 30% in last 7 years**



## Update on Collections

❑ Collections in all the segments were healthy and remained above 92% during the quarter in spite of the pervasive Omicron variant

- 'Microfinance' collections was healthy and steady and remained above 92% during every month of Q3 FY22.
- 2W and MSME collections continued to be well-north of 95% during December 2021

❑ Cumulative collection Efficiency in the post covid loan book disbursed since September 2020 stands at ~99%

❑ Cumulative Provisions stood at INR 640 Mn as of 31st December 2021 covering 6.1% of the total AUM

- **Namra:** Cumulative Provisions stood at INR 428 Mn as on 31<sup>st</sup> December 2021 covering 5.0% of the total AUM
- **Standalone:** Cumulative Provisions stood at INR 213 Mn as on 31<sup>st</sup> December 2021 covering 11.3% of the total AUM

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

## Collection Efficiency % (October 2021 – January 2022)

Business Segment	Collections Due (Oct'21)	Amount Collected (Oct'21)	Collection Efficiency % (Oct'21)	Collections Due (Nov'21)	Amount Collected (Nov'21)	Collection Efficiency % (Nov'21)	Collections Due (Dec'21)	Amount Collected (Dec'21)	Collection Efficiency % (Dec'21)	Collections Due (Jan'22)	Amount Collected (Jan'22)	Collection Efficiency % (Jan'22)
<b>Total</b>	721	666	92%	723	665	92%	737	684	93%	748	700	94%
Microfinance	551	505	92%	560	513	92%	570	524	92%	578	537	93%
MSME	130	124	95%	129	119	93%	134	128	95%	138	131	95%
Two-wheeler	39	37	95%	34	33	96%	33	32	96%	32	31	96%

**Note:** All the amounts are in INR Mn.

## Update on Liquidity

### ❑ **Healthy Liquidity position with INR 1,264 Mn in cash/bank balance, liquid investments, and undrawn CC limits**

- The company has duly repaid all the debt obligations that were due in Q3 FY22.
- ALM continues to remain positive, and the company continue to have access to new sources of funds.
- Additionally, company has INR 1,050 Mn undrawn sanctions from existing lenders

## Update on Disbursements

### ❑ **Disbursements picked up across all segments**

- Loan Disbursements during Q3 FY22 stood at INR 2,965 Mn up by 63% YoY and 192% QoQ. Disbursements picked up in all the businesses due to the rebound in economic activities and significant improvement in the overall macro environment.

### ❑ **Incremental measures taken by the company to further tighten its 2-Wheeler and MSME credit appraisal process. These measures are over & above the existing requirements.**

- **2-Wheeler:** 1) Increased down payment and credit score requirements, 2) Currently, not making any fresh disbursements in areas witnessing higher default rates
- **MSME:** 1) Tightened the positive cash flow requirement, 2) Added an Additional 'Covid Impact Assessment Layer' – where the 'credit team' assess the 'forward-looking impact on cash flows' for the 'occupations that have been impacted by the on-going Covid crisis' as a part of the appraisal process for evaluating fresh disbursements

# Q3 & 9M FY22 - Consolidated Profit & Loss Statement



Particulars (INR Mn)	Q3 FY22	Q3 FY21	YoY (%)	9M FY22	9M FY21	YoY (%)
<b>Assets Under Management (AUM)</b>	<b>10,446</b>	<b>7,200</b>	<b>45%</b>	<b>10,446</b>	<b>7,200</b>	<b>45%</b>
<b>Disbursements</b>	<b>2,965</b>	<b>1,819</b>	<b>63%</b>	<b>6,845</b>	<b>2,345</b>	<b>192%</b>
<b>Shareholder's Equity *</b>	<b>2,021</b>	<b>1,843</b>	<b>10%</b>	<b>2,021</b>	<b>1,843</b>	<b>10%</b>
Income from Operations	577.7	472.0	22%	1574.1	1470.3	7%
Other Income	9.1	6.7	36%	17.8	19.2	-7%
<b>Gross Total Income</b>	<b>586.8</b>	<b>478.8</b>	<b>23%</b>	<b>1,591.9</b>	<b>1,489.5</b>	<b>7%</b>
Finance Costs	252.1	172.1	46%	647.5	582.0	11%
<b>Net Total Income (NTI)</b>	<b>334.7</b>	<b>306.6</b>	<b>9%</b>	<b>944.4</b>	<b>907.6</b>	<b>4%</b>
Employee Benefits Expenses	112.2	89.9	25%	300.4	263.8	14%
Depreciation and Amortisation	2.0	2.0	0%	6.1	6.1	1%
Other Expenses	58.7	34.7	69%	137.7	82.7	67%
<b>Pre-Provision Operating Profit</b>	<b>161.8</b>	<b>180.1</b>	<b>-10%</b>	<b>500.3</b>	<b>555.0</b>	<b>-10%</b>
Total Provisions & Write-offs	65.9	146.8	-55%	265.8	435.8	-39%
<b>Profit Before Tax</b>	<b>95.8</b>	<b>33.3</b>	<b>188%</b>	<b>234.4</b>	<b>119.2</b>	<b>97%</b>
<b>Profit After tax</b>	<b>70.2</b>	<b>29.2</b>	<b>140%</b>	<b>154.4</b>	<b>97.5</b>	<b>58%</b>
GNPA %	5.0%	3.9%	106 bps	5.0%	3.9%	106 bps
NNPA %	1.1%	0.7%	36 bps	1.1%	0.7%	36 bps
Return on Avg. AUM %	3.0%	1.5%	154 bps	3.3%	2.5%	85 bps
Return on Avg. Equity % *	14.4%	6.6%	787 bps	15.9%	10.9%	494 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.

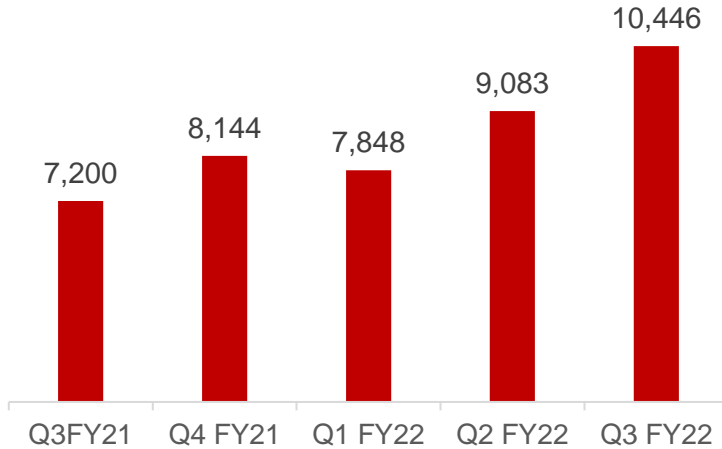




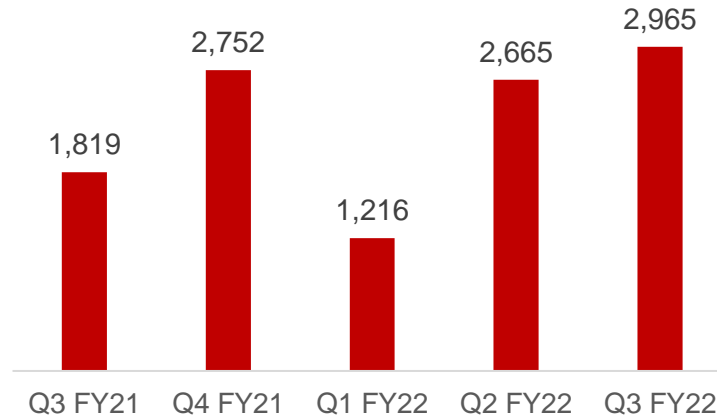
# Q3 FY22 - Consolidated Performance Update



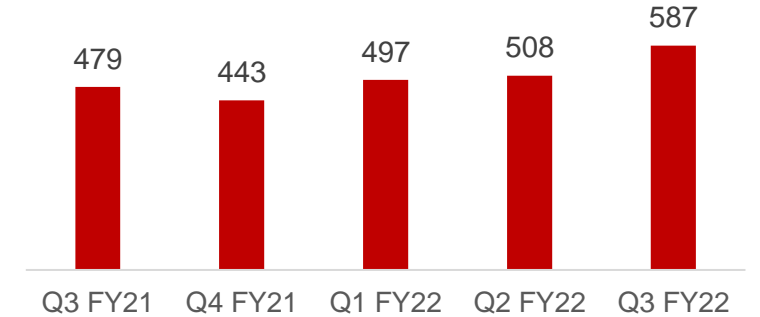
**AUM (INR Mn)**



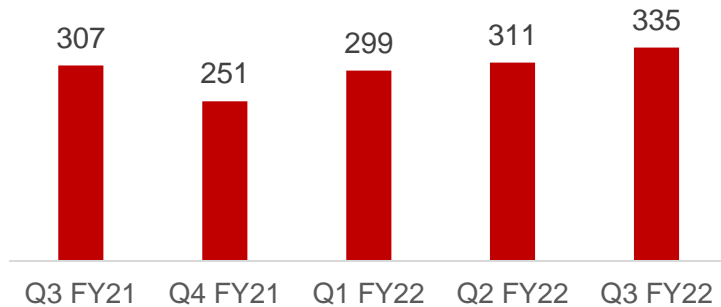
**Disbursement (INR Mn)**



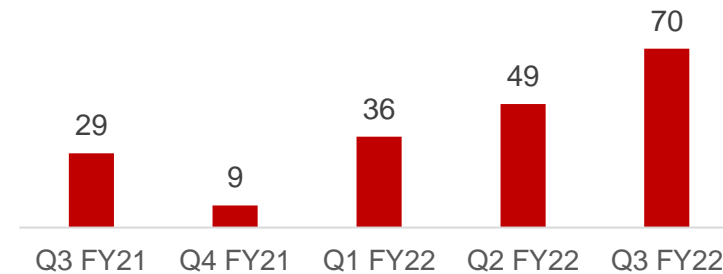
**Gross Total Income (INR Mn)**



**Net Total Income (INR Mn)**



**PAT (INR Mn)**



# Q3 & 9M FY22 - Consolidated Balance Sheet



Particulars (in INR Mn)	Consolidated		Standalone	
	Dec 2021	March 2021	Dec 2021	March 2021
<b>ASSETS</b>				
<u><b>Financial Assets</b></u>				
Cash and cash equivalents	489	879	181	491
Bank Balance	594	805	76	178
Loans & Advances	9,651	7,432	1,640	1,517
Investments	438	32	1,095	617
Other Financial assets	81	76	7	14
<b>Total Financial Assets</b>	<b>10,813</b>	<b>9,224</b>	<b>2,836</b>	<b>2,817</b>
<u><b>Non-Financial Assets</b></u>				
Deferred tax Assets (Net)	159	134	56	44
Property, Plant and Equipment	30	33	8	8
Other Intangible assets	3	2	0	0
Right To Use Asset	5	6	0	0
Other non-financial assets	3	3	1	1
<b>Total Non-Financial Assets</b>	<b>200</b>	<b>177</b>	<b>64</b>	<b>53</b>
<b>Total Assets</b>	<b>11,013</b>	<b>9,401</b>	<b>2,900</b>	<b>2,870</b>

	Consolidated		Standalone	
	Dec 2021	March 2021	Dec 2021	March 2021
<b>LIABILITIES &amp; EQUITY</b>				
Equity Share capital	85	85	85	85
Reserves & Surplus	1,936	1,783	1,251	1,193
<b>Total Shareholders Funds</b>	<b>2,021</b>	<b>1,868</b>	<b>1,336</b>	<b>1,278</b>
<u><b>Financial Liabilities</b></u>				
Other Payables	5	8		
Debt Securities	1,570	1,776	513	648
Total Borrowings	6,896	5,288	922	835
Subordinated Liabilities	250	150	50	50
Other Financial Liabilities	207	242	59	48
<b>Total Financial Liabilities</b>	<b>8,928</b>	<b>7,464</b>	<b>1,544</b>	<b>1,581</b>
<u><b>Non-Financial Liabilities</b></u>				
Current tax liabilities (Net)	44	49	11	4
Provisions	14	9	6	4
Other non-financial liabilities	6	12	4	2
<b>Total Non-Financial Liabilities</b>	<b>64</b>	<b>70</b>	<b>20</b>	<b>10</b>
<b>Total Liabilities &amp; Equity</b>	<b>11,013</b>	<b>9,401</b>	<b>2,900</b>	<b>2,870</b>

# Q3 & 9M FY22 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q3 FY22	Q3 FY21	YoY (%)	9M FY22	9M FY21	YoY (%)
<b>Asset Under Management</b>	<b>8,557</b>	<b>5,487</b>	<b>56%</b>	<b>8,557</b>	<b>5,487</b>	<b>56%</b>
<b>Disbursements</b>	<b>2,421</b>	<b>1,473</b>	<b>64%</b>	<b>5,606</b>	<b>1,878</b>	<b>198%</b>
Income from Operations	424.9	328.6	29%	1,163.8	1,007.9	15%
Other Income	3.3	3.3	1%	7.2	13.6	-47%
<b>Gross Total Income</b>	<b>428.1</b>	<b>331.8</b>	<b>29%</b>	<b>1,171.0</b>	<b>1,021.4</b>	<b>15%</b>
Finance Costs	201.7	127.6	58%	522.8	441.7	18%
<b>Net Total Income (NTI)</b>	<b>226.5</b>	<b>204.3</b>	<b>11%</b>	<b>648.2</b>	<b>579.7</b>	<b>12%</b>
Employee Benefits Expenses	79.5	60.0	33%	208.5	178.9	17%
Depreciation and Amortisation	1.7	1.7	-1%	5.4	5.3	2%
Other Expenses	37.9	24.4	56%	92.6	60.3	54%
<b>Pre-Provision Operating Profit</b>	<b>107.3</b>	<b>118.2</b>	<b>-9%</b>	<b>341.7</b>	<b>335.2</b>	<b>2%</b>
Total Provision & Write-offs	61.8	114.0	-46%	210.9	289.9	-30%
<b>Profit After Tax</b>	<b>32.6</b>	<b>7.5</b>	<b>334%</b>	<b>86.8</b>	<b>40.6</b>	<b>114%</b>
GNPA %	<b>3.8%</b>	<b>3.6%</b>	16 bps	<b>3.8%</b>	<b>3.6%</b>	16 bps
NNPA %	<b>0.8%</b>	<b>0.4%</b>	45 bps	<b>0.8%</b>	<b>0.4%</b>	45 bps
Return on Avg. AUM %	<b>1.7%</b>	<b>0.5%</b>	123 bps	<b>1.6%</b>	<b>0.9%</b>	69 bps
Return on Avg. Equity %	<b>9.4%</b>	<b>2.6%</b>	681 bps	<b>8.3%</b>	<b>4.6%</b>	369 bps

- ❖ **Q3 FY22 MFI AUM stood at INR 8,557 Mn – higher by 56% vis-à-vis last year**
  - Active MFI Customer base stood at 3.6 Lakhs in Q3 FY22. Added more than 31,000 new customers in Q3 FY22.
- ❖ **Disbursements grew by 64% with new branches especially in Haryana & UP reaching optimal levels, along with increase in ticket size of second cycle borrowers**
- ❖ **Gross Total Income** increased by 29% YoY to INR 428.1 Mn due to higher average AUM
- ❖ **Similarly, Net Total Income increased by 11% YoY to INR 226.5 Mn**
- ❖ **Profit After Tax increased by 334% YoY to INR 32.6 Mn** aided by strong growth of loan portfolio, lower provisioning requirement on the post covid loan book and better operational efficiencies
- ❖ **Provisions & write off for the quarter decreased by 46% YoY to INR 61.8 Mn**
  - Strengthened provision coverage by prudently earmarking INR 15.3 Mn for provisions in this quarter. Additionally, the company also took an aggressive write-off of INR 63.5 Mn.
  - **Cumulative total ECL Provisions as on 31<sup>st</sup> December 2021 were INR 427.6 Mn covering 5.0% of the total AUM.**
- ❖ **Repayment rates has been steady and healthy at 92% during the quarter and reached 93% in January 2022**

## 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

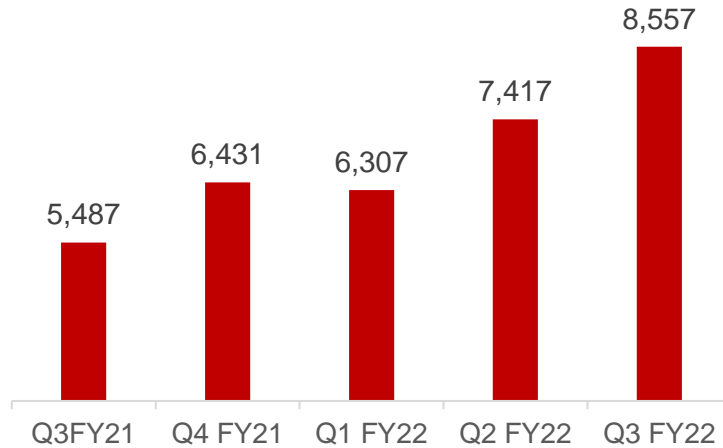




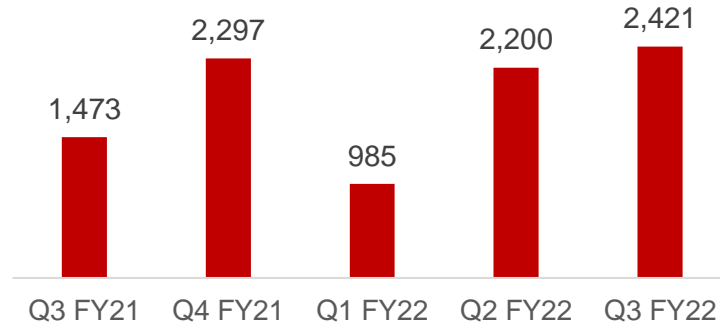
# Q3 FY22 - Microfinance Performance Update



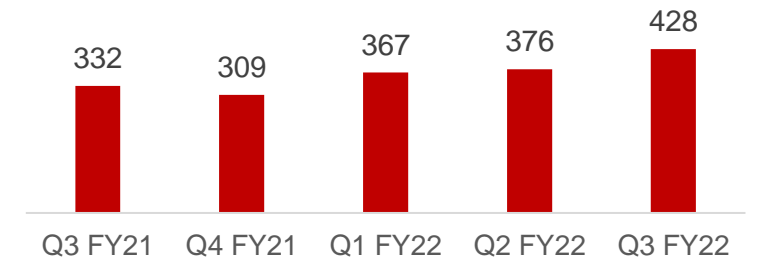
**AUM (INR Mn)**



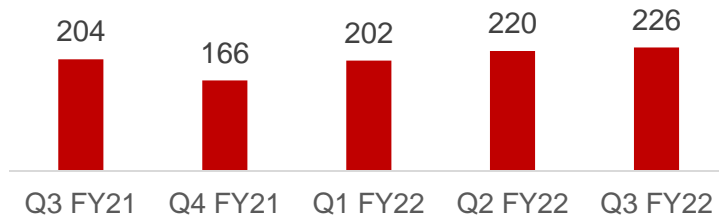
**Disbursement (INR Mn)**



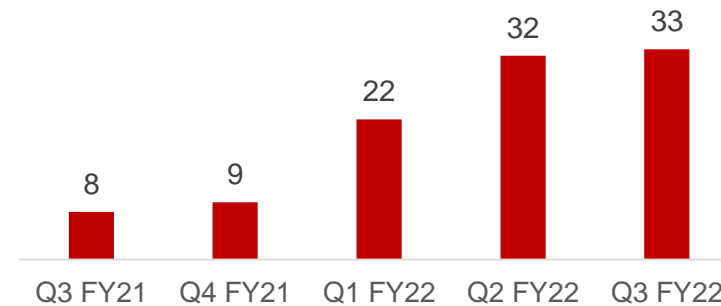
**Gross Total Income (INR Mn)**



**Net Total Income (INR Mn)**



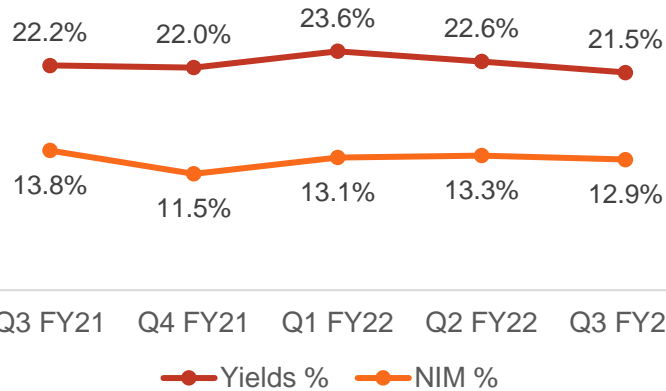
**PAT (INR Mn)**



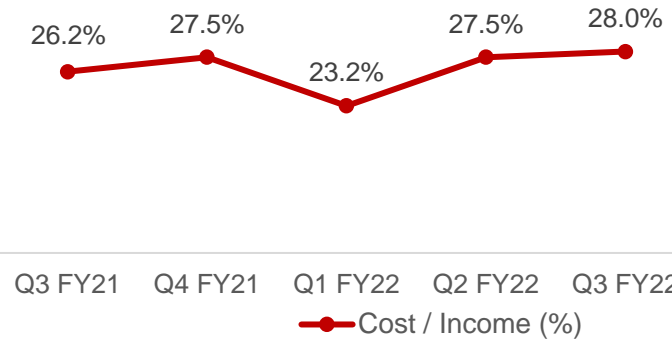
# Q3 FY22 - Microfinance Performance Update



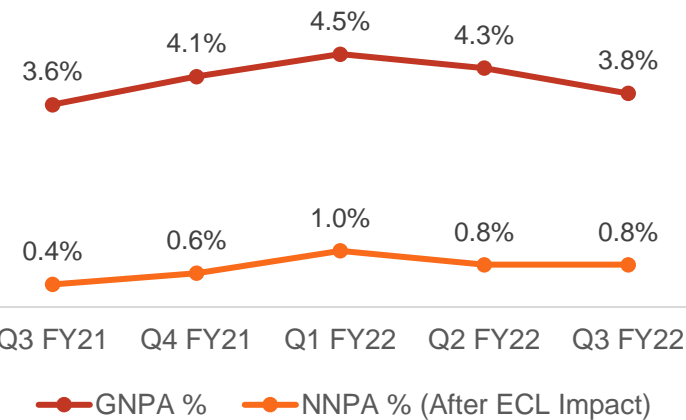
## Yields % and NIM %



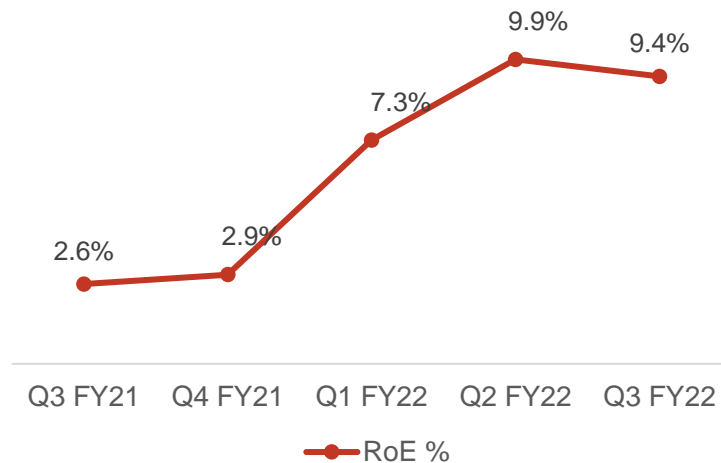
## Cost-to-Income Ratio %



## Asset Quality<sup>#</sup>



## 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 % =  $\text{NNPA} / \text{AUM}$ ; RoE =  $\text{PAT} / \text{Avg. Equity}$ . RoE, Yields and NIM % figures are annualized

# Q3 & 9M FY22 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q3 FY22	Q3 FY21	YoY (%)	9M FY22	9M FY21	YoY (%)
<b>Asset Under Management</b>	<b>1,889</b>	<b>1,713</b>	<b>10%</b>	<b>1,889</b>	<b>1,713</b>	<b>10%</b>
<b>Disbursements</b>	<b>543</b>	<b>346</b>	<b>57%</b>	<b>1,239</b>	<b>467</b>	<b>166%</b>
Income from Operations	152.8	146.7	4%	423.1	472.8	-11%
Other Income	13.0	7.3	80%	28.9	23.8	22%
<b>Gross Total Income</b>	<b>165.9</b>	<b>153.9</b>	<b>8%</b>	<b>452.0</b>	<b>496.6</b>	<b>-9%</b>
Finance Costs	50.5	47.8	6%	137.5	150.6	-9%
<b>Net Total Income (NTI)</b>	<b>115.4</b>	<b>106.2</b>	<b>9%</b>	<b>314.5</b>	<b>346.0</b>	<b>-9%</b>
Employee Benefits Expenses	32.7	29.9	9%	91.8	84.9	8%
Depreciation and Amortisation	0.3	0.2	5%	0.7	0.8	-5%
Other Expenses	20.8	10.3	101%	45.1	22.4	101%
<b>Pre-Provision Operating Profit</b>	<b>61.6</b>	<b>65.7</b>	<b>-6%</b>	<b>176.9</b>	<b>237.9</b>	<b>-26%</b>
Total Provision & Write-offs	4.2	3.3	-87%	63.9	145.9	-56%
<b>Profit After Tax</b>	<b>44.7</b>	<b>25.5</b>	<b>75%</b>	<b>86.0</b>	<b>75.1</b>	<b>15%</b>
GNPA %	<b>10.7%</b>	<b>5.5%</b>	520 bps	<b>10.7%</b>	<b>5.5%</b>	520 bps
NNPA %	<b>2.3%</b>	<b>1.8%</b>	44 bps	<b>2.3%</b>	<b>1.8%</b>	44 bps
Return on Avg. AUM %	<b>10.0%</b>	<b>5.8%</b>	423 bps	<b>6.7%</b>	<b>4.9%</b>	177 bps
Return on Avg. Equity %	<b>30.8%</b>	<b>16.0%</b>	1473 bps	<b>29.6%</b>	<b>23.6%</b>	595 bps

## 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

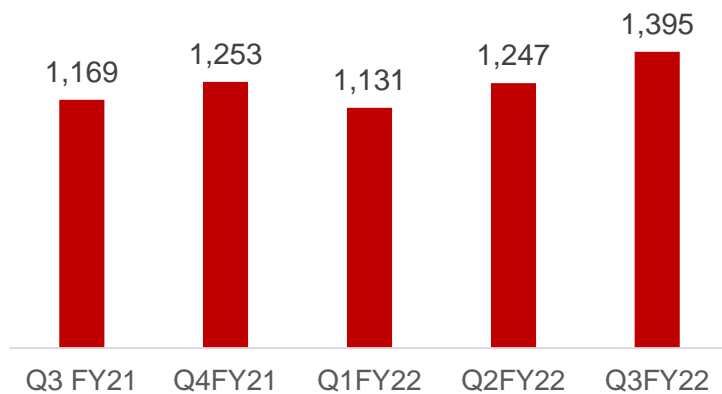
- ❖ **Standalone AUM stood at INR 1,889 Mn on 31<sup>st</sup> December 2021**
  - MSME AUM increased by 19% YoY to INR 1,395 Mn on the back of revival in demand
  - 2W AUM declined by 9% YoY to, INR 494 Mn, as the 2W sales declined in the last one year given the challenging economic environment. Further, lower disbursements during the year along with healthy repayment rates have led to a run down in the 2-wheeler book.
- ❖ **Disbursements in both MSME and 2W business segments are witnessing an encouraging trend** after bottoming out in May 2021 due to second wave of COVID. The total MSME & 2W Disbursement in Q3 were INR 380 Mn and INR 163 Mn respectively
- ❖ The total Provisions as on 31<sup>st</sup> December 2021 stood at INR 212.6 Mn covering 11.4% of total AUM
- ❖ GNPA % and NNPA % stood at 10.7% and 2.3% respectively.
- ❖ Return on average equity during the quarter has improved sharply by 1473 bps to 30.8% from 16.0%
- ❖ **Repayment rates for both MSME and 2W were healthy and steady at 95% & 96% respectively in December'21**



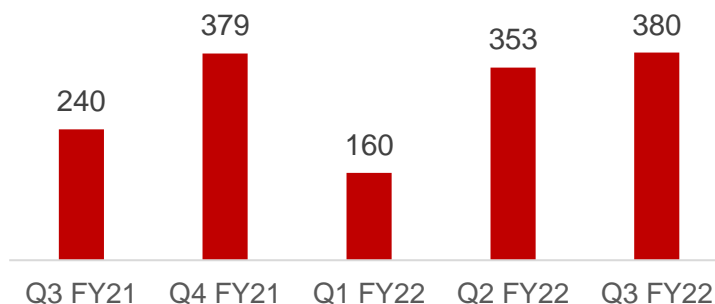
# Q3 FY22 - MSME Performance Update



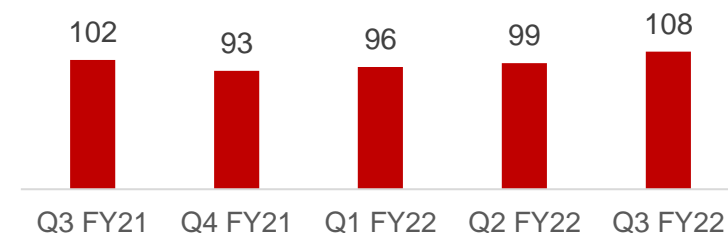
## AUM (INR Mn)



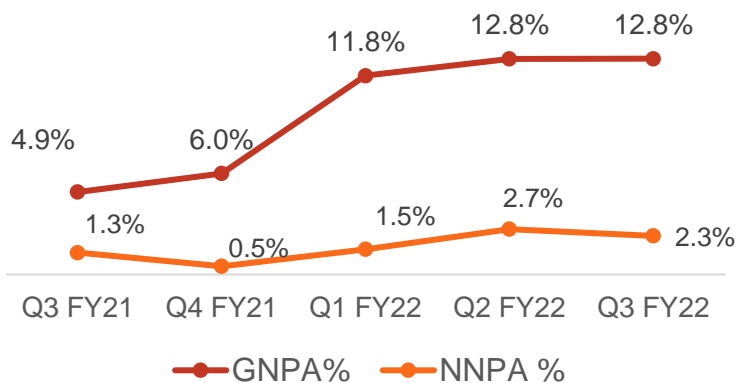
## Disbursements (INR Mn)



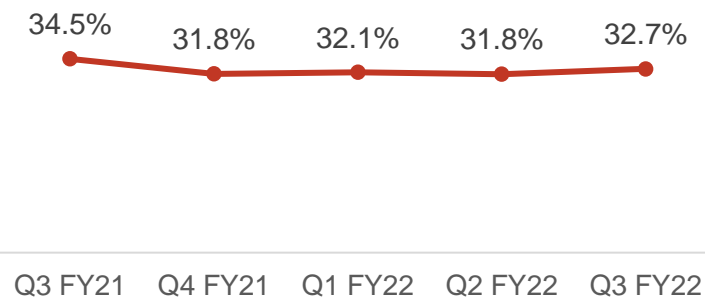
## Gross Interest Income (INR Mn)



## Asset Quality<sup>#</sup>



## Yields %



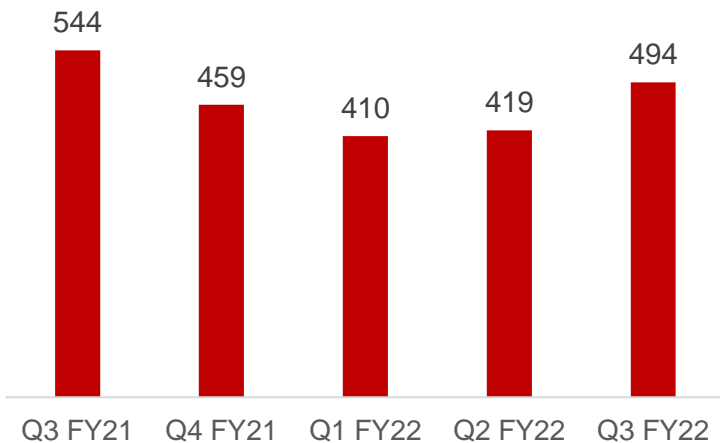
### Note:

- 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.

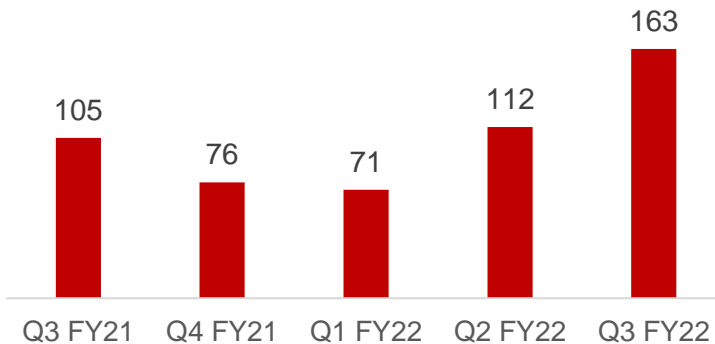
# Q3 FY22 - 2W Performance Update



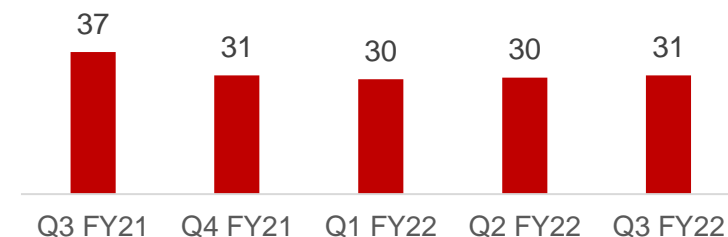
## AUM (INR Mn)



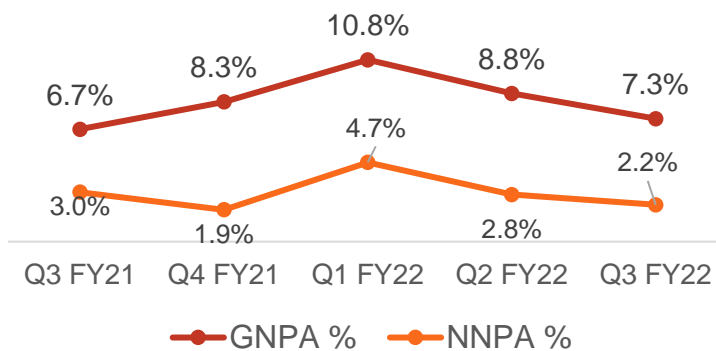
## Disbursement (INR Mn)



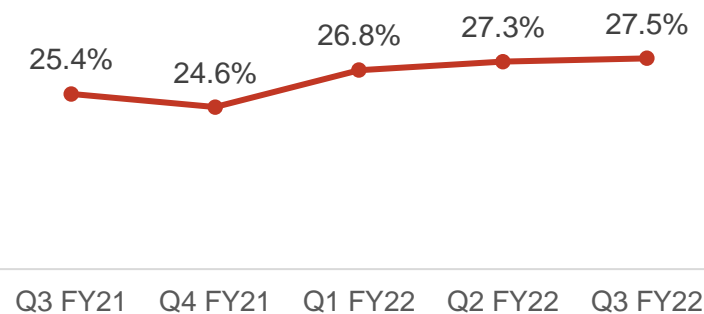
## Gross Interest Income (INR Mn)



## 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



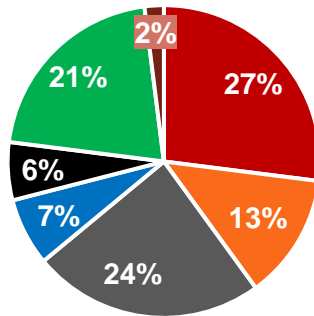
# Efficient Liability Management



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

FY21 - Borrowing Mix %

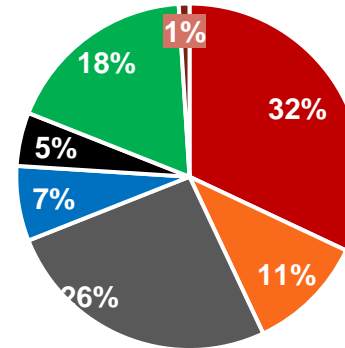
INR 7,665 Mn \*



Note: \* INR 7,665 Mn includes direct assignment of INR 581 Mn

Q3 FY22 - Borrowing Mix %

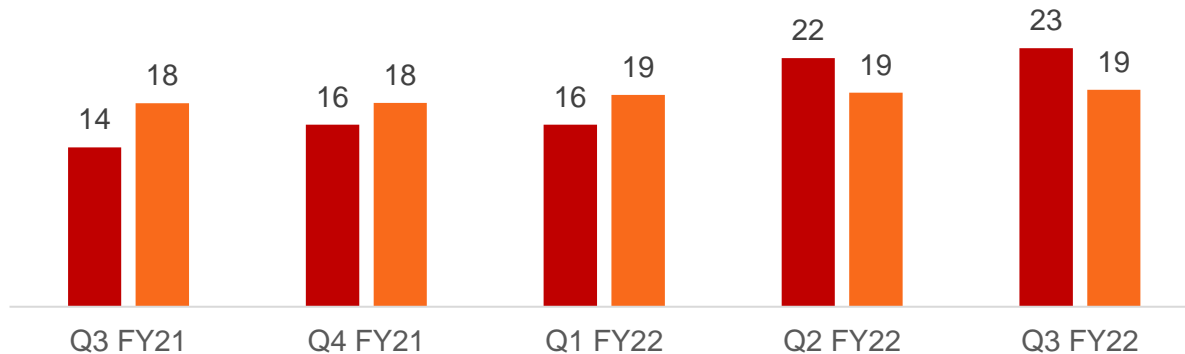
INR 8,789 Mn \*



Note: # INR 8,789 Mn includes direct assignment of INR 72 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 **~41% of borrowings in Q3 FY22**
- **Comfortable liquidity position with a potential to increase leverage.**

# 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

- 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

## Presence in Attractive Retail Lending

### Segments

- Total Loan Assets of INR 10,446 Mn in Q3 FY22
- Microfinance** – 81.9% of AUM (via 100% owned subsidiary "**Namra Finance**")
- MSME Loans** – 13.4% of AUM
- 2-Wheeler Loans** – 4.7% of AUM



**Arman Financial Services Ltd.**

## Strong Financial Performance

- High-Growth Trajectory (FY2016-21 CAGR) :**
  - AUM: 36%**
  - Net Income: 36%**
- Consolidated debt to equity ratio of 4.35:1** – Sufficient Capital to drive growth going forward
- High Return Ratios except for COVID impacted for FY21** - ROE: 5.9%; ROAA: 1.3%

## Strong Retail Presence & Wide Distribution Network

- 262 branches; 55+ Two-Wheeler dealerships
- 94 Districts, 7 states
- ~3.91 lakh live customers
- Undertaken contiguous expansion from Gujarat since 2014 to achieve geographic diversification

## 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

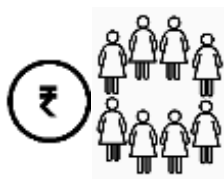
Launched Microfinance business

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.

- 29 years of existence
- Active customer base of 3.91 lakh
- Employee strength of 2,131 employees
- Completely in-house operations – Sourcing, Credit & Collections

### Microfinance



### MSME Loans



### 2-Wheeler Loans



### Rural 2W Loans



% of Total AUM	82%	13%	5%	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 35,000	INR 70,000	INR 52,000	INR 45,000
Tenure	18-24 months	24 months	12-36 months	12-24 months
Yield (%)	22-25% (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 centered around conservative approach to high yielding assets to deliver a sustainable ROA of 3-5%**



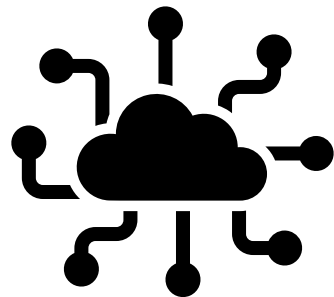


# Technological Initiatives to Strengthen Operations

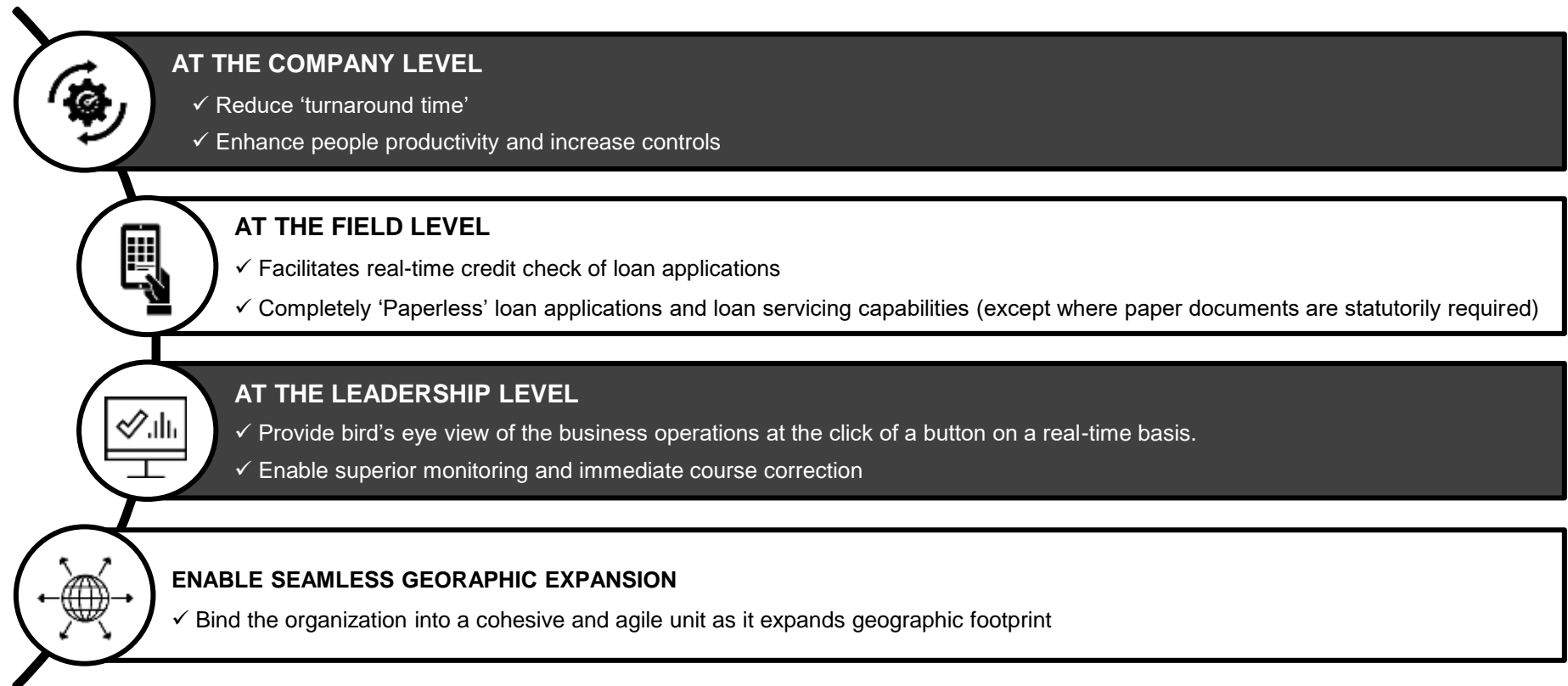


- ❖ In FY19, the company launched an integrated mobile interface for its MFI field staff to enable seamless on-boarding of MFI customers by digitizing & standardizing the loan origination and appraisal process. **‘This technology has been successfully implemented across all the MFI branches now.’**
- ❖ Rolled-out the **‘Jayam’ initiative** across the company’s MFI operations to transform business processes from physical to digital. **‘As a part of this initiative, the ‘integrated loan origination system (LOS) & loan management system (LMS)’ is hosted on the Cloud. This system manages and tracks originations and recoveries on a real-time basis.’**
- ❖ In the next phase, the company will be implementing these initiatives for its MSME & 2W operations as well. However, the next phase will a bit delayed due to the Covid disruption

## ADVANTAGES OF IMPLEMENTING THE ‘JAYAM’ INITIATIVE & INTEGRATED MOBILE INTERFACE FOR FIELD OPERATIONS



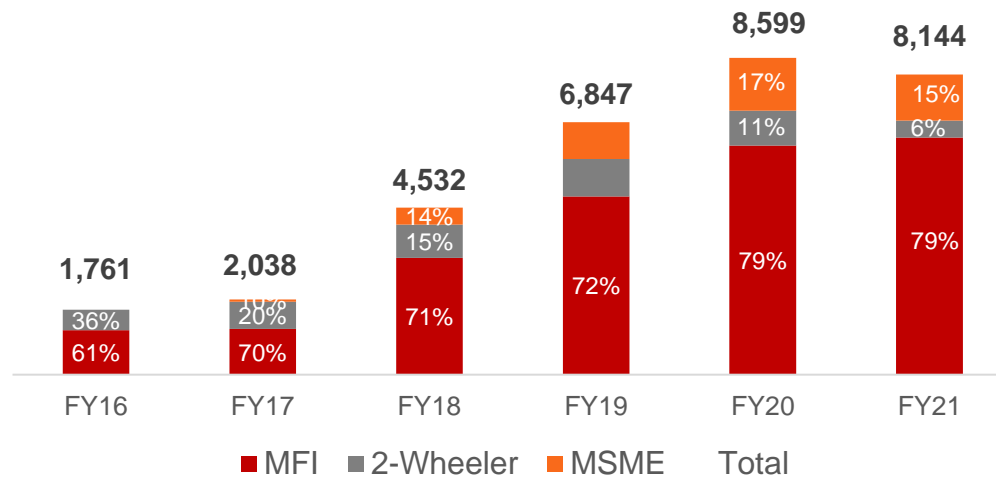
### DRIVING DIGITAL TRANSFORMATION



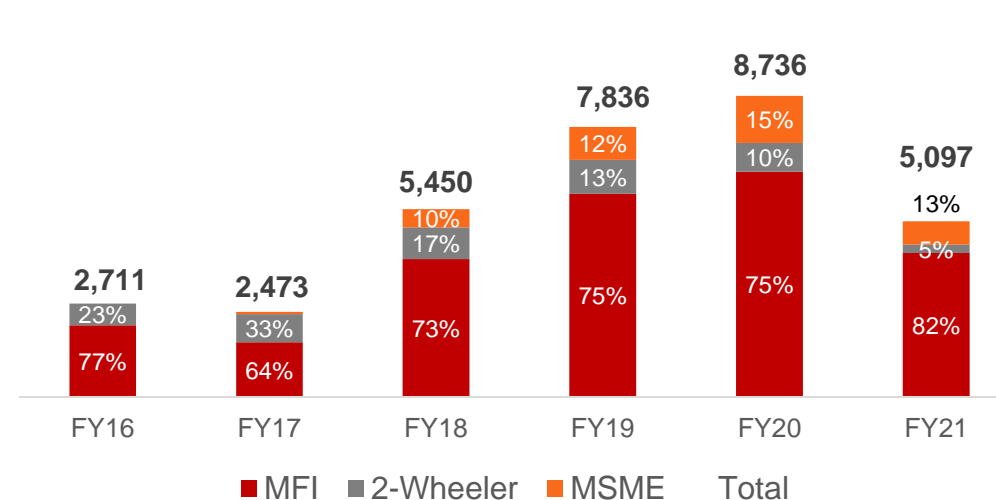
# Strong Growth in AUM & Disbursements.....



**Total AUM (INR Mn)**



**Total Disbursements (INR Mn)**



- **Diversified portfolio of 10,446 Mn in Q3 FY22 split between –**
  - Microfinance: INR 8,557 Mn (81.9%),
  - MSME Loans: INR 1,395 Mn (13.4%)
  - 2-Wheeler Loans: INR 494 Mn (4.7%)
- **Strategically forayed into MSME Loans in 2017.** Successfully scaled up the business to INR 1,395 Mn (13.4% of Total AUM) in the last 4 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:** FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

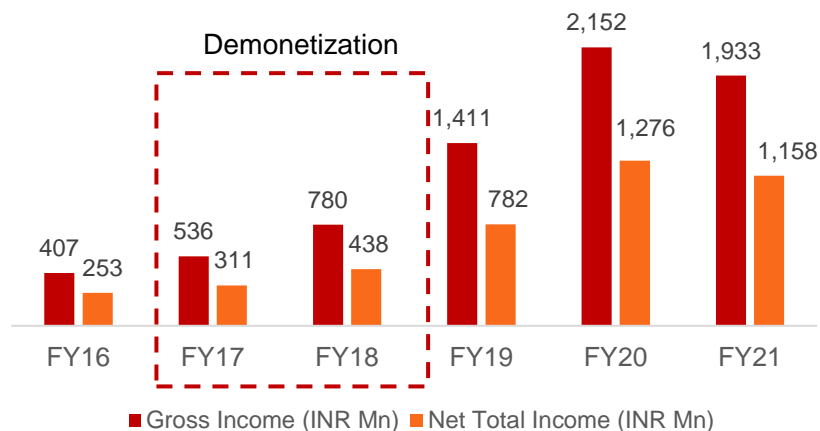
# .....While Maintaining Superior Cost Efficiency & Asset Quality



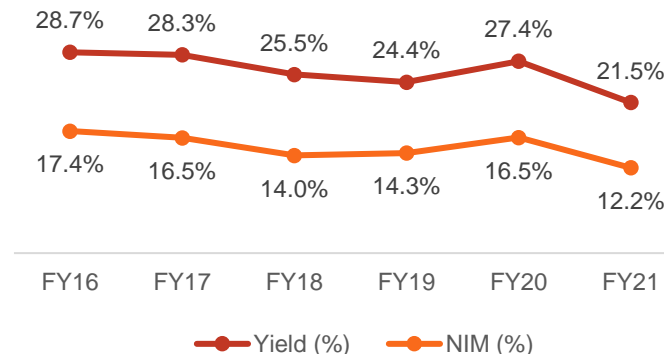
## Gross Income and Net Total Income (INR Mn)

CAGR: 37%

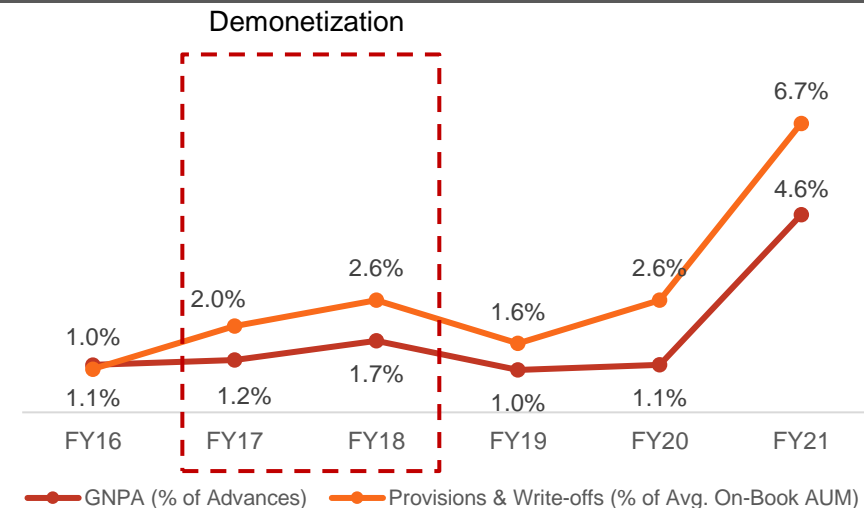
CAGR: 36%



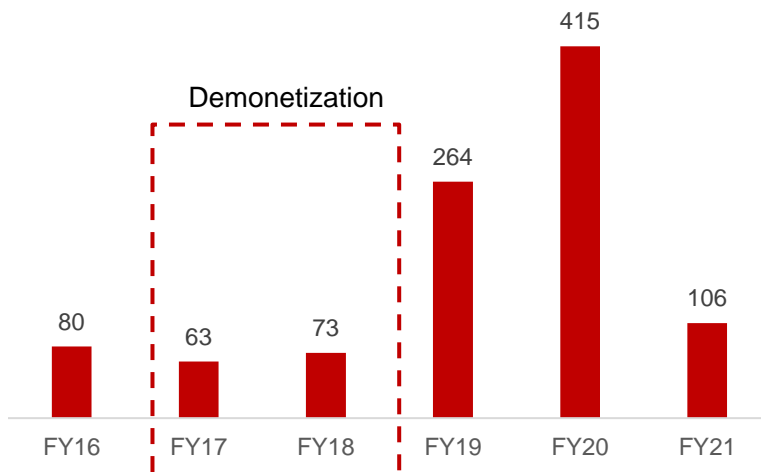
## Yield % and NIM %



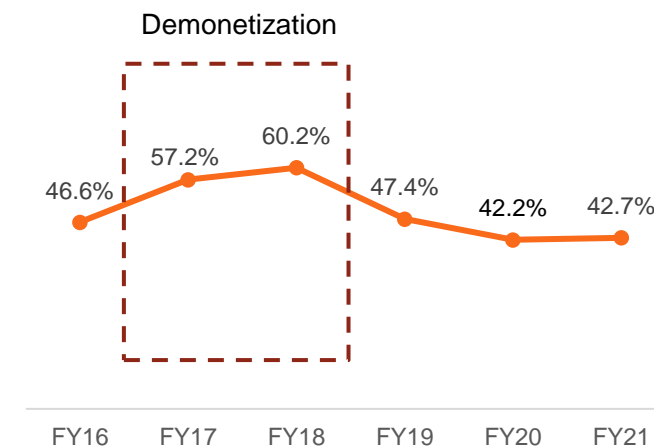
## Focus on risk have led to immaculate through-cycle asset quality



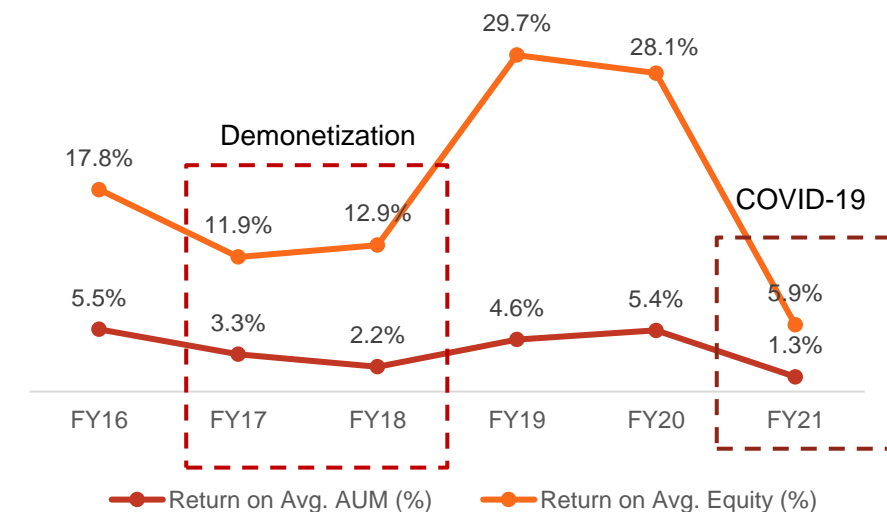
## PAT (INR Mn)



## Cost to Income Ratio %



## Consistently high through cycle ROA / ROE



### Note:

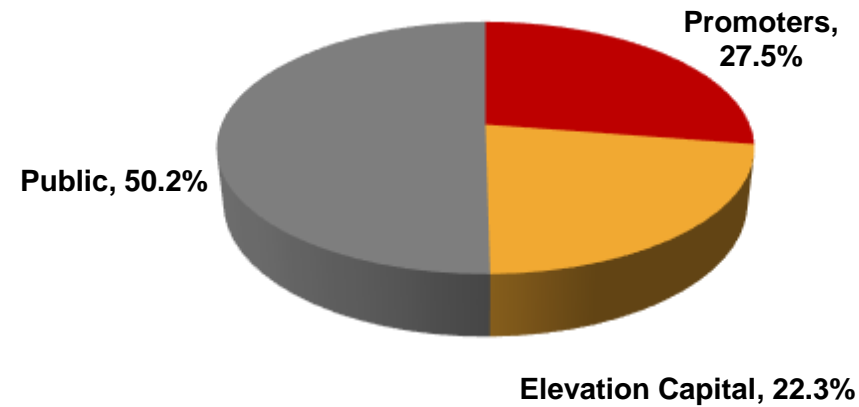
- FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. NIM = NII / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM



# Shareholding Pattern



SHAREHOLDING – 31<sup>st</sup> December 2021



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, 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 35,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- Operations in **7 states; 211 MFI branches; 3.6 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

## FY21 – Key Metrics (Mn)

<b>6,431</b>	<b>4,176</b>	
AUM (INR Mn)	Disbursement (INR Mn)	
<b>1,334</b>	<b>49</b>	<b>35,000</b>
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size (INR)

## FY21 – Key Metrics (%)

<b>23.0%</b>	<b>13.0%</b>	<b>0.8%</b>
Yield	NIM	ROAA
<b>4.1%</b>	<b>0.6%</b>	<b>4.2%</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 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**

## FY21 – Key Metrics (Mn)

**459**

AUM (INR Mn)

**246**

Disbursement (INR Mn)

**251**

Total Income (INR Mn)

**52,000**

Avg. Ticket Size (INR)

## FY21 – Key Metrics (%)

**24.4%**

Yield

**14.0%**

NIM

**8.3%**

GNPA

**1.97%**

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~~

### FY21 – Key Metrics (%)

**1,254**

AUM (INR Mn)

**419**

Total Income (INR Mn)

**674**

Disbursement (INR Mn)

**70,000**

Avg. Ticket Size (INR)

### FY21 – Key Metrics (%)

**33.8%**

Yield

**6.0%**

GNPA

**23.4%**

NIM

**0.5%**

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



**Arman Financial Services Ltd.**

**Vivek Modi**

Group – CFO

Arman Financial Services Ltd

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**DICKENSON**

**Pushpa Mani/Chintan Mehta**

Dickenson World

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Email : armanfinancial@dickensonworld.com





from ACCESS to INCLUSION

## Annexures

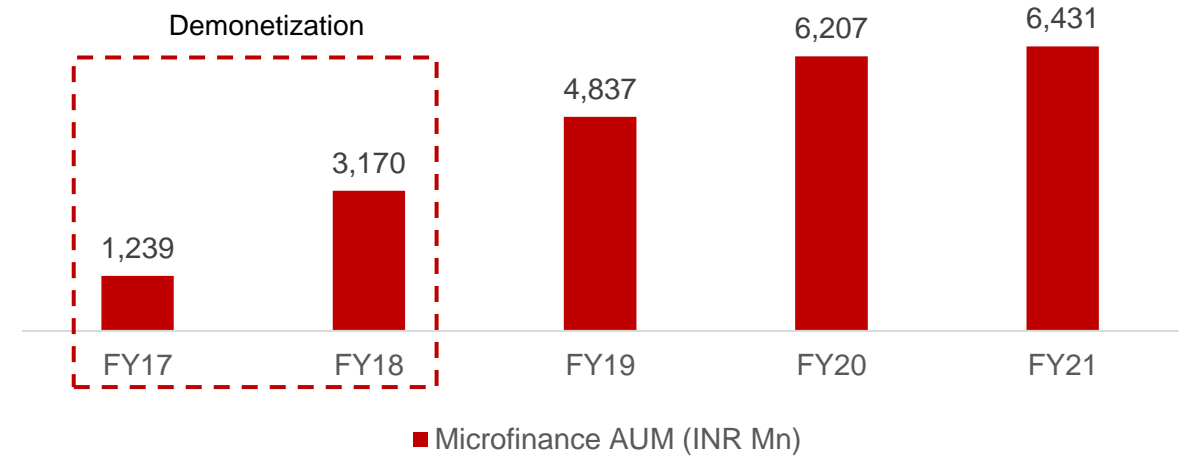
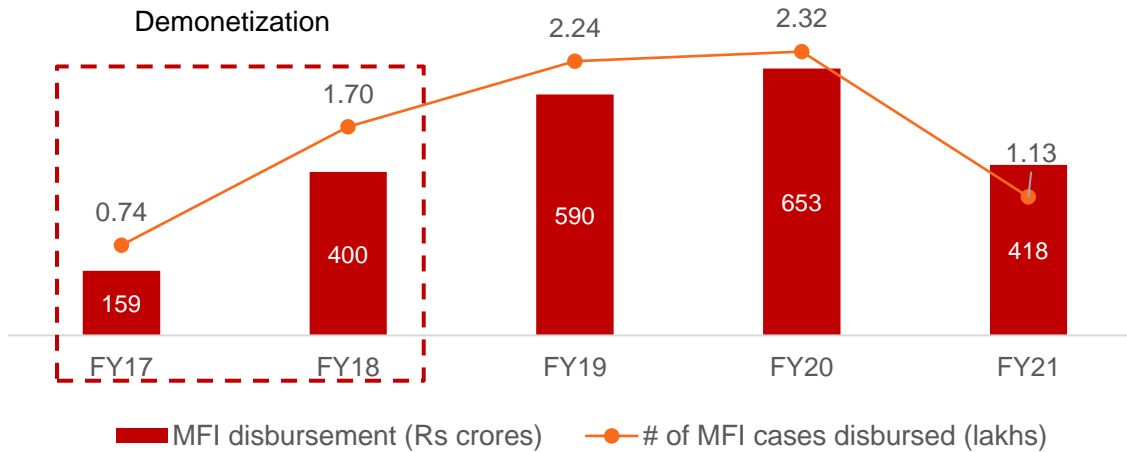


# Microfinance: 5-Year Performance

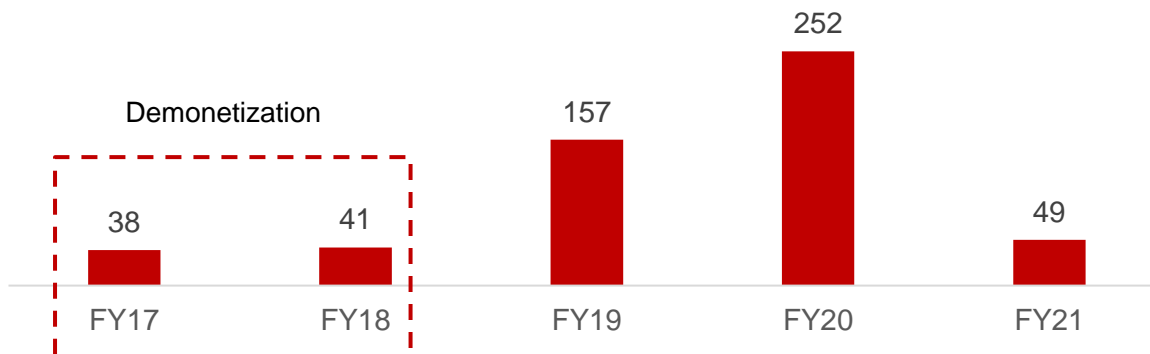


Disbursement growth is driven by customer & branch addition

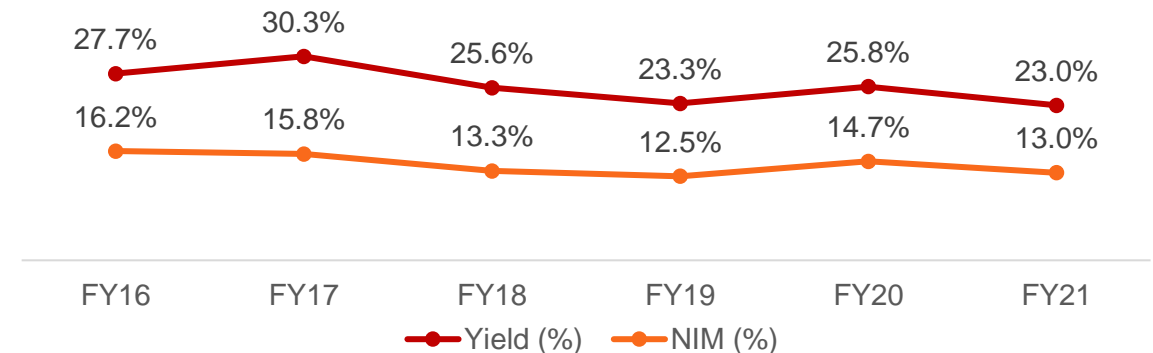
AUM growth exceeds MFI industry growth rates



PAT (INR Mn)



Yields (%) & NIM (%) Trend

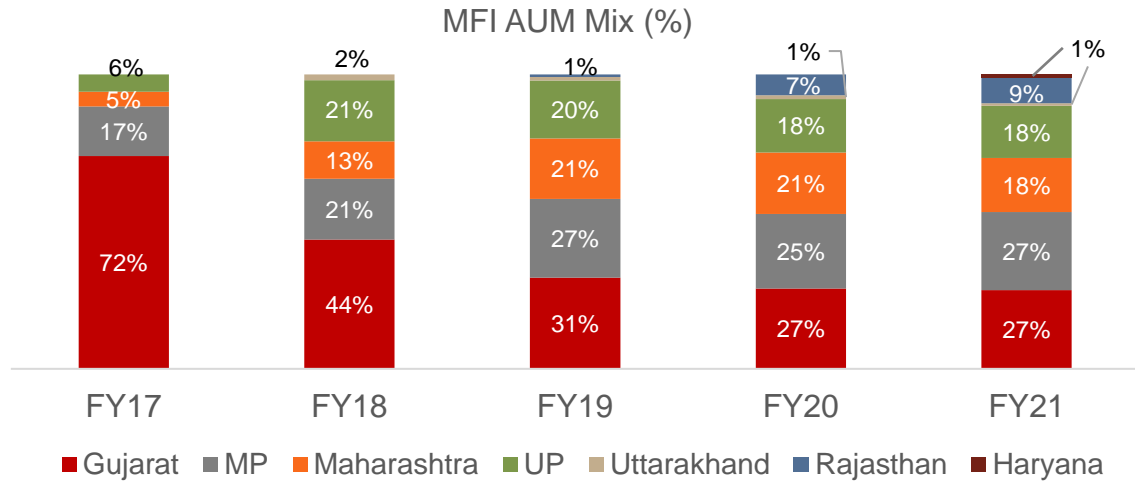


**Note:** FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

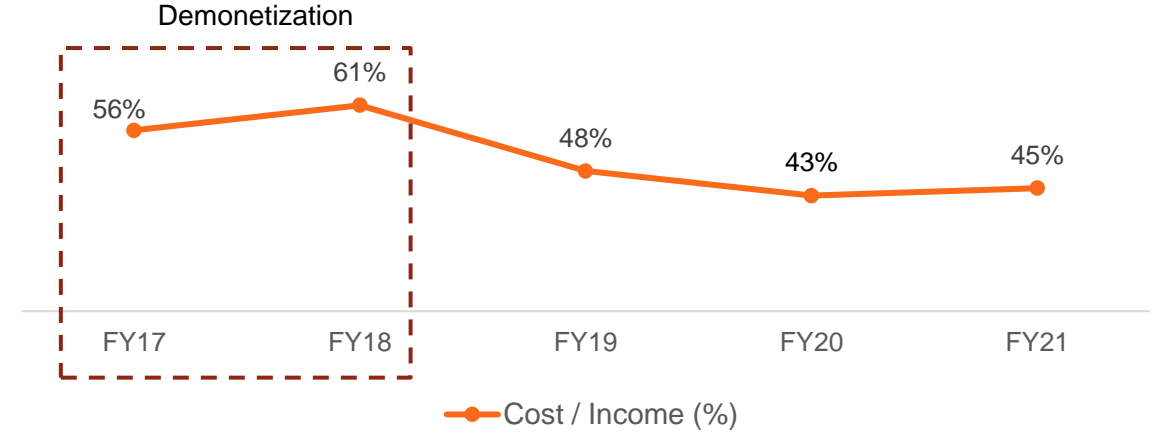
# Microfinance: 5-Year Performance



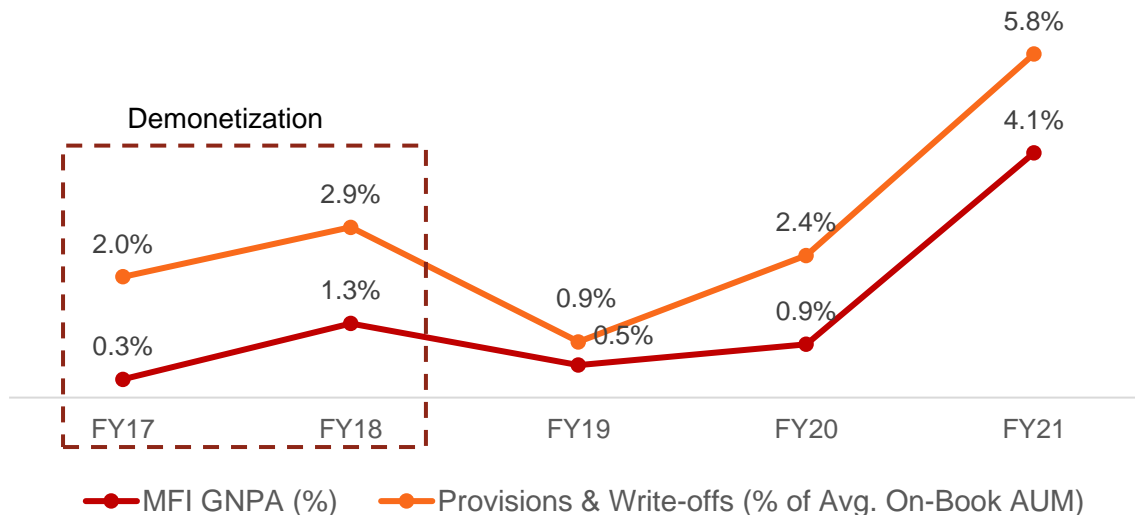
## Well diversified across geographies



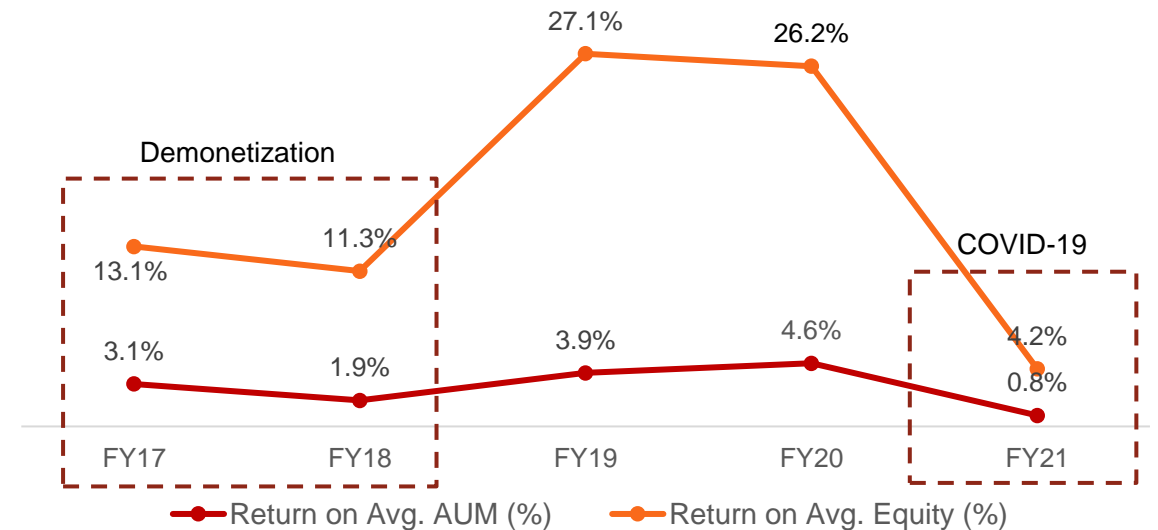
## Maintaining high operational efficiency



## Through cycle asset quality under control



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

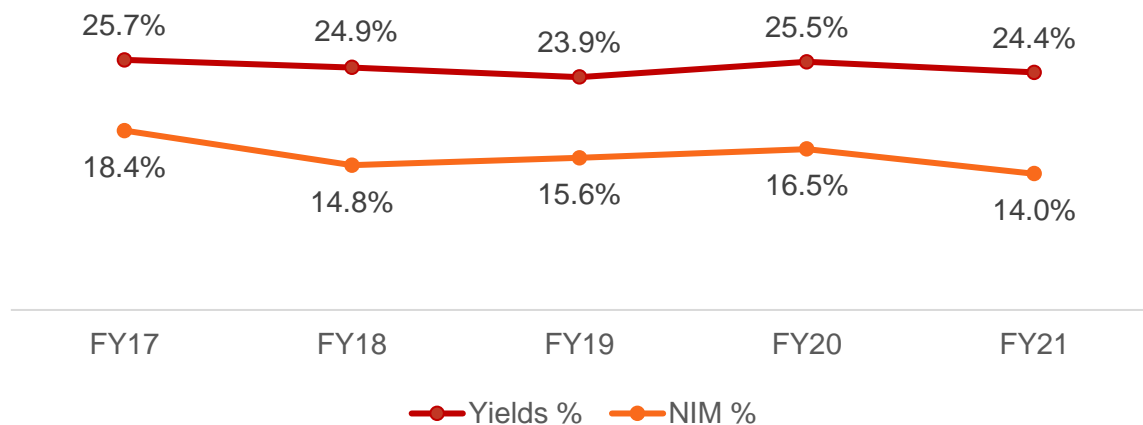


Note: FY20, FY21 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

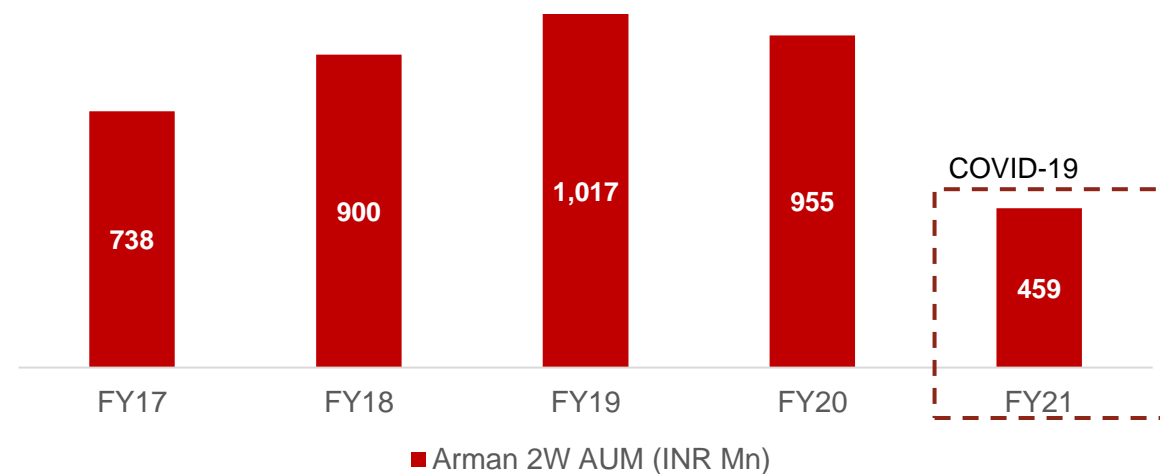
# 2W Loans: 5-Year Performance



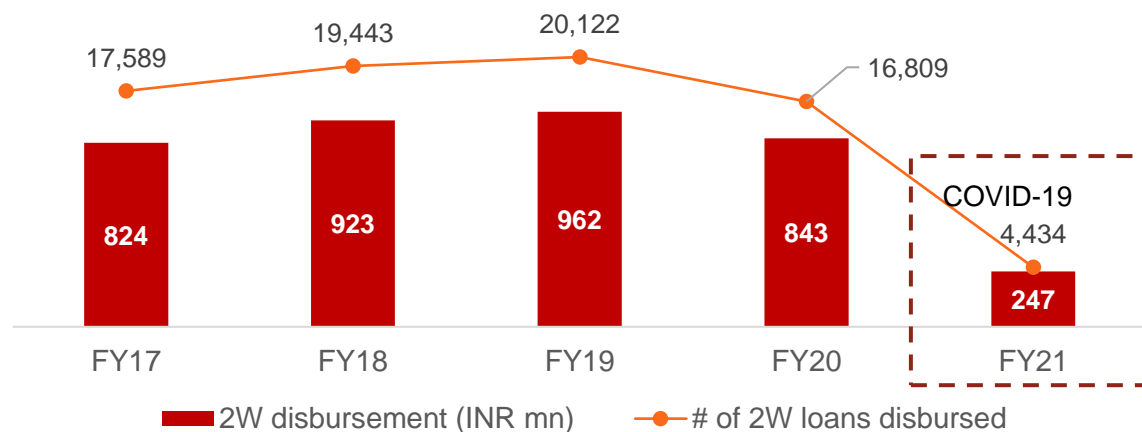
## Yields (%) & NIM (%) Trend



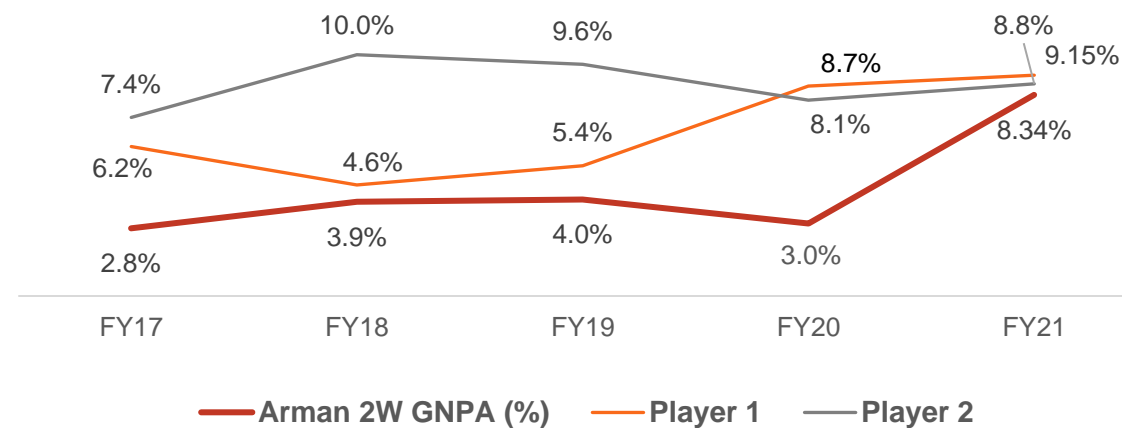
## Arman 2W AUM/ has seen steady growth over FY15-20



## 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



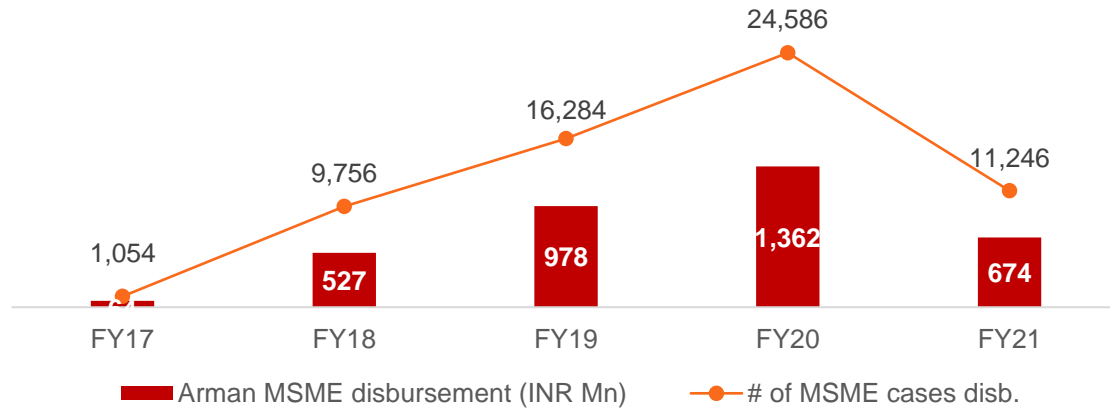
**Note:** FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

# MSME Loans: 5-Year Performance

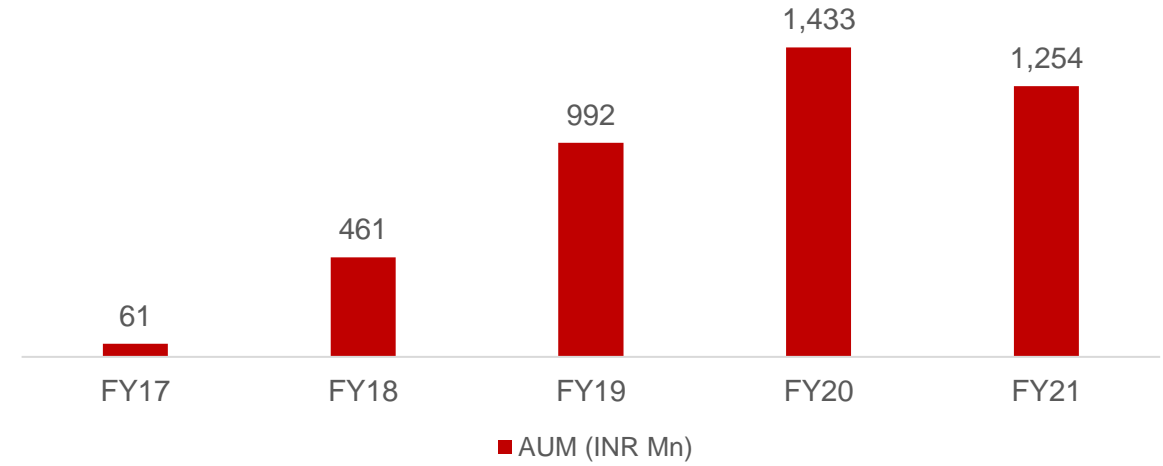


## Disbursement Growth

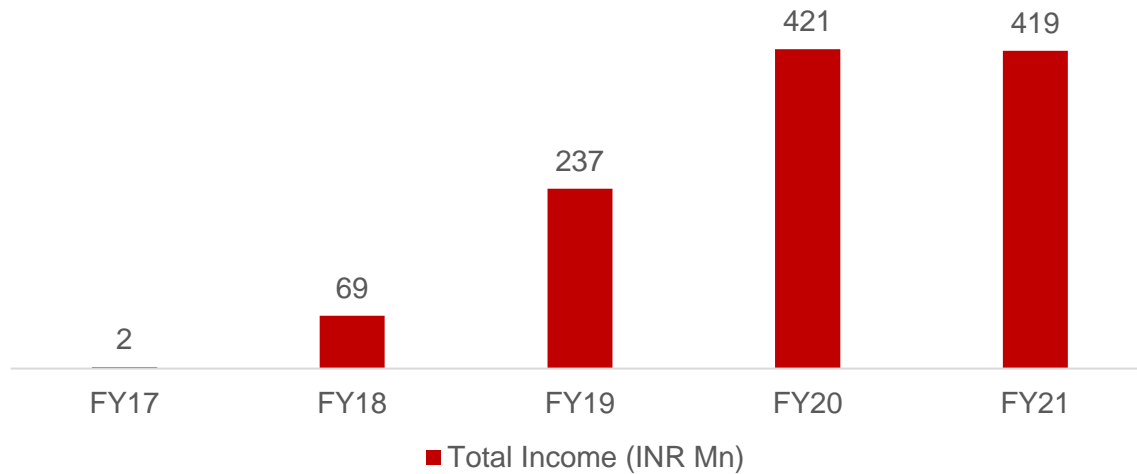
100% CAGR



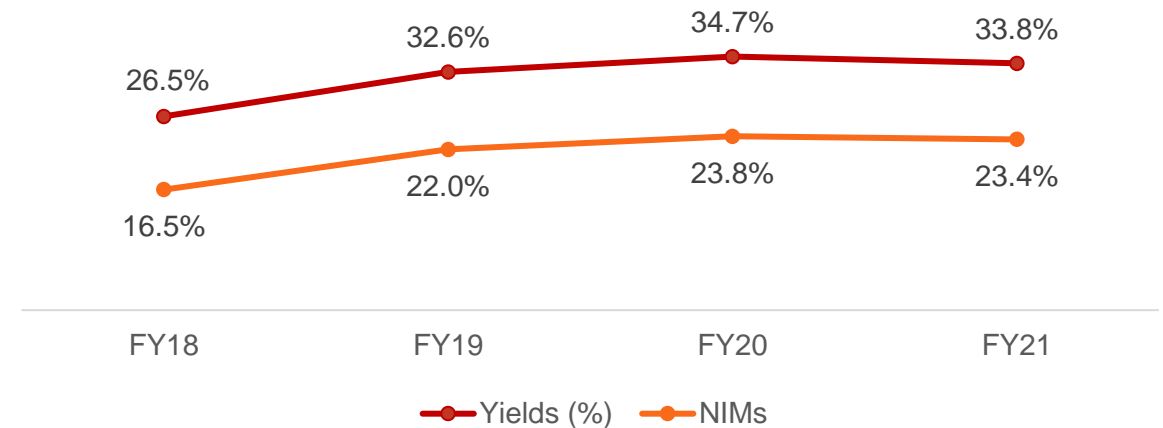
## AUM Growth



## Total Income Growth



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



**Note:** FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.