



Arman Financial Services Ltd.



**Arman Financial
Services Ltd.**

Investor Presentation - Dec 2019

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 - Q2 & H1 FY20



Q2 & H1 FY20 - Financial Performance Highlights



Total AUM increased by 46% YoY to INR 7,531 Mn (Q2 FY19 AUM: INR 5,147 Mn)



Total Disbursements Increased by 15% YoY to INR 2,315 Mn in Q2 FY20; and 19% YoY to INR 4,230 Mn in H1 FY20



Gross Total Income increased by 70% to INR 544 Mn in Q2 FY20; and 70% YoY to INR 1,026 Mn in H1 FY20



Net Total Income increased by 65% to INR 317 Mn in Q2 FY20; and 70% YoY to INR 611 Mn in H1 FY20



Total PPop increased by 73% to INR 187 Mn in Q2 FY20; and 90% YoY to INR 364 Mn in H1 FY20



Total Profit After Tax increased by 73% to INR 120 Mn in Q2 FY20; and 100% YoY to INR 242 Mn in H1 FY20

Q2 & H1 FY20 - Consolidated Profit & Loss Statement



As per IND-AS

Particulars (INR Mn)	Q2 FY20	Q2 FY19	YoY (%)	H1 FY20	H1 FY19	YoY (%)
Asset Under Management	7,531	5,147	46%	7,531	5,147	46%
Disbursements	2,315	2,005	15%	4,230	3,553	19%
Shareholder's Equity *	1,464	1,104	33%	1,464	1,104	33%
Income from Operations	530.2	318.4	67%	1,008.0	603.6	67%
Other Income	13.5	0.6	-	17.6	0.6	-
Gross Total Income	543.7	319.0	70%	1,025.6	604.2	70%
Finance Costs	227.0	127.1	79%	414.1	243.9	70%
Net Total Income (NTI)	316.7	192.0	65%	611.5	360.4	70%
Employee Benefits Expenses	88.1	60.2	46%	168.1	115.6	45%
Depreciation and Amortisation	2.2	1.3	71%	3.8	2.5	53%
Other Expenses	38.9	22.1	76%	75.4	50.6	49%
Pre-Provision Operating Profit	187.5	108.4	73%	364.1	191.6	90%
Provision & Write-offs	22.3	10.4	114%	37.1	21.6	72%
Profit before Tax	165.2	98.0	69%	327.0	170.0	92%
Less : Tax expense:	44.8	28.4	58%	85.5	49.5	73%
Profit for the year	120.4	69.6	73%	241.5	120.5	100%
GNPA %	1.2%	1.3%		1.2%	1.3%	
NNPA %	0.6%	0.5%		0.6%	0.5%	
Return on Avg. AUM %	6.5%	5.7%		6.7%	5.2%	
Return on Avg. Equity % *	34.4%	26.3%		35.8%	29.2%	

As per I-GAAP

Particulars (INR Mn)	H1 FY20	H1 FY19	YoY (%)
Asset Under Management	7,597	5,191	46%
Disbursements	4,230	3,553	19%
Shareholder's Equity *	1,513	1,166	30%
Income from Operations	1,011.6	613.0	65%
Other Income	17.6	0.6	-
Gross Total Income	1,029.2	613.6	68%
Finance Costs	441.8	266.6	66%
Net Total Income (NTI)	587.3	347.0	69%
Employee Benefits Expenses	168.2	116.7	44%
Depreciation and Amortisation	3.1	2.5	24%
Other Expenses	76.2	51.6	48%
Pre-Provision Operating Profit	339.8	176.2	93%
Provision & Write-offs	28.2	34.6	(19%)
Profit before Tax	311.7	141.6	120%
Less : Tax expense:	82.0	41.4	98%
Profit for the year	229.7	100.1	129%
GNPA %	1.1%	1.3%	
NNPA %	1.1%	1.2%	
Return on Avg. AUM %	6.0%	4.2%	
Return on Avg. Equity % *	32.8%	23.1%	

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

H1 FY20 - Balance Sheet (IND-AS)



	Consolidated	Standalone
ASSETS	Sep-19	Sep-19
<u>Financial Assets</u>		
Cash & Bank Balance	1,091.8	101.0
Trade Receivables	90.2	47.5
Loans & Advances	7,495.4	2,179.2
Investments	31.5	619.9
Other Financial assets	7.1	3.6
Total Financial Assets	8,716.0	2,951.2
<u>Non-Financial Assets</u>		
Current tax assets (Net)	0.0	(0.5)
Deferred tax Assets (Net)	16.5	(7.5)
Property, Plant and Equipment	37.4	8.5
Other Intangible assets	2.2	0.1
Right To Use Asset	8.1	0.0
Other non-financial assets	0.6	0.1
Total Non-Financial Assets	64.7	0.6
Total Assets	8,780.8	2,951.9

	Consolidated	Standalone
LIABILITIES & EQUITY	Sep-19	Sep-19
Equity Share capital	69.8	69.8
Reserves & Surplus	1,394.6	984.5
Total Shareholders Funds	1,464.4	1,054.3
<u>Financial Liabilities</u>		
Payables	40.5	0.0
Total Borrowings	6,978.9	1,812.0
Other Financial Liabilities	154.3	48.3
Total Financial Liabilities	7,173.7	1,860.3
<u>Non-Financial Liabilities</u>		
Current tax liabilities (Net)	30.6	0.0
Provisions	102.4	34.3
Other non-financial liabilities	9.8	2.9
Total Non-Financial Liabilities	142.7	37.2
Total Liabilities & Equity	8,780.8	2,951.9

Note: There may be minor variations between Namra + Standalone figures and the consolidated figures due to eliminations / knock-offs

Q2 & H1 FY20 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q2 FY20	Q2 FY19	YoY (%)	H1 FY20	H1 FY19	YoY (%)
Asset Under Management	5,553	3,534	57%	5,553	3,534	57%
Disbursements	1,729	1,535	13%	3,125	2,696	16%
Income from Operations	361.5	211.3	71%	681.6	409.9	66%
Other Income	13.5	0.0	-	17.6	0.0	-
Gross Total Income	374.9	211.3	77%	699.2	409.9	71%
Finance Costs	174.7	97.9	78%	314.0	192.2	63%
Net Total Income (NTI)	200.2	113.3	77%	385.2	217.7	77%
Employee Benefits Expenses	56.0	38.4	46%	106.0	74.0	43%
Depreciation and Amortisation	2.0	0.9	109%	3.3	1.8	85%
Other Expenses	28.7	16.0	79%	52.6	31.2	68%
Pre-Provision Operating Profit	113.6	58.0	96%	223.3	110.7	102%
Provision & Write-offs	18.7	2.7	595%	27.2	7.9	247%
Profit before Tax	94.9	55.3	72%	196.0	102.8	91%
Less : Tax expense:	23.0	16.9	37%	52.3	30.1	74%
Profit for the year	71.9	38.4	87%	143.8	72.7	98%
GNPA %	0.8%	0.7%		0.8%	0.7%	
NNPA % *	0.8%	0.7%		0.8%	0.7%	
NNPA % (after ECL impact)	0.2%	0.0%		0.2%	0.0%	
Return on Avg. AUM %	5.4%	4.6%		5.6%	4.4%	
Return on Avg. Equity %	30.3%	24.9%		31.7%	27.2%	

- ❖ Witnessed strong traction in AUM (+57 YoY) backed by increase in customer base and average ticket size
 - Active MFI Customer base stood at ~3.3 Lakhs in Sep 2019 (+34% YoY)
- ❖ Net total income grew by 77% YoY to INR 200.2 Mn. NIM's improved by 162 bps to 15.0% led by -
 - Increase in yields to 26.0% (+80 bps YoY)
 - Higher other income
- ❖ Increase in finance cost (+78% YoY) led by higher borrowing. Further, most of the debt raised in Q1 was back ended
- ❖ Operating leverage resulted in lower Cost-to-Income Ratio (43.3% in Q2 FY20 vs. 48.8% in Q2 FY19)
 - This led to disproportionately higher growth in Pre-provisioning Operating Profit (+96% YoY)
- ❖ Stable Asset Quality - GNPA and NNPA stood steady at 0.8%. Post ECL adjustment, NNPA stood at 0.2%.
 - An additional ECL provision of ₹ 0.7 crore (a notional charge) was made in Q2 after considering the prevailing challenging macro-environment and impact of floods in few states
- ❖ Launched 4 new branches in Q2 FY20; 42 new branches in H1 FY20

Note:

- * Provisioning for NBFC-MFIs are on Standard Assets. The NNPA% does not consider provisioning on Standard Assets.
- 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
- $NIM = NTI / \text{Avg. AUM (On + Off-Book)}$; $Yields = \text{Income from Operations} / \text{Avg. AUM (On + Off-Book)}$; $Cost\text{-to-Income Ratio} = \text{Opex (excl. provisions)} / \text{Net Total Income}$; $RoE = PAT / \text{Avg. Equity}$; $GNPA \% = GNPA / \text{AUM (On + Off-Book)}$; $NNPA \% = NNPA / \text{AUM (On + Off-Book)}$; $NIM \%$, RoE and $\text{Return on Avg. AUM}$ figures are annualized

H1 FY20 - Microfinance Performance Update - Reconciliation to IND-AS



Particulars (INR Mn)	H1 FY20 (IND-AS)	H1 FY20 (I-GAAP)	Chg (%)
Gross Total Income	699.2	703.4	(1%)
Finance Costs	314.0	323.6	(3%)
Net Total Income (NTI)	385.2	379.8	1%
Pre-Provision Operating Profit	223.3	217.5	3%
Provision & Write-offs	27.2	20.0	36%
Profit before Tax	196.0	197.5	(1%)
Profit after Tax	143.8	144.6	(1%)

Particulars (INR Mn)	H1 FY19 (IND-AS)	H1 FY19 (I-GAAP)	Chg (%)
Gross Total Income	409.9	419.8	(2%)
Finance Costs	192.2	191.7	0%
Net Total Income (NTI)	217.7	228.1	(5%)
Pre-Provision Operating Profit	110.7	120.4	(8%)
Provision & Write-offs	7.9	21.5	(63%)
Profit before Tax	102.8	99.0	4%
Profit after Tax	72.7	70.3	3%

Reconciliation from I-GAAP to IND-AS		
Particulars	H1 FY20	H1 FY19
Profit after tax as reported under previous GAAP	144.6	70.3
<u>Adjustments resulting In Increase/(decrease) In profit after tax as reported under Previous GAAP</u>		
i) Fair value Impact of Non-Convertible Debentures	0.0	0.0
ii) Impact on On recognition of other financial liabilities at amortised cost by application of Effective Interest Rate method	10.0	(10.0)
iii) Impact on On recognition of other financial Assets at amortised cost by application of Effective Interest Rate method	(4.2)	(0.4)
iv) Impact on recognition of ECL on Advances	(7.2)	13.6
v) Impact due to IND-AS 116 - Lease assets	(0.3)	0.0
vi) Impact on Employee stock options at Fair Value Method	0.2	0.7
vi) Remeasurement of Defined Benefit Obligations	0.1	(0.1)
vii) Tax Impact on Above Adjustments	0.6	(1.4)
Profit before tax as reported under Ind AS (A)	143.8	72.7

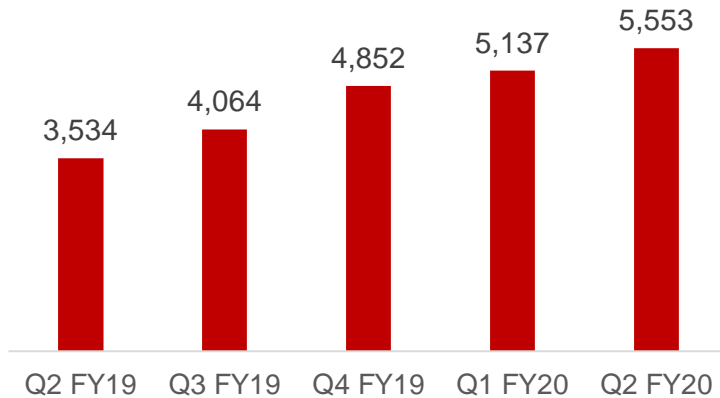
Note:

- * Provisioning for NBFC-MFIs are on Standard Assets. The NNPA% does not consider provisioning on Standard Assets.
- 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

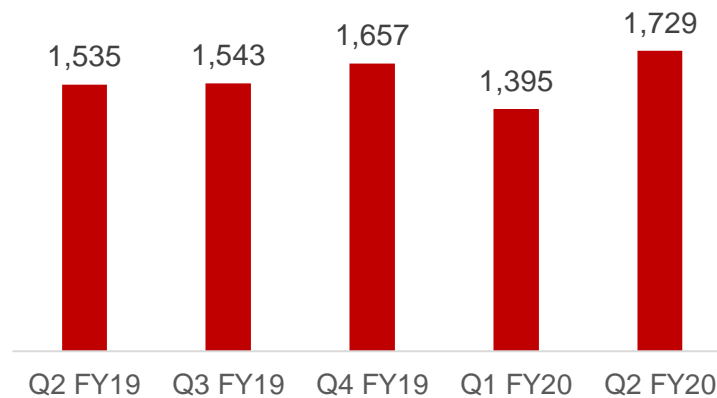
Q2 FY20 - Microfinance Performance Update



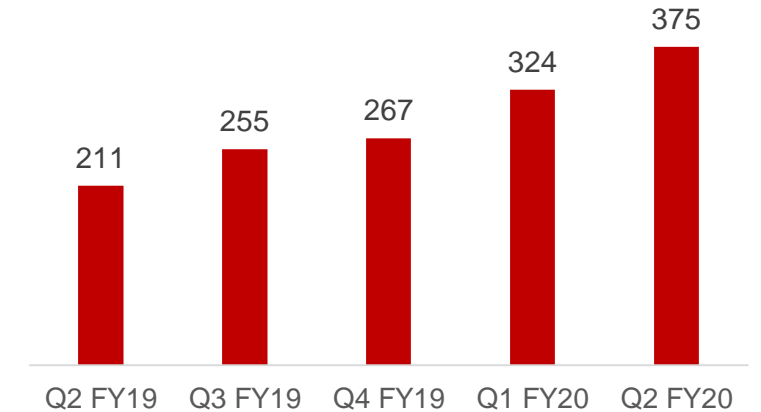
AUM (INR Mn)



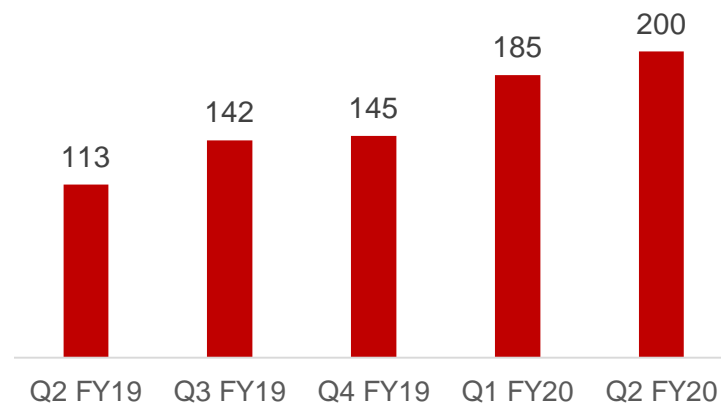
Disbursement (INR Mn)



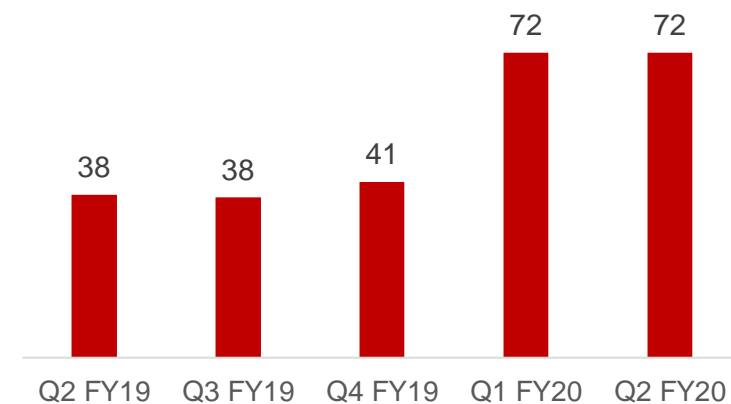
Gross Total Income (INR Mn)



Net Total Income (INR Mn)



PAT (INR Mn)



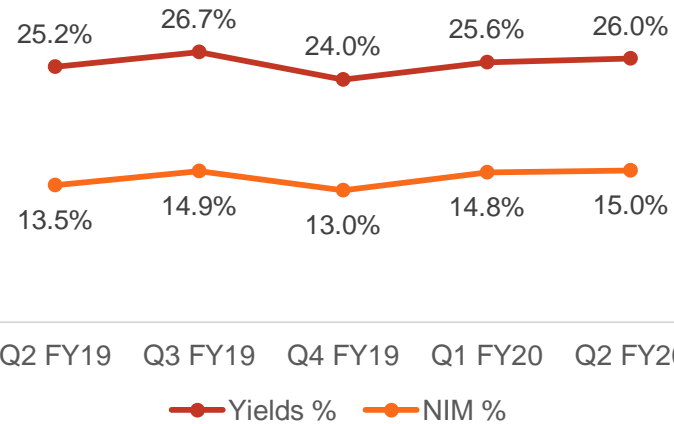
Note:

- Q1 FY20, Q2 FY20 and Q2 FY19 figures are as per IND-AS accounting standards, figures for all other periods are as per I-GAAP
- *Net Total Income = Gross Total Income – Finance Cost*

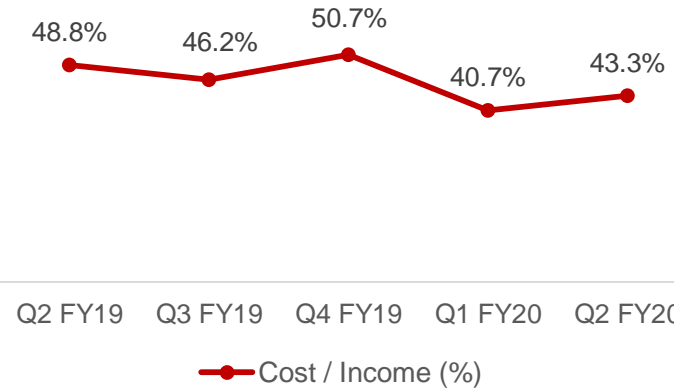
Q2 FY20 - Microfinance Performance Update



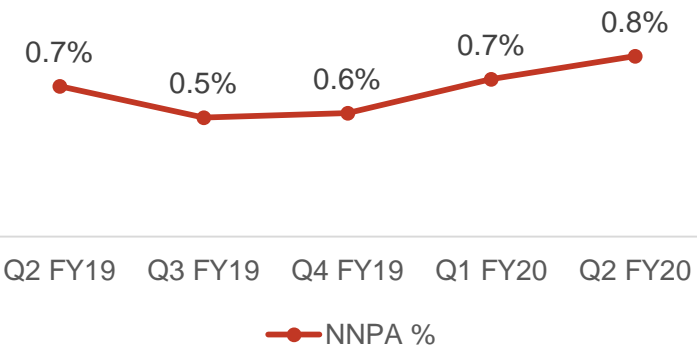
Yields % and NIM %



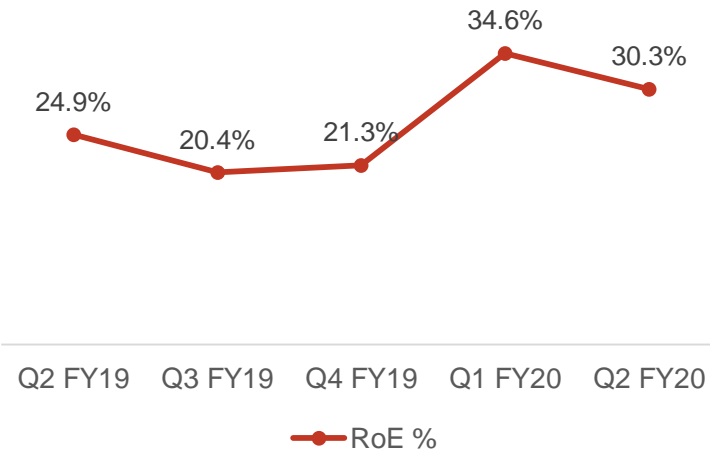
Cost-to-Income Ratio %



Asset Quality



ROE %



Note:

- Q2 FY20, Q1 FY20 and Q2 FY19 figures are as per IND-AS accounting standards, figures for all other periods are as per I-GAAP
- $NIM = NTI / \text{Avg. AUM (On + Off-Book)}$; $Yields = \text{Income from Operations} / \text{Avg. AUM (On + Off-Book)}$; $\text{Cost-to-Income Ratio} = \text{Opex (excl. provisions)} / \text{Net Total Income}$; $NNPA \% = NNPA / \text{AUM}$; $RoE = PAT / \text{Avg. Equity}$. RoE, Yields and NIM % figures are annualized

Q2 & H1 FY20 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q2 FY20	Q2 FY19	YoY (%)	H1 FY20	H1 FY19	YoY (%)
Asset Under Management	2,218	1,704	30%	2,218	1,704	30%
Disbursements	586	470	25%	1,105	856	29%
Income from Operations	171.3	109.5	56%	329.8	201.1	64%
Other Income	6.5	4.4	46%	9.6	7.9	22%
Gross Total Income	177.8	114.0	56%	339.5	209.0	62%
Finance Costs	54.9	31.5	74%	103.5	59.1	75%
Net Total Income (NTI)	122.9	82.5	49%	235.9	150.0	57%
Employee Benefits Expenses	32.0	21.8	47%	62.1	41.6	49%
Depreciation and Amortisation	0.3	0.4	(23%)	0.5	0.7	(25%)
Other Expenses	10.2	6.1	67%	22.8	19.4	18%
Pre-Provision Operating Profit	80.4	54.2	48%	150.5	88.3	71%
Provision & Write-offs	4.8	8.2	(41%)	11.1	14.2	(22%)
Profit before Tax	75.6	46.0	64%	139.4	74.0	88%
Less : Tax expense:	21.4	11.4	88%	32.9	19.3	70%
Profit for the year	54.2	34.6	56%	106.5	54.7	95%
GNPA %	1.9%	2.4%		1.9%	2.4%	
NNPA %	1.3%	1.6%		1.3%	1.6%	
Return on Avg. AUM %	10.1%	8.8%		10.1%	7.7%	

Note:

- Q1 FY20, Q2 FY20, Q1 FY19 and Q2 FY19 figures are as per IND-AS accounting standards; figures for all other periods are as per I-GAAP.
- 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). Return on Avg. AUM figures are annualized

- ❖ Witnessed strong growth in MSME AUM (+70% YoY) to INR 1,257 Mn
 - No. of loans disbursed increased by 68% YoY to 36,478
- ❖ 2W AUM stood INR 960 Mn, registering a minor decline over the previous year due to the ongoing slump in two-wheeler sales
- ❖ Net total income grew by 49% YoY to INR 122.9 Mn in Q2. NIM's improved by 186 bps to 22.8% led by -
 - Higher blended yields at 31.3% (+340 bps YoY) driven by increase in share of MSME business to 57% in Q2 FY20 (up from 43% in Q2 FY19)
- ❖ Opex (excluding provisions) grew by 51% as the company focused on branch expansion and driving growth in the MSME segment
 - Added 9 MSME branches during the 2nd quarter
 - Cost-to-Income Ratio remained flat at 34.6% in Q2 FY20 as compared to the previous year
- ❖ Lower provisions in the MSME segment helped drive higher profitability - PAT grew by 56% YoY to INR 54.2 Mn
- ❖ Prudent lending and lower NPA's in MSME segment helped to improve Asset Quality –
 - GNPA improved to 1.9% (lower by ~51 bps) and NNPA improved to 1.3% (lower by ~31 bps)

H1 FY20 - Standalone Performance Update - Reconciliation to IND-AS



Particulars (INR Mn)	H1 FY20 (IND-AS)	H1 FY20 (I-GAAP)	Chg (%)
Gross Total Income	339.5	329.2	3%
Finance Costs	103.5	121.6	(15%)
Net Total Income (NTI)	235.9	207.6	14%
Pre-Provision Operating Profit	150.5	122.3	23%
Provision & Write-offs	11.1	8.1	36%
Profit before Tax	139.4	114.2	22%
Profit after Tax	106.5	85.1	25%

Particulars (INR Mn)	H1 FY19 (IND-AS)	H1 FY19 (I-GAAP)	Chg (%)
Gross Total Income	209.0	201.2	4%
Finance Costs	59.1	82.3	(28%)
Net Total Income (NTI)	150.0	118.9	26%
Pre-Provision Operating Profit	88.3	55.8	58%
Provision & Write-offs	14.2	13.2	8%
Profit before Tax	74.0	42.6	74%
Profit after Tax	54.7	29.8	83%

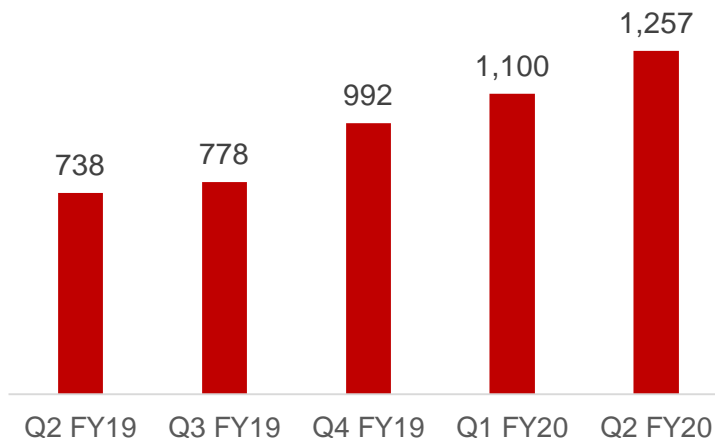
Reconciliation from I-GAAP to IND-AS		
Particulars	H1 FY20	H1 FY19
Profit before tax as reported under previous GAAP	85.1	29.8
<u>Adjustments resulting In Increase/(decrease) In profit after tax as reported under Previous GAAP</u>		
i) Fair value Impact of Compulsory Convertible Debentures	19.7	18.7
ii) Impact on On recognition of other financial liabilities at amortised cost by application of Effective Interest Rate method	(1.6)	5.5
iii) Impact on On recognition of other financial Assets at amortised cost by application of Effective Interest Rate method	0.6	0.6
Income from Current Investment in Mutual Fund- Fair value through Profit & Loss	-	-
iv) Impact on recognition of ECL on Advances	(2.9)	(1.0)
Impact due to IND-AS 116 - Lease assets	-	-
v) Impact on Employee stock options at Fair Value Method	(0.4)	(0.1)
vi) Impact due to fair valuation of Financial Guarantee	9.6	7.3
vii) Remeasurement of Defined Benefit Obligations	0.2	0.5
viii) Tax Impact on Above Adjustments	(3.8)	(6.6)
Profit before tax as reported under Ind AS (A)	106.5	54.7

Note: GNPA % = GNPA / AUM (On + Off-Book) ; NNPA % = NNPA / AUM (On + Off-Book). Return on Avg. AUM figures are annualized

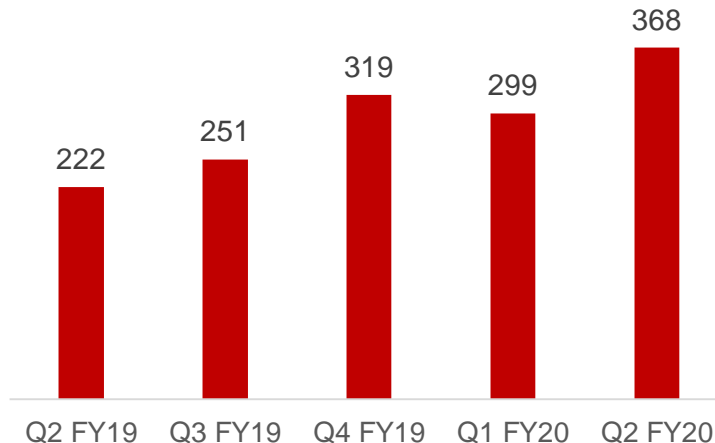
Q2 FY20 - MSME Performance Update



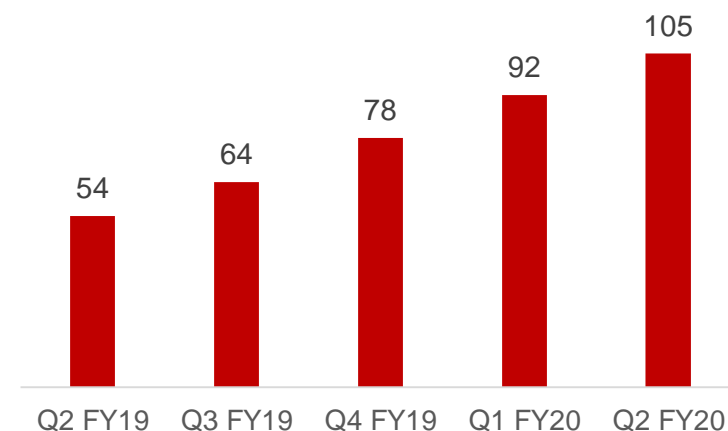
AUM (INR Mn)



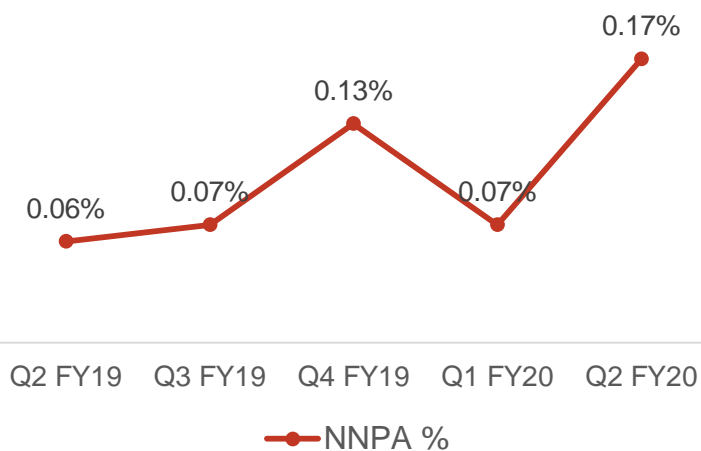
Disbursements (INR Mn)



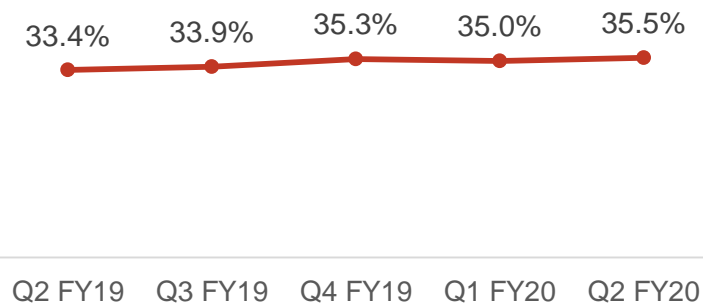
Gross Interest Income (INR Mn)



Asset Quality



Yields %



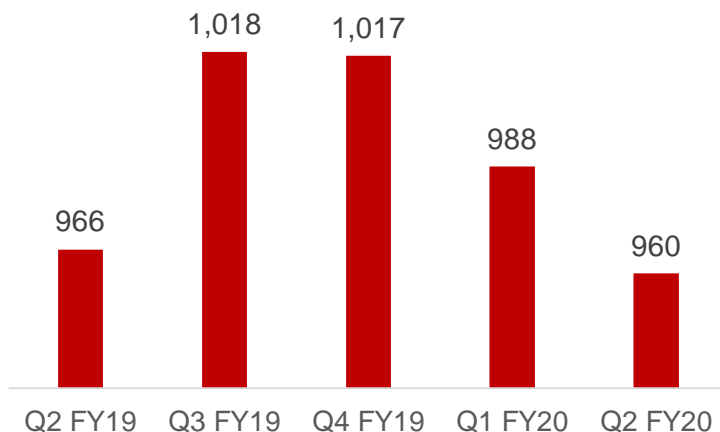
Note:

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- 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.

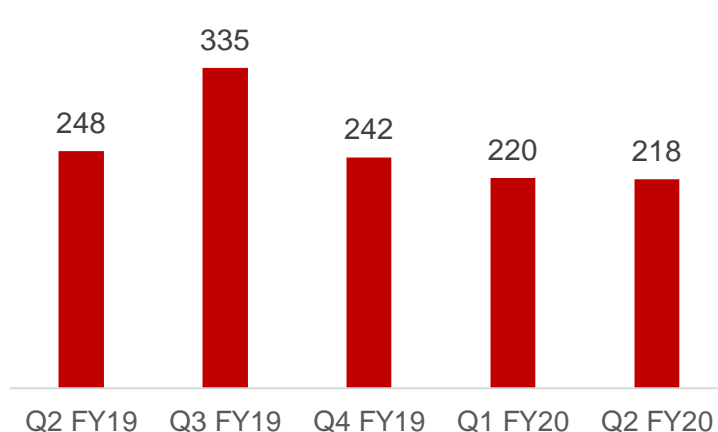
Q2 FY20 - 2W Performance Update



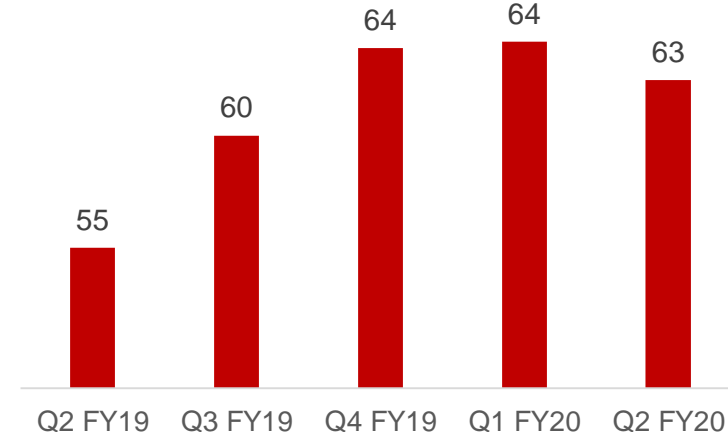
AUM (INR Mn)



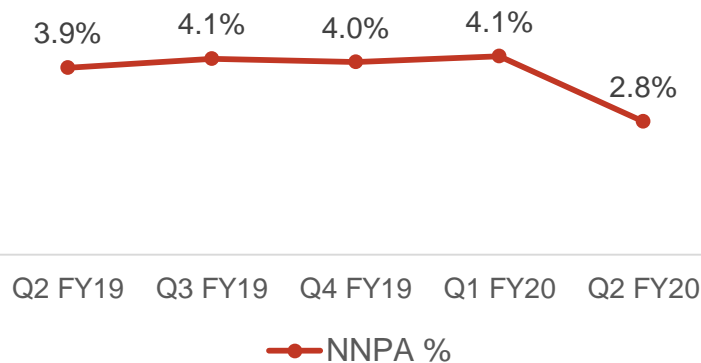
Disbursement (INR Mn)



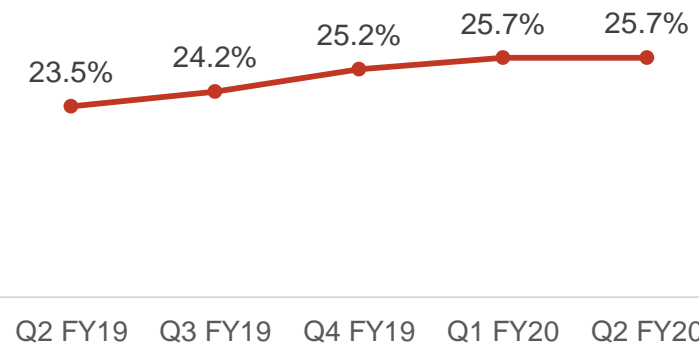
Gross Interest Income (INR Mn)



Asset Quality



Yields %



Note:

- Q1 FY20, Q2 FY20, Q1 FY19 and Q2 FY19 figures are as per IND-AS accounting standards; figures for all other periods are as per I-GAAP.
- 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.



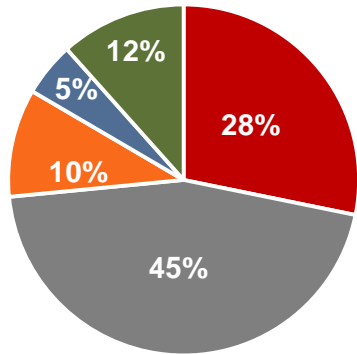
Liability Overview

Efficient Liability Management

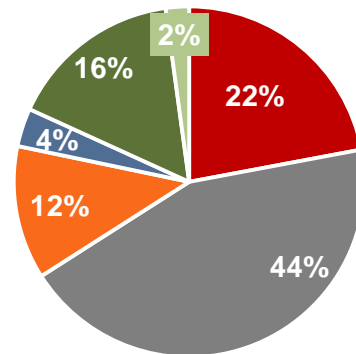


Funding profile is well diversified with increasing share of NCDs, NABARD refinance & securitization

Q4 FY19 - Borrowing Mix %



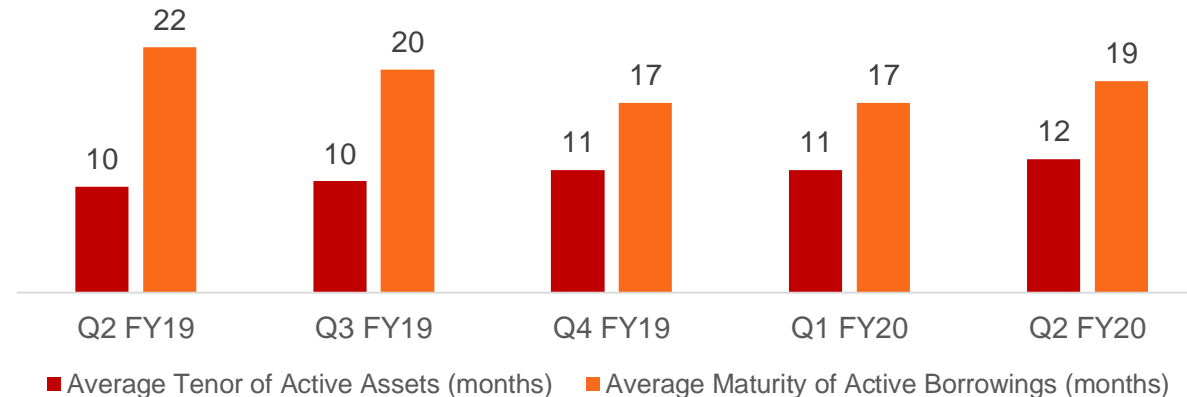
Q2 FY20 - Borrowing Mix %



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

- Well-diversified borrowing mix with increasing share of NCD's, NABARD Refinance, Sub-ordinate Debt and Securitization
 - Share of NCD's, NABARD Refinance, Subordinate Debt and Securitization represented **~34% of borrowings in Q2 FY20** as compared to **~27%** in Q4 FY19
- **Constant rating upgrades** have helped lower cost of funds in recent years
 - Credit rating has moved up **1 notch** in last year: Upgraded to **BBB+ in FY19 (CARE Ratings)**
 - **Ratings Reaffirmed recently to BBB+ for FY-20 by CARE Ratings**
 - Group has also availed **short-term bank facilities** which have been assigned **A2 rating by CARE Ratings**
- **Comfortable liquidity position backed by Positive ALM**

Positive ALM (in Months)



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

Robust Risk Management Framework

- **Superior Asset Quality – GNPA: 1.2%; NNPA: 0.6% (Q2 FY20)**
- **Consistent rating upgrades** backed by strong financial & operating performance – Currently rated **BBB+** by CARE Ratings
- **Track record of consistent profitability** - Never reported an annual loss
- **Completely in-house operations** with **bottoms up** driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

Presence in Attractive Retail Lending

Segments

- **Total Loan Assets of INR 7,531 Mn in Q2 FY20**
- **Microfinance – 72% of AUM** (via 100% owned subsidiary “**Namra Finance**”)
- **MSME Loans – 16% of AUM**
- **2-Wheeler Loans – 12% of AUM**
- **Healthy Spreads: Q2FY20** Yields 27.5%, NIM 17.2%



Arman Financial Services Ltd.

Strong Financial Performance

- **High-Growth Trajectory (FY2014-19 CAGR) :**
 - **AUM: 50%**
 - **PAT: 37%**
- **Consolidated debt to equity ratio of 4.75:1** – Sufficient Capital to drive growth going forward
- **High Return Ratios:**
 - **Q2 FY20 - ROE (%): 34.4% , ROAA* (%): 6.5%**

Strong Retail Presence & Wide Distribution Network

- 223 branches; 70+ 2-Wheeler dealerships
- 83 Districts, 6 states
- 4.05 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: ~18 months; Avg. tenor of debt at origination: ~36 months
- **Diversified Borrowing Profile** with Relationship across 34 Banks & other Financial Institutions

Note:

- * Return on Avg. AUM.
- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book) ; NNPA % = NNPA / AUM (On + Off-Book). ROAA and ROE figures are annualized.

Business Progression



Company incorporated.
Started bill discounting & machine leasing

1992

1995

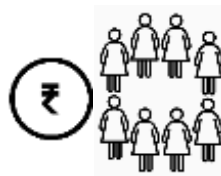
Listing on BSE – Issue subscribed 22x

1998

Launched 2W Loans

2010

Launched Microfinance business



2011

Raised PE funding from Incofin; Disbursement crosses 50 Cr

2013

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

2014-16

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

2017

Launched MSME Loans business



2017-18

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

2018

Raised PE funding from SAIF Partners

2019

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

Product Snapshot



ARMA FINANCIAL SERVICES LTD.

- 27 years of existence
- Active customer base of 4.05 lakh
- Employee strength of 1,774 employees
- Completely in-house operations – Sourcing, Credit & Collections

Microfinance



MSME Loans



2-Wheeler Loans



Rural 2W Loans



% of Total AUM	72%	16%	11%	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 50-150k	INR 30-55k	INR 40-50k
Average Ticket size	INR 26,000	INR 55,000	INR 42,000	INR 40,000
Tenure	14-24 months	24 months	12-36 months	12-24 months
Yield (%)	24-25% (Spread capped by RBI guidelines)	28-30%	21-23%	26-28%
Disbursement	100% Cashless	100% Cashless	100% Cashless to dealer	100% Cashless to sub-dealer
Credit Check	CRIF / Equifax Score; JLG Model with Training, Home Visit, Life Style Appraisal	CIBIL & CRIF Score; Detailed Cash Flow Assessment; Home & Business Field Investigation	CIBIL / CRIF Score & Field Investigation	CIBIL / CRIF Score; Detailed Cash Flow Assessment; Field Investigation
Collections	Cash collection at centre meeting	Door step cash collection	NACH / Direct Debit	Door step cash collection



Differentiated Operations



KEY STRATEGIC DIFFERENTIATORS

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

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

Conservative operations framework with focus on risk & asset quality

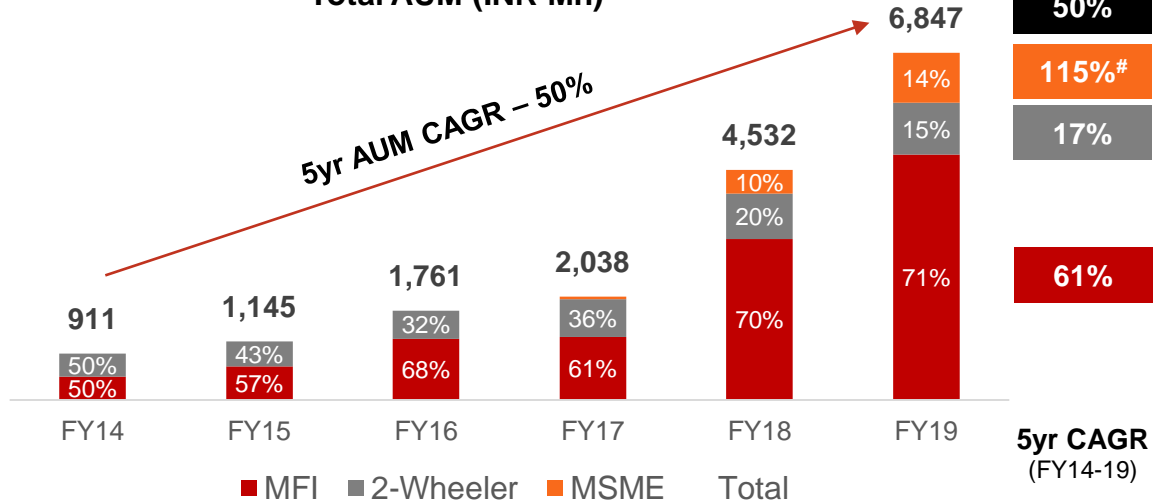
Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

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

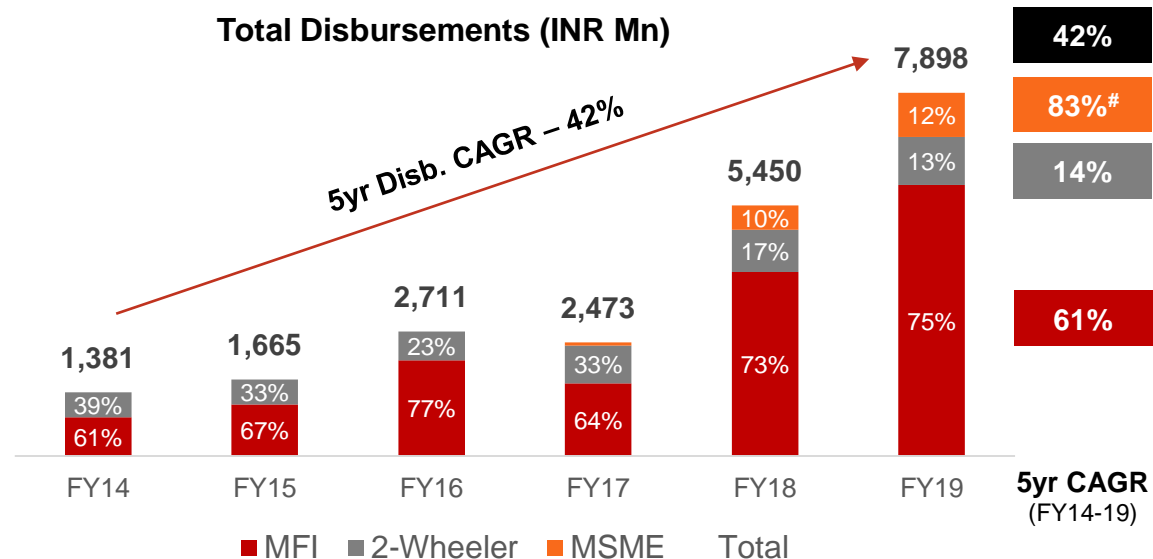
Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 7,531 Mn in Q2 FY20 split between –
 - Microfinance: INR 5,553 Mn (72%),
 - 2-Wheeler Loans: INR 960 Mn (12%)
 - MSME Loans: INR 1,257 Mn (16%)
- Strategically forayed into MSME Loans in 2017.** Successfully scaled up the business to INR 1,257 Mn (16% of Total AUM) in the last 2 years
- Further, we **recently launched a new product “Rural 2-wheeler loans”**(currently in pilot stage) to effectively meet the under-served market.
 - Higher ROA business offering immense growth potential
- Plan to reduce share of **MFI book in overall AUM to ~60% over time**

Asset Strategy at Arman

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

Self-employed / cash-income informal segment customers

High-yield rural focused products – 20%+ yields

Stringent underwriting

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

Aim to deliver 3-5% post-tax ROA

- MSME started in FY17; MSME CAGR is 1yr CAGR (FY18-19)

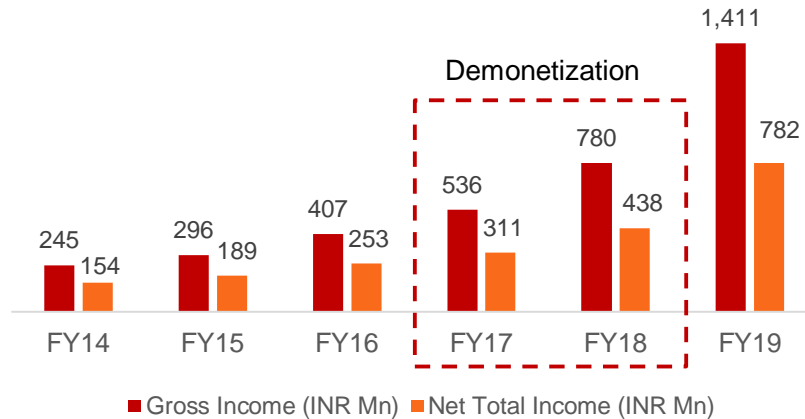
.....While Maintaining Superior Cost Efficiency & Asset Quality



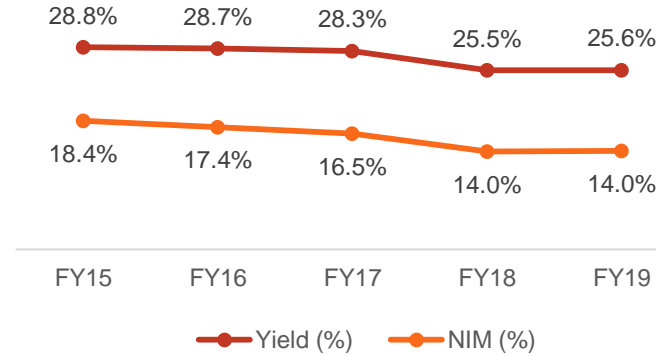
Gross Income and Net Total Income (INR Mn)

CAGR: 42%

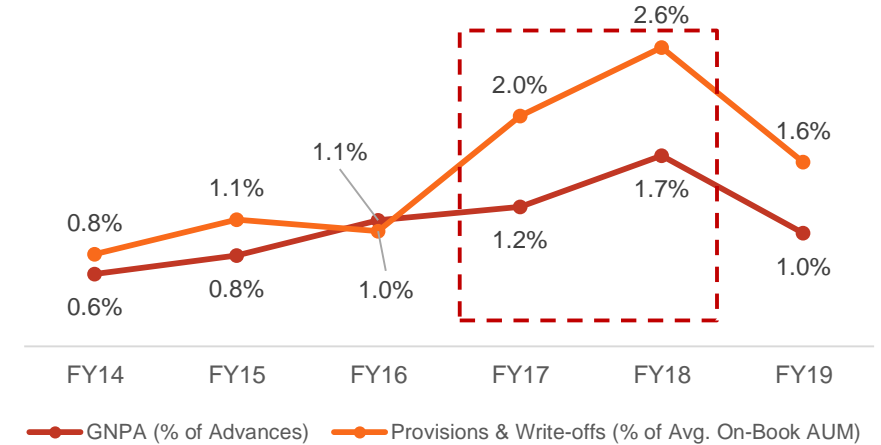
CAGR: 38%



Yield % and NIM %

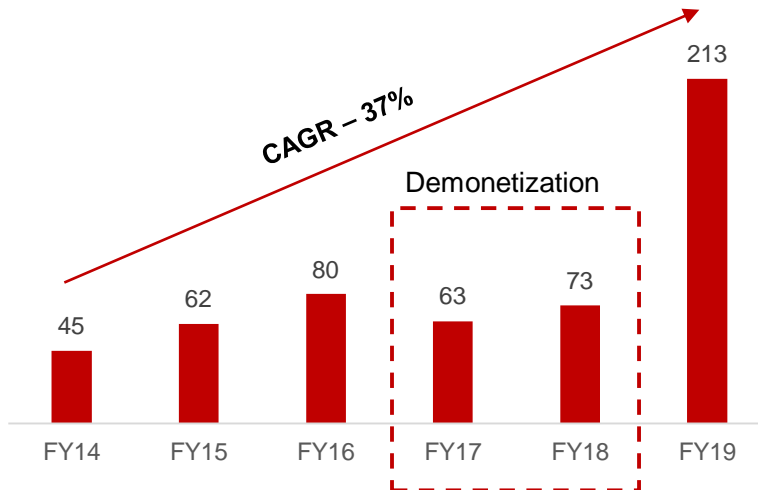


Focus on risk have led to immaculate through-cycle asset quality

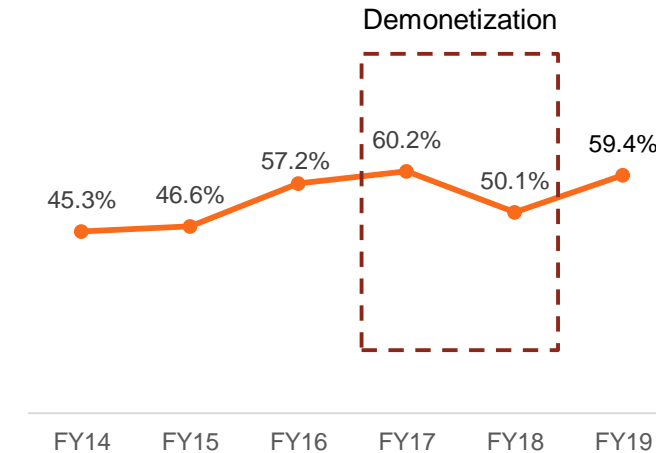


PAT (INR Mn)

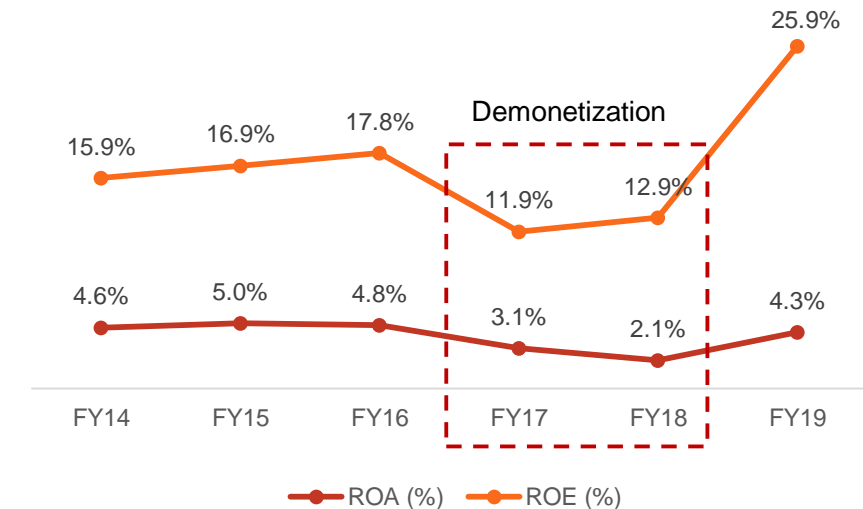
CAGR – 37%



Cost to Income Ratio %



Consistently high through cycle ROA / ROE



Note: NIM = NII / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM

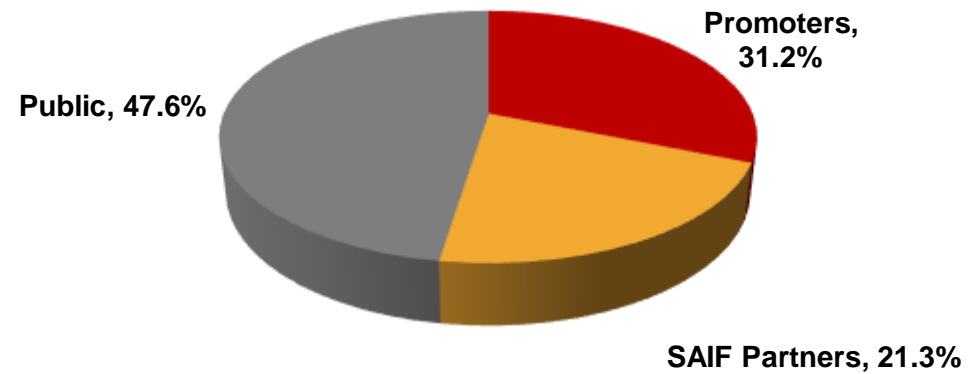


Shareholding Pattern



SHAREHOLDING - 11TH October 2019

*** Fully Diluted (Post Conversion of CCD's)**



Source – Company

- ***SAIF Partners** invested **INR 500 Mn** in CCDs in April 2018. Post conversion of CCD's, SAIF Partners stake in the company stands at 21.3%
- **Mr. Mridul Arora, MD at SAIF Partners is a Nominee Director on the Arman Board**



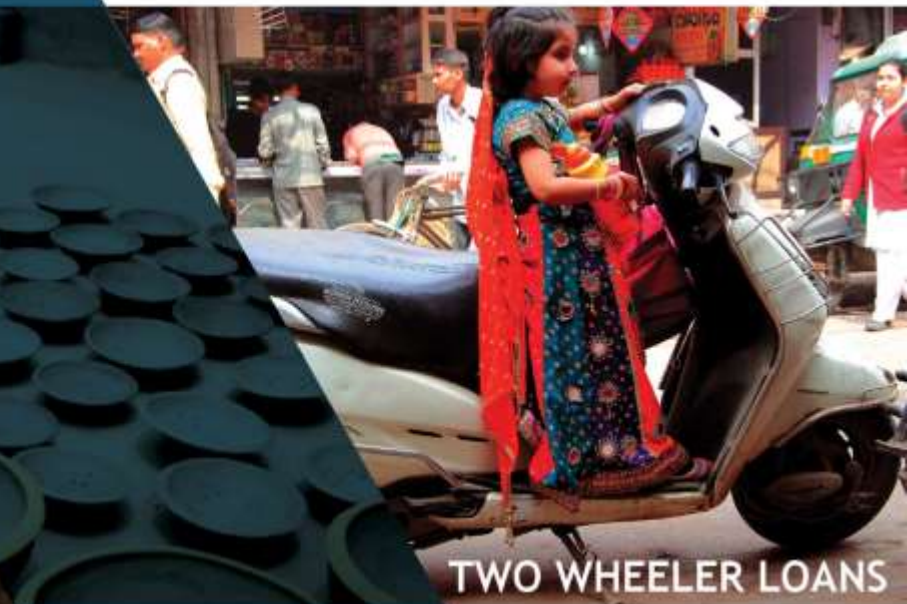
Arman Financial Services Ltd.



MSME LOANS



MICROFINANCE



TWO WHEELER LOANS

Product Overview



Product Overview

- **JLG model with small ticket loans** (Avg. Ticket Size – INR 26,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- Operations in **6 states; 182 MFI branches; 3.3 lakh live customers**
- Arman MFI operating model –
 - **High touch collections model** - 85% Bi-weekly, 15% Monthly Collections 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

FY19 – Key Metrics (Mn)

4,840	5,896	
AUM (INR Mn)	Disbursement (INR Mn)	
948	150	26,000
Total Income (INR Mn)	PAT (INR Mn)	Avg. Ticket Size(INR)

FY19 – Key Metrics (%)

24.6%	13.2%	3.5%
Yield	NIM	ROA
0.5%	0.5%	25.1%
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 70+ dealerships
- **Piloting new Rural 2W product:** Operating in Tier 3-4 & below locations for higher yields; higher ROA business; key growth driver going forward
- Growth levers –
 - Increase in finance penetration
 - Geographical & new product expansion
- Arman 2W & Rural 2W operating model –
 - Focus on **quick turn around time**
 - Excellent **relationships with dealers and OEMs**
 - **In-house feet-on-street** model for **rigorous collections**

FY19 – Key Metrics (Mn)

1,017

AUM (INR Mn)

1,041

Disbursement (INR Mn)

233

Total Income (INR Mn)

42,000

Avg. Ticket Size (INR)

FY19 – Key Metrics (%)

24.3%

Yield

12.2%

NIM

4.0%

GNPA

3.7%

NNPA

Product Overview: MSME Loans



Product Overview

- Individual enterprise / working capital loans for small rural businesses in low competition areas
- Currently operates across 2 states – Gujarat & MP; 34 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

FY19 – Key Metrics (%)

992	962
AUM (INR Mn)	Disbursement (INR Mn)
236	55,000
Total Income (INR Mn)	Avg. Ticket Size (INR)

FY19 – Key Metrics (%)

32.5%	20.0%
Yield	NIM
0.03%	0.03%
GNPA	NNPA

MSME Process Overview

Sourcing

- In-house sourcing team (No DSAs)
- Feet-on-Street sales team model
- Door-to-door knocking & cold calling
- BTL activities such as pamphlet distribution, stalls at village level gatherings
- Referrals from existing customers

Sales team logs-in the case & collects KYC docs

Underwriting

Trigger sent to independent credit team for FI

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

Collections

Door-step cash collection

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



Thank You



Arman Financial Services Ltd.

Vivek Modi

Group – CFO

Arman Financial Services Ltd

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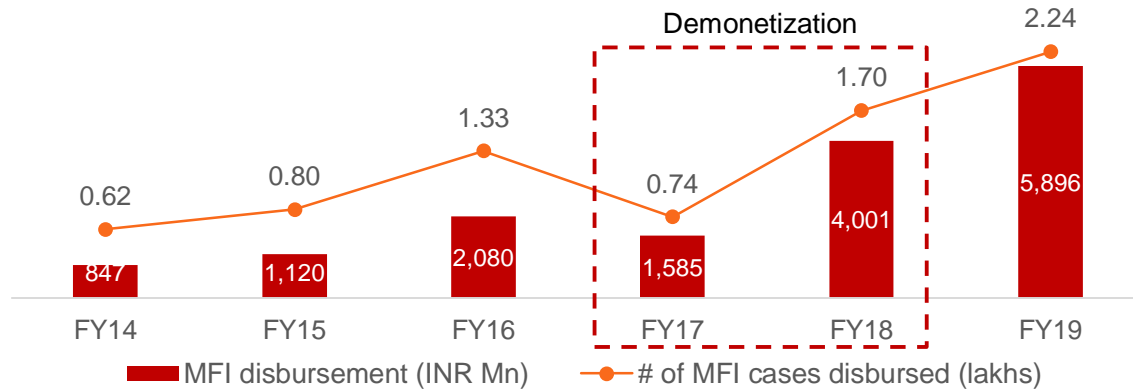
from ACCESS to INCLUSION

Annexures

Microfinance: 5-Year Performance



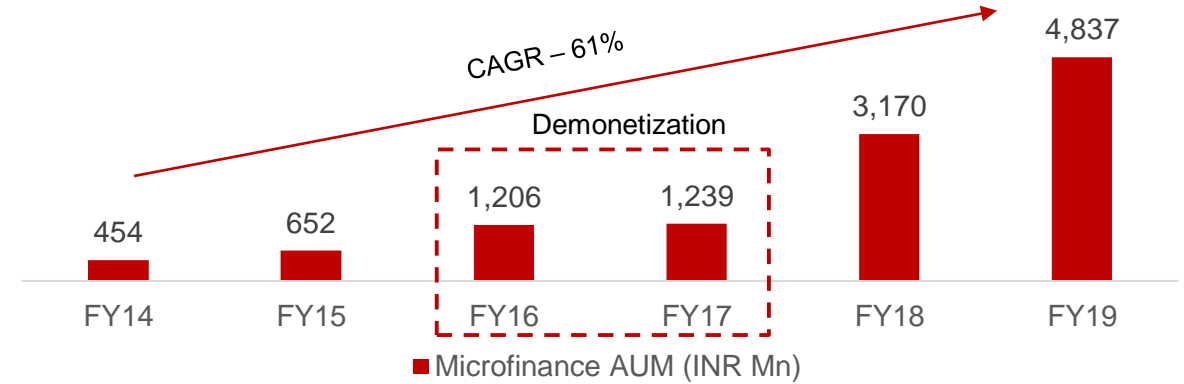
Disbursement growth is driven by customer & branch addition



	FY14	FY15	FY16	FY17	FY18	FY19
MFI Branches	29	39	55	80	107	138
Avg. Ticket size (INR)	13,600	13,937	15,583	21,477	23,517	26,358

	Disbursement	Customers	Ticket size
FY14-19 CAGR (%)	47%	32%	15%

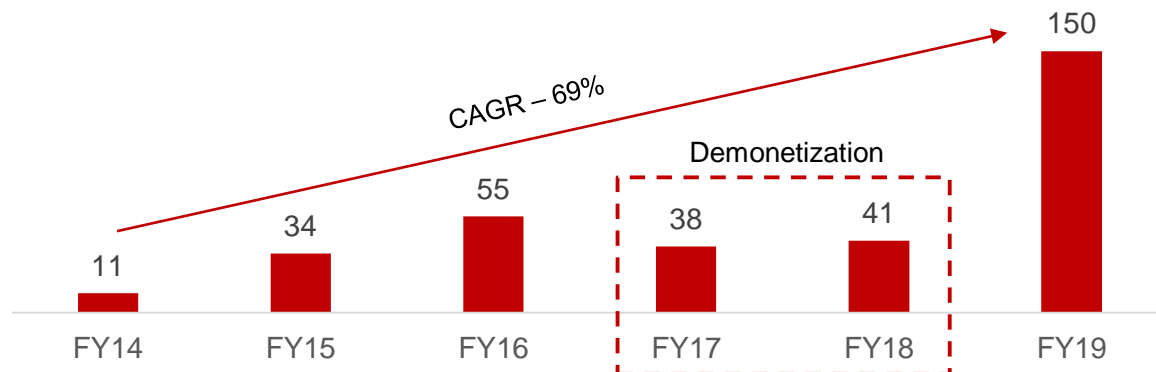
AUM growth exceeds MFI industry growth rates



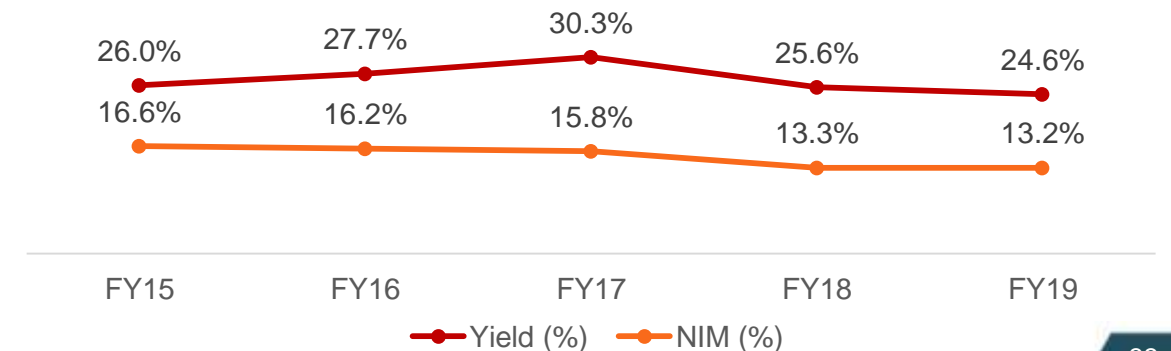
	5yr AUM CAGR (%)	FY19 AUM growth (%)
MFI Industry	33%	32%
Namra (MFI Operations)	61%	51%

*MFI Industry = NBFC-MFIs + SFBs only. Source - MFIN Micrometer Q4FY19

PAT (INR Mn)



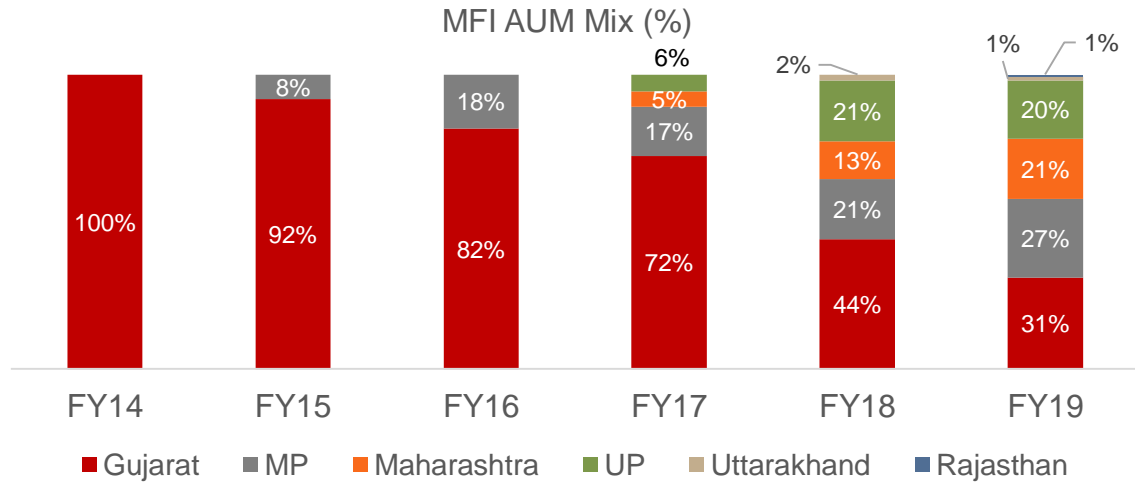
Yields (%) & NIM (%) Trend



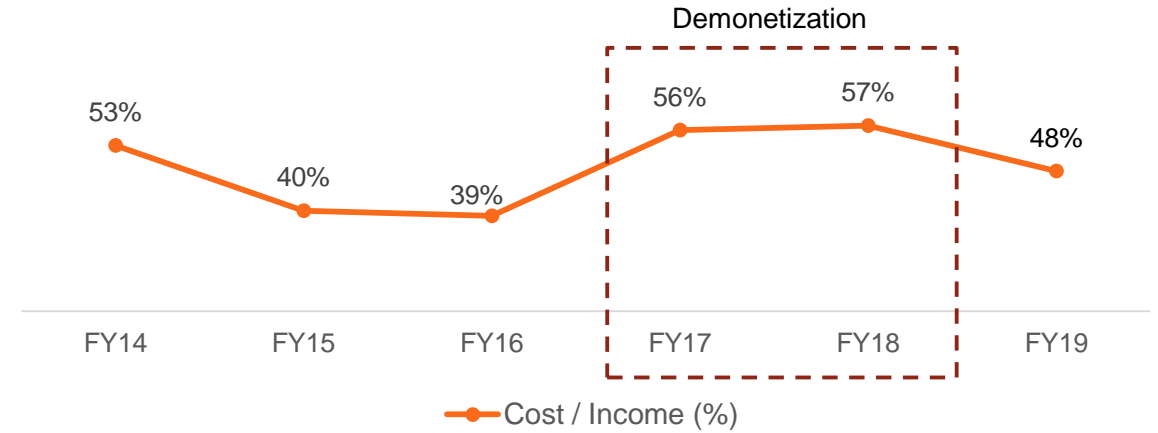
Microfinance: 5-Year Performance



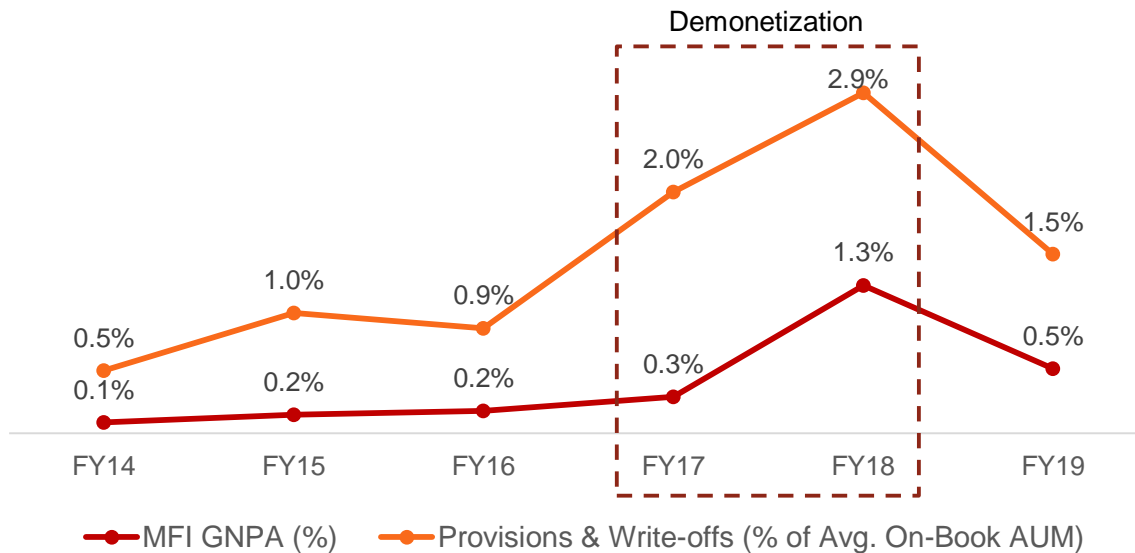
Well diversified across geographies



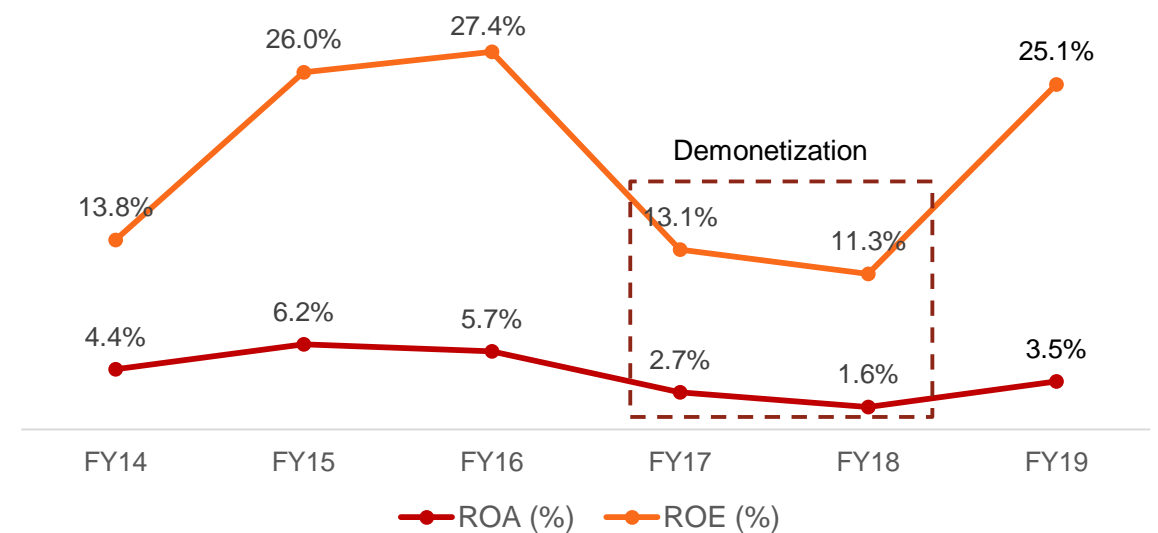
Maintaining high operational efficiency



Through cycle asset quality under control



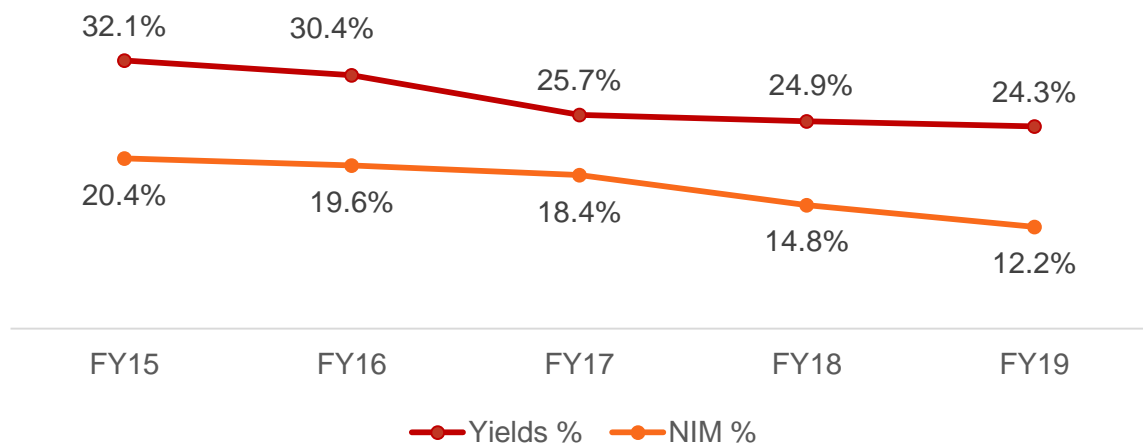
Sustaining strong ROA (%) & ROE (%)



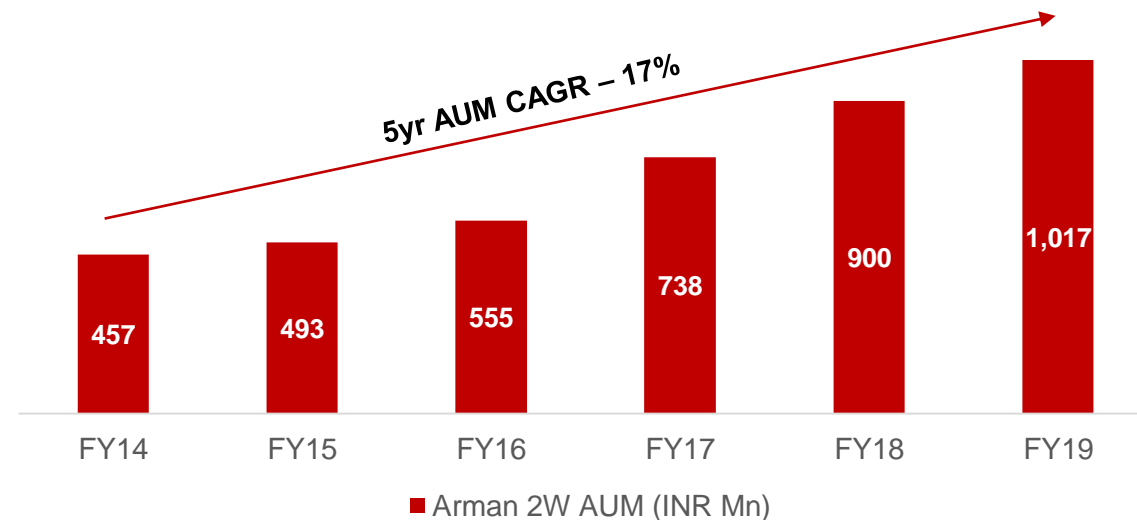
2W Loans: 5-Year Performance



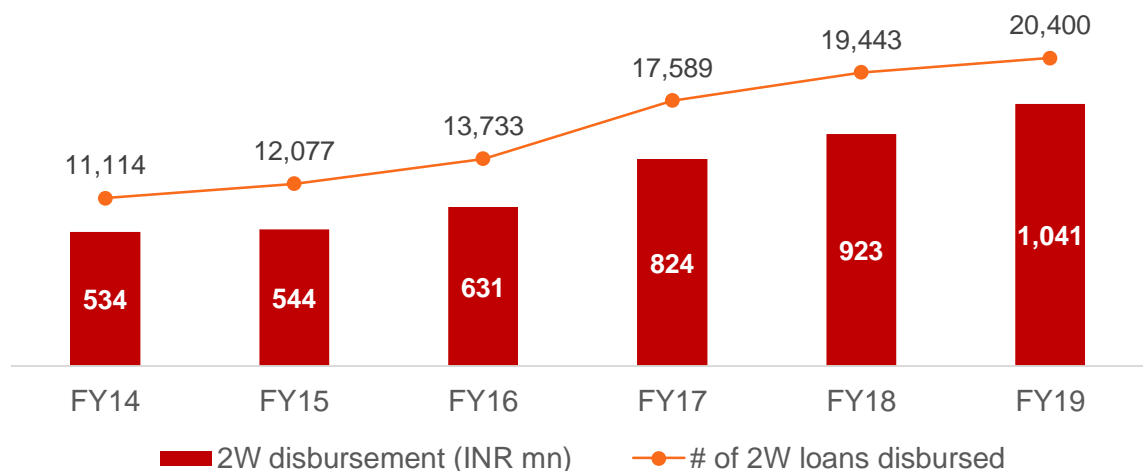
Yields (%) & NIM (%) Trend



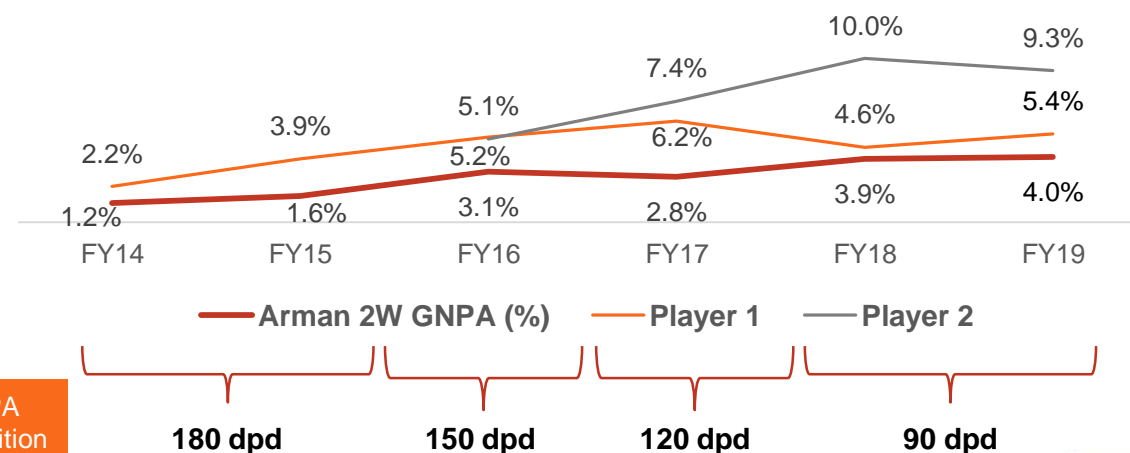
Arman 2W AUM/ has seen steady growth over FY14-19



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

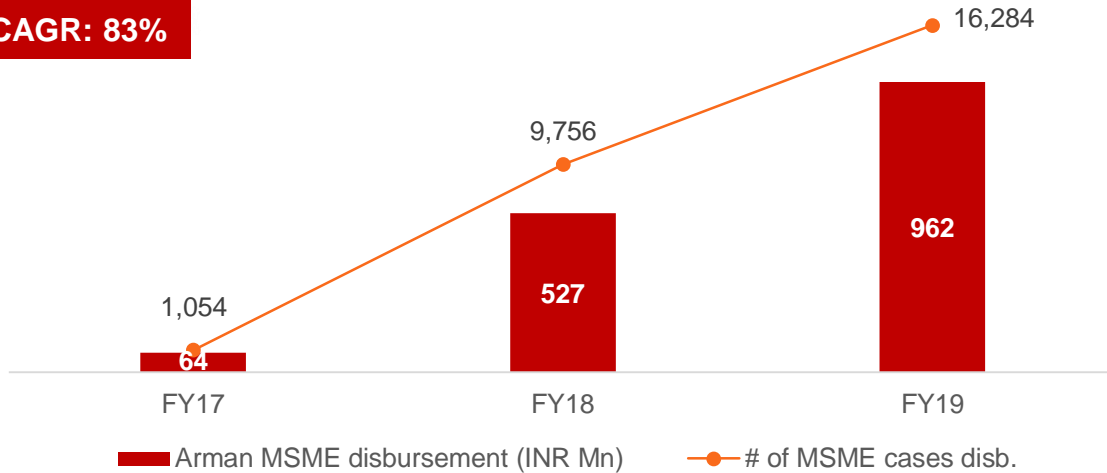


MSME Loans: 3-Year Performance



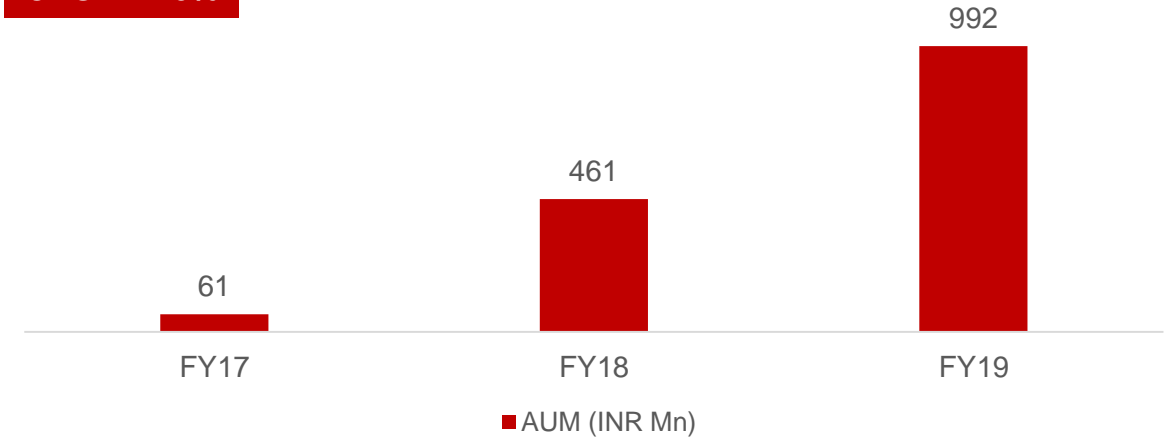
Disbursement Growth

CAGR: 83%

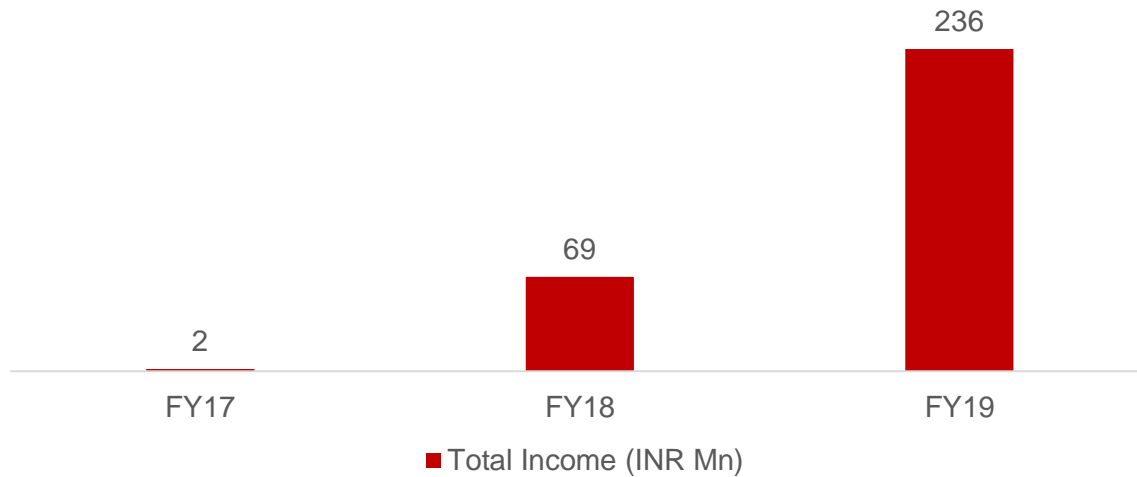


AUM Growth

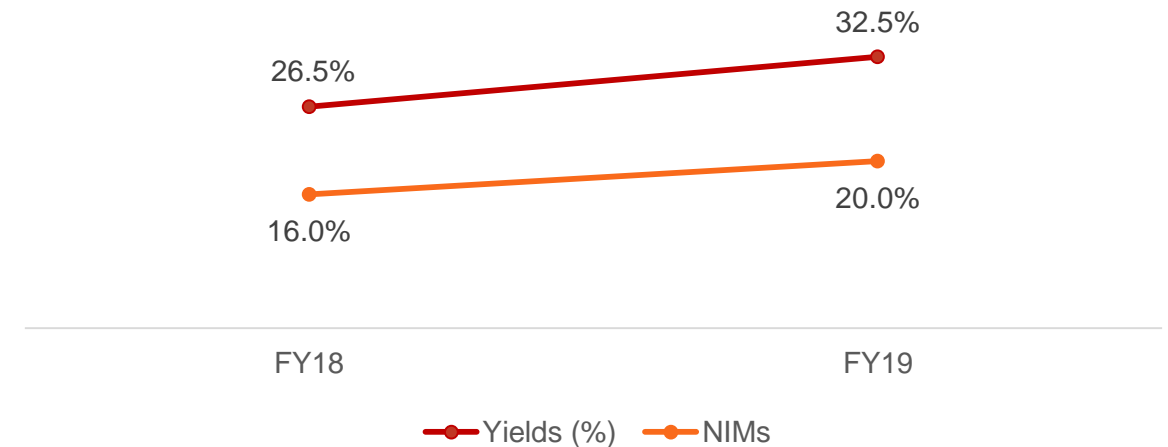
CAGR: 115%



Total Income Growth



Yields (%) & NIM (%) Trend



P&L Statement - Consolidated



Particulars (INR Mn)	FY15	FY16	FY17	FY18	FY19	YoY (%)
Revenue from Operations	296	407	536	780	1,405	80%
Interest income	284	381	497	713	1,313	84%
Other interest income	0	8	22	9	16	78%
Income From Securitization	0	0	0	0	6	
Interest income from Managed Assets	0	0	0	17	7	-59%
Processing fees	11	18	16	40	59	48%
Other charges in respect of loans	1	0	1	1	4	300%
Other Income	0	0	0	0	6	
Total Revenue	296	407	536	780	1,411	81%
Finance Costs	107	154	225	343	628	83%
Net Total Income	189	253	311	437	783	79%
Employee Benefits Expenses	52	63	102	164	264	61%
Depreciation and Amortisation expense	2	2	3	4	5	25%
Other Expenses	31	53	73	96	124	29%
Pre-Provision Operating Profit	104	135	133	174	390	124%
Provision & Write-offs	11	14	34	76	84	11%
Profit before Tax	93	121	99	98	307	213%
Less : Tax expense:	31	41	35	25	93	272%
Profit for the year	62	80	63	73	213	192%
Basic Earnings Per Share of Rs. 10 each	8.89	11.55	8	10.2	30.7	201%
Diluted Earnings Per share of Rs. 10 each	8.89	11.55	8	10.1	28.1	178%

- MSME started in FY17; MSME CAGR is 1yr CAGR (FY18-19)

Balance Sheet - Consolidated



Equity & Liabilities	FY15	FY16	FY17	FY18	FY19
Share Capital	69	119	119	69	70
Reserves & Surplus	323	385	441	500	723
Shareholder's Funds	392	505	560	569	792
Long Term Borrowings	223	458	482	2,221	2,534
Long Term Provisions	2	3	3	7	16
Non-Current Liabilities	225	461	484	2,228	2,550
Short-Term Borrowings	416	334	423	498	902
Other Current Liabilities	26	30	41	73	213
Current maturity of long-term borrowings	287	588	615	1,236	2,449
Short Term Provisions	25	35	30	42	80
Current Liabilities	754	987	1,109	1,848	3,644
Total Liabilities	979	1,448	1,593	4,076	6,194
Total Equity + Liabilities	1,372	1,953	2,153	4,645	6,986
Assets	FY15	FY16	FY17	FY18	FY19
Property, Plant & Equipment	16	18	23	26	33
Intangible Assets	0	2	2	2	3
Long Term Investments	0	14	24	27	27
Deferred Tax Assets (Net)	2	4	4	11	18
Long-term Loans and Advances	141	263	269	772	1,547
Other Non-Current Assets	24	68	62	105	179
Non-Current Assets	183	367	384	943	1,806
Trade Receivables	12	20	55	74	64
Cash & Bank Balances	168	107	214	189	506
Short term Loans and Advances	1,009	1,459	1,499	3,436	4,606
Other Current Assets	0	0	0	3	4
Current Assets	1,189	1,585	1,769	3,702	5,180
Total Assets	1,372	1,953	2,153	4,645	6,986

P&L Statement - Standalone



Particulars (INR Mn)	FY15	FY16	FY17	FY18	FY19	YoY (%)
Revenue from Operations	152	159	166	273	469	72%
Interest income	152	159	165	272	463	70%
Income From Securitization	0	0	0	0	2	
Other charges in respect of loans	1	0	1	1	4	300%
Other Income	0	0	0	0	1	
Total Revenue	153	159	166	273	469	72%
Finance Costs	56	57	48	109	203	86%
Net Total Income	97	102	118	164	266	62%
Employee Benefits Expenses	26	26	37	63	98	56%
Depreciation and Amortisation expense	2	1	1	1	1	0%
Other Expenses	21	31	32	29	36	24%
Pre-Provision Operating Profit	48	44	48	71	131	85%
Provision & Write-offs	6	6	10	13	27	108%
Profit before Tax	42	37	38	45	94	109%
Less : Tax expense:	14	12	13	13	31	138%
Profit for the year	28	25	25	32	64	100%
Basic Earnings Per Share of Rs. 10 each	4	3.6	3.6	4.6	9.2	100%
Diluted Earnings Per share of Rs. 10 each	4	3.6	3.6	4.6	9.1	98%

Balance Sheet - Standalone



Equity & Liabilities	FY15	FY16	FY17	FY18	FY19
Share Capital	69	69	69	69	70
Reserves & Surplus	274	287	313	333	406
Shareholder's Funds	343	357	382	402	476
Long Term Borrowings	74	16	0	283	676
Long Term Provisions	1	1	1	3	6
Non-Current Liabilities	75	17	1	286	682
Short-Term Borrowings	317	306	352	496	855
Other Current Liabilities	8	9	29	35	104
Current maturity of long-term borrowings	92	59	114	234	410
Short Term Provisions	12	15	4	7	8
Current Liabilities	429	388	500	772	1,377
Total Liabilities	505	406	501	1,058	2,060
Total Equity + Liabilities	848	762	883	1,460	2,535
Assets	FY15	FY16	FY17	FY18	FY19
Property, Plant & Equipment	15	16	14	14	8
Intangible Assets	0	1	1	0.4	0.2
Long Term Investments	100	104	154	224	482
Deferred Tax Assets (Net)	0	0	0	2	3
Long-term Loans and Advances	140	130	176	445	774
Other Non-Current Assets	10	13	28	34	5
Non-Current Assets	265	264	373	719	1,272
Trade Receivables	11	16	21	32	31
Cash & Bank Balances	121	24	5	34	115
Short term Loans and Advances	451	458	484	673	1,115
Other Current Assets	0	0	0	2	2
Current Assets	583	498	510	741	1,263
Total Assets	848	762	883	1,460	2,535

P&L Statement - Namra (NBFC-MFI Subsidiary)



Particulars (INR Mn)	FY15	FY16	FY17	FY18	FY19	YoY (%)
Revenue from Operations	144	257	370	527	948	80%
Interest income	132	203	329	441	850	93%
Other interest income	0	4	15	21	14	-33%
Income From Securitization	0	0	0	0	4	
Interest income from Managed Assets	0	28	3	17	7	-59%
Processing fees	11	18	16	40	59	48%
Other charges in respect of loans	0	4	7	8	14	75%
Other Income	0	0	0	0	5	
Total Revenue	144	257	370	527	953	81%
Finance Costs	52	107	177	254	437	72%
Net Total Income	92	150	193	273	516	89%
Employee Benefits Expenses	27	36	65	101	166	64%
Depreciation and Amortisation expense	0	0	2	3	4	33%
Other Expenses	10	22	41	54	77	43%
Pre-Provision Operating Profit	50	84	61	115	269	310%
Provision & Write-offs	5	8	24	63	56	-11%
Profit before Tax	50	84	61	53	212	300%
Less : Tax expense:	17	29	23	12	63	425%
Profit for the year	34	55	38	41	150	266%
Basic Earnings Per Share of Rs. 10 each	3.4	5.5	2.6	2.9	7	141%
Diluted Earnings Per share of Rs. 10 each	3.4	5.5	2.6	2.9	7	141%

Balance Sheet - Namra (NBFC-MFI Subsidiary)



Equity & Liabilities	FY15	FY16	FY17	FY18	FY19
Share Capital	100	154	174	152	242
Reserves & Surplus	49	98	159	239	557
Shareholder's Funds	149	252	333	391	799
Long Term Borrowings	149	441	482	1,938	1,858
Long Term Provisions	0	2	1	4	10
Non-Current Liabilities	150	443	483	1,942	1,868
Short-Term Borrowings	99	28	70	59	48
Other Current Liabilities	24	24	26	38	119
Current maturity of long term borrowings	201	530	598	1,002	2,039
Short Term Provisions	13	23	24	46	76
Current Liabilities	339	605	719	1,145	2,282
Total Liabilities	488	1,048	1,202	3,086	4,149
Total Equity + Liabilities	637	1,301	1,534	3,478	4,948
Assets	FY15	FY16	FY17	FY18	FY19
Property, Plant & Equipment	1	2	9	12	25
Intangible Assets	0	1	1	2	2
Long Term Investments	0	14	24	27	27
Deferred Tax Assets (Net)	2	3	4	9	14
Long-term Loans and Advances	1	136	92	337	779
Other Non-Current Assets	14	55	34	71	174
Non-Current Assets	18	211	164	459	1,021
Trade Receivables	1	3	34	43	32
Cash & Bank Balances	47	83	209	154	391
Short term Loans and Advances	571	1,004	1,126	2,821	3,501
Other Current Assets	0	0	0	1	2
Current Assets	619	1,090	1,370	3,019	3,927
Total Assets	637	1,301	1,534	3,478	4,948