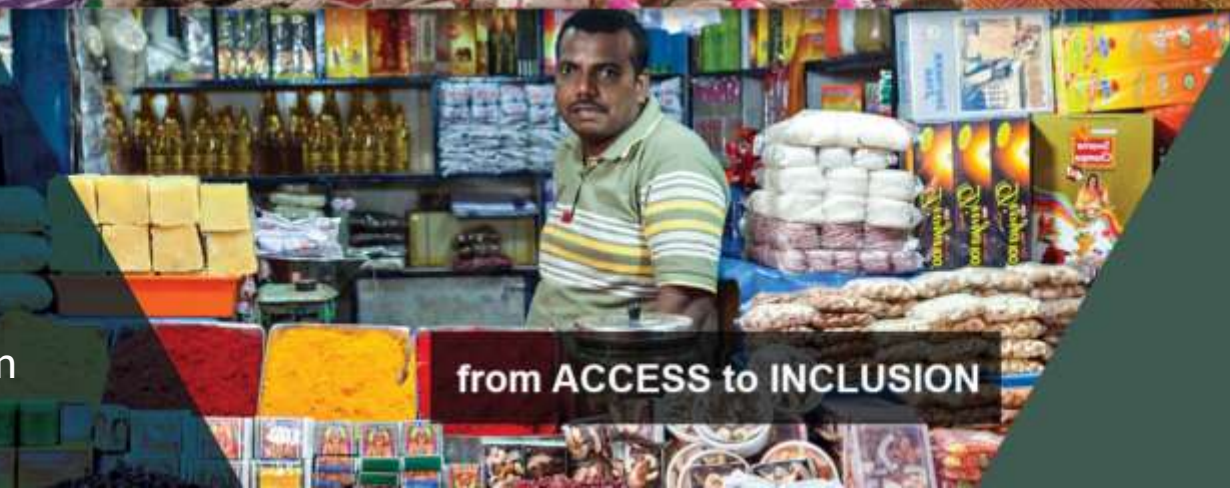




**Arman Financial Services Ltd.**



**Arman Financial Services  
Ltd.**

Q2 & H1 FY22 - Investor Presentation  
November 2021

**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 FY22



# Q2 FY22 - Financial Performance Highlights



Total AUM up by 29% YoY to INR 9,083 Mn in Q2FY22 vs INR 7,043 Mn in Q2FY21



Shareholders Equity Stood at INR 1,938 Mn in Q2 FY22  
*Consolidated Debt-Equity Ratio stood at 4.05x on 30<sup>th</sup> September'21*



Collections in microfinance business which was impacted during Q1 FY21 due to second wave has recovered consistently during the Q2 FY22. Total collection efficiency at ~92% in September 2021 vis-à-vis ~89% in June 2021 witnessing steady improvement from July 2021



Operating expenses increased by 21% YoY to INR 151 Mn in Q2 FY22  
*Disbursements grew by 425% YoY to INR 2665 Mn in Q2FY22*



Profit before Tax increased by 275% YoY to ₹ 74 Mn in Q2FY22  
Profit after tax increased by 220% YoY to ₹ 4.9 crores in Q2FY22



Cumulative Provisions stood at INR 621 Mn as on 30<sup>th</sup> September 2021 (covering 6.8% of the total AUM)



## Update on Collections

- ❑ Collections in microfinance business which was impacted during Q1 FY22 due to second wave has recovered consistently during the Q2 FY22. Collections were severely impacted due to covid second wave restrictions, since our collection executives were not able to visit door to door for recovery. However, with the easing of restrictions there is steady recovery in collections in Q2 FY22. Post COVID Disbursement loan book collection efficiency stands at 99%.
  - ‘Microfinance’ collections picked-up as the repayment rates reached 92% in October 2021 from 89% in July 2021
  - 2W and MSME collections continued to be well-north of 95% during October 2021
- ❑ Cumulative Provisions stood at INR 621 Mn as of 30<sup>th</sup> September 2021 covering 6.8% of the total AUM
  - Namra: Cumulative Provisions stood at INR 412 Mn as of 30<sup>th</sup> September 2021 covering 5.6% of the total AUM
  - Standalone: Cumulative Provisions stood at INR 209 Mn as of 30<sup>th</sup> September 2021 covering 12.5% of the total AUM
- ❑ The company has adequately provided to withstand any further uncertainties.

## Collection Efficiency % (July 2021 – October 2021)

Business Segment	Collections Due (Jul'21)	Amount Collected (Jul'21)	Collection Efficiency % (Jul'21)	Collections Due (Aug'21)	Amount Collected (Aug'21)	Collection Efficiency % (Aug'21)	Collections Due (Sep'21)	Amount Collected (Sep'21)	Collection Efficiency % (Sep'21)	Collections Due (Oct'21)	Amount Collected (Oct'21)	Collection Efficiency % (Oct'21)
<b>Total</b>	709	640	90%	718	652	91%	721	660	92%	721	666	92%
Microfinance	541	482	89%	547	491	90%	554	503	91%	551	505	92%
MSME	128	119	94%	131	123	94%	128	119	94%	130	124	95%
Two-wheeler	41	38	95%	40	38	95%	39	38	96%	39	37	95%

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

## Update on Liquidity

### ❑ **Healthy Liquidity position with INR 1,467 Mn in cash/bank balance, liquid investments, and undrawn CC limits**

- The company has duly repaid all the debt obligations that were due in Q2 FY22.
- ALM continues to remain positive, and the company continue to have access to new sources of funds.
- Additionally, company has INR 550 Mn undrawn sanctions from existing lenders
- Due to the Robust balance sheet and prudent lending practices, the company is assigned rating of 'ACUITE A-' (read as ACUITE A minus) with 'Stable' outlook.

## Update on Disbursements

### ❑ **Disbursements picked up post COVID second of COVID**

- Loan Disbursements during Q2 FY22 stood at INR 2,665 Mn. Disbursements picked up, as the COVID situation started getting normalised even the rural economy witness an uptick demand.
- In microfinance, the company primarily focused on renewing loans of existing customers who have already made their repayments and completed their tenure during Q2 FY22.
- In the MSME & 2-wheeler segments, the company has started disbursing with a more stringent underwriting process

### ❑ **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

# Q2 & H1 FY22 - Consolidated Profit & Loss Statement



Particulars (INR Mn)	Q2 FY22	Q2 FY21	YoY (%)	H1 FY22	H1 FY21	YoY (%)
<b>Assets Under Management (AUM)</b>	<b>9,083</b>	<b>7,043</b>	<b>29%</b>	<b>9,083</b>	<b>7,043</b>	<b>29%</b>
<b>Disbursements</b>	<b>2,665</b>	<b>507</b>	<b>425%</b>	<b>3,880</b>	<b>507</b>	<b>665%</b>
<b>Shareholder's Equity *</b>	<b>1,895</b>	<b>1,775</b>	<b>7%</b>	<b>1,868</b>	<b>1,722</b>	<b>8%</b>
Income from Operations	503.2	507.7	-1%	996.4	998.3	0%
Other Income	5	9.2	-46%	8.7	12.5	-30%
<b>Gross Total Income</b>	<b>508.1</b>	<b>517.0</b>	<b>-2%</b>	<b>1,005.1</b>	<b>1,010.8</b>	<b>-1%</b>
Finance Costs	196.9	186.4	6%	395.3	409.9	-4%
<b>Net Total Income (NTI)</b>	<b>311.2</b>	<b>330.5</b>	<b>-6%</b>	<b>609.8</b>	<b>600.9</b>	<b>1%</b>
Employee Benefits Expenses	94.1	91.0	3%	188.1	174.0	8%
Depreciation and Amortisation	2.1	2.0	4%	4.2	4.1	2%
Other Expenses	54.9	31.4	75%	79.0	4.8	65%
<b>Pre-Provision Operating Profit</b>	<b>160.1</b>	<b>206.2</b>	<b>-22%</b>	<b>338.5</b>	<b>374.9</b>	<b>-10%</b>
Total Provisions & Write-offs	87.0	186.6	-54%	199.9	289.0	-31%
<b>Profit Before Tax</b>	<b>73.6</b>	<b>19.6</b>	<b>275%</b>	<b>138.6</b>	<b>85.9</b>	<b>61%</b>
<b>Profit After tax</b>	<b>48.5</b>	<b>15.1</b>	<b>220%</b>	<b>84.2</b>	<b>68.2</b>	<b>23%</b>
GNPA %	<b>5.6%</b>	<b>1.0%</b>	456 bps	<b>5.6%</b>	<b>1.0%</b>	456 bps
NNPA %	<b>1.1%</b>	<b>0.1%</b>	97 bps	<b>1.1%</b>	<b>0.1%</b>	97 bps
Return on Avg. AUM %	<b>2.3%</b>	<b>0.8%</b>	148 bps	<b>2.0%</b>	<b>1.7%</b>	21 bps
Return on Avg. Equity % *	<b>10.2%</b>	<b>3.4%</b>	677 bps	<b>8.9%</b>	<b>7.2%</b>	114 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.



# Q2 & H1 FY22 - Consolidated Balance Sheet



Particulars (in INR Mn)	Consolidated		Standalone	
	Sep 2021	March 2021	Sep 2021	March 2021
<b>ASSETS</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	473	879	192	491
Bank Balance	630	805	177	178
Loans & Advances	8,314	7,432	1,457	1,517
Investments	464	32	1,015	617
Other Financial assets	92	76	11	14
<b>Total Financial Assets</b>	<b>9,972</b>	<b>9,223</b>	<b>2,852</b>	<b>2,817</b>
<b><u>Non-Financial Assets</u></b>				
Deferred tax Assets (Net)	152	134	52	44
Property, Plant and Equipment	31	33	8	8
Other Intangible assets	3	2	0	0
Right To Use Asset	5	6	0	0
Other non-financial assets	4	3	1	1
<b>Total Non-Financial Assets</b>	<b>195</b>	<b>178</b>	<b>61</b>	<b>53</b>
<b>Total Assets</b>	<b>10,167</b>	<b>9,401</b>	<b>2,913</b>	<b>2,870</b>

	Consolidated		Standalone	
	Sep 2021	March 2021	Sep 2021	March 2021
<b>LIABILITIES &amp; EQUITY</b>				
Equity Share capital	85	85	85	85
Reserves & Surplus	1,852	1,783	1,209	1,193
<b>Total Shareholders Funds</b>	<b>1,937</b>	<b>1,868</b>	<b>1,294</b>	<b>1,278</b>
<b><u>Financial Liabilities</u></b>				
Other Payables	4	8		
Debt Securities	1,568	1,776	512	648
Total Borrowings	6,262	5,288	998	835
Subordinated Liabilities	150	150	50	50
Other Financial Liabilities	181	242	42	48
<b>Total Financial Liabilities</b>	<b>8,165</b>	<b>7,464</b>	<b>1,602</b>	<b>1,581</b>
<b><u>Non-Financial Liabilities</u></b>				
Current tax liabilities (Net)	45	49	6	4
Provisions	12	9	5	4
Other non-financial liabilities	8	12	5	2
<b>Total Non-Financial Liabilities</b>	<b>65</b>	<b>70</b>	<b>16</b>	<b>10</b>
<b>Total Liabilities &amp; Equity</b>	<b>10,167</b>	<b>9,401</b>	<b>2,913</b>	<b>2,870</b>

# Q2 & H1 FY22 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q2 FY22	Q2 FY21	YoY (%)	H1 FY22	H1 FY21	YoY (%)
<b>Asset Under Management</b>	<b>7,417</b>	<b>5,230</b>	<b>42%</b>	<b>7,417</b>	<b>5,230</b>	<b>42%</b>
<b>Disbursements</b>	<b>2,200</b>	<b>386</b>	<b>469%</b>	<b>3,184</b>	<b>386</b>	<b>724%</b>
Income from Operations	374.0	348.65	7%	739.0	679.3	9%
Other Income	1.7	7.5	-77%	3.9	10.3	-62%
<b>Gross Total Income</b>	<b>375.7</b>	<b>356.1</b>	<b>5%</b>	<b>742.9</b>	<b>689.6</b>	<b>8%</b>
Finance Costs	156.1	141.9	10%	321.1	314.1	2%
<b>Net Total Income (NTI)</b>	<b>219.6</b>	<b>214.2</b>	<b>3%</b>	<b>421.8</b>	<b>375.4</b>	<b>12%</b>
Employee Benefits Expenses	62.2	61.7	1%	129.0	119.0	8%
Depreciation and Amortisation	1.9	1.8	7%	3.7	3.6	3%
Other Expenses	38.8	24.1	61%	54.7	35.9	52%
<b>Pre-Provision Operating Profit</b>	<b>116.7</b>	<b>127.0</b>	<b>-8%</b>	<b>234.4</b>	<b>217.0</b>	<b>8%</b>
Total Provision & Write-offs	64.6	118.1	-45%	140.1	175.8	-20%
<b>Profit After Tax</b>	<b>32.1</b>	<b>6.4</b>	<b>401%</b>	<b>54.1</b>	<b>33.0</b>	<b>64%</b>
GNPA %	<b>4.3%</b>	<b>0.9%</b>	333 bps	<b>4.2%</b>	<b>0.9%</b>	333 bps
NNPA %	<b>0.8%</b>	<b>0.0%</b>	72 bps	<b>0.7%</b>	<b>0.0%</b>	72 bps
Return on Avg. AUM %	<b>1.9%</b>	<b>0.4%</b>	140 bps	<b>1.6%</b>	<b>1.2%</b>	41 bps
Return on Avg. Equity %	<b>9.9%</b>	<b>2.2%</b>	774 bps	<b>8.4%</b>	<b>5.6%</b>	273 bps

## Note:

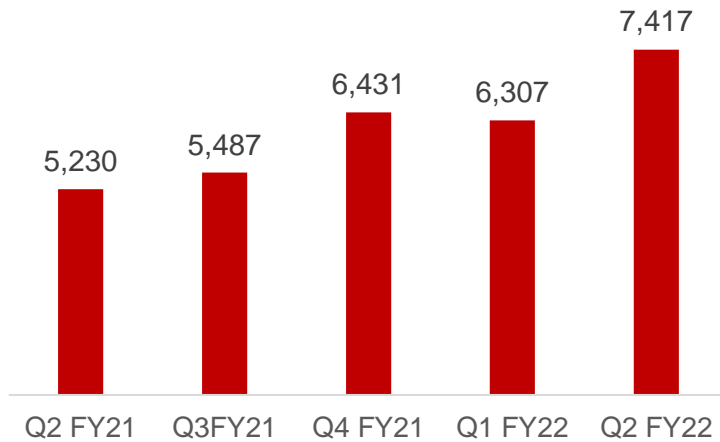
- Income from Operations includes: Interest Income on loans and managed assets; processing fees, and other charges in respect of loans. Other Income includes capital gains on liquid funds
- NIM = NTI / Avg. AUM (On + Off-Book); Yields = Gross Interest Income / Avg. AUM (On + Off-Book); Cost-to-Income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

- ❖ **Q2FY22 MFI AUM stood at INR 7,417 Mn – higher by 42% vis-à-vis last year**
  - Active MFI Customer base stood at 3.28 Lakhs in Q2 FY22. Added 61,826 new loans in Q2 FY22.
- ❖ **Disbursements grew by 469% due to bounce back in rural economy post second wave of COVID**
- ❖ **Gross Total Income** increased by 5% YoY to INR 375.7 Mn due to higher average AUM
- ❖ **Similarly, Net Total Income increased by 3% YoY to INR 219.6 Mn** aided by lower cost of fund
- ❖ **H1 FY22 Profit After Tax increased by 64% YoY to INR 54.1 Mn with Q2FY22 PAT at INR 32.1 Mn**
- ❖ **Provisions & write off for the quarter decreased by 45% YoY to INR 118.1 Mn**
  - Strengthening the provision coverage should hold the company in good stead in future to deal with potential asset quality risks on account of COVID.
  - Strengthened provision coverage by prudently earmarking INR 35 Mn for provisions in this quarter. Additionally, the company also took an aggressive write-off of INR 30 Mn.
  - Cumulative total ECL Provisions as on 30<sup>th</sup> September'21 were INR 412 Mn covering 5.6% of the total AUM.**
- ❖ **Repayment rates is picking up and has reached 92% in Sep-Oct '21**

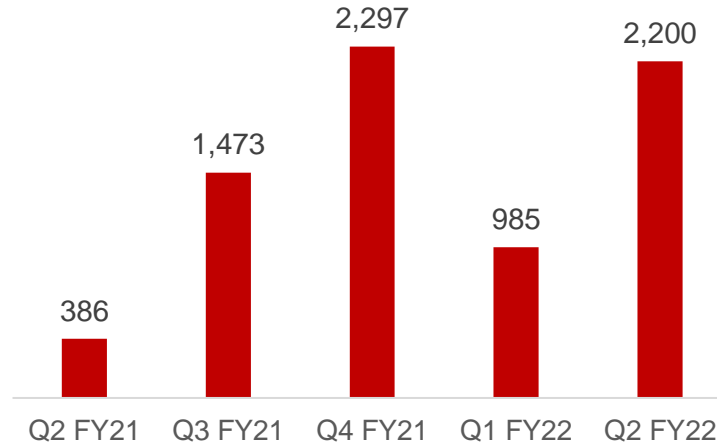
# Q2 FY22 - Microfinance Performance Update



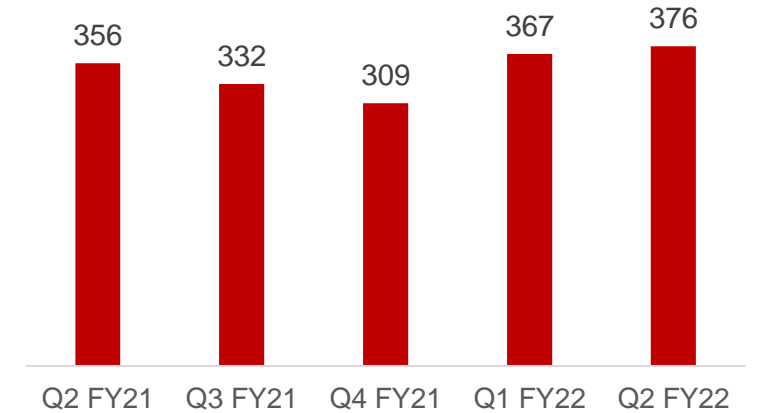
### AUM (INR Mn)



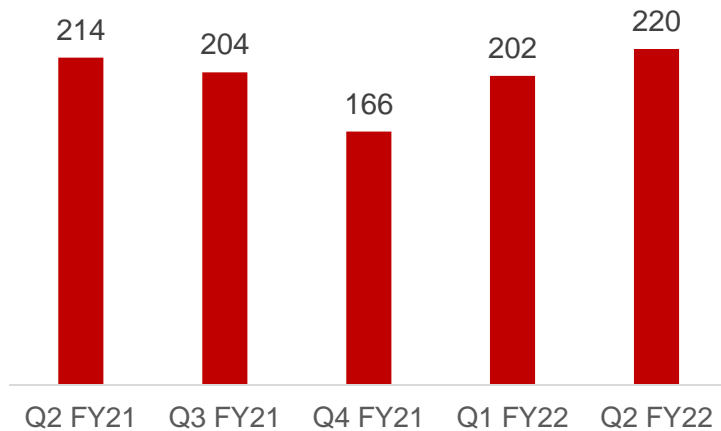
### Disbursement (INR Mn)



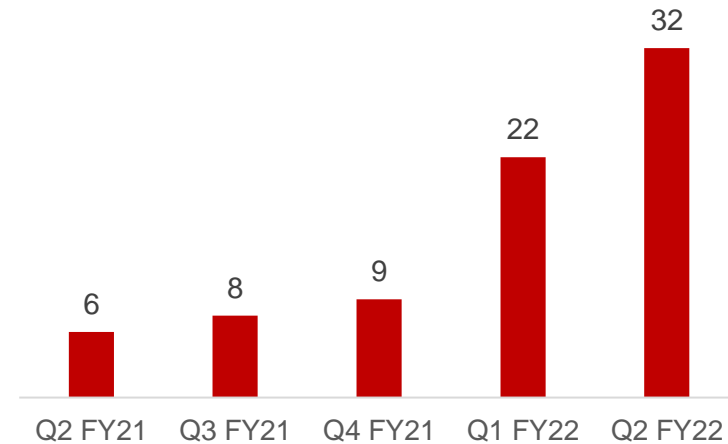
### Gross Total Income (INR Mn)



### Net Total Income (INR Mn)



### PAT (INR Mn)

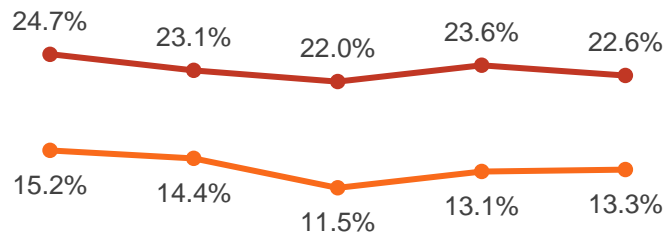




# Q2 FY22 - Microfinance Performance Update



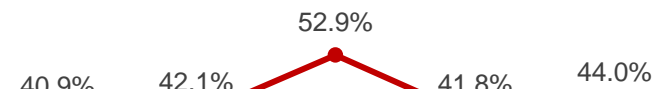
## Yields % and NIM %



Q2 FY21 Q3 FY21 Q4 FY21 Q1 FY22 Q2 FY22

— Yields % — NIM %

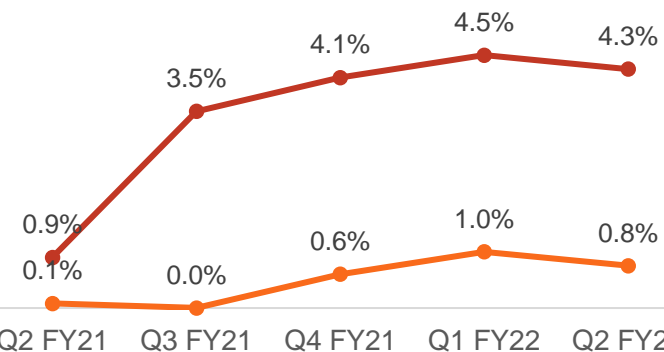
## Cost-to-Income Ratio %



Q2 FY21 Q3 FY21 Q4 FY21 Q1 FY22 Q2 FY22

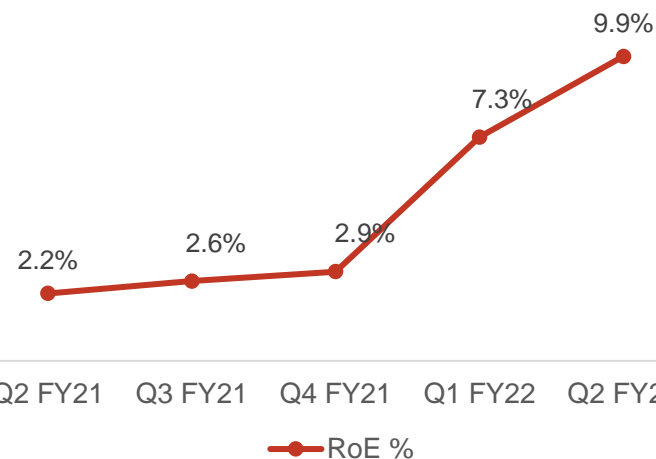
— Cost / Income (%)

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



— GNPA % — NNPA % (After ECL Impact)

## ROE %



— RoE %

### Note:

- \* Includes Covid specific provision in FY21
- 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; NNPA % = NNPA / AUM; RoE = PAT / Avg. Equity. RoE, Yields and NIM % figures are annualized

# Q2 & H1 FY22 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q2 FY22	Q2 FY21	YoY (%)	H1 FY22	H1 FY21	YoY (%)
<b>Asset Under Management</b>	<b>1,666</b>	<b>1,813</b>	<b>-8%</b>	<b>1,666</b>	<b>1,813</b>	<b>-8%</b>
<b>Disbursements</b>	<b>465</b>	<b>121</b>	<b>285%</b>	<b>696</b>	<b>121</b>	<b>475%</b>
Income from Operations	134.2	164.3	-18%	270.3	326.1	-17%
Other Income	7.2	9.9	-27%	15.9	16.5	-4%
<b>Gross Total Income</b>	<b>141.5</b>	<b>174.3</b>	<b>-19%</b>	<b>286.1</b>	<b>342.7</b>	<b>-16%</b>
Finance Costs	45.8	49.7	-8%	87.0	102.8	-15%
<b>Net Total Income (NTI)</b>	<b>95.6</b>	<b>124.6</b>	<b>-23%</b>	<b>199.1</b>	<b>239.8</b>	<b>-17%</b>
Employee Benefits Expenses	31.9	29.2	9%	59.1	55.0	7%
Depreciation and Amortisation	0.2	0.3	- 15%	0.5	0.5	-10%
Other Expenses	16.1	7.2	123%	24.3	12.1	102%
<b>Pre-Provision Operating Profit</b>	<b>47.5</b>	<b>87.9</b>	<b>-46%</b>	<b>115.2</b>	<b>172.2</b>	<b>-33%</b>
Total Provision & Write-offs	22.0	68.0	-68%	59.7	113.2	-47%
<b>Profit After Tax</b>	<b>20.4</b>	<b>17.0</b>	<b>20%</b>	<b>41.2</b>	<b>49.6</b>	<b>-17%</b>
GNPA %	<b>11.8%</b>	<b>1.6%</b>	1021 bps	<b>11.8%</b>	<b>1.6%</b>	1021 bps
NNPA %	<b>2.7%</b>	<b>0.4%</b>	229 bps	<b>2.7%</b>	<b>0.4%</b>	229 bps
Return on Avg. AUM %	<b>4.8%</b>	<b>3.2%</b>	-59 bps	<b>4.9%</b>	<b>4.7%</b>	16 bps
Return on Avg. Equity %	<b>14.8%</b>	<b>11.4%</b>	-342 bps	<b>14.9%</b>	<b>16.6%</b>	-163 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 1,666 Mn on September'21

- MSME AUM stood at INR 1,246 Mn
- 2W AUM declined by 33% YoY to, INR 419 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.

## ❖ MSME disbursements is witnessing an encouraging trend after bottoming out in May 2021 due to second wave of COVID. The total MSME & 2W Disbursement in Q2 were INR 353 Mn and INR 112 Mn respectively

## ❖ **The total Provisions as on 30<sup>th</sup> September 21 stood at INR 208.9 Mn covering 12.5% of total AUM**

## ❖ GNPA % and NNPA % stood at 11.8% and 2.7% respectively.

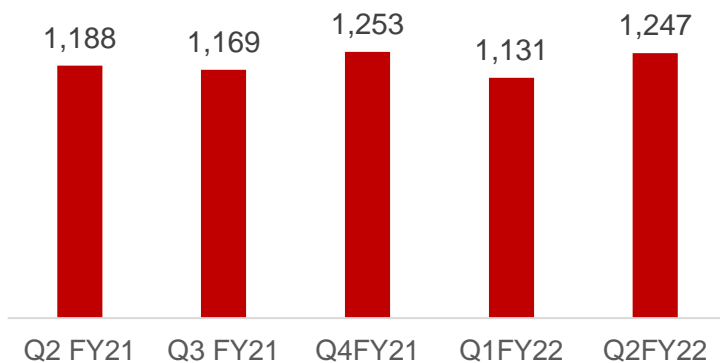
## ❖ **Repayment rates bounced back after dipping due to second wave of COVID -**

- MSME:** Repayment rates improved to 95% in October'21
- 2W:** Repayment rates were healthy and steady at 95% in October'21

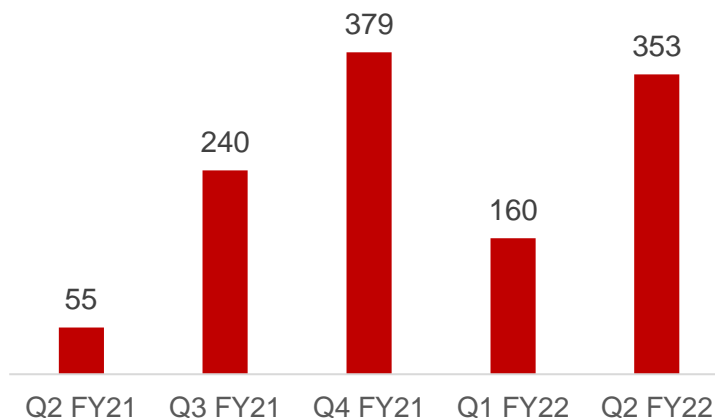
# Q2 FY22 - MSME Performance Update



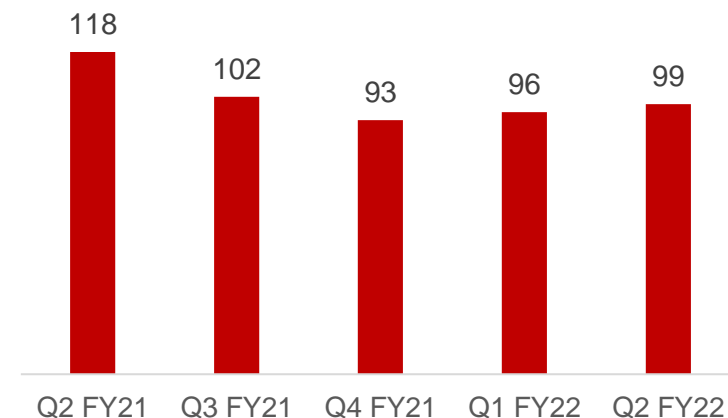
## AUM (INR Mn)



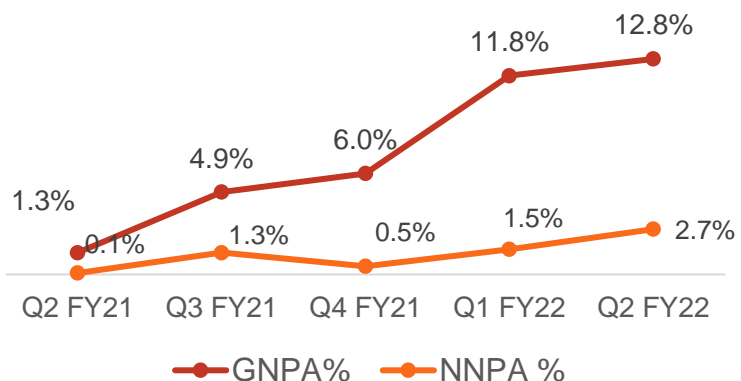
## Disbursements (INR Mn)



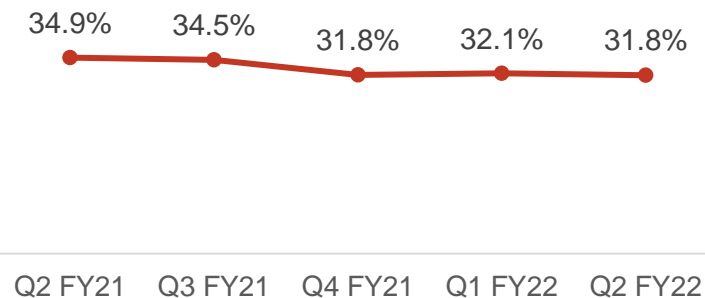
## Gross Interest Income (INR Mn)



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



## Yields %



### Note:

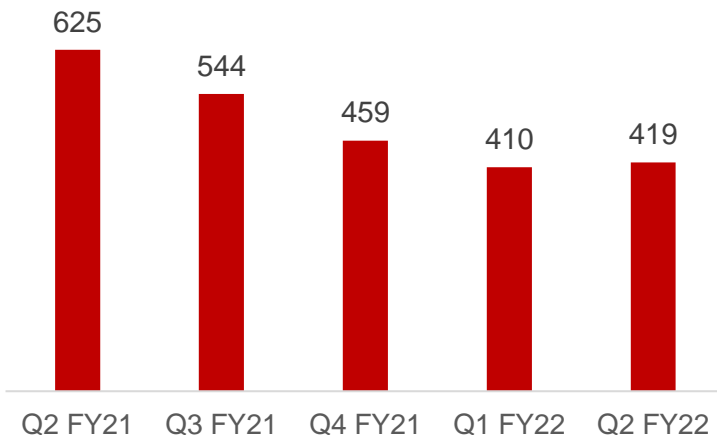
- Gross Interest Income = Interest Income + processing fees / other charges, Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NNPA % = NNPA / AUM. Yields % figures are annualized.



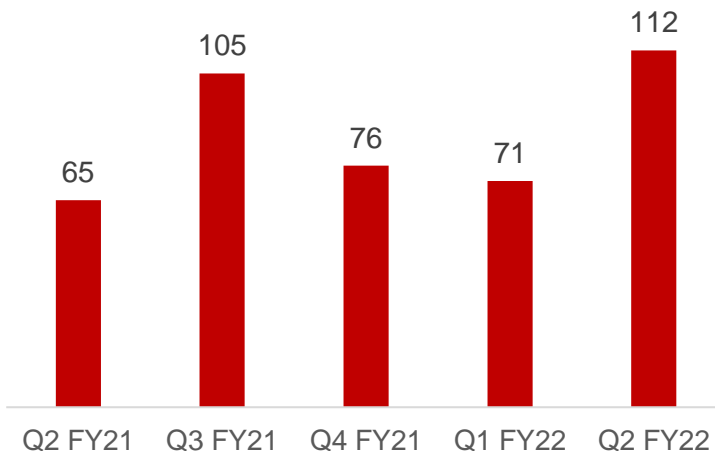
# Q2 FY22 - 2W Performance Update



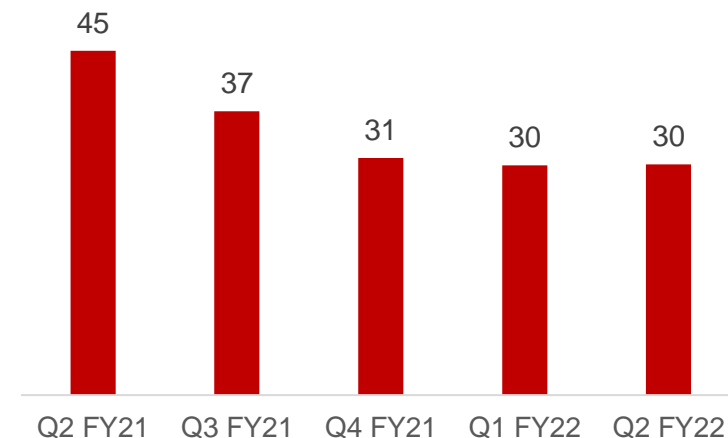
## AUM (INR Mn)



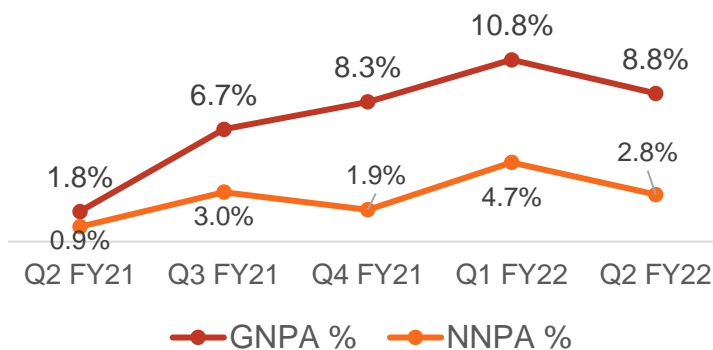
## Disbursement (INR Mn)



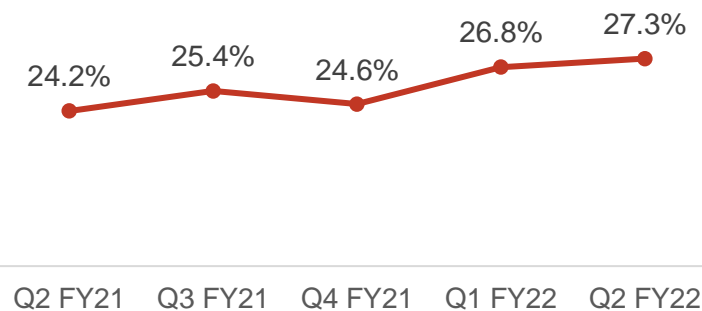
## Gross Interest Income (INR Mn)



## 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

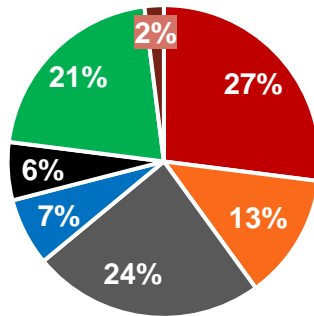
# Efficient Liability Management



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

FY21 - Borrowing Mix %

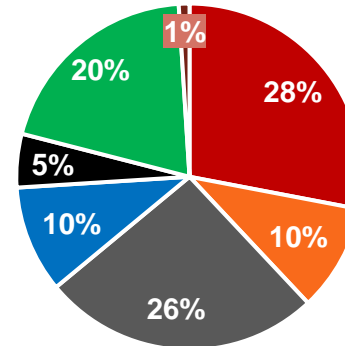
INR 7,665 Mn \*



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

Q2 FY22 - Borrowing Mix %

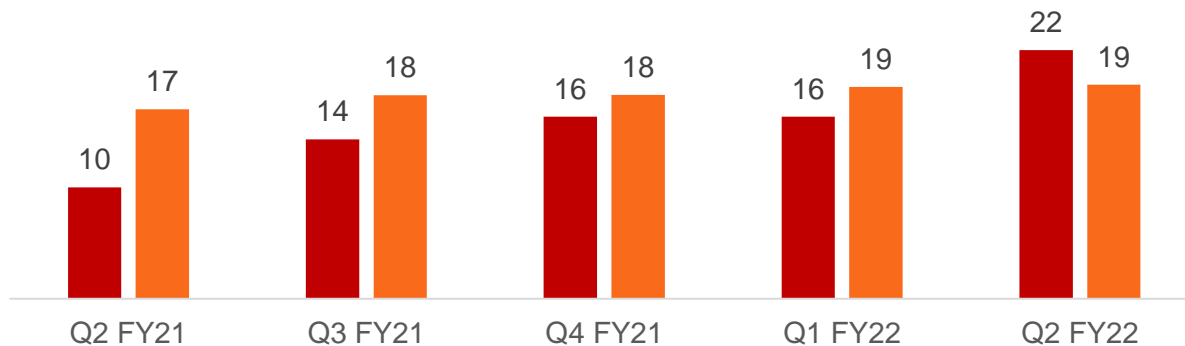
INR 7,928 Mn \*



Note: # INR 7,928 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 **~45% of borrowings in Q2 FY22**
- **Constant rating upgrades** have helped lower cost of funds in recent years
  - Credit rating of ACUITE A- with stable outlook was assigned to Arman and its subsidiary Namra in Q2 FY22
  - Group has A2 rating by CARE Ratings for **short-term bank facilities**
- **Increasing share from DFI's has led to overall lower cost of borrowings**
- **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

## Presence in Attractive Retail Lending

### Segments

- Total Loan Assets of INR 9,083 Mn in Q2 FY22
- Microfinance – 81.7% of AUM (via 100% owned subsidiary “**Namra Finance**”)
- MSME Loans – 13.7% of AUM
- 2-Wheeler Loans – 4.6% of AUM



**Arman Financial Services Ltd.**

## Strong Retail Presence & Wide Distribution Network

- 250 branches; 55+ Two-Wheeler dealerships
- 94 Districts, 7 states
- ~3.74 lakh live customers
- Undertaken contiguous expansion from Gujarat since 2014 to achieve geographic diversification

## Robust Risk Management Framework

- **Consistent rating upgrades** backed by strong financial & operating performance – Currently rated **BBB+** by CARE Ratings and ACUTE A- with stable outlook
- **Track record of consistent profitability** - Never reported an annual loss
- **Completely in-house operations** with **bottoms up** driven credit appraisal models and rigorous collections practices – tailored for the areas of operations

## Strong Financial Performance

- High-Growth Trajectory (FY2016-21 CAGR) :
  - AUM: 36%
  - Net Income: 36%
- Consolidated debt to equity ratio of 3.9:1 – Sufficient Capital to drive growth going forward
- High Return Ratios except for COVID impacted for FY21 - ROE: 5.9%; ROAA: 1.3%

## 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:**

- $\text{Yields} = \text{Gross Interest Income} / \text{Avg. AUM (On + Off-Book)}$ ;  $\text{NIM} = \text{NTI} / \text{Avg. AUM (On + Off-Book)}$ ;  $\text{RoE} = \text{PAT} / \text{Avg. Equity}$ ;  $\text{GNPA \%} = \text{GNPA} / \text{AUM (On + Off-Book)}$ ;  $\text{NNPA \%} = \text{NNPA} / \text{AUM (On + Off-Book)}$ . 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 750 Cr;  
100% Cashless disbursements;  
Expanded into Rajasthan

Despite COVID-19 challenges, the company expanded its Footprint to Haryana

1992

1995

1998

2010

2011

2013

2014-16

2017

2017-18

2018

2019

2020

2021

Listing on BSE – Issue subscribed 22x

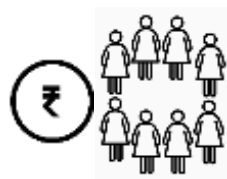
Launched Microfinance business

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

Launched MSME Loans business

Raised PE funding from SAIF Partners

Disbursement Crosses 875 Cr



# Product Snapshot



## ARMA FINANCIAL SERVICES LTD.

- 29 years of existence
- Active customer base of 3.91 lakh
- Employee strength of 2,178 employees
- Completely in-house operations – Sourcing, Credit & Collections

### Microfinance



### MSME Loans



### 2-Wheeler Loans



### Rural 2W Loans



% of Total AUM	81%	14%	4%	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%**

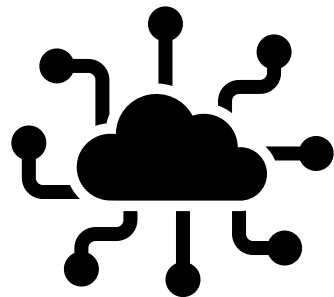


# Technological Initiatives to Strengthen Operations

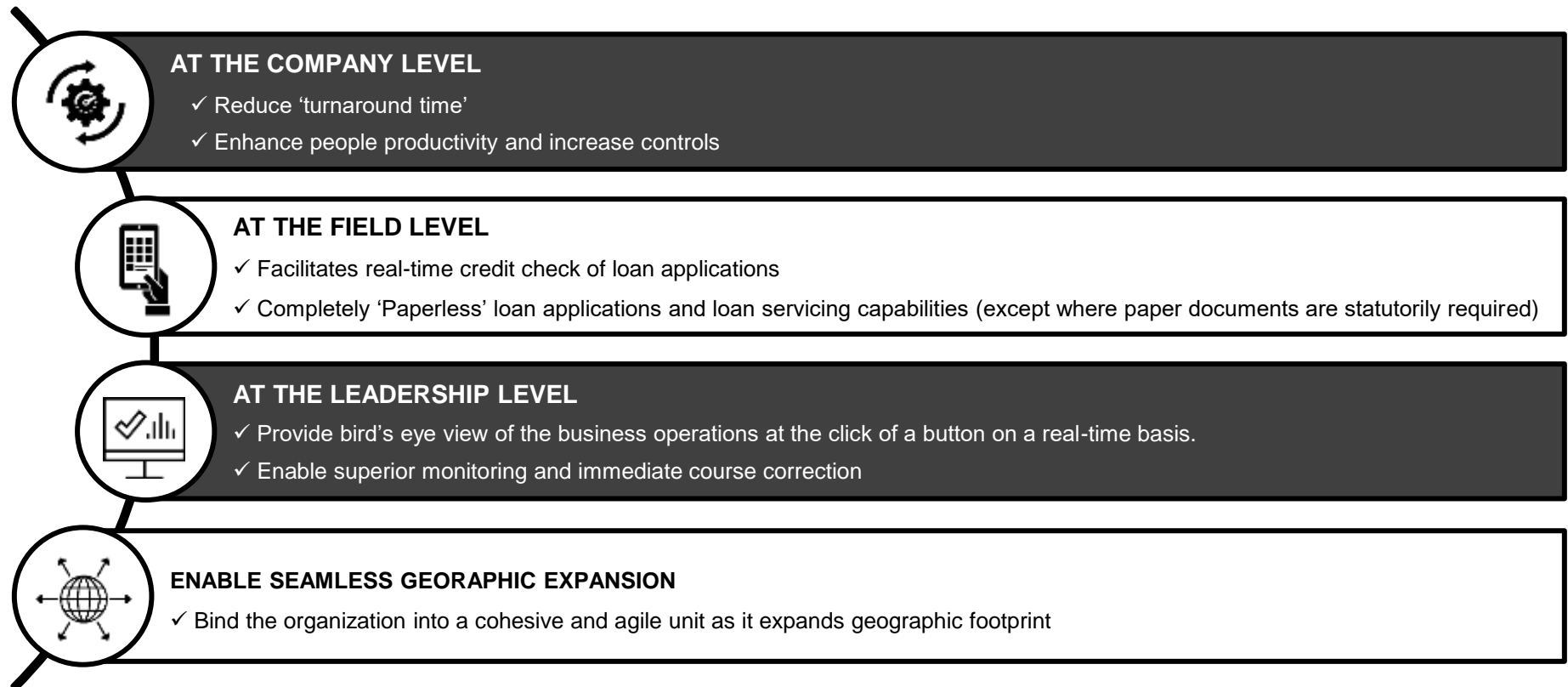


- ❖ In FY19, the company launched an integrated mobile interface for its MFI field staff to enable seamless on-boarding of MFI customers by digitizing & standardizing the loan origination and appraisal process. **‘This technology has been successfully implemented across all the MFI branches now.’**
- ❖ 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



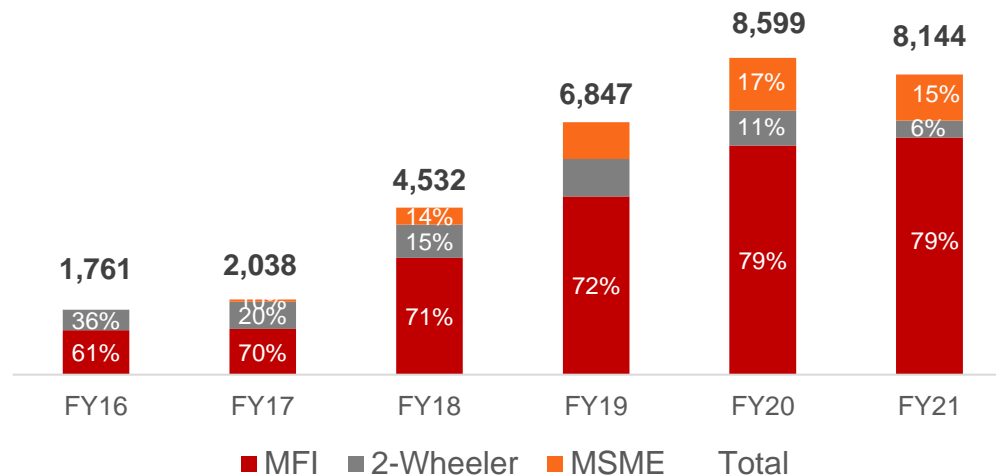
### DRIVING DIGITAL TRANSFORMATION



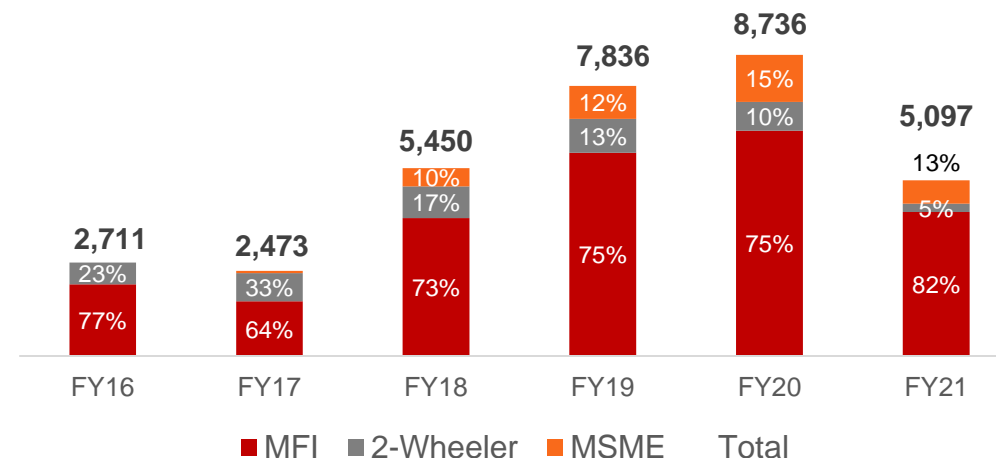
# Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 9,848 Mn in Q2 FY22 split between –
  - Microfinance: INR 7,417 Mn (81.7%),
  - MSME Loans: INR 1,247 Mn (13.7%)
  - 2-Wheeler Loans: INR 419 Mn (4.6%)
- Strategically forayed into MSME Loans in 2017. Successfully scaled up the business to INR 1,247 Mn (14% 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.



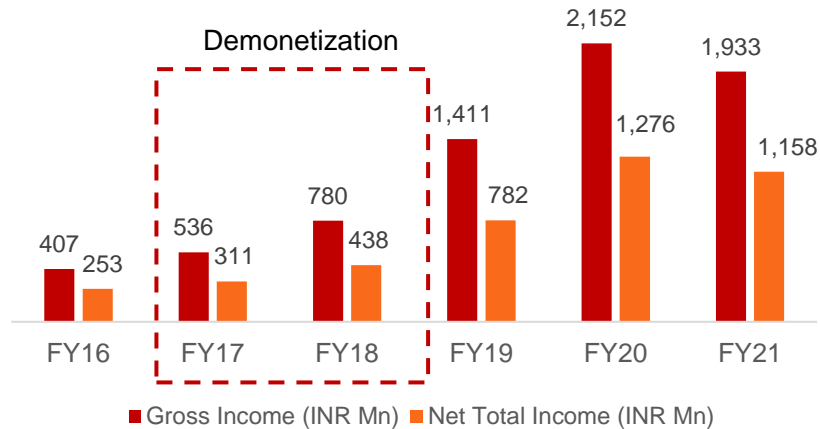
# .....While Maintaining Superior Cost Efficiency & Asset Quality



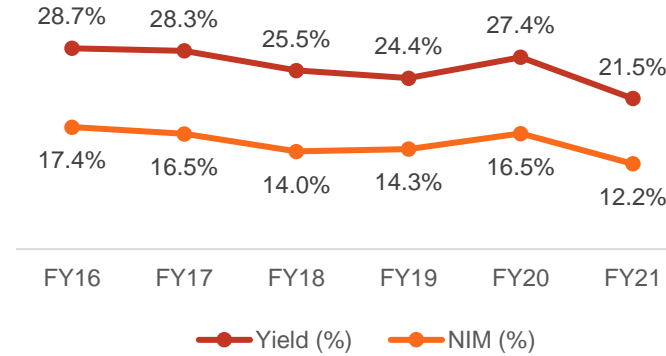
## Gross Income and Net Total Income (INR Mn)

CAGR: 37%

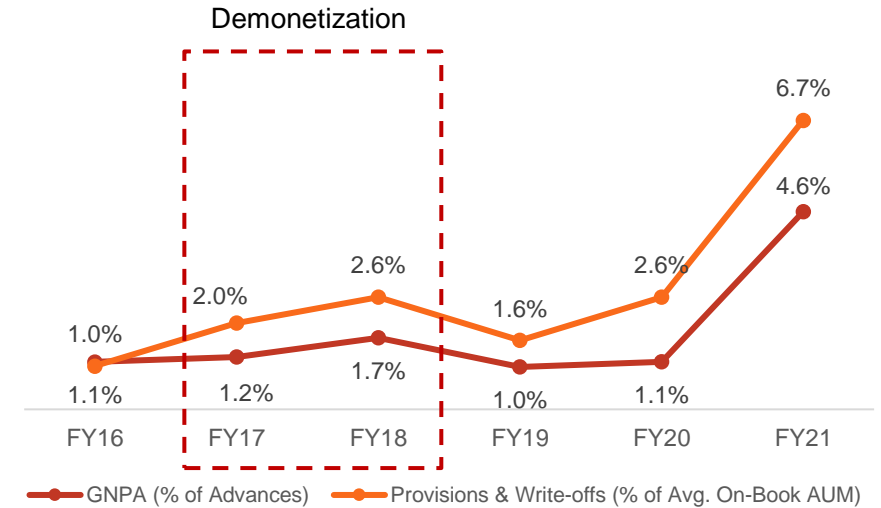
CAGR: 36%



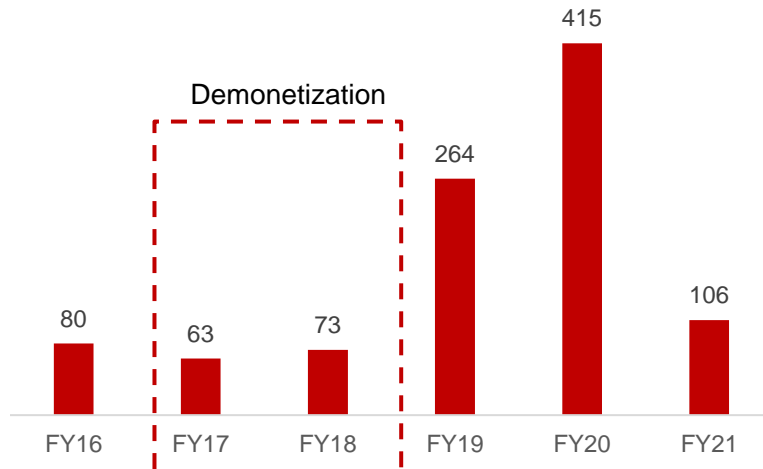
## Yield % and NIM %



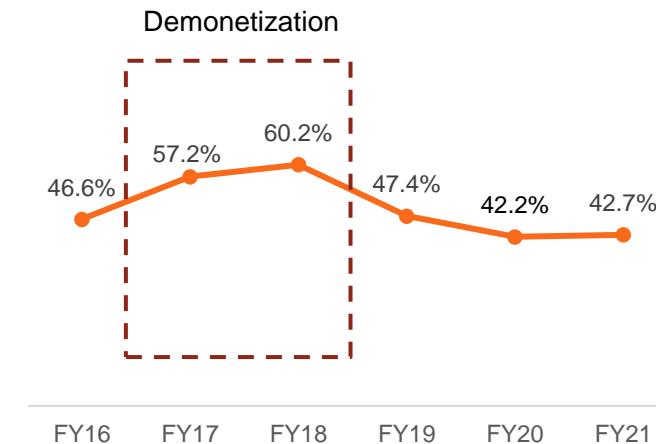
## Focus on risk have led to immaculate through-cycle asset quality



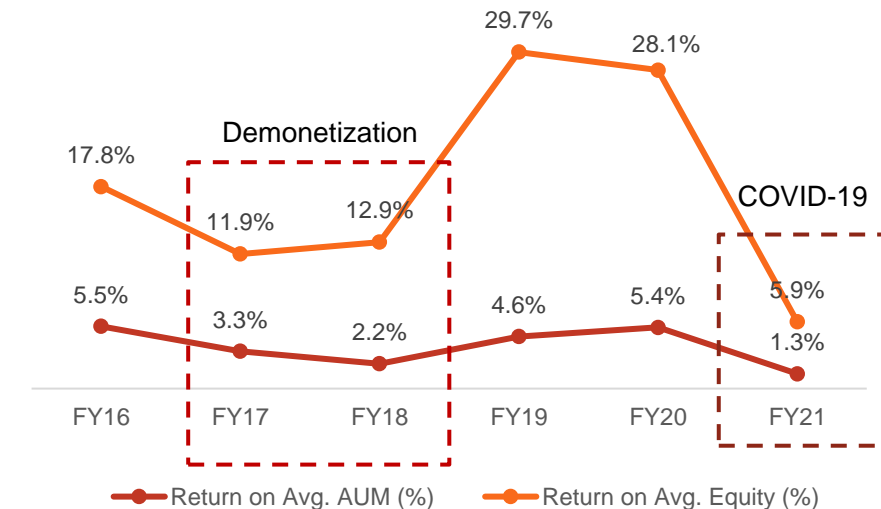
## PAT (INR Mn)



## Cost to Income Ratio %



## Consistently high through cycle ROA / ROE



### Note:

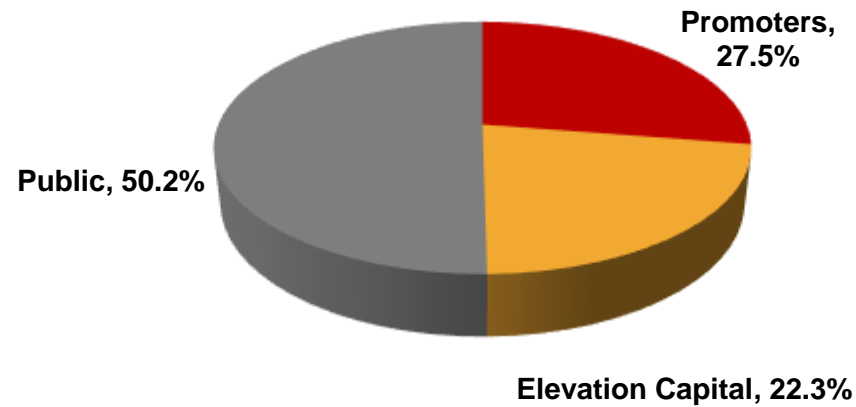
- FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. NIM = NII / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM



# Shareholding Pattern



SHAREHOLDING – 30<sup>th</sup> September 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



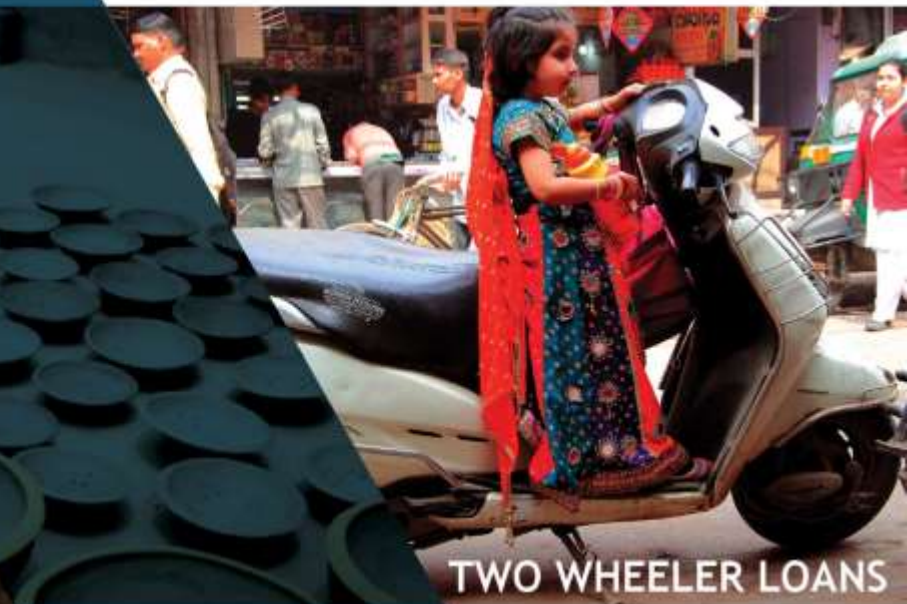
**Arman Financial Services Ltd.**



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; 204 MFI branches; 3.1 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 3 states – Gujarat, MP & Maharashtra, with 36 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

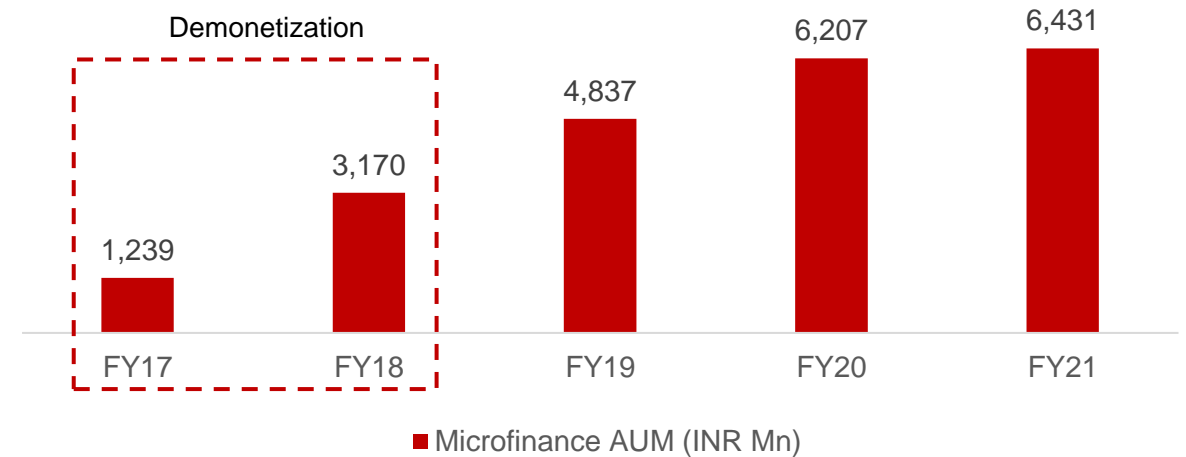
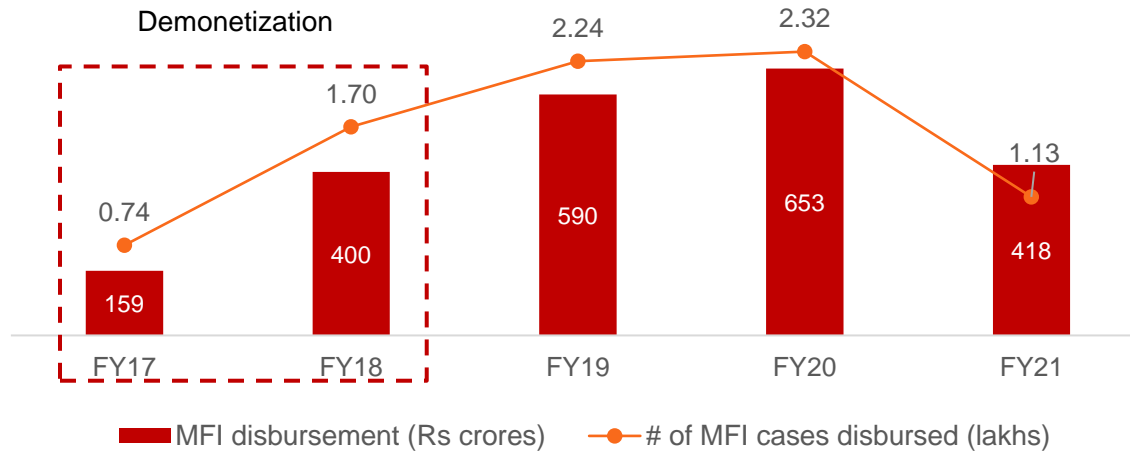
## Annexures

# Microfinance: 5-Year Performance

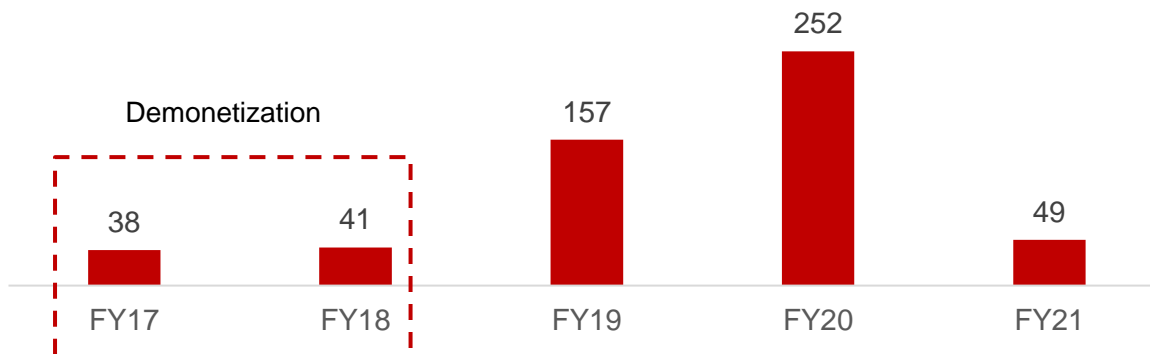


Disbursement growth is driven by customer & branch addition

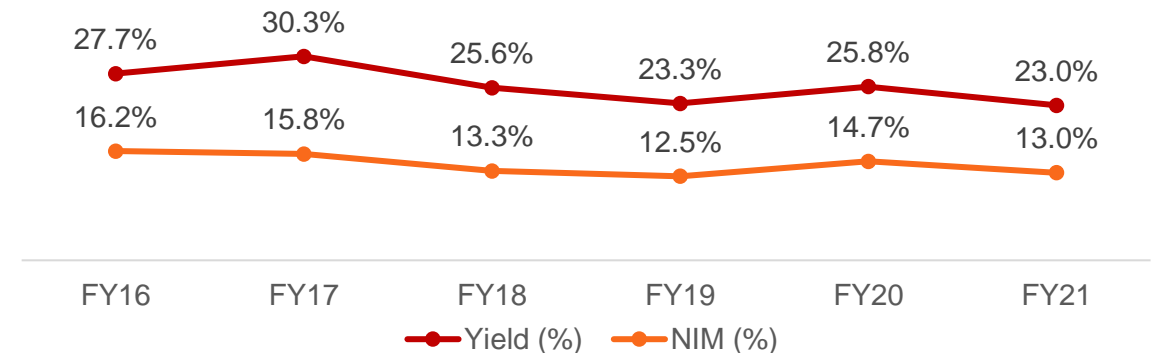
AUM growth exceeds MFI industry growth rates



PAT (INR Mn)



Yields (%) & NIM (%) Trend

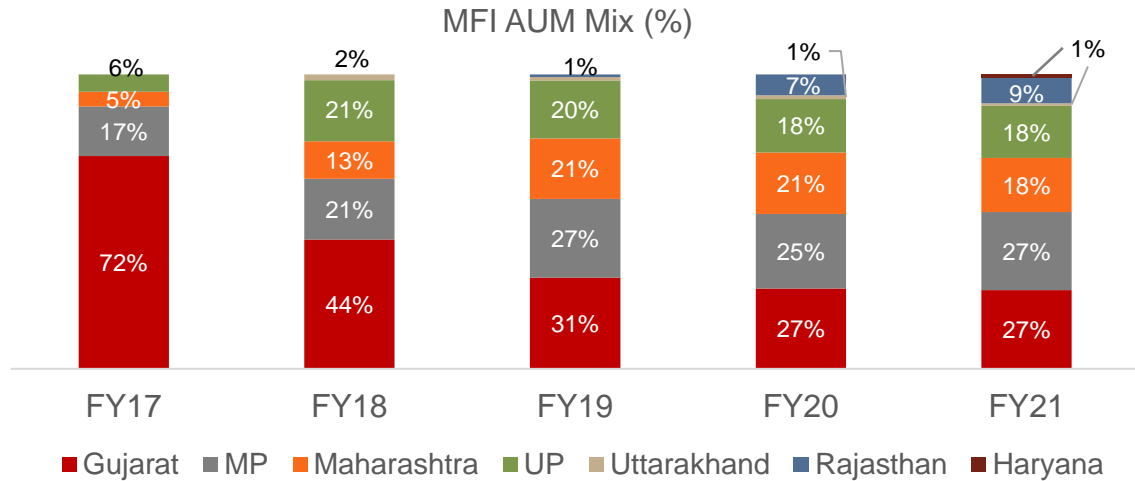


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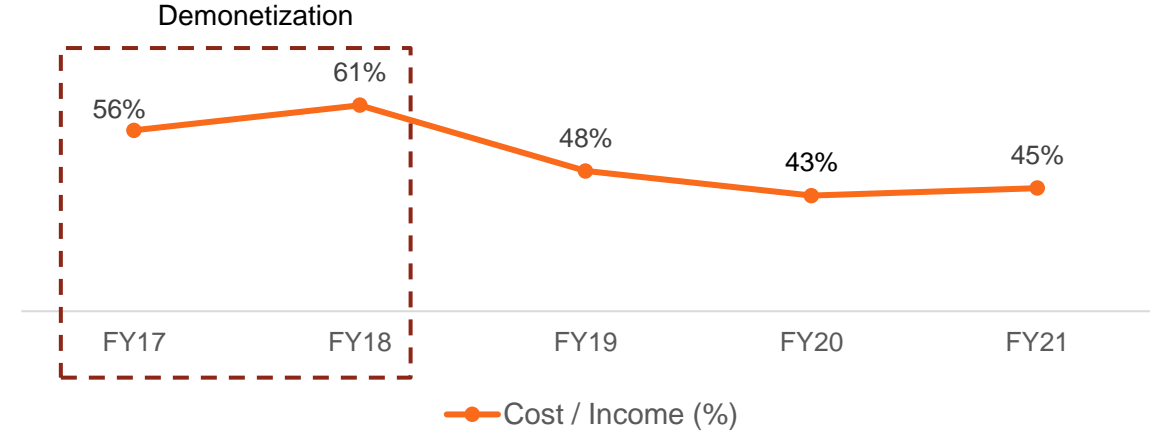
# Microfinance: 5-Year Performance



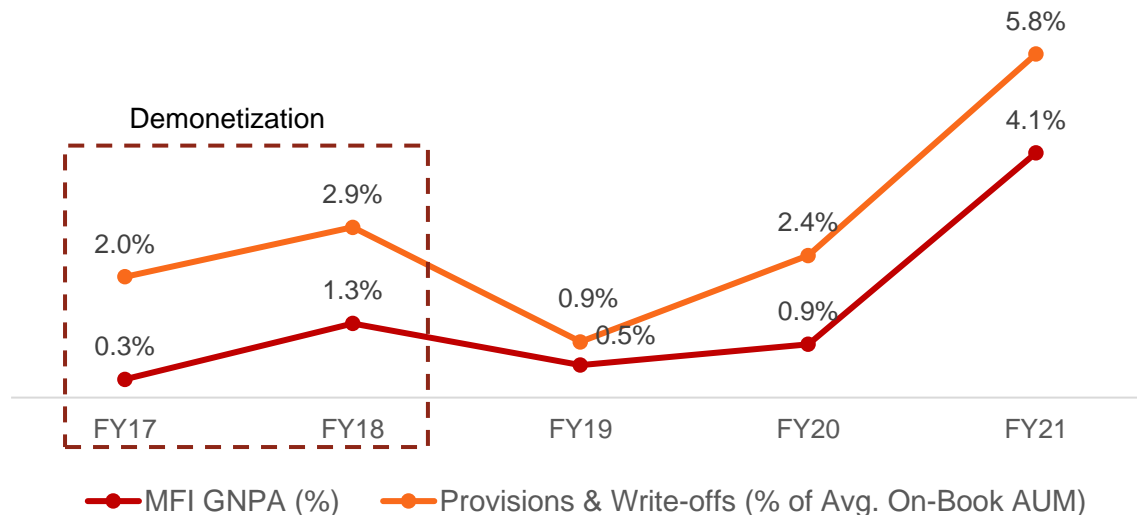
## Well diversified across geographies



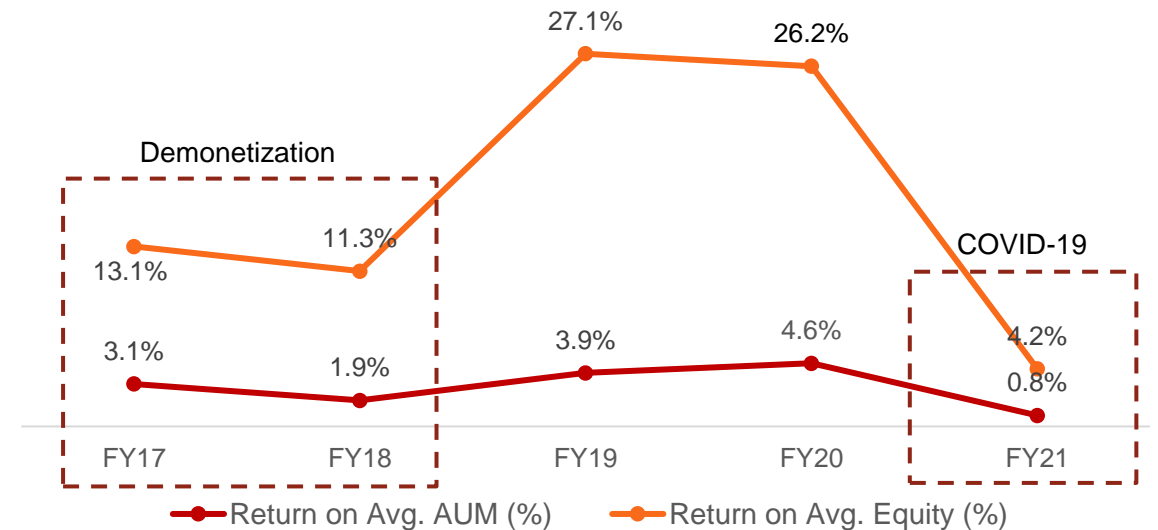
## Maintaining high operational efficiency



## Through cycle asset quality under control



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



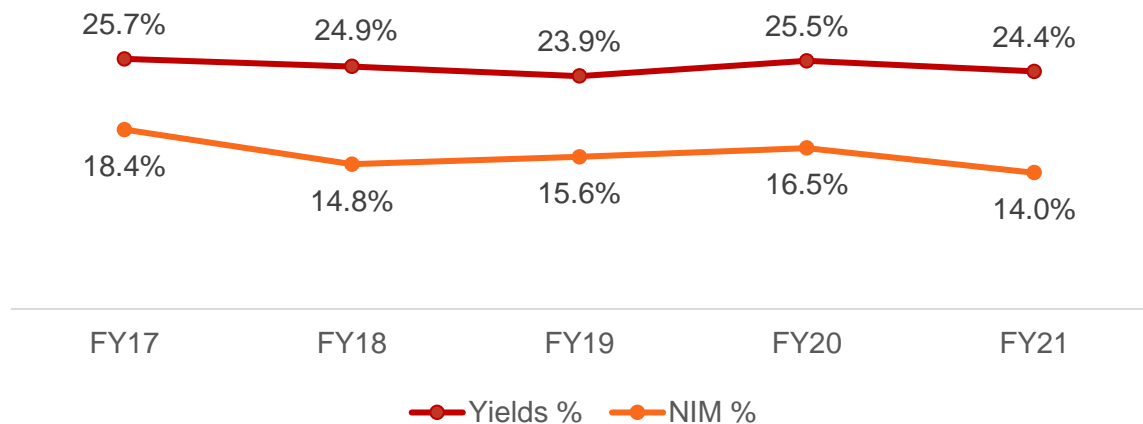
**Note:** FY20, FY21 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.



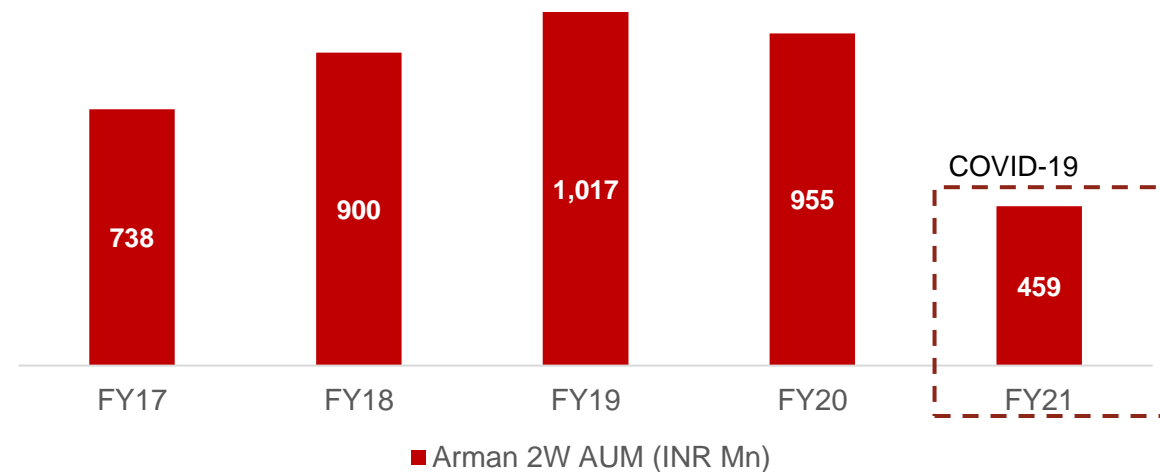
# 2W Loans: 5-Year Performance



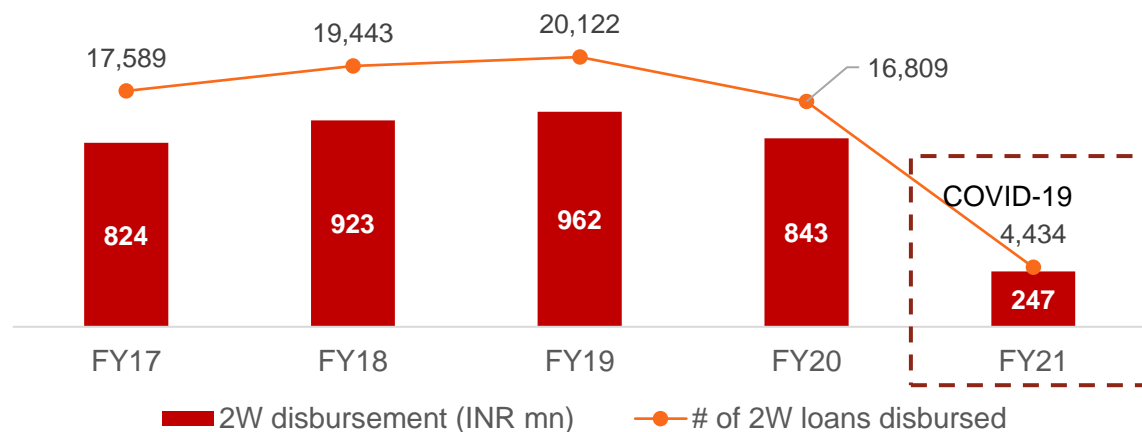
## Yields (%) & NIM (%) Trend



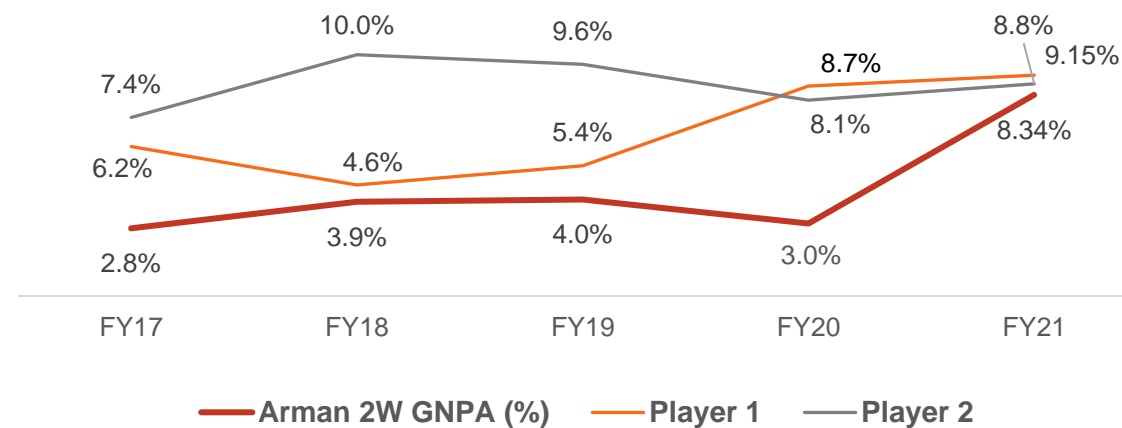
## Arman 2W AUM/ has seen steady growth over FY15-20



## 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



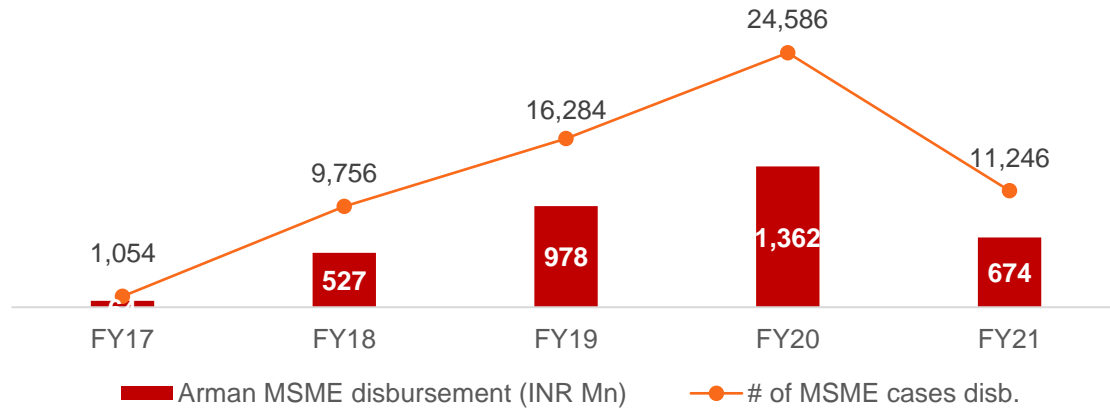
**Note:** FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP.

# MSME Loans: 5-Year Performance

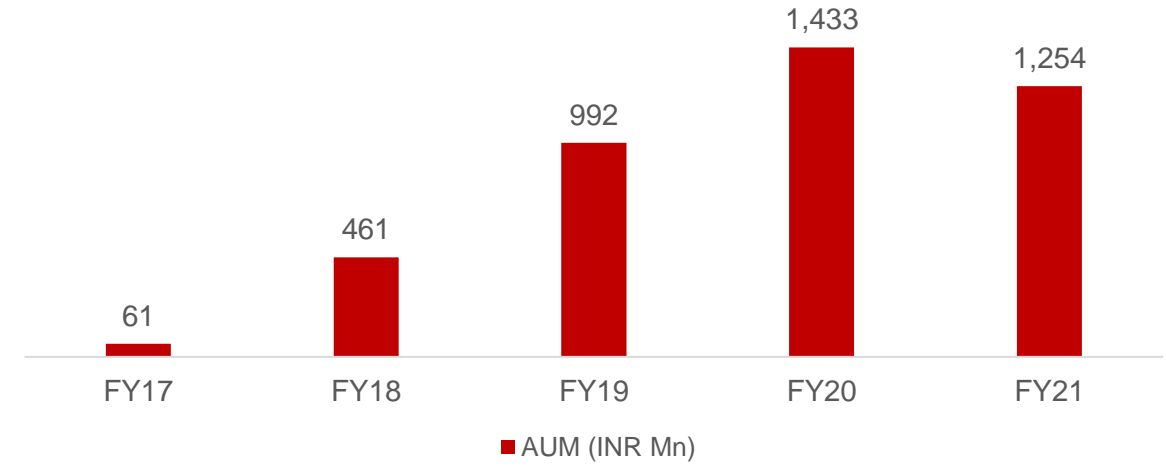


## Disbursement Growth

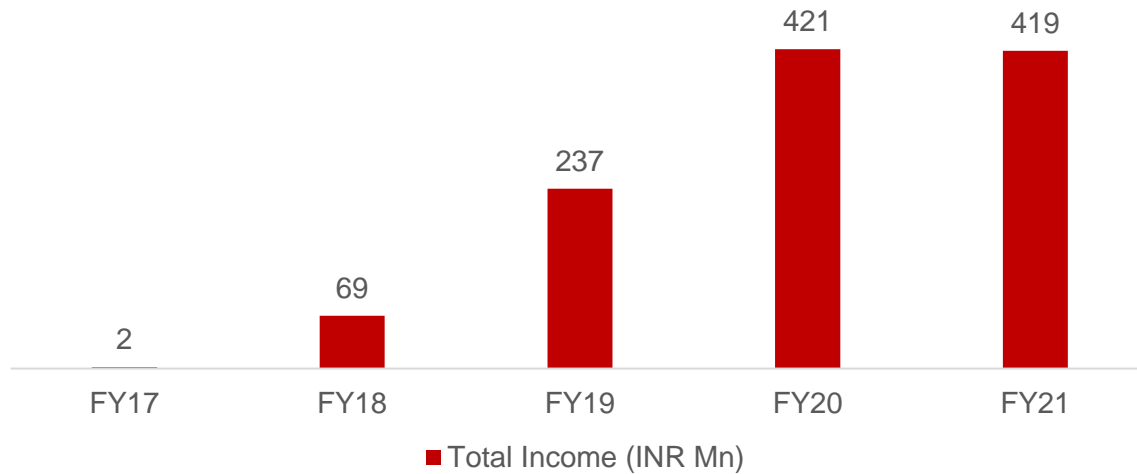
100% CAGR



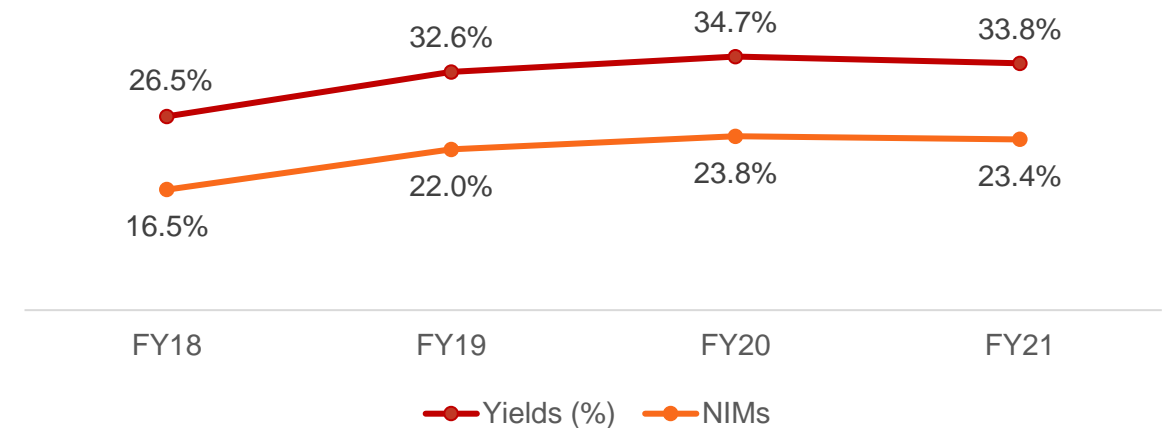
## AUM Growth



## 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.