

# Arman Financial Services Limited



*An Agile  
Arman*

**Q2 & H1 FY23 Investor Presentation**

November 2022



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# Quarterly Business Update

# H1 FY23 Performance Highlights\*



<p><b>Assets Under Management</b></p>	<p><b>Disbursement</b></p>	<p><b>Shareholder's Equity</b></p>	<p><b>Profit Before Tax</b></p>	<p><b>Profit After Tax</b></p>
<p><b>INR 1,436 Crore</b></p> <p>(+58% Y-o-Y)</p>	<p><b>INR 657 Crore</b></p> <p>(+69% Y-o-Y)</p>	<p><b>INR 311 Crore</b></p> <p>CRAR  <b>Arman (Standalone): 51.21%</b>  <b>Namra Finance: 22.51%</b></p>	<p><b>INR 47 Crore</b></p> <p>(+237% Y-o-Y)</p>	<p><b>INR 36 Crore</b></p> <p>(+323% Y-o-Y)</p>
<p><b>Provisions and write offs</b></p>	<p><b>Asset Quality</b></p>	<p><b>Return Ratios<sup>#</sup></b></p>	<p><b>Collection Efficiency</b></p>	<p><b>Active Customer Base</b></p>
<p><b>INR 21 Crore</b></p> <p><i>Cumulative Provisions stood at INR 70 Crore</i></p> <p><i>(covering 4.9% of the consolidated AUM, 5.2% on-book)</i></p>	<p><b>GNPA: 3.3%</b></p> <p><b>NNPA: 0.1%</b></p>	<p><b>ROAA: 5.3%</b></p> <p><b>ROE: 27.2%</b></p>	<p><b>Steady and healthy with each month being north of 98.2%<sup>^</sup></b></p>	<p><b>More than 5.4 Lakhs</b></p>

<sup>^</sup>For the month of September 2022

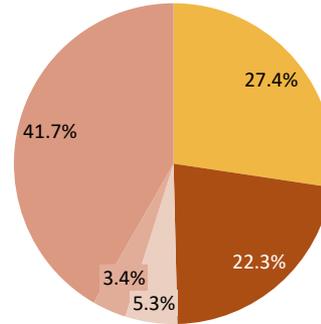
# Update on Fund Raise (1/2)



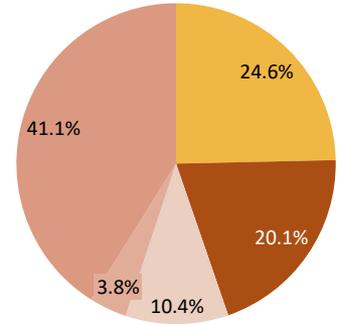
## Company raised INR 115 crore via allotment of CCDs and OCRPS on a preferential basis

- Allotment of 6,24,388 Unsecured Compulsorily Convertible Debentures (“CCDs”) on preferential basis to Investors belonging to non-promoter category.
  - The total amount raised is approximately Rs. 76.8 crore.
  - Some of the marquee investors include fund(s) controlled by Singapore based Sixteenth Street Capital and USA based Seven Canyons Advisors.
  - Other investors include both domestic and foreign individuals.
- Allotment of 3,10,972 Optionally Convertible Redeemable Preference Shares (“OCRPS”) on preferential basis belonging to non-promoter category.
  - The total amount raised is approximately Rs. 38.2 crore.
  - The investors include a mix of individuals and family offices.

Shareholding Pattern - Pre-Capital Raise



Shareholding Pattern - Post-Capital Raise\*



Legend: Promoters (Yellow), Elevation Capital (Dark Brown), FII (Light Grey), Bodies Corporates (Light Brown), Retail & Others (Dark Red)

***The mix of Tier I & II equity capital will be used to fund the targeted growth plans of approximately INR 2,500 Crore with a healthy capital adequacy and debt-equity ratio by leveraging our presence in the MFI, MSME, Two-Wheeler, and other loan segments which will enable the company to achieve a sustained growth momentum in the coming few quarters.***

# Update on Fund Raise (2/2)



Particulars	31-Mar-22
Equity Share Capital	INR 213 Crore
Total Shares Outstanding	84,92,334 Shares

Particulars	Fund Raised on 28-Sep-22
CCDs	INR 76.8 Crore
CCDs Outstanding	6,24,388 CCDs
OCRPS	INR 38.2 Crore
OCRPS Outstanding	3,10,972 OCRPS

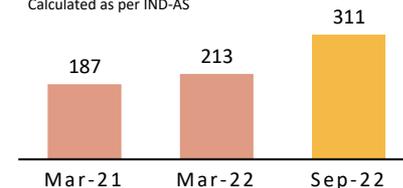


Shareholders Fund	Amount (INR Crore)	No of shares*
Shareholders fund (excluding CCD & OCRPS)	247.0	84,92,334
15% Unsecured Compulsorily Convertible Debentures (CCDs)	76.8	6,24,388
10% Optionally Convertible Redeemable Preference Shares (OCRPS)	38.3	3,10,972
<b>Total</b>	<b>362.0</b>	<b>94,27,694</b>

\*on fully diluted basis

## Net worth (INR Crore)

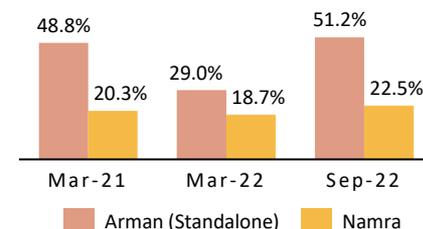
Calculated as per IND-AS



## Debt/Equity (x)



## CRAR (%)



# Impact of RBI's New Microfinance Guidelines



## Annual household income limit raised to INR 3 Lakh

- Increased annual household limit from INR 1.25 Lakh to INR 3 Lakh will provide more headroom to NBFC-MFIs to lend to more customers.
- This will help microfinance lenders to service consumers from diverse segments.

## Maximum FOIR of 50% considering all outstanding loans of the household

- The regulator has capped the monthly loan repayment of borrowers, it should not exceed half the monthly household income.
- This will reduce the pressure of EMI repayments on the borrowers, as well as lead to lower delinquency and lower credit costs for the industry.

## Removal of Pricing Cap

- The RBI removal of the interest rate ceiling on loans offered by NBFC-MFIs has put all microfinance lenders including banks, small finance banks, NBFC and not-for-profit companies on a uniform regulatory platform.
- This has allowed lenders to go for risk-based pricing.

## Qualifying assets limit revised from 85% of net assets to 75% of the total assets

- Increasing the non-qualifying asset limit provide MFIs more flexibility to experiment and innovate new products and achieve more balanced lending portfolio, reduce the cyclicality and volatility impact on the balance sheet, and strengthen the ability of institutions to weather any external risks.



# About the Company

# About Arman Financial Services



## About the Company

- 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 having a **combined experience of 100+ years** in the Lending Business

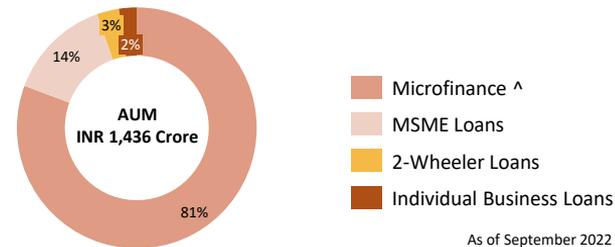
## Strong Financial Performance

- High-Growth Trajectory (FY16-22 CAGR):
  - AUM: **39%**
  - Net Income: **34%**
- Consolidated debt to equity ratio of 4.65:1– Sufficient Capital to drive growth going forward\*
- High Return Ratios - ROE: 15.6%; ROAA: 3.1%-fast recovering from the COVID impact\*

## Efficient Liability Management

- Consistent rating upgrades backed by strong financial & operating performance
  - Currently rated BBB+(Stable Outlook) by CARE Ratings for NCDs and ACUITE A- (Stable Outlook) for NCDs and Bank Borrowings
- 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

## Presence in Attractive Retail Lending Segments



**313**

Branches

**111**

Districts

**8**

States

**~5.4 Lakh**

Live Customers

**55+**

Two-Wheeler dealerships

Began operations in Gujarat and has continuously undertaken expansion since 2014 to achieve geographic diversifications

**Positive ALM**

Comfortable Liquidity Position

**32+**

Diversified Borrowing Profile & Relationship with Banks & FIs

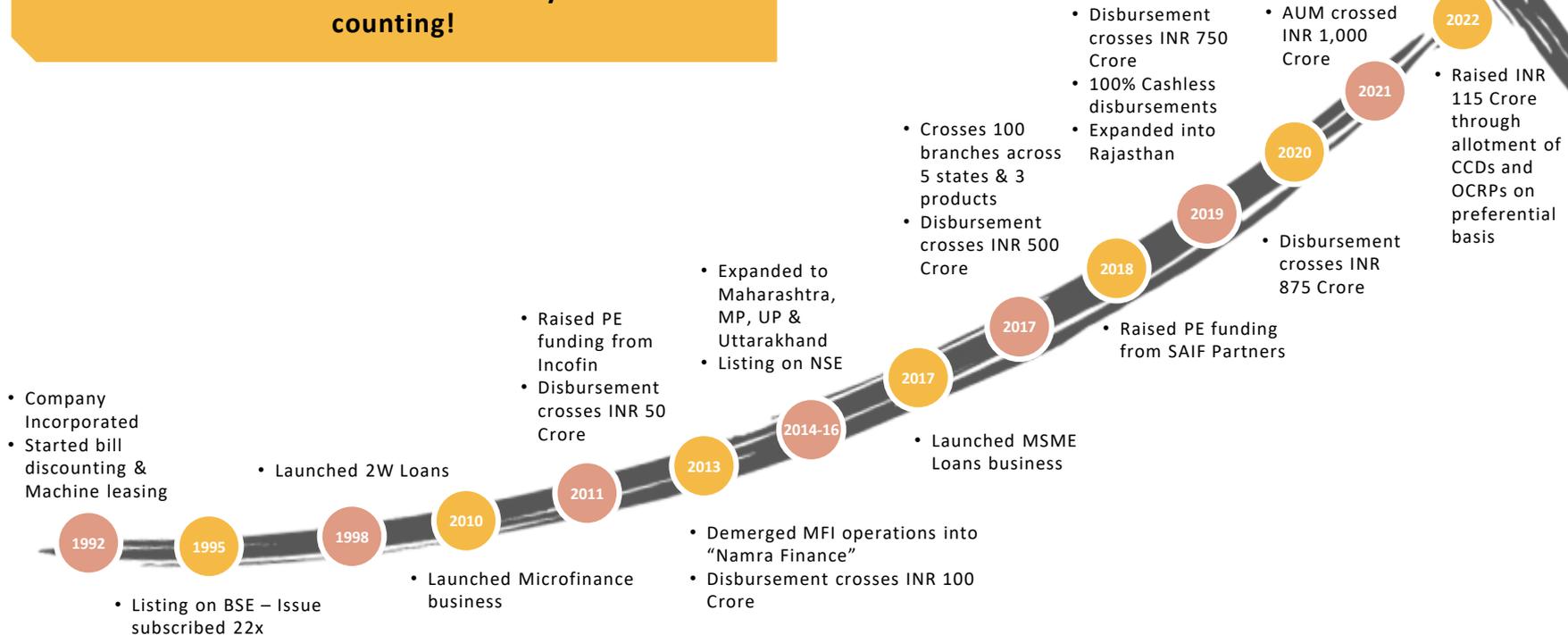
\*For FY22

^Company's wholly owned subsidiary 'Namra Finance Limited' offers microfinance loans

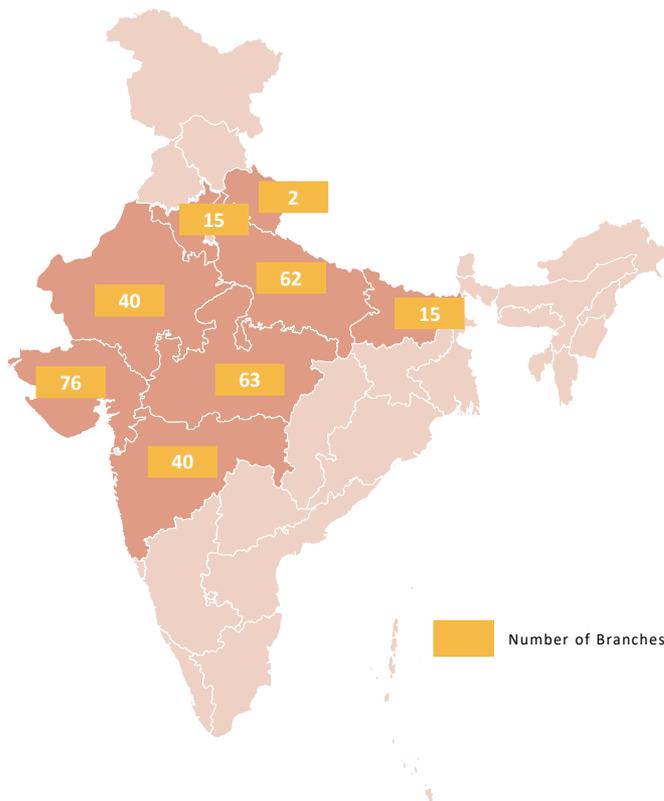
# Journey so Far



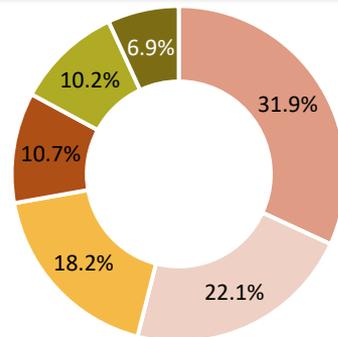
The Company has been supporting the small dreams of the brave hearts of India for 30 years... and counting!



# Geographical Footprint



## Geographical AUM Mix (Consolidated)



- Gujarat
- Madhya Pradesh
- Rajasthan
- Uttar Pradesh
- Maharashtra
- Others

Number of Branches	H1FY23	H1FY22
Microfinance	253	204
MSME	56	45
2W & Rural 2W	18	14
<b>Total</b>	<b>313</b>	<b>253</b>

**313**

**Branches**

**~5.4 Lakh**

**Active Customers**

**2,620**

**No of Employees**

**1,987**

**No of Loan Officers**

**Strong presence in the states of Gujarat, Rajasthan, Maharashtra, Madhya Pradesh, Uttar Pradesh and Uttarakhand & forayed into two new states of Bihar & Haryana**

# Strong Underwriting Measures by Leveraging Digital Transformation



## Instant Verification Of Key Details

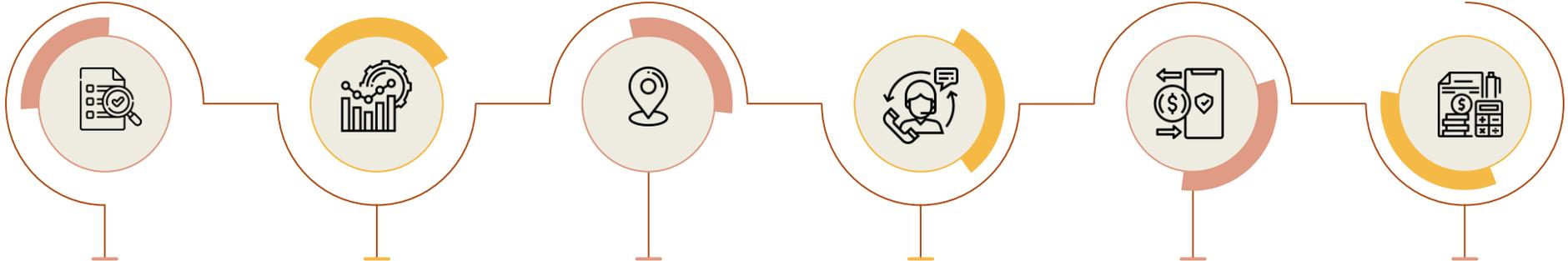
- The LOS\* & LMS\* System facilitates instant verification
- KYC Validation through OCR and face recognition
- Mobile No. verification through OTP
- Customer identity verification through UPI System
- Bank Account verification through "penny-drop"

## Traceability

- Better customer traceability by 4D customer Verification, which includes geotagging (Latitude, Longitude), House Picture, auto address capture, and Mobile verification
- Centre Branch Geo fencing to avoid any slippages in the defined process
- Audit trail of each stage

## Superior Collection

- Mobile-based collection at Point of transaction
- Customized UPI QR code to each customer facilitating them to Go Cashless
- An easy way out to Prepone and postpone the due dates in case of Holidays
- Instant acknowledgment SMS to the customer in vernacular languages



## Instant First-level Credit Assessment

- Immediate household-based credit assessment through Credit Bureau API integration and robust rule engine
- Algorithm based risk assessment
- Fully compliant with new RBI regulations for household income assessment
- Overlapping customers will be alerted by the system across products and divisions to avoid over indebtedness

## Customer Gain

- Paperless disbursement through eSign
- Providing intimation of each relevant transaction through SMS to every customer
- Tele-calling will happen through the system with a call recording facility
- Will develop customer facing app post implementation

## Loan Management

- Loan Utilization check
- Instant pre-closure and pre-settlement and its simulation for the customer to understand
- Hassle-free check in case of advance or Overdue collection
- Centre & Customer categorization based on repayment trends

**~50% Reduction in TAT between sourcing documents and fund disbursement**

# Eminent Board of Directors



## **Alok N. Prasad** *Chairman*

A veteran banker with over 35 years of regulatory, banking and financial services experience, with Senior positions at RBI, NHB, and Citi Bank. He was the founder CEO of MFIN, the Industry Body and Self-Regulatory Organization (SRO) for Microfinance Institutions (MFIs) in India. He has served on a number of committees of the Ministry of Finance, Govt of India.

## **Jayendrabhai B. Patel** *Vice Chairman & Managing Director*

He has been an entrepreneur for 45 years. He was involved in a pharmacy business in a USA early in his career followed by running a textile start-up in Gujarat. He founded Arman in 1992 and has been at the helm of management since then. He is the founder member of the Gujarat Finance Companies Association and presently serves as Vice-Chairman of the Association.

## **Aalok J. Patel** *Joint Managing Director*

He has 16 years of banking and finance experience, including 12 years at Arman. Prior to Arman, he worked as an independent auditor at KPMG in US. He is a licensed Certified Public Accountant (CPA) from USA. He also has served as a visiting professor at HL College of Commerce and is a guest lecturer at IIM-A. He holds a Bachelor's in Accounting & Finance and Master's in Accountancy from Drake University, USA.

## **Yash K. Shah** *Independent Director*

He is a Chartered Accountant and currently a partner at DBS & Co. He is an expert in the fields of Mergers & Acquisitions and Valuations. Prior to DBS, he was at KPMG in the MA division. He has written various papers on Domestic Transfer Pricing and Cross Border Transactions and also given numerous lectures in the topic of M&A

## **Ritaben J. Patel** *Non-Executive Director*

She holds Banking qualifications from First National Bank of Chicago, USA and has worked with various other USA banks like Golf Mill Bank and Morton Grove Bank in various capacities for more than a decade. She holds a B. A. in Economics.

## **Aakash J. Patel** *Non-Executive Director*

He has over 18 years of Information Technology, Computer Science, and business experiences. Currently, he works as a Manager- PMO for Bullhorn Inc. Prior to that, he worked at various other roles such as IT Consulting with Deloitte, software developer at Intellitools, and other companies such as Hewlett Packard, EMC Corporation, Softscape Inc and Sumtotals Systems. He holds a MBA from Bentley College, USA.

## **Ramakant Nagpal** *Independent Director*

He is a Chartered Accountant with over three decades of senior level banking and finance experience. He has worked at Centurion Bank, Central Bank, and was the MD/CEO of Central Bank Housing Finance. He was heading Internal audit at Central Bank of India, and as statutory auditor of a Cooperative Bank. He also headed the Finance Department of a Leading Central Government Pharma Company.

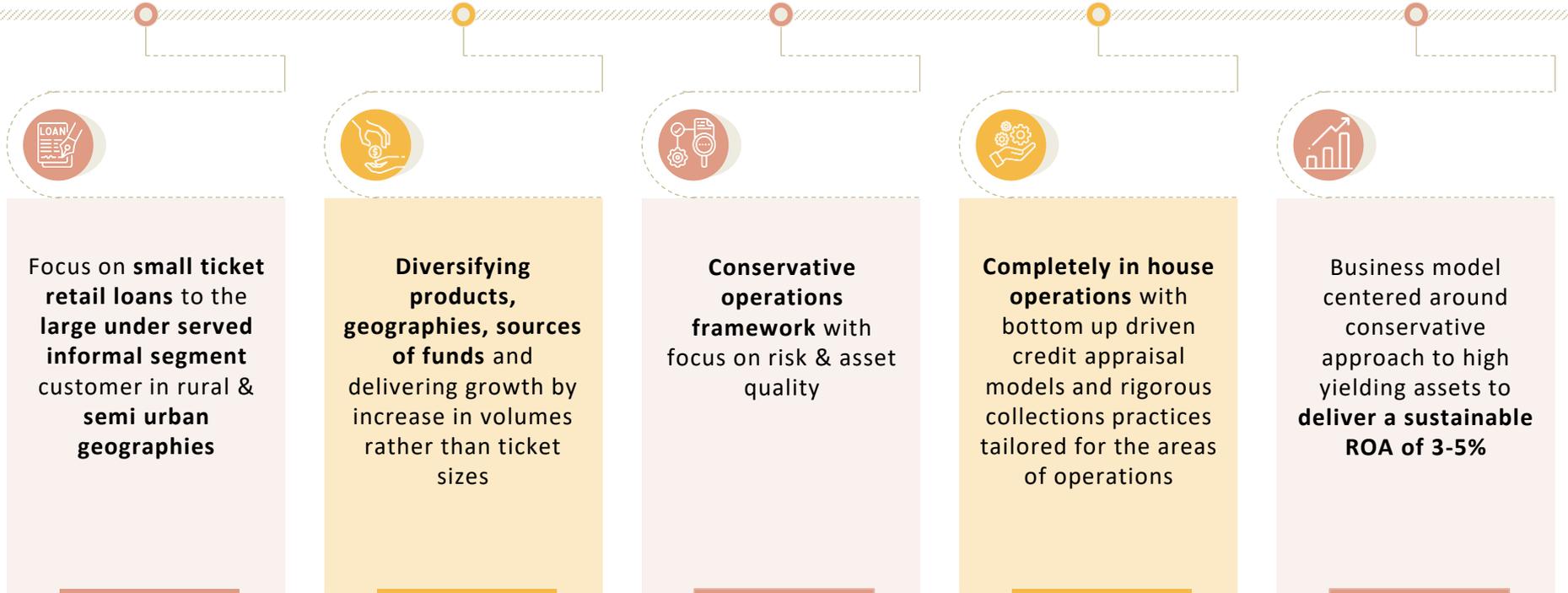
## **Mridul Arora** *Nominee Director*

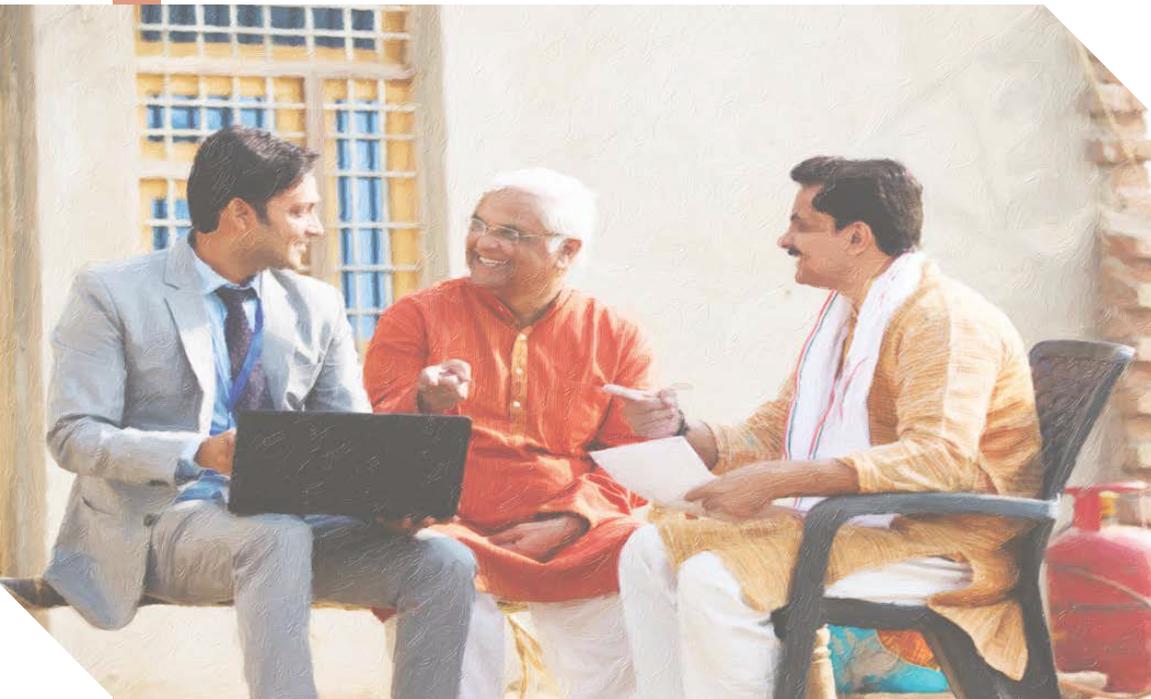
He is the nominee director of Elevation Capital (Erstwhile SAIF Partners). Prior to joining Elevation, Mridul was an Engagement Manager with McKinsey & Company where he focused on financial services, in particular banking, insurance, and asset management. He is a Chemical Engineering from IIT Madras and holds his MBA from IIM Lucknow.

## **Geeta Haresh Solanki** *Independent Director*

She is a serial social entrepreneur in Women's health, hygiene, and social development. She co-founded a company for educating and providing women hygiene care to bottom of the pyramid customers. She received the 'Bharat Ki Laxmi' award from The Ministry of Women and Child Development, and also serves as an expert on numerous panels and summits on Women's hygiene.

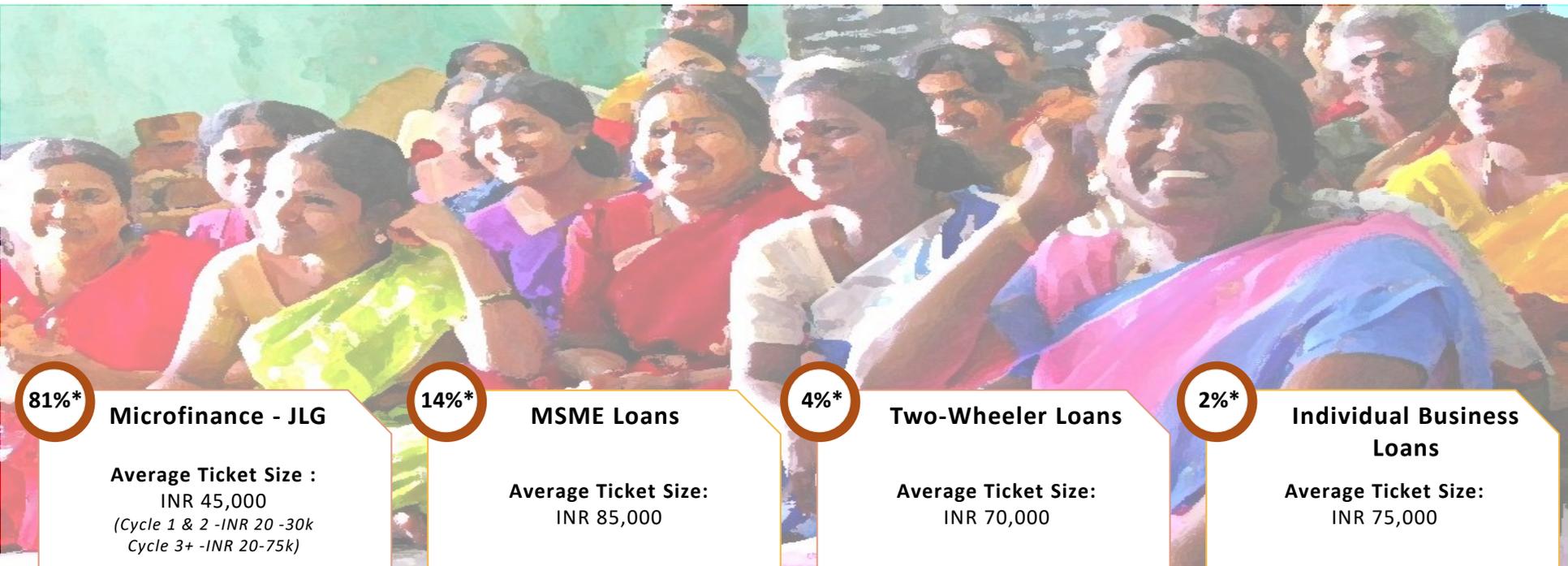
# Competitive Moat





# Presence in Attractive Retail Lending Segments

# Product Offerings across Verticals



81%\*

## Microfinance - JLG

**Average Ticket Size :**  
INR 45,000  
(Cycle 1 & 2 -INR 20 -30k  
Cycle 3+ -INR 20-75k)

**Tenure:** 18-24 Months

14%\*

## MSME Loans

**Average Ticket Size:**  
INR 85,000

**Tenure:** 24 Months

4%\*

## Two-Wheeler Loans

**Average Ticket Size:**  
INR 70,000

**Tenure:** 12-36 Months

2%\*

## Individual Business Loans

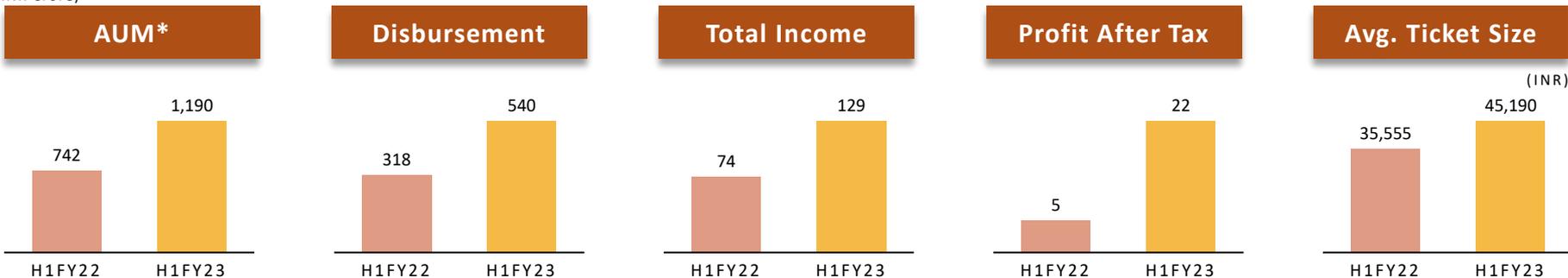
**Average Ticket Size:**  
INR 75,000

**Tenure:** 24 Months

# Microfinance Loans



(INR Crore)



\*Includes Individual Business Loans

- JLG model with small ticket loans (Avg. Ticket Size – INR 45,000) given to women borrowers for income generating activities such as Livestock, Dairy, Agri allied, Kirana Stores
- **Operations:** Operations in 8 states; 246 MFI branches; 4.7 lakh active customers
- **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

- **Disbursement:** 100% Cashless
- **Credit Check:** CRIF / Equifax Score; JLG Model with Training, Home Visit, Lifestyle Appraisal
- **Collections:** Cash collection at centre meeting

## Key Ratios (H1FY23)

**Yield:** 23.2%

**NIM:** 14.2%

**ROAA:** 3.9%

**GNPA:** 3.0%

**NNPA:** 0.1%

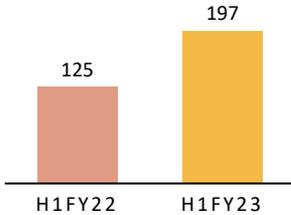
**ROE:** 21.3%

# MSME Loans

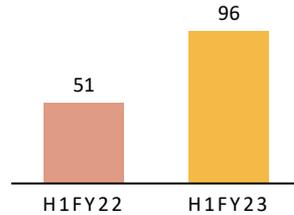


(INR Crore)

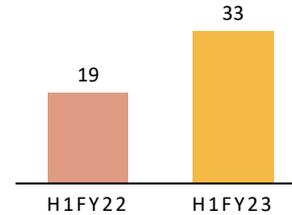
## AUM



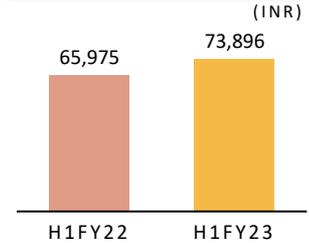
## Disbursement



## Total Income



## Avg. Ticket Size



- Individual enterprise /working capital loans for small rural businesses in low competition areas
- Currently operates across 4 states – Gujarat, MP, Maharashtra & Rajasthan with 85 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

- **Disbursement:** 100% Cashless
- **Credit Checks:** CIBIL & CRIF Score; Detailed Cash Flow Assessment; Home & Business Field Investigation
- **Collections:** Doorstep cash collection

## Key Ratios (H1FY23)

**Yield: 33.3%**

**GNPA: 4.8%**

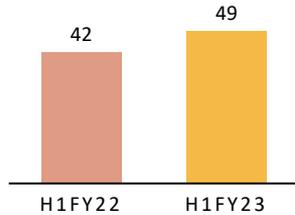
**NNPA: 0.4%**

# 2W and Rural 2W Loans

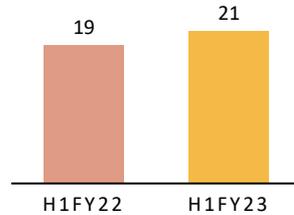


(INR Crore)

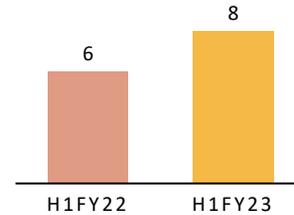
## AUM



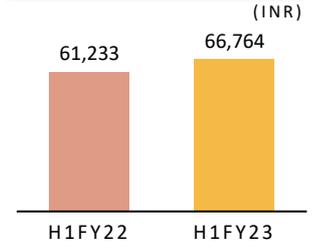
## Disbursement



## Total Income



## Avg. Ticket Size



- 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**

- **Disbursement:** 100% Cashless
- **Credit Checks:** CIBIL & CRIF Score; Home & Business Field Investigation
- **Collections:** Doorstep cash collection

## Key Ratios (H1FY23)

Yield: 31.7%

GNPA: 5.1%

NNPA: 0.9%



## 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



- Credit bureau check (CRIF & CIBIL)
- Physical FI & PD by in house credit manager at residence & workplace
- Capacity to Pay Use of nontraditional income & expense estimation methodologies
- Willingness to pay reference checks
- Final sanction by centralized credit team

*“Trigger sent to independent credit team for FI”*

### Collections



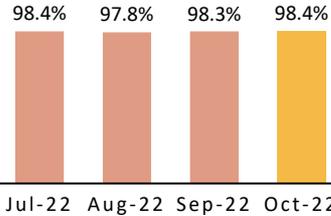
- Team member that does sales also handles collections
- Door to door collection allows Company to maintain relations with customer and ensures high collection efficiency
- Monthly collections high touch, relationship driven model

*“Door-step cash collection”*

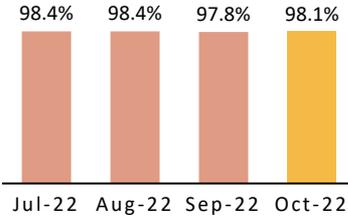
# Collection Efficiency



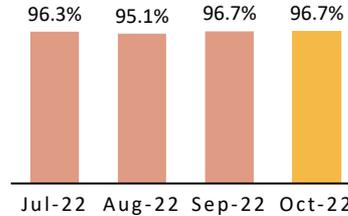
## Microfinance



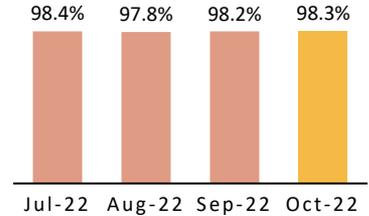
## MSME



## Two-Wheeler



## Total



### Update on Collections

- Collections in all the segments were healthy and were aligned to its pre covid levels
  - Microfinance and MSME collections was healthy and reached 98%+ in October 2022
  - 2W collections continued to be well well-north of 97% in October 2022
- Cumulative Provisions stood at INR 71 Crore as of 30<sup>th</sup> September 2022 covering 5.2% of the total AUM (on Book)
  - Namra Finance: Cumulative Provisions stood at INR 55 Crore as on 30<sup>th</sup> September 2022 covering 4.9% of the total AUM
  - Standalone: Cumulative Provisions stood at INR 16 Crore as on 30<sup>th</sup> September 2022 covering 6.6% of the total AUM
- The company has adequately provided to withstand any further uncertainties pertaining to the pandemic

Particulars (INR Crore)		Microfinance	MSME	Two Wheeler	Total
Jul-22	Collection Due	79.2	15.9	3.4	98.5
	Amount Collected	77.9	15.7	3.3	96.9
Aug-22	Collection Due	83.3	17.3	3.6	104.2
	Amount Collected	81.5	17.0	3.4	101.9
Sep-22	Collection Due	87.8	18.1	3.4	109.4
	Amount Collected	86.3	17.7	3.3	107.3
Oct-22	Collection Due	87.5	18.1	3.4	109.1
	Amount Collected	86.2	17.8	3.3	107.3

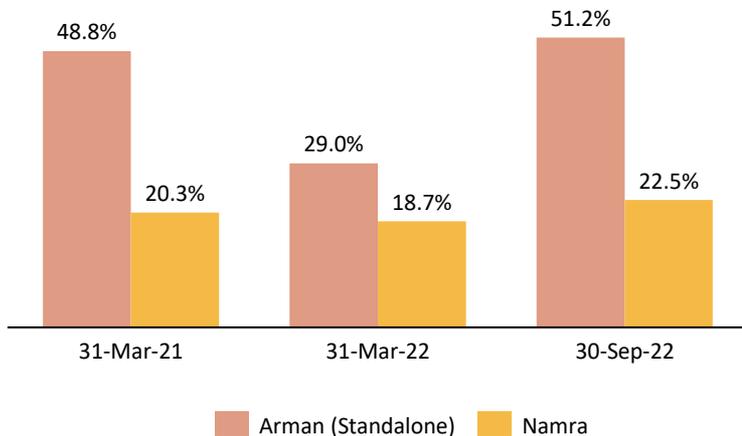


# Efficient Liability Management

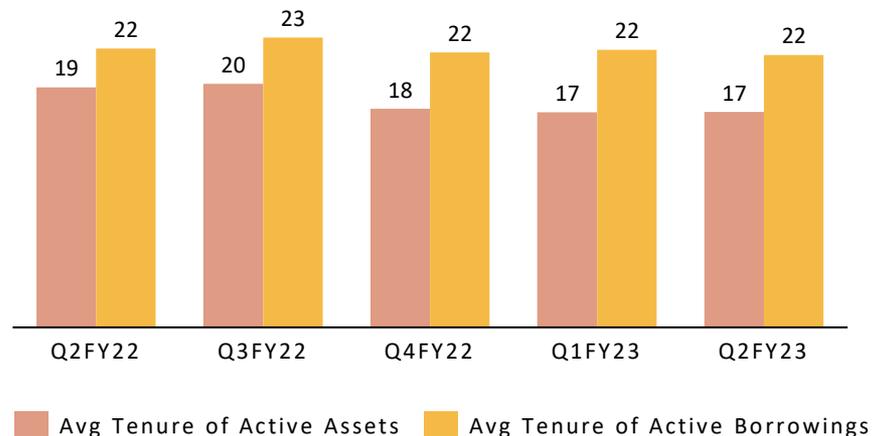
# Strong Capitalization with Sufficient Liquidity



## Capital Adequacy Ratio



## ALM Position (in Months)



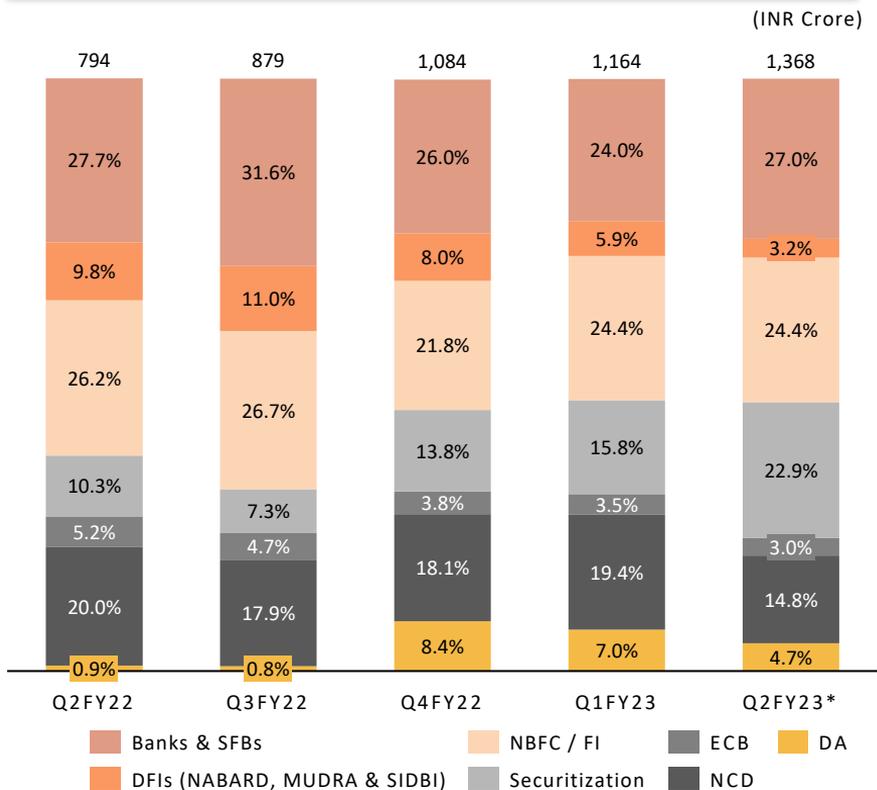
### Update on Liquidity

- Healthy Liquidity position with INR 376 Crore in cash/bank balance, liquid investments, and undrawn CC limits
- The company has duly repaid all the debt obligations that were due in Q2FY23
- ALM continues to remain positive, and the company continue to have access to new sources of funds via CCD's and OCRPS
- Additionally, company has INR 131 Crore undrawn sanctions from existing lenders

# Lending Profile



## Borrowing Mix (%)



## Top 5 Lending Partners

Top 5 Lenders	% of Borrowings
Lender 1 – NCD	12.6%
Lender 2 – Term Loans & PTC	12.5%
Lender 3 – Term Loans	6.9%
Lender 4 – Term Loans & PTC	5.7%
Lender 5 – Term Loans	5.5%

## Credit Rating

Credit Rating	CARE	ACUITE
Long Term Bank Facilities	-	ACUITE A- Stable Outlook
Non Convertible Debentures	CARE BBB+ Stable Outlook	

Namra Finance Limited (WOS) was also reaffirmed 'MFI 2+' (MFI two plus) by CARE Advisory Research & Training Limited

# Lending Partners



## Bank Borrowings



## Non-Bank Borrowings

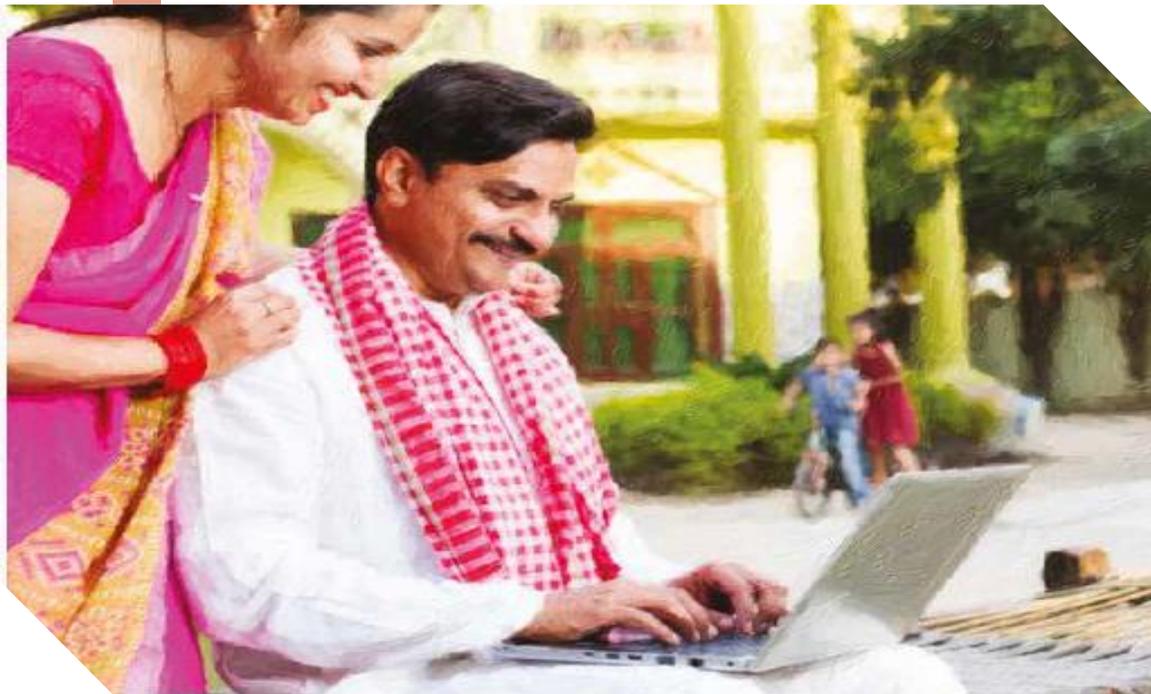


## Securitization Partners



NCDs & ECB

symbiotics



## Strong Financial Performance

# Consolidated Profit & Loss Statement



Particulars (INR Crore)	Q2 FY23	Q2 FY22	Y-o-Y (%)	Q1FY23	Q-o-Q (%)	H1 FY23	H1 FY22	Y-o-Y (%)
Income from Operations	91.6	50.3		78.4		170.0	99.6	
Other Income	1.0	0.5		0.5		1.5	0.9	
<b>Gross Total Income</b>	<b>92.6</b>	<b>50.8</b>	<b>82.3%</b>	<b>78.9</b>	<b>17.4%</b>	<b>171.6</b>	<b>100.5</b>	<b>17.4%</b>
Finance Costs	36.1	19.7		28.6		64.6	39.5	
<b>Net Total Income (NTI)</b>	<b>56.6</b>	<b>31.1</b>	<b>81.8%</b>	<b>50.3</b>	<b>12.4%</b>	<b>106.9</b>	<b>61.0</b>	<b>12.4%</b>
Employee Benefits Expenses	13.7	9.4		12.7		26.4	18.8	
Depreciation and Amortisation	0.3	0.2		0.3		0.5	0.4	
Other Expenses	6.2	5.5		5.5		11.7	7.9	
<b>Pre-Provision Operating Profit</b>	<b>36.4</b>	<b>16.0</b>	<b>127.4%</b>	<b>31.8</b>	<b>14.4%</b>	<b>68.2</b>	<b>33.8</b>	<b>14.4%</b>
Total Provisions & Write-offs	9.7	8.7		11.8		21.5	20.0	
<b>Profit Before Tax</b>	<b>26.7</b>	<b>7.4</b>	<b>263.0%</b>	<b>20.0</b>	<b>33.5%</b>	<b>46.7</b>	<b>13.9</b>	<b>33.5%</b>
<b>Profit After tax</b>	<b>19.9</b>	<b>4.9</b>	<b>310.9%</b>	<b>15.7</b>	<b>26.8%</b>	<b>35.6</b>	<b>8.4</b>	<b>26.8%</b>

# Balance Sheet



Particulars (INR Crore)	Consolidated		Standalone	
	Sep-22	Mar-22	Sep-22	Mar-22
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	223.5	75.5	90.8	31.0
Bank Balance	202.4	66.8	6.5	7.6
Loans & Advances	1,283.7	1,057.6	225.1	188.3
Investments	20.9	5.9	163.0	93.0
Other Financial assets	13.5	12.9	0.9	1.1
<b>Total Financial Assets</b>	<b>1,744.1</b>	<b>1,218.7</b>	<b>486.4</b>	<b>321.0</b>
<b>Non-Financial Assets</b>				
Current tax Assets (Net)	0.0	0.0	0.0	0.2
Deferred tax Assets (Net)	18.7	16.5	4.5	4.6
Property, Plant and Equipment	5.4	3.7	0.9	0.8
Right To Use Asset	1.1	1.2	0.0	0.0
Other non-financial assets	2.0	1.1	1.3	0.7
<b>Total Non-Financial Assets</b>	<b>27.2</b>	<b>22.5</b>	<b>6.7</b>	<b>6.3</b>
<b>Total Assets</b>	<b>1,771.2</b>	<b>1,241.3</b>	<b>493.1</b>	<b>327.4</b>

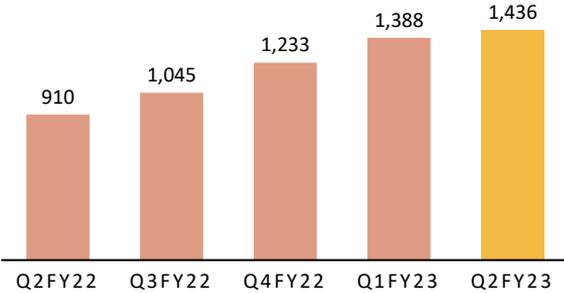
Particulars (INR Crore)	Consolidated		Standalone	
	Sep-22	Mar-22	Sep-22	Mar-22
<b>LIABILITIES &amp; EQUITY</b>				
Equity Share capital	8.5	8.5	8.5	8.5
Reserves & Surplus	303.0	204.2	208.2	132.5
<b>Total Shareholders Funds</b>	<b>1,771.2</b>	<b>212.7</b>	<b>216.6</b>	<b>141.0</b>
<b>Financial Liabilities</b>				
Other Payables	0.4	1.2	0.0	0.0
Debt Securities	215.1	195.1	110.5	67.3
Total Borrowings	1,178.6	769.6	150.8	105.7
Subordinated Liabilities	25.0	25.0	5.0	5.0
Other Financial Liabilities	33.1	32.9	5.4	5.0
<b>Total Financial Liabilities</b>	<b>1,452.3</b>	<b>1,023.8</b>	<b>271.7</b>	<b>182.9</b>
<b>Non-Financial Liabilities</b>				
Current tax liabilities (Net)	4.7	2.7	0.6	0.0
Provisions	1.3	1.2	0.4	0.4
Other non-financial liabilities	1.5	1.0	3.7	3.1
<b>Total Non-Financial Liabilities</b>	<b>7.5</b>	<b>4.9</b>	<b>4.7</b>	<b>3.5</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,771.2</b>	<b>1,241.3</b>	<b>493.1</b>	<b>327.4</b>

# Consolidated Business Performance

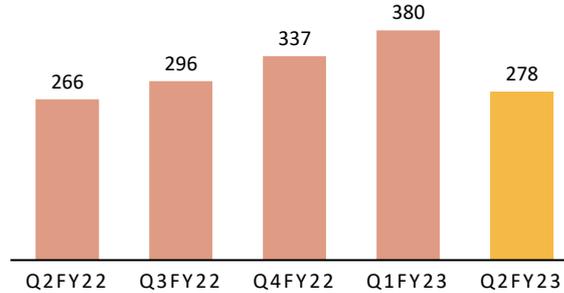


(INR Crore)

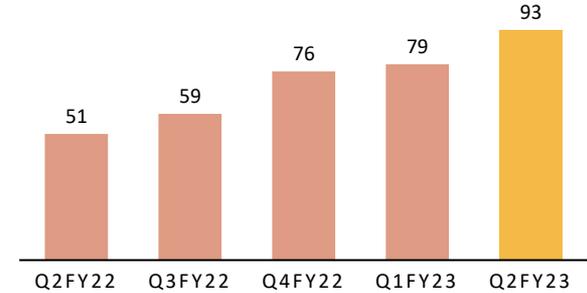
## AUM



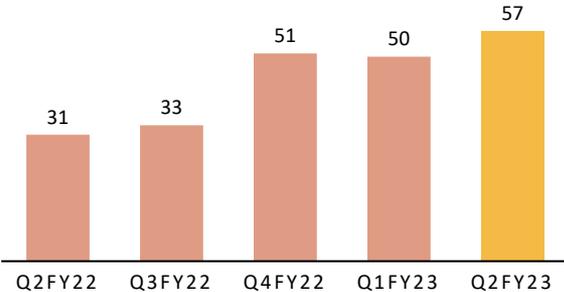
## Disbursement



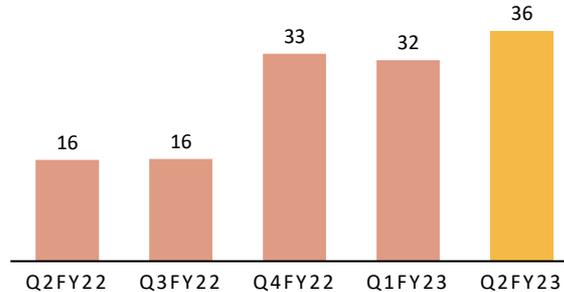
## Gross Total Income



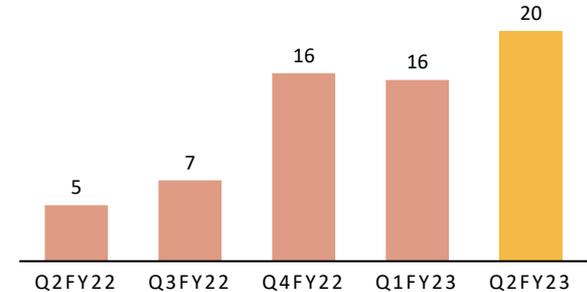
## Net Total Income



## Pre-provision Operating Profit



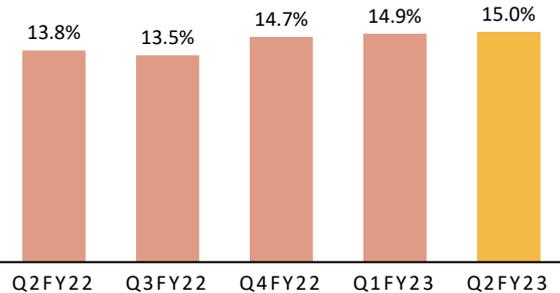
## Profit After Tax



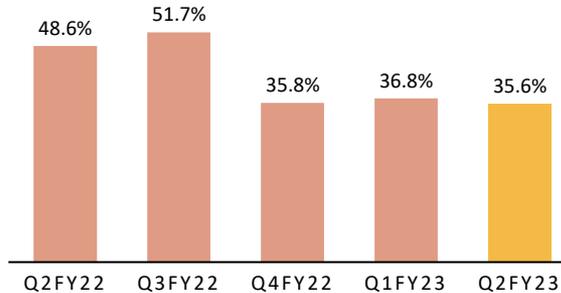
# Consolidated Business Performance



## Net Interest Margin (%)



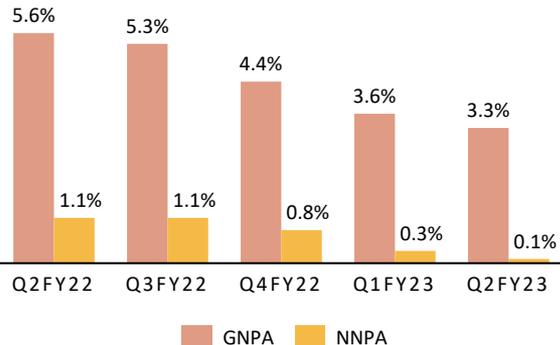
## Cost to Income Ratio (%)



## Yield (%)



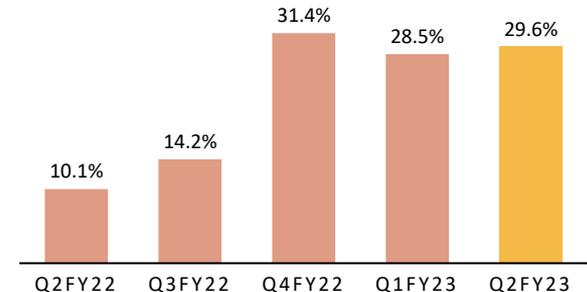
## Asset Quality (%)



## Return on Average AUM (%)



## Return on Equity (%)



GNPA NNPA

# Q2FY23 – Standalone Performance Update (2W & MSME)



Particulars (INR Crore)	Q2 FY23	Q2 FY22	Y-o-Y (%)	Q1FY23	Q-o-Q (%)	H1 FY23	H1 FY22	Y-o-Y (%)
Income from Operations	21.4	13.4		21.3		42.7	27.0	
Other Income	0.8	0.7		0.8		1.5	1.6	
<b>Gross Total Income</b>	<b>22.1</b>	<b>14.1</b>	<b>56.3%</b>	<b>22.1</b>	<b>0.1%</b>	<b>44.2</b>	<b>28.6</b>	<b>54.5%</b>
Finance Costs	6.0	4.6		5.8		11.9	8.7	
<b>Net Total Income (NTI)</b>	<b>16.1</b>	<b>9.6</b>	<b>68.2%</b>	<b>16.3</b>	<b>-1.0%</b>	<b>32.3</b>	<b>19.9</b>	<b>64.2%</b>
Employee Benefits Expenses	4.4	3.2		4.1		8.4	5.9	
Depreciation and Amortisation	0.0	0.0		0.0		0.1	0.0	
Other Expenses	1.9	1.6		1.9		3.8	2.4	
<b>Pre-Provision Operating Profit</b>	<b>9.8</b>	<b>4.7</b>	<b>106.9%</b>	<b>10.2</b>	<b>-4.0%</b>	<b>20.0</b>	<b>11.5</b>	<b>74.0%</b>
Total Provisions & Write-offs	-0.7	2.2		1.6		0.9	6.0	
<b>Profit Before Tax</b>	<b>10.5</b>	<b>2.5</b>	<b>311.1%</b>	<b>8.7</b>	<b>20.9%</b>	<b>19.1</b>	<b>5.5</b>	<b>244.9%</b>
<b>Profit After tax</b>	<b>7.9</b>	<b>2.0</b>	<b>287.1%</b>	<b>6.7</b>	<b>17.7%</b>	<b>14.6</b>	<b>4.1</b>	<b>254.6%</b>

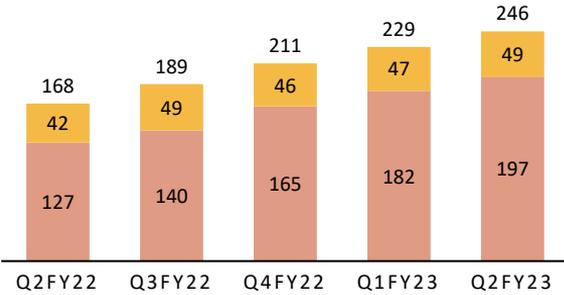
- Standalone AUM stood grew by 45.7% to INR 246 Crore as compared to INR 168 Crore
  - With the revival seen in demand, the MSME AUM registered a growth of 56% YoY to INR 197 Crore and 2W AUM registered a growth of 16% YoY to INR 49 Crore
- H1 FY23 Disbursements grew by 68.6% which stood at INR 117 Crore as compared to INR 70 Crore in H1 FY22. Q2 FY23 disbursements stood at INR 55 Crore
- As the economy has recovered from the COVID-19 pandemic; we expect healthy disbursements growth on the back of improved demand
- Profit After Tax has tripled in H1FY23 on account of AUM growth in MSME segment and lower provisioning requirement with improving Asset Quality
- The total Provisions stood at INR 16 Crore covering 6.6% of total AUM
- GNPA % and NNPA % stood at 4.9% and 0.5% respectively
- Repayment rates for both MSME and 2W were healthy and steady during the quarter at 98% & 92% respectively

# Operational Highlights - Standalone Business

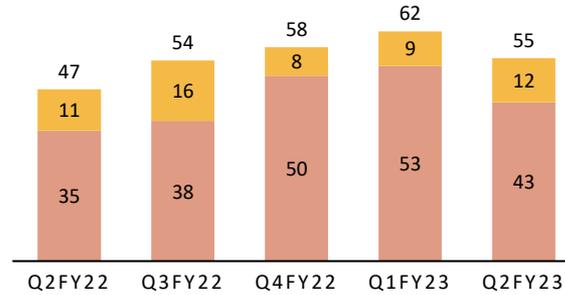


(INR Crore)

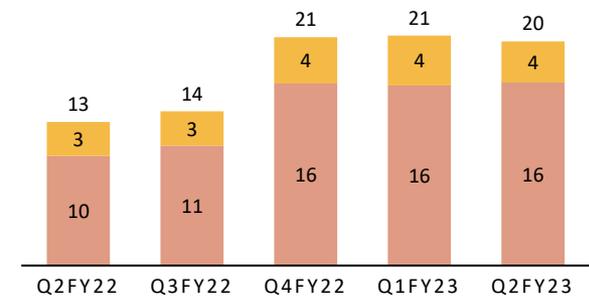
## AUM



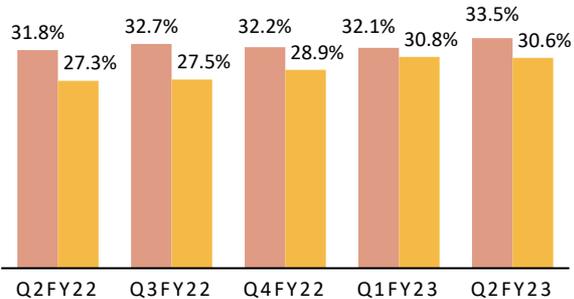
## Disbursement



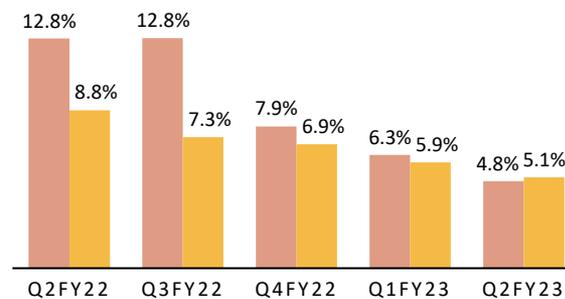
## Gross Total Income



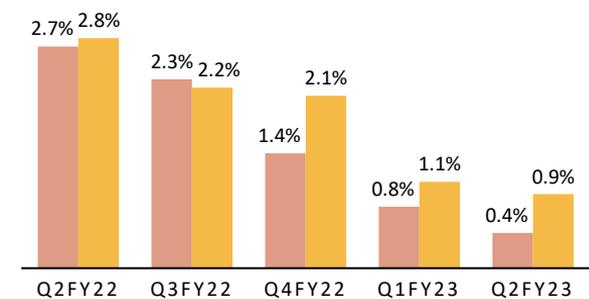
## Yield (%)



## Gross NPA (%)



## Net NPA (%)



Two Wheeler Loans MSME

# Q2FY23 – Microfinance “Namra Finance” Performance Update



Particulars (INR Crore)	Q2 FY23	Q2 FY22	Y-o-Y (%)	Q1FY23	Q-o-Q (%)	H1 FY23	H1 FY22	Y-o-Y (%)
Income from Operations	70.4	37.4		57.4		127.7	73.9	
Other Income	0.8	0.2		0.4		1.1	0.4	
<b>Gross Total Income</b>	<b>71.2</b>	<b>37.6</b>	<b>89.4%</b>	<b>57.7</b>	<b>23.2%</b>	<b>128.9</b>	<b>74.3</b>	<b>73.5%</b>
Finance Costs	30.2	15.6		23.0		53.2	32.1	
<b>Net Total Income (NTI)</b>	<b>41.0</b>	<b>22.0</b>	<b>86.6%</b>	<b>34.7</b>	<b>18.0%</b>	<b>75.7</b>	<b>42.2</b>	<b>79.5%</b>
Employee Benefits Expenses	9.4	6.2		8.6		18.0	12.9	
Depreciation and Amortisation	0.2	0.2		0.2		0.5	0.4	
Other Expenses	4.3	3.9		3.6		7.9	5.5	
<b>Pre-Provision Operating Profit</b>	<b>27.1</b>	<b>11.7</b>	<b>132.1%</b>	<b>22.2</b>	<b>21.8%</b>	<b>49.3</b>	<b>23.4</b>	<b>110.4%</b>
Total Provisions & Write-offs	10.3	6.5		10.2		20.6	14.0	
<b>Profit Before Tax</b>	<b>16.7</b>	<b>5.2</b>	<b>221.1%</b>	<b>12.0</b>	<b>39.5%</b>	<b>28.7</b>	<b>9.4</b>	<b>204.8%</b>
<b>Profit After tax</b>	<b>12.5</b>	<b>3.2</b>	<b>290.2%</b>	<b>9.6</b>	<b>29.8%</b>	<b>22.2</b>	<b>5.4</b>	<b>309.4%</b>

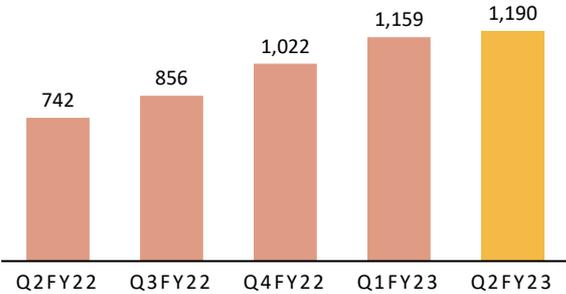
- MFI AUM stood at INR 1,190 Crore registering a growth of 60.5% as compared to same period last year
  - Active MFI Customer base stood at 4.7 Lakhs and added more than 24,000 new customers in Q2 FY23
- Disbursement growth was muted mainly due to debt liquidity environment coupled with the transition to LOS/LMS software
  - Disbursements for H1FY23 stood at INR 540 Crore
- During H1FY23, Gross Total Income increased by 74% YoY to INR 129 Crore and Net Total Income increased by 80% YoY to INR 76 Crore
- Profit After Tax increased sharply to INR 22 Crore in H1FY23 compared to INR 5 Crore in H1FY22 on the back of strong growth of loan portfolio and better yields improving the collection efficiency
- Provisions & write off for the quarter increased by 47% YoY to INR 21 Crore
  - Write-off in H1FY23 stood at INR 11 Crore as an aggressive write-off and provisioning policy was followed during H1FY23
  - Cumulative ECL Provisions stood at INR 55 Crore covering 4.6% of the total AUM

# Operational Highlights – Namra Finance (1/2)

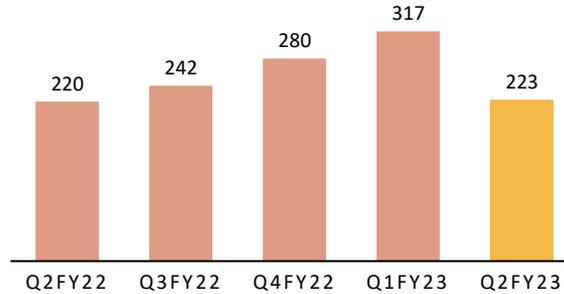


(INR Crore)

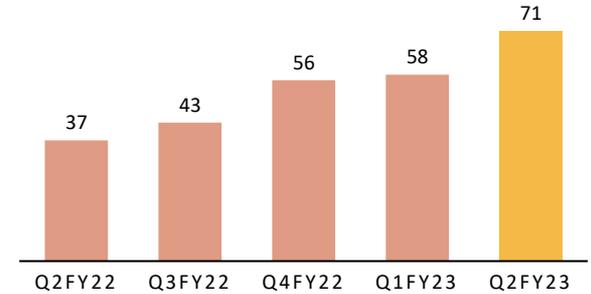
## AUM



## Disbursement



## Gross Total Income



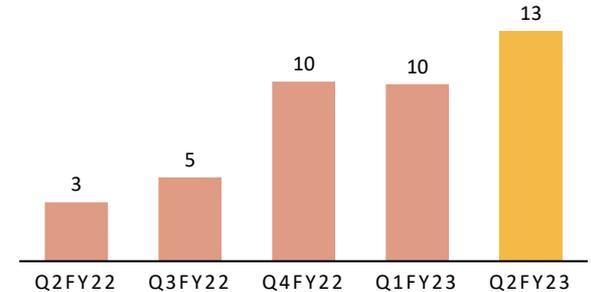
## Net Total Income



## Pre-provision Operating Profit



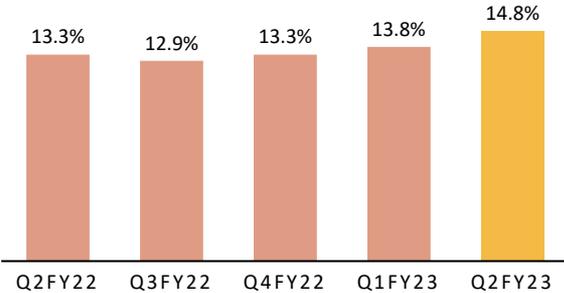
## Profit After Tax



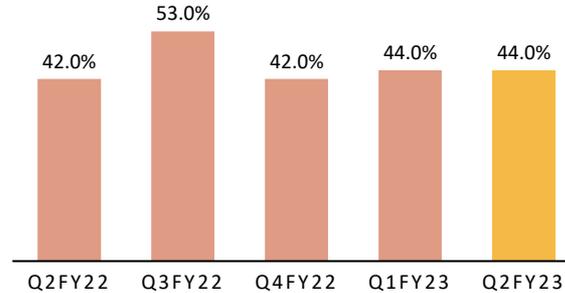
# Operational Highlights – Namra Finance (2/2)



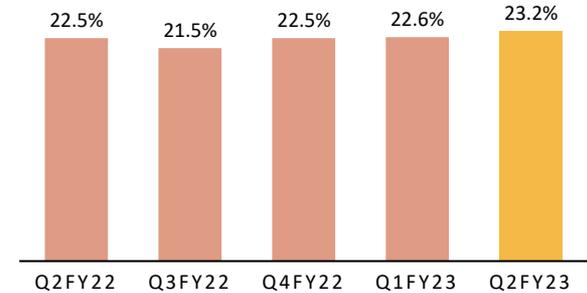
## Net Interest Margin (%)



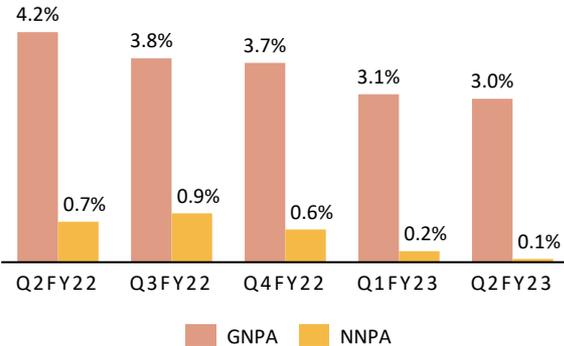
## Cost to Income Ratio (%)



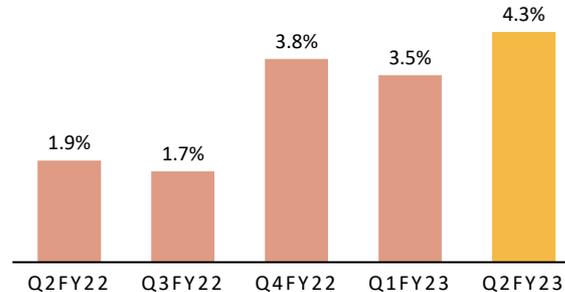
## Yield (%)



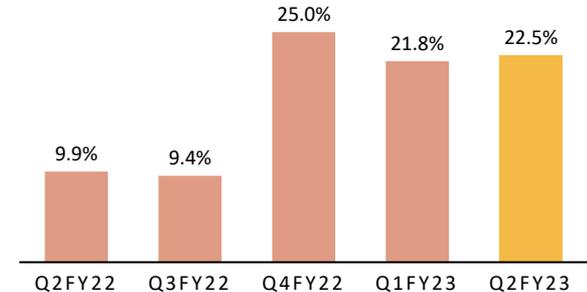
## Asset Quality (%)



## Return on Average AUM (%)



## Return on Equity (%)



GNPA NNPA

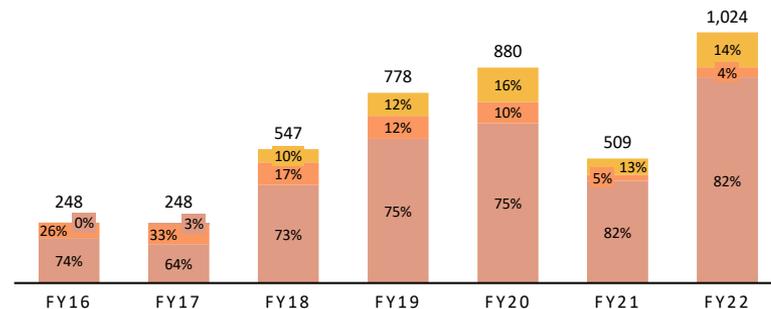
# Strong Growth in AUM and Disbursements



## Total AUM (INR Crore)



## Total Disbursements (INR Crore)



- Diversified portfolio of 1,436 Crore in H1 FY23 split between –
  - **Microfinance:** INR 1,156 Crore (82.9%),
  - **MSME Loans:** INR 197 Crore (13.7%),
  - **2-Wheeler Loans:** INR 49 Crore (3.4%),
  - **Individual Business Loans:** INR 34 Crore (2.4%)
- Strategically forayed into MSME Loans in 2017. Successfully scaled up the business to INR 197 Crore (13.7% of Total AUM) in the last 5 years
- Further, we recently launched a new product “Rural 2-wheeler loans”(currently in pilot stage) to effectively meet the under-served market.
  - Higher ROA business offering immense growth potential
- Plan to reduce share of MFI book in overall AUM to ~60% over time

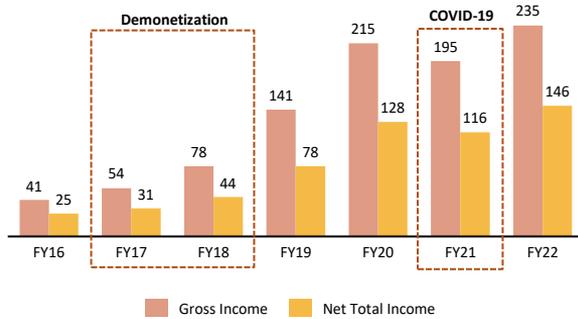
- Small ticket, granular loans - Ticket size INR 20,000 – 2,50,000
- Self-employed / cash cash-income informal segment customers
- High -yield rural focused products – 20%+ yields
- Stringent underwriting
- Rigorous collections practices – in-house, feet feet-on -street model
- Aim to deliver 3-5% post post-tax ROA

# While Maintaining Cost Efficiency & Asset Quality

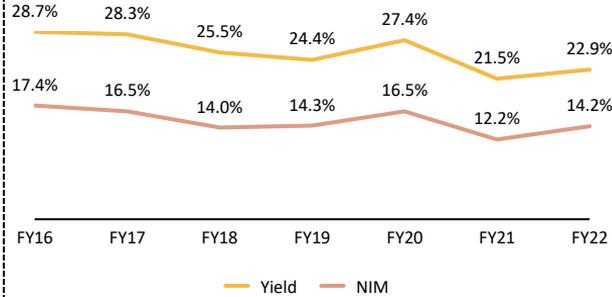


## Gross and Net Total Income

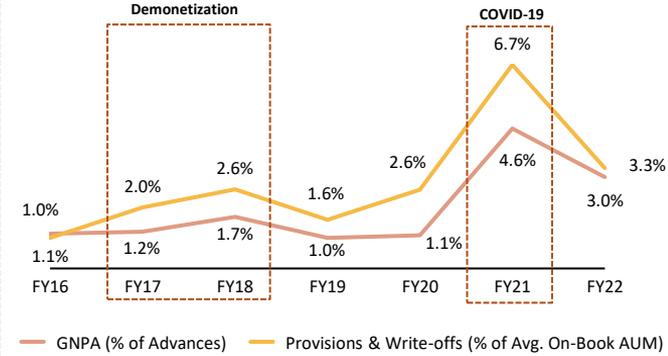
(INR Crore)



## Yield & NIM (%)

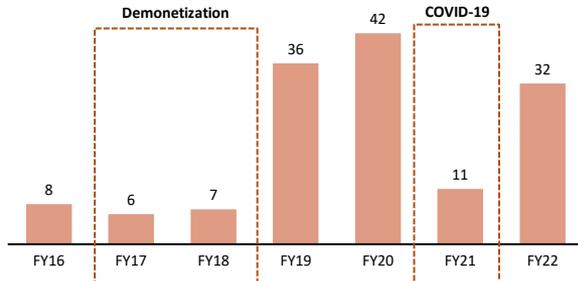


## Asset Quality

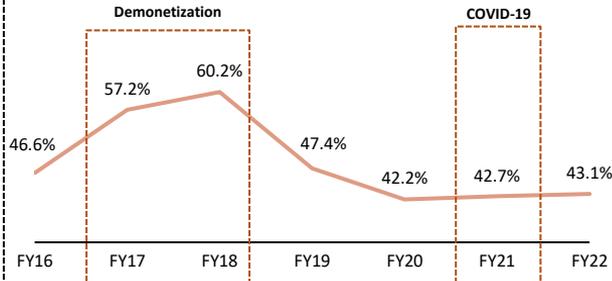


## Profit After Tax

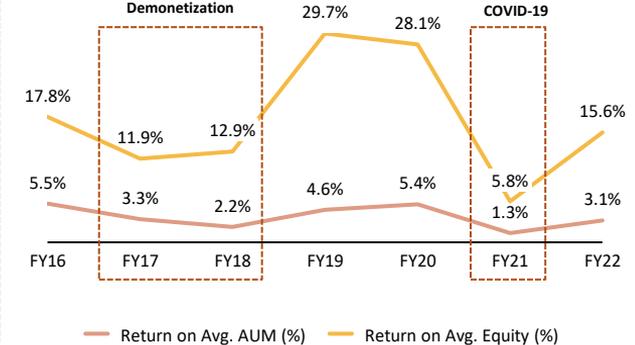
(INR Crore)



## Cost to Income Ratio %



## Return Ratios



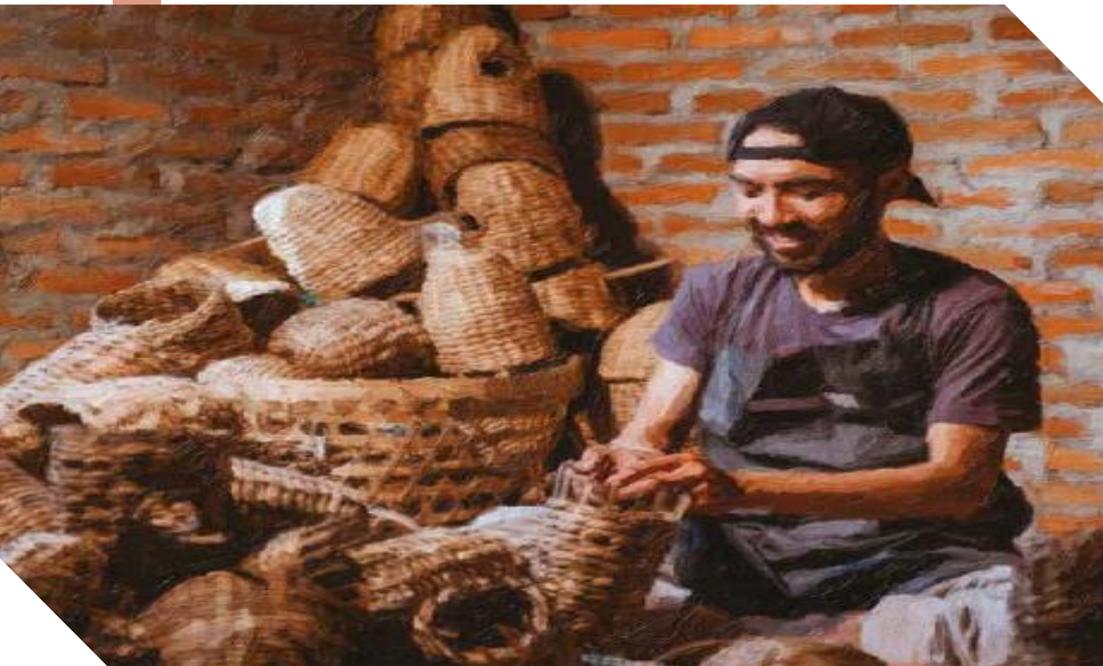
FY22, FY21 & FY20 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP



- $\text{Gross Interest Income} = \text{Interest Income} + \text{processing fees} / \text{other charges}$
- $\text{Net Interest Margins} = \text{Net Interest Income} / \text{Average AUM (On + Off-Book)}$
- $\text{Yields} = \text{Gross Interest Income} / \text{Avg. AUM (On + Off Off-Book)}$
- $\text{Cost-to -Income Ratio} = \text{Opex (excl. provisions)} / \text{Net Total Income}$
- $\text{GNPA \%} = \text{GNPA} / \text{AUM (On + Off Off-Book)}$
- $\text{NNPA \%} = \text{NNPA} / \text{AUM (On + Off Off-Book)}$
- $\text{Return on Equity} = \text{Profit After Tax} / \text{Avg. Equity}$



# Thank You



## Contact Information

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### Investor Relations Advisors:

**SGA** Strategic Growth Advisors

**Strategic Growth Advisors Pvt. Ltd.**

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