

# ARMAN FINANCIAL SERVICES LIMITED

Registered Office: 502-503, SAKAR III, OPP. OLD HIGH COURT, OFF. ASHRAM ROAD, AHMEDABAD-380014, e-mail: finance@armanindia.com, CIN:L55910GJ1992PLC018623 Website: www.armanindia.com

## Statement of Standalone/Consolidated Unaudited Results for the Quarter Ended December 31, 2015

PART I						(Rs. In lacs)							
Standalone			Standalone			consolidated			consolidated				
Quarter Ended			Nine Months Ended		Year Ended	Quarter Ended			Nine Months Ended		Year Ended		
31-12-2015 (Unaudited)	30-09-2015 (Unaudited)	31-12-2014 (Unaudited)	31-12-2015 (Unaudited)	31-12-2014 (Unaudited)	31-03-2015 (Audited)	Particulars	31-12-2015 (Unaudited)	30-09-2015 (Unaudited)	31-12-2014 (Unaudited)	31-12-2015 (Unaudited)	31-12-2014 (Unaudited)	31-03-2015 (Audited)	
						<b>1</b>	<b>Income from operations</b>						
367.01	409.84	366.42	1179.17	1078.3	1524.47		(a) Net sales/income from operations (Net of excise duty)	964.44	960.49	733.98	2811.69	2086.63	2960.05
							(b) Other operating income						
367.01	409.84	366.42	1179.17	1078.3	1524.47		<b>Total income from operations (net)</b>	964.44	960.49	733.98	2811.69	2086.63	2960.05
						<b>2</b>	<b>Expenses</b>						
							(a) Cost of materials consumed						
							(b) Purchases of stock-in-trade						
							(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade						
73.50	59.40	72.92	194.58	198.65	255.30		(d) Employee benefits expense	163.84	130.06	131.56	425.1	358.18	521.53
3.54	3.28	6.12	9.75	18.23	22.31		(e) Depreciation and amortisation expense	4.77	4.29	6.58	12.76	19.33	23.98
107.89	102.88	75.91	286.78	184	269.28		(f) Other expenses (Any item exceeding 10% of the total expenses relating to continuing operations to be shown separately)	194.50	164.68	103.45	476.89	289.05	416.19
184.93	165.56	154.95	491.11	400.88	546.89		<b>Total expenses</b>	363.11	299.03	241.59	914.75	666.55	961.70
182.08	244.28	211.47	688.06	677.42	977.58	<b>3</b>	<b>Profit/(Loss) from operations before other income, finance costs and exceptional items (1-2)</b>	601.33	661.46	492.39	1896.94	1420.08	1998.35
0.01	0.02	1.65	0.05	1.69	1.09	<b>4</b>	Other income	0.01	0.03	1.69	0.06	1.73	1.09
182.09	244.30	213.12	688.11	679.11	978.67	<b>5</b>	<b>Profit/(Loss) from ordinary activities before finance costs and exceptional items (3 ± 4)</b>	601.34	661.49	494.08	1897	1421.81	1999.44
119.61	136.16	137.63	388.31	382.74	556.01	<b>6</b>	Finance costs	395.20	354.30	289.74	1078.68	743.49	1073.54
62.48	108.14	75.49	299.8	296.37	422.66	<b>7</b>	<b>Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5 ± 6)</b>	206.14	307.19	204.34	818.32	678.32	925.90
<b>62.48</b>	<b>108.14</b>	<b>75.49</b>	<b>299.8</b>	<b>296.37</b>	<b>422.66</b>	<b>8</b>	Exceptional items						
19.95	39.77	24.72	101.5	94.14	144.64	<b>9</b>	<b>Profit/(Loss) from ordinary activities before tax (7 ± 8)</b>	<b>206.14</b>	<b>307.19</b>	<b>204.34</b>	<b>818.32</b>	<b>678.32</b>	<b>925.90</b>
42.53	68.37	50.77	198.3	202.23	278.02	<b>10</b>	Tax expense	67.40	104.42	62.33	272.80	218.17	310.18
						<b>11</b>	<b>Net Profit/(Loss) from ordinary activities after tax (9 ± 10)</b>	138.74	202.77	142.01	545.52	460.15	615.72
<b>42.53</b>	<b>68.37</b>	<b>50.77</b>	<b>198.3</b>	<b>202.23</b>	<b>278.02</b>	<b>12</b>	Extraordinary items (net of tax expense Rs.____ Lakhs)						
						<b>13</b>	<b>Net Profit/(Loss) for the period (11 ± 12)</b>	<b>138.74</b>	<b>202.77</b>	<b>142.01</b>	<b>545.52</b>	<b>460.15</b>	<b>615.72</b>
						<b>14</b>	Share of profit/(loss) of associates*						
						<b>15</b>	Minority interest *						
42.53	68.37	50.77	198.3	202.23	278.02	<b>16</b>	<b>Net Profit/(Loss) after taxes, minority interest and share of profit/(loss) of associates (13 + 14 + 15)*</b>	138.74	202.77	142.01	545.52	460.15	615.72
692.47	692.47	692.47	692.47	692.47	692.47	<b>17</b>	Paid-up equity share capital (Face Value of the Share shall be indicated)	692.47	692.47	692.47	692.47	692.47	692.47
						<b>18</b>	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year						3232.25
						<b>19.i</b>	<b>Earnings per share (before extraordinary items) (of Rs.10/- each) (not annualised):</b>						
0.61	0.99	0.73	2.86	2.92	4.01		(a) Basic	2.00	2.93	2.05	7.88	6.65	8.89
0.61	0.99	0.73	2.86	2.92	4.01		(b) Diluted	2.00	2.93	2.05	7.88	6.65	8.89
						<b>19.ii</b>	<b>Earnings per share (after extraordinary items) (of Rs.10/- each) (not annualised):</b>						
0.61	0.99	0.73	2.86	2.92	4.01		(a) Basic	2.00	2.93	2.05	7.88	6.65	8.89
0.61	0.99	0.73	2.86	2.92	4.01		(b) Diluted	2.00	2.93	2.05	7.88	6.65	8.89
							See accompanying note to the financial results.						

### NOTES:

- The disclosure is as per Regulation 33 of SEBI(LODR) regulation 2015.
- The above results have been reviewed and recommended by the Audit Committee and taken on record by the Board of Directors at the meeting held on 08-02-2016.
- During the current fiscal year, Company has provided for Rs. 41.50 Lakhs for the contingent Provision on Standard Assets as per RBI provisioning norms.
- The wholly owned subsidiary of the Company has allotted 50,00,000 Redeemable Non Convertible Preference of face value of Rs. 10/- each to UNIFI AIF, a registered trust and a SEBI registered Alternative Investment Fund - Category III.

For and on behalf of the Board of Directors

Place: Ahmedabad

Jayendra Patel  
Vice Chairman & Managing Director  
(DIN: 00011814)

Date: 08.02.2016



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**Ahmadabad, India, 8 February, 2016:** Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance and two wheelers loans, announced its financial results for the third quarter ended 31 December, 2015.

Commenting on the Company's performance for Q3 FY2016, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"The total AUM of the company has grown from Rs 110.53 Cr on 31 Dec 2014 to Rs 155.50 Cr as on 31 Dec 2015, a growth of 40.68%. The growth in the microfinance business has been substantial, where the AUM has grown from Rs 56.38 Cr as on 31 Dec 2014 to Rs 99.84 Cr as on 31 Dec 2015, a growth of over 77.10%. The consolidated Revenues for the quarter have grown to Rs 9.64 Cr in, an overall growth of 31.34% on a YoY basis.*

*In Microfinance we have opened new branches in Kutch Region & South Gujarat, post our rapid expansion in Madhya Pradesh. We now have 53 branches operational in the Microfinance (36 in Gujarat & 17 in Madhya Pradesh). We have also taken a big step by opening a 2-wheeler Finance branch in Indore, Madhya Pradesh. We aim to build new relationships with the dealers and build on our strengths of 2-wheeler financing. Now the total 2-wheeler finance branches are 5 (4 in Gujarat & 1 in Madhya Pradesh). Our overall branch count has reached 58 branches.*

*We hit an important milestone in this quarter. Namra Finance Ltd, our wholly owned subsidiary issued Fully Paid-up Cumulative Non-Convertible Compulsorily Redeemable Preference Shares for period of 18 months aggregating to Rs.5.00 Cr. This is the first time that we have raised Tier II capital, and is a big step in our journey to fund our growth and optimise our return ratios.*

*We are confident of our expansion plans, and have continued to open new branches at a rapid pace. While we are running ahead of our budgeted plans in terms of operational growth, our profitability growth for this quarter is slightly lower, which is due to few reasons. With the RBI mandated reduction in base rates, our spreads came down in the Microfinance business. The rapid expansion has added to our overall costs and costs of the new funds raises have further added costs. This is a temporary phenomenon and we hope to reap the rewards of this expansion in the months ahead.*





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### **Consolidated Business Review**

#### **Financial Highlights**

##### **Q3 FY2015-16 (Oct – Dec 2015) v/s. Q3 FY2014-15 (Oct – Dec 2014)**

- Net Revenues increased by 31.34% to Rs. 9.64 Cr from Rs. 7.34 Cr
- Employee costs increased by 24.24% to Rs. 1.64 Cr from Rs. 1.32 Cr
- Interest costs increased by 36.21% to Rs. 3.95 Cr from Rs. 2.9 Cr
- Net Profit after Tax was down by 1.42% to Rs. 1.39 Cr from Rs. 1.41 Cr.
- Earnings Per Share decreased by 1.42% to Rs. 2.01 from Rs. 2.04

#### **Operational Highlights**

##### **Q3 FY2015-16 (Oct – Dec 2015) v/s. Q3 FY2014-15 (Oct – Dec 2014)**

- The company now has 17 branches operational in Madhya Pradesh for the Microfinance business. This quarter 7 more branches were opened in South Gujarat & Kutch Area
- The average Monthly disbursement was Rs 14.92 Cr in Microfinance Business vs 10.01 Cr last year, a growth of 49.05%
- The average Monthly disbursement was Rs 7.3 Cr in 2 wheelers & others finance business of Arman Financial Services Ltd
- Company got additional loan sanctions from SBI & IDBI





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### Business Mix (Consolidated)

Revenues (Rs. Cr.)	Q3	Q3	YOY Change (%)	9 Months	9 Months	YOY Change (%)
	(Oct-Dec)	(Oct-Dec)		(Apr – Dec)	(Apr – Dec)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
Namra Finance	5.97	3.68	62.23%	16.32	10.09	61.74%
Arman Financial Services	3.67	3.66	0.27%	11.79	10.77	9.47%
<b>Total</b>	<b>9.64</b>	<b>7.34</b>	<b>31.34%</b>	<b>28.12</b>	<b>20.86</b>	<b>34.80%</b>

We have started seeing the results of higher disbursements in our revenue growth. We are seeing robust growth in our Microfinance business and expect the momentum to continue as we open new branches.

As on date, while the entire loan portfolio of Namra is microfinance, the loan portfolio of Arman Financial Services is largely Asset Loans (2 & 3 Wheeler loans) with a small portion is microfinance loans, which have been securitized by Namra Finance to Arman Finance for cash flow management by the group.

### Expenditure Analysis (Consolidated)

Revenues (Rs. Cr.)	Q3	Q3	YOY Change (%)	9 Months	9 Months	YOY Change (%)
	(Oct-Dec)	(Oct-Dec)		(Apr – Dec)	(Apr – Dec)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
Employee Costs	1.63	1.32	23.48%	4.25	3.58	18.72%
Other Expenses	1.95	1.03	89.32%	4.77	2.89	65.05%





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Interest Costs	3.95	2.90	36.21%	10.79	7.44	45.03%
Total Costs	7.53	5.26	43.15%	19.81	13.94	42.11%

Our other expenses (largely driven by the costs of opening new branches) has increased over time, and we are focused on bringing these costs to a more manageable level. Our funding costs have risen at a higher rate as the incremental loans are being raised at a higher costs due to higher leverage being built in the balance sheet, and limited track record of Namra.

### Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q3	Q3	YOY Change (%)	9 Months	9 Months	YOY Change (%)
	(Oct– Dec)	(Oct– Dec)		(Apr – Dec)	(Apr – Dec)	
	FY 2015-16	FY 2014-15		FY 2015-16	FY 2014-15	
EBIT	6.01	4.94	21.66%	18.97	14.2	33.59%
PAT	1.39	1.41	-1.42%	5.46	4.58	19.21%
EPS (Rs Per Share)	2.01	2.04	-1.42%	7.89	6.62	21.01%

Net profit has not grown for the quarter. This was largely because of a higher cost of funding, higher branch operating costs for all the new branches the company has opened, and slight shrinkage in our margins due to RBI mandated reduction in interest rates due to a reduction in average bank base rates. As we scale up and hit a certain critical mass, we will benefit from the economies of scale and the reduced cost of funds.





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### Net Interest Income (NII) & Net Interest Margin (NIM) Analysis (Consolidated)

Consolidated (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct-Dec)	(Jan-Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)
	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
Period Ending (AUM)	110.58	114.88	127.7	138.97	155.50
Net Interest Income (NII)	4.44	5.43	5.58	6.06	5.53
Net Interest Margin (NIM) (Annualised)	17.08%	19.27%	18.39%	18.18%	17.12%

The Net Interest Income has grown by 24.55 % to Rs 5.53 Cr this quarter. Our consolidated Annualised NIMs are 17.12% in this quarter. Our NIMs have reduced due to reduction in base rates, which were passed on to our customers. As we grow and increase the leverage and expand our balance sheet, these NIMs will gradually reduce as the equity component in balance sheet reduces.

We have raised 5 Cr in Tier 2 Capital to help us further expand our balance sheet.





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### Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)	(Oct – Dec)
	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
AUM	57.73	65.05	77.05	88.57	99.84
Disbursement for the Qtr	30.04	34.13	40.38	46.09	44.77
Gross Interest Income (Interest Income + Processing Fee)	4.5	5.5	5.8	6.66	6.71

AUM has increased by 72.94% YOY, and the disbursement has increased by 49.03% YOY. The increase in disbursements will reflect in higher interest income in the coming quarters.

We have gradually introduced 2 year loans to some of our tenured customers, in specific geographies. We will be adding this product to more branches as we get more comfortable with the repayment schedules and customer behavior.





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### Operational Branches (Microfinance)

	Q3	Q4	Q1	Q2	Q3
	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)	(Oct – Dec)
	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
Gujarat	32	31	32	32	36
Madhya Pradesh	7	8	13	16	17
Total Branches	39	39	45	48	53

This quarter we have focused on opening new branches in South Gujarat and Kutch. We had limited presence in this region and we are trying to establish a beachhead in these areas. We have opened one new branch in Madhya Pradesh.

### NPA Analysis (Microfinance)

Microfinance (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)
	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
Gross NPA	0.07	0.07	0.02	0.02	0.01
Provisions	-	-	-	-	-
Net NPA	0.07	0.07	0.02	0.02	0.01
Net NPA Percentage	0.12%	0.11%	0.03%	0.02%	0.01%







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We have strived to keep our NPAs low in the Microfinance business. After going through multiple loan cycles over the last 5 years, the NPAs in the microfinance business are 0.01% and are among the lowest in the industry. Since the RBI has asked to provision 1% against the standard assets, we no longer provision for NPAs as our actual NPAs are much below 1%.

### Business Tracker (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)
	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
AUM	52.85	49.83	50.65	50.4	55.66
Disbursement for the Qtr	16.57	13.25	12.29	13.16	21.91
Interest Income	2.84	3.24	3.07	2.97	2.91

The 2-wheeler business is facing some headwinds due to increased competition. With stagnant sales of 2-wheelers, costs have moved up as a percentage of revenues. The only way to manage this is to grow our business. To achieve that goal, we have opened a new branch in Indore in this quarter.





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### NPA Analysis (2 Wheeler Finance)

2 Wheeler Finance (Rs. Cr.)	Q3	Q4	Q1	Q2	Q3
	(Oct – Dec)	(Jan – Mar)	(Apr – Jun)	(Jul – Sep)	(Oct-Dec)
	FY 2014-15	FY 2014-15	FY 2015-16	FY 2015-16	FY 2015-16
Gross NPA	0.7	0.79	0.96	1.31	1.15
Provisions	0.07	0.09	0.09	0.13	0.15
Net NPA	0.63	0.7	0.87	1.18	1.00
Net NPA Percentage	1.23%	1.09%	1.52%	2.34%	1.80%

The NPAs in the 2-wheeler business have stabilised in this quarter after a jump last quarter due to the RBI mandated policy of recognizing NPAs after a delay of 150 days vs the earlier norm of 180 days. The net NPAs have moved to 1.8% from 2.34% earlier.

We are actively monitoring our loan book and working towards recovering the dues.

Note - On February 14, 2013, Namra Finance Ltd. became the first company in India to receive the long awaited "NBFC-MFI" (Non-Banking Finance Company - Microfinance Institution) License. This special category of NBFC was created by the RBI based on the Malegam Committee recommendations to serve the underserved and the poor segment of India by providing Microfinance, or small income-generating loans at reasonable interest rate, collateral-free.





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### About Arman Financial Services Ltd

**Arman Financial Services Ltd (BSE: 531179)** is a category 'A' Non-Banking Finance Company (NBFC) active in the 2-wheeler finance business. Arman also operates a wholly-owned subsidiary, Namra Finance Ltd, exclusively for its Microfinance operations. It operates mostly in unorganized and underserved segment of the economy and mostly serve niche markets in Gujarat. The company has recently forayed into Madhya Pradesh for its microfinance operations.

Arman's big differentiator from a Bank and other NBFCs is the last mile credit delivery system. They serve areas and clients where it is simply not possible for banks to provide financial services under the current market scenario.

For more information, please visit our web site [www.armanindia.com](http://www.armanindia.com).

### If you have any questions or require further information, please feel free to contact

Aalok Patel

Arman Financial Services Ltd

Tel: +91 79 40507000

Email:

[aalokpatel@armanindia.com](mailto:aalokpatel@armanindia.com)

Gaurav Sud

Kanav Capital Advisors Pvt Ltd

Tel: +91 98101 22432

Email:

[gaurav@kanavcapital.com](mailto:gaurav@kanavcapital.com)

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.

For, Arman Financial Services Limited  
  
Director

