



Arman Financial Services Ltd.



**Arman Financial
Services Ltd.**

Q4 & FY21 - Investor Presentation
June 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 - Q4 & FY21

Q4 & FY21 - Financial Performance Highlights



Total AUM declined by 5% YoY to INR 8,144 Mn in Q4FY21 vs INR 8591 Mn in Q4FY20 (Q3 FY21 AUM: INR 7,200 Mn)



Shareholders Equity Stood at INR 1,867 Mn in Q4 FY21
Consolidated Debt-Equity Ratio stood at 3.9x on 31 March'21 (exclude direct assignment)



Collection Efficiency Improved to ~94% in March 2021 vis-à-vis ~93% in December 2020



Operating expenses declined by 10% YoY to INR 142 Mn in Q4 FY21, and 8% YoY to INR 495 Mn in FY21
Cost-to-income ratio stood at 56.7% in Q4 FY21 and 42.7% in FY21



Pre-Provisioning Operating Profit declined by 27% YoY to INR 108.6 Mn in Q4 FY21, and 10% YoY to INR 664 Mn in FY21



Cumulative Provisions stood at INR 515.4 Mn as on 31st Mar 2021 (covering 6.33% of the total AUM)

Update on Collections

- ❑ Collections have improved significantly across all 3 segments since September 2020 to reach ~94% in March 2021. However, second wave restrictions led to decline in the collection in April and May 2021
 - ‘Microfinance’ collections picked-up strongly as the repayment rates reached 95% in March 2021
 - 2W and MSME collections continued to be well-north of 94% during March 2021
- ❑ Cumulative Provisions stood at INR 515 Mn as of 31st March 2021 covering 6.3% of the total AUM
 - **Namra:** Cumulative Provisions stood at INR 331.2 Mn as of 31st Mar 2021 covering 5.2% of the total AUM
 - **Standalone:** Cumulative Provisions stood at INR 184.3 Mn as of 31st Mar 2021 covering 10.8% of the total AUM
- ❑ The company has created sufficient provisions for Covid related losses. However, we continue to monitor the provision closely.

Collection Efficiency % (January 2021 – May 2021)

Business Segment	Collections Due (Jan'20)	Amount Collected (Jan'20)	Collection Efficiency % (Jan'20)	Collections Due (Feb'20)	Amount Collected (Feb'20)	Collection Efficiency % (Feb'20)	Collections Due (Mar'20)	Amount Collected (Mar'20)	Collection Efficiency % (Mar'20)	Collections Due (Apr'21)	Amount Collected (Apr'21)	Collection Efficiency % (Apr'21)	Collections Due (May'21)	Amount Collected (May'21)	Collection Efficiency % (May'21)
Total	725	675	93%	738	698	95%	733	692	94%	730	644	88%	733	574	78%
Microfinance	551	508	92%	556	525	94%	557	527	95%	555	486	87%	559	422	75%
MSME	128	123	95%	131	125	95%	133	124	94%	136	121	89%	134	116	87%
Two-wheeler	46	44	96%	50	48	96%	44	41	94%	39	37	94%	40	37	93%

Note: All the amounts are in INR Mn.

Update on Liquidity

- ❑ **Healthy Liquidity position with INR ~1,321 Mn in cash/bank balance, liquid investments, and undrawn CC limits**
- ❑ Successfully raised INR 2,080 Mn in Q4FY21 and 3,690 Mn in FY21
- ❑ Liquidity position has improved driven by the pick-up in collections and the incremental debt capital raised since the start of April. The company has **accelerated repayments of high-cost borrowings and replaced it with low-cost borrowings during the FY21.**

Update on Disbursements

- ❑ **Disbursements picked-up the pace across all segments in Q4FY21 after gradually starting from August 2020 onwards**
 - Loan Disbursements during Q4 FY21 stood at INR 2,752 Mn compared to INR 2,292 Mn in Q4 FY20 registering a YoY growth of 20%. Disbursements are expected to reach pre-covid level from Q2 FY22 onwards post Q1 FY22 disruptions due to the second wave related lockdowns.
 - The company has taken its footprint to Haryana with 10 branches in Q4FY21. Also added 11 more branches in Rajasthan and 6 more in other existing states during FY21.
 - In microfinance, the company primarily focused on renewing loans of existing customers who have already made their repayments and completed their tenure during Q4FY21.
 - 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

Q4 & FY21 - Consolidated Profit & Loss Statement



Particulars (INR Mn)	Q4 FY21	Q4 FY20	YoY (%)	FY21	FY20	YoY (%)
Assets Under Management (AUM)	8,144	8,591	-5%	8,144	8,591	-5%
Disbursements	2,752	2,292	20%	5,097	8,736	-42%
Shareholder's Equity *	1,868	1,722	8%	1,868	1,722	8%
Income from Operations	439.1	548.2	-20%	1,909.4	2,115.1	-10%
Other Income	4.0	7.3	-45%	23.2	36.4	-36%
Gross Total Income	443.1	555.5	-20%	1,932.6	2,151.5	-10%
Finance Costs	192.5	248.9	-23%	774.5	875.9	-12%
Net Total Income (NTI)	250.6	306.6	-18%	1,158.1	1,275.5	-9%
Employee Benefits Expenses	91.8	106.3	-14%	355.7	364.6	-2%
Depreciation and Amortisation	2.0	2.1	-4%	8.1	8.0	1%
Other Expenses	48.2	49.4	-2%	130.8	165.1	-21%
Pre-Provision Operating Profit	108.6	148.9	-27%	663.6	737.8	-10%
Total Provisions & Write-offs	110.1	119.3	-8%	545.9	200.1	173%
Profit Before Tax	(1.5)	29.6	-	117.6	537.8	-78%
Profit After tax	8.7	38.1	-77%	106.2	415.2	-74%
GNPA %	4.6%	1.0%	353 bps	4.6%	1.0%	353 bps
NNPA %	0.6%	0.2%	43 bps	0.6%	0.2%	43 bps
Return on Avg. AUM %	0.4%	1.8%	-140 bps	1.3%	5.4%	-411 bps
Return on Avg. Equity % *	1.9%	8.9%	-701 bps	5.9%	28.8%	-2288 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.

Q4 & FY21 - Consolidated Balance Sheet



Particulars (in INR Mn)	Consolidated		Standalone	
ASSETS	Mar-21	Mar-20	Mar-21	Mar-20
<u>Financial Assets</u>				
Cash and cash equivalents	879	583	491	2
Bank Balance	805	385	178	57
Loans & Advances	7,432	7,789	1,517	2,232
Investments	32	33	617	624
Other Financial assets	76	71	14	22
Total Financial Assets	9,224	8,861	2,817	2,938
<u>Non-Financial Assets</u>				
Current tax assets (Net)	0	5	0	13
Deferred tax Assets (Net)	134	48	44	11
Property, Plant and Equipment	33	35	8	8
Other Intangible assets	2	2	0.04	0
Right To Use Asset	6	7	0	0
Other non-financial assets	3	4	1	2
Total Non-Financial Assets	177	101	53	34
Total Assets	9,401	8,962	2,870	2,972

Particulars (in INR Mn)	Consolidated		Standalone	
LIABILITIES & EQUITY	Mar-21	Mar-20	Mar-21	Mar-20
Equity Share capital	85	85	85	85
Reserves & Surplus	1,783	1,638	1,193	1,123
Total Shareholders Funds	1,868	1,722	1,278	1,207
<u>Financial Liabilities</u>				
Debt Securities	1,776	1,057	648	645
Subordinated Liabilities	150	150	50	50
Borrowings Other than Debt Securities	5,288	5,771	835	1,012
Other Financial Liabilities	250	241	48	50
Total Financial Liabilities	7,464	7,219	1,581	1,757
<u>Non-Financial Liabilities</u>				
Current tax liabilities (Net)	49	0	0	0
Deferred tax liabilities (Net)	0	0	4	0
Provisions	9	8	4	4
Other non-financial liabilities	12	13	2	4
Total Non-Financial Liabilities	69	21	10	8
Total Liabilities & Equity	9,401	8,962	2,870	2,972

Q4 FY21 - Microfinance “Namra” Performance Update



Particulars (INR Mn)	Q4 FY21	Q4 FY20	YoY (%)	FY21	FY20	YoY (%)
Asset Under Management	6,431	6,207	4%	6,431	6,207	4%
Disbursements	2,297	1,802	28%	4,176	6,531	36%
Income from Operations	317.8	385.5	-18%	1,325.7	1,458.5	-9%
Other Income	0.5	4.6	-89%	14.1	25.6	-45%
Gross Total Income	318.3	390.1	-18%	1,339.8	1,484.2	-10%
Finance Costs	152.7	190.4	-20%	594.4	670.3	-11%
Net Total Income (NTI)	165.6	199.8	-17%	745.3	813.9	-8%
Employee Benefits Expenses	60.1	70.1	-14%	239.0	232.3	3%
Depreciation and Amortisation	1.8	1.8	-2%	7.1	6.9	3%
Other Expenses	25.6	33.9	-24%	85.9	113.0	-24%
Pre-Provision Operating Profit	78.1	94.0	-17%	413.3	461.8	-11%
Total Provision & Write-offs *	76.9	78.2	-2%	366.7	133.2	175%
Profit After Tax	8.5	20.8	-59%	49.1	252.0	-81%
GNPA %	4.1%	0.9%	319 bps	4.1%	0.9%	319 bps
NNPA %	0.6%	0.0%	57 bps	0.6%	0.0%	57 bps
Return on Avg. AUM %	0.5%	1.4%	-84 bps	0.8%	4.6%	-379 bps
Return on Avg. Equity %	2.9%	7.4%	-446 bps	4.2%	26.2%	-2202 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

❖ Q4FY21 continued to witness growth in microfinance AUM.

- The Portfolio has grown from INR 5,487 Mn in Q3 FY21 to INR 6,431 in Q4 FY21.
- Active MFI Customer base stood at 3.1 Lakhs in Q4 FY21. Adding 63,705 new loans in Q4FY21.
- The disbursements have started picking up from Q3 reversing the fall in AUM seen in the Q1 & Q2FY21. The disbursements reached pre-covid levels in March 2021.

❖ Gradually begun disbursements have started picking up – renewing loans of customers that have already made their repayments and completed their tenure.

- Completed disbursements of INR 2,297 Mn in Q4 FY21 as compared to INR 1,473 Mn in Q3 FY21.

❖ Gross Total Income declined by 18% YoY to INR 318.3 Mn due to softer yields on post-covid disbursements in FY21 and lower booking of processing fees on account of lower disbursements.

❖ Similarly, Net Total Income de-grew by 17% YoY to INR 165.6 Mn led by a lower run-down in the loan book.

❖ Provisions for the quarter decreased marginally by 2% YoY to INR 76.9 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.
- Cumulative Total Provisions as on 31st Mar’21 stood at INR 367 Mn. The total Provisions as on 31 Mar’21 was 331 Mn covering 5.15% of the total AUM. (Cumulative Covid provisions stood at INR 93 Mn)**

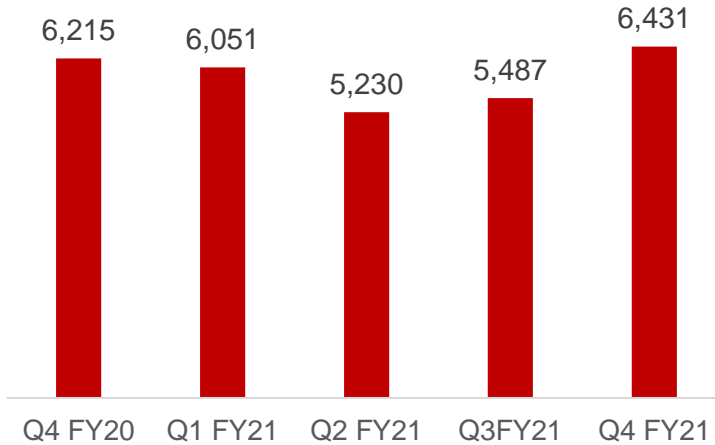
❖ Post ECL adjustment, NNPA % stood at 0.6%.

❖ Repayment rates picked-up significantly reaching 95% in Mar’21

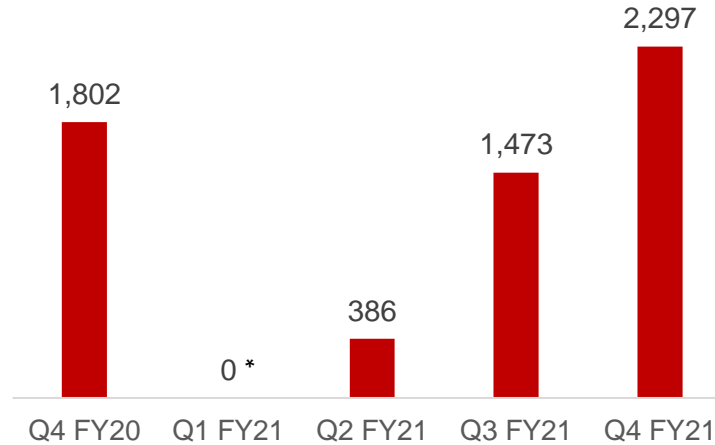
Q4 FY21 - Microfinance Performance Update



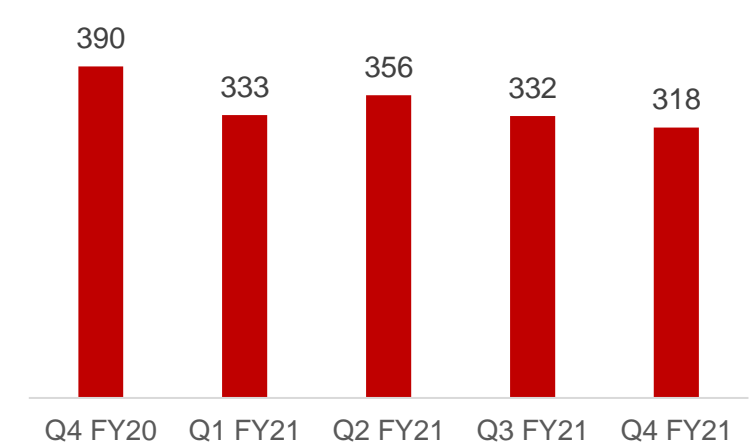
AUM (INR Mn)



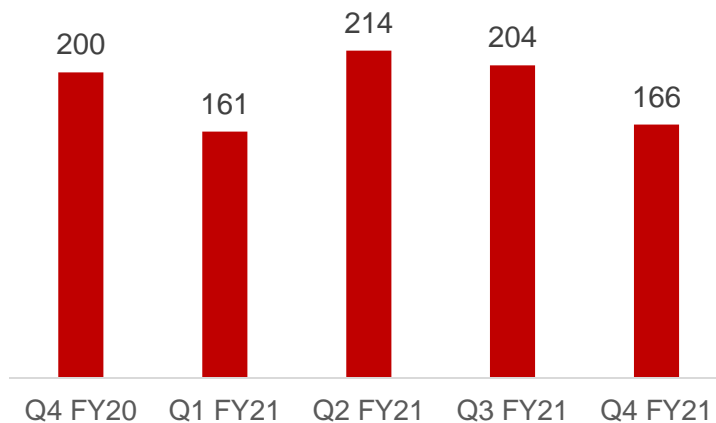
Disbursement (INR Mn)



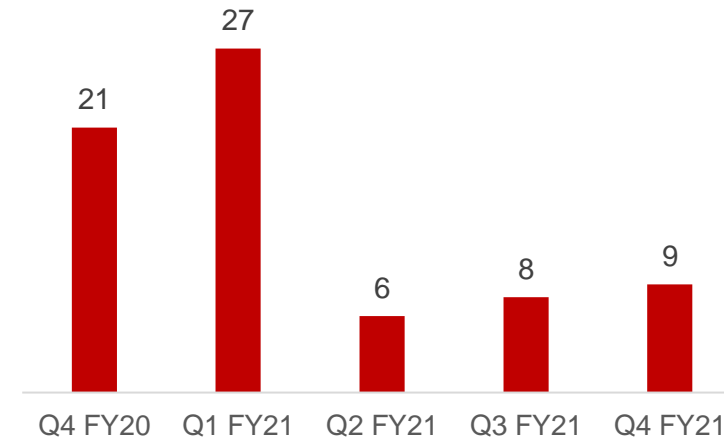
Gross Total Income (INR Mn)



Net Total Income (INR Mn)



PAT (INR Mn)

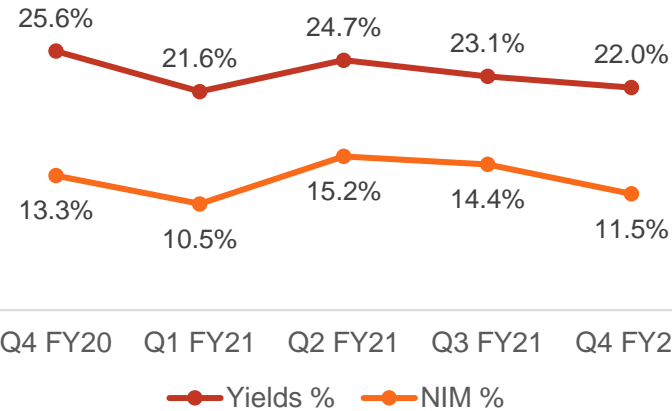


- Note:**
- * Nationwide Lockdown and the Covid-19 induced disruption led to the disbursements being halted. Company's priority was on improving the collection efficiency
 - Net Total Income = Gross Total Income – Finance Cost

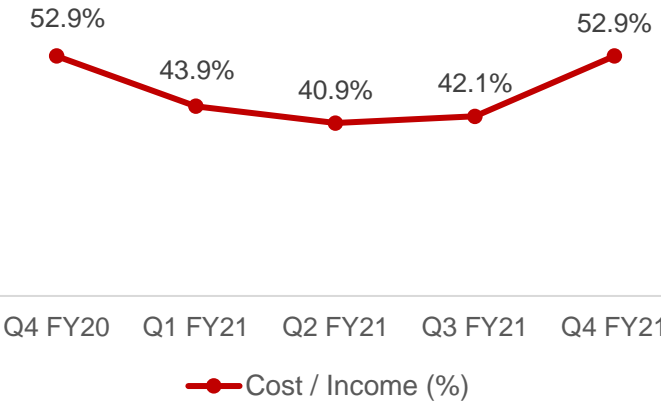
Q4 FY21 - Microfinance Performance Update



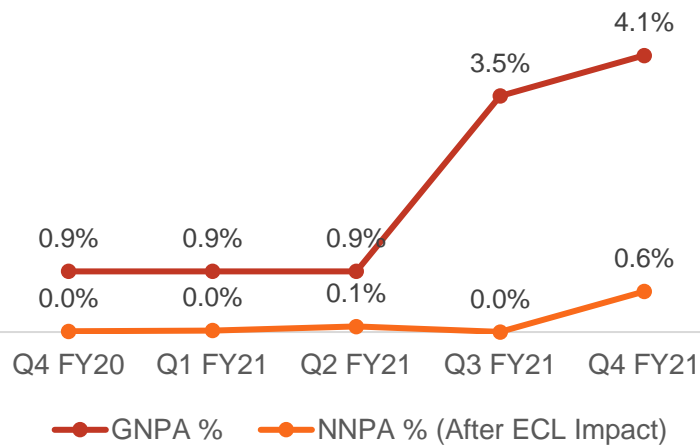
Yields % and NIM %



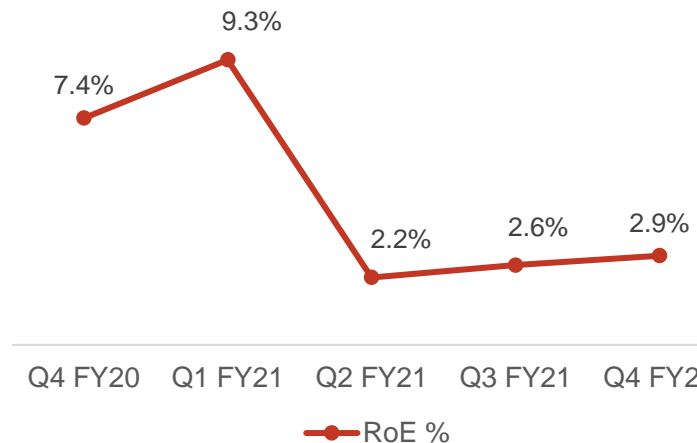
Cost-to-Income Ratio %



Asset Quality[#]



ROE %



Note:

- * Includes Covid specific provision in FY21
- NIM = $NTI / \text{Avg. AUM (On + Off-Book)}$; Yields = $\text{Gross Interest Income} / \text{Avg. AUM (On + Off-Book)}$; Cost-to-Income Ratio = $\text{Opex (excl. provisions)} / \text{Net Total Income}$; NNPA % = NNPA / AUM ; RoE = $\text{PAT} / \text{Avg. Equity}$.
RoE, Yields and NIM % figures are annualized

Q4 FY21 - Standalone Performance Update (2W & MSME)



Particulars (INR Mn)	Q4 FY21	Q4 FY20	YoY (%)	FY21	FY20	YoY (%)
Asset Under Management	1,713	2,384	-28%	1,713	2,384	-28%
Disbursements	455	490	-7%	921	2,205	-58%
Income from Operations	130.7	164.7	-21%	603.5	671.1	-10%
Other Income	8.2	6.8	20%	32.0	29.9	7%
Gross Total Income	138.9	171.5	-19%	635.5	701.0	-9%
Finance Costs	49.2	60.5	-19%	199.8	220.3	-9%
Net Total Income (NTI)	89.7	111.0	-19%	435.7	480.7	-9%
Employee Benefits Expenses	31.7	36.2	-12%	116.6	132.3	-12%
Depreciation and Amortisation	0.2	0.3	-17%	1.0	1.1	-9%
Other Expenses	22.5	15.5	45%	44.9	52.2	-14%
Pre-Provision Operating Profit	35.2	59.0	-40%	273.1	295.1	-7%
Total Provision & Write-offs	33.3	40.9	-19%	179.2	66.9	168%
Profit After Tax	4.9	21.5	-77%	80.0	182.4	-56%
GNPA %	6.6%	1.5%	511 bps	6.6%	1.5%	511 bps
NNPA %	0.9%	0.7%	16 bps	0.9%	0.7%	16 bps
Return on Avg. AUM %	1.1%	3.9%	-277 bps	3.9%	8.3%	-440 bps
Return on Avg. Equity %	3.2%	15.0%	-1187 bps	12.8%	35.4%	-2253 bps

Note:

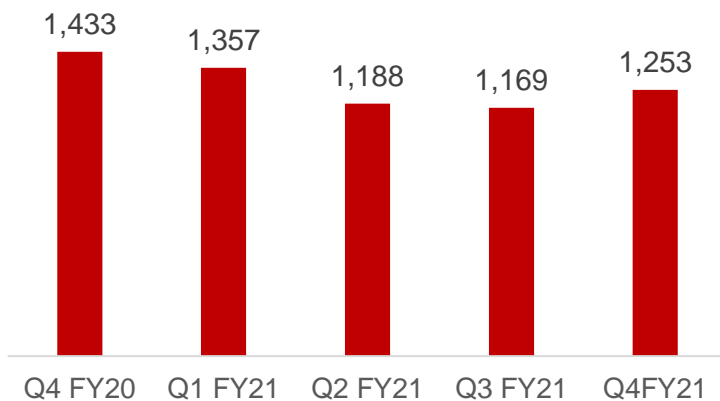
- Income from operations includes interest income on loans and managed assets, other Income includes processing fees, other charges in respect of loans, late payment charges, etc.
- Yields = Gross Interest Income / Avg. AUM (On + Off-Book); NIM = NTI / Avg. AUM (On + Off-Book); RoE = PAT / Avg. Equity; GNPA % = GNPA / AUM (On + Off-Book); NNPA % = NNPA / AUM (On + Off-Book).
- ROAE and ROAA figures are annualized

- ❖ **Standalone AUM stood at INR 1,713 Mn on Mar'21**
 - MSME AUM stood at INR 1,253.6 Mn
 - 2W AUM declined by 47% YoY to, INR 459.1 Mn, as the overall 2W sales have declined in the last one year.
 - Rural 2W Book stands at INR 101 Mn, marginally up from last year INR 96.9 mn. It has shown resilience and building up on a Q-o-Q basis.
- ❖ MSME disbursements reached the pre- COVID level in March 21. The total MSME Disbursement in Q4 were INR 378.7Mn ~20% higher than same quarter last year.
- ❖ Implemented cost rationalization measures which resulted in operating expenses coming down by 16% YoY to INR 40.5 Mn.
- ❖ **Cost-to-income ratio stood at 37.3% in FY21 compared to 38.6% in FY20.**
- ❖ Provisions & write-offs rose to INR 33.3 Mn in Q4 FY21 as the company prudently undertook aggressive wrote off COVID impacted loans.
- ❖ **Cumulative Provisions & write off for the year were INR 179.2 Mn . The total Provisions as on 31st March 21 stood at INR 184.3 mn covering 10.8% of total AUM. (Cumulative Covid provisions stood at INR 126.7Mn)**
- ❖ GNPA % and NNPA % stood at 6.6% and 0.9% respectively.
- ❖ **Repayment rates improved further in Q4 FY21-**
 - MSME:** Repayment rates improved to 94% in Mar'21
 - 2W:** Repayment rates were healthy and steady at 94% in Mar'21

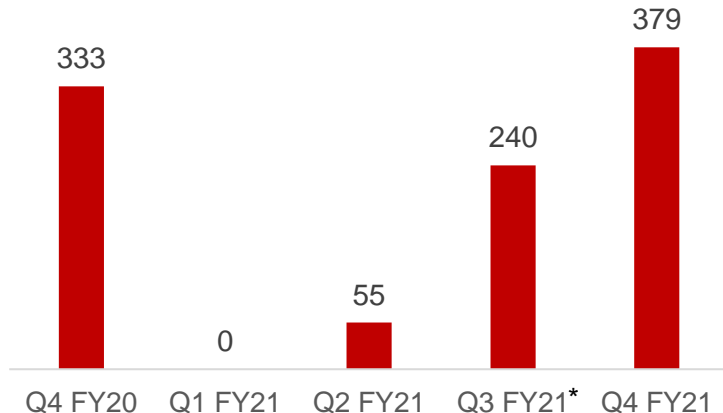
Q4 FY21 - MSME Performance Update



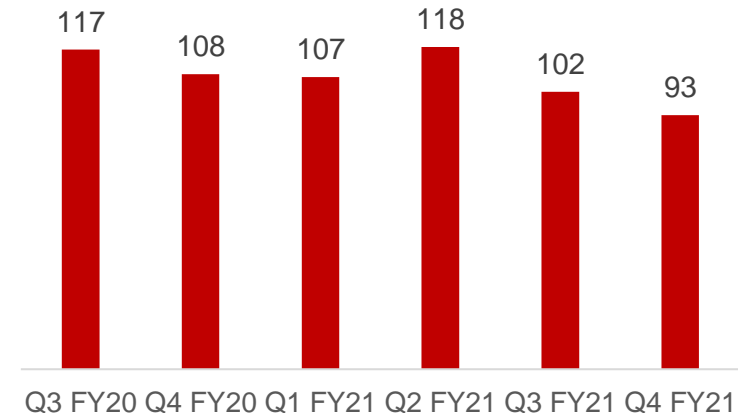
AUM (INR Mn)



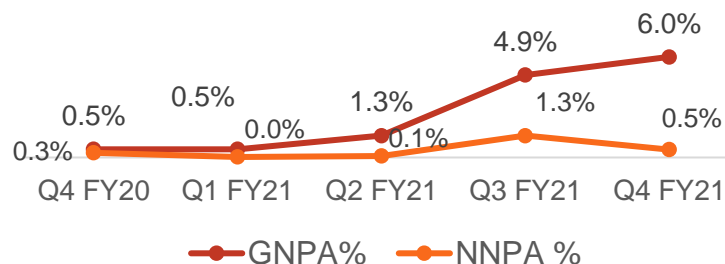
Disbursements (INR Mn)



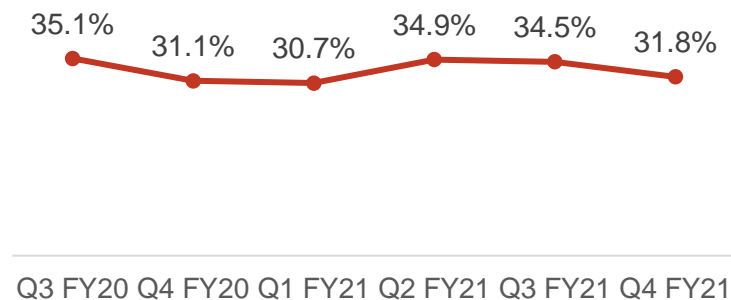
Gross Interest Income (INR Mn)



Asset Quality[#]



Yields %



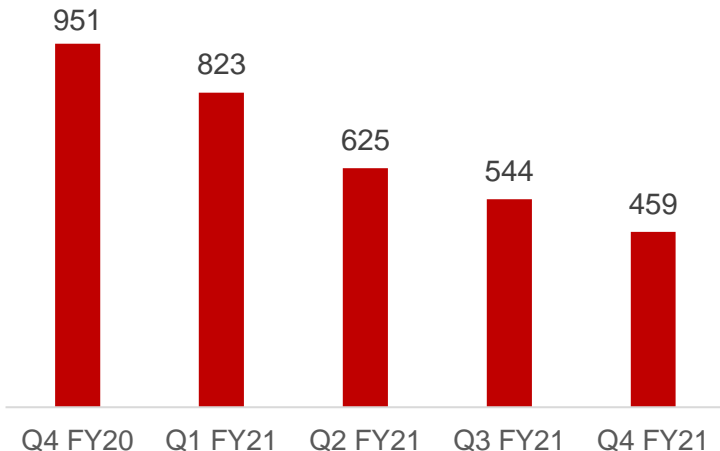
Note:

- * Nationwide Lockdown and the Covid-19 induced disruption led to the disbursements being halted. Company's priority was on improving the collection efficiency
- 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.

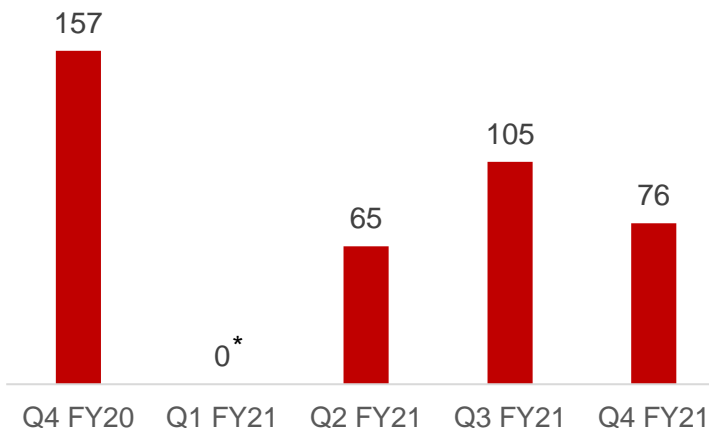
Q4 FY21 - 2W Performance Update



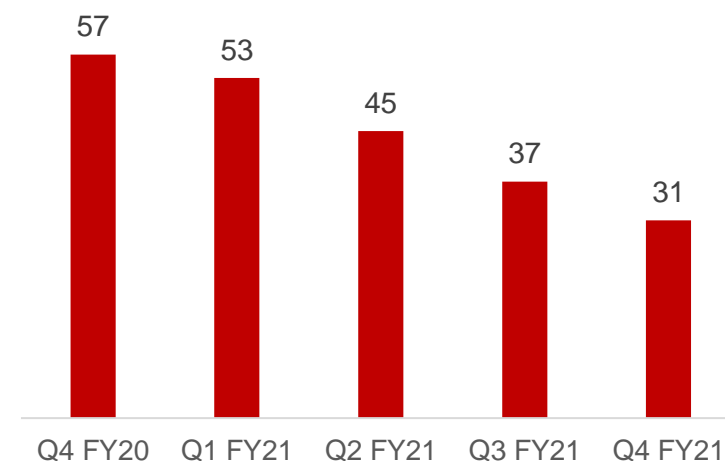
AUM (INR Mn)



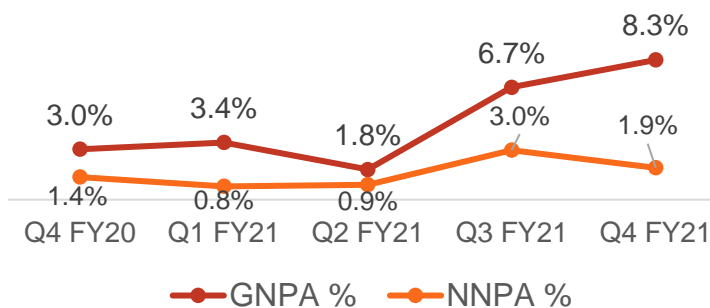
Disbursement (INR Mn)



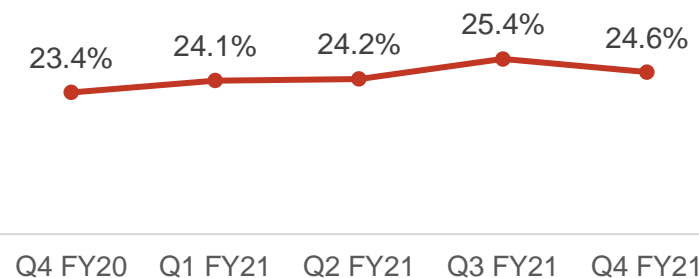
Gross Interest Income (INR Mn)



Asset Quality



Yields %



Note:

- * Nationwide Lockdown and the Covid-19 induced disruption led to the disbursements being halted. Company's priority was on improving the collection efficiency
- 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
- # GNPA considering no change in NPA recognition after 31st August in accordance with hon'ble Supreme Court Order (Actual GNPA 8.4% and NNPA 2.9%)



Arman Financial Services Ltd.



Liability Overview

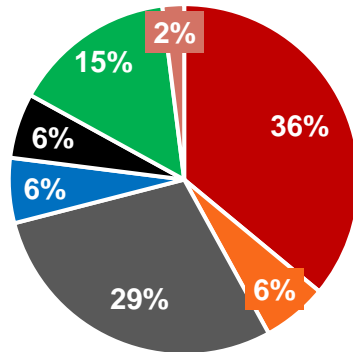
Efficient Liability Management



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

Q4 FY20 - Borrowing Mix %

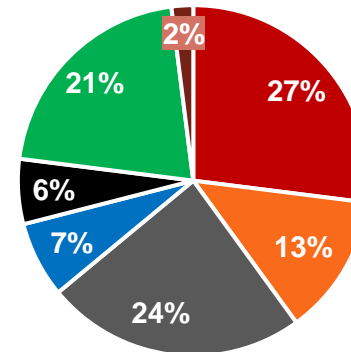
INR 7,665 Mn *



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

Q4 FY21 - Borrowing Mix %

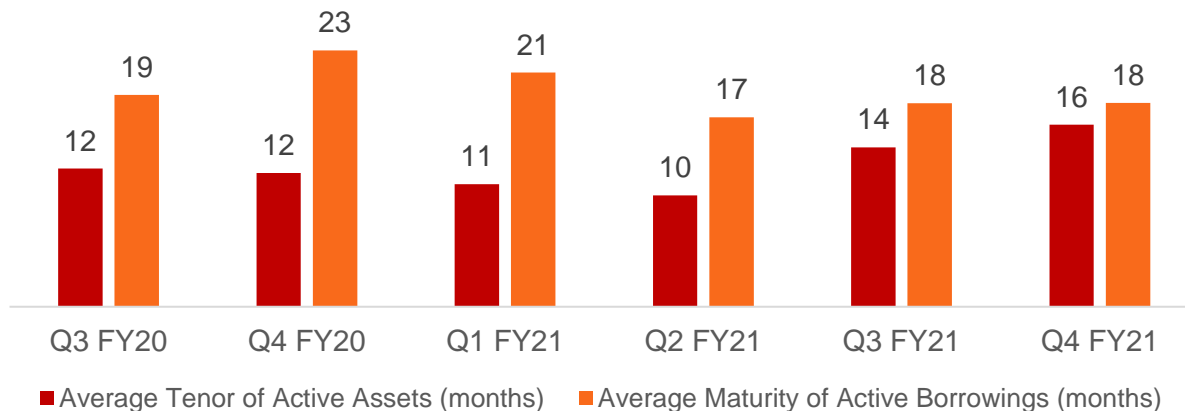
INR 7,450 Mn *



Note: # INR 7,450 Mn includes direct assignment of INR 169 Mn

- Banks & SFBs
- DFIs (NABARD, MUDRA & SIDBI)
- NBFC / FI
- Securitization
- ECB
- NCD
- DA

Positive ALM (in Months)

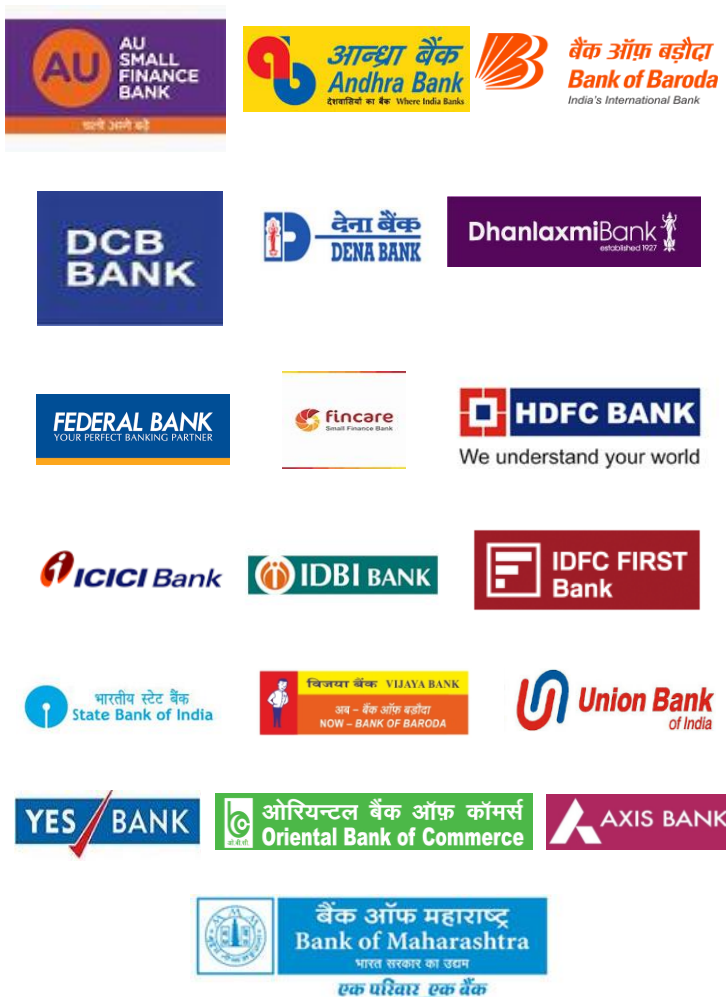


- Well-diversified borrowing mix with increasing share of NCD's, ECB's, DFIs (NABARD Refinance, MUDRA, SIDBI) and Securitization
 - Share of NCD's, ECB's, DFIs, and Securitization represented **~49% of borrowings in Q4 FY21**
- **Constant rating upgrades** have helped lower cost of funds in recent years
 - Credit rating was reaffirmed to **BBB+ with stable outlook in FY21 (CARE Ratings)** despite covid related disruptions.
 - 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



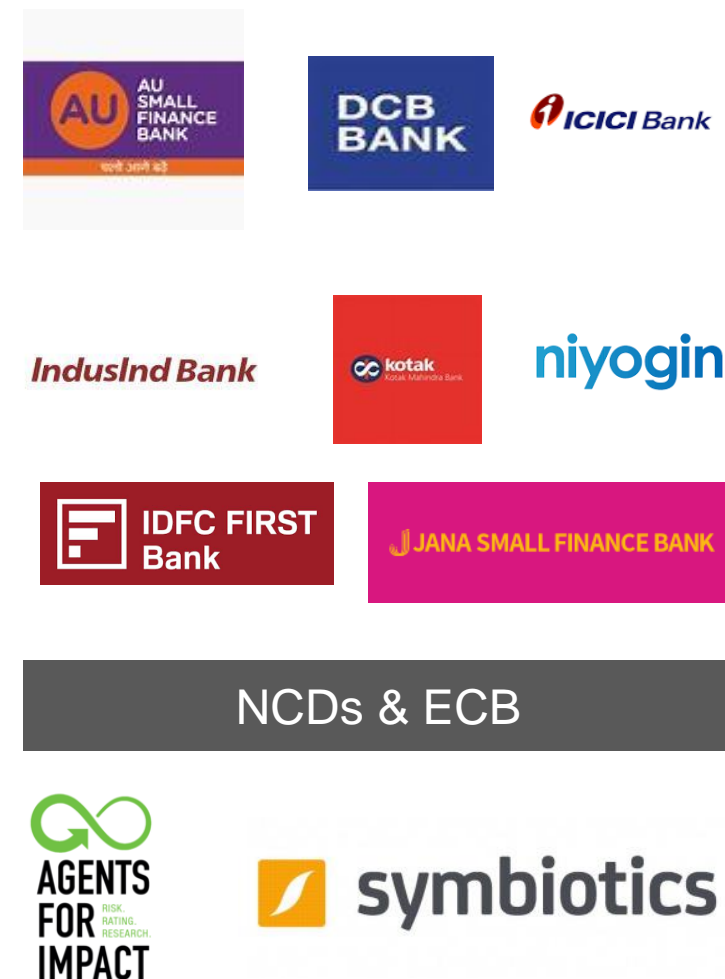
Bank Borrowings



Non-Bank Borrowings



Securitization Partners





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 8,144 Mn in Q4 FY21
- Microfinance – 79% of AUM (*via 100% owned subsidiary “Namra Finance”*)
- MSME Loans – 15% of AUM
- 2-Wheeler Loans – 6% of AUM



Arman Financial Services Ltd.

Strong Retail Presence & Wide Distribution Network

- 239 branches; 55+ 2 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
- **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: ~18 months; Avg. tenor of debt at origination: ~36 months
- Diversified Borrowing Profile with Relationship across 30+ Banks & other Financial Institutions

Note:

- $Yields = \text{Gross Interest Income} / \text{Avg. AUM (On + Off-Book)}$; $NIM = NTI / \text{Avg. AUM (On + Off-Book)}$; $RoE = PAT / \text{Avg. Equity}$; $GNPA \% = GNPA / \text{AUM (On + Off-Book)}$; $NNPA \% = NNPA / \text{AUM (On + Off-Book)}$. 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

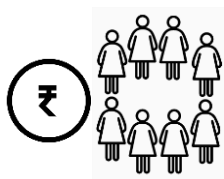
Launched Microfinance business

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.

- 28 years of existence
- Active customer base of 4.0 lakh
- Employee strength of 1,660 employees
- Completely in-house operations – Sourcing, Credit & Collections

Microfinance



MSME Loans



2-Wheeler Loans



Rural 2W Loans



% of Total AUM	79%	15%	6%	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	14-24 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%

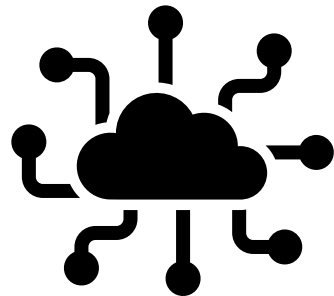


Technological Initiatives to Strengthen Operations

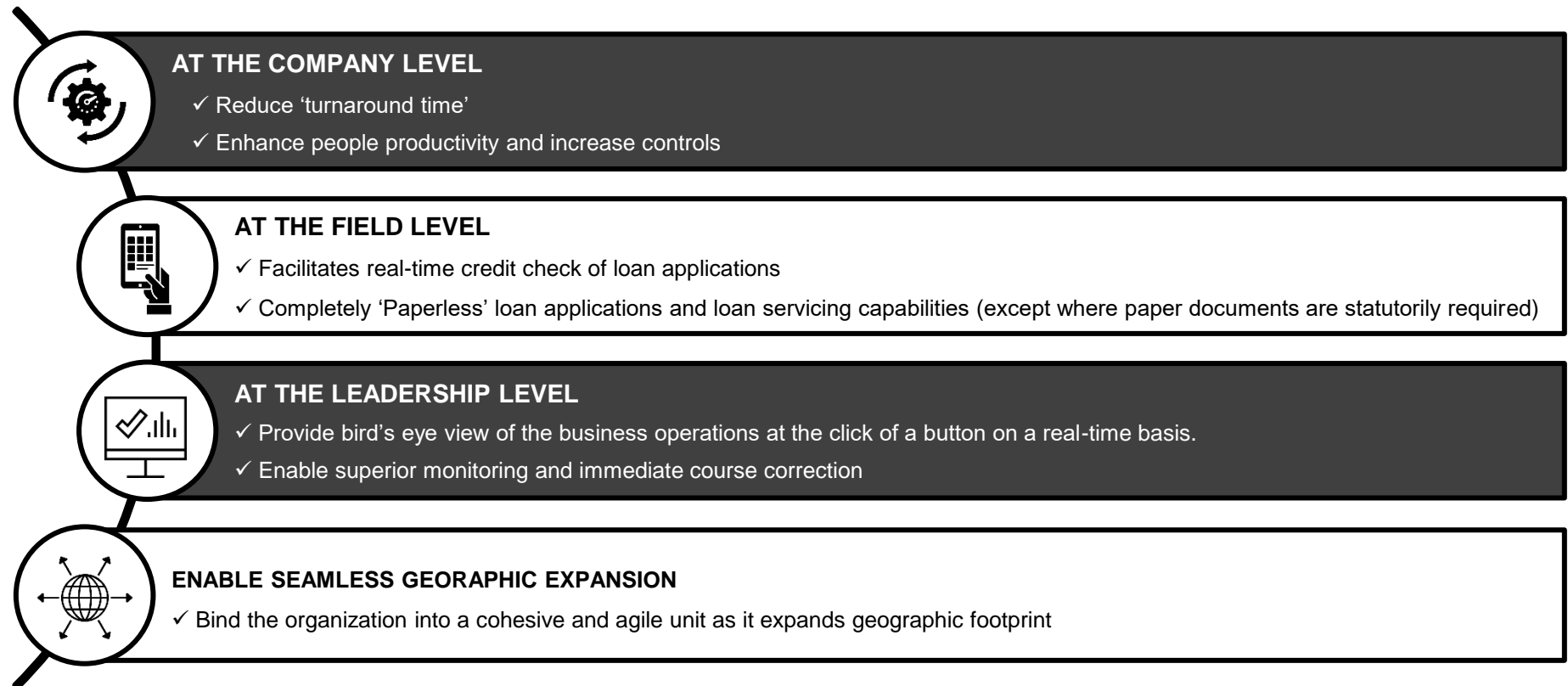


- ❖ In FY19, the company launched an integrated mobile interface for its MFI field staff to enable seamless on-boarding of MFI customers by digitizing & standardizing the loan origination and appraisal process. **‘This technology has been successfully implemented across all the MFI branches now.’**
-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



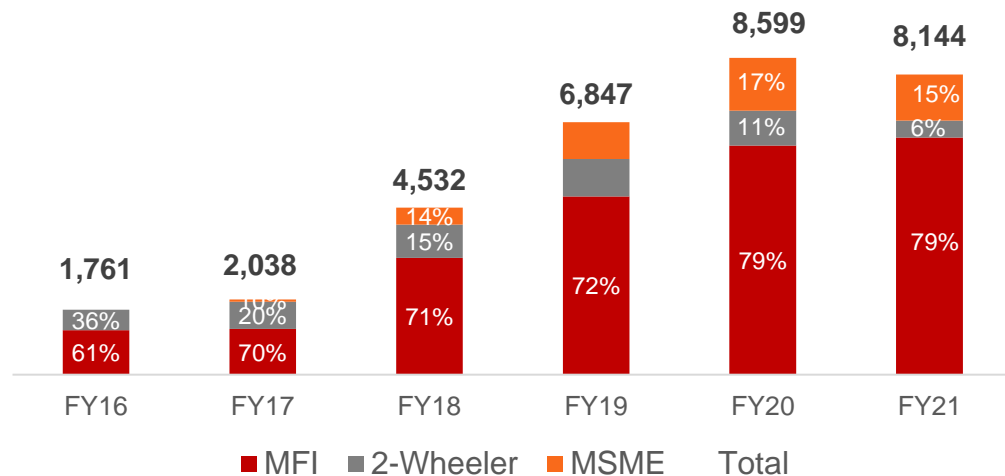
DRIVING DIGITAL TRANSFORMATION



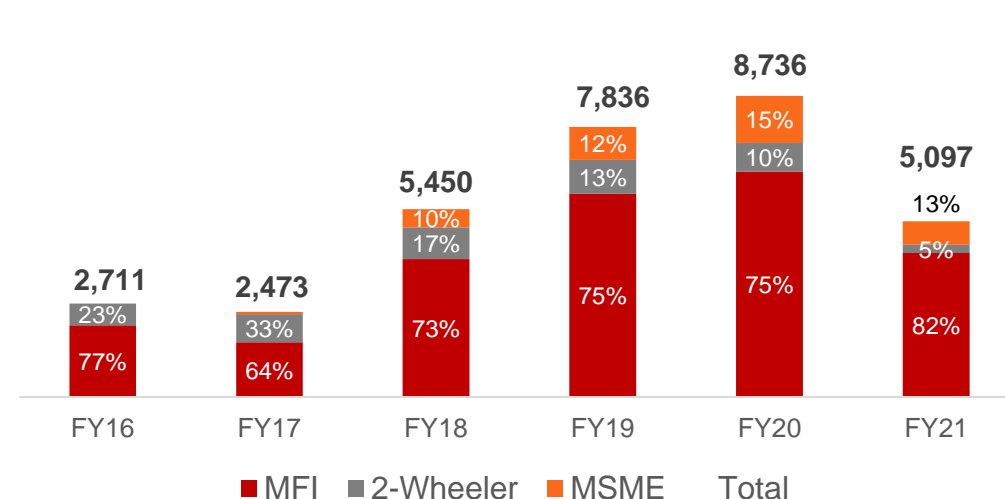
Strong Growth in AUM & Disbursements....



Total AUM (INR Mn)



Total Disbursements (INR Mn)



- Diversified portfolio of 8,144 Mn in Q4 FY21 split between –
 - Microfinance: INR 6,431 Mn (79.0%),
 - MSME Loans: INR 1,254 Mn (15.4%)
 - 2-Wheeler Loans: INR 459 Mn (5.6%)
- Strategically forayed into MSME Loans in 2017. Successfully scaled up the business to INR 1,254 Mn (15% 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.

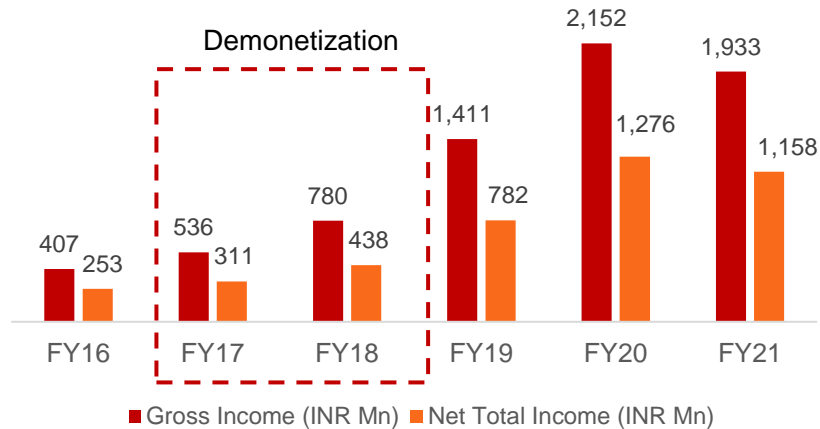
.....While Maintaining Superior Cost Efficiency & Asset Quality



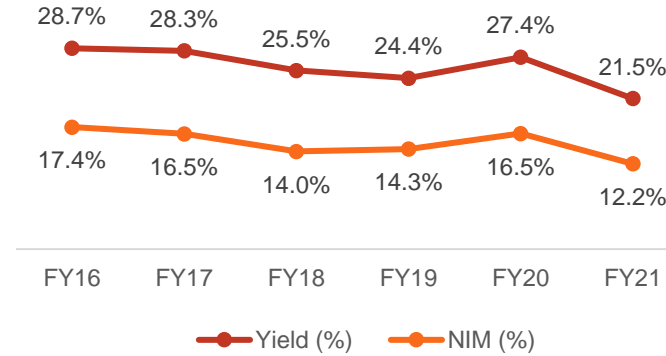
Gross Income and Net Total Income (INR Mn)

CAGR: 37%

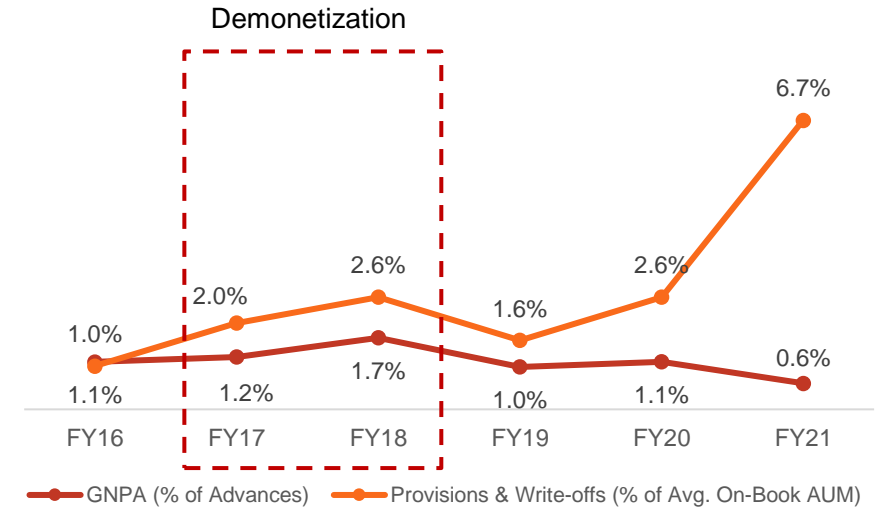
CAGR: 36%



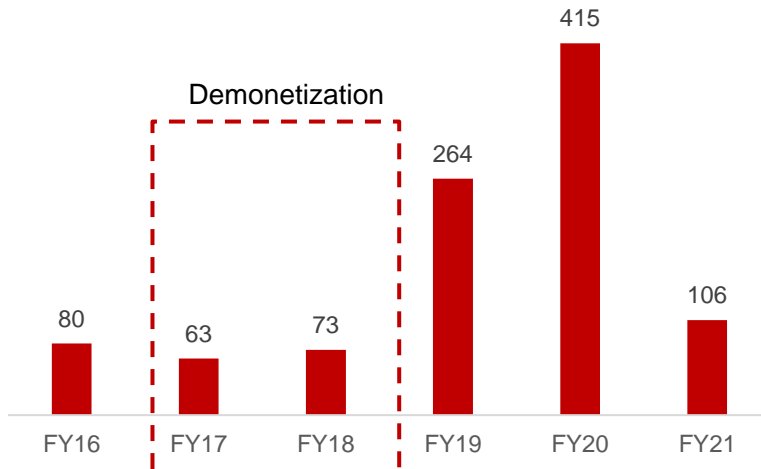
Yield % and NIM %



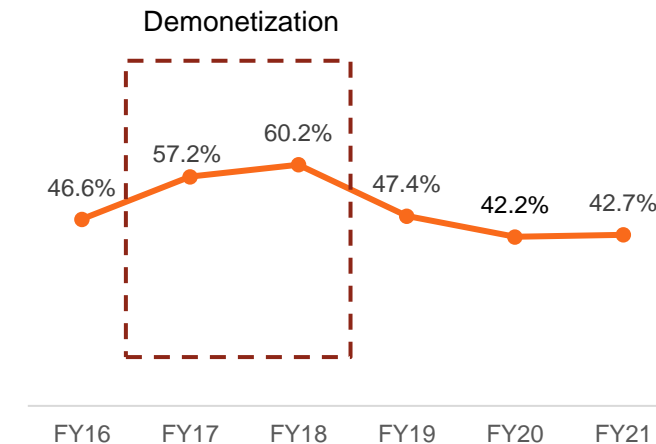
Focus on risk have led to immaculate through-cycle asset quality



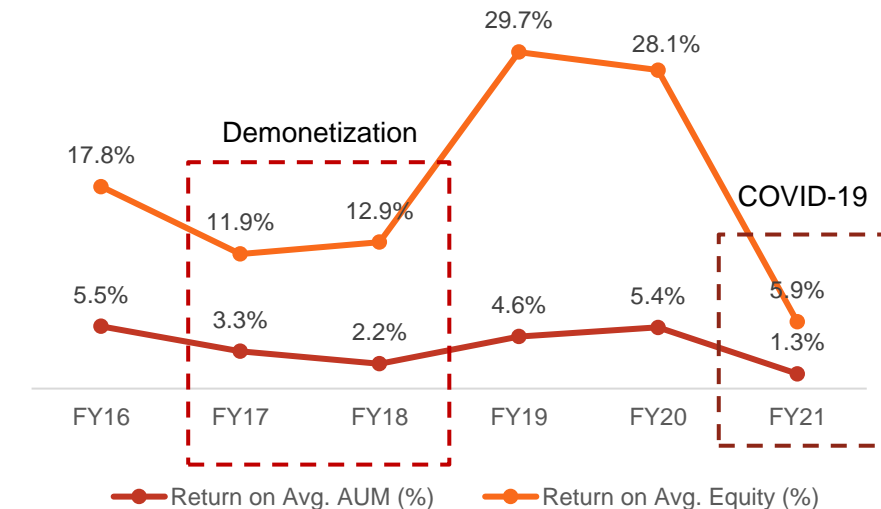
PAT (INR Mn)



Cost to Income Ratio %



Consistently high through cycle ROA / ROE



Note:

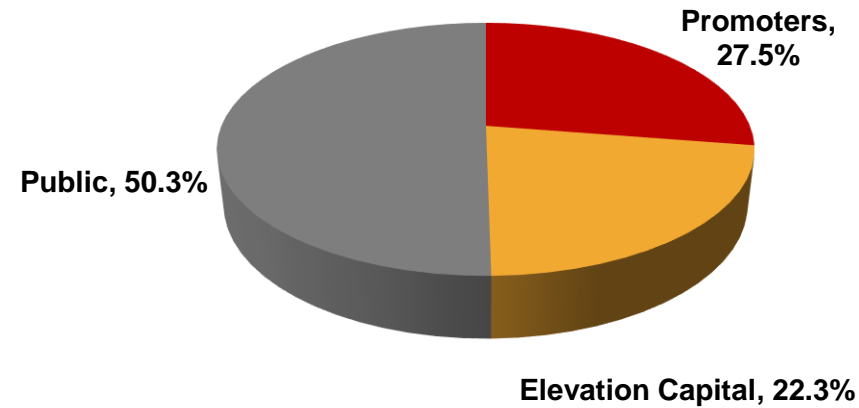
- FY21, FY20 & FY19 figures are as per IND-AS, all the figures prior to FY19 are as per I-GAAP. NIM = NII / Average AUM (On + Off-Book); Yields = Gross Income / Average AUM



Shareholding Pattern



SHAREHOLDING – 31st March 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; 198 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)

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

FY21 – Key Metrics (%)

23.0%	13.0%	0.8%
Yield	NIM	ROAA
4.1%	0.6%	4.2%
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 35 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

Tel : + 91 79 4050 7000 (Extn. 210)

Email : vivek@armanindia.com

DICKENSON

Pushpa Mani/Chintan Mehta

Dickenson World

Tel : +91 9911684123 / 9892183389

Email : armanfinancial@dickensonworld.com



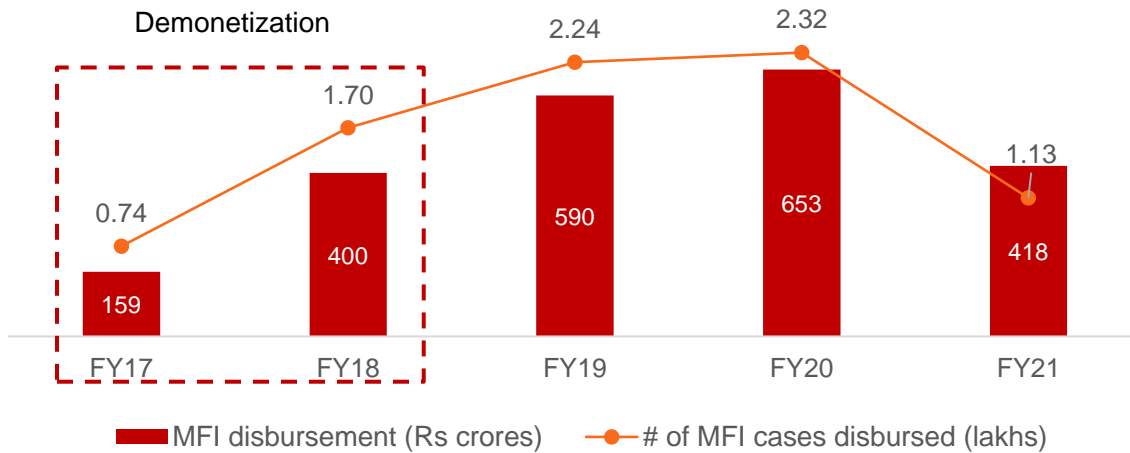
from ACCESS to INCLUSION

Annexures

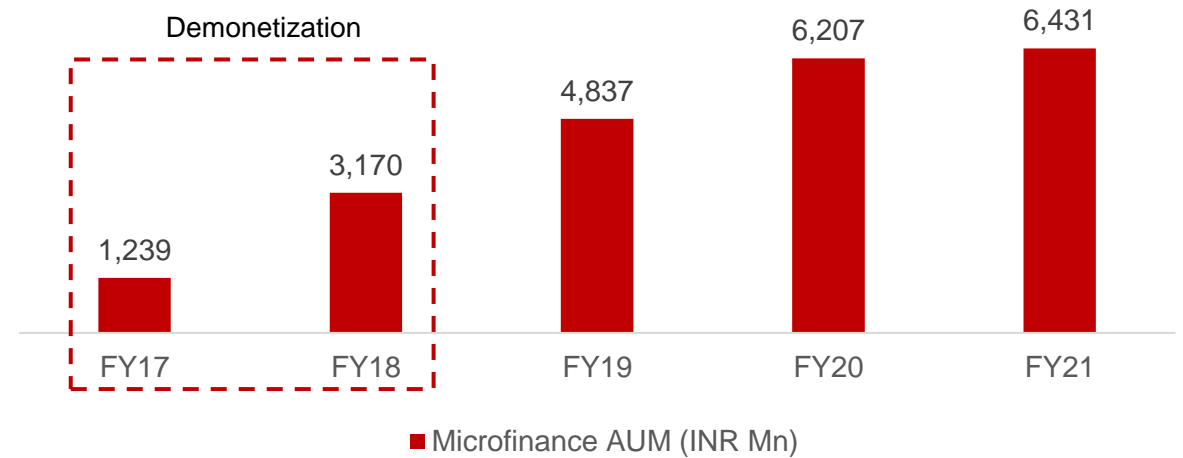
Microfinance: 5-Year Performance



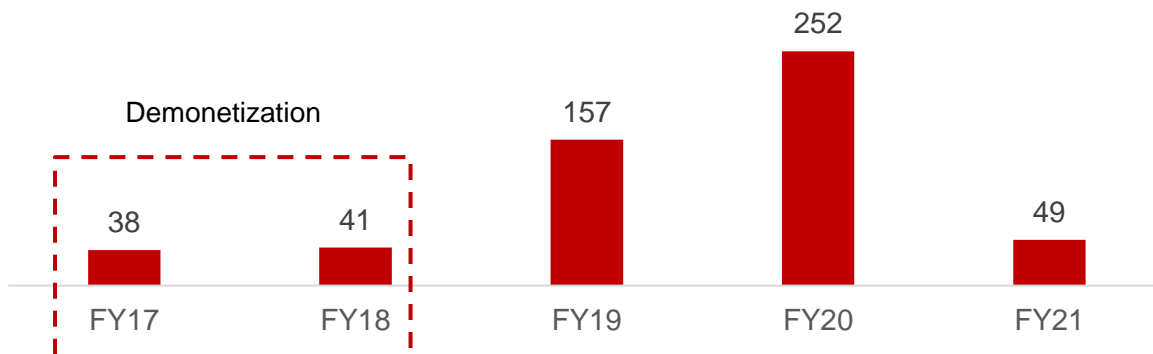
Disbursement growth is driven by customer & branch addition



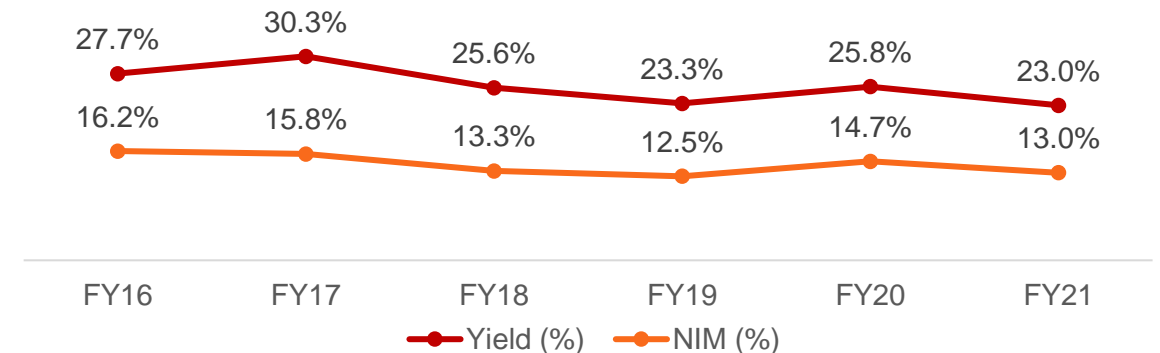
AUM growth exceeds MFI industry growth rates



PAT (INR Mn)



Yields (%) & NIM (%) Trend

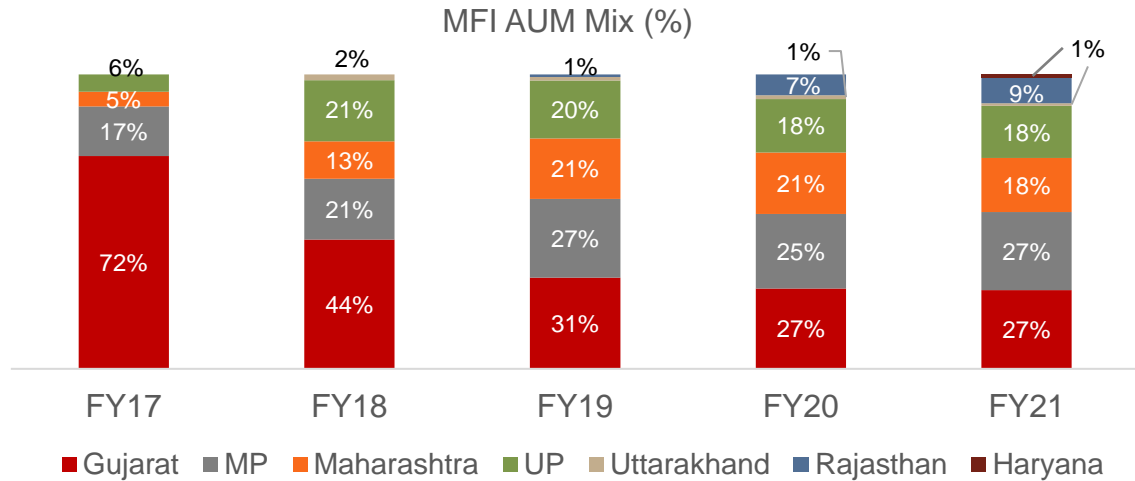


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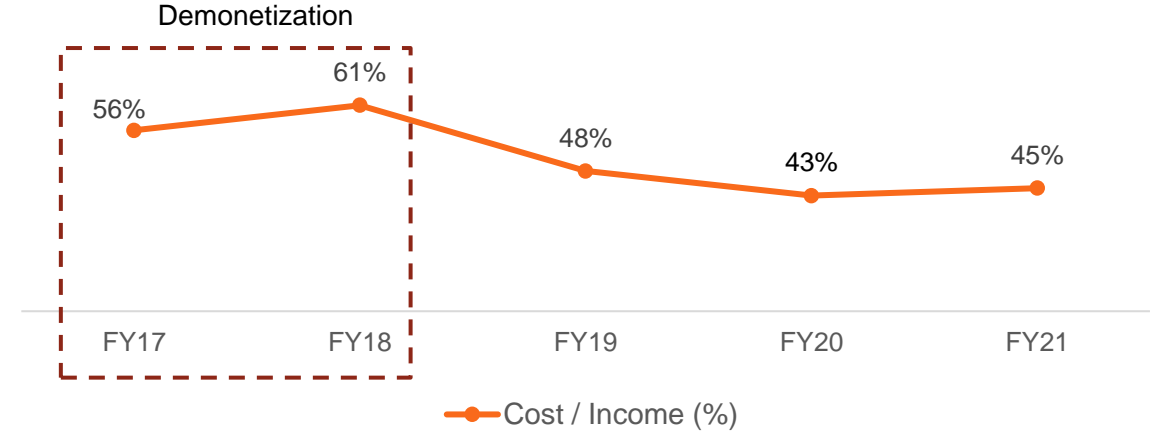
Microfinance: 5-Year Performance



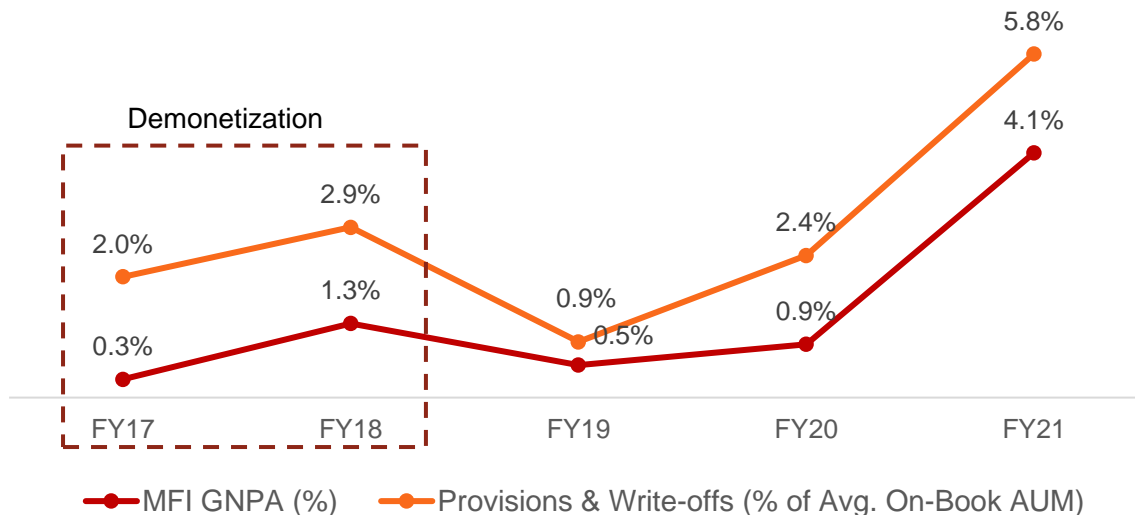
Well diversified across geographies



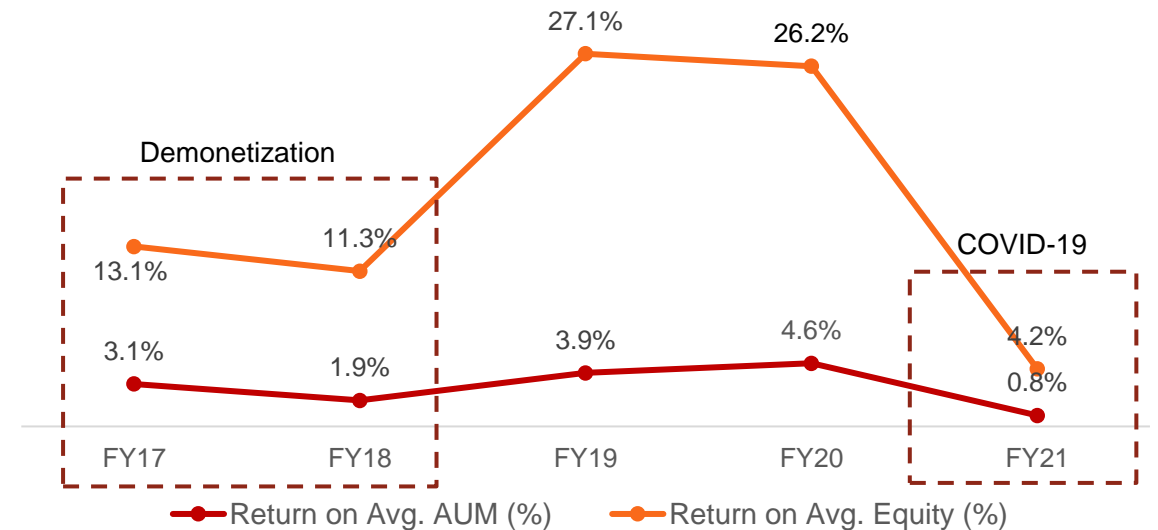
Maintaining high operational efficiency



Through cycle asset quality under control



Sustaining strong ROA (%) & ROE (%)

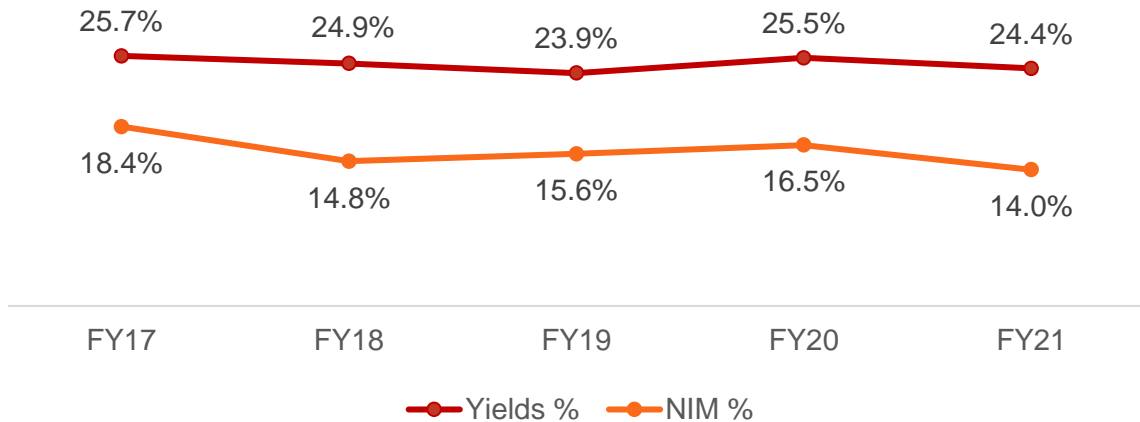


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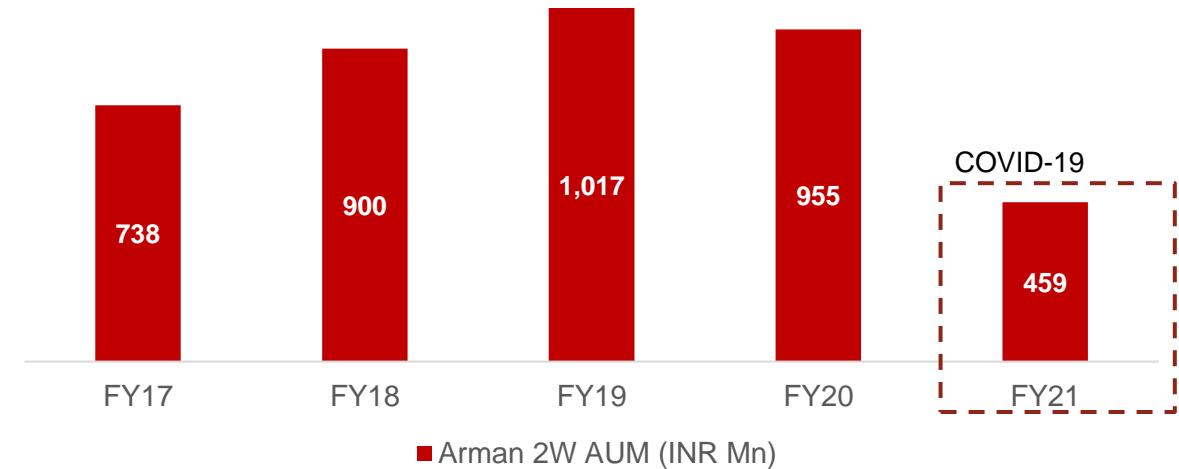
2W Loans: 5-Year Performance



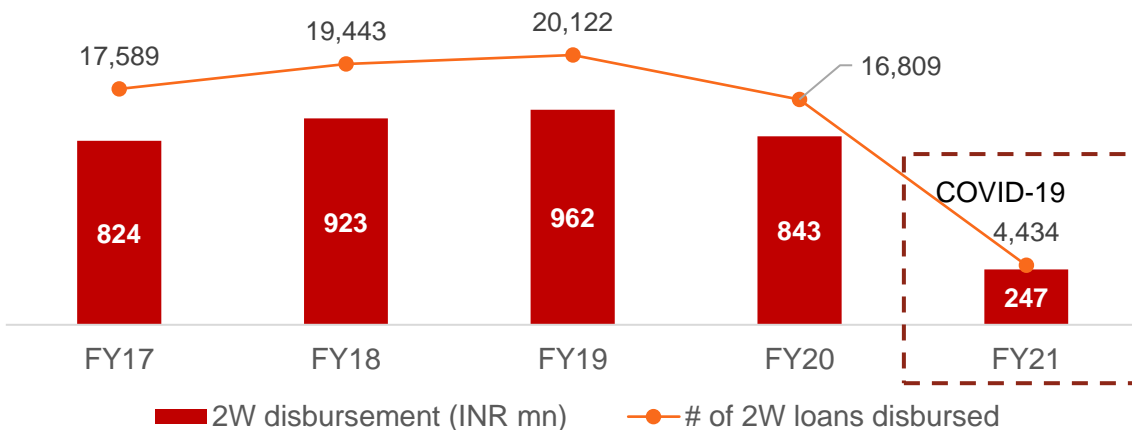
Yields (%) & NIM (%) Trend



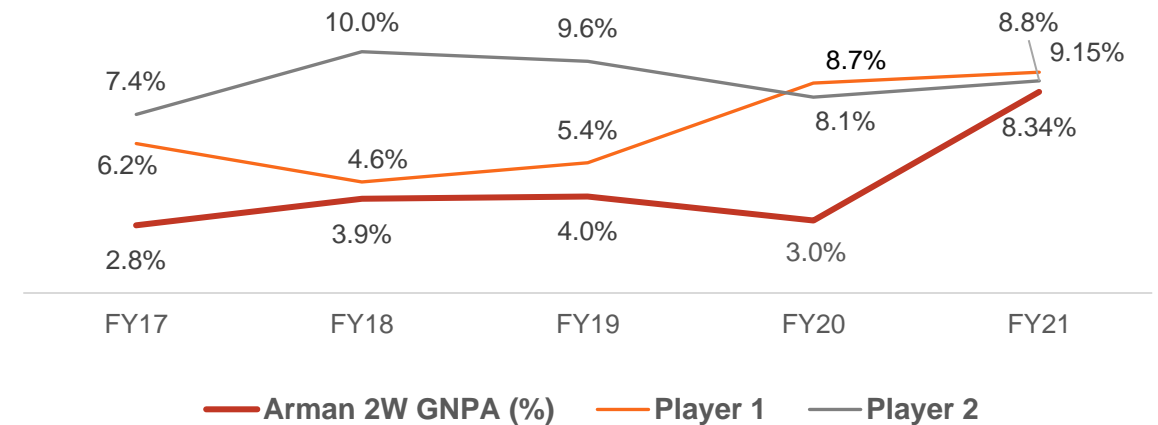
Arman 2W AUM/ has seen steady growth over FY15-20



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

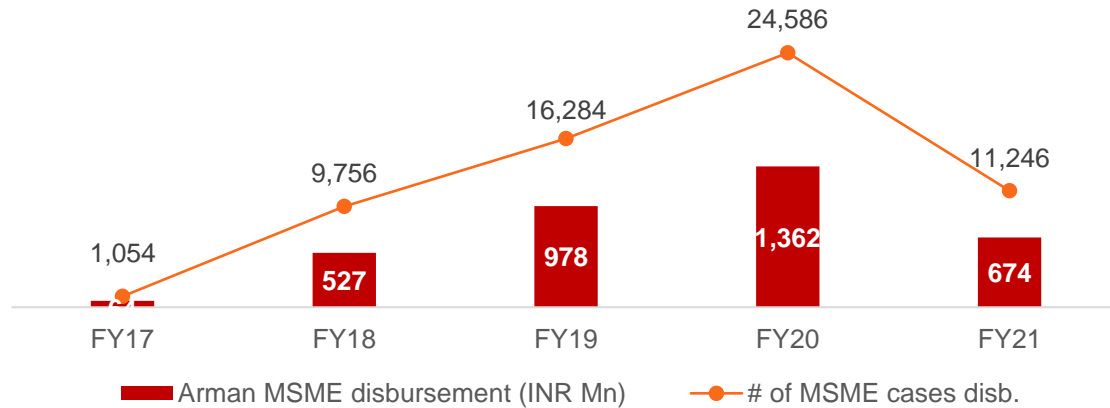


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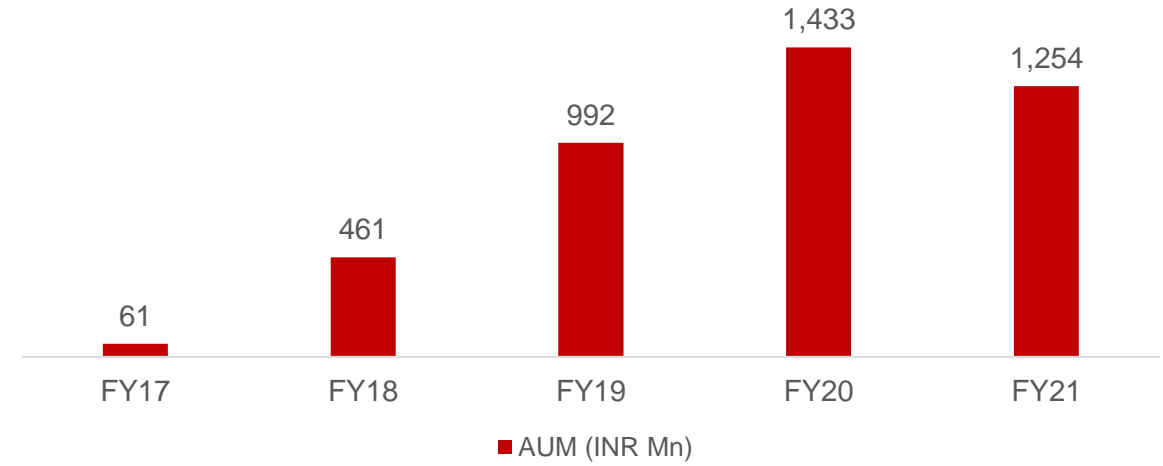
MSME Loans: 5-Year Performance



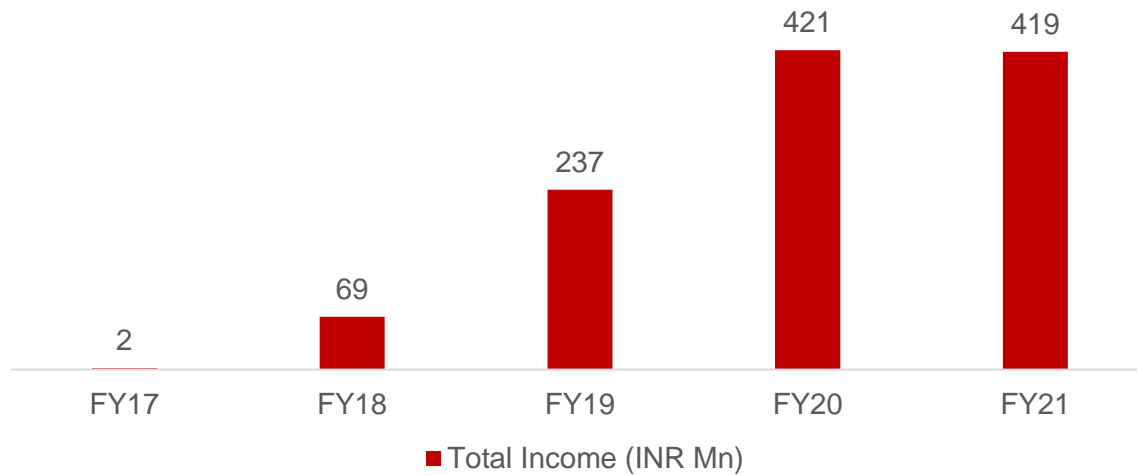
Disbursement Growth



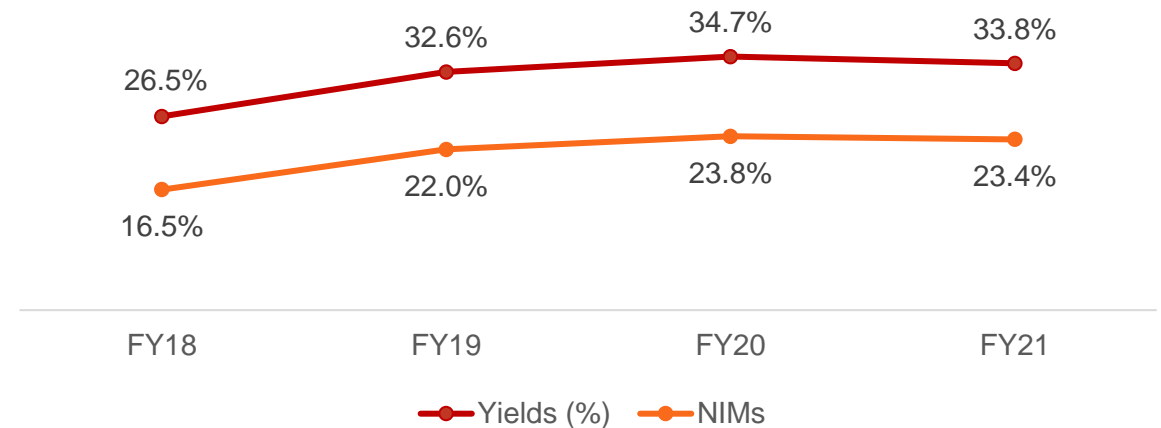
AUM Growth



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.