

Ahmadabad, India, 9 February 2019:Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance, two-wheelers and MSME loans, announced its financial results for the quarter ending 31st December 2018.

Commenting on the Company's performance for Q3 FY2018-19, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, *"The total AUM of the company has grown from Rs 362.46 Cr on 31 Dec 2017 to Rs.585.96 Cr as on 31 Dec 2018, a growth of 61.66%. The growth on a QoQ basis is 12.90 % from Rs. 519.07 Cr as on 30 September 2018 to Rs. 585.96 Cr on 31 December 2018. We are pleased to announce that CARE Ratings have upgraded the ratings for both Arman & Namra from **BBB** to **BBB+**. In addition, the MFI grading for Namra has been upgraded from **MFI-2** to **MFI-2+**, which is one step below the highest possible grading.*

The performance of the company has been stable inspite of liquidity challenge being faced by NBFCs in the previous quarter. While there has been a significant improvement with liquidity in January, including some improvement in the short-term debt instrument market, there continues to be significant negative publicity surrounding NBFCs, and an overall increase in interest rates.

It continues to remain challenging for the sector to borrow from banks and other financial institutions. However, we have been quite successful in leveraging our existing debt relationships, with disbursements totaling Rs.90 Cr in the past quarter, including private and PSU banks. Borrowing costs have increased due to rate resets and new borrowings coming in at higher costs. Very recently, we have achieved a significant milestone by closing a refinancing deal with NABARD, and also finished a 'multi-originator securitization transaction with Kotak-Mahindra bank. At the end of Q2, we closed a 2nd foreign NCD transaction with Symbiotics. In short, we are constantly diversifying our debt portfolio, and we hope that will help us avoiding liquidity shortages in the future, and allow us to reduce our overall cost of borrowings.

Operationally we have done well and have been able to grow and maintain our profitability despite significant headwinds. However, due to the unpredictability of future fund availability, the company took a conservative view during Q3 and reduced planned branch openings in the Microfinance and MSME segments. This resulted in a very slight variation in our year-end projections for AUM growth, although our profitability projections remain better than anticipated. The branches openings that were skipped in



Q3 are being opened in Q4.

We are in the process of implementing a new ERP software for Microfinance. This will substantially increase our collection efficiency and generate better MIS for the management team. With an integrated mobile interface, field staff will now manage going completely paperless (except where a paper documents are statutorily required) for both loan application and loan servicing. We have already implemented the pilot in 25 branches and plan to cover rest of the branches by the fourth quarter end.

Consolidated Business Review

Financial Highlights

Q3FY2018-19(Oct – Dec 2018) v/s. Q3 FY2017-18 (Oct – Dec 2017)

- Net Revenues increased by 68.81% to Rs. 38.05 Cr from Rs.22.54 Cr
- Net Interest Income increased by 71.64% to Rs. 21.30 Cr from Rs.12.41 Cr
- Net profit increased by 85.67% to Rs. 5.83 Cr from Rs. 3.14 Cr

Operational Highlights

Q3 FY2018-19 (Oct – Dec 2018) v/s. Q3 FY2017-18 (Oct – Dec 2017)

- Foray into a new state of Rajasthan, by opening 4 pilot branches in Chittorgarh and Pratapgarh districts
- The total operational branches as on 31 Dec 2018 are 165 compared to 119 the same quarter the previous year.
- As a matter of prudence, the company scaled down branch expansion in Q3 FY19 by putting a temporary hold in opening 7 additional branches due to liquidity crunch in the market. These branches will be opened in Q4 FY19 assuming stable fund availability.
- Asset quality and liquidity is fairly stable as of date, and we do not anticipate any changes in the short-term.

Business Mix (Consolidated)

Revenues income from operations (Rs. Cr.)	Q3 (Oct - Dec)	Q3 (Oct - Dec)	YOY	9 Months (Apr-Dec)	9 Months (Apr-Dec)	YOY
	FY 2018-19	FY 2017-18	Change (%)	FY 2018-19	FY 2017-18	Change (%)
Namra Finance	25.45	14.36	77.23%	67.43	35.02	92.55%
Arman Financial Services	12.60	8.18	54.03%	32.71	19.22	70.19%
-Asset Finance & Other	5.99	5.73	4.54%	16.92	15.19	11.39%
-MSME	6.61	2.45	169.80%	15.79	4.03	291.81%
Total	38.05	22.54	68.81%	100.09	54.23	84.57%

As on date, the entire loan portfolio of Namra is microfinance and the loan portfolio of Arman Financial Services is Asset Loans (two-wheeler) and MSME loans. MSME loans in a new product line which was started approximately 2 years previously in which the company provides business loans of 50,000 to 1,50,000 to small business owners. This is the first quarter in which MSME generated higher revenues compared with Asset Finance. We expect this trend to continue due a higher margin and increased potential in the Rural MSME market compared to the mature two-wheeler financing division.

Expenditure Analysis (Consolidated)

Expenses (Rs. Cr.)	Q3 (Oct - Dec)	Q3 (Oct - Dec)	YOY	9 Months (Apr-Dec)	9 Months (Apr-Dec)	YOY
	FY 2018-19	FY 2017-18	Change (%)	FY 2018-19	FY 2017-18	Change (%)
Employee Costs	6.69	4.40	52.05%	18.36	11.59	58.41%
Other Expenses	5.91	3.67	61.04%	14.78	12.40	19.19%
Interest Costs	16.75	10.14	65.19%	44.15	23.45	88.27%
Total Costs	29.35	18.21	61.18%	77.29	47.44	62.92%

Our expenses were mostly as per projections. Interest costs increased due to higher interest rates in Q3 due to rate resets and new sanctions at higher than average costs.

Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q3 (Oct - Dec)	Q3 (Oct - Dec)	YOY	9 Months (Apr-Dec)	9 Months (Apr-Dec)	YOY
	FY 2018-19	FY 2017-18	Change (%)	FY 2018-19	FY 2017-18	Change (%)
EBIT	25.44	14.47	75.81%	67.00	30.24	121.56%
PAT	5.83	3.14	85.67%	15.85	4.87	225.46%
EPS (Rs Per Share)	8.41	4.53	85.65%	22.84	7.03	224.89%

Our net profit grew by 86% in this quarter compared to the same quarter the previous year. On the positive side it has been impacted by lower provisioning and better operational efficiencies. Higher borrowing costs has impacted our profits on the negative side. MSME has contributed significantly to the bottom line this quarter. For the 9 months ended, PAT has increased by 225% as we were negatively impacted by demonetization during the first six months of the previous year.

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

Particulars (Rs. Cr.)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
Period Ending (AUM)	362.93	423.34	453.50	519.07	585.95
Net Interest Income (NII)	12.41	12.99	16.33	18.31	21.30
Net Interest Margin (NIM) (Annualised)	15.07%	13.22%	14.90%	15.06%	15.42%

The NIMs have been fairly consistent for the past few quarters, with an upward trend due to the growth in the MSME book, which has higher interest rates. This is expected to remain steady in the short term as the increase in weighted average interest rates due to MSME is partially offset by higher borrowing costs.

Business Tracker (Namra Finance)

Particulars (Rs. Cr.)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
AUM	240.14	287.46	309.84	357.98	406.38
Disbursement for the Qtr	110.16	117.93	116.1	153.54	154.28
Gross Interest Income (Interest Income + Processing Fee)	14.36	17.71	19.99	21.99	25.45

Namra, which handles the Microfinance portfolio, did the highest ever disbursements of Rs 154 Cr during this quarter. The pace of growth of disbursement has slowed down due to the tight liquidity conditions in the market. We will continue with our expansion plans from Q4 FY19 onwards, with further branch openings.

Operational Branches (Namra Finance)

Particulars (Rs. Cr.)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
Gujarat	36	36	38	38	38
Madhya Pradesh	23	24	27	31	30
Maharashtra	12	15	21	23	23
Uttar Pradesh	28	32	35	42	42
Rajasthan	0	0	0	0	4
Total Branches	99	107	121	134	137

We have forayed into Rajasthan in this quarter. We have opened 4 pilot branches in Chittorgarh and Pratapgarh districts. During the initial stages, Rajasthan branches will be handled by the Madhya Pradesh operations team. We are developing our branch expansion plan for the next fiscal year.

NPA Analysis (Namra Finance)

Particulars (Rs. Cr.)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
Gross NPA	2.15	3.60	3.52	2.41	2.17
Provisions	0	0	0	0	0
Net NPA	2.15	3.60	3.52	2.41	2.17
Net NPA Percentage	0.87%	1.12%	1.11%	0.67%	0.53%
Provisions on Standard Assets	2.46	3.22	3.18	3.60	4.10

Our Net NPAs at 0.53% of the MFI AUM are among the best in the industry and have continued with the declining trend post the disruption due to demonetization. We expect NPA levels to remain steady in the coming quarters.

Business Tracker (Arman Financial - 2-Wheeler Finance)

Particulars (Rs. Cr.)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
AUM	88.63	89.64	89.25	96.63	101.79
Disbursement for the Qtr	27.44	21.51	21.59	24.78	33.52
Interest Income	5.73	5.21	5.34	5.54	5.99

The 2-Wheeler sales were impacted due to new third-party insurance law. In spite of this headwind, we did well and increased our market share in our operational geographies. AUM has increased in the past three quarters and increased by 15% YoY, which is in-line with our projections for this division.

Business Tracker (Arman Financial – MSME Finance)

Particulars (Rs. Cr.)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
AUM	34.16	46.24	54.41	64.46	77.78
Disbursement for the Qtr	12.93	16.7	17.07	22.19	25.09
Interest Income	2.45	2.9	3.81	5.36	6.61



MSME is our newest business line and we are now reporting it as a separate product line. Our MSME loans are in the range of Rs 50,000 to Rs 150,000 and offers doorstep collections, building on the strength of our MFI distribution network.

Our MSME portfolio is performing quite well. Our total AUM for MSME stands at Rs.77.78 Cr as on 31st Dec 2018 against Rs.34.16 Cr on 31st Dec 2017. Contribution from MSME segment has increased significantly to 17% of topline in the current quarter.

The segment has turned profitable has the highest ROAs amongst all our product lines.

NPA Analysis (Arman Financial Services)

	Q3 (Oct-Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
Particulars (Rs. Cr.)					
Gross NPA	2.73	3.54	3.74	4.11	4.20
Provisions	0.28	0.36	0.37	0.42	0.43
Net NPA	2.45	3.18	3.38	3.69	3.77
Net NPA Percentage	1.99%	2.33%	2.35%	2.29%	2.10%

Arman's NPAs (Two-wheeler & MSME portfolio) are stable at 2.10% and company is further trying to bring it down by increased focus on collections. Total NPA for MSME is quite low at Rs 5.13 lacs

For, Arman Financial Services Limited

 Director

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, MSME, and Microfinance Lending business. The Microfinance division is operated through its wholly-owned subsidiary, Namra Finance Ltd, a NBFC-MFI. The group operates mostly in unorganized and underserved segment of the economy and mostly serve niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, and Rajasthan through its network of 165 branches and 55 dealer touch-points.

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.

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

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