

**Ahmadabad, India, 11 August, 2018:** Arman Financial Services Ltd (Arman), a leading Gujarat based non-banking financial company (NBFC), with interests in microfinance, two wheelers and micro-enterprise (MSME) loans, announced its financial results for the first quarter ended 30th June, 2018.

Commenting on the Company's performance for Q1FY2018-19, **Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services** said, "The total AUM of the company has grown from Rs 226.90 Cr on 30 June 2017 to Rs. 453.49 Cr as on 30 June 2018, a growth of 100%. The growth on a QoQ basis is 7.12% from 423.34 Cr as on 31st March 2018 to Rs.453.49 Cr on 30 June 2018.

The performance of the company during the quarter has been excellent. The Profit After Tax of the company has grown from Rs 0.94 Cr on 30 June 2017 to Rs. 4.61 Cr as on 30 June 2018, a growth of 392%. The company has posted its highest quarterly profit in history, thanks mainly to AUM growth during the previous fiscal year.

Our deal with SAIF Partner for the infusion of equity concluded during the quarter in April. This infusion will bring in much-needed TIER 1 capital in the company and shall provide us the legroom to drive the growth ahead. We have received a total Rs. 50 Cr by the way of CCD, which together with accrued interest shall be converted into ordinary equity shares after a period of 18 months (about Rs. 56.7 Cr on a fully diluted basis).

During the quarter we have achieved a big milestone - we have moved to 100% cash-less disbursements for our microfinance division. This means that all the disbursements for all three of our divisions are transferred directly into our customer's bank account. This will help us in better control over cash and reduces the risk in our business. It will also help us in lowering our operating cost. While this transition initially impacted disbursement growth and there were teething issues with operations, minor short-term pain is well worth the effort for the long-term benefits of cash-less disbursements

The company has gradually expanded its business from Gujarat to other states. The journey of the company to other states has been quite encouraging. We are now evaluating Rajasthan as the next state for our expansion, the initial thrust into Rajasthan will be slow, with a few pilot branches.

On June 6th, 2018 Mr. Chinubhai. R. Shah, our long-serving Chairman passed away. Mr. Shah served as the Chairman of Arman for 24 years and resigned few days before his passing on May 25th, 2018 due to

his deteriorating health. We are in deep gratitude for the guidance he provided to us and he will be sorely missed.

The company has recently appointed Mr. Alok Prasad as the Non-Executive Chairman. Those that have followed the microfinance industry for some time will be familiar with Mr. Prasad. He was the Founder CEO of Microfinance Institutions Network (MFIN), the premier industry body and Self-Regulatory Organisation (SRO) for MFIs in India. He played a key role on the national level to steer the MFIs out of the AP-Crisis and into the mainstream financial sector. He is a veteran banker with 35 years of experience. Prior to MFIN, he held very senior positions at the Reserve Bank of India (RBI), National Housing Bank (NHB) and Citibank. He serves on various committees of the Ministry of Finance. We are confident that Arman will continue reaching new heights under Alok's leadership and guidance.

The 26th Annual General Meeting of the company will be held on Friday, 7th Day of September, 2018, at 12.00 noon at Ahmedabad Textile Mills' Association (ATMA) Hall, Opp. City Gold Cinema, Ashram Road, Ahmedabad. Hope to meet and interact with many of Arman's shareholders there. I thank everyone for their guidance and support.

## Consolidated Business Review

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### Financial Highlights

#### Q1 FY2018-19 (April - June 2018) v/s. Q1 FY2017-18 (April - June 2017)

- Net Revenues increased by 108.66% to Rs. 29.15 Cr from Rs.13.97 Cr
- Employee costs increased by 78.82% to Rs. 5.74 Cr from Rs. 3.21 Cr
- Interest costs increased by 152.36% to Rs. 12.82 Cr from Rs. 5.08 Cr

### Operational Highlights

#### Q1 FY2018-19 (April - June 2018) v/s. Q1 FY2017-18 (April - June 2017)

- Our total employee strength has increased from 866 to 1284, an increase of 48%.
- We have done the initial scouting of the Rajasthan market and plan to launch our operations in the state in the coming months. Our initial push into the state will be with four or five pilot branches.



- MSME segment growing well, where AUM has increased to Rs.54.41 Cr as compared to Rs.14.26 Cr in Q1FY17, a 282% growth.
- Interest income is up by more than 108.66% due to excellent growth in Microfinance segment and MSME segment in the last quarter and the previous fiscal year.

## Business Mix (Consolidated)

Revenues income from operations (Rs. Cr.)	Q1 (Apr - Jun)	Q1 (Apr - Jun)	YOY Change (%)	12 Months (Apr – Mar)	12 Months (Apr – Mar)	YOY Change (%)
	FY 2018-19	FY 2017-18		FY 2017-18	FY 2016-17	
Namra Finance	19.99	9.20	117.28%	52.73	37.01	42.48%
Arman Financial Services	9.16	4.77	92.03%	27.3	16.56	64.86%
<b>Total</b>	<b>29.15</b>	<b>13.97</b>	<b>108.66%</b>	<b>80.03</b>	<b>53.57</b>	<b>49.39%</b>

As on date, MFI loans are serviced thru Namra Finance Ltd., a NBFC-MFI and wholly owned subsidiary of Arman Financial. Arman Financial Services manages the 2-Wheeler and MSME loans. MSME loans in a new product line in which the company provides business loans of Rs 40,000 to 1,50,000 to small business owners in rural segments. We are happy to report that there is a healthy growth in all 3 business segments.

## Expenditure Analysis (Consolidated)

Expenses (Rs. Cr.)	Q1 (Apr - Jun)	Q1 (Apr - Jun)	YOY Change (%)	12 Months (Apr – Mar)	12 Months (Apr – Mar)	YOY Change (%)
	FY 2018-19	FY 2017-18		FY 2017-18	FY 2016-17	
Employee Costs	5.74	3.21	78.82%	16.38	10.18	60.90%
Other Expenses	4.21	4.23	(0.47%)	17.60	11.02	59.71%

Interest Costs	12.82	5.08	152.36%	36.26	22.52	61.01%
<b>Total Costs</b>	<b>22.77</b>	<b>12.53</b>	<b>81.72%</b>	<b>70.24</b>	<b>43.72</b>	<b>60.66%</b>

On a YoY basis, we opened 28 new branches, mostly in the microfinance and the MSME division. This resulted in an AUM growth of 100% and can account for the increase in overall expenses. Additionally, a large portion of the 'Other Expenses' for FY2017-18 include Provisioning and Bad Debts, which were higher by Rs. 3.2 Cr compared to the previous year due to the impact of demonetization. Many of these expenses would get rationalised as the portfolio per branch goes up in FY 18-19.

Finance cost increased due to higher leveraging to fund the AUM growth, and is proportionate to the overall increase in borrowings. The recent equity infusion was in the form of CCDs, and will also accrue interest expense until October 2019.

## Profitability Mix (Consolidated)

Particulars (Rs. Cr.)	Q1 (Apr - Jun) FY 2018-19	Q1 (Apr - Jun) FY 2017-18	YOY Change (%)	12 Months (Apr - Mar) FY 2017-18	12 Months (Apr - Mar) FY 2016-17	YOY Change (%)
EBIT	19.20	6.52	194.48%	46.05	32.39	42.17%
PAT	4.61	0.94	390.43%	7.30	6.32	15.50%
EPS (Rs Per Share)	6.65	1.36	389.55%	10.21	8.00	27.63%

Last year our operations were hit due to the impact of demonetization. Our operations have since stabilised and we have accelerated our growth. With the equity fund raise we are in a comfortable position in terms of our Tier 1 Capital and going forward, our profitability will increase as we grow and achieve economies of scale.

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

Particulars (Rs. Cr.)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
Period Ending (AUM)	226.9	296.27	362.93	423.34	453.50
Net Interest Income (NII)	8.89	9.50	12.41	12.99	16.33
Net Interest Margin (NIM) (Annualised)	17.31%	14.52%	15.07%	13.22%	14.90%

The NIM have decreased slightly compared to the last quarter due to higher leveraging. With the conversion of the CCDs, our leveraging will come down and will stabilise at a higher level. We also are focusing on reducing our cost of funds, and overtime will aim to bring them down as the size of our balance sheet grows.

## Business Tracker (Microfinance)

Particulars (Rs. Cr.)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
AUM	131.42	190.8	240.14	287.46	309.84
Disbursement for the Qtr	67.44	104.53	110.16	117.93	116.10
Gross Interest Income (Interest Income + Processing Fee)	9.2	11.46	14.36	17.71	19.99

We completed disbursements of Rs 116 Cr in this quarter. Disbursement growth remained somewhat flat in the current quarter due to the company's thrust to shift into a cash-less mode of disbursements. We are happy to report that as of June, all disbursements are transferred directly into the customer's bank account. This will benefit the company and our customers for many years to come. The contribution from the newly opened branches is expected to kick in the the next

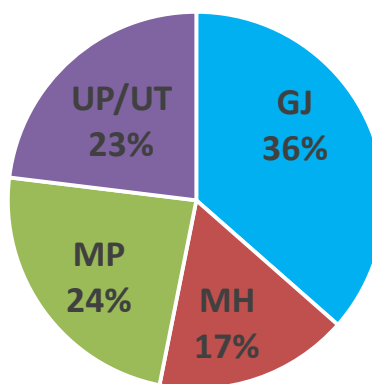
quarter and we continue to open new branches strategically. We aim to open four to five new branches in Rajasthan in the current fiscal as a part of our geographical expansion strategy.

## Operational Branches (Microfinance)

Particulars (Rs. Cr.)	Q1	Q2	Q3	Q4	Q1
	(Apr – Jun)	(Jul– Sep)	(Oct - Dec)	(Jan-Mar)	(Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
Gujarat	37	36	36	36	38
Madhya Pradesh	25	26	23	24	27
Maharashtra	12	13	12	15	21
Uttar Pradesh/Uttarakhand	24	26	28	32	35
Total Branches	98	101	99	107	121

One of the company's key risk mitigating strategy has been to diversify geographically and has made great strides in that regard in the past year. The chart on the right shows the portfolio distribution in each state. To add context, over 80% of the portfolio was in Gujarat less than 2 years ago. In the coming months, we plan foraying into Rajasthan and slowly expand into that state, further reducing our exposure in any one state.

Microfinance Portfolio Geographical Distribution



## Business Tracker (2 Wheeler Finance)

Particulars (Rs. Cr.)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
AUM	81.22	81.70	88.63	89.64	89.25
Disbursement for the Qtr	20.59	22.75	27.44	21.51	21.59
Interest Income	4.43	5.03	5.73	5.21	5.39

The two-wheeler financing business is mature, and we are gradually ramping it up to maintain our overall market share and profitability levels in the business. Due to competition and margin pressures, the growth has been muted in the last few quarters; however, we remain committed to sustain and expand our two-wheeler business as and when the competitive intensity subsides.

## Business Tracker (MSME)

Particulars (Rs. Cr.)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
AUM	14.26	23.77	34.16	46.24	54.41
Disbursement for the Qtr	10.6	12.44	12.93	16.70	17.07
Interest Income	0.66	1.51	1.86	2.90	3.76

MSME is our newest business line and we have started reporting it as a separate product line. Our MSME loans are in the range of Rs 40,000 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.54.41 Cr as on 30 June 2018 against Rs.14.26 Cr on 30 June 2017. It has contributed to 13% of our Topline in the current quarter. This will continue to increase in the coming quarters.

Quarterly disbursement has increased from Rs.10.60 Cr in Q1FY18 to Rs.17.07 Cr in Q1FY19. While there is opportunity to expand rapidly into this segment and increase disbursements, our strategy has always been one of caution for any new product. As we gain comfort in this new segment, we will continue to ramp up branch openings and disbursements.

### NPA Analysis (Microfinance)

Particulars (Rs. Cr.)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
Gross NPA	2.44	2.19	2.15	3.60	3.52
NPA Provisions	0	0	0	0	0
Net NPA	2.44	2.19	2.15	3.60	3.52
Net NPA Percentage	1.66%	1.10%	0.87%	1.12%	1.11%
Provision on Standard assets	1.40	1.94	2.46	3.22	3.18

As per RBI guidelines, NBFC-MFIs have to provide the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more. In case of Namra, (a) is applicable, and therefore, NPA provisions are nil.

Our Gross NPA percentage has started easing out. We expect this will remain steady in the coming quarters, as the lingering impact of demonetisation fades out. We have a dedicated recovery team working on collections from the demonetization related defaulting customers.

### NPA Analysis (2 Wheeler Finance & MSME)

Particulars (Rs. Cr.)	Q1 (Apr – Jun)	Q2 (Jul– Sep)	Q3 (Oct - Dec)	Q4 (Jan-Mar)	Q1 (Apr – Jun)
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19
Gross NPA	2.41	2.69	2.73	3.54	3.74
Provisions	0.24	0.27	0.28	0.36	0.37
Net NPA	2.17	2.42	2.45	3.18	3.37
Net NPA Percentage	2.40%	2.51%	1.99%	2.33%	2.35%

The absolute NPAs in the 2-wheeler and MSME business has increased from the previous years due to the RBI mandated policy of recognizing NPAs after a delay of 90 days vs the earlier norm of 180 days. Our assets quality in the 2-wheeler segment remains mostly consistent after accounting for the change in NPA recognition policy. The MSME portfolio continues to perform admirably, with a negligible NPA of Rs. 3.97 lakhs.

For, Arman Financial Services Limited



Director

## About Arman Financial Services Ltd

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**Arman Financial Services Ltd. (BSE: 531179, NSE: ARMANFIN)** 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, and Uttarakhand through its network of 144 branches and 54 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 on Arman, please visit [www.armanindia.com](http://www.armanindia.com)

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

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