



# Arman Financial Services Limited

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Date: November 14, 2024

To, BSE Limited P. J. Tower, Dalal Street, Mumbai-400001	To, National Stock Exchange of India Limited "Exchange Plaza" C-1, Block G, Bandra Kurla Complex, Bandra, Mumbai- 400051
<b>Script Code: 531179</b> <b>ISIN: INE109C01017</b>	<b>Symbol: ARMANFIN</b> <b>Series: EQ</b>

Dear Sir,

**SUB: DISSEMINATION OF PRESS NOTE TO SHAREHOLDERS**

In further Communication with our letter dated November 13, 2024, we are enclosing Press Release on Unaudited Financial Results for the Quarter / Half Year ended September 30, 2024.

Kindly take it on your record.

Thanking you,

Yours faithfully,

**For, Arman Financial Services Limited**

Jaimish Patel  
Company Secretary  
M. No.-A42244

# Arman Financial Services Limited



Ahmedabad, Gujarat, November 13, 2024:

**Arman Financial Services Limited (NSE: ARMANFIN, BSE: 531179)**, a Gujarat-Based Non-Banking Financial Company (NBFC), with interests in microfinance, micro-enterprise (MSME) loans, two-wheelers loans and Loan Against Property (LAP) announced its unaudited financial results for the quarter ended 30<sup>th</sup> September 2024. The financial numbers are based on Ind-AS.

## Consolidated Business Performance:

Particulars (INR Crore)	Q2FY25	Q2FY24	Y-o-Y	H1 FY25	H1 FY24	Y-o-Y
Assets Under Management (AUM)	2,464.7	2,304.5	7%	2,465.7	2,304.5	7%
Gross Total Income	181.5	160.3	13%	365.9	309.8	18%
Pre-Provisioning Operating Profit	77.6	69.3	12%	162.5	132.6	23%
Profit After Tax	15.3	40.8	-63%	46.6	80.8	-42%

- Company's consolidated Asset Under Management (AUM) stood at ~INR 2,465 Crore registering a growth of 7% YoY.
- Consolidated disbursements for H1FY25 stood at ~INR 832 Crore, a de-growth of 22% year-on-year, led by industry challenges.
  - Disbursements for Q2FY25 stood at ~INR 373 Crore, registering a de-growth of 31% year-on-year.
  - During the period ended 30<sup>th</sup> September 2024, the company has deliberately prioritized collections and portfolio quality over rapid expansion.
- Net total income for H1FY25 amounted to ~INR 235 Crore, registering a 32% year-on-year growth, while Q2FY25 net total income grew by 25% to ~INR 116 Crore.
- Pre-Provision Operating Profit (PPoP) for H1FY25 registered a 23% year-on-year growth to ~INR 163 Crore.
  - PPoP for Q2FY25 grew by 12% year-on-year to ~INR 78 Crore.
- Shareholders' Equity as of September 30, 2024, stood at ~INR 865 Crore, calculated in accordance with IND-AS standards.
- For H1FY25, Return on Average AUM stood at 3.65%; while Return on Equity stood at 11.10%.



Shareholders' Funds	As on 30th September 2024		As on 31st March 2024	
	Amount (INR Crore)	No of shares	Amount (INR Crore)	No of shares*
Shareholders fund	864.8	1,04,90,538	812.7	1,04,76,774

\*On fully diluted basis

- Credit Rating upgraded to 'A | Stable' by Acuite Ratings for Namra Finance Limited

#### **Borrowing & Liquidity Profile:**

- Total borrowings stood at ~INR 2,019.5 Crore (Including off balance sheet direct assignment (DA) liability)
- Of the total borrowings, 35.9% is through banks, 12.3% is through NBFCs, 18.7% is through debt and NCDs, 0.8% is through PTC, and 27.9% is through direct assignments (off-balance-sheet liabilities), of which 23.2% is through banks and 4.7% is through financial institutions. The rest is borrowed from DFIs (i.e., NABARD & SIDBI) and others.
- As on 30<sup>th</sup> September 2024, the Company has a healthy liquidity position with ~INR 281.2 Crore in cash/bank balance, liquid investments, and undrawn CC limits.
- Additionally, the Company has ~INR 157.5 Crore undrawn sanctions from existing lenders.

#### **Collection Efficiency:**

- Collection efficiency for the month of September 2024 stood at 94.9%.
- Segment wise collection efficiency for H1 FY25 stood at:
  - Microfinance segment – 95.1%
  - MSME segment – 96.8%
  - 2W segment – 95.9%

#### **Asset Quality:**

- GNPA stood at 3.7%; NNPA stood at 0.6%
- Cumulative Provisions stood at ~INR 114.3 Crore as on 30<sup>th</sup> September 2024 (covering 4.64% of the consolidated AUM, 5.88% on book)



### **Two-Wheeler, MSME Segment, Loan Against Property:**

<b>Particulars (INR Crore)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>Y-o-Y</b>	<b>H1 FY25</b>	<b>H1 FY24</b>	<b>Y-o-Y</b>
Assets Under Management (AUM)	483.3	359.4	35%	483.3	359.4	35%
Gross Total Income	43.1	34.7	24%	85.6	65.0	32%
Pre-Provisioning Operating Profit	18.9	14.8	28%	40.3	26.4	53%
Profit After Tax	7.9	8.9	-11%	20.5	16.9	21%

- Assets under Management for the MSME, Two-Wheeler, LAP stood at ~INR 483 Crore registering a growth of 35% Y-o-Y.
  - AUM for MSME - ~INR 398 Crore.
  - AUM for Two-Wheeler - ~INR 74 Crore.
  - AUM for LAP - ~INR 11 Crore.
- Total Disbursement for the MSME, Two-Wheeler and LAP stood at ~INR 206 Crore in H1FY25.
- Net total income for H1FY25 amounted to ~INR 64 Crore, registering a 52% year-on-year growth.
- Pre-Provision Operating Profit (PPoP) for H1FY25 registered a 53% year-on-year growth to ~INR 40 Crore.
  - PPoP for Q2FY25 grew by 28% year-on-year to ~INR 19 Crore.
- Profit After Tax for H1FY25 stood at ~INR 20 Crore, reflecting a year-on-year growth of 21%.
  - PAT for Q2FY25 down by 11% year-on-year to INR 8 Crore.
- GNPA for MSME stood at 2.54%; while NNPA stood at 0.57%.
- GNPA for Two-Wheeler stood at 4.79%; while NNPA stood at 0.87%.
- The company has a strong capital base with a capital adequacy ratio of 39.2% as on 30<sup>th</sup> September 2024.

### **Microfinance Segment (Namra)**

<b>Particulars (INR Crore)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>Y-o-Y</b>	<b>H1 FY25</b>	<b>H1 FY24</b>	<b>Y-o-Y</b>
Assets Under Management (AUM)	1,981.4	1,945.1	2%	1,981.4	1,945.1	2%
Gross Total Income	138.0	126.6	9%	281.1	246.9	14%
Pre-Provisioning Operating Profit	57.7	55.5	4%	121.5	108.1	12%
Profit After Tax	6.4	32.9	-81%	25.4	65.6	-61%

- As of September 30, 2024, Namra's AUM stands at ~INR 1,981 Crore, registering Y-o-Y growth of 2%.
- Disbursements for H1FY25 amounted to ~INR 625 Crore.



- During H1FY25, Gross Total Income increased by 14% YoY to ~INR 281 Crore and Net Total Income increased by 23% YoY to ~INR 170 Crore.
- Profit After Tax for H1FY25 stood at ~INR 25 Crore.
  - PAT for Q2FY25 stood at ~INR 6 Crore.
- For H1FY25, Provisions & write-off for the quarter increased by 3x Y-o-Y to ~INR 86 Crore. The Company has taken early recognition and higher provisioning rates, reflecting its commitment to prudent risk management and ensuring a stronger buffer against potential credit losses.
- Active MFI Customers stood at ~6.91 lakh.
- GNPA stood at 4.03%; NNPA stood at 0.65% as on 30<sup>th</sup> September 2024.
- As on 30<sup>th</sup> September 2024; the capital adequacy ratio for Namra stood at 43.8%.

**Commenting on the Company's performance, Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services said,**

The microfinance industry is currently facing a significant rise in impairment costs due to overleveraging in the rural retail unsecured lending space, involving both MFIs and non-MFIs. This overleveraging has strained borrowers' repayment capacities, leading to increased delinquencies and higher default rates. High attrition rates among ground-level staff across the industry have also impacted collection efficiency, as staff turnover disrupts the continuity and effectiveness of borrower interactions, which are critical for ensuring timely repayments in microfinance. We have been anticipating an increase in credit costs due to over-leveraging since early last year. However, the extent of the challenges has been greater than expected, and the evolving macroeconomic and regulatory environment has only added to these difficulties.

Given these challenges, we have adopted a cautious growth strategy, prioritizing collections and portfolio health over aggressive expansion. This approach is essential for safeguarding the quality of our assets and maintaining a stable financial position. For H1 FY25, total disbursements stood at Rs. 832 crore, compared to Rs. 1,068 crore in H1 FY24, indicating a slowdown in lending to focus on asset quality. Our Assets Under Management (AUM) reached Rs. 2,465 crore. The Gross Non-Performing Assets (GNPA) were at 3.74%, with Net Non-Performing Assets (NNPA) at 0.64%, which remain within manageable levels given the broader industry context.

The Pre-Provision Operating Profit (PPoP) for the period stood at Rs. 163 crore, compared to Rs. 133 crore in H1 FY24. This growth in PPoP reflects our commitment to maintaining operational efficiency and cost discipline, even as we navigate a difficult macroeconomic environment. Impairment expenses amounted to Rs. 99 crore for H1 FY25, reflecting the impact of the current challenges on our financials. We understand that these impairment costs are a natural consequence of the changed risk environment, and we are taking all necessary steps to mitigate these risks. Both the industry and Arman are taking proactive steps to mitigate these issues and navigate through this difficult phase. The MFIN guardrails have been implemented to help manage overleveraging, and we are in the process of rolling out independent credit teams across all branches by the end of this fiscal year. These independent credit teams will enhance our credit assessment processes, ensuring greater oversight and quality control at the branch level. This initiative is aimed at improving our risk management capabilities and ensuring that we are better positioned to assess and respond to borrower needs effectively. Our focus remains on maintaining quality over quantity while navigating the uncertainties in the rural environment and awaiting the end of the down-cycle. We believe that by prioritizing quality, we will be better positioned to emerge stronger once the industry environment stabilizes.



Finally, we acknowledge the challenges faced in H1 FY25, which have led to weaker-than-expected performance. However, we want to emphasize that these challenges are not unique to Arman but are being experienced across the industry. The rural sector, in particular, has faced significant pressures due to multiple factors, including erratic weather, elections, and general economic uncertainty, all of which have also impacted borrowers' ability to repay on time. Despite the near-term challenges, we remain confident in our long-term strategies, which we believe will position us for future growth. Arman, with its 32-year history, is no stranger to downcycles. We have successfully navigated similar situations in the past, and each time, we have emerged stronger and more resilient. Our experience in handling such challenges gives us the confidence to continue on our long-term path. We are steadfast, well-capitalized, and poised to navigate these challenges effectively. With prudent management practices, a dedicated team, and a clear focus on risk mitigation, we are well-equipped to overcome the current headwinds and drive long-term growth for our stakeholders."

#### **About Arman Financial Services Limited**

Incorporated in 1992, Arman Financial Services Ltd. is an Ahmedabad based, Category A Non-Banking Finance Company (NBFC), which provides lending services primarily in the Two-Wheeler, Micro-Enterprise (MSME), and Microfinance segment. The Microfinance division is operated through its wholly owned subsidiary, Namra Finance Ltd, an NBFC-MFI.

Arman is one of the market leaders in the NBFC space across the underpenetrated low-income parts of the country providing livelihood promotion services such as microcredit to socio-economically backward people, who have no or little access to the formal banking system or regular NBFC services. The group operates mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, Rajasthan, Haryana, Bihar, Jharkhand, and Telangana through a strong distribution network of 474 branches, 20+ two-wheeler dealerships spread across 162 districts in 11 states serving ~8 lakh customers.

Company focuses on small ticket retail loans to the large underserved informal segment customers in rural & semi urban geographies. Company has completely in-house operations with bottoms-up driven credit appraisal models and rigorous collections practices tailored for the areas of operations.

#### **Safe Harbor**

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential project characteristics, project potential and target dates for project related issues are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. The company assumes no obligation to update forward-looking statements to reflect actual results changed assumptions or other factors.

**For further information, please contact**

**Company:**

**Investor Relations Advisors:**



**Arman Financial Services Limited**

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