Arman Financial Services Limited

501-504, SAKAR III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD-380 014. GUJARAT, INDIA
PH. : +91-79-40507000, 27541989 e-mail : finance@armanindia.com Web : www.armanindia.com CIN : L55910GJ1992PLC018623

Date: February 12, 2020

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 Complax, Bandra, Mumbai- 400051
Script Code: 531179 **ISIN: INE109C01017**	**Symbol: ARMANFIN** **Series: EQ**

Dear Sir,

SUB: DISSEMINATION OF PRESS NOTE TO SHAREHOLDERS

In further Communication with our letter dated February 11, 2020, we are enclosing Press Release on Unaudited Financial Results for the Quarter / Period ended on December 31, 2019.

Kindly take it on your record.

Thanking you,

Yours faithfully,

For, Arman Financial Services Limited

Jaimish Patel
Company Secretary

Arman Financial Services Ltd.

Arman Financial Reports 96% Increase in Profit After Tax to ₹ 37.7 Crores in 9M FY20

Consolidated AUM grows to ₹ 814.2 crores; up 41% Y-o-Y

Ahmedabad, India, 11 February 2020: Arman Financial Services Ltd (Arman), a Gujarat based non-banking financial company (NBFC), with interests in microfinance, two-wheelers, and micro-enterprise (MSME) loans, announced its financial results for the third quarter ended 31st December 2019.

Particulars (In ₹ Crores)	Q3 FY20	Q3 FY19	YoY%	9M FY20	9M FY19	YoY%
Assets Under Management (AUM)	814.2	579.6	41%	814.2	579.6	41%
Total Disbursement	224.1	211.2	6%	644.4	563.1	14%
Gross Total Income	57.0	37.8	51%	159.6	98.2	62%
Profit After Tax	13.6	7.2	88%	37.7	19.3	96%
GNPA %	*1.2%*	*1.1%*	*9 bps*	*1.2%*	*1.1%*	*9 bps*
NNPA %	*0.5%*	*0.5%*	*(7 bps)*	*0.5%*	*0.5%*	*(7 bps)*
*RoE %***	*34.5%*	*25.3%*	*921 bps*	*34.5%*	*29.9%*	*468 bps*

Note: ** RoE figures are annualized on a fully diluted equity base

Consolidated Financial Highlights – Q3 FY2020 (Oct'19 – Dec'19)

- Asset under management as on 31 December 2019 stood at ₹ 814.2 crores (+41% YoY)
- Shareholders Equity stood at ₹ 168.0 crores as on 31 December 2019 (BVPS is ₹ 199)
- Consolidated Debt-Equity Ratio as of 31 December 2019 stood at 4.3:1. Adequately capitalised to achieve near-term growth plans
- Net Total Income increased by 58% YoY to ₹ 35.7 crores up from ₹ 22.7 crores
- Cost-to-Income Ratio improved to 37.1% (lower by 780 bps YoY)
- Pre-Provisioning Operating Profit rose by 80% YoY to ₹ 22.5 crores as against ₹ 12.5 crores

Consolidated Financial Highlights – 9M FY2020 (April'19 – Dec'19)

- Net Total Income increased by 65% to ₹ 96.9 crores up from ₹ 58.7 crores
- Cost-to-Income Ratio improved to 39.2% for 9M FY20 as against 46.1%
- Pre-Provisioning Operating Profit rose by 86% to ₹ 58.9 crores compared to ₹ 31.7 crore

Operational Highlights – Q3 FY2020 (Oct'19 – Dec'19)

- Total operational branches as on 31 Dec 2019 stood at 223, of which 182 are in Microfinance segment, 35 in MSME, and the rest are in the 2-Wheeler segment
- Asset quality continued to remain steady – Consolidated GNPA stood at 1.2% and NNPA at 0.5%

Commenting on the company's performance in 9M FY20, ***Mr. Jayendra Patel, Vice Chairman & Managing Director, Arman Financial Services*** *said, "We continued to witness solid growth momentum during the first nine months of this year, in spite of the persistent macro-economic headwinds. Our loan book grew by 41% on a YoY basis, led by sustained traction in the microfinance and MSME business. Further, our 2-wheeler book also recorded a sequential growth of 6% on the back of better 2-wheeler sales in the festive period and careful scaling up of the Rural 2W pilot. Successful ramp-up of the newly launched branches in a prudent manner enabled us to post improved operating performance - with the pre-provisioning operating profit recording a growth of 86% on a YoY basis.*

Asset quality continued to be robust and steady vis-à-vis last year as well as on a sequential basis. Considering the current economic climate and rural slowdown, we have adopted a conservative stance by recognizing a higher level of provisioning in the microfinance book. Furthermore, we have also raised the standard provisioning on the MSME book to 1.0% from Q3 FY20 onwards as compared to 0.4% earlier. This is not due to any deterioration in asset quality but

purely a prudent measure by the company. Both measures increased the overall provisions cost by ₹ 1.6 crore over-and-above the statutory and ECL requirements.

Being mindful of the prevalent macro-economic headwinds, especially in the rural segment, we have temporarily slowed down our disbursements in microfinance, while also continuing to maintain sufficient cash reserves for two months of operations. Moving ahead, we remain confident of sustaining our positive growth trajectory, by focusing on scaling up our business in a calibrated manner while prioritising the quality of our book and profitability.

Segmental Performance Update – Q3 & 9M FY2020 v/s. Q3 & 9M FY2019

Microfinance - Financial Highlights

Particulars (In ₹ Crores)	Q3 FY20	Q3 FY19	YoY%	9M FY20	9M FY19	YoY%
Assets Under Management	582.6	401.6	45%	582.6	401.6	45%
Total Disbursement	160.5	154.3	4%	472.9	423.9	12%
Gross Total Income	39.5	25.2	57%	109.4	66.1	65%
Profit After Tax	8.7	4.2	106%	23.1	11.5	101%
GNPA %	*0.9%*	*0.5%*	*37 bps*	*0.9%*	*0.5%*	*37 bps*
*NNPA % ****	*0.9%*	*0.5%*	*37 bps*	*0.9%*	*0.5%*	*37 bps*
NNPA % (after ECL Impact)	*0.1%*	*0.0%*	*9 bps*	*0.1%*	*0.0%*	*9 bps*

Note: *** Provisioning for NBFC-MFIs are on Standard Assets. The NNPA% does not consider provisioning on Standard Assets

- MFI AUM stood at ₹ 582.6 crores in Q3 FY20 registering a growth of 45% YoY
- GNPA % and NNPA % stood at 0.9% as of 31 Dec 2019, largely steady compared to 0.8% as on 30 Sep 2019. Post ECL adjustment, the NNPA % stood at 0.1%
- As a prudent measure, adopted a conservative stance during the quarter which resulted in recognition of higher provisions in Q3 FY20
    - Recognized addition ECL provision of ₹ 0.8 crore in Q3 FY20 over and above the regular ECL provision, taking into account the rural economic slowdown.
- Despite higher provisioning, net profit more than doubled on a YoY basis to ₹ 8.7 crores in Q3 FY20, and ₹ 23.1 crores in 9M FY20 driven by the strong AUM growth, proportionately lower increase in opex and taxes

Two-Wheeler & MSME – Financial Highlights

Particulars (In ₹ Crores)	Q3 FY20	Q3 FY19	YoY%	9M FY20	9M FY19	YoY%
Assets Under Management	234.8	179.1	31%	234.8	179.1	31%
Total Disbursement	63.6	56.9	12%	171.5	139.2	23%
Gross Total Income	19.0	13.2	44%	53.0	34.1	55%
Profit After Tax	5.4	3.4	59%	16.1	8.9	81%
GNPA %	*1.9%*	*2.3%*	*(46 bps)*	*1.9%*	*2.3%*	*(46 bps)*
NNPA %	*1.3%*	*1.6%*	*(33 bps)*	*1.3%*	*1.6%*	*(33 bps)*

- 2W & MSME AUM increased by 31% YoY to ₹ 234.8 crores in Q3 FY20
    - MSME book witnessed strong traction – growing by 72% YoY to ₹ 133.0 crores
    - 2W AUM stood flat YoY at ₹ 101.8 crores, impacted by the ongoing slump in two-wheeler sales. However, this portfolio has seen a sequential growth of 6% (from ₹ 96.0 crores in Q2 FY20)
- Net Profit grew by 59% YoY in Q3 FY20 and by 81% YoY in 9M FY20 driven by higher blended yields and improved cost-to-income ratio (lower by 440 bps to 36.0% in Q3 FY20)
- GNPA and NNPA saw a YoY improvement of 46 bps and 33 bps respectively

Arman Financial Services Ltd.

- As a prudent measure, from Q3 FY20 onwards, the company has raised standard provisioning on the MSME book to 1.0% compared to 0.4% earlier which has resulted in a one-time higher impact of ₹ 0.8 crore in Q3 FY20. This not due to any deterioration in asset quality, but purely a prudent measure by the company due to the unsecured nature of the unsecured asset. This is above and beyond the ECL and statutory provisioning requirements.

About Arman Financial Service Limited

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, an NBFC-MFI. The group operates mostly in unorganized and underserviced segment of the economy and mostly serves niche rural markets in Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Uttarakhand, and Rajasthan through its network of 223 branches and 55 dealer touchpoints.

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.

For more information, contact

Vivek Modi, CFO
Arman Financial Services Ltd
Tel: +91 79 40507000
vivek@armanindia.com

DICKENSON

Mandar Kapse, Investor Relations
Dickenson World
Tel: +91 98675 50004
armanfinancial@dickensonworld.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

ARMAN FINANCIAL SERVICES LIMITED ★ AHMEDABAD