Arman Financial Services Limited

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November 13, 2026

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
Script Code: 531179 **ISIN**: **INE109C01017**	**Symbol: ARMANFIN** **Series: EQ**

Dear Sir / Madam,

Subject: Transcript of Conference call with Analysts / Investors on Financial Results for the quarter and half year ended September 30, 2026.

In continuation of our letter dated November 02, 2026 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the transcript of the Conference Call with Analysts/Investors held on Friday, November 06, 2026 in respect of the Financial Results of the Company for the quarter and half year ended September 30, 2026.

Kindly take it on your record.

Thanking you,
Yours faithfully,

For, Arman Financial Services Limited

Uttambhai Narayanbhai Patel

Digitally signed by Uttambhai Narayanbhai Patel
Date: 2026.11.13 14:18:06 +05'30'

Uttam Patel
Company Secretary & Chief Compliance Officer

ARMAN FINANCIAL SERVICES LTD.

“Arman Financial Services Limited

Q2 & H1 FY27 Earning Conference Call”

November 06, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 6th November 2026 will prevail.

ARMAN FINANCIAL SERVICES LTD. equirus SECURITIES CHORUS CALL

MANAGEMENT: MR. AALOK PATEL – VICE CHAIRMAN AND MANAGING DIRECTOR – ARMAN FINANCIAL SERVICES LIMITED
MR. VIVEK MODI – EXECUTIVE DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – ARMAN FINANCIAL SERVICES LIMITED

MODERATOR: MR. KUSH MEHTA – EQUIRUS SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to Arman Financial Services Limited Q2 and H1 FY27 Earning Call. This conference call may contain forward-looking statement about the company, which are based on the beliefs, opinion, and expectations of the company. As on date of this call, these statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Now hand the conference over to Mr. Kush Mehta from Equirus Securities. Thank you. Over to you, Mr. Mehta.

Kush Mehta: Thank you, Sid. Good afternoon, everyone. I welcome you all to the earnings conference call of Arman Financial Services to discuss the Q2 FY27 financial performance and business update. Today we have with us Mr. Aalok Patel, Vice Chairman and Managing Director, and Mr. Vivek Modi, Executive Director and Group CFO.

I will now hand over my call to Mr. Aalok Patel for his opening remarks, post which we can open the forum for Q&A. Over to you, sir.

Aalok Patel: Yeah. Thank you, Kush and Sid, and a very good afternoon, everyone, and thank you for joining us today for the Arman Financial Services Q2 FY27 earnings conference call. I am joined on the call by Mr. Vivek Modi, our ED and Group CFO, along with our investor relations team. I hope everyone has had the opportunity to go through our financial results, investor presentation, and press release.

Before I get into the numbers, I would like to take a moment to acknowledge the passing of Arman's founder and my father, Shri Jayendra Patel, on August 25th. Those who know me will know that I am usually a fairly private person, and I certainly do not want to turn an earnings call into an obituary, but I think it is important to acknowledge the man who built the organization from the ground up.

Arman was, in many ways, his third child, and he devoted much of his life to it. People like me are fortunate to stand on shoulders of giants like him. I also want to thank everyone who has reached out to us over the past couple of months.

Many of you perhaps are on this call, who shared your stories of meeting with him, working with him, or simply interacting with him over the years, and it has meant a great deal to me and my family.

Knowing him, I am fairly certain that if he were here today, he would tell me that death is part of life and there is no point on dwelling on it, and we should go back to work. Of course, easier said than done, but that is exactly what we are trying to do. Coming to our performance.

The past couple of years have been challenging for the microfinance industry, and we have spent much of that time making changes to the way we operate. Some of these changes came at considerable cost, both financially and operationally, but I believe now we are beginning to see the benefits.

Q2 has been a particularly strong quarter for Arman. For the first time, our consolidated AUM crossed INR3,000 crores, reaching INR3,209 crores, and we recorded our highest ever quarterly profits of INR51 crores. What is more encouraging to me, however, is that we are seeing what we are seeing on the ground.

Collections have remained stable and healthy, fresh delinquencies have come down quite a bit from the previous years, and repayment behavior has generally improved across most of our operating states.

The improvement we first started seeing in the second half of FY26 has now continued for four consecutive quarters. While the operating environment has certainly helped, I don't believe this is simply a case of the environment getting better on its own.

A considerable part of this improvement, I believe, comes from the changes we have made internally, particularly in how we select customers, underwrite loans, monitor the portfolio, and manage collections and overall risk. As I've said many times in our previous calls, we continue to be very selective in our lending.

Our rejection rates remain high, and we are perfectly comfortable with that. We would much rather turn away some business today than take on customers who may become a problem tomorrow. Having said that, being selective does not mean that we are not keen to grow, and the numbers this quarter demonstrate that as well.

Our consolidated AUM grew by 51% year-on-year to INR3,209 crores. Disbursement for the quarter stood at INR818 crores, growing 72% year-on-year, and approximately 19% over the previous quarters. We are growing and growing quite well, but without compromising the underwriting standards that we have worked very hard to establish.

One area where we continue to make good progress is digital collections. A growing share of our individual lending customers now repay through UPI and e-NACH, rather than through traditional door-to-door cash collections. As of September 2026, around 49% of our microfinance collections were coming through digital channels.

This is particularly important as individual lending now accounts for almost 40% of our microfinance portfolio. Apart from making repayments easier for customers, it reduces our dependence on physical collections and should help us manage operating costs as this business grows.

Coming to asset quality, our overall collection efficiency for the quarter stood fairly stable at 96.5%. GNPA was 2.73% compared to 2.76% in Q1, while NNPA was about 0.92%. Our X bucket collection efficiency remained quite healthy at around 99.4%, with a marginal seasonal decline during the monsoon period.

This is typically the case during the monsoon season, and it is not unexpected. I know I have spoken about this on practically every earning call over the past two years, so I won't spend much time on it.

But the biggest operational change we have made was separating credit and recovery from branch operations. Today, for MFI customers, we have an independent credit team that assesses and approves customers, while a separate recovery team handles collections in the branches that require additional support.

Our branch teams can therefore concentrate more on business development and servicing customers rather than trying to do everything themselves. This structure is now well established across our microfinance network, and we are seeing tangible results.

When we compare similar groups of customers, loans originated under the new credit structure have shown roughly 15% lower default rates than those originated under the earlier model. Of course, I should obviously add a word of caution here. The real test of any underwriting model, especially for MFI, comes during the next difficult credit cycle.

We will not know its full effectiveness until then. Frankly, I hope we don't have to test it again anytime soon, at least for the sake of my sleep and sanity. Along with these changes, we have continued investing in technology, particularly in loan origination, verification, and business intelligence.

Our systems are getting better at identifying potential risk, improving turnaround times, and giving us more timely information on what is happening across the portfolio. Of course, there's still a lot more we can do, and we continue making steady progress towards that. Another important area I would like to touch upon is the CGFMU Credit Guarantee Scheme.

As many of you may be aware, the scheme was originally introduced for a 10-year period, and its renewal is currently pending approval from the government. The renewal has taken longer than we had anticipated. However, eligible loans originated up to March 31st, 2026, continue to remain actively covered under the existing scheme. Loans originated from April 1st, 2026, are currently not covered yet.

We expect them to become eligible once the scheme is renewed, although that will, of course, depend on the final terms and conditions of the renewal, if and when that comes. We otherwise remain optimistic about the renewal, as nothing has come to our attention that would suggest otherwise.

At the same time, we recognize that the timing and the final terms are still uncertain, and the industry continues to follow up with the relevant authorities and NCGTC regularly. As of September 30th, approximately 51% of our microfinance portfolio and 30% of our MSME portfolio remain covered under this scheme.

That said, I want to reiterate something I've said before. A credit guarantee is an additional layer of protection. It is not a substitution for good underwriting or strong collections. Whether or not

a particular loan is covered by CGFMU makes no difference to how we assess that customer or make our lending decisions.

The first line of defence has to remain with our own credit and collection processes. Specifically to all of these changes that we have made over the last couple of years, it has come at a cost. Over the past several quarters, we have made substantial investments in credit, recovery, technology, and people.

This has pushed up our operating expenses considerably, and our cost-to-income ratio peaked around 51.7% in Q4 of FY26. However, as the portfolio started growing again, we are beginning to see some operating leverage. Our cost-to-income ratio has now improved approximately to 42.6% in Q2 FY27. More importantly, operating expenses are no longer increasing at the same pace as our AUM.

At the beginning of the year, we had set ourselves a target of bringing down operating expenses down to about 7% of AUM by March 2027, compared with a peak of approximately 9% or 10%. We are currently at around 8%, and I believe we are on track to achieve the target. There is obviously more work to be done, but the direction is encouraging.

Coming to the financial numbers now. On a consolidated basis, gross total income for Q2 FY27 grew 48% year-on-year to INR235 crores. Net total income stood at INR161 crores, and Pre-Provision Operating Profit, or PPoP, was INR95 crores. Provisions and write-offs of the quarters were approximately INR26 crores, and profit after tax came in at INR51 crores, compared with INR8 crores in Q2 FY26.

For the first half, gross total income stood at INR436 crores, PPoP at INR172 crores, and profit after tax at INR97 crores. That compares with a loss of INR7 crores in the first half of FY26. It has been quite a turnaround in just 12 months.

In fact, we have already surpassed our entire FY26 PAT of INR57 crores with a large margin within the first six months of FY27. Consolidated NIM for the quarter stood at 18.2%, and annualized return on AUM improved to 6.7%, and annualized return on equity to 20.5%, compared with 1.5% and 3.7% respectively in Q2 of FY26.

With a stronger portfolio, improved profitability, and substantial equity base already in place, we believe there is room for further improvement in returns as we continue to grow. Moving to our balance sheet and liquidity positions.

Our capital position remains quite comfortable with capital adequacy of 36.26% at Arman standalone and 37.19% at Namra level, both well above regulatory requirements. Shareholders' equity on a consolidated level stood at INR1,033 crores as of September 30, 2026.

We had approximately INR334 crores in liquidity, including cash and bank balances, liquid investments, and undrawn cash credit limits. In addition, another INR150 crores in undrawn sanctions from existing lenders. Total borrowings, including off-balance sheet direct assignment liabilities, stood at INR2,659 crores.

Our borrowing sources remain diversified across banks, NBFCs, financial institutions, NCDs, and direct assignments. Our ALM remains positive across all maturity buckets. We are seeing some improvements in the cost of borrowing. Our incremental borrowing cost reduced from 11.7% in Q1 to 11.3% in Q2. During the quarter, Acuité reaffirmed our A- rating while revising its outlook from stable to positive.

CARE Ratings also reaffirmed our A- rating with a stable outlook. These are encouraging developments, and we hope they will help us negotiate better borrowing terms as we continue raising fresh funds. Of course, borrowing costs also depend on broader market conditions, but I am hopeful we will see further improvements over the coming quarters.

Coming to Namra Finance, which is our microfinance subsidiary. Namra's AUM stood at INR2,424 crores as of September 2026, growing 61% year-on-year and 12% over the previous quarter. Disbursements for Q2 stood at INR654 crores. Gross total income for the quarter was INR168 crores, up 56% year-on-year. Net total income stood at INR113 crores and PPoP at INR67 crores. Profit after tax was INR34 crores compared with a loss of INR1 crores in the same quarter last year.

For the first half, Namra's PAT stood at INR63 crores compared with INR13 crores for the whole FY26. NIM improved 16.6% compared with 15.37% in Q1, helped in part by the growing share of individual lending. On asset quality, GNPA stood 2.59%, largely unchanged from Q1, while NNPA was 1.01%.Net write-offs for the quarter was INR12 crores, and Namra had approximately 5 lakh active customers as of September 2026. Capital adequacy remains strong at 37.2%.

Moving on to Arman standalone business. AUM stood at INR784 crores as of September 2026, up 26% year-on-year and 3% sequentially. MSME continues to be the largest part of this business, contributing approximately 74% of the AUM, followed by LAP at around 13% and two-wheeler at 12%. Disbursement for the quarter stood at INR164 crores.

Gross total income grew 30% year-on-year to INR68 crores, and PPoP stood at INR27 crores. Profit after tax was INR17 crores. For the first half, standalone PAT stood at INR32 crores. These businesses have continued to perform well, and we remain positive about their growth prospects. However, we will continue to apply the same discipline around borrower selection and portfolio quality.

Before concluding, let me briefly touch upon the broader operating environment, because I know this remains an important area of concern for all of you listening, as it does for us. While the situation has improved considerably compared with a year ago, I do not think we can afford to become complacent or comfortable just yet. The monsoons this year have been uneven. We have seen floods in some regions and deficient rainfall in others. This is not unusual during monsoons.

However, El Niño conditions have also contributed to concerns around droughts across several parts of the country. In particular, both Maharashtra and Karnataka have declared droughts in a very large number of talukas. These two states together account for 7.6% of our consolidated AUM.

So far, the portfolio in these states have remained largely stable, although we have seen some marginal deterioration in repayment behavior in Maharashtra, especially after the declaration was made.

This impact has not been material at this stage. It has not been material, but one thing we have learned over the years is that financial stress does not always show up immediately. A poor monsoon or crop failure today may affect a borrower's income and repayment capacity several months down the road.

Rather than looking at our overall collection numbers, we are paying close attention to what is happening at the state, district, and even branch level. We are monitoring early delinquencies, collection patterns, and borrower cash flows, and we will adjust our lending wherever necessary.

As I have said before, we are not interested in chasing growth simply for the sake of showing higher numbers. If we need to slow down in particular geographies or reject more customers, we will do so.

The lessons of the past have to play a factor in our decision-making in the future. Having said all that, I remain positive for the second half of the year. Historically, H2, especially Q4, has been the stronger half for our business, and we continue to see healthy demand across our lending segments.

More importantly, I believe we are in a much better position today than we were a year ago. Our credit processes are stronger, our collection structure is better organized, our technology and monitoring capabilities have improved, and we have sufficient capital and liquidity to support further growth.

We have spent the better part of the last two years putting these things in place, and now we are beginning to see the results. There is still a lot of work ahead of us, particularly in improving operating efficiency, moving towards cashless repayments, and ensuring that the quality of your new lending remains strong. But overall, I am quite comfortable where things stand today in our plans for the remainder of FY27.

We will continue to grow wherever we see the right opportunities, remain cautious where we see risk, and make sure the mistakes and lessons of the past two years are not forgotten as business improves.

With that, I would like to wish everyone on this call a very happy Diwali in advance. Sid, can you please open the floor for questions

Moderator: Absolutely. Thank you. We will now begin the question-and-answer session. The first question comes from the line of Ronak Chheda from Awriga Capital. Please go ahead.

Ronak Chheda: Yeah. Hi, Aalok. Congratulations on a great set of numbers. I have two questions. One is on the industry structure. How do you see the competitive intensity? Because most of your peers are still calling out that SFBs are moving away from MFI products, and smaller NBFCs continue to

face a liquidity crunch. So just in that backdrop, how are you seeing competitive intensity in your geographies particularly? If you could talk about that?

Aalok Patel: Competition is still there. I would not. Yes, you are right in that sense that there are a number of smaller players who are facing some difficulty or another. As a matter of fact, there are a number of large players also facing difficulties. That is there, and it has always been the case where we are in a position to grab market share.

But there is a lot going on in terms of macroeconomics and everything is concerned, and I think everybody is being cautious. Across the industry, rejection rates remain high. To be very frank with you, there remains, other than MFIs, now there are many alternative means of getting funding.

While maybe 10 years ago we were largely the only option apart from moneylenders, today you have fintechs and you have gold loans that have penetrated to rural areas. There is competition coming from other industries. Within the industry itself, yes, there is less competition, but the overall market, it still remains competitive.

Ronak Chheda: This would also mean banks pulling back, right?

Aalok Patel: Banks who were largely operating through BC models or co-lending models, yes, are pulling back in certain cases. In other cases, depending on performances of the past, they have doubled their exposure with certain people in the industry, certain companies in the industry. With others, they have pulled out. It is kind of a mixed bag, honestly.

Ronak Chheda: Okay.

Aalok Patel: Sorry. The banks continue to support MFIs. Let me make that clear. Even today, as far as Arman is concerned, we have no problem accessing bank funding or anything like that. What I meant was banks serving microfinance customers directly or through BC channels or co-lending channels and other channels. Yeah, that they have pulled back in certain cases.

Ronak Chheda: Yeah, my question was that only. Thanks for clarifying. The second question is on your capacity freeing up in your branches. You alluded in your opening remarks that now that the business there is, or the branch team, has given up on collections, that there is a new team who is taking over.

Just from a capacity point of view, can you kind of talk about qualitatively or quantitatively in terms of what kind of number of files, how much has that number gone up in terms of bringing in prospects? I understand the rejection rate continues to be high, but just from a capacity point of view, if you could talk about how much has this initiative freed up for us?

Aalok Patel: I mean, see, I don't think it has resulted to these guys having more time, to be honest. Because as we shift more towards individual and individual credit assessment, the workload around individual customers increases significantly.

So, I guess, quantitatively, we probably push through maybe 110,000 applications through our processes and systems in a month. We'll wind up disbursing to maybe 25,000-30,000 customers after going through the entire chain. So, yeah, I mean, alluding to your other question about competition, for good customers, there's plenty of competition.

The bad customers, I don't want to call them bad, but people who have had some level of defaults or something in the past, nobody's ready to touch them. While the inquiries are there, inquiries from good customers are very, very competitive still.

Ronak Chheda: Okay. Just last question on this broad theme. In the past, whenever some of these borrowers' agri incomes have impacted, what kind of behavior kind of settles in, let's say, after a lag of three, six months? Is it a cash flow issue largely, or it becomes a willingness issue because now a statewide relief is announced? Just your thoughts on how this could play out. I know it's a small number for us, but just from a behavioral point of view?

Aalok Patel: So, few things. Just to add comfort around you and everybody else. See, doing a microfinance lending business in India, every year after monsoons, there will be some places which have too much rain, others with too little rain, some areas with less crop, some areas with too much crop that drops the pricing. I mean, these things are part and parcel of our business.

Yes, even this year, we saw certain areas, like in Bihar, that received too much rain. Other areas, Maharashtra has declared droughts, Karnataka has declared droughts. We have not seen much impact yet on the Karnataka side. In Maharashtra, we have seen minor deterioration in fresh delinquency buckets just last month, I should say. Not in the second quarter, but in the month of October. I mean, it is what it is, number one.

Number two, as far as Arman is concerned, we don't lend a lot to direct agri. I used to say that quite a lot in the past. Most of our customers have multiple sources of income. One of them may be agriculture-related, but largely, we are not lending to people whose sole business is directly connected to agriculture.

Of course, there is allied agri and other things that we do substantially, and that might get a little bit affected. But this is not really different than many other years we have seen, and certainly not something that I'm too concerned about. We'll continue monitoring it, and I'm not too worried about it. Let me just put it that way.

Ronak Chheda: Okay. Thank you so much for answering my questions and best of luck.

Aalok Patel: Sure.

Moderator: Thank you. The next question comes from the line of Rudraksh Raheja from iThought PMS. Please go ahead.

Rudraksh Raheja: Congratulations, sir, on the great set of numbers.

Aalok Patel: Thank you.

Rudraksh Raheja: Just a few clarifications on the microfinance side. We see an overall dip in the collection efficiency. In June, it was 96.9%, and it is 96.2% for September. Is it normal, or do we read something more about it?

Aalok Patel: It is normal. I think historically, if you look at us for the last 15 years, post-monsoon quarter always has a minor dip. That is not unexpected. As I said to the previous person who was asking that, there is always places with too much rain or too little rain. Accessibility becomes issue sometimes in the places which has too much rain.

I would not honestly read too much into it, except for the fact that, yes, in certain areas of Maharashtra, we have seen some deterioration. In certain areas of Gujarat also, we have seen because of too little rain. Read into it as you will, but as I said, I am not too concerned.

Vivek Modi: Just to add to it, Bihar and U.P. had major flood impacts because of the Nepal floods.

Aalok Patel: Yeah.

Vivek Modi: It impacted us for, let us say, a week or 10 days, but then things settled down much faster there. In certain places, at times, the overall environment and the government machinery also works in a way where things settle down faster. Drought, as Aalok suggested earlier, might also have a bit of a delayed impact, you see. I think 0.4% basis, a 40 basis reduction in a quarter is something that we are watching, but not overly worried about.

Rudraksh Raheja: Understood, sir. Understood. Sir, next question is also, I think, on the similar lines. There is a 40 basis points spike on the PAR 30 to 90 for microfinance book. Again, I am assuming these would be the reasons for that.

Aalok Patel: Yeah, so like, for example, last month there was a 1% dip in the zero DPD in Maharashtra state. Again, we have only 7% of the portfolio in Maharashtra and Karnataka combined. I do not know what it is in Maharashtra, maybe about 4% or 5%.

Vivek Modi: 4%.

Aalok Patel: It is not a very, very large portfolio. See, as the growth engine starts kind of revving up the RPMs, these things are expected. Let me just put it that way. As the company starts growing again, I mean, if you compare it to the same quarter previous year, it will be substantially lower. I would not really keep tracking these things on a quarter-on-quarter basis, on a basis-to-basis level. Let us just look at the overall picture, rather than getting into few basis points here and there or quarter-over-quarter kind of pluses and minuses.

Rudraksh Raheja: Sure, sir. on the CGFMU commentary that you mentioned that it is set to renew, but we do not know when it does. Does that change our strategy in any sense? Because I have seen last quarter we had a cover on almost 90% of our book, MFI book, and it is 51% now. Over the few quarters, if it does not renew, we will most likely lose almost a lot of that percentage?

Aalok Patel: Correct.

Rudraksh Raheja: Yeah. Does that change our thought process or our strategy?

Moderator: Sorry for interrupting you, Mr. Raheja. Please rejoin the queue for more questions.

Aalok Patel: I'll answer. Thank you. Please rejoin, but I'll try to answer that, considering, Sid, it's a little important. It does not change our strategy, and I think I made that in my kind of said that in my opening remarks as well, that CGFMU was available. It was, no honeymoon lasts forever. I mean, it was something special that was available to take advantage of. It was never expected to last forever.

As far as I'm concerned, it was never about that if you have the CGFMU cover, let's put a slight more risk in the book. I don't think that is culturally right or theoretically right also. So, it does not affect our operations. It was an insurance policy available to us for down cycles, right? I'm not trying to underplay it. Obviously, it would be nice if it still continues to be there.

It would make me a lot more comfortable. I mean, we survived 34 years without any CGFMU, right? So, just because it was there for one point and we had the advantage or the, certainly not a commercial advantage, but at least from a risk standpoint, we had the advantage so far to use it for a couple of years. That's fantastic, but it is what it is. If it comes, well and good. If it doesn't, it's fine. We'll move on without it, and we'll continue doing what we have done for the last 34 years.

Rudraksh Raheja: Thank you.

Moderator: Yeah. Thank you. The next question comes from the line of Bhumin Shah from Equirus AMC. Please go ahead.

Bhumin Shah: Hi, hello. Good afternoon.

Aalok Patel: Good afternoon.

Bhumin Shah: Due to non-availability of the CGFMU, is there any change in provisioning policy for MFI portfolio?

Aalok Patel: Yes. Yeah.

Vivek Modi: The provisions have gone up in this quarter because of that. To a certain extent, the insurance of the CGFMU expenses have not been there for the first six months. What we understand right now from the NCGTC is that there is a very strong likelihood that the policy will be introduced even with a delay.

If it allows us to cover the entire disbursement that has been done in this six months and the ensuing period, then obviously we will have to kind of pay the premium at that point of time

Aalok Patel: Yeah, the accounting will get little complicated from quarter-to-quarter.

Vivek Modi: but then, let's say, just for an illustrative purpose, let's say they were to introduce this fresh policy again and we subscribe to it, then the period for which the insurance has not been taken, the

premium might later turn out to be X amount, and the provision that might not be required in the future would be something comparable to this X.

Aalok Patel: Yeah.

Vivek Modi: To that extent, it might turn out to be a P&L neutral.

Bhumin Shah: Okay. So, I was asking because opex will not go up into H2 if policy is announced and we do not have to which provision will get reversed and opex will increase. So P&L, it will remain same.

Aalok Patel: Honestly, I don't know. I mean, in fact, what terms it will come under, whether they'll cover retrospective, from what date they will cover, whether they'll cover customers who are already overdue, and if yes, how many days overdue. I mean, these are all unknowables at this point. But yes, there's a chance that if you have to cover everybody for the full year, that will place a load on the other expenses during that one quarter, and perhaps it might result in some provisioning reversals that may be P&L neutral, it may not be.

Bhumin Shah: Okay.

Aalok Patel: I have no idea at this point.

Bhumin Shah: Okay. Since we are pushing for digital collection and UPI MDR has been introduced, are we factoring this into our collection cost or yield, or it will be direct opex cost for us?

Vivek Modi: MDR.

Aalok Patel: Yeah. No, I mean, we are still working on that. I do not know if we will manage pushing it to the customer because as far as the notification received, you are not allowed to pass it on to the customers. However, we have, at least the industry level, pushed back quite strongly to reduce the cost to MFIs and make us part of the exemption.

But honestly, I have not taken an update on that in the past month or so. So I cannot tell you with confidence what the progress on that has been. So yeah, I am not sure how to answer this one, Vivek.

Vivek Modi: Honestly, yes, let's say if we were to bear this cost and this becomes a reality in some time, one portion is that even at the basis points that has been spoken about, it would have not a very huge impact. Still, there would be some impact.

Having said that, I think there is no other way but to kind of wait and watch and, as an SRO and collectively speak about it to take it as a loan repayment, just like any other loan repayment in the banking system and get it exempted from the MDR.

Aalok Patel: I think we will just, once it actually comes in, we will have to kind of strategize around it and probably decide as an industry what we are going to do rather than each individual company is kind of trying to figure it out on their own.

Bhumin Shah: Okay. Are we accounting that in the guidance of 7% AUM, or it may have some impact, cost to AUM ratio if it goes like that?

Aalok Patel: I mean, you are taking this 7% target too literally. I mean, these are more visions than like very detailed algos and models and stuff like that. It may be 7.1%, it may be 7.2%, it might be 6.9%. No, we have not really. When I made that statement, I have not really considered it in that overall vision of 7%.

Bhumin Shah: Okay, I will go back to you. Happy Diwali to all of you.

Aalok Patel: Thank you. Thank you so much.

Moderator: Thank you. The next question comes from the line of Pradnya Ghag from InCred Equities. Please go ahead.

Pradnya Ghag: Hi, sir. Thanks for the question. We have observed there was a quarter-on-quarter decline in average ticket sizes across LAP and MSME loans. Was it a conscious call or it was driven by something else?

Aalok Patel: It's a function of credit policy. So, as far as those loans are concerned, once it goes through our assessment from the credit side, whatever number shows up as the maximum loan eligible, that is what we offer to the customer. Now, the customer may refuse saying that it is too small, or he may accept it, whatever we offer. So it is largely a function of slightly higher, lower risk tolerances as far as our credit is concerned.

Pradnya Ghag: Okay. Okay.

Moderator: Thank you. The next question comes from the line of Akhilesh B from NorthStar. Please go ahead.

Akhilesh B.: Hi. Thank you for the opportunity and congratulations on a great quarter. Sir, just looking out ahead a bit, was wondering, as things stand today, when do you see us hitting the INR5,000 crores AUM? Do you think it can happen by the end of FY2028? And whenever we get there, how do you envisage our opex to AUM at that level?

Aalok Patel: Maybe answer the second one first. I mean, there were times, I think the lowest opex to AUM that we have ever reported is probably what Vivek, about 4.5%-4.75% or something for microfinance. I don't think that we are ever going to be in a position to reach that. If we can reach around 6%, that would be fairly good, and I would be happy with that number.

Based on the current structure, let me put it. Structures change as time evolves, product evolves, things happen, then obviously that number may go up or down. As far as your first question, INR5,000 crores is definitely there. I think you know that I don't give specific guidance or when we may reach that. But yeah, is it possible to reach it by FY-

Vivek Modi: 18 months.

Aalok Patel: In 18 months? Definitely. I don't think our growth trajectory from quarter and quarter is under danger. You keep compounding that, I think it's definitely doable.

Akhilesh B.: Yeah. We don't need to really raise capital before we get to that stage, right? As things stand.

Aalok Patel: No, no. We do not need to raise capital.

Akhilesh B.: Yeah.

Aalok Patel: I guess one of the advantages of not growing very, very quickly, although I would not say we are not growing quickly, but one of the advantages is that, if you continue to grow at close to your ROEs, you can grow indefinitely without raising capital, right?

Akhilesh B.: Yeah. We also did raise some capital at the opportune time, just before.

Aalok Patel: Right before this.

Akhilesh B.: Yeah.

Aalok Patel: Yes. Yes. Absolutely.

Akhilesh B.: I do not know if you touched on this or I have joined late, but in October, whatever, I know our exposure is small in Maharashtra, but how has the collection efficiency looked like in October, so far to you?

Aalok Patel: There has been a dip of about 1% in fresh delinquencies. Nothing major, but definitely deserves attention. We are taking whatever steps are needed right now. Even collection efforts are, you have to approach it very, very carefully given that this is a very sensitive matter as far as the state government is also concerned, and we have been in touch with them also. For now, I mean, it is a dual hat. We are, I mean, I hate to put it in such ambiguous terms, but we are monitoring the situation very closely. Let us put it that way and keep it at that.

Akhilesh B.: Yeah. Okay. Thank you so much, and seasonal greetings to all of you. Happy Diwali.

Aalok Patel: Thank you.

Vivek Modi: Thank you.

Moderator: Thank you. The next question comes from the line of Rishabh Tripathi from Multi-Dimensional Thinking. Please go ahead.

Rishabh Tripathi: Am I audible?

Aalok Patel: Yes. Yes. Hi.

Rishabh Tripathi: Thank you for allowing me to ask the question. Sir, I was going through the annual report, and even in your latest investor presentation, the word that strikes me was antifragile. But again, not to contradict that, but lending industry in itself by structure, fragile.

So, I want your thoughts and understanding, what is the source of antifragility that Arman can drive, which goes against our common understanding that financial industries are by structure fragile? That is my question number one. I will ask my second question after this. Thank you.

Aalok Patel: Vivek, where is the guy who suggested this antifragile theme this year? Again, you are taking it too literally. I mean, in annual reports, you have to pick certain themes, and it kind of stuck with me that Arman is kind of a company that has gone through a lot of different credit cycles over the last 10, 15 years.

You had the AP crisis in 2010 to 2012. You had demonetization in 2016, 2017. You had, of course, COVID, which was not just MFI, it was a global cycle, I guess, if you want to put it that way, in between 2020, 2022, and whatever else you call this. And at every time, we have kind of come out of it.

Yes, there were cracks exposed in our overall methodologies, our overall assumptions, and we have always learned from them, tried to adapt to the new circumstances, the new scenario, the new changing culture of our customers, and we have always come out ahead.

So, that was kind of the whole idea behind the theme. And by the way, I am very happy that you are reading the annual report, because I always wondered that so much efforts go behind it and who is actually reading it. But I am glad you are reading it.

Vivek Modi: And sir, just to add to it, I think all the down cycles that have been there the last, whatever, 15 years, I think while we did break in certain ways, but every time, I think we were able to build our processes more stronger and had a turnaround much faster, and to that extent, build the strength within the same human resources to carry it forward till now.

Aalok Patel: Yeah. So, anyway, basically, the theme was about a Japanese art form, where if a porcelain pottery or something breaks, they fix it, and after they fix it, the end result is more beautiful than what the plate looked originally, right? I thought it was quite creative. Don't you agree with it?

Vivek Modi: Yeah, yeah. It is. I mean, the work itself is, I think.

Aalok Patel: Now, getting to your actual probably question is that, finance is anything but antifragile. It is fragile. I don't know. I mean, perhaps you are right. I don't know enough about other industries, except to say that, I have about 20 years of experience in finance. This is what I know how to do. So, I'm too old to learn something else. If there are other businesses less fragile, let me know. Maybe I can

Rishabh Tripathi: Yes, sir. That yes, sir. That pretty answer my question, and I think that we, after every time down cycle, whether you see through charts or through the company's performance, it is always better than the previous high. That makes sense. My second question again, although it was a theme, but it is a very important concept in terms of because it gives non-linearity to business.

My second question on the same line is, one thing that creates antifragility is optionality. Small, small bets, which today might be very small, but tomorrow can give us non-linear results, which

can transform the company. I want to think, or let us say, we imagine Arman in terms of 5x bigger or 10x bigger from right now.

What are the optionalities that you as a management or a capital allocator are trying to create within Arman, which might not be visible right now or not talked about right now and can be bigger? It can be in terms of portfolio diversification, where you talk about solar or something, or it can be something else, where we are trying to have small investments which can become larger tomorrow. If you want to throw some light on that strategy, that would be my last question. Thank you, sir.

Aalok Patel: We always do that. We are always tinkering and experimenting. We never do anything without pilots. Even microfinance was a pilot in 2010. Now it is our largest part of our business. We have tried our hand in many, many different things over the years. We have been in personal loans. We kind of lost our shirt in that around 2005.

We have done three-wheelers. We discontinued that in about 2012. Two-wheelers was our bread and butter for, about 15 years, maybe 10, 15 years before I joined. Today, it is a very small portion of the book. As an NBFC, you have to be specialist. I think what gives us an edge why are we doing what we do and banks cannot do it, right? I mean, obviously, I am happy that they cannot do it because it allows me to have a nice little business, small as it may be.

But I think NBFCs doing too many things together will remove that advantage of being specialist. So, whatever products and things that we have put into place right now turns out to be always complementary. So, you have at the base layer microfinance. Slightly above that, we are covering a segment which is MSME.

Slightly over that, we are covering LAP. So, these are our three major product lines overall. But we have found, for whatever reason, even I am surprised by it myself, given my personality, but we have found a niche in rural markets. And these are markets which are operationally very, very intense, so others don't like doing it.

We are good at running large operations with large team sizes. We have now, what, 5,700 (Errata: actual number to be read as 5,200) employees across 11 states. So, I guess, I don't know what will make us 5x, 10x. Probably not the same thing that we are doing today, but we always keep our eyes and ears open for new opportunities, and as soon as they come up, we kind of pounce on it.

Rishabh Tripathi: Thank you, sir. That would be it. Thank you.

Moderator: Thank you. The next question comes from the line of Bhumin Shah from Equirus AMC. Please go ahead.

Bhumin Shah: Hi. I just wanted to understand, in the standalone P&L, is there any write-back in terms of provision? Because despite portfolio growing, credit provisions have come down on quarter-on-quarter basis?

Aalok Patel: You're talking of…

Vivek Modi: Standalone provisions are from Namra or Arman, Bhumin? Which ones?

Bhumin Shah: Arman.

Vivek Modi: Arman, I think for the quarter, the provisions have been added. There is some provisioning that has got added for the quarter, but…

Bhumin Shah: It has come down from INR5.2 crores to INR4 crores on quarter-on-quarter basis.

Vivek Modi: No, no. We are talking of Arman alone.

Bhumin Shah: Okay. Yes, Arman alone.

Aalok Patel: Arman alone is INR4 crores, and that was INR5.2 crores.

Vivek Modi: INR5.2 crores. So, come down.

Aalok Patel: Are you asking why it has come down?

Bhumin Shah: Yes, despite portfolio growing.

Aalok Patel: Because usually people ask why it has gone up. I have never had somebody say why it has gone down. I am not sure why it has gone down. Probably, perhaps because of better asset quality, but let me get back to you on that.

Vivek Modi: Definitely it is based on the better asset quality. The amount of write-offs have been lower. The other is when you are comparing it, let us say H1 FY26 to H1 FY'27, in H1 FY'26, we did not have the CGFMU advantage. Here, 30% of the book in Arman now has a CGFMU coverage that we started off in quarter three of last financial year. So, to that extent, you have about INR200 plus crores of AUM in the MSME book, which has a CGFMU cover.

Aalok Patel: Plus, I think it might be related to Vivek, of a slightly higher percentage weightage by LAP loans,

Vivek Modi: Because, I mean, just to reiterate what Aalok just added, was that the asset quality in relative terms keeps on improving because LAP has a much lower GNPA of sub 1.5% as compared to the unsecured, which will continue to be at, let's say, 3%. LAP today is about 13%. Same time last year would have been about 5%. All those relative changes have ensured that the provisions, despite the increase in the AUM, have marginally come down.

Bhumin Shah: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to management for closing comments.

Aalok Patel: Thank you, everyone, for joining us today and for your continued interest in Arman. I hope we have been able to address your questions. If there is anything else you would like to discuss, feel

free to reach out to us or even the Investor Relations team, SGA. We look forward speaking with you again next quarter. A big thanks to Equirus for hosting this call.

Again, with Diwali just around the corner, I would once again like to wish all of you and your families a very, very happy Diwali. Thank you. Have a great day. Sid, I guess you can conclude the call.

Moderator: Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.