



Arman Financial Services Limited



small
steps
endless
horizons

Arman Financial Services Limited

ANNUAL REPORT 2022-23

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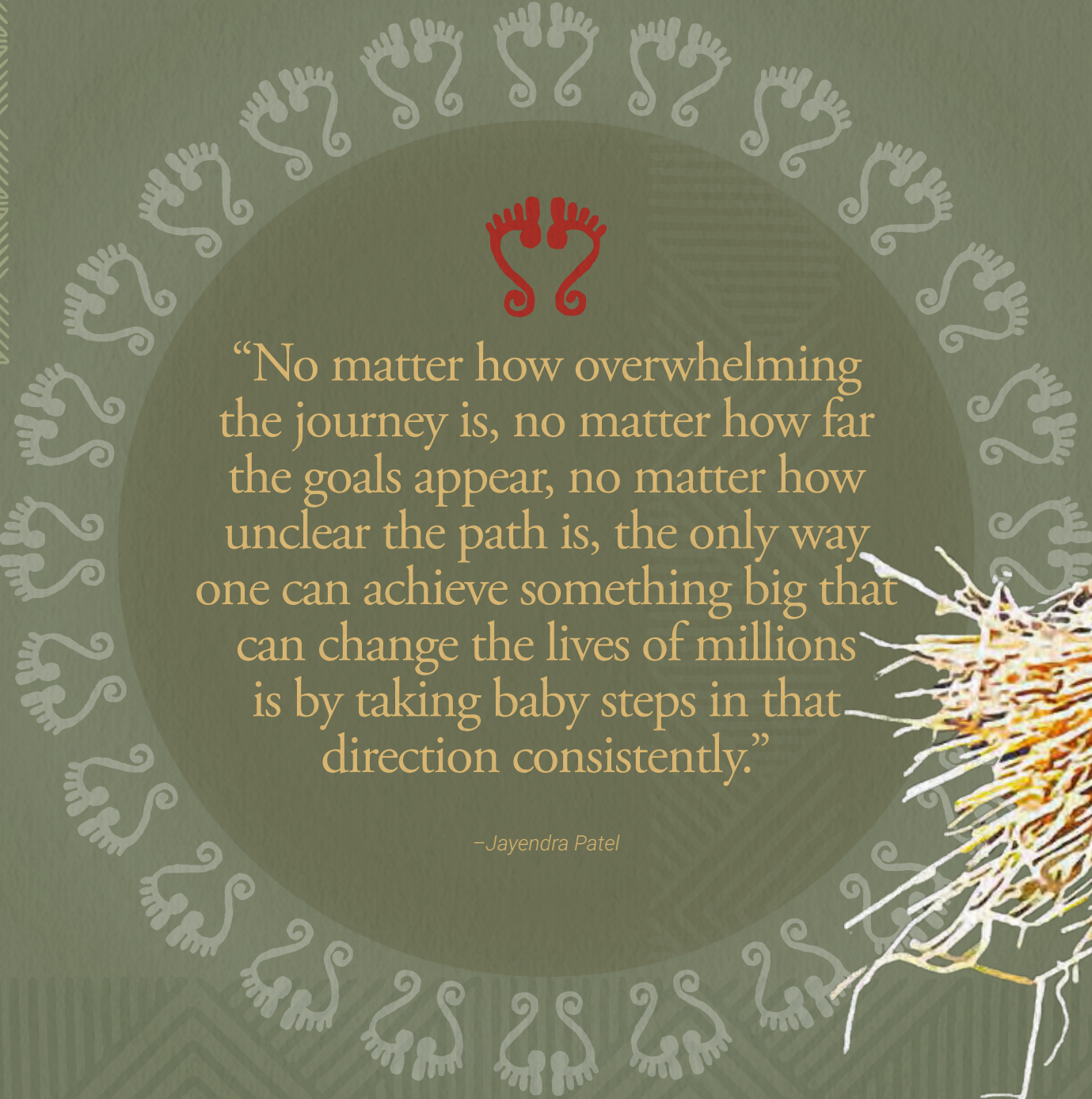
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“We rise to great heights by a winding staircase of small steps.”

– Francis Bacon

At Arman, we didn’t allow the grand staircase to intimidate us; instead, we focused on taking that initial step and steadily followed it with small steps forward...



“No matter how overwhelming the journey is, no matter how far the goals appear, no matter how unclear the path is, the only way one can achieve something big that can change the lives of millions is by taking baby steps in that direction consistently.”

– Jayendra Patel



In our Microfinance space, we steadily widened our coverage and deepened our presence.

FY09

Started pilot with 1 branch in Ahmedabad, Gujarat

FY14

We were concentrated only in Gujarat.

FY15

We expanded our presence from Gujarat into Madhya Pradesh.

FY16

We entered into Maharashtra for widening our microfinance presence.

FY17

We extended further in Uttar Pradesh, the most attractive microfinance market in North India.

FY18

We started business operations in Uttarakhand.

FY19

We forayed into Rajasthan with four pilot branches in Chittorgarh and Pratapgarh districts.

FY22

We tiptoed into Haryana.

FY23

We ventured into Bihar.

As we built our business edifice brick by brick, one year at a time, we created significant value which remained invisible then, but when cumulated stands out as an outstanding performance.

55

Microfinance
Branches in
FY16

274

Microfinance
Branches
in FY23

1,02,840

Microfinance
Customers in
FY16

5,49,008

Microfinance
Customers in
FY23

117

Microfinance
AUM as on
March 31, 2016
(₹ crore)

1,628

Microfinance
AUM as on
March 31, 2023
(₹ crore)

To scale new heights, we added a new pillar to our business structure – the MSME vertical.

The new opportunity was an outcome of the knowledge gained about existing financing gaps in India's rural economy due to our entrenched presence in these locations. We realised that the customer segment for 'less-than-50 thousand' loans were being serviced by the group-based model of the NBFC-MFIs, while the 'greater-than-5-lac' category was being served by banks and other NBFC. Interestingly, there existed a vacuum for loan products between this range especially for the non-salaried rural segments who do not have the paper work necessary to approach banks for a personal loan. Our MSME division promises to fill this vacuum by servicing customers one or two steps above the bottom of pyramid.

FY17

Initiated the new business vertical
Pilot – MSME loans in Gujarat,
our home bastion.

FY19

We extended our presence into
Madhya Pradesh.

FY20

We forayed into Maharashtra.

FY23

We entered Telangana -we set up
one branch.



7

MSME
Branches in
FY17

58

MSME
Branches in
FY23

1,128

MSME
Customers in
FY17

63,917

MSME
Customers in
FY23

6

MSME AUM
as on March 31,
2017 (₹ crore)

255

MSME
AUM as on
March 31, 2023
(₹ crore)

While our operations spread wide, we deployed technology solutions gradually to increase efficiency, and infuse agility. **It made our widespread operations virtually proximate.**

FY17

We launched an integrated mobile interface for onboarding customers. It did a real-time credit check for all loan applications collapsing the appraisal lead time from days to minutes.

We initiated cashless disbursements. We created bank accounts for the same people who were once shunned as un-bankable.

FY18

We achieved an important milestone in our digital journey – we moved to 100% cash-less disbursements for all our business verticals. This helped in better control over cash and reduced the risk in our business. Moreover, this initiative reduced the TAT (turnaround time) in disbursing loans significantly.

We invested in an organisation wide-new ERP system that streamlined operations, made processes more accurate (by eliminating human intervention), and provided a host of data at the click of a button for faster and more informed decisions.

FY19

The 'Jayam' initiative was rolled out across the organisation. The integrated LOS/LMS system is hosted on the Cloud and managed and tracked originations and recoveries on a real-time basis through mobile or a Web-based application.

While at the ground level, it significantly reduced the TAT, enhanced people productivity, and increased controls. At the leadership level, we got a bird's eye view of business operations at the click of a button on a real-time basis.

FY21

We launched a comprehensive digital collection solution which facilitated timely collection, automated reconciliation and provided a wholistic view (on a dashboard) of the organisation's collection activity.

FY22

We rehailed our entire LOS LMS system into a new comprehensive solution that creates a seamlessly connected organisation. This IT solution completely integrated Loan Origination System (LOS), Loan Management System (LMS), and Accounts for all products offered. This solution covers automates every business process and collapses the TAT significantly. This solution went live in

FY23

We rolled out our HRMS solutions that handles the entire life cycle of our 3000+ employees from recruitment to exit, and also manages the Performance Management System.



Our small steps....made a 

Huge difference

Performance Highlights, FY23

1,943

Assets under Management
(₹ crore)

+58% y-o-y

1,767

Disbursements
(₹crore)

+73% y-o-y

125

Profit before Tax
(₹ crore)

+175% y-o-y

94

Profit after Tax
(₹ crore)

+195% y-o-y

366

Shareholder's Equity
(₹ Crores)

+72% y-o-y

32.4

Return on Equity
(%)

+104% y-o-y





Statement from the Chairman's Office

“Our business spaces are brimming with opportunities. We will stay rooted in our core values to make our success sustainable. Staying firm on our business philosophy of ‘Small steps make a Big Difference,’ we will embed small initiatives in our business model which, over time, will make a big difference to our market position.”



Dear Shareholders,

It is with a sense of accomplishment and gratitude that I share the remarkable journey we have undertaken over the past year, and the achievements that have come to fruition through our collective dedication, commitment, and strategic initiatives. Our growth was particularly satisfying as it happened during rising inflation and climbing interest rates. The notable post-covid swing in the rural economy led to the emergence of robust credit demand. All business verticals reported a strong uptick, successfully navigating the challenges and surpassing pre-pandemic levels of growth.

FY23 holds a special place for me as we achieved significant milestones.

One, our wholly owned subsidiary Namra Finance, has been assigned the grading of MFI-1 (MFI One) by CARE Ratings. The rating is the highest possible grading for an MFI Company to manage microfinance operations sustainably. This grading of MFI 1 (MFI One) will help the Company improve its borrowing profile and lend confidence to all of our stakeholders in our ability to manage operations at scale.

Two, we successfully raised ₹115

crore through CCDs and OCRPS. This equity fund raised will help the Company achieve its outlined strategy and afford us sufficient capital to reach an AUM of ₹2,700 crore or more.

Three, We have embraced digital technologies to streamline operations, enhance customer experience, and reach a wider audience. Technology will continue to play a big role in strategy going forward.

I believe that FY23 was very special as it marks a new chapter in Arman's history.

Microfinance, considerable runway ahead

The microfinance industry exhibited remarkable strength in the face of prevailing volatility due to the Covid Pandemic. The resilience of India's rural population never ceases to amaze me. The strong rural economy is India's economic engine.

The new guidelines implemented in FY23 are an inflection point for the sector, ushering in a new era of growth and sustainability for microfinance companies. This, coupled with the resurgence in rural demand, has positioned microfinance as one of the fastest-growing retail products.

Moreover, the large untapped market presents a significant growth opportunity over the medium term.

At Arman, we are poised to capitalise on the growing opportunities in the microfinance space. The small steps we have taken each year over the last decade have created a volatility-hardened model capable of withstanding extreme circumstances; every challenge has only made us that much better.

Our contemporary digital solutions that became our new operating platform have made us increasingly fleet-footed and efficient. It has created appreciable excitement among the team, with information at their fingertips. Our digital solutions have automated most of our business processes and have been immensely useful in enhancing customer experience and driving efficiency. In today's rapidly evolving landscape, technology and innovation are integral to staying competitive and relevant.

Further, our extension into new contiguous territories has generated substantial traction in the areas of our presence. While remaining true to our core strategy

of asset quality over business volumes, we will further expand our presence in new states as an essential and strategic growth lever for the future.

Our individual loan piece, an extension of our microfinance business, has gained acceptance and grown in size. We will drive this flanking vertical with cautious aggression.

MSME, the backbone of an industrialised India

Our MSME vertical registered a solid performance for another consecutive year. This is an excellent space to inhabit owing to the sizeable market. Moreover, our stringent credibility filters, systems, and processes have ensured high collection efficiency positioning this vertical as an important growth lever over the medium term. I am particularly optimistic about its prospects.

India's ambition of emerging as the global manufacturing hub rests squarely on its MSMEs. They play a vital role in nation building and the economy's growth. With India fervent on its ambition of taking its economy past the US\$1 tr mark, MSMEs' role in India's growth will be decisive.

Despite the critical role played by MSMEs in India's progress

currently and in the foreseeable future, the issue of fund deficiency persists. Of the 64 Mn- plus MSMEs in India, only 14% have access to credit compared to 30%+ in developed nations. While banks and NBFCs cater to some of their credit requirement, a yawning credit gap of more than US\$ 500 billion remains unserved. This is a massive opportunity for players like us to fulfil, albeit carefully with strong underwriting techniques.

Having set a firm footing in the MSME financing space, we will entrench our presence in existing districts while cautiously extending our footprint into newer territories in a calibrated manner.

A wrap-up

FY23 has set a new performance benchmark. Our single aim would be further improvement. Our business spaces are brimming with opportunities. We will stay rooted in our core values to make our success sustainable. Staying firm on our business philosophy of 'Small steps make a Big Difference,' we will embed small initiatives in our business model, which, over time, will make a big difference to our market position.

At Arman, our commitment extends beyond financial metrics. We take immense pride in the

positive impact we create on the lives of the underserved. We continued to provide access to credit, promote entrepreneurship, and empower communities, all of which contribute to the socioeconomic development of the nation. Our dedication to responsible lending practices and ethical conduct remains unwavering.

Extending no further, I thank the Board for its guidance in framing and refining our business strategies over the medium term. My sincere gratitude to all our customers and financial agencies for believing in us. A big thank you to my exceptional Arman team. Their dedication and disciplined efforts have uplifted Arman into prominence. I am proud to be a part of them. I also extend my appreciation to all other stakeholders for your support in our journey.

We start a new chapter of energy, efficiency, and excitement which appears to be riveting. It will be an incredible journey together.

Warm regards

Jayendra Patel

Vice-Chairman & Managing Director

Believing in the dreams of the overlooked.
Funding the aspiration of the underprivileged.
Building India, bottom up.

That is us

Arman Financial Services Ltd.

Taking small steps to make a big difference

We fund aspirations and enterprises in the large under-served rural & semi-urban retail markets. Our lending services are bucketed under three verticals namely Microfinance, Micro-Enterprise (MSME), and the Two-Wheeler segment.

The Microfinance business is operated through our wholly-owned subsidiary, Namra Finance Ltd. We have a strong Management Team who has combined experience of 100+ years in the Lending Business.

We serve areas in 8 states where it is simply not possible for banks to provide financial services. Our edge is our flexibility and reliability in developing products that meet their needs and their household income and expediting loan processing to bolster their spirits and their livelihoods.

Vision

The Company believes that money should not stop a person from dreaming or realising their true potential. Our vision is to materialise the dreams of people, who need a monetary push. For that, The Company has made it a mission to attain globally best standards and become a world-class financial services enterprise that is committed to a greater degree of sophistication and maturity.

Values

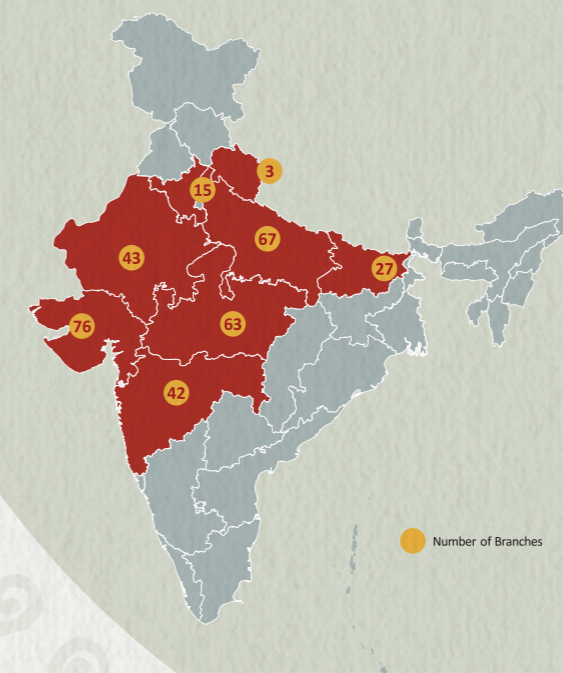
- To help those who are at the bottom of the financial pyramid.
- Work innovatively with vigour and dedication to achieve excellence in service, quality, reliability, safety and customer care as the ultimate goal.
- Earn the trust and confidence of all stakeholders, surpass their expectations and make the Company a respected household name.
- Consistently achieve high growth and superior levels of productivity.
- Be a technology-driven, efficient and financially sound organisation.
- Contribute towards community development and nation-building.
- To be a responsible corporate citizen nurturing human values and concern for society, the environment and, above all, the people.
- Promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals by encouraging ideas, talent and value systems.
- Uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

Arman in Numbers



Our geographic footprint

Our geographic presence



Our geographic AUM mix

