

SEPTEMBER 18, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO BANK FACILITIES OF ARMAN FINANCIAL SERVICES LTD.

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	39.00	CARE BBB- (Triple B Minus)	Reaffirmed
Total Facilities	39.00 (Rs. Thirty nine crore only)		

Rating Rationale

The rating of Arman Financial Services Ltd. (AFSL) continue to take into account established track record of operations of AFSL along-with experienced and professional management, diversified operations in two segments viz. asset backed finance & microfinance, growth in scale of operations during FY15 (period from April 1, 2014 to March 31, 2015) on a consolidated basis while largely maintaining the asset quality and capital adequacy.

The rating continues to be constrained by AFSL's modest scale of operations with high regional concentration, unsecured lending to microfinance business in NFL and regulatory risk pertaining to microfinance business.

AFSL's ability to improve its scale of operations and geographically diversify its business in both segments (Asset backed business & Microfinance) without compromising on asset quality while obtaining envisaged funding from banks and financial institutions to grow its business would be the key rating sensitivities.

Background

Promoted by Mr. Jayendra Patel, Arman Financial Services Limited (AFSL) is a (Non-Deposit taking) Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI). AFSL is engaged in the business of financing two-wheeler & three-wheeler and entered into Joint Liability Group (JLG) microfinance business in 2009.

In compliance with RBI directions, AFSL promoted Namra Finance Limited (NFL) as its wholly owned subsidiary, to carry on Micro finance business, which has got NBFC-MFI license from RBI on February 14, 2013 and from May 2013, entire new microfinance lending is being done by NFL. AFSL (on a consolidated level) has spread its operations in the state of Gujarat and Madhya Pradesh with 49 branches as on June 30, 2015 out of which 45 branches caters to microfinance business and 4 branches caters to two-wheeler/three-wheeler financing business.

During FY15 (Aud.) (refers to the period April 1 to March 31), AFSL (on a consolidated basis) reported a total operating income of Rs.29.61 crore (FY14: Rs.24.47 crore) with a PAT of Rs.6.16 crore (FY14: PAT of Rs.4.52 crore). AFSL (on a consolidated basis) had total outstanding loan portfolio of Rs.113.49 crore and a Capital Adequacy Ratio (CAR) of 44.69 % as on March 31, 2015.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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