



# Arman Financial Services Limited

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June 05, 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
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Dear Sir/Madam,

**SUB: Transcript of Conference call with Analysts / Investors on Financial Results for the quarter and year ended March 31, 2026**

In continuation of our letter dated March 25, 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, May 29, 2026 in respect of the Financial Results of the Company for the quarter and year ended on March 31, 2026.

Kindly take it on your record.

Thanking you,

Yours faithfully,

**For, Arman Financial Services Limited**

Uttam Patel  
Company Secretary



**ARMAN FINANCIAL SERVICES LTD.**

**“Arman Financial Services Limited  
Q4 & FY '26 Earnings Conference Call”**

**May 29, 2026**

**E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 29<sup>th</sup> May 2026 will prevail.**



**ARMAN FINANCIAL SERVICES LTD.**



**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:** Ladies and gentlemen, good day, and welcome to the Arman Financial Services Limited Q4 and FY '26 Earnings Conference Call. As a reminder, all participant lines will remain in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Aalok Patel, Vice Chairman and Managing Director from Arman Financial Services Limited for opening remarks. Thank you, and over to you, sir.

**Aalok Patel:** Thank you so much, and good afternoon to everyone, and welcome to the Q4 FY '26 and Fiscal Year-end '26 Earnings Conference Call of Arman Financial Services Limited. On behalf of the company, I would like to extend a very warm welcome to all the participants joining us today. I'm joined on the call by Mr. Vivek Modi, ED and Group CFO, along with our Investor Relations team. I hope all of you have had the opportunity to review our financial results, investor presentation and press release which have been uploaded to the stock exchanges as well as on the company website.

On a broader level, the Microfinance industry has gone through a challenging phase over the last several quarters driven by a combination of macroeconomic pressures and sector-specific issues, which were discussed in great detail in the previous calls. However, with the beginning of the second half of FY '26, we saw a perceptible shift, the collection efficiency trends improved meaningfully, borrower behavior showed signs of stabilization and demand across the Microfinance products, particularly in the rural geographies begin to revise.

While the operating environment is yet to fully normalize, we believe that the industry has moved beyond the most difficult phase and is now entering into the stable and disciplined growth cycle. That said, we must acknowledge that the broader economic environment remains uncertain. Domestic stress in pockets of the economy persist and there continues to be global uncertainty including disruptions caused by the West Asia conflict.

These factors continue to create headwinds and require careful monitoring. However, the financial inclusion imperative and the underlying credit demand remains intact. Against this backdrop, I'm pleased to share that after many quarters, Arman's AUM crossed to its record AUM INR2,728 crores in FY '26, representing a year-on-year growth of 22% along with its highest-ever quarterly disbursements of INR951 crores. This growth, of course, has not happened overnight. Rather, it has been achieved through consistent execution and disciplined efforts will started many quarters earlier.

Over the last several quarters, we have taken important structural and operational steps and decisions to strengthen the business and improve portfolio resilience. One of the most significant changes is complete separation of credit and recovery functions from the branch operations. This realignment has now been successfully implemented across most branches and has delivered measurable improvements in accountability, monitoring, execution, discipline and collection efficiencies. This change has also allowed branch teams to focus more effectively on customer engagement and business sourcing.

With dedicated recovery teams, we have better visibility into emerging portfolio stress and can intervene earlier, which has meaningfully reduced loan losses across the portfolio. As a result, loan losses across the portfolio reduced meaningfully leading to a moderation and write-offs and provisions and some improved profitability.

Consolidated profit after tax for the quarter stood at INR41 crores, registering a growth of 85% sequentially and 220% year-on-year. For FY '26, profit after tax stood at INR57 crores, reflecting a year-on-year growth of 9%. In parallel, we also strengthened our portfolio protection framework. About 90% of our Microfinance portfolio is now covered under the CGFMU scheme. This provides an additional layer of protection and demonstrates our commitment to prudent risk management, especially considering the macro level uncertainties at this stage.

Along with this structural realignment we also fundamentally strengthened our underwriting approach. We moved away from traditional group-based JLG credit assessment model, which has inherent limitations in assessing individual repayment capacity and shifted towards a more individual level credit evaluation. Under this new model, each customer is evaluated more closely based on his or her prepayment capacity, household cash flows, credit history and overall financial profile rather than relying solely on group behavior dynamics. But these improvements have not come without cost.

To be completely transparent about the trade-offs we have made first, the rejection rates continue to remain elevated, our quality of the disburse portfolio has improved significantly. Second, operating costs significantly, as I'm sure you have noticed, the new credit model requires a larger team for detailed underwriting and better monitoring capabilities. These, I believe, are necessary investments to build a stable business in the long run, bringing these costs under control while maintaining the integrity of the credit process will in our key focus area for FY '27. Despite these near-term pressure, we believe that the investments are essential to position us for sustainable growth in the next phase of the cycle.

Moving on to the performance of our Microfinance business, the AUM stood at INR1,999 crores, registering a growth of 19% on a year-on-year basis. Disbursements for Q4 FY '26 stood at INR738 crores, reflecting a growth of 88% year-on-year and 62% sequentially. Business momentum improved significantly during the second half of the year, resulting in a full year disbursement of INR1,798 crores.

Gross total income for Q4 FY '26 stood at INR117 crores, while for the full year, it stood at INR433 crores, supported by the improving operating environment and lower impairment cost, pre provisioning operating profit improved to INR41 crores for the quarter and INR143 crores for the full year. Profit after tax for Q4 FY '26 stood at INR29 crores, while full year PAT stood at INR13 crores.

Asset quality trends improved gradually throughout FY '26. Our GNPA stood at 3.4%, while our NNPA reduced to 0.95%. These metrics reflect the benefits of our separated credit and recovery structure, disciplined credit assessment and stronger monitoring and collection efforts.



On the stand-alone front, MSME, 2Wheeler and LAP business has continued to witness steady traction during the year, supported by healthy demand across our operating geographies and consistent execution by our field teams. During the year, we expanded our footprint into Uttar Pradesh, that is for the MSME portfolio, strengthened our LAP field teams and launched a pilot for solar loans in Gujarat. We expect these initiatives to contribute meaningfully to the AUM growth over the next 2 to 4 quarters.

Stand-alone AUM grew by 30% year-on-year to INR730 crores with MSME segment contributing 76% of the overall portfolio, followed by the LAP and 2-wheeler businesses. Disbursement momentum across all segments has remained healthy with quarterly disbursement standing at INR213 crores, while full year disbursement stood at INR636 crores. Asset quality across these portfolios remain stable with GNPA for the MSME segment at 3.84% and 2-wheelers segment at 3.95%. Collections are also strengthened across these segments.

In Q4 '26, collection efficiency for all segments stood above 96% and while zero bucket or x-bucket collections were 99.5% plus for the whole quarter, reflecting delinquencies returning back to normal pre-cycle levels. Lastly, on the liquidity and capital position front, the company continues to remain well capitalized with capital adequacy ratio of 27.86% for the subsidiary namra finance and 41% for the stand-alone business as of 31st March 2026.

The company continues to maintain a healthy liquidity profile with available liquidity of INR229 crores, comprising of cash bank balances, liquid investments, undrawn CCs, FDOD limits, etcetera. In addition, we have undrawn sanctions of INR275 crores from existing lenders as of March end, providing adequate financial flexibility to support future business growth.

As we look ahead to FY '27, our approach is to remain focused on responsible and disciplined growth. While we expect disbursement momentum to continue improving, growth will be pursued within clearly defined risk parameters and strong emphasis on total quality over growth. Maintaining collection efficiencies and monitoring asset quality metrics will continue to remain key priorities for us. At the same time, we will continue investing in our credit recovery and monitoring infrastructure to build a stronger and more resilient operating framework.

Improving operating efficiencies and rationalizing cost structures without compromising underwriting discipline or portfolio quality will also remain an important focus during the year. We believe the structural improvements undertaken over the past several quarters position us to strengthen our market position and capitalize on growth opportunities in the evolving industry landscape.

With that, we can open up the floor for questions. Thank you very much.

**Moderator:**

Thank you. We take the first question from the line of Rohan Mehta from Ficom Family Office. Please go ahead.

**Rohan Mehta:**

Congratulations on good set of numbers. I have 3 questions. So firstly, how should we think about your cost of borrowing trajectory for FY '27. And what is your outlook for the same? If

you could also quantify it because a meaningful part of our book is on a fixed rate basis. So is there a near-term NIM compression risk if borrowing costs rise or they remain elevated?

**Aalok Patel:** So borrowing costs have been steadily declining, I think.

**Vivek Modi :** Look, the cost of borrowing for the past 6 months or so. The marginal costs have been declining. Average cost of borrowing continues to be approximately 12%. While the marginal cost in the past 2 quarters would have been 11.75%. What you're referring to is the likelihood of the MCLR going up and the general stress on interest rates. I think it that will really start happening in a bigger way. We can say that we're not completely insulated on that.

But having said that, you must also kind of look at the Microfinance for the last 2 years, including Namra which is a larger contributor to the entire AUM. Performance was not probably the best that one would expect. And now as things improve, I think there's a reason for us to also look at advantages in terms of also borrowing going down from that aspect. So in that 2 ways, one thing let me pull it down, the other in terms of our performance having improved likely to kind of Q3 cost of borrowing at the same levels or probably looking at a lower level. I think we seem to be pretty comfortable, not really making any major changes from that.

**Rohan Mehta:** Got it. And from the presentation, I see that yields have come off in Q4 versus the last quarter. So I'm trying to understand, over the last 1 to 2 months, have you taken any repricing on both the MFI side and standalone side and what is your sort of stabilized NIM outlook for FY '27

**Vivek Modi:** Yields have gone up. .

**Rohan Mehta:** I'm talking on consolidated level.

**Aalok Patel:** Yes. So as the product mixes change, you will find some level of distribution because, for example, if you look at the stand-alone business, the LAP products are at significantly lower cost than, for example, the MSME products. So the product mixes will affect the yields. In the same way, as far as the Microfinance products are concerned, the products are priced differently for lower customers, individual customers versus JLG customers versus different kind of customers.

So that mix will continue to change. We have not adjusted the interest rate since the last quarter, although we did in the previous quarter, the quarter before. In Q3, we did modify marginally. But what you are probably seeing is some timing differences and the product mix changes.

**Rohan Mehta:** Got it. And my final question is with the consolidated ROA at approximately 2.3%, what is your outlook or aspirations on ROA for FY27 given that your margins now appear to have stabilized. So where do you see that incremental opportunity improvement in ROA. Should we think about it from the lens of expansion or operating leverage from opex or lower credit cost?

**Aalok Patel:** All 3 of them notwithstanding any major global disruptions, which is not just a Microfinance problem or the NBFC problem, but largely for the whole economy. So notwithstanding any disruption cost to that. We expect healthy growth in the ROA. I don't want to place an exact

figure, to be honest, but definitely 3.5%, 4% plus is sort of easy to expect, all things considered, if our growth trajectory remains consistent.

**Rohan Mehta:** Got it. And for ROE?

**Aalok Patel:** ROE, is a function of leveraging as well. So again, I don't want to put exact numbers, but probably if you annualize

**Vivek Modi:** So largely, I guess that I think the leverage in the last 2 years have been pretty low. The leverages are likely to move upward as the disbursement and the overall micro finance and unsecured lending picks up, as we've seen in the last 4, 5 months. The leverage should help the overall ROE to move up.

**Aalok Patel:** I mean we have numbers that we are targeting. I'm just a little hesitant to say it out loud. That's all.

**Rohan Mehta:** Sure. Thank you. Thank you so much for answering my questions and wishing you all the best.

**Moderator:** Thank you. We take the next question from the line of Ronak Chheda from Awriga Capital. Please go ahead.

**Ronak Chheda:** Hi, Aalok and congratulations team for the results. My first question is on the opex. You did touch upon in your opening remarks. Now that, that transition to a more sustainable opex is largely done. How should we think about cost to asset for the year? And then at what scale of AUM do you think it goes to a steady-state number. If you could just talk about how you think of opex to asset ratio?

**Aalok Patel:** Yes, definitely can talk about that. A lot of people asked about cost to income, which I'm not very familiar with, but yes, cost to assets definitely. So right now, we are at one of the highest levels. So if you look at Microfinance, we are probably around 9% or so, which is higher than it has ever been. I think at our lowest point, probably we were, Vivek, probably close to 4.5%, 5%.

**Vivek Modi:** 5%.

**Aalok Patel:** 5%. So quite a bit of a jump. And that jump happened due to multiple reasons. Number one portfolio was declining, but we will not see the number of employees going down. In fact, the number of employees increased significantly, even in a situation where the portfolio was declining and that is for 2 reasons.

Number one, we needed, obviously, people to go collect them during the credit cycle. So, that was the recovery officers. And second was the separation of the credit people, which is the BCMs, or the branch credit managers. So all of that added substantial cost on the opex side.

And previously, people had asked me this and I said that right now is not the time to worry about operating costs. There will come a time to worry about it. And frankly speaking, that time is

now. So we are luckily manage sorting out the asset quality issues. And now we will concentrate on bringing the opex under control.

Largely speaking, naturally as AUM grows as a percentage terms, when the denominator increases, the opex will come down. I don't think that we will ever manage going back to our previous opex. It may be possible to bring it down to, let's say, around 6% in the short to medium term. This year, we are probably targeting to bring it around 7%-odd. That is the target that we have set ourselves. So from 9% to 7%.

**Ronak Chheda:**

Perfect. My second question is on your products like MSME and LAP now that they have kind of attained a sustainable size. How should we think of the growth, especially on the MSME side now that you're running it at a sizable amount. In terms of growth, what are you picking up in terms of on ground reality because this book comes with a lot of underwriting effort so can you talk about?

**Aalok Patel:**

No. So LAP side, I mean, we reached breakeven this year. So started seeing some money there on the LAP side. And that portfolio is relatively stickier because it is long-term, as you are aware, the tenure is much larger. So all in all, happy with the LAP product. Obviously, it's not like Microfinance, it's a competitive environment. A, it requires specific type of customer, your cash flows to match, a person willing to secure the resistance or commercial property or what have you.

And dependent on the paper work being clean as well, so there are a lot of conditions. So definitely, we can expect it to grow by 20%, 25%, but not like a huge jump or anything like that. And MSME as well, we are targeting somewhere around 25%-odd growth in FY27. Can we push it more? Of course, we can.

The question that when we were deciding the targets and everything with the team, the question was that things have improved, why have improved is the ground level situation much better than it was or are selecting better? And I think overwhelmingly, the answer was that we are simply selecting better. But the ground level situation remains -- I don't want to say complicated, but there's a lot of questions, there are a lot of uncertainties.

It's very hard to predict what tomorrow or next month, next quarter is going to be like with all these disruptive global elements and other things going on. So this is probably not the year to push growth or push growth hard at least. But of course, we will keep recalibrating as the months and quarters go on.

**Ronak Chheda:**

Perfect. And my last question, Aalok, is we've already crossed our peak AUM. Should FY '27 now actually in FY '27, can we cross our peak profitability also?

**Aalok Patel:**

I wish I know that. I don't know.

**Vivek Modi:**

That's almost a direct. I wish we could say yes or no. There are uncertainties that...

**Aalok Patel:**

Unlikely, but we'll get it close.

- Ronak Chheda:** Perfect. Thank you so much for answering my questions, and best of luck.
- Moderator:** Thank you. We take the next question from the line of Keshav Karwa from White Pine Investment Management Private Limited. Please go ahead.
- Keshav Karwa:** Thank you for the opportunity sir. I wanted to know on the asset quality front, how the April and May collection efficiency trends were? And going forward, could you please provide some color on how are you seeing the trends in MFI and MSME, given the inflationary pressure arising?
- Aalok Patel:** So as far as disbursement volumes in April and May, predictively they were lower than Q4, but that is always the case in financial services. Q1 is always lower than Q4. But surprisingly, the asset or zero DPD and everything has been stable. So there has not been any drop there despite a very, very hot summer and lot of other issues, petrol running out and LPG issues and all of that stuff. So I mean, it's a good surprise, but it is a surprise that we have not seen much of a drop in that in the at least early delinquencies. Let's hope it's not a delayed effect.
- Moderator:** Thank you. We take the next question from the line of Srinath V from Bellwether.
- Srinath V:** I just wanted to check on how collections are coming in the delayed buckets, given now that DPD zero is settled down, any chance later this year that we'll start seeing some level of interest reversals as some of the older customers are getting collected?
- Aalok Patel:** I mean a lot of write-backs are already happening. So I don't -- did we disclose that.
- Vivek Modi:** In the presentation probably in the annual report.
- Vivek Modi:** So in the annual report the other ways, we kind of give net write-offs. But Srinath we're seeing is write-off connections are fairly good. And as we move forward, I think the collections and the harder buckets should consistently improve as obviously, customers are also getting choke for fresh credit and there is a reason for them to kind of also clear up. We keep on having customers coming up for more settlement than we've seen in the past. So flow order rates are lower if that is your question, yes.
- Srinath V:** Yes. Normally, the second year after the problem is solved because of the interest reversal, sometimes credit cost even goes to like zero and negative, you get net write-back into the P&L. So just wanted to check if you guys are seeing that kind of situation somewhere, especially given on a starting book over the last few years, the NPAs were really high, right?
- Vivek Modi:** Right.
- Srinath V:** On loan against property the disbursements have kind of flattened out in the last 6 months. How are we seeing that particular business. We did want to foray in South India and get some business from Andhra, Telangana, how's the progress there? How is the progress on distribution of the product I'm aware that it just takes a lot of time to find these customers, but I want to understand from a growth perspective, how we are looking at loan against property?

**Aalok Patel:** As mentioned to one of the previous callers, I mean, growth and disbursement in this business, as expected it's not like Microfinance, where you open up a shop and we typically will get customers when it's unsecured. This is secured and it's competitive and everybody is kind of jumping into the product.

So that's why you are seeing a little bit of that flat, increased competition, a lot of NBFCs are coming to this product. A lot of the MFIs are also trying to come into this product. And so competition is fine and we will work with it and happy to have a competition problem than quality problem, honestly, but that is ground reality.

**Srinath V:** On distribution of this product, where are we in South? Have we been able to open some branches?

**Aalok Patel:** So we have penetrated. We are doing quite a bit of volumes in Telangana also, but it's a very mature market and there is a lot of competition. So it's hard to again, not very easy to break into those markets. As you know, the South markets are much more saturated, especially in terms of LAP and secured loans and gold loans and other types of loans than let's say Western India, and Northern India.

**Srinath V:** And last one are we looking at Uttar Pradesh for LAP and we been able to open up that particular market?

**Aalok Patel:** So right now, we are just expanding MSME. So we have opened up a few branches will open up more this quarter. Once that stabilizes, we'll more than likely go into that market as well.

**Srinath V:** Okay. Perfect. Congratulations guys. Hope you have a good FY27.

**Moderator:** Thank you. We take the next question from the line of Bhumini Shah from Equirus AMC. Please go ahead.

**Bhumini Shah:** Hi, good afternoon. I just wanted to understand in individual micro loans, which we are scaling up does the MFIN guardrail apply or is it out of the purview MFIN guardrails?

**Aalok Patel:** So if you're classifying it as a retail loan, it is outside the purview. If you are classifying it as a micro than it is within the purview.

**Bhumini Shah:** So how are you treating this then?

**Aalok Patel:** It depends on customer profile. If it's a true micro customer, which means its meeting the criteria RBI as a qualifying asset then that automatically becomes a microfinance loan and therefore MFIN guardrails is applied following. If it does not meet it, then it becomes a retail loans on our books and that falls as a non-qualifying asset. Guardrails may still be in many cases, the guardrails might be only valid under the guardrails as in you are still meeting the criteria, but it depends largely if it's classified as retail or micro finance.

**Bhumini Shah:** Okay. So do we have loosen some filters as compared to JLG loans in IBL let us say Arman plus 2, Arman plus 3 what are our internal symptoms for this kind of low spend?

**Aalok Patel:** We have many filters. So we are not relying on the simplistic one-size-fits-all credit policies. Largely, we are camps are in place to evaluate our customer based on their occupation where they asses cash flows are. And based on those cash flows, we offer a loan. So arguably, I would, at the expense of sounding arrogant or system is far superior than the so-called one-size fits all guidelines

**Vivek Modi:** So we've also kind of in certain way it tightens because when we're doing which are probably outside the purview of the guardrails. We're also only on the fact that these cases are not new to credit. We are seeing customers in terms of the their scores 700 plus. In terms of their standard collection contract these are all eNACH mandate. Yes. So those are additional that you might call it filter in terms of collection efficiencies that we want to build up. We're taking those necessary steps that we have.

**Aalok Patel:** Frankly speaking let me honest with you that the MFI industry has take or earlier it was, as I said, a set policy where we guardrails today, if you are a borrower in a year large and complicated as India, good customer are 2 lakhs, but at 2 lakhs, 1,000, you become bad. It were borrowed from whatever, 2, 3 MFIs you're good. Any more you become bad. If you have an EMI of INR12,500 you're good, INR12,600, you're bad.

I mean, it's too simple. That is true in Gujarat or Kerala or Bihar and Jharkhand and all the same. So, I'm not saying the guardrails are bad. So, I'm not saying that guardrails are bad there. I voted in favor of the guardrails. I've said earlier as well because that is what was required to deleverage the overleveraging that had occurred. But in the long term, we have to use past these kind of tailored the credit to customer.

It might be many customers who can afford a much higher EMI than 12,500, and there'll be many that cannot even afford 6,000. Who's to judge what is absolutely correct for everybody, right?

**Bhumin Shah:** Okay. Got it. And other question is assuming that FY27 is the normalized year, how should we look at the credit cost? Should it be in the range of 2.5%, 3% or more than that?

**Aalok Patel:** I think that's a ballpark a good number of 3%. Yes, I think we should be able to pull that off.

**Moderator:** I would request you to please join back the queue for follow-up questions. Thank you. We take the next question from the line of Rudraksh Raheja from Ithought PMS.

**Rudraksh Raheja:** Yes. So, sir, first question on the opex side, since you have said that we have changed, tweaked model a little bit, so could you help us understand like what are the levers that we have in our hand to get that cost under control, like what could we do from our side?

**Aalok Patel:** Well, in the finance industry, the easiest thing to do to solve all your problems is to grow the book. So, whether you are facing asset quality issues or opex issues the best way I mean the easiest way to do it is to increase the denominator. The more complex way is, of course, to drive efficiencies harder. So, we plan to do both, get more work out of people in a more efficient way through the use of technology. Obviously, high volumes are achievable as proven by my team during Q4, where it was probably a record quarter for us, both in terms of volume and growth.

And so just execute that properly. And over and above that, if you do that properly, then the AUM will naturally grow and the denominator effect will cut down cost. But Definitely, we are not planning any layoffs or anything like that to cut costs. So, we've never done that. I've never done it in the last 16 years. And definitely, we don't plan to do that.

**Rudraksh Raheja:** Got it, sir. Currently, sir, it's at around 8%, if I look at consolidated level for FY '26. So what are the aspiration levels that we would aim for to bring it down?

**Aalok Patel:** On the side, it's probably closer to 9% or so, if I'm not mistaken. You probably get -- try to get that down to 7%. I mean, at our peak levels, we are probably at about 5%, whether that is achievable now. I don't think so. But 6% is definitely achievable in the medium term for this year, probably around 7% sounds like a good figure, achievable figure.

**Rudraksh Raheja:** Understood, sir. Understood. And sir, LAP products has seen a little bit spike on PAR 30 to 90 and GNPA. Is there any reason that we should be concerned about that?

**Vivek Modi:** I mean, it's the same spike, what do you need to understand that, it's a relatively new portfolio. So yes, we've seen some few cases getting to the 90 in that LAP product. and I didn't think we had much of a problem. No, no, I mean, every NPA is a problem, but then it's -- the GNPA is 0.74%. So probably 4 or 5 cases there seems.

**Rudraksh Raheja:** Understood. Sir, what would be the levels of GNPA's and credit costs that we would be comfortable in this portfolio as we scale at 20%, 25%.

**Aalok Patel:** I don't know. I don't have enough experience with this portfolio. I don't know what is standard. People have told me it's anywhere between 1% and 5% depending on the time of customers and what type of cycle you are in? But in any lending product, it's never going to be zero, secured and unsecured and your security is only as good as your ability to repossess it and also to liquidate it.

Now this product, we are not really getting on the fact that you will manage repossessing and liquidity. So, it's definitely not going to be 0% or 1%, probably 2% is something that good long-term number that we should be happy with.

**Moderator:** Rudraksh, I would request you to please join back the queue for follow-up questions. Thank you. We take the next question from the line of Vineet Sharma from Param Capital. Please go ahead.

**Vineet Sharma:** Just a quick one on the operating expenses for this quarter. Does it include any one-offs? So, like, for instance, the CGFMU premium or anything which is particularly coming in this quarter...

**Aalok Patel:** It does include CGFMU new premiums, but that is no longer a one-off. I mean at least until the program is active, we are going to cover everything 100%. So that will be a part of the overall cost.

**Vineet Sharma:** There are coming on a quarterly -- this would be an annual recurrence, right, or a quarter 1?

- Aalok Patel:** This is an annual component and a quarterly component as well. So quarterly will be the new the annual one. But I do understand we capitalize those.
- Vivek Modi:** So, the annual one, let's say, what becomes payable or applicable for FY27 has covered equally for all the 4 quarters of '27 and there would be a quarterly component, which would be applicable to the new disbursement that we do. So that is dependent on the amount of new disbursement and that would also be capitalized actually. So, that's only for the quarter for the new disbursement for that first year, it's a prorated amount and hence, it's only applicable to that quarter.
- Vineet Sharma:** Understood. Thank you so much.
- Aalok Patel:** I guess, one-off expense was related to salaries also, just to answer his question. There was some cost related to that new Labour Code and everything.
- Vivek Modi:** So, if you're referring to that, I think for both the coming taken together, there is a Labour Code impact, which is along gratuity about INR1.5 crores something like that.
- Vineet Sharma:** Got it. Thank you so much. That's very helpful.
- Moderator:** Thank you. We take the next question from the line of Amit Mantri from 2Point2 Capital Advisors. Please go ahead.
- Amit Mantri:** Aalok, just on the LAP business, I had a question. So, we are seeing a fairly healthy disbursement there. but the book growth is not significant. So, for example, over the last 2 quarters, there have been INR35 crores of disbursements. The loan book has grown by only INR5 crores. So, what is happening here?
- Vivek Modi:** So, Amit, the loan book has not grown significantly because there was this INR10 crores A couple of large ticket loans that we've done, which has seen some early payments closure.
- Aalok Patel:** Secured loans were there, but were closed earlier. So, the disbursement was higher, but then the AUM decline.
- Amit Mantri:** But so these loans are all small ticket loans, right?
- Vivek Modi:** Again, there were a couple of loans which were large-ticket loans, and these were kind of less than 6 months and what we did.
- Amit Mantri:** Okay. Got it.
- Vivek Modi:** In the AUM in a particular quarter because they were there on that quarter. But...
- Aalok Patel:** Probably should have let them out of the disbursement reports we'll probably adjust it next time.
- Amit Mantri:** And the opex for this year was around INR15 crores on the consolidated basis. What kind of opex are we budgeting in for FY '27?

- Vivek Modi:** Yes. So, referring in absolute term? I mean absolute term?
- Amit Mantri:** Yes, absolute terms, kind of what kind of growth on opex front?
- Vivek Modi:** Amit on absolute terms probably will be slightly upward to 7%. It will depend on how many branches eventually we open up and, you know, how things pan out. But largely, as Aalok was saying earlier, the target is to maintain it or bring it down to about 7%.
- Amit Mantri:** Okay. Okay. Thank you very much.
- Moderator** We take the next question from the line of Prit Nagersheth from Wealth Finvisor.
- Prit Nagersheth:** Yes. Two questions. One is, you mentioned that April, May so far is looking on track and not seeing any worsening in quality. My question is that even if it were to worsen, given that there is a CGFMU protection for at least 90-odd percent of the Microfinance book, wouldn't that give a lot of protection in the case, the quality gets back?
- Aalok Patel:** Absolutely. Yes. Correct. As long as you get the claims, it should cover about 72%. So yes, that risk hedge is always there in the form of CGFMU.
- Prit Nagersheth:** Right. So, the reason I'm raising that is in the past cycle prior to the CGFMU guarantees there was a large in the last of higher NPAs. So, should we assume that now the NPAs will not go beyond the certain threshold?
- Aalok Patel:** Wait. Without getting too technical here, actually, the percent NPA should increase because until you file the claim, you're not allowed to write it off. Is that correct, Vivek? Am I saying right?
- Vivek Modi:** The net NPA was the ordinance would be lower. -- your provision coverage will remain intact, but let's say the customer wants to go back, then obviously, they will be sitting on your books to kind of get the claim.
- Prit Nagersheth:** Understood. Okay. The other question I had...
- Aalok Patel:** Sorry, excuse me, I'm glad you asked that question because I was just thinking about that maybe a few weeks ago that given how the framework of CGFMU works The gross NPA will unfortunately go up because I'm not allowed to write off the assets until the claims are done and that might not happen at like a year until they become NPA.
- Prit Nagersheth:** Okay. Got it. Aalok, the other question I had was regarding elevation capital. So there seems to be -- I think elevation capital seems to be exiting their position and they still have an 8%-odd stake left. Do you have a sense by what had or within how much time will they exit their entire position?
- Aalok Patel:** I mean I think they are making choice trades, I guess, in the market. There is no pressure on their side to exit as quick as possible or no pressure from us or anything like that. So I don't believe that they have given me a timeframe. It could be quarters, it could be years. I don't think they're in any bit of a rush. But that said, I think all investors eventually need to exit. That is just how the industry works.

They came in, in 2016. It's been about 10 years. They've been great investors. And we are quite happy with them overall, zero complaints. And I believe Mridul, who was a nominee director in Arman Board, had resigned in anticipation of exiting even slowly. That was about 2 years ago, I believe. And so yes, it's no big secret that they are slowly exiting. But as far as the timeframe is concerned, I don't believe they are in any rush.

**Moderator:** We take the next question from the line of Jaiprakash Kumar from Korman Capital.

**Jaiprakash Kumhar:** Sir, I have a question regarding NNPA. It's going up quarter-on-quarter from 0.7% to 0.9%. I think you commented about it, but I missed that comment. I couldn't hear it clearly. So if you can just give your view why NNPA is increasing and why we are not providing...?

**Aalok Patel:** Why NNPA has increased by 20 bps?

**Vivek Modi:** So as you see right now, the NNPA might look slightly higher for one simple reason that for the last 2 years has seen a lot of early-stage write-offs given the overall asset quality concerns. And based on the performance of individual loan accounts, not just with us but vis-a-vis a lot of others because when we write off, we also kind of look at how we have been performing at this point of time with other lenders as well.

And hence, whatever NPA actually sits on the books might be of lower staging leading to a lower provisioning requirement based on the expected loss on those states. Hence, a bit of increase rate. Again, if some of these loans are covered under the CGFMU that kind of comfort would also sit in for a lower provisioning requirement. And hence, a bit of a change that you might see. But still, it's kind of across all segments, continue to be lower than 1% for all of them.

**Jaiprakash Kumhar:** And do we see that there is a need for providing for these NPAs coming quarters? Because as of now, seeing that the credit cost is pretty low, I think provisioning, maybe there might be some like recovery or write-offs. But it seems very low as of now. So do we think that provisioning will be increased in coming quarters as to for NPA?

**Aalok Patel:** Credit costs that you were seeing in this quarter is a function of many things. There will be certain provision reversals. There will be certain cases which are covered under CGFMU, which might not require a full provisioning. There will be certain buybacks as well, assets which were previously written off but collected. So as one of the previous callers also said, in many cases, you see a negative sort of a contra-impairment as well, which unfortunately is not the case with Arman. So it's a function of many, many things. But yes, a lower figure is definitely a good sign, especially after so many quarters of sweating over it.

So let's see. As I've said, it's a function of many things. It's not like let's just provide more. I mean it looks too low, let's make it higher. There's enough profit, let's do this. I mean it's not the accounting standards are not that simple anymore where a lot of things are in our control to do that. There are ECL models, there are CGFMU requirements, there are many, many factors.

**Moderator:** We take the next question from the line of Haard Joshi from Equirus Securities.

**Haard Joshi:** Most of my questions been have answered. I have no further questions.

- Moderator:** We take the next question from the line of Ronak Chheda from Awriga Capital.
- Ronak Chheda:** Aalok, I just wanted to check with you. You said the rejection levels continue to be very high, especially on the underwriting side. So just wanted to check with you in terms of how is your sales team kind of absorbing this kind of pushback when there is so much of a reversal on ground in terms of your X-bucket being at 99.5%, there's a positivity on the ground. So how do you think of your sales teams motivation kind of in the new environment where there is a credit officer sitting?
- Aalok Patel:** Yes. So personally speaking, it went better than I expected. And largely it is for, I would say, selfish reasons. The ground team largely went through a sort of a hell in the last couple of years. And so any initiative that means their life simpler in terms of collecting money is welcomed by them as long as the memories of the past 2 years remain fresh.
- I would imagine once things get better for the next 6 to 12 months, you are right that pushbacks may start coming from the sales team saying that, out of every 100 cases, if I bring in at 75% that I rejected, then what's the point, right? But I think all of these things have a lot to do with culture and tones than any magic formula.
- And so at the expense of tooting our own horn, our culture is very, very good in terms of the ground level team, being on board with risk measures as long as it makes sense to them, whatever they're doing, right? And we take a lot of feedback from them as well. Anything, that is not adding meaningful value in terms of risk assessment, we try our best take it out, I for one, hate red tape. So, if it doesn't make any sense of doing it just because we did it in the past. That doesn't mean that we should keep doing it.
- For example, I'll tell you that, the loan for 30 years in microfinance that was that third cycle customer is better than second and fourth cycle customers is better than third. It's numerous cycle that I have for new evidence of that. And so, while it's important to -- from a customer retention perspective, we don't put so much emphasis from a risk perspective anymore. Just because somebody has been with you for 4 cycles that does not automatically make them.
- Now we did get pushed back that this is a full cycle customer, why are you rejecting them or why you're not approving a higher loan amount. And so those kinds of pushback come quite often, and that is up to us to educate them, train them or communicate with them, that these are the specific reasons, why that is happening.
- But yes, you are right. It is -- I mean, nothing is simple. Definitely, there are challenges to convince them. And in the finance business, little bit of fights between sales and credit is not necessarily a bad thing.
- Ronak Chheda:** Yes. And lastly, on your aspiration of INR5,000 crores of AUM, which we had spoken about a couple of years back. Now that, we are past the difficult period in the industry, is that path now clear for Arman on a consolidated basis to achieve in the next 18 to 24 months?
- Aalok Patel:** The last cycle as a bit superstitious, so I'm not going to say anything. That aspiration amount still remains, but when and how we achieve it in the...

- Vivek Modi:** It's always -- we better talk about it at some point of time as things have bad...
- Aalok Patel:** Let this, war and LPG and petrol, and all of these things get over, and then probably we'll have a better discussion around INR5,000 crores.
- Ronak Chheda:** Sure. Thank you so much.
- Moderator:** We take the next question from the line of Bhumin Shah from Equirus AMC. Please go ahead.
- Bhumin Shah:** Sir, I just wanted to understand, what is our provision and write-off policy for these 90-plus cases?
- Aalok Patel:** Provision and write-off policy for 90-plus...
- Vivek Modi:** A simple answer our provision coverage ratio on an asset, provision coverage ratio is about 92%.
- Vivek Modi:** So, I'm provisioning requirements on what is the property and the other aspects or because in when the customer comes into default in terms of the age or the tenure of the loan will make somebody -- let to give a case somebody before on a 24-month loan, defaulting in the third month itself will probably require provisioning percentage are certified, are being recertified and that they scare off those kinds of things what we will not pay that.
- Bhumin Shah:** Okay. Understood.
- Moderator:** We take the next question from the line of Vinay Jaiprakash Ambekar, an Individual Investor. Please go ahead.
- Vinay Ambekar:** If you could throw some light on what is the on-ground competitive scenario that we are seeing? You briefly touched upon it saying that you would rather have competition pressure than price pressure. But generally, what has typically happened after that cycle is that people have burned their fingers, withdraw from the market.
- And unfortunately, they come back towards the peak. Right now, the cycle is turning, are we seeing lesser competition due to withdrawal of the large NBFCs or the multi-asset NBFCs in specifically in MFI. So that was my first point to understand.
- Aalok Patel:** Yes. So, I'll answer the first point, otherwise, I'll forget it. So, the competition now is referring to one of the previous callers was regarding Micro LAP. Competition is always in flux. So, there was a time 6 months ago, where everybody was talking about diversifying, reducing MFI book and many other things that I think -- I'm not sure if I said it in one of the con calls.
- But it's like that's music to my ears, that when everybody is jumping into a business that is where we should be more cautious, and when everybody is talking about getting out of something, that is something that is a great thing as a businessman to see. Okay, you have less competition.
- On the converse, when people were talking about diversifying, they were talking about getting into some of the other segments that we have, like MSME or Micro LAP. So, in that sense, there was much increased competition in the sort of individual MSME small ticket loans that



everybody seems to be doing now calling in different names, but in a sense, it remains a similar product.

And a lot of people, including SFBs and everybody started going into these small ticket LAP loans as well. So, there is much higher competition there. In the MFI space, yes and no. I think, unfortunately or fortunately, I think, there's a defense mechanism. I've always said that people have very short memories. And that includes myself as well probably that few good quarters, and everybody says, it was COVID or it was demon or whatever this was and life goes on.

And so, while people were talking about giving up or getting out of MFI. Many people are pushing up volumes back to pre-crisis level now. There are significant competitors who are facing some issue and other, whether it's liquidity or capital or other things. So, from that side, there is much lower competition, but I don't know, I mean it's -- and it's another thing to do. At least in the fourth quarter, I did see a lot of larger players increasing their volumes quite a bit.

**Vinay Ambekar:**

Okay. Because if I just zoom out a little, assuming that the total addressable market remains more or less same or it has in fact grown over the last few years. And the total MFI book has actually shrunk from INR4.5 lakh crores, INR5 lakh crores to less than INR4 lakh crores.

And we are now talking of circumspect growth numbers of like anywhere between 20% to 30%, whereas in the past, we have grown at upwards of 50%, 60%, 70% also in some quarters. So, the thought was that this lends some longevity to the business, if lending is done prudently. So, is this – can and you think about it from a structural perspective on these lines?

**Aalok Patel:**

Yes, 100%. I think there were many lessons to be learned. And I think, hopefully, people have absorbed them, I know, I have. And, I think all said and done, we are perhaps slightly better off for it, in a strange sort of way. So yes, I mean, I'm not exactly sure how to answer that, Vinay, but things better than they were 100%. Things better than ever were, I mean, it's relative depends on what is your comparison threshold.

**Vinay Ambekar:**

Sure, sure. Just to round that point of what I was also thinking is that we are being hit by externalities very often till now. And while having accidents at companies in institutions, at an industry level, what has happened in the last year too is kind of self-goal by everybody.

And now that all of them have learned from that, probably internally, there are stronger mechanisms in place. And then we will go back to business as usual where we work with more externalities and then hope some unknown externality doesn't hit us. So that's my comment on that.

**Aalok Patel:**

That's good detail, prepared as well.

**Vinay Ambekar:**

And my second point was, can you just throw some light on how we are thinking of the solar vertical? What -- which customers are we targeting? What products are we financing, some color around that?

**Aalok Patel:**

Yes. So, the solar sort of venture started with -- there is a government program in place wherein you get -- for there is subsidy in place. depends on what state you are in can be as high as maybe

70,000-75,000 subsidy that we get from the government for putting rooftop solar. I believe it's up to 3 KVA is the most ideal ratio to get your thing.

And so, looking at the numbers, it's sort of an easy to convince a customer that listen, you're EMI will be equal or less than your electric bill and then 3 years or whatever, you'll get free electricity. And while there is a lot of competition in the urban spaces, I did not find that there was enough distribution or enough competition in the rural spaces, And so that's beginning of the pilot. But overall, I mean, it's too early to tell. So, I'm not sure, if I want to add anything to that, besides the reasoning of why we started the pilot.

**Vinay Ambekar:** Sure, sure. Okay. But the yields continue to be in line with our other products, and our underwriting practices continue to be similar to other products...

**Aalok Patel:** Vinayji, just if you think about it, what is the profile of customers who would voluntarily invest money for a rooftop solar, right. I mean, this is not like unsecured personal loan where clearly, the people who want to do it in the rural side will automatically be slightly a bit more responsible, be slightly better off, we have the ability to see long term, right, and many other factors. So, we concerned about the asset quality itself.

However, it's more the finding the customers that is probably going to be the biggest issue, finding the distribution of dealers, because I mean, all of these different manufacturers, you have Adani and Waaree and many, many other players. They don't do it themselves. They have a whole distribution channel in place. And there's a lot of confusion. There are thousands of these smalls to large players. And so, sorting them and in working with them will probably be the biggest challenge.

**Vinay Ambekar:** Okay. Like you said, maybe a couple of quarters down the line, you may have a better discussion around this.

**Aalok Patel:** We probably need a couple of quarters, please.

**Vinay Ambekar:** Sure, sure. And my last point was regarding employees because again, about a year back, we are talking about some pressure on the employees when they go to collect and then life is generally tough for them. Are those kinds of pressures still continuing? Or have they abated to some extent? There were a lot of churning between organizations also with employees leaving us and all that.

**Aalok Patel:** Correct. No. So obviously, that collection pressure, especially the DPD X-bucket has come down significantly. As far as later bucket collection, now we have recovery officers. So, 100%, that pressure has come down.

**Vivek Modi:** The digital itself has moved to about 35%.

**Aalok Patel:** So digital collection itself has moved to 35%. For the individual loan portfolio, 70% plus. So, all in all, that's much better, in terms of incentives and bonuses and R&Rs, the lot is relative, but they need much more money than they have before, better volumes and better collections and

otherwise meeting targets and other things. So yes, I think it's fair to say that it's much better for them now than it was, let's say, 12 months ago or even 6 months ago.

**Vinay Ambekar:** Very good. And like you said, culture is very important and that is something that we have maintained for so many years in the past.

**Aalok Patel:** But as far as culture, it becomes more and more difficult to maintain with such high attrition because it doesn't a chance to permeate.

**Vinay Ambekar:** Very true. Thank you so much.

**Aalok Patel:** Thank you.

**Moderator:** Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

**Aalok Patel:** Yes. Thanks to everyone for joining this call, and please reach out to us or Investor Relations team directly, should you have any further queries. So, thank you for joining this call, and have a great evening ahead.

**Moderator:** On behalf of Arman Financial Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.