



NORTHERN ARC

Investor Presentation – Q1FY25

Listed at



*Financing the Retail Credit Needs of India's
Underserved Households & Businesses
across focused sectors*



MSME



MFI



CF



VF



AHF



Agri

AA- (Stable)

By ICRA Limited and India Ratings

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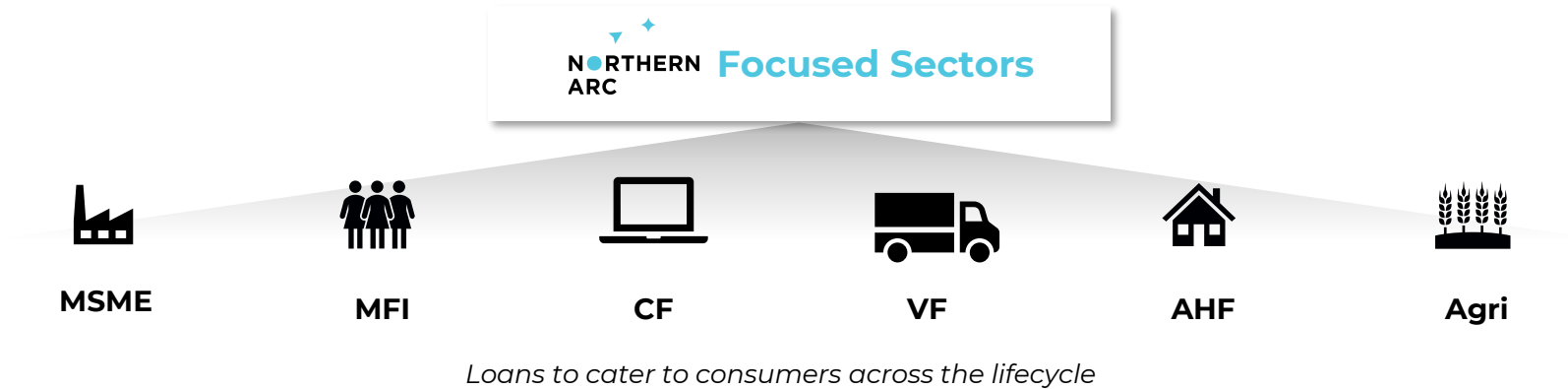


Northern Arc

At a glance...



Financing the Retail Credit Needs of India's **Underserved Households & Businesses**



Reaching the end customer through a **Multi-Chanel Approach to credit...**

Lending

Placements

Fund Management

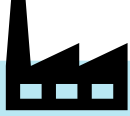





...Through Tech & Data enabled Platforms in an **Efficient & Scalable manner**



Diversification at the core of our business



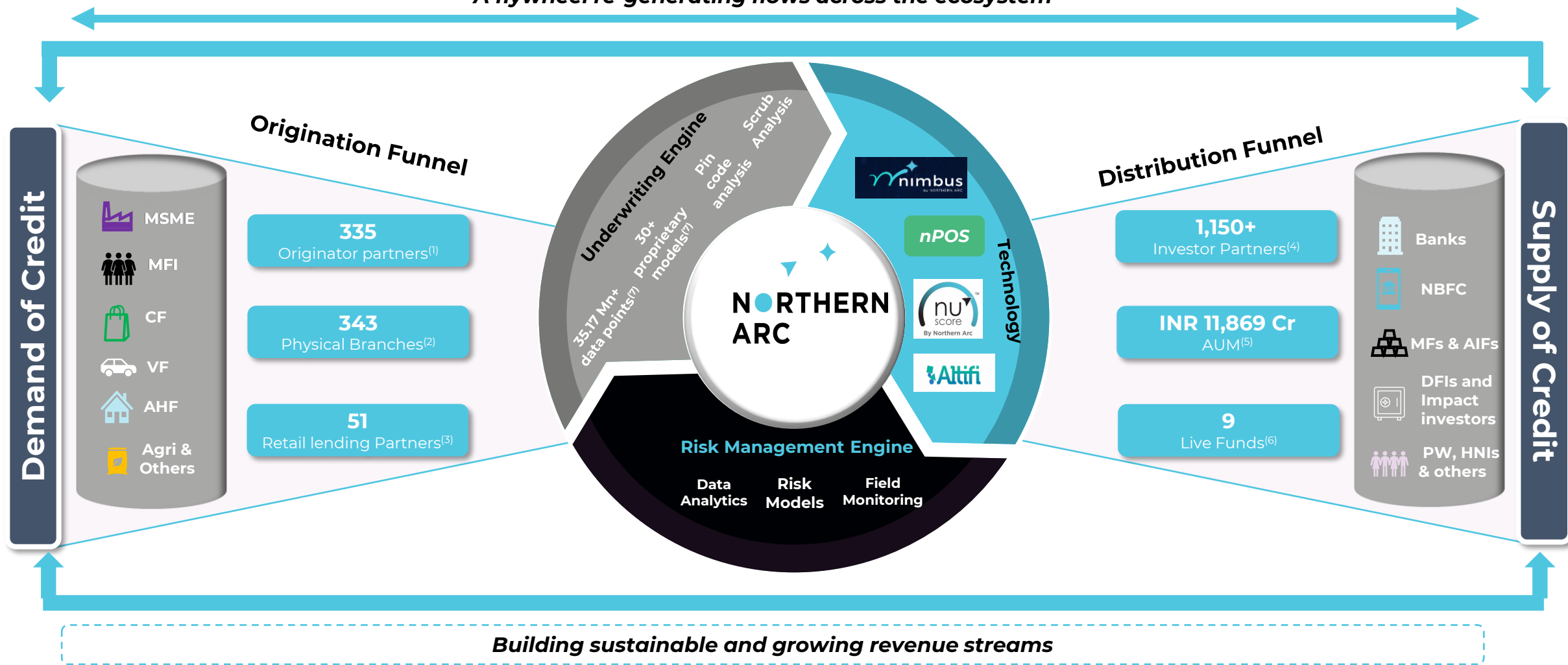
Sector & Product Diversification provides Resilience to the Northern Arc Platform

	 MSME	 MFI	 CF	 VF	 AHF	 Agri
AUM	INR 4,579 Cr	INR 2,604 Cr	INR 3,441 Cr	INR 713 Cr	INR 380 Cr	INR 152 Cr
Target Customer	Self-employed customers, wholesale & retail dealers, merchants, and service providers	Micro-entrepreneurs in joint liability group format	Salaried, Self Employed (Professional & Non-Professional)	Salaried and self-employed individuals	Salaried, Self Employed (Rural & Urban)	Farmers & Farmer Producer Organizations, in rural and semi-urban areas
Range of Loan	INR 50,000 to INR 50 Cr	INR 10,000 to INR 1,25,000	INR 1,000 to INR 5,00,000	2W: INR 40,000 to INR 1,00,000; Used CV loans: INR 250,000 to INR 1 million New CV loans: INR 0.8 million to INR 5 million	INR 2,00,000 to INR 50,00,000	INR 1,00,000 to INR 50,00,000
Average Tenor	24 -84 months	Up to 24 months	Up to 48 months	Up to 60 months	Up to 180 months	3-12 months

Data and Collection Platform which creates strong network effects

Multi-channel approach that has impacted over 101 million+ lives across focus sectors through a 'digital & data first' approach

A flywheel re-generating flows across the ecosystem



Notes: (1) Represents the cumulative number of Originator Partners onboarded since Fiscal 2009 as of June 30, 2024 (2) Number of branches that are operated for Direct to Customer lending as of June 30, 2024 (3) Represents Retail Lending Partners through whom loans are extended directly to Direct to Customer borrowers as of June 30, 2024 (4) Represents the cumulative number of investors with whom credit has been enabled through Placements business for Originator Partners and/or have invested across Northern Arc's funds as of June 30, 2024 (5) AUM represents aggregate of loans and investments in debentures, securitized assets (including loans assigned), units of AIF funds, loans assigned by Northern Arc and guarantees outstanding as of June 30, 2024. (6) Number of live funds represents the number of AIF funds and PMS funds that are in existence or have outstanding investments as of June 30, 2024, Fund 2 has been considered as a live fund as on June 2024, only due to the recoveries in progress from investees (7) Data as on March 31, 2024.



Northern Arc

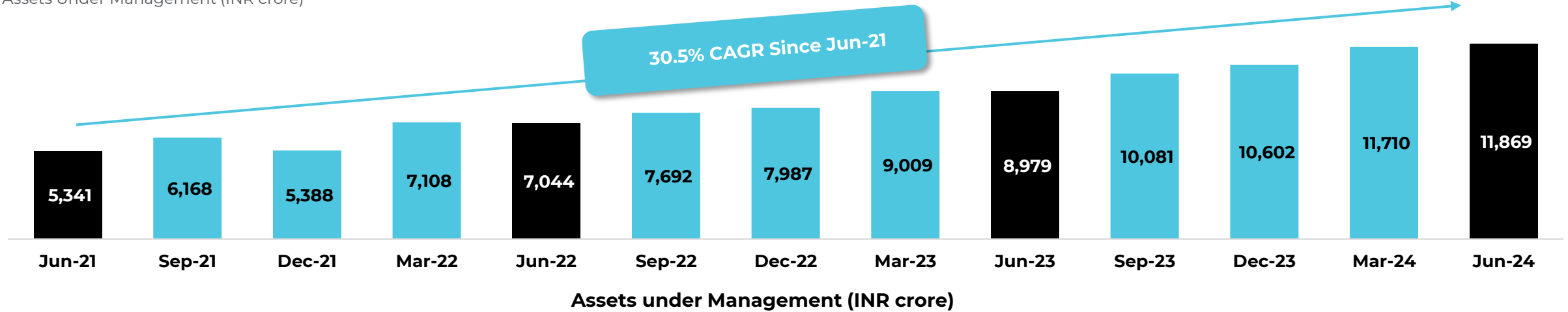
Business Growth...

Demonstrated consistent growth in business and profitability



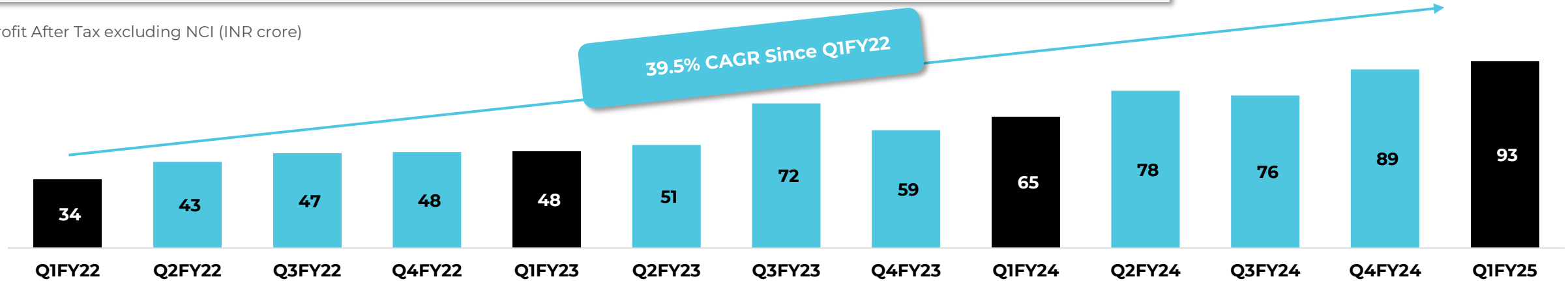
Robust growth in Balance sheet with focus on granularization

Assets Under Management (INR crore)



Consistently Profitable Quarter on Quarter

Profit After Tax excluding NCI (INR crore)



Northern Arc - High Performing Matrix

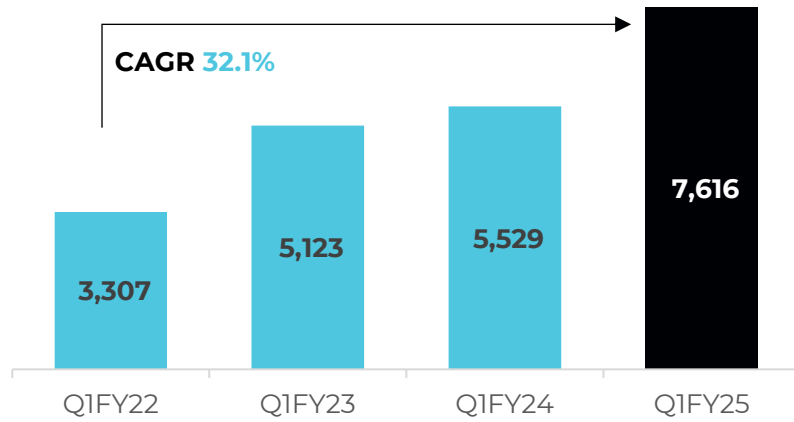


Across multiple channels of the business



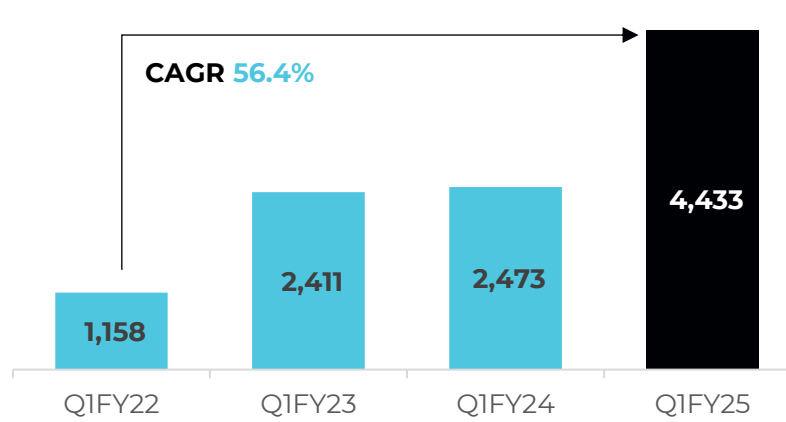
Gross Transaction Volume

Gross Transaction Volume (INR crore)



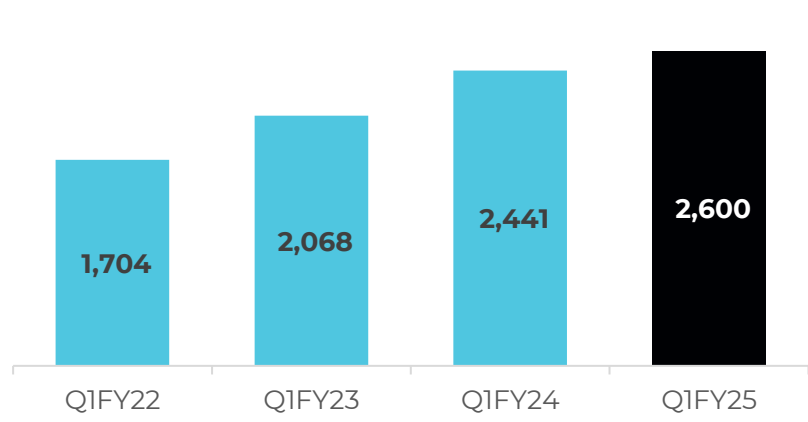
Growth in Disbursements

Disbursements (INR crore)



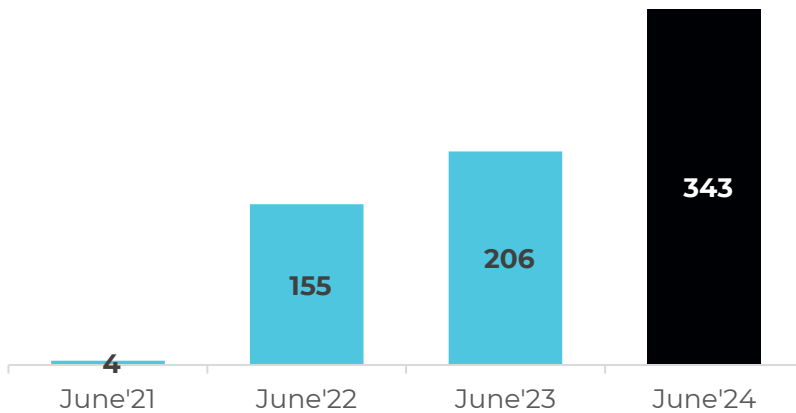
Placements Volume

Placements Volume (INR crore)



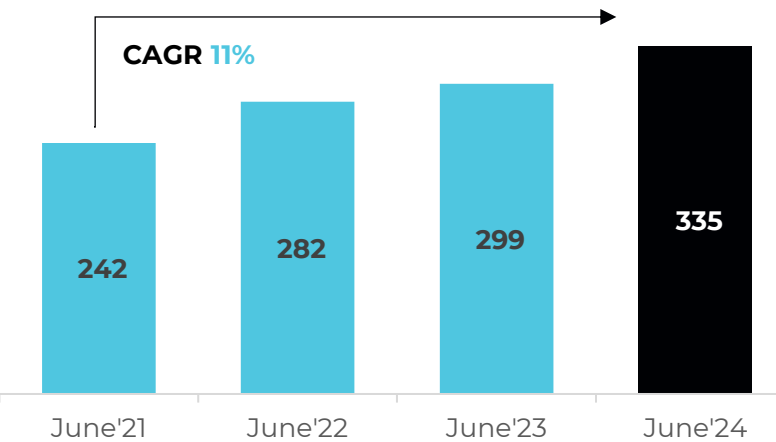
Large Distribution Network

Own Branches



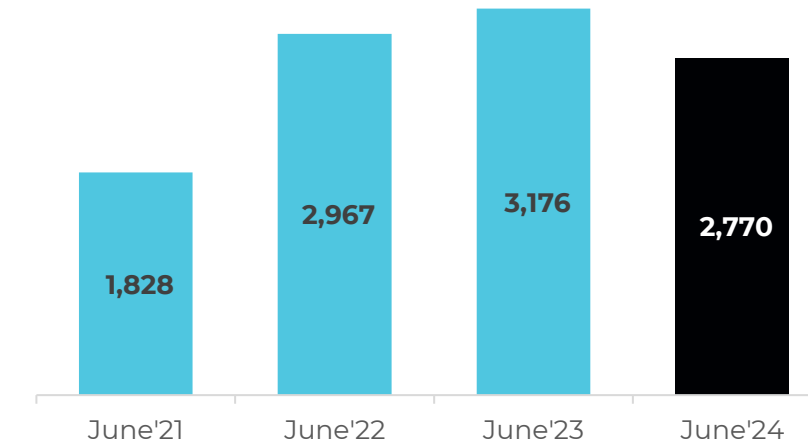
Consistently Growing Partner Ecosystem

Originator Partners



Fund AUM

Fund AUM (INR crore)

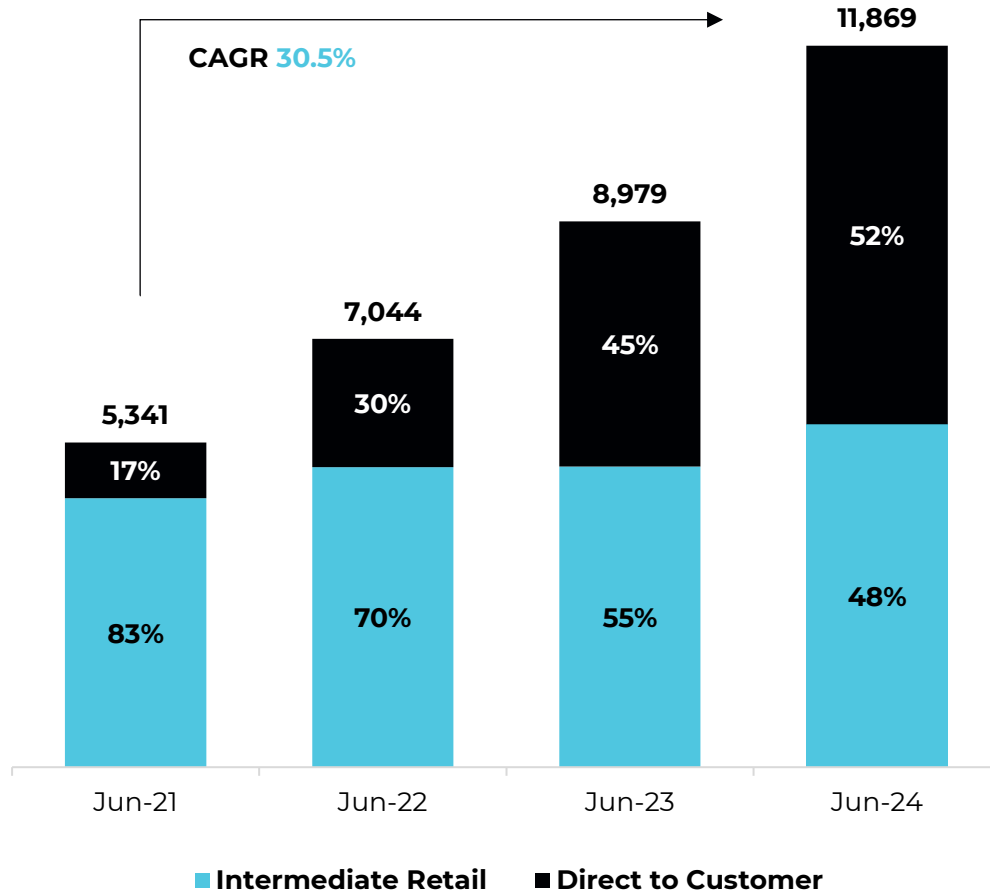


Balance Sheet Growth led through diversification and granularization



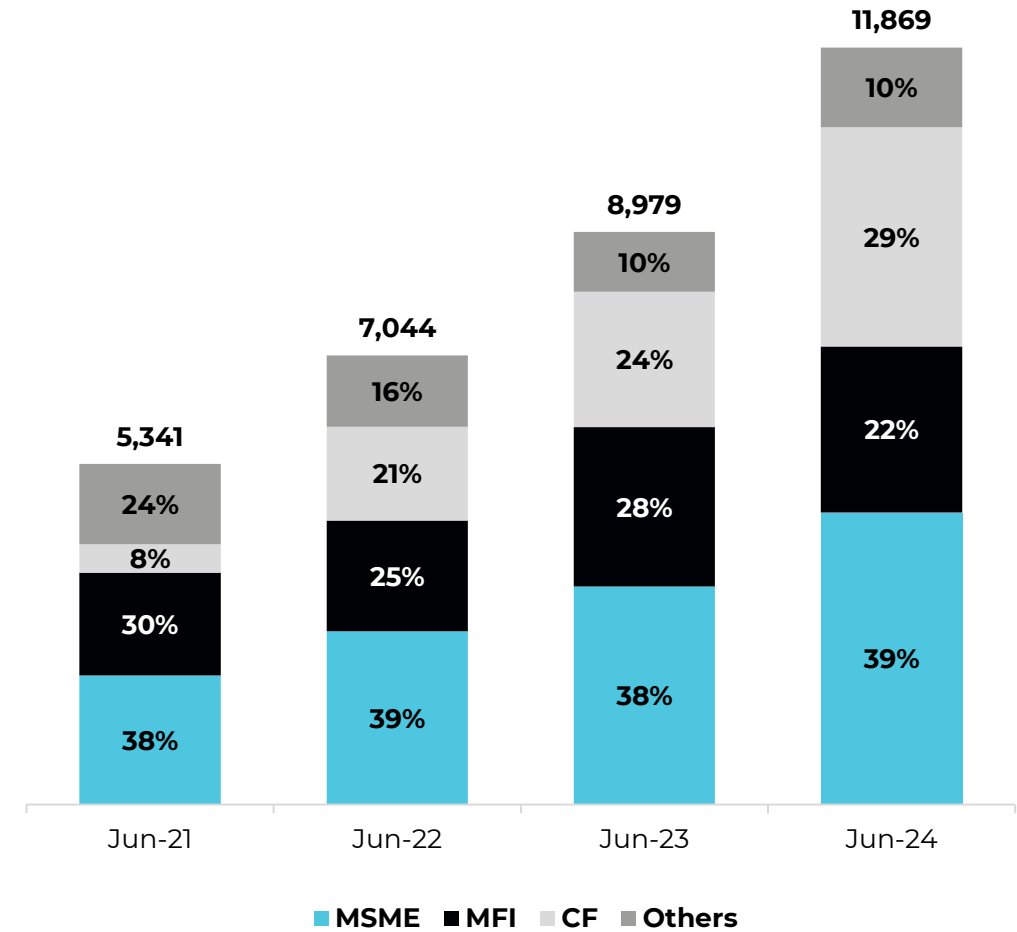
Assets under Management – By Source

INR Crore / %



Assets under Management – By Sector

INR Crore / %



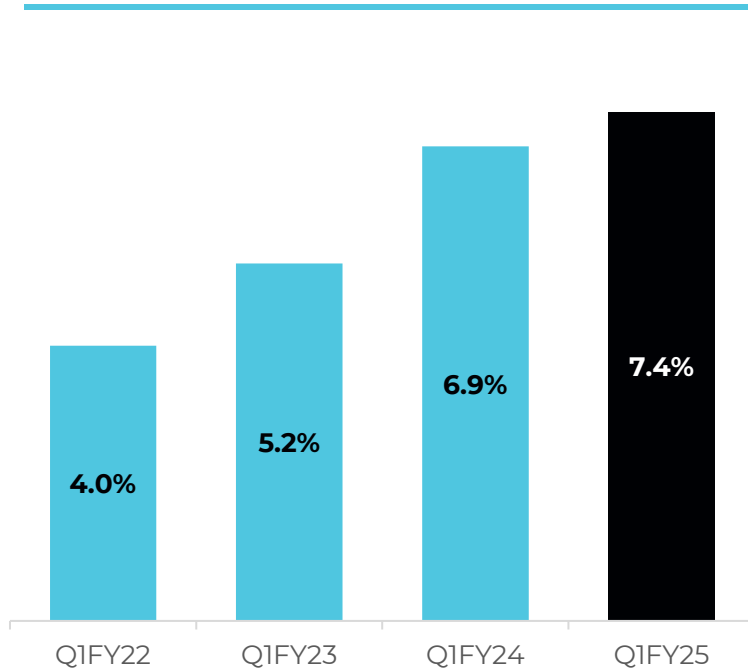
& Enhanced Efficiency for better profitability

Expansion in Risk adjusted NIMs driven by proactive risk management and granularization of portfolio

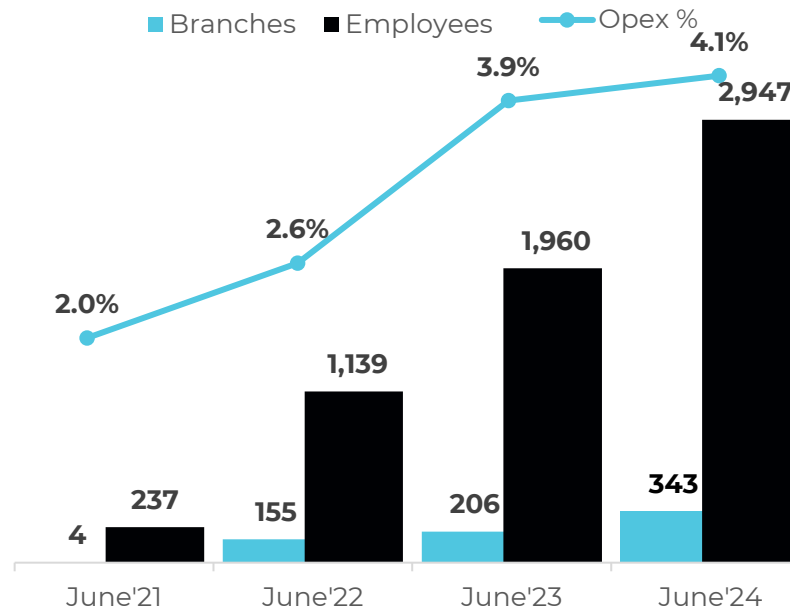
Retail expansion coming at a marginal increase in cost

Robust Growth in Profitability and superior return matrix

Risk Adjusted NIMs⁽¹⁾



No. of Branches, No. of employees and Opex %



PAT

INR 93Cr

3Y CAGR – 39.5%

ROA

3.1%

~70 Bps increase from Q1FY22

ROE

14.7%

~610 Bps increase from Q1FY22

Notes: (1) Interest income (adjusted for fee and commission expense) less interest expense and credit cost



Northern Arc

Risk Management

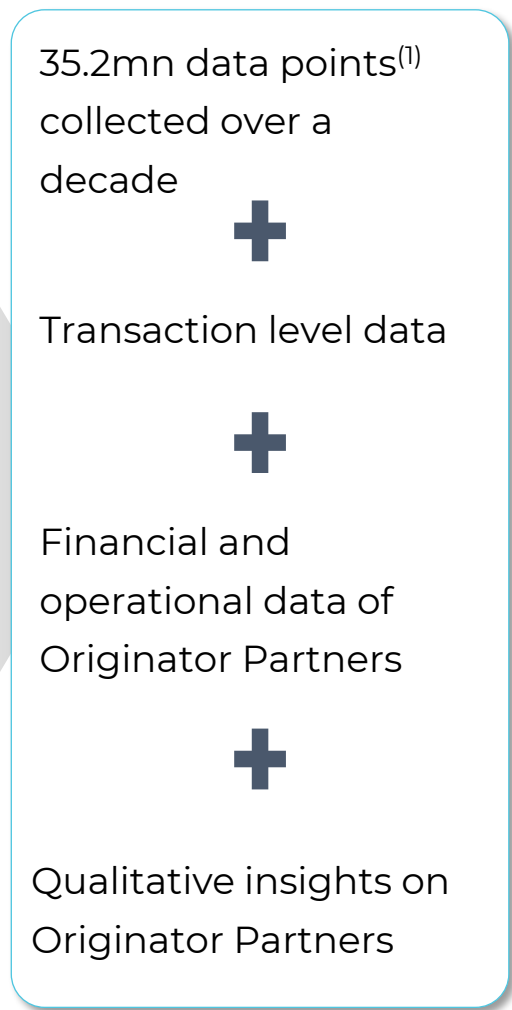
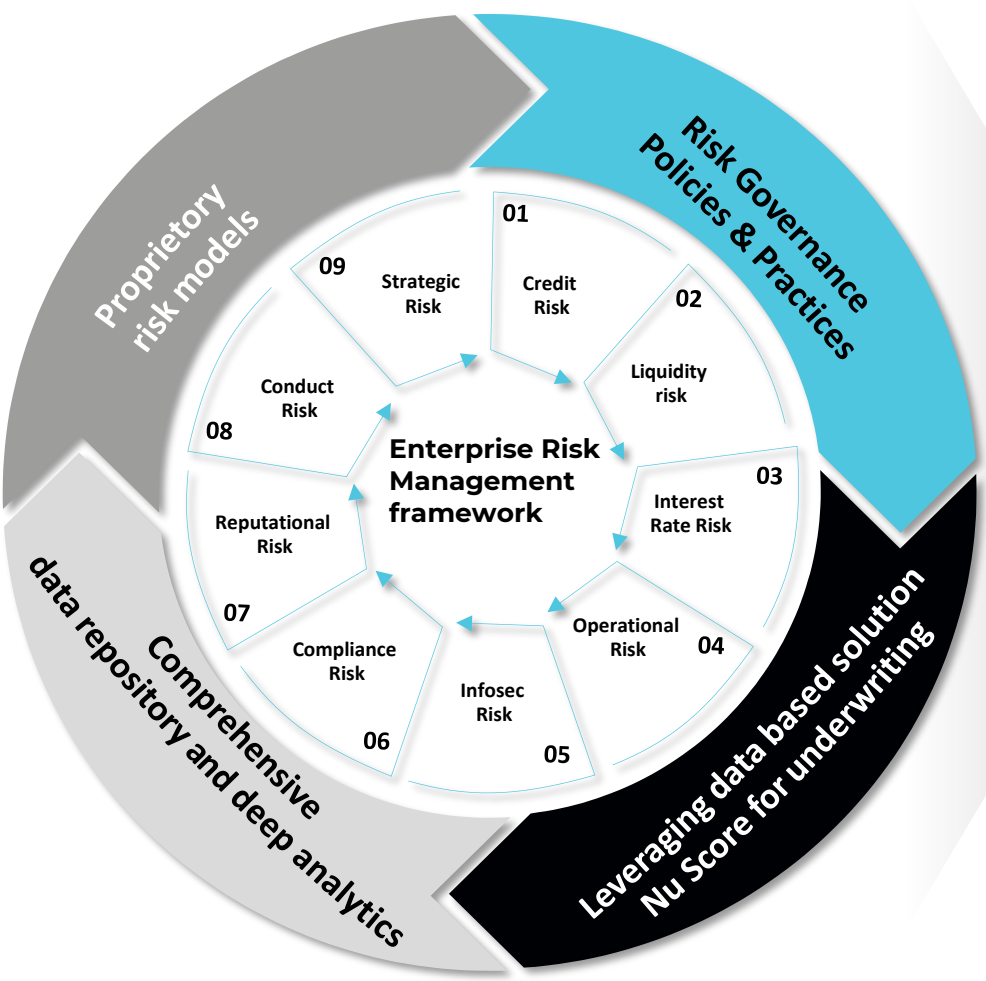
Robust Risk Management Framework and in-house collections infrastructure



Multi-dimensional Risk Management Practice

Supported by Independent collections ecosystem

& Analytics and Risk Modelling



Notes: (1) As of March 31, 2024.

Driving Quality Portfolio with One of the Lowest Industry-wide NPAs



Diversification augmented by proprietary tools and portfolio granularity driving asset quality & low credit costs

Sector Diversification

MSME MFI Vehicles
 Consumer Housing Agri



Asset Quality Drivers

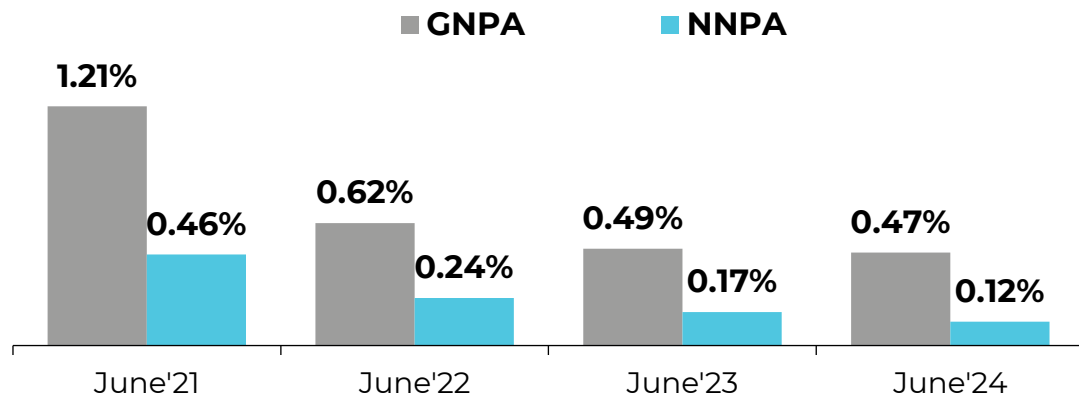
- Proprietary **Scorecards** for Underwriting
- Portfolio **Monitoring**
- Collection** Infrastructure



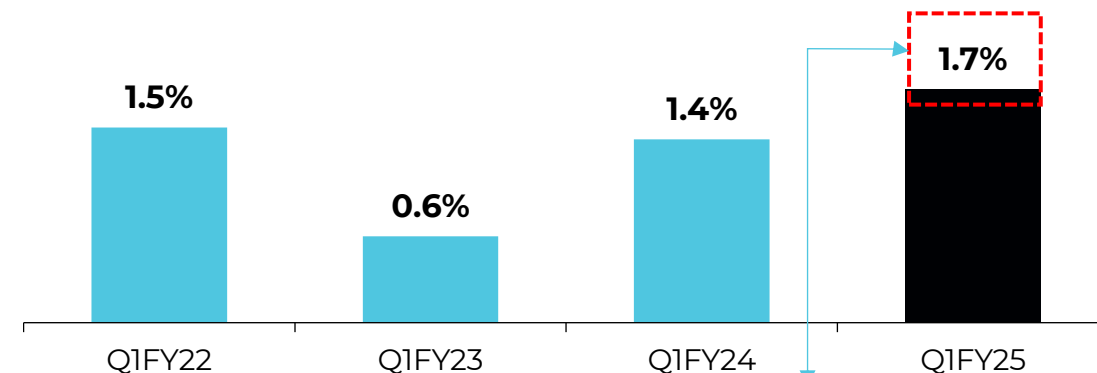
Granular Portfolio

- Exposure (in terms of AUM) towards Top 10 borrowers reduced from **19.5% at Jun-21** to **11.9% at Jun-24**
- Direct to Customer Lending book increased from **17% of AUM at Jun-21** to **52% of AUM at Jun-24**

Asset Quality



Credit Costs (% of Quarterly Average Total Assets)



1.7% includes 0.6% on account of change in ECL methodology from flow rate to static pool model. Sans which credit cost would have been at 1.1%



Northern Arc

Robust Technology Stack

Leveraging Technology Stack



Empowering Multifold growth through...

Configurable Workflows and Processes

- *Seamless End to end Journey*
- *Integrated LMS*
- *Fully customizable BRES*
- *Personalized workflows*

Credit Assessment and Risk Analysis

- *Multiple credit bureau integrations*
- *Proprietary Nu Score*
- *ML driven Risk Scoring*
- *STP and non-STP flow*

NORTHERN ARC TECH PLATFORM



Data, Dashboards, and Reports

- *Data driven insights powered by Lake*
- *Configurable reports*
- *Customizable dashboards*
- *Proactive alerts and notifications*

Immersive Customer Experience

- *Intuitive user interfaces*
- *Integrated Sales & Service*
- *Multi-channel user engagement*
- *Multi-lingual customer support*

Security & Scalability

- *256b AES based end-to-end encryption*
- *Scale on-demand*

Northern Arc

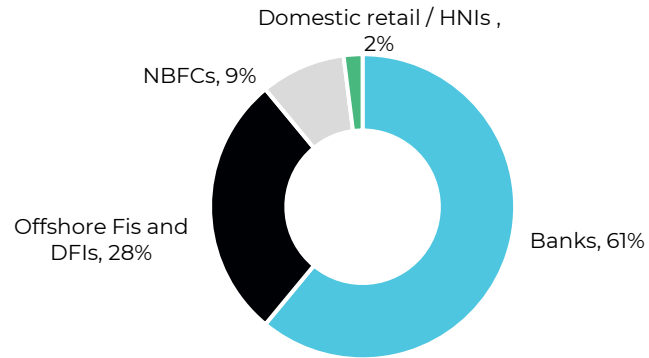
Liability Franchise

Diversified Sources of Funding and Proactive Liquidity Management

Well-diversified funding profile

Total Borrowing Mix as on June'24

Data as of June 30 2024



Established Lender Relationships

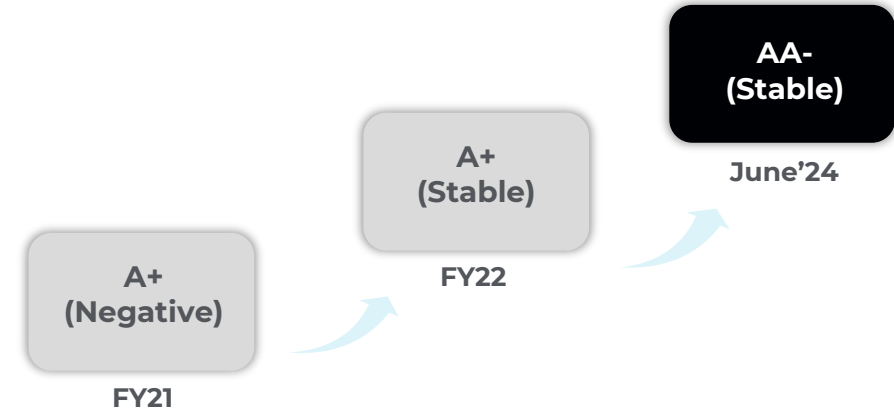
48
Lender Relationships

3.25yrs
Avg Tenure of Borrowings

21.5%
CRAR

Credit Rating Upgrades

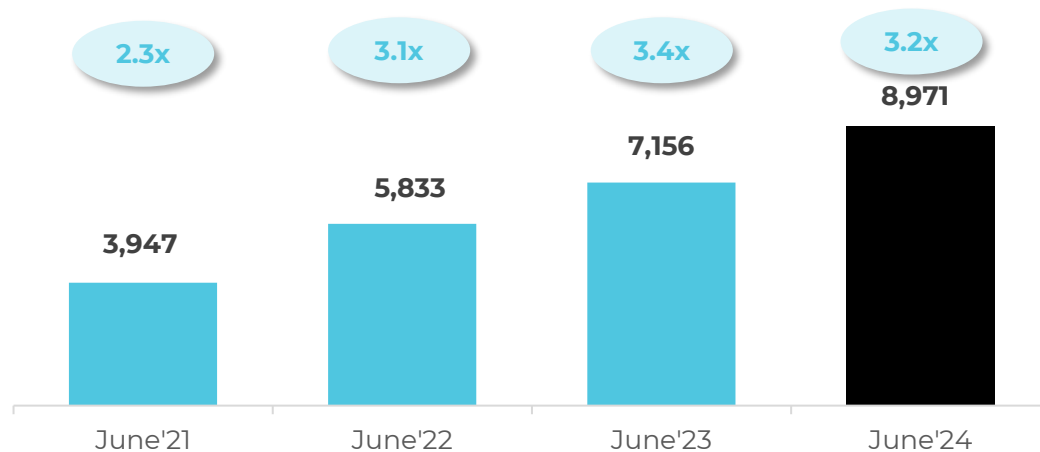
ICRA Credit Ratings



Leverage Levels ⁽¹⁾

Total Borrowings (INR Cr)

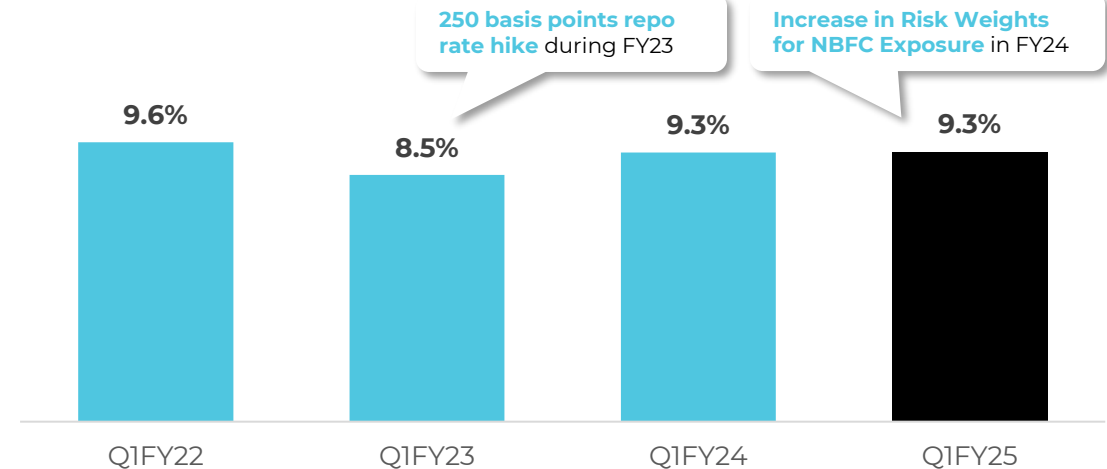
Debt / Equity



Notes: 1. Debt / Equity ratio: Equity includes NCI portion.
2. Cost of Funds is based on Quarterly Average borrowings.

Cost of Funds ⁽²⁾

Average Cost of Borrowings (%)





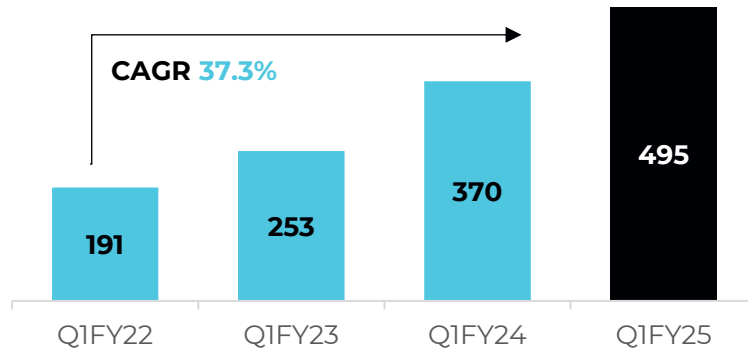
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Financial Performance

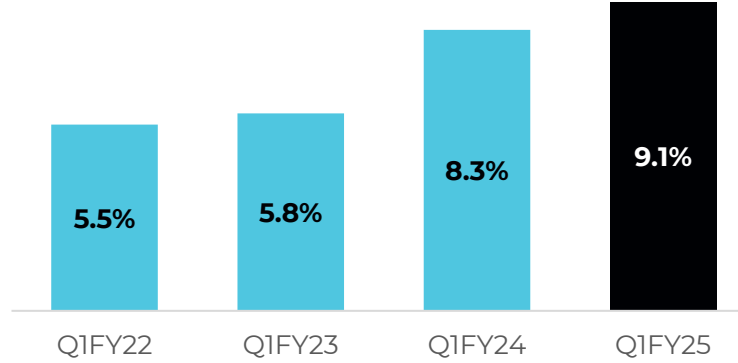
Key Financial Matrix

Revenue From Operations ^{(1)*}

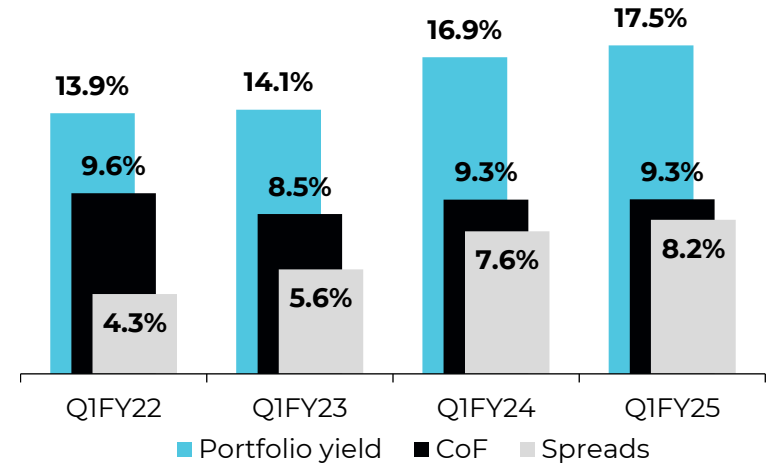
Revenue from Operations (INR crore)



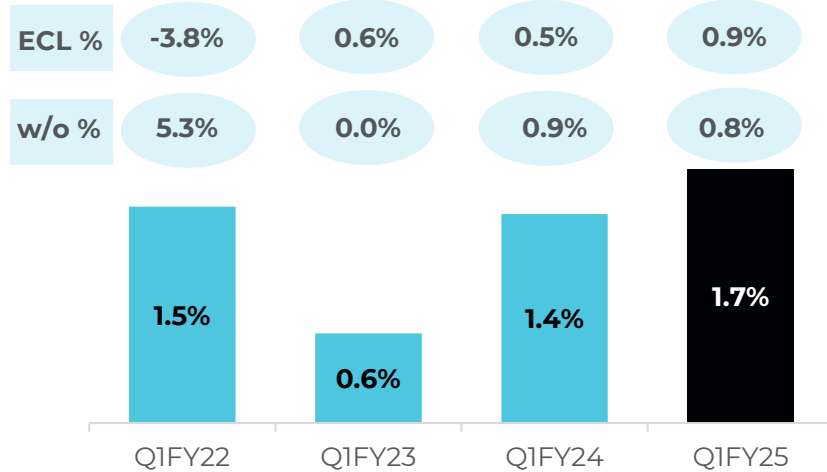
Net Interest Margin ^{(2)*}



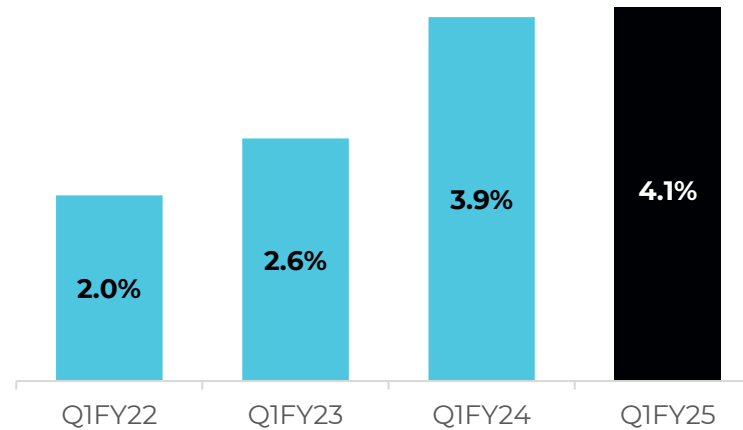
Yields, COF, Spreads ^{(3)*}



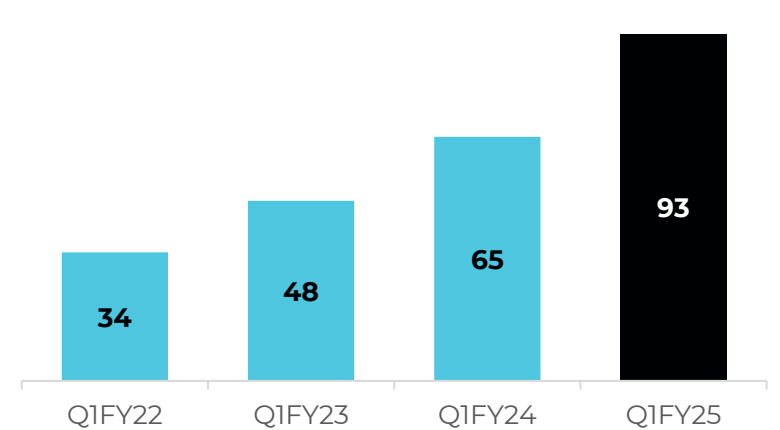
Credit Cost % ⁽⁴⁾



Operating Cost % ⁽⁵⁾



Profit After Tax (excluding NCI) (INR Cr)



Notes: * Adjusted for fees and commission expense

(1) Revenue from Operations is Interest Income and Fee income

(2) NIM Ratio of 'Adjusted Interest Income net of Interest Expense' to 'Quarterly Average Total Assets'.

(3) Yields: Ratio of 'Adjusted Interest Income' to 'Quarterly Average Earnings AUM'. Cost of Funds (CoF): ratio of 'Interest Expense' to 'Quarterly Average Borrowings'.

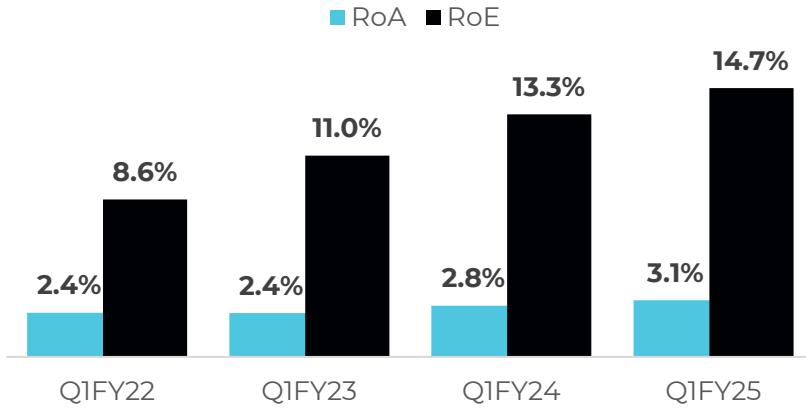
(4) Credit Cost %: Ratio of Credit cost to Quarterly Average Total Assets.

(5) Operating Cost %: Ratio of Operating cost to Quarterly Average Total Assets.

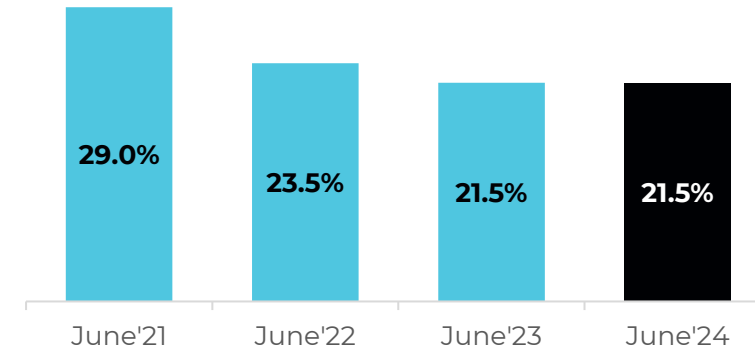
Key Financial Matrix

Improving Return Ratios ⁽¹⁾

Return Metrics (ROA, ROE)

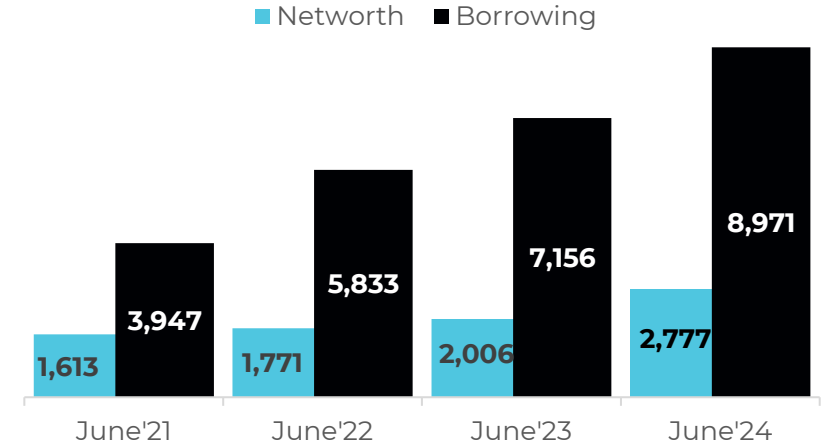


Capital Adequacy

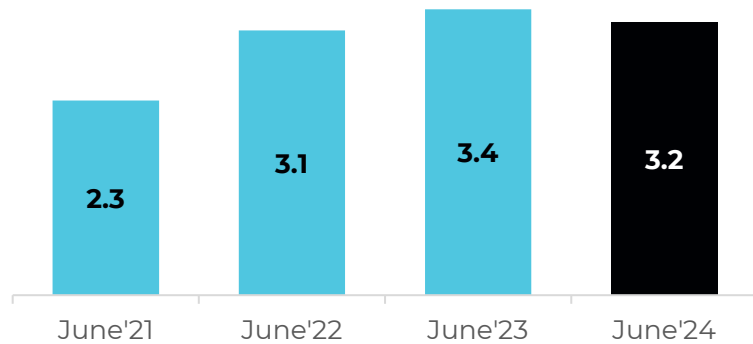


Net worth & Borrowings

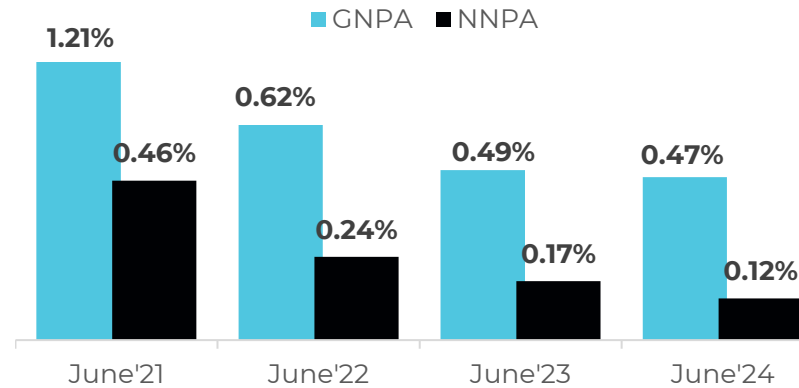
Net worth and Borrowings (INR crore)



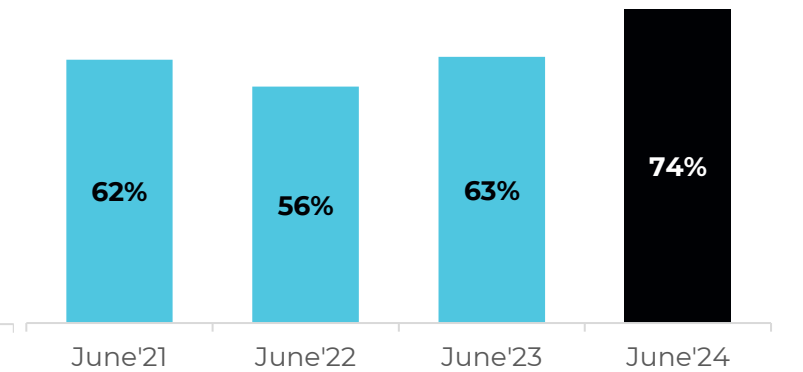
Debt Equity Ratio ⁽²⁾



GNPA & NNPA



Provision Coverage Ratio ⁽³⁾



Notes: (1) RoA and RoE are computed as ratio of 'Profit attributable to owners' to 'Quarterly Average Total Assets' and 'Quarterly Average Equity attributable to owners' respectively

(2) Debt / Equity ratio: Equity includes NCI portion

(3) Provision Coverage Ratio is computed as ratio of Stage 3 ECL Provision to Stage 3 Exposure At Default

Portfolio Quality



INR crore / %	Assets under Management				Assets under Management (%)				ECL : Expected Credit Loss				ECL % : provision coverage for each stage			
	By Staging	Jun-21	Jun-22	Jun-23	Jun-24	Jun-21	Jun-22	Jun-23	Jun-24	Jun-21	Jun-22	Jun-23	Jun-24	Jun-21	Jun-22	Jun-23
Stage I	5,114	6,881	8,545	11,053	95.9%	97.7%	98.6%	98.0%	47	60	75	94	1.0%	0.9%	0.9%	0.9%
Stage II	153	122	78	168	2.9%	1.7%	0.9%	1.5%	10	9	27	40	6.6%	7.5%	35%	24%
Stage III	65	38	43	53	1.2%	0.6%	0.5%	0.5%	40	21	27	39	62%	56%	63%	74%
Total On-Book	5,332	7,041	8,666	11,274	100%	100%	100%	100%	97	90	129	173	1.91%	1.28%	1.54%	1.55%
Assigned Assets	9	3	313	595					NA	NA	NA	NA				
Overall AUM	5,341	7,044	8,979	11,869												

Stage I – Consistent Stage 1 ECL% over the past three years. The Stage 1 coverage is higher than the regulatory requirement of standard asset provisioning (0.4%) by 50 bps and covers our expected losses for the next 12 months (stage 1 PDs are 12-month PDs).

Stage III – Decrease in Stage 3 exposure (GNPA) from 0.6% -> 0.5% -> 0.47% & Increase in stage 3 ECL% (PCR) from 56% -> 63% -> 74%

Stage II – Stage 2 ECL% has changed due to different lifetime of assets in stage 2 and SICR (stage 1 to stage 2) done due to Covid in the past.

Consolidated Income Statement



INR crore	Q1 FY22	Q1 FY23	Q1 FY24	Q1 FY25	Growth	Growth%	Q4 FY24	FY24
Interest income*	173	240	358	481	123	34%	427	1,582
Interest expense	95	125	164	209	45	28%	204	725
Net Interest Income	79	115	194	272	77	40%	224	857
Fee & Other Income	21	17	19	25	7	36%	42	103
Net Revenue	99	132	213	297	84	40%	265	961
Credit Costs	21	13	32	51	19	61%	24	122
Net Revenue post Credit Cost	79	119	181	245	65	36%	242	838
Employee Costs	20	34	54	70	17	31%	67	242
Operating Costs	9	18	37	51	14	38%	60	176
Total Operating Costs	28	52	91	122	31	34%	128	418
Profit before tax	51	67	90	123	34	37%	114	420
Tax expense	13	17	21	30	9	43%	28	103
Profit after tax	37	50	69	94	25	35%	86	318
Profit after tax (excluding NCI)	34	48	65	93	28	43%	89	308

Profitability Matrix	Q1 FY22	Q1 FY23	Q1 FY24	Q1 FY25	Q4 FY24	FY24
Yield %	13.9%	14.1%	16.9%	17.5%	16.5%	16.7%
Cost of Funds %	9.6%	8.5%	9.3%	9.3%	9.5%	9.2%
Spreads %	4.3%	5.6%	7.6%	8.2%	7.0%	7.5%
CRAR	29.0%	23.5%	21.5%	21.5%	18.3%	18.3%
Debt to equity	2.3	3.1	3.4	3.2	3.9	3.9

Financial Dupont



Particulars	Q1 FY22	Q1 FY23	Q1 FY24	Q1 FY25	Q4 FY24	FY24
Interest Income*	12.2%	12.2%	15.2%	16.2%	15.2%	15.3%
Interest Expense	6.7%	6.4%	7.0%	7.0%	7.2%	7.0%
Net Interest Income	5.5%	5.8%	8.3%	9.1%	8.0%	8.3%
Fee and Other Income	1.4%	0.8%	0.8%	0.8%	1.5%	1.0%
Net Revenue	7.0%	6.7%	9.0%	10.0%	9.5%	9.3%
Credit Costs	1.5%	0.6%	1.4%	1.7%	0.9%	1.2%
Net Revenue post Credit	5.5%	6.0%	7.7%	8.3%	8.6%	8.1%
Employee Costs	1.4%	1.7%	2.3%	2.4%	2.4%	2.3%
Operating Costs	0.6%	0.9%	1.6%	1.7%	2.1%	1.7%
Total Operating Expense	2.0%	2.6%	3.9%	4.1%	4.5%	4.0%
Profit Before Tax	3.6%	3.4%	3.8%	4.2%	4.1%	4.1%
Tax	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%
Profit after tax (excluding NCI)	2.4%	2.4%	2.8%	3.1%	3.2%	3.0%
Return on Equity	8.6%	11.0%	13.3%	14.7%	15.8%	14.6%
Cost to income Ratio	28.4%	39.5%	42.7%	41.1%	48.1%	43.5%
<i>as a % of Quarterly Average Total Assets</i>						

Notes: * Interest income is adjusted for fees and commission expense

Balance Sheet



INR crore	Q1 FY22	Q1 FY23	Q1 FY24	Q1 FY25	FY24
Assets					
Financial assets					
Cash and bank balances	483	618	642	589	408
Loans	3,812	5,447	7,205	9,651	9,210
Investments	1,327	1,563	1,433	1,661	1,785
Other financial assets	15	65	116	107	164
Non-financial assets	72	147	140	125	141
Total assets	5,709	7,841	9,537	12,133	11,708
Liabilities and equity					
Financial liabilities					
Borrowings & Debt Securities	3,947	5,833	7,156	8,971	9,048
Other financial liabilities	39	103	203	313	287
Other non-financial liabilities	20	43	59	65	53
Equity	1,613	1,771	2,006	2,777	2,314
Non-controlling interest	90	91	112	7	6
Total liabilities and equity	5,709	7,841	9,537	12,133	11,708
Quarterly Avg. earning Assets	5,012	6,854	8,534	11,040	9,476
Quarterly Avg. total assets	5,703	7,907	9,454	11,920	10,373



Northern Arc

Board & Management

Experienced and Professional Management Team



Ashish Mehrotra
Managing Director
& Chief Executive Officer

30+ years of experience ,
9 + years of experience as CEO and
MD



Pardhasaradhi Rallabandi
Group Risk Officer & Governance
Head
21 Years of experience



Gaurav Mehrotra
Chief Technology Officer
23 years of experience



Amit Mandhanya
EVP – Partnership Based
Lending
11+ years of experience



Bhavdeep Bhatt
Chief Executive Officer – Northern
Arc Investment Managers
25+ years of experience



Atul Tibrewal
Chief Financial Officer
23 years of experience



Gaurav Ajit Shukla
Chief Business Officer –
Intermediate Retail
23+ years of experience



Prakash Chandra Panda
Company Secretary
15 years of experience



Kalyansundaram C
Chief Internal Audit Officer
25+ years of experience



Saurabh Jaywant
Chief Legal Officer
19+ years of experience



Umasree Parvathy Pratap
Chief People Officer
20+ Years experience



Jagadish Babu Ramadugu
Managing Director & CEO
(Pragati)
25+ years of experience



Vipin G S
Chief Compliance Officer
25+ years of experience

Distinguished Board and Marquee Investors Driving Strong Governance



Mr. P S Jayakumar
Chairman & Non-Executive
Independent Director

Former MD & CEO,
Bank of Baroda
~30 years of experience



Ms. Anuradha Rao
Non-Executive
Independent Director

Former MD & CEO
SBI Funds Management
~36 years of experience



Mr. Ashutosh Arvind Pednekar
Non-Executive
Independent Director

Practicing Chartered Accountant
30+ years of experience



Mr. Arunkumar N.T.
Non-Executive
Independent Director

PG from XLRI
Formerly associated with
ITC, Pepsico India, Polaris Software



Mr. Ashish Mehrotra
Managing Director &
Chief Executive Officer

Former MD & CEO, Max Bupa
Health Insurance
MD & Retail Bank Head, Citibank
India



Dr. Kshama Fernandes
Non-Executive, Non-Independent
Director and Vice-Chairperson

Northern Arc Capital
~25 years of experience



Mr. Michael Jude Fernandes
Non-Executive Nominee Director


Co-lead
Leapfrog Investments, South & SEA
~20 years of experience



Mr. Vijay Chakravarthi
Non-Executive Nominee Director


MD – Affirma Capital
Former Executive Director,
Private Equity at Standard Chartered Bank



Mr. T S Anantharaman
Non-Executive Nominee Director

Formerly associated with CSB Bank,
Motilal Oswal Financial Services

Independent Director

Nominee Director

Others

ESG Focused Business Model Positively Impacting 101 Mn+ Lives



IVCA Award
for Social Impact
in 2023

Impact Assets 50
Featured Consistently
since 2021

UNSDG⁽¹⁾ Alignment Built into the Business Model

Robust ESG Framework with Effective Tools & Regular Monitoring



Note: (1) United Nations Sustainable Development Goals



Northern Arc

Way Forward



Financing the Credit Needs of India's Underserved Households & Businesses by

A Diversified Platform

- ❖ **One of the leading players** in the retail lending ecosystem
- ❖ Expansion via **organic and inorganic growth** to continue to be one of the leading diversified NBFC's in India
- ❖ **Ecosystem approach** in engaging with clients and investors
- ❖ Extending coverage to **newer classes of investors**

Broad-based Franchise

- ❖ Expand presence in **Direct to Customer Lending** to enhance risk adjusted returns
- ❖ Broad-base and **deepen relationships**, serving customers through life-cycle
- ❖ **Leverage rural finance** and technology by introducing new products and providing larger value loans
- ❖ **AltiFi** democratizing access to fixed income investments
- ❖ Expand the **Fund Management** business by adding **new products** such as thematic funds and launching of **PMS**

Credit-first and Customer-Centric Culture

- ❖ Focus on improving credit quality through **'credit first' approach**
- ❖ **Focus on ESG** - Explore opportunities to participate in the climate and sustainability sector
- ❖ Continue to **invest, build and enhance incremental risk monitoring**, analytical and collection capabilities

Data and technology driven

- ❖ Managing customers through the life-cycle using **predictive data-driven decisioning** with real-time portfolio actions
- ❖ Empower Investor Partners with **tailor-made solutions**
- ❖ Increase deployment of machine learning techniques and **deepen our data repository**

Mission and Vision



VISION

Our Vision is to be a trusted platform that enables the flow of finance from capital providers to users in a reliable and responsible manner.



MISSION

To enable access to finance for the underbanked in an efficient, scalable and reliable manner

Our Values



Ethical



Responsive



Innovative



Empathetic



Resolute

Summary

Addressing a Large Addressable Market and Underpenetrated Market with **Strong Sectoral Expertise**

Large Ecosystem of Partners and Data and Technology Platform Creating **Strong Network Effects**

Proprietary Technology Product Suite Transforming the Debt Market Ecosystem

Robust Risk Management Driving Asset Quality

Diversified Sources Of Funding and Proactive Liquidity Management

Track Record of **Consistent & Resilient Performance**

Professional Management Team backed by Experienced Board & Marquee Investors and **Strong ESG Framework**

Thank You