



NORTHERN ARC

Investor Presentation
Q2FY25 & H1FY25

AA-(Stable)

By ICRA Limited & India Ratings



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

Disclaimer



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Northern Arc

At a glance...

Differentiated & Unique Platform play on India's Retail Credit Market



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



Focused Sectors



MSME



MFI



CF



VF



AHF



Agri

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**



Loan Origination System

nPOS

Co-lending Technology Solution

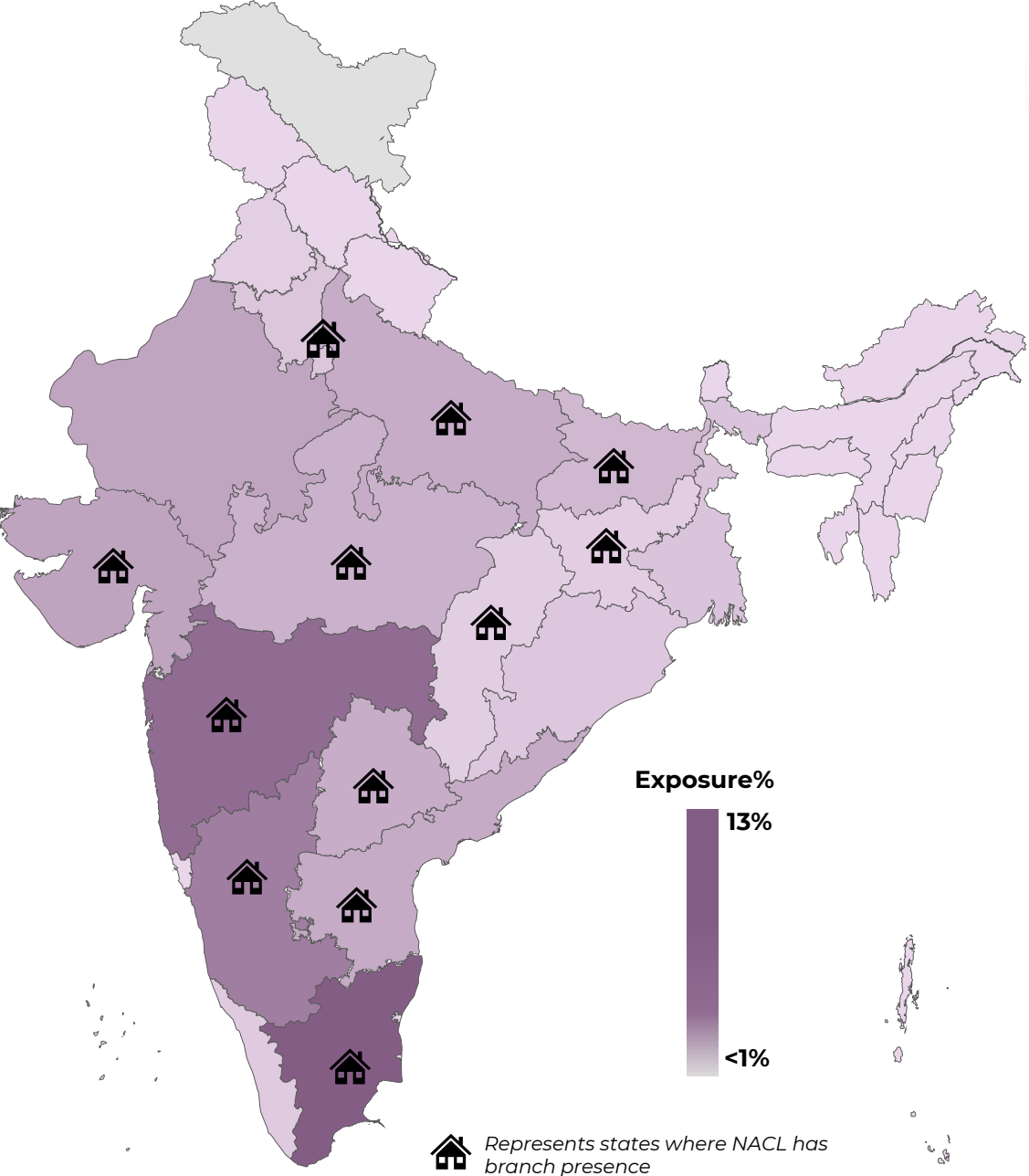


Fixed income Investment Platform



Proprietary scorecards

Expanding Relationships & Distribution reach to scale customer base



Wide Geographic reach through...

Own Branches

370

19.7 lakh
Direct
Customers

Partnerships

Originator
Partners

341

686 Districts

Retail Lending
Partners

53

28 States

Employees







3,312

7 Union
Territories

Diversification at the core of our business



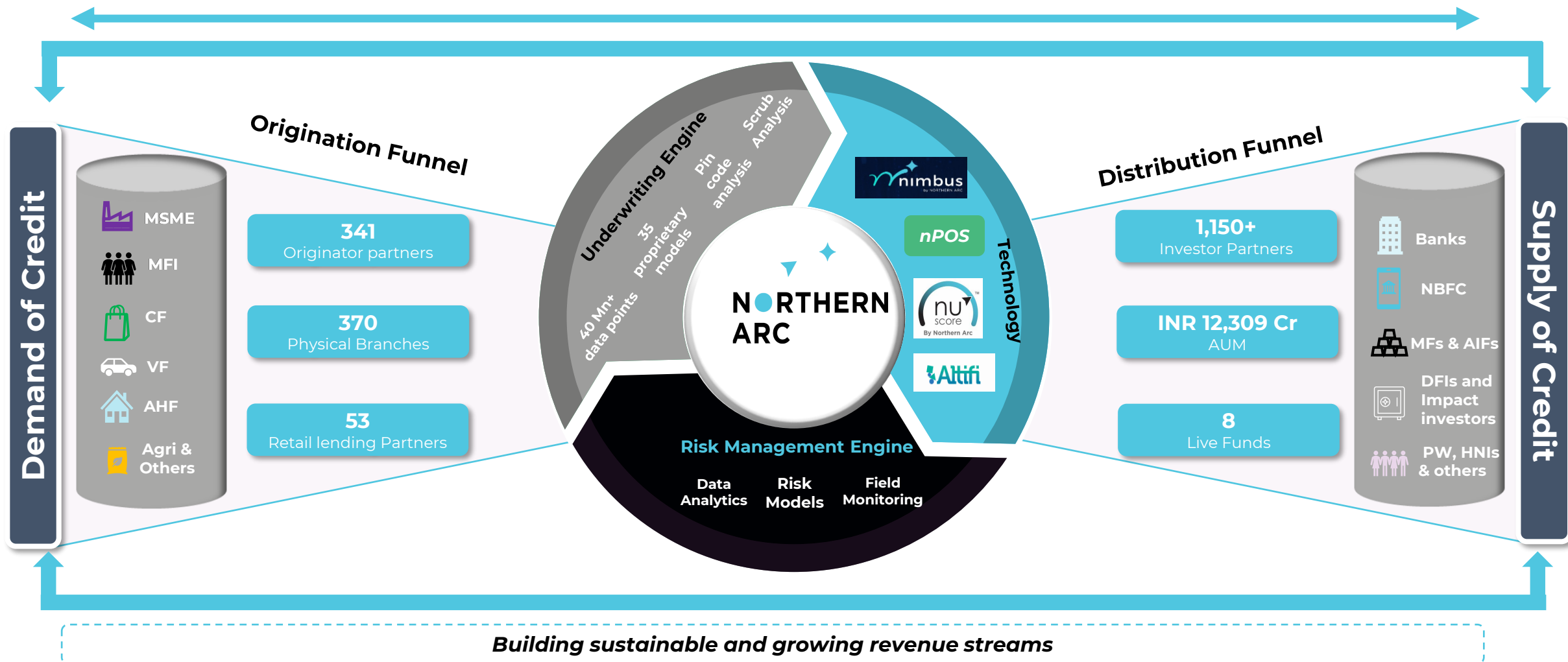
Sector & Product Diversification provides Resilience to the Northern Arc Platform

	 MSME	 MFI	 CF	 VF	 AHF	 Agri
AUM	INR 4,723 Cr	INR 2,398 Cr	INR 3,723 Cr	INR 846 Cr	INR 465 Cr	INR 153 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 40k to INR 100k; Used CV loans: INR 250k 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 111 million+ lives across focus sectors through a 'digital & data first' approach

A flywheel re-generating flows across the ecosystem





Northern Arc

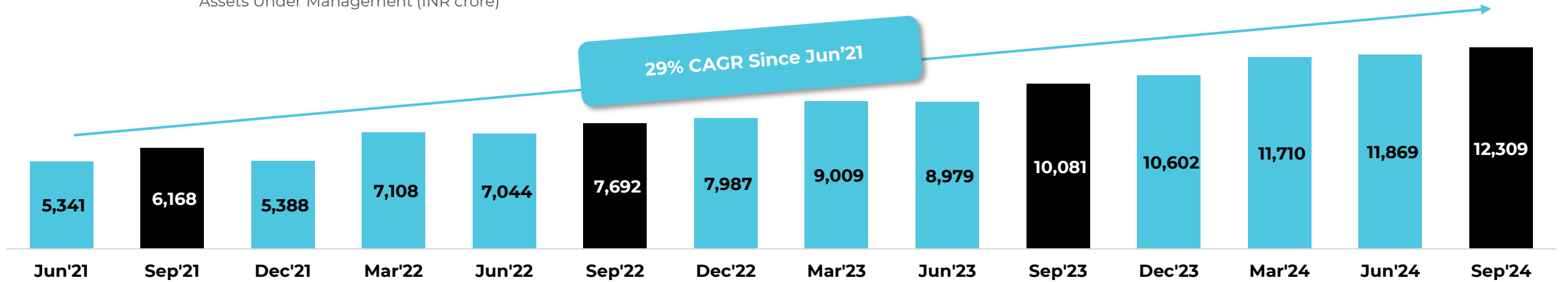
Business Growth...

Demonstrated consistent growth in business and profitability



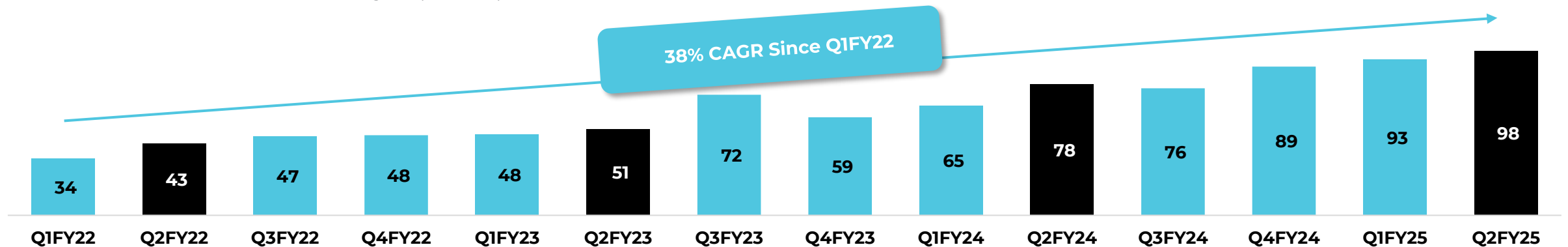
Robust growth in Balance sheet with focus on granularization

Assets Under Management (INR crore)



Consistently Profitable Quarter on Quarter

Profit After Tax excluding NCI (INR crore)



High Performing Matrix – Q2FY25



Key Outcomes

Disbursements
INR 5,035 Cr
▲ 23%

Lending AUM
INR 12,309 Cr
▲ 22%

Fund AUM
INR 2,812 Cr

Return Parameters

NIM
9.1%
▲ 128 bps

RoA
3.1%
↔ 6bps

RoE
12.7%

Financial Efficiency

PAT
INR 98 Cr
▲ 24%

Net worth
3,316 Cr
▲ 56%

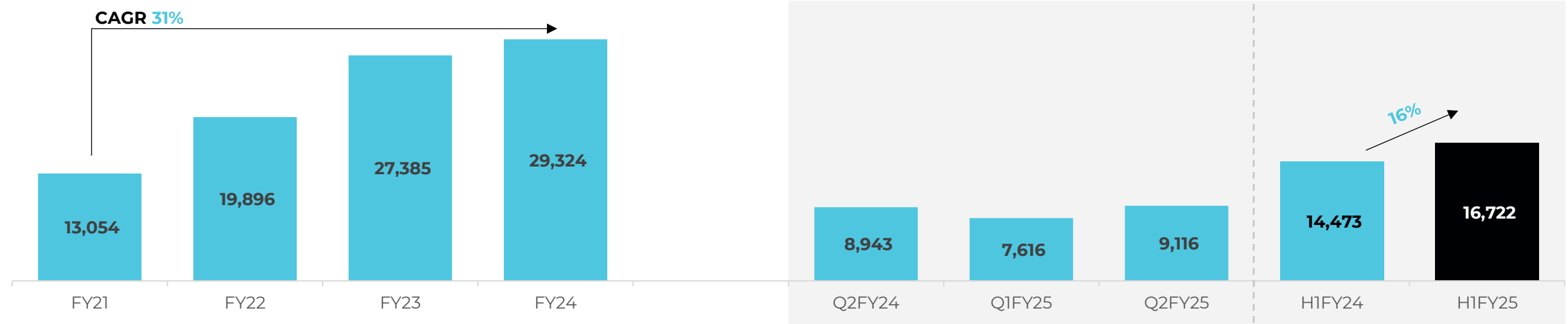
GNPA
0.60%
NNPA
0.18%

Raised fresh Equity capital of Rs. 500 Cr through IPO

Healthy growth in transactions volume

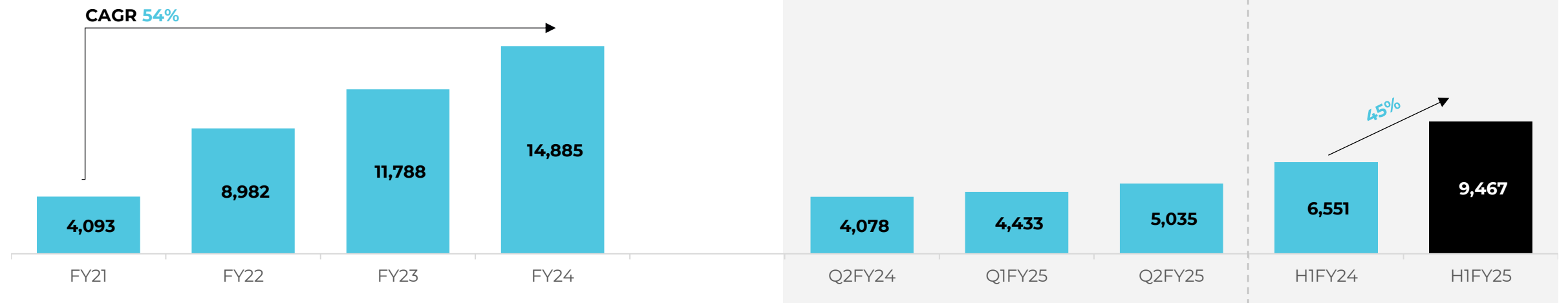
Gross Transaction Volume

INR crore



Growth in Disbursements

INR crore

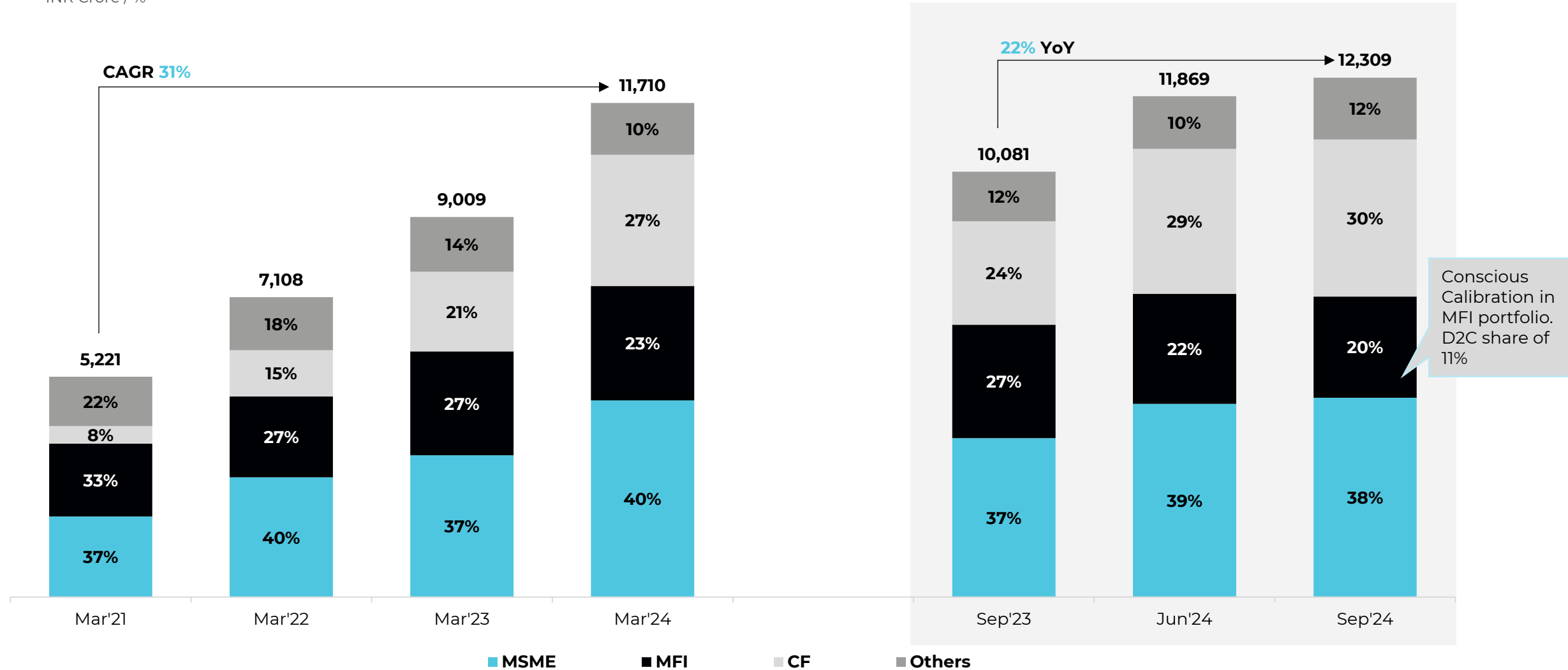


Balance Sheet Growth led through diversification

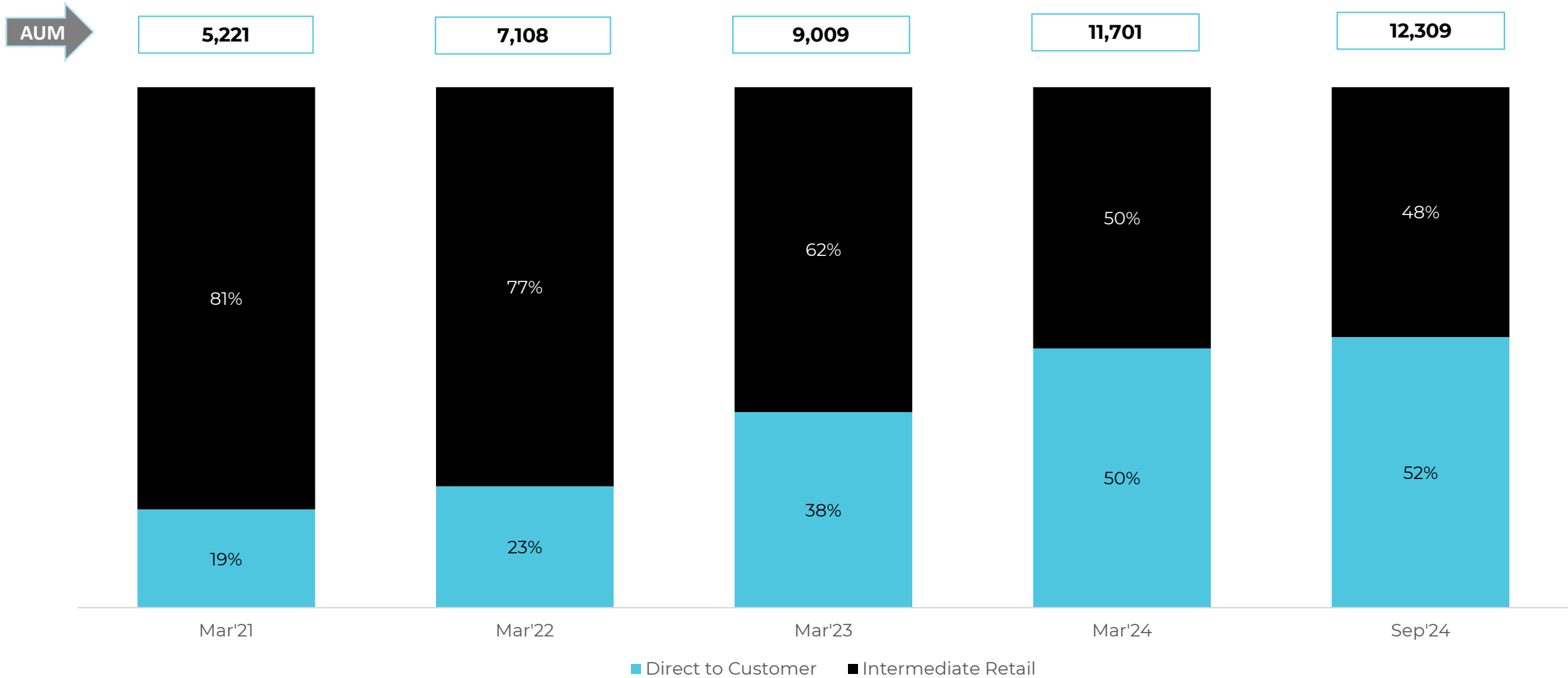


Assets under Management – By Sector

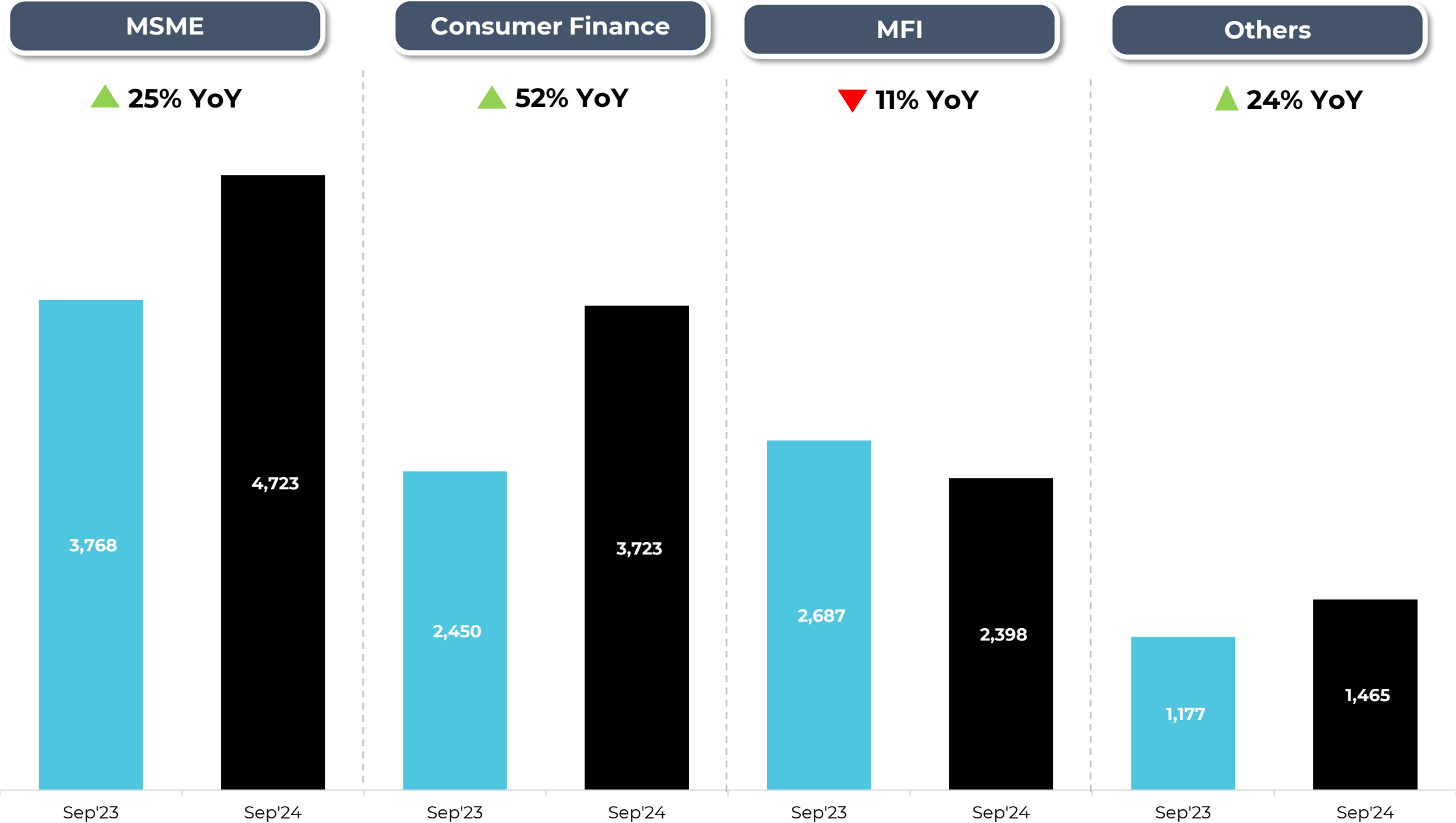
INR Crore / %



Increasing share of Direct to Customer channels



Consistent growth across the sectors with conscious calibration in MFI





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Risk Management

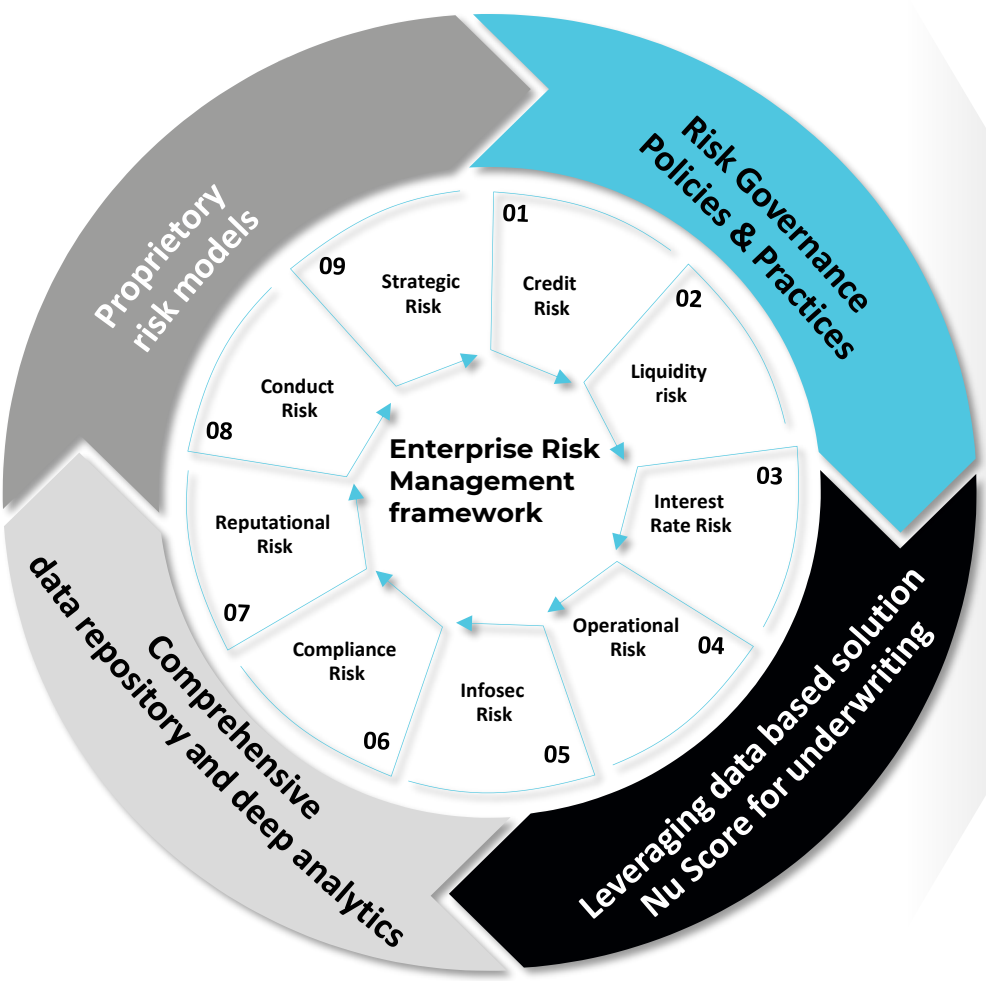
Robust Risk Management Framework and in-house collections infrastructure



Multi-dimensional Risk Management Practice

Supported by Independent collections ecosystem

& Analytics and Risk Modelling



- 0 **Pre due reminders to the customers**
- 0-15 DPD **Follow up through calling**
- 15+ DPD **Initiating on field collections process along with tele-calling**
- 30+ DPD **Recovery and legal action initiation**
- 90+ DPD **Steps to liquidate collateral**

40 mn+ data points collected over a decade

+

Transaction level data

+

Financial and operational data of Originator Partners

+

Qualitative insights on Originator Partners

Diversified & Granular portfolio resulting in GNPA's consistently below 1%



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

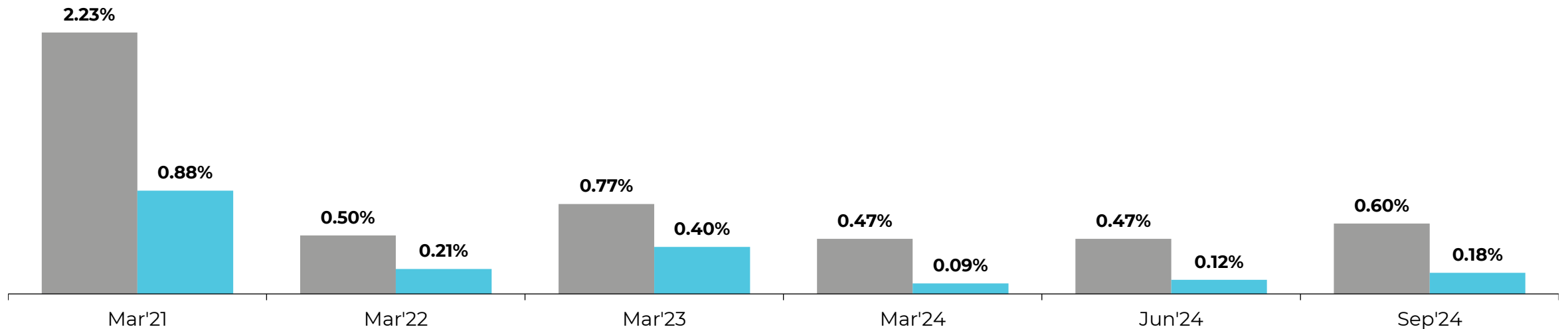


Granular Portfolio

- Exposure (in terms of AUM) towards Top 10 borrowers reduced from **27.2% at Mar-21** to **11.6% at Sep-24**
- Direct to Customer Lending book increased from **19% of AUM at Mar-21** to **52% of AUM at Sep-24**

■ GNPA

■ NNPA



Portfolio Quality



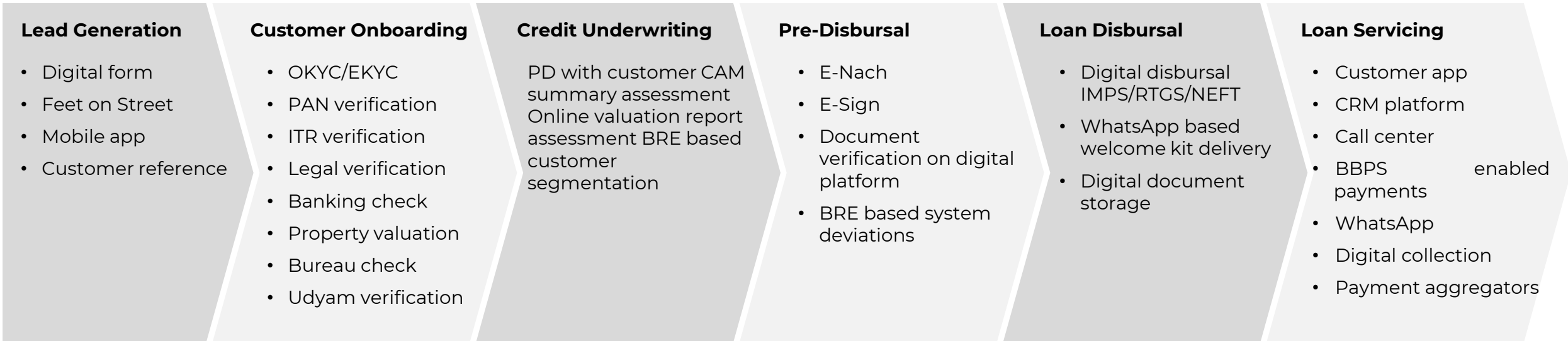
INR crore/%	Assets under Management					Assets under Management (%)					ECL : Expected Credit Loss					ECL % : provision coverage for each stage				
	By Staging	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24	Sep'23	Dec'23	Mar'24	Jun'24
Stage I	9,520	9,835	10,758	11,054	11,480	98.7%	98.4%	98.4%	98.0%	97.8%	65.3	70.6	71.8	93.7	116.4	0.7%	0.7%	0.7%	0.8%	1.0%
Stage II	90	112	126	168	188	0.9%	1.1%	1.2%	1.5%	1.6%	28.2	30.9	32.5	40.0	30.5	31.4%	27.6%	25.8%	23.9%	16.2%
Stage III	41	46	49	53	68	0.4%	0.5%	0.4%	0.5%	0.6%	25.6	31.4	40.4	38.9	48.8	62.4%	69.0%	81.7%	74.0%	71.8%
Total On-Book	9,650	9,992	10,933	11,274	11,736	100.0%	100.0%	100.0%	100.0%	100.0%	119.2	132.9	144.7	172.6	196.1	1.2%	1.3%	1.3%	1.5%	1.7%
Assigned Assets	431	611	777	595	573															
Overall AUM	10,081	10,602	11,710	11,869	12,309															



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Robust Technology Stack

Leveraging Technology Stack





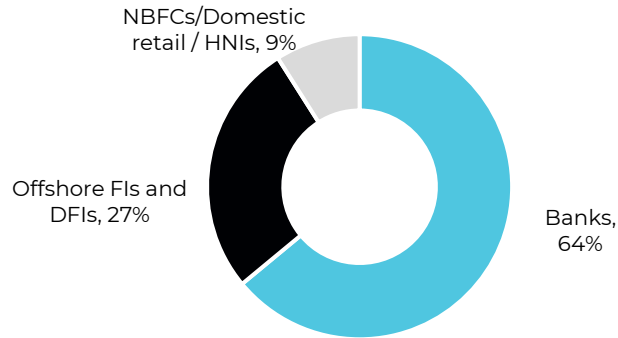
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Liability Franchise

Diversified Sources of Funding and Proactive Liquidity Management

Well-diversified funding profile

Data as of September 30, 2024



Established Lender Relationships

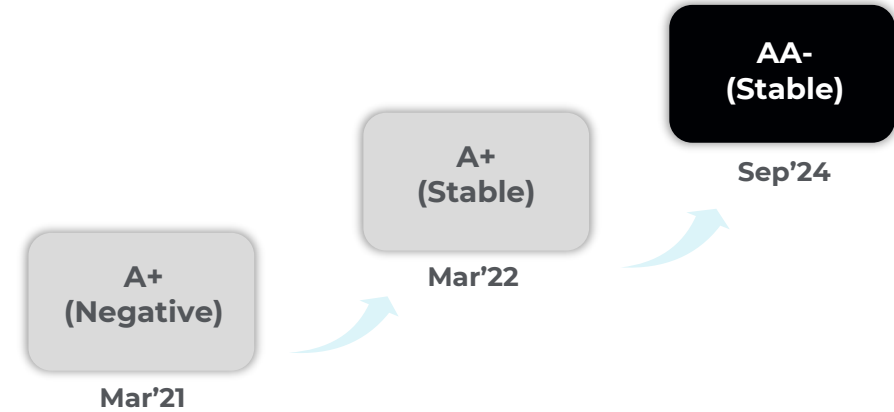
Positive ALM
across buckets

3.1 yrs
Avg Tenure of Borrowings

24.9%
CRAR

Credit Rating Upgrades

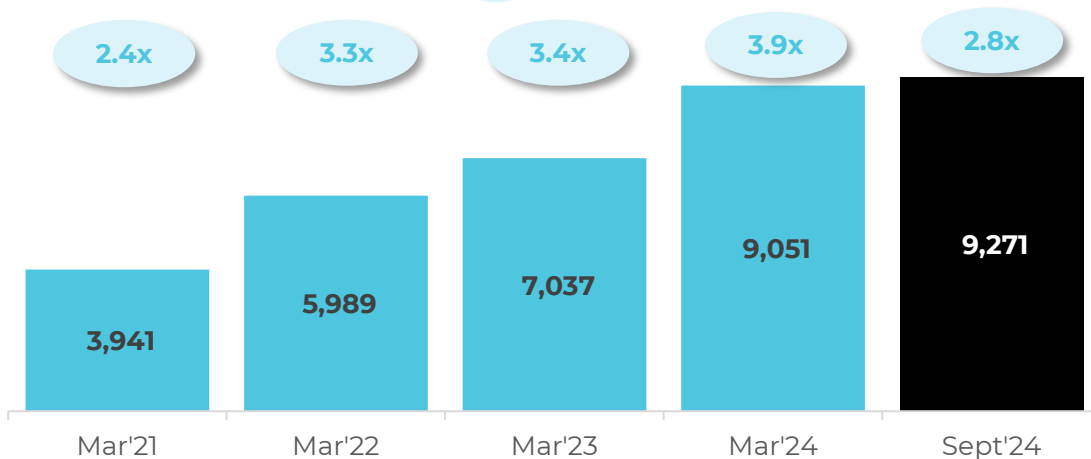
ICRA Credit Ratings



Leverage Levels ⁽¹⁾

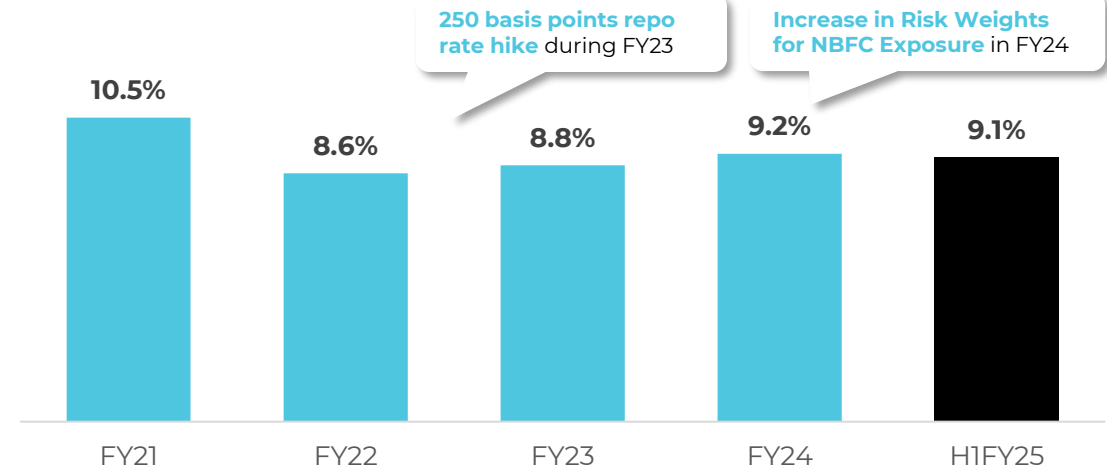
Total Borrowings (INR Cr)

Debt / Equity



Cost of Funds ⁽²⁾

Average Cost of Borrowings (%)



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

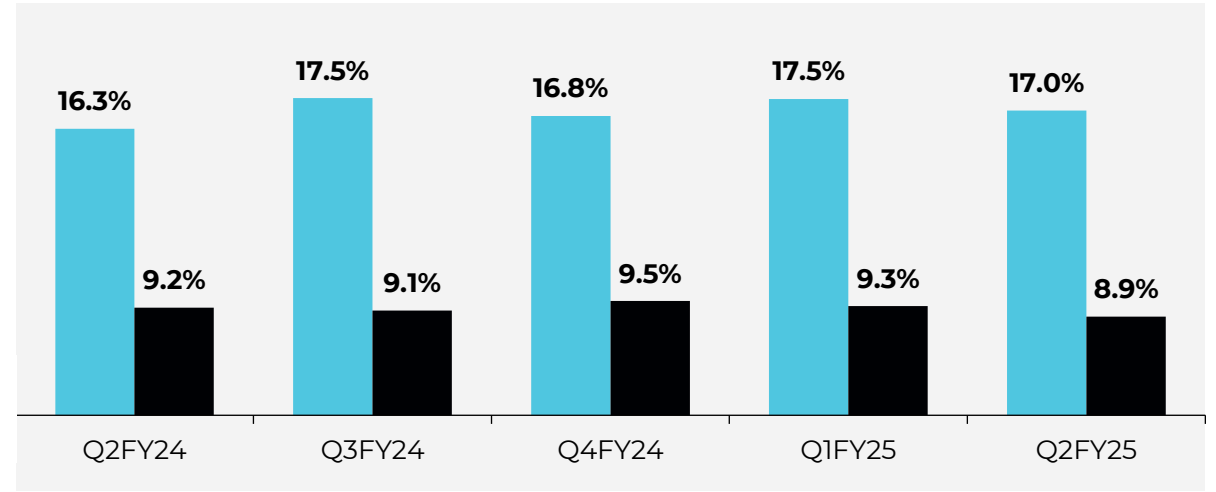
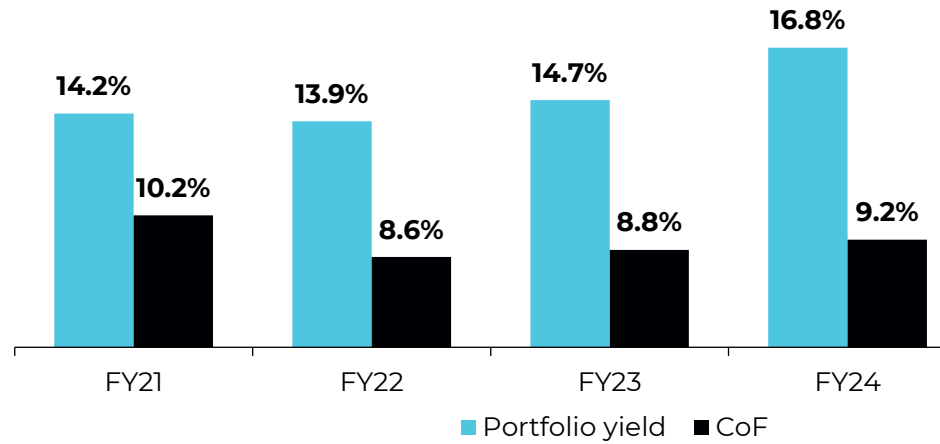


Northern Arc

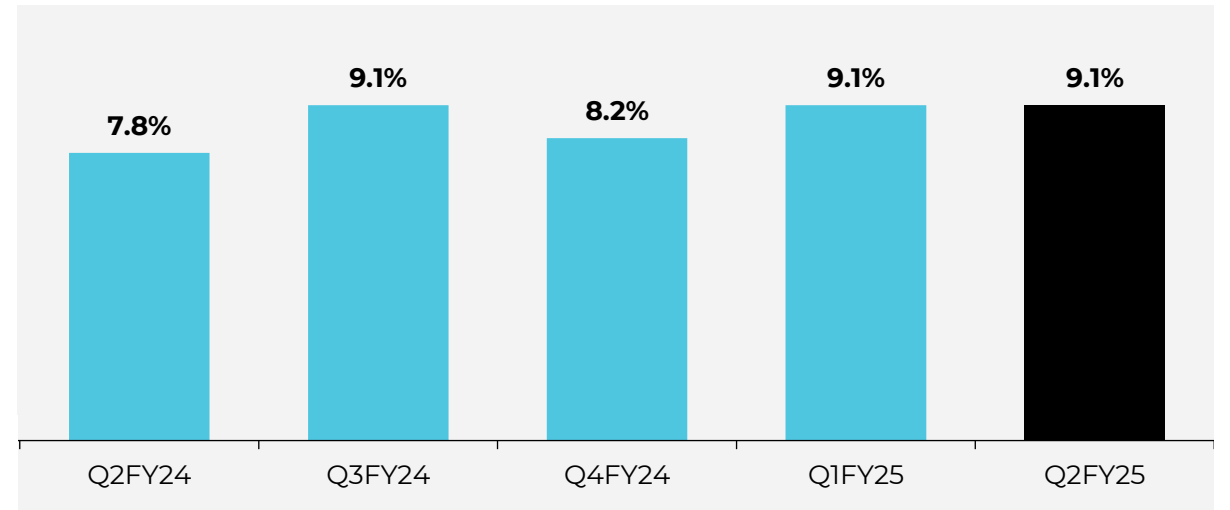
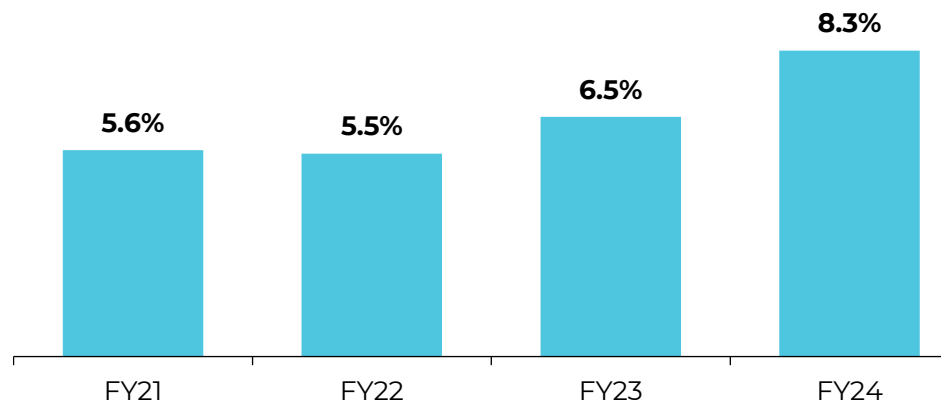
Financial Performance

Competitive spreads

Portfolio Yields % and Cost of Funds %*



NIM % ⁽¹⁾



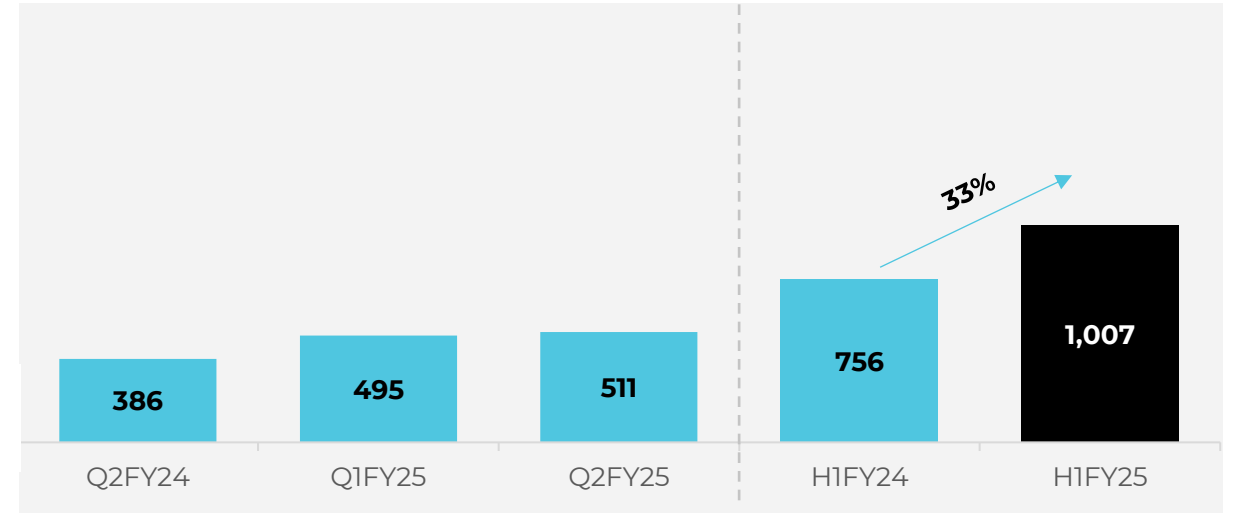
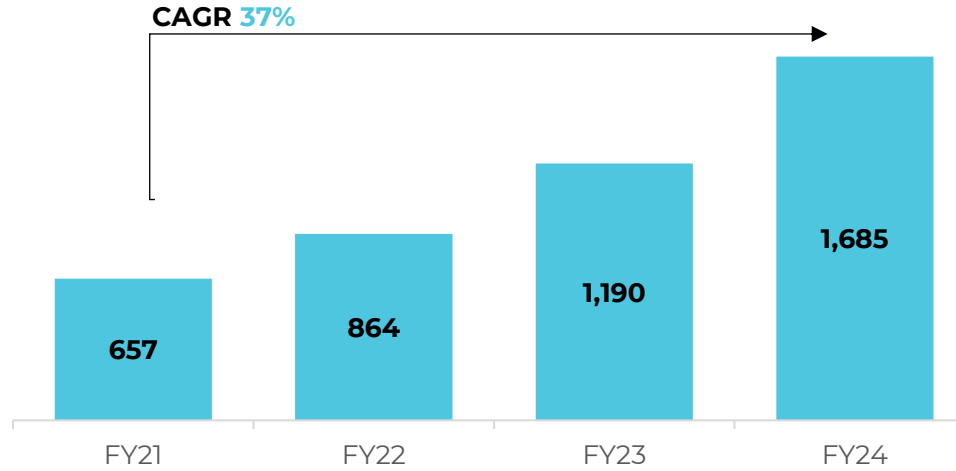
Notes: * Adjusted for fees and commission expense
 Yields: Ratio of 'Adjusted Interest Income' to 'Quarterly Average Earnings AUM'. Cost of Funds (CoF): ratio of 'Interest Expense' to 'Quarterly Average Borrowings'
 (1) NIM Ratio of 'Adjusted Interest Income net of Interest Expense' to 'Quarterly Average Total Assets'.

Robust growth in profitability

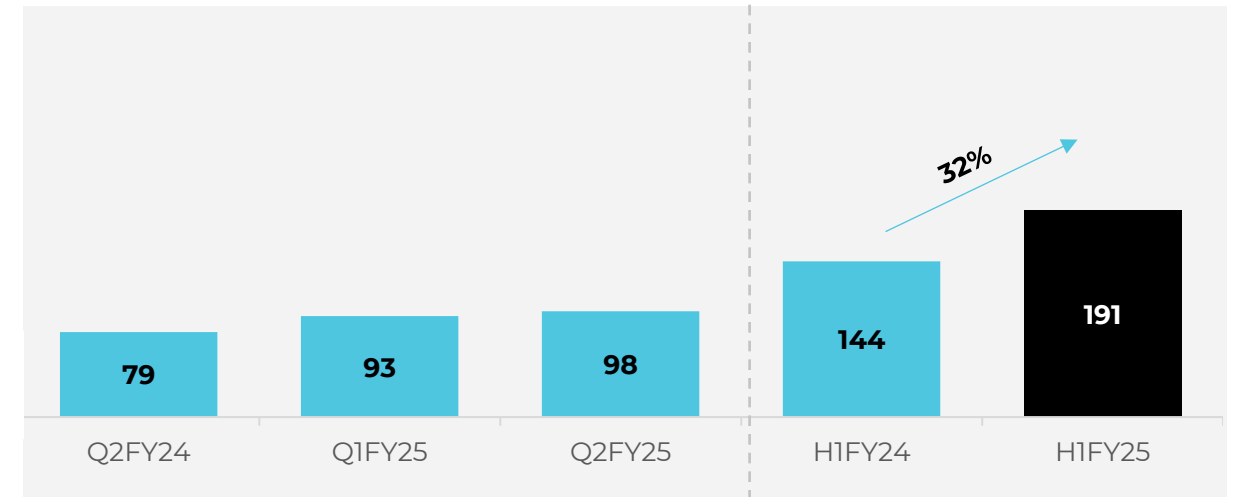
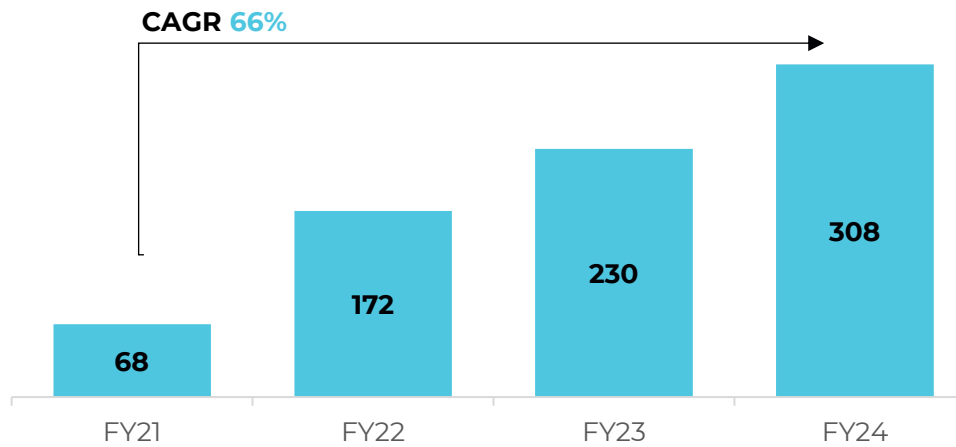


Revenue From Operations *

INR crore



Profit After Tax (excluding NCI) (INR Cr)



Notes: * Revenue from Operations is Interest Income and Fee income. Adjusted for fees and commission expense

Consolidated Income Statement

INR crore	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	H1FY24	H1FY25	YoY%	FY24
Interest income*	370	481	492	33%	2%	727	973	34%	1,588
Interest expense	174	209	205	18%	-2%	338	414	23%	725
Net Interest Income	196	272	288	47%	6%	390	559	43%	864
Fee & Other Income	20	25	26	29%	3%	38	51	32%	97
Net Revenue	216	297	313	45%	6%	428	610	42%	961
Credit Costs	13	51	78	-	53%	45	130	188%	122
Net Revenue post Credit Cost	202	245	235	16%	-4%	383	480	25%	838
Employee Costs	58	70	72	25%	3%	111	143	28%	242
Operating Costs	36	51	29	-19%	-43%	73	81	10%	176
Total Operating Costs	94	122	101	8%	-17%	185	223	21%	418
Profit before tax	109	123	134	23%	8%	199	257	29%	420
Tax expense	28	30	37	35%	25%	49	67	38%	103
Profit after tax	81	94	96	19%	3%	150	190	26%	318
Profit after tax (excluding NCI)	79	93	98	24%	4%	144	191	33%	308

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

Financial Dupont



Particulars	Q2FY24	Q1FY25	Q2FY25	H1FY24	H1FY25	FY24
Interest Income*	14.8%	16.2%	15.6%	14.9%	15.8%	15.3%
Interest Expense	7.0%	7.0%	6.5%	6.9%	6.7%	7.0%
Net Interest Income	7.8%	9.1%	9.1%	8.0%	9.1%	8.3%
Fee and Other Income	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%
Net Revenue	8.6%	10.0%	9.9%	8.8%	9.9%	9.3%
Credit Costs	0.5%	1.7%	2.5%	0.9%	2.1%	1.2%
Net Revenue post Credit	8.1%	8.3%	7.4%	7.9%	7.8%	8.1%
Employee Costs	2.3%	2.4%	2.3%	2.3%	2.3%	2.3%
Operating Costs	1.4%	1.7%	0.9%	1.5%	1.3%	1.7%
Total Operating Expense	3.7%	4.1%	3.2%	3.8%	3.6%	4.0%
Profit Before Tax	4.3%	4.2%	4.2%	4.1%	4.2%	4.1%
Tax	1.1%	1.0%	1.2%	1.0%	1.1%	1.0%
Profit after tax (excluding NCI) (RoA)	3.1%	3.1%	3.1%	3.0%	3.1%	3.1%
Return on Equity	15.2%	14.7%	12.7%	14.2%	13.6%	14.6%
Cost to income Ratio	43.3%	40.9%	32.2%	42.9%	36.4%	43.5%
<i>as a % of Quarterly Average Total Assets</i>						

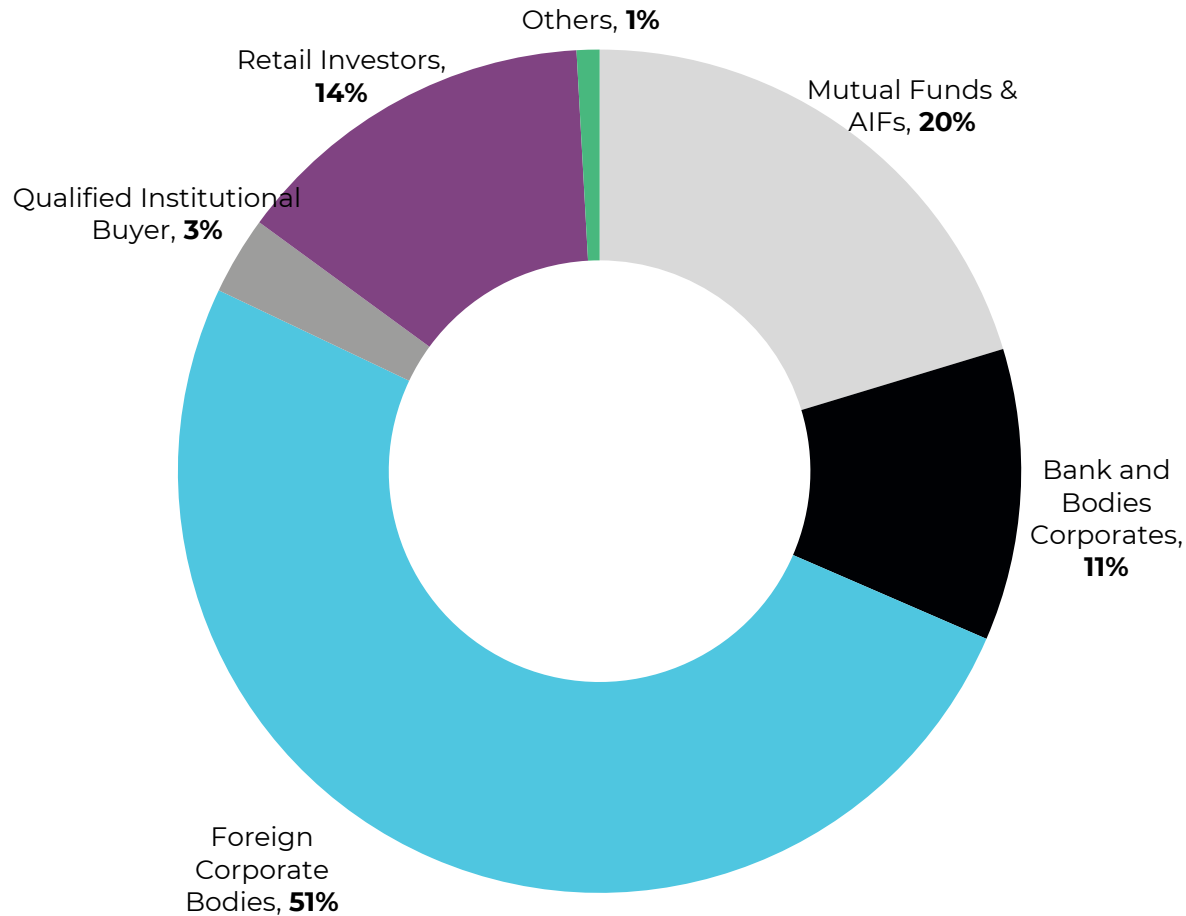
Notes: * Interest income is adjusted for fees and commission expense

Balance Sheet



INR crore	Sep'23	Mar'24	Jun'24	Sep'24
Assets				
Financial assets				
Cash and bank balances	368	408	589	811
Loans	8,070	9,210	9,651	10,004
Investments	1,673	1,785	1,661	1,766
Other financial assets	130	164	107	179
Non-financial assets	131	141	125	176
Total assets	10,371	11,708	12,133	12,936
Liabilities and equity				
Financial liabilities				
Borrowings & Debt Securities	7,822	9,048	8,971	9,271
Other financial liabilities	254	287	313	281
Other non-financial liabilities	56	53	65	62
Equity	2,128	2,314	2,777	3,316
Non-controlling interest	110	6	7	6
Total liabilities and equity	10,371	11,708	12,133	12,936
Quarterly Avg. earning Assets	8,868	9,476	11,040	11,263
Quarterly Avg. total assets	9,760	10,373	11,920	12,259

Diversified Shareholding mix



Marquee Investors

Shareholding

360 One Special Opportunities Fund	16.7%
Leapfrog Financial Inclusion India (II) Ltd	16.2%
Augusta Investments II Pte. Ltd.	16.0%
Eight Roads Investments Mauritius II Limited	7.4%
International Finance Corporation	6.1%
Dvara Trust	5.1%
Accion Africa-Asia Investment Company	4.0%
Sumitomo Mitsui Banking Corporation	3.8%



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

ESG Focused Business Model Positively Impacting 111 Mn+ Lives

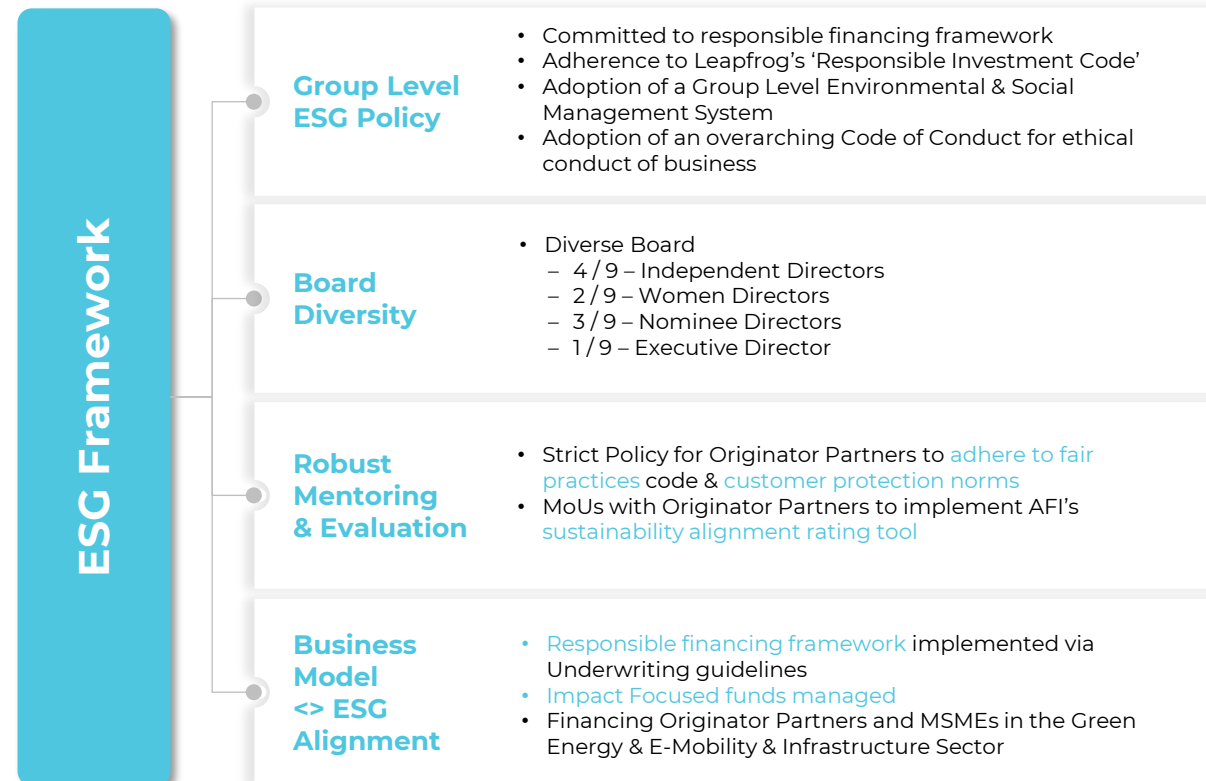


IVCA Award
for Social Impact
in 2023

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

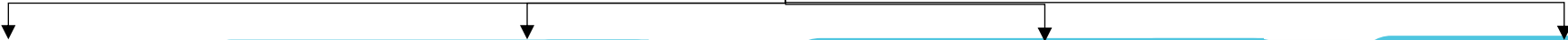


Northern Arc

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

For any query, please contact :

Atul Tibrewal
Chief Financial Officer
atul.tibrewal@northernarc.com

Chetan Parmar
Head Investor Relations
chetan.parmar@northernarc.com