



NORTHERN ARC

Investor Presentation
Q3FY25 & 9MFY25

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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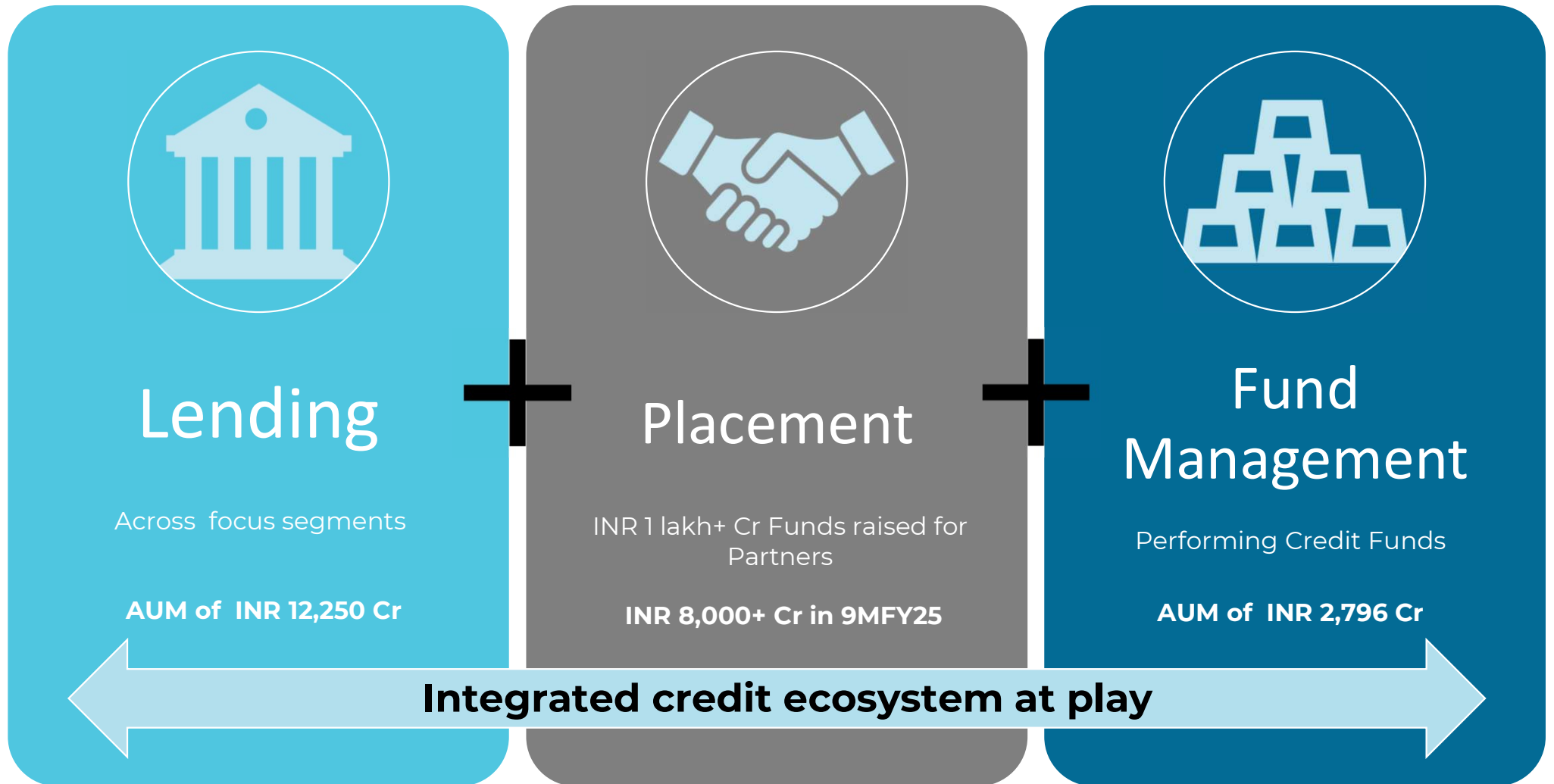
Way Forward



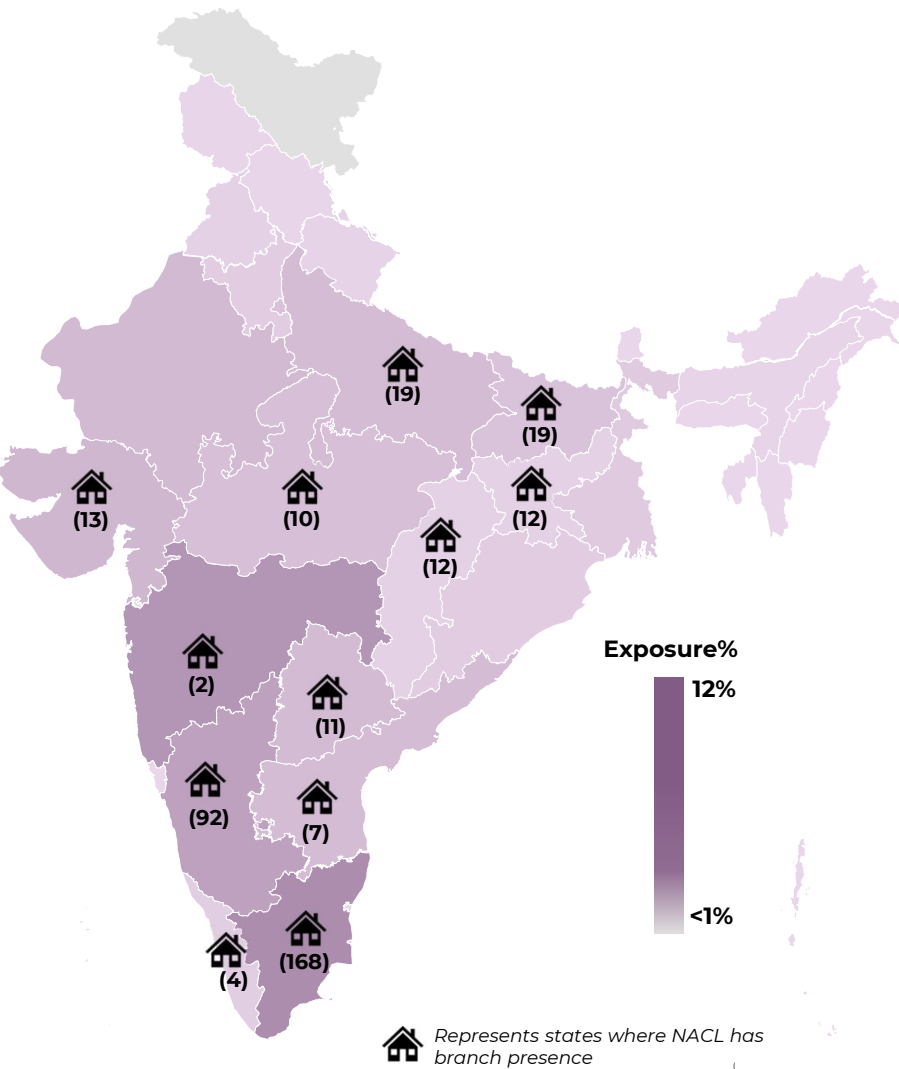
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At a glance...

Diversified credit Platform catering to India's Retail Credit Needs



Expanding Relationships & Distribution reach to scale customer base



Strong 3P Distribution Network through...

Presence

Branches

373

Partnerships

Originator Partners

343

People

Employees

3,229

19 Lakh+ Direct Customers

675 Districts

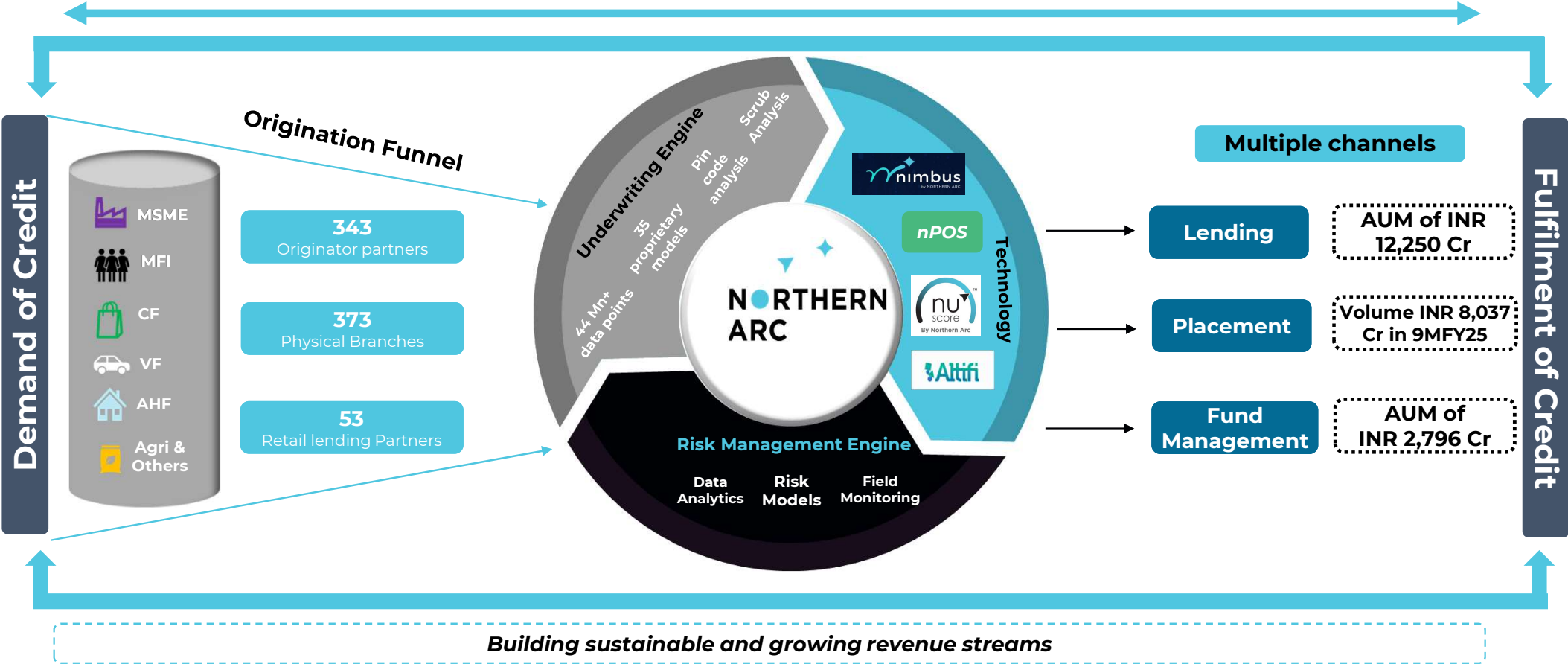
28 States

7 Union Territories

Data and Technology Platform which creates strong network effects

Multi-channel approach that has impacted over 115 million+ lives across focus sectors through a 'digital & data first' approach

A flywheel re-generating flows across the ecosystem

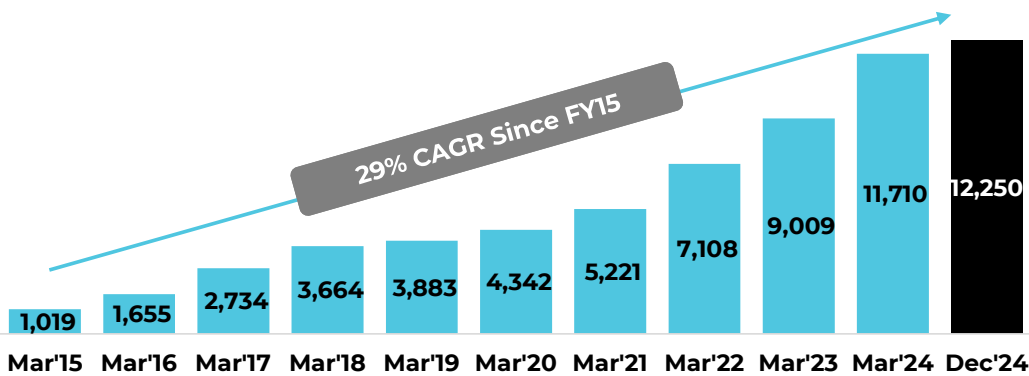


Demonstrating growth in AUM and profitability in challenging environment



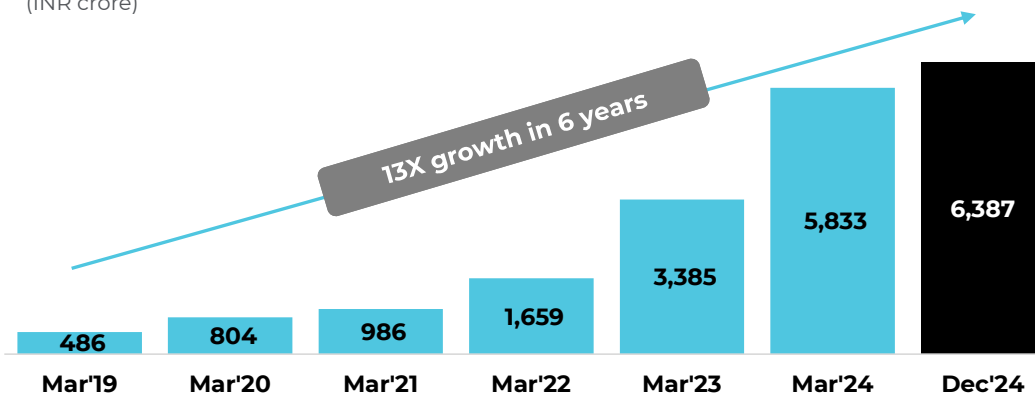
Resilient growth in AUM over the decade

(INR crore)



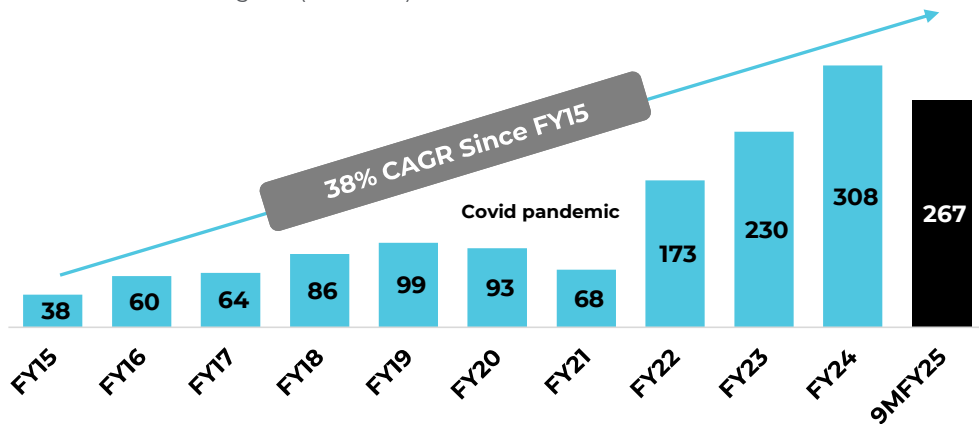
On the back of granular loan portfolio

(INR crore)



Delivering consistent profit growth for 10 years

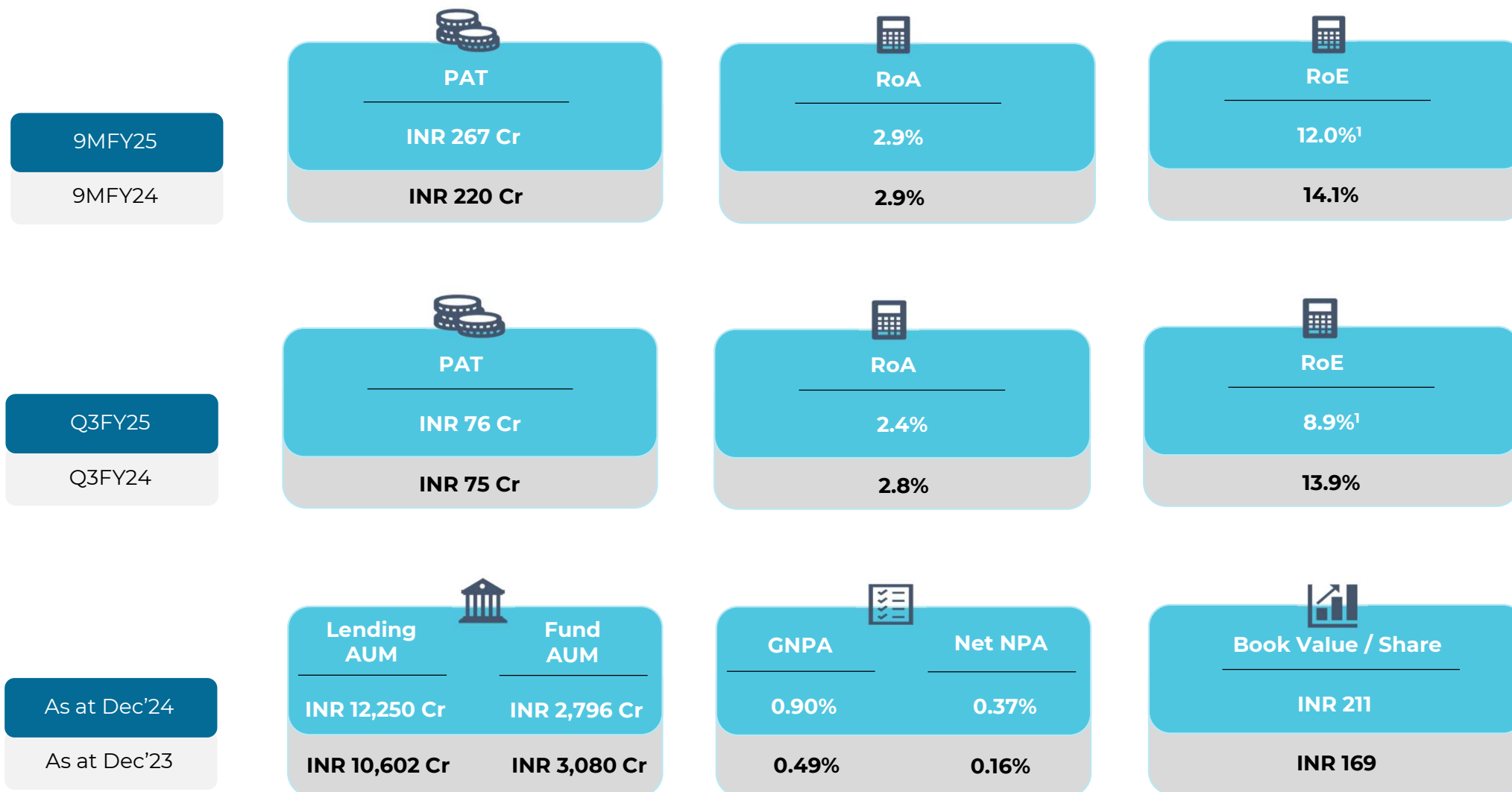
Profit After Tax excluding NCI (INR crore)



Highlights

- Steadily growing AUM delivering best in the challenging credit environment
- D2C AUM mix grew to 52% on the back of expanding distribution footprint
- Risk adjusted yield approach help build profitability with scale

High Performing Matrix – 9MFY25 & Q3FY25

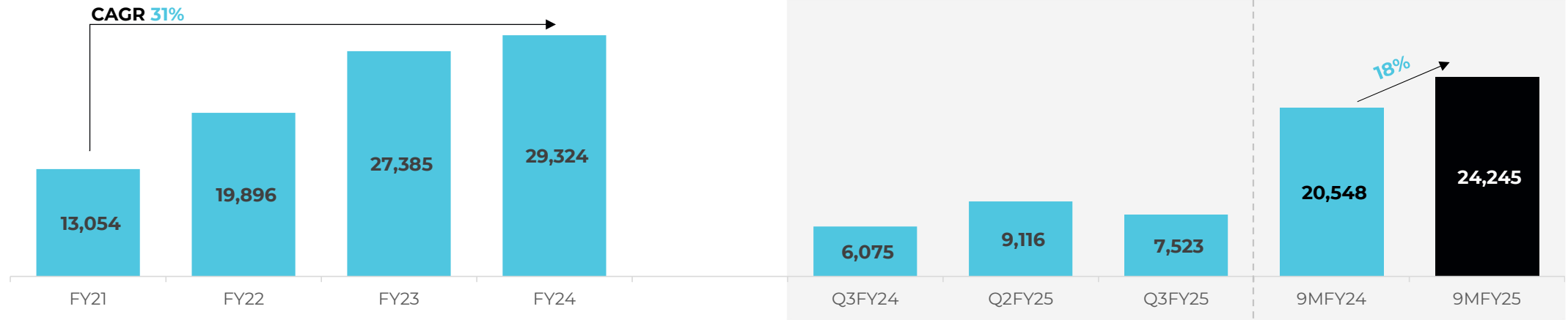


1. Raised INR 882 crores of equity capital in 9MFY25

Healthy growth in transactions volume

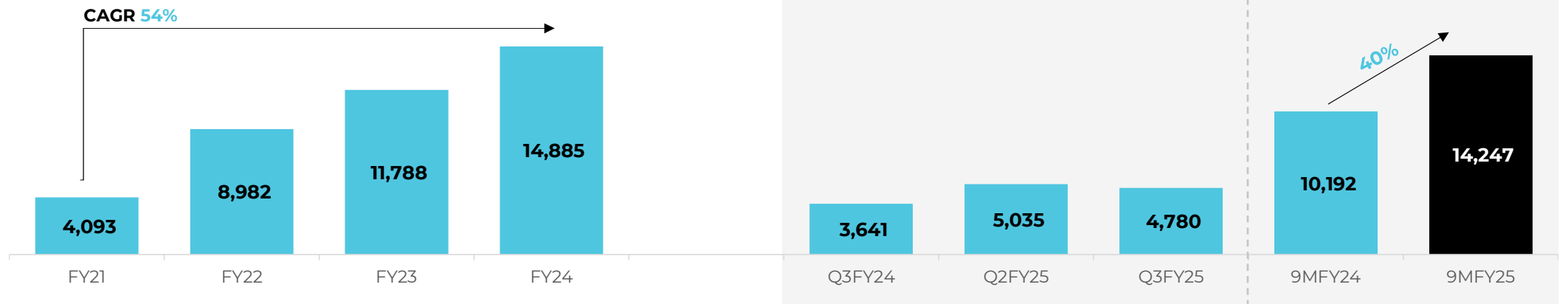
Gross Transaction Volume

INR crore



Growth in Disbursements

INR crore





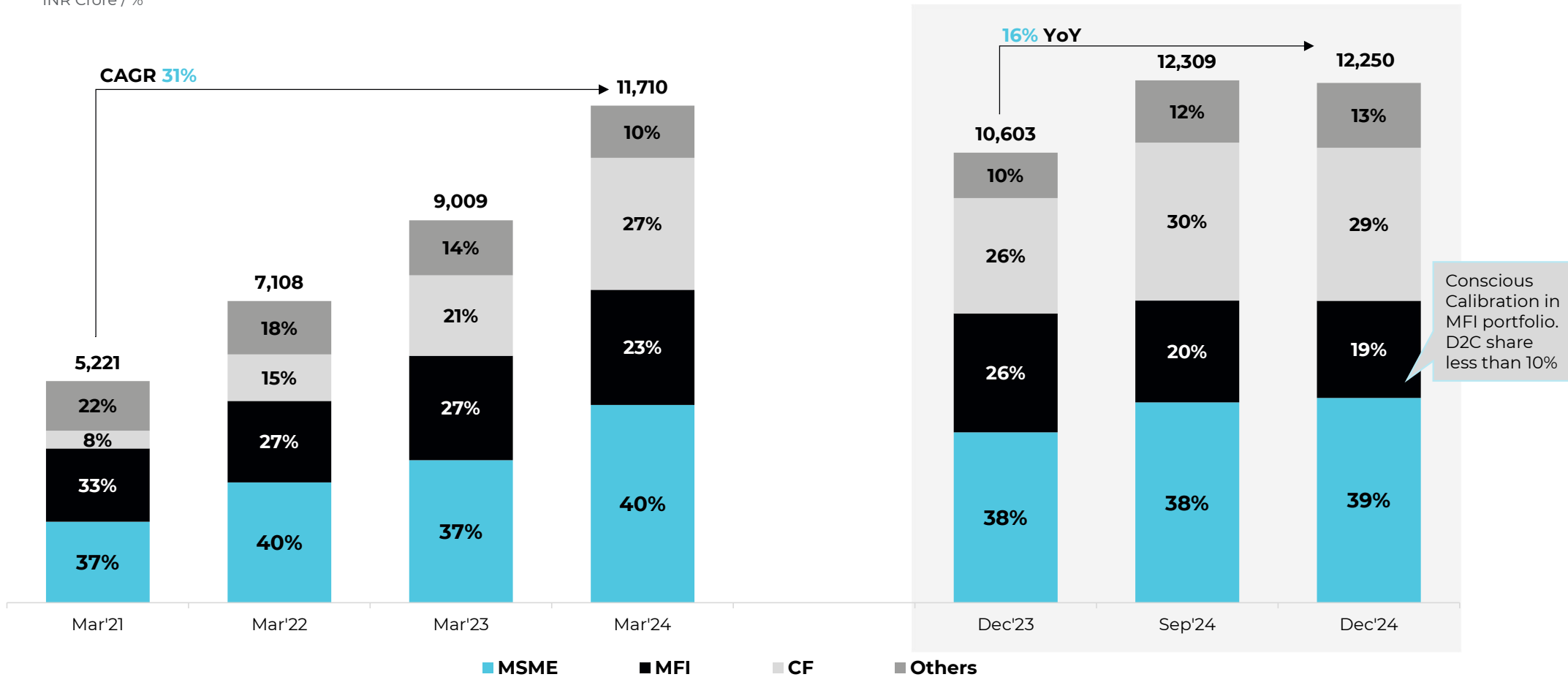
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Lending Business

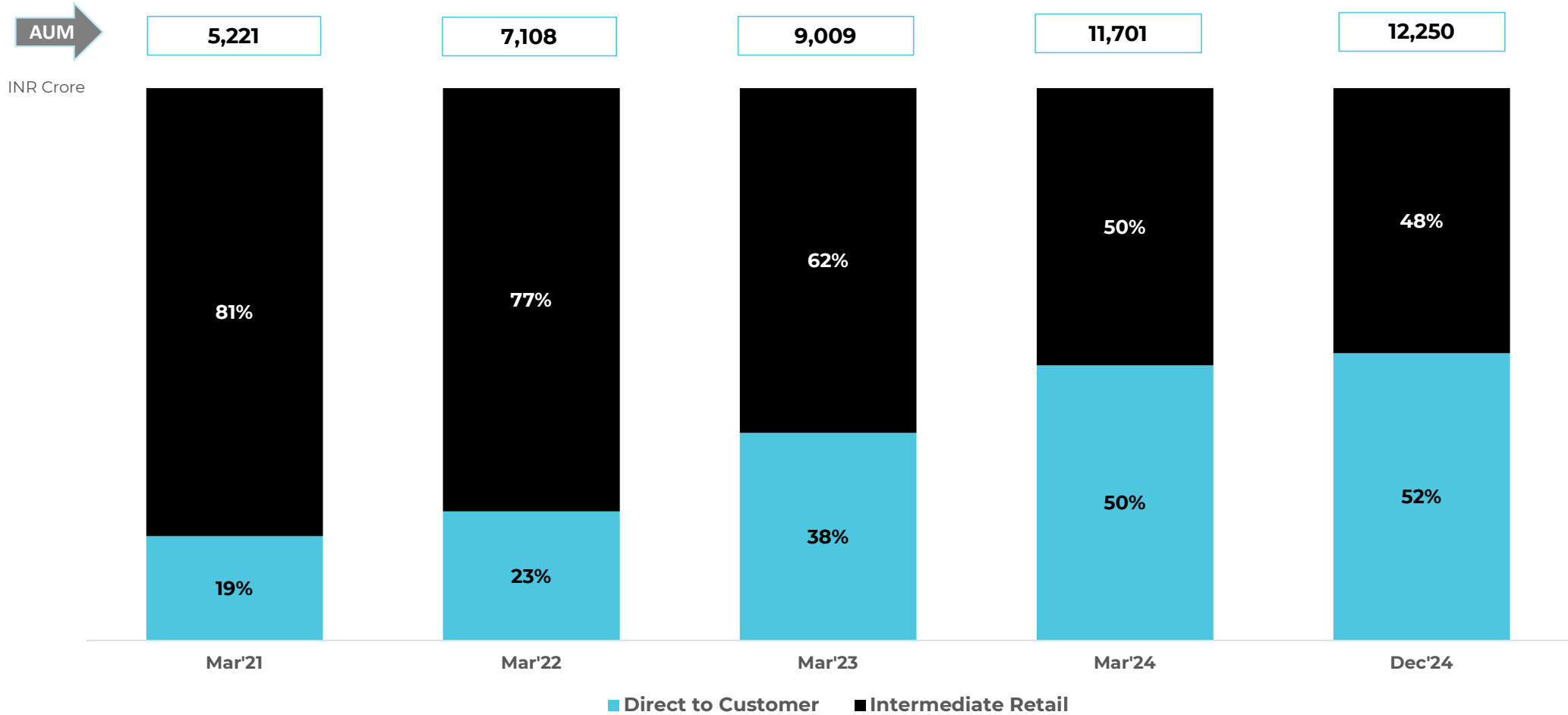
AUM Growth led through diversification – Direct MFI Exposure less than 10%

Assets under Management – By Sector

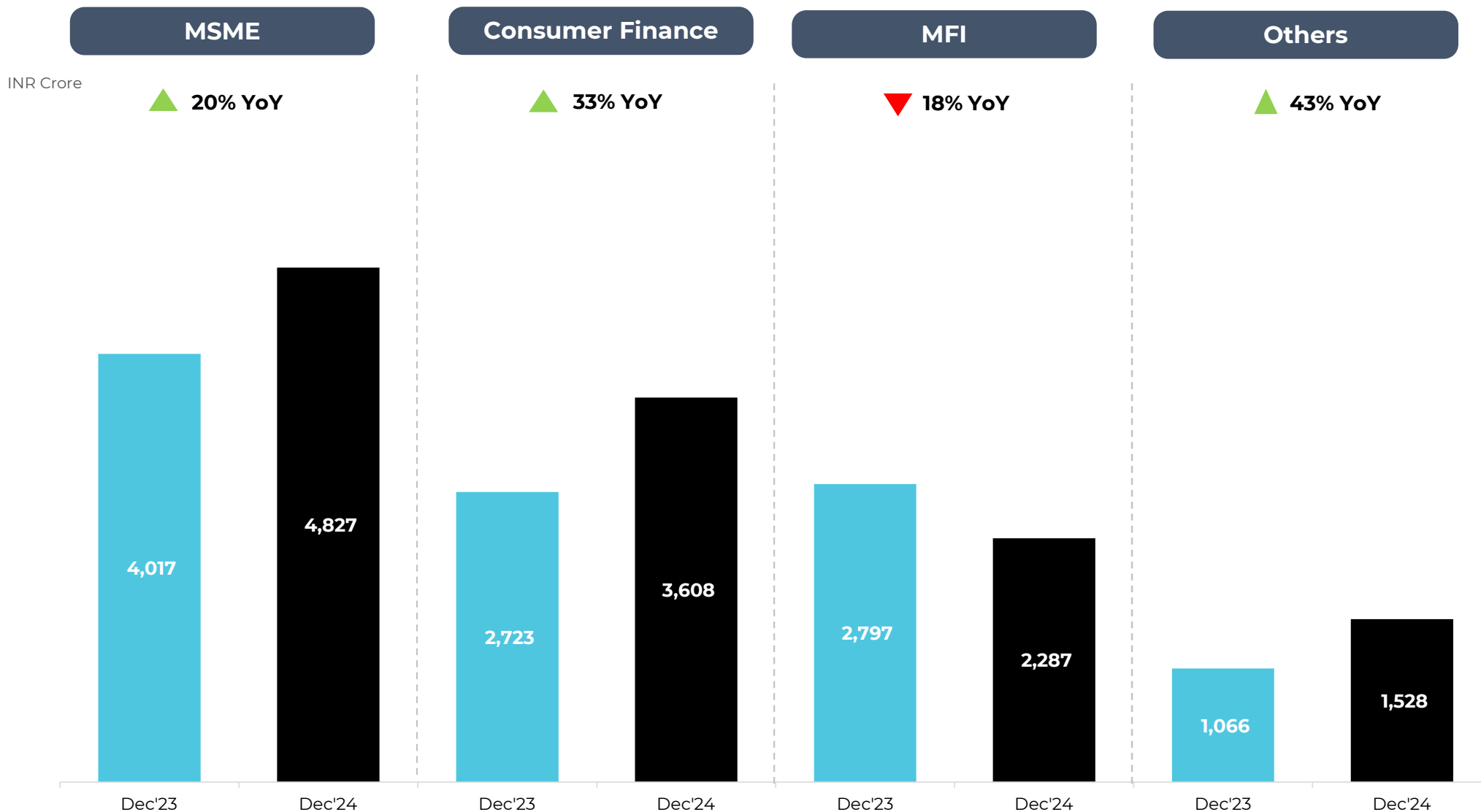
INR Crore / %



Increasing share of Direct to Customer channel



Consistent growth across the sectors with conscious calibration in MFI





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Placement Business

Placement business complementing IR lending business



INR 1 lakh+ Cr

Aggregate Placements Volume
till date

180

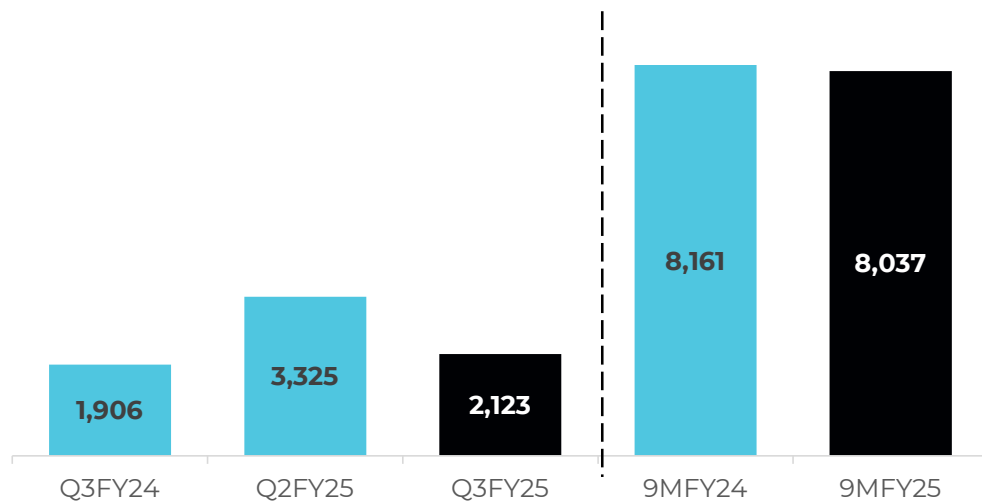
Investor Partners

217

Originator Partners

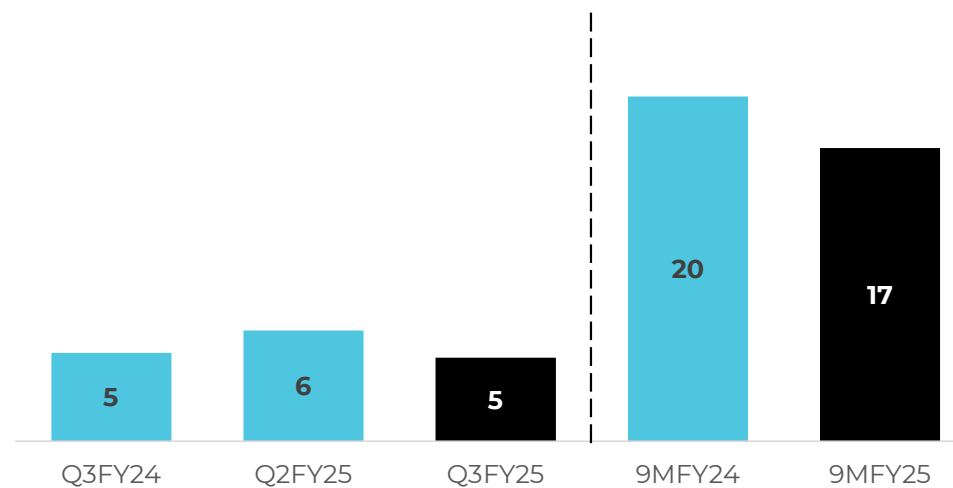
Placement Volumes

INR crore



Placement Fee Income

INR crore





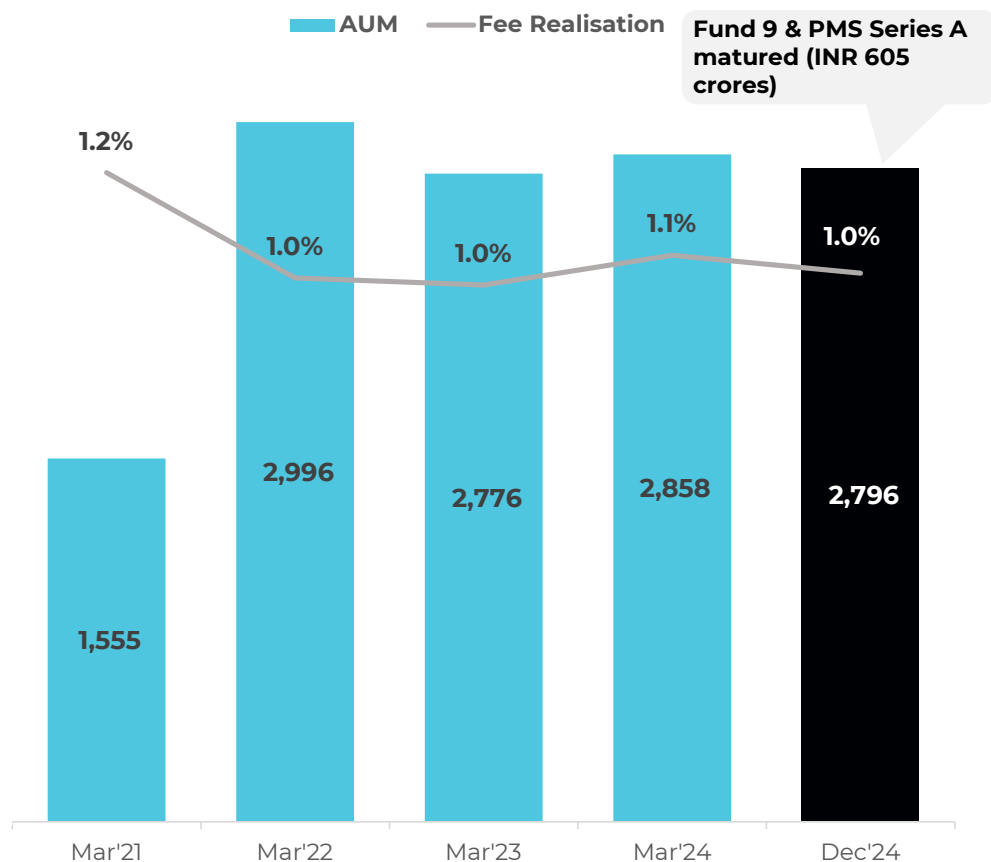
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Fund Management Business

Fund Management - Strong pipeline of new funds

Fund AUM

(INR crore)



1,100+
Investors

6
successful AIF exists

10+ Years
Experience

Key Updates

- **Undrawn amount of INR 350+ Cr**
- **Climate Fund** – Size USD 125 mn. Secured formal commitments of USD 65 mn from Foreign Institutional Investors



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Risk Management

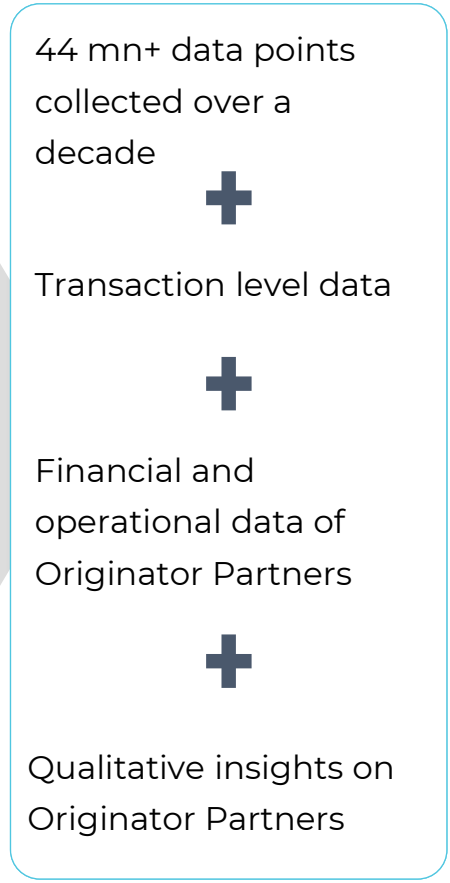
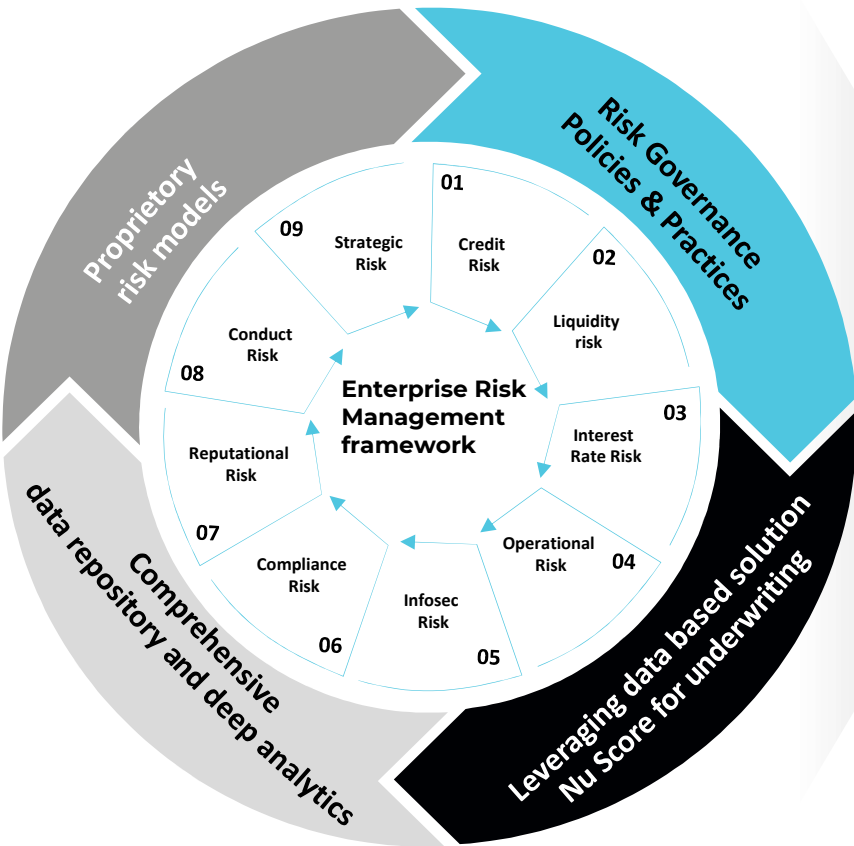
Robust Risk Management Framework and in-house collections infrastructure



Multi-dimensional Risk Management Practice

Supported by Independent collections ecosystem

& Analytics and Risk Modelling



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

Diversification augmented by proprietary tools and portfolio granularity driving asset quality

Sector Diversification

MSME MFI Consumer
 Vehicles Housing Agri

Asset Quality Drivers

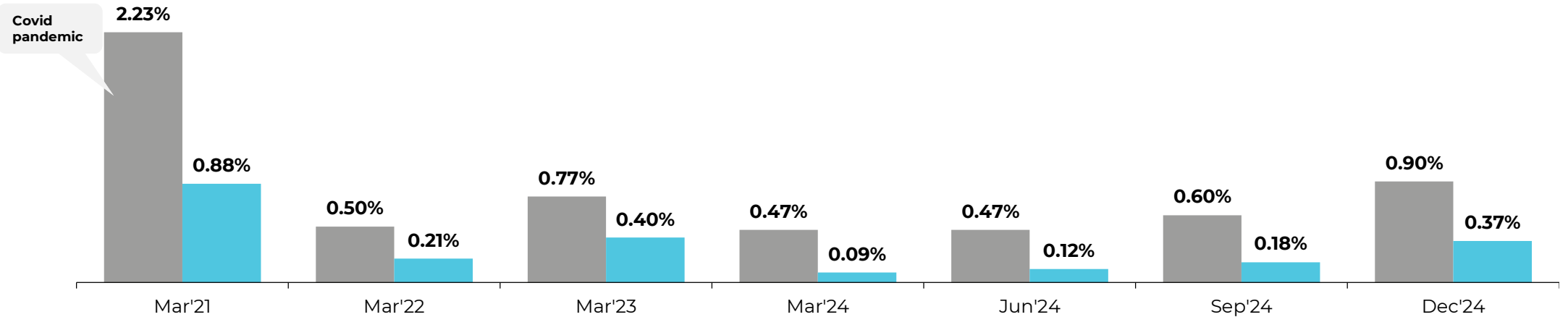
- Proprietary **Scorecards** for Underwriting
- Portfolio **Monitoring**
- Collection** Infrastructure

Granular Portfolio

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

■ GNPA

■ NNPA



Portfolio Quality



INR crore/%	Assets under Management					Assets under Management (%)					ECL : Expected Credit Loss					ECL % : provision coverage for each stage				
	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24
By Staging																				
Stage I	9,835	10,758	11,054	11,480	11,247	98.4%	98.4%	98.0%	97.8%	97.0%	70.6	71.8	93.7	116.4	124.6	0.7%	0.7%	0.8%	1.0%	1.1%
Stage II	112	126	168	188	231	1.1%	1.2%	1.5%	1.6%	2.0%	30.9	32.5	40.0	30.5	44.0	27.6%	25.8%	23.9%	16.2%	19.0%
Stage III	46	49	53	68	110	0.5%	0.4%	0.5%	0.6%	1.0%	31.4	40.4	38.9	48.8	66.2	69.0%	81.7%	74.0%	71.8%	60.2%
Total On-Book	9,992	10,933	11,274	11,736	11,588	100.0%	100.0%	100.0%	100.0%	100.0%	132.9	144.7	172.6	196.1	234.8	1.3%	1.3%	1.5%	1.7%	2.0%
Assigned Assets	611	777	595	573	662															
Overall AUM	10,602	11,710	11,869	12,309	12,250															



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Proprietary Technology Platforms

Robust Proprietary Technology platforms – Opportunity for monetisation



Curated Loan Origination System

API Based Co-lending & Co-origination Tech Solution

Alternative Retail Debt Investment Platform

Underwriting Scorecard



nPOS



Year Started

FY18

FY22

FY22

FY24

INR 1.5 Tn+

Credit enabled till date

7Mn+

Transactions till date

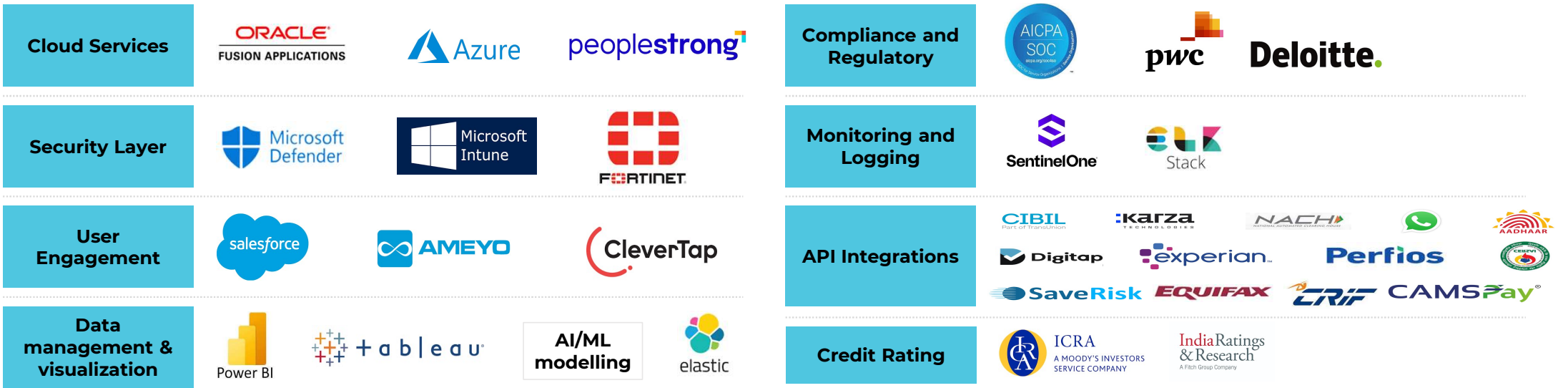
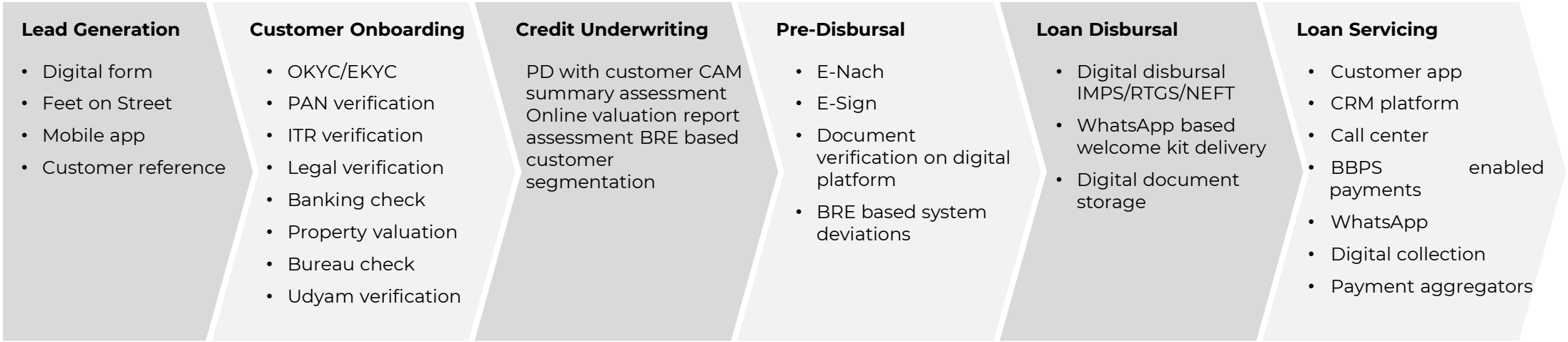
37k+

Registered Users

2.5 lakhs+

Assessments till date

Leveraging Technology Stack





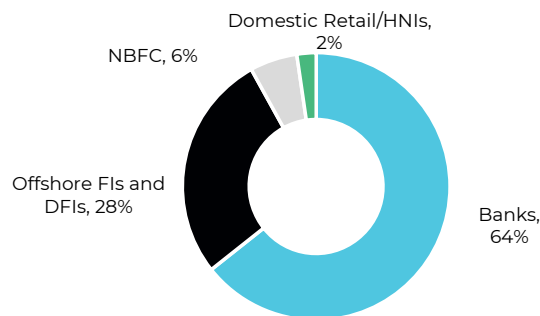
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Liability Franchise

Diversified Sources of Funding and Proactive Liquidity Management

Well-diversified funding profile

Data as of December 31, 2024



Established Lender Relationships

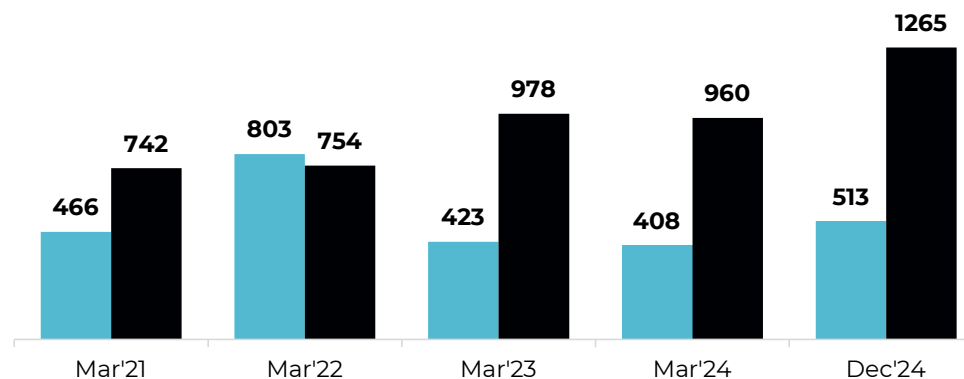
Positive ALM
across buckets

2.8 yrs
Avg Tenure of Borrowings

26.1%
CRAR

Liquidity position

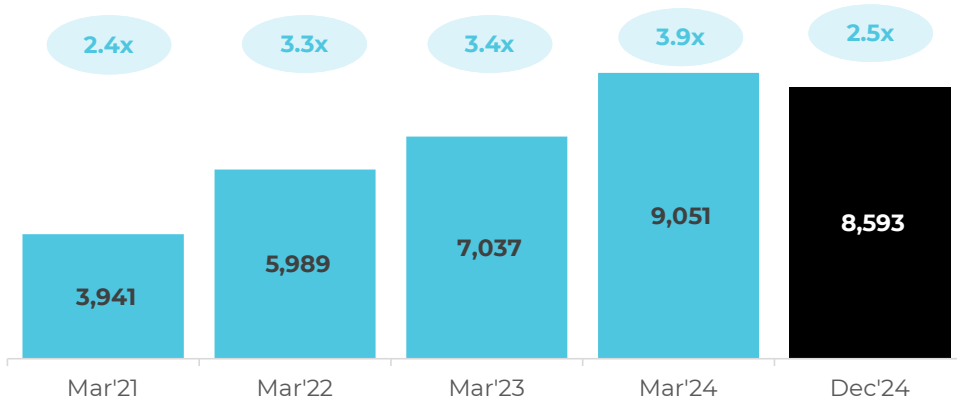
■ Cash & Bank Balance ■ Undrawn Sanction



Leverage Levels ⁽¹⁾

Total Borrowings (INR Cr)

Debt / Equity



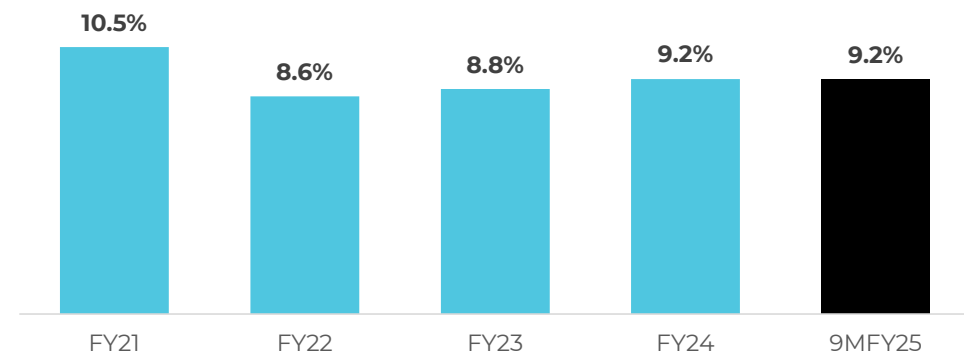
Notes: 1. Debt / Equity ratio: Equity includes NCI portion.
2. Cost of Funds is based on Quarterly Average borrowings.

Cost of Funds ⁽²⁾

Average Cost of Borrowings (%)

250 basis points repo rate hike during FY23

Increase in Risk Weights for NBFC Exposure in FY24



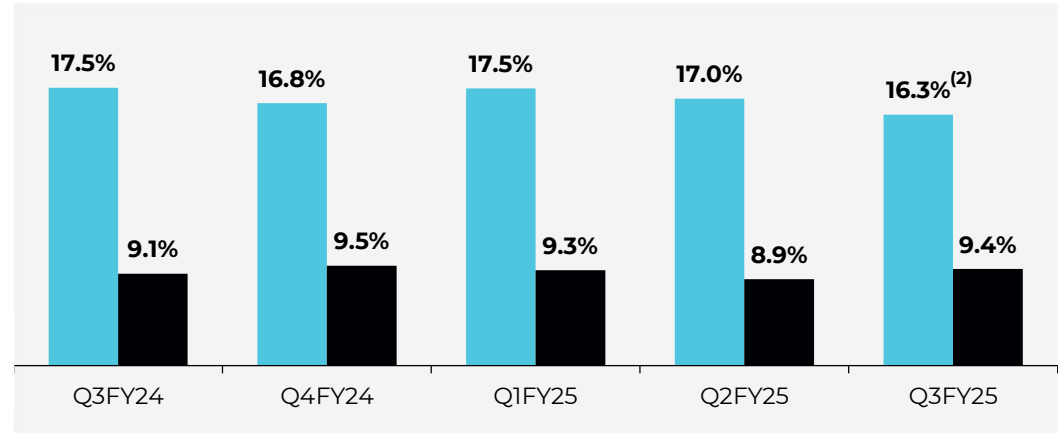
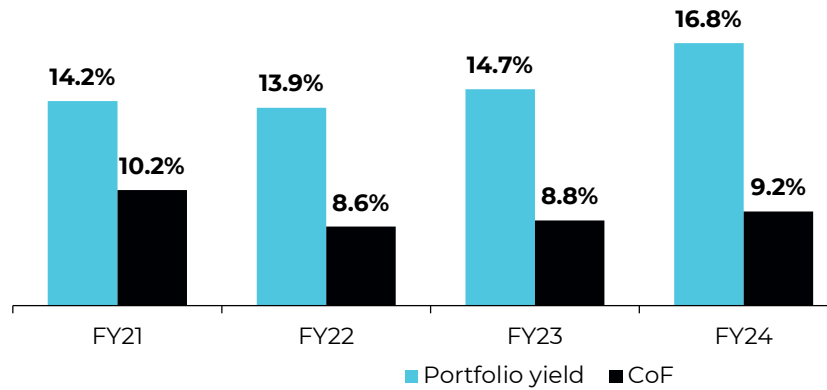


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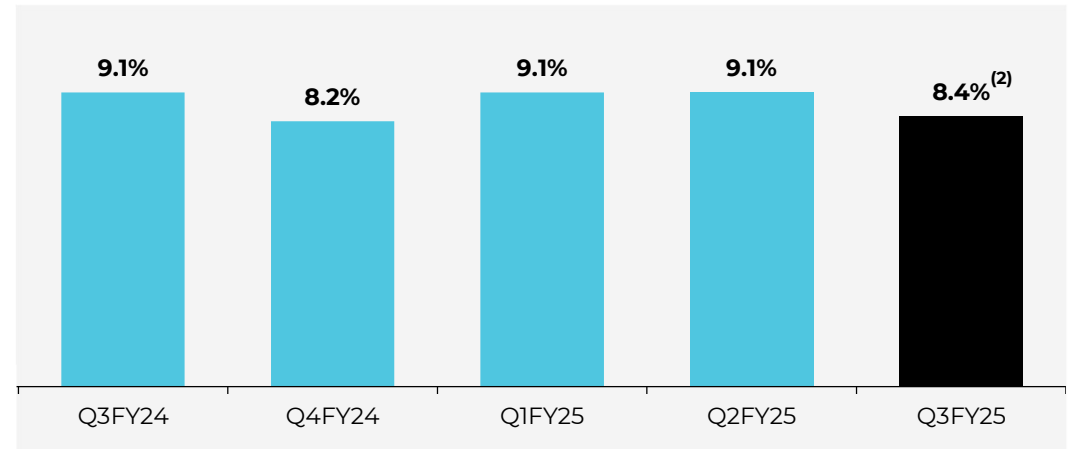
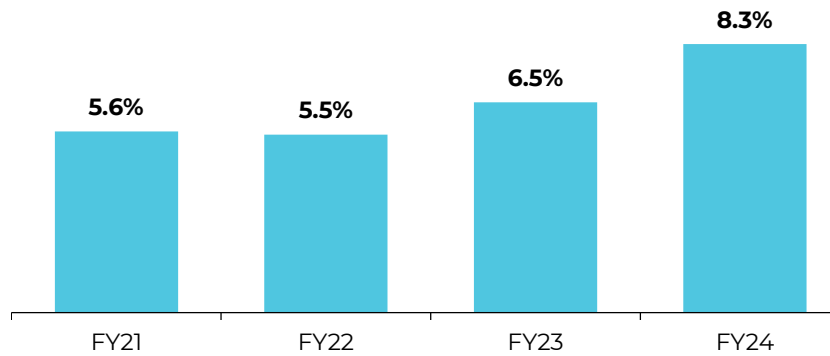
Financial Performance

Shift towards D2C positively impacted yields & NIM

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'

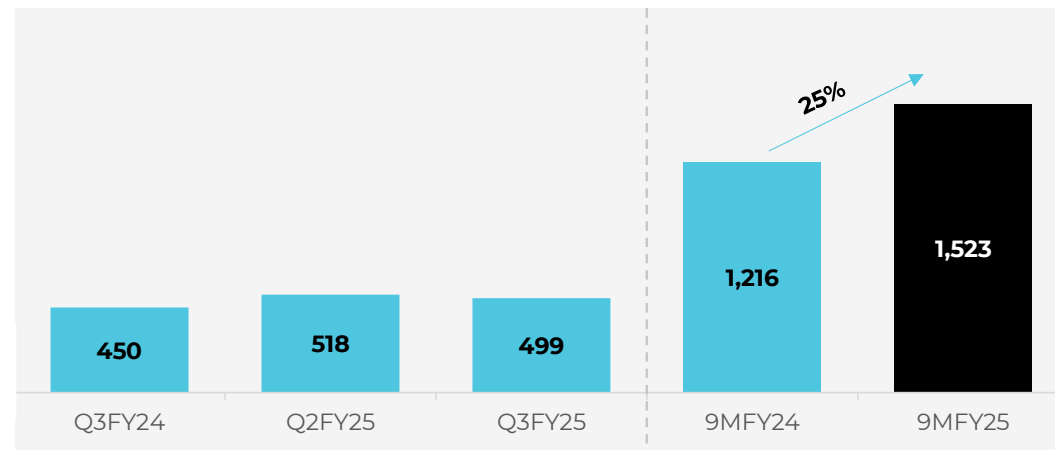
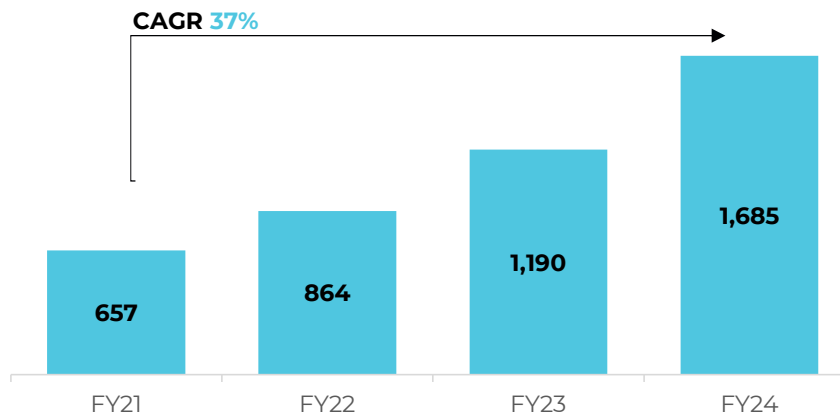
(1) NIM Ratio of 'Adjusted Interest Income net of Interest Expense' to 'Quarterly Average Total Assets'. (2) Interest accruals on write offs and Stage 3 loans in H1FY25 of INR 24.8 cr have been reversed in Q3FY25.

Robust growth in profitability

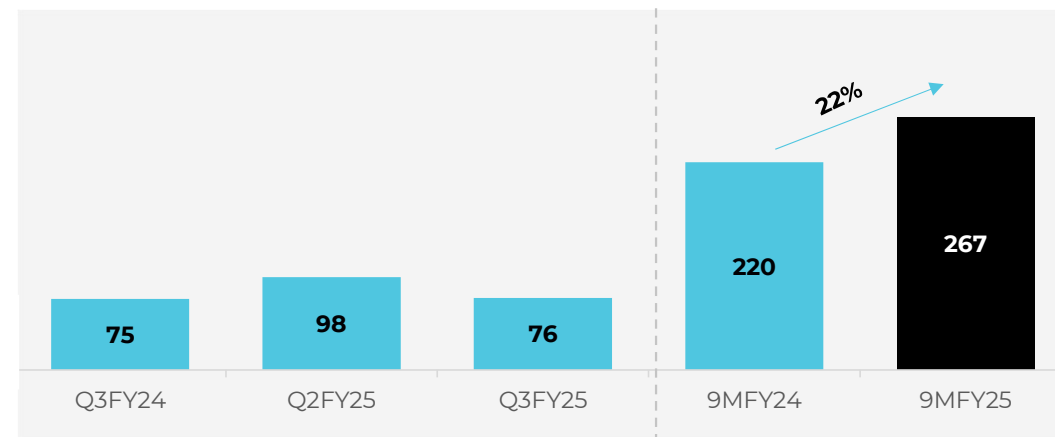
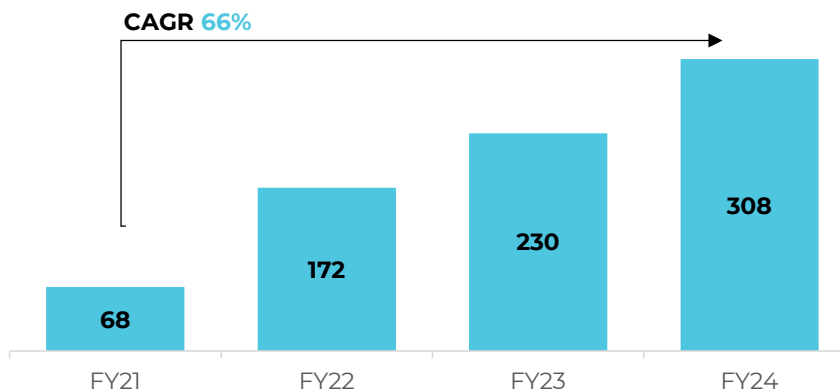


Revenue From Operations *

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	Q3 FY24	Q2 FY25	Q3 FY25	YoY %	QoQ %	9MFY24	9MFY25	YoY%	FY24
Interest income*	427	492	478	12%	-3%	1,155	1,450	26%	1,588
Interest expense	184	205	211	15%	3%	521	624	20%	725
Net Interest Income	244	288	267	10%	-7%	634	826	30%	864
Fee & Other Income	23	26	21	-7%	-17%	61	72	18%	97
Net Revenue	267	313	289	8%	-8%	695	899	29%	961
Credit Costs	53	78	81	52%	4%	99	211	114%	122
Net Revenue post Credit Cost	213	235	207	-3%	-12%	597	687	15%	838
Employee Costs	63	72	74	17%	2%	174	216	24%	242
Operating Costs	43	29	39	-8%	34%	116	120	3%	176
Total Operating Costs	106	101	113	7%	12%	290	336	16%	418
Profit before tax	108	134	94	-13%	-30%	306	351	15%	420
Tax expense	26	37	21	-19%	-44%	74	88	19%	103
Profit after tax	82	96	73	-11%	-24%	232	263	13%	318
Profit after tax (excluding NCI)	75	98	76	0%	-23%	220	267	22%	308

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

Financial Dupont

Particulars	Q3FY24	Q2FY25	Q3FY25	9MFY24	9MFY25	FY24
Interest Income*	16.0%	15.6%	15.0%	15.3%	15.7%	15.3%
Interest Expense	6.9%	6.5%	6.6%	6.9%	6.7%	7.0%
Net Interest Income	9.1%	9.1%	8.4%	8.4%	8.9%	8.3%
Fee and Other Income	0.9%	0.8%	0.7%	0.8%	0.8%	0.9%
Net Revenue	10.0%	9.9%	9.0%	9.2%	9.7%	9.3%
Credit Costs	2.0%	2.5%	2.5%	1.3%	2.3%	1.2%
Net Revenue post Credit	8.0%	7.4%	6.5%	7.9%	7.4%	8.1%
Employee Costs	2.4%	2.3%	2.3%	2.3%	2.3%	2.3%
Operating Costs	1.6%	0.9%	1.2%	1.5%	1.3%	1.7%
Total Operating Expense	3.9%	3.2%	3.5%	3.8%	3.6%	4.0%
Profit Before Tax	4.0%	4.2%	2.9%	4.1%	3.8%	4.1%
Tax	1.0%	1.2%	0.7%	1.0%	1.0%	1.0%
Profit after tax (excluding NCI) (RoA)	2.8%	3.1%	2.4%	2.9%	2.9%	3.0%
Return on Equity	13.9%	12.7%	8.9%	14.1%	12.0%	14.6%
Cost to income Ratio	39.3%	32.2%	39.0%	41.5%	37.3%	43.4%
<i>as a % of Quarterly Average Total Assets</i>						

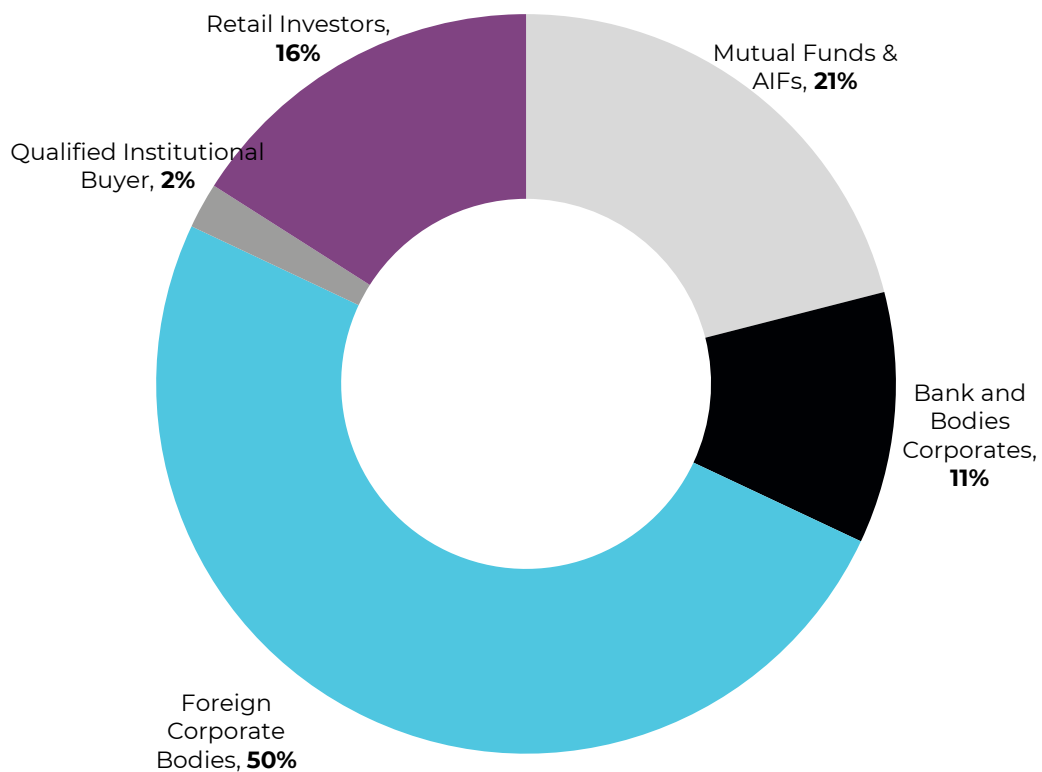
Notes: * Interest income is adjusted for fees and commission expense

Balance Sheet



INR crore	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24
Assets					
Financial assets					
Cash and bank balances	392.2	408	589	811	513
Loans	8,496	9,210	9,651	10,004	9,520
Investments	1,706	1,785	1,661	1,766	1,976
Other financial assets	167	164	107	179	183
Non-financial assets	123.1	141	125	176	210
Total assets	10,884	11,708	12,133	12,936	12,401
Liabilities and equity					
Financial liabilities					
Borrowings & Debt Securities	8,177	9,048	8,971	9,271	8,593
Other financial liabilities	289	287	313	281	334
Other non-financial liabilities	48	53	65	62	65
Equity	2,198	2,314	2,777	3,316	3,405
Non-controlling interest	172	6	7	6	4
Total liabilities and equity	10,884	11,708	12,133	12,936	12,401
Quarterly Avg. earning Assets	9,128	9,476	11,040	11,263	11,341
Quarterly Avg. total assets	10,041	10,374	11,920	12,259	12,294

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%

Shareholding as on December 31, 2024



Northern Arc

Board & Management

Experienced and Professional Management Team



Ashish Mehrotra
Managing Director
& Chief Executive Officer

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



Pardhasaradhi Rallabandi
Group Risk Officer & Governance
Head

31+ years of experience in Banking
Previously associated with
Standard Chartered Bank



Gaurav Mehrotra
Chief Technology Officer

26+ years of experience in
technology. Previously associated
with JP Morgan, Goldman Sachs &
Infosys



Amit Mandhanya
EVP – Partnership Based
Lending

17+ years of experience
Previously associated with
Micro-Credit Ratings
International Limited



Bhavdeep Bhatt
Chief Executive Officer – Northern
Arc Investment Managers

29+ years of experience
Previously associated with Aditya Birla
Sunlife AMC, ICICI Prudential AMC &
Kotak AMC



Atul Tibrewal
Chief Financial Officer

22+ years of experience in finance
Previously associated with Magma
Fincorp & Birla Corporation



Gaurav Shukla
Chief Business Officer

27+ years of experience
Previously associated with Credit
Suisse, Altico Capital & Standard
Chartered Bank



Prakash Panda
Company Secretary and
Compliance Officer

16+ years of experience
Previously with Tamilnad
Mercantile Bank & Apollo
Hospital



Kalyansundaram C
Chief Internal Audit Officer

26+ years of experience
Previously associated with
Cholamandalam Investment &
Finance and Standard Chartered
Scope International



Saurabh Jaywant
Chief Legal Officer

22+ years of experience in
financial services companies
Previously associated with
ICICI Bank



Umasree Parvathy Pratap
Chief People Officer

37+ Years experience in HR
Previously associated with
Matrimony, Invesys & Spencers



Jagadish Babu Ramadugu
Managing Director & CEO
(Pragati)

28+ years of experience
Previously associated with Vaya
Finserv, Hindustan Coca-Cola,
Spencers & Asian Paints



Vipin G S
Chief Compliance Officer

24+ years of experience
Previously associated with
Manappuram Finance

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. 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 115 Mn+ Lives

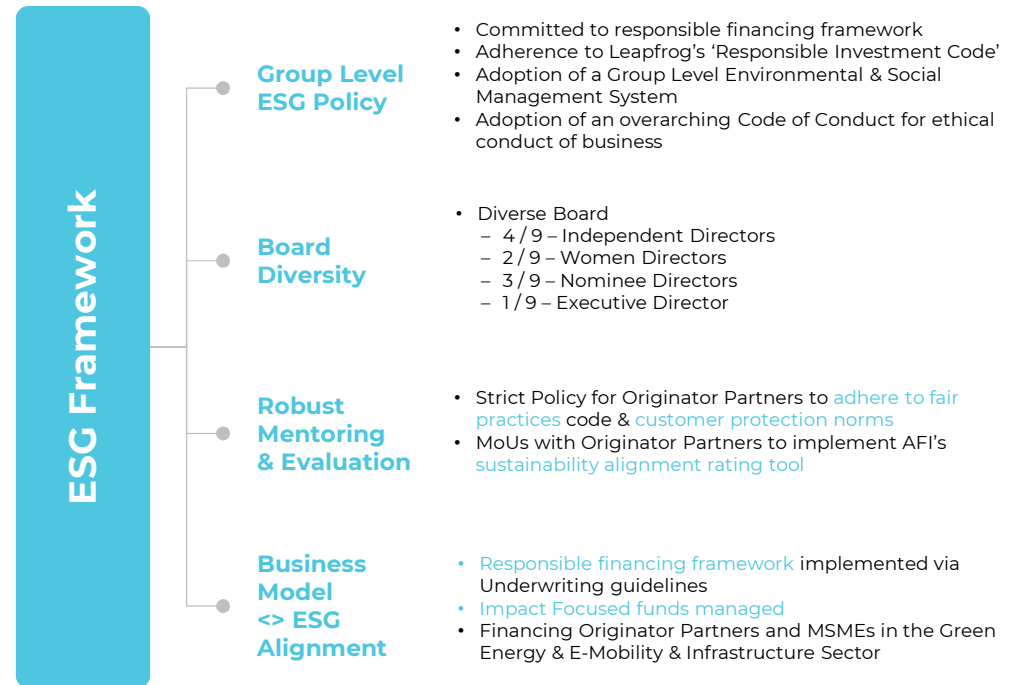


IVCA Award
for Social Impact
in 2023

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

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

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