



NORTHERN ARC CAPITAL LIMITED

Our Company was incorporated on March 9, 1989 at Madras, India as 'Highland Leasing & Finance Private Limited', a private limited company under the Companies Act, 1956 and was granted a certificate of incorporation by the Registrar of Companies, Tamil Nadu at Chennai ("RoC"). The name of our Company was changed to 'IFMR Capital Finance Private Limited' and a fresh certificate of incorporation dated June 19, 2009 was issued by the RoC. Our Company was then converted into a public limited company under the Companies Act, 2013, and consequently, the name of our Company was changed to 'IFMR Capital Finance Limited' and a fresh certificate of incorporation dated December 12, 2017 was issued by the RoC. Subsequently, the name of our Company was changed to 'Northern Arc Capital Limited' and a fresh certificate of incorporation dated February 20, 2018 was issued by the RoC. For further details in relation to changes in the name and the registered office of our Company, see "History and Certain Corporate Matters" beginning on page 318 of the prospectus dated September 19, 2024 ("Prospectus"). Our Company is registered with the Reserve Bank of India (the "RBI") as a non-banking financial company ("NBFC") not accepting public deposits (certificate of registration No. B-07.00430). For further details, see "Government and Other Approvals" beginning on page 522 of the Prospectus.

Registered and Corporate Office: No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai - 600 113, Tamil Nadu, India. Contact Person: Prakash Chandra Panda, Company Secretary and Compliance Officer, Tel: +91 44 6668 7000; E-mail: investors@northernarc.com; Website: www.northernarc.com; Corporate Identity Number: U65910TN1989PLC017021



(Please scan this QR code to view the Prospectus)

OUR COMPANY DOES NOT HAVE AN IDENTIFIABLE PROMOTER

Our Company has filed the Prospectus with the RoC and the Equity Shares (as defined below) are proposed to be listed on the NSE and BSE and the trading will commence on Tuesday, September 24, 2024.

BASIS OF ALLOTMENT

INITIAL PUBLIC OFFERING OF 29,597,646 EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF NORTHERN ARC CAPITAL LIMITED (OUR "COMPANY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹263 PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹253 PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING TO ₹7,770.00 MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF 19,065,326 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING TO ₹5,000.00 MILLION BY OUR COMPANY (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 10,532,320 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING ₹2,770.00 MILLION COMPRISING 3,844,449 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING ₹1,011.09 MILLION BY LEAPFROG FINANCIAL INCLUSION INDIA (II) LTD, 1,263,965 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING TO ₹332.42 MILLION BY ACCION AFRICA-ASIA INVESTMENT COMPANY, 1,746,950 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING TO ₹459.45 MILLION BY EIGHT ROADS INVESTMENTS MAURITIUS II LIMITED (FORMERLY KNOWN AS FIL CAPITAL INVESTMENTS (MAURITIUS) II LIMITED), 1,344,828 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING TO ₹353.69 MILLION BY DVARA TRUST (REPRESENTED BY ITS CORPORATE TRUSTEE, DVARA HOLDINGS (FORMERLY KNOWN AS DVARA HOLDINGS PRIVATE LIMITED AND AS DVARA TRUSTESHIP SERVICES PRIVATE LIMITED)), 1,408,918 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING TO ₹370.55 MILLION BY 360 ONE SPECIAL OPPORTUNITIES FUND (FORMERLY KNOWN AS IIFL SPECIAL OPPORTUNITIES FUND) AND 923,210 EQUITY SHARES OF FACE VALUE ₹10 EACH AGGREGATING TO ₹242.80 MILLION BY SUMITOMO MITSUI BANKING CORPORATION, (COLLECTIVELY REFERRED TO AS THE "SELLING SHAREHOLDERS", AND EACH INDIVIDUALLY, AS A "SELLING SHAREHOLDER" AND SUCH OFFER FOR SALE OF EQUITY SHARES BY THE SELLING SHAREHOLDERS, THE "OFFER FOR SALE"). THE OFFER INCLUDES A RESERVATION OF 590,874 EQUITY SHARES OF FACE VALUE ₹10 EACH, AGGREGATING TO ₹141.22 MILLION, FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES CONSTITUTING 0.37% OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL (THE "EMPLOYEE RESERVATION PORTION"). OUR COMPANY, IN CONSULTATION WITH THE BRLMS, OFFERED A DISCOUNT OF ₹24 PER EQUITY SHARE TO ELIGIBLE EMPLOYEE(S) BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HERINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER CONSTITUTES 18.34% AND 17.97%, RESPECTIVELY, OF THE FULLY DILUTED POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY. THE OFFER PRICE IS ₹263 PER EQUITY SHARE AND THE OFFER PRICE IS 26.30 TIMES THE FACE VALUE OF THE EQUITY SHARES.

ANCHOR INVESTOR OFFER PRICE: ₹263 PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH
OFFER PRICE: ₹263^A PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH
THE OFFER PRICE IS 26.3 TIMES THE FACE VALUE OF THE EQUITY SHARES.

^AA DISCOUNT OF ₹24 PER EQUITY SHARE WAS OFFERED TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION.

RISKS TO INVESTORS

(For details refer to section titled "Risk Factors" on page 38 of the Prospectus)

- Risk related to Diversified Business Model:** We operate a diversified business model that exposes us to various risks and an inability to manage such risks may have an adverse effect on our business, results of operations, cash flows and financial condition and any adverse developments in our focused sectors could adversely affect our business, results of operations, cash flows and financial condition. Set out below are certain operational and financial parameters in relation to the diversification and size of our business model, as of and for the Fiscals indicated:

Particulars	As of and for the financial year ended March 31,		
	2024	2023	2022
Cumulative number of Originator Partners on boarded	328	298	278
Cumulative number of Investor Partners	1,158	871	700
Number of Retail Lending Partners	50	46	38
Direct to Customer Borrowers	1,608,871	816,397	465,975
Total number of end-borrowers	1,609,046	816,559	466,148
Number of districts in India	671	676	636
Gross Transaction Volumes ("GTV") (₹ million)	293,236.80	273,851.59	198,964.29
Total income (₹ million)	19,060.33	13,112.00	9,165.45
Restated profit for the year (₹ million)	3,176.93	2,422.14	1,819.38

- Credit Risk:** If our borrowers default in their repayment obligations it may lead to increased levels of non-performing assets ("NPA"), related provisions and write-offs, our business, results of operations, cash flows and financial condition may be adversely affected. A significant portion of our investments are in credit facilities and debt instruments that are unsecured, and/or subordinated to other creditors. An inability to recover such investments may result in increased levels of NPAs, which could adversely affect our business, prospects, results of operations, cash flows and financial condition. Details are as follows:

Particulars	As of for the financial year ended March 31,		
	2024	2023	2022
	(₹ million, unless otherwise indicated)		
AUM (A)	117,100.19	90,086.93	71,083.17
Gross Carrying Amount - Loans - Stage 3 (B)	500.33	670.25	325.26
Gross Carrying Amount - Investments - Stage 3 (C)	-	-	24.90
Write off on financial instruments - loans (D)	3,228.79	8.56	337.80
Write off on financial instruments - investments (E)	-	-	750.00
Write off on financial instruments - recovery (F)	(2,254.44)	(26.67)	(18.94)
Total impaired exposures as a percentage of AUM [G=(B + C + D + E + F) / (A)] (%)	1.25%	0.72%	2.00%
Non-financial liabilities - Provisions	320.66	333.54	224.57
Provision coverage ratio - Stage 3 assets (%)	82.67%	47.84%	57.32%

- Balance Sheet Risk:** We may face asset-liability mismatches which would expose us to interest rate and liquidity risks that could have a material and adverse effect on our business, results of operations, cash flows and financial condition.
- Financing Risk:** Our business requires funds regularly, and if we are unable to obtain adequate financing or financing on terms satisfactory to us, as and when we require it, our ability to grow or support our business and to respond to business challenges would be limited and our business, profitability, prospects, financial condition, cash flows and results of operations would be materially and adversely affected. Details of borrowings in the last three financial years have been disclosed herein below:

Particulars	As of for the financial year ended March 31,		
	2024	2023	2022
	(₹ million, unless otherwise stated)		
Borrowings (other than debt securities) (A)	76,340.31	57,702.99	45,994.26
Debt securities (B)	14,137.25	12,243.16	13,435.97
Subordinated Liabilities (C)	-	399.51	399.35
Total Borrowings (D=A+B+C)	90,477.56	70,345.66	59,829.58

- Customer Risk:** Our business operations involve direct and indirect exposures to relatively high credit risk borrowers in the under-served households and businesses of India. Any large-scale defaults in this category could adversely affect our business, results of operations, cash flows and financial condition.
- Regulatory Risk:** Non-compliance with the RBI's or any other regulators' observations made during their inspections could expose us to penalties and restrictions as well as cancellation of our license, which could have a material and adverse effect on our business, financial condition, results of operation and cash flows.
- Compliance Risk:** Our inability in the future to comply with or any delay in compliance with the strict regulatory requirements with respect to our listed non-convertible debentures may have an adverse effect on our business, results of operations, cash flows and financial condition. Additionally, the trading in our NCDs may be limited or sporadic, which may affect our ability to raise debt financing in future. Further, there have been certain instances of delay or other non-compliance with legal or regulatory requirements, including with respect to form filings and intimations under the Companies Act, and with the SEBI, RBI and the BSE and there have been irregularities in a certain regulatory filing made with the RoC under applicable law.
- Losses and negative cash flow from operating activities in the past:** We have had negative cash flows in the past and may continue to have negative cash flows in the future. Negative cash flows over extended periods, or significant negative cash flows in the short term, may materially impact our ability to operate our business and implement our growth plans.

Particulars	Fiscal 2024	Fiscal 2023	Fiscal 2022
	(₹ million)		
Net cash flow from/ (used in) operating activities (A)	(21,344.45)	(12,956.54)	(13,255.02)
Net cash from/ (used in) investing activities (B)	360.45	(1,194.71)	(3,855.19)
Net cash flow from/ (used in) financing activities (C)	20,454.61	9,279.53	20,281.19
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(529.39)	(4,871.72)	3,170.98
Cash and cash equivalents at the beginning of the year	2,323.40	7,151.74	3,980.76
Additions on acquisition of specified assets and liabilities	-	43.38	-
Cash and cash equivalents at the end of the year	1,794.01	2,323.40	7,151.74

- Delay in payments of Statutory Dues:** There have been certain instances of delays in payment of statutory dues in the past. Any delay in payment of statutory dues in future, may result in the imposition of penalties and in turn may have an adverse effect on our business, financial condition, results of operation and cash flows.
- Technology Risk:** We rely significantly on our technology platforms and systems for our business and operations and any failure, disruption, downtime, inadequacy or security breach in such systems could adversely affect our business, reputation, results of operations, cash flows and financial condition.
- Our Company will not receive any proceeds from the Offer for Sale portion.
- Average cost of acquisition of Equity Shares for our Selling Shareholders in the Offer is as stated in the below table and the Offer Price at the upper band of the price band is ₹ 263

Name of the Selling Shareholder	Number of specified securities acquired	Average cost of acquisition per specified security (in ₹) ⁽¹⁾
LeapFrog Financial Inclusion India (II) Ltd	29,952,665	48.83
Accion Africa-Asia Investment Company	7,699,529	26.64
Eight Roads Investments Mauritius II Limited (formerly known as FIL Capital Investments (Mauritius) II Limited)	13,610,748	121.23
Dvara Trust (represented by its corporate trustee, Dvara Holdings (formerly known as Dvara Holdings Private Limited and as Dvara Trusteeship Services Private Limited))	9,644,086	4.10
360 ONE Special Opportunities Fund (formerly known as IIFL Special Opportunities Fund)	4,390,170	197.02
Sumitomo Mitsui Banking Corporation	7,004,364	197.02

⁽¹⁾As certified by M/s Kumbhat & Co LLP, Chartered Accountants, by way of their certificate dated September 19, 2024.

- The Price to Earnings Ratio based on the Basic and Diluted EPS at the upper end of the Price Band is 7.60 times and 11.24 times respectively as compared to the average industry Peer Group PE Ratio of 23.28
- Weighted Average Return on Net Worth for the Financial Years 2024, 2023 and 2022 is 12.24%
- Weighted average cost of acquisition of all specified securities transacted over the three years, 18 months and one year preceding the date of the Prospectus:

Period	Weighted Average Cost of Acquisition (WACA) (in ₹) ⁽¹⁾	Cap Price is 'X' times the WACA ⁽¹⁾	Range of acquisition price: lowest price - highest price (in ₹) ⁽¹⁾
Last one year	212.83	1.24	10 - 338.25
Last eighteen months	213.70	1.23	10 - 338.25
Last three years	214.51	1.23	10 - 338.25

⁽¹⁾As certified by M/s Kumbhat & Co LLP, Chartered Accountants, pursuant to the certificate dated September 19, 2024.

- Weighted average cost of acquisition of primary and secondary issuances as compared to Floor Price and Cap Price:

Past Transactions	Weighted average cost of acquisition (in ₹) ⁽¹⁾	Floor Price (in times) ⁽¹⁾	Cap Price (in times) ⁽¹⁾
The weighted average cost of acquisition during the last 18 months preceding the date of filing of the DRHP through a primary/new issue of shares (equity/convertible securities), excluding issuance of bonus shares, if any, where the issuance is equal to or more than 5% of the fully diluted paid-up share capital of the Company (calculated based on the pre-issue capital before such transaction/s), in a single transaction or multiple transactions combined together over a span of rolling 30 days.	210.97	1.18	1.25

⁽¹⁾As certified by M/s Kumbhat & Co LLP, Chartered Accountants, vide their certificate dated September 19, 2024.

- The three BRLMs associated with the Offer have handled 75 public issues in the past three financial years, out of which 17 issues closed below the Offer Price on listing date:

Name of the BRLMs	Total Public Issues	Issues closed below Offer Price on listing date
ICICI Securities Limited*	27	7
Axis Capital Limited*	21	5
Citigroup Global Markets India Private Limited*	5	0
Common Issues handled by the BRLMs	22	5
Total	75	17

* Issues handled where there are no common BRLMs.

