Board's Report

Dear Shareholders,

Your Directors have pleasure in presenting this Board's Report along with the audited financial statements of the Company for the financial year ended 31 March 2026 ("year under review").

FINANCIAL HIGHLIGHTS:

The Key highlights of the audited financial statements are presented in the below table:

(Amount INR in Crore)

Particulars	Standalone		Consolidated	
	Year ended 31 March 2026	Year ended 31 March 2025	Year ended 31 March 2026	Year ended 31 March 2025
Total income	2,643.83	2,296.51	2,700.33	2,355.74
Finance costs	885.68	822.86	894.82	828.36
Net interest income	1,758.15	1,473.65	1,805.51	1,527.38
Operating expenses	759.07	638.09	830.69	716.55
Depreciation	16.70	15.31	18.79	17.88
Pre-provision profit	982.38	820.25	956.03	792.95
Impairment and write-offs	412.39	378.53	411.88	404.85
Share of loss from associates	0	0	8.59	2.02
Profit before tax	569.99	441.72	535.56	386.08
Tax expense	140.84	99.10	131.98	84.76
Profit for the period	429.15	342.62	403.58	301.32
Other comprehensive income/(loss)	40.98	(29.01)	41.12	(29.30)
Total comprehensive income	470.13	313.61	444.70	272.02
Total comprehensive income to Owners	470.13	313.61	447.11	275.28
Opening balance of retained earnings	1,177.42	902.85	1,195.95	960.35
Transfer to reserves	(85.83)	(68.52)	(85.83)	(68.52)
Appropriations and other adjustments	0.28	0.47	0.40	(0.42)
Closing balance of retained earnings	1,521.02	1,177.42	1,516.54	1,195.95
Earnings per Equity share:				
Basic (in INR)	26.57	22.59	24.99	20.08
Diluted (in INR)	26.39	22.53	24.82	20.03

FINANCIAL PERFORMANCE:

During the year ended 31 March, 2026, on a standalone basis, your company generated total income of INR 2,643.83 Crore, a growth of 15.12% over the earlier year. Net Interest Income was INR 1,758.15 Crore, representing year-on-year increase of 19.31%.

On a consolidated basis, your company generated total income of INR 2,700.33 Crore, a growth of 14.63% over the earlier year. Net Interest Income was INR 1,805.51 Crore, representing year-on-year increase of 18.21%.

There is no change in the nature of business of the Company for the year under review. Further information on the business overview and outlook and state of the affairs of the Company is mentioned in detail in the Management Discussion and Analysis Report.

SHARE CAPITAL:

Authorized Share Capital:

The authorized share capital of the Company is INR 282,00,00,000/- (Rupees Two Hundred and Eighty Two Crore only) divided into 16,50,00,000/- equity shares of INR 10/- each and 5,85,00,000 compulsorily convertible preference shares of INR 20/- each.

Issued, Subscribed and paid-up share capital:

During the financial year under review, your company had allotted 1,92,539 equity shares under the Employees Stock Option Schemes of the Company.

After the allotment of the aforesaid equity shares, the total issued, subscribed and paid-up capital of the Company as on 31 March, 2026, stood at INR 161,57,18,750/- comprising of 16,15,71,875 equity shares of INR 10/- each.

DIVIDEND:

During the financial year under review, the Board has not recommended any dividend. In terms of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Company has formulated and adopted a Dividend Distribution Policy. The Policy has been reviewed and approved by the Board of Directors and the same is available on the Company's website at https://www.northernarc.com//assets/uploads/policies/Dividend_Distribution_Policy.pdf

DEBENTURE:

During the year under review, your company had allotted 22,500 Senior, Secured, Rated, Listed, Redeemable Non-convertible debentures ("NCDs") of face value of INR 1,00,000/- each amounting to INR 225 Crore on 10 September 2025 and 25,000 Senior, Secured, Rated, Listed, Redeemable Non-Convertible Debentures of face value of INR 1,00,000/- each amounting to INR 250 Crore on 31 December 2025. In aggregate, the Company issued a total of 47,500 NCDs amounting to INR 475 Crore during the financial year under review.

TRANSFER TO STATUTORY RESERVES

Your Company has transferred an amount of INR 85.83 Crores to the statutory reserves in accordance with the requirements of Section 45-IC (1) of the Reserve Bank of India Act, 1934.

CREDIT RATING

The Credit ratings of the company as on 31 March, 2026, are summarised below:

Instrument	Rating Agency	Rated Amount (In Crore)	Rating
Commercial Paper	ICRA	35	ICRA A1+
	CARE	500	CARE A1+ (One Plus)
Secured NCDs under Private Placement Issue	ICRA	1297.90	ICRA AA- (Stable)
Term Loan from Banks	India Ratings	200	IND AA- (Stable)
	ICRA	7689	ICRA AA- (Stable)
Short Term Loan facilities from Banks	ICRA	905	[ICRA]A1+

CAPITAL ADEQUACY

The Company's capital adequacy ratio as of 31 March, 2026, was 22.56% as against 24.72% as at 31 March, 2025. The minimum capital adequacy ratio prescribed by Reserve Bank of India is 15%.

NOMINATION AND REMUNERATION POLICY

The Company has formulated Nomination and Remuneration Policy under the provisions of Section 178 of the Companies Act, 2013, and SEBI Listing Regulations and RBI (Non-Banking Financial Companies – Governance) Directions, 2025 dated November 28, 2025 and the same is available on the website of the Company at https://www.northernarc.com//assets/uploads/policies/Nomination_and_Remuneration_Policy.pdf

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

The composition of the Board of Directors of the Company is in accordance with the provisions of Section 149 and 165 of the Companies Act, 2013 read with Regulation 17 of the SEBI Listing Regulations with an appropriate combination of Executive Director, Non-Executive Directors and Independent Directors.

As on 31 March, 2026, the Company has a total of Nine Directors, consisting of One Executive Director and Eight Non-Executive Directors. The Board of Directors comprises Four Independent Directors, one of whom is a woman Independent Director.

Mr. Sandeep Dhar (DIN: 00182797) was appointed as an Independent Director on the Board of the Company for a first term of five years with effect from 7 May, 2025, by the Board based on the recommendation of the Nomination and Remuneration Committee ("NRC") of the Company. The appointment was subsequently approved by the Members of the Company.

Mr. Trikkur Seetharaman Anantharaman (DIN: 00480136) who was representing 360 One Special Opportunities Fund as its Nominee Director, resigned as the Nominee Director of the Company with effect from 23 June, 2025, subsequent to the sale of its Equity Shares in the Company.

Ms. Anuradha Rao (DIN: 07597195) retired as a Non-Executive, Independent Director with effect from 30 October, 2025. Based on the recommendation of the NRC, the Board of Directors, at its meeting held on 31 October, 2025, appointed her as Non-Executive, Non-Independent Director of the Company for a period of one year with effect from 31 October, 2025 and subsequently, Shareholders through postal ballot dated 24 January, 2026, had approved the said appointment.

Ms. Vidya Krishnan (DIN: 09669166) was appointed as an Independent Director on the Board of the Company for a first term of up to five years with effect from 31 October, 2025, by the Board based on recommendation of the NRC of the Company. Further, the said appointment was approved by the Members through postal ballot dated 24 January, 2026.

Dr. Kshama Fernandes (DIN: 02539429) ceased to be a Director of the Company with effect from the close of business hours on 31 March, 2026, upon completion of her term, and the Board places on record its sincere appreciation for her invaluable contribution and guidance to the Company.

Mr. Vijay Chakravarthi (DIN: 08020248) will retire by rotation and being eligible, offers himself for re-appointment in accordance with the provisions of Section 152 of the Companies Act, 2013. The resolutions seeking shareholders' approval for his re-appointment forms part of the AGM Notice.

There was no change in the key managerial personnel (KMP) of the Company during the year under review. As on 31 March, 2026, the Company had the following KMPs:

1) Mr. Ashish Mehrotra, Managing Director and Chief Executive Officer

2) Mr. Atul Tibrewal, Chief Financial Officer and

3) Mr. Prakash Chandra Panda, Company Secretary and Compliance Officer

CORPORATE GOVERNANCE:

The Corporate Governance report which forms part of Board's Report states detailed corporate governance practices of the Company, together with the disclosures, as per the SEBI Listing Regulations.

A certificate from the Secretarial auditors of the Company regarding compliance of conditions of corporate governance is annexed to the Corporate Governance report.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING

In accordance with Regulation 34 of the SEBI Listing Regulations, the Business Responsibility and Sustainability Report (BRSR), outlining the Company's environmental, social and governance initiatives is enclosed with the report as **Annexure – A.**

CORPORATE SOCIAL RESPONSIBILITY (CSR):

The brief outline of the Corporate Social Responsibility (CSR) initiatives undertaken by the Company on CSR activities during the year under review are set out in **Annexure B** of this report in the format prescribed in the Companies (Corporate Social Responsibility) Rules, 2014. The CSR Policy is available on the Company's website at https://www.northernarc.com//assets/uploads/policies/CSR_Policy.pdf

STATEMENT OF DEVIATION OR VARIATION IN THE USE OF PROCEEDS FROM THE OBJECTS STATED IN THE OFFER DOCUMENT FOR INITIAL PUBLIC OFFERING (IPO) UNDER REGULATION 32(4) OF SEBI LISTING REGULATIONS

The disclosure of deviation or variation, if any in the use of proceeds from the objects stated in the offer document for IPO are provided in the Corporate Governance Report.

DETAILS OF UTILISATION OF FUNDS RAISED THROUGH PREFERENTIAL ALLOTMENT OR QUALIFIED INSTITUTIONS PLACEMENT AS

SPECIFIED UNDER REGULATION 32(7A) OF SEBI LISTING REGULATIONS

The disclosure of utilization of funds raised through preferential allotment or qualified institutions placement, if any are provided in the Corporate Governance Report.

EMPLOYEES STOCK OPTION PLAN

During the year under review, there were no material changes in the Northern Arc Employee Stock Option Plan, 2016 ("ESOP Plan"), except for an increase of ESOP options (ESOP pool size) in compliance with section 62(1)(b) of the Companies Act, 2013 and applicable provisions of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SBEB & SE Regulations"). These changes are not prejudicial to the interest of the employees. The ESOP Plan remains fully compliant with the SBEB & SE Regulations. The details, as required to be disclosed under the SBEB & SE Regulations and the Companies Act, 2013 are available on the Company's website at https://www.northernarc.com/annual-report.

DECLARATION OF INDEPENDENCE UNDER SECTION 149(6) OF THE COMPANIES ACT, 2013

The Independent Directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI Listing Regulations and there has been no change in the circumstances which may affect their status as Independent Director during the year.

The Independent Directors have confirmed that they are not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence.

In the opinion of Board, all the Independent Directors are possessing integrity, expertise and experience (including the proficiency) in their respective domains.

PECUNIARY TRANSACTIONS WITH NON-EXECUTIVE DIRECTORS:

No material pecuniary relationship exists between the Non-Executive Directors and the Company, other than payment of Sitting Fees for attending the Board/ Committee Meetings and the payment of Commission to Mr. P S Jayakumar, in the capacity of Chairman and Independent Director of the Company.

Details of remuneration paid to non-executive directors are provided in the Corporate Governance Report.

SUBSIDIARY/ASSOCIATE AND JOINT VENTURE COMPANIES:

As on 31 March, 2026, the Company had 5 subsidiary companies, i.e., Northern Arc Investment Managers Private Limited, Northern Arc CrediTech Solutions Private Limited, (Formerly known as Northern Arc Investment Adviser Services Private Limited), Northern Arc Securities Private Limited, Pragati Finserv Private Limited and Northern Arc Foundation (a company incorporated under section 8 of the Companies Act, 2013).

The name of Northern Arc Investment Adviser Services Private Limited was changed to Northern Arc CrediTech Solutions Private Limited with effect from 27 May, 2025.

As on 31 March, 2026, the Company does not have any associate or joint venture company.

MATERIAL SUBSIDIARY:

During the year under review, the Company had no material subsidiaries. Further, as required under Regulations 16(1)(c) and 46 of the SEBI Listing Regulations, the Board has approved the Policy for determining Material Subsidiaries which is available on the website of the Company at https://www.northernarc.com//assets/uploads/policies/Policy_for_determining_material_subsidiaries.pdf.

PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES:

(i) Northern Arc Investment Managers Private Limited:

Northern Arc Investment Managers Private Limited continued to strengthen its position in India's private credit landscape during FY 2025–26. As of 31 March, 2026, the platform managed Assets Under Management (AUM) of approximately INR 3,092 Crores across Alternative Investment Funds (AIFs) and Portfolio Management Services (PMS), supported by disciplined underwriting, prudent risk management, and long-standing investor relationship.

(ii) Northern Arc CrediTech Solutions Private Limited:

In alignment with the commitment to innovation and growth in the evolving financial landscape, Northern Arc CrediTech Solutions Private Limited (NACT) (Formerly known as Northern Arc Investment Adviser Services Private Limited) has shifted its focus from being a SEBI-registered Investment Adviser to providing advanced technological solutions in credit delivery and management. In line with this shift, NACT has voluntarily surrendered its SEBI Investment Adviser Registration Certificate, and the company has been renamed as Northern Arc CrediTech Solutions Private Limited effective, 27 May, 2025.

(iii) Northern Arc Securities Private Limited:

Northern Arc Securities Private Limited is steadily establishing its position as a full-spectrum of wealth management platform catering to retail investors, HNIs, UHNIs, and institutions alike. Built on Northern Arc's foundational strength in debt markets, the platform offers a curated range of solutions spanning fixed-income products, mutual funds, insurance, PMS, and AIF with a focus to deliver a holistic financial ecosystem.

(iv) Pragati Finserv Private Limited:

Pragati Finserv Private Limited delivered a resilient and disciplined performance in FY 2025–26, expanding its reach and strengthening its operating foundation despite a challenging macro environment for microfinance industry. The company grew its portfolio outstanding to INR 1,166 Crore, serving 3.59 Lakh active clients, and increased disbursements to INR 880 Crore for the year. This growth was achieved while the broader microfinance industry contracted, reflecting Pragati's selective origination, tighter underwriting and focused collections approach.

(v) Northern Arc Foundation:

The Company implements its Corporate Social Responsibility (CSR) initiatives through the Northern Arc Foundation, which serves as the dedicated platform for conceptualising and executing impact-oriented programmes. The CSR framework is structured around four core thematic areas: Education, Environment & Sustainability, Livelihood Development, and Health & Destitute Care for vulnerable communities.

During FY 2025–26, the Company spent a CSR outlay of INR 7,52,66,825/- towards initiatives focused on healthcare, education, and community development through strategic implementing agencies and these programmes aim to improve access to essential services, strengthen community ecosystems, and deliver measurable, long-term social impact.

Information on the performance and financial position of the subsidiaries as on 31 March, 2026 are provided in form AOC 1 enclosed as **Annexure - C.**

RBI GUIDELINES AND COMPLIANCE:

The Company is registered with the Reserve Bank of India under Section 45IA of the Reserve Bank of India Act, 1934 as a Non-Banking Financial Company – Investment and Credit Company (NBFC-ICC) not accepting public deposits, vide Registration No. B-07.00430 dated 8 March, 2018, and has complied with and continues to comply with all applicable laws, rules, circulars and regulations applicable to the Company.

DEPOSITS:

The Company being NBFC-ICC, has not accepted any deposits during the year under review. Further, the Company had also passed a board resolution to the effect that the company has neither accepted public deposit nor would accept any public deposit during the year under review, as per the requirements of RBI (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings during the year or the previous year. Total foreign exchange outgo during the year under review was INR 117.68 Crore (previous year: INR 62.02 Crore) under the heads listed below:

(Amount INR in Crore)

Head of Expense	31 March, 2026	31 March, 2025
Subscription charges	0.03	0.17
Legal and professional charges	11.58	13.13
Finance cost	106.07	48.72
Total	**117.68**	**62.02**

MEETING OF INDEPENDENT DIRECTORS:

In terms of Para VII of Schedule IV of the Companies Act, 2013, your Company conducted a meeting of its Independent Directors on 30 March, 2026, without the presence of non-independent directors and members of the management. The Independent Directors inter alia,:

a) reviewed the performance of non-independent directors and the Board as a whole.

b) reviewed the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors.

c) assessed the quality, quantity, and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

AUDITORS:

STATUTORY AUDITORS:

In terms of Section 139 of the Companies Act, 2013 and the rules made thereunder, the Shareholders in the 16th Annual General Meeting had appointed M/s. Walker Chandiok & Co LLP, Chartered Accountants, having ICAI Firm Registration No.: 001076N/N500013 as statutory auditors of the Company for a period 3 (three) consecutive years, to hold office from the conclusion of 16th Annual General Meeting till the conclusion of 19th Annual General Meeting.

There has been no qualification, reservation or adverse remark given by the Statutory Auditors in their Report for the year under review.

Pursuant to the Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), Urban Co-operative Banks and Non-Banking Financial Companies (including Housing Finance Companies) dated April 27, 2021, issued by the Reserve Bank of India ("RBI Guidelines"), Non-Banking Financial Companies having an asset size of INR 15,000 Crore and above, as at the end of the immediately preceding financial year, are required to appoint Joint Statutory Auditors, with the statutory audit to be conducted by a minimum of two audit firms.

As on 31 March, 2026, the asset size of the Company exceeded the prescribed threshold, thereby attracting the requirement for joint audit under RBI Guidelines. Accordingly, upon recommendation of the Audit Committee, the Board of Directors has approved the appointment of R. Subramaniyan and Company LLP, Chartered Accountants (Firm Registration No. (FRN: 004137S/S200041), as Joint Statutory Auditors of the Company, to hold office from the conclusion of the Eighteenth AGM till the conclusion of the Twenty-First AGM of the Company, subject to the approval of the Members at the ensuing AGM. The resolutions seeking shareholders' approval for the appointment of joint statutory auditors forms part of the AGM Notice.

SECRETARIAL AUDITORS

Pursuant to Regulation 24A(1)(b) of SEBI LODR Regulations, the shareholders at the 17th Annual General Meeting, appointed M/s. Alagar & Associates LLP (Formerly known as M. Alagar & Associates), Practicing Company Secretaries, Chennai (Firm Registration No. L2025TN019200) as Secretarial Auditors of the Company for a period of 5 (five) consecutive years, from the conclusion of the 17th AGM until the conclusion of the 22nd AGM to conduct the secretarial audit of the Company for the financial years from FY 2025-26 to FY 2029-30.

The Secretarial Audit Report for the financial year ended 31 March, 2026 is annexed herewith as "**Annexure D**" and does not contain any qualification, reservation or adverse remark in their report.

COST AUDIT AND COST RECORDS

The provisions of cost audit and the maintenance of cost records as prescribed under Section 148 of the Companies Act, 2013, are not applicable to the Company.

REPORTING OF FRAUDS BY THE AUDITORS TO THE COMPANY:

During the year, the Auditors have not reported any instance of fraud to the Audit Committee and Board as per Section 143 (12) of the Companies Act, 2013.

CHANGES TO THE CONSTITUTIONAL DOCUMENTS DURING THE YEAR UNDER REVIEW

There were no changes in the Memorandum of Association and the Articles of Association of the Company during the year under review.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY THAT OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENT RELATE TILL THE DATE OF THIS REPORT:

No material changes and commitments affecting the financial position of the Company have occurred between the financial year ended 31 March 2026 till the date of this report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES

In terms of Section 186(11) of the Companies Act, 2013 read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, NBFC Companies are excluded from the applicability of Section 186 of the Act, 2013, where the loans, guarantees and securities are provided in the ordinary course of its business.

Details of investments under Section 186 of the Companies Act, 2013 for the financial year 2025-26 are provided in the notes to financial statements.

BOARD AND COMMITTEE MEETINGS

During the financial year 2025-26, 9 meetings of the Board of Directors were held. The details of the composition of the Board and its committees and of the Meetings held and attendance of the Directors at such meetings and disclosure on acceptance of Audit Committee recommendations by Board of Directors during the year under review are provided in the Corporate Governance Report, which is forming a part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013, the Board of Directors confirm that, to the best of its knowledge and belief:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) the directors have prepared the annual accounts on a going concern basis;

e) the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and

f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD EVALUATION

The Board of Directors has carried out an annual evaluation of its own performance, board committees, and individual directors pursuant to the provisions of the Companies Act, 2013, and SEBI Listing Regulations. The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.

The above criteria are broadly based on the Guidance Note on Board Evaluation issued by the Institute of Company Secretaries of India. In a separate meeting of Independent Directors, performance of Non-Independent Directors, the Board as a whole and Chairperson of the Company was evaluated, taking into account the views of Executive and Non-Executive Directors.

At the Board meeting that followed the meeting of the Independent Directors, the performance of the Board, its committees, and individual directors was also discussed. Performance evaluation of Independent Directors was done by the entire Board.

The Company has received declaration from each Director on fulfilling the fit and proper criteria in terms of the provisions of Reserve Bank of India (Non-Banking Financial Company - Governance) Directions, 2025 ("RBI Directions"). The Board of Directors has confirmed that all the existing Directors are fit and proper to continue to hold the appointment as Directors on the Board, as reviewed and recommended by the NRC on fit and proper criteria under RBI Directions.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place a Policy for prevention of Sexual Harassment, in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints, as and when received, regarding sexual harassment and all employees are covered under this Policy.

The following is a summary of complaints received and dealt with during the FY 2025-26:

(a) No. of complaints received in the year – 1

(b) No. of complaints disposed off during the year – 1

(c) No. of cases pending for more than ninety days - Nil

EXTRACT OF ANNUAL RETURN

Pursuant to the provisions of Section 92(3) and 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, draft Annual return is uploaded on Company's website link https://www.northernarc.com/annual-report and a copy of the Annual Return will be uploaded on the Company's website link as and when the same is filed with the Registrar of Companies, Chennai.

APPROVAL FOR FACTORING BUSINESS

During the year under review, the Company was granted a Certificate of Registration by the Reserve Bank of India (RBI) on 28 May 2025, permitting it to commence and carry on the business of factoring.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATION IN FUTURE

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and operations of your Company in future.

RELATED PARTY TRANSACTIONS

The Company has adopted a policy on related party transactions for the purpose of identification, monitoring and approving of such transactions. The Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions is available on website of the Company and the weblink for the same is https://www.northernarc.com//assets/uploads/policies/Policy_on_materiality_of_Related_Party_Transactions_and_dealing_with_Related_Party_Transactions.pdf. During the year, your Company has not entered into any transactions with Related Parties which are not in the ordinary course of its business or not on an arm's length basis and which require disclosure in this Report in terms of the provisions of Section 188(1) of the Companies Act, 2013. Form **AOC-2** is enclosed with the report as **Annexure E**.

COMPANIES WHICH HAVE BECOME OR CEASED TO BE SUBSIDIARIES, JOINT VENTURES, OR ASSOCIATES OF THE COMPANY DURING THE YEAR.

On May 12 May, the Company diluted its stake in FinReach Solutions Private Limited, and consequently, FinReach Solutions Private Limited ceased to be an associate of the Company.

COMPLIANCE WITH DOWNSTREAM INVESTMENT REGULATIONS PURSUANT TO RULE 23(6) OF THE FOREIGN EXCHANGE MANAGEMENT (NON-DEBT INSTRUMENTS) RULES, 2019

Pursuant to Rule 23(6) of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, the Board hereby confirms that the Company has complied with the provisions relating to downstream investment made during the financial year.

The downstream investment has been made in accordance with the applicable provisions of the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, and the Consolidated FDI Policy issued by the Department for Promotion of Industry and Internal Trade (DPIIT), as amended from time to time. The Company has duly complied with the prescribed reporting requirements and has completed all necessary statutory filings with the Reserve Bank of India and other regulatory authorities, wherever applicable.

REQUIREMENTS UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Disclosure to be made under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

Ratio of remuneration of each Director to the median employee's remuneration for the financial year:

Sr. No.	Name of Directors	Director's Remuneration (in INR)	Employees' Median Remuneration (in INR)	Ratio
1.	Ashish Mehrotra MD & CEO	10,65,90,002	5,58,280	1:191
2.	P S Jayakumar, Independent Director and Chairperson	1,52,50,000	5,58,280	1:27

All the other directors are not paid any remuneration except sitting fees for attending meetings of the Board and Committees thereof.

Percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the Financial Year vis-à-vis last financial year:

Name of director/ Key Managerial Personnel	% increase in remuneration in the financial year
P S Jayakumar, Independent Director and Chairperson	-1%
Ashish Mehrotra, MD & CEO	10%
Atul Tibrewal, Chief Financial Officer	10%
Prakash Chandra Panda, Company Secretary and Compliance Officer	9%

- Percentage increase in the median remuneration of employees in the financial year: 9%
- Number of permanent employees on the rolls of the company: 1126 (as of 31 March 2026)
- Average percentage increase in the salaries of employees other than the KMP in FY 2025-26 is 11.7%* and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration is -2%.
- Affirmation that the remuneration is as per the remuneration policy of the company: The Company affirms that remuneration of directors and employees of the company is in accordance with the Nomination and Remuneration policy of the company.

*the average increase in salaries of employees based on performance appraisal during the last year.

PARTICULARS OF EMPLOYEES UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:

The statement containing particulars of employees as required under section 197(12) of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is in a separate **Annexure F** forming part of this report. A copy of the Board's Report is being sent to all the members excluding **Annexure F**. The said Annexure is available for inspection by the members at the Registered Office of the Company during business hours on working days. Any member interested in obtaining a copy of the same may write to the Company Secretary at cs@northernarc.com or addressed to Registered office of the Company.

DETAILS OF THE TRANSFER/S TO THE INVESTOR EDUCATION AND PROTECTION FUND (IEPF) MADE DURING THE YEAR:

As per the provisions of Section 124(5) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and pursuant to the Regulation 61A of the SEBI Listing Regulations the Company is required to transfer unclaimed dividend/ interest, if any, to an escrow account maintained by the Company. Upon completion of seven years from the date of transfer to the escrow account, the unclaimed amounts, if any, will be transferred to the Investor Education and Protection Fund ("IEPF"). During the reporting year under reveiw, no transfer to the Investor Education and Protection Fund (IEPF) was required to be made. Details of such unclaimed amount liable to be transferred to IEPF is hosted on the website of the Company at https://www.northernarc.com/assets/uploads/files/unclaimed-dividends.pdf.

The Company Secretary of the Company has been designated as the Nodal Officer for handling investor queries related to unclaimed amounts.

CODE OF CONDUCT

The SEBI Listing Regulations requires listed companies to lay down a code of conduct for its directors and senior management, incorporating duties of directors prescribed in the said regulations. Accordingly, the Company has a Board approved code of conduct for Board members and senior management of the Company, and the details are mentioned in the Corporate Governance Report.

All the Board members and senior management personnel have affirmed compliance with the code for the FY 2025-26.

VIGIL MECHANISM AND WHISTLE BLOWER POLICY

As per the provisions of Section 177(9) of the Companies Act, 2013, the Company has established an adequate whistle blower mechanism for directors and employees to report their genuine concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct is in place and the same have been disclosed on the website of the company, at https://www.northernarc.com//assets/uploads/policies/Vigil_Mechanism_Whistle_blower_policy.pdf. No references under the whistle blower policy were received during the FY 2025-26. The same has also been affirmed by the Audit Committee of the Board on a quarterly basis.

SECRETARIAL STANDARDS COMPLIANCES

The company has complied with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

CONSERVATION OF ENERGY, TECHNOLOGY AND ABSORPTION

Being a Non-Banking Finance Company and not involved in any industrial or manufacturing activities, the Company's activities involve low energy consumption and has no particulars to report regarding conservation of energy, technology and absorption.

INTERNAL FINANCIALS CONTROLS

The Board of Directors confirms that your Company has laid down set of standards, processes and structure which enables to implement Internal Financial controls across the organization with reference to Financial Statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious deviation has been observed for inefficiency or inadequacy of such controls.

A STATEMENT INDICATING DEVELOPMENT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY FOR THE COMPANY INCLUDING IDENTIFICATION THEREIN OF ELEMENTS OF RISK, IF ANY, WHICH IN THE OPINION OF THE BOARD MAY THREATEN THE EXISTENCE OF THE COMPANY:

The Board affirms that the company has developed and implemented a comprehensive Risk Management Policy. This policy outlines a structured and proactive approach to identifying, assessing, mitigating, and monitoring various risks that could potentially impact the company's operations, financial performance, and long-term sustainability.

Details of identification, assessment, mitigations, monitoring and the management of these risks are mentioned in the Management Discussion and Analysis Report appended to this Report.

OTHER DISCLOSURE:

In terms of applicable provisions of the act, the company discloses that during the year under review:

(i) The company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Companies Act, 2013, read with rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

(ii) The company has not issued any sweat equity shares and hence disclosure as per Section 54(1)(d) of the Companies Act, 2013, read with rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014 is not provided.

(iii) There were no instances of non-exercising of voting Rights directly by Employees in respect of shares to which the scheme relates, hence no information pursuant to section 67(3) of the Companies Act, 2013, read with rule 16(4) of Companies (Share Capital and Debenture) Rules, 2014 is furnished.

(iv) The Company is complying with the provisions relating to the Maternity Benefit Act 1961.

(v) Neither any application was made, nor any proceedings are pending under the Insolvency and Bankruptcy Code, 2016 against the Company.

(v) There were no instances of one-time settlement for any loans taken from the banks or financial institutions.

ACKNOWLEDGEMENT

The Directors wish to thank the Reserve Bank of India and other statutory authorities for their continued support and guidance. The Directors also place on record their sincere thanks for the support and co-operation extended by the customers, business partners, bankers, shareholders, and other stakeholders of the Company.

The Directors also thank the employees of the Company for their contribution toward the performance of the Company during the year under review.

On behalf of the Board
For Northern Arc Capital Limited

P. S. Jayakumar	**Ashish Mehrotra**
Chairman and Independent Director	Managing Director & CEO
DIN: 01173236	DIN: 07277318

Date: 10 July, 2026
Place: Chennai