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Independent Auditor's Report on Standalone Annual Financial Results of Northern Arc Capital Limited pursuant to Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Board of Directors of Northern Arc Capital Limited

We have audited the accompanying standalone annual financial results of **Norther Arc Capital Limited** ('the Company') for the year ended 31 March 2019, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

Attention is drawn to the fact that figures for half year ended 31 March 2019 and the corresponding half year ended in the previous year as reported in these standalone annual financial results are the balancing figures between audited figures in respect of the full financial year and published year to date figures for the half year ended 30 September 2018 and half year ended 30 September 2017 respectively. Also the figures for the half year ended 30 September 2018 and half year ended 30 September 2017 have not been subjected to audit.

These standalone financial results have been prepared on the basis of the standalone annual financial statements and reviewed half yearly financial results which are the responsibility of the Company's management and approved by Company's Board of Directors.

Our responsibility is to express an opinion on these standalone financial results based on our audit of the annual financial statements which have been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards (Ind AS) as specified in Companies (Indian Accounting Standards) Rules, 2015 as per Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The balance sheet, on the date of transition pursuant to adoption of Ind AS by the Company, are based on the previously issued statutory financial statements prepared in accordance with the Rule 7 of the Companies (Accounting Standards) Rules, 2014 (as amended) audited by the predecessor auditor whose report for the year ended 31 March 2017 dated 10 May 2017 expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.



Independent Auditor's Report on Standalone Annual Financial Results of Northern Arc Capital Limited pursuant to Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Continued)

In our opinion and to the best of our information and according to the explanations given to us these financial results

- (i) are presented in accordance with the requirements of Regulation 52 of the Listing Regulations in this regard; and
- (ii) give a true and fair view of the net profit and other comprehensive income and other financial information for the year ended 31 March 2019.

for B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai
Partner
Membership No: 046882

Place: Mumbai
Date: 21 May 2019

Northern Arc Capital Limited

Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113

CIN: U65910TN1989PLC017021

Statement of Audited Standalone Balance Sheet as at 31 March, 2019

(All amounts are in lakhs, except share data and as stated)

Particulars	As at 31 March, 2019 (Audited)	As at 31 March, 2018 (Audited)
ASSETS		
Financial assets		
Cash and cash equivalents	18,285.52	18,052.88
Bank balances other than cash and cash equivalents	5,233.88	1,341.53
Derivative financial instruments	-	4.04
Receivables		
-Trade receivables	1,597.24	2,312.40
Loans	2,78,805.38	2,32,751.09
Investments	1,04,926.98	1,08,146.55
Other financial assets	988.79	456.60
	4,09,837.79	3,63,065.09
Non-financial assets		
Current tax assets (net)	1,365.39	516.52
Deferred tax assets (net)	599.67	574.47
Other non- financial assets	413.20	96.50
Property, plant and equipment	67.59	30.67
Intangible assets	290.99	359.80
Intangible fixed assets under development	342.75	133.41
	3,079.59	1,711.37
TOTAL ASSETS	4,12,917.38	3,64,776.46
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities		
Derivative financial instruments	10.65	-
Trade payables		
total outstanding dues of micro and small enterprises	-	-
total outstanding dues of creditors other than micro and small enterprises	876.53	697.87
Debt securities	1,13,323.12	60,300.00
Borrowings (Other than debt securities)	1,75,947.47	2,31,449.32
Subordinated liabilities	1,213.41	-
Other financial liabilities	5,252.61	3,480.23
	2,96,623.79	2,95,927.42
Non-financial liabilities		
Provisions	1,210.73	1,477.28
Other non-financial liabilities	362.97	315.75
	1,573.70	1,793.03
EQUITY		
Equity share capital	7,836.57	7,836.57
Other equity	1,06,883.32	59,219.44
	1,14,719.89	67,056.01
TOTAL LIABILITIES AND EQUITY	4,12,917.38	3,64,776.46
See accompanying notes to the standalone financial results		



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Statement of Audited Standalone Financial Results for the half year and year ended 31 March 2019

(All amounts are in lakhs, except share data and as stated)

Particulars	Half year ended 31 March 2019 Audited (Refer note 5)	Half year ended 31 March 2018 Audited (Refer note 5)	Year ended 31 March 2019 Audited	Year ended 31 March 2018 Audited
Revenue from operations				
Interest income	24,046.04	18,929.48	47,533.90	38,030.61
Fees and commission income	2,437.97	2,876.17	4,933.33	4,906.78
Net gain on fair value changes	3,133.00	3,166.22	3,669.94	3,359.01
Net gain on derecognition of financial instruments under amortised cost category	3.98	-	4.72	462.32
Total revenue from operations	29,620.99	24,971.87	56,141.89	46,758.72
Other income	1,582.50	31.92	1,614.42	63.84
Total income	31,203.49	25,003.79	57,756.31	46,822.56
Expenses				
Finance costs	15,603.69	12,770.54	30,183.93	23,712.74
Net loss on derecognition of financial instruments under amortised cost category	-	35.07	-	-
Impairment on financial instruments / write-offs	1,884.79	1,350.34	1,444.69	3,975.61
Employee benefits expenses	3,715.84	2,995.55	6,758.72	4,994.80
Depreciation and amortisation expenses	202.12	100.85	289.80	164.15
Other expenses	2,359.12	2,234.56	4,498.86	3,541.47
Total expenses	23,765.56	19,486.91	43,176.00	36,388.77
Profit before tax	7,437.93	5,516.88	14,580.31	10,433.79
Tax expense				
Current tax	2,495.27	2,900.65	5,046.77	5,082.44
Deferred tax charge/ (credit)	653.66	(1,030.40)	597.99	(1,494.02)
Profit for the period	4,289.00	3,646.63	8,935.55	6,845.37



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Statement of Audited Standalone Financial Results for the half year and year ended 31 March 2019

(All amounts are in lakhs, except share data and as stated)

Particulars	Half year ended 31 March 2019 Audited (Refer note 5)	Half year ended 31 March 2018 Audited (Refer note 5)	Year ended 31 March 2019 Audited	Year ended 31 March 2018 Audited
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)	30.85	(0.73)	14.07	(31.67)
Income tax relating to items that will not be reclassified to profit or loss	(10.78)	0.26	(4.92)	11.07
Net other comprehensive income not to be reclassified subsequently to profit or loss	20.07	(0.47)	9.15	(20.60)
Items that will be reclassified subsequently to profit or loss				
Fair valuation of investment in debt instruments	379.43	1,611.64	(1,797.59)	213.92
Income tax relating to items that will be reclassified to profit or loss	(132.59)	(563.17)	628.15	(74.75)
Net other comprehensive income to be reclassified subsequently to profit or loss	246.84	1,048.47	(1,169.44)	139.17
Other comprehensive income for the year, net of income tax	266.91	1,048.00	(1,160.29)	118.57
Total comprehensive income, net of income tax	4,555.91	4,694.63	7,775.26	6,963.94
Earnings per equity share				
Basic (in rupees)	5.47	4.65	11.40	8.74
Diluted (in rupees)	4.96	4.42	9.84	8.01
	Non-annualised	Non-annualised		
See accompanying notes to the standalone financial results				



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Notes:

- 1 Northern Arc Capital Limited ("the Company") is a Non Deposit accepting Non-Banking Finance Company registered with the Reserve Bank of India ("the RBI").
- 2 The standalone annual financial results for the year ended 31 March, 2019 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meetings held on 21 May 2019. The auditors have issued an unmodified opinion on the financial results.
- 3 These financial results have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015 as amended by the Companies (Indian Accounting Standards) Rules 2016. The Company has adopted Ind AS from 1 April 2018 with effective transition date of 1 April 2017 and accordingly these financial results together with the results for the comparative reporting period have been prepared in accordance with the recognition and measurement principles as laid down in Ind AS prescribed under Section 133 of Companies Act, 2013 ("the Act") and other accounting principles generally accepted in India.

The transition to Ind AS has been carried out from the erstwhile Accounting Standards notified under the Act read with Rule 7 of Companies (Accounts) Rule 2014 (as amended), guidelines issued by the RBI and other generally accepted accounting principles in India (Collectively referred to as the "previous GAAP"). Accordingly, the impact of transition has been recorded in the opening reserves as on 1 April 2017 and the corresponding adjustments pertaining to comparative previous period / half year as presented in these standalone financial results have been restated / reclassified in order to conform to current period presentation.

These financial results have been drawn up on the basis of Ind AS that are applicable to the Company as at 31 March 2019 based on the press release issued by Ministry of Corporate Affairs ("MCA") on 18 January 2016. Any application guidance / clarifications / directions issued by RBI or other regulators are implemented as and when they are issued / applicable.
- 4 The figures have been presented in accordance with the format prescribed for the financial statements for a Non-Banking Finance Company ("NBFC") whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015, in Division III of Notification dated 11 October 2018 issued by the Ministry of Corporate Affairs Government of India.
- 5 The figures for half year ended March 31, 2019 and the corresponding half year ended in the previous year as reported in these standalone annual financial results are the balancing figures between audited figures in respect of the full financial year and published year to date figures for the half year ended September 30, 2018 and half year ended September 30, 2017 respectively. Also the figures for the half year ended September 30, 2018 and half year ended September 30, 2017 have not been subjected to audit.
- 6 As required by paragraph 32 of Ind AS 101, the reconciliation of net profit and equity as reported under previous GAAP and as restated under Ind AS are summarised as below

Particulars	Profit reconciliation	
	Half year ended 31 March 2018 (Refer note 5)	Year ended 31 March 2018
Profit as per previous GAAP	5,565.61	7,741.53
Adjustments resulting in increase / (decrease) in profit after tax as reported under previous GAAP:		
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate method	(479.59)	(750.02)
Impact on application of Expected Credit Loss method for impairment allowance on financial assets	(1,852.26)	(1,071.03)
Fair value adjustment on investments	139.22	795.92
Income adjustment on account of derecognition of loans (net)	(223.63)	54.25
Interest income from investments in preference shares of subsidiaries	63.84	63.84
Employee stock compensation expense under fair valuation method	(492.37)	(492.37)
Other adjustments	(191.03)	30.22
Tax impact on above adjustments	1,116.84	473.03
Net Profit after tax for the year under Ind AS	3,646.63	6,845.37
Other comprehensive income		
Fair valuation adjustment of financial instruments through Other Comprehensive Income, net of taxes	1,048.47	139.17
Remeasurement loss on defined benefit plan, net of taxes	(0.47)	(20.60)
Total Comprehensive Income for the year under Ind AS	4,694.63	6,963.94



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Notes:

Equity reconciliation as at 31 March 2018	As at 31 March 2018
Total equity (shareholder's funds) as per previous GAAP	62,987.84
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate method	(1,897.81)
Impact on application of Expected Credit Loss method for impairment allowance on financial assets	(1,018.10)
Fair value adjustment on investments	1,926.84
Income adjustment on account of derecognition of loans (net)	168.98
Interest income from investments in preference shares of subsidiaries	161.25
Fair valuation adjustment of financial instruments through Other Comprehensive Income, net of taxes	6,394.99
Others	(5.11)
Tax effects on above adjustments	(1,662.87)
Total adjustments	4,068.17
Total equity (shareholder's funds) as per Ind AS	67,056.01

- 7 There is no separate reportable segment in accordance with Ind AS 108 on "Operating Segments" in respect of the Company.
- 8 Reserves include Statutory Reserves as per Section 45IC of Reserve Bank of India Act 1934, balance in Securities Premium, Capital Redemption Reserve, Employee Stock Option Reserve, Capital reserve and retained earnings.
- 9 During the previous year ended 31 March 2018, the Company vide its board meeting dated 18 December 2017 had approved the Scheme of Arrangement (Demerger) & Amalgamation between the Company, IFMR Holdings Private Limited, Dvara Investments Private Limited and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013. The appointed date under the aforesaid Scheme is 31 March 2017. The Company has received approval of the scheme from the Hon'ble National Company Law Tribunal, (NCLT) Chennai on 20 February, 2019 and filed the order with ROC on 7 March, 2019. The impact of the scheme has been given effect in these standalone financial results in accordance with Ind AS.
- 10 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.

Place: Mumbai

Date: 21 May 2019

For and on behalf of the Board of Directors

Kishuma Venkatesh
Managing Director



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Annexure

a) Credit Rating:

The ICRA Limited ("ICRA") have assigned following rating to the company:

Facility	ICRA
(i) Non-Convertible Debentures	ICRA+/Stable, IND A+/ Stable
(ii) Commercial Papers	ICRA1+/ CARE A1+
(iii) Cumulative non-convertible compulsorily redeemable pr	ICRA A/Stable
(iv) Long term bank facilities	ICRA+/ Stable
(v) Short term bank facilities	ICRA+/ Stable

b) Asset cover available for non-convertible debt securities:

Not applicable

c) Debt-equity ratio*:

The debt-equity ratio of the company as per the audited financial results as at 31 March 2019 is 2.55

d) Previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/repayment of principal of non-convertible preference shares/ non-convertible debt securities and whether the same has been paid or not:

All previous dues with respect to debentures were paid on due date (Refer Appendix A).

e) Next due date for the payment of interest/ dividend of non-convertible preference shares/principal along with the amount of interest/ dividend of non-convertible preference shares payable and the redemption amount.

Particulars	Date	Principal in lakhs
Non convertible preference shares 1	26-Sep-19	1,000.00
Non convertible preference shares 2	28-Sep-19	160.00

f) Debt service coverage ratio:

Not applicable

g) Interest service coverage ratio:

Not applicable

h) Outstanding redeemable preference shares (quantity and value):

11,600,000 shares at Rs. 10 per share

i) Capital redemption reserve/ Debenture redemption reserve:

Debenture redemption reserve is not required in respect of privately placed debentures in terms of rule 18(7) (b) (ii) of the Companies (Share Capital and Debenture) Rules, 2014.

j) Net worth as at 31 March 2019:**

Rs. 114,719.90 lakhs

k) Net profit after tax as at 31 March 2019:

Rs. 7,775.26 lakhs

l) Earnings Per share as at 31 March 2019 (annualised):

(i) Basic 11.40
 (ii) Diluted 9.84

* Debt equity ratio is calculated as (Long-term borrowing + Short-term borrowings) / Net worth)**

** Net Worth is equal to Paid up Equity Share Capital + Reserve - Deferred tax



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Appendix A:

Statement of Interest and Principal on Non-Convertible Debentures falling due and paid during the half year ended 31 March 2019:

Sl No.	Non-Convertible Debentures Series	Interest redemption date	Principal (in lakhs)	Interest (in lakhs)
1	INE850M07111	29-Apr-19	NA	81.53
		29-May-19	NA	78.90
		28-Jun-19	NA	78.90
		29-Jul-19	NA	81.53
		28-Aug-19	NA	78.90
		27-Sep-19	NA	78.90
2	INE850M07152	11-Apr-19	NA	41.62
		11-May-19	NA	40.27
		11-Jun-19	NA	41.62
		11-Jul-19	NA	40.27
		11-Aug-19	NA	41.62
		11-Sep-19	NA	41.62
		27-Sep-19	5000	21.48
3	INE850M07160	11-Jun-19	NA	471.21
4	INE850M07178	20-Jun-19	NA	478.44
5	INE850M07095	24-Jun-19	7500	817.50
6	INE850M07137	02-May-19	7500	69.69
7	INE850M07129	27-Jun-19	NA	249.03
		27-Sep-19	NA	249.03
8	INE850M08028	02-Apr-19	NA	221.59
9	INE850M08036	02-May-19	NA	214.44
10	INE850M08044	02-Jun-19	NA	221.59
		02-Jul-19	NA	214.44
		02-Aug-19	25000	221.59
11	INE850M08051	16-Apr-19	NA	243.12
12	INE850M08069	16-May-19	NA	234.25
13	INE850M08077	16-Jun-19	NA	243.12
		16-Jul-19	NA	234.25
		16-Aug-19	NA	234.25
		16-Sep-19	NA	234.25
14	INE850M07145	03-Apr-19	3500	77.33

