



NORTHERN ARC

Investor Presentation
Q1FY26

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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Sustainability

Business Overview



Gross Transaction Volume

INR 7,411 Cr

-3%

Placements

INR 2,838 Cr

10%



Direct to Customer Mix

53%

+103 bps



Lending AUM

INR 13,351

12%



Fund AUM

INR 3,174 Cr

15%



Direct Customers

21,60,652

14%



Branches

369

26



Retail Lending Partners

54

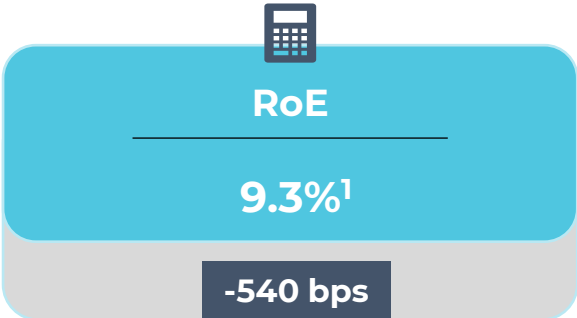
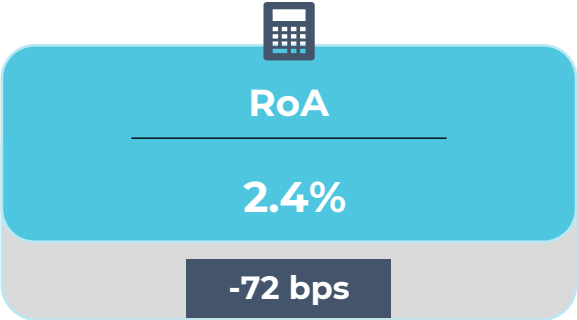
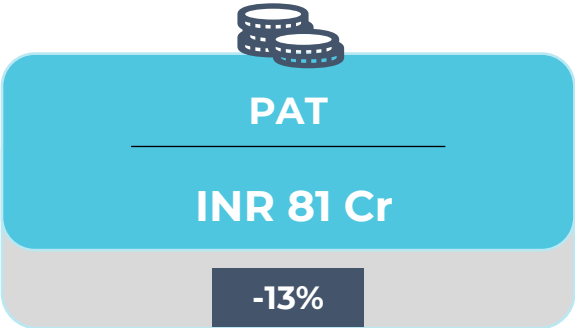
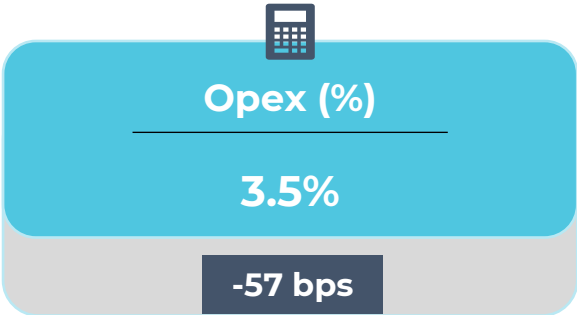
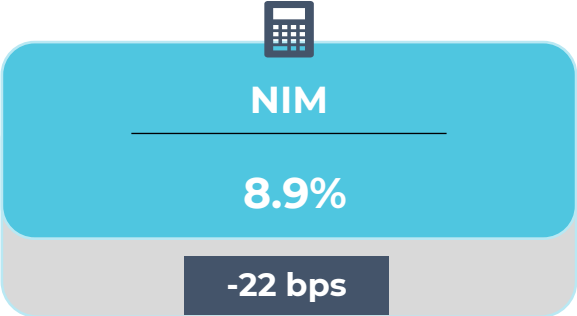
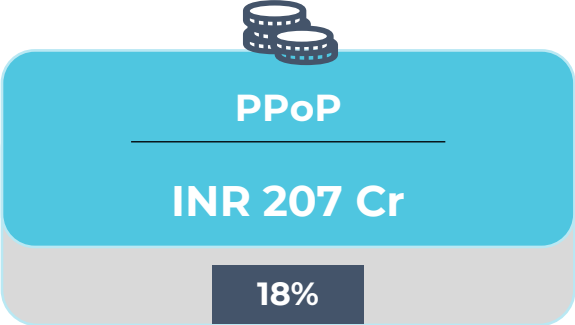
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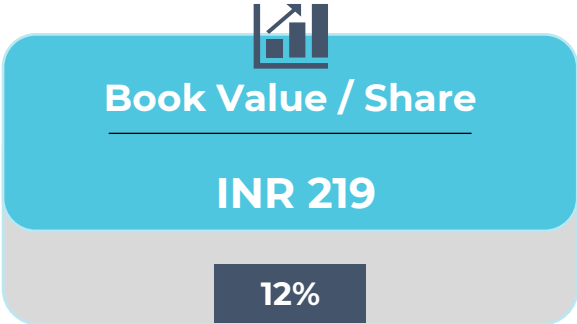
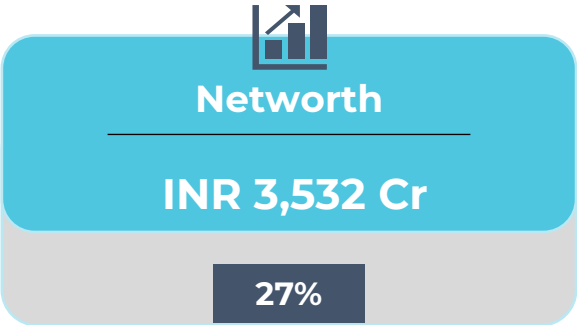
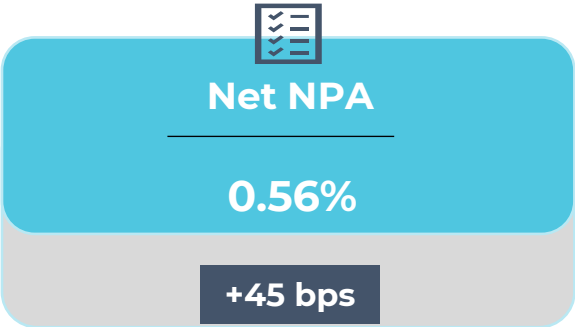
Origination Partners

353

18

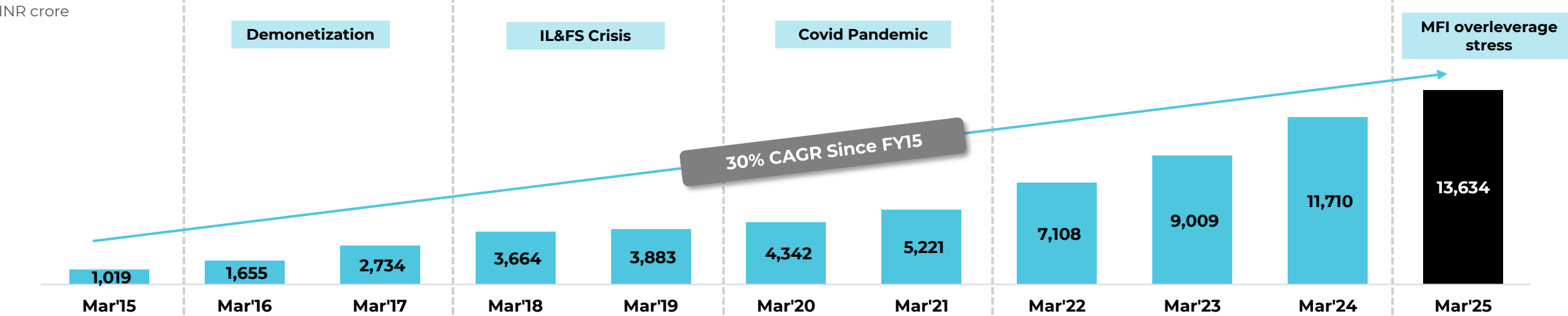


(1) Raised INR 500 Crores of Equity Capital

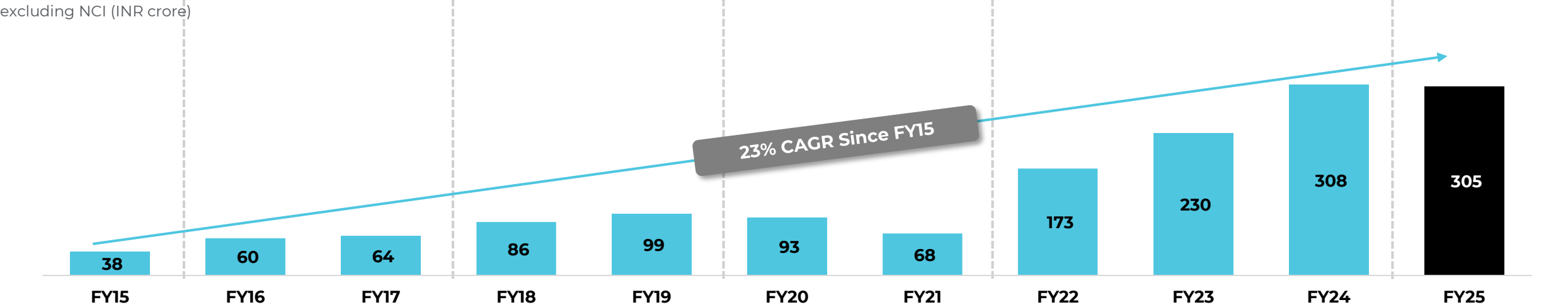


Demonstrating growth in AUM and profitability across business cycles

Asset under management



Profit After Tax



FY25 includes one time provision of INR 68 crore on account of DLG provision

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

Direct to Customer Lending



Sectors

MSME

Consumer

Rural

Channels

- Branches
- Digital
- Partnership

Lending – AUM INR 7,142 Cr



2 mn +

Customers



369

Branches



54

Retail Lending Partners



Underwriting

Intermediate Retail Credit Solution



Solutions across focus sectors

Lending – AUM INR 6,209 Cr

Fund Management – AUM INR 3,174 Cr

Placements – Volumes INR 2,838 Cr

Tech Solutions



2.2 lakh crore +

Credit enabled



353

Originator Partners



1,400+

Investor Partners

Data & Tech platforms



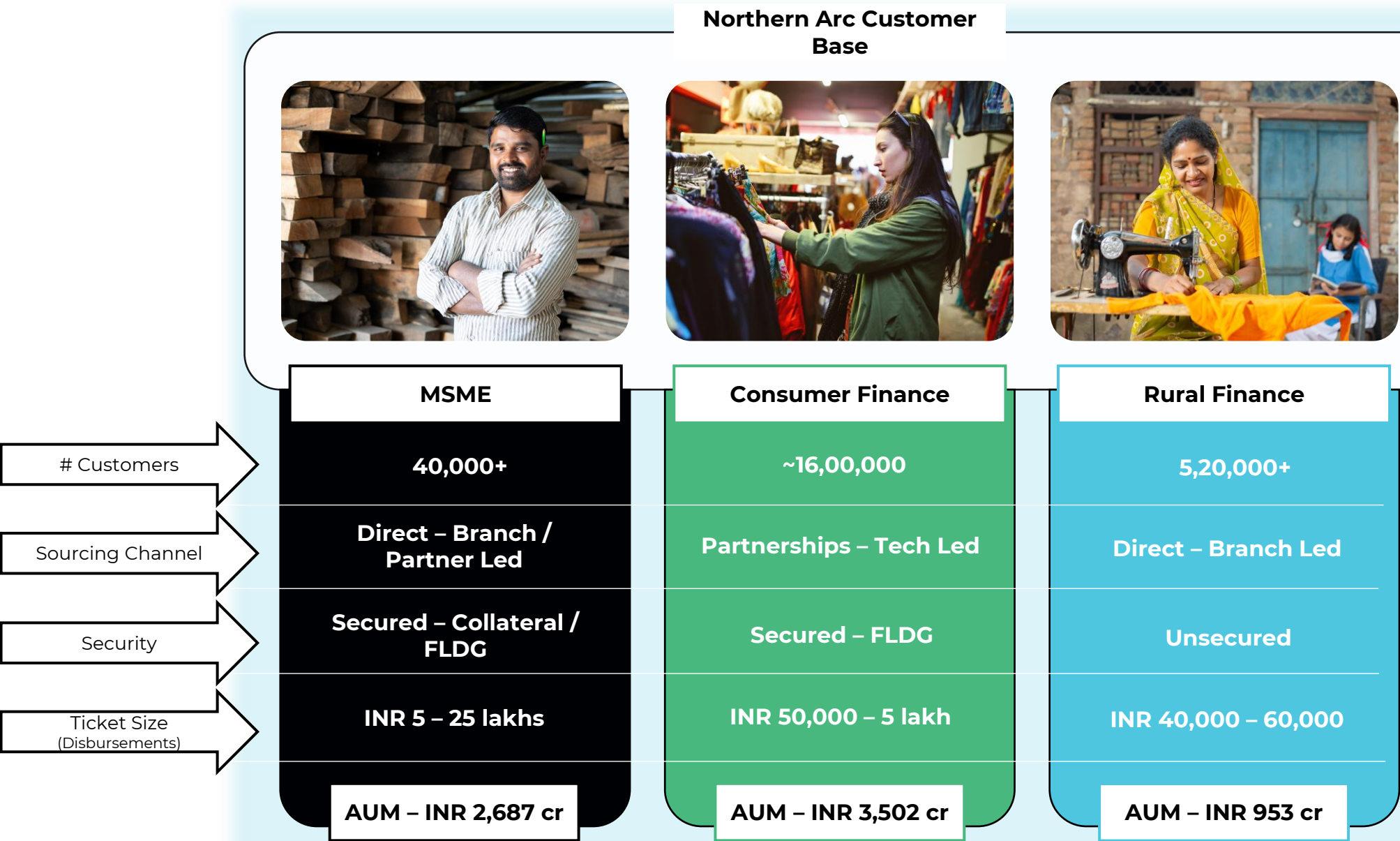
Direct to Customers

Lending

Direct to Customers Lending: Built a strong retail engine

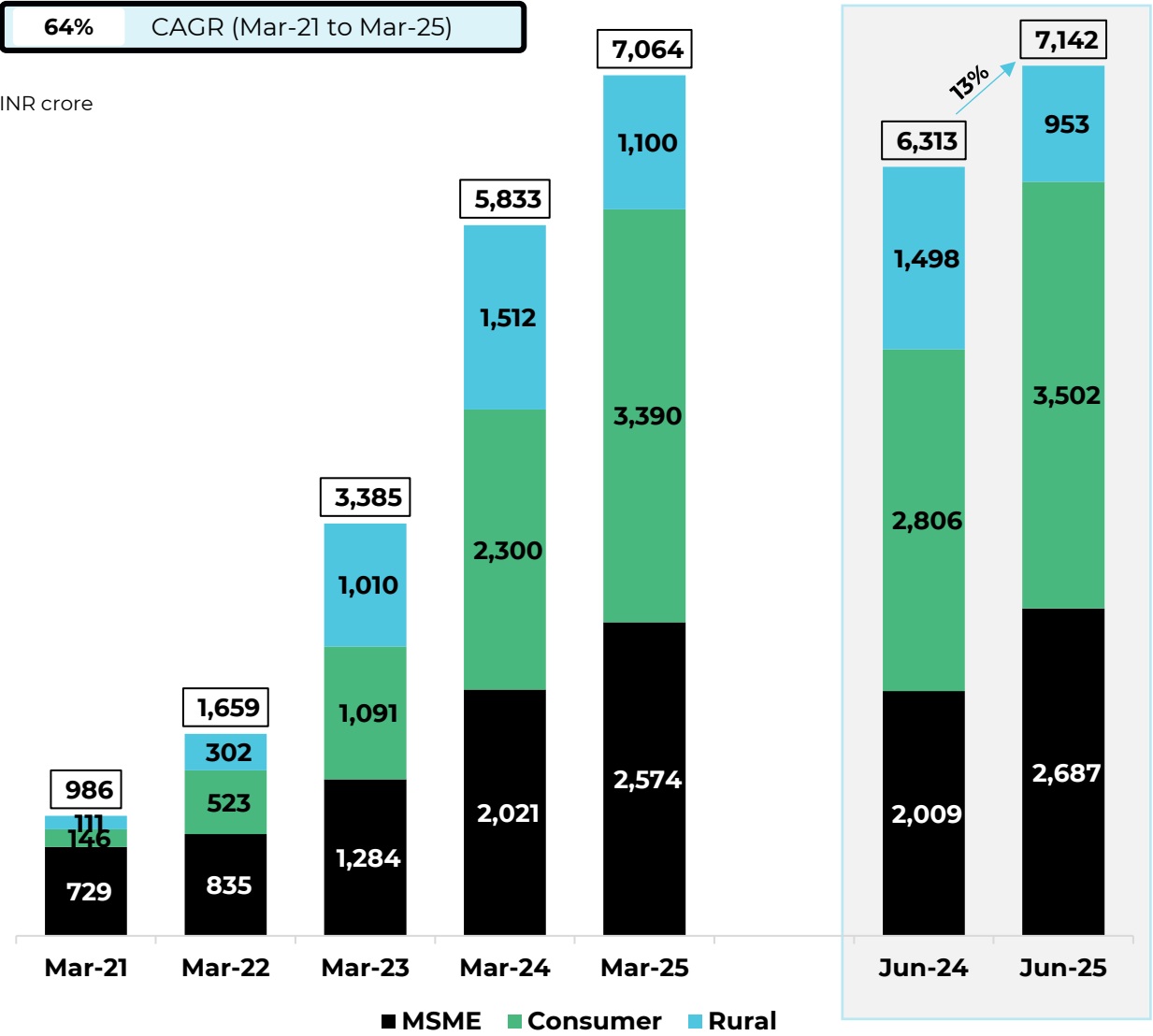
Leveraged learnings
from the **IR business**
to build :

- A strong D2C engine
- A robust underwriting and product program
- A seamless Digital journey, and
- A strong Collections Infrastructure



Growth : Strong growth led by expansion and partnerships

Assets under Management



Multi-channel Distribution Model



369

Branches



54

Retail Lending
Partners



Digital
Partnership

Backed by robust Underwriting & Technology

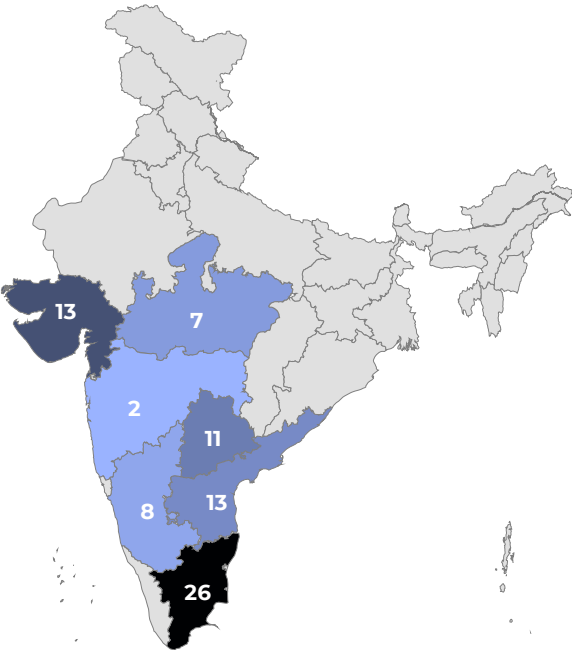


Underwriting

nPOS

Co-lending & On-
Lending Platform

Building strong footprint to scale granular portfolio



84 Branches

Added 11 branches in Q1FY26

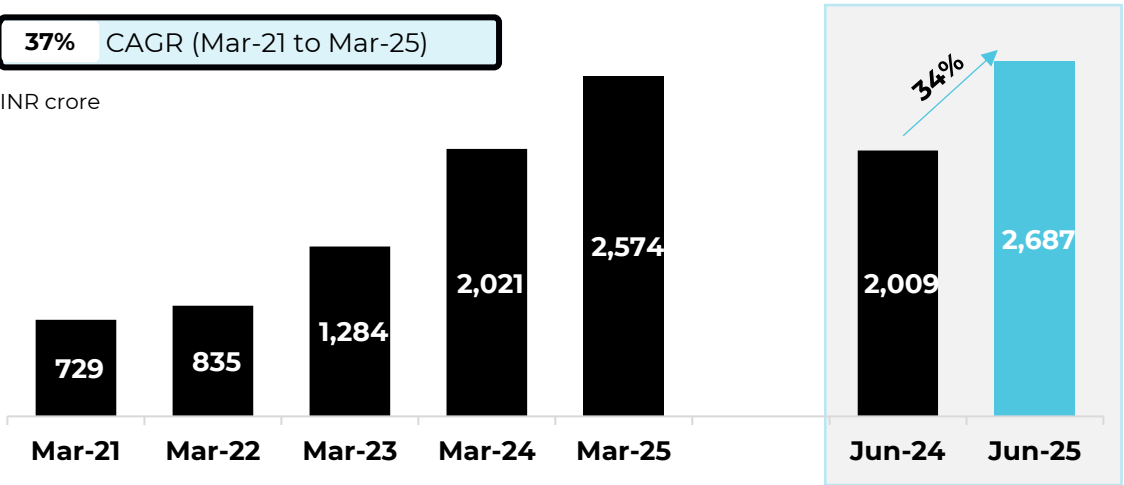
7 States

600+ Employee Strength

Assets under Management

37% CAGR (Mar-21 to Mar-25)

INR crore



Northern Arc's Value Proposition



End to end digital journey



Competitive pricing



Ease of documentation



Handholding till loan closure



Strong in-house collections Infrastructure



Average Bureau – 600+

Secured LAP Product Characteristics

ATS – INR 11-15 Lakhs

Average Yield – 17% - 20%

Average LTV – 48%

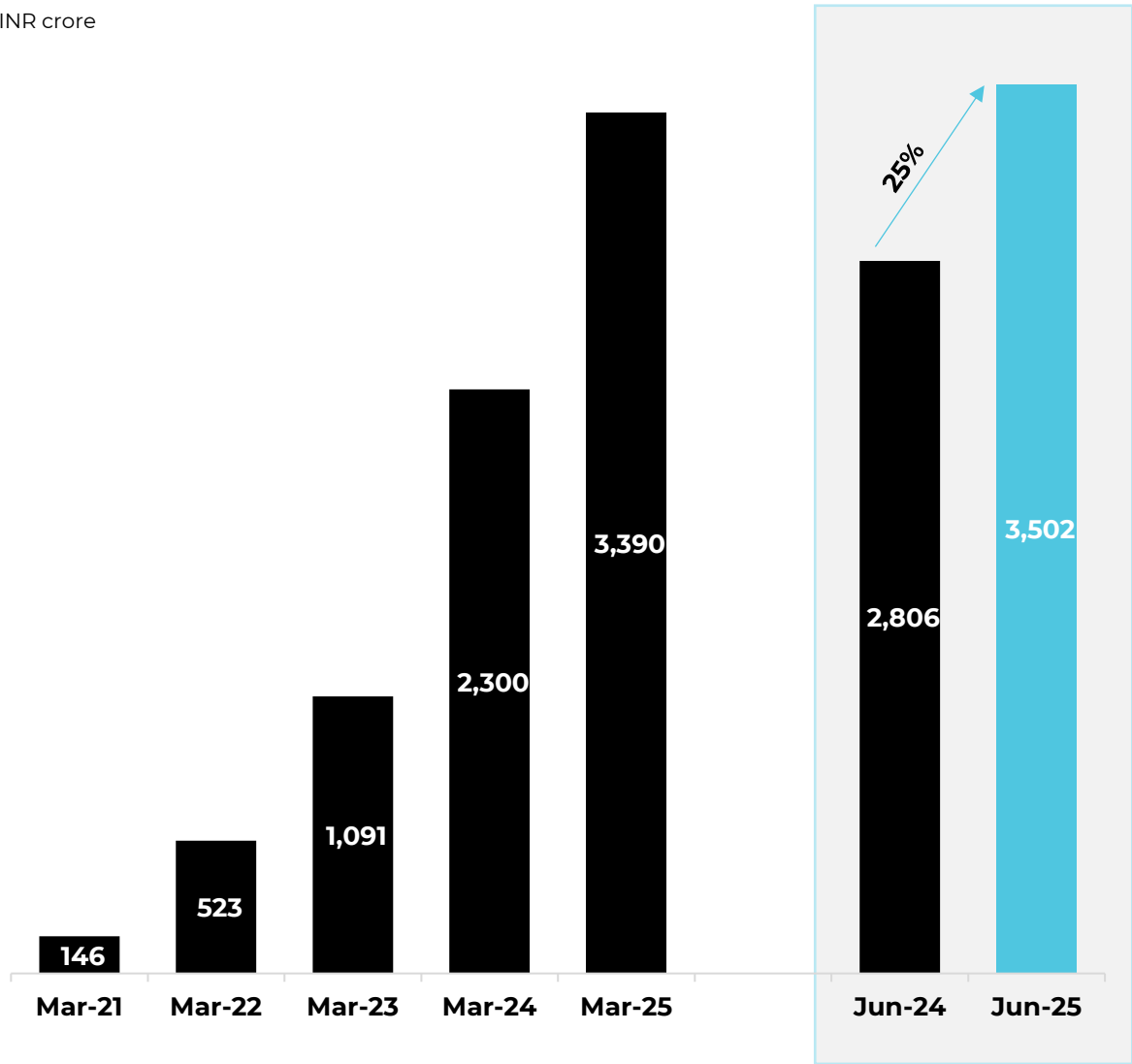
Average Tenure – 10+ years



Assets under Management

120% CAGR (Mar-21 to Mar-25)

INR crore



Live Partners
23

Ticket Size
Rs. 50,000 – 5,00,000

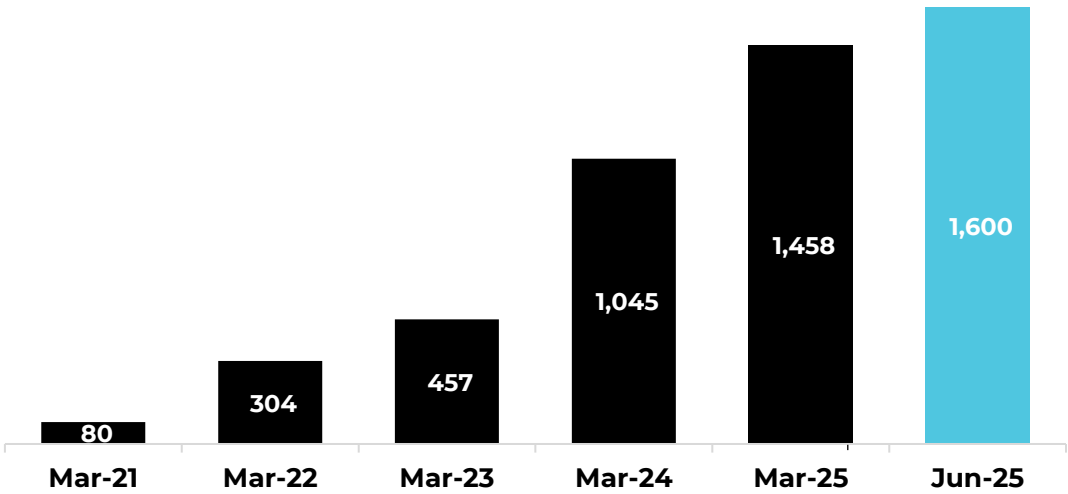
Net Yield
15% - 17%

Average Tenure
12 – 48 months

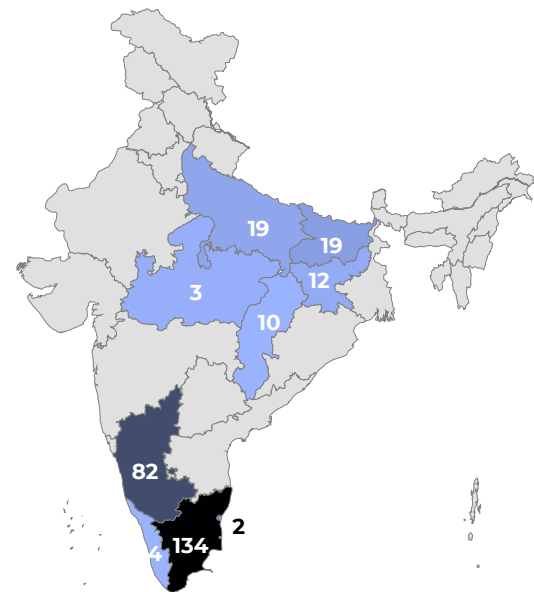
Repeat Customers
70%

CIBIL Score
650+

Customers ('000)



Pan India Presence



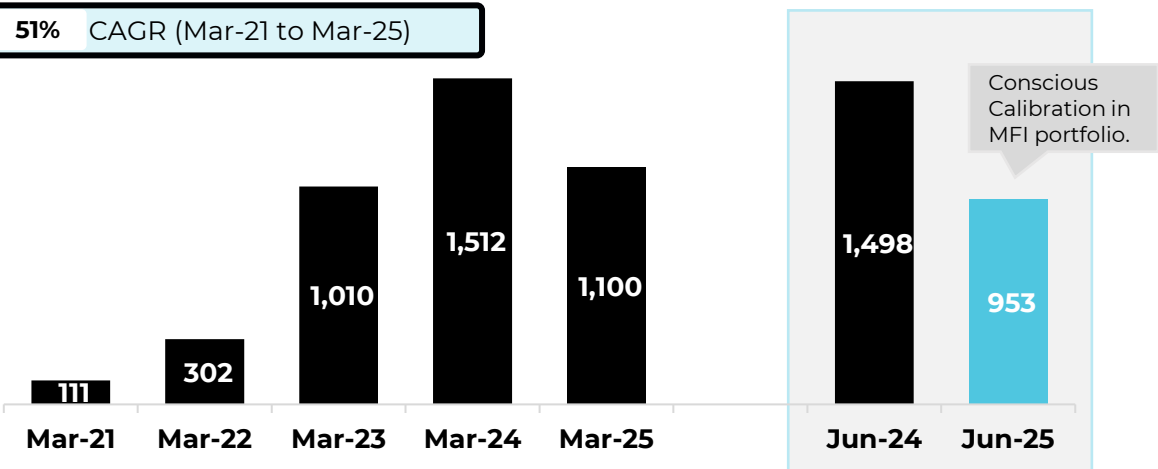
285 Branches

8 States and 1 UT

1,500+ Employee Strength

Assets under Management (INR crore)

51% CAGR (Mar-21 to Mar-25)



Product Characteristics

Digitally led journey throughout sourcing, risk, credit with live collections and monitoring modules.

ATS – INR 45,000

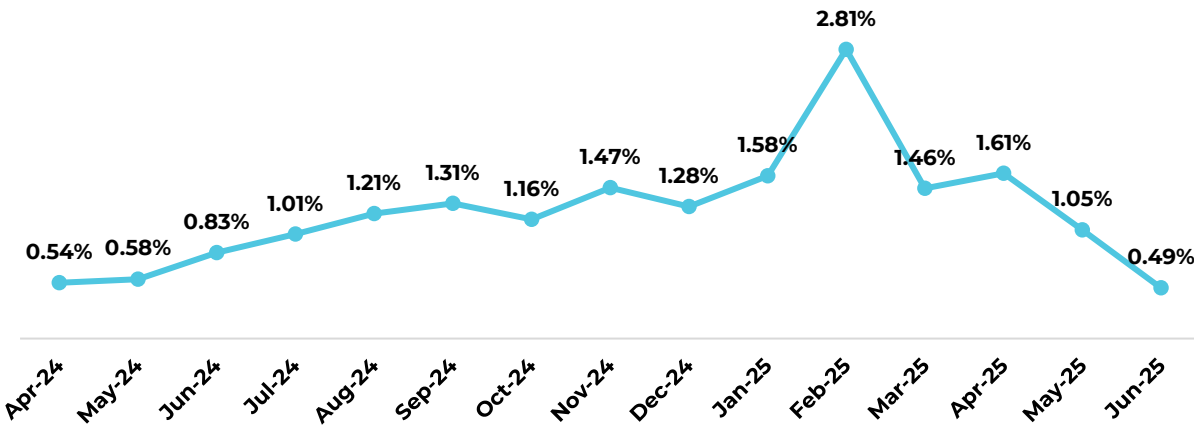
Yield – 24% - 25%

Average Tenure – 24 months

JLG Product & Individual loans

All new disbursements wef April 25 covered under CGFMU

PAR 0+ Accretion in Jun-25 reached to Apr-24 levels



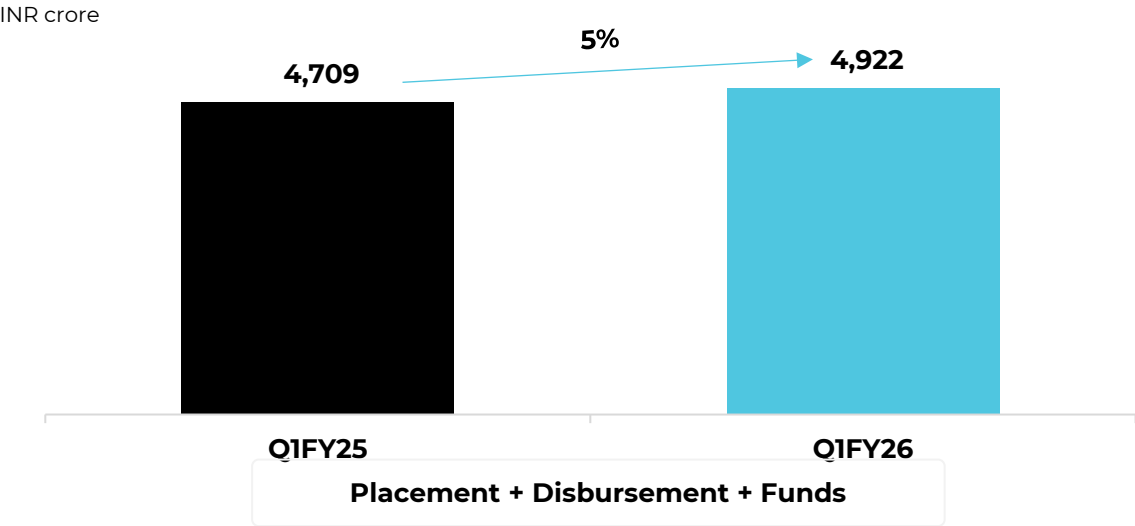
Intermediate Retail

Credit Solution Business

Lending to Intermediate Retail Partners

Gross Transaction Volume

353 Originator Partners

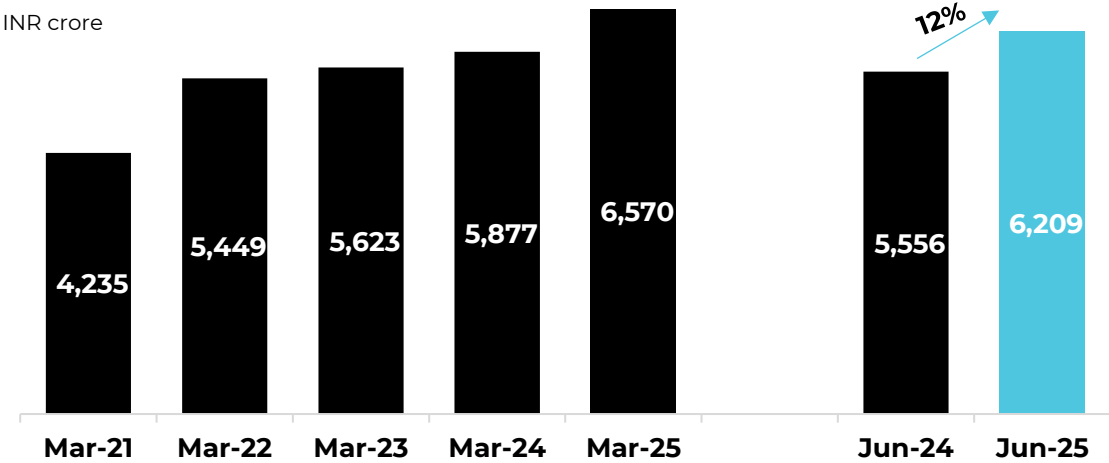


Diversity & Depth

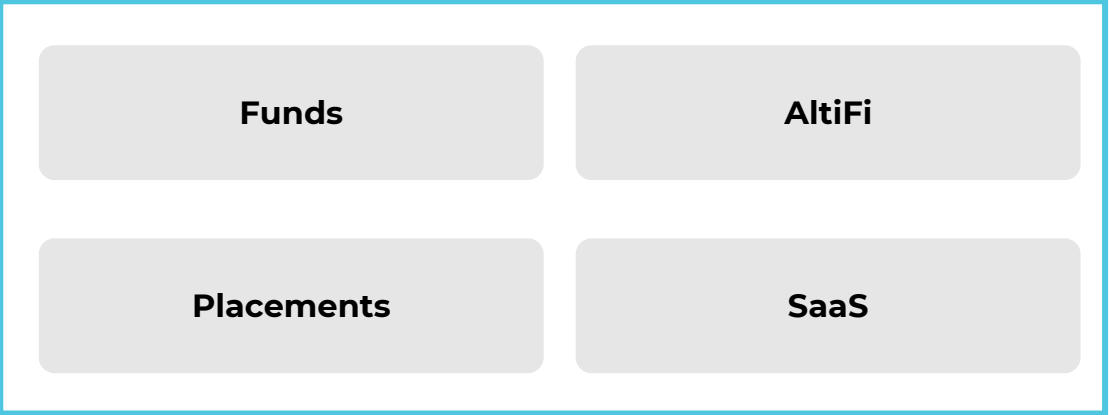
Parameter	Details
Sectoral Diversity	Across focused sectors such as - MSME, Consumer, MFI, Vehicle, Affordable Housing, Agriculture & Climate
Product Depth	Product Depth & Innovations beyond term loans - Innovative and structured credit solutions to meet the requirements of the market participants

Lending Book

12% AUM CAGR (Mar-21 to Mar-25)



Leveraging the IR balance sheet to expand credit offerings for partners via

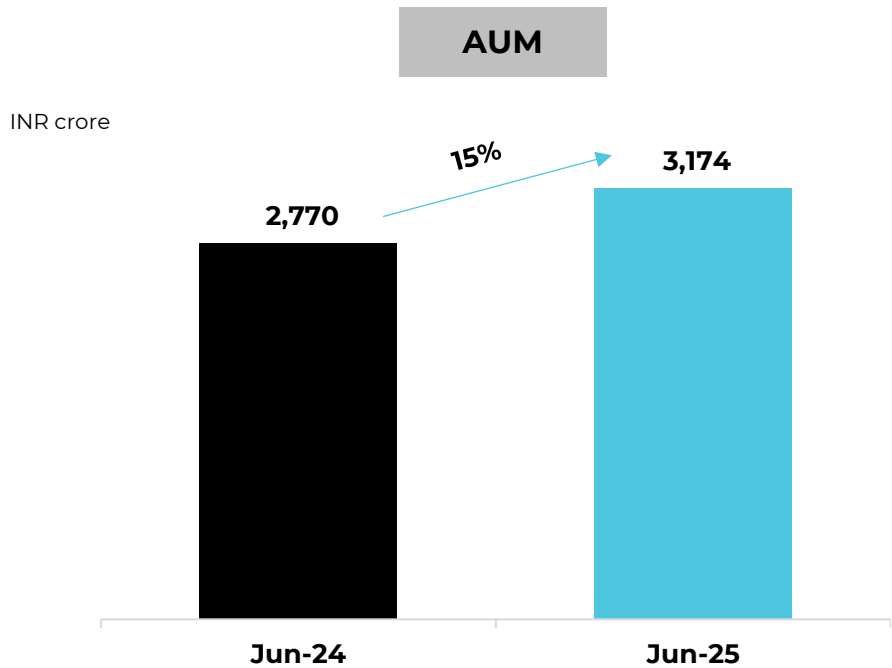




Northern Arc's Unique Fee Franchise

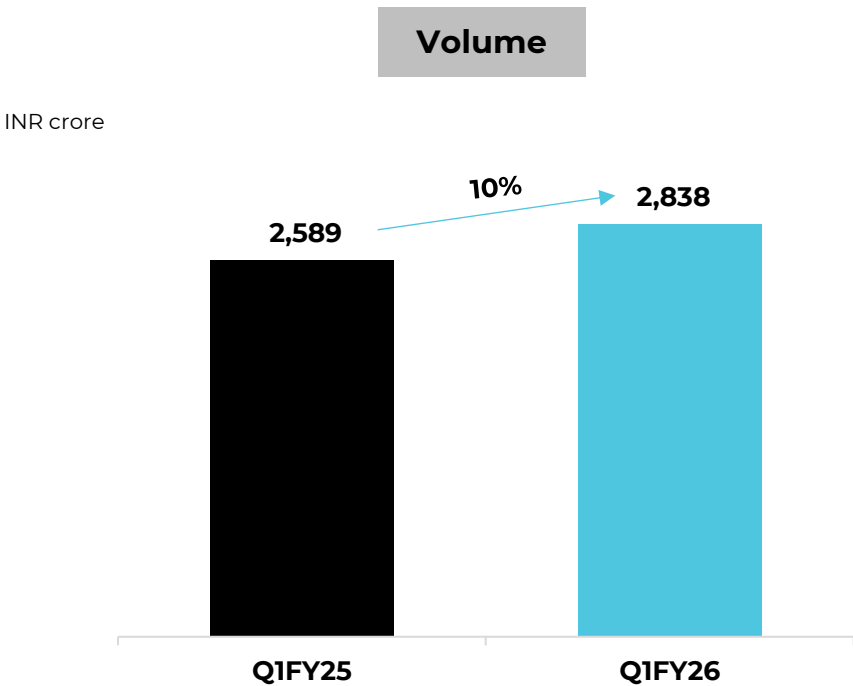
Fund Management

- Managed 12 funds and 3 PMS with successful exit of 6 Funds
- 6 Funds + 3 PMS currently active
- **Net management fee of 100-110 bps**



Placements

- Offers structured and syndicate financing for our Originator Partners
- **200+ investor partners, INR 1 trillion+** of placements volume since inception
- **Net fee of 20-25 bps**

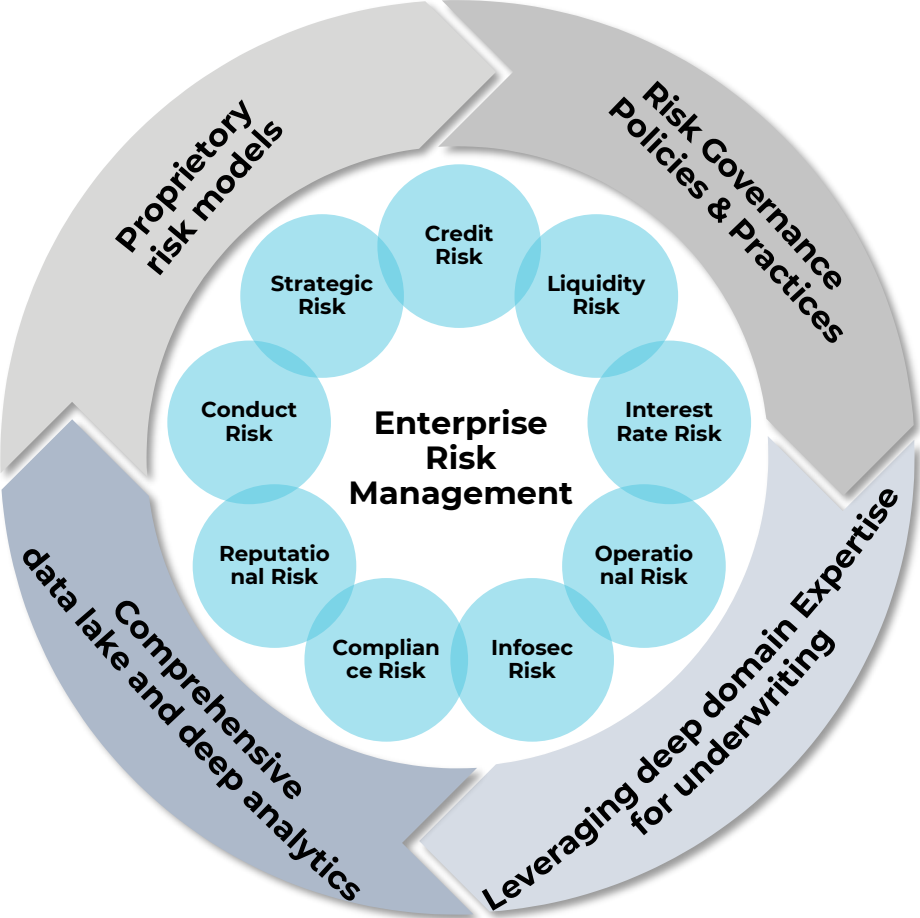


Risk Management

Robust Risk Management Framework

Robust risk management framework based on sector expertise, ground-level insights, extensive data analytics and proprietary risk models

Manage organizational risks



Using our Suite of Risk Analysis Tools



Transaction
Loss Modelling



Portfolio
Scrub Analysis



Pin code
Analysis



Descriptive
Analysis

Through

Deep Domain Knowledge and
Qualitative **Field-Level** Insights

Proprietary underwriting models
built using ML techniques

Predictive models on borrower
behavior & geo-risk management

48 mn+ loan data collected over 10+
years extensively analyzed

Risk Monitoring teams that
onboard and monitor each
originator and geography

Strong Collection Team that can
work as back-up servicing partner

Deep focus on collections



Pro-active monitoring to contain stress



Use of Data & Analytics across Collections lifecycle



Omni-channel payments infrastructure



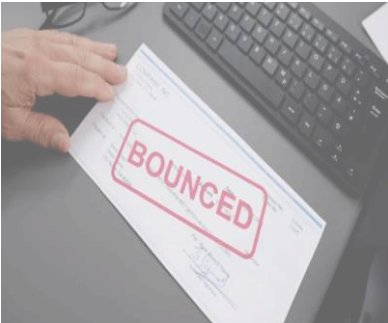
Legal Cell covering all relevant laws

Pre-Delinquency Management

Predicting Bounce likelihood

Proactive Outreach

Pre-due reminders sent to customers through SMS



X Bucket Collection

Immediate customer connect

Digital Reach
Tele-calling
Field Collection

Follow up through **tele-calling**



Initial – Mid Buckets

Focus on asset protection and normalization

Behavioural data for roll back

Initiate **on-field collections process along with tele-calling**

Legal action through Section 25



Deep Buckets

Focus is on amicable settlements & repossessions

Prioritize collection activities

Recovery through legal action initiated:

- **Section 138**
- **SARFAESI**
- **Section 25**
- **Arbitration**
- **Lok Adalat**



Write-off Recoveries

Emphasis on Loss Reduction

Settlement / Possession Model

Actions initiated to take **physical possession and liquidate collateral**

Issue of **ailable/ non-ailable warrants**





INR Crores	AUM ¹	GNPA (%)	Credit Cost (%) ² Q1FY26
Intermediate Retail	6,209	0.65%	0.7%
MSME	2,687	3.56%	1.8%
Consumer	3,502	0.39%	6.1%
Rural	953	0.13%	7.7%
Total	13,351	1.13%	3.0%

Includes good book provision of Rs. 19 Cr on account of change in DLG accounting. Excluding that credit cost stands at 4.8%

1. Data as on June 30, 2025

Diversified & Granular portfolio resulting in GNPA within desired range



Diversification augmented by proprietary tools and portfolio granularity driving asset quality

Sector Diversification

MSME

Rural

Consumer

Intermediate Retail

Asset Quality Drivers

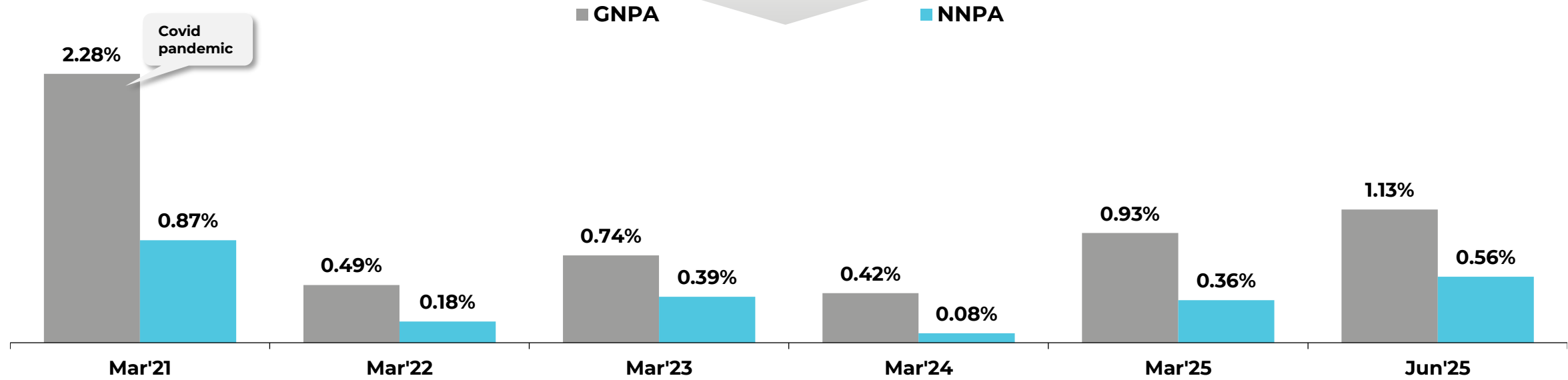
Proprietary **Scorecards** for Underwriting

Portfolio **Monitoring**

Collection Infrastructure

Granular Portfolio

- Exposure (in terms of AUM) towards Top 10 borrowers reduced from **27.2% at Mar-21** to **9.3% at Jun-25**
- Direct to Customer Lending book increased from **19% of AUM at Mar-21** to **53% of AUM at Jun-25**





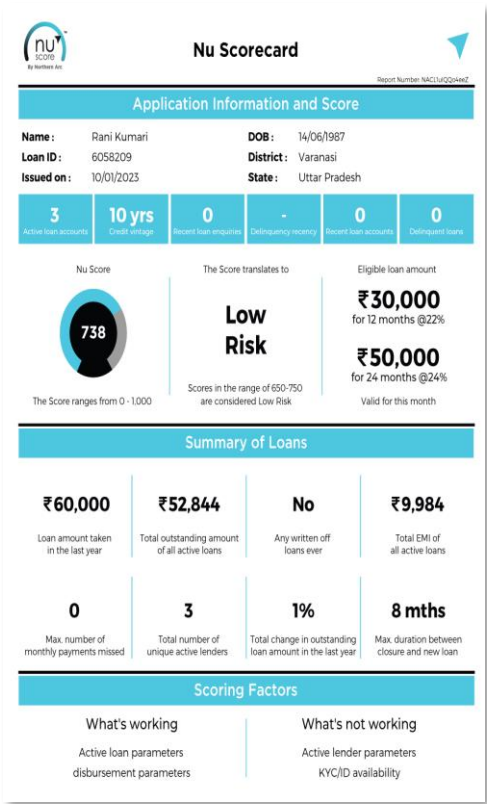
INR crore/%	Assets under Management					Assets under Management (%)					ECL : Expected Credit Loss					ECL % : provision coverage for each stage				
By Staging	Jun'24	Sep'24	Dec'24	Mar'25	Jun'25	Jun'24	Sep'24	Dec'24	Mar'25	Jun'25	Jun'24	Sep'24	Dec'24	Mar'25	Jun'25	Jun'24	Sep'24	Dec'24	Mar'25	Jun'25
Stage I	11,054	11,480	11,247	12,529	12,141	98.0%	97.8%	97.0%	97.2%	96.7%	93.7	116.4	124.6	232.6	246.5	0.8%	1.0%	1.1%	1.9%	2.0%
Stage II	168	188	231	239	263	1.5%	1.6%	2.0%	1.8%	2.1%	40.0	30.5	44.0	59.3	89.8	23.9%	16.2%	19.0%	24.8%	34.1%
Stage III	53	68	110	126	151	0.5%	0.6%	1.0%	1.0%	1.2%	38.9	48.8	66.2	76.9	75.8	74.0%	71.8%	60.2%	61.1%	50.2%
Total On-Book	11,274	11,736	11,588	12,894	12,555	100.0%	100.0%	100.0%	100.0%	100.0%	172.6	196.1	234.8	368.8	412.1	1.5%	1.7%	2.0%	2.9%	3.3%
Assigned Assets	595	573	662	740	796															
Overall AUM	11,869	12,309	12,250	13,634	13,351															

The change in DLG accounting guidance issued by the RBI led to an additional good book provision of INR 91 crore under Stage I and Stage II assets

Robust Technology Stack

NuScore

A Machine-Learning-Based Solution to Aid Originators in their Underwriting



Borrower level assessment along with a detailed analytics report

Custom-built for every lending institution

Sector-specific insights over different economic and credit cycles

Integrated easily through APIs

Expand NuScore Offering to not just MFIs, but also to NBFCs, SFBs, Consumer Durables, etc.

nPOS

Connecting banks & financial institutions through APIs, enabling swift data exchange & straight through processing of loans



Universe

One Platform

Offering solutions

Fully integrated with Bharat stack

Cloud-based

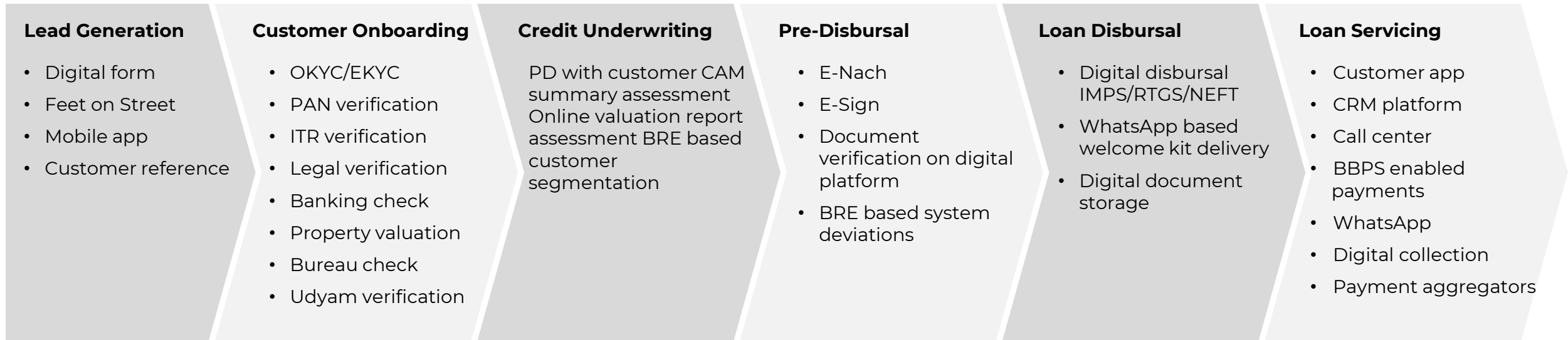
Seamless end-to-end journey

Robust Credit Assessment and Risk Analysis

Machine learning-driven risk assessment

Straight Through Processing of loans

Leveraging Technology Stack

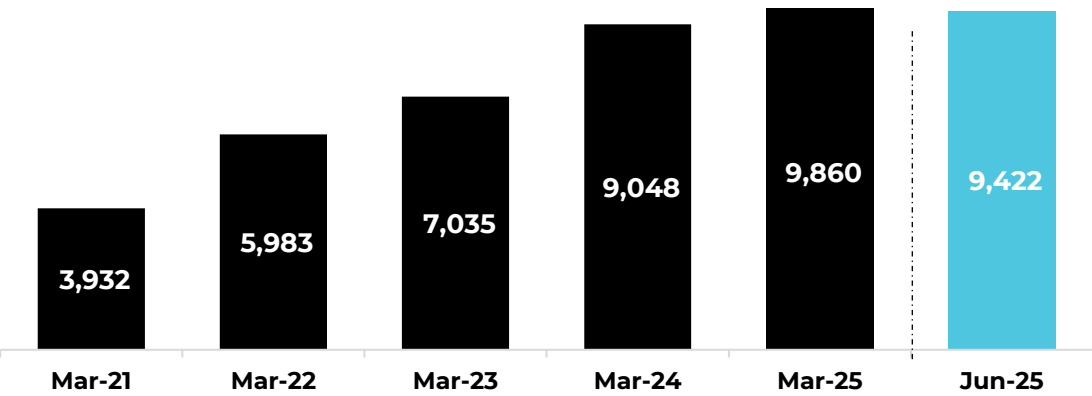


Strong Liability Franchise

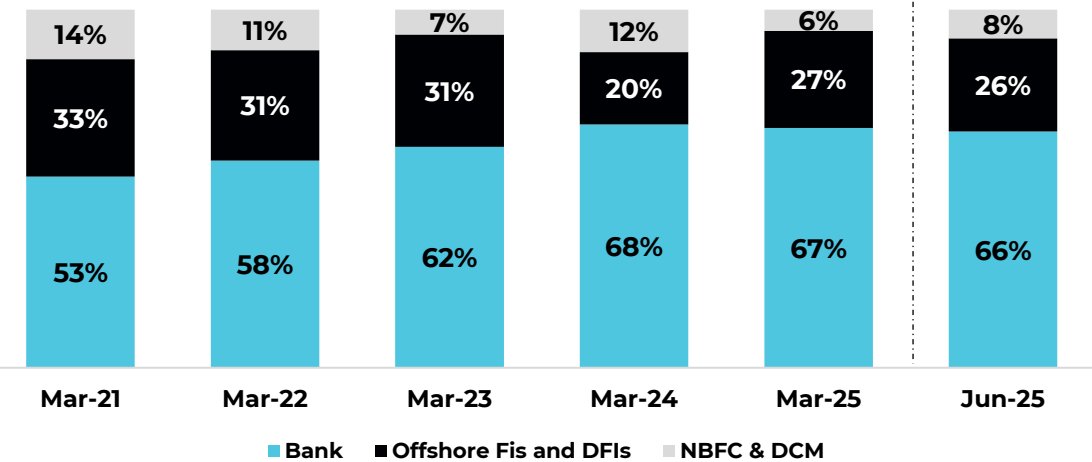
Diversified sources of funding...

Borrowings

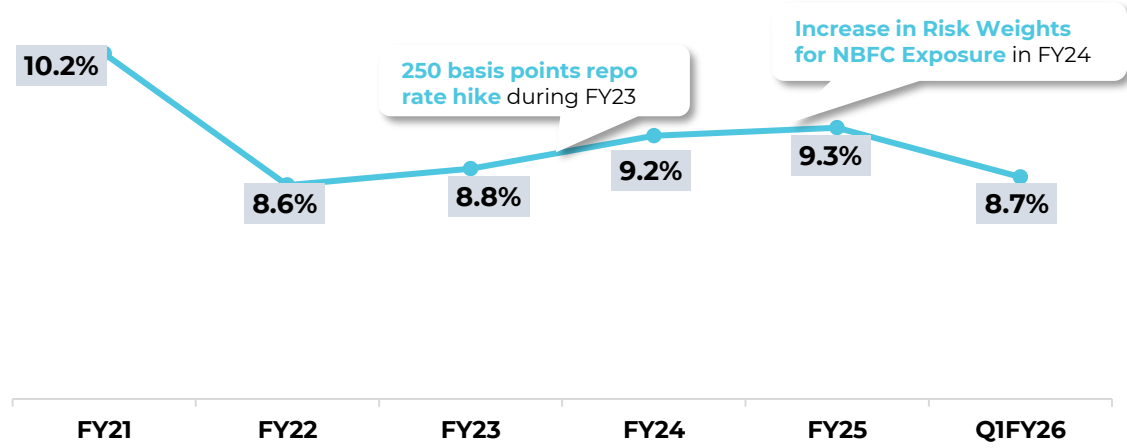
INR crore



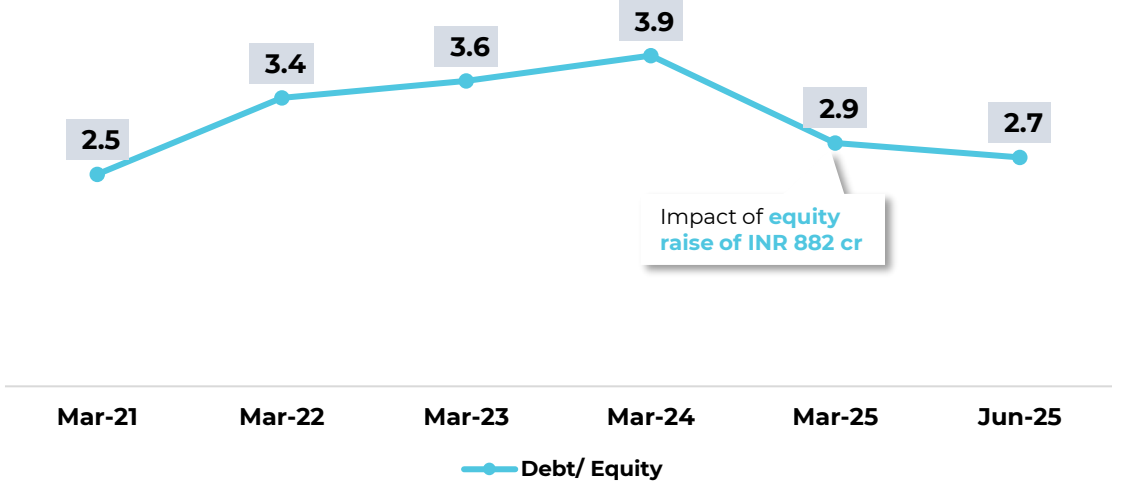
Borrowing Mix%



Incremental Cost of Funds ⁽¹⁾



Leverage levels ⁽²⁾

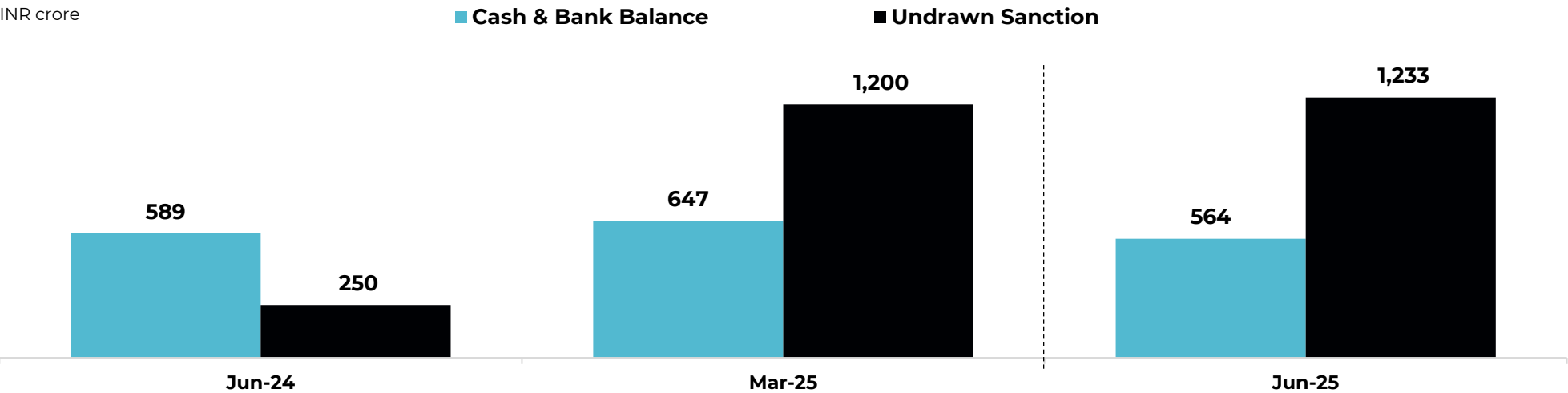


Notes: 1. Cost of Funds is based on Quarterly Average borrowings 2. Debt / Equity ratio: Equity includes NCI portion..

...With proactive liquidity management



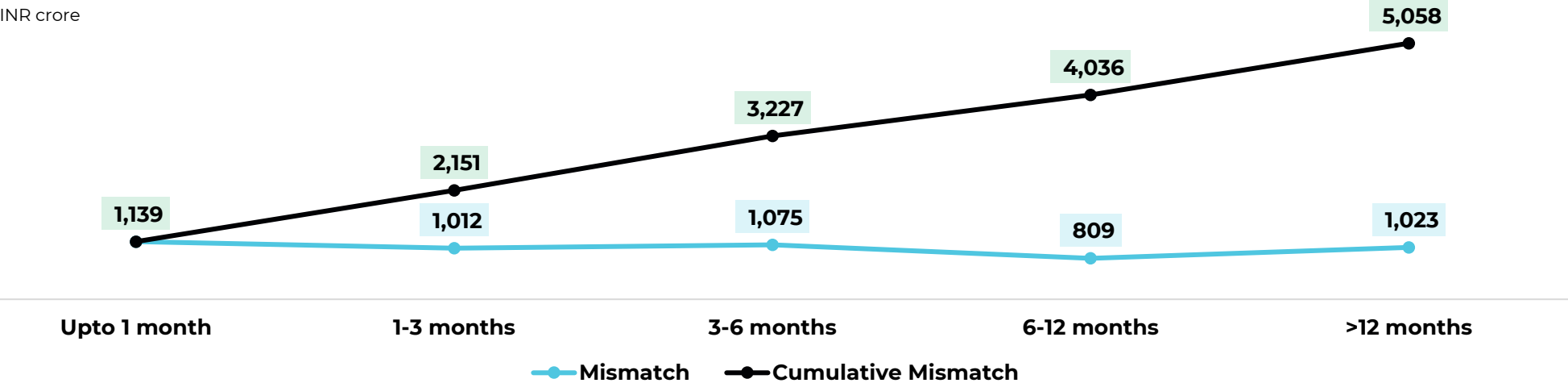
Liquidity position



Consistently adhered to all **RBI norms** as well as **ALCO guidelines** clearly reflecting strong Asset Liability position

No negative cumulative mis-match across all buckets (well below prescribed 15% limit)

ALM Profile as on 30-Jun-25

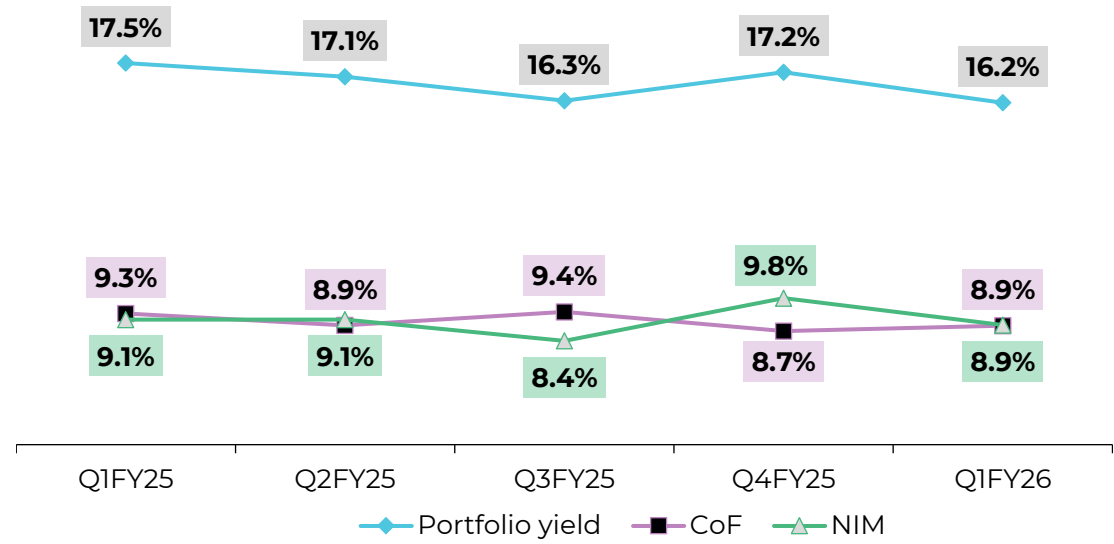
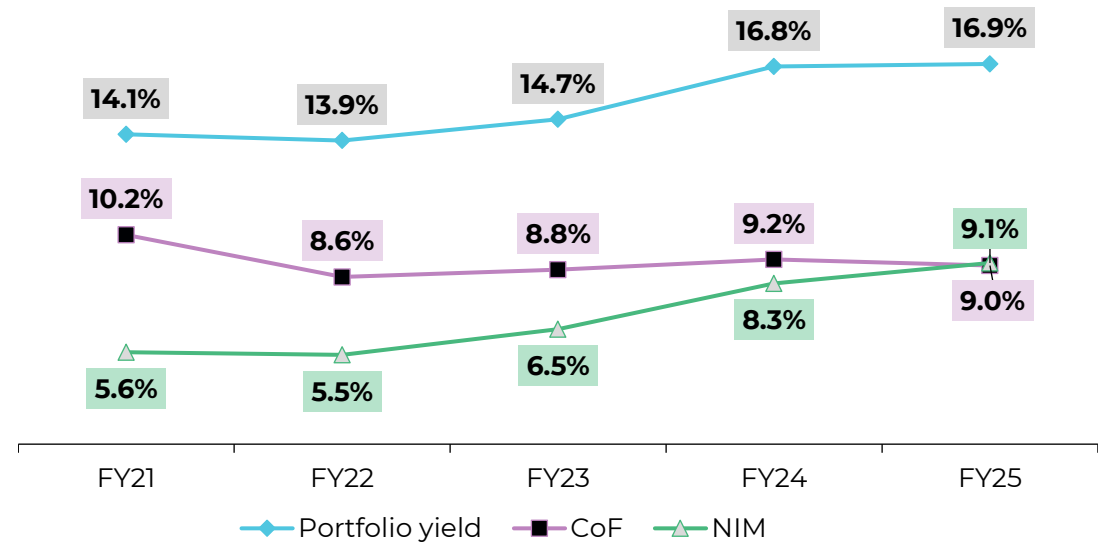


Asset Liability Committee of the Mgmt (ALCO) tracks ALM closely every month

Financials

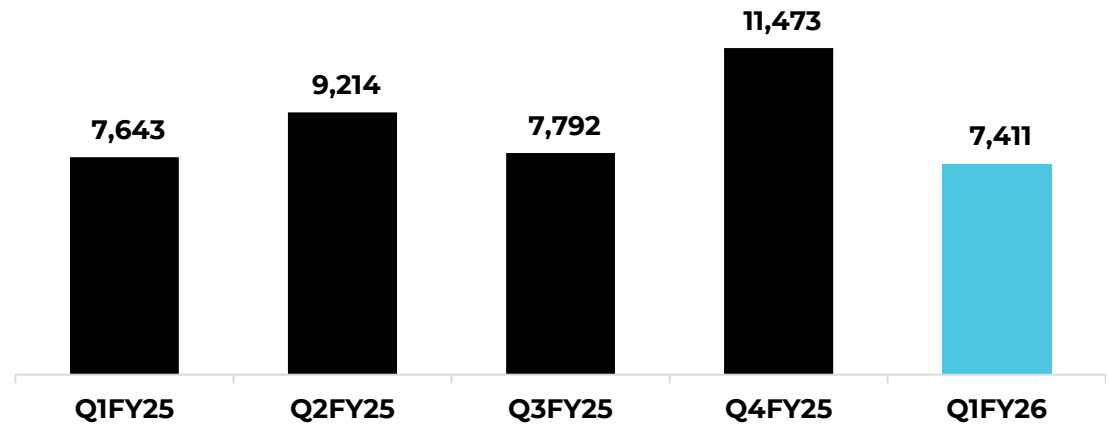
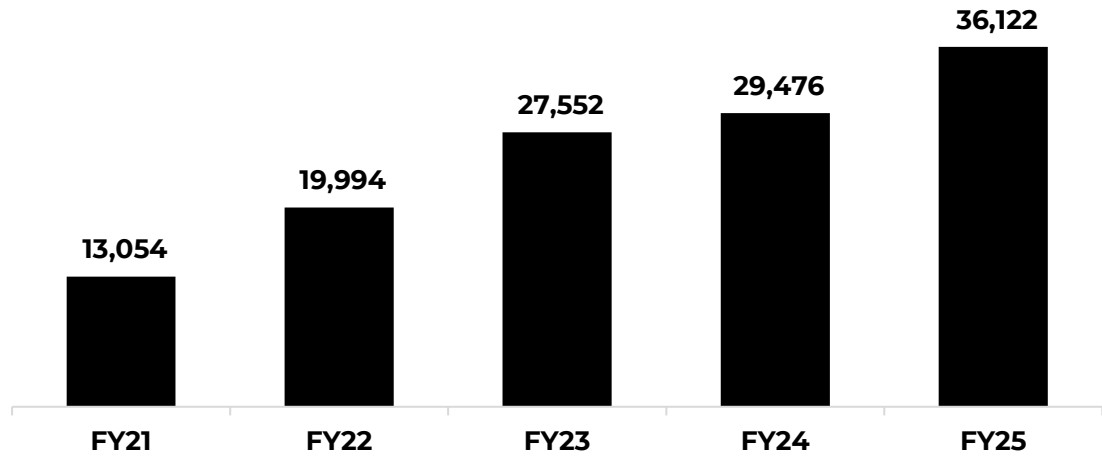
Strong Operating Parameters

Portfolio Yields % and Cost of Funds %*



Gross Transaction Value

INR crore



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'.

Sustainable growth in profitability



Revenue From Operations *



Pre-Provisioning Operating Profit (PPOP) (INR Cr)



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

Consolidated Income Statement



INR crore	Q1FY25	Q4FY25	Q1FY26	YoY %	QoQ %
Interest income ¹	481	519	513	7%	-1%
Interest expense	209	198	215	3%	8%
Net Interest Income	272	320	298	10%	-7%
Fee & Other Income	25	30	27	8%	-8%
Net Revenue	297	350	325	9%	-7%
Employee Costs	70	68	76	8%	11%
Operating Costs	51	53	42	-17%	-20%
Total Operating Costs	122	121	118	-3%	-2%
Pre-Provision Operating Profit (PPoP)	175	229	207	18%	-10%
Credit Costs	51	194	102	99%	-47%
Profit before tax	124	35	105	-15%	198%
Tax expense	30	-3	27	-12%	-
Profit after tax	94	38	78	-16%	104%
Profit after tax (excluding NCI)	93	38	81	-13%	115%

Notes: 1. Interest income is adjusted for fees and commission expense



Particulars	Q1FY25	Q4FY25	Q1FY26
Interest Income*	16.2%	16.2%	15.3%
Interest Expense	7.0%	6.2%	6.4%
Net Interest Income	9.1%	10.0%	8.9%
Fee and Other Income	0.8%	0.9%	0.8%
Net Revenue	10.0%	10.9%	9.7%
Employee Costs	2.4%	2.1%	2.2%
Operating Costs	1.7%	1.6%	1.3%
Total Operating Expense	4.1%	3.8%	3.5%
Pre-Provision Operating Profit (PPoP)	5.9%	7.1%	6.2%
Credit Costs	1.7%	6.0%	3.0%
Profit Before Tax	4.2%	1.1%	3.2%
Tax	1.0%	-0.1%	0.8%
Profit after tax (excluding NCI) (RoA)	3.1%	1.2%	2.4%
Return on Equity	14.7%	4.5%	9.3%
Cost to income Ratio	41.1%	34.5%	36.4%
<i>as a % of Quarterly Average Total Assets</i>			

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



INR crore	Jun'24	Mar'25	Jun'25
Assets			
Financial assets			
Cash and bank balances	589	647	564
Loans	9,651	10,572	10,349
Investments	1,661	2,052	1,927
Other financial assets	107	144	165
Non-financial assets	125	223	252
Total assets	12,133	13,638	13,257
Liabilities and equity			
Financial liabilities			
Borrowings & Debt Securities	8,971	9860	9,422
Other financial liabilities	313	273	242
Other non-financial liabilities	65	66	58
Equity	2,777	3,434	3,532
Non-controlling interest	7	5	3
Total liabilities and equity	12,133	13,638	13,257
Quarterly Avg. earning Assets	11,040	11,652	12,702
Quarterly Avg. total assets	11,920	12,563	13,448

Strategy



Direct to Customer Lending

- Focus on MSME sector with meaningful growth
- Leverage Digital & Partnership channels to grow Consumer Finance
- Rural finance deepening with Individual underwriting and quasi-secured products
- D2C led growth resulting into AUM mix of more than 2/3 in next 3 years

Credit Solutions

- Harnessing Credit Solution Ecosystem for Intermediate Retail Partners with focus on overall credit enablement through Funds, Placement and Lending businesses
- Focus on generating fee income through growth in Funds and Placement businesses with judicious use of balance sheet to foster relationship
- Expect to improve fee income contribution by 30-40 bps to overall RoA

Risk Management

- Focus on strengthening policies and processes for credit underwriting across businesses
- Leveraging strong data analytics capability for credit decisioning
- Building granular Intermediate Retail Partner loan book
- Robust collection infrastructure for D2C lending to ensure efficient recovery and portfolio health
- Granular and diversified book will help in maintaining Net NPA in range of 0.5%-0.7%

Profitability

- Endeavoring to maintain the consistent and sustainable quarterly profitability demonstrated throughout the past decade
- Expect to improve interest yield due to change in AUM mix
- Build lean and efficient branch network aimed at maximizing productivity and operational efficiency
- Targeting RoA of 3.7%-4% and RoE of 16%-18% in next 3 years

Board & Management

Board of Directors :



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. Sandeep Dhar

Non-Executive
Independent Director

35 years of experience in the BFSI
and IT services sectors



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

**Marquee Investors
Driving Strong
Corporate
Governance
Standards**

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%

Accion Africa-
Asia
Investment
Company

4.0%

Sumitomo
Mitsui Banking
Corporation

3.8%

Dvara
Trust

3.7%

Ashish Dhawan
& Group

3.5%

Independent Director

Nominee Director

Others



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



Chetan Tivary
Chief Internal Audit Officer

30 years of experience in Audit and
Risk Management across Mashreq
Bank, HSBC Ltd, DCB Bank and ABN
AMRO Bank



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

Sustainability

ESG Focused Business Model Positively Impacting 124 Mn+ Lives



UNSDG⁽¹⁾ Alignment Built into the Business Model

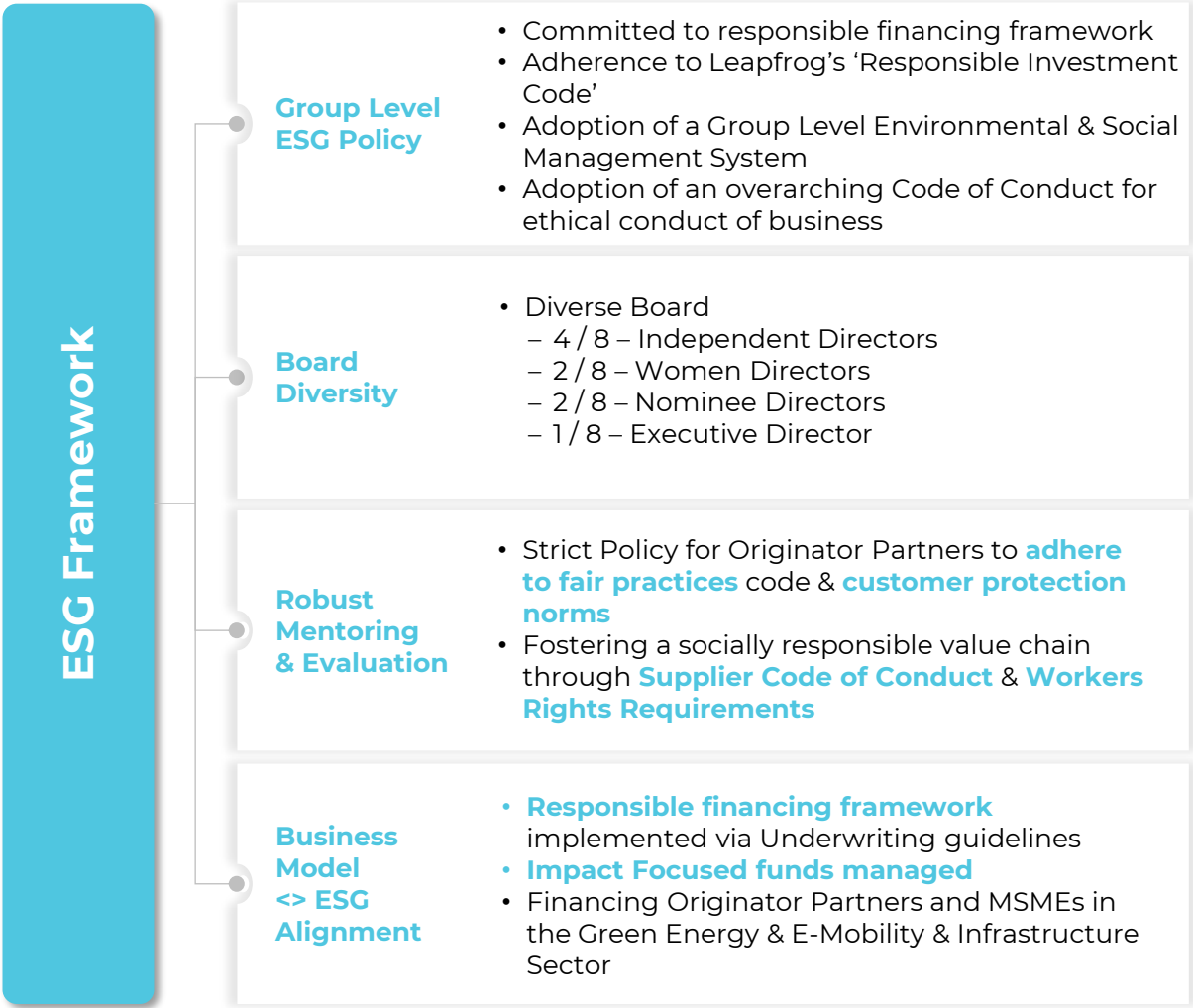


Note: (1) United Nations Sustainable Development Goals

Our Sustainability Report



Robust ESG Framework with Effective Tools & Regular Monitoring



Empowering community through CSR



Education



Support elementary students in Andhra Pradesh, Karnataka, and Bihar by providing learning and training materials to improve basic literacy and numeracy.

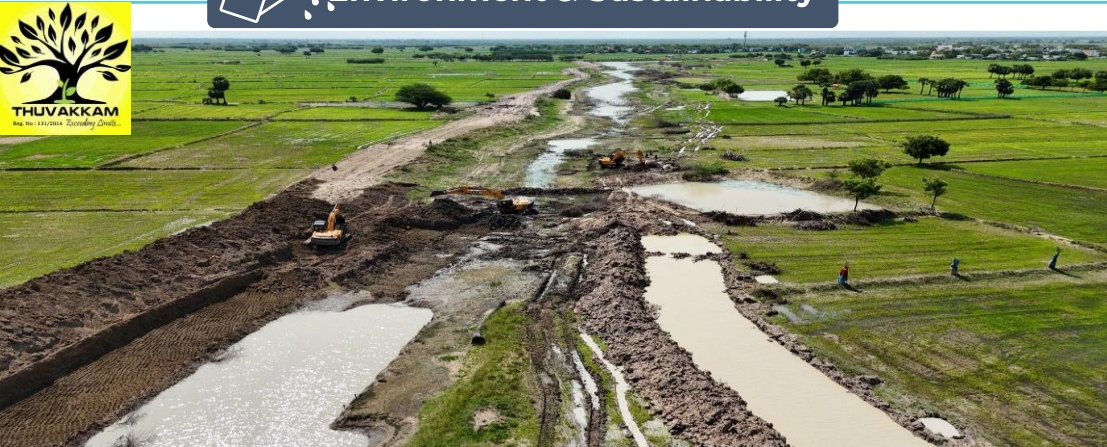


Education



Upgrading rural school infrastructure in Palghar district, Maharashtra. These includes solar power, digital classrooms, sanitation, rainwater harvesting, and kitchen gardens

Environment & Sustainability



Renovating irrigation tanks - Expect to enhances water retention in the semi-arid region, supporting agriculture post-monsoon while promoting water conservation and ecosystem restoration.



Healthcare infra



Donating Advanced Life Support ambulances to government hospitals in Tamil Nadu to enhance emergency response and pre-hospital care

Awards and Accolades



ET BFSI - Best Digital Lending Platform – nPOS



India NBFC Summit – Best Lending NBFC of the Year



ET Impactful CEO Award



Deloitte India Tech Fast 50



Hurun India Future Unicorn Award

Thank you!

For any query, please contact :

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