

**Independent Auditor’s Report on the Annual Consolidated Financial Results of the Northern Arc Capital Limited pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.**

To  
The Board of Directors of  
Northern Arc Capital Limited,

**Report on the audit of the Consolidated Financial Results****Opinion**

We have audited the accompanying statement of consolidated financial results of **Northern Arc Capital Limited** (“Holding Company”), its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”) and its associates for the year ended March 31, 2023 (“Statement”), attached herewith, being submitted by the Holding Company pursuant to the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”).

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate audited financial statements of the subsidiaries and associates, the Statement:

- i. includes the results of the entities listed in Annexure 1;
- ii. are presented in accordance with the requirements of the Listing Regulations in this regard; and
- iii. gives a true and fair view in conformity with the applicable accounting standards, and other accounting principles generally accepted in India, of the consolidated net profit and other comprehensive income and other financial information of the Group for the year ended March 31, 2023.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Companies Act, 2013, as amended (the “Act”). Our responsibilities under those Standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Results” section of our report. We are independent of the Group and its associate in accordance with the ‘Code of Ethics’ issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in “Other Matter” paragraph below, is sufficient and appropriate to provide a basis for our opinion

**Management’s Responsibilities for the Consolidated Financial Results**

The Statement has been prepared on the basis of the consolidated annual financial statements. The Holding Company’s Board of Directors are responsible for the preparation and presentation of the Statement that give a true and fair view of the net profit and other comprehensive income and other financial information of the Group including its associate in accordance with the applicable accounting standards prescribed under section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of their respective companies and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and

completeness of the accounting records, relevant to the preparation and presentation of the Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Statement by the Directors of the Holding Company, as aforesaid.

In preparing the Statement, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of their respective companies to continue as a going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are also responsible for overseeing the financial reporting process of their respective companies.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Results**

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial results of the entities within the Group and its associates of which we are the independent auditors to express an opinion on the Statement. We are responsible for the direction, supervision and performance of the audit of the financial information of such entities included in the Statement of which we are the independent auditors. For the other entities included in the Statement, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the Statement of which we are the independent auditors regarding, among other matters, the

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **Other Matter**

The accompanying Statement includes the audited financial results and other financial information, in respect of:

- Three subsidiaries, whose financial statements include total assets of Rs 5,399.52 lakhs as at March 31, 2023, total revenues of Rs 4,497.35 lakhs, total net loss after tax of Rs. 506.91 lakhs, total comprehensive loss of Rs. 487.60 lakhs, for the year ended on that date respectively, and net cash inflows of Rs. 167.1 lakhs for the year ended March 31, 2023, as considered in the Statement which have been audited by their respective independent auditors.
- One associate, whose financial statements include Group's share of net loss of Rs. 240.44 lakhs and Group's share of total comprehensive loss of Rs. 240.44 lakhs, for the year ended March 31, 2023, as considered in the Statement, whose financial statements and other financial information have been audited by their respective independent auditor.

The independent auditor's report on the financial results of these entities have been furnished to us by the Management and our opinion on the Statement in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate is based solely on the reports of such auditors and the procedures performed by us as stated in paragraph above.

Our opinion on the Statement is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

## **For S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

**ICAI Firm Registration Number:** 101049W/E300004



**per Bharath N S**

Partner

Membership No.: 210934



UDIN: 23210934BGYJMA8567

Place: Chennai

Date: May 11, 2023

**Annexure 1 - List of entities included in the consolidated financial results of Northern Arc Capital Limited**

**Holding Company**

Northern Arc Capital Limited

**Subsidiaries**

Northern Arc Investment Managers Private Limited

Northern Arc Investment Advisers Private Limited

Pragati Finserv Private Limited

Northern Arc Securities Private Limited

IFMR FImpact Long Term Credit Fund

Northern Arc Foundation

Northern Arc Employee Welfare Trust

**Associates**

Finreach Solutions Private Limited

Northern Arc Emerging Corporates Bond Fund Trust



**Northern Arc Capital Limited**  
**CIN: U65910TN1989PLC017021**  
**Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113**  
**Statement of consolidated financial results of Northern Arc Capital Limited for the year ended March 31, 2023**  
**Statement of consolidated profit and loss for the year ended 31 March 2023**

*(All amounts are in rupees lakhs, unless otherwise stated)*

Particulars	Year ended	
	31 March 2023	31 March 2022
	Audited	Audited
<b>Revenue from operations</b>		
Interest income	1,14,838.77	78,084.53
Fees and commission income	8,561.60	8,604.54
Net gain on fair value changes	5,062.45	4,264.87
Net gain on derecognition of financial instruments under amortised cost category	2,034.23	-
<b>Total revenue from operations</b>	<b>1,30,497.05</b>	<b>90,953.94</b>
Other income	622.98	700.53
<b>Total income</b>	<b>1,31,120.03</b>	<b>91,654.47</b>
<b>Expenses</b>		
Finance costs	55,744.89	41,067.24
Fees and commission expense	12,142.03	5,273.22
Impairment on financial instruments	3,921.38	3,650.85
Employee benefits expenses	14,892.45	9,794.17
Depreciation and amortisation	1,204.43	957.44
Other expenses	10,905.02	6,072.66
<b>Total expenses</b>	<b>98,810.20</b>	<b>66,815.58</b>
Share of loss from Associates	(187.27)	-
<b>Profit before tax</b>	<b>32,122.56</b>	<b>24,838.89</b>
<b>Tax expense</b>		
Current tax	9,702.26	5,050.20
Deferred tax	(1,801.24)	1,594.92
<b>Profit for the year</b>	<b>24,221.54</b>	<b>18,193.77</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of the defined benefit asset/ (liability)	80.67	(195.31)
Income tax relating to items that will not be reclassified to profit or loss	(26.59)	49.17
	54.07	(146.14)
<b>Items that will be reclassified to profit or loss</b>		
Fair valuation of Financial Instruments through OCI (Net)	(900.02)	(1,981.66)
Income tax relating to items that will be reclassified to profit or loss	140.74	346.56
	(759.28)	(1,635.10)
Net movement on effective portion of Cash Flow Hedges	(1,010.85)	(2,092.39)
Income tax relating to items that will be reclassified to profit or loss	254.44	526.65
	(756.41)	(1,565.74)
<b>Other comprehensive income for the year</b>	<b>(1,461.61)</b>	<b>(3,346.98)</b>
<b>Total comprehensive income for the year</b>	<b>22,759.93</b>	<b>14,846.79</b>
<b>Profit for the period attributable to</b>		
Owners of the Company	23,001.06	17,249.97
Non-controlling Interest	1,242.30	943.80
<b>Other comprehensive income for the year, net of tax</b>		
Owners of the Company	(1,268.84)	(3,079.97)
Non-controlling Interest	(192.77)	(267.01)
<b>Total comprehensive income for the year, net of tax</b>		
Owners of the Company	21,732.23	14,170.00
Non-controlling Interest	1,049.53	676.79
<b>Earnings per equity share of Rs 10 each</b>		
Basic (in rupees)	25.85	19.52
Diluted (in rupees)	17.38	13.09
	Annualised	Annualised

See accompanying notes to the audited Consolidated financial results



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Statement of year to date consolidated financial results of Northern Arc Capital Limited for the year ended March 31, 2023

**Statement of consolidated profit and loss for the year ended 31 March 2023**

*(All amounts are in rupees lakhs, unless otherwise stated)*

Particulars	As at 31 March 2023 (Audited)	As at 31 March 2022 (Audited)
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and cash equivalents	23,233.95	71,517.38
Bank balances other than cash and cash equivalents	19,025.87	8,734.44
Derivative financial instruments	6,104.84	151.85
Receivables		
-Trade receivables	2,861.42	1,918.38
Loans	6,88,860.57	5,20,875.53
Investments	1,76,273.36	1,76,575.11
Other financial assets	5,058.96	6,965.42
	<b>9,21,418.97</b>	<b>7,86,738.11</b>
<b>Non-financial assets</b>		
Current tax assets (net)	2,911.60	4,208.70
Deferred tax assets (net)	3,517.88	1,369.07
Other non- financial assets	381.46	195.33
Property, plant and equipment	966.70	1,121.79
Other intangible assets	98.87	28.44
Intangible fixed assets under development	1,337.09	942.97
Goodwill	2,407.02	174.63
Investment in associates	2,726.64	
Other non- financial assets	1,390.89	2,632.42
	<b>15,738.14</b>	<b>10,673.35</b>
<b>TOTAL ASSETS</b>	<b>9,37,157.12</b>	<b>7,97,411.46</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Financial liabilities</b>		
Derivative financial instruments	227.59	643.82
Trade payables		
-total outstanding dues of micro and small enterprises		
-total outstanding dues of creditors other than micro and small enterprises	10,961.20	5,581.73
Debt securities	1,22,431.55	1,34,359.68
Borrowings (Other than debt securities)	5,77,029.86	4,59,942.61
Subordinated liabilities	3,995.07	3,993.47
Other financial liabilities	11,019.30	6,694.35
	<b>7,25,664.57</b>	<b>6,11,215.66</b>
<b>Non-financial liabilities</b>		
Provisions	3,335.35	2,245.69
Deferred tax liabilities (net)	20.02	72.26
Other non-financial liabilities	1,364.13	666.72
	<b>4,719.50</b>	<b>2,984.67</b>
<b>EQUITY</b>		
Equity share capital	8,901.86	8,890.75
Instruments entirely equity in nature	8,264.64	8,264.64
Other equity	1,78,376.11	1,56,752.34
<b>Equity attributable to the owners of the Company</b>	<b>1,95,542.61</b>	<b>1,73,907.73</b>
<b>Non-controlling interest</b>	<b>11,230.43</b>	<b>9,303.40</b>
<b>Total equity</b>	<b>2,06,773.05</b>	<b>1,83,211.13</b>
<b>Total liabilities and equity</b>	<b>9,37,157.12</b>	<b>7,97,411.46</b>

See accompanying notes to the audited consolidated financial results



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Statement of consolidated financial results of Northern Arc Capital Limited for the year ended March 31, 2023  
Statement of consolidated cash flow statement for the year ended 31 March 2023

(All amounts are in rupees lakhs, unless otherwise stated)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
<b>A Cash flow from operating activities</b>		
Profit before tax	32,122.56	24,838.89
<b>Adjustments for:</b>		
Depreciation and amortisation	1,351.02	957.44
Write off of intangible assets under development	-	71.36
Mark-to-market gain on derivative contracts	-	(406.54)
Unrealised (gain)/loss on alternative investment funds designated at fair value through profit or loss	258.72	(708.38)
Interest income on loans, fixed deposits and investments	(1,10,497.72)	(77,994.14)
Gain on mutual funds investments designated at fair value through profit or loss	(776.65)	(420.47)
Profit on sale of investments	(1,680.78)	(169.11)
Impairment on financial instruments (net)	3,892.37	3,650.85
Employee share based payment expenses	148.75	320.67
Profit on sale of plan, property and equipments	(23.87)	-
Gain on account of lease rental concession received	-	(3.10)
Gain on account of lease foreclosed	-	(40.97)
Amortisation of discount on commercial papers	1,037.81	1,333.65
Amortisation of ancillary costs relating to borrowings	-	3,077.50
Interest on income tax refund	(146.16)	-
Net gain on derecognition of financial instrument	(2,050.13)	-
Provision for leave encashment	(127.51)	-
Finance costs	50,121.10	36,656.09
<b>Operating profit before working capital changes</b>	<b>(26,370.49)</b>	<b>(8,836.26)</b>
<b>Changes in working capital and other changes:</b>		
(Increase)/Decrease in other financial assets	232.84	(6,491.45)
(Increase)/Decrease in trade receivables	(940.20)	(65.19)
Increase in loans	(1,98,579.56)	(1,50,812.33)
(Increase) / Decrease in other non-financial assets	1,306.77	(2,149.74)
(Increase) / Decrease in other bank balances	(9,792.93)	-
(Decrease) / Increase in investments	1,424.89	(1,538.49)
(Decrease) / Increase in other financial liabilities	374.73	-
(Decrease) / Increase in other non financial liabilities	1,215.53	-
(Decrease) / Increase in trade payables, other liabilities and provisions	10,960.73	6,286.89
Cash used in operations	<b>(2,20,167.69)</b>	<b>(1,63,606.57)</b>
Proceeds from de-recognition of financial assets recognised at amortised cost	38,538.00	-
Interest income received on loans, fixed deposits and investments	1,14,877.15	76,463.23
Finance cost paid	(54,542.00)	(39,831.26)
Income tax paid (net)	(8,604.24)	(5,679.73)
<b>Net cash flow used in operating activities</b>	<b>(A) (1,29,898.78)</b>	<b>(1,32,654.33)</b>
<b>B Cash flows from investing activities</b>		
Purchase of Property, plant and equipment	1,066.20	(1,230.04)
Proceeds from Disposal of ROU assets	-	104.18
Purchase of mutual fund investments	(4,52,544.99)	(1,94,300.00)
Proceeds from sale of investments in Mutual fund	4,54,704.66	1,93,167.42
Term deposit with scheduled banks	(358.03)	-
Purchase of other investments	(2,31,056.85)	(3,40,343.94)
Proceeds from sale of other investments	2,25,629.62	3,04,105.14
Payment towards acquisition of business	(8,435.91)	-
Payment towards transfer of Business to Subsidiary	(279.55)	-
Investment in Subsidiary	(485.06)	-
Change in the ownership interest in funds	-	49.39
<b>Net cash provided by investing activities</b>	<b>(B) (11,759.91)</b>	<b>(38,447.85)</b>
<b>C Cash flow from financing activities</b>		
Proceeds from issue of debt securities	87,710.00	76,429.72
Repayment of debt securities	(99,890.78)	(1,07,360.47)
Proceeds from borrowings (other than debt securities)	4,16,298.64	3,25,100.00
Repayment of borrowings (other than debt securities)	(3,08,704.48)	(92,258.76)
Payment of lease liabilities	(515.64)	198.94
Proceeds from issue of equity share capital including securities premium	131.24	1,136.17
Capital Contributions by NCI	-	547.60
Distributions made to Investors including Dividend Distribution Tax	(2,087.48)	(981.21)
	<b>(C) 92,941.50</b>	<b>2,02,811.99</b>
<b>Net increase in cash and cash equivalents</b>	<b>(A+B+C) (48,717.19)</b>	<b>31,709.81</b>
Cash and cash equivalents at the beginning of the year	71,517.38	39,807.57
Additions on account of acquisition	433.76	-
Cash and cash equivalents at the end of the year	23,233.95	71,517.38



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**Notes forming part of the Statement of Consolidated financial results for the year ended March 31, 2023**

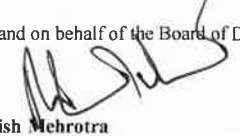
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- 1 These audited consolidated financial results of the Holding Company and its subsidiaries and associates (together referred to as "Group") have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, notified under Section 133 of the Companies Act, 2013, (the "Act") and other relevant provisions of the Act and in compliance with Regulation 52 of the SEBI (Listing Obligation and Disclosure Requirements) 2015, as amended. Any application guidance / clarifications / directions issued by Reserve Bank of India (RBI) are implemented as and when they are issued / becomes applicable.

This Audited consolidated financial results comprising of financial results of the Group have been reviewed by the Audit committee and subsequently approved by the Board of Directors at their respective meetings held on May 11, 2023.

- 2 This Consolidated financial results comprising of financial results of the holding Company and its subsidiaries, and associates have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meetings held on 11 May 2023.
- 3 The segment reporting in accordance with Ind AS 108 on "Operating Segments" in respect of the consolidated financials results are given in Annexure I.
- 4 During the year ended 31 March 2023, pursuant to Northern Arc Employee Stock Option Scheme, 2016 and Northern Arc Employee Stock Option Scheme, 2018, the Board of Directors allotted 1,23,750 fully paid-up equity shares of Rs 10 each at an aggregate premium of Rs 168.51 Lakhs.
- 5 The Group had entered into a business transfer agreement with S.M.I.L.E Microfinance Limited towards purchase of specified business undertaking covering specified assets, liabilities, systems and processes for a consideration of Rs 11,162.91 Lakhs. As required by Ind AS 103 Business Combination, the Company has accounted for assets including intangibles and goodwill and liabilities of S.M.I.L.E Microfinance Limited at their respective fair values as at Acquisition Date, arising from such acquisition in the standalone financial results of the Company during the year ended 31 March, 2023.
- 6 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with current period presentation.

For and on behalf of the Board of Directors

  
**Ashish Mehrotra**  
Managing Director & CEO

Place: Chennai  
Date:



# Northern Arc Capital Limited

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

## Annexure I - Segment reporting

Particulars	Year ended	
	31 March 2023	31 March 2022
<b>Segment Revenue</b>		
Financing activity	1,25,244.95	86,730.71
Investment advisory services	35.15	23.43
Investment management services	4,034.78	3,030.11
Portfolio management services	2,697.40	2,760.11
<b>Total</b>	<b>1,35,893.39</b>	<b>92,544.36</b>
Less: Intersegment revenue	(5,396.34)	(1,590.42)
<b>Segment revenue</b>	<b>1,30,497.05</b>	<b>90,953.94</b>
<b>Segment Results (Profit before other income)</b>		
Financing activity	29,762.41	21,586.93
Investment advisory services	9.60	(3.22)
Investment management services	1,153.23	1,198.60
Portfolio management services	2,326.18	1,356.05
Others	(589.41)	-
<b>Total</b>	<b>32,662.01</b>	<b>24,138.36</b>
Add: Other income	622.98	700.53
Less: Intersegment results	(975.15)	-
Less: Share of loss post tax from associate	187.27	-
<b>Profit before tax</b>	<b>32,497.11</b>	<b>24,838.89</b>
<b>Segment assets</b>		
Financing activity	9,01,979.04	7,70,803.97
Investment advisory services	401.07	411.37
Investment management services	5,974.00	5,405.72
Portfolio management services	22,881.24	20,443.27
Others	3,836.64	172.50
Unallocated	2,085.13	174.63
<b>Total</b>	<b>9,37,157.12</b>	<b>7,97,411.46</b>
<b>Segment Liabilities</b>		
Financing activity	7,26,108.68	6,11,328.56
Investment advisory services	48.82	68.56
Investment management services	1,315.37	2,202.19
Portfolio management services	1,036.63	429.54
Others	1,874.57	171.48
<b>Total</b>	<b>7,30,384.07</b>	<b>6,14,200.33</b>
<b>Capital employed (Segment assets - Segment liabilities)</b>		
Financing activity	1,75,870.36	1,59,475.41
Investment advisory services	352.25	342.81
Investment management services	4,658.63	3,203.53
Portfolio management services	21,844.61	20,013.73
Others	1,962.07	1.02

