

**Independent Auditor’s Review Report on the Quarterly Unaudited Standalone Financial Results of the Northern Arc Capital Limited (the “Company”) Pursuant to Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended****Review Report to  
The Board of Directors  
Northern Arc Capital Limited**

1. We have reviewed the accompanying statement of unaudited standalone financial results of Northern Arc Capital Limited (the “Company”) for the quarter ended June 30, 2022 (the “Statement”) attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations”).
2. The Company’s Management is responsible for the preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) “Interim Financial Reporting” prescribed under Section 133 of the Companies Act, 2013 as amended, 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 Statement has been approved by the Company’s Board of Directors. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards (‘Ind AS’) specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. The figures for the corresponding quarter ended June 30, 2021, as reported in these unaudited standalone financial results have been approved by the Company’s Board of Directors, but have not been subjected to a review.

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

Chartered Accountants

**ICAI Firm registration number:** 101049W/E300004

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**per Bharath N S**

Partner

Membership No.: 210934



UDIN: 22210934ANTEEV3678

Place: Chennai

Date: July 28, 2022

Northern Arc Capital Limited  
CIN: U65910TN1989PLC017021  
Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113  
Statement of unaudited standalone financial results for the quarter ended 30 June 2022

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

| Particulars   | Quarter ended     |                           | Year ended                  |                   |
|---|-------------------|---------------------------|-----------------------------|-------------------|
|   | 30 June 2022      | 31 March 2022             | 30 June 2021                | 31 March 2022     |
|   | Unaudited         | Audited<br>(refer note 9) | Unaudited<br>(refer note 3) | Audited           |
| <b>Revenue from operations</b>  |                   |                           |                             |                   |
| Interest income   | 26,241.05         | 21,300.46                 | 16,380.37                   | 75,550.32         |
| Fees and commission income  | 884.40            | 3,091.32                  | 1,478.56                    | 6,604.23          |
| Net gain on fair value changes  | 665.53            | 1,675.03                  | 1,087.62                    | 4,749.96          |
| <b>Total revenue from operations</b>  | <b>27,790.98</b>  | <b>26,066.81</b>          | <b>18,946.55</b>            | <b>86,904.51</b>  |
| Other income  | 63.00             | 92.57                     | 283.93                      | 507.42            |
| <b>Total income</b>   | <b>27,853.98</b>  | <b>26,159.38</b>          | <b>19,230.48</b>            | <b>87,411.93</b>  |
| <b>Expenses</b>   |                   |                           |                             |                   |
| Finance costs   | 12,555.24         | 11,141.75                 | 9,483.42                    | 41,026.93         |
| Fees and commission expense   | 3,640.24          | 1,923.59                  | 681.95                      | 5,273.22          |
| Impairment on financial instruments   | 1,270.34          | 882.34                    | 2,159.50                    | 3,684.74          |
| Employee benefits expenses  | 2,463.08          | 2,632.35                  | 1,783.57                    | 8,771.65          |
| Depreciation and amortisation   | 350.88            | 316.91                    | 151.02                      | 911.82            |
| Other expenses  | 1,045.40          | 2,423.79                  | 544.97                      | 5,034.73          |
| <b>Total expenses</b>   | <b>21,325.18</b>  | <b>19,320.72</b>          | <b>14,804.43</b>            | <b>64,703.09</b>  |
| <b>Profit before tax</b>  | <b>6,528.80</b>   | <b>6,838.66</b>           | <b>4,426.05</b>             | <b>22,708.84</b>  |
| <b>Tax expense</b>  |                   |                           |                             |                   |
| Current tax   | 2,139.00          | 1,408.00                  | -                           | 4,718.00          |
| Deferred tax charge / (benefit)   | (561.67)          | 857.92                    | 1,260.34                    | 1,617.91          |
|   | <b>1,577.33</b>   | <b>2,265.92</b>           | <b>1,260.34</b>             | <b>6,335.91</b>   |
| <b>Profit for the period / year</b>   | <b>4,951.47</b>   | <b>4,572.74</b>           | <b>3,165.71</b>             | <b>16,372.93</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)                                    | (53.00)           | (78.10)                   | (102.47)                    | (171.43)          |
| Income tax relating to items that will not be reclassified to profit or loss                | 13.34             | 19.66                     | 25.79                       | 43.15             |
| <b>Net other comprehensive income not to be reclassified subsequently to profit or loss</b> | <b>(39.66)</b>    | <b>(58.44)</b>            | <b>(76.68)</b>              | <b>(128.28)</b>   |
| <b>Items that will be reclassified subsequently to profit or loss</b>                       |                   |                           |                             |                   |
| Fair valuation of Financial Instruments through other comprehensive income (Net)            | (1,294.40)        | (520.23)                  | (539.75)                    | (1,376.89)        |
| Income tax relating to items that will be reclassified to profit or loss                    | 325.80            | 130.94                    | 135.86                      | 346.56            |
|   | (968.60)          | (389.29)                  | (403.89)                    | (1,030.33)        |
| Net movement on effective portion of Cash Flow Hedges                                       | (833.12)          | (1,087.47)                | (148.35)                    | (2,092.39)        |
| Income tax relating to items that will be reclassified to profit or loss                    | 209.70            | 273.72                    | 37.34                       | 526.66            |
|   | (623.42)          | (813.75)                  | (111.01)                    | (1,565.73)        |
| <b>Net other comprehensive income to be reclassified subsequently to profit or loss</b>     | <b>(1,592.02)</b> | <b>(1,203.04)</b>         | <b>(514.90)</b>             | <b>(2,596.06)</b> |
| <b>Other comprehensive income for the period / year, net of income tax</b>                  | <b>(1,631.68)</b> | <b>(1,261.48)</b>         | <b>(591.58)</b>             | <b>(2,724.34)</b> |
| <b>Total comprehensive income for the period / year, net of income tax</b>                  | <b>3,319.79</b>   | <b>3,311.26</b>           | <b>2,574.13</b>             | <b>13,648.59</b>  |
| <b>Earnings per equity share of Rs 10 each</b>  |                   |                           |                             |                   |
| Basic (in rupees)   | 5.57              | 5.15                      | 3.61                        | 18.52             |
| Diluted (in rupees)   | 3.75              | 3.46                      | 2.49                        | 12.43             |
|   | Not annualised    | Not annualised            | Not annualised              | Annualised        |

See accompanying notes to the unaudited standalone financial results



Northern Arc Capital Limited  
CIN: U65910TN1989PLC017021

Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113  
Notes forming part of the Statement of unaudited standalone financial results of Northern Arc Capital Limited (the "Company") for the quarter ended June 30, 2022:

- 1 Northern Arc Capital Limited ("the Company") is a Non-Deposit taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI), registered with the Reserve Bank of India ("the RBI").
- 2 The Unaudited Standalone Financial Results have been prepared in accordance with Indian Accounting Standards ('Ind AS') 34 - "Interim Financial Reporting" as prescribed under section 133 of the Companies Act 2013 ('the Act') and in terms of with Regulation 52 of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations 2015. Any application guidance/ clarifications/ directions issued by Reserve Bank of India (RBI) are implemented as and when they are issued/ becomes applicable.
- 3 In terms of Regulation 52 of the SEBI (Listing Obligation and Disclosure Requirements) 2015, this statement of unaudited standalone financial results have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meetings held on 28 July 2022. The above financial results have been subjected to a limited review by the statutory auditors of the Company.  
  
The corresponding figures for the quarter ended June 30, 2021, included in the Statement, are based on information compiled by the Management which have not been subjected to review / audit. However, the management has exercised necessary due diligence to ensure that the financial results for the quarter ended June 30, 2021, provide a true and fair view of the Company's affairs.
- 4 a) On April 12, 2022, upon completion of the conditions precedent and payment of consideration amounting to Rs 11,162.91 Lakhs, the Company acquired the specified business undertaking of S.M.I.L.E Microfinance Limited covering specified assets, liabilities, systems and processes.  
  
As required by Ind AS 103 Business Combination, the Company has accounted for assets and liabilities of S.M.I.L.E Microfinance Limited at their respective fair values as at Acquisition Date, and intangibles and resultant goodwill arising from such acquisition in the unaudited standalone financial results of the Company as at and for the period(s) ended 30 June, 2022. This accounting treatment is based on management's preliminary assessment of various aspects related to the respective matters as above, and are based on provisional amounts as permitted by paragraph 45 of Ind-AS 103, which provides a measurement period of one year from the acquisition date, to complete the final acquisition accounting. The Company will retrospectively adjust the provisional amounts, as above, to reflect any admissible new information that may arise within the measurement period.  
  
(b) During the quarter ended June 30, 2022, the Company has invested Rs 394.36 Lakhs in Equity and Compulsorily convertible preference shares of FinReach Solutions Private Limited ("FinReach") a Company engaged in the business of providing a range of services including consultancy and facilitation services to various entities providing credit solutions to non-banking financial companies, microfinance institutions and other lending institutions to acquire a stake of 27.18% on fully diluted basis. FinReach is classified as Associate as at June 30, 2022 under Ind AS.
- 5 All secured non-convertible debentures issued by the Company are secured by way of an exclusive first charge on book debts with security to the extent as stated in the respective information memorandums. Further, the Company has maintained asset cover as stated in the respective information memorandums which is sufficient to discharge the principal amount at all times for the non-convertible debt securities issued.
- 6 The Company is primarily in the business of financing and accordingly there are no separate reportable segments in accordance with IND AS 108, on "Operating Segments" in respect of the Company. The Company operates in a single geographical segment, i.e., India.
- 7 The Company has evaluated the impact of COVID-19 on the business and operations of the Company as at June 30, 2022 and is of the view that it does not have any material impact on the financial results of the Company on the basis of the facts and events upto the date of approval of these financial statements/results. However, in view of the dynamic nature of the pandemic, the Company will continue to monitor future events / developments that may result in an adverse effect on the business and operations of the Company.
- 8 Disclosures in compliance with Regulation 52(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the quarter ended June 30, 2022 is attached as Annexure 1.
- 9 Figures for the quarter ended March 31, 2022, are derived by deducting the reported year to date figures for the period ended December 31, 2021 which were subject to limited review, from audited figures for the year ended March 31, 2022.

Place: Mumbai  
Date: July 28, 2022



For and on behalf of the Board of Directors

  
Ashish Mehrotra  
Managing Director & CEO

Annexure 1:

**I Analytical ratios / disclosures required under Regulation 52 / 54 of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015**

| Particulars  | Ref | As at        |               |
|--|-----|--------------|---------------|
|  |     | 30 June 2022 | 31 March 2022 |
| Debt-equity ratio                                  | 1.1 | 3.34         | 3.49          |
| Total debts to total assets                        | 1.2 | 0.76         | 0.76          |
| Net worth  | 1.3 | 1,74,415.25  | 1,70,991.44   |
| Capital redemption reserve (Amount in lakhs)       |     | 2,660.00     | 2,660.00      |
| Gross Non-Performing Assets (GNPA) Ratio           | 1.4 | 0.62%        | 0.51%         |
| Net Non-Performing Assets (NNPA) Ratio             | 1.5 | 0.24%        | 0.18%         |
| Capital adequacy ratio (CRAR)                      | 1.6 | 23.45%       | 22.79%        |
| Asset cover over listed non-convertible debentures | 1.7 | 1.07         | 1.09          |

| Particulars           | Ref | Quarter ended |               | Year ended   |               |
|-----------------------|-----|---------------|---------------|--------------|---------------|
|                       |     | 30 June 2022  | 31 March 2022 | 30 June 2021 | 31 March 2022 |
| Net profit margin (%) | 1.8 | 11.92%        | 12.66%        | 13.39%       | 15.61%        |

- 1.1 Debt-equity ratio is (Debt Securities+Borrowings (Other than debt securities)+Subordinated liabilities) / net worth i.e. Equity share capital + Other equity
- 1.2 Total debts to total assets is Debt Securities and Borrowings (other than debt securities) / Total Assets
- 1.3 Net Worth is equal to Equity share capital + Other equity
- 1.4 GNPA Ratio is Gross Stage 3 (loans+investments) / Gross loans and investments
- 1.5 NNPA Ratio is (Gross Stage 3 term loans - Impairment Loss allowance for Stage 3 term loans)/(Gross term loans- Impairment allowance for Stage 3 term loans)
- 1.6 Capital adequacy ratio or capital-to-risk weighted assets ratio (CRAR) is computed by dividing company's Tier I and Tier II capital by risk weighted assets.
- 1.7 Asset cover over listed non-convertible debentures represents the number of times the listed non-convertible debentures is covered through the term loans provided as security.
- 1.8 Net profit margin is Total comprehensive income for the period, net of income tax / Total Income

Other ratios / disclosures such as debt service coverage ratio, interest service coverage ratio, outstanding redeemable preference shares (quantity and value), capital redemption reserve/debenture redemption reserve, current ratio, long term debt to working capital, bad debts to account receivable ratio, current liability ratio, debtors turnover, inventory turnover and operating margin (%) are not applicable / relevant to the Company and hence not disclosed.

