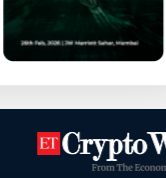


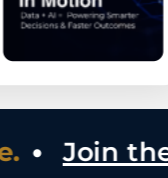
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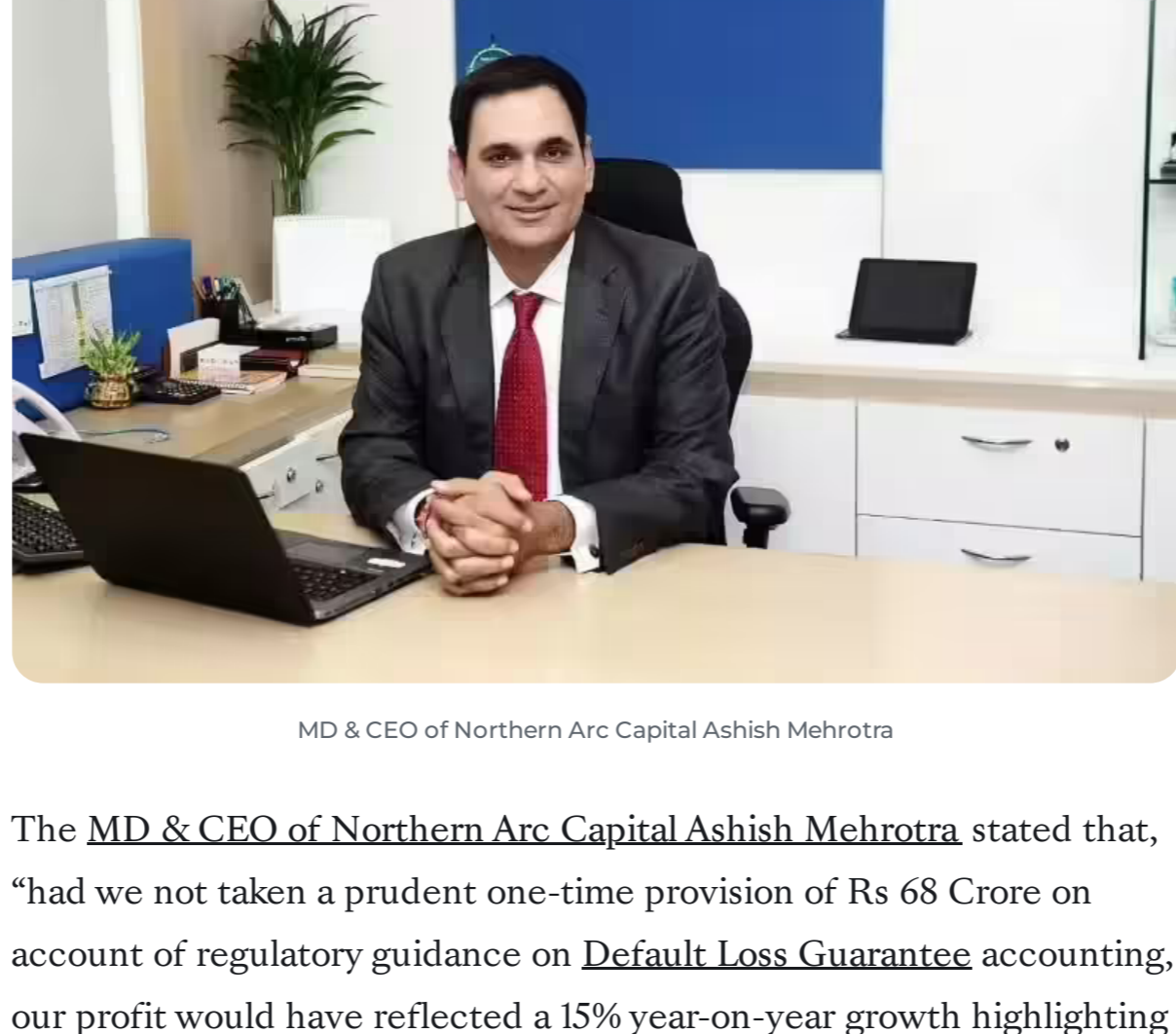
## One-time provision on account of DLG slow downs growth: Northern Arc MD & CEO

Northern Arc reported a flat profit after tax of Rs 305 Crore for FY25, impacted by a one-time provision of Rs 68 Crore due to RBI's DLG accounting guidelines. Excluding this, profit would have risen 15% YoY. Lending AUM grew 16% to Rs 13,634 Crore. Net Sales increased to Rs 589.68 crore, but EBITDA declined.



Vikas Kumar · ETBFSI

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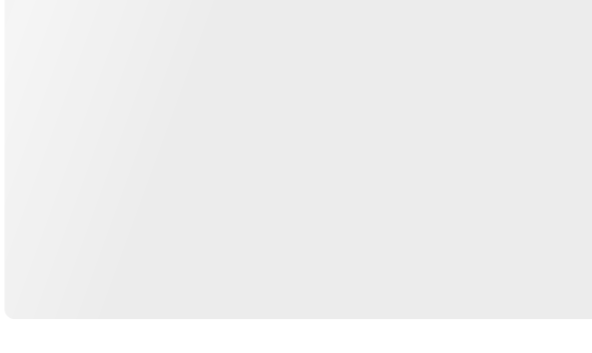


MD & CEO of Northern Arc Capital Ashish Mehrotra

The MD & CEO of Northern Arc Capital Ashish Mehrotra stated that, "had we not taken a prudent one-time provision of Rs 68 Crore on account of regulatory guidance on **Default Loss Guarantee** accounting, our profit would have reflected a 15% year-on-year growth highlighting the underlying robustness of our business."

Notably, the RBI had in its guidelines last year said that the Regulated Entities shall ensure that total amount of DLG cover on any outstanding portfolio which is specified upfront shall not exceed five per cent of the amount of that loan portfolio.

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Highlighting the company's performance, Northern Arc in its investor presentation also mentioned that the performance was impacted mainly due to one-time provision of Rs 68 Crore in Q4FY25. "Excluding this one-time provision, PAT would have been Rs 356 Cr for FY25, up 15% YoY."

Further speaking on the yearly performance of the NBFC, Mehrotra said, "Our disciplined and proactive approach to risk management allowed us to protect the quality of our portfolio."

A tightened credit environment along with the macroeconomic and sectoral headwinds in this financial year had a 'moderating effect' on the overall performance, he said.

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Notably, for the Financial Year 2025, Northern Arc reported its lending AUM growth by 16% YoY to Rs 13,634 Crore.

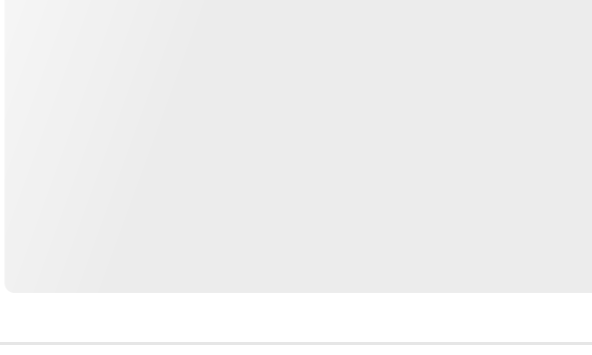
Company's profit after tax for FY25 was reported at flat Rs 305 Crore.

Norther Arc's Net Sales was recorded at Rs 589.68 crore in March 2025 up 8.54% from Rs 543.29 crore in March 2024.

EBITDA stands at Rs. 249.84 crore in March 2025 down 21.23% from Rs. 317.16 crore in March 2024 and the Northern Arc EPS has decreased to Rs. 2.90 in March 2025 from Rs 9.20 last year.

In terms of asset quality, Northern Arc reports the gross NPA ratio at 0.93% while the Net NPA ratio at 0.36% as on March 31, 2025.

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Further, the provisioning coverage ratio on GNPA was 61% on March 31, 2025, the company said.

Talking further on the upcoming trends in the NBFC sector, Ashish Mehrotra said the early signs of recovery and an easing interest rate environment point to improving economic momentum.

"We believe this will translate into a stronger credit landscape, creating opportunities for sustainable growth."

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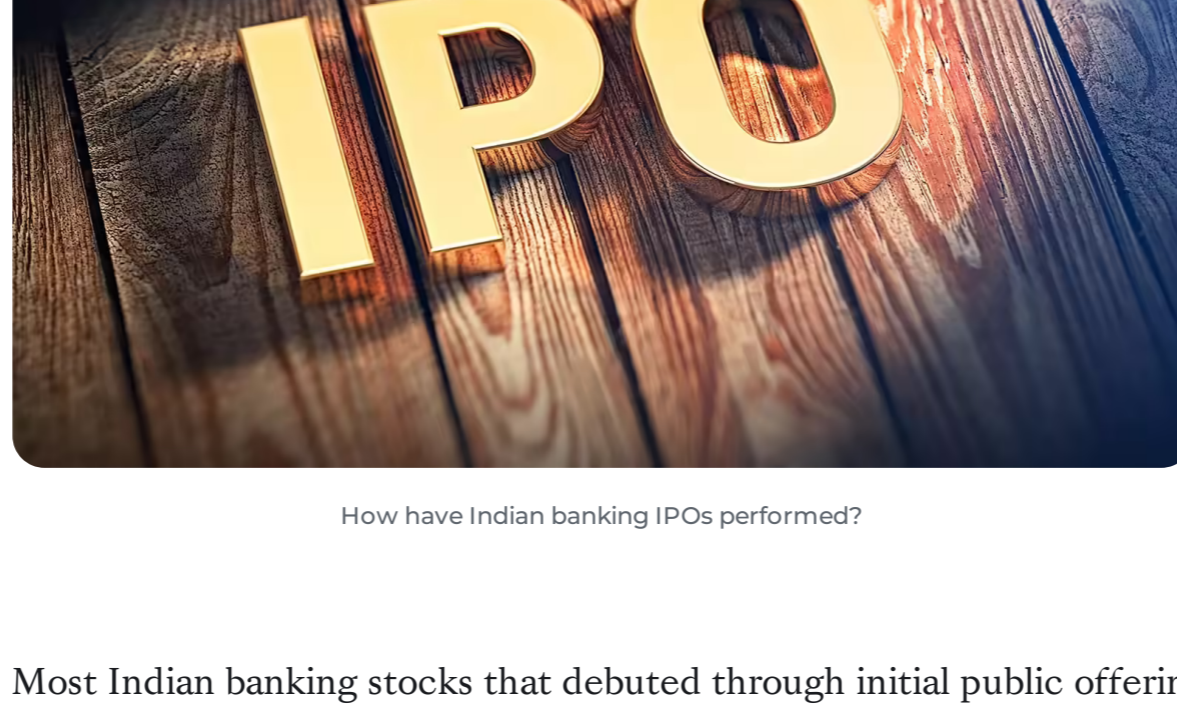
## How have Indian banking IPOs performed?

Out of 13 private sector banks that went public in the last ten years, only four—AU Small Finance Bank (SFB), CSB Bank, Equitas SFB, and Jana SFB—have posted positive returns based on current market prices relative to their IPO issue prices.



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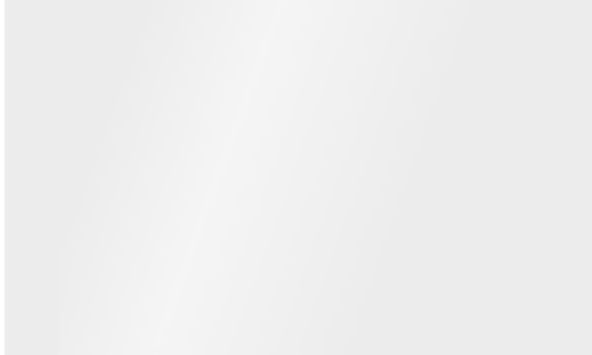


How have Indian banking IPOs performed?

Most Indian banking stocks that debuted through initial public offerings (IPOs) have failed to generate long-term wealth for investors, significantly underperforming the broader market. Despite robust business growth in several cases, the share prices of these banks have not kept pace, delivering subpar or negative returns since listing.

Out of 13 private sector banks that went public in the last ten years, only four—AU Small Finance Bank (SFB), CSB Bank, Equitas SFB, and Jana SFB—have posted positive returns based on current market prices relative to their IPO issue prices. Of these, only AU SFB managed to outperform the **Nifty Bank index**. This translates to a failure rate of over 90%, highlighting the challenges in identifying consistent long-term performers in the banking space.

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### Top banks in control

The underperformance is particularly stark when compared to the dominance of the top five banks—HDFC Bank, **State Bank of India**, **ICICI Bank**, Axis Bank, and Kotak Mahindra Bank. These five accounted for 82.5% of the **Nifty Bank's** total market capitalisation in 2015, a figure that has since risen to 86.5%. This concentration underscores how scale and established positioning have played a decisive role in long-term outperformance within the sector.

In contrast, several smaller and mid-sized banks, including IDFC First Bank, Bandhan Bank, RBL Bank, and various SFBs, have lagged behind significantly. Even among older private banks such as Federal Bank, DCB Bank, and City Union Bank, only Federal Bank has kept pace with the **Nifty Bank index** over the past decade.

The trend mirrors global patterns. During the 2023 US banking turmoil, larger institutions like JP Morgan Chase and Bank of America remained resilient while smaller banks such as Silicon Valley Bank and Signature Bank collapsed.

While the financialisation theme and niche business models may excite investors at the IPO stage, translating that enthusiasm into sustained shareholder returns has proven elusive.

Published On May 21, 2025 at 07:57 AM IST

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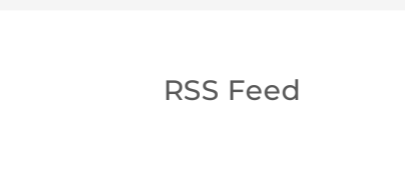
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