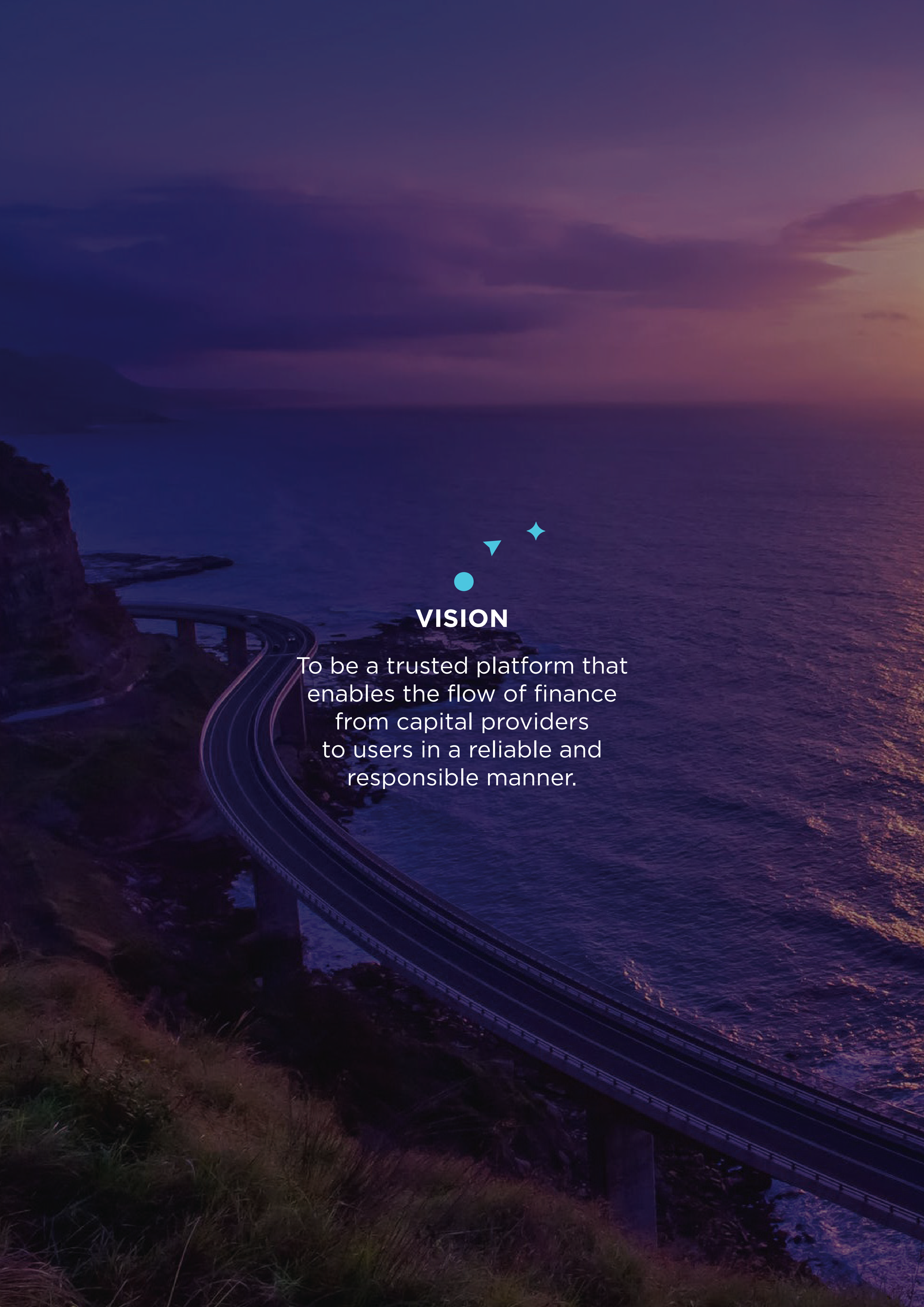
ANNUAL REPORT 2017-18

NORTHERN ARC

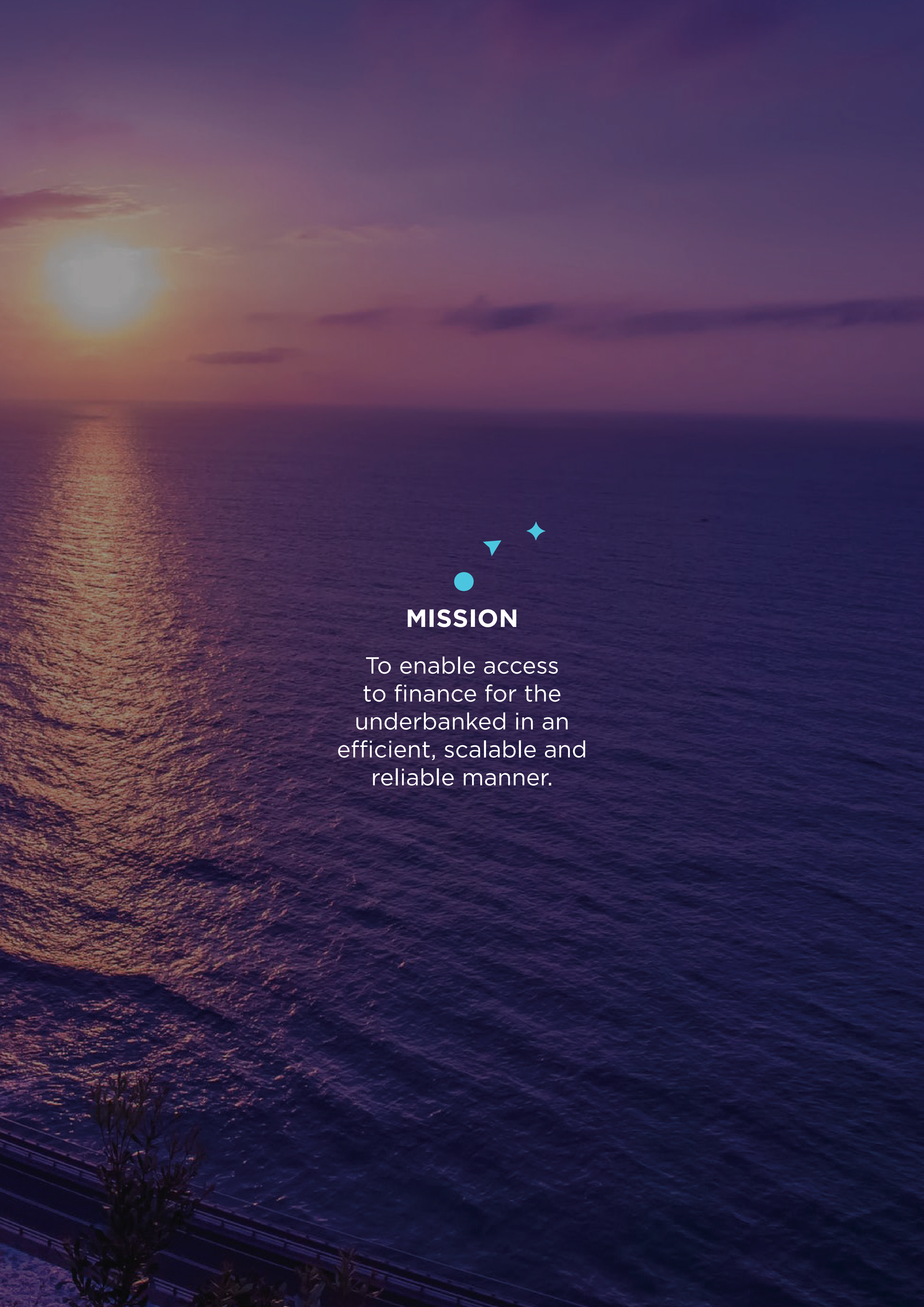
Creating capital markets access
for financially excluded
households and institutions

Northern Arc Capital Limited
(formerly known as IFMR Capital Finance Limited)



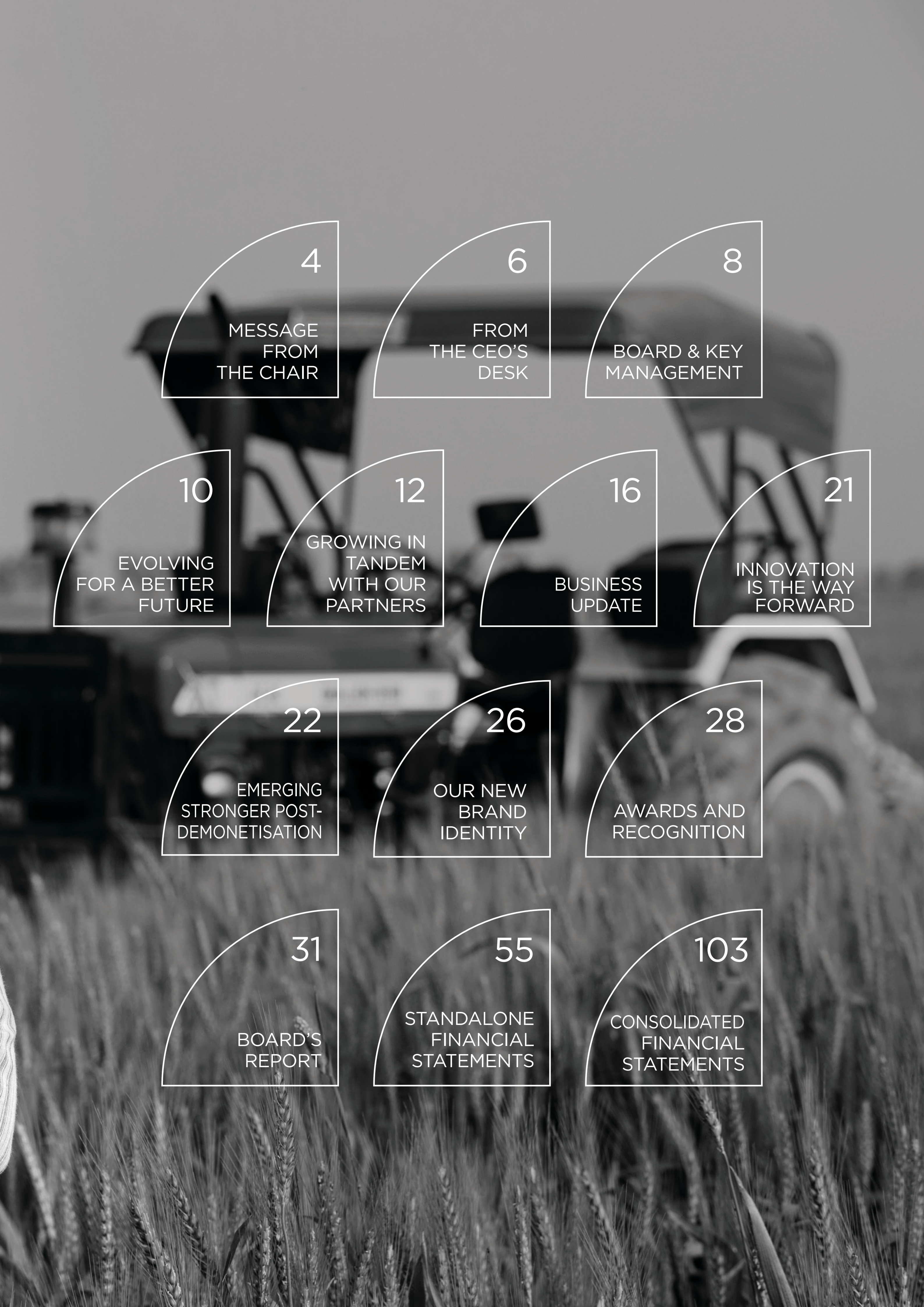
VISION

To be a trusted platform that enables the flow of finance from capital providers to users in a reliable and responsible manner.



MISSION

To enable access to finance for the underbanked in an efficient, scalable and reliable manner.



MESSAGE FROM THE CHAIR

It is my pleasure to present the Annual Report of Northern Arc Capital for 2017-18. The Company was created to act as a bridge between Originators who serve financially excluded customer segments and debt capital markets. We are proud to serve around 150 Originators who represent the best and brightest working minds in financial inclusion in India, across multiple asset classes. Our unique approach of always having “skin-in-the-game” vis-à-vis our investors has achieved alignment of incentives across all stakeholders. We work with approximately 130 investors that include the best mutual funds, insurance companies, Banks and NBFCs in the country. Our Alternative Investment Fund (AIF) platform continues to complement our balance sheet in important ways and has nearly crossed Rs 10 bn in Assets Under Management (AUM).

An important mission metric for us is volumes of funding facilitated through our investments. In 2017-18 alone, we facilitated INR 12,225 crore for our partners. The fastest growing asset class for us in the year was SBL, where our volumes grew by 25%. The micro finance sector displayed the resilience it is now well known for in the aftermath of demonetisation. The Risk Committee of the Company working closely with management did an exemplary job in forecasting and conservatively providing for microfinance exposures in the first quarter of the year and we had a net write-back by the end of the year.

In order to be an effective risk transmitter and liquidity provider to our clients, it is vital that we have a highly diversified balance sheet and competitive cost of funds. These have been important strategic priorities for the Company and the Board. From a sectoral perspective, microfinance which was 100% of our exposures at the beginning now accounts for ~ 60%. We have brought the same rigour of approach and capital markets focus to the new asset classes added over the years. On the investor side, non-priority sector placements show a sharp increase and accounted for ~ 75% of the total. The year also saw significant improvements in our funding costs. We are making significant investments in technology to bring about further efficiencies and speed in our transactions. We will continue to stay focussed on these metrics.

I want to congratulate Kshama, Bama, Nandita and the Partners for their exemplary leadership and also for executing the brand change so smoothly. We were pleased to hire several talented mid-level and senior members this year who will bring new perspectives and experience to the Company. I also thank the Board of Northern Arc Capital and in particular, the Independent Directors, for providing able counsel while upholding the highest standards of corporate governance. Dvara Trust (formerly IFMR Trust, the promoting entity of Northern Arc Capital) is committed to the vision of a Board-managed company and will actively work with our stakeholders to realise the same. During the year, Sucharita Mukherjee and Puneet Gupta stepped down from the Board. We thank them for their exemplary contributions to the Company over the years. I thank all our investors for being excellent partners in our growth and for sharing in our vision. I also thank all our lenders, auditors, rating agencies and technology partners for their able support. Finally, and most importantly, thank you to the team at Northern Arc Capital for their hard work and commitment towards building a better financial system in India, one that serves all individuals and enterprises.

Bindu Ananth has stepped down as a Director of the Company with effect from May 11, 2018.

Bindu Ananth

FROM THE CEO'S DESK

As Charles Darwin said, it is not the strongest or the most intelligent that survive but the one that is most adaptable to change. FY18 was a landmark year in our history that was characterized by both internal and external change. We rebranded ourselves as Northern Arc from IFMR Capital, a name that better reflects the journey towards our goal of bridging the gap between the financially underserved and providers of capital. In a year that was impacted significantly by the aftereffects of demonetisation, Northern Arc followed a nimble strategy aiming for both portfolio growth and quality. In a volatile market, we became more relevant to both our originator and investor partners. Our trusted risk assessment processes and incentive alignment structures functioned as the much-needed compass that showed a clear direction for the sectors we work in.

Despite headwinds for most part of the year, we achieved volumes of INR 12,225 crore. Q4 was responsible for nearly 50% of these volumes, indicating that the market had turned the corner in terms of asset quality and investor appetite. As an indication of the confidence in our partners, we took a higher participation of volumes on our Balance Sheet during the year. Loans, NCD and DO volumes increased by ~ 25% and helped assuaging sector and entity level concerns of investors. Despite the decrease in volumes, both Net Interest Income and PAT saw growth of 25% and 33% respectively due to a larger Balance Sheet and higher fee realizations.

In terms of individual sectors, though MFIs (including SFBs) continued to be the largest, their contribution to business volumes reduced significantly in FY17. Our MFIs business was impacted severely in H1 but recovered convincingly in H2. Many partners have been able to raise equity from existing and new investors, indicating renewed interest in the sector. VF and SBL, the other 2 key sectors, showed strong growth despite issues surrounding GST and demonetisation. AHF volumes were affected as many clients were holding high levels of liquidity through recent equity fund raising.

We finished the year at around 150 client partners, including 25 in non-Financial Services. As part of our focus towards direct lending to build a more granular portfolio, we have partnered with 9 institutions for co-lending to underlying customers through our Direct Origination product. These partnerships are across small business financing and consumer lending.

Innovation has always been key for us, more so in a challenging macro environment to cater to customized requirements of clients and investors. In FY18, we launched a single entity partial guarantee product, named and trademarked as the SPiCE™ Bond, that enables capital market investors to lend to smaller entities. To manage our own liquidity and limits, we also developed an alternate method of sell down through Collateralized Loan Obligations (CLOs). Similar to our PBI product, we launched a Pooled Loan Guarantee product as well, which has been well received by the market and has seen four transactions since.

We have also adapted our existing products to structure and execute many unique transactions - We closed our first internationally rated transaction, our first PTC transaction backed by Consumer Durables loans, our first PTC transaction for a AAA rated entity as well as the largest NCD syndication transaction in our history. Most of these products are proof of our ability to work with and add value to large clients.

The incidents of the past year have reinforced our belief on the necessity of developing a new category of investors with an appetite of taking exposures during stressed times. We added 20 new investors in FY18 including many foreign institutions, DFIs and family offices. Through the year, we saw an opportunity in the challenge and countered it by playing a key role in the market as we helped investors understand risk in our sectors better through continuous monitoring, assessment and communication. About 73% of our placements this year were non-PSL in nature, a testament to the fact that we have indeed succeeded in building mainstream debt capital markets access for our clients that goes beyond an opportunity created by the PSL regulatory realm.

We have also developed a market making platform, which acts as a conduit for transactions even beyond Northern Arc's sectors and entities, helping us forge relationships with new investors. Through this desk, we closed around INR 300 crore of traded volumes with counterparties including pension funds, bank treasuries and insurance companies, who have been difficult to tap so far due to rating and other considerations.

We took a total provision of ~INR 50 crore so far, almost all of which is on account of demonetisation impacted MFI securitization deals. These provisions are in accordance with our conservative policy of providing for deals where collections are low, despite cash flows not being due to us. On the performance of underlying sectors, MFI and SBL were majorly impacted due to demonetisation and GST respectively. In microfinance, which suffered due to its dependence on cash, significant improvement in collections have been witnessed through the year and we have had to take minimal incremental provisions post the first quarter. Disbursements post demonetisation have seen high collection efficiencies of around 99%, indicating that the sector has bounced back. SBL collections have also shown an improving trend since H1.

We have diversified our lender base, adding 9 institutions in FY18 taking the total to 26. During the year, we raised INR 50 crore of equity from existing investors and INR 40 crore of Tier II capital in the form of subordinated term loans. To enable management of capital and entity limits, we sold down around INR 500 crore through bilateral sale of NCDs, PTCs and Direct Assignment.

The AUM of AIFs managed by Northern Arc Investment Managers, has increased to nearly INR 1000 crore. The HNI focused Market Linked Debenture Fund received regulatory approval and has seen strong interest from distributors. This fund also saw the first investment in a corporate finance entity, helping build credibility with our investors on credit underwriting in lower vintage sectors. Our 10-year fund (Fund 4), which was the first AIF in India of such a tenure targeting insurance companies, was awarded the "Asian Fund Launch of the Year (India)" as part of the Asia Asset Management Best of Best Awards, 2018.

There was a shuffle in the senior management team during the year. We also saw higher levels of attrition during H1. All other open positions were replaced in record time either through internal movements and promotions, or by recruiting externally. Bama Balakrishnan, who was the CRO for the last 5 years, took over her new responsibility as the CFO and Gaurav Dangwal joined us as the Chief Business Officer.

It was indeed an eventful year behind us! I take this opportunity to thank all our stakeholders – especially our client partners, our investor partners and lenders for the trust placed in us. I also take this opportunity to thank the Northern Arc Capital Board for the ongoing guidance on strategy, as well as for the encouragement and confidence placed in the team during a critical phase for the organization.

Dr. Kshama Fernandes
Managing Director & Chief Executive Officer

BOARD

Dr. Kshama Fernandes
Managing Director and
Chief Executive Officer

Bindu Ananth*
Director

Samir Shah
Additional Director

Michael Fernandes
Nominee Director

Rajesh Dugar
Nominee Director

Vijay Nallan Chakravarthi
Nominee Director

John Fischer
Nominee Director

Dr. Susan Thomas
Independent Director

Vedika Bhandarkar
Independent Director

Charles Silberstein*
Independent Director

* Bindu Ananth and Charles Silberstein have stepped down as Directors of the Company with effect from May 11, 2018 and May 22, 2018 respectively.

KEY MANAGEMENT

Dr. Kshama Fernandes
Managing Director and
Chief Executive Officer

Bama Balakrishnan
Chief Financial Officer

Gaurav Dangwal
Chief Business Officer

Amit Mandhanya
Head - Business

Kalyanasundaram. C
Head - Finance & Operations

Nandita Prabhu
Head - Markets

Saurabh Jaywant
Chief Legal Counsel

Salil G Nair
Chief Technology &
Information Officer

Umasree Parvathy Pratap
Head - HR

Ravi Vukkadala
CEO – Investments

EVOLVING FOR A BETTER FUTURE

Northern Arc has focussed on delivering solutions to its clients through constantly evolving and changing market conditions and economic environment. We have simultaneously learnt and grown with our clients as they have adapted and conducted business while keeping pace with the changes around them. This has been a successful and fulfilling journey till date, however we believe that we (our partners and us) are at the cusp of a monumental shift in the way business will be conducted while our partners continue to grow.

We have travelled with our clients and investors in their respective journeys in the business segments that we serve. The two key pillars of this journey have been product innovation and product relevance. This focus has enabled us to consistently deliver value to our clients and investors by adopting a solutioning approach to our engagement. We have also learnt from this engagement with them and, looking back, we see that every significant milestone in this journey has coincided with pivotal change at a granular level. Customer needs and behaviour have been the lynchpins of financial product innovation, and we have witnessed the evolution of new lending practices and products centred around these changes. Clients and their businesses have adapted and evolved with each such change to stay at the forefront of lending to their customers.

We see these businesses evolve differently over the next few years. Across various segments of clients that we cover, different factors will play a transformative role in each industry segment. Speed to market and delivery to end customer, efficient leverage of technology, and robust underwriting benchmarks in new segments are a few common themes that will help businesses differentiate themselves and grow exponentially.

The past few years have seen an exponential boom in the digital footprint of the common Indian consumer. This enables a financing business to reach far and wide and cater to a variety of customers without the need to invest in brick and mortar infrastructure. Ease of customer access, instant visibility, and access to granular individual level financial and credit data has helped the development of new business models built by lenders. Risk assessment has graduated from the traditional income-based methodology to liquidity and cash flow based approach which takes into account the broader ecosystem with which the borrower interacts before taking a credit decision. The advent and strengthening of the credit bureau network and information available to (and from) them has enabled the building of specialised scorecards which now aid in faster credit decisioning and delivery. This has positively impacted credit discipline and borrowing behaviour.

These factors are contributing to growth of new lending models and credit availability to a clientele beyond the salaried and formal income earner. This availability of formal finance, to a segment which hitherto used to reach out to informal lenders, is setting up this segment of our population for the next phase of growth in their lives and businesses. These new models, and newer (to formal finance) customers will be at the heart of financial sector growth for the next few years, and financial businesses need to change to service this client base.

These developments in credit delivery models can be termed disruptive and require traditional businesses to realign themselves to meet their end customer's expectations. Businesses will need to adapt themselves to stay abreast with emerging players, and complement their proven strengths with technology, service delivery, and customer retention techniques. Speed of delivery, coupled with strong credit underwriting, will play a pivotal role in the next phase of growth for our clients.

At Northern Arc, we have partnered our clients in their growth journey with a variety of product offerings ranging from vanilla loans to complex structured products. As our clients step into the next phase of their growth, we will continue our work towards innovation in financing and enable access to newer and larger pools of capital and institutional finance for them. We have the benefit of being present at the confluence of relationships between multiple clients and investors comprising onshore and offshore institutional lenders, domestic and multilateral development finance entities, private wealth investors, and corporates. As always, we will leverage our unique position of being at this vantage point in bringing innovation and best practices in the financial services space, and at the same time deliver what we have excelled at – access to finance!

GROWING IN TANDEM WITH OUR PARTNERS

Economic landscape review – FY 18[1]

The Financial Year 2017-18 witnessed interesting times for the Indian economy. The economy saw sustained growth with a sequential rise in real GDP growth from a 13-quarter low of 5.6% in Q1 FY 2018 to 7.7% in Q4 FY 2018. Inflation eased to its lowest annual average level since 2012-13 of 3.6%. The surplus liquidity situation at the beginning of the year dried up in February – March 2018 on account of moderation of government spending and large tax collections, along with policy measures. This resulted in the Reserve Bank of India (RBI) briefly switching to a liquidity injection mode. According to the RBI, the monetary transmission from the policy rates to banks' deposit and lending rates improved although evenly distributed during the financial year, facilitated by increased liquidity owing to demonetisation and offset by asset quality concerns and risk-averse behaviour in fresh lending.

Subdued growth in revenues and elevated revenue expenditure of the centre and the states, combined with global bond sell-offs, contributed to a hardening of 10-year bond yields in the government securities markets which spilled over into the corporate bond market during FY18.

On the financial sector front, credit growth revived from a historic low in 2016-17 and crossed double digits in December 2017, driven largely by private sector banks. Credit flows from public sector banks were subdued, constrained by capital requirements and asset quality issues. Stressed assets (Gross Non-Performing Assets (GNPA) plus restructured standard advances) in the banking system remained high at 12.1% of gross advances as of end March 2018. The combined impact of the increase in provisioning against NPAs and mark-to-market (MTM) treasury losses on account of the hardening of yields eroded the profitability of banks, resulting in net losses. In a pre-emptive move, RBI permitted banks to spread their MTM losses over four quarters – starting from Q3. Non-Banking Finance Companies (NBFCs) continued to post double-digit growth in FY 18, with improvement in profitability indicators, asset quality, and capital positions as well.

[1] All information compiled in this section has been sourced from the Annual Report FY 18 – the Reserve Bank of India

Looking ahead, RBI expects the Indian economy to step up its growth trajectory which is expected to be driven by growth in infrastructure development. Sustaining the momentum of this growth will hinge according to RBI on its inclusiveness and expanded employment creation even as the pace and quality of growth being anchored by progress on the unfinished agenda of structural reforms.

Retail NBFC outlook[2]

ICRA reports that as of Q3 FY 2018, total managed retail credit (excluding Small Finance Banks) of NBFCs stood at INR 7.0 trillion and grew by approximately 18% over the same period of the previous financial year. Credit growth revived sharply after a lull following demonetisation and the impact from GST implementation. The credit growth was supported by a few key asset classes – Commercial Vehicles, Unsecured Credit (including Microfinance), and LAP + SME. These segments together accounted for about 60% of the total NBFC retail credit as on Dec 31, 2017. Following this rebound in growth, ICRA expects the retail NBFC sector to post of around 17-19% in FY19.

Northern Arc Capital 10-year growth story

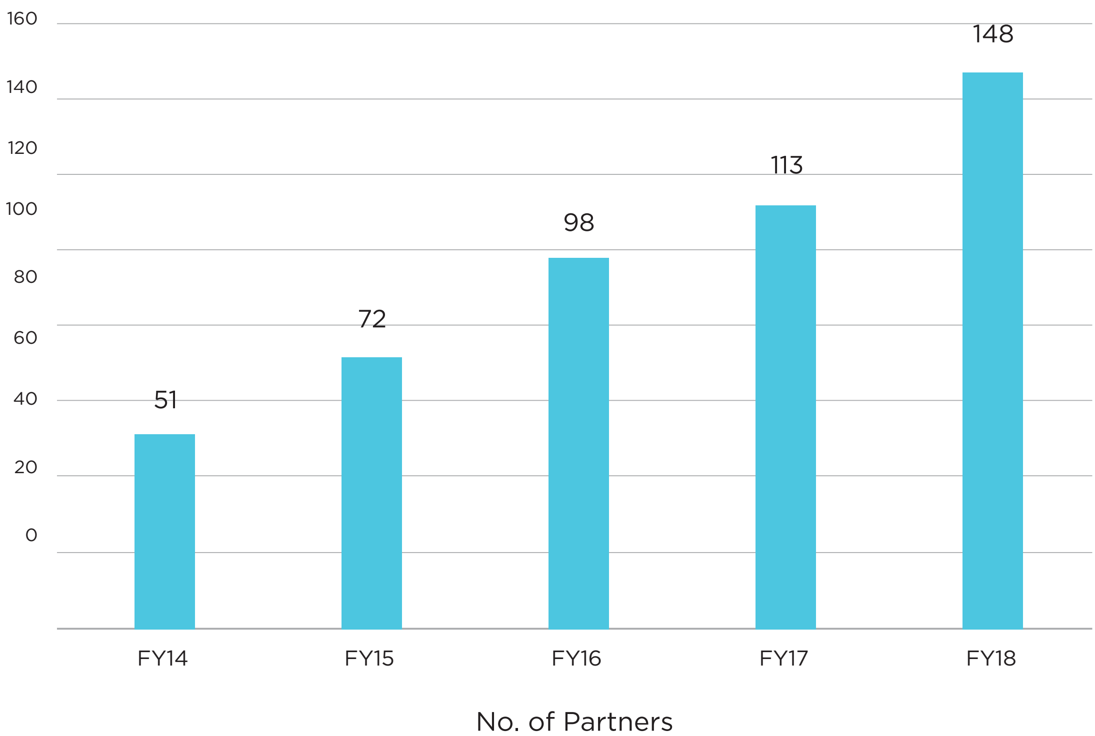
Northern Arc has over the last 10 years emerged as a trusted partner for good quality originators in emerging sectors. It has offered a differentiated value proposition to originators and investors - focusing on data analysis and product innovation, we have been able to differentiate between perceived risk and actual risk.

Northern Arc has been a pioneer in investing in sectors and NBFCs at an early stage. Most of these sectors have started attracting investments from Capital Markets, both in the form of equity and debt. Over this period of time the size of our clients and hence their demands have changed – it has been our endeavor to add value to our originators through their life cycle.

As of March 2018, we work with 148 Originators across Microfinance, Vehicle Finance, Small Business Loans, Affordable Housing Finance, Agri Finance and Consumer Finance.

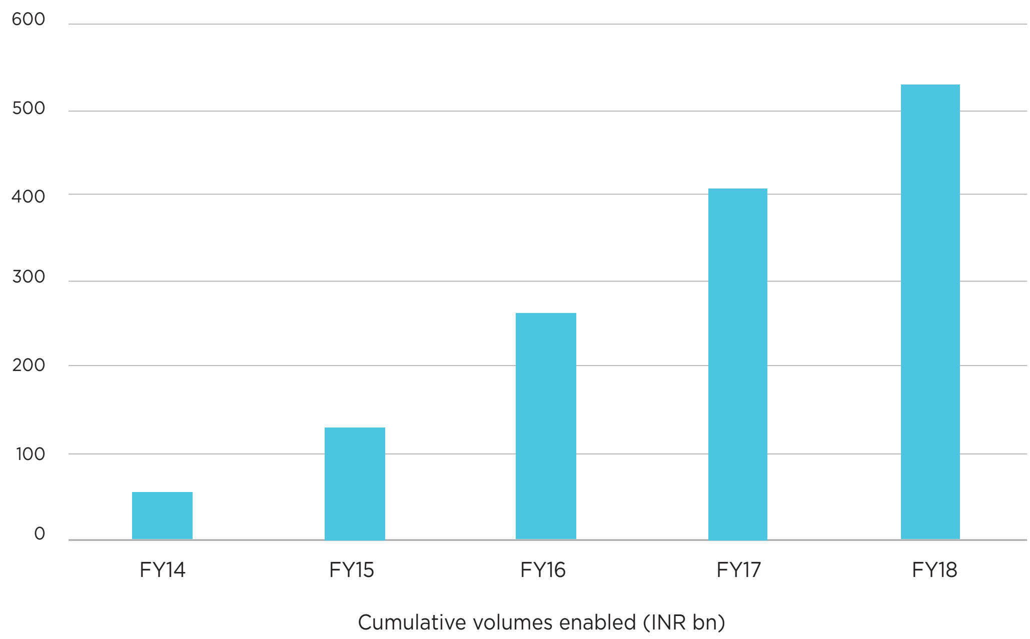
Evolution of the business and asset classes

Growth in partners and asset classes

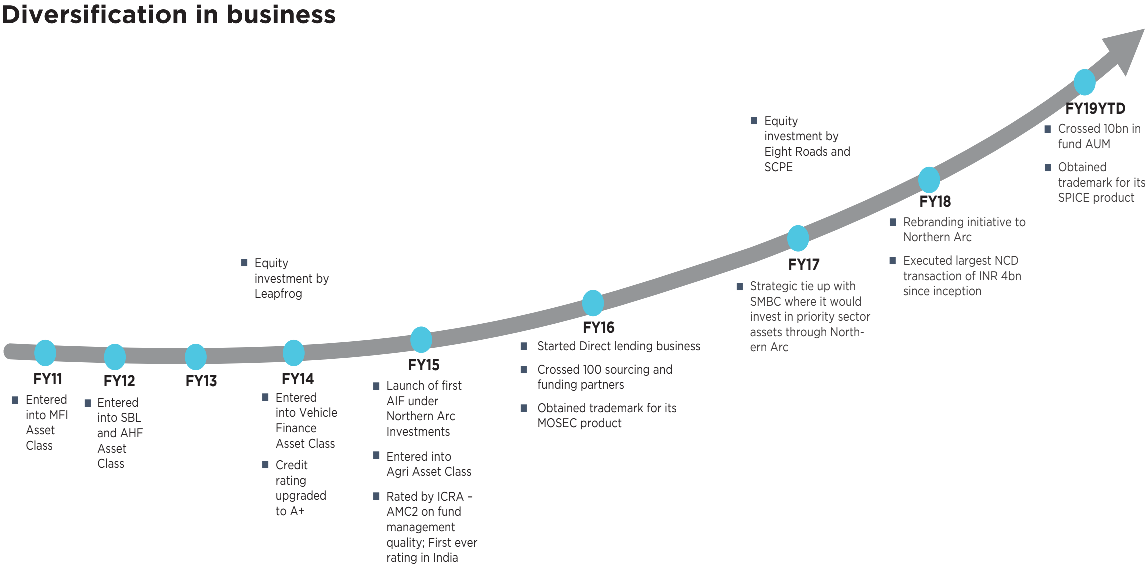


[2] All information complied in this section has been sourced from ICRA Research Services – Performance Update and Industry Outlook for Indian Retail Non-Banking Finance Market

Business Volumes over the years



Diversification in business



Our growth with different sectors

The retail lending space has been evolving and the NBFC space has taken a formidable shape over the last decade, supported by rapid urbanization, rising middle class population, emergence of digital India and growth of the MSME sector.

We have evolved with our clients and the changing environment and have responded proactively and in a timely manner with innovative products. Our core strengths of underwriting different sectors and identifying best practices, advising clients on risk management, offering differentiated structured products meeting the requirements of clients and investors will continue to stand us in good stead.

Microfinance

- Started Microfinance in FY 11, focused on strong underwriting and data analytics
- Launched first MOSEC® in FY 11
- Supported the clients through the Andhra Pradesh Crisis
- Launched the ADB Guarantee program in FY 13
- The sector evolved after the 2012 RBI guidelines, supported by market infrastructure like credit bureau and technology innovation
- Out of the 10 licenses for Small Finance bank 8 were NBFC MFIs

Small Business Loans

- Started SBL practice in FY 12
- Strong need for differentiated underwriting for the missing middle identified as an opportunity
- SBL is the most heterogenous sector as the MSME space is large and covers a lot of businesses
- Differentiated lending models both traditional and technology based have emerged. Key sectors that emerge include SBL financiers lending to SMEs supported by cashflows and backed by property, School & Education Financing, Invoice Financing to SMEs and Machinery financing
- NBFCs in this segment typically focus on cashflow based or data-based underwriting

Affordable Finance

- Affordable Housing Finance business started in FY 12
- The sector has many newly established entities, providing financing solutions to the unorganised sector
- The market has evolved with lot of equity support and focus of experienced professionals
- Portfolio quality of Northern Arc clients continues to hold good

Agri Finance

- Started Agri financing in FY 15 with financing captive NBFCs of Warehousing Management Companies, Value Chain Finance Companies and Business Loan Companies focusing on Agri sector
- Expanded out horizon with working with other Agri ecosystem players and going beyond NBFCs in order to leverage on our Agri value chain/ commodity understanding to finance early stage Agri SMEs

Vehicle Finance

- Started Vehicle Finance in FY 14
- It is one of the most matured sectors. While there are a lot of large originators, scope for a lot of small originators to address the growing demand
- Logistics poised to see a revolution with developments in automobile industry and factors like GST etc.
- Two-wheeler finance supported by demographics, improving disposable income
- Strong growth sector for Northern Arc

Consumer Finance

- Demographics, market infrastructure like credit bureau, internet penetration and consumption led economy supporting the growth of consumer finance
- A lot of consumer finance companies focusing on targeting new to credit, offering tech-based solutions enabling good customer experience
- A growing sector for Northern Arc

BUSINESS **UPDATE**

We concluded FY18 with a total business volume of INR 12,225 Cr, with the first half of the year seeing subdued volumes due to a lull in business growth owing to the impact of demonetisation and implementation of GST, delayed recovery in the microfinance sector, lowered investor risk appetite in microfinance and significant equity capital raises by housing finance partners. Business volumes bounced back in the second half of FY 18 on the back of improved market sentiment and greater credit offtake.

We added 35 new clients in FY 18 taking our total client base to 123 financial institutions and 25 corporate finance entities. Our wholesale portfolio is currently spread across 6 sectors – microfinance & Small Finance Banks, vehicle finance, affordable housing finance, small business loans including fintech, Agri business finance and corporate finance. Our direct origination book through which we co-lend with our client partners in identified products is spread across 2 key sectors – SME and Consumer Financing.

We continued to innovate on structures and products in order to create bespoke solutions for our client and investor partners. We launched 3 new products in FY18 –

(a) Pooled Loan Issuance
(b) Collateralised Loan Obligation
(c) Single-issuer Partially Credit Enhanced Bond (SPiCE™ Bond)

We also concluded the first internationally rated transaction that we structured and arranged, and the first securitization backed by consumer durable loans to be structured and arranged by us.

Microfinance continued to contribute to a large portion of our volumes for FY18, followed by Vehicle Finance and Small Business Loans. On the products side, securitisation, syndication, and investments from our balance sheet continued to be top contributors to volumes.

Key Sector updates

A) Microfinance[3]

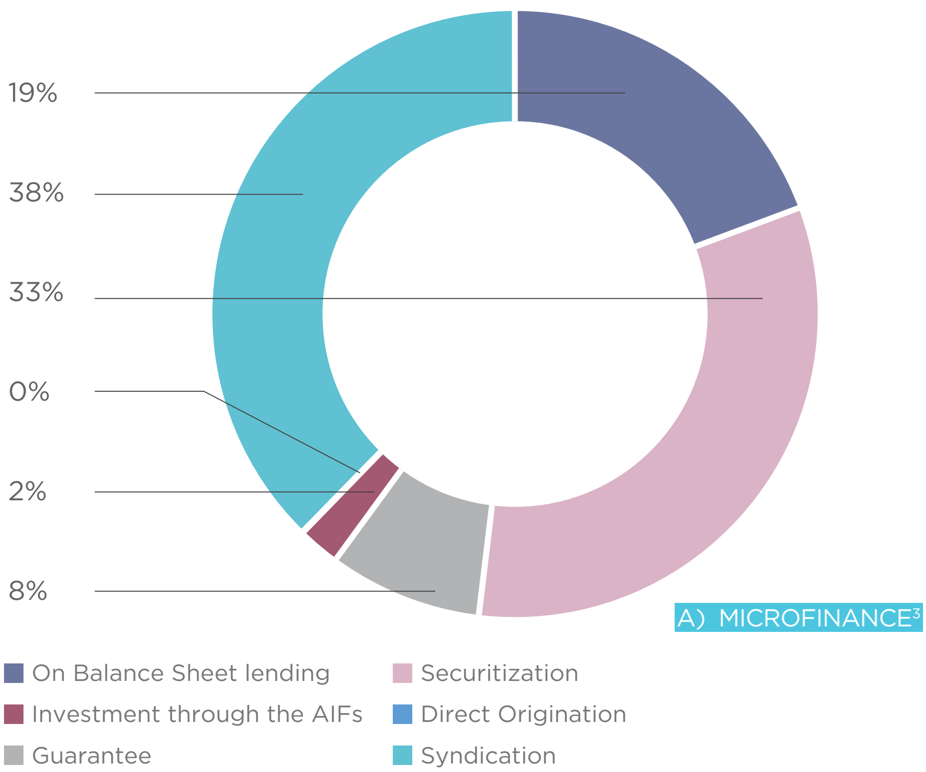
The Indian Microfinance sector (including Self-Help Group (SHG) Bank Linkage Programme) grew 22% over the previous financial year. The portfolio outstanding for NBFC-MFIs, Small Finance Banks, and Universal Banks (excluding the SHG Bank Linkage Programme) grew at a faster pace of 25% during FY18.

For Northern Arc Capital's NBFC-MFI clients, growth in the first half of the year was impacted due to the overhang of demonetisation and damp investor sentiment. However, our clients rebounded along with the market in the second half of FY 18 and showcased steady growth and operational parameters.

Through the year, we observed collection efficiency improving. Most of the MFIs faced huge losses due to deteriorating portfolio quality because of demonetisation. Equity investors continued to support the NBFC MFIs which had evolved as much stronger institutions before demonetisation – most of them fairly diversified in multiple geographies. The lender sentiment improved in the second half of the year as the sector rebounded recording good growth in AUM and improving in portfolio quality.

While the sector's potential for growth remains high, this growth will need to be driven by greater process discipline, credit culture, and responsible expansion, for sustainability and impact to be achieved over the long-term.

As of end FY 18, Northern Arc Capital had 33 NBFC-MFI partners and 9 SFB partners live. During the year we enabled financing of ~INR 5,000 Cr to this segment through a variety of products including financing from our balance sheet.



[3] Sector data quoted in this section as per ICRA Research Services – Indian Microfinance Industry Update, July 2018. Data quoted for Northern Arc Capital partners specifically, is as per our database.

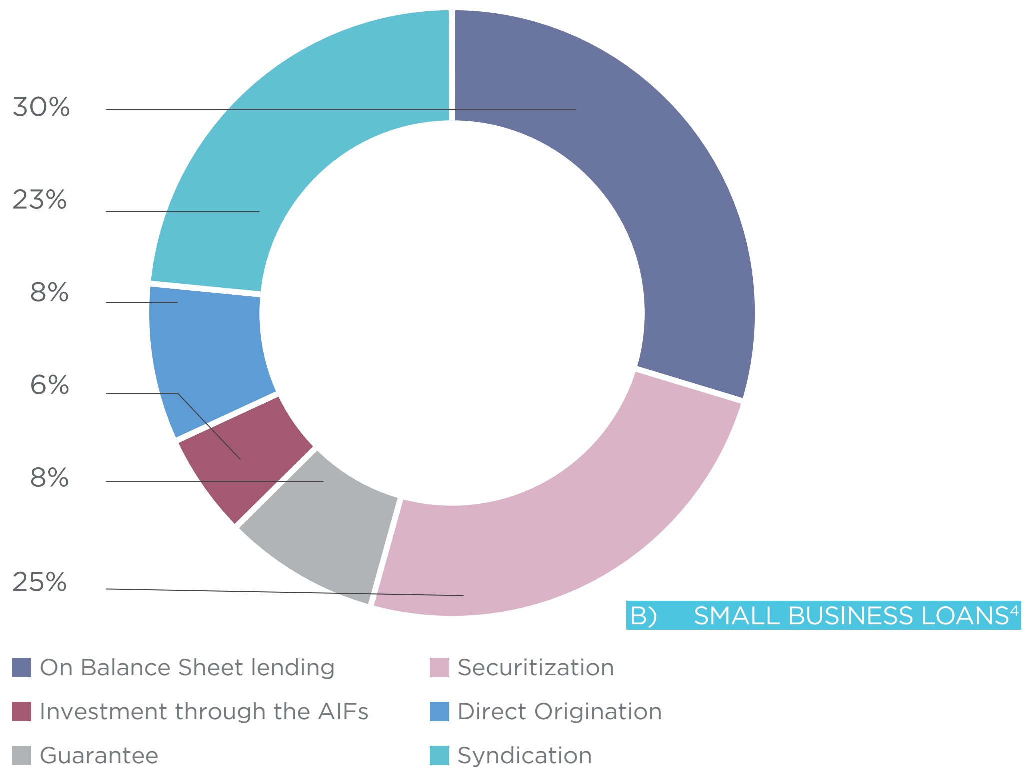
B) Small Business Loans[4]

The sector rebounded quickly from the aftermath of demonetisation. Goods and services tax (GST) was implemented last year – the most transformational step in India's economic history. There has been a significant uptick in credit demand in FY18 post implementation of GST owing to increased working capital demands for MEs and demonetizatio related uncertainties waning in other sub-segments.

The diversity of business models in this segment continues to expand – personal and unsecured credit, unsecured SME credit, and Fintech or technology-based underwriting are big contributors to this trend. In addition, specialized lending such as school and education financing continue to seek to meet untapped demand.

With the advent of new-age, low-touch business models however, we continue to abide by our stringent underwriting guidelines in this segment and believe that physical touch points with the customer will remain critical in maintaining credit discipline and asset quality.

We closed FY 18 with 33 Small Business Loan partners (including consumer finance and Fintech) and have enabled ~ 2,500 Cr of volumes for our partners in this segment. We remain optimistic about the potential, diversity, and growth prospects in the Small Business Loans sector and seek to continuously innovate to add value to our partners.



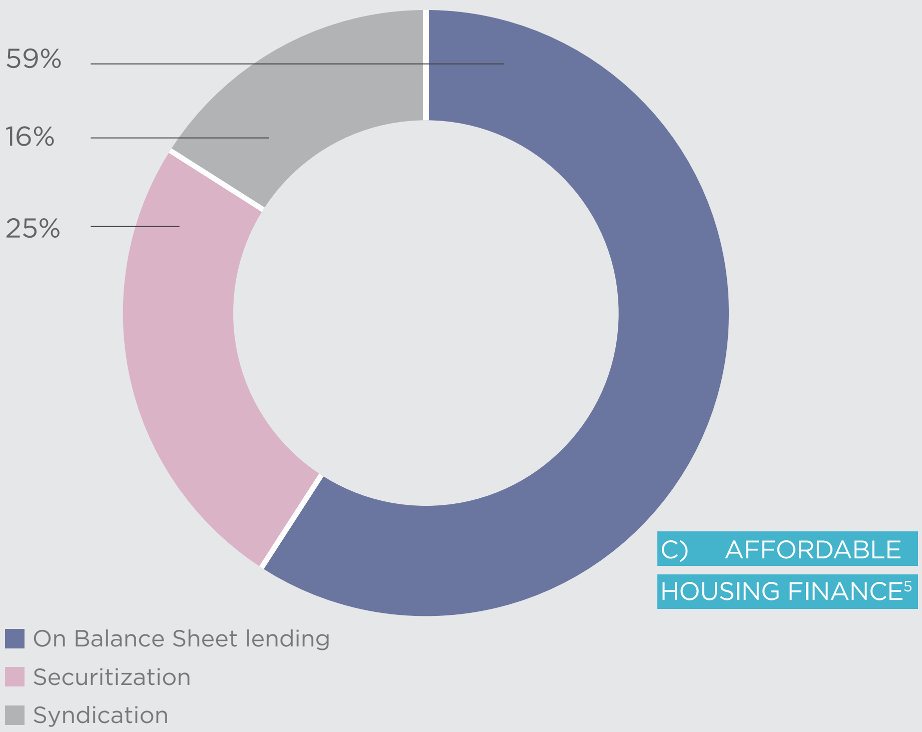
[4] Sector data quoted in this section as per ICRA Research Services – Indian Retail Non-Banking Finance Market FY 2018 Performance – Update and Industry Outlook

C) Affordable Housing Finance[5]

The total loan book of affordable housing finance players stood at INR 1.5 lakh crore as at end FY 18 (ICRA). Portfolio growth for the new players in the segment was higher although on a smaller base than for the more seasoned players. The affordable housing finance segment continues to be underserved with huge unmet potential.

Northern Arc Capital believes that stringent credit assessment given the informal nature of the borrower segment, process orientation, and a good equity base will aid scale and performance of this segment. Any successful affordable housing finance company will need to invest time and capital in infrastructure, human resources, technology, and control systems. While most affordable housing finance companies have significant equity support, we believe that the debt requirement will be higher in the future as business models stabilize.

As of end FY 18, Northern Arc Capital had 17 Affordable Housing partners and enabled ~220 Cr of financing to Affordable Housing partners.

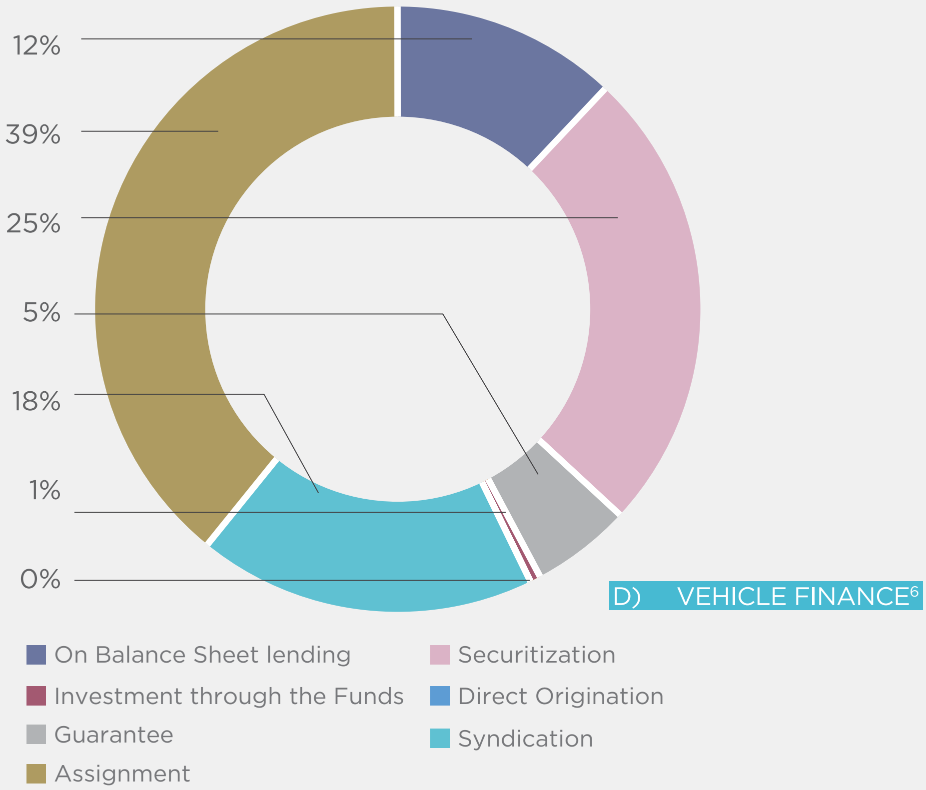


[5] Sector data quoted in this section as per ICRA Research Services – Indian Mortgage Finance Market Update for FY 2018

D) Vehicle Finance[6]

The Commercial Vehicle finance NBFC segment grew by 21% in FY18 supported by strong growth in CV sales. In the M&HCV segment, a blend of factors such as better infrastructure, improved capacities, and the implementation of GST contributing to consolidation of warehouse networks, supported growth. The LCV sales grew in FY18 aided by replacement demand and logistics demand amongst other factors. Used CV growth was supported by the credit growth post demonetisation and improved realization on used CV sales post implementation of BS-IV from April 2017. The NBFC two- and three-wheeler finance segment credit grew by 34% in FY18. Growth projections for this segment in FY19 are healthy owing to expected rural demand and improved credit penetration.

The outlook for growth and expansion remain positive given the healthy credit demand and sales volumes. Northern Arc Capital ended FY18 with 25 Vehicle Finance partners spanning all sub-segments: used and new commercial vehicles, multi-utility vehicles, passenger vehicles, three wheelers and two wheelers. We have enabled INR ~3,600 Cr of financing for our Vehicle Finance partners in FY18.



[6] Sector data quoted in this section as per ICRA Research Services – Indian Retail Non-Banking Finance Market FY 2018 Performance – Update and Industry Outlook

INNOVATION IS THE WAY FORWARD

Constant Innovation is a part of our DNA at Northern Arc Capital. However, innovation for the sake of innovation is no good unless it adds value to our clients and investors.

The structuring team at Northern Arc focuses on building financial products and debt structures that enhance the value-add for clients as well as investors. This is done through focused research, in-depth understanding of regulatory guidelines and legal and taxation related challenges, as well as analysis of various global structured products and how these can be brought into the country. Our products team focuses on understanding the challenges being faced by clients to tap certain sources of debt as well as investors in lending to certain institutions and we continuously strive to bridge this gap through our products.

Northern Arc has been a pioneer of many structured finance products in India with FY18 being our most successful year when we launched three new structured products in the country. Some of our products like Multi Originator Securitisation – MOSEC® – are unique products launched by us globally and we have even conducted advisory and training work for global financial institutions.

Some of the questions we ask ourselves when we work on a new product are-

1. What are the constraints for the Originator to get funding from a particular investor segment?
   - Pooled Bond Issuance (PBI) was launched when Smaller Originators were unable to get capital market access.
   - MOSEC® was launched, where small pools can be clubbed together for diversity, when Small Originators were not able to do stand-alone securitisation due to small issuance size We have a Trademark on this product. We have also done advisory work for IFC, Russia on how they can implement this in Russia. These products were unheard of in India until we launched them (and closed numerous transactions with these structures). Given that these concepts were designed by us, ample education was also needed for both Originators and investors to explain to them the value add these products brought to them and the need for them to participate in this structure. While Originators got capital market access or could participate in securitisation and hence were able to tap different funding avenues, investors were also made aware of diversification benefits and additional enhancement benefits they got through these structures.
2. Investors would typically want to increase their asset book. Can something more be done to achieve this?
   - Pooled Loan Issuance (PLI) was launched as a partial guarantee backed pooled term loan product, which helps lenders extend loans to a diversified set of smaller entities. This increases advances book of lenders, while ensuring the partial guarantee provides credit comfort. In the case of banks, it can also provide benefit in risk weight as the rating of such a pool of loans can be better than rating of individual entities. In case the underlying entities are Micro Finance Institutions, this product also brings in Priority Sector lending benefits for banks.
   - The PLI was launched in June 2017, more than 3 years after its bond counterpart, the PBI was launched in March 2014. Post the launch of this product it has gained immense popularity in the lender community once they have been made aware of the varied benefits it brings to them.
3. What are the risks the investor perceives in a specific Originator and how can this be mitigated?
   - While the RBI published guidelines on partial guarantee backed corporate bonds in September 2015, the product was not launched in the country due to various challenges. We realised that this product can be a fabulous way of getting investors to lend to certain Originators in lower rating categories by providing investors with partial guarantee and enhanced rating, which fits in the framework of certain investors. We worked around the challenges and brought in some other mechanisms like access to collateral pool under certain situations to bring in the enhanced rating. With an appropriate structure in place we launched the country's first Single Corporate Partial Credit Enhanced Bond, the SPiCE™ bond in December 2017.
   - Northern Arc Capital is known in the country today for its strong structuring capabilities. We have pioneered several risk- return structures that meet the needs of both our investors and clients and we intend to bring many more such products into the financial market in India and globally.

EMERGING STRONGER POST-DEMONETISATION

The Government of India demonetized INR 500 and INR 1000 denomination notes on November 9, 2016. These notes accounted for 86% of the total currency value in circulation. This led to a temporary shortage of cash across the country and was followed by a disruption in household level cash flows for the section of population, mainly the informal sector, which primarily transacted in cash. This led to non-availability of cash in many areas. While the cash shortage was temporary, a prolonged impact on disruption in income and cash flows was noted.

Socio-political disruptions in areas with a history of high indebtedness levels due to frequent droughts and crop failures, were primary causes for these regions to get most affected due to demonetisation. Disturbances occurred mostly in the regions which were heading into local elections, where local politicians and leaders incited borrowers to default on payments making false promises of loan waivers.

In non-microfinance portfolios, there was initially a dip in collection efficiency levels but these returned to pre-demonetisation levels soon.

Impact on Retail Financial Institutions:

Retail lending institutions, MFIs in particular, faced immediate challenges. Impact on MFIs was severe as the borrowers (a) mostly dealt in cash which was in short supply, (b) were dependent on daily/semi-permanent means of livelihood which were also impacted because of the impact on the MSME sector. MFIs faced challenges on two counts due to demonetisation:

1. Deterioration in portfolio quality
2. Drop in Disbursements

Collection efficiency levels had dropped below 60% in specific geographies and Portfolio at Risk started increasing across institutions. PAR 30 of MFIs jumped to nearly 14% in Mar 17 from 0.4% before Demonetisation.

The most affected regions, in terms of microfinance portfolio collections, were central Madhya Pradesh, northern Karnataka, western Uttar Pradesh and Vidarbha.

Northern Arc's approach post Demonetisation:

Northern Arc had exposure to microfinance portfolios in 450+ districts across the country. In the wake of demonetisation, the company took the following steps to evaluate and mitigate portfolio risks:

Strengthened Field Monitoring:

It was critical to gain and frequently update our understanding of the market and events as they unfolded on the ground to accurately measure and evaluate the size of the risk, at a systemic and an institution level. Further, it was also important to factor in the understanding on the ground in underwriting new exposures. Northern Arc increased the extent of field monitoring post demonetisation with greater focus by covering stressed areas at regular intervals.

Stringent pool selection criteria for Securitisation:

We also tightened our pool selection criteria for securitization transactions by incorporating the learnings from demonetisation. Additional filters to minimize exposure to areas under stress, high or persistent delinquent portfolios, delinquent or high-risk borrowers etc. were introduced. Our pool filters are also designed to ensure better diversification of pools. We also leveraged data and reports from credit bureaus extensively in applying these filters.

Structurally, we have built additional credit enhancement comforts like trapping excess interest cashflows if portfolio delinquencies increase beyond pre-defined levels.

Continuous monitoring of quarterly data:

Stress testing on Originator's portfolio on a continuous basis is undertaken to understand performance of incremental disbursements, entity's earnings and capitalization profile. A number of MFIs started disbursing top-ups to paper over the risk posed by temporary non-availability of cash. Monitoring the performance of such loans is done continuously.

Impact on Northern Arc Portfolio:

Northern Arc has exposure to NBFCs in the form of both on -Balance Sheet lending and investments in securitization.

On-Balance Sheet Lending:

- From a balance sheet perspective, while the drop-in collection efficiencies did exert pressure on MFIs' cash flows, none of the MFIs defaulted on their balance sheet obligations. The continued availability of funding and reduction in new originations helped MFIs maintain liquidity.
- The RBI circular providing additional time for recognition and provisioning of non-performing assets was beneficial to NBFC-MFIs. We saw several MFIs, including those where portfolio quality was under severe pressure, raise equity from their existing investors which helped them in maintaining capital adequacy as the provisioning requirements came in.
- Overall, there was no stress on balance sheet exposures to MFIs for Northern Arc and other investors in the sector.

Investments in Securitisation:

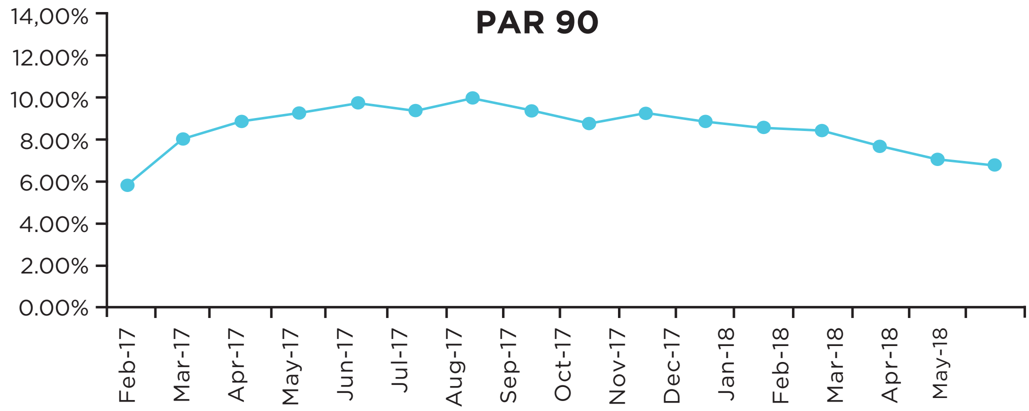
Northern Arc Capital takes exposure to securitization portfolios of its Originator partners, typically in the subordinated tranches. As on the date of demonetisation, Northern Arc had a total securitization exposure, funded and unfunded, of INR 352 crore, of which INR 306 crore were to pools originated by MFIs.

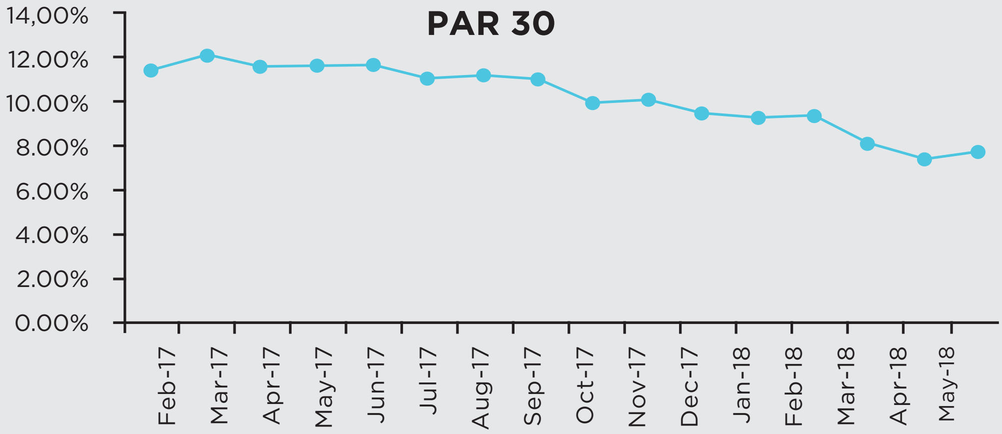
The collection efficiencies of pools originated by several MFIs were impacted significantly and PAR>30 on the underlying pools of Northern Arc's securitization portfolio increased to 12%. However, thanks to improvement in the cash flows of the borrowers and persistent follow up by MFIs, we observed 50-75% recoveries in the PAR30-60 bucket and 15-40% recoveries in the PAR>90 bucket.

Geographical Impact analysis:

We also observed that some states / districts were impacted more than others. Areas such as Vidarbha, Western Uttar Pradesh (both heading into elections within a few months of demonetisation) and Northern Karnataka witnessed socio political disturbances while delinquencies in areas such as Bangalore City were driven by borrower over-leveraging. We also observed that in a few districts in Madhya Pradesh, stress that was building up on account of presence of ring leaders and pipelining of loans were triggered by demonetisation.

The performance in the Eastern states and much of the South were not impacted.

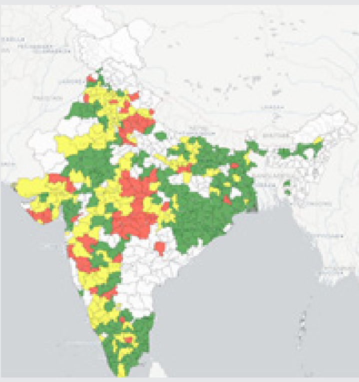




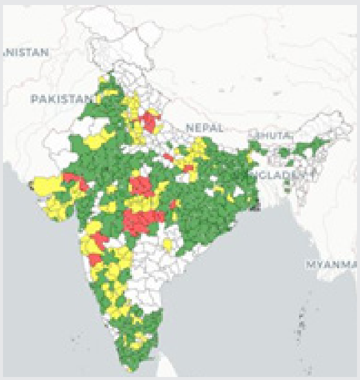
Note: Portfolio at Risk measured on a static base

District Clusters based on observed Slippage/Recoveries on Northern Arc's portfolio:

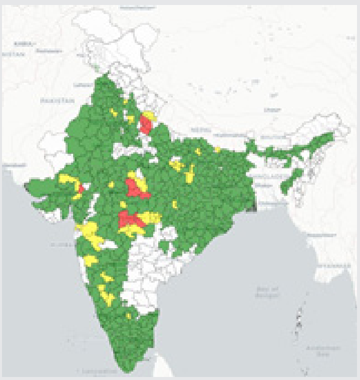
Sep'17



Feb'18



Jun'18



While at a district level, portfolio performance was largely influenced by the borrower behaviour, we observed a few MFI-specific drivers of collections. In general, MFIs which had experienced staff on the field registered better collections, as did MFIs which demonstrated persistent efforts to establish contact with the borrower, notwithstanding collections not being made. As the practice of centre meetings and group liability broke down in several areas, MFIs' field staff had to follow up with borrowers individually; MFIs where the case-load per staff was low were able to register better performance.

EVOLVING WITH THE TIMES: OUR NEW BRAND IDENTITY

''Continue to grow and evolve'', was one of Mahatma Gandhi's top 10 fundamentals for changing the world. Our journey from IFMR Capital to Northern Arc has been no less than an evolution. Our constant drive to adapt and modify has brought us where we are.

IFMR Capital was set up a decade ago by a group of individuals in a small ten-seater office at the IFMR Business School in Chennai. Our ability to adapt to the changes in the market has made us evolve from a ten-seater office to 5 branches across the country. We have expanded our horizons.

Since inception in 2008, the company has worked with hundreds of client institutions and investors across the length and breadth of finance enabling USD 8+ billion of financing for institutions and individuals in the underbanked space impacting the lives of over 33 million customers across 29 states and 5 Union Territories.

As we entered the decade year, we decided to further our mission with renewed commitment by sharpening our business strategy in a way it could reach global markets. We recognized that we needed to digitize our business,

diversify further across sectors, and forge strategic alliances across new markets. It was time to break new ground and forge ahead to the next frontier. It was time to rebrand.

Northern Arc

Northern Arc is inspired by an ancient trade route that connected the East to the West. It was the first contact between the old world and the new world.It went over mountains, valleys, rivers and rapids. It allowed tradersalong its length to establish a direct prosperous trade. It transformed the economic landscape of every geography it passed through. It was the new frontier!

Our new name and brand signify access, change, breaking of barriers, freedom, growth and prosperity for all.

The identity:

NORTHERN ARC

The visual identity is inspired by the idea of a trajectory. It symbolises a relentless forward drive on the path towards growth and prosperity for all. Represented by these three visual elements – a circle, an arrow and a star, the arc comes to life in the design system.

Mission

To enable access to finance for the underbanked in an efficient, scalable and reliable manner.

Vision

To be a trusted platform that enables the flow of finance from capital providers to users in a reliable and responsible manner.

The new name was launched on 16th February 2018 in Mumbai. The event was graced by Commander Abhilash Tomy of the Indian Navy who participated in a fireside chat. Commander Tomy is the first Indian to do a solo non-stop circumnavigation of the globe under sail and the recipient of many gallantry awards. He enthralled the audience with stories of his adventures at sea and discussed his meditative frame of mind that helped him tackle the problems he faced on board. The storms one faces at sea – and for that matter in business – are necessary obstacles that make us intrinsically resilient. Commander Tomy made the most of the wind when it was at its peak and such obstacles only added to his seafaring skills.

Inspired by the drive and determination that Commander Tomy exemplifies, we continue to pioneer solutions that promote greater access to finance for the underbanked, undaunted by the fact that this means we must often sail in unchartered waters.

mint

IFMR Cap plans fund to invest in firms focused on financial inclusion

BY SWARAJ SINGH DHANJAL
swaraj.d@livemint.com

MUMBAI

Firm plans to set up offshore feeder fund targeting overseas investors

IFMR Capital, an impact-focused financial services firm, is planning to set up an overseas fund as it looks to raise capital from offshore markets for investing in businesses focused on financial inclusion, a senior executive of the firm said.

"For offshore investors, we are evaluating setting up a feeder fund in an offshore jurisdiction and this fund will be structured keeping in mind the specific need of international investors," said Kshama Fernandes, managing director and chief executive at IFMR Capital.

Raising capital from offshore investors is part of the firm's plans to increase its assets under management (AUM) to around $1 billion in the next four to five years, *Mint* reported in January.

The funds business of IFMR, which is managed by IFMR Investment Managers, has raised three funds so far and is currently on the road to raising two more.

IFMR is aiming to raise up to Rs850 crore across these two funds, including green shoe options. The two funds—IFMR FImpact Long Term Credit Fund and IFMR FImpact Medium Term Opportunities Fund—are targeting to raise Rs350 crore and Rs500 crore, respectively.

Funds of IFMR Capital invest in debt instruments of companies that focus on financial inclusion such as microfinance, small business loan finance, affordable housing finance, commercial vehicle finance and agri-business finance. Both the funds have achieved their first close recently, said Fernandes.

"Both the IFMR FImpact Long Term Credit Fund and IFMR FImpact Medium Term Opportunities Fund have achieved their first close in March, with a corpus of Rs110 crore and Rs100 crore, respectively," she said.

Fund-raising is expected to be completed by September, she added. The current fund-raising is directed towards domestic investors. With these two latest funds, the AUM of funds managed by IFMR will cross Rs1,000 crore.

With its latest and largest fund till date—the IFMR FImpact Medium Term Opportunities Fund—the firm has also tweaked its investment strategy.

"Compared to our earlier funds which were passively managed, this fund will see more active management as we target to deliver higher risk-adjusted returns not only through accruals, but also capital gains," said Fernandes.

While the fund will primarily earn its returns through accruals to minimize interest rate risk, it will actively seek to book capital gains as well when available either through fall in interest rates or rating upgrades of investee companies and the accompanying compression in spreads, she said.

IFMR Capital rebrands itself as Northern Arc

BY SNEH SUSMIT & SWARAJ SINGH DHANJAL

MUMBAI

Kshama Fernandes, chief executive of IFMR Capital

IFMR Capital has rebranded itself as Northern Arc Capital, as the company seeks to raise its first offshore financial inclusion-focused fund and expand its business outside India, said a senior executive of the firm.

Established in 2008, IFMR Capital connects non-banking financial companies working among financially excluded households and businesses, such as micro-financiers, affordable housing finance companies and small business financiers with investors in existing and emerging debt capital markets.

"The last decade has been about breaking new ground towards building credibility and visibility for our clients and borrowers. The coming decade will be about building on the well-laid foundations of the decade that went by, and catapulting to the next level as an institution. We will forge strong strategic partnerships with domestic and international institutions that are committed to the long-run," said Kshama Fernandes, chief executive of IFMR Capital.

The rebranding will also see the company pursue a growth strategy that will see it tap overseas investors and markets.

IFMR Capital plans to launch its maiden overseas fund, which will invest in financial inclusion focused lending businesses.

The company is currently engaged with two investors to come on board as anchor investors for the fund. It has so far launched six funds with total assets under management of Rs850 crore.

IFMR Capital is also in the process of setting up its first overseas joint venture. The venture will provide the company with the opportunity to extend its business in new overseas markets.

"The focus of the joint venture is the similar platform type approach that we have followed in India. The platform, in some sense, will be similar to what we are doing in India, in an international context, targeting similar markets which are underbanked and looking at capital market type investors internationally," said Fernandes.

Last year, IFMR Capital entered into a partnership with Japan's Sumitomo Mitsui Banking Corp. (SMBC) to facilitate investments in India's priority sector. IFMR Capital also intends to use data analytics and technology to cover more sectors and also more entities in each of these sectors.

"I think there's a lot of thought around digitization. We will not build technology in pieces, but will build a platform, which will holistically represent the business that we do," said Fernandes.

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AWARDS AND RECOGNITION:

- Arranger of the Year (Small Issuance) 2017 – IFMR Capital
- Arranger of the Year 2018 - Northern Arc Capital Limited
- Asia Asset Management's Best of the Best Award for Most Innovative Product – India' in 2014,
- Most Innovative Product – India
- Rising Star – India in 2016
- Asian Fund Launch of the Year (India) in 2018

IFMR Capital Puts ₹20 cr in CASHe

Debt funding to ramp up loan book of app

Priyanka.Sangani
@timesgroup.com

At a Click

₹25 cr Series-A raised by CASHe in April

₹23 cr Loans disbursed by firm in Sept

₹200 cr Total loan disbursed since launch

Pune: CASHe, an app-based loan app from Aeries Financial Technologies said that it has raised ₹20 crore in debt funding from IFMR Capital in its NBFC company, Bhanix Finance and Investment, to ramp up its loan book. The company had raised ₹25 crore ($3.8 million) in series-A funding in April this year from former Blackstone PE head Mathew Cyriac and other investors. V Raman Kumar, chairman, Aeris Financial Technologies said, "CASHe is aggressively expanding its reach to meet the growing needs of millions of salaried millennials across the country. As we look to expand our already significant national footprint, we've found a great partner in IMFR Capital to support our growth strategy. This round of debt funding by IFMR Capital increases our capital pool which translates into higher loan disbursements, and more satisfied customers on a pan-India basis," he added.

The company disbursed loans worth ₹23 crore in September, taking the total loan disbursal to ₹200 crore since its launch in April 2016. The company is aiming to achieve an overall loan disbursal of Rs 450 crore by March 2018.

"IFMR Capital is excited to partner with CASHe in transforming the financial landscape and improving credit availability for young salaried professionals. CASHe is a pioneer in the fintech space with a sophisticated yet easy-to-access approach to lending through its technology platform. The partnership aligns with our approach of identifying and taking exposure to high-quality originators at an early stage with the intent of giving them access to capital markets investors through customised structured product solutions," said Kshama Fernandes, chief executive officer, IFMR Capital.

DEAL OF THE FORTNIGHT

IFMR Capital facilitates SPiCE bond transaction

IFMR Capital has facilitated a ₹50-crore debt for Jaipur-based NBFC Ess Kay Fincorp Pvt Ltd through two single issue partially credit enhanced bond, also known as SPiCE bond, transactions. SPiCE bond is a unique product structure introduced for the first time in the corporate sector, according to IFMR Capital.

Sundaram Asset Management Co and Principal PNB Asset Management Co have subscribed to the debentures. The tenure of both issuances, rated A(SO), is 24 months. The uniqueness of this structure is in the unconditional and irrevocable partial guarantee of 24 per cent provided by IFMR Capital and an additional security cover pool.

The guarantee and the cover pool reduce risks for investors and provides credit enhancement for the issuance. Ess Kay has been one of the beneficiaries of IFMR Capital's product structuring in the last one year. In August, it raised ₹25 crore through market and credit linked debenture.

EarlySalary raises ₹5 cr debt from IFMR Capital

FINTECH START-UP EarlySalary, announced it has raised ₹5 crore in debt financing from IFMR Capital. This working capital infusion will provide an impetus for further accelerating the company's growth plans, it said. EarlySalary has already disbursed over 7,000 loans last month and plans to reach a target of around 30,000 loan disbursements per month by end of this financial year. The company recently received its Series A round of $4 million (₹28 crore) equity funding in May of this year from IDG Ventures India and DHFL, and plans to leverage its equity multiple times over the next few months, it said.

Navigating the debt capital market for NBFCs

IFMR Capital helps non-bank finance firms access capital

N RAMAKRISHNAN

Her profile on the organisation's website refers to her experience in the financial services sector and mentions that she is an avid biker, skydiver, sailor, trekker and mountaineer. Ask Kshama Fernandes, Managing Director & CEO, IFMR Capital, about her hobbies and her face lights up. She recalls a cross-Atlantic voyage she did on a sailing boat late in 2016. In fact, she was the one who helped put together the diverse team of eight people – four women and four men – who did the sailing in 21 days, starting from Los Palmas in Spain and ending at St Lucia in the Caribbean.

Kshama says it is in her nature to take risks and try out such adventurous activities. She does not believe in competitive sports, but believes in testing herself out always. "Unless we take risks and venture beyond the obvious…it is personally important for me to push myself, whether it is on the business front or the personal front…," she says.

The sailing event was a major milestone for her. "…it is one of those experiences where once you are out there in the ocean, you know that the only way is on the other side and you do what it takes. It is a fantastic experience in team building. I helped put the team together. I got in touch with the skipper first and we put the team together," says Kshama, a certified sailor.

Learn to trust

She adds that it is an important lesson in how you learn to trust another human being. "These are not people I know," she adds. The team broke into two groups of four each; while one group manned the deck, the other group would try to sleep; the two groups worked in and four- and six-hour shifts. The team went through several storms, one of which was particularly bad, she recalls. That is just part of the deal, she says matter of fact and adds, the team, which included two Canadians, three Britishers and a Fin, got along brilliantly well. "When you are sleeping, you have to have 100 per cent confidence on the guys who are on the deck to know that they will do what it takes," says Kshama.

How does the experience help in her professional life? "The feedback I got from my skipper was that I am a great team person. When you are in the middle of a challenge, it is never about an individual. It is about how you work together as a team. You may be the smartest sailor, but once you are out there in the middle of the ocean, your skills lie in making all those people come together and work together as a team," asserts Kshama.

She leads a 120-member team at IFMR Capital, a non-banking finance company that links debt capital markets with NBFCs – or originators as IFMR Capital refers to them – that lend to the financially under-served. IFMR Capital works in five sectors – micro-finance, affordable housing finance, commercial vehicle finance, small business loans and agricultural finance, with a little bit of activity in the financial technology space.

"We take these NBFCs, evaluate their systems, processes, governance, risk management and audit practices and connect them to mainstream capital market investors. We are playing the bridge between these underlying financial institutions and mainstream capital market investors," she says.

IFMR Capital does a due diligence of the originators, invests in the debt or stands guarantees for their loans to demonstrate its skin in the game and connects these borrowers to debt capital markets, which would have otherwise been out of their reach. "We work with 110 originators across these sectors," says Kshama. What is common to all of them is they have developed capabilities to appraise the credit worthiness of their borrowers but face challenges in accessing capital. IFMR Capital, according to her, works with over 100 investors in India and abroad and has done about $6 billion of financing with more than 500 capital markets rated listed transactions.

In a sense, she adds, IFMR Capital is bringing the rigour of financial markets to these sectors, with many of the transactions getting rated and listed on the exchanges. She points out that IFMR Capital places a strong emphasis on MIS (Management Information System) and reporting. "We are pushing the originators in a certain direction and saying if you adhere to the highest standards of MIS and transparency, if you bring the highest standards of governance, which means well conducted board meetings, an independent director on board, audited by the top audit firms, high standards of risk management and transparency, I can take you to the capital markets. Once I connect you to the capital markets, the access to supply of debt will be predictable, continuous and you will be able to grow your business at a certain level."

This has really worked well, according to her, as the moment the originators know they can access debt in a smooth manner, the way they run their business changes.

IFMR Capital, with a presence in 530 districts of the country, has raised about $100 million in private equity investments, starting with LeapFrog's investment in 2014, followed by Fidelity and Standard Chartered Private Equity in the last quarter of 2016.

> *You may be the smartest sailor, but once you are out there in the middle of the ocean, your skills lie in making all those people come together and work together as a team.*
>
> KSHAMA FERNANDES
> Managing Director & CEO, IFMR Capital

IFMR Capital invests in the originator's debt and in individual tranches that it may raise from the market, and most often it is the second-loss investor.

It works with a range of originators and thanks to IFMR Capital, these originators have seen their assets under management multiply several times in 3-4 years.

Micro financing

According to her, IFMR Capital started out with the micro-finance sector, which still accounts for nearly 35 per cent of its book, but has seen sectors such as commercial vehicle financing and affordable housing finance sectors grow. Its initial activity was restricted to three or four States, but is now active in more States.

Even at the peak of the crisis in the micro-finance sector, she says IFMR Capital was able to bring debt investors to put in money in the sector because of the strict risk assessment – the risk assessment team at IFMR Capital makes up a third of its total team – and also because it was able to demonstrate to the investors that there was no contagion that happened out of Andhra Pradesh, where the crisis broke out.

Again, Kshama says, "our skin in the game made a huge difference."

IFMR Investment launches two debt funds

OUR BUREAU

Chennai, February 28

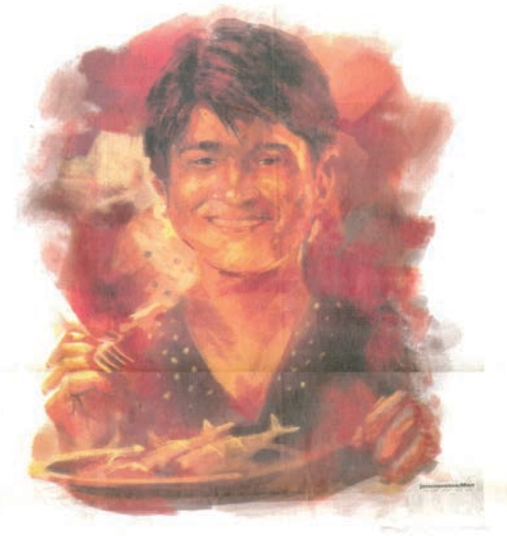
IFMR Investment Managers Pvt Ltd, a subsidiary of IFMR Capital and an alternative investment funds manager, has launched two debt funds catering to investors interested in the financial inclusion sector. The funds are expected to attract investments from domestic investors such as life and general insurance companies, banks, NBFCs and private wealth investors, according to a press release.

One of the funds, the IFMR FImpact Long Term Credit Fund, is a 10-year, ₹200-crore fund, whose size can be increased to ₹350 crore. The other fund, IFMR FImpact Medium Term Opportunities Fund, is a five-year, ₹250-crore one with an option to increase it to ₹500 crore.

The two funds will invest in micro, small business loan, affordable housing, commercial vehicle and agri business finances, and mid-sized corporations.

The Long Term Fund has been designed to facilitate long-term debt investment opportunities for specific investor classes. According to the release, the Medium Term Opportunities Fund is designed to have a high-yield certainty even though the underlying portfolio will be churned.

BUSINESS LOUNGE



Kshama Fernandes

FINDING CREDIT FOR THE WORTHY

The MD and CEO of IFMR Capital on the challenges of financial inclusion, her childhood memories of a Goan village, and her love for adventure

IN PARENTHESIS

IFMR's new funds to aid financial inclusion

Chennai: IFMR Investment Managers Private Limited, a subsidiary of IFMR Capital, on Tuesday said it has launched two new funds to meet 'growing investor appetite for India's financial inclusion space.' Created to attract investments from banks, life and general insurance companies, non-banking finance companies (NBFCs) and private wealth investors, this fourth fund launched by IFMR will be a 10-year debt focused alternative investment fund (AIF). The other fund launched — IFMR Finpact Medium Term Opportunities Fund — is a 5-year debt fund which seeks to offer an attractive medium term debt exposure to investors. With a size of Rs 250 crore it has the option of being increased to Rs 500 crore. The two funds will focus on microfinance, small business loan finance, affordable housing finance, commercial vehicle finance and agri-business finance. TNN

Board's Report

Dear Shareholders
Your directors have pleasure in presenting this Annual Report along with the financial statements of the company for the year ended March 31, 2018. The summarised consolidated financial results of the Company are given hereunder:

Financial highlights:

Rupees in Crores

Particulars	As on March 31, 2018	As on March 31, 2017
Income	475.63	370.15
Less: Expenditure	344.36	272.13
Gross profit before depreciation	131.27	98.02
Less: Depreciation for the year	1.69	1.21
PBT (Profit before Tax)	129.58	96.81
Less: Provision for tax (Current year)	53.58	42.93
Less: Deferred tax	(10.25)	(9.89)
PAT (Profit after Tax)	86.25	63.77
Profit brought forward from previous year	146.25	96.94
Less: Transfer to reserve	(15.48)	(11.89)
Less: Appropriations	0.67	2.57
Balance carried forward to balance sheet	**216.35**	**146.25**

Dividend:
Due to the need for deploying the funds back into the business for the growth of your Company, your directors have not proposed any dividend for the current year.

Operations:
During the year end March 31, 2018, the company achieved a Profit Before Tax of INR 129.58 Crores, a growth of over 33.85% over the last financial year.

Your company achieved overall volumes of financing as per table below:

Products	Volumes Achieved (Rs. Crores)	
	FY 2017-18	FY 16-17
Assignment	1,403	949
Direct Origination	234	141
Guarantees	833	945
Loans/NCDs from Balance Sheet	2,897	2,455
Securitisation	3,235	5,276
Syndication	3,323	4,574
AIF	300	419
Total Volume of Financing	**12,225**	**14,759**

Credit Rating:
The Credit rating of the company for FY 2017-18 were as follows, there was no change in the rating of the company during the year.

Instrument	Rated Amount (in INR)	Rating Action
Long-Term fund based limits	2,000	[ICRA]A+ (stable); assigned/outstanding
Non-Convertible Debentures	635	[ICRA]A+ (stable); outstanding
Subordinated debt	82.5	[ICRA]A+ (stable); outstanding
Commercial paper	600	[ICRA]A1+; reviewed and assigned

Regulatory Compliance:
The Company has complied with all the mandatory regulatory compliances as required under the Reserve Bank of India guidelines, the Companies Act, various tax statutes and other regulatory bodies.

Capital adequacy
The company's capital adequacy ratio as on March 31, 2018 is 17.26% as against 16.93% as on March 31, 2017. The minimum capital adequacy ratio prescribed by RBI is 15%.

Equity Raise
During the financial year, the company raised additional preference share capital and consequently the shareholding pattern of the company (on a fully diluted basis) is as follows:

Name of Shareholder	No of Shares	% of share capital
IFMR Holdings Private Limited	45,887,686	47.87%
Leapfrog Financial Inclusion India II Limited	26,860,220	28.02%
FIL Capital Investments (Mauritius)(II) Limited	13,610,748	14.20%
Standard Chartered Bank (Singapore Branch)	9,488,908	9.90%
Total	95,847,562	100.00%

Change of Name:
The name "IFMR" has been in use for many decades by an educational institution with a focus on finance and research. For the last 10 years it has also been used by the erstwhile IFMR Trust (now Dvara Trust) and companies affiliated with IFMR Trust, including the Company. There has been no management connection between the educational institution and the Company. Now, as a public company with multiple shareholders, the Company believes it is appropriate for it to have an independent brand identity which will enable absolute control over the reputation and usage of the brand. The Company thus believes having its own brand is necessary for the protection and growth of the goodwill of the company. Hence, the Company has changed its name from IFMR Capital Finance Limited to Northern Arc Capital Limited. Northern Arc was a medieval trade route that connected Scandinavia, Kievan Rus' and the Eastern Roman Empire. The route allowed traders along its length to establish a direct prosperous trade with the Empire, and prompted some of them to settle in the territories of present-day Belarus, Russia and Ukraine. Therefore, the word Northern Arc resonates with our mission of being a financial services company that works to ensure smooth flow of capital from the providers to those who are most in need of it.

Conversion of Company into a public limited company:
During the financial year, your company changed its status from a private limited company to a public limited company and obtained necessary approvals from the Registrar of Companies for the same.

Change in Directors and Reconstitution of Board Committees:
During the Financial Year, the following changes occurred in the Board of Directors of the Company:

Appointments:

Name of director	Designation	Date of appointment
Mr. John Fischer	Additional Director	23rd August 2017
Mr. Samir Shah	Additional Director	19th Jan 2018
Mr. Vijay Chakravarthi	Nominee Director	19th Jan 2018

Note: Following Changes were made to the board composition, post the close of the financial year: Mr. Rajiv Lochan was appointed as Additional Director (Independent) with effect from 01st April, 2018 and Mr. Salim Gangadharan was appointed as Additional Director (Independent) with effect from 30th April, 2018.

Resignations:

Name of director	Designation	Date of Resignation
Mr. Puneet Gupta	Director	25th July 2017
Ms. Sucharita Mukherjee	Director	19th Jan 2018
Mr. Nicholas Anthony Moon	Nominee Director	19th Jan 2018
Mr. Alexander Vladislavovich Nisichenko	Alternate Director to Mr. Nicholas Anthony Moon	19th Jan 2018
Mr. Udai Dhawan	Nominee Director	19th Jan 2018

Updated list of Committee members:

Name of committee	Existing Members	Revised Members
Risk Committee	Susan Thomas Charles Silberstein Kshama Fernandes Vijay Chakravarthi Michael Fernandes Rajesh Dugar	Susan Thomas Kshama Fernandes Vijay Chakravarthi Michael Fernandes Rajesh Dugar Salim Gangadharan
Compensation Committee	Bindu Ananth Charles Silberstein Kshama Fernandes Vijay Chakravarthi Rajesh Dugar Michael Fernandes John Fischer Vedika Bhandarkar	Kshama Fernandes Vijay Chakravarthi Rajesh Dugar Michael Fernandes John Fischer Vedika Bhandarkar Samir Shah
Nomination & Remuneration Committee	Bindu Ananth Raj Dugar Susan Thomas Charles Silberstein	Raj Dugar Susan Thomas Rajiv Lochan Samir Shah
Audit Committee	Vijay Chakravarthi Susan Thomas Charles Silberstein John Fischer Vedika Bhandarkar	Vijay Chakravarthi Susan Thomas John Fischer Vedika Bhandarkar Salim Gangadharan Rajiv Lochan
CSR Committee	Susan Thomas Michael Fernandes Kshama Fernandes Bindu Ananth	Susan Thomas Michael Fernandes Kshama Fernandes Samir Shah Rajiv Lochan
Finance Committee	Bindu Ananth Kshama Fernandes Bama Balakrishnan	Kshama Fernandes Bama Balakrishnan Samir Shah

State of affairs of the Company 2017-18:
The business and risk environment showed an improving trend towards the H2 FY 2018 while the performance in H1 FY 2018 was impacted by demonetisation – leading to lower credit offtake and business volumes as well as subdued risk appetite in key sectors such as microfinance.

On a full year basis, your company achieved Consolidated volumes INR 12,225 crores across sectors with H2 FY 2018 showing strong performance. While there were some changes in key management positions during the year in addition to an uncertain business environment initially in the year, your company maintained strong profitability metrics for the year.

Your company played a key role in ensuring continued access to credit and liquidity for the underlying sectors.
We ended FY 2018 with a balance sheet of INR 3,623 crore, a growth of 23% year on year and average cost of borrowing of 9.70%. Your company continued to actively manage capital through sell-down.

We have significantly added to the base of clients we work with, ending at a total of 155 across sectors. The risk position of your company also stabilised with the stabilising trend in the microfinance sector. Credit costs were in line with expectation for the full year. Your company saw a larger share of business volumes and income accruing from smaller clients leading to better business diversification.

The risk management team continued to actively monitor the portfolio performance and diversification to ensure that business expansion happened with enhanced due diligence as appropriate including through the use of external data sources as credit bureau data repositories. We have made significant investments in technology initiatives which will start benefiting us in the coming year as we can scale with operating efficiencies.

Subsidiaries:

Northern Arc Investment Managers Private Limited (NAIMPL):

IFMR Investment Managers Private Limited effective 09.02.2018 changed its name from IFMR Investment Managers Private Limited to Northern Arc Investment Managers Private Limited pursuant to the consent accorded by the members of the company.

Fund raising and investors

During the year under review, NAIMPL was appointed as investment manager of the IFMR FImpact Income Builder Fund, a category II Alternative Investment Fund (AIF). This is a unique offering by NAIMPL designed specifically for High Networth Individuals (HNIs) targeted to deliver an attractive post tax returns. The fund has secured a rating of 'CARE AA- (AIF)' in line with NAIMPL's other funds. During the year, NAIMPL raised commitments of INR 254 crores from 25 investors enabling NAIMPL to surpass the total commitment of INR 1000 crores. Over the year, NAIMPL also onboarded four new distributors to tap into the HNIs and corporate segment.

New funds under development

Schemes managed by NAIMPL have seen active participation from life insurance companies, general insurance companies, NBFCs and HNIs. With a view to diversify into new investor segment in FY19, the team at NAIMPL spent significant time and effort to understand, identify and develop suitable products. For FY19, NAIMPL plans to launch a category III open-ended short-term credit fund targeted to raise money from the corporates and HNIs. NAIMPL also plans to launch a venture debt fund offering attractive returns and diversifying beyond the current sectors that it works in. Also under development and targeted for launch in FY19 are two offshore products – a dedicated green fund and high yield fund.

CRISIL rating product

In FY18, NAIMPL worked with CRISIL to develop India's first credit rating product for AIFs. The credit rating which factors in not only the credit risk of underlying investments but also the first loss investments by the Northern Arc Group, will provide investor further comfort. This is India's first credit rating of an AIF and required substantial collaborative effort with CRISIL to put the rating criteria in place. This unique and innovative rating will provide us with an added tool to communicate risk-return on our funds and set an industry benchmark for other funds to emulate. The rating will also be crucial in fund raising from new investors, especially from corporates, pension funds and other investors who have credit rating requirements. Having a credit rating will also reduce the investment decision time of prospective investors.

Offshore fund update:

Over the year we have made a substantial amount of progress towards setting up our offshore fund. With the contours of the fund finalized and investor discussions under way, we expect to take our first offshore fund live in FY19. We also made considerable strides during the year towards launching our first green Alternative Investment Fund (AIF).
The end use of investments will be specifically earmarked towards loans provided towards the construction of toilets, LPG & CNG kits, electric vehicles, smokeless stoves and solar units. As we look to expand our investor base, the year also saw the team at Northern Arc Investments conduct market scoping activities to understand the expectations of investors across various jurisdictions with regard to their return expectations, investment style and other preferences. The market scoping conducted will serve as a good platform for the new fiscal year helping us reach out to new investors across the globe. We were also in Hong Kong recently to attend the Asia Asset Management Best of Best Awards 2018 where we were awarded 'Asian Fund Launch of the Year (India)' for our 10 year close ended AIF. This was the 15th round of one of the most prestigious awards in the fund management industry in Asia and were in the presence of leading asset managers and industry leaders across Asia

Automation and Digitalisation

NAIMPL has automated the investor reporting which has significantly reduced the time spent in developing such reports. Also, NAIMPL has started using CRM software for tracking investor conversations and project management tool for tracking collaborative work which has increased team's productivity and improved intra team communication. NAIMPL continues to focus on digitalisation to further improve team's productivity and investor experience.

Future Outlook:

We expect that the coming financial year will see clients in our core sectors such as microfinance, small business lending returning to a growth cycle, with the overhang of demonetisation and transition to the GST regime well behind them. We continue to see stable growth in the vehicle finance sector with predictable asset quality. We see significant opportunities to expand our client base in the fintech sector given our position of advantage and thought leadership. While the affordable housing finance sector has shown stress in asset quality, our clients by and large continue to show stable asset quality and we expect them to expand significantly in the coming year.

We see significant opportunities to scale existing businesses while exploring innovative products and business models. We see opportunities to diversify the portfolio across financial institutions, corporate finance and through the direct origination model. Our growing network of investors and robust structured finance platform are key enablers for this growth.

We are investing further in company-wide automation of processes and data management which will allow us to derive operating and knowledge efficiencies going forward.

Deployment

In FY2018, we deployed a total sum of INR 319 crores across four sectors. The year saw the first investment in a corporate finance entity, LEAP India Private Limited, of INR 25 crores. A sum of INR 114 crores was infused in small business loan financiers, INR 20 crores in vehicle financiers and INR 160 crores in microfinance companies. We launched our first market linked debenture fund, subscribing to the first MLD issued by Fusion Microfinance Private limited.

Northern Arc Investment Adviser Services Private Limited (NAIASPL):

IFMR Investment Adviser Services Private Limited effective 09.02.2018 changed its name from IFMR Investment Adviser Services Private Limited to Northern Arc Investment Adviser Services Private Limited pursuant to the consent accorded by the members of the company.

NAIASPL was established to provide high quality advice and products in asset classes that impact the financially excluded. During FY 2018, the company went through a review and consolidation of products and services. The company successfully completed a structured finance advisory engagement and also played a role in advising some clients on their debt capital raise. Going forward, the company will selectively explore opportunities in risk advisory, business & process advisory while continuing to offer transaction advisory services.

Statment containting salient features of the finacial statement of subsidiaries/associate companies/joint ventures is annexed as ***Annexure 1.***

Non-acceptance of deposits:

Your Company has not accepted any public deposits during the financial year 2017-18.

Details of conservation of energy and technology absorption:

The Company has no activity relating to conservation of energy and technology absorption.

Foreign Exchange Earnings and Outgo:

Summary	YE 31 March 2018 (in INR)	YE 31 March 2017 (in INR)
Travel	369,540	821,541
Director's sitting fees	311,440	93,286
Subscription	1,255,456	997,956
Consultancy Charges	1,812,125	6,289,314
Books and periodicals	384,840	-
Advertisement and publishing	-	395,176
Meeting & Conference	82,213	
Total	**4,215,614**	**8,597,273**

Foreign Exchange Earnings: INR 1,609,075 (Previous Year – NIL)

Meeting of Independent Directors:

In terms of Para VII of the Code for Independent Directors, the company conducted a meeting of its independent directors without the attendance of non-independent directors and members of the management. The Directors, inter alia, discussed the following:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Secretarial Audit:

In accordance with Section 204 of the Companies Act, 2013, the company is required to conduct a secretarial audit and annex such report to the Board's Report.

M/s B. Ravi & Associates, Company Secretary in Practice, was engaged to conduct the Secretarial Audit and the following observation was noted in the Report:

The Company has not served the notice, agenda papers and the minutes of the meetings within the time limits prescribed in Secretarial Standard 1 issued by the Institute of Company Secretaries of India with respect to meetings of the Board/ Committees of the Board.

The Board took note of the same and was informed that the same will be addressed in the coming Financial Year.

The said Secretarial Audit Report is annexed as **Annexure II** to this Report and forms an integral part of this Report.

Auditors:

M/s. Deloitte Haskins & Sells, Chartered Accountants (Registration Number: 008072S) who had been appointed as Statutory Auditors of the Company at the AGM held on 05.05.2015 for a period of 3 years had resigned as statutory auditors, the resulting casual vacancy was filled by appointment of M/s BSR & Co. LLP (ICAI Firm Regn No.101248W/W-100022) at the board meeting held on 25.07.2017 and subsequently ratified by the members at the general meeting held on 25.07.2017. It is proposed to appoint M/s BSR & Co. LLP as statutory auditors of the company at the ensuing Annual General Meeting, for a period of five years viz for Financial years 2018-19 till 2022-2023.

Directors' Responsibility Statement:
The directors' responsibility statement as required under section 134(5) of the Companies Act, 2013, reporting the compliance with the Accounting Standards is attached and forms a part of the board's report.

The Directors accept the responsibility for the integrity and objectivity of the Profit & Loss Account for the year ended March 31, 2018 and the Balance Sheet as at that date ("financial statements") and confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Declaration of independence under Section 149(6) of the Companies Act, 2013:
The independent directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as independent director during the year.

Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:
Your company confirms that no complaints were received/ cases filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 during the financial year 2017-18.

Details of Employee Stock Option Scheme:
Your company introduced the Employee Stock Option Plan, providing grants to employees of your Company and its subsidiaries. The details of the Employee Stock Option Plan as required to be provided under Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are annexed to this Report as **Annexure III** and forms an integral part of the Report.

Information to be provided under Section 134 (3) of the Companies Act, 2013 in the Board's report:

(a) Extract of the Annual Return as provided under Section 92 (3) – **Annexure IV** of the Report

(b) Number of Meetings of the Board during the Financial Year – 8 meetings were held on the following dates: 10th May 2017, 3rd June 2017, 25th July 2017, 9th October 2017, 7th November 2017, 4th December 2017, 18th December 2017 and 19th January 2018.

(c) Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes under Section 178(1) – the policy on directors' appointment is based on the evaluation of fit and proper criteria for directors by the Nomination and Remuneration Committee prior to appointment of directors. At present, only the Chief Executive Officer cum Managing Director receives remuneration from the Company, which is decided by the Compensation Committee of the Board.

(d) There were no adverse remarks/ qualification in the Secretarial Auditors' Report except for the qualification on non-adherence to time limits prescribed for serving of notice, circulation of draft/ signed minutes as stated elsewhere in this Report.

(e) Particulars of loans investments guarantees under Section 186 – not applicable as the company is a non-banking finance company

(f) Particulars of related party transactions under Section 188(1) – **Annexure V** of the Report

(g) The amounts proposed to be carried to reserves, if any – INR 15.48 Crores (transferred to Statutory Reserve).

(h) In the opinion of the Board, the Company has, since inception developed and implemented Risk Management policies and procedures that are sufficient to combat risks that may threaten the existence of the company.

(i) Details of CSR initiatives of the Company – **Annexure VI** of the Report

(j) Statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors:

The company conducted a Board evaluation exercise and the guidance from the same will be used to align the Board processes and eventually achieve the objectives of the Company.

Information to be provided under Rule 8 of the Companies (Accounts) Rules, 2014:

Change in the nature of business, if any	NIL
Details of directors or key managerial personnel who were appointed or have resigned during the year	a) Mr. John Fischer was appointed as Additional Director of the Company on 23rd August 2017 b) Ms. Sucharita Mukherjee resigned as director of the company from 19th Jan 2018 c) Mr. Nicholas Anthony Moon resigned as director of the company from 19th Jan 2018 d) Mr. Alexander Nisichenko vacated office as Alternate Director to Mr. Nicholas Anthony Moon from 19th Jan 2018 e) Mr. Udai Dhawan resigned as Nominee Director from 19th Jan 2018 f) Mr. Vijay Chakravarthi was appointed as Nominee Director from 19th Jan 2018 g) Mr. Samir Shah was appointed as Additional Director from 19th Jan 2018 h) Mr. Puneet Gupta resigned as director of the company from 25th July 2017 i) Mr. Vineet Sukumar resigned as CFO w.e.f 01st June 2017. j) Mrs. Bama Balakrishnan was appointed as CFO w.e.f 03rd June 2017.
The names of companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year	NIL
Details of deposits in compliance and not in compliance with Chapter V of the Act	NA
Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future	NA
Details in respect of adequacy of internal financial controls with reference to the financial statements	The completeness and adequacy of internal financial controls of the Company was evaluated by an independent audit agency M/s Deloitte Haskins & Sells and report of the same has been shared with the Statutory Auditors of the Company. The same has also been presented to the Audit Committee, based on which the Board has certified that the internal financial controls are adequate and are operating effectively.

Requirements of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Requirements of Section 197(12) of the Companies Act, 2013:
Ratio of remuneration of each director to the median employee's remuneration: 147847:17568

Disclosure to be made under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- Percentage increase in remuneration of each director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the Financial Year vis-à-vis last financial year:

Name of director/ Key Managerial Personnel	% increase in remuneration vis-à-vis last financial year
Dr. Kshama Fernandes, Chief Executive Officer cum Managing Director	**10%**
Ms. Bama Balakrishnan, Chief Financial Officer	**28%**
Ms. R. Srividhya, Company Secretary	**30%**

- Percentage increase in the median remuneration of employees in the financial year: **12.1%**
- Number of permanent employees on the rolls of the company **116 (as of 31st March 2018)**
- Explanation on the relationship between average increase in remuneration and company performance – **the increase in remuneration of the company is in line with the achievements of company's annual targets, along with market benchmarks and industry standards.**
- Comparison of the remuneration of KMP against the performance of the company:
- **The average increase in remuneration of the KMP is 22.6% The company's increase in Profit Before Tax over the last Financial Year is 27.37%.**
- Variations in the net worth of the company as at the close of the Financial Year and previous Financial Year – **72.74%**
- Comparison of each managerial remuneration against the performance of the company – **Dr. Kshama Fernandes received an increased remuneration of 10% against the company performance of a PBT increase of 27.37%.**
- Key parameters for any variable component of remuneration availed by the directors – **performance of the company and market standards and industry benchmarks.**
- The ratio of remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year - **None**
- Affirmation that the remuneration is as per the remuneration policy of the company – **the remuneration of directors and employees of the company is in accordance with the remuneration policy of the company.**

Particulars of Employees under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:
The statement containing particulars of employees as required under section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is in a separate annexure forming part of this report. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary of the Company

Information under Section 177 (10) read with Rule 7 of the Companies (Meetings of the Board and its Powers) Rules, 2014:
Adequate vigil mechanism for directors and employees to report genuine concerns is in place and the same have been disclosed in the website of the company and can be accessed on the company's website at www.northernarc.com.

Secretarial Standards Compliances:

The company has complied with the applicable secretarial standards issued by the Institute of Company Secretaries of India except to the extent of non-adherence to time limits prescribed for serving of notice, circulation of draft/ signed minutes as stated elsewhere in this Report.

Acknowledgement:

The Directors wish to thank the Reserve Bank of India and other statutory authorities for their continued support and guidance. The Directors also place on record their sincere thanks for the support and co-operation extended by the Bankers, Share Holders of the Company.

The Directors also thank the employees of the Company for their contribution toward the performance of the Company during the financial year.

On behalf of the Board

For Northern Arc Capital Limited (formerly IFMR Capital Finance Limited)

Bindu Ananth
Director
DIN: 02456029

Kshama Fernandes
Chief Executive Officer cum Managing Director
DIN: 02539429

Date: May 11, 2018
Place: Chennai

ANNEXURE I

FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in INR.)

Sl. No.	Particulars	Details
	Name of the subsidiary	Northern Arc Investment Adviser Services Private Limited (Formerly IFMR Investment Adviser Services Private Limited)
	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	NA
	Share capital	INR 2,10,00,000
	Reserves & surplus	INR 20,81,325
	Total assets	INR 3,05,61,335
	Total Liabilities	INR 3,05,61,335
	Investments	INR 77,00,000
	Turnover	INR 2,96,44,042
	Profit/ Loss before taxation	INR 2,60,20,157
	Provision for taxation	INR 24,68,778
	Profit after taxation	INR 2,35,66,686
	Proposed Dividend	-
	% of shareholding	100

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

ANNEXURE I

FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in INR)

Sl. No.	Particulars	Details
	Name of the subsidiary	Northern Arc Investment Managers Private Limited (Formerly IFMR Investment Managers Private Limited)
	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	NA
	Share capital	INR 10,83,00,000
	Reserves & surplus	INR 8,61,59,934
	Total assets	INR 35,89,45,098
	Total Liabilities	INR 35,89,45,098
	Investments	INR 30,87,50,000
	Turnover	INR 15,22,00,263
	Profit/ Loss before taxation	INR 8,94,68,827
	Provision for taxation	INR 2,50,58,000
	Profit after taxation	INR 6,48,10,954
	Proposed Dividend	-
	% of shareholding	100

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

ANNEXURE II

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2018

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members of
NORTHERN ARC CAPITAL LIMITED (Previously IFMR Capital Finance Private Limited/IFMR Capital Finance Limited)
CIN: U65910TN1989PLC017021
No. 1, Kanagam Village,
10th Floor IITM Research Park,
Taramani Chennai- 600113

Dear Members,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by NORTHERN ARC CAPITAL LIMITED (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **31stMarch, 2018** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31stMarch, 2018** according to the provisions of:

(i) The Companies Act 2013 (hereinafter called "the Act") to the extent Sections and Schedules notified and the rules made thereunder including Amendments, Circulars, Notifications and Removal of Difficulties Order issued by the Ministry of Corporate Affairs from time to time;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations to the extent of Foreign Direct Investment;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') as amended:-

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (was not applicable to the company during the period under review

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (was not applicable to the company during the period under review)

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (was not applicable to the company during the period under review)

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

   (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (was not applicable to the company during the period under review)

   (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (was not applicable to the company during the period under review)

   (h) The Securities and Exchange Board of India (Buyback of Securities), Regulations,1998 (was not applicable to the company during the period under review)

   (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(vi) The Following Industry Specific Laws:

   (a) Reserve Bank of India Act, 1934;

   (b) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015;

   (c) other relevant guidelines and circulars issued by RBI from time to time to the extent applicable for the Company including Master Direction on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

We further report that based on the information received, explanations given, process explained, records maintained, statutory compliance and statutory internal audit reports submitted to the Board on quarterly basis, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable labour laws, rules, regulations and guidelines.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.
(ii) The Listing Agreement entered into by the Company with BSE Limited;

It is brought to the notice of the company that, The Institute of Company Secretaries of India has issued Secretarial Standards on Dividend (SS 3) which came into force on 1st January 2018. However it may please be noted that adherence to this Secretarial Standard is recommendatory and not mandatory.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above subject to the ***observations/ qualifications*** stated below.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Non-Executive Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent and the meetings that were convened at shorter notice were in compliance with the requirements mandated under the Act

A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions were taken unanimously at the Board meeting and with requisite majority at the Annual General Meeting and Extra-Ordinary General Meeting.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. The Company is regular in intimating to the Stock exchange as per the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 except few intimation there has been delay.

<u>Observations/Qualifications:</u>

The Company has not served the notice, agenda papers and the minutes of the meetings within the time limits prescribed in Secretarial Standard 1 issued by the Institute of Company Secretaries of India with respect to meetings of the Board/ Committees of the Board.

We further report that during the audit period the Company had:

(a) In its Board Meeting held on 10th May 2017 had sought approval from the Board for borrowing monies for business operations for an amount not exceeding INR 4,200/- Crore pursuant to Section 179(3)(d) of the Act.

(b) In the AGM held on 10th May 2017, the Shareholders had approved for issuance of Non-convertible Debentures from time to time not exceeding INR 2,000 Crore.

(c) In the EGM held on 06th December 2017, the Shareholders:

- Have approved change of Name of the Company from "IFMR Capital Finance Private Limited" to "IFMR Capital Finance Limited" and subsequently approved amendment in the Memorandum and Articles of Association of the Company as a Special Resolution. Consequent to becoming Public Company the Company had filed Form MGT-6 with Registrar of Companies based on the declarations received from IFMR Holdings Private Limited thereby the total number of Members of the Company has become 7, being the minimum number of Members required for Public Company. The necessary entries have been made in the Register of Members
- Have approved issuance of 37,11,952 Compulsorily Convertible Preference Shares of INR 20/- each at INR 121.23/- per share to FIL Capital Investments (Mauritius) II Limited by way of preferential allotment on private placement basis as a Special Resolution. Subsequently, the securities were allotted by means of Resolution by Circulation dated 16th January 2018.
- Have approved issuance of 4,06,762 Compulsorily Convertible Preference Shares of INR 20/- each at INR 121.23/- per share to Standard Chartered Bank (Singapore Branch) by way of preferential allotment on private placement basis as a Special Resolution. Subsequently, the securities were allotted by means of Resolution by Circulation dated 18thJanuary 2018.

(d) In the Board in its Meeting held on 18th December 2017:

- Approved draft scheme of arrangement, to demerge the Investments of IFMR Holdings Private Limited in IFMR Capital Finance Limited (presently Northern Arc Capital Limited) by transfer of investments in IFMR Capital Finance Limited to Dvara Investments Private Limited and Amalgamation of IFMR Holdings Private Limited and Dvara Investments Private Limited and IFMR Capital Finance Limited with the Appointed date of the Scheme to be 31st March 2017.

(e) In the EGM held on 19th December 2017, the Shareholders approved Borrowing limits not exceeding the limit of INR 3,500/- Crore at any time pursuant to Section 180(1)(c) of the Act.

(f) The Company had issued a Private Placement offer letter dated 16th January 2018 to FIL Capital Investments (Mauritius) II Limited for issuance of 44,99,99,941 Compulsorily Convertible Preference Shares and another Private Placement offer letter dated 18th January 2018 to Standard Chartered Bank (Singapore Branch) for issuance of 4,93,11,757 Compulsorily Convertible Preference Shares. The securities were not allotted during the period under review.

(g) In the EGM held on 9th February 2018, the Shareholders have approved for change of Name of the Company from "IFMR Capital Finance Limited" to "Northern Arc Capital Limited" and subsequently approved for amendment in Memorandum and Articles of Association of the Company.

(h) In the Resolution by Circulation dated 27th March 2018, the Company has allotted 100 Crore to Reliance Capital Trustee Co Ltd A/c – Reliance Medium Term Fund.

(i) In the Resolution by Circulation dated 28th March 2018, the Company has allotted 75 Crore to BATSPL A/c BOI AXA Corporate Credit Spectrum Fund.

(j) Issued 20 Commercial Papers amounting to INR 830.75 Crore.

Signature:
Name of Company Secretary in practice: Dr. B Ravi
FCS No.: 1810 CP No.: 3318

MANAGING PARTNER
B RAVI & ASSOCIATES
Firm Registration Number: P2016TN052400

ANNEXURE III

Particulars	Scheme-1	Scheme-2
(a) Options granted;	421371	4002500
(b) options vested;	-	-
(c) options exercised;	-	-
(d) the total number of shares arising as a result of exercise of option;	-	-
(e) options lapsed;	300000	1270000
(f) the exercise price;	10	110
(g) variation of terms of options;	20% per year	20% per year
(h) money realized by exercise of options;	nil	nil
(i) total number of options in force;		
(j) employee wise details of options granted to:—		
(i) key managerial personnel.		
(ii) any other employee who receives a grant of options in any one year of option amounting to five per cent or more of options granted during that year.		
(iii) identified employees who were granted option, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	256371	930000

ANNEXURE IV

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31/03/2018
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i) CIN: U65910TN1989PLC017021

ii) Registration Date: 9th March 1989

iii) Name of the Company: Northern Arc Capital Limited (formerly IFMR Capital Finance Limited)

iv) Category / Sub-Category of the Company: Company limited by shares

v) Address of the registered office and contact details: IIT-M Research Park, 10th Floor, No. 1, Kanagam Village, Taramani, Chennai – 600 113, Contact Details: R. Srividhya, Company Secretary, Srividhya.r@northernarc.com

vi) Whether listed company Yes ~~/ No~~ (Debentures listed on the BSE Ltd)

vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: Karvy Computershare Pvt. Ltd, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Non-Banking Financial Company	6492 (credit granting in the form of loans)	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Northern Arc Investment Adviser Services Private Limited (formerly IFMR Investment Adviser Services Private Limited), IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai – 600 113	U74900TN2012PTC087839	Subsidiary Company	100%	2(46)
2	Northern Arc Investment Managers Private Limited (formerly IFMR Investment Managers Private Limited), IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai – 600 113	U74120TN2014PTC095064	Subsidiary Company	100%	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares (On a fully diluted basis)	Demat	Physical	Total	% of total shares (On a fully diluted basis)	
A. Promoters (1) Indian									
a) Individual/HUF	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Bodies Corp	45887686	0	45887686	50.03%	45887686	0	45887686	47.88%	-2.15%
e) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any Other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A) (1):-	45887686	0	45887686	50.03%	45887686	0	45887686	58.99%	-2.15%
(2) Foreign									
a) NRIs - Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any Other....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A) (2):-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	45887686	0	45887686	50.03%	45887686	0	45887686	47.88%	-2.15%
B. Public Shareholding									
1.Institutions									
a) Mutual Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
g) FIIs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Others - Foreign Company	45841162	Nil	45841162	49.97%	49959876	Nil	49959876	52.12%	2.15%
Sub-total (B)(1):-	45841162	Nil	45841162	49.97%	49959876	Nil	49959876	52.12%	2.15%
2. Non Institutions									
a) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Indian	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii) Overseas	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Others	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B)(2):-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Public Shareholding(B)=(B)(1)+(B)(2)	45841162	0	45841162	49.97%	49959876	Nil	49959876	52.12%	2.15%
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	91728848	0	91,728,848	100.00%	95,847,562	0	95,847,562	100%	

(ii) Shareholding of Promoters

Sl No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company (on a fully diluted basis)	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	% change in shareholding during the year
1.	IFMR Holdings Private Limited	45887686	50.03	Nil	45887686	47.88	Nil	Nil
	Total	**45887686**	**50.03**	**Nil**	**45887686**	**47.88**	**Nil**	**Nil**

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company (on a fully diluted basis)	No. of shares	% of total shares of the company (on a fully diluted basis)
1	At the beginning of the year	45887686	50.03%	45887686	47.88%
2	Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease*	Nil	Nil	Nil	Nil
	At the End of the year	-	-	45,887,686	47.88%

* Date wise Increase/ Decrease in Promoters' Shareholding during the year specifying the reasons for increase/ decrease

The shareholding of IFMR Holdings Private Limited remained the same. Additional Compulsorily preference shares of 4118714 shares of INR 20 each were allotted to existing shareholders of the company resulting in the decrease in 2.15% of shares of IFMR Holdings Private Limited

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): -

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	FIL Capital Investments (Mauritius) II Limited				
	At the beginning of the year	**9898796**	10.79%	**9898796**	10.79%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	3711952			
	At the End of the year	**13610748**	14.20%	**13610748**	14.20%
2	Standard Chartered Bank (Singapore Branch)				
	At the beginning of the year	**9082146**	9.90%	**9082146**	9.90%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	406762			
	At the End of the year	**9488908**	9.90%	**9488908**	9.90%
3	Leapfrog Financial Inclusion India holdings Limited				
	At the beginning of the year	**26860220**	29.28%	**26860220**	29.28%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	0			
	At the End of the year	**26860220**	28.02%	**26860220**	28.02%

Date of Increase/ Decrease	Particulars of Increase/Decrease	Reasons of Increase/Decrease
16th January 2018	3711952 CCPS of INR 20/- each allotted to FIL Capital Investments (Mauritius) II Limited	CCPS Allotment
18th January 2018	406762 Series A CCPS of INR 20/- each allotted to Standard Chartered Bank (Singapore Branch)	CCPS Allotment

** Date wise Increase/ Decrease in Top 10 Shareholding during the year specifying the reasons for increase/ decrease*

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year	Nil	Nil	Nil	Nil
2.	Date wise Increase/Decrease in their Shareholding during the year specifying the reasons for increase / decrease	Nil	Nil	Nil	Nil
3.	At the End of the year	Nil	Nil	Nil	Nil

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

Particulars	Secured Loans excluding deposits (in INR)	Unsecured Loans (in INR)	Deposits (in INR)	Total Indebtedness (in INR)
Indebtedness at the beginning of the financial year.				
i) Principal Amount	17,489,534,882	5,902,500,000	96,022,566	23,488,057,448
ii) Interest due but not paid	-	-		
iii) Interest accrued but not due	301,882,974	21,000,367	7,669,814	330,553,155
Total (i+ii+iii)	17,791,417,856	5,923,500,367	103,692,380	23,818,610,603
Change in Indebtedness during the financial year				
– Addition	155,070,575,524	8,730,000,000	48,519,565	163,849,095,089
– Reduction	151,160,932,686	7,452,500,000	105,446,573	158,718,879,259
Net Change	3,909,642,838	1,277,500,000	(56,927,008)	5,130,215,830
Indebtedness at the end of the financial year				
i) Principal Amount	21,399,177,720	7,180,000,000	39,095,558	28,618,273,278
ii) Interest due but not paid				
iii) Interest accrued but not due	133,294,810	680,961	3,712,666	137,688,437
Total (i+ii+iii)	21,532,472,530	7,180,680,961	42,808,224	28,755,961,715

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Managing Director – Kshama Fernandes	Total Amount (in INR)
1.	Gross salary	9,26,508*	9,26,508
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-
	(b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-
	(c) Profit in lieu of salary u/s 17(3) of Income Tax At, 1961	-	-
2.	Stock option	-	-
3.	Sweat Equity		
4.	Commission - as % of profits - others		
5.	Others(Bonus May-17 & LTIP Mar-18)	4,301,000#	4,301,000
	Total A		
	Ceiling as per the Act	59,014,892	59,014,892

*Per month; #Annual

B. REMUNERATION TO OTHER DIRECTORS: - Sitting Fees to Directors: INR 6,00,163

Sr. No.	Name of the Directors	Total Sitting Fees (In INR)
1	Susan Thomas	249,900.00
2	Vedika Bhandarkar	121,300.00
3	Charles David Silberstein	228,963.00
	Total	**600,163.00**

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount (in INR)
		Vineet Sukumar - CFO (until June 1, 2017)	Bama Balakrishnan - CFO (with effect from June 3, 2017)	Company Secretary	
1.	Gross salary	7,60,430*	7,83,333*	1,57,842*	1,701,605
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-	-	-
	(c) Profit in lieu of salary u/s 17(3) of Income Tax At, 1961	-	-	-	-
2.	Stock option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profits - others	-	-	-	-
5.	Others(Bonus May-17 & LTIP Mar-18)	2,59,22,678#	30,80,000#	6,20,000#	29,622,678
	Total A				

*Per month; #Annual, including terminal benefits where employment has ceased during the year

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. Company					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. Directors					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. Other officers in default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

Bindu Ananth
Director
DIN: 02456029

Kshama Fernandes
Chief Executive Officer cum Managing Director
DIN: 02539429

ANNEXURE V

Form No. AOC-2

(Pursuant to *clause (h) of sub-section (3)of section 134 of the Act and* Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms' length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: **NIL**
   - (a) Name(s) of the related party and nature of relationship
   - (b) Nature of contracts/arrangements/transactions
   - (c) Duration of the contracts / arrangements/transactions
   - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
   - (e) Justification for entering into such contracts or arrangements or transactions
   - (f) Date(s) of approval by the Board
   - (g) Amount paid as advances, if any:
   - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188
2. Details of material contracts or arrangement or transactions at arm's length basis:

Name of the related party	Nature of transaction	Duration	Approval by Board
Controlling Entity: Dvara Trust (Formerly IFMR Trust) – Represented by Dvara Trusteeship Services Private Limited	Shared services agreement		NA
Direct subsidiaries:			
Northern Arc Investment Adviser Services Private Limited (Formerly IFMR Investment Adviser Services Private Limited)	Purchase & Sale of Fixed Assets Reimbursement of actual expenses		NA
Northern Arc Investment Managers Private Limited (Formerly IFMR Investment Managers Private Limited)	Working capital loans provided Purchase & Sale of Fixed Assets Reimbursement of actual expenses	Four Years	21st Jan 2015 NA
Fellow Subsidiaries:			
Pudhuaaru Financial Services Private Limited	Loans provided		NA
Dvara Research Foundation (Formerly IFMR Finance Foundation)	Corporate Social Responsibility		7th Nov 2017
Companies with common directors:			
Neogrowth Credit Private Limited	Term Loans & Guarantee facilities provided		NA
Disha Microfin Private Limited	Term Loans & Guarantee		NA
Manthan Software Services Private Limited	Term Loans		NA
Mountain Trail Foods Private Limited	Term Loans		NA

ANNEXURE VI

DETAILS REGARDING CSR POLICY AND CSR INITIATIVES

I. Outline of the CSR policy:

The company's CSR policy is in line with the mission of ensuring access to financial services to every individual and enterprise. During the FY 2017-18, the company contributed towards financial inclusion in underdeveloped areas of India through the following programs:

a) Primary research on understanding consumer behaviour through AC Nielsen

b) Building risk models for underbanked sectors – the consultant is Dr. Renuka Sane

c) Multi-year Household Finance Research Initiative – Dvara Research Foundation

d) Developing of infrastructure and funding for three government schools

e) Working with Matru Chhaya – Caring for and Educating Orphaned Girls

f) Setting up of pre-primary school centres in partnership with Doorstep School

The complete CSR policy of the Company can be accessed on the company's website at www.northernarc.com

II. Composition of the CSR Committee:

In accordance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014, the Company has constituted a CSR Committee with the following members of the Board as on March 31, 2018.

1. Dr. Susan Thomas, Chairperson
2. Mr. Michael Fernandes, Director
3. Ms. Bindu Ananth, Director

III. Average Net Profits of the Company for the last three financial years: INR 742,204,358

IV. Prescribed CSR Expenditure: (two per cent of the amount specified in III. Above): INR 14,844,087 (Amount carried forward from previous year – INR 31,16,821).

V. Details of CSR spent during the year:

a) Total amount to be spent for the financial year – INR 17,960,908 (including INR 31,16,821 carried forward from previous financial year)

b) Amount unspent – INR 2,150,387 The CSR Committee, at their meeting recommended that the company must revert with a comprehensive CSR strategy covering research and direct socio-economic causes that can create a consistent impact for the company in the longer run and that the unspent CSR sum of INR 3,116,821 must be allocated for such causes. Until then, this amount could be rolled forward for the next Financial Year.

c) Manner in which the amount spent during the financial year:

S. NO	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) local or other 2) specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Dvara Research Foundation - Multi-year Household Finance Research Initiative	Social Business Project		-	INR 50,00,000	INR 50,00,000	Direct
2	Primary survey aimed at a better understanding of borrower behavior of MFI end-customers with regard to their sources and repayments of debt and overall management of their liabilities	Social Business Project			INR 12,50,000	INR 12,50,000	Direct
3	Developing a testing framework for Credit Risk Models	Social Business Project			INR 2,00,000	INR 2,00,000	Direct
4	Obtaining scrub data of MFI borrowers of securitization pools from Credit Bureau. This data would be used in Research by the Analytics team of Northern Arc Capital to (i) assess impact of indebtedness on borrower defaults in a stress/event risk scenario (ii) Deeper understanding of MFI end-borrower/ their credit attributes which eventually have an impact on their servicing capability	Social Business Project			INR 13,32,721	INR 13,32,721	Direct
5	Developing of infrastructure and funding for three government schools	Education	In and around Chennai	INR 40,00,000	INR 40,00,000	INR 40,00,000	Direct
6	Working with Matru Chhaya – Caring for and Educating Orphaned Girls	Education	Goa	INR 15,00,000	INR 15,00,000	INR 15,00,000	Direct
7	Setting up of pre-primary school centres in partnership with Doorstep School	Education	In and around Mumbai	INR 25,27,800	INR 25,27,800	INR 25,27,800	Direct

VI. The CSR Committee of the Company certifies that the Company is compliant with the implementation and monitoring of the CSR Policy

Signature of Chief Executive Officer (Kshama Fernandes):

Signature of the Chairman of the CSR Committee (Susan Thomas):

Standalone Financial Statements

Independent Auditor's Report

To the Members of Northern Arc Capital Limited

(*formerly known as* IFMR Capital Finance Limited)

Report on the audit of the standalone financial statements
We have audited the accompanying standalone financial statements of **Northern Arc Capital Limited** ("the Company"), which comprise the balance sheet as at 31 March 2018, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the standalone financial statements
The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company 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 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone financial statement in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We are also responsible to conclude on the appropriateness of management's 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify the opinion.
Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion
In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, its profit and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order.

2) As required by Section 143(3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

    (c) The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account.

    (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.

(e) On the basis of written representations received from the directors as on 31 March 2018, taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to the standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

  (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements. Refer note 28 to the standalone financial statements.

  (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts. Refer note 29 to the standalone financial statements.

  (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

  (iv) The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited standalone financial statements for the year ended 31 March 2017 have been disclosed. – Refer note 66 to the standalone financial statements.

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

Manoj Kumar Vijai
Partner
Membership No: 046882

London
11 May 2018

Annexure A to the Independent Auditor's Report to the members of Northern Arc capital Limited

(*formerly known* as IFMR Capital Finance Limited)

for the year ended 31 March 2018

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The Company does not hold any immovable properties and accordingly, paragraph 3(i)(c) of the Order is not applicable.

(ii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is a Non-Banking Financial Company and primarily engaged in lending activities, accordingly it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.

(iii) In our opinion and according to the information and explanations given to us, the Company has granted secured and unsecured loans to two companies covered in the register maintained under Section 189 of the Companies Act, 2013:

(a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the Companies listed in the register maintained under Section 189 of the Act were not, prima facie, prejudicial to the interest of the Company.

(b) In the case of the loans granted to the companies listed in the register maintained under Section 189 of the Act, the borrowers have been, where stipulated, regular in the payment of principal and interest.

(c) There are no overdue amounts in respect of the loans granted to the companies listed in the register maintained under Section 189 of the Act.

(iv) According to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the act with respect to loans, investments, guarantees and security made, as applicable.

(v) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not accepted deposits from the public. Accordingly, paragraph 3(v) of the Order is not applicable.

(vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, goods and services tax, cess and any other material statutory dues have been generally deposited regularly during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, duty of customs, duty of excise and value added tax.
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, goods and services tax, cess and any other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income tax, service tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except in the following cases:

Name of statute	Period	Amount in INR	Forum where dispute is pending
Income tax act, 1961	AY 2014-15	24,123,350	Commissioner of Income Tax (Appeals)
Finance act, 1994 – Service tax	AY 2010 -2013	1,239,877	Customs, Excise and Service Tax Appellate Tribunal

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions or to debenture holders. The Company did not have any outstanding loans or borrowings to government during the year.

(ix) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments). However the Company has raised term loans during the year. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

(x) According to the information and explanations given to us, no material fraud on or by the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) The Company has during the year offered shares for private placement and has complied with the provisions of Section 42 of the Companies Act, 2013. According to the information and explanations give to us and based on our examination of the records of the Company, the amount so raised has been used for the purpose for which the funds were raised.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has obtained the registration, required under section 45-IA of the Reserve Bank of India Act 1934.

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

Manoj Kumar Vijai
Partner
Membership No: 046882

London
11 May 2018

Annexure B to the Independent Auditor's Report to the members of Northern Arc Capital Limited (IFMR Capital Finance Limited) for the year ended 31 March 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to the standalone financial statements of **Northern Arc Capital Limited** ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Manoj Kumar Vijai
Partner
Membership No: 046882

London
11 May 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Balance sheet as at March 31, 2018

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

	Note	As at March 31, 2018	As at March 31, 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,133,294,510	1,050,920,230
Reserves and surplus	4	5,165,489,173	3,954,220,989
		6,298,783,683	**5,005,141,219**
Non-current liabilities			
Long-term borrowings	5	12,594,044,562	10,944,671,768
Other non-current liabilities	6	7,823,230	40,050,608
Long-term provisions	7	99,392,967	78,313,335
		12,701,260,759	**11,063,035,711**
Current liabilities			
Short-term borrowings	8	7,678,872,604	5,823,105,559
Trade payables			
- dues to micro enterprises and small enterprises		-	-
- dues to creditors other than micro enterprises and small enterprises	9	67,759,014	95,752,634
Other current liabilities	10	8,732,143,608	7,083,746,790
Short-term provisions	7	617,650,491	335,120,367
		17,096,425,717	**13,337,725,350**
		36,096,470,159	**29,405,902,280**
ASSETS			
Non-current assets			
Fixed assets			
- Property, plant and equipment	11.1	3,067,312	3,002,560
- Intangible fixed assets	11.2	35,979,682	33,785,726
- Intangible fixed assets under development	11.3	13,340,994	1,769,264
Non-current investments	12	7,031,230,100	7,683,785,060
Deferred tax assets (net)	14	224,098,510	121,998,850
Receivables under financing activities	13	11,322,271,688	7,797,547,349
Long-term loans and advances	15	78,490,372	56,479,878
Other non-current assets	16	17,637,031	96,766,767
		18,726,115,689	**15,795,135,454**
Current Assets			
Current investments	12	3,102,108,811	3,675,766,667
Receivables under financing activities	13	11,659,833,216	8,187,985,057
Cash and bank balances	17	1,927,715,229	1,259,713,756
Short-term loans and advances	15	383,229,120	161,915,799
Other current assets	18	297,468,094	325,385,547
		17,370,354,470	**13,610,766,826**
		36,096,470,159	**29,405,902,280**
Significant accounting policies The notes referred to above from an integral part of the financial statements As per our report of even date attached	2		

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place: London
Date: May 11, 2018

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: May 11, 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Statement of profit and loss for the year ended March 31, 2018

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

	Notes	Year ended March 31, 2018	Year ended March 31, 2017
REVENUE			
Revenue from operations	19	4,561,728,426	3,572,907,004
Other income	20	28,098,295	31,289,888
		4,589,826,721	**3,604,196,892**
EXPENSES			
Finance costs	21	2,296,454,743	1,761,722,642
Employee benefits	22	453,412,445	333,734,518
Depreciation and amortisation	23	16,414,520	12,034,000
Provision and loan losses	24	290,458,107	337,436,709
Other expenses	25	352,789,066	253,369,643
		3,409,528,881	**2,698,297,512**
Profit before tax		**1,180,297,840**	**905,899,380**
Tax expense			
Current tax expense		508,244,184	410,079,330
Deferred tax benefit		(102,099,660)	(98,864,046)
		406,144,524	**311,215,284**
Profit for the year		**774,153,316**	**594,684,096**
Earnings per equity share (Face value of INR 10 per share)	37		
Basic		9.88	7.41
Diluted		8.33	6.99
Significant accounting policies	2		
The notes referred to above from an integral part of the financial statements			
As per our report of even date attached			

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place: London
Date: May 11, 2018

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: May 11, 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Cash flow statement for the year ended March 31, 2018

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

		Note	For the year ended March 31, 2018	For the year ended March 31, 2017
A	**Cash flow from operating activities**			
	Profit before tax		1,180,297,840	905,899,380
	Adjustments for:			
	Depreciation and amortisation		16,414,520	12,034,000
	Profit on sale of mutual fund investments		(26,782,224)	(25,558,795)
	Contingent provision for standard assets		28,451,307	337,436,709
	Provision for non-performing assets		9,307,466	7,930,777
	Provision for investments		166,358,949	57,557,759
	Provision for guarantees		86,340,385	245,748,769
	Employee stock compensation plan		20,177,450	4,000,000
	Finance costs		2,296,454,743	1,761,722,642
	Interest income from banks on deposits		(6,311,440)	(19,229,161)
	Operating profit before working capital changes		**3,770,708,996**	**3,287,542,080**
	Changes in working capital and other changes:			
	Increase in receivables under financing activities		(6,996,572,498)	(3,599,841,800)
	(Increase)/decrease in loans and advances		(221,281,925)	29,173,045
	Decrease/(increase) in other assets		103,225,315	(118,931,752)
	(Increase)/decrease in other bank balances		(58,085,165)	157,749,561
	(Decrease)/increase in trade payables		(27,993,620)	11,327,916
	Increase/(decrease) in other liabilities		15,385,286	(127,578,714)
	Increase/(decrease) in other provisions		13,151,648	(305,613,810)
	Cash used in operations		**(3,401,461,963)**	**(666,173,474)**
	Finance costs paid		(2,474,008,625)	(1,508,839,460)
	Income tax paid (net)		(530,286,074)	(438,254,936)
	Net cash flow used in operating activities (A)		**(6,405,756,662)**	**(2,613,267,870)**
B	**Cash flows from investing activities**			
	Purchase of fixed assets		(30,246,767)	(17,935,697)
	Proceeds from sale of fixed assets		1,809	105,755
	Interest received on fixed deposits		10,133,314	33,289,358
	Purchase of mutual fund investments		(5,740,000,000)	(7,805,000,000)
	Sale of mutual fund investments		5,766,782,225	7,830,558,795
	Purchase of other investments		(9,558,444,260)	(11,976,309,030)
	Sale of other investments		10,784,657,076	4,767,387,831
	Net cash provided by investing activities (B)		**1,232,883,397**	**(7,167,902,988)**
C	**Cash flow from financing activities**			
	Proceeds from long-term borrowings		11,247,599,812	11,897,893,018
	Repayments of long-term borrowings		(7,819,888,981)	(5,529,606,244)
	Proceeds from short-term borrowings		2,207,537,020	2,675,761,216
	Repayment of short-term borrowings		(351,769,975)	(103,681,394)
	Proceeds from issue of preference share capital		499,311,697	1,620,017,704
	Redemption of preference share capital		-	(150,000,000)
	Proceeds from issue of equity share capital		-	24,246
	Dividend paid on preference shares		-	(10,848,825)
	Dividend distribution tax paid		-	(2,983,534)
	Net cash generated from financing activities (C)		**5,782,789,573**	**10,396,576,187**
	Net increase in cash and cash equivalents (A+B+C)		**609,916,308**	**615,405,329**
	Cash and cash equivalents at the beginning of the year		1,195,224,774	579,819,445
	Cash and cash equivalents at the end of the year		**1,805,141,082**	**1,195,224,774**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Cash flow statement for the year ended March 31, 2018

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

		Note	As at March 31, 2018	As at March 31, 2017
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	17		
	Balances with banks			
	- in current accounts		1,455,141,082	1,195,224,774
	- in deposit accounts free of lien		350,000,000	-
			1,805,141,082	**1,195,224,774**
	Significant accounting policies	2		
	The notes referred to above from an integral part of the financial statements			
	As per our report of even date attached			

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place: London
Date: May 11, 2018

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: May 11, 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

1 Company overview

Northern Arc Capital Limited (formerly IFMR Capital Finance Limited) ("the Company"), was incorporated on March 4, 1993 and is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated August 8, 2013 in lieu of Certificate of Registration dated June 24, 1999 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND").

The Company is a subsidiary of IFMR Holdings Private Limited ("the Holding Company").

The Company's objective is to provide liquidity and develop access to debt-capital markets for institutions that impact financially excluded households and enterprises.

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The financial statements have been prepared and presented under historical cost convention and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles in India (Indian GAAP) and conform to the statutory requirements, circulars, regulations and guidelines issued by Reserve Bank of India (RBI) from time to time to the extent they have an impact on the financial statements and current practices prevailing in India. The financial statements have been prepared to comply in all material aspects with the Accounting Standards ("AS") notified under Section 133 of the Companies Act, 2013. The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the RBI for Systemically Important Non-deposit taking Non-Banking Finance Companies (NBFC-ND-SI).

2.2 Use of Estimates

The preparation of financial statements in conformity with the Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting year, reported balance of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

2.3 Operating Cycle

Assets and liabilities are classified as current and non-current based on the operating cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realized and settled within a period of 12 months from the date of balance sheet have been classified as current and other assets and liabilities are classified as non-current.

2.4 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

2.6 Property, plant and equipment ("PPE")

PPE are stated at cost less accumulated depreciation and impairment losses, if any. The cost of PPE includes non-refundable taxes, duties, freight and other incidental expenses incurred directly related to the acquisition and installation of the asset. Subsequent expenditure on PPE after their purchase/ completion is capitalized, only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Cost of assets not ready for intended use, as on balance sheet date, is shown as capital work in progress. Advance given towards acquisition of fixed assets outstanding at each balance sheet date are disclosed as long terms loans and advances.

2.7 Intangible fixed assets

Intangible fixed assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible fixed assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

The cost of intangible fixed assets not ready for the intended use at each balance sheet date is disclosed as intangible fixed assets under development.

2.8 Depreciation and amortisation

The depreciable amount of an asset is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is provided on the original cost on a written down value method at the useful life given under Part C of the Schedule II of the Companies Act, 2013. Pro-rata depreciation is provided for all assets purchased/sold during the year. Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. The estimated useful life of various tangible and intangible assets are as under:

	Asset category	Useful life
a)	**Property, plant and equipment**	
	Plant and machinery	15 years
	Furniture and fittings	10 years
	Office equipments	5 years
	Computers and accessories	3 years
	Servers	6 years
b)	**Intangible fixed assets**	
	Computer softwares	5 years

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

2.9 Impairment

The Company determines periodically whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.10 Investments

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage and fees.

Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments".

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment based on management's assessment of recovery and realisation.

Current investments are carried at the lower of cost and fair value.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

2.11 Foreign currency transactions

Foreign currency transactions are recorded into Indian rupees using the actual exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the statement of profit and loss.

2.12 Derivative instruments

Premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the period.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. The Company has adopted the "Guidance note on accounting for derivative contracts" issued by the Institute of Chartered Accountants of India ('ICAI') on June 1, 2015 w.e.f April 1, 2016. Derivatives are mark to market, any gain/loss arising out of such derivatives are recognized in the statement of profit and loss

2.13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Interest income from financing activities: Interest income is recognized in the statement of profit and loss on an accrual basis by applying the internal rate of return method on a time proportionate basis. In accordance with RBI guidelines relating to Assignment/ Securitisation transactions, gains/interest spread arising from assignment/securitisation are recognised over the life of the underlying assets. In case of any loss, the same is recognised immediately in the statement of profit and loss.

Interest income on Non Performing Assets (NPA) is recognised as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed in the month in which the loan is classified as NPA.

(ii) Income from investment in pass through certificates is recognised based on the coupon rate in accordance with the terms of the underlying contracts.

(iii) Income from guarantee facilities, collateral deposits from customers, investment in non-convertible debentures are recognized on a time propotionate basis. Income from investment in commercial papers is recognised on a straight-line basis over the tenure of such investments. Income from investment in alternative investment fund is recognised when the right to receive is established.

(iv) Income from other financial services includes processing fees, professional fee and arranger fee which is recognised as and when the services are rendered by the Company.

(v) Income from dividend is recognized in the statement of profit and loss when the right to receive is established.

(vi) Profit/loss on disposal of an investment is recognised at the time of such sale/redemption and is computed based on weighted average cost.

2.14 Employee benefits

Post-employment benefits

Defined contribution plan
The Company's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity
The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation of the Company's obligation under such defined benefit plan is performed annually by a qualified actuary using the Projected Unit Credit Method.

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of profit and loss. All expenses related to defined benefit plans are recognised in employee benefits expense in the Statement of profit and loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employee is recognised in the Statement of profit and loss on a straight-line basis over the average period until the benefits become vested. The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Long-term employee benefits

Compensated absences
The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Short-term employee benefits
The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Stock based compensation
The Company measures compensation cost relating to employee stock options using intrinsic value method, in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The excess of fair value of shares on the date of grant over the exercise prices is regarded as the compensation cost and is amortized over the vesting period of the respective options on a straight line basis.

2.15 Taxes on income
Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognized in statement of profit and loss except that tax expense relating to items recognized directly in reserves is also recognized in those reserves.

Minimum Alternate Tax ("MAT") paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. differences that originate in one year and are capable of reversal in one or more subsequent years. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

2.16 Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with AS 20, Earnings Per Share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share is computed by dividing net profit/loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

2.17 Borrowing costs

Borrowing costs include interest and ancillary costs that the Company incurs in connection with the borrowings. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss at the time of availment of the loan unless it is incurred on periodic basis.

Loan acquisition costs represents ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed and is amortised on a straight line basis, over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, are fully expensed off as and when the related borrowing is prepaid/ cancelled.

2.18 Operating leases

Operating lease payments are recognized as an expense in the Statement of Profit and Loss on straight line basis over the lease term.

2.19 Provisions, contingent liabilities and contingent assets

A provision is recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc., are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Contingent asset is not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Provision for investment is made as per internal estimates, based on past experience, realisation of underlying assets and other relevant factors relating to investments. Provision for guarantees is based on the risk weightage assigned to the respective facilities issued by the Company.

2.20 Classification and provisioning on receivables under financing activities

(a) Receivables under financing activities are recognised on disbursement of loan to customers. The details of the policy are given below:

(b) **Asset classification:**
Receivables under financing activities are classified as standard, sub - standard and doubtful assets and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning norms as per the Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

Asset classification	Criteria
Standard assets	Not overdue or overdue for less than 90 days
Non Performing Assets (NPA)	
Sub-standard assets	Overdue for 90 days and more but up to 12 months
Doubtful assets	Sub-standard for more than 12 months
Loss assets	Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or by the Reserve Bank of India.

"Overdue" refers to interest and/or principal and/or instalment remaining unpaid from the day it became receivable.

(c) **Provisioning norms for receivables under financing activities:**

Asset classification	Percentage of provision
Standard assets	0.40%
Non-Performing Assets (NPA)	
Sub-standard assets	25%
Doubtful assets	50% - 100%
Loss assets	100%

(d) Under exceptional circumstances, management may renegotiate loans by rescheduling repayment terms for customers who have defaulted in repayment but who appear willing and able to repay their loans under a longer term agreement. Rescheduled Standard assets are classified/ provided for as Sub-standard assets as per (b) above which classification/provisioning is retained for a period of 1 year of satisfactory performance. Rescheduled non performing assets are not upgraded but are retained at the original classification/provisioning for a period of 1 year of satisfactory performance.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

3 Share capital

	As at March 31, 2018	As at March 31, 2017
Authorised		
165,000,000 (March 31, 2017: 165,000,000) equity shares of INR 10 each	1,650,000,000	1,650,000,000
17,500,000 (March 31, 2017: 17,500,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	350,000,000	350,000,000
20,000,000 (March 31, 2017: 20,000,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	200,000,000	200,000,000
	2,200,000,000	**2,200,000,000**
Issued, subscribed and paid up		
78,365,673 (March 31, 2017: 78,365,673) equity shares of INR 10 each	783,656,730	783,656,730
17,481,889 (March 31, 2017: 13,363,175) 0.0001% Compulsorily convertible preference shares of INR 20 each	349,637,780	267,263,500
	1,133,294,510	**1,050,920,230**

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the commencement of the year	78,365,673	783,656,730	78,365,473	783,654,730
Add: Shares issued during the year	-	-	200	2,000
At the end of the year	**78,365,673**	**783,656,730**	**78,365,673**	**783,656,730**

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount	No. of shares	Amount
9.85% Cumulative non convertible compulsorily redeemable preference shares				
At the commencement of the year	-	-	15,000,000	150,000,000
Add: Shares issued during the year	-	-	-	-
Less: Shares redeemed during the year	-	-	(15,000,000)	(150,000,000)
At the end of the year	-	**-**	**-**	**-**

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount	No. of shares	Amount
0.0001% Compulsorily convertible preference shares				
At the commencement of the year	13,363,175	267,263,500	-	-
Add: Shares issued during the year (Refer note below)	4,118,714	82,374,280	13,363,175	267,263,500
At the end of the year	**17,481,889**	**349,637,780**	**13,363,175**	**267,263,500**

Note:
During the year, pursuant to amended share subscription and shareholders agreement, the Company has issued 3,711,952 0.0001% Compulsorily convertible preference shares (March 31, 2017: 7,918,937) of INR 20 each to FIL Capital Investments (Mauritius) (II) Limited and 406,762 (March 31, 2017: 5,444,238) shares of INR 20 each to Standard Chartered Bank (Singapore Branch).

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

3 Share capital (continued)

b) Rights, preferences and restrictions attached to each class of shares

i) Equity shares

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

0.0001% Compulsory Convertible Preference Shares ('CCPS') having a par value of INR 20 is convertible in the ratio of 1:1 and are treated pari-passu with equity shares on all voting rights. The conversion shall happen at the option of the preference shareholders. The CCPS if not converted by the preference shareholders shall be compulsorily converted into equity shares upon any of the following events:

a. In connection with an IPO, immediately prior to the filing of red herring prospectus (or equivalent document, by whatever name called) with the competent authority or such later date as may be permitted under applicable law at the relevant time; and

b. The date which is 19 (nineteen) years from the date of allotment of CCPS.
Till conversion, the holders of CCPS shall be entitled to a dividend of 0.0001%, if any, declared upon profits of the Company and a proportionate dividend, if any declared on equity shares on 'as converted' basis.

iii) 9.85% cumulative non convertible compulsorily redeemable preference shares

9.85% cumulative non convertible compulsorily redeemable preference shares having a par value of INR 10 each are redeemable at par at the end 18 months from the date of allotment.

The preference shareholder is entitled to vote only on resolution placed before the Company which directly affects the rights attached to such preference shares as set out in Section 47 of the Companies Act, 2013. The right to entitlement for dividend on preference shares not declared in a financial year shall be carried forward to the subsequent financial years.

c) Shares held by holding/ultimate holding company and/or their subsidiaries/associates:

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% held	No. of shares	% held
Equity shares:				
IFMR Holdings Private Limited (including nominee shareholders) (Holding Company)	45,887,686	58.56%	45,887,686	58.56%

d) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% held	No. of shares	% held
Equity shares:				
IFMR Holdings Private Limited and its nominees	45,887,686	58.56%	45,887,686	58.56%
Leapfrog Financial Inclusion India Holdings Limited	26,860,220	34.28%	26,860,220	34.28%
FIL Capital Investments (Mauritius) (II) Limited	1,979,859	2.53%	1,979,859	2.53%
Standard Chartered Bank (Singapore Branch)	3,637,908	4.63%	3,637,908	4.63%
0.0001% Compulsorily convertible preference shares				
FIL Capital Investments Mauritius (II) Limited	11,630,889	66.53%	7,918,937	59.26%
Standard Chartered Bank (Singapore Branch)	5,851,000	33.47%	5,444,238	40.74%

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

4 Reserves and surplus

	As at March 31, 2018	As at March 31, 2017
Securities premium account		
At the commencement of the year	2,147,286,644	794,510,194
Add: Premium received on shares issued during the year	416,937,418	1,352,776,450
At the end of the year	**2,564,224,062**	**2,147,286,644**
Statutory reserve		
At the commencement of the year	364,195,980	245,259,161
Add: Transfer from surplus in the statement of profit and loss (refer note 4.1 below)	154,831,000	118,936,819
At the end of the year	**519,026,980**	**364,195,980**
Employee stock options outstanding account		
At the commencement of the year	4,000,000	-
Add: Employee compensation expense during the year	20,177,450	4,000,000
At the end of the year	**24,177,450**	**4,000,000**
Surplus in the statement of profit and loss		
At the commencement of the year	1,438,738,365	976,823,448
Add: Profit for the year	774,153,316	594,684,095
Less: Transfer to statutory reserve	(154,831,000)	(118,936,819)
Dividend on 9.85% cumulative non convertible compulsorily redeemable preference shares	-	(10,848,825)
Dividend distribution tax	-	(2,983,534)
At the end of the year	**2,058,060,681**	**1,438,738,365**
	5,165,489,173	**3,954,220,989**

4.1 As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of INR 154,831,000 (March 31, 2017: 118,936,819), out of the profit after tax for the year ended March 31, 2018 to Statutory Reserve.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

5 Long-term borrowings

	Non-current portion		Current portion *	
	As at March 31, 2018		As at March 31, 2017	
Secured				
Redeemable non-convertible debentures:				
- 1,000 units (March 31, 2017: Nil units) of 9.88% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 27, 2020	1,000,000,000	-	-	-
- 1,000 units (March 31, 2017: 1,000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 27, 2019	1,000,000,000	1,000,000,000	-	-
- 750 units (March 31, 2017: 750 units) of 10.90% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 24, 2019	750,000,000	750,000,000	-	-
- 750 units (March 31, 2017: Nil units) of 9.69% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 2, 2019	750,000,000	-	-	-
- Nil units (March 31, 2017: 1,500 units) of 11.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 13, 2018	-	-	-	1,500,000,000
- Nil units (March 31, 2017: 1,000 units) of 10.10% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on April 20, 2020	-	1,000,000,000	-	-
- Nil units (March 31, 2017: 1,250 units) of 11.10% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 29, 2019	-	-	-	1,250,000,000
Term Loans from banks	5,639,604,603	5,223,762,679	6,706,140,384	3,460,251,608
Term Loans from others	554,440,321	440,909,089	1,570,120,170	295,170,909
	9,694,044,924	**8,414,671,768**	**8,276,260,554**	**6,505,422,517**
Unsecured				
Redeemable non-convertible debentures:				
- 2,500 units (March 31, 2017: 2,500 units) of 10.43% redeemable non-convertible debentures of INR 1,000,000 each, maturing on August 2, 2019	2,500,000,000	2,500,000,000	-	-
- 1,500 units (March 31, 2017: 1,500 units) of 14.50% redeemable non-convertible debentures of INR 50,000 each, maturing on December 18, 2018	-	30,000,000	30,000,000	22,500,000
Term Loans from banks	149,999,638	-	-	-
Term Loans from others	250,000,000	-	-	-
	2,899,999,638	**2,530,000,000**	**30,000,000**	**22,500,000**
	12,594,044,562	**10,944,671,768**	**8,306,260,554**	**6,527,922,517**

* included under other current liabilities (refer note 10)

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

5.1 Terms of repayment of borrowings:

Particulars (tenure in years)	Range of rate of interest p.a. (%) as at March 31, 2018	Amount outstanding as at March 31, 2018	Amount outstanding as at March 31, 2017
Term loans from banks - secured			
- 2 years	8.90% to 10.85%	2,381,547,313	1,109,696,605
- 3 years	9.05% to 13.00%	8,428,483,387	6,788,603,402
- 4 years	9.15% to 10.75%	1,535,714,287	785,714,280
Term loans from others - secured			
- 2 years	8.90% to 9.50%	1,500,000,000	-
- 3 years	9.30% to 11.35%	624,560,491	736,079,998
Term loans from banks - unsecured			
- 6 years	10.25%	149,999,638	-
Term loans from others - unsecured			
- 6 years	10.25%	250,000,000	-
Redeemable non-convertible debentures - secured			
- 2 years	9.69% to 9.88%	1,750,000,000	-
- 3 years	9.60% to 10.90%	1,750,000,000	5,500,000,000
Redeemable non-convertible debentures - unsecured			
- 3 years	10.43%	2,500,000,000	2,500,000,000
- 5 years	14.50%	30,000,000	52,500,000

5.2 The Company has created a specific charge on its receivables under financing activities for its secured borrowings. The Company needs to maintain a security cover ranging from 1 to 1.2 times of the outstanding loan amount at any point of time.

5.3 Interest rates vary amongst the borrowings between fixed and floating rates and are payable on a monthly or quarterly or half yearly basis. The interest rates disclosed above represent the rates of interest as at March 31, 2018. The repayment of principal portion is either on a monthly or quarterly or half yearly basis.

5.4 During the year, the Company has not defaulted in the repayment of dues to its lenders/debenture holders.

6 Other non-current liabilities

	As at March 31, 2018	As at March 31, 2017
Collateral deposits from customers	7,823,230	31,715,420
Employee benefits payable	-	8,335,188
	7,823,230	**40,050,608**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

7 Provisions

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Contingent provision for standard assets	45,485,294	30,591,426	46,277,656	32,720,217
Provision for investments	19,445,388	26,416,636	411,021,202	237,691,005
Provision for guarantees	-	-	140,792,760	54,452,375
Provision for non-performing assets	-	-	17,238,243	7,930,777
Provision for gratuity (refer note 32)	26,038,658	14,256,664	1,295,967	1,295,967
Provision for compensated absences	8,423,627	7,048,609	1,024,663	1,030,026
	99,392,967	**78,313,335**	**617,650,491**	**335,120,367**

8 Short-term borrowings

	As at March 31, 2018	As at March 31, 2017
Secured		
Loans repayable on demand from banks		
- Working capital loan	1,649,999,524	920,900,000
- Cash credit	1,901,382,184	1,646,433,612
Unsecured		
Commercial paper	4,250,000,000	3,350,000,000
Less: unamortised discount on commercial paper	(122,509,104)	(94,228,053)
	7,678,872,604	**5,823,105,559**

Notes:

8.1 Terms of repayment of borrowings:

Particulars	Range of rate of interest p.a. (%) as at March 31, 2018	Tenure of the Loan	Amount outstanding as at March 31, 2018	Amount outstanding as at March 31, 2017
Working capital loan	8.50%- 9.35%	Repayable on demand	1,649,999,524	920,900,000
Cash credit from bank	9.00%- 10.20%	Repayable on demand	1,901,382,184	1,646,433,612
Commercial paper	7.90%- 9.20%	2 to 12 months	4,127,490,896	3,255,771,947

8.2 The Company has created a specific charge on its receivables under financing activities for its secured borrowings. The Company needs to maintain a security cover ranging from 1.1 to 1.33 times of the outstanding loan amount at any point of time.

8.3 Interest rates for working capital loan and cash credit facilities vary between fixed and floating rates and are payable on a monthly basis.

8.4 Discount rates for commercial papers are fixed and are repayable on maturity.

8.5 During the year, the Company has not defaulted in the repayment of dues to its lenders.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

9 Trade payables

	As at March 31, 2018	As at March 31, 2017
Trade payables		
- dues to micro enterprises and small enterprises (refer note 30)	-	-
- dues to creditors other than micro enterprises and small enterprises	67,759,014	95,752,634
	67,759,014	**95,752,634**

10 Other current liabilities

	As at March 31, 2018	As at March 31, 2017
Current maturities of long term borrowings		
- from redeemable non-convertible debentures (refer note 5)	30,000,000	2,772,500,000
- from banks (refer note 5)	6,706,140,384	3,460,251,608
- from others (refer note 5)	1,570,120,170	295,170,909
Collateral deposits from customers	31,272,328	61,246,900
Interest accrued but not due on		
- term loan from banks	38,667,258	51,881,164
- term loan from others	6,326,704	3,112,098
- non-convertible debentures	86,197,551	252,283,895
- working capital loan	2,620,302	100,000
- collateral deposits from customers	3,876,622	7,865,162
Employee benefits payable	157,700,312	78,134,197
Long term incentive	-	-
Statutory dues payable	45,065,588	3,900,506
Remittances payable - derecognised assets	37,703,452	63,867,493
Corporate social responsibility provision	-	-
Other liabilities	16,452,937	33,432,858
	8,732,143,608	**7,083,746,790**

NORTHERN ARC CAPITAL LIMITED
(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018
(All amounts are in Indian Rupees, except share data and as stated)

11.1 Property plant and equipment

Particulars	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Gross block							
As at April 1, 2016	**290,437**	**193,148**	**8,205,778**	**925,456**	**6,609,723**	**1,676,066**	**17,900,608**
Additions	-	388,969	3,695,165	2,576,393	-	618,987	7,279,514
Disposals	-	-	362,799	-	-	-	362,799
As at March 31, 2017	**290,437**	**582,117**	**11,538,144**	**3,501,849**	**6,609,723**	**2,295,053**	**24,817,323**
Additions	-	40,500	3,486,153	1,015,578	-	-	4,542,231
Disposals	-	-	108,605	-	-	-	108,605
As at March 31, 2018	**290,437**	**622,617**	**14,915,692**	**4,517,427**	**6,609,723**	**2,295,053**	**29,250,949**
Accumulated depreciation							
As at April 1, 2016	**227,025**	**142,168**	**6,857,127**	**405,683**	**6,561,460**	**1,676,066**	**15,869,529**
Additions	34,437	267,119	3,801,501	1,923,304	28,958	146,959	6,202,278
On disposals	-	-	257,044	-	-	-	257,044
As at March 31, 2017	**261,462**	**409,287**	**10,401,584**	**2,328,987**	**6,590,418**	**1,823,025**	**21,814,763**
Additions	15,716	136,335	2,437,901	1,716,808	11,583	157,327	4,475,670
On disposals	-	-	106,796	-	-	-	106,796
As at March 31, 2018	**277,178**	**545,622**	**12,732,689**	**4,045,795**	**6,602,001**	**1,980,352**	**26,183,637**
Net block							
As at March 31, 2017	28,975	172,830	1,136,560	1,172,862	19,305	472,028	3,002,560
As at March 31, 2018	**13,259**	**76,995**	**2,183,003**	**471,632**	**7,722**	**314,701**	**3,067,312**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

11.2 Intangible fixed assets

Particulars	Softwares	Total
Gross block		
As at April 1, 2016	**23,862,271**	**23,862,271**
Additions	16,948,290	16,948,290
Disposals	-	-
As at March 31, 2017	**40,810,561**	**40,810,561**
Additions	14,132,806	14,132,806
Disposals	-	-
As at March 31, 2018	**54,943,367**	**54,943,367**
Accumulated amortisation		
As at April 1, 2016	**1,193,113**	**1,193,113**
Additions	5,831,722	5,831,722
On disposals	-	-
As at March 31, 2017	**7,024,835**	**7,024,835**
Additions	11,938,850	11,938,850
On disposals	-	-
As at March 31, 2018	**18,963,685**	**18,963,685**
Net block		
As at March 31, 2017	33,785,726	33,785,726
As at March 31, 2018	**35,979,682**	**35,979,682**

11.3 Intangible fixed assets under development

Particulars	Software under development	Total
As at April 1, 2016	8,061,371	8,061,371
Additions	10,656,183	10,656,183
Capitalized during the year	(16,948,290)	(16,948,290)
As at March 31, 2017	**1,769,264**	**1,769,264**
Additions	15,402,276	15,402,276
Capitalised during the year	(3,830,546)	(3,830,546)
As at March 31, 2018	**13,340,994**	**13,340,994**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

12 Investments

(Valued at cost unless stated otherwise)

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Non-trade investments - unquoted:				
Investment in equity shares of subsidiaries				
125,000 (March 31, 2017: 125,000) equity shares of INR 100 each in Northern Arc Investment Adviser Services Private Limited	12,779,670	12,779,670	-	-
361,000 (March 31, 2017: 361,000)equity shares of INR 100 each in Northern Arc Investment Managers Private Limited	36,100,000	36,100,000	-	-
Investment in preference shares of subsidiaries				
76,000 (March 31, 2017: 76,000) 8% redeemable preference shares of INR 100 each in Northern Arc Investment Adviser Services Private Limited	7,600,000	7,600,000	-	-
722,000 (March 31, 2017: 722,000) redeemable preference shares of INR 100 each in Northern Arc Investment Managers Private Limited	72,200,000	72,200,000	-	-
Investments in pass through certificates	1,014,711,577	1,560,158,981	2,426,502,751	2,617,766,667
Investments in Alternative Investment Fund	2,041,180,948	950,946,409	-	-
Non-trade investments, quoted:				
Investment in debentures	3,846,657,905	5,044,000,000	675,606,060	778,000,000
Investment in commercial papers	-	-	-	280,000,000
	7,031,230,100	**7,683,785,060**	**3,102,108,811**	**3,675,766,667**
Aggregate book value and market value (NAV) of quoted investments				
- Debentures	3,846,657,905	5,044,000,000	675,606,060	778,000,000
- Commercial papers	-	-	-	280,000,000
Aggregate book value of unquoted investments in				
- Equity shares of subsidiaries	48,879,670	48,879,670	-	-
- Preference shares of subsidiaries	79,800,000	79,800,000	-	-
- Pass through certificates	1,014,711,577	1,560,158,981	2,426,502,751	2,617,766,667
- Alternative Investment Fund	2,041,180,948	950,946,409	-	-

13 Receivables under financing activities

	Non-current		Current	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Unsecured				
Considered good				
- Loans to related parties	112,703,923	149,690,821	-	-
- Loans to others	2,850,337,972	1,185,107,373	1,961,512,754	2,067,087,061
	2,963,041,895	**1,334,798,194**	**1,961,512,754**	**2,067,087,061**
Secured				
Considered good				
- Loans to related parties	11,655,505	66,130,476	25,229,884	86,182,779
- Loans to others	8,347,574,288	6,396,618,679	9,627,929,908	6,026,784,440
Non-performing assets				
- Loans to others	-	-	45,160,670	7,930,777
	8,359,229,793	**6,462,749,155**	**9,698,320,462**	**6,120,897,996**
	11,322,271,688	**7,797,547,349**	**11,659,833,216**	**8,187,985,057**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

14 Deferred tax asset (net)

	As at March 31, 2018	As at March 31, 2017
Deferred tax liabilities		
Unamortised borrowing costs	15,418,832	11,884,268
Excess of depreciation/amortisation under income-tax law over depreciation/ amortisation over depreciation/amortisation provided in accounts	6,769,795	5,750,698
	22,188,627	**17,634,966**
Deferred tax assets		
Contingent provision for standard assets	11,443,481	6,235,571
Provision for investments	150,422,245	107,227,303
Provision for guarantees	49,198,624	3,019,429
Provision for non-performing assets	6,023,732	2,744,842
Provision for employee benefits	29,199,055	20,406,671
	246,287,137	**139,633,816**
Net deferred tax asset	**224,098,510**	**121,998,850**

15 Loans and advances

	Long-term		Short-term	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good				
Advance income tax (net of provision for tax)	51,629,739	29,587,849	-	-
Loans and advances to subsidiary	3,798,783	10,276,604	-	-
Unamortised borrowing costs	23,061,850	16,615,425	33,167,525	21,316,386
Prepaid expenses	-	-	1,801,669	3,211,272
Security deposits	-	-	18,544,797	18,279,297
Advances to employees	-	-	1,383,509	236,365
Other receivables	-	-	23,476,400	17,339,135
Balances with government authorities	-	-	13,491,365	3,291,712
Receivable from other financial services	-	-	291,363,855	98,241,632
	78,490,372	**56,479,878**	**383,229,120**	**161,915,799**

16 Other non-current assets

	As at March 31, 2018	As at March 31, 2017
Fixed deposits with banks	7,823,230	31,715,420
Interest accrued but not due on fixed deposits	544,991	1,416,615
Accrued income on investments in pass through certificates	9,268,810	63,634,732
	17,637,031	**96,766,767**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

17 Cash and bank balances

	As at March 31, 2018	As at March 31, 2017
Cash and cash equivalents		
Balance with banks		
- in current accounts	1,455,141,082	1,195,224,774
- in deposit accounts free of lien (with original maturity of less than 3 months)	350,000,000	-
	1,805,141,082	1,195,224,774
Other bank balances		
Balances with banks		
- In deposit accounts	122,574,147	64,488,982
	1,927,715,229	**1,259,713,756**
Note:		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	1,805,141,082	1,195,224,774
Deposit due to mature within 12 months of reporting date included under "Other bank balances"	122,574,147	64,488,982
Deposits due to mature after 12 months of the reporting date included under "other non-current assets"	7,823,230	31,715,420

18 Other current assets

	As at March 31, 2018	As at March 31, 2017
Interest accrued but not due on		
- receivables under financing activities	166,110,119	165,631,918
- fixed deposits with banks	3,347,715	6,297,965
Accrued income on investments in pass through certificates	22,164,715	106,771,735
Accrued income on investment in alternative investment fund	105,845,545	46,683,929
	297,468,094	**325,385,547**

19 Revenue from operations

	Year ended March 31, 2018	Year ended March 31, 2017
Interest income from financing activities	2,638,788,471	1,924,329,993
Income from investment in pass through certificates	405,305,574	476,166,880
Income from guarantee facility	62,318,372	38,257,915
Income from other financial services		
- Processing fee	192,608,991	126,974,500
- Professional fee	372,059,351	487,476,078
- Arranger fee for guarantee facility	55,837,500	25,855,000
Income from investment in commercial paper	18,250,836	6,852,840
Interest income from banks on collateral deposits from customers	4,995,369	13,498,528
Interest income from investment in non-convertible debentures	582,035,493	306,934,713
Income on investment in Alternative Investment Fund	206,836,295	101,438,899
Profit on sale of investments	22,692,174	65,121,658
	4,561,728,426	**3,572,907,004**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

20 Other income

	Year ended March 31, 2018	Year ended March 31, 2017
Interest income from banks on deposits	1,316,071	5,730,633
Profit on sale of mutual fund investments	26,782,224	25,558,795
Other non operating income	-	460
	28,098,295	**31,289,888**

21 Finance costs

	Year ended March 31, 2018	Year ended March 31, 2017
Interest expenses on		
- term loans from banks	1,267,613,658	782,881,401
- non-convertible debentures	604,512,083	638,217,956
- cash credits and overdraft	113,540,312	69,142,695
- others	4,995,369	13,498,528
Amortisation of discount on commercial papers	269,766,544	219,959,140
Amortisation of ancillary costs relating to borrowings	36,026,777	38,022,922
	2,296,454,743	**1,761,722,642**

22 Employee benefits

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries, wages and bonus	387,160,897	297,247,141
Contribution to provident fund (refer note 32)	15,305,030	11,498,753
Stock based compensation expense (refer note 33)	20,177,450	4,000,000
Expenses related to post-employment defined benefit plans (refer note 32)	16,960,739	6,380,086
Staff welfare expenses	13,808,329	14,608,538
	453,412,445	**333,734,518**

23 Depreciation and amortisation

	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation of property, plant and equipment (refer note 11.1)	4,475,670	6,202,278
Amortisation of intangible fixed assets (refer note 11.2)	11,938,850	5,831,722
	16,414,520	**12,034,000**

24 Provision and loan losses

	Year ended March 31, 2018	Year ended March 31, 2017
Contingent provision for standard assets	28,451,307	26,154,571
Provision for non-performing assets	9,307,466	7,930,777
Provision for investments	166,358,949	252,041,788
Provision for guarantees	86,340,385	51,309,573
	290,458,107	**337,436,709**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

25 Other expenses

	Year ended March 31, 2018	Year ended March 31, 2017
Rent	58,008,088	32,403,709
Rates and taxes	2,531,442	7,913,001
Travelling and conveyance	45,313,269	47,539,967
Legal and professional charges	181,228,900	122,743,752
Auditors' remuneration (refer note 26.1 below)	3,611,534	3,950,000
Directors' sitting fees	717,108	353,286
Repairs and maintenance - others	9,885,797	4,975,695
Communication expenses	5,338,824	5,023,015
Printing and stationery	1,448,185	933,730
Subscription charges	4,494,244	4,525,823
Advertisement and business promotion	19,115,229	3,959,486
Corporate social responsibility expenditure (refer note 26.2 below)	14,844,087	9,733,642
Bank charges	1,670,883	1,373,936
Miscellaneous expenses	4,581,476	7,940,601
	352,789,066	**253,369,643**

26.1 Payments to auditor (excluding service tax/goods and services tax)

	Year ended March 31, 2018	Year ended March 31, 2017
Statutory audit	2,750,000	3,700,000
Tax audit	100,000	100,000
Other services	650,000	100,000
Reimbursement of expenses	111,534	50,000
	3,611,534	**3,950,000**

26.2 Details of expenditure on corporate social responsibility

	Year ended March 31, 2018	Year ended March 31, 2017
(a) Amount required to be spent by the Company during the year	14,844,087	9,733,642
(b) Amount spent during the year (in cash):		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	14,844,087	9,733,642

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

27 Commitments

	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	9,733,462	1,184,624
Undrawn committed sanctions to borrowers	6,755,730,822	1,635,000,000

28 Contingent liabilities

	As at March 31, 2018	As at March 31, 2017
Claims against the Company not acknowledged as debt		
- Service tax related matters	-	853,816
- Income tax related matters	59,525,382	59,525,382
Guarantees outstanding	2,191,540,197	928,753,593

29 Derivatives

	As at March 31, 2018	As at March 31, 2017
i. Outstanding derivatives: (notional principal amount in INR)		
- for hedging (currency & interest rate derivatives)	656,250,000	1,070,900,000
ii. Marked to market positions – asset (in INR)	404,405	2,106,985

30 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the Micro, Small and Medium Enterprise Development Act, 2006 ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2018 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

Particulars	As at March 31, 2018	As at March 31, 2017
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting period		
Principal	-	-
Interest	-	-
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting period	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting period; and	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	-

31 Expenditure in foreign currency (accrual basis)

	Year ended March 31, 2018	Year ended March 31, 2017
Travelling and conveyance	369,540	821,541
Directors' sitting fees	311,440	93,286
Subscription charges	653,835	997,956
Legal and professional charges	1,812,125	6,289,314
Advertisement and business promotion	-	395,176
Miscellaneous expenses	467,053	-

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

32 Employee benefits

Defined contribution plans

The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expenses in the statement of profit and loss during the period in which the employee renders the related service. The amount recognised as an expense towards contribution to provident fund for the year aggregated to INR 15,305,030 (March 31, 2017: INR 11,498,753).

Defined benefit plans

The Company's gratuity benefit scheme is a defined plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

Details of actuarial valuation of gratuity pursuant to the Accounting Standard 15 (Revised)

		March 31, 2018	March 31, 2017
A.	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	15,552,631	10,579,551
	Current service cost	3,781,598	2,604,698
	Interest cost	920,391	770,332
	Past service cost	9,091,873	-
	Benefits settled	(5,178,745)	(1,407,006)
	Actuarial loss	3,166,877	3,005,056
	Present value of obligations at the end of the year	**27,334,625**	**15,552,631**
B.	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial gains/(loss)	-	-
	Employer contributions	-	-
	Benefits settled	-	-
	Fair value of plan assets at the end of the year	**-**	**-**
C.	**Actual Return on plan assets**		
	Expected return on plan assets	-	-
	Actuarial gains/(loss) on plan assets	-	-
	Actual return on plan assets	**-**	**-**
D.	**Reconciliation of present value of the obligation and the fair value of the plan assets**		
	Change in projected benefit obligation		
	Present value of obligations at the end of the year	27,334,625	15,552,631
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**27,334,625**	**15,552,631**
	The liability in respect of the gratuity plan comprises of the following non-current and current portions:		
	Current	1,295,967	1,295,967
	Non-current	26,038,658	14,256,664
		27,334,625	**15,552,631**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

32 Employee benefits (continued)

		March 31, 2018	March 31, 2017
E.	**Expense recognised in statement of profit and loss**		
	Current service cost	3,781,598	2,604,698
	Interest on obligation	920,391	770,332
	Past service cost	9,091,873	-
	Expected return on plan assets	-	-
	Net actuarial loss recognised in the year	3,166,877	3,005,056
	Total included in 'employee benefits'	**16,960,739**	**6,380,086**
F.	**Assumptions at balance sheet date**		
	Discount rate	7.55%	7.10%
	Salary escalation	12.00%	12.00%
	Mortality rate	Indian Assured Lives (2006 -08)	Indian Assured Lives (2006 -08)
	Attrition rate	12.00%	12.50%

Notes:

a) The estimates in future salary increases, considered in actuarial valuation, takes account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employee market.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

Five year information

Amounts for the current and previous four years are as follows:

	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Present Value of benefit obligations	27,334,625	15,552,631	10,579,551	8,107,175	5,786,342
Fair value of plan assets	-	-	-	-	-
(Surplus)/deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain)/loss	3,166,877	3,005,056	1,274,094	1,212,852	519,920
Experience adjustments arising on plan assets - gain/(loss)	-	-	-	-	-

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

33 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on May 11, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016.

33.1 IFMR Capital Employee Stock Option Plan 2016 – ("Scheme 1")

The IFMR Capital Employee Stock Option Plan 2016 is applicable to all employees.

The options were issued on 1 March 2017, and will be exercised at INR 10. The options are vested equally over a period of 4 years.

IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") ("Scheme 2")

The IFMR Capital Employee Stock Option Plan 2016 is applicable to all employees.

The options were issued in four batches. The first and second batch will be exercised at INR 110, third and fourth batch will be exercised at INR 121. The options are vested equally over a period of 5 years.

33.2 Options outstanding under Scheme 1 and Scheme 2

As at March 31, 2018, the outstanding options under Scheme 1 and Scheme 2 and are as follows:

Plan	Grant date	Number of options	Exercise price in INR	Vesting period	Vesting condition
Scheme 1	1-Mar-17	421,371	10.00	1 to 4 years	Time and performance based vesting
Scheme 2 - Batch 1	17-May-17	2,372,500	110.00	1 to 5 years	Time and performance based vesting
Scheme 2 - Batch 2	17-Jul-17	315,000	110.00	1 to 5 years	Time and performance based vesting
Scheme 2 - Batch 3	17-Nov-17	850,000	121.00	1 to 5 years	Time and performance based vesting
Scheme 2 - Batch 4	18-Feb-18	465,000	121.00	1 to 5 years	Time and performance based vesting
		4,423,871			

As at March 31, 2017, the outstanding options under Scheme 1 are as follows:

Plan	Grant date	Number of options	Exercise price in INR	Vesting period	Vesting condition
Scheme 1	1-Mar-17	721,371	10.00	1 to 4 years	Time and performance based vesting
		721,371			

33.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	Number of options	
	As at March 31, 2018	As at March 31, 2017
Outstanding at beginning of year	721,371	-
Forfeited during the year	300,000	-
Exercised during the year	-	-
Granted during the year	4,002,500	721,371
Outstanding as at end of year	**4,423,871**	**721,371**
Vested and exercisable as at end of year	**421,371**	**721,371**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

33.4 Fair value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company are as follows:

	As at March 31, 2018	As at March 31, 2017
Fair value of options at grant date	103.05	103.05
Expected volatility	0%	0%
Option term	1 to 5 years	1 to 5 years
Expected dividends	0%	0%
Risk free interest rate	7.20%	7.80%

33.5 Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

	Year ended 31 March 2018	Year ended 31 March 2017
Profit attributable to equity shareholders	774,153,316	580,851,737
Stock based compensation expenses determined under intrinsic value based method	20,177,450	4,000,000
Stock based compensation expenses determined under fair value based method	(48,840,036)	(8,052,199)
Profit/Loss for the year (pro forma)	745,490,730	576,799,538
Earnings per share (Basic)		
- Basic - in INR (reported)	9.88	7.41
- Basic - in INR (pro forma)	9.51	7.36
- Diluted - in INR (reported)	8.33	6.99
- Diluted - in INR (pro forma)	8.03	6.89

34 Related party disclosures

Related party relationships and transactions are as identified by the management.

(i) Holding company	IFMR Holdings Private Limited
(ii) Controlling entity	Dvara Trust (formerly IFMR Trust) represented by Dvara Trusteeship Services Private Limited (formerly IFMR Trusteeship Services Private Limited)
(iii) Wholly owned subsidiaries	Northern Arc Investment Adviser Services Private Limited (formerly IFMR Investment Adviser Services Private Limited) Northern Arc Investment Managers Private Limited (formerly IFMR Investment Managers Private Limited)
(iv) Fellow subsidiaries	Pudhuaaru Financial Services Private Limited IFMR Finance Foundation IFMR Rural Channels and Services Private Limited
(v) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Managing Director Mr. Vineet Sukumar, Chief Financial Officer upto June 1, 2017 Ms. Bama Balakrishnan, Chief Financial Officer from June 3, 2017 Ms. R. Srividhya, Company Secretary

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

34 Related party disclosures (continued)

A. Transactions during the Year:

Particulars	March 31, 2018	March 31, 2017
Dvara Trust		
Reimbursement of expenses	34,122,435	15,847,624
Reimbursement of income	-	1,369,142
IFMR Holdings Private Limited		
Reimbursement of expenses	-	2,674,151
Reimbursement of income	1,050,225	-
Purchase of ERP	5,178,688	-
Northern Arc Investment Adviser Services Private Limited		
Reimbursement of expenses	20,700	18,276
Reimbursement of income	15,150	-
Interest income	-	540,055
Purchase of fixed assets	-	20,834
Sale of fixed assets	-	5,972
Northern Arc Investment Managers Private Limited		
Reimbursement of expenses	-	1,645,430
Interest income	15,403,413	7,170,972
Loans given	59,000,000	134,000,000
Loans repaid	77,500,000	33,000,000
Purchase of fixed assets	-	5,533
Sale of fixed assets	1,809	90,002
Pudhuaaru Financial Services Private Limited		
Interest paid on fixed deposits	-	551,759
Interest income	23,003,916	19,116,149
Fee received	24,885,807	32,330,485
Loan given	250,000,000	177,500,000
Loan repaid	365,427,871	158,094,675
Fixed deposit redeemed	-	11,210,735
Guarantees	250,000,000	28,551,196

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

34 Related party disclosures (continued)

	March 31, 2018	March 31, 2017
Ms. Kshama Fernandes		
Remuneration and other benefits *	20,746,049	20,263,344
Employee stock option (in units)	510,000	156,371
Mr. Vineet Sukumar		
Remuneration and other benefits *	5,596,326	17,285,660
Employee stock option (in units)	-	130,000
Ms. Bama Balakrishnan		
Remuneration and other benefits *	19,772,303	-
Employee stock option (in units)	400,000	100,000
Ms. R. Srividhya		
Remuneration *	2,635,000	2,075,000

* Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

B. Balances as at year end:

	As at March 31, 2018	As at March 31, 2017
Dvara Trust		
Trade payable	3,953,822	266,854
IFMR Holdings Private Limited		
Trade payable	-	543,896
Northern Arc Investment Adviser Services Private Limited		
Equity share capital	12,779,670	12,779,670
Preference share capital	7,600,000	7,600,000
Advances	66,600	315,474
Northern Arc Investment Managers Private Limited		
Equity share capital	36,100,000	36,100,000
Preference share capital	72,200,000	72,200,000
Receivable under financing activities	112,703,923	149,690,821
Advances	3,732,183	9,962,761
Interest Accrued but not due Loan	-	1,924,848
Pudhuaaru Financial Services Private Limited		
Receivable under financing activities	36,885,388	152,313,255
Interest accrued but not due on fixed deposits	-	32,796
Interest accrued but not due on loan	293,062	775,626
Fee income accrued	5,162,506	8,092,132
Guarantees	49,879,640	34,801,196

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

34 Related party disclosures (continued)

	As at March 31, 2018	As at March 31, 2017
Ms. Kshama Fernandes		
Security Deposit	200,000	200,000
Amount payable	-	24,341,920
Employee stock option (in units)	666,371	156,371
Mr. Vineet Sukumar		
Amount payable	-	19,859,800
Employee stock option (in units)	-	130,000
Ms. Bama Balakrishnan		
Employee stock option (in units)	500,000	100,000

35 Segment reporting

The Company operates in a single reportable business segment i.e. arranging or facilitating or providing finance either in the form of Loans or Investments or guarantees. As risks and rewards of operating such services are the same irrespective of the region, there are no geographical segments.

36 Operating leases

The Company has cancellable operating lease agreements for office space, which can be terminated by either parties after giving the notice. For the year ended March 31, 2018, an amount of INR 58,008,088 (March 31, 2017: INR 32,403,709) was recorded as expenses towards lease rentals in the statement of profit and loss.

37 Earnings per share ('EPS')

	March 31, 2018	March 31, 2017
Earnings		
Profit after tax (as reported)	774,153,316	594,684,096
Less: Dividend on preference shares and tax thereon	-	(13,832,359)
Net profit attributable to equity shareholders for calculation of basic EPS	**774,153,316**	**580,851,737**
Net profit attributable to equity shareholders for calculation of diluted EPS	**774,153,316**	**584,851,737**
Shares		
Equity shares at the beginning of the year	78,365,673	78,365,473
Shares issued during the year	-	200
Total number of equity shares outstanding at the end of the year	78,365,673	78,365,673
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	78,365,673	78,365,549
Compulsory convertible preference shares	14,207,457	5,262,558
Options granted	314,654	55,748
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	92,887,784	83,683,855
Face value per share	10.00	10.00
Earning per share		
Basic	9.88	7.41
Diluted	8.33	6.99

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

38 Disclosure Pursuant to paragraph 26 of Master Direction - Non-Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016:

Gold loan portfolio

The Company has not provided loan against gold during the year ended March 31, 2018 and March 31, 2017.

39 Capital adequacy ratio

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines, is as follows:

Particulars	March 31, 2018	March 31, 2017
Tier I Capital	5,897,505,048	4,843,587,379
Tier II Capital	540,617,574	64,711,643
Total Capital	**6,438,122,622**	**4,908,299,022**
Total Risk Assets	37,995,193,737	29,063,730,745
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	15.52%	16.67%
Tier II Capital as a percentage of Total Risk Assets (%)	1.42%	0.22%
Total Capital (%)	**16.94%**	**16.89%**

40 Investments

Particulars	March 31, 2018	March 31, 2017
Value of investment		
Gross value of investments		
- In India	10,133,338,911	11,359,551,727
- Outside India	-	-
Provisions for investments		
- In India	430,466,590	264,107,641
- Outside India	-	-
Net value investments		
- In India	9,702,872,321	11,095,444,086
- Outside India	-	-
Movement of provisions held towards investments		
Opening balance	264,107,641	12,065,853
Add: Provisions made during the year	166,358,949	252,041,788
Less: Write off/write back/reversal of provision during the year		
Closing balance	430,466,590	264,107,641

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

41 Disclosure Pursuant to paragraph 18 of Master Direction - Non-Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016:

S.N.	Particulars	As at March 31, 2018		As at March 31, 2017	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Liabilities side:				
1	**Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:**				
	(a) Debentures				
	- Secured	3,565,313,381	-	4,481,283,528	-
	- Unsecured	2,550,884,170	-	73,500,367	-
	(other than falling within the meaning of public deposits)				
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans	14,915,299,078	-	9,475,087,547	-
	(d) Inter-Corporate Loans and Borrowings	-	-	-	-
	(e) Commercial Paper	4,127,490,896	-	3,255,771,947	-
	(f) Public Deposits	-	-	-	-
	(g) Other Loans	3,554,002,010	-	2,567,433,612	-
	(Represents Working Capital Demand Loans and Cash Credit from Banks)				
2	**Break-up of (1)(f)above (outstanding public deposits inclusive of interest accrued thereon but not paid)**				
	(a) In the form of Unsecured debentures	-	-	-	-
	(b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security	-	-	-	-
	(c) Other public deposits	-	-	-	-

	Particulars	As at March 31, 2018	As at March 31, 2017
	Assets side:		
3	**Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:**		
	(a) Secured	18,057,550,255	12,583,647,151
	(b) Unsecured	4,924,554,649	3,401,885,255
4	**Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities**		
	(i) Lease Assets including Lease Rentals Accrued and Due:		
	a) Financial Lease	-	-
	b) Operating Lease	-	-
	(ii) Stock on Hire including Hire Charges under Sundry Debtors:		
	a) Assets on Hire	-	-
	b) Repossessed Assets	-	-
	(iii) Other Loans counting towards AFC Activities		
	a) Loans where Assets have been Repossessed	-	-
	b) Loans other than (a) above	-	-

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

	Particulars	As at March 31, 2018	As at March 31, 2017
5	**Break-up of Investments (net of provision for diminution in value):**		
	Current Investments:		
	I. Quoted:		
	i. Shares		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and bonds	675,606,060	778,000,000
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) commercial paper	-	280,000,000
	II. Unquoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	2,426,502,751	2,617,766,667
	Long Term Investments:		
	I. Quoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	3,846,657,905	5,044,000,000
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)		
	II. Unquoted:		
	i. Shares		
	a) Equity	48,879,670	48,879,670
	b) Preference	79,800,000	79,800,000
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	1,014,711,577	1,560,158,981
	b) units of alternative investment fund	2,041,180,948	950,946,409

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

6 Borrower Group-wise Classification of Assets Financed as in (3) and (4) above:

Category	As at March 31, 2018 (Net of provision for NPA)		As at March 31, 2017 (Net of provision for NPA)	
	Secured	Unsecured	Secured	Unsecured
1. Related parties				
(a) Subsidiaries	-	112,703,923	-	149,690,821
(b) Companies in the same group	36,885,388	-	152,313,255	-
(c) Other related parties	-	-	-	-
2. Other than related parties	18,003,426,624	4,811,850,726	12,423,403,119	3,252,194,434
	18,040,312,012	**4,924,554,649**	**12,575,716,374**	**3,401,885,255**

7 Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted)

Category	Market Value/ Break up Value or Fair Value or Net Asset Value as on March 31, 2018	Book Value as on March 31, 2018 (Net of provisions)	Market Value/ Break up Value or Fair Value or Net Asset Value as on March 31, 2017	Book Value as on March 31, 2017 (Net of provisions)
1. Related Parties				
(a) Subsidiaries	128,679,670	128,679,670	128,679,670	128,679,670
(b) Companies in the same Group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	10,004,659,241	10,004,659,241	11,230,872,057	11,230,872,057
	10,133,338,911	**10,133,338,911**	**11,359,551,727**	**11,359,551,727**

8 Other Information

Particulars	As at March 31, 2018		As at March 31, 2017	
	Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i) Gross Non-Performing Assets	-	45,160,670	-	7,930,777
(ii) Net Non-Performing Assets	-	27,922,427	-	-
(iii) Assets Acquired in Satisfaction of Debt	-		-	-

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

42 Asset Liability Management

Maturity Pattern of certain items of Assets and Liabilities:

Particulars	1 day to 30/31 days (1 Month)	Over 1 month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks and others	3,302,868,189	747,983,455	1,446,776,302	3,021,189,997	3,308,824,319	5,938,489,373	255,555,556	399,999,633	**18,421,686,824**
	(1,821,851,524)	(255,059,462)	(1,004,894,525)	(1,053,095,172)	(2,189,963,676)	(5,543,639,987)	(121,031,776)	-	**(11,989,536,122)**
Market Borrowings	500,000,000	2,000,000,000	150,000,000	265,000,000	1,365,000,000	6,000,000,000	-	-	**10,280,000,000**
	(2,250,000,000)	(1,000,000,000)	(250,000,000)	(11,250,000)	(2,611,250,000)	(4,280,000,000)	(1,000,000,000)	-	**(11,402,500,000)**
Assets									
Advances	1,104,788,883	912,680,549	817,615,799	3,234,687,002	5,590,060,983	9,891,965,993	1,430,305,695	-	**22,982,104,904**
	(479,957,159)	(947,068,734)	(681,118,388)	(1,837,422,958)	(4,242,550,390)	(6,369,910,452)	(872,132,289)	(405,681,215)	**(15,835,841,585)**
Investments	487,404,820	279,790,844	293,583,915	1,145,444,996	895,884,235	2,058,628,244	2,167,085,748	2,805,516,109	**10,133,338,911**
	(1,064,309,511)	(138,611,717)	(245,542,134)	(730,814,688)	(1,496,488,620)	(2,553,628,384)	(1,441,116,771)	(3,689,039,902)	**(11,359,551,727)**

Note:

- The above summary is based on the information available with the Company and relied upon by the auditors.

- Numbers in brackets represent previous year balances.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

43 Disclosure of frauds reported during the year ended March 31, 2018

Nature of Fraud	No of Cases	Amount of fraud	Amount written off
Cash misappropriation by employee	-	-	-
Fraudulent representation by customers	-	-	-

The above summary with respect to fraud is based on the information available with the Company which has been relied upon by the auditors.

44 Exposure to Real estate sector

Particulars	March 31, 2018	March 31, 2017
A. Direct Exposure		
i. Residential Mortgages -	-	-
(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
ii. Commercial Real Estate –		
(Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	-	-
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential (refer note below)	42,025,369	43,359,757
b) Commercial Real Estate	-	-
Note:		
Represents investment in pass through certificates extended to housing finance companies.		

45 Exposure to capital market

Particulars	March 31, 2018	March 31, 2017
(i) Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt	-	-
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPO's/ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security ;	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds ' does not fully cover the advances ;	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ;	-	-
(vi) Loans sanctioned to corporates against the security of shares/bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources ;	-	-
(vii) Bridge loans to companies against expected equity flows/issues ;	-	-
(viii) All exposures to Venture capital funds (both registered and unregistered)	-	-

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

46 Disclosures relating to Securitisation

46.1 Details of assignment transactions undertaken

Particulars	March 31, 2018	March 31, 2017
Number of assignment transactions	5	3
Outstanding assigned assets in books of assignee	650,250,194	503,668,106
Less: Collections not yet due to be remitted to assignee *	47,248,891	55,396,367
Outstanding Assigned Assets as per books	**603,001,303**	**448,271,739**
Book value of assets sold	**3,063,662,095**	**1,868,643,971**

46.2 Details of financial assets sold to securitisation

Particulars	March 31, 2018	March 31, 2017
Number of Securitisation Transactions	1	-
Outstanding assigned assets in books of seller	691,471,290	-
Less: Collections not yet due to be remitted to Trust *	33,952,557	-
Outstanding Assigned Assets as per books	**657,518,733**	-
Book value of assets sold	**1,141,273,871**	-
Total amount of exposure		
- Off balance sheet exposure		
First Loss		
Others		
- On balance sheet exposure		
First loss - cash collateral	91,301,910	-
Others - over collateral	57,063,694	-
	148,365,604	-

* excludes interest collected from customers on securitised assets

47 Details of non- performing financial assets purchases/sold

The Company has neither purchased nor sold any non- performing financial assets during the previous year.

48 Details of financing of Parent Company products

Nil

49 Details of Single Borrower Limits (SBL)/Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limit as set by Reserve Bank of India for the year ended March 31, 2018 and March 31, 2017.

50 Advances against Intangible Securities

The Company has not given any loans against intangible securities

51 Registration/licence/authorisation obtained from other financial sector regulators:

Registration/Licence	Authority issuing the registration/license	Registration/Licence reference
Certificate of Registration	Reserve Bank of India	B-07-00430 dated August 8, 2013

52 Penalties imposed by RBI and other regulators

No penalties have been imposed by RBI and Other Regulators during the financial year (FY) 2017-18 (FY 2016-17 - NIL)

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

53 Ratings

The Credit Analysis & Research Limited (CARE) and ICRA Limited (ICRA) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Particulars	Rating agency	March 31, 2018	March 31, 2017
Bank facilities	ICRA	A+	A+
Non-convertible debentures - long term	ICRA	A+	A+
Non-convertible debentures - short term	CARE	A1+	A1+
Subordinated debt issue	ICRA	A+	A+
Commercial paper	ICRA	A1+	A1+

54 Provisions and contingencies (Break up of 'Provisions and contingencies' shown under the head expenditure)

	March 31, 2018	March 31, 2017
Provision for depreciation on investment	166,358,949	252,041,788
Provision for non-performing assets	9,307,466	7,930,777
Contingent provisions against standard assets	28,451,307	26,154,571
Provision made towards current income taxes	508,244,184	410,079,330

55 Draw down from reserves

The Company has not made any drawdown from existing reserves.

56 Concentration of advances

	As at 31 March 2018	As at 31 March 2017
Total advances to twenty largest borrowers	10,317,204,358	8,671,982,372
Percentage of advances to twenty largest borrowers to total advances	44.89%	54.25%

57 Concentration of exposures

	As at 31 March 2018	As at 31 March 2017
Total exposure to twenty largest borrowers	11,046,866,458	11,745,863,950
Percentage of exposures to twenty largest borrowers to total exposure	40.09%	43.28%

58 Concentration of NPAs

	As at 31 March 2018	As at 31 March 2017
Total exposure to top four NPA accounts	25,241,089	7,930,777

59 Sector-wise NPAs (Percentage of NPA's to total advances in that sector)

	March 31, 2018	March 31, 2017
Agriculture & allied activities	0.00%	0.00%
MSME	0.00%	0.00%
Corporate borrowers	0.04%	0.05%
Services	0.00%	0.00%
Unsecured personal loans	0.00%	0.00%
Auto loans	0.00%	0.00%
Other loans	1.96%	0.00%

The above Sector-wise NPA and advances are based on the data available with the Company which. has been relied upon by the auditors.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

60 Movement of Non-Performing Assets (NPA's)

		March 31, 2018	March 31, 2017
(a)	**Net NPAs to net advances (%)** (Net of provision for NPAs)	0.12%	0.00%
(b)	**Movement of gross NPAs**		
	Opening balance	7,930,777	-
	Additions during the year	37,229,894	7,930,777
	Reductions during the year	-	-
	Closing balance	**45,160,671**	**7,930,777**
(c)	**Movement of net NPAs**		
	Opening balance	-	-
	Additions during the year	27,922,428	-
	Reductions during the year	-	-
	Closing balance	**27,922,428**	**-**
(d)	**Movement of provisions for NPAs (excluding contingent provisions against standard assets)**		
	Opening balance	7,930,777	-
	Provisions made during the year	9,307,466	7,930,777
	Write-off/write-back of excess provisions	-	-
	Closing balance	**17,238,243**	**7,930,777**
(e)	**Movement of contingent provision against standard assets**		
	Opening balance	63,311,643	37,157,072
	Additions during the year	28,451,307	26,154,571
	Reductions during the year	-	-
	Closing balance	**91,762,950**	**63,311,643**

60.1 Movement of provisions held towards guarantees

		March 31, 2018	March 31, 2017
	Opening balance	54,452,375	3,142,802
	Add: Provisions made during the year	86,340,385	51,309,573
	Less: Write off/write back/reversal of provision during the year	-	
	Closing balance	**140,792,760**	**54,452,375**

61 Overseas assets (for those with joint ventures and subsidiaries abroad)

There are no overseas asset owned by the Company

62 Off-balance sheet SPVs sponsored

There are no SPVs which are required to be consolidated as per accounting norms.

63 Customer complaints

		March 31, 2018	March 31, 2017
	No. of complaints pending at the beginning of the year	-	-
	No. of complaints received during the year	-	-
	No. of complaints redressed during the year	-	-
	No. of complaints pending at the end of the year	-	-

The above details are based on the information available with the Company regarding the complaints received from the customers which has been relied upon by the auditors.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

64 Disclosure under clause 28 of the Listing Agreement for Debt Securities

S.No.	Particulars	March 31, 2018	March 31, 2017
a)	Loans and advances in the nature of loans to subsidiaries	112,703,923	149,690,821
b)	Loans and advances in the nature of loans to associates	-	-
c)	Loans and advances in the nature of loans where there is -		
	(i) no repayment schedule or repayment beyond seven years	-	-
	(ii) no interest or interest below section 186 of Companies Act, 2013	-	-
d)	Loans and advances in the nature of loans to firms/companies in which directors are interested	36,885,388	152,313,255

65 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu hypothecation of receivables under financing activities, investment in pass through certificates and investment in debentures.

66 Disclosure of Specified Bank Notes ('SBN')

The disclosures regarding details of SBN held and transacted during the current year has not been made since the requirement does not pertain to financial year ended March 31, 2018. However, corresponding details of SBN for the period from November 8, 2016 to December 30, 2016 as appearing in the audited financial statements for the year ended March 31, 2017 have been disclosed below.

During the previous year ended March 31, 2017, the Company did not have specified bank notes or other denomination notes as defined in the MCA Notification G.S.R 308(E) dated March 31, 2017 on the details of SBN held and transacted during the period from November 8, 2016 to December 30, 2016. The denomination wise SBN and other notes as per the notification are given below:

Particulars	SBNs	Other denomination Notes	Total
Closing cash in hand as on November 8, 2016	-	-	-
Add: Permitted receipts	-	-	-
Less: Permitted payments	-	-	-
Less: Amount deposited in banks (net of withdrawal)	-	-	-
Closing cash in hand as on December 30, 2016	-	-	-

For the purpose of this clause, the term specified bank note shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance - Department of Economic Affairs No. S.O.3407 (E), dated November 8, 2016.

67 During the year, 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.

As per the aforesaid Scheme, the relevant sequence of demerger and amalgamation proposed to be carried out are listed below:

- The aggregator business of IFMR Holdings Private Limited and the entire investments relating to the Company held by of IFMR Holdings Private Limited to be transferred to Dvara Investments Private Limited
- Amalgamation of Dvara Investments Private Limited into the Company

The appointed date under the aforesaid Scheme is March 31, 2017. The Company is in the process of obtaining necessary approvals from various statutory authorities and filling it with the Hon'ble National Company Law Tribunal (NCLT). Pending approval processes and filling with NCLT, no adjustment has been considered in the financial statements for the said Scheme.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the financial statements for the year ended March 31, 2018

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

68 Previous year figures have been re-grouped/re-classified wherever necessary to correspond with the current year's classification/disclosure.

Previous year figures has been audited by a firm other than B S R & Co LLP.

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

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Manoj Kumar Vijai
Partner
Membership No. 046882

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: London
Date: May 11, 2018

Place: Chennai
Date: May 11, 2018

Consolidated Financial Statements

Independent Auditor's Report

To the Members of Northern Arc Capital Limited

(*formerly known as* IFMR Capital Finance Limited)

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Northern Arc Capital Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries Northern Arc Investment Adviser Services Private Limited (*formerly known as* IFMR Investment Adviser Services Private Limited) and Northern Arc Investment Managers Private Limited (*formerly known as* IFMR Investment Managers Private Limited) (the Holding Company and its subsidiary companies together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2018, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (herein referred to as "consolidated financial statements").

Management's responsibility for the consolidated financial statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including Companies (Accounting Standard) Rules, 2006 prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the 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 consolidated financial statements 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 consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements.

We are also responsible to conclude on the appropriateness of management's 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 Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements 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 Group to cease to continue as a going concern.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2018, their consolidated profit and consolidated cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable, that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books;

(c) The consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act;

(e) On the basis of written representations received from the directors of the Holding Company taken on record by the Board of Directors of the Holding Company and the report of the statutory auditor of the subsidiary companies incorporated in India, none of the directors of the Group, is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

(f) The subsidiary companies have been exempted from the requirement of its Auditor reporting on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls (clause (i) of Section 143(3)). With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer note 29 to the consolidated financial statements;

ii. The Group has made provision in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts, including derivative contracts – Refer note 30 to the consolidated financial statements in respect of such items as it relates to the Group;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India during the year ended 31 March 2018; and

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited consolidated financial statements for the year ended 31 March 2017 have been disclosed. – Refer note 38 to the consolidated financial statements

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

Manoj Kumar Vijai
London — *Partner*
11 May 2018 — Membership No: 046882

Annexure A to the Independent Auditor's Report to the members of Northern Arc Capital Limited

(*formerly known as* IFMR Capital Finance Limited) for the year ended 31 March 2018 (referred to in our report of even date)

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the **Northern Arc Capital Limited** ("the Holding Company") as of and for the year ended 31 March 2018, we have audited the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, which are incorporated in India, to the extent applicable, as of that date.

Management's Responsibility for Internal Financial Controls with reference to Financial Statements

The respective Board of Directors of the Holding Company and its subsidiary companies which are incorporated in India, to the extent applicable, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls with reference to financial statements that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Group based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to financial statements, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company has, in all material respects, adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to financial statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. The subsidiary companies have been exempted from the requirement of its Auditor reporting on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls (clause (i) of Section 143(3)).

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

Manoj Kumar Vijai
Partner
Membership No: 046882

London
11 May 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Consolidated Balance Sheet as at March 31, 2018

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

	Note	As at March 31, 2018	As at March 31, 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	1,133,294,510	1,050,920,230
Reserves and surplus	6	5,270,914,048	3,977,944,813
		6,404,208,558	**5,028,865,043**
Preference shares issued by subsidiary companies outside the group	5	-	3,100,000
Non-current liabilities			
Long-term borrowings	7	12,594,044,562	10,944,671,768
Other non-current liabilities	8	7,823,230	40,050,608
Long-term provisions	9	101,191,934	78,778,692
		12,703,059,726	**11,063,501,068**
Current liabilities			
Short-term borrowings	10	7,678,872,604	5,823,105,559
Trade payables	11	87,747,010	97,922,329
Other current liabilities	12	8,767,094,832	7,096,393,121
Short-term provisions	9	621,073,555	335,852,436
		17,154,788,001	**13,353,273,445**
		36,262,056,285	**29,448,739,556**
ASSETS			
Non-current assets			
Fixed Assets			
- Property, plant and equipment	13.1	3,549,375	3,160,489
- Intangible fixed assets	13.2	35,979,682	33,785,726
- Intangible fixed assets under development	13.3	13,340,994	1,769,264
Goodwill on consolidation		17,463,289	17,463,289
Non-current investments	15	7,211,300,430	7,824,855,390
Deferred tax assets (net)	14	224,695,190	122,180,097
Receivables under financing activities	16	11,209,567,765	7,647,856,528
Long-term loans and advances	17	87,175,240	47,139,409
Other non-current assets	18	17,637,031	96,766,767
		18,820,708,996	**15,794,976,959**
Current Assets			
Current investments	15	3,109,808,811	3,675,766,667
Receivables under financing activities	16	11,659,833,216	8,187,985,057
Cash and bank balances	19	1,930,547,504	1,262,686,471
Short-term loans and advances	17	399,908,353	191,340,966
Other current assets	20	341,249,405	335,983,436
		17,441,347,289	**13,653,762,597**
		36,262,056,285	**29,448,739,556**
Significant accounting policies The notes referred to above from an integral part of the financial statements As per our report of even date attached	2		

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place: London
Date: May 11, 2018

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: May 11, 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Consolidated Statement of Profit and Loss for the year ended March 31, 2018

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

	Notes	Year ended March 31, 2018	Year ended March 31, 2017
REVENUE			
Revenue from operations	21	4,728,165,444	3,670,148,760
Other income	22	28,187,699	31,324,055
		4,756,353,143	**3,701,472,815**
EXPENSES			
Finance costs	23	2,296,454,743	1,763,141,936
Employee benefits	24	482,341,988	345,761,613
Depreciation and amortisation	25	16,946,319	12,107,777
Provision and loan losses	26	290,458,107	337,436,709
Other expenses	27	374,365,162	274,968,887
		3,460,566,319	**2,733,416,922**
Profit before tax		**1,295,786,824**	**968,055,893**
Tax expense			
Current tax expense		535,770,969	429,282,151
Deferred tax benefit		(102,515,093)	(98,922,683)
		433,255,876	**330,359,468**
Profit for the year		**862,530,948**	**637,696,425**
Earnings per equity share (face value of INR 10 per share)	36		
Basic		11.01	7.81
Diluted		9.29	7.36
Significant accounting policies	2		
The notes referred to above from an integral part of the financial statements			
As per our report of even date attached			

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place: London
Date: May 11, 2018

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: May 11, 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Consolidated Statement of cash flow for the year ended March 31, 2018

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

		Note	For the year ended March 31, 2018	For the year ended March 31, 2017
A	**Cash flow from operating activities**			
	Profit before tax		1,295,786,824	968,055,893
	Adjustments for:			
	Depreciation and amortisation		16,946,319	12,107,777
	Profit on sale of mutual fund investments		(26,871,628)	(26,560,696)
	Contingent provision for standard assets		28,451,307	26,154,571
	Provision for non-performing assets		9,307,466	7,930,777
	Provision for investments		166,358,949	252,041,788
	Provision for guarantees		86,340,385	51,309,573
	Employee stock compensation plan		20,177,450	4,000,000
	Finance costs		2,296,454,743	1,763,141,936
	Interest income from banks on deposits		(6,311,440)	(19,229,161)
	Operating profit before working capital changes		**3,886,640,375**	**3,038,952,458**
	Changes in working capital and other changes:			
	Increase in receivables under financing activities		(7,033,559,396)	(3,450,150,979)
	(Increase)/decrease in loans and advances		(221,799,041)	(28,675,153)
	Decrease/(increase) in other assets		70,041,893	(123,800,501)
	(Increase)/decrease in other bank balances		(58,085,165)	157,749,561
	(Decrease)/increase in trade payables		(10,175,319)	14,472,137
	Increase/(decrease) in other liabilities		31,113,698	(129,550,704)
	Increase/(decrease) in other provisions		13,855,097	6,099,325
	Cash used in operations		**(3,321,967,858)**	**(514,903,856)**
	Finance costs paid		(2,473,816,143)	(1,510,451,236)
	Income tax paid (net)		(559,253,989)	(459,294,445)
	Net cash flow used in operating activities (A)		**(6,355,037,990)**	**(2,484,649,537)**
B	**Cash flows from investing activities**			
	Purchase of fixed assets		(31,102,700)	(18,144,933)
	Proceeds from sale of fixed assets		1,809	119,978
	Interest received on fixed deposits		10,133,314	33,289,358
	Purchase of mutual fund investments		(5,751,400,000)	(7,821,700,000)
	Sale of mutual fund investments		5,770,571,626	7,848,260,697
	Purchase of other investments		(9,597,444,260)	(12,101,309,030)
	Sale of other investments		10,784,657,076	4,767,387,831
	Net cash provided by investing activities (B)		**1,185,416,865**	**(7,292,096,099)**
C	**Cash flow from financing activities**			
	Proceeds from long-term borrowings		11,247,599,812	11,897,893,018
	Repayments of long-term borrowings		(7,819,888,981)	(5,529,606,244)
	Proceeds from short-term borrowings		2,207,537,020	2,675,761,216
	Repayment of short-term borrowings		(351,769,975)	(103,681,394)
	Proceeds from issue of preference share capital		499,311,698	1,620,017,704
	Redemption of preference share capital		(3,100,000)	(155,400,000)
	Proceeds from issue of equity share capital		-	24,246
	Dividend paid on preference shares		(131,135)	(12,763,300)
	Dividend distribution tax paid		(161,446)	(3,238,594)
	Net cash generated from financing activities (C)		**5,779,396,993**	**10,389,006,652**
	Net increase in cash and cash equivalents (A+B+C)		**609,775,868**	**612,261,016**
	Cash and cash equivalents at the beginning of the year		1,198,197,489	585,936,473
	Cash and cash equivalents at the end of the year		**1,807,973,357**	**1,198,197,489**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Consolidated Statement of cash flow for the year ended March 31, 2018

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

		Note	As at March 31, 2018	As at March 31, 2017
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	19		
	Balances with banks			
	- in current accounts		1,457,973,357	1,198,197,489
	- in deposit accounts free of lien		350,000,000	-
			1,807,973,357	**1,198,197,489**
	Significant accounting policies	2		
	The notes referred to above from an integral part of the financial statements			
	As per our report of even date attached			

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place: London
Date: May 11, 2018

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65991TN1993PTC024547

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: May 11, 2018

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

1 Company overview

Northern Arc Capital Limited (formerly IFMR Capital Finance Limited) ("the Company"), was incorporated on March 4, 1993 and is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated August 8, 2013 in lieu of Certificate of Registration dated June 24, 1999 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND").

The Company's objective is to provide liquidity and develop access to debt-capital markets for institutions that impact financially excluded households and enterprises.

The Company has 2 wholly owned subsidiaries Northern Arc Investment Adviser Services Private Limited which is into the business of facilitating investments and act as advisors to provide financial/ investment advice to both Indian and Foreign investors and Northern Arc Investment Managers Private Limited which is into carrying on the business of Investment Company and also to provide portfolio management services to offshore funds and all kinds of Investment Funds.

The Group structure is as follows:

Entity	Country of Incorporation	Nature of Interest	% of Shareholding
Northern Arc Capital Limited (NACL)	India	Parent Company	Not applicable
Northern Arc Investment Managers Private Limited (NAIM) (Formerly IFMR Investment Adviser Services Private Limited)	India	Wholly owned subsidiary	100%
Northern Arc Investment Adviser Services Private Limited (NAIA) (Formerly IFMR Investment Adviser Services Private Limited)	India	Wholly owned subsidiary	100%

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The financial statements have been prepared and presented under historical cost convention and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles in India (Indian GAAP) and conform to the statutory requirements, circulars, regulations and guidelines issued by Reserve Bank of India (RBI) from time to time to the extent they have an impact on the financial statements and current practices prevailing in India. The financial statements have been prepared to comply in all material aspects with the Accounting Standards ("AS") notified under Section 133 of the Companies Act, 2013. The group follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the RBI for Systemically Important Non-deposit taking Non-Banking Finance Companies (NBFC-ND-SI).

2.2 Principles of consolidation

In accordance with AS 21 - 'Consolidated Financial Statements', the consolidated financial statements include the financial statements of Northern Arc Capital Limited, the parent company and all of its subsidiaries (collectively referred to as "the group" or "Northern Arc group"), in which the Company has 100% voting power of an enterprise or where the Company controls the composition of the board of directors.

The consolidated financial statements have been prepared on the following basis:

The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.

The excess/deficit of the cost of the investment to the parent company of its investment in the subsidiaries at the respective dates on which investment in such entities were made is recognised in the financial statements as goodwill/capital reserve.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

2.3 Use of Estimates

The preparation of financial statements in conformity with the Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting year, reported balance of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

2.4 Operating Cycle

Assets and liabilities are classified as current and non-current based on the operating cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realized and settled within a period of 12 months from the date of balance sheet have been classified as current and other assets and liabilities are classified as non-current.

2.5 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.6 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the group are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

2.7 Property, plant and equipment (“PPE”)

PPE are stated at cost less accumulated depreciation and impairment losses, if any. The cost of PPE includes non-refundable taxes, duties, freight and other incidental expenses incurred directly related to the acquisition and installation of the asset. Subsequent expenditure on PPE after their purchase/completion is capitalized, only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Cost of assets not ready for intended use, as on balance sheet date, is shown as capital work in progress. Advance given towards acquisition of fixed assets outstanding at each balance sheet date are disclosed as long terms loans and advances.

2.8 Intangible fixed assets

Intangible fixed assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible fixed assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

The cost of intangible fixed assets not ready for the intended use at each balance sheet date is disclosed as intangible fixed assets under development.

2.9 Depreciation and amortisation

The depreciable amount of an asset is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is provided on the original cost on a written down value method at the useful life given under Part C of the Schedule II of the Companies Act, 2013. Pro-rata depreciation is provided for all assets purchased/sold during the year. Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. The estimated useful life of various tangible and intangible assets are as under:

Asset category		Useful life
a)	**Property, plant and equipment**	
	Plant and machinery	15 years
	Furniture and fittings	10 years
	Office equipments	5 years
	Computers and accessories	3 years
	Servers	6 years
b)	**Intangible fixed assets**	
	Computer softwares	5 years

2.10 Impairment

The group determines periodically whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.11 Investments

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage and fees.

Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under ‘current assets’ as “current portion of long term investments”.

Long-term investments (including current portion thereof) are carried at cost less any

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

other-than-temporary diminution in value, determined separately for each individual investment based on management's assessment of recovery and realisation.

Current investments are carried at the lower of cost and fair value.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the statement of profit and loss.

2.12 Foreign currency transactions

Foreign currency transactions are recorded into Indian rupees using the actual exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the statement of profit and loss.

2.13 Derivative instruments

Premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the period. In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. The Company has adopted the "Guidance note on accounting for derivative contracts" issued by the Institute of Chartered Accountants of India ('ICAI') on June 1, 2015 w.e.f April 1, 2016. Derivatives are mark to market, any gain/loss arising out of such derivatives are recognized in the statement of profit and loss.

2.14 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

(i) Interest income from financing activities: Interest income is recognized in the statement of profit and loss on an accrual basis by applying the internal rate of return method on a time proportionate basis. In accordance with RBI guidelines relating to Assignment/Securitisation transactions, gains/interest spread arising from assignment/securitisation are recognised over the life of the underlying assets. In case of any loss, the same is recognised immediately in the statement of profit and loss.

Interest income on Non Performing Assets (NPA) is recognised as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed in the month in which the loan is classified as NPA.

(ii) Income from investment in pass through certificates is recognised based on the coupon rate in accordance with the terms of the underlying contracts.

(iii) Income from guarantee facilities, collateral deposits from customers, investment in non-convertible debentures are recognized on a time proportionate basis. Income from investment in commercial papers is recognised on a straight-line basis over the tenure of such investments. Income from investment in alternative investment fund is recognised when the right to receive is established.

(iv) Income from other financial services includes processing fees, professional fee and arranger fee which is recognised as and when the services are rendered by the group.

(v) Revenue from services represents investment management fee and upfront set up fees which are recognised as and when the services are rendered and when the right to receive is established.

(vi) Income from dividend is recognized in the statement of profit and loss when the right to receive is established.

(vii) Profit/loss on disposal of an investment is recognised at the time of such sale/redemption and is computed based on weighted average cost.

2.15 Employee benefits

Post-employment benefits

Defined contribution plan

The group's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity

The group's gratuity benefit scheme is a defined benefit plan. The group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation of the group's obligation under such defined benefit plan is performed annually by a qualified actuary using the Projected Unit Credit Method.

The group recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of profit and loss. All expenses related to defined benefit plans are recognised in employee benefits expense in the Statement of profit and loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employee is recognised in the Statement of profit and loss on a straight-line basis over the average period until the benefits become vested. The group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Long-term employee benefits

Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Stock based compensation

The Company measures compensation cost relating to employee stock options using intrinsic value method, in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The excess of fair value of shares on the date of grant over the exercise prices is regarded as the compensation cost and is amortized over the vesting period of the respective options on a straight line basis.

2.16 Operating leases

Operating lease payments are recognized as an expense in the statement of profit and loss on straight line basis over the lease term.

2.17 Taxes on income

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognized in statement of profit and loss except that tax expense relating to items recognized directly in reserves is also recognized in those reserves.

Minimum Alternate Tax ("MAT") paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the group.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. differences that originate in one year and are capable of reversal in one or more subsequent years. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

2.18 Earnings per share

The group reports basic and diluted earnings per equity share in accordance with AS 20, Earnings Per Share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share is computed by dividing net profit/loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

2.19 Borrowing costs

Borrowing costs include interest and ancillary costs that the group incurs in connection with the borrowings. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss at the time of availment of the loan unless it is incurred on periodic basis.

Loan acquisition costs represents ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed and is amortised on a straight line basis, over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, are fully expensed off as and when the related borrowing is prepaid/cancelled.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

2.20 Provisions, contingent liabilities and contingent assets

A provision is recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc., are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Contingent asset is not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Provision for investment is made as per internal estimates, based on past experience, realisation of underlying assets and other relevant factors relating to investments. Provision for guarantees is based on the risk weightage assigned to the respective facilities issued by the Company.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

2.21 Classification and provisioning on receivables under financing activities

(a) Receivables under financing activities are recognised on disbursement of loan to customers. The details of the policy are given below:

(b) **Asset classification:**

Receivables under financing activities are classified as standard, sub - standard and doubtful assets and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning norms as per the Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

Asset classification	Criteria
Standard assets	Not overdue or overdue for less than 90 days
Non Performing Assets (NPA)	
Sub-standard assets	Overdue for 90 days and more but up to 12 months
Doubtful assets	Sub-standard for more than 12 months
Loss assets	Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or by the Reserve Bank of India.

"Overdue" refers to interest and/or principal and/or instalment remaining unpaid from the day it became receivable.

(c) **Provisioning norms for receivables under financing activities:**

Asset classification	Percentage of provision
Standard assets	0.40%
Non-Performing Assets (NPA)	
Sub-standard assets	25%
Doubtful assets	50% - 100%
Loss assets	100%

(d) Under exceptional circumstances, management may renegotiate loans by rescheduling repayment terms for customers who have defaulted in repayment but who appear willing and able to repay their loans under a longer term agreement. Rescheduled Standard assets are classified/provided for as Sub-standard assets as per (b) above which classification/provisioning is retained for a period of 1 year of satisfactory performance. Rescheduled non performing assets are not upgraded but are retained at the original classification/provisioning for a period of 1 year of satisfactory performance.

3 Share of individual companies in the consolidated net assets and consolidated profit or loss (Refer note 1- Company overview)

Name of the entity	Net assets i.e, total assets minus total liabilities		Share in profit or loss	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount
As at March 31, 2018				
Parent:				
NACL	94.85%	6,074,863,376	89.76%	774,153,316
Subsidiaries:				
NAIM	4.80%	307,163,856	7.51%	64,810,946
NAIA	0.35%	22,181,326	2.73%	23,566,686
Total	**100.00%**	**6,404,208,558**	**100.00%**	**862,530,948**
As at March 31, 2017				
Parent:				
NACL	93.45%	4,699,344,265	93.25%	594,684,095
Subsidiaries:				
NAIM	0.64%	32,087,372	5.41%	34,479,740
NAIA	5.91%	297,433,406	1.34%	8,532,590
Total	**100.00%**	**5,028,865,043**	**100.00%**	**637,696,425**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

4 Share capital

	As at 31 March, 2018	As at 31 March, 2017
Authorised		
165,000,000 (March 31, 2017: 165,000,000 shares) equity shares of INR 10 each	1,650,000,000	1,650,000,000
17,500,000 (March 31, 2017: 17,500,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	350,000,000	350,000,000
20,000,000 (March 31, 2017: 20,000,000 shares) Redeemable preference shares of INR 10 each	200,000,000	200,000,000
	2,200,000,000	**2,200,000,000**
Issued, subscribed and paid up		
78,365,673 (March 31, 2017: 78,365,673 shares) Equity shares of INR 10 each	783,656,730	783,656,730
17,481,889 (March 31, 2017: 13,363,175) Compulsorily convertible preference shares of INR 20 each	349,637,780	267,263,500
	1,133,294,510	**1,050,920,230**

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the commencement of the year	78,365,673	783,656,730	78,365,473	783,654,730
Add: Shares issued during the year	-	-	200	2,000
At the end of the year	**78,365,673**	**783,656,730**	**78,365,673**	**783,656,730**

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount	No. of shares	Amount
9.85% Cumulative non convertible compulsorily redeemable preference shares				
At the commencement of the year	-	-	15,000,000	150,000,000
Add: Shares issued during the year	-	-	-	-
Less: Shares redeemed during the year	-	-	(15,000,000)	(150,000,000)
At the end of the year	-	-	**-**	**-**

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount	No. of shares	Amount
0.0001% Compulsorily convertible preference shares				
At the commencement of the year	13,363,175	267,263,500	-	-
Add: Shares issued during the year (Refer note below)	4,118,714	82,374,280	13,363,175	267,263,500
At the end of the year	**17,481,889**	**349,637,780**	**13,363,175**	**267,263,500**

Note:
During the year, pusuant to amended share subscription and shareholders agreement, the Company has issued 3,711,952 0.0001% Compulsorily convertible preference shares (March 31, 2017: 7,918,937) of INR 20 each to FIL Capital Investments (Mauritius) (II) Limited and 406,762 (March 31, 2017: 5,444,238) shares of INR 20 each to Standard Chartered Bank (Singapore Branch) .

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

4 Share capital (continued)

b) Rights, preferences and restrictions attached to each class of shares

i) Equity shares

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

0.0001% Compulsory Convertible Preference Shares ('CCPS') having a par value of INR 20 is convertible in the ratio of 1:1 and are treated pari-passu with equity shares on all voting rights. The conversion shall happen at the option of the preference shareholders. The CCPS if not converted by the preference shareholders shall be compulsorily converted into equity shares upon any of the following events:

a. In connection with an IPO, immediately prior to the filing of red herring prospectus (or equivalent document, by whatever name called) with the competent authority or such later date as may be permitted under applicable Law at the relevant time; and
b. The date which is 19 (nineteen) years from the date of allotment of CCPS.

Till conversion, the holders of CCPS shall be entitled to a dividend of 0.0001%, if any, declared upon profits of the Company and a proportionate dividend, if any declared on equity shares on 'as converted' basis.

iii) 9.85% cumulative non convertible compulsorily redeemable preference shares

9.85% cumulative non convertible compulsorily redeemable preference shares having a par value of INR 10 each are redeemable at par at the end 18 months from the date of allotment.

The preference shareholder is entitled to vote only on resolution placed before the Company which directly affects the rights attached to such preference shares as set out in Section 47 of the Companies Act, 2013.

c) Shares held by holding/ultimate holding company and/or their subsidiaries/associates:

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% held	No. of shares	% held
Equity shares:				
IFMR Holdings Private Limited (including nominee shareholders) (Holding Company)	45,887,686	58.56%	45,887,686	58.56%

d) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% held	No. of shares	% held
Equity shares:				
IFMR Holdings Private Limited and its nominees	45,887,686	58.56%	45,887,686	58.56%
Leapfrog Financial Inclusion India Holdings Limited	26,860,220	34.28%	26,860,220	34.28%
FIL Capital Investments (Mauritius) (II) Limited	1,979,859	2.53%	1,979,859	2.53%
Standard Chartered Bank (Singapore Branch)	3,637,908	4.63%	3,637,908	4.63%
0.0001% Compulsorily convertible preference shares				
FIL Capital Investments Mauritius (II) Limited	11,630,889	66.53%	7,918,937	59.26%
Standard Chartered Bank (Singapore Branch)	5,851,000	33.47%	5,444,238	40.74%

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

5 Preference shares issued by subsidiary companies outside the group

	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% held	No. of shares	% held
31,000 8% Cumulative, non-convertible redeemable preference shares of INR 100 each	-	-	-	3,100,000
	-	**-**	**-**	**3,100,000**

6 Reserves and Surplus

	As at 31 March, 2018	As at 31 March, 2017
Securities premium account		
At the commencement of the year	2,147,286,644	794,510,194
Add: Premium received on shares issued during the year	416,937,418	1,352,776,450
At the end of the year	**2,564,224,062**	**2,147,286,644**
Statutory Reserve		
At the commencement of the year	364,195,980	245,259,161
Add: Transfer from surplus in the statement of profit and loss (refer note 6.1 below)	154,831,000	118,936,819
At the end of the year	**519,026,980**	**364,195,980**
Employee stock option outstanding account		
At the commencement of the year	4,000,000	-
Add: Employee compensation expense during the year (refer note 32.5)	20,177,450	4,000,000
At the end of the year	**24,177,450**	**4,000,000**
Capital redemption reserve		
At the commencement of the year	-	-
Add: Transfer from profit and loss (Refer note 6.2 below)	900,000	-
At the end of the year	**900,000**	**-**
Surplus in the statement of profit and loss		
At the commencement of the year	1,462,462,189	969,445,112
Add: Profit for the year	862,530,948	637,696,425
Less: Transferred to Statutory Reserve	(154,831,000)	(118,936,819)
Less: Dividend on preference shares	(131,135)	(12,763,300)
Less: Dividend distribution tax	(161,446)	(3,238,594)
Less: Premium on preference shares	(6,384,000)	(9,740,635)
Less: Transfer to capital redemption reserve	(900,000)	-
At the end of the year	**2,162,585,556**	**1,462,462,189**
	5,270,914,048	**3,977,944,813**

6.1 As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of INR 154,831,000 (March 31, 2017: 118,936,819), out of the profit after tax for the year ended March 31, 2018 to Statutory Reserve.

6.2 Capital redemption reserve

	As at March 31, 2018
Issue of preference share capital during the period ended March 31, 2016	7,600,000
Less: Utilisation for redemption of preference share capital during the year ended March 31, 2017	(5,400,000)
Less: Utilisation for redemption of preference share capital during the year ended March 31, 2018	(3,100,000)
Amount transferred to capital redemption reserve	**900,000**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

7 Long-term borrowings

	Non-current portion		Current portion *	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Secured				
Redeemable non-convertible debentures:				
- 1,000 units (March 31, 2017: Nil units) of 9.88% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 27, 2020	1,000,000,000	-	-	-
- 1,000 units (March 31, 2017: 1,000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 27, 2019	1,000,000,000	1,000,000,000	-	-
- 750 units (March 31, 2017: 750 units) of 10.90% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 24, 2019	750,000,000	750,000,000	-	-
- 750 units (March 31, 2017: Nil units) of 9.69% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 2, 2019	750,000,000	-	-	-
- Nil units (March 31, 2017: 1,500 units) of 11.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 13, 2018	-	-	-	1,500,000,000
- Nil units (March 31, 2017: 1,000 units) of 10.10% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on April 20, 2020	-	1,000,000,000	-	-
- Nil units (March 31, 2017: 1,250 units) of 11.10% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 29, 2019	-	-	-	1,250,000,000
Term Loans from banks	5,639,604,603	5,223,762,679	6,706,140,384	3,460,251,608
Term Loans from others	554,440,321	440,909,089	1,570,120,170	295,170,909
	9,694,044,924	**8,414,671,768**	**8,276,260,554**	**6,505,422,517**
Unsecured				
Redeemable non-convertible debentures:				
- 2,500 units (March 31, 2017: 2,500 units) of 10.43% redeemable non-convertible debentures of INR 1,000,000 each, maturing on August 2, 2019	2,500,000,000	2,500,000,000	-	-
- 1,500 units (March 31, 2017: 1,500 units) of 14.50% redeemable non-convertible debentures of INR 50,000 each, maturing on December 18, 2018	-	30,000,000	30,000,000	22,500,000
Term Loans from banks	149,999,638	-	-	-
Term Loans from others	250,000,000	-	-	-
	2,899,999,638	**2,530,000,000**	**30,000,000**	**22,500,000**
	12,594,044,562	**10,944,671,768**	**8,306,260,554**	**6,527,922,517**

* included under other current liabilities (refer note 12)

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

Notes:

7.1 Terms of repayment of borrowings:

Particulars (tenure in years)	Range of rate of interest p.a. (%) as at March 31, 2018	Amount outstanding as at March 31, 2018	Amount outstanding as at March 31, 2017
Term loans from banks - secured			
- 2 years	8.9% to 10.85%	2,381,547,313	1,109,696,605
- 3 years	9.05% to 13.00%	8,428,483,387	6,788,603,402
- 4 years	9.15% to 10.75%	1,535,714,287	785,714,280
Term loans from others - secured			
- 2 years	8.90% to 9.50%	1,500,000,000	-
- 3 years	9.30% to 11.35%	624,560,491	736,079,998
Term loans from banks - unsecured			
- 6 years	10.25%	149,999,638	-
Term loans from others - unsecured			
- 6 years	10.25%	250,000,000	-
Redeemable non-convertible debentures - secured			
- 2 years	9.69% to 9.88%	1,750,000,000	-
- 3 years	9.60% to 10.90%	1,750,000,000	5,500,000,000
Redeemable non-convertible debentures - unsecured			
- 3 years	10.43%	2,500,000,000	2,500,000,000
- 5 years	14.50%	30,000,000	52,500,000

7.2 The Company has created a specific charge on its receivables under financing activities for its secured borrowings. The Company needs to maintain a security cover ranging from 1 to 1.2 times of the outstanding loan amount at any point of time.

7.3 Interest rates vary amongst the borrowings between fixed and floating rates and are payable on a monthly or quarterly or half yearly basis. The interest rates disclosed above represent the rates of interest as at March 31, 2018. The repayment of principal portion is either on a monthly or quarterly or half yearly basis.

7.4 During the year, the Company has not defaulted in the repayment of dues to its lenders/debenture holders.

8 Other non-current liabilities

	As at March 31, 2018	As at March 31, 2017
Collateral deposits from customers	7,823,230	31,715,420
Employee benefits payable	-	8,335,188
	7,823,230	**40,050,608**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

9 Provisions

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Contingent provision for standard assets	45,485,294	30,591,426	46,277,656	32,720,217
Provision for investments	19,445,388	26,416,636	411,021,202	237,691,005
Provision for guarantees	-	-	140,792,760	54,452,375
Provision for non-performing assets	-	-	17,238,243	7,930,777
Provision for taxation (net of advance tax)	-	-	3,321,157	-
Provision for gratuity (refer note 31)	27,216,896	14,552,884	1,342,245	1,296,301
Provision for compensated absences	9,044,356	7,217,746	1,080,292	1,099,976
Proposed preference dividend	-	-	-	661,785
	101,191,934	**78,778,692**	**621,073,555**	**335,852,436**

10 Short-term borrowings

	As at March 31, 2018	As at March 31, 2017
Secured		
Loans repayable on demand from banks		
- Working capital loan	1,649,999,524	920,900,000
- Cash credit	1,901,382,184	1,646,433,612
Unsecured		
Commercial paper	4,250,000,000	3,350,000,000
Less: unamortised discount on commercial paper	(122,509,104)	(94,228,053)
	7,678,872,604	**5,823,105,559**

Notes:

10.1 Terms of repayment of borrowings:

Particulars	Range of rate of interest p.a. (%) as at March 31, 2018	Tenure of the Loan	Amount outstanding as at March 31, 2018	Amount outstanding as at March 31, 2017
Working capital loan	8.50%- 9.35%	Repayable on demand	1,649,999,524	920,900,000
Cash credit from bank	9.00%- 10.20%	Repayable on demand	1,901,382,184	1,646,433,612
Commercial paper	7.90%- 9.20%	2 to 12 months	4,127,490,896	3,255,771,947

10.2 The Company has created a specific charge on its receivables under financing activities for its secured borrowings. The Company needs to maintain a security cover ranging from 1.1 to 1.33 times of the outstanding loan amount at any point of time.

10.3 Interest rates for working capital loan and cash credit facilities vary between fixed and floating rates and are payable on a monthly basis.

10.4 Discount rates for commercial papers are fixed and are repayable on maturity.

10.5 During the year, the Company has not defaulted in the repayment of dues to its lenders.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

11 Trade payables

	As at March 31, 2018	As at March 31, 2017
Trade payables	87,747,010	97,922,329
	87,747,010	**97,922,329**

12 Other current liabilities

	As at March 31, 2018	As at March 31, 2017
Current maturities of long term borrowings		
- from redeemable non-convertible debentures (refer note 7)	30,000,000	2,772,500,000
- from banks (refer note 7)	6,706,140,384	3,460,251,608
- from others (refer note 7)	1,570,120,170	295,170,909
Collateral deposits from customers	31,272,328	61,246,900
Interest accrued but not due		
- term loan from banks	38,667,258	51,688,682
- term loan from others	6,326,704	3,112,098
- non-convertible debentures	86,197,551	252,283,895
- working capital loan	2,620,302	100,000
- collateral deposits from customers	3,876,622	7,865,162
Employee benefits payable	168,364,657	78,227,062
Statutory dues payable	53,227,834	4,554,349
Remittances payable - derecognised assets	37,703,452	63,867,493
Accrued redemption premium on preference shares	16,124,633	9,740,635
Other liabilities	16,452,937	35,784,328
	8,767,094,832	**7,096,393,121**

Notes to the consolidated financial statements for the year ended March 31, 2018

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

13.1 Property plant and equipment

Particulars	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Gross block							
As at April 1, 2016	**290,437**	**193,148**	**8,406,068**	**938,094**	**6,609,723**	**1,676,066**	**18,113,536**
Additions	-	388,969	3,819,501	2,661,293	-	618,987	7,488,750
Disposals	-	-	407,174	-	-	-	407,174
As at March 31, 2017	**290,437**	**582,117**	**11,818,395**	**3,599,387**	**6,609,723**	**2,295,053**	**25,195,112**
Additions	-	40,500	4,342,086	1,015,578	-	-	5,398,164
Disposals	-	-	108,605	-	-	-	108,605
As at March 31, 2018	**290,437**	**622,617**	**16,051,876**	**4,614,965**	**6,609,723**	**2,295,053**	**30,484,671**
Accumulated depreciation							
As at April 1, 2016	**227,025**	**142,168**	**7,022,497**	**416,548**	**6,561,460**	**1,676,066**	**16,045,764**
Additions	34,437	267,119	3,868,908	1,929,674	28,958	146,959	6,276,055
On disposals	-	-	287,196	-	-	-	287,196
As at March 31, 2017	**261,462**	**409,287**	**10,604,209**	**2,346,222**	**6,590,418**	**1,823,025**	**22,034,623**
Additions	15,716	136,335	2,897,674	1,788,834	11,583	157,327	5,007,469
On disposals	-	-	106,796	-	-	-	106,796
As at March 31, 2018	**277,178**	**545,622**	**13,395,087**	**4,135,056**	**6,602,001**	**1,980,352**	**26,935,296**
Net block							
As at March 31, 2017	28,975	172,830	1,214,186	1,253,165	19,305	472,028	3,160,489
As at March 31, 2018	**13,259**	**76,995**	**2,656,789**	**479,909**	**7,722**	**314,701**	**3,549,375**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

13.2 Intangible fixed assets

Particulars	Softwares	Total
Gross block		
As at April 1, 2016	**23,862,271**	**23,862,271**
Additions	16,948,290	16,948,290
Disposals	-	-
As at March 31, 2017	**40,810,561**	**40,810,561**
Additions	14,132,806	14,132,806
Disposals	-	-
As at March 31, 2018	**54,943,367**	**54,943,367**
Accumulated amortisation		
As at April 1, 2016	**1,193,113**	**1,193,113**
Additions	5,831,722	5,831,722
On disposals	-	-
As at March 31, 2017	**7,024,835**	**7,024,835**
Additions	11,938,850	11,938,850
On disposals	-	-
As at March 31, 2018	**18,963,685**	**18,963,685**
Net block		
As at March 31, 2017	33,785,726	33,785,726
As at March 31, 2018	**35,979,682**	**35,979,682**

13.3 Intangible fixed assets under development

Particulars	Software under development	Total
As at April 1, 2016	8,061,371	8,061,371
Additions	10,656,183	10,656,183
Capitalized during the year	(16,948,290)	(16,948,290)
As at March 31, 2017	**1,769,264**	**1,769,264**
Additions	15,402,276	15,402,276
Capitalised during the year	(3,830,546)	(3,830,546)
As at March 31, 2018	**13,340,994**	**13,340,994**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

14 Deferred tax asset (net)

	As at March 31, 2018	As at March 31, 2017
Deferred tax liabilities		
Unamortised borrowing costs	15,418,832	11,884,268
Excess of depreciation/amortisation under income-tax law over depreciation/ amortisation over depreciation/amortisation provided in accounts	6,726,025	5,742,897
	22,144,857	**17,627,165**
Deferred tax assets		
Contingent provision for standard assets	11,443,481	6,235,571
Provision for investments	150,422,245	107,227,303
Provision for guarantees	49,198,624	3,019,429
Provision for non-performing assets	6,023,732	2,744,842
Provision for employee benefits	29,751,965	20,580,117
	246,840,047	**139,807,262**
Net deferred tax asset	**224,695,190**	**122,180,097**

15 Investments

(Valued at cost unless stated otherwise)

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Non-trade investments - unquoted:				
Investments in pass through certificates	1,014,711,577	1,560,158,981	2,426,502,751	2,617,766,667
Investments in alternative investment fund	2,349,930,948	1,220,696,409	-	-
Investment in mutual funds	-	-	7,700,000	-
Non-trade investments, quoted:				
Investment in debentures	3,846,657,905	5,044,000,000	675,606,060	778,000,000
Investment in commercial papers	-	-	-	280,000,000
	7,211,300,430	**7,824,855,390**	**3,109,808,811**	**3,675,766,667**
Aggregate book value and marked value (NAV) of quoted investments				
- Debentures	3,846,657,905	5,044,000,000	675,606,060	778,000,000
- Commercial papers	-	-	-	280,000,000
Aggregate book value of unquoted investments in				
- Pass through certificates	1,014,711,577	1,560,158,981	2,426,502,751	2,617,766,667
- Alternative investment fund	2,349,930,948	1,220,696,409	-	-
- Mutual funds	-	-	7,700,000	-

16 Receivables under financing activities

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Unsecured				
Considered good				
- Loans to others	2,850,337,972	1,185,107,373	1,961,512,754	2,067,087,061
	2,850,337,972	**1,185,107,373**	**1,961,512,754**	**2,067,087,061**
Secured				
Considered good				
- Loans to related parties	11,655,505	66,130,476	25,229,884	86,182,779
- Loans to others	8,347,574,288	6,396,618,679	9,627,929,908	6,026,784,440
Non-performing assets				
- Loans to others	-	-	45,160,670	7,930,777
	8,359,229,793	**6,462,749,155**	**9,698,320,462**	**6,120,897,996**
	11,209,567,765	**7,647,856,528**	**11,659,833,216**	**8,187,985,057**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

17 Loans and advances

	Long-term		Short-term	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good				
Advance income tax (net of provision for tax)	57,328,160	30,523,983	-	-
Unamortised borrowing costs	23,061,851	16,615,426	45,015,607	24,419,625
Prepaid expenses	-	-	1,801,669	3,211,272
Security deposits	150,000	-	18,544,797	18,429,297
Advances to employees	-	-	1,383,509	986,364
Balances with government authorities	-	-	18,322,513	4,231,761
Receivable from other financial services	-	-	291,363,855	98,241,632
MAT Credit entitlement	2,836,446	-	-	-
Others	3,798,783	-	23,476,403	41,821,015
	87,175,240	**47,139,409**	**399,908,353**	**191,340,966**

18 Other non-current assets

	As at March 31, 2018	As at March 31, 2017
Fixed deposits with banks	7,823,230	31,715,420
Interest accrued but not due on fixed deposits	544,991	1,416,615
Accrued income on investments in pass through certificates	9,268,810	63,634,732
	17,637,031	**96,766,767**

19 Cash and bank balances

	As at March 31, 2018	As at March 31, 2017
Cash and cash equivalents		
Balance with banks		
- in current accounts	1,457,973,357	1,198,197,489
- in deposit accounts free of lien (with original maturity of less than 3 months)	350,000,000	-
	1,807,973,357	**1,198,197,489**
Other bank balances		
Balances with banks		
- In deposit accounts	122,574,147	64,488,982
	1,930,547,504	**1,262,686,471**
Note:		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	1,807,973,357	1,198,197,489
Deposit due to mature within 12 months of reporting date included under "Other bank balances"	122,574,147	64,488,982
Deposits due to mature after 12 months of the reporting date included under "other non-current assets" (refer note 18)	7,823,230	31,715,420

20 Other current assets

	As at March 31, 2018	As at March 31, 2017
Interest accrued but not due on		
- receivables under financing activities	166,110,119	52,245,596
- fixed deposits with banks	3,347,715	6,297,965
Accrued income on investments in pass through certificates	22,164,715	218,233,211
Accrued income on investment in alternative investment fund	124,612,722	59,206,664
Other receivables	6,079,167	-
Unbilled revenue	18,934,967	-
	341,249,405	**335,983,436**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

21 Revenue from operations

	Year ended March 31, 2018	Year ended March 31, 2017
Interest income from financing activities	2,623,381,184	1,916,618,964
Income from investment in pass through certificates	405,305,574	476,166,880
Income from guarantee facility	62,318,372	38,257,915
Income from other financial services		
- Processing fee	192,608,991	126,974,500
- Professional fee	372,059,351	487,476,078
- Arranger fee for guarantee facility	55,837,500	25,855,000
- Advisory fees	29,644,042	11,875,000
Investment management fees	106,106,634	59,247,523
Upfront setup fees	2,713,151	5,431,341
Income from investment in commercial paper	18,250,836	6,852,840
Interest income from banks on collateral deposits from customers	4,995,369	13,498,528
Interest income from investment in non-convertible debentures	582,035,493	307,512,069
Income on investment in Alternative Investment Fund	249,379,925	128,844,073
Profit on sale of investments	22,692,174	65,538,049
Other operating income	836,848	-
	4,728,165,444	**3,670,148,760**

22 Other income

	Year ended March 31, 2018	Year ended March 31, 2017
Interest income from banks on deposits	1,316,071	5,730,633
Profit on sale of mutual fund investments	26,871,628	25,566,949
Other non operating income	-	26,473
	28,187,699	**31,324,055**

23 Finance costs

	Year ended March 31, 2018	Year ended March 31, 2017
Interest expenses on		
- term loans from banks	1,267,613,658	782,881,401
- non-convertible debentures	604,512,083	638,217,957
- cash credits and overdraft	113,540,312	69,142,695
- others	4,995,369	14,917,822
Amortisation of discount on commercial papers	269,766,544	219,959,140
Amortisation of ancillary costs relating to borrowings	36,026,777	38,022,921
	2,296,454,743	**1,763,141,936**

24 Employee benefits

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries, wages and bonus	413,795,654	308,621,616
Contribution to provident fund (refer note 31)	16,384,012	12,103,511
Stock based compensation expense (refer note 32)	20,177,450	4,000,000
Expenses related to post-employment defined benefit plans (refer note 31)	17,888,701	6,311,836
Staff welfare expenses	14,096,171	14,724,650
	482,341,988	**345,761,613**

25 Depreciation and amortisation

	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation of property, plant and equipment (refer note 13.1)	5,007,469	6,276,055
Amortisation of intangible fixed assets (refer note 13.2)	11,938,850	5,831,722
	16,946,319	**12,107,777**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

26 Provision and loan losses

	Year ended March 31, 2018	Year ended March 31, 2017
Contingent provision for standard assets	28,451,307	26,154,571
Provision for non-performing assets	9,307,466	7,930,777
Provision for investments	166,358,949	252,041,788
Provision for guarantees	86,340,385	51,309,573
	290,458,107	**337,436,709**

27 Other expenses

	Year ended March 31, 2018	Year ended March 31, 2017
Rent	61,522,982	33,373,144
Rates and taxes	2,617,555	7,943,392
Travelling and conveyance	48,885,761	48,900,769
Legal and professional charges	191,241,516	131,289,512
Auditors' remuneration	4,611,534	4,796,330
Directors' sitting fees	1,392,108	353,286
Repairs and maintenance - others	10,090,587	4,981,538
Communication expenses	5,537,043	5,093,884
Printing and stationery	1,448,185	942,257
Subscription charges	5,096,990	4,525,823
Setup Cost - Fund	-	7,354,341
Advertisement and business promotion	19,327,177	4,080,086
Corporate social responsibility expenditure	15,249,616	9,733,642
Bank charges	1,684,921	1,427,282
Miscellaneous expenses	5,659,187	10,173,601
	374,365,162	**274,968,887**

28 Commitments

	Year ended March 31, 2018	Year ended March 31, 2017
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	9,733,462	1,184,624
Undrawn committed sanctions to borrowers	6,725,730,822	1,635,000,000

29 Contingent liabilities

	Year ended March 31, 2018	Year ended March 31, 2017
Claims against the group not acknowledged as debt		
- Service tax related matters	-	853,816
- Income tax related matters	59,525,382	59,546,092
Guarantees outstanding	2,191,540,197	928,753,593

30 Derivatives

	Year ended March 31, 2018	Year ended March 31, 2017
i. Outstanding derivatives: (notional principal amount)		
- for hedging (currency & interest rate derivatives)	404,405	2,106,985
ii. Marked to market positions – asset	656,250,000	1,070,900,000

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

31 Employee benefits

Defined contribution plans

The group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The group's contribution is recognized as an expenses in the statement of profit and loss during the period in which the employee renders the related service. The amount recognised as an expense towards contribution to provident fund for the year aggregated to INR 16,383,712 (March 31, 2017: INR 12,103,511).

Defined contribution plans

The group's gratuity benefit scheme is a defined plan. The group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the group's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

		March 31, 2018	March 31, 2017
A	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	15,849,185	10,944,355
	Current service cost	3,902,960	2,729,025
	Interest cost	940,256	797,328
	Past service cost	9,286,709	-
	Benefits settled	(5,178,745)	(1,407,006)
	Actuarial loss	3,758,776	2,785,483
	Present value of obligations at the end of the year	**28,559,141**	**15,849,185**
B	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial gains/(loss)	-	-
	Employer contributions	-	-
	Benefits settled	-	-
	Fair value of plan assets at the end of the year	**-**	**-**
C	**Actual Return on plan assets**		
	Expected return on plan assets	-	-
	Actuarial gains/(loss) on plan assets	-	-
	Actual return on plan assets	**-**	**-**
D	**Reconciliation of present value of the obligation and the fair value of the plan assets**		
	Change in projected benefit obligation		
	Present value of obligations at the end of the year	28,559,141	15,849,185
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**28,559,141**	**15,849,185**
	The liability in respect of the gratuity plan comprises of the following non-current and current portions:		
	Current	1,342,245	1,296,301
	Non-current	27,216,896	14,552,884
		28,559,141	**15,849,185**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

31 Employee benefits (continued)

		Year ended March 31, 2018	Year ended March 31, 2017
E	**Expense recognised in statement of profit and loss**		
	Current service cost	3,902,960	2,729,025
	Interest on obligation	940,256	797,328
	Past service cost	9,286,709	-
	Expected return on plan assets	-	-
	Net actuarial loss recognised in the year	3,758,776	2,785,483
	Total included in 'employee benefits'	**17,888,701**	**6,311,836**
F	**Assumptions at balance sheet date**		
	Discount rate	7.55% to 7.70%	6.60% to 7.10%
	Salary escalation	10% to 12%	12% to 15%
	Mortality rate	Indian Assured Lives (2006 -08)	Indian Assured Lives (2006 -08)
	Attrition rate	10% to 12%	12.50% to 30%

Notes:

a) The estimates in future salary increases, considered in actuarial valuation, takes account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employee market.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

Five year information

Amounts for the current and previous four years are as follows:

	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Present Value of benefit obligations	28,559,141	15,849,185	10,944,355	8,852,950	5,911,466
Fair value of plan assets	-	-	-	-	-
(Surplus)/deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain)/loss	3,758,776	2,785,483	178,131	1,532,784	562,707
Experience adjustments arising on plan assets - gain/(loss)	-	-	-	-	-

32 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on May 11, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016.

32.1 IFMR Capital Employee Stock Option Plan 2016 – ("Scheme 1")

The IFMR Capital Employee Stock Option Plan 2016 is applicable to all employees.

The options were issued on 1 March 2017, and will be exercised at INR 10. The options are vested equally over a period of 4 years.

IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") ("Scheme 2")

The IFMR Capital Employee Stock Option Plan 2016 is applicable to all employees.

The options were issued in four batches. The first and second batch will be exercised at INR 110, third and fourth batch will be exercised at INR 121. The options are vested equally over a period of 5 years.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

32 Employee stock option plan (ESOP) (continued)

32.2 Options outstanding under Scheme 1 and Scheme 2

As at March 31, 2018, the outstanding options under Scheme 1 and Scheme 2 and are as follows:

Plan	Grant date	Number of options	Exercise price in INR	Vesting period	Vesting condition
Scheme 1	1-Mar-17	421,371	10.00	1 to 4 years	Time and performance based vesting
Scheme 2 - Batch 1	17-May-17	2,372,500	110.00	1 to 5 years	Time and performance based vesting
Scheme 2 - Batch 2	17-Jul-17	315,000	110.00	1 to 5 years	Time and performance based vesting
Scheme 2 - Batch 3	17-Nov-17	850,000	121.00	1 to 5 years	Time and performance based vesting
Scheme 2 - Batch 4	18-Feb-18	465,000	121.00	1 to 5 years	Time and performance based vesting
		4,423,871			

As at March 31, 2017, the outstanding options under Scheme 1 are as follows:

Plan	Grant date	Number of options	Exercise price in INR	Vesting period	Vesting condition
Scheme 1	1-Mar-17	721,371	10.00	1 to 4 years	Time and performance based vesting
		721,371			

32.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	Number of options	
	March 31, 2018	March 31, 2018
Outstanding at beginning of year	721,371	-
Forfeited during the year	300,000	-
Exercised during the year	-	-
Granted during the year	4,002,500	721,371
Outstanding as at end of year	**4,423,871**	**721,371**
Vested and exercisable as at end of year	**421,371**	**721,371**

32.4 Fair value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black Scholes model. The shares of the group are not listed on any stock exchange. Accordingly, the group has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the group are as follows:

	As at March 31, 2018	As at March 31, 2017
Fair value of options at grant date	103.05	103.05
Expected volatility	0%	0%
Option term	1 to 5 years	1 to 5 years
Expected dividends	0%	0%
Risk free interest rate	7.20%	7.80%

NORTHERN ARC CAPITAL LIMITED
(Formerly IFMR Capital Finance Limited)
Notes to the consolidated financial statements for the year ended March 31, 2018
(All amounts are in Indian Rupees, except share data and stated otherwise)

32 Employee stock option plan (ESOP) (continued)

32.5 Impact of fair value method on net profit and EPS

Had compensation cost for the group's stock option plans outstanding been determined based on the fair value approach, the group's net profit and earnings per share would have been as per the pro forma amounts indicated below:

	Year ended 31 March 2018	Year ended 31 March 2017
Profit attributable to equity share holders	862,530,948	611,953,896
Stock based compensation expenses determined under intrinsic value based method	20,177,450	4,000,000
Stock based compensation expenses determined under fair value based method	(48,840,036)	(8,052,199)
Profit/Loss for the year (pro forma)	833,868,362	607,901,697
Earnings per share (Basic)		
- Basic - in INR (reported)	11.01	7.81
- Basic - in INR (pro forma)	10.64	7.76
- Diluted - in INR (reported)	9.29	7.31
- Diluted - in INR (pro forma)	8.98	7.26

33 Related party disclosures

Related party relationships and transactions are as identified by the management.

(i) Controlling entity	Dvara Trust (formerly IFMR Trust) represented by Dvara Trusteeship Services Private Limited (formerly IFMR Trusteeship Services Private Limited)
(ii) Holding Company	IFMR Holdings Private Limited
(iii) Fellow subsidiaries	Pudhuaaru Financial Services Private Limited IFMR Mezzanine Finance Private Limited till December 21, 2017
(iv) Funds managed	IFMR Fimpact Investment fund (IFMR Finance for Freedom Social Venture Fund) IFMR Fimpact Long Term Multi Asset Class Fund (IFMR Finance for Freedom Fund) IFMR Fimpact Medium Term Microfinance Fund (IFMR Finance for Freedom Fund II) IFMR Fimpact Long Term Credit Fund (IFMR Finance for Freedom Fund III) IFMR Fimpact Medium Term Opportunities Fund (IFMR Finance for Freedom Fund IV) IFMR Fimpact Income Builder Fund (IFMR Finance for Freedom Fund V) from January 18, 2018
(v) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Managing Director Mr. Vineet Sukumar, Chief Financial Officer upto June 1, 2017 Ms. Bama Balakrishnan, Chief Financial Officer from June 3, 2017 Ms. R. Srividhya, Company Secretary Mr. Ravi Vukkadala - Chief executive Officer of Northern Arc Investment Managers Private Limited from October 26, 2017

A. Transactions during the Year:

Particulars	March 31, 2018	March 31, 2017
Dvara Trust		
Reimbursement of expenses	35,246,945	16,702,843
Reimbursement of income	-	1,369,142

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

33 Related party disclosures (continued)

	March 31, 2018	March 31, 2017
IFMR Holdings Private Limited		
Reimbursement of expenses	-	2,674,151
Reimbursement of income	1,050,225	-
Purchase of ERP	5,178,688	-
Preference dividend	-	316,274
Redemption of preference share capital	-	1,000,000
Pudhuaaru Financial Services Private Limited		
Interest paid on fixed deposits	-	551,759
Interest income	23,003,916	19,116,149
Fee received	24,885,807	32,330,485
Loan given	250,000,000	177,500,000
Loan repaid	365,427,871	158,094,675
Fixed deposit redeemed	-	11,210,735
Guarantees	250,000,000	28,551,196
IFMR Mezzanine Finance Private Limited		
Preference dividend	792,920	934,416
Redemption of preference share capital	3,100,000	4,400,000
IFMR Fimpact Investment fund		
Reimbursement of expenses	424,255	250,000
Management Fees	8,457,499	8,457,502
Gain on investment	9,400,777	9,480,934
IFMR Fimpact Long Term Multi Asset Class Fund		
Reimbursement of expenses	876,772	541,666
Management Fees	57,973,500	45,454,006
Gain on investment	14,694,232	14,649,770
IFMR Fimpact Medium Term Microfinance Fund		
Fund setup cost	-	1,666,656
Reimbursement of expenses	228,972	139,019
Management Fees	9,888,000	4,894,400
Gain on investment	3,830,469	2,891,222
Investment in Class A units	25,000,000	25,000,000
IFMR Fimpact Long Term Credit Fund		
Fund setup cost	-	2,735,781
Reimbursement of expenses	350,000	98,218
Management Fees	16,487,137	423,122
Gain on investment	7,482,057	383,248
Investment in Class A units	50,000,000	50,000,000
IFMR Fimpact Medium Term Opportunities Fund		
Fund setup cost	206,000	-
Reimbursement of expenses	3,601,000	-
Management Fees	12,192,519	18,493
Gain on investment	6,796,030	-
Investment in Class A units	50,000,000	50,000,000
Ms. Kshama Fernandes		
Remuneration and other benefits *	20,746,049	20,263,344
Employee stock option (in units)	510,000	156,371

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

33 Related party disclosures (continued)

	March 31, 2018	March 31, 2017
Mr. Vineet Sukumar		
Remuneration and other benefits *	5,596,326	17,285,660
Employee stock option (in units)	-	130,000
IFMR Fimpact Income Builder Fund		
Fund setup cost	3,297,500	-
Reimbursement of expenses	3,322,500	-
Management Fees	1,107,980	-
Gain on investment	340,074	-
Ms. Bama Balakrishnan		
Remuneration and other benefits *	19,772,303	-
Employee stock option (in units)	400,000	100,000
Ms. R. Srividhya		
Remuneration *	2,635,000	2,075,000
Mr. Ravi Vukkadala		
Remuneration *	5,313,720	-

* Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

B. Balances as at year end:

	As at March 31, 2018	As at March 31, 2017
Dvara Trust		
Trade payable	4,259,663	531,568
IFMR Holdings Private Limited		
Trade payable	-	543,896
Pudhuaaru Financial Services Private Limited		
Receivable under financing activities	36,885,388	152,313,255
Interest accrued but not due on fixed deposits	-	32,796
Interest accrued but not due on loan	293,062	775,626
Fee income accrued	5,162,506	8,092,132
Guarantees	49,879,640	34,801,196
IFMR Mezzanine Finance Private Limited		
Preference share capital	-	3,100,000
IFMR Fimpact Investment fund		
Trade receivable	-	2,398,223
Other receivables	313,000	-
IFMR Fimpact Long Term Multi Asset Class Fund		
Trade receivable	-	16,098,087
Other receivables	660,166	-
IFMR Fimpact Medium Term Microfinance Fund		
Trade receivable	-	2,496,779
Other receivables	138,834	-

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

33 Related party disclosures (continued)

	As at March 31, 2018	As at March 31, 2017
IFMR Fimpact Long Term Credit Fund		
Trade receivable	-	486,591
Other receivables	431,000	3,259,100
IFMR Fimpact Medium Term Opportunities Fund		
Trade receivable	-	18,493
Other receivables	611,117	-
IFMR Fimpact Income Builder Fund		
Investment in class A Units	39,000,000	50,000,000
Trade receivable	-	18,493
Other receivables	3,925,050	-
Ms. Kshama Fernandes		
Security Deposit	200,000	200,000
Amount payable	-	24,341,920
Employee stock option (in units)	666,371	156,371
Mr. Vineet Sukumar		
Amount payable	-	19,859,800
Employee stock option (in units)	-	130,000
Ms. Bama Balakrishnan		
Employee stock option (in units)	500,000	100,000

34 Operating leases

The Company has cancellable operating lease agreements for office space, which can be terminated by either parties after giving the notice. For the year ended March 31, 2018, an amount of INR 61,522,982 (March 31, 2017: INR 33,373,144) was recorded as expenses towards lease rentals in the statement of profit and loss.

35 Provision movement

	At the commencement of the year	Add: Charge for the year/ period (net of reversal)	Less: Utilised/ paid during the year/ period	At the end of the year
For the year ended 31 March 2018				
Contingent provision for standard assets	63,311,643	28,451,307	-	91,762,950
Provision for investments	264,107,641	166,358,949	-	430,466,590
Provision for guarantees	54,452,375	86,340,385	-	140,792,760
Provision for non-performing assets	7,930,777	9,307,466	-	17,238,243
Provision for preference dividend	661,785	-	(661,785)	-
	390,464,221	**290,458,107**	**(661,785)**	**680,260,543**
For the year ended 31 March 2017				
Contingent provision for standard assets	37,157,072	26,154,571	-	63,311,643
Provision for investments	12,065,853	252,041,788	-	264,107,641
Provision for guarantees	3,142,802	51,309,573	-	54,452,375
Provision for non-performing assets	-	7,930,777	-	7,930,777
Provision for preference dividend	-	661,785	-	661,785
	52,365,727	338,098,494	-	**390,464,221**

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

36 Earnings per share ('EPS')

	March 31, 2018	March 31, 2017
Earnings		
Profit after tax	862,530,948	637,696,425
Less: Dividend on preference shares and tax thereon	-	(16,001,894)
Less: Premium on redemption of preference shares	-	(9,740,635)
Net profit attributable to equity shareholders for calculation of basic EPS	862,530,948	611,953,896
Add: ESOP Compensation expense	-	4,000,000
Net profit attributable to equity shareholders for calculation of diluted EPS	**862,530,948**	**615,953,896**
Shares		
Equity shares at the beginning of the year	78,365,673	78,365,473
Shares issued during the year	-	200
Total number of equity shares outstanding at the end of the year	78,365,673	78,365,673
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	78,365,673	78,365,549
Compulsory convertible preference share	14,207,457	5,262,558
Option granted	314,654	55,748
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	92,887,784	83,683,855
Face value per share	10.00	10.00
Earning per share		
Basic	11.01	7.81
Diluted	9.29	7.36

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

37 Segment reporting

The Group has classified the operations primarily into 3 segments Viz., Financing activity, Investment advisory services, Investment management services:

Particulars	Year ended	
	31 March 2018	31 March 2017
Segment Revenue		
Financing activity	4,561,728,426	3,572,906,991
Investment advisory services	29,644,042	12,894,760
Investment management services	152,200,263	92,058,038
Total	4,743,572,731	3,677,859,789
Less: Inter segment revenue	(15,407,287)	(7,711,029)
Revenue from operations	**4,728,165,444**	**3,670,148,760**
Segment Results (Profit before other income)		
Financing activity	1,152,199,545	874,583,480
Investment advisory services	25,930,753	10,652,410
Investment management services	89,468,827	51,495,945
Total	1,267,599,125	936,731,835
Add: Other income	28,187,699	31,324,055
Profit before tax	**1,295,786,824**	**968,055,890**
Segment Assets		
Financing activity	35,855,086,563	29,085,742,037
Investment advisory services	30,561,336	34,908,096
Investment management services	358,945,098	310,626,134
Unallocated	17,463,289	17,463,289
Total	**36,262,056,286**	**29,448,739,556**
Segment Liabilities		
Financing activity	29,797,686,476	24,403,861,061
Investment advisory services	8,380,010	2,820,724
Investment management services	51,781,242	13,192,728
Total	**29,857,847,728**	**24,419,874,513**
Capital Employed (Segment assets - Segment liabilities)	**6,404,208,558**	**5,028,865,043**

38 Disclosure of Specified Bank Notes ('SBN')

The disclosures regarding details of SBN held and transacted during the current year has not been made since the requirement does not pertain to financial year ended March 31, 2018. However, corresponding details of SBN for the period from November 8, 2016 to December 30, 2016 as appearing in the audited financial statements for the year ended March 31, 2017 have been disclosed below.

During the previous year ended March 31, 2017, the group did not have specified bank notes or other denomination notes as defined in the MCA Notification G.S.R 308(E) dated March 31, 2017 on the details of SBN held and transacted during the period from November 8, 2016 to December 30, 2016. The denomination wise SBN and other notes as per the notification are given below:

Particulars	SBNs	Other denomination Notes	Total
Closing cash in hand as on November 8, 2016	-	-	-
Add: Permitted receipts	-	-	-
Less: Permitted payments	-	-	-
Less: Amount deposited in banks (net of withdrawal)	-	-	-
Closing cash in hand as on December 30, 2016	-	-	-

For the purpose of this clause, the term specified bank note shall have the same meaning provided in the notification of the Government of India, the Ministry of Finance - Department of Economic Affairs No. S.O.3407 (E), dated November 8, 2016.

NORTHERN ARC CAPITAL LIMITED

(Formerly IFMR Capital Finance Limited)

Notes to the consolidated financial statements for the year ended March 31, 2018

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

39 During the year, the Parent Company vide its board meeting dated December 18, 2017 had approved the Scheme of Arrangement (Demerger) & Amalgamation between the Parent 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.

As per the aforesaid Scheme, the relevant sequence of demerger and amalgamation proposed to be carried out are listed below:

- The aggregator business of IFMR Holdings Private Limited and the entire investments relating to the Parent Company held by of IFMR Holdings Private Limited to be transferred to Dvara Investments Private Limited
- Amalgamation of Dvara Investments Private Limited into the Parent Company

The appointed date under the aforesaid Scheme is March 31, 2017. The Group is in the process of obtaining necessary approvals from various statutory authorities and filling it with the Hon'ble National Company Law Tribunal (NCLT). Pending approval processes and filling with NCLT, no adjustment has been considered in the financial statements for the said Scheme.

40 Previous year figures have been re-grouped/re-classified wherever necessary to correspond with the current year's classification/disclosure.

Previous year figures has been audited by a firm other than B S R & Co LLP.

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

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Manoj Kumar Vijai
Partner
Membership No. 046882

Kshama Fernandes
Managing Director
DIN: 02539429

Bindu Ananth
Director
DIN: 02456029

R. Srividhya
Company Secretary

Bama Balakrishnan
Chief Financial Officer

Place: London
Date: May 11, 2018

Place: Chennai
Date: May 11, 2018

NORTHERN ARC

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