

PRESS RELEASE

Northern Arc structures and executes first PLI Investment by NABARD subsidiary NABSAMRUDDHI Finance

- NABSAMRUDDHI Finance through this Pool Loan Issuance Investment enabled debt for five leading NBFCs - Satya Microcapital, Sonata Microfinance, Kinara Capital, Ashv Finance and Berar Finance
- The capital raised by the NBFCs to be utilised to on-lend to under-banked households, small enterprises and purchasers of vehicles.
- Northern Arc acted as the guarantor in this transaction leading to 3 notch upgrade to “A-” category
- Till date, the firm has executed 35 Pooled Issuance transactions and has raised INR 2,500 crore for its clients through the product.

Chennai, October 12, 2020: Northern Arc Capital, India’s leading debt financier today announced that it has successfully structured and executed NABSAMRUDDHI Finance’s first Pooled Loan Issuance (PLI) worth INR 50 crore. NABSAMRUDDHI is a subsidiary of National Bank for Agriculture and Rural Development (NABARD), one of India’s leading development finance institutions. Through this PLI, NABSAMRUDDHI enabled debt for five leading NBFCs - Satya Microcapital, Sonata Microfinance, Kinara Capital, Ashv Finance (earlier known as Intellegrow) and Berar Finance who operate in microfinance, SME finance and Vehicle finance segments. Northern Arc acted as the guarantor in this transaction, leading to a 3-notch upgrade to “A-” category. The capital will be utilized by the five NBFCs to on-lend to under-banked households, small enterprises and purchasers of vehicles.

Shri P V S Suryakumar, Chairman, NABSAMRUDDHI Finance Limited, said “The transaction will provide five strong NBFCs across sectors much-needed capital to shore up their liquidity and increase fresh disbursements to lower income households and small businesses. It reflects NABSAMRUDDHI’s commitment to enable financing to last mile borrowers through the financial institutions that serve them best. The unique Pooled Loan Issuance structure, proposed and executed by Northern Arc, helps the investment meet NABSAMRUDDHI’s risk-return criteria.”

The PLI product developed and pioneered by Northern Arc pools together a set of loans by an investor to diverse entities. Till date, the firm has executed 35 Pooled Issuance transactions and has raised INR 2,500 crore for its clients through the product. These loans are partially guaranteed by Northern Arc. It leads to a sizable credit rating upgrade, thus enabling small and mid-sized lower rated institutions access investors that have strict credit rating thresholds. For the latest transaction, Northern Arc worked extensively with NABSAMRUDDHI during the exhaustive virtual due diligence of all 5 entities and the product structure designed to meet the risk and return requirements of the investor. The structure provides the investor substantial comfort as the guarantee covers the total exposure to the first defaulting entity.

Dr. Kshama Fernandes, MD & CEO of Northern Arc, said “We are pleased to partner with Nabsamruddhi on the closure of their first PLI transaction. The fundamental purpose of Northern Arc’s innovative and customized structured product solutions is to enable impact institutions like Nabsamruddhi take exposure to emerging NBFCs with strong business models and social goals. The structure reduces the inherent risk of the investment and is backed by Northern Arc’s underwriting and risk management.”

Northern Arc has played a critical role during these challenging times in helping small and mid-sized NBFCs and mid corporates raise much-needed liquidity from reputed development financial institutions from across the world across the world. Its ability to structure customized product solutions that cater to unique client and investor requirements has been a critical factor in the execution of these transactions. The firm has also been instrumental in syndicating funds from domestic financial institutions under various regulatory schemes like TLTRO, PCG etc. and other special liquidity and refinancing schemes.

About NABSAMRUDDHI Finance

NABSAMRUDDHI Finance Limited is a subsidiary of National Bank for Agriculture and Rural Development (NABARD) and counts Andhra Bank, Canara Bank, Government of Andhra Pradesh, Government of Telangana, Andhra Pradesh State Cooperative Bank, Telangana State Cooperative Apex Bank and a few Industrial Houses / individuals from the State as its shareholders.

The objective of NABSAMRUDDHI is to provide credit facilities to individuals and small businesses. This is intended for promotion, expansion, commercialization and modernization of enterprises and to help individuals engaged in non-farm activities including microfinance, MSME, housing, education, transport, etc.

About Northern Arc

Northern Arc Capital (formerly IFMR Capital Finance Limited) is a leading debt platform that addresses the credit requirements of the underbanked in India. These include financial institutions, mid-market enterprises, small businesses and individuals. Through its deep credit-insights, proprietary risk-models, structuring capability and an agile technology, Northern Arc offers suitable debt products that meet the requirements of borrowers and lenders.

Northern Arc acts as a critical bridge between emerging sectors and reputed investors, covering the entire gamut of credit opportunities through innovative products and structures. It has pioneered several innovative structures in the Indian market including the Multi-Originator Securitisation (Mosec™), the Covered Bond, the Pooled Loan/Bond Issuance and the Single Issuer Partially Credit Enhanced (SPiCE™) Bond.

Since inception, Northern Arc has enabled around USD 12 billion of financing and structured over 800 rated transactions for nearly 250 high quality partner institutions through 140 reputed domestic and global investors. Northern Arcs exposure is spread across 680 districts in 28 states and 6 union territories in India. It is currently instrumental in positively impacting the lives of nearly 60 million people in India. It is backed by marquee private equity players like Leapfrog, IIFL, Accion, Affirma Capital (erstwhile Standard Chartered Private Equity), Dvara Trust, Eight Roads and Sumitomo Mitsui Banking Corporation.