

Northern Arc Capital raises USD 25 Million through ECBs from Proparco

Chennai, August 08, 2022: Northern Arc Capital, one of India's diversified financial services platforms, today announced that it has successfully concluded a USD 25 Million External Commercial Borrowing transaction with Proparco. Proparco is the private sector financing subsidiary of Agence Française de Développement Group (AFD Group). The AFD Group is a public financial institution that is owned by the French Government and implements France's policy on international development and solidarity by supporting projects towards a fairer, more resilient world.

Northern Arc will use the proceeds to serve MSMEs and women entrepreneurs, especially amongst the next billion. The capital will be used to provide differentiated credit solutions to these customers both directly and through partners. The long tenor of the facility will provide Northern Arc the flexibility of serving these customers through a diverse set of solutions. The funding from Proparco will improve access to financing for around 21,000 micro-borrowers and MSMEs in India. It is estimated that the project will help the retention of 34,000 jobs.

Due to important impacts created among women entrepreneurs, the project qualifies for the 2X Challenge, a global gender finance initiative that Proparco has been contributing to since its launch in 2018. The Project also addresses 3 SDGs: SDG 8 (Decent Work and Economic Growth), SDG 5 (Gender Equality) and SDG 10 (Reduced Inequality).

Northern Arc serves these critical customer segments through its digital n-POS platform, which helps NBFCs, fintechs, digital lenders and investors co-lend to retail borrowers. The platform provides fully integrated systems for partners and investors, with real time KYC validation and instant disbursement features.

It also provides investors access to the NAC score, a credit score that is based on the assessment of a borrower's financial strength and propensity to repay, that has been developed by Northern Arc. The scoring uses AI and ML algorithms and delves on over 25 million data points accumulated by Northern Arc over its past decade of working with more than 250 partner institutions across the country. The n-POS platform also helps investors with periodic reporting and portfolio reconciliations. It has so far enabled over 7.5 million loans to borrowers across the country.

"We are very pleased to partner with an institution like Northern Arc which has been working for Financial Inclusion in India since more than a decade. The Company's mission to enable access to finance for the underbanked in an efficient, scalable and reliable way is in line with Proparco's Financial Inclusion strategy in India. Northern Arc's role as a bridge between originators serving financially excluded customer segments and debt capital market with the use of technology creates multiplier impacts." said Ms. Diane Jegam, Regional Director – South Asia, Proparco.

Commenting on the ECB Transaction, Ashish Mehrotra, MD & CEO of Northern Arc Capital said, "This transaction is proof of Northern Arc's ability to forge partnerships with and attract funding from reputed global DFIs. We are excited to partner with Proparco to cater to the diverse financial requirements of the next billion and emerging segments. The usage of proceeds will be towards enabling the next billion customers access financial services directly through digital channels as well as serving them through partnerships."

Over the last three years, Northern Arc has raised funds from a spectrum of reputed international investors including USDFC, ADB, FMO, Calvert Impact Capital and JICA.

About Northern Arc

Northern Arc is a diversified financial services platform that provides credit to MSMEs, households, financial institutions and emerging businesses. Through technology and data, it provides a diverse set of solutions to cater to the credit requirements of emerging segments and small businesses. Its business model is diversified across offerings, sectors, products, geographies, and borrower segments.

By leveraging its deep data insights & scorecards, Northern Arc has cumulatively raised over INR One Trillion in funds for its clients since inception of its platform in 2009. It is backed by marquee equity investors like Sumitomo Mitsui Banking Corporation (the world's fourteenth largest bank), LeapFrog, IIFL, Accion, Augusta Investments (known as Affirma Capital), Dvara Trust and Eight Roads (proprietary arm of Fidelity).

Along with its asset management subsidiary that manages seven AIFs, the company manages a total AUM of over INR 9,000 crore. It has disbursed a total of over 8 million loans to retail customers across individuals, households, and small businesses. Through the AltiFi platform, it offers fixed income investments to affluent and retail investors. Its exposure is spread across 657 districts in 28 states and 7 Union Territories in India.

Disclaimer:

Northern Arc Capital Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offering of its equity shares ("**Offer**") and has filed a Draft Red Herring Prospectus ("**DRHP**") with the Securities and Exchange Board of India ("**SEBI**"). The DRHP is available on the website of the SEBI at www.sebi.gov.in, the website of the National Stock Exchange of India Limited at www.nseindia.com and the website of the BSE Limited at www.bseindia.com and the respective websites of the book running lead managers to the Offer at www.axiscapital.co.in, www.credit-suisse.com, www.iiflcap.com and www.sbicaps.com. Investors should note that investment in equity shares involves a high degree of risk. For details, potential investors should refer to the RHP which may be filed with the Registrar of Companies in the future, including the section titled "Risk Factors". Potential investors should not rely on the DRHP filed with the SEBI in making any investment decision."

About Proparco

Proparco is the private sector financing arm of Agence Française de Développement Group (AFD Group). It has been promoting sustainable economic, social and environmental development for over 40 years. Proparco provides funding and support to both businesses and financial institutions in Africa, Asia, Latin America and the Middle-East. Its action focuses on the key development sectors: infrastructure, mainly for renewable energies, agribusiness, financial institutions, health and education.

Its operations aim to strengthen the contribution of private players to the achievement of the Sustainable Development Goals (SDGs) adopted by the international community in 2015. To this end,

Proparco finances companies whose activity contributes to creating jobs and decent incomes, providing essential goods and services and combating climate change. For a World in Common.

For further information: www.proparco.fr and [@Proparco](https://twitter.com/Proparco).