

**Independent Auditor’s Review Report on the Statement of unaudited Standalone Financial Results of Northern Arc Capital Limited for the quarter and nine-month period ended December 31, 2021, pursuant to Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended****Review Report to  
The Board of Directors  
Northern Arc Capital Limited**

1. We have reviewed the accompanying statement of unaudited standalone financial results of Northern Arc Capital Limited (the “Company”) for the quarter ended December 31, 2021 and nine-month period ended December 31, 2021 (the “Statement”) attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations”).
2. This Statement, which is the responsibility of the Company’s Management and approved by the Company’s Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) “Interim Financial Reporting” prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards (‘Ind AS’) specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. **Emphasis of Matter**

We draw attention to note 8 to the Statement, which describes the uncertainty continued to be caused by COVID-19 pandemic and related events which could impact the Company’s operations and financial metrics, including the management’s estimates of impairment of investments in financial instruments and loans to customers.

Our conclusion is not modified in respect of this matter.

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

Chartered Accountants


6. The figures for the corresponding quarter and nine-month period ended December 31, 2020, as reported in these unaudited standalone financial results have been approved by the Company's Board of Directors, but have not been subjected to a review.
7. The comparative financial information of the Company for the corresponding quarter ended September 30, 2021, included in these unaudited standalone financial results, were reviewed by the predecessor auditor and the financial information of the Company for the year ended March 31, 2021, were audited by the predecessor auditor who expressed an unmodified conclusion and unmodified opinion respectively on those financial information on November 9, 2021 and May 6, 2021 respectively.

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

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

BHARATH  
SRIDHARAN  
NALLAPPA

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SRIDHARAN NALLAPPA  
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**per Bharath N S**

Partner

Membership No.: 210934

UDIN: 22210934ABYZVJ7137

Place: Chennai

Date: February 14, 2022

Northern Arc Capital Limited  
CIN: U65910TN1989PLC017021

Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113  
Statement of Standalone unaudited financial results for the quarter and nine-month period ended 31 December 2021

(All amounts in Rupees Lakhs except otherwise specified)

Particulars	Quarter ended			Nine months ended		Year ended
	31 December 2021	30 September 2021	31 December 2020	31 December 2021	31 December 2020	31 March 2021
	(Unaudited)	(Unaudited)	(Refer note 3)	(Unaudited)	(Refer note 3)	(Audited)
<b>Revenue from operations</b>						
Interest income	20,777.94	17,954.06	13,806.23	55,737.04	41,724.65	55,578.63
Fees and commission income	1,031.19	1,285.44	1,224.64	3,466.47	2,830.21	5,228.91
Net gain on fair value changes	431.26	934.12	585.81	2,453.00	2,708.17	4,321.02
Net gain on derecognition of financial instruments	-	-	-	-	-	-
<b>Total revenue from operations</b>	<b>22,240.39</b>	<b>20,173.62</b>	<b>15,616.68</b>	<b>61,656.51</b>	<b>47,263.03</b>	<b>65,128.56</b>
Other income	97.29	80.07	44.96	461.29	132.31	291.63
<b>Total income</b>	<b>22,337.68</b>	<b>20,253.69</b>	<b>15,661.64</b>	<b>62,117.80</b>	<b>47,395.34</b>	<b>65,420.19</b>
<b>Expenses</b>						
Finance costs	11,012.87	9,388.89	7,890.84	29,885.18	23,676.33	32,296.76
Fees and commission expense	1,609.96	1,254.67	670.22	3,842.53	2,158.83	2,852.19
Impairment on financial instruments (refer note 8)	(20.19)	663.09	1,873.27	2,802.40	8,942.33	13,602.68
Employee benefits expenses	2,271.76	2,083.97	2,111.82	6,139.30	4,356.31	5,679.95
Depreciation and amortisation	237.60	206.29	220.48	594.91	500.28	673.83
Other expenses	1,497.62	940.71	869.51	2,983.30	1,884.08	2,681.56
<b>Total expenses</b>	<b>16,609.62</b>	<b>14,537.62</b>	<b>13,636.14</b>	<b>46,247.62</b>	<b>41,518.16</b>	<b>57,786.97</b>
<b>Profit before tax</b>	<b>5,728.06</b>	<b>5,716.07</b>	<b>2,025.50</b>	<b>15,870.18</b>	<b>5,877.18</b>	<b>7,633.22</b>
<b>Tax expense</b>						
Current tax	1,682.00	1,127.00	1,306.00	3,310.00	3,757.00	3,939.00
Deferred tax charge / (benefit)	(386.66)	387.31	(768.88)	759.99	(2,243.96)	(1,910.77)
	<b>1,295.34</b>	<b>1,514.31</b>	<b>537.12</b>	<b>4,069.99</b>	<b>1,513.04</b>	<b>2,028.23</b>
<b>Profit for the period / year</b>	<b>4,432.72</b>	<b>4,201.76</b>	<b>1,488.38</b>	<b>11,800.19</b>	<b>4,364.14</b>	<b>5,604.99</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of the defined benefit asset/ (liability)	(19.72)	28.86	-	(93.33)	(25.17)	12.38
Income tax relating to items that will not be reclassified to profit or loss	4.96	(7.26)	-	23.49	6.33	(3.12)
<b>Net other comprehensive income not to be reclassified subsequently to profit or loss</b>	<b>(14.76)</b>	<b>21.60</b>	<b>-</b>	<b>(69.84)</b>	<b>(18.84)</b>	<b>9.26</b>
<b>Items that will be reclassified subsequently to profit or loss</b>						
Fair valuation of financial instruments (net)	(1,173.31)	(0.17)	(1,634.34)	(1,861.58)	(857.55)	818.93
Income tax relating to items that will be reclassified to profit or loss	295.32	0.04	411.36	468.56	215.85	(206.12)
<b>Net other comprehensive income to be reclassified subsequently to profit or loss</b>	<b>(877.99)</b>	<b>(0.13)</b>	<b>(1,222.98)</b>	<b>(1,393.02)</b>	<b>(641.70)</b>	<b>612.81</b>
<b>Other comprehensive income for the period / year, (net of income tax)</b>	<b>(892.75)</b>	<b>21.47</b>	<b>(1,222.98)</b>	<b>(1,462.86)</b>	<b>(660.54)</b>	<b>622.07</b>
<b>Total comprehensive income for the period / year, net of income tax</b>	<b>3,539.97</b>	<b>4,223.23</b>	<b>265.40</b>	<b>10,337.33</b>	<b>3,703.60</b>	<b>6,227.06</b>
<b>Earnings per equity share of INR 10 each</b>						
Basic (in rupees)	5.00	4.77	1.70	13.37	4.99	6.40
Diluted (in rupees)	3.35	3.20	1.14	8.96	3.64	4.48
	Not annualised	Not annualised	Not annualised	Not annualised	Not annualised	Annualised

See accompanying notes to the unaudited standalone annual financial results

**Northern Arc Capital Limited**  
**CIN: U65910TN1989PLC017021**  
**Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113**

**Notes:**

- 1 Northern Arc Capital Limited (the "Company") is a Non-Deposit taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI), registered with the Reserve Bank of India (the "RBI").
- 2 In terms of Regulation 52 of the SEBI (Listing Obligation and Disclosure Requirements) 2015, this statement of Unaudited Standalone Financial Results for the quarter and nine-month period ended 31 December 2021 ("Unaudited Standalone Financial Results") of the Company have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meeting held on 14 February 2022. The Unaudited Standalone Financial Results have been subjected to a limited review by the statutory auditors of the Company.
- 3 The figures for the quarter and nine-month period ended 31 December 2020 have neither been reviewed nor audited by independent auditors. However, the management has taken necessary care and diligence to ensure that the financial results are fairly stated.
- 4 The Unaudited Standalone Financial Results have been prepared in accordance with Indian Accounting Standards ('Ind AS') 34 - "Interim Financial Reporting" as prescribed under section 133 of the Companies Act 2013 ('the Act') and in terms of with Regulation 52 of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations 2015.
- 5 The Company is primarily in the business of financing and accordingly there are no separate reportable segments in accordance with Ind AS 108 on "Operating Segments" in respect of the Company. The Company operates in a single geographical segment i.e India
- 6 The board of directors of the Company and its shareholder have approved a resolution towards raising of fresh equity shares and subsequent listing of equity shares through an Initial Public Offer ("IPO") and accordingly have initiated the IPO process and have filed the Draft Red Herring Prospectus with the Securities Exchange Board of India ("SEBI") on 15 July 2021.
- 7 During the nine-month period ended 31 December 2021, pursuant to Northern Arc Employee Stock Option Scheme, 2016 and Northern Arc Employee Stock Option Scheme, 2018, the Board of Directors allotted 910,663 (including 660,997 shares during the quarter ended 31 December 2021) fully paid-up equity shares of Rs 10 each at an aggregate premium of Rs 1456.40 Lakhs.
- 8 The impact of COVID-19 on the economy continues to be uncertain and the extent to which COVID-19 pandemic will impact the company's financial performance including the Company's estimate of impairment and fair valuation of financial instruments, are dependent on such future developments, the severity and duration of the pandemic, that are highly uncertain.

The company has used estimation of potential stress on probability of default and exposure at default in the aforesaid context of the pandemic to develop the estimates and assumptions to assess the impairment of financial instruments. Judgements are also used in determining the fair value of financial assets measured at fair value. As at December 31, 2021 the company holds an ECL provision of Rs 10,445.01 Lakhs which includes a management overlay of Rs 222.79 Lakhs towards covid related uncertainties based on management's best estimate. The impact assessment of COVID-19 is a continuing process. Given its uncertainty in nature and duration, this may have corresponding impact in the financial position and performance of the Company. The Company will continue to monitor any material changes to the future economic conditions.

- 9 During the quarter and nine-months period ended December 31, 2021 Company had restructured loans under the Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses. Such loans are measured and classified as per Ind-AS 109 in the financial results. Provision is also made on such loans as per ECL model followed by the Company, after considering regulatory provision requirements. Disclosure as per format prescribed under notification no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 for the quarter ended December 31, 2021 for restructured loans are given below:

Sl. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A	409	-	49
(B)	Number of accounts where resolution plan has been implemented under this window	400	-	38
(C)	Exposure to accounts mentioned at (B) before implementation of the plan	64.74	-	1,369.05
(D)	Of (C), aggregate amount of debt that was converted into other securities	-	-	-
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	-	-
(F)	Increase in provisions on account of the implementation of the resolution plan	0.39	-	13.15

- 10 All secured non-convertible debentures issued by the Company are secured by way of an exclusive first charge on book debts with security to the extent as stated in the information memorandum. Further, the Company has maintained asset cover as stated in the information memorandum which is sufficient to discharge the principal amount at all times for the non-convertible debt securities issued.

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- 11 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with current period presentation. The figures for the comparative period / year have been reviewed / audited by the predecessor statutory auditor (also refer note 3 above).
- 12 This Unaudited Standalone Financial Results is also available on the stock exchange websites [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) and on our website [www.northernarc.com](http://www.northernarc.com)

For and on behalf of the Board of Directors  
Northern Arc Capital Limited

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**Kshama Fernandes**  
Managing Director & CEO

Place: Mumbai  
Date: 14 February 2022