

Northern Arc Group enters into an agreement to acquire the microfinance business of S.M.I.L.E. Microfinance Limited to strengthen its retail finance business

- **The acquisition will help us target the next billion in the rural finance business, through a digital and data-led platform.**

February 24, 2022: The Northern Arc group, a financial services platform and one of India’s leading diversified NBFCs, today announced that it has entered into an agreement to acquire the microfinance business of S.M.I.L.E. Microfinance Limited through a slump sale. The transaction will involve the takeover of the microfinance portfolio of S.M.I.L.E., along with its extensive network of nearly 150 branches catering to over two hundred thousand customers. Around 850 employees of S.M.I.L.E. will move to the rolls of the Northern Arc group upon the consummation of the transaction. The acquisition is subject to the completion of a standard set of Conditions Precedent, that are typical in such transactions.

The acquisition will help the Northern Arc group quicken its go-to-market in the rural finance business, where it plans to target the next billion by offering small ticket loans through a digital platform. The new age business will adopt a data driven approach to underwrite loans and use predictive models to drive portfolio quality. Data-driven decisioning will be used to enable development of unique product offerings focusing on customer centricity.

Commenting on this landmark event, **Dr. Kshama Fernandes**, MD and CEO at Northern Arc said, “We look forward to the SMILE team becoming part of the Northern Arc group. The acquisition is a critical step in the strategic direction that we wish to pursue. We will leverage our existing capabilities across sector expertise, technology and data to build a high-quality business that focuses on customer centricity and best in-class processes. SMILE is one of the pioneers of the microfinance sector in south India and we intend to take advantage of their rural penetration and long-standing customer relationships to build and scale this business quickly.”

Commenting on this acquisition, **Jagadish Babu Ramadugu**, MD and CEO of Northern Arc’s retail rural finance subsidiary, said “The Northern Arc group’s aim is to offer small ticket loans through an efficient, agile and scalable digital platform to under-served rural and semi-urban areas of the country. We plan to build on the reach and capabilities of SMILE’s MFI business to build a high quality, high growth portfolio.”

Since 2009, the Northern Arc Group has enabled financing for Originator Partners who have impacted over 54 million lives across India, of which more than 42 million were women. As of March 31, 2021, through its Originator Partners, it has a credit exposure, directly or indirectly, spread across 657 districts in 28 states and seven union territories. The Northern Arc Group has recently entered the retail finance business through two segments – rural finance and secured MSME finance. This business will capitalize on Northern Arc’s capabilities across domain know-how, decade long underwriting track record, technology, data, and analytics. It will be based on a phygital model – sourcing and assessment will be largely driven through technology which will be substantively backed by physical collection presence and infrastructure.



About Northern Arc

Northern Arc Capital Limited is a platform in the financial services sector in India set up primarily with the mission of catering to the diverse credit requirements of under-served households and businesses. As a leading player among India's diversified NBFCs, its business model is diversified across offerings, sectors, products, geographies, and borrower segments. Its proprietary integrated technology system called Nimbus and its risk management framework enable it to offer a diversified product suite efficiently at scale.

Northern Arc has cumulatively raised over INR One Trillion in funds for its clients since the inception of its platform in 2009. Northern Arc's exposure is spread across 657 districts in 28 states and 7 Union Territories in India, as on March 31, 2021.

It is backed by marquee private equity players like LeapFrog, IIFL, Accion, Augusta Investments (known as Affirma Capital), Dvara Trust, Eight Roads and Sumitomo Mitsui Banking Corporation.

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."