

B S R & Co. LLP

Chartered Accountants

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Limited review report

To Board of Directors of 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 half year ended results for the period from 1 April 2020 to 30 September 2020 (“the Statement”).
2. This Statement, which is the responsibility of the Company’s management and has been approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard (“Ind AS”) 34 “Interim Financial Reporting”, prescribed under Section 133 of the Companies Act, 2013 (“Act”), and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”). Our responsibility is to issue a report 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 is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and 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 applicable Indian accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 52 of the Listing Regulations including the manner in which it is to be disclosed, or that it contains any material misstatement.

B S R & Co LLP

Limited review report

Northern Arc Capital Limited

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5. As described in Note 5 to the Statement, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at 30 September 2020 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

The extent to which the COVID - 19 pandemic will impact the Company's financial position and performance including the Company's estimates of impairment of loans and fair valuation of investments, are dependent on future developments which are highly uncertain.

Our conclusion is not modified in respect of this matter.

for **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

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S Sethuraman

Partner

Membership No: 203491

UDIN: 20203491AAAAEQ1555

Place : Chennai

Date : 9 November 2020

Northern Arc Capital Limited
CIN: U65910TN1989PLC017021
Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113
Statement of unaudited standalone assets and liabilities as at 30 September 2020

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

Particulars	As at	As at
	30 September 2020	31 March 2020
	(Unaudited)	(Audited)
ASSETS		
Financial assets		
Cash and cash equivalents	29,517.09	32,485.12
Bank balances other than cash and cash equivalents	10,733.88	7,720.21
Trade receivables	902.23	821.57
Loans	280,491.75	294,597.06
Investments	123,865.84	104,828.13
Other financial assets	760.57	1,173.42
	446,271.36	441,625.51
Non-financial assets		
Current tax assets (net)	2,445.56	3,662.18
Deferred tax assets (net)	1,646.25	360.35
Property, plant and equipment	157.15	178.19
Right of use asset	1,184.58	1,324.14
Intangible assets	727.99	831.54
Intangible assets under development	299.76	94.94
Other non-financial assets	211.01	244.11
	6,672.30	6,695.45
TOTAL ASSETS	452,943.66	448,320.96
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities		
Trade payables		
-total outstanding dues of micro and small enterprises	-	-
-total outstanding dues of creditors other than micro and small enterprises	1,737.57	793.17
Debt securities	122,591.95	86,020.70
Borrowings (other than debt securities)	168,950.93	206,087.40
Other financial liabilities	3,526.43	4,683.04
	296,806.88	297,584.31
Non-financial liabilities		
Provisions	2,914.73	1,327.09
Other non-financial liabilities	168.87	127.68
	3,083.60	1,454.77
EQUITY		
Equity share capital	8,747.79	8,747.79
Other equity	144,305.39	140,534.09
	153,053.18	149,281.88
TOTAL LIABILITIES AND EQUITY	452,943.66	448,320.96

See accompanying notes to the unaudited standalone financial results

Northern Arc Capital Limited
CIN: U65910TN1989PLC017021
Regd. Office: IITM Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai - 600 113
Statement of unaudited standalone financial results for the half year ended 30 September 2020

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

Particulars	Half year ended 30 September 2020	Half year ended 30 September 2019	Year ended 31 March 2020
	(Unaudited)	(Unaudited)	(Audited)
Revenue from operations			
Interest income	27,918.42	26,554.91	52,986.97
Fees and commission income	1,605.57	2,047.80	5,060.12
Net gain on fair value changes	2,122.36	(263.60)	1,341.94
Net gain on derecognition of financial instruments	-	-	489.38
Total revenue from operations	31,646.35	28,339.11	59,878.41
Other income	87.35	54.29	186.49
Total income	31,733.70	28,393.40	60,064.90
Expenses			
Finance costs	15,785.49	15,461.75	30,920.50
Fees and commission expense	1,488.61	1,151.81	2,289.11
Impairment on financial instruments (refer note 5)	7,069.06	(1,009.13)	3,523.08
Employee benefits expenses	2,244.48	3,514.02	6,047.37
Depreciation and amortisation	279.80	286.89	671.62
Other expenses	1,014.57	1,779.91	3,549.39
Total expenses	27,882.01	21,185.25	47,001.07
Profit before tax	3,851.69	7,208.15	13,063.83
Tax expense			
Current tax	2,451.00	2,190.01	3,370.00
Deferred tax charge / (benefit)	(1,475.08)	549.19	731.90
Profit for the period / year	2,875.77	4,468.95	8,961.93
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit asset/ (liability)	(25.17)	(137.61)	54.48
Income tax relating to items that will not be reclassified to profit or loss	6.34	34.64	(13.71)
Net other comprehensive income not to be reclassified subsequently to profit or loss	(18.83)	(102.97)	40.77
Items that will be reclassified subsequently to profit or loss			
Fair valuation of financial instruments	776.79	(0.53)	(224.94)
Income tax relating to items that will be reclassified to profit or loss	(195.52)	449.74	506.27
Net other comprehensive income to be reclassified subsequently to profit or loss	581.27	449.21	281.33
Other comprehensive income for the period / year, net of income tax	562.44	346.24	322.10
Total comprehensive income, net of income tax	3,438.21	4,815.19	9,284.03
Earnings per equity share			
Basic (in rupees)	3.29	5.46	10.67
Diluted (in rupees)	2.46	4.11	7.55
Face value per share	10.00	10.00	10.00
	(Not Annualised)	(Not Annualised)	(Annualised)

See accompanying notes to the unaudited standalone financial results

Notes:

- 1 Northern Arc Capital Limited ("the Company") is a Systemically important and non deposit taking Non-Banking Finance Company registered with the Reserve Bank of India ("the RBI").
- 2 The unaudited standalone financial results for the half year ended 30 September 2020 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meetings held on 9 November 2020. The auditors have issued an unmodified review report.
- 3 These unaudited standalone financial results have been prepared in accordance with recognition and measurement principles laid down in accordance with the Indian Accounting Standard ('Ind AS') 34 - "Interim Financial Reporting" as prescribed under Section 133 of the Companies Act, 2013 ('The Act'), and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations 2015.
- 4 There are no separate reportable segments in accordance with Ind AS 108 on "Operating Segments" in respect of the Company.
- 5 The impact of COVID-19 on the economy continues to be uncertain and would be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent of impact of the COVID - 19 pandemic will impact the Company's financial position and performance including the Company's estimates of impairment of loans and fair valuation of investments, are dependent on future developments which are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated 27 March 2020, 17 April 2020 and 23 May 2020 relating to 'COVID-19 –Regulatory Package', the Company has granted moratorium on payment of installments falling due between 1 March 2020 and 31 August 2020 on a case to case basis to eligible borrowers. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109 - Financial Instruments. The Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria. Accordingly, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at 30 September 2020 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

In addition to the indicators available during the moratorium period, the Company has also used potential stress on probability of default and exposure at default on the expected credit losses and accordingly recognized an expected credit loss (including write off) of INR 7,069.06 lakhs during the period. The Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of standalone financial results including financial resources, profitability and liquidity position. The Company will continue to monitor any material changes to the future economic conditions.

- 6 Other Equity include Statutory Reserves as per Section 45IC of Reserve Bank of India Act 1934, balance in Securities Premium, Capital Redemption Reserve, Capital Reserve, Share application money pending allotment, Employee Stock Option Plan Reserve and retained earnings.
- 7 In view of the Supreme Court interim order dated 3 September 2020, no additional borrower accounts have been classified as impaired (non-performing assets) which were not declared as non-performing till 31 August 2020 to the extent applicable. However, the Company has made the provision on such borrower accounts, as per the requirement of Ind AS.
- 8 In terms of the requirement as per RBI notification no. RBI/ 2019/170 DOR (NBFC) CC PD No. 109/22 10.106/2019-20 dated 13 March 2020 on implementation of Indian Accounting Standards. Non Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and income recognition asset classification and provisioning (IRACP) norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including provision on standard assets) as at 30 September 2020 and accordingly, no amount is required to be transferred to impairment reserve.
- 9 The Company has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the half year ended 30 September 2019 and continued to apply the concessional tax rate thereafter.
- 10 Previous period's / year's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.

For and on behalf of the Board of Directors

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Place: Chennai
Date: 9 November 2020

Kshama Fernandes
Managing Director

Annexure:

a) Credit Rating:

The Rating agency have assigned following rating to the company:

Facility	Rating agency
(i) Non-Convertible Debentures	ICRA A+, IND A+
(ii) Commercial Papers	ICRA A1+, CARE A1+
(iii) Long term bank facilities	ICRA A+
(iv) Short term bank facilities	ICRA A+

b) Asset cover available for non-convertible debt securities:

Not applicable.

c) Debt-equity ratio*:

The debt-equity ratio of the company as per the unaudited financial results as at 30 September 2020 is 1.93

d) Previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/repayment of principal of non-convertible preference shares/ non-convertible debt securities and whether the same has been paid or not:

All previous dues with respect to debentures were paid on due date (Refer Appendix A).

e) Debt service coverage ratio:

Not applicable.

f) Interest service coverage ratio:

Not applicable.

g) Capital redemption reserve/ Debenture redemption reserve:

Debenture redemption reserve is not required in respect of privately placed debentures in terms of rule 18(7) (b) (ii) of the Companies (Share Capital and Debenture) Rules, 2014.

h) Net worth as at 30 September 2020:**

Rs. 153,053.18 lakhs

k) Net profit after tax as at 30 September 2020:

Rs. 2,875.77 lakhs

l) Earnings Per share as at 30 September 2020 (annualised):

(i) Basic 6.57

(ii) Diluted 4.92

* Debt equity ratio is calculated as (Long-term borrowing + Short-term borrowings) / Net worth)**

** Net Worth is equal to Paid up Equity Share Capital + Reserve.

Appendix A:

Statement of Interest and Principal on Non-Convertible Debentures falling due and paid during the half year ended 30 September 2020:

Sl No.	Non-Convertible Debentures Series	Interest redemption date	Principal (in lakhs)	Interest (in lakhs)
1	INE850M07186	9-Apr-20	3,575.00	11.97
2	INE850M07194	30-Apr-20	4,000.00	44.54
3	INE850M07186	4-May-20	6,425.00	95.22
4	INE850M08051/INE850M08069/INE850M08077	6-Jul-20	1,200.00	6.74
5	INE850M07210	13-Apr-20	-	134.13
6	INE850M08051/INE850M08069/INE850M08077	16-Apr-20	-	230.38
7	INE850M08085	30-Apr-20	-	28.52
8	INE850M08051/INE850M08069/INE850M08077	15-May-20	-	220.89
9	INE850M07228	27-May-20	-	139.93
10	INE850M07236	27-May-20	-	139.93
11	INE850M08085	31-May-20	-	29.48
12	INE850M07160	11-Jun-20	-	472.65
13	INE850M08051/INE850M08069/INE850M08077	16-Jun-20	-	220.82
14	INE850M07178	19-Jun-20	-	479.84
15	INE850M08085	30-Jun-20	-	28.52
16	INE850M07210	13-Jul-20	-	134.13
17	INE850M08051/INE850M08069/INE850M08077	16-Jul-20	-	200.51
18	INE850M08085	31-Jul-20	-	29.48
19	INE850M08051/INE850M08069/INE850M08077	16-Aug-20	-	202.14
20	INE850M07228	27-Aug-20	-	143.04
21	INE850M07236	27-Aug-20	-	143.04
22	INE850M08085	31-Aug-20	-	29.48
23	INE850M08051/INE850M08069/INE850M08077	16-Sep-20	-	202.14
24	INE850M07244	30-Sep-20	-	452.46
25	INE850M08085	30-Sep-20	-	28.52