

# Northern ARC Capital Ltd

## IPO Note



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### Non-deposit taking NBFC into providing credit to under-served households and businesses in India.

Northern Arc Capital Limited was founded in 2009 and offers retail loans to underserved households and businesses in India. Northern Arc Capital's business model is diversified across different offerings, sectors, products, geographies, and borrower categories. As of March 31, 2024, the company has facilitated over Rs. 1.73 trillion worth of financing, reaching out to over 10 Cr people across India.

The company has expertise in lending across various focus sectors in India, especially in micro, small, and medium enterprise finance, microfinance, consumer finance, vehicle finance, affordable housing finance, and agriculture finance.

The company serves the retail lending market through a multi-channel approach that includes:

- **Lending:** Extending financing from the company's balance sheet to originator partners in the form of loans or investments in their debt to enable on-lending to retail customers and directly to underserved households and businesses either in collaboration with retail lending partners or through the branch network to offer rural finance and MSME loans, with AUM of Rs. 117,10 Cr across 671 districts, 28 states and seven union territories in India, as of March 31, 2024.
- **Placements:** Enabling loans to originator partners through various financing products with a total AUM of Rs. 1,019,03 Cr as of March 31, 2024.
- **Fund Management:** Managing debenture funds and providing portfolio management services with a total volume of Rs. 120,78 Cr spread across 10 alternative investment funds and three portfolio management service funds as of March 31, 2024.
- **Few Key Risk:**
  - Company does not have any identifiable promoter; accordingly, the success of business operations is dependent on senior management team and key management personnel as well as ability to attract, train and retain such employees.
  - If borrower's default in their repayment obligations it may lead to increased levels of non-performing assets
  - Company operates in a highly competitive industry

Industry	BFSI (NBFC)
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#### Scrip Details

Listing	BSE & NSE
Open Date	Sept 16, 2024
Close Date	Sept 19, 2024
Price Band	INR 249 -263
Face Value	INR 10
Market Lot	57 Shares
Minimum Lot	1

#### Issue Structure (%)

Issue Size (INR cr)	INR 777
Issue Size (Shares)	29,543,727
QIB Share (%)	< 50%
Non-Inst Share (%)	>15%
Retail Share (%)	> 35%
Pre-Issue sh (in cr)	14.23
Post Issue sh (in cr)	16.13
Post Issue Market Cap (in cr)	4242.19

Shareholding (%)	Pre (%)	Post (%)
Institutions	100	82
Public	0	18
<b>TOTAL</b>	<b>100</b>	<b>100</b>

**Issue Structure and Offer Details:**

<b>Issue Structure</b>	
<b>Investor Category</b>	<b>Allocation</b>
<b>QIB</b>	<b>Not more than 50.00% of the Offer</b>
<b>NII (HNI)</b>	<b>Not less than 15.00% of the Net issue</b>
<b>Retail</b>	<b>Not less than 35.00% of the Offer</b>

*Number of shares based on a higher price band of INR 263*

*Source: Company Reports*

**Objects of the Issue:**

Company proposes to utilize the Net Proceeds to meet future capital requirements towards onward lending.

## Financial Summary

Fig in INR Cr.(unless specified)	Mar-22	Mar-23	Mar-24	Fig in INR Cr.(unless specified)	Mar-22	Mar-23	Mar-24
<b>Income Statement</b>				<b>Key Ratio</b>			
Interest Income	781	1,148	1,712	RoA(%)	2.6%	2.7%	3.0%
Interest Expenses	411	557	726	Net Interest Income (NIIs)	370	591	986
Net interest income (NII)	370	591	986	NIM (Net Interest Margin)	4.6%	6.3%	8.4%
<b>Y-O-Y Growth - NII</b>		<b>60%</b>	<b>67%</b>	Yield on Assets	13.9%	14.7%	16.8%
Fees and commission income	86	86	85	Cost of Fund (%)	8.6%	8.8%	9.2%
<b>Y-O-Y Growth - Fee income</b>		<b>0%</b>	<b>-1%</b>	Spread (%)	5.4%	5.9%	7.5%
Other income	50	77	109	Average Total Assets/ Average net wort	4.0	4.6	4.9
<b>Y-O-Y Growth - Other income</b>		<b>55%</b>	<b>41%</b>	Debt to Equity the ratio	3.3	3.4	3.9
Operating expenses	221	391	636	Operating expenses/ Average Total Ass	3%	3%	4%
<b>Y-O-Y Growth - Opex</b>		<b>77%</b>	<b>62%</b>	PPOP/ Average Total Asset	4.3%	4.3%	5.2%
Impairment on financial instruments	37	39	122	Credit cost / Average Total Assets	1.2%	0.5%	55.0%
<b>Y-O-Y Growth - FV change</b>		<b>7%</b>	<b>212%</b>	Tier I Capital	1626	1819	2058
Share of loss from Associates	-	-2	-1	Tier II Capital	52	56	22
PBT	248	321	420	Total Capital	1678	1875	2079
<b>Y-O-Y PBT growth</b>		<b>29%</b>	<b>31%</b>	Total Risk Weighted Assets	7364	9029	11387
Tax expenses	66	79	103	CRAR (%)	22.8%	20.8%	18.3%
PAT	182	242	318	CRAR (%) - Tier I	22.1%	20.2%	18.1%
<b>Y-O-Y PAT growth</b>		<b>33%</b>	<b>31%</b>	CRAR (%) - Tier II	0.7%	0.6%	0.2%
<b>Balance Sheet</b>				Gross NPA(%)	0.5%	0.8%	0.5%
<b>Financial assets</b>				Net NPA(%)	0.2%	0.4%	0.1%
Cash and cash equivalents	803	423	408	Net Worth	17,390	19,554	23,143
Derivative financial instruments	2	61	55	Total Income	917	1,311	1,906
Receivables	19	29	25	Net Total Income	506	754	1,180
Loans	5,209	6,889	9,210	Profit After Tax	182	242	318
<b>Y-O-Y Growth</b>		<b>32.25%</b>	<b>33.69%</b>	EPS - Basic (INR)	20	26	35
Investments	1,766	1,763	1,781	EPS - Diluted(INR)	13	17	23
<b>Y-O-Y Growth</b>		<b>-0.17%</b>	<b>1.02%</b>	Net Asset Value per Equity Share(INR)	134	150	177
Other financial assets	70	51	84	Credit Rating	A+	AA-	AA-
Total Financial Assets	7,867	9,214	11,562	Number of employees	323	1,775	2,695
<b>Non-financial assets</b>				Number of branches	7	205	316
Property, plant, and equipment	2	4	7	AUM	13,732	21,031	26,714
ROU assets	11	10	15	AUM growth (%)	21%	53%	27%
Intangible assets	11	38	38	<b>Cash Flow Statement</b>			
Investment in associates	-	27	4	<b>Cash Flow from operating activities</b>			
Other non-financial assets	82	78	83	Profit before tax	248	321	420
Total Non-Financial Assets	107	157	146	Adjustments	-337	-583	-876
Total Assets	7,974	9,372	11,708	Cash inflow from interest on loans	765	1,534	2,876
<b>Financial liabilities</b>				Cash outflow towards finance cost	-398	-545	-739
Derivative financial instruments	6	2	3	Working capital changes	-1,548	-1,936	-3,718
Payables	56	110	128	Income taxes paid (net of refunds)	-56	-86	-99
Debt securities	1,344	1,224	1,414	Net cash used in operating activities	-1,326	-1,296	-2,134
<b>Y-O-Y Growth</b>		<b>-9%</b>	<b>15%</b>	Cash Flow from Investing Activities	386	-115	36
Borrowings (other than debt sec.)	4,599	5,770	7,634	Cash Flow from financing activities	2,028	928	2,045
<b>Y-O-Y Growth</b>		<b>25%</b>	<b>32%</b>	Net decrease in cash	317	-483	-53
Other financial liabilities	107	150	155	Cash at the beginning of the year	398	715	232
Total Financial Liabilities	6,112	7,257	9,334	Cash at the end of the year	715	232	179
<b>Non-financial liabilities</b>							
Provisions	22	33	32				
Other non-financial liabilities	7	14	21				
Total Non-Financial Liabilities	30	47	53				
<b>Equity</b>							
Equity share capital	89	89	89				
Other equity	1,650	1,866	2,225				
Total Equity	1,739	1,955	2,314				
Non-controlling interest (NCI)	93	112	6				
Total Liabilities and Equity	7,974	9,372	11,708				

Source: Ventura Research

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