

## IPO NOTE

### Issue Details

<b>Price Band:</b> ₹ 249 to ₹ 263
<b>Employee Discount:</b> ₹ 24/Share
<b>Issue Opens on:</b> September 16, 2024
<b>Issue Closes on:</b> September 19, 2024
<b>Lot Size:</b> 57 Shares & in Multiples thereafter

### Issue Highlights

<b>Issue Size:</b>	₹ 777.00 Cr.
<b>No of Shares:</b>	29,543,727
<b>Face Value:</b>	₹ 10

### Offer Structure

Issuance	₹ in Cr.
Fresh Issue	500.00
Offer for Sale	277.00
<b>Total</b>	<b>777.00</b>

### Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	381.44
HNI	15	114.43
Retail	35	267.01
Employee	-	14.12
<b>Total</b>	<b>100</b>	<b>777.00</b>

### Listing

**BSE & NSE**

### Lead Managers

- Axis Capital Limited
- Citigroup Global Markets India Private Limited
- ICICI Securities Limited

### Registrar

**KFin Technologies Ltd.**

### ANALYST

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### SALES

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## COMPANY OVERVIEW

Northern Arc Capital Ltd. is a diversified financial services platform set up primarily with the mission of catering to the diverse retail credit requirements of the under-served households and businesses in India. The company has 3 primary channels: Lending, Placement and Fund Management. Since 2009, they have facilitated financing of over ₹ 1.73 trillion that has impacted over 101.82 million lives across India, as of March 31, 2024. They are one of the leading players amongst India's diversified NBFCs in terms of AUM as of March 31, 2024, with a business model diversified across offerings, sectors, products, geographies and borrower categories. Further, they have one of the lowest industry-wide credit costs amongst diversified NBFCs in India, as of March 31, 2024.

They have been operating in the MSME, MFI and consumer finance sectors for over 14 years, 15 years and 9 years, respectively. They have conducted 12 rounds of equity fund raises (including issuances of CCPS) in the last 11 Fiscals which has allowed them to benefit from the capital sponsorship of a marquee set of equity investors. They have a diverse lender base comprising banks, offshore financial institutions, NBFCs, development financial institutions ("DFIs") and high net-worth individuals ("HNIs"). ICRA further re-affirmed the AA- (Stable) credit rating for all long-term facilities and non-convertible debentures in July 2024. For short-term bank facilities and commercial papers, A1+ rating was re-affirmed by ICRA and CARE Edge in March 2024 and further re-affirmed in July 2024.

## HIGHLIGHTS

1. Large addressable and underpenetrated market with strong sectoral expertise
2. Large ecosystem of partners and data and technology platform creating strong network effects
3. Proprietary technology product suite transforming the debt market ecosystem
4. Robust risk management based on domain expertise, proprietary risk models and data repository driving asset quality
5. Diversified sources of funding for their own deployment and proactive liquidity management

## OBJECTS OF THE ISSUE

1. Onward lending in the focused sectors, namely, MSME financing, MFI, consumer finance, vehicle finance, affordable housing finance and agricultural finance in the following manner (₹ 500 Cr.)
2. General corporate purposes  
Offer for sale up to 10,532,320 equity shares. The company will not receive any proceeds from the Offer for sale.

## OUR VIEW

Incorporated in 1989, Northern Arc Capital Ltd. is a diversified financial services platform set up primarily with the mission of catering to the diverse retail credit requirements of the under-served households and businesses in India. It is one of the leading players amongst India's diversified NBFCs in terms of Assets under Management ("AUM") as of March 31, 2024 and has one of the lowest industry-wide credit costs amongst diversified NBFCs in India, as of March 31, 2024.

The company operates in highly competitive industry and inability to compete effectively may adversely affect the business. Also, financial condition could be affected if in future any delay in compliance requirements and default in repayment by borrowers. This can affect in increased NPA. At the macro level, economic downturn, regulatory changes might affect the NBFC industry. Dependence on top key lenders for borrowings is a risk for the company.

The revenue and AUM grew at CAGR of around 44% and 28% respectively for the period FY 22-24. The company operated on a PAT margin of 17% for year ended FY24. Generating ROE and ROA of 13.3% and 3% respectively for FY24. It reported a capital adequacy ratio of nearly 18.3 per cent as of March 2024. Also, its net interest income grew faster than advances due to increasing spreads. The company also maintained a healthy Provision Coverage Ratio which was reported at 82.7% in FY24. These show the company has enough reserves to cover potential losses from bad loans and a capital buffer that exceeds regulatory requirements.

The issue is priced at a P/BV of 1.5 based on its NAV of Rs. 177.06 as at FY24 and is asking price is at P/E of 11.24 at higher price band of ₹ 263. Issue seems reasonably priced as industry average is around 23x.

Northern Arc Capital is a well-established performer in the SME financing market in India and aims to expand its reach to cater to the evolving need of SMEs. Looking at all the factors, risks, opportunities and valuation, investors can invest for medium to long term to the issue.

### Brief Financials

PARTICULARS	₹ in Million		
	FY '24	FY '23	FY '22
Total Income	19,060.33	13,112.00	9,165.45
Total Expenditure	14,848.25	9,881.02	6,681.56
EBITDA	11,635.65	8,907.18	6,686.37
Profit before Tax	4,202.36	3,212.25	2,483.89
Profit after Tax	3,176.93	2,422.14	1,819.38
E.P.S. (Diluted)	23.40	17.38	13.09
P/E (x) (Diluted)	11.24	-	-
RONW (%)	13.32	11.76	9.92
Net NPA	0.08	0.40	0.21
Net Interest Income	9,857.27	5,909.39	3,701.73

### PRICE CHART (@ ₹ 263) (Retail Category)

LOT SIZE	Amount
57	14,991
114	29,982
171	44,973
228	59,964
285	74,955
342	89,946
399	104,937
456	119,928
513	134,919
570	149,910
627	164,901
684	179,892
741	194,883

### HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount(Rs.)
Small HNI	798	209,874
Big HNI	3,819	1,004,397

### Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	20/09/2024
Initiation of refunds/unblocking ASBA Fund	23/09/2024
Credit of Equity Shares to demat accounts of Allottees	23/09/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	24/09/2024

For more details, Please refer RHP,

([https://nsearchives.nseindia.com/content/ipo/RHP\\_NORTHARC.zip](https://nsearchives.nseindia.com/content/ipo/RHP_NORTHARC.zip))

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