



## IPO Note

# Northern Arc Capital Limited

Recommendation: **APPLY!**

### Company Background –

- Northern Arc Capital Limited was originally formed and incorporated on June 19, 2009. The registered office is located at Chennai, Tamil Nadu.
- The company offers retail loans to underserved households and businesses in India.
- The company has expertise in lending across various focus sectors in India, especially in micro, small, and medium enterprise (MSME) finance, microfinance (MFI), consumer finance, vehicle finance, affordable housing finance, and agriculture finance.
- The company had 2,695 permanent employees as of March 31, 2024.

### Objects of the Issue –

- To meet future capital requirements towards onward lending.

### Rationale for recommendation –

- ✓ The PE ratio post issue is 13.35 making it fairly priced.
- ✓ The top line and bottom line have increased consistently over the years.
- ✓ The company has maintained CRAR (%) above minimum threshold.
- ✓ The GNPA and NNPA ratio was the lowest among peer companies.
- ✓ The company's credit ratings have improved.
- ✓ The management of the company is satisfactory.
- ✓ The company has good experience in the industry.

### IPO Details

Opening Date	Sep 16, 2024
Closing Date	Sep 19, 2024
Allotment Date	Sep 20, 2024
Listing Date	Sep 24, 2024
Stock Exchange	BSE, NSE
Lot Size	57 Shares
Issue Price Per Share	₹249 to ₹263
Issue Size	777.00 Cr.
Fresh Issue	500.00 Cr.
Offer for Sale	277.00 Cr.
Application Amt	₹ 14,991 – ₹ 1,94,883 (57 to 741 shares)

### INDUSTRY - Finance & Investments

P/E Average - 23.28

KPI's	KPIs		
	FY 22	FY 23	(In Crores) FY 24
Revenue	909.54	1,304.97	1,890.09
EBITDA	661.63	884.49	1,147.63
Net Profit	181.94	242.21	317.70
RoNW	10.46%	12.39%	13.73%
RoA	2.60%	2.73%	2.97%
P/E	20.09	15.13	11.24

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	22.32	19.69
BVPS	163.05	174.45
P/E	11.78	13.35
P/BV	1.61	1.51
Mkt Cap (In Cr)	3,742.86	4,242.86

### Lead Managers –

1. ICICI Securities Limited
2. Axis Capital Limited
3. Citigroup Global Markets India Private Limited

### Registrar –

KFin Technologies Limited

## Business Overview –

Northern Arc Capital Limited was incorporated on March 9, 1989 at Madras, India as 'Highland Leasing & Finance Private Limited'. After the acquisition of the Company by the IFMR Trust in 2008, the name was changed to 'IFMR Capital Finance Private Limited' and a fresh certificate of incorporation dated June 19, 2009 was issued by the RoC.

They are a financial services platform, catering to the diverse retail credit requirements of the under-served households and businesses in India. They have developed domain expertise in enabling credit across focused sectors in India, namely, micro, small and medium enterprises ("MSMEs") financing, microfinance ("MFI"), consumer finance, vehicle finance, affordable housing finance and agricultural finance. As of March 31, 2024, they have branches across 671 districts, 28 states and seven union territories in India.

The company's multi-channel approach includes:

- (i) **Lending** – It includes extending financing from balance sheet to Originator Partners in the form of loans or investment in their debt to enable on-lending to the retail customer (Intermediate Retail Lending) and directly to under-served households and businesses (Direct to Customer Lending) either in collaboration with Retail Lending Partners or through branch network to offer rural finance and MSME lending,
- (ii) **Placements** - Enables credit for Originator Partners through various financing products
- (iii) **Fund Management** - Managing debt funds and providing portfolio management services and this is done by their subsidiary NAIM.

Their in-house technology stack consists of:

- (i) **Nimbus** – It is a curated debt platform that enables end-to-end processing of debt transactions.
- (ii) **nPOS** - It a co-lending and co-origination technology solution based on application programming interfaces (API).
- (iii) **Nu Score** – It is a customised machine learning based analytical module designed to assist Originator Partners in the loan underwriting process.
- (iv) **Altifi** – It is an alternative retail debt investment platform.

## Sector-wise bifurcation of Gross Transaction Volume (GTV) -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
MSME	7,076.41	35.57	7,607.77	27.78	8,160.92	27.83
MFI	5,265.87	26.47	8,133.75	29.70	7,622.99	26.00
Consumer finance	3,206.73	16.12	8,574.28	31.31	10,117.49	34.50
Vehicle Finance	3,463.63	17.41	2,076.09	7.58	1,901.26	6.48
Affordable housing finance	479.70	2.41	663.27	2.42	1,015.45	3.46
Agriculture finance	404.09	2.03	330.00	1.21	505.57	1.72
<b>Total</b>	<b>19,896.43</b>	<b>100.00</b>	<b>27,385.16</b>	<b>100.00</b>	<b>29,323.68</b>	<b>100.00</b>

## Products –

1. **Debt Products** – This includes term and working capital loans, non-convertible debentures (NCDs), principle protected market linked debenture (PP-MLD), commercial papers (CPs), external commercial borrowings (ECBs) and sub-debt products.
2. **Credit-Enhanced Debt Products** – This includes guarantee-backed lending, the single issuer partial credit enhanced loans/spice bond and pooled loan and bond issuance programme.
3. **Portfolio Products** – This includes rated securitization, multi-originator securitization (MOSEC), persistent securitization (PERSEC) and direct assignment.

## Subsidiaries –

1. Northern Arc Investment Managers Private Limited (NAIM)
2. Northern Arc Investment Adviser Services Private Limited (NAIA)
3. Pragati Finserv Private Limited
4. Northern Arc Foundation
5. Northern Arc Securities Private Limited

## Utilization of Net proceeds –

The net proceeds of the issue will be utilized to meet future capital requirements towards onward lending

## Competition -

1. **Market Competition:** The NBFC industry is highly competitive where the key factor of competition primarily comprises of product offerings, interest rates, fees and customer service, as well as for skilled employees.
2. **Players:** The company faces competition from various types of lenders including private and public sector banks, certain NBFCs, development financial institutions, debt funds, MFIs, informal money lenders, commercial banks and portfolio managers.
3. **Barriers to entry:** Moderate barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.

## Business Strategies -

1. They plan to expand their footprint to better reach and serve underserved households and businesses in focused sectors in India by: (i) adding to and strengthening origination channels and (ii) increasing the use of in-house technology and data enabled products and platforms.
2. They intend to expand and explore opportunities to participate directly as well as in collaboration with Originator Partners in the climate and sustainability sector.
3. The company aims expand fund management channels through product innovation, geographical expansion and expand investor categories.
4. They aim to leverage rural finance network and focus on funding small businesses directly by expanding and diversifying product portfolio.

## Risk Factors -

The company's significant portion of investments are in credit facilities and debt instruments that are unsecured, and/or subordinated to other creditors. An inability to recover such investments may adversely affect the business.

The company has filed 699 outstanding cases regarding criminal matter amounting to Rs. 127.37 Cr and there are 3 outstanding cases against the company for tax matters and regulatory matters amounting to Rs. 4.29 Cr.

The subsidiary companies have 3 cases against them for tax matters amounting to Rs. 16.86 Cr and have filed 8 cases regarding criminal matters amounting to Rs. 0.55 Cr.

The subsidiary companies, which include Northern Arc Securities Private Limited, Northern Arc Foundation and Pragati Finserv Private Limited have incurred losses for FY 2023 and Northern Arc Securities Private Limited has incurred loss for FY 2024.

The company had negative cash flow from operations for FY 2022, 2023 and 2024 and may continue to do so in the future.

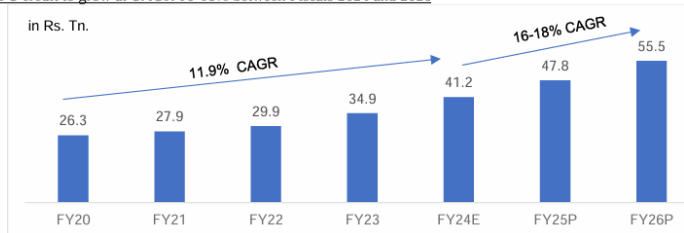
The company has contingent liabilities amounting to Rs. 69.67 Cr.

## INDUSTRY OVERVIEW –

### NBFC Market -

The credit growth of NBFCs which has trended above India's GDP growth historically, is expected to continue to rise at a faster pace. Going forward, CRISIL MI&A expects NBFC credit to grow at 16-18% between Fiscal 2024 and Fiscal 2026 driven by growth in retail segment, and MSME loans in the wholesale segment continuing to be the primary drivers.

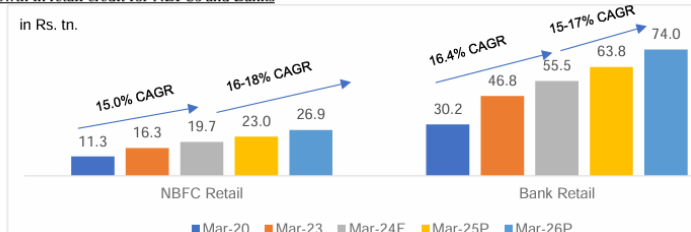
NBFC credit to grow at CAGR 16-18% between Fiscals 2024 and 2026



(Source:RHP)

Going forward, growth in the NBFC retail segment is expected at 16-18% from Fiscal 2024 to Fiscal 2026 which will support overall NBFC credit growth, with continued focus on the retail segment and multiple players announcing plans to reduce wholesale exposure. The retail segment's market share is expected to rise further to 48% by end of Fiscal 2025 and remain around 48.5% in Fiscal 2026.

Growth in retail credit for NBFCs and Banks

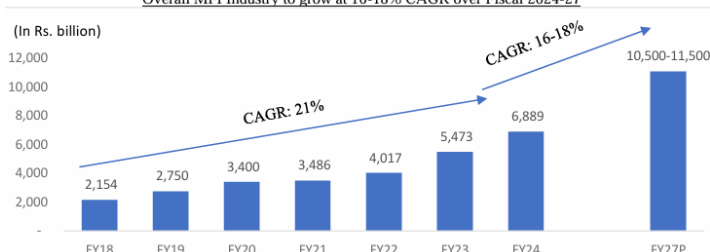


(Source:RHP)

### Micro-Finance Market -

With economic revival and unmet demand in rural regions, CRISIL MI&A expects the overall MFI portfolio size to grow at CAGR of 16-18% between Fiscals 2024 and 2027. CRISIL MI&A expects NBFC-MFI industry to log 23-25% CAGR between Fiscals 2024 and 2027. Key drivers for the superior growth outlook include increasing penetration into the hinterland and expansion into newer states, faster growth in the rural segment, increase in average ticket size and higher usage of support systems such as credit bureaus.

Overall MFI Industry to grow at 16-18% CAGR over Fiscal 2024-27

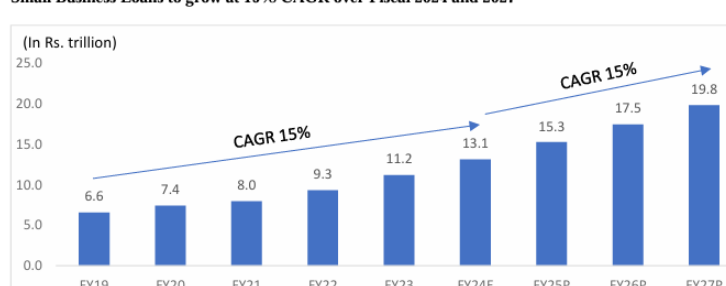


(Source:RHP)

### Small Business Loans -

Small business loans grew at a fast pace, registering a CAGR of 15% over Fiscal 2019 and 2024. Over the years, more data availability and government initiatives like GST has led to increasing focus of lenders, especially the NBFCs, on the underserved segment of MSME customers as lending to this segment has become easier compared to the past.

Small Business Loans to grow at 15% CAGR over Fiscal 2024 and 2027



(Source: RHP)

**Key Management -**

- The overall management of the company is satisfactory.
- The management has good and relevant experience.
- The education qualification of the management is condensed.
- The company doesn't have promoters.



Key Management Persons Name -	<b>P. S. Jayakumar</b>
Age	62
Designation and No. of years of experience	Chairman and Non-Executive Independent Director, 30+ years of experience in finance and real estate sector
Qualification	Qualified CA, M. Com degree and PGD in Management
Other Directorships	Adani Logistics Limited, Adani Ports and Special Economic Zone Limited, CG Power and Industrial Solutions Limited, Emcure Pharmaceuticals Limited etc.

Key Management Persons Name -	<b>Ashish Mehrotra</b>
Age	55
Designation	Managing Director and CEO
Qualification	Master's in business administration, Completed the senior executive leadership program
Other Directorship	AAPT Fintech Private Limited, AAPT Holdings Private Limited, Finreach Solutions Private Limited, Northern Arc Foundation etc.

Key Management Persons Name -	<b>Dr. Kshama Fernandes</b>
Age	55
Designation and No. of years of Experience	Non-Executive Non-Independent Director and Vice-Chairperson, 25+ years of experience in management, risk advisory and academia
Qualification	B. Sc. Degree, Master's degree and PhD in management studies, Completed FRM
Other Directorships	Northern Arc Foundation, Northern Arc Investment Adviser Services Private Limited, Northern Arc Investment Managers Private Limited, NSE Investments Limited etc.

Key Management Persons Name -	<b>Michael Jude Fernandes</b>
Age	54
Designation and No. of years of experience	Non-Executive Nominee Director, 20+ years of experience in consulting and investing
Qualification	B. Sc. degree, Post-graduate diploma
Other Directorships	Neogrowth Credit Private Limited, PT Reliance Capital Management and MJF Inclusion Advisors - FZCO

Key Management Persons Name -	<b>Vijay Nallan Chakravarthi</b>
Age	48
Designation and No. of years of experience	Non-Executive Nominee Director, 30+ years of experience
Qualification	Master's degree in management, master's degree in science and bachelor of engineering degree
Other Directorships	Affirma Capital Investment Adviser India Private Limited, Belstar Microfinance Limited and Pragati Finserv Private Limited

Key Management Persons Name -	<b>Trikkur Seetharaman Anantharaman</b>
Age	76
Designation	Non-Executive Nominee Director
Qualification	Bachelor's degree in commerce and Qualified CA
Other Directorships	Enovate Lifestyles Private Limited, Gosree Finance Limited, Inbot Properties Private Limited and Kalyan Jewellers India Limited

<b>Key Management Persons Name -</b>	<b>Anuradha Rao</b>
<b>Age</b>	64
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 36+ years of experience in banking and finance
<b>Qualification</b>	B. Sc. Degree and M. Sc. Degree (Physics)
<b>Other Directorship</b>	Protium Finance Limited and Sundaram Finance Limited

<b>Key Management Persons Name -</b>	<b>Ashutosh Arvind Pednekar</b>
<b>Age</b>	58
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 30+ years of experience as a CA
<b>Qualification</b>	B. Com. Degree and Qualified CA
<b>Other Directorship</b>	Investor Services of India Limited, DFK Consulting Services (India) Private Limited, Elecon Engineering Company Limited etc.

<b>Key Management Persons Name -</b>	<b>Arunkumar N.T.</b>
<b>Age</b>	54
<b>Designation</b>	Non-Executive Independent Director
<b>Qualification</b>	B. Sc. Degree and Post-graduate honours diploma in personnel management and industrial relations
<b>Other Directorship</b>	Agroprosperity Tech Solutions Private Limited, Angel One Limited, CIEL HR Services Private Limited etc.



## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
<b>Revenue from Operations</b>			
Interest Income	780.85	1,148.39	1,712.12
Fees and Commission income	86.05	85.62	84.93
Net gain on fair value changes	42.65	50.63	45.62
Net gain on derecognized of financial instruments	-	20.34	47.43
<b>Total Revenue from Operations</b>	<b>909.54</b>	<b>1,304.97</b>	<b>1,890.09</b>
Other Income	7.01	6.23	15.95
<b>Total Income</b>	<b>916.55</b>	<b>1,311.20</b>	<b>1,906.04</b>
<b>Expenses</b>			
Finance Cost	410.67	557.45	726.39
Fees and commission expense	52.73	121.42	220.82
Impairment on financial instruments	36.51	39.21	122.44
Employee benefits expense	97.94	148.93	241.61
Depreciation and Amortization expense	9.58	12.04	16.94
Other expenses	60.73	109.05	156.63
<b>Total Expenses</b>	<b>668.16</b>	<b>988.10</b>	<b>1,484.83</b>
<b>EBITDA</b>	<b>661.63</b>	<b>884.49</b>	<b>1,147.63</b>
<b>EBITDA Margin</b>	<b>72.74%</b>	<b>67.78%</b>	<b>60.72%</b>
Share of Profit of Associates	-	-1.87	-0.97
<b>Profit/(Loss) before tax</b>	<b>248.39</b>	<b>321.23</b>	<b>420.25</b>
<b>Tax Expense</b>			
Current tax	50.50	97.02	108.81
Adjustment of income tax relating to earlier years (net)	-	-	0.47
Deferred Tax (credit)/ charge	15.95	-18.01	-6.74
<b>Total Tax Expense</b>	<b>66.45</b>	<b>79.01</b>	<b>102.54</b>
<b>Profit/(Loss) for the year</b>	<b>181.94</b>	<b>242.21</b>	<b>317.70</b>
<b>Net Profit Margin</b>	<b>19.85%</b>	<b>18.47%</b>	<b>16.67%</b>

## Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	88.91	89.03	89.39
Instruments entirely equity in nature	82.65	82.65	82.65
Other equity	1,567.52	1,783.75	2,142.35
Non-Controlling Interest	93.03	112.30	6.03
<b>Total Equity</b>	<b>1,832.11</b>	<b>2,067.73</b>	<b>2,320.41</b>
<b>2. Financial liabilities</b>			
Derivative financial instruments	6.44	2.28	2.99
Trade Payables			
(a) Outstanding Dues to MSME	-	-	-
(b) Outstanding Dues to other than MSME	55.82	109.61	128.48
Debt Securities	1,343.60	1,224.32	1,413.73
Borrowings (other than debt securities)	4,599.43	5,770.30	7,634.03
Subordinated liabilities	39.94	39.95	-
Other Financial Liabilities	66.94	110.19	155.06
<b>Total Financial liabilities</b>	<b>6,112.16</b>	<b>7,256.65</b>	<b>9,334.28</b>
<b>2. Non-Financial liabilities</b>			
Current Tax Liabilities (net)	-	-	4.62
Provisions	22.46	33.35	32.07
Deferred tax liabilities	0.72	0.20	0.72

Particulars	FY 22	FY 23	FY 24
Other non-current liabilities	6.67	13.64	15.56
<b>Total Non-financial liabilities</b>	<b>29.85</b>	<b>47.20</b>	<b>52.96</b>
<b>Total Liabilities</b>	<b>6,142.00</b>	<b>7,303.84</b>	<b>9,387.25</b>
<b>Total Equity and Liabilities</b>	<b>7,974.12</b>	<b>9,371.57</b>	<b>11,707.66</b>
<b>ASSETS</b>			
<b>1. Financial assets</b>			
Cash and cash equivalents	715.17	232.34	179.40
Bank balances other than cash	87.34	190.26	228.34
Derivative financial instruments	1.52	61.05	54.82
Trade receivables	19.18	28.61	25.35
Loans	5,208.76	6,888.61	9,209.59
Investments	1,765.75	1,762.73	1,780.71
Other financial Assets	69.65	50.59	83.92
<b>Total Financial assets</b>	<b>7,867.38</b>	<b>9,214.19</b>	<b>11,562.12</b>
<b>2. Non-Financial assets</b>			
Current Tax Assets (net)	42.09	29.12	24.04
Deferred Tax Assets	13.69	35.18	34.76
Property, Plant and Equipment	1.96	3.81	6.66
Intangible assets under development	0.28	0.99	2.31
Goodwill	1.75	24.07	23.48
Other Intangible Assets	9.43	13.37	11.79
Right-to-use assets	11.22	9.67	14.72
Investment in associates	-	27.27	3.89
Other non-financial assets	26.33	13.91	23.88
<b>Total Non-financial assets</b>	<b>106.74</b>	<b>157.38</b>	<b>145.54</b>
<b>Total Assets</b>	<b>7,974.12</b>	<b>9,371.57</b>	<b>11,707.66</b>

Cash Flow Statement			Amt in Crores
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-1,325.50	-1,295.65	-2,134.45
Net Cash Flow from Investing Activities	-385.52	-119.47	36.05
Net Cash Flow from Financing Activities	2,028.12	927.95	2,045.46

## Key Ratios

<b>Banking Ratios</b>	FY 22	FY 23	FY 24
Tier I Capital Ratio	22.08%	20.15%	18.07%
Tier II Capital Ratio	0.70%	0.62%	0.19%
Total Capital Ratio (CRAR) (%)	22.79%	20.77%	18.26%
<b>Return Ratios</b>			
RoNW	10.46%	12.39%	13.73%
RoA	2.60%	2.73%	2.97%
<b>Valuation Ratios</b>			
P/E	20.09	15.13	11.24
P/B	2.04	1.81	1.61
<b>Leverage Ratios</b>			
Tier I Leverage Ratio	20.39%	19.41%	17.58%
Debt-to-Equity Ratio	3.27	3.40	3.90
Debt-to-Capital Ratio	3.57	3.75	4.35
Net Interest Margin	5.53%	6.48%	8.33%
<b>NPA Ratios</b>			
GNPA%	0.50%	0.77%	0.45%
NNPA%	0.21%	0.08%	0.10%



**FINANCIAL ANALYSIS –**

1. The top line increased consistently over the years (43.47% for FY23 and 44.84% for FY24) and this increase was due to an increase in interest income on loans and subscription to debt instruments primarily led by Direct to Customer Lending channel, particularly in the consumer finance, MSME and MFI sector.
2. The net profit has also increased consistently over the years by 33% for FY23 and 31% for FY24.
3. The Tier I Capital Ratio, Tier II Capital Ratio and CRAR (%) is above the minimum threshold.
4. The company has the lowest GNPA and NNPA among its peers.
5. The debt-to-equity has remained high but that should not be a major concern as a similar pattern can be seen for peers.
6. The cash flow from operations is negative for FY 2024, 2023 and 2022 which was majorly due to the increase in their loans, and this might provide them a good increase in the Interest Earned in the future should not be a major concern.
7. The RoNW and RoA have improved over the years.

**PEER ANALYSIS**

Particulars	Northern Arc Capital Limited			SBFC Finance Limited			CreditAccess Grameen Limited			Fusion Micro Finance Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
P/E	20.09	15.13	11.24	-	-	34.00	38.71	17.44	15.86	-	9.57	9.24
P/B	2.04	1.81	1.61	-	-	3.17	3.28	2.85	3.50	-	1.73	1.64
RoNW	10.5%	12.4%	13.7%	5.0%	8.7%	8.5%	9.1%	18.0%	24.9%	1.6%	16.7%	17.7%
RoA	2.6%	2.7%	2.9%	1.4%	2.6%	3.4%	2.2%	4.2%	5.6%	0.3%	4.1%	4.3%
NAV per share	133.54	150.01	177.06	15.42	19.26	25.87	267.34	321.38	412.23	161.67	231.39	283.06
CRAR	22.8%	20.8%	18.3%	26.2%	31.9%	40.5%	22.8%	23.6%	23.1%	21.9%	27.9%	27.5%
Net Interest Margin	5.5%	6.5%	8.3%	9.4%	9.3%	9.7%	10.7%	11.1%	12.6%	8.4%	10.2%	11.2%
AUM Growth	36.2%	26.7%	30.0%	54.8%	55.0%	38.0%	22.2%	26.7%	27.0%	46.3%	27.0%	23.5%

**INTERPRETATION –**

- The company has less market cap compared to SBFC Finance and CreditAccess Grameen.
- The net interest margin for the company is low compared to peers.
- The CRAR of the company is low compared to peers.
- The RoA of the company has been low compared to peers.
- The company has low PE ratio compared to SBFC Finance and CreditAccess Grameen.
- The company has higher AUM growth compared to CreditAccess Grameen and Fusion Micro Finance.

**LEAD MANAGER TRACK RECORD –**

The lead managers to the issue are ICICI Securities Limited, Axis Capital Limited, and Citigroup Global Markets India Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

**ICICI Securities Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Premier Energies Limited	2,830.40	450.00	Sep 03, 2024	1,132.85
2.	Ola Electric Mobility Limited	6,145.56	76.00	Aug 09, 2024	112.65
3.	Ceigall India Limited	1,252.66	401.00	Aug 08, 2024	380.35
4.	Akums Drugs and Pharmaceuticals Limited	1,856.74	679.00	Aug 06, 2024	907.55
5.	Allied Blenders and Distillers Limited	1,500.00	281.00	Jul 02, 2024	354.50

The company has handled 48 mandates in the past three years (including the current year).

**Axis Capital Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Baazar Style Retail Limited	834.68	389.00	Sep 06, 2024	364.75
2.	Interarch Building Products Limited	600.29	900.00	Aug 26, 2024	1,203.40
3.	Ola Electric Mobility Limited	6,145.56	76.00	Aug 09, 2024	112.65
4.	Akums Drugs and Pharmaceuticals Limited	1,856.74	679.00	Aug 06, 2024	907.55
5.	Emcure Pharmaceuticals Limited	1,952.03	1,008.00	Jul 10, 2024	1,440.80

The company has handled 40 mandates in the past three years (including the current year).

**Citigroup Global Markets India Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ola Electric Mobility Limited	6,145.56	76.00	Aug 09, 2024	112.65
2.	Akums Drugs and Pharmaceuticals Limited	1,856.74	679.00	Aug 06, 2024	907.55
3.	Aadhar Housing Finance Limited	3,000.00	315.00	May 15, 2024	457.75
4.	Indegene Limited	1,841.76	452.00	May 13, 2024	706.10
5.	India Shelter Finance Corporation Limited	1,200.00	493.00	Dec 20, 2023	757.10

The company has handled 11 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 13<sup>th</sup> Sep 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

## Recommendation -

Northern Arc Capital Limited has been in the industry since 2009 and has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 13.35 times which makes it fairly priced compared to its sector PE of 23.28 times.

The company has seen a consistent increase in the top line and bottom line over the years. The Tier I capital ratio, Tier II capital ratio and CRAR (%) have remained above the minimum threshold. The company had negative cash flow from operations for FY 2024, 2023 and 2022, which should not be a major concern. Also, the company has the lowest GNPA and NNPA compared to its peers.

Although the industry is competitive and fragmented, the company has created its niche presence with diversified business model and proprietary technology product suite customised to multiple sectors like MSME, MFI, consumer finance, vehicle finance, affordable housing finance and agriculture finance in India. Also, their credit rating has upgraded to AA- (Stable) credit rating by ICRA and India Ratings in March 2023 and September 2023, respectively, from A+ credit rating for all of long-term facilities and non-convertible debentures, respectively.

Thus, investors can **APPLY** to this IPO.

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