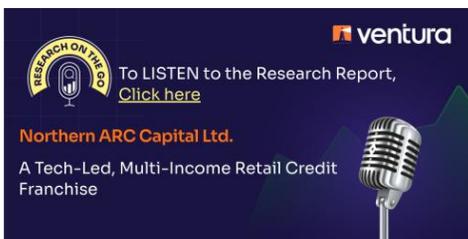


Northern Arc Capital Ltd.

A Tech-Led, Multi-Income Retail Credit Franchise



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Northern Arc Capital Ltd.
A Tech-Led, Multi-Income Retail Credit Franchise



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नॉदर्न ARC कैपिटल लिमिटेड
एक टेक-चालित, बहु-आय वाली रिटेल क्रेडिट फ्रैंचाइज़ी

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TABLE OF CONTENTS

Summary	04
Why invest in NACL?	05
Valuation and Bull & Bear	09
Story in charts	10
Phases of NACL's financial performance	11
Valuation and comparable metrics	12
Key Ratios	15
Financial Summary	18
Business Overview and Outlook	19
Industry Overview	20
Management Team	24
Annual Report Takeaways	26
Quarterly and Annual Performance	28
Consolidated Financials & Projections	29
Disclaimer	30



BUY @ INR 259 CMP

Target: INR 344 in 24 months

Upside Potential: 33%

A Tech-Led, Multi-Income Retail Credit Franchise

Business Model: Northern Arc Capital Limited (NACL) is a financial services platform catering to the retail credit needs of underserved and businesses. Its model integrates Lending, Placements, and Fund Management, powered by proprietary technology connecting retail borrowers, originators, and investors.

NACL operates a multi-channel approach that serves the retail credit market through both direct-to-customer (D2C) lending and credit solutions for Financial Institutions. D2C lending is focused on three sectors MSME, Consumer and Rural, through its branches and digital platform nPOS. Its credit solutions focus on fulfilling credit needs of financial institutions through lending, placement services, and fund management businesses. This structure ensures a diversified mix of interest income, fee income, and fund-management revenues, supported by a proprietary technology stack (Nimbus, nPOS, Nu Score, Altifi) that efficiently connects retail borrowers, originator partners & investor partners.

NACL's AUM has grown from INR 5,221 Cr in FY21 to INR 13,634 Cr in FY25 and is projected to reach INR 24,710 Cr by FY28, reflecting a strong 21.9% CAGR. The portfolio mix continues shifting toward granular, direct-to-customer lending, with its share rising from 19% in FY21 to 52% in FY25 and expected to increase to 69% by FY28, driven by faster growth in MSME, Consumer, and Rural segments. Yields improved sharply from 14.2% in FY22 to 17.4% in FY25 and are expected at 17.6% by FY28, supporting steady NIM expansion.

Borrowings have scaled alongside AUM, increasing from INR 5,983 Cr in FY22 to INR 9,860 Cr in FY25 and likely to reach INR 19,014 Cr by FY28. The liability profile remains well diversified, with banks contributing ~66%, offshore DFIs ~26%, and NBFC/DCM borrowings ~8%.

Financial performance has strengthened meaningfully. NII rose from INR 318 Cr in FY21 to INR 1,513 Cr in FY25 and is estimated to reach INR 3,035 Cr by FY28 (26% CAGR). NIM expanded from 7.4% in FY22 to 10.4% in FY25 and is projected at 10.6% by FY28. Operating leverage continues to improve, with PPOP rising from INR 232 Cr in FY21 to INR 791 Cr in FY25 and set to grow further with scale. Net profit increased from INR 74 Cr in FY21 to INR 301 Cr in FY25 and is expected at INR 793 Cr by FY28, supported by higher spreads, fee income, scale efficiencies, and stable credit costs.

Asset quality remains resilient despite deeper retail penetration. GNPA was 0.9% in FY25 and may rise gradually to 1.4% by FY28, while NNPA increases slightly from 0.4% to 0.6%. PCR remains in the 56-65% range. Return ratios are expected to meaningfully, with RoAA rising from 2.4% in FY25 to 3.5% by FY28 and RoAE from 10.6% to 16.5%. NACL is well capitalised with a 24.7% CAR and 23.5% Tier I, offering adequate growth headroom without near-term equity requirements.

Valuation call: Given its strong earnings growth trajectory, robust AUM outlook on a low base, GNPA's maintained at ~1%, and ROE recovery to ~16.5% by FY28, NACL's valuation at 0.8X P/Adj.BV indicates that the stock is grossly undervalued and offers a significant margin of safety. We initiate coverage with a BUY rating and a price target of INR 344 (1.1x FY28E P/ABV), implying 33% from INR 259 over the next 24 months.

Key Risk: Risk of interest rates increasing, can lead to a decrease in NIM, increase in delinquencies will increase credit costs and compress profit margin.

Industry Fin. Services

Scrip Details

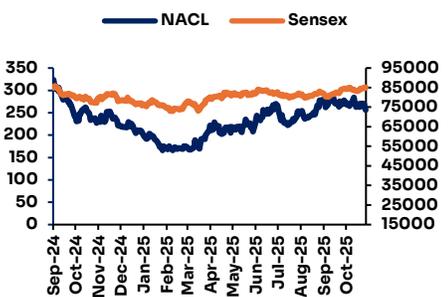
Face Value (INR)	10
Market Cap (INR Cr)	4,186
Price (INR)	259
No of Sh. O/S (Cr)	16
2W Avg Vol (000)	1900
52W H/L (INR)	151 / 290
Dividend Yield (%)	0.0

Shareholding (%) Sep 2025

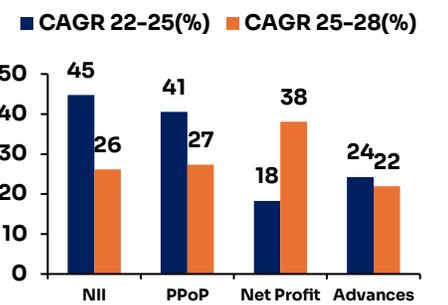
Promoter	0.00
Institution	72.2
Public	27.8

TOTAL 100.0

Price chart



Financial Growth – Past vs Projection



Key consolidated financial data (INR cr., unless specified)

	NII	NIM(%)	PPOP	Net Profit	GNPA (%)	NNPA (%)	ROE(%)	ROA(%)	BVPS	Adj. BVPS	P/Adj.BV
FY24	1,164	9.6	542	317	0.4	0.1	14.4	2.9	143.2	142.7	1.8
FY25	1,513	10.4	791	301	0.9	0.4	10.6	2.4	212.6	209.5	1.2
FY26E	1,780	10.1	933	396	1.3	0.5	10.9	2.7	238.1	233.6	1.1
FY27E	2,320	10.4	1,247	561	1.4	0.5	13.6	3.1	272.8	266.1	1.0
FY28E	3,035	10.6	1,631	793	1.4	0.6	16.5	3.5	321.8	313.3	0.8

Source: Ventura Research & Company filings

Why invest in NACL

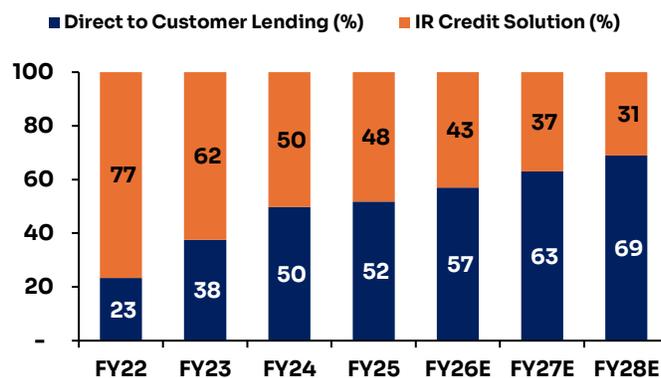
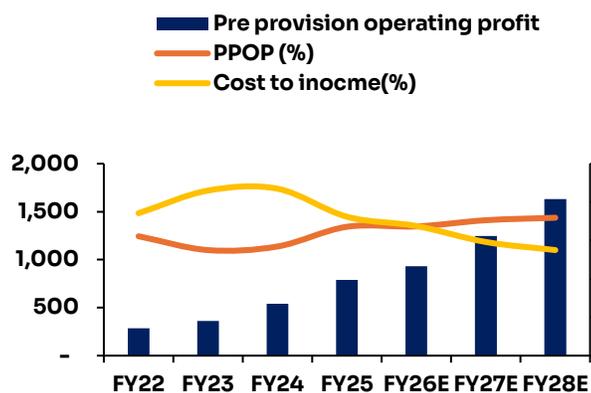
NACL's investment case is anchored in four pillars, distinctive strategic positioning, a resilient business model, improving financial performance, and disciplined risk management—together positioning it as a scalable and future-ready retail finance franchise.

Business segment	MSME	Consumer Finance	Rural Finance	IR Credit Solution
Customers	40,000+	~16,70,000	5,00,000+	357 (Originator Partners)
Sourcing Channel	Direct – Branch /Digital	Direct – Digital	Direct – Branch	Direct - Corporate RM
Security	Secured – Collateral / FLDG	Quasi Secured – FLDG	Unsecured – CGFMU cover	Underlying Retail pool worth 120% of exposure over and above promoter guarantee
Ticket Size (Disbursement)	INR 5 – 25 lakhs	INR 50,000 – 5 lakh	INR 40,000 – 60,000	INR 5 - 75 Cr
AUM	3065	3652	910	6539
Yield	17% - 20%	15% - 17% (net yield post credit co: 24% - 25%)		12.5-13.0%
Average Tenure	10+ years	12 – 48 months	24 months	12-15 months
States/UTs Present	7	Pan India	8	Pan India
Branches	88	53 (Digital Partners)	284	357 (Originator Partners)
Target borrower	Self-employed customers, wholesale and retail dealers, merchants, builders, small and medium scale manufacturing concerns and service providers	Individuals from new to credit backgrounds and other under-served categories(both employed and self-employed individuals)	Rural Individuals	NBFCs, HFCs and small finance banks that tend to under-served borrowers.

**InvestorPartners

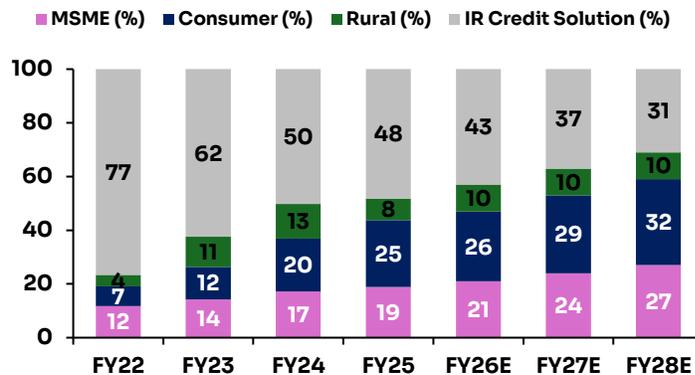
1. Margin Expansion Visibility

Northern Arc's business model provides clear and sustained visibility for margin improvement. Northern Arc's strategic shift towards D2C lending provides clear and sustained visibility for margin improvement. The company benefits from a growing share of higher-yield retail loans, expanding cross-sell capabilities, and a steady ramp-up in fee income—which collectively enhance revenue per unit of capital deployed. On the liability side, the company has diversified its borrowing base to include DFIs, offshore lenders, banks, and capital markets, which has structurally reduced funding cost volatility. A high proportion of variable-rate borrowings positions the balance sheet to benefit disproportionately in a declining interest rate cycle. In parallel, operating leverage improves as each business vertical scales, particularly the fee-income franchise which grows without significant cost additions. This combination creates a multi-year tailwind for Net Interest Margin (NIM) expansion and RoA uplift, independent of quarterly fluctuations.



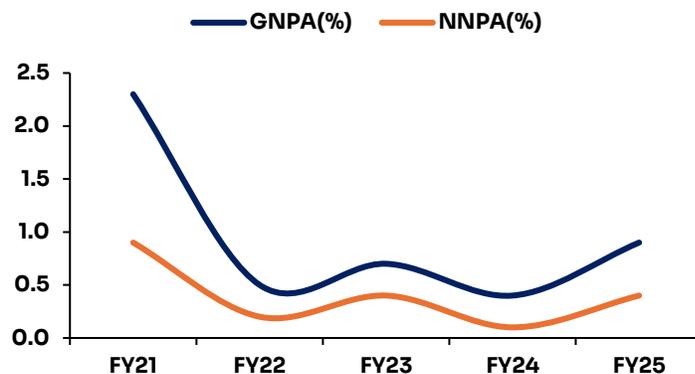
2. Diversified Retail Lending

Northern Arc Capital has built one of the most balanced and diversified retail lending portfolios in the mid-size NBFC space, avoiding concentration risk while scaling across underserved segments. Its lending model spans MSME, Consumer Finance, and Rural Finance, with each vertical operating on calibrated risk-adjusted frameworks. Over the years, the company has continuously shifted its mix toward secured, granular MSME assets, which offer long-tenure, annuity-like income and lower volatility across cycles. This diversification is further enhanced by Northern Arc’s presence across multiple geographies and borrower profiles, supported by partnerships with originators and distributors. The result is a portfolio that is both resilient in stressed market conditions and capable of delivering consistent double-digit growth without compromising asset quality.



3. Data-Driven Underwriting

Northern Arc has invested over a decade in building one of the richest proprietary datasets in Indian retail finance, containing 49+ million loan data points across multiple cycles. Its underwriting framework is powered by machine-learning scorecards (Nu Score), risk-tiered pricing, and behavior-based analytics, enabling the company to sharply differentiate between high- and low-risk segments. The institution’s experience through multiple economic cycles—including IL&FS, COVID, and sectoral disruptions—has refined its credit filters and strengthened its selection of both borrowers and partner-originators. This data backbone allows Northern Arc to maintain asset quality significantly above industry averages, keep NPAs well-controlled, and reduce credit cost volatility. In essence, the company operates as a risk-intelligent lending platform rather than a traditional asset-origination NBFC.



4. Technology-Led Competitive Advantage:

Northern Arc Capital Limited’s proprietary technology stack is a key driver of its scalable, multi-channel business model and a core element of its investment appeal. The Company has developed integrated platforms that enhance execution speed, strengthen underwriting discipline, and reduce credit risk—allowing Northern Arc to operate with the efficiency of a fintech while maintaining the balance-sheet strength of an NBFC.

- Nimbus, the curated debt platform, digitizes the entire structured finance lifecycle and provides investor partners with transparent deal management and robust early-warning systems. It has enabled INR 1 trillion + of cumulative credit, highlighting its scale and network depth.
- nPOS, the API-led co-lending infrastructure, enables straight-through loan processing across banks, NBFCs, and digital partners. Its integration with Bharat Stack and bureau/data ecosystems supports rapid, low-friction loan origination in DCL and IRL channels.
- Nu Score, the machine-learning underwriting engine, standardizes borrower assessment and improves credit selection across rural, MFI, NBFC, and emerging consumer segments. It enhances portfolio quality by embedding analytics directly into the credit decisioning process.
- AltiFi, the retail debt investment platform, expands access to fixed-income products for individuals and HNIs, adding a scalable fee-based revenue opportunity.

NuScore

A Machine-Learning-Based Solution to Aid Originators in their Underwriting

Application Information and Score

Name: Ravi Kumar DOB: 14/04/1987
 Loan ID: 61000208 District: Varanasi
 Issued on: 10/01/2023 State: Uttar Pradesh

3 10 yrs 0 0 0

Nu Score The score translates to Digital loan amount

738 **Low Risk** ₹30,000 for 12 months @22%
 ₹50,000 for 24 months @24%

This Score ranges from 0 - 1000

Summary of Loans

₹60,000	₹52,844	No	₹9,984
Loan amount taken in the last year	Total outstanding amount of all active loans	Any written off balance	Total DUE of all active loans
0	3	1%	8 mths
Max number of monthly payments missed	Total number of unique active borrowers	Total change in outstanding loan amount in the last year	Max duration between closure and new loan

Scoring Factors

What's working	What's not working
Active loan parameters	Active lender parameters
disbursement parameters	KVICID availability

Borrower level assessment along with a detailed analytics report

Custom-built for every lending institution

Sector-specific insights over different economic and credit cycles

Integrated easily through APIs

Expand NuScore Offering to not just MFIs, but also to NBFCs, SFBs, Consumer Durables, etc.

nPOS

Connecting banks & financial institutions through APIs, enabling swift data exchange & straight through processing of loans

Universe One Platform Offering solutions

Fully integrated with Bharat stack

Cloud-based

Seamless end-to-end journey

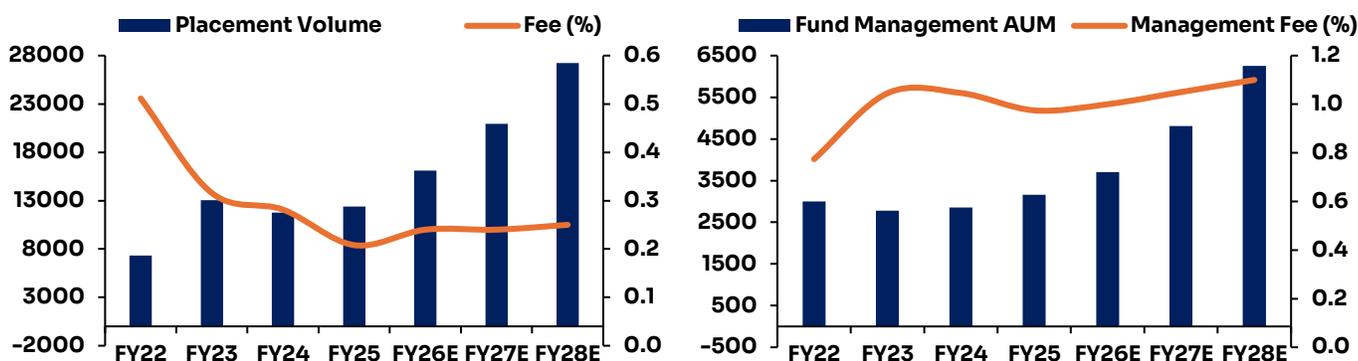
Robust Credit Assessment and Risk Analysis

Machine learning-driven risk assessment

Straight Through Processing of loans

5. Scalable Fee Income Engines

Fee income has become a defining competitive advantage for Northern Arc, contributing meaningfully to profitability and reducing dependence on spread income. Unlike traditional NBFCs, the company operates a large intermediate retail credit business, capital market placements, and management of performing credit funds. Over the last several years, this segment has grown steadily, with management consistently targeting 80–110 bps of fee and other income to RoA—a level significantly higher than peers. The company has done placement volume of more than Rs. 1 tn till date across focus sectors, this engine provides high-margin, capital-light income that scales without leveraging the balance sheet. As AUM and distribution deepen, fee income is expected to become an increasingly stable and higher share of total profitability.



6. Positioning NACL on the Valuation Ladder: A Sensible Middle-Ground Multiple

A 1.1x FY28E P/BV multiple reflects Northern Arc Capital’s balanced positioning within the NBFC landscape. The company has scaled its AUM at ~21% CAGR and maintained GNPA at ~1%, demonstrating strong portfolio discipline despite operating across diversified borrower segments. Profitability has normalised, with ROE reverting to 9–10% in FY26. Given NACL’s improving operating metrics but relatively moderate return profile and episodic credit cost fluctuations, the valuation appropriately sits between lower-rated diversified lenders and higher-rated high-ROE retail franchises. The assigned multiple recognises NACL’s strengthening fundamentals and growth visibility, while remaining conservative until ROE expands sustainably and credit costs stabilise further.

Company	PB(X)*	RoAE*	GNPA (%)*	Mcap to Advances (%)*	Growth Characteristics
Northern Arc	1.0	13.6	1%	26%	AUM CAGR ~21%
Fedbank	1.4	14.8	2%	24%	Higher scale & stability
MAS	1.8	14.6	2%	33%	Consistent, granular retail growth
Five-Star	2.0	16.5	2%	98%	Best-in-class spreads & profitability
SBFC	2.9	14.1	3%	101%	High growth but higher credit risk
Poonawalla	3.4	17.8	1%	56%	Clean book, strong capital
Capri Global	2.2	15.4	2%	59%	Diversified, but with stress pocket
IIFL Finance	1.5	13.6	2%	19%	Broad-based retail & gold lending
Manappuram	1.5	11.3	2%	42%	Defensive gold franchise
CAGL	5.4	16.6	3%	59%	Category leader in MFI
Ugro	0.8	11.3	3%	21%	Lower profitability; smaller scale

* Projected number for FY27

Valuation Methodology:

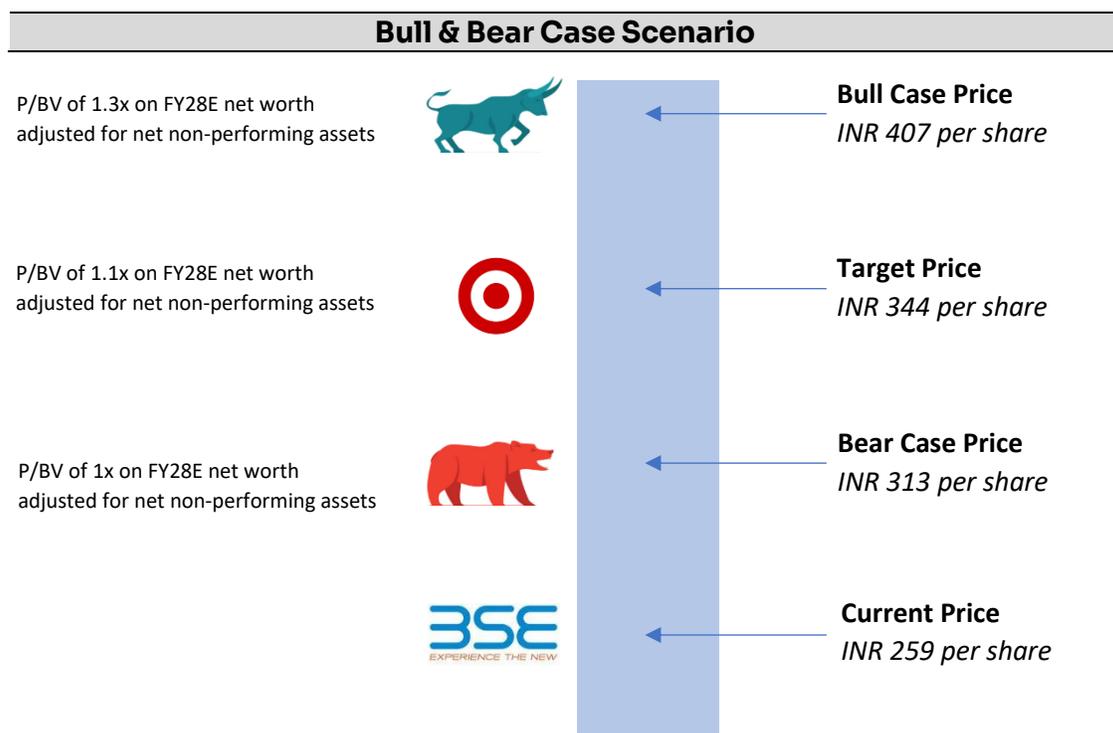
We initiate coverage with a BUY rating and a price target of INR 344 (1.1X FY28E P/ABV), representing an upside of 33% of the CMP of INR 258 over the next 24 months.

Particulars	Value
Method	P/adj BV
Adjusted book value	5,058
Multiple	1.1x
Total Value	5,563
Stake(%)	100
Value	5,563
VPS INR	344

Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY28 price, taking different P/BV multiples for the company.

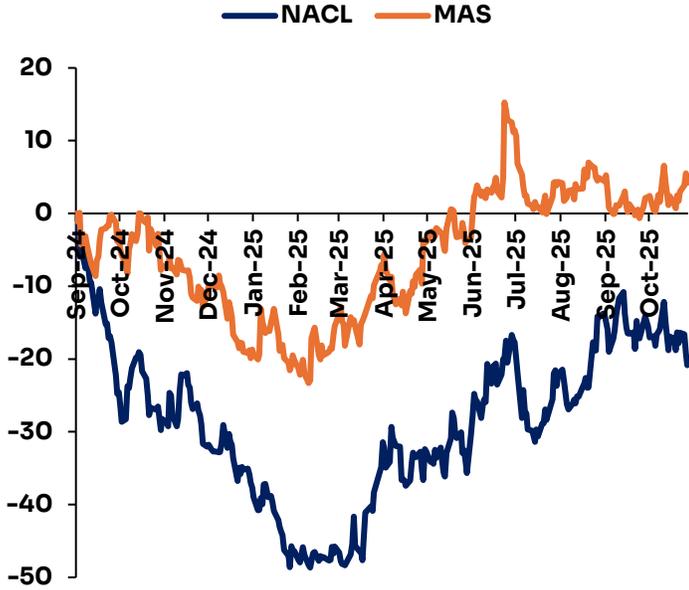
- **Bull Case:** We have assumed P/BV of 1.3x on FY28E adjusted net worth, resulting in a Bull Case price target of INR 407 per share (upside of 57% from CMP).
- **Bear Case:** We have assumed P/BV of 1x on FY28E adjusted net worth, resulting in a Bear Case price target of INR 313 per share (upside of 21% from CMP).



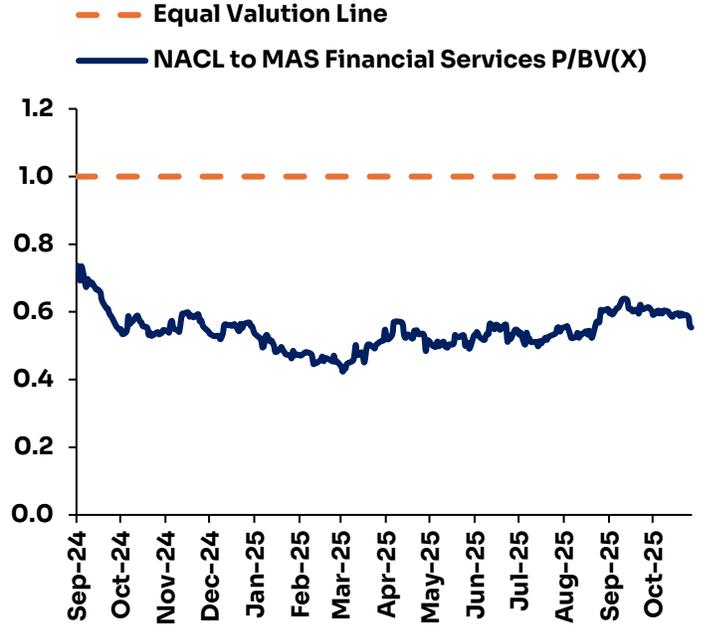
Source: BSE & Ventura Research

Story in Charts

Price Performance: NACL vs MAS
Financial services (%)



Valuation Gap



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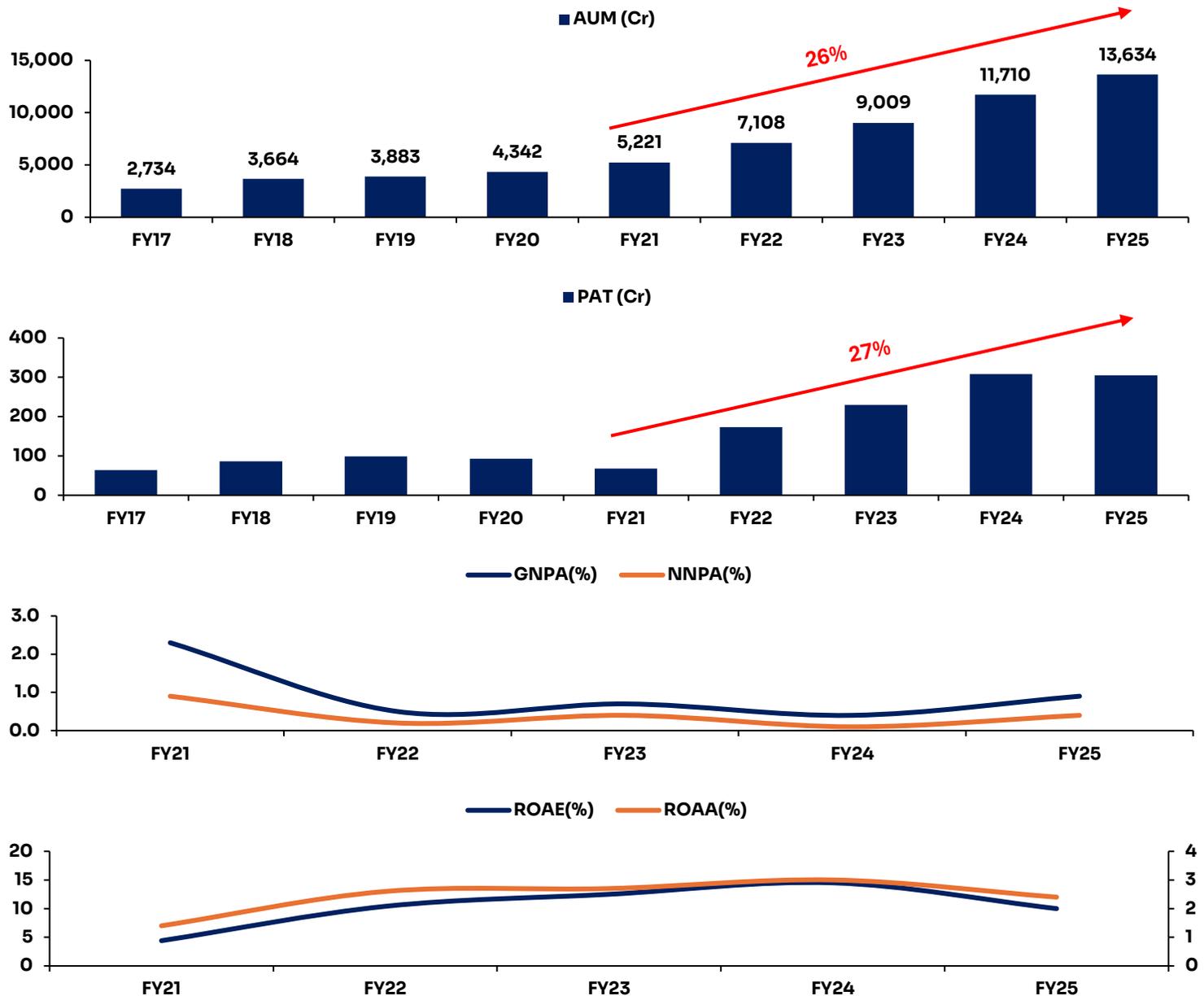
Phases of NACL's financial performance

We have analyzed NACL's financial performance, a period marked by multiple market cycles. Throughout, the company has maintained a strong focus on expanding its customer base and improving asset quality.

NACL's Business Performance

Phase 1: Foundation & Structured Finance Innovation (2009–2014) Northern Arc began in 2009 with a mission to expand credit access for underserved households and small businesses. In its early years, the Company built deep sectoral expertise across Microfinance, MSME, Vehicle, Affordable Housing, Agri and Consumer Finance, while pioneering several first-in-India structured finance products. Built credit ecosystem for Originator Partners to fulfil their credit needs through lending, placement and fund management businesses.

Phase 2: Diversification, Direct Lending & Technology Scale-Up (2015 onward) From 2015 onward, Northern Arc expanded aggressively beyond credit solution business into direct to customer lending across three focused sectors i.e. consumer finance, MSME lending and rural finance. Built robust proprietary tech stack—Nimbus, nPOS, Nu Score and Altifi to power underwriting and distribution.



Source: Company reports

Valuation and comparable metrics

All figures in INR Cr	Mkt Cap	Price INR	AUM (crs.)			P/BV Ratio			P/E Ratio			RoAE (%)			RoAA (%)			NIM (%)		
			FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Northern ARC Capital Ltd	4,186	259	10,572	12,369	15,709	1.2	1.1	0.9	13.9	5.4	3.7	10.6	10.9	13.6	2.4	2.7	3.1	10.4	10.1	10.4
Fedbank Financial Services Ltd	5,291	141	15,812	18,296	22,386	1.8	1.6	1.4	20.4	12.8	9.9	9.4	13.2	14.8	1.8	2.5	2.7	10.0	10.2	10.4
MAS Financial Services Ltd	5,699	314	12,100	14,338	17,052	2.3	2.0	1.8	19.0	16.0	13.0	14.4	13.4	14.6	2.9	2.7	2.8	7.1	6.6	6.6
Five-Star Business Finance Ltd	17,558	596	11,687	14,318	17,918	2.8	2.4	2.0	16.6	14.9	13.2	18.7	17.3	16.5	8.2	7.5	6.9	19.6	18.7	17.6
SBFC Finance Ltd	12,032	110	7,504	9,385	11,926	3.8	3.3	2.9	34.4	28.2	21.7	11.6	12.4	14.1	4.4	4.4	4.7	11.7	11.1	10.9
Poonawalla Fincorp Ltd	38,023	468	32,695	48,002	68,323	4.5	4.0	3.4	-	37.1	20.6	-1.2	11.3	17.8	-0.3	2.3	2.9	7.8	8.0	8.2
Capri Global Capital Ltd	18,714	194	18,252	24,681	31,962	4.3	2.6	2.2	38.7	23.1	15.8	11.8	14.1	15.4	2.7	3.2	3.5	8.4	8.8	8.9
IIFL Finance Ltd	23,389	550	78,341	102,849	121,499	1.9	1.7	1.5	61.1	15.7	11.7	3.3	11.3	13.6	0.9	2.1	2.3	6.8	6.3	6.6
Manappuram Finance Ltd	23,903	282	42,252	47,613	56,618	1.9	1.7	1.5	19.9	25.0	14.7	10.0	7.5	11.3	2.5	2.0	3.3	15.0	12.2	12.5
CreditAccess Grameen Ltd.	21,212	1,326	25,948	29,634	35,852	7.7	6.0	5.4	39.8	25.6	15.0	7.9	11.2	16.6	1.9	2.8	4.2	14.6	15.3	14.9
Ugro Capital Ltd	2,556	181	7,243	9,321	11,903	1.1	0.9	0.8	12.0	9.7	7.3	8.5	9.9	11.3	2.0	2.4	3.1	6.2	7.5	8.2

Source: Bloomberg & Ventura Research



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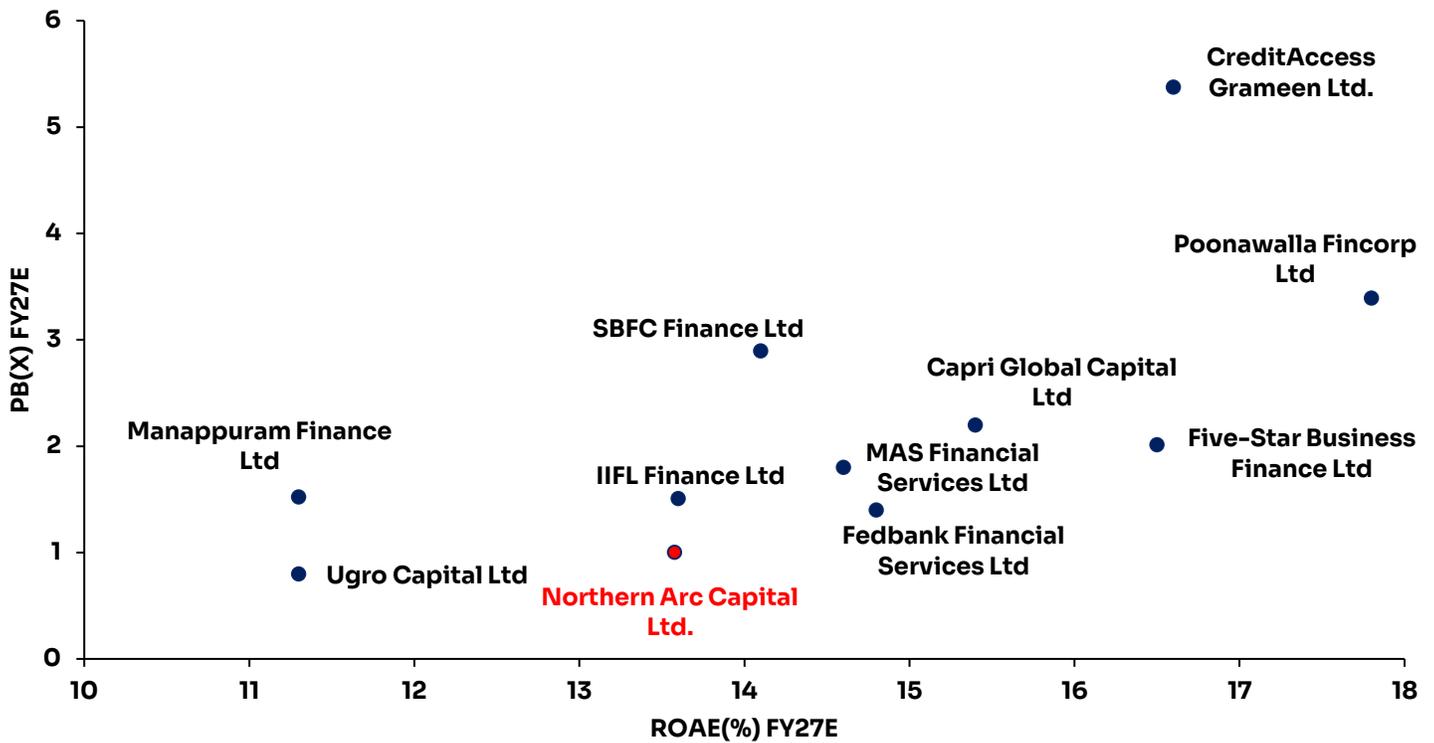
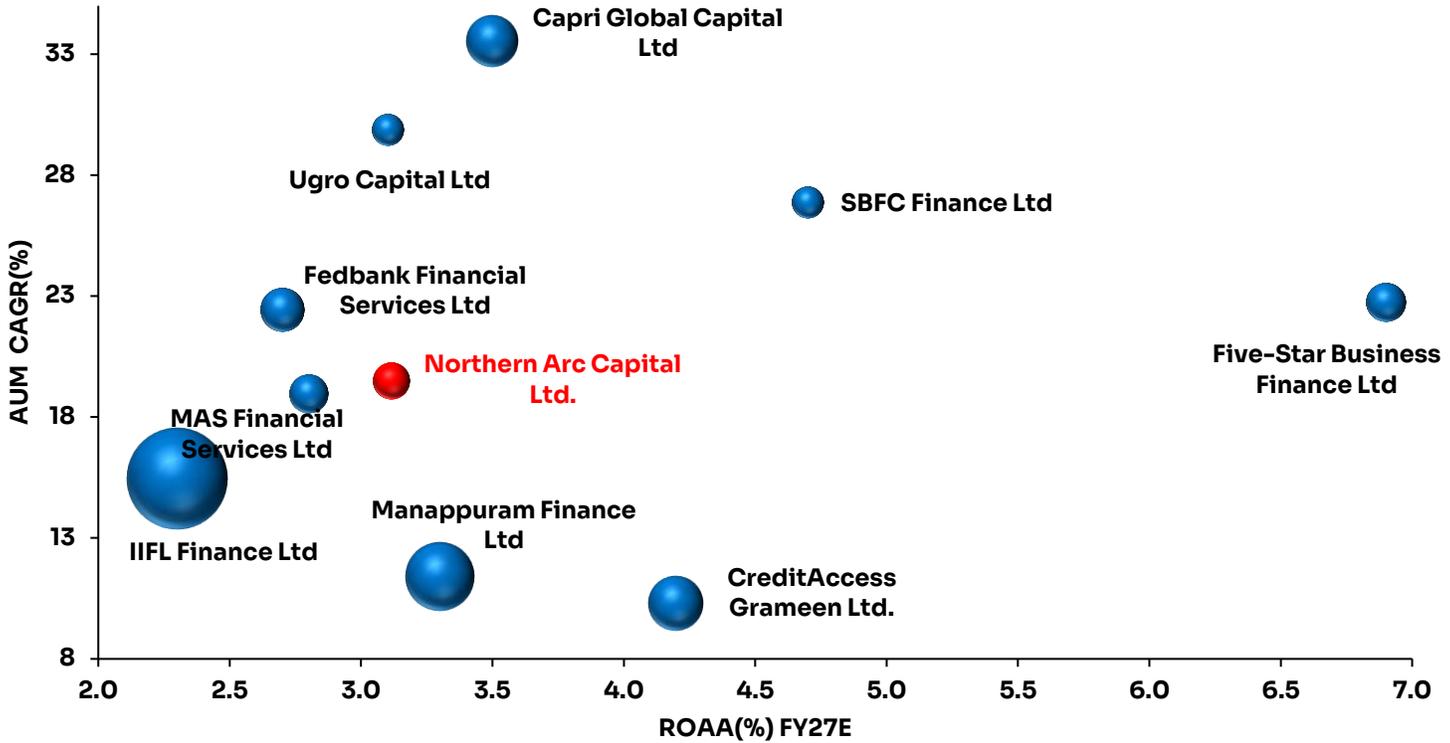
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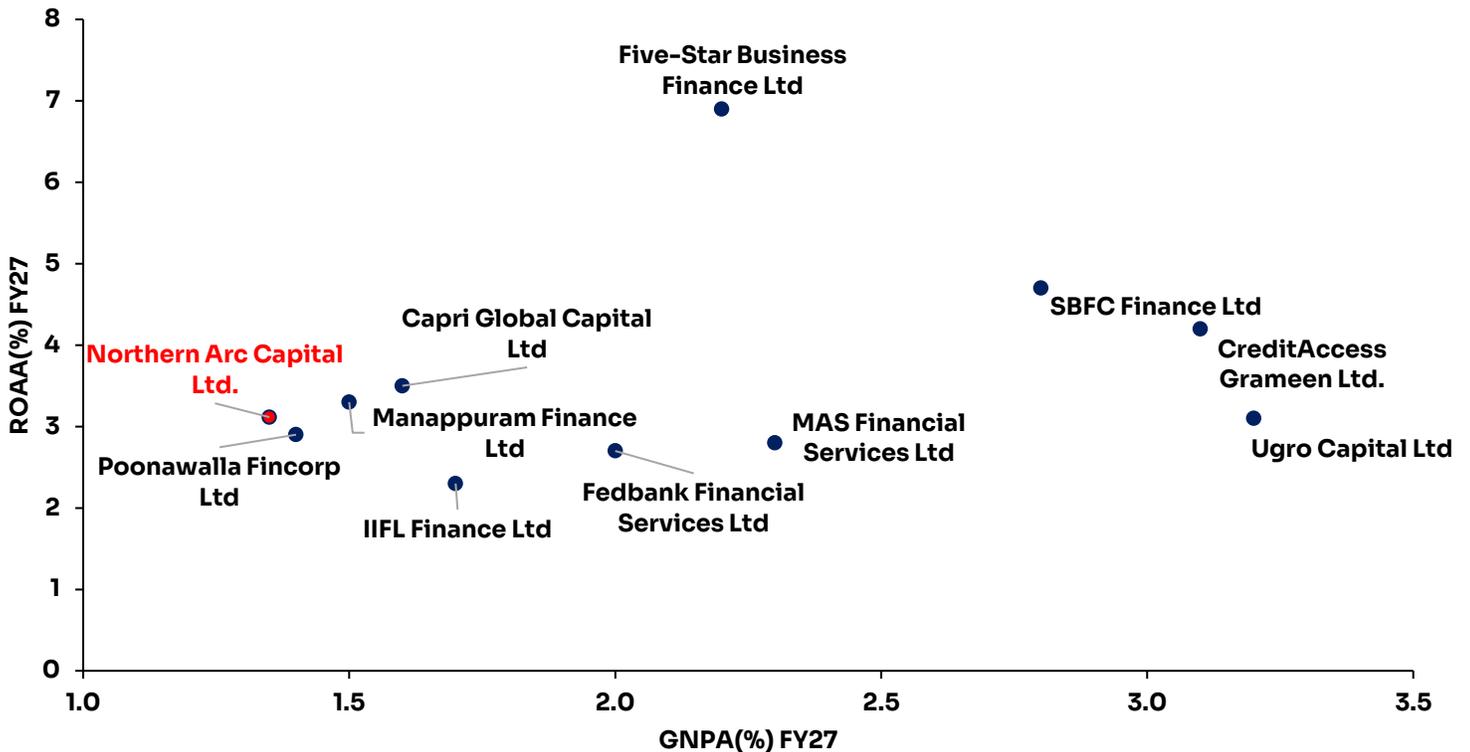
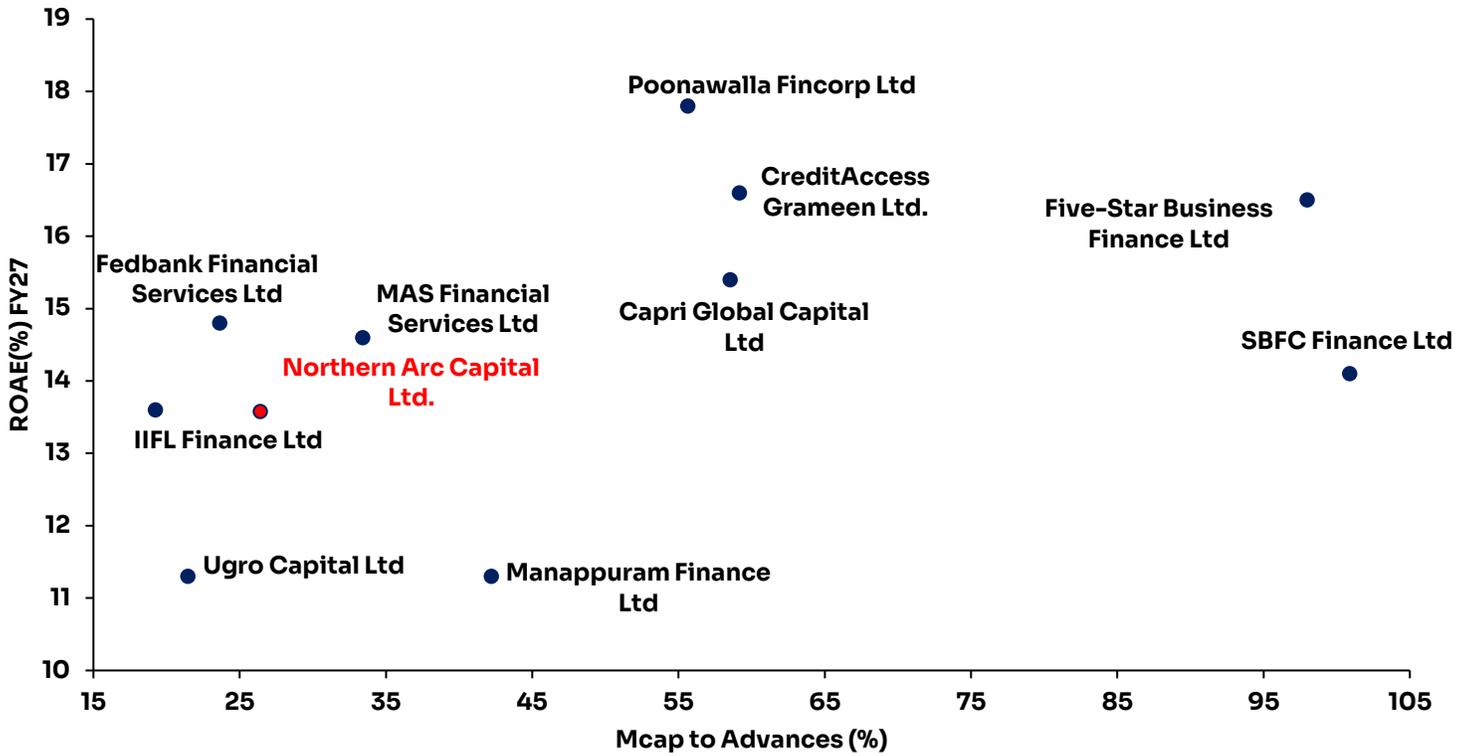
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एक टेक-चालित, बहु-आय वाली रिटेल क्रेडिट फ्रैंचाइज़ी

Favorable Growth and Healthy Return Ratios



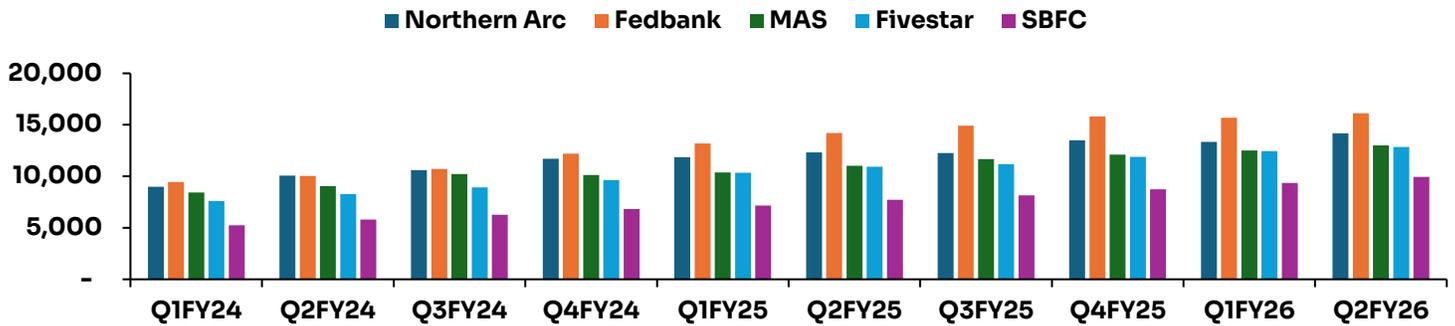
Source: Bloomberg and Ventura Research



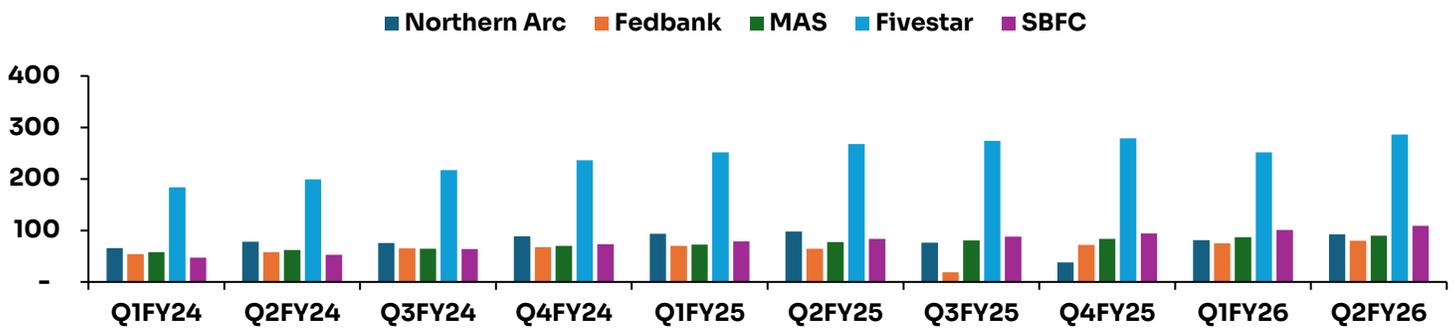
Source: Bloomberg and Ventura Research

NACL's Key Ratios (comparison with peers)

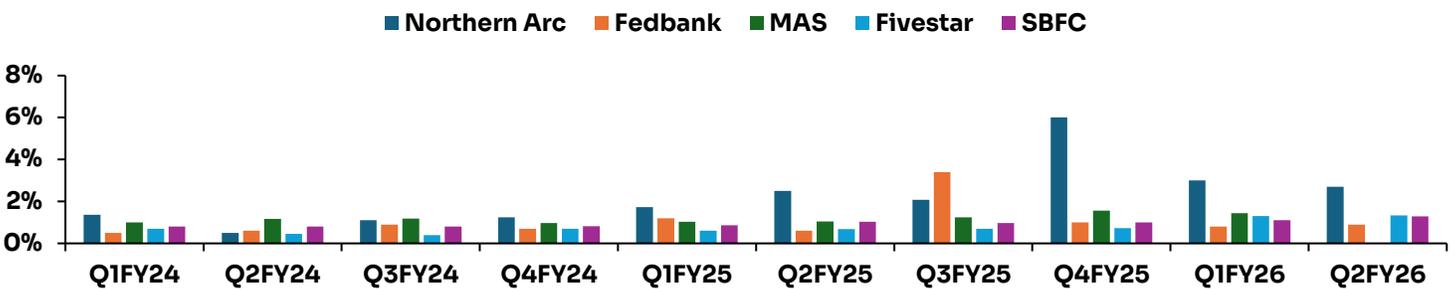
AUM(Cr.)



PAT(Cr.)

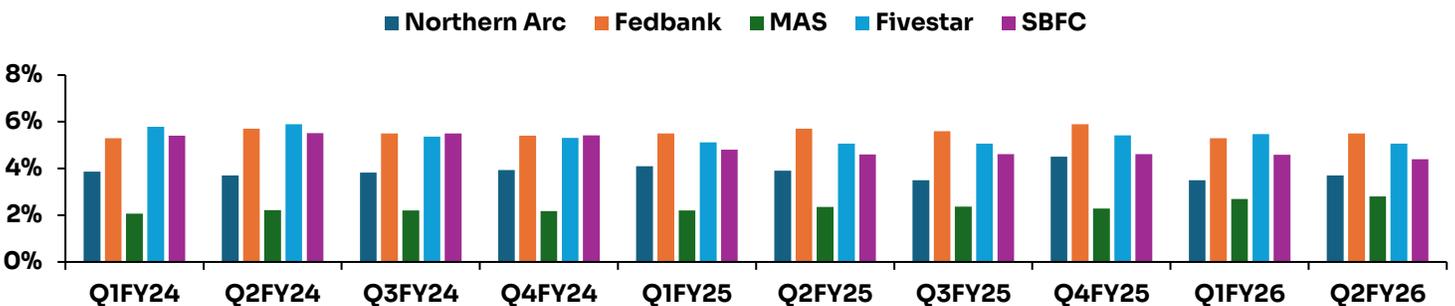


Credit Cost(%)

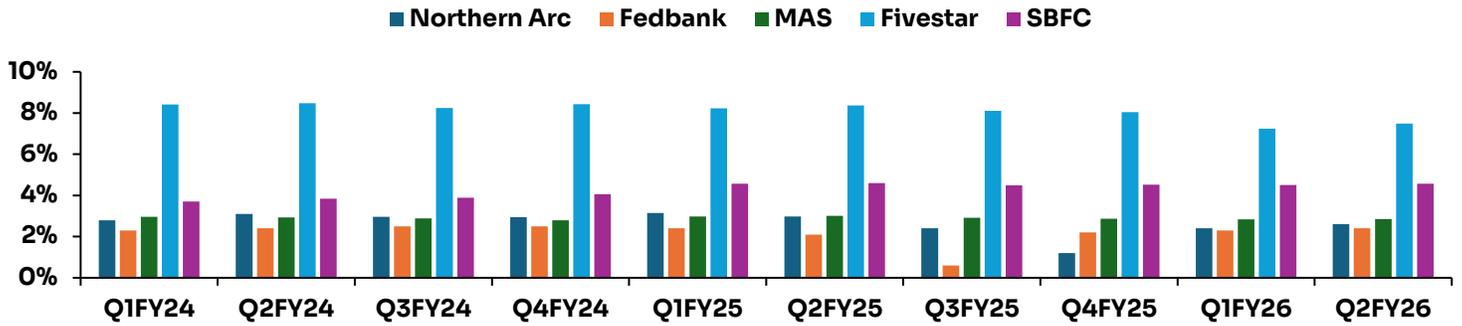


* NACL Credit cost for Q4FY25 & Q1FY26 includes one-time credit cost on account of change in accounting guidance by the RBI

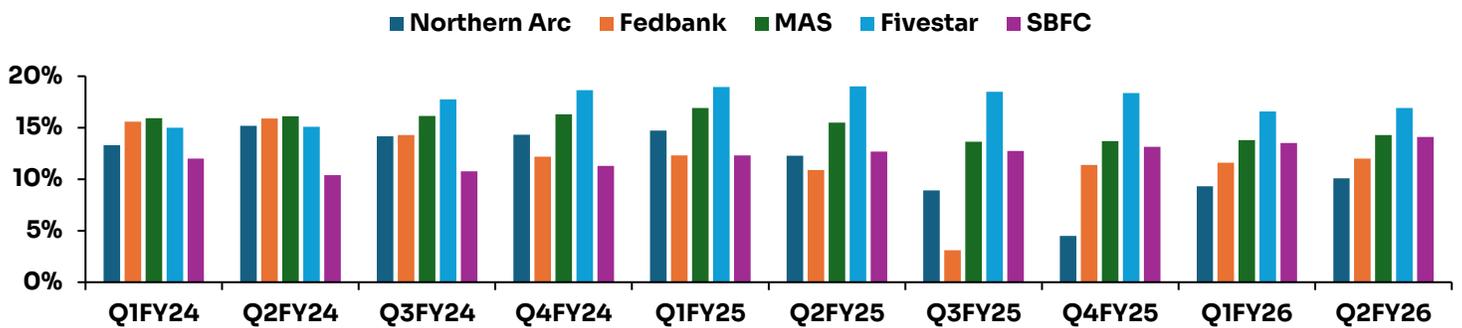
Opex(%)



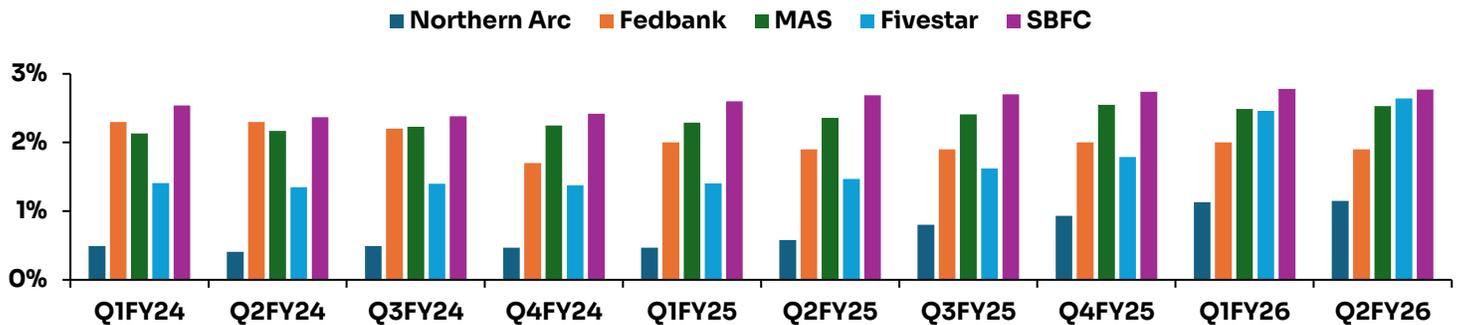
ROA(%)



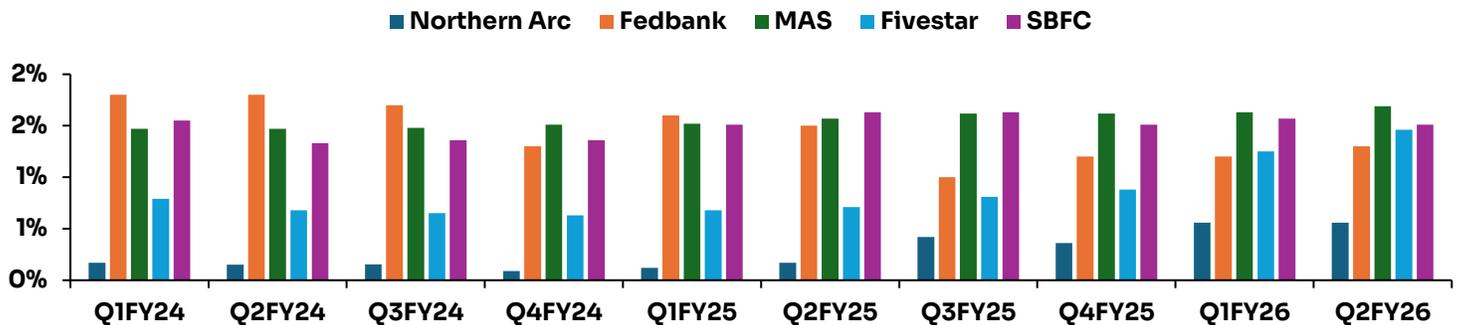
ROE(%)



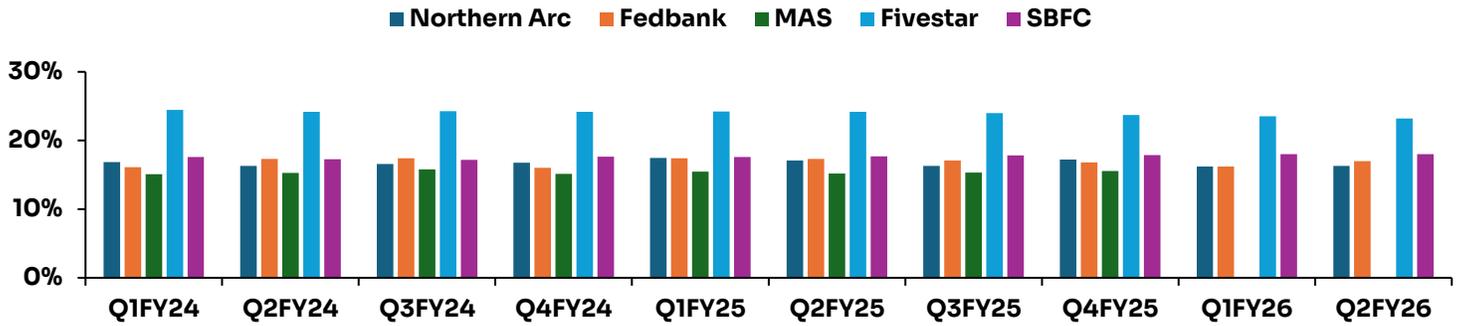
GNPA (%)



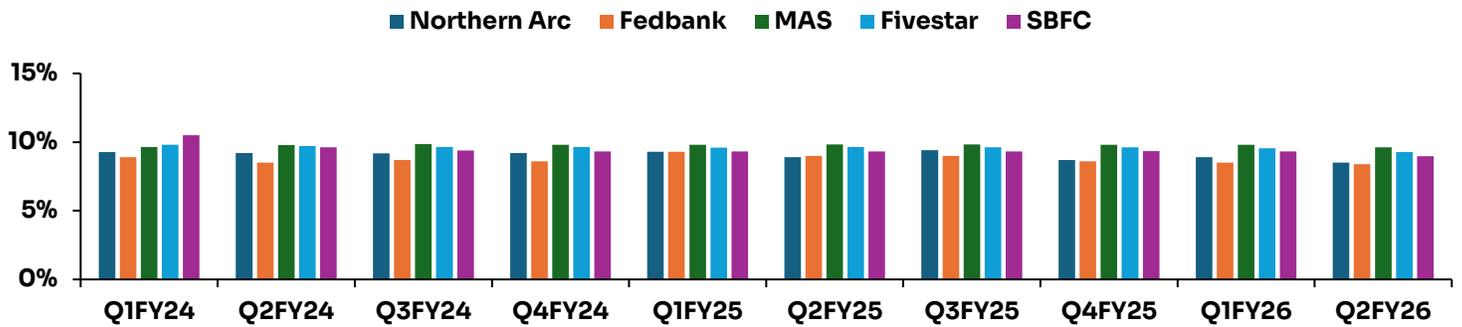
NNPA (%)



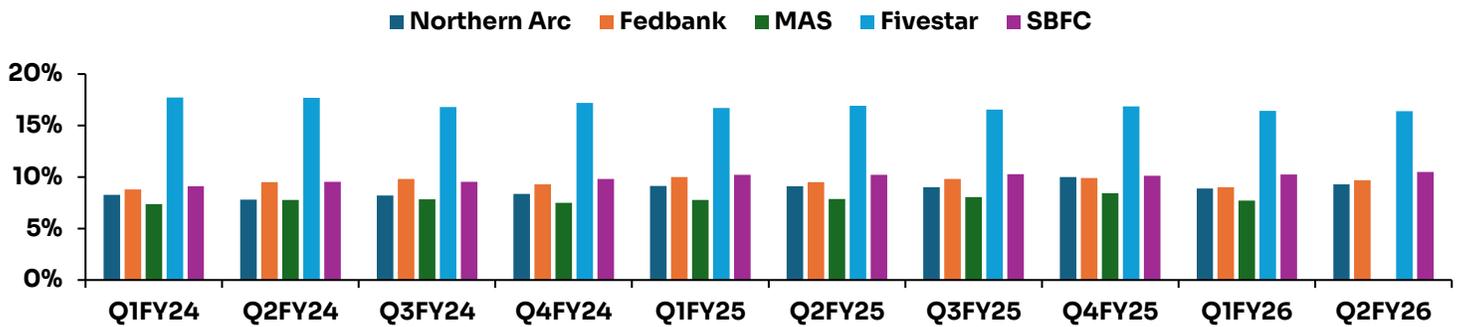
Yield(%)



CoF(%)



NIM (%)



Source: Bloomberg & Ventura Research

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Northern ARC Capital Ltd.
A Tech-Led, Multi-Income Retail Credit Franchise

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एक टेक-चालित, बहु-आय वाली रिटेल क्रेडिट फ्रैंचाइजी

NACL's Financial Summary

DESCRIPTION	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
AUM	7,108.0	9,008.0	11,710.0	13,634.0	15,815.4	19,927.5	24,710.0
Growth YoY	68%	27%	30%	16%	16%	26%	24%
Direct to Customer Lending	1,659.0	3,385.0	5,833.0	7,064.0	9,014.8	12,554.3	17,049.9
Growth YoY	68%	104%	72%	21%	28%	39%	36%
MSME (%)	23%	38%	50%	52%	57%	63%	69%
MSME	835.0	1,284.0	2,021.0	2,574.0	3,321.2	4,782.6	6,671.7
Growth YoY	15%	54%	57%	27%	29%	44%	40%
MSME (%)	12%	14%	17%	19%	21%	24%	27%
Consumer	523.0	1,091.0	2,300.0	3,390.0	4,112.0	5,779.0	7,907.2
Growth YoY	258%	109%	111%	47%	21%	41%	37%
Consumer (%)	7%	12%	20%	25%	26%	29%	32%
Rural	302.0	1,010.0	1,512.0	1,100.0	1,581.5	1,992.7	2,471.0
Growth YoY	172%	234%	50%	-27%	44%	26%	24%
Rural (%)	4%	11%	13%	8%	10%	10%	10%
IR Credit Solution	5,449.0	5,623.0	5,877.0	6,570.0	6,800.6	7,373.2	7,660.1
Growth YoY	29%	3%	5%	12%	4%	8%	4%
IR Credit Solution (%)	77%	62%	50%	48%	43%	37%	31%
Borrowings	5,983.0	6,994.6	9,048.0	9,860.0	11,744.5	15,065.2	19,014.4
Growth YoY		17%	29%	9%	19%	28%	26%
Bank	3,470.1	4,336.7	6,152.6	6,606.2	7,751.4	9,943.0	12,549.5
Bank (%)	58%	62%	68%	67%	66%	66%	66%
Offshore Fis and DFIs	1,854.7	2,168.3	1,809.6	2,662.2	3,053.6	3,916.9	4,943.7
Offshore Fis and DFIs (%)	31%	31%	20%	27%	26%	26%	26%
NBFC & DCM	658.1	489.6	1,085.8	591.6	939.6	1,205.2	1,521.2
NBFC & DCM (%)	11%	7%	12%	6%	8%	8%	8%
Fig in INR Cr. (unless specified)							
Interest Income	909.5	1,305.0	1,890.1	2,341.6	2,757.0	3,520.4	4,527.6
Interest Expense	410.7	557.4	726.4	828.4	976.9	1,200.7	1,492.8
Net Interest Income	498.9	747.5	1,163.7	1,513.2	1,780.1	2,319.7	3,034.8
NIM (%)	7.38	8.00	9.59	10.37	10.14	10.43	10.57
YoY change (%)	57%	50%	56%	30%	18%	30%	31%
Non Interest Income	7.0	6.3	15.9	14.1	14.1	14.1	14.1
Total Net Income	505.9	753.8	1,179.6	1,527.4	1,794.2	2,333.8	3,048.9
Total Operating Expenses	220.8	393.3	637.7	736.7	861.6	1,087.1	1,417.5
Pre provision operating profit	285.0	360.5	541.9	790.7	932.7	1,246.7	1,631.4
PPOP Margin	31.1	27.5	28.4	33.6	33.7	35.3	35.9
Cost to income(%)	37.1	43.0	43.5	36.2	33.8	29.6	27.5
YoY change in PPOP (%)	23%	26%	50%	46%	18%	34%	31%
Provisions	36.5	39.2	122.4	404.8	410.0	506.0	584.2
Profit Before Tax	248.5	321.3	419.5	385.9	522.7	740.6	1,047.1
YoY change (%)	156%	29%	31%	-8%	35%	42%	41%
Taxes	66.4	79.0	102.5	84.8	127.0	180.0	254.5
Net profit	182.1	242.3	317.0	301.1	395.7	560.7	792.7
YoY change (%)	145%	33%	31%	-5%	31%	42%	41%

Source: ACE Equity, Company Reports & Ventura Research

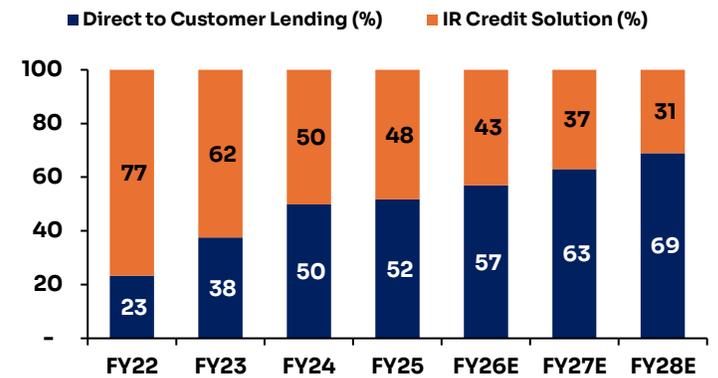
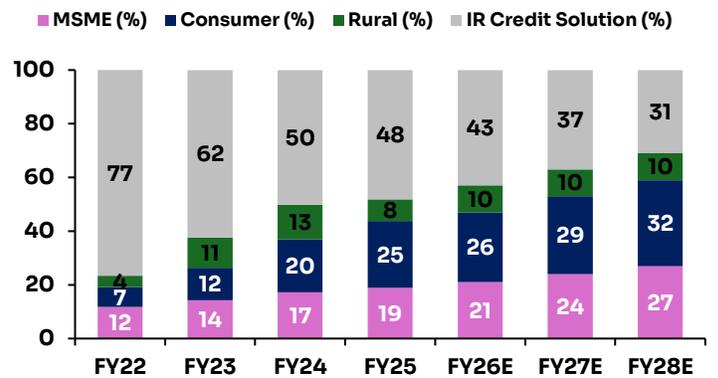
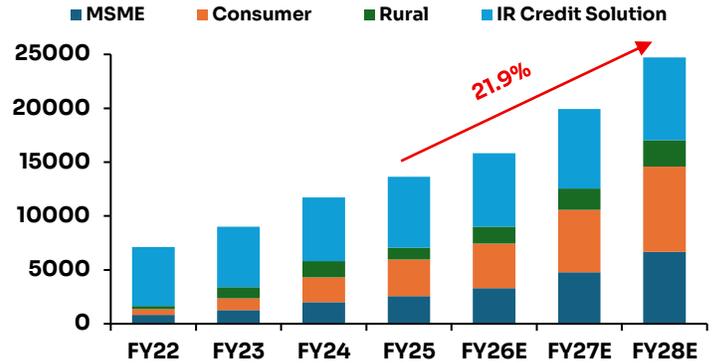
NACL's – Business Overview and Outlook

NACL's AUM Scaling Up Through Shift Toward High-Yield Direct Lending

NACL's AUM increased from INR 7,108 Cr in FY22 to INR 13,634 Cr in FY25 and is expected to reach INR 24,710 Cr by FY28, implying a healthy 21.9% CAGR from FY25–FY28. Growth is driven by:

- MSME:** MSME AUM grew from INR 835 Cr in FY22 to INR 2,574 Cr in FY25, with its share expanding from 12% to 19%. We expect MSME AUM to reach INR 6,672 Cr by FY28, with share rising further to 27%, supported by secured MSME lending and NACL's strong phygital reach.
- Consumer Finance:** Consumer finance grew sharply from INR 523 Cr in FY22 to INR 3,390 Cr in FY25, with portfolio share rising from 7% to 25%. With the continued scaling of retail partnerships and digital underwriting, Consumer AUM is expected to reach INR 7,907 Cr by FY28, contributing 32% of total AUM.
- Rural Finance:** Rural AUM expanded from INR 302 Cr in FY22 to INR 1,100 Cr in FY25. Rural's share moved from 4% to 8%, and is expected to remain stable around 10% through FY28 as NACL deepens presence via the Pragati network.
- IR Credit Solutions (IRL):** IRL grew from INR 5,449 Cr in FY22 to INR 6,570 Cr in FY25, but its share dropped sharply from 77% to 48%, and is projected to fall further to 31% by FY28 as NACL focus toward higher-yield granular retail assets.

NACL's mix is undergoing a decisive shift, with DCL rising from **50% in FY24 to 69% by FY28**, positioning the company for structurally superior risk-adjusted returns.



Northern Arc's IRL-DCL Framework: Distribution Leverage Meets High-Yield Direct Lending:

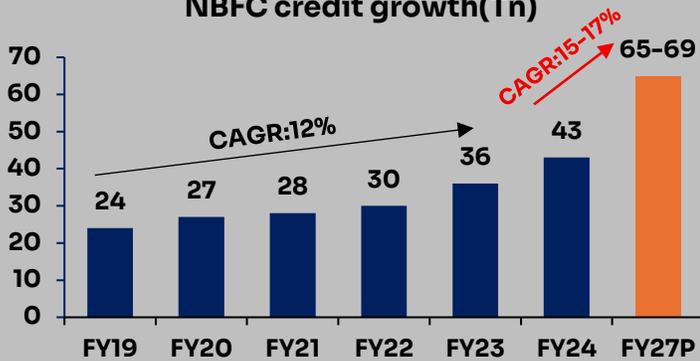
Direct to Customer Lending (DCL):

DCL involves Northern Arc lending directly to end-borrowers—primarily rural households and MSMEs—through a phygital model combining tech platforms with on-ground infrastructure (including Pragati's branch network). Products include rural finance, LAP for MSMEs, and consumer finance. This channel delivers superior risk-adjusted returns and deeper market penetration, supported by proprietary tools like Nu Score and nPOS.

Intermediate Retail Lending (IRL):

Under IRL, Northern Arc lends to a network of Originator Partners such as NBFs, MFIs, and fintech platforms, or invests in their debt issuances/secured pools. This enables partners to on-lend to retail borrowers. The model helps Northern Arc leverage partner distribution, achieve scalable sectoral exposure (MSME, MFI, consumer finance, etc.), and maintain strong risk controls through structured credit enhancement and rigorous underwriting.

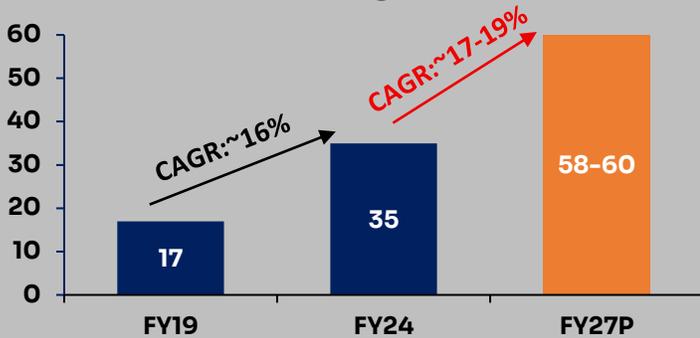
NBFC credit growth(Tn)



Industry Outlook: NBFC Credit:

NBFC credit is expected to grow at a CAGR of 15–17% over FY24–27E, following a 12% CAGR from FY19–24. The sector’s growth is driven by last-mile delivery capabilities, flexible loan offerings, and expansion into underserved areas. Technology adoption for faster loan processing and quick turnarounds will also contribute to growth. NBFCs are set to maintain a strong presence in India’s credit market, catering to the growing demand for credit across diverse segments.

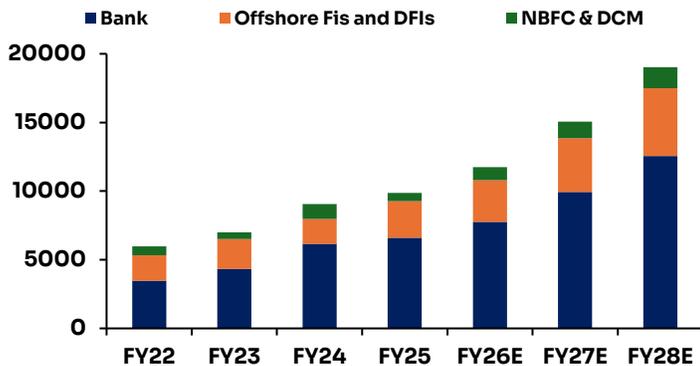
MSME credit growth(Tn)



MSME Outlook:

MSME credit demand in India was INR138 trillion in FY24, with a credit gap of INR103 trillion. The formal MSME lending market stood at INR35 trillion and is expected to expand to INR58–60 trillion by FY27.

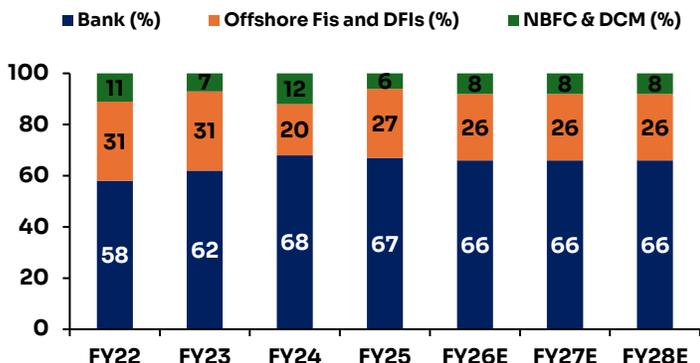
Secured MSME loans under INR0.5 million are projected to grow at 18–20% CAGR over FY24–27E. Government support, digitalization, and better data for risk assessment will boost growth, alongside increasing lender focus on the segment.



NACL’s Borrowing Profile Strengthens with Higher Bank Dependence and Rising Offshore Diversification:

NACL’s borrowings increased from INR 5,983 Cr in FY22 to INR 9,860 Cr in FY25, driven by expanding AUM and a calibrated shift toward stable, longer-tenor liabilities. Borrowings are projected to grow at a 24.5% CAGR to INR 19,014 Cr by FY28.

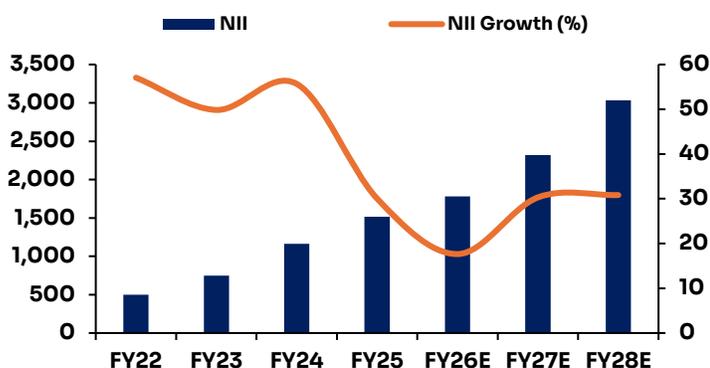
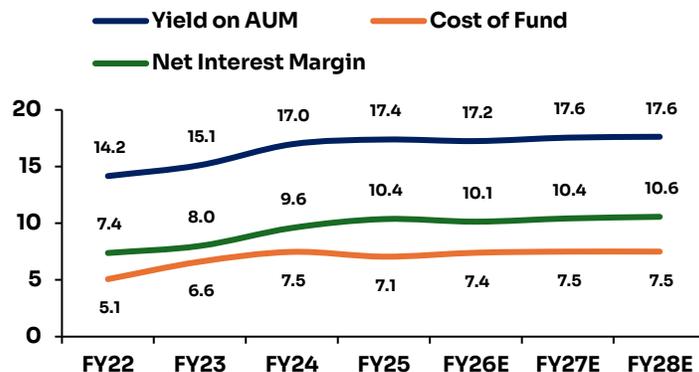
- Bank Borrowings:** Bank funding remains the cornerstone, rising from INR 3,470 Cr in FY22 to INR 6,606 Cr in FY25, with share improving from **58% to 67%**. By FY28, bank borrowings are expected to reach INR 12,549 Cr, maintaining a stable **66% share**.
- Offshore Fis & DFIs:** Offshore/DFI borrowings grew from INR 1,855 Cr in FY22 to INR 2,662 Cr in FY25, with share moving from **31% to 27%**. They are estimated to reach INR 4,944 Cr by FY28, holding **26%** of borrowings.
- NBFC & DCM:** Borrowings moved from INR 658 Cr in FY22 to INR 592 Cr in FY25, with share stabilizing at **6–8%**. By FY28, this segment is expected to grow to INR 1,521 Cr, contributing **8%** of total borrowings as NACL selectively taps DCM and NBFC lines for incremental flexibility.



NII and Non-Interest Income

NACL's yield on AUM has strengthened materially, rising from 14.2% in FY22 to 17.4% in FY25, driven by a shift toward higher-yield Direct to Customer Lending. Yields are expected to further increase to 17.6% by FY28.

Cost of funds moved from 5.1% in FY22 to 7.1% in FY25 but remains well-contained despite a larger balance sheet, stabilizing at 7.5% over FY26–FY28. As a result, Net Interest Margin expanded from 8.0% in FY22 to 10.4% in FY25 and is projected to reach 10.6% by FY28, reflecting continued portfolio repricing and mix improvement.



Net interest income

NACL's NII has grown sharply from INR 318 Cr in FY21 to INR 1,513 Cr in FY25, driven by rising yields and the increasing share of high-margin Direct to Customer Lending. NII growth remained consistently strong, ranging between 50–57% during FY22–FY24, before normalizing to 30% in FY25.

We expect NII to reach INR 3,035 Cr by FY28, reflecting a healthy 26% CAGR over FY25–FY28 as lending spreads continue to strengthen.

Beyond Lending: How NACL's Multi-Channel Engine Creates a Powerful Fee + Interest Income Flywheel

NACL operates far beyond a traditional lender. While its two core lending segments— Direct to Customer Lending (DCL) and Intermediate Retail Lending (IRL) drive on-balance-sheet interest income, the company has built a multi-channel revenue model that combines lending, syndication, asset management, and technology to create a durable, diversified income engine.

1. Placements: A High-Velocity Syndication Marketplace

Through its proprietary platform Nimbus, NACL structures and syndicates debt solutions for Originator Partners by tapping into a wide network of Investor Partners, including banks, DFIs, mutual funds, insurers, and HNIs. This includes securitizations, direct assignments, guarantees, and structured debt. The Company earns professional fees, creating an annuity-like income stream. In FY25, Placements volume reached INR 12,393 Cr, highlighting the scale of this marketplace model.

2. Fund Management: Building an Alternative Debt Asset Manager

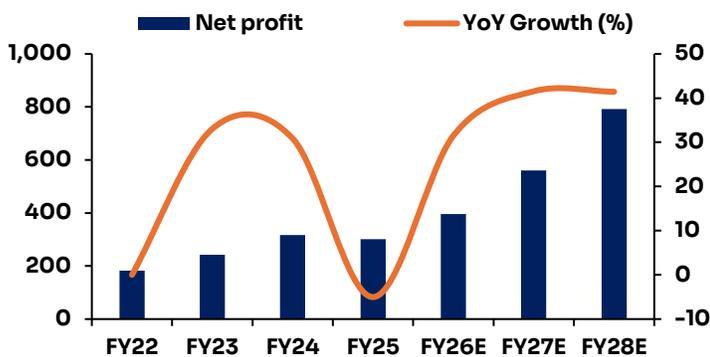
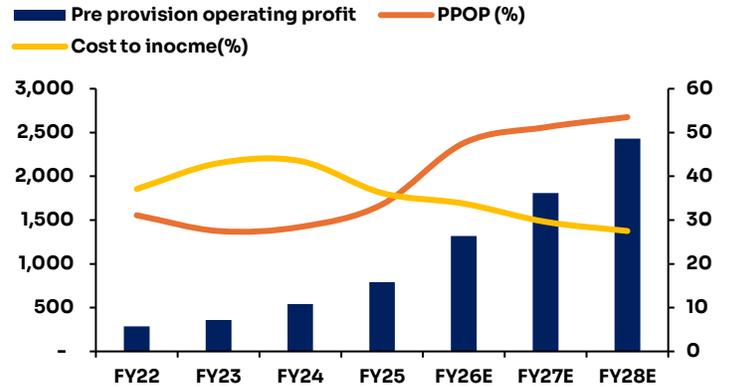
Through its subsidiary NAIM, NACL manages multiple AIFs and PMS mandates focused on mid-market credit. As of Sep-2025, NAIM managed INR 3,198 Cr across 12 AIFs and offered PMS services to over 1400+ investors. This channel generates management and performance fees, positioning NACL as a scaled debt asset manager—not just a lender.

3. Future Tech Monetization: Turning Data & Platforms into Revenue

NACL plans to monetize its proprietary tech stack—Nimbus, nPOS, Nu Score, and the expanding Altifi wealth platform. Altifi aims to evolve into a full-spectrum retail wealth marketplace offering savings products, FDs, CPs, mutual funds, and insurance (with NACL already registered as a composite insurance corporate agent). This creates a long-term path for recurring tech and platform fees.

Improving PPOP Driven by Scale and Margin Expansion

NACL's pre-provision operating profit (PPOP) rose from INR 232 Cr in FY21 to INR 791 Cr in FY25, supported by strong NII growth and operating leverage. PPOP margins initially moderated from 35.6% in FY21 to 27.5% in FY23 due to higher investments in distribution and technology but recovered meaningfully to 33.6% in FY25. We expect margins to further expand to 35.9% by FY28 as the high-yield retail portfolio scales. Cost-to-income(excluding fee and commission expenses) improved to 36% in FY25 and further expected to improve to 28% by FY28.



Outlook for Net Profit Expansion

NACL's net profit increased from INR 74 Cr in FY21 to INR 317 Cr in FY24, supported by strong NII growth and improving operating efficiency. FY25 saw a temporary 5% decline to INR 301 Cr due to elevated credit costs, which include one time impact of INR 68 Cr on account of change in DLG accounting, but profitability is expected to rebound sharply from FY26. Net profit is projected to rise to INR 793 Cr by FY28, reflecting a strong 38% CAGR over FY25–FY28. With credit costs normalizing and DCL-driven margins expanding, earnings momentum strengthens meaningfully, positioning NACL for sustained profitability improvement.

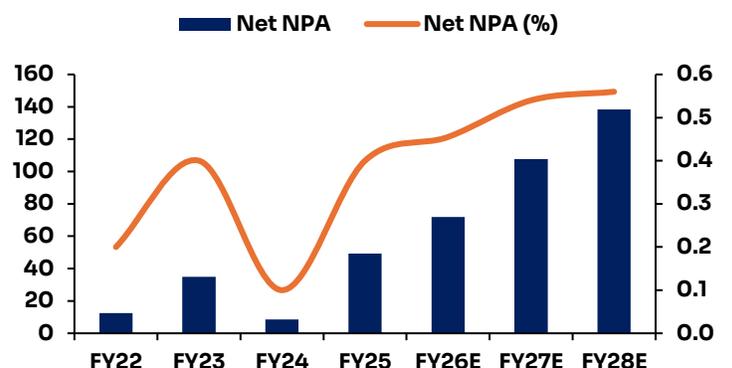
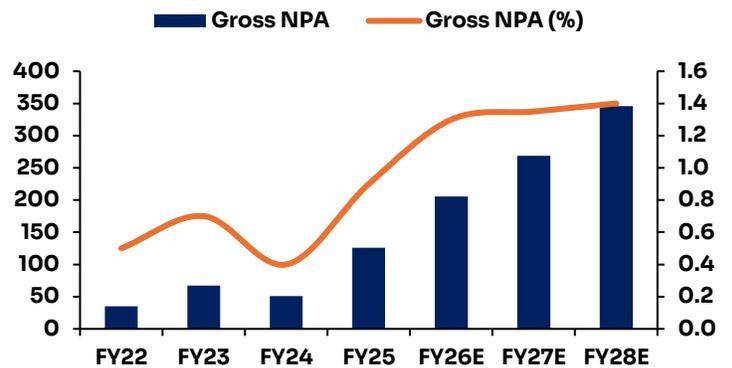
Asset Quality Remains Comfortable Despite Retail Mix Expansion

GNPA and NNPA:

NACL's asset quality has remained broadly stable even as the portfolio shifts toward higher-yield retail assets. Gross NPAs increased from INR 35 Cr in FY22 to INR 126 Cr in FY25, with the GNPA ratio rising from 0.50% to 0.90%, driven largely by the scale-up of Direct to Customer Lending. Despite this, GNPA levels remain modest relative to the risk profile. Net NPAs increased from INR 12 Cr to INR 49 Cr over the same period, while the NNPA ratio stayed contained between 0.1%–0.4%, reflecting strong recovery performance and conservative provisioning.

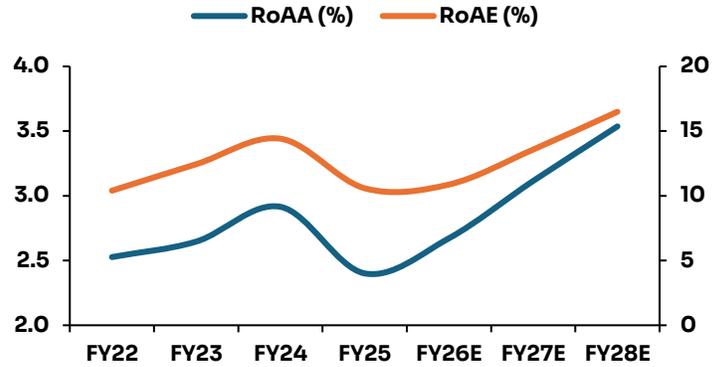
Provision Coverage Ratio:

PCR has fluctuated, improving meaningfully to 75% in FY24 before stabilizing around 56–65% during FY25–FY28E. As NACL deepens its retail presence, GNPA is expected to inch up to 1.40% by FY28, with NNPA at 0.6%, still comfortably within sector norms. Strong underwriting, co-lending frameworks, FLDG comfort and data-driven monitoring continue to anchor portfolio quality.

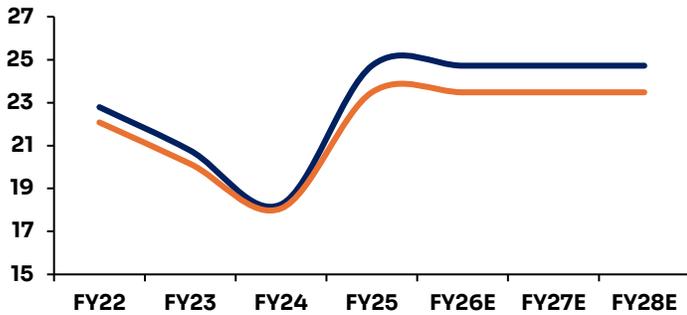


Building Stronger Returns: NACL's Path Forward

NACL's return ratios have improved steadily, reflecting stronger margins, operating leverage and expanding retail assets. RoAA rose from 1.2% in FY21 to 2.9% in FY24, before moderating to 2.4% in FY25 due to higher credit costs, mainly due to one time credit cost of INR. 68 cr. on account of change in DLG accounting norms. With profitability normalizing, RoAA is expected to expand to 3.5% by FY28, supported by rising NIMs and a richer DCL mix. RoAE improved from 4.3% in FY21 to 14.4% in FY24, dipping to 10.6% in FY25, due to equity raise of INR 882 Cr, but is projected to strengthen meaningfully to 16.5% by FY28 as the Company scale the AUM.



Capital Adequacy Ratio (%) Tier I Capital (%)



Strong Capital Position Provides Ample Headroom for Growth:

NACL maintains a robust capital position, comfortably supporting its expanding retail loan book. Capital Adequacy Ratio (CAR) improved sharply to 24.7% in FY25, up from 18.3% in FY24, and is projected to remain stable through FY28 as internal accruals strengthen. Tier I capital, the core component, rose to 23.5% in FY25 and is expected to stay steady, providing significant buffer for growth in high-yield DCL segments. Tier II capital remains modest at 1.2%, reflecting a conservative leverage profile. Overall, NACL's capital structure remains strong, enabling sustained AUM expansion without near-term capital-raising pressure.

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एक टेक-चालित, बहु-आय वाली रिटेल क्रेडिट फ्रैचाइजी

Management Team

Name	Designation	Details
Ashish Mehrotra	Managing Director & CEO	Mr. Ashish Mehrotra has previously served as the MD & CEO of Max Bupa Health Insurance and as the MD and Retail Bank Head at Citibank India. He brings a wealth of leadership experience in both the banking and insurance industries.
Atul Tibrewal	Chief Financial Officer (CFO)	Mr. Atul Tibrewal has over 22 years of experience in finance. He has previously worked with Magma Fincorp and Birla Corporation
Pardhasaradhi Rallabandi	Chief Group Risk Officer & Governance Head	Mr. Pardhasaradhi Rallabandi has over 31 years of experience in banking, having previously worked at Standard Chartered Bank
Gaurav Mehrotra	Chief Technology Officer	Mr. Gaurav Mehrotra has over 26 years of experience in technology. He has previously worked with JP Morgan, Goldman Sachs, and Infosys, focusing on technology strategy, innovation, and digital transformation.
Amit Mandhanya	Chief Business Officer – Partnership Based Lending	Mr. Amit Mandhanya has over 17 years of experience in lending and financial services. He previously worked with Micro-Credit Ratings International Limited, specializing in lending operations and credit ratings.
Saurabh Jaywant	Chief Legal Officer	Mr. Saurabh Jaywant has over 22 years of experience in financial services and has previously worked with ICICI Bank
Jagadish Babu Ramadugu	Managing Director & CEO (Pragati)	Mr. Jagadish Babu Ramadugu brings over 28 years of experience in finance and management. He has previously worked with Vaya Finserv, Hindustan Coca-Cola, Spencers, and Asian Paints.
Umasree Parvathy Pratap	Chief People Officer	Ms. Umasree Parvathy Pratap has over 37 years of experience in human resources management. She has previously worked with Matrimony, Invesys, and Spencers.
Sandeep Singh	Head- Intermediate Retail	Mr. Sandeep Singh has over 25+ years of experience, Previously associated with India Ratings & Research
Prakash Panda	Company Secretary & Compliance Officer	Mr. Prakash Panda has over 16 years of experience in compliance and legal functions. He has previously worked with Tamilnad Mercantile Bank and Apollo Hospital.\
Bhavdeep Bhatt	CEO – Northern Arc Investment Managers	Mr. Bhavdeep Bhatt has over 29 years of experience in asset management. He has previously worked with Aditya Birla Sunlife AMC, ICICI Prudential AMC, and Kotak AMC.
Chetan Tivary	Chief Internal Audit Officer	Mr. Chetan Tivary has 30 years of experience in audit and risk management. He has worked with Mashreq Bank, HSBC Ltd, DCB Bank, and ABN AMRO Bank.
Vipin G S	Chief Compliance Officer	Mr. Vipin G S brings over 24 years of experience in finance and compliance. He previously worked with Manappuram Finance.
Moushumi Mandal	Deputy Chief People Officer	Ms Moushumi Mandal has 25+ years of experience, previously she was associated with National Stock Exchange (NSE)
Priyashis Das	Chief Executive Officer – Northern Arc Securities	Mr. Priyashis Das has over 25 years of experience, previously he was associated with DBS, Citibank, ABN and Tata AIA

Source: Company reports

Board of Director

Name	Designation	Details
Mr. P S Jayakumar	Chairman & Non-Executive Independent Director	Mr. P S Jayakumar is the former MD & CEO of Bank of Baroda and has approximately 30 years of experience in banking and financial services. He has an extensive background in leading large public sector banks.
Mr. Ashish Mehrotra	Managing Director & CEO	Mr. Ashish Mehrotra has previously served as MD & CEO of Max Bupa Health Insurance and as MD and Retail Bank Head at Citibank India. He brings extensive experience in leadership across the banking and insurance sectors.
Dr. Kshama Fernandes	Non-Executive, Non-Independent Director & Vice-Chairperson	Dr. Kshama Fernandes has been associated with NACL for many years and has approximately 25 years of experience in financial services and corporate governance. She has played a key role in strategic growth initiatives.
Mr. Ashutosh Arvind Pednekar	Non-Executive Independent Director	Mr. Ashutosh Arvind Pednekar is a practicing Chartered Accountant with over 30 years of experience in finance and accounting. He has worked extensively in audit, compliance, and financial management.
Ms. Anuradha Rao	Non-Executive Independent Director	Ms. Anuradha Rao has about 36 years of experience in banking, including her tenure as the MD & CEO of SBI Funds Management. She brings deep expertise in financial services, asset management, and corporate governance.
Mr. Vijay Chakravarthi	Non-Executive Nominee Director	Mr. Vijay Chakravarthi is the Partner at Affirma Capital and has held the role of Executive Director for Private Equity at Standard Chartered Bank. He brings expertise in private equity, investment banking, and financial markets.
Mr. Michael Jude Fernandes	Non-Executive Nominee Director	Mr. Michael Jude Fernandes co-leads Leapfrog Investments for South & Southeast Asia and has about 20 years of experience in private equity and investment management across emerging markets.
Mr. Sandeep Dhar	Non-Executive Independent Director	Mr. Sandeep Dhar has over 35 years of experience in the BFSI and IT services sectors. He has expertise in risk management, technology integration, and digital transformation within financial institutions.

	FY21	FY22	FY23	FY24	FY25
PS Jayakumar	Chairman	Chairman	Chairman	Chairman	Chairman
Kshama Fernandes	MD & CEO	MD & CEO upto 31st March 2022	Non Exec. Ind. Director	Non Exec. Ind. Director and Vice Chairperson	Non Exec. Ind. Director and Vice Chairperson
Ashish Mehrotra	-	MD & CEO	MD & CEO	MD & CEO	MD & CEO
Anuradha Rao	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director
Ashutosh Pednekar	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director
Vijay Nallan Chakravarthi	Nominee Director	Nominee Director	Nominee Director	Nominee Director	Nominee Director
Amit Mehta	Nominee Director	Nominee Director upto 02.05.2022	-	-	-
Michael Jude Fernandes	Nominee Director	Nominee Director	Nominee Director	Nominee Director	Nominee Director
Samir Amrit Shah	Nominee Director	Nominee Director	FY 23 - Nominee director till December 28 2022	-	-
Srividhya Ramaswamy	CS & Compliance Officer	CS & Compliance Officer	CS & Compliance Officer	CS & Compliance Officer till September 20, 2023	-
Bama Balakrishnan	CFO	Exec.Director & COO	Exec.Director & COO	Exec. Director till November 13, 2023 & COO upto March 31, 2024	-
Jagadish Babu Ramadugu	MD & CEO (Pragati)	MD & CEO (Pragati)	MD & CEO (Pragati)	MD & CEO (Pragati)	MD & CEO (Pragati)
Trikkur Anantharaman	-	-	Nominee Director	Nominee Director	Nominee Director
Arunkumar Nerur	-	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director	Non Exec. Ind. Director till Feb 13, 2025
Sandeep Dhar	-	-	-	-	Non Exec. Ind. Director
Srividhya Ramaswamy	CS & Compliance Officer	CS & Compliance Officer	CS & Compliance Officer	CS & Compliance Officer till September 20, 2023	-
Bama Balakrishnan	CFO	Exec.Director & COO	Exec.Director & COO	Exec. Director till November 13, 2023 & COO	-

Source: ACE Equity, Company Reports & Ventura Research

FY25 Annual Report Takeaways

We analyzed the FY25 annual report, and our key observations are as follows:

Key Financial Highlights

NACL saw a strong 16.4% YoY growth in Assets Under Management (AUM), rising from INR 11,710 crore to INR 13,634 crore. Total income increased by 23% YoY, reaching INR 2,355 crore on a consolidated basis. Net Interest Income (NII) rose by 31.77%, while Pre-Provision Operating Profit (PPOP) grew by 45.7%. Excluding one-time provision impact, adjusted PAT rose by 15.4%, signaling operational strength. The Capital Adequacy Ratio (CRAR) improved significantly to 24.72%, with a strong asset quality showing GNPA at 0.9%.

Operational and Strategic Highlights:

FY24-25 marked a transformative year for NACL, securing INR 382 crore in equity infusion in pre IPO round and completing a successful IPO raising INR 777 Cr. (primary equity of Rs. 500 Cr.). It continued its shift towards Direct-to-Customer (D2C) lending, growing its D2C portfolio by 21.1% YoY to INR 7,064 crore, now representing 51.8% of AUM. Additionally, it expanded its branch network to 360 locations, focusing on efficiency by consolidating unproductive branches. NACL proactively managed risk by reducing its exposure to the rural finance sector by 27.2%.

Technology & Digital Transformation:

NACL made significant investments in technology to enhance credit decision-making and operational efficiency. Key platforms like NuScore and Nimbus have been instrumental in improving risk models and facilitating better credit flows. The Altifi platform scaled to over 45,000 users, transacting INR 303 crore in FY 2024-25, making it a key driver in democratizing retail participation in fixed-income products. Additionally, CrediTech refocused its efforts on providing advanced technological solutions in credit delivery.

ESG Initiatives:

NACL's commitment to Environmental, Social, and Governance (ESG) principles remains strong, contributing to 9 UNSDGs. The company implemented several ESG-driven initiatives, with CSR spending totaling INR 6.09 crore. Key areas included Education (25%), Environment & Sustainability (44%), and Health (31%). The company also adopted new policies, including an Environment & Climate Change Policy, and aims to expand its green initiatives and improve social inclusion efforts in the future.

Dividend Recommendation:

The Board decided not to recommend a dividend for FY 2024-25, opting instead to reinvest funds into the business for continued growth.

Auditor's qualifications and significant notes to accounts

In the auditor's opinion, the financial statements of NACL for the year ended 31 March 2025 have been prepared in accordance with the Companies Act, 2013 and conform to Indian Accounting Standards (Ind AS). These financial statements provide a true and fair view of the company's situation and comply with the relevant provisions of the Act.

Business Risks

Credit Risk: Risk of borrower default due to economic downturns or inadequate credit assessment, leading to increased NPAs and provisioning. NACL mitigates this with thorough credit assessments and secured loans.

Liquidity Risk: Risk of failing to meet short-term obligations due to mismatched assets and liabilities or market constraints. Managed through experienced treasury professionals and long-term fund sourcing.

Operational Risk: Risk from internal failures or human errors disrupting business continuity or causing financial losses. NACL mitigates this with robust operational systems and agile processes.

Market Risk: Risk of fluctuating interest rates or economic conditions affecting borrowing costs and loan demand. NACL manages this by adjusting interest rates and evaluating market trends.

Cybersecurity and IT Risk: Risk from IT system failures affecting financial controls and data privacy. Managed through a comprehensive cybersecurity framework and data protection policies.

Source: ACE Equity, Company Reports & Ventura Research



NACL's quarterly and annual performance

DESCRIPTION	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	FY26E	FY27E	FY28E
Income Statement																
Interest Earned	1,305.0	401.4	436.7	492.4	559.6	1,890.1	577.7	585.5	576.1	602.3	2,341.6	605.4	606.3	2,757.0	3,520.4	4,527.6
Non-interest income	6.3	3.9	2.8	4.6	4.5	15.9	4.7	0.6	4.6	4.2	14.1	2.3	1.2	14.1	14.1	14.1
Total Income	1,311.3	405.4	439.5	497.0	564.1	1,906.0	582.4	586.2	580.7	606.4	2,355.7	607.7	607.5	2,771.2	3,534.5	4,541.7
Growth YoY	43%					45%	44%	33%	17%	8%	24%	4%	4%	18%	28%	28%
Growth QoQ		0%	8%	13%	14%		3%	1%	-1%	4%		0%	-74%			
Interest Expended																
Interest Expended	557.4	164.0	174.4	184.1	203.9	726.4	209.3	205.3	213.7	200.0	828.4	216.3	205.8	976.9	1200.7	1492.8
Growth YoY	36%					30%	28%	18%	16%	-2%	14%	3%	0%	18%	23%	24%
Growth QoQ	0%	0%	6%	6%	11%		3%	-2%	4%	-6%		8%	-75%			
Net interest income																
Net interest income	747.5	237.5	262.3	308.3	355.7	1,163.7	368.4	380.2	362.4	402.3	1,513.2	389.1	400.5	1,780.1	2,319.7	3,034.8
NIM(%)	8.00%	0.00%	0.00%	0.00%	0.00%	9.59%	0.00%	0.00%	0.00%	0.00%	10.37%	0.00%	0.00%	10.14%	10.43%	10.57%
Growth YoY	50%					56%	55%	45%	18%	13%	30%	6%	5%	18%	30%	31%
Growth QoQ	0%	0%	10%	18%	15%		4%	3%	-5%	11%						
Operating Expenses																
Operating Expenses	393.3	120.3	143.9	151.1	222.4	637.7	197.8	169.1	191.0	177.9	736.7	184.5	186.4	861.6	1,087.1	1,417.5
% of net income	43%	0%	0%	0%	0%	43%	0%	0%	0%	0%	36%	0%	0%	34%	30%	28%
Operating Profit before Prov.& Cont.	360.5	121.1	121.3	161.8	137.8	541.9	175.3	211.8	176.0	228.6	790.7	206.9	215.3	932.7	1,246.7	1,631.4
Margin PPOP	27%	30%	28%	33%	24%	28.4%	30.1%	36.1%	30.3%	37.7%	33.6%	34.0%	35.4%	33.7%	35.3%	35.9%
Exceptional Items																
Provisions and Contingencies	39.2	31.9	13.2	53.4	23.9	122.4	51.4	78.4	81.5	193.7	404.8	102.2	88.0	410.0	506.0	584.2
% of Nil	5%	13%	5%	17%	7%	11%	14%	21%	22%	48%	27%	26%	22%	23%	22%	19%
PBT	321.3	89.2	108.1	108.4	113.9	419.5	124.0	133.4	94.5	34.9	385.9	104.7	127.2	522.7	740.6	1,047.1
Tax	79.0	19.8	27.7	25.7	29.3	102.5	29.8	37.4	20.9	(3.4)	84.8	26.1	32.4	127.0	180.0	254.5
% of PBT	25%	22%	26%	24%	26%	24%	-	-	-	-	24%	0%	0%	24%	24%	24%
Profit After Tax	242.3	69.3	80.4	82.7	84.6	317.0	94.1	96.0	73.7	38.3	301.1	78.6	94.8	395.7	560.7	792.7
Net Profit Margins % total income	18%	17%	18%	17%	15%	17%	16%	16%	13%	6%	13%	13%	16%	14%	16%	17%
Growth YoY	33%					31%	36%	19%	-11%	-55%	-5%	-17%	-1%	31%	42%	41%
Net Profit (after Extraordinary Items)	229.9	66.4	77.5	75.9	87.9	307.7	94.0	96.4	76.1	37.7	304.3	81.0	92.0	395.7	560.7	792.7
Balance Sheet																
SOURCES OF FUNDS:																
Share Capital	171.7	171.7	171.7	171.7	171.7	172.0	172.0	172.0	161.4	161.4	161.4	161.4	161.4	161.4	161.4	161.4
Share Warrants & Outstandings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Reserves	1,783.7	1,834.3	1,956.6	2,026.0	2,142.6	2,142.4	2,604.8	3,143.9	3,243.6	3,272.9	3,272.9	3,370.6	3,501.7	3,685.3	4,245.9	5,038.6
Minority Interest	112.3	112.4	110.4	172.2	6.0	6.0	7.0	5.9	4.0	5.3	6.4	3.0	3.0	6.4	6.4	6.4
Borrowings	6,994.6	7,156.0	7,822.0	8,177.4	9,047.8	9,048.0	8,970.9	9,271.3	8,593.0	9,860.0	9,860.0	9,422.0	10,331.0	11,744.5	15,065.2	19,014.4
Other Liabilities & Provisions	337.0	262.2	310.4	337.1	343.5	343.5	377.8	343.0	399.0	338.5	339.0	300.0	365.0	396.7	499.9	619.5
% of borrowing	5%	0%	0%	0%	0%	4%	0%	0%	0%	0%	3%	3%	4%	3%	3%	3%
Total Liabilities	9,399.3	9,536.6	10,371.2	10,884.4	11,711.5	11,711.9	12,132.6	12,936.1	12,401.0	13,638.1	13,639.7	13,257.0	14,362.1	15,994.4	19,978.8	24,840.3
APPLICATION OF FUNDS:																
Cash and balance with Reserve Bank	423.0	641.7	367.8	392.2	407.7	407.7	589.2	811.0	513.0	647.4	647.0	564.0	570.0	698.5	602.0	689.6
Investments	1,790.0	1,433.2	1,672.7	1,705.6	1,784.6	1,784.6	1,661.1	1,765.9	1,976.0	2,051.6	2,052.0	1,927.0	2,409.0	2,497.3	3,122.5	3,995.5
Net Advances	6,888.6	7,205.2	8,069.5	8,496.4	9,209.6	9,209.6	9,651.0	10,004.0	9,520.0	10,572.4	10,572.0	10,349.0	10,816.0	12,369.2	15,708.9	19,479.1
Other Assets	297.2	256.5	261.1	290.3	309.6	309.6	231.8	355.0	393.0	366.8	367.0	417.0	567.0	429.4	545.3	676.2
% of Advances	4%					3%					3%			3%	3%	3%
Total Assets	9,398.8	9,536.6	10,371.2	10,884.4	11,711.5	11,711.5	12,133.1	12,935.9	12,402.0	13,638.1	13,638.0	13,257.0	14,362.0	15,994.4	19,978.8	24,840.3

Source: ACE Equity, Company Reports & Ventura Research

NACL's financials & projections

Fig in INR Cr. (unless specified)	FY24	FY25	FY26E	FY27E	FY28E	Fig in INR Cr. (unless specified)	FY24	FY25	FY26E	FY27E	FY28E
Income Statement						Ratio Analysis					
Interest Income	1,890	2,342	2,757	3,520	4,528	Efficiency Ratio (%)					
Interest Expense	726	828	977	1,201	1,493	Int Expended / Int Earned	38.4	35.4	35.4	34.1	33.0
Net Interest Income	1,164	1,513	1,780	2,320	3,035	Int Income / Total Funds	20.5	22.1	22.3	22.4	23.2
NIM (%)	9.6	10.4	10.1	10.4	10.6	NII / Total Income	37.9	39.1	39.1	39.6	40.1
YoY change (%)	56	30	18	30	31	Other Inc. / Total Income	0.5	0.4	0.3	0.2	0.2
Non Interest Income	16	14	14	14	14	Ope. Exp. / Total Income	20.8	19.0	18.9	18.6	18.7
Total Net Income	1,180	1,527	1,794	2,334	3,049	Net Profit / Total Funds	2.7	2.2	2.5	2.8	3.2
Total Operating Expenses	638	737	862	1,087	1,417	Advances / Borrowings	101.8	107.2	105.3	104.3	102.4
Pre provision operating profit	542	791	933	1,247	1,631	Borrowing / Equity	3.9	2.9	3.1	3.4	3.7
PPOP Margin	28	34	34	35	36	NIM (%)	9.6	10.4	10.1	10.4	10.6
Cost to income(%)	43	36	34	30	28						
YoY change in PPOP (%)	50	46	18	34	31						
Provisions	122	405	410	506	584	Solvency					
Profit Before Tax	420	386	523	741	1,047	Gross NPA	51.0	126.1	205.6	269.0	345.9
YoY change (%)	31	(8)	35	42	41	Net NPA	8.6	49.2	72.0	107.6	138.4
Taxes	103	85	127	180	254	Gross NPA (%)	0.4	0.9	1.3	1.4	1.4
Net profit	317	301	396	561	793	Net NPA (%)	0.1	0.4	0.5	0.5	0.6
YoY change (%)	31	(5)	31	42	41	Capital Adequacy Ratio (%)	18.3	24.7	24.7	24.7	24.7
						Tier I Capital (%)	18.1	23.5	23.5	23.5	23.5
Balance Sheet						Tier II Capital (%)	0.2	1.2	1.2	1.2	1.2
Cash & Balances with RBI	408	647	698	602	690						
						Per Share Data					
Investments	1,785	2,052	2,497	3,123	3,995	Adj. EPS	19.6	18.6	24.5	34.7	49.1
Loan and net Advances	9,210	10,572	12,369	15,709	19,479	Book Value per share-cal	143.2	212.6	238.1	272.8	321.8
Other Assets	310	367	429	545	676	Adj Book Value per share-cal	142.7	209.5	233.6	266.1	313.3
Total Assets	11,712	13,638	15,994	19,979	24,840						
Borrowings	9,048	9,860	11,745	15,065	19,014	Valuation Ratio					
Other Liability	9,569	10,365	12,309	15,733	19,802	Price/Earnings (x)	13.2	13.9	10.6	7.5	5.3
Equity	172	161	161	161	161	Price/Book Value (x)	1.8	1.2	1.1	0.9	0.8
Reserves	2,142	3,273	3,685	4,246	5,039	Price/Adj.Book Value (x)	1.8	1.2	1.1	1.0	0.8
Share warrant O/s	-	-	-	-	-						
Total Liabilities	11,712	13,638	15,994	19,979	24,840	Return Ratio					
Networth	2,314	3,434	3,847	4,407	5,200	RoAA (%)	2.9	2.4	2.7	3.1	3.5
						RoAE (%)	14.4	10.6	10.9	13.6	16.5
Dupont Analysis						Growth Ratio (%)					
% of Average Assets						Interest Income	44.8	23.9	17.7	27.7	28.6
Net Interest Income	11.0	11.9	12.0	12.9	13.5	Interest Expenses	30.3	14.0	17.9	22.9	24.3
Non Interest Income	0.2	0.1	0.1	0.1	0.1	Other Income	152.4	-11.2	0.0	0.0	0.0
Net Income	11.2	12.1	12.1	13.0	13.6	Total Income	49.1	26.0	17.6	28.6	29.4
Operating Expenses	6.0	5.8	5.8	6.0	6.3	Net profit	30.8	-5.0	31.4	41.7	41.4
Operating Profit	5.1	6.2	6.3	6.9	7.3	Deposits	29.4	9.0	19.1	28.3	26.2
Provisions & Contingencies	1.2	3.2	2.8	2.8	2.6	Advances	33.7	14.8	17.0	27.0	24.0
Taxes	1.0	0.7	0.9	1.0	1.1						
ROAA	3.0	2.4	2.7	3.1	3.5						

Source: Company Reports & Ventura Research

Rating Methodology

We rate stocks on the 2 years absolute return basis.

Rating	Criteria	Definition
BUY	$\geq 20\%$	Target price is equal to or more than 20% of CMP
HOLD	$\geq 0\%$ to $< 20\%$	Target price is more than CMP but less than 20% of CMP
SELL	$\leq 0\%$ (negative return)	Target price is less than CMP
NOT RATED	No recommendation	No target

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