

PRESS RELEASE

Northern Arc Capital raises INR 910 crore (USD 132 Million) funding from IIFL Special Opportunities Fund and Affirma Capital

Total equity raised by the company now stands at INR 1,400 crore

- IIFL Special opportunities Fund acquires large stake by investing across primary and secondary.
- Existing shareholder SCPE (Standard Chartered Private Equity) and Affirma Capital co-invest.
- The raise almost doubles the net worth of Company, significantly bolstering its ability to enable access to finance at-scale.
- Funds will be used to expand existing business lines, grow footprint across emerging sectors, and invest in product development and technology.
- Northern Arc till date has enabled debt financing of INR 70,000 crore (USD 10 billion) for financial institutions catering to unbanked and under-banked.
- Early investors Dvara Trust, LeapFrog and Accion exiting partially

Chennai, March 26 2019: Northern Arc Capital (formerly IFMR Capital), India's leading debt capital platform for financial institutions serving excluded individuals and businesses, has raised INR 910 crores (USD 130 million) from IIFL Special Opportunities Fund & its Series managed by IIFL Asset Management Limited, SCPE (Standard Chartered Private Equity) and Affirma Capital, a newly formed, independent private equity firm to be managed by the team at SCPE. This investment almost doubles the net worth of the company. With this round of funding, the total equity raised by Northern Arc stands at INR 1,400 crore (USD 200 million). As part of this transaction, early investors Dvara Trust, LeapFrog Investments and Accion will partially sell their stake in the company, but will however continue to stay significantly invested and remain bullish on the business. Following this investment, Amit Mehta, Principal, IIFL Private Equity will join the board of the company. Axis Capital, Credit Suisse and ICICI Securities acted as advisors to the transaction.



Over the last decade, Northern Arc has played a pivotal role in creating access to capital markets for its clients based on their deep understanding of underlying sectors and businesses, and their ability to distinguish between real and perceived risk. The fresh round of investment will help the company address the debt needs of a growing client base across sectors, including new-age financial institutions in sectors such as consumer finance and fintech. It will enable the firm to increase exposure to existing sectors, deepen client relationships and bolster product innovation. The transaction comes at an opportune time for Northern Arc and its clients, including the many NBFCs working at furthering financial inclusion.

Northern Arc Capital has been instrumental in enabling financial inclusion in India by providing entities that target low-income households and small businesses with critical access to debt capital markets. Till date, the company has enabled debt financing of around INR 70,000 crore for its clients across microfinance, small business finance, affordable housing finance, vehicle finance, agriculture finance and corporate finance. Over 125 reputed investors (banks, asset managers, insurance companies, DFIs, private wealth etc.) have invested in transactions structured and arranged by Northern Arc Capital. The innovative financial structures designed by Northern Arc Capital have been a fulcrum in building institutional investors' confidence and fueling their appetite to invest. Over the last year, the Company has introduced innovative new products in the market including Persistent Securitization (Persec) and Covered Bond.

Kshama Fernandes, Managing Director, and CEO, Northern Arc Capital said, "This is a significant milestone for Northern Arc and testament to the confidence placed by investors in the Company. The capital will allow us to significantly scale-up the existing business and pursue new opportunities. We will continue to invest in product development and technology, building on our knowledge, geographical reach, field insights, data-analytics and risk-modelling. We are pleased to have IIFL and Affirma join us in the mission of making access to finance a reality for millions of individuals, low-income households and small enterprises in India."

Bama Balakrishnan, CFO, Northern Arc Capital, said, "This capital raise transforms our institutional capability to serve our client partners and further the mission of financial inclusion. With a decade of consistent performance and demonstrated ability to scale, we are now poised for growth to the next level."

Prashasta Seth, CEO, IIFL AMC, said, "Over the last decade, Northern Arc has created a strong platform, which enables access to debt capital for emerging sectors. With strong tailwind from these emerging sectors and Northern Arc's continued focus on execution, we believe the Company is poised for rapid growth. We are indeed privileged to partner with them at this inflection point."



Vijay Chakravarthi, Executive Director, SCPE and SCPE's nominee on the Board of Northern Arc said "Since our investment in 2016, Northern Arc has scaled up across multiple asset classes and outperformed the industry by successfully navigating through multiple market related shocks. We are excited to continue to support the Northern Arc through its next phase of growth as the Company evolves into a unique diversified financial services platform. "

Northern Arc Capital has over 160 employees in five offices across the country. Over a decade, the company has partnered with 180 plus clients to impact the lives of over 33 million customers across 580 districts of India. It has structured and executed over 500 capital markets transactions.

About Northern Arc Capital

Northern Arc Capital, established in 2008, is a leading debt platform for MFIs and NBFCs in India. Till date it has raised nearly INR 70,000 crore (USD 10bn) of debt for its clients till date, of which about 20% has come from its own balance sheet. The company is a leader in innovative structured finance, with the aim of enabling the flow of debt capital to under-served sectors, such as microfinance, small business lending, affordable housing finance, agriculture finance, vehicle finance, and others. It has pioneered several innovative and revolutionary structures in the Indian market including the Persistent Securitisation transaction, Multi-Originator Securitisation (Mosec™), the Single Issuer Partially Credit Enhanced (SPiCE™) Bond and more recently India's first Covered Bond. Through its structures, the company connects high quality NBFCs catering to financially excluded households and businesses, with investors and lenders such as mutual funds, insurance companies, pension funds, large NBFCs, Development Finance Institutions (DFI), offshore investors, and banks. Through its partners, the company reaches over 41 million individuals in over 580 districts of the country.

The company also has an Alternate Investment Fund vehicle, known as Northern Arc Investment Managers. In a short span of three years, the entity has already seven funds under its management with a cumulative AUM of INR 1200 crores and has gained recognition for its product structuring.



About IIFL Asset Management Limited

IIFL Asset Management Ltd. (IIFL AMC) is a wholly owned subsidiary of IIFL Wealth Management Ltd. IIFL AMC is an asset management firm, launched with an objective to manage and advise various classes of assets including financial products, structured products, real estate, wealth management and private asset management. IIFL AMC's differentiated suite includes mutual funds, alternative investment funds and portfolio management services spanning across various asset classes including public and private equities, fixed income securities and real estate. Its distinctive products bring out the entrepreneurial edge, agility and speed of execution of a boutique asset management firm.

About Standard Chartered Private Equity Limited

SCPE is the private equity arm of Standard Chartered Bank. SCPE provides companies with expansion capital and acquisition finance and also finances management buy-outs. SCPE focuses on companies whose principal operations and management are located in Asia, Africa or the Middle East. It is an active partner that provides board-level strategic advice and access to the international network of Standard Chartered Bank. Since inception, SCPE has invested over USD6 billion in over 100 companies across the Standard Chartered Bank global footprint.

About Affirma Capital

Affirma Capital, is a newly formed, independent private equity firm owned and operated by members of the management team of Standard Chartered Private Equity (SCPE). Affirma Capital was formed pursuant to an announcement by Standard Chartered Bank to spin-off its private equity business in December 2018. The spin-off transaction is expected to close during the first half of 2019.

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