

 Early Warning System

IFC-47395

NARC



Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	B
Voting Date	2023-12-20
Borrower	Northern Arc Capital Limited
Sectors	Agriculture and Forestry, Construction, Finance
Investment Type(s)	Equity, Loan
Investment Amount (USD)	\$ 80.00 million
Loan Amount (USD)	\$ 40.00 million
Project Cost (USD)	\$ 80.00 million



Project Description

As stated by the IFC, the proposed project entails (i) an equity investment of up to US\$40 million and (ii) a senior debt investment of US\$40 million in Northern Arc Capital Limited (NACL). Northern Arc is non-banking financial company which serves the micro, small and medium enterprise (MSME), affordable housing finance and agricultural finance segments, directly (through partnerships and co-lending) and through its institutional partners (primarily financial institutions).

In addition, NACL has a fund management business (through its wholly owned subsidiary) and a placements business through its technology platform that provides a variety of services and products to participants involved with the Indian debt market. As of March 2023, Northern Arc had assets under management of US\$1.1 billion and a domestic credit rating of AA- (Stable) by ICRA and India Ratings. IFC's investment support will strengthen the Company's capital and accelerate its lending to the MSME segment.

Key financial products include working capital financing, and short- and medium-term loans catering for agricultural finance, vehicle finance and MSME sectors. Within structured finance and placement business, the Company undertakes loan securitization, debt placement, commercial paper, and credit enhancement. Some of the sectors of direct and indirect exposures include supply chain (agri, pharma, electronics, metals), warehouses, renewable sector such as solar power projects, battery manufacturing, electronic vehicles, EV infrastructure (battery swapping) etc.



Early Warning System Project Analysis

As stated by the IFC, the Company and its subsidiaries will avoid investments in financial intermediaries other than low-medium risk. Hence, the E&S risk of the proposed investment is medium, and the project is categorized as FI-2 according to IFC's Policy on Environmental and Social Sustainability.



Investment Description

- International Finance Corporation (IFC)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- [Northern Arc Capital Limited](#) (Financial Intermediary)



Private Actors Description

According to the IFC, as of March 2023, on a fully diluted basis, 360 ONE Funds were collectively the largest shareholder with a stake of 25.61% in Northern Arc, followed by Leapfrog Financial Inclusion India (II) Ltd (22.56%), Augusta Investments II Pte. Ltd (19.5%), Eight Roads Investments Mauritius II Limited (formerly known as FIL Capital Investments (Mauritius) II Limited) (10.25%), Dvara Trust (7.48%), Accion Africa-Asia Investment Company (5.80%), SMBC (5.28%) and others (3.52%).

Northern Arc is headquartered in Chennai, India and has a pan-India presence, including through its lending partners



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The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org>