



Strengthening
Foundation
Ensuring
Diversity & Granularity

Calibrated growth | Profitability | Asset Quality

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Forward-looking statements

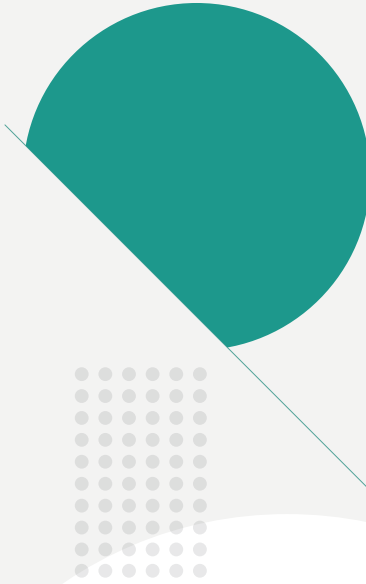
Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.



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EMPOWERED BY OUR ICONIC PARENTAGE AND OUR DEEP INSIGHT INTO DESIGNING TECH-ENABLED, INNOVATIVE, NEED-BASED FINANCING SOLUTIONS FOR A WELL-DIVERSIFIED SPECTRUM OF CLIENTS, WE ARE PROGRESSING WITH AGILITY AND EMPATHY. OUR PRECIOUS ASSETS ARE OUR GROUP LEGACY AND THE TRUST THAT CLIENTS, PARTNERS, LENDERS AND INVESTORS REPOSE IN OUR CAPABILITIES.

Today, we have emerged as a leading non-banking financial solutions provider, supporting citizens, corporates and small business owners to dream big and pursue their growth ambitions. We believe in diversity in every aspect of our business. Our diverse customer base and lending partners, along with granularity of portfolio ensure that our business model is resilient to risks and our asset quality is robust.

We pride on our quick turnaround time in loan disbursals, transparent pricing, no hidden fees and hassle-free documentation. We are customer-centric to the core, and every member of our team is trained to be adaptable and empathetic to the customer. In addition, our data storage, security and infrastructure are comparable to the best in the industry.



FY23 has been another successful year of growth for us. We have achieved an impressive AUM of INR 3,960 crore in just 4 years of operations. This year's financial performance reflects our continued commitment to strong fundamentals, healthy profitability and superior asset quality.

WHO WE ARE

Empowering customers through customised financial solutions

Arka Fincap has earned a reputation as a reliable Non-Banking Financial Company (NBFC), providing secured as well as unsecured financing solutions to Small and Medium Enterprises (SMEs)/ Micro, Small and Medium Enterprises (MSMEs), real estate developers and corporates. The Company is a step-down subsidiary of Kirloskar Oil Engines Limited (KOEL).

Since our inception in 2018, we seek to provide innovative financing solutions to businesses by offering them growth capital. Our digitally enabled, customer-focused platform offers customised financial solutions that cater to the needs of diverse industries and segments such as restaurants, cement, retailers, warehouses, logistics, automobile, chemical and others.

We offer a wide range of financing solutions with flexible repayment structures mapped to client cash flows. We are also rapidly expanding our geographical presence and exploring opportunities to finance businesses across various activities like manufacturing, trading, servicing etc. Our focus on an integrated technology and analytics platform provides us with the impetus to enhance customer experiences and endure sustainable growth.





VISION



To enable growth and fulfill the aspirations of our customers through empathy and agility.

MISSION



Our mission is to provide technology-enabled, innovative and customised financial solutions for an enhanced customer experience.

CORE VALUES




Own it and be responsible


Achieve operational excellence


Trust in collaboration


Customer-centric


Integrity


Making employees successful



**NUMBERS
THAT MATTER
2023**

82.8

PBT

(INR Crore)

61.4

PAT

(INR Crore)

1,033

Net Worth

(INR Crore)

3,115.8

Borrowings

(INR Crore)

3,960.3

AUM

(INR Crore)

25.48%

CAGR

CRISIL Ratings

AA (-)

for Long-term borrowings

A1 (+)

for Short-term borrowings

KIRLOSKAR GROUP

A time-honoured heritage of trust

For over 134 years, the Kirloskar Group has nurtured a legacy of excellence and innovation. In 1888, when others looked to the past, one man looked to the future. The Group companies are actively present across diverse sectors of agriculture, manufacturing, food and beverage, oil and gas, infrastructure and real estate. The sustainability and profitability of these businesses can largely be attributed to a sense of values woven into their foundation.

Kirloskar Oil Engines Limited (KOEL) is one of the world's major genset manufacturers, specialising in products that serve a wide range of industries. It is involved in the manufacturing of engines, farm equipment and generator sets with a sizable presence in international markets. The Company also offers engines that operate on alternative fuels such as biodiesel, natural gas, and biogas.





kirloskar
Oil Engines

Kirloskar Oil Engines Limited (KOEL)



ARKA
FINANCIAL HOLDINGS

ARKA Financial Holdings
Private Limited



ARKA
FINCAP

ARKA Fincap
Limited



ARKA
INVESTMENT ADVISORY

ARKA Investment Advisory
Services Private Limited

Arka Financial Holdings Private Limited (AFHPL) was formed as a part of a new framework established to ensure diversification and enhanced capital allocation. It aims to provide strategic flexibility and create a vibrant and strong platform for the financial services business.

CEO's MESSAGE



DEAR SHAREHOLDERS,

Arka Fincap Limited adopts a strategic approach focused on "Strengthening Foundation, Ensuring Diversity & Granularity." With calibrated growth, profitability, and asset quality as key pillars, we aim to build a solid foundation for long term sustainable growth.

By diversifying our portfolio, delivering customized solutions, and prioritizing asset quality, we seek to maximise risk adjusted returns while maintaining asset quality. With these principles guiding our operations, Arka Fincap is committed to deliver superior financial services and driving long- term growth for our clients and stakeholders.

NBFC sector in India

During FY 2023, the looming perception of recession in advanced economies has led to increased credit risk appraisal and monitoring mechanism.

Globally, Central banks were tightening monetary policy, to control inflationary pressure. In turn, increasing intertest rates led to failure of some large institutions globally. Domestically, there was bit pressure in terms of pricing and liquidity in the economy. Liquidity was also tightened because of uncertainty of increase in terminal rates. Yields were hardening across the tenure, more on shorter duration.

NBFC, as an industry continued to grow last year also. This growth can be attributed to two key factors: the demand for loans by the MSME sector, and the increasing presence of digital lenders offering alternative financing options. With more NBFCs entering the market, competition



VIMAL BHANDARI

Executive Vice Chairman & CEO,
Arka Fincap Limited

has intensified in terms of pricing and loan offerings, further fuelling the growth of non-banking finance companies that provide innovative and affordable products.

Credit penetration in India is on the rise and it is driven by greater financial inclusion across geographies, demographic groups, and genders.

This growth is a result of improved income profiles of individuals due to geographically dispersed economic growth and increased employment opportunities across socio-economic segments. Urban areas have benefited from the migration of services to India, while semi-urban and rural areas have witnessed significant income growth due to government schemes.

Today, the NBFCs comprise of institutions that are keeping pace with digital transformations and have built the right hybrid service model that balances human and digital interaction for its stakeholders. I am pleased to report, that Arka is positioned perfectly in the evolving landscape to capitalize on emerging opportunities of credit financing across a diverse customer base spread across different sectors.

Performance review - FY 23

Arka's financial performance in FY 2023 benign with industry. Arka has completed its 4th year of operations in FY 2023. Driven by focused approach on diversified asset classes, company has been able to grow its AUM across all businesses. In FY 2023, Company has earned an interest income of INR 350 crores which is 82% higher than previous year. Non fund-based income of INR 8 crores, contributes to the overall profitability of the year. Arka continues to follow stringent and conservative ECL framework. However, with existing risk control framework and monitoring mechanism in place, asset quality of the portfolio is being maintained and ECL charge is under control. With focused monitoring over

operating expenses, company has been able to increase its profitability and registered a PAT of INR 61.4 crores, registering a growth of 88% compared to previous year. Arka achieved an AUM of INR 3,960 crores as on 31 March 2023, out of which 29% constitutes SME / MSME lending business. During the year, company continues to enjoy good support from its lenders. Arka raised INR 2,628 crores as borrowing during the year across banks, capital market and others. The outstanding borrowing as on 31 March 2023 stands at INR 3,116 crores, maintain a comfortable debt - equity ratio. Company continues to enjoy a rating of AA(-) for long-term borrowings and A1(+) for short-term borrowings from CRISIL Limited. Arka has also filed draft shelf prospectus for public issue of its NCDs and got in principle approval from BSE Limited in Feb 2023. Further, with a strong focus on MSME / SME lending, apart from other fintech partners, company has also entered into a co lending partnership with Small Industrial and Development Bank of India [SIDBI]. These achievements are a testament to our unwavering commitment to deliver outstanding results and reinforces our position as a reliable and trusted financial institution.

Strengthening technological capabilities

At Arka Fincap, we recognize the importance of collaboration with fin-tech companies to better serve diverse customer segment and leverage technology advancements. By partnering with fin-tech companies, we can leverage their expertise in digital technologies, data analytics, and innovative solutions to develop new financial products and services. These collaborations allow us to expand our reach and offer seamless experience for our customers, from onboarding to borrowing to repayment.

People-centric

We are because of our people and keeping this as a cornerstone of our growth strategy, we strive to

provide the best opportunities, suitable training and an inclusive work environment to our people. The year saw considerable upscaling of our employees by providing training and experiences to supplement their professional growth.

Way forward

I am delighted to announce that we have received "Outstanding Performer (Enterprise Lending)" Award presented by Elets NBFC 100 Leader Excellence Awards. This evidences our performance and commitment to deliver customized financial solutions to our customers.

Moving forward, we remain focused on expanding our scale of operations in the secured lending space, to support business growth, improving efficiency, and strengthening our risk management framework. We aim to become the preferred NBFC for borrowers in our diverse customer base, optimize borrowing costs, and further expand spreads to create long-term value for stakeholders.

With a long-term vision to become the undisputed leader in the NBFC category and even enter new business segments, we would continue with our approach of being conservative and consistent.

In conclusion, despite the challenges posed by the volatile macro-economic environment and increased competition, Arka Fincap is well-positioned to navigate these dynamics and deliver sustainable growth. I would like to thank our customers, bankers/lenders, the Board and our team for their unwavering support to drive the company forward. We will continue to adapt, innovate, and deliver value to our customers while maintaining a strong focus on risk management and operational excellence.

Regards,

VIMAL BHANDARI

Executive Vice Chairman & CEO,
Arka Fincap Limited

BUSINESS MODEL

Designed to deliver sustainable value

INPUTS

Financial performance

With multiple sources of funding and strong capital base, we successfully cater to our clients' credit needs

1,033.0 Cr	3115.8 Cr
Net worth	Borrowing
(INR Crore)	(INR Crore)

Our presence

We are expanding our presence to multiple locations to serve more customers

14	7
Branches	States in India

Our digital prowess

Our focus on technology keeps us way ahead of competition. We believe our intellectual assets provide us with an edge by enabling us to identify risks at an early stage and determine the creditworthiness of our clients

- Collaborations with technology partners.
- Early risk detection and warning systems.
- Risk Management systems.

Our workforce

We promote flexibility and adaptability among our employees to enhance creativity and innovation at work

241
Total employee count

Strengthened relationship

We leverage our relationship with clients to establish stronger bonds over the long term

15,702
Clients










OUR ECOSYSTEM

Key Focus

- Strong focus on MSME/SME lending
- Focus on data to drive business growth
- Digital on-boarding
- Use of technology

Our Services

Syndication

	OUTPUTS	OUTCOMES
<p>Our Products</p> <p></p> <p>Corporate lending</p> <ul style="list-style-type: none"> • Acquisition financing • Bridge financing • Mezzanine financing • Promoter financing • Private equity exit • Working capital loan 	<p>372.9 Cr Total revenue (INR Crore)</p> <p>61.4 Cr Total PAT (INR Crore)</p>	<ul style="list-style-type: none"> • Significant increase in AUM • Sustainable growth over the years
<p></p> <p>Real-Estate and Urban Infra financing</p> <ul style="list-style-type: none"> • Residential financing • Commercial financing • Retail financing • Hospitality financing 	<p> In-house team of developers</p> <p> Efficient early warning systems</p> <p> Optimised risk management to increase efficiency</p>	<ul style="list-style-type: none"> • Expanding into new locations • Better credit underwriting enables us to identify a customer's credit worthiness • Assessment of risks at an early stage
<p></p> <p>SME/MSME lending</p> <ul style="list-style-type: none"> • Secured SME loans • Supply chain finance • Digital personal loans 	<p> 1:8 Diversity ratio</p> <p>1 female for every 8 male employees Male to female compensation ratio</p>	<ul style="list-style-type: none"> • Higher employee engagement • Fostering inclusion, diversity • Comprehensive employee benefit policies
	<p> 15,600 Number of retail loans disbursed</p> <p> 29% of AUM Constitutes SME/MSME lending</p>	<ul style="list-style-type: none"> • Establishing enduring relationships with customers, investors and the community • Providing loans to self-employed people

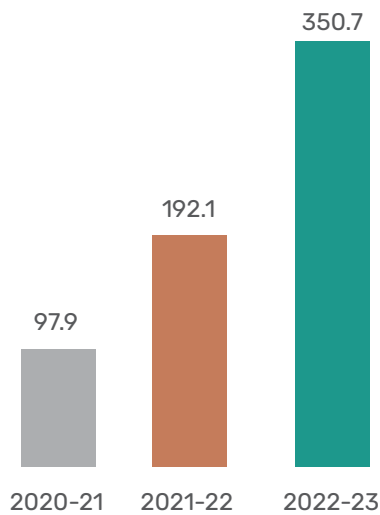
FINANCIAL HIGHLIGHTS

Agile and steady performance

INTEREST INCOME

(INR Crore)

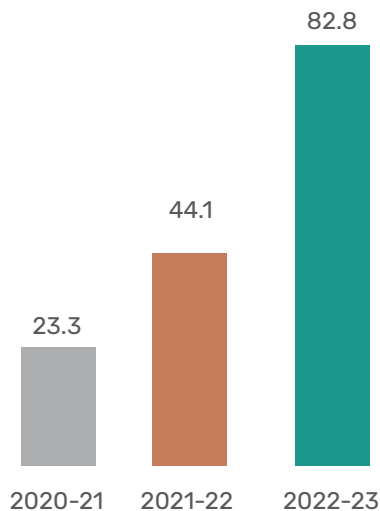
350.7



PBT

(INR Crore)

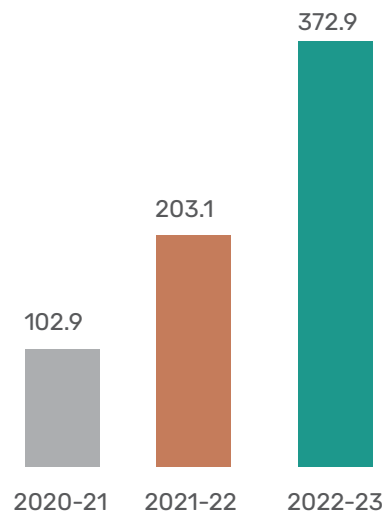
82.8



TOTAL INCOME

(INR Crore)

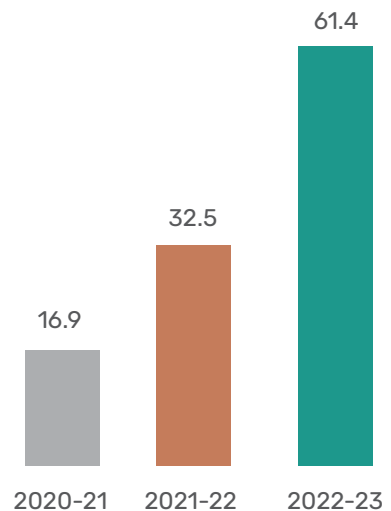
372.9



PAT

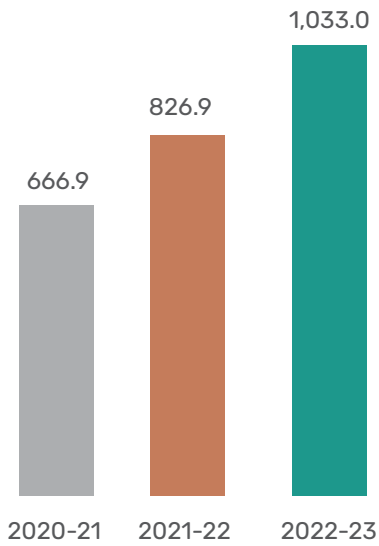
(INR Crore)

61.4

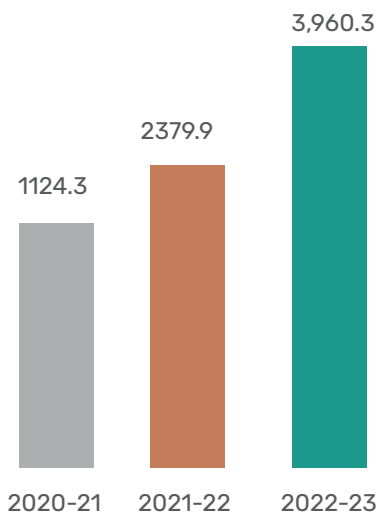


NET-WORTH

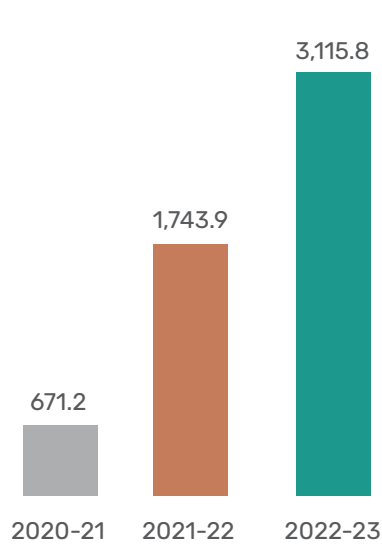
(INR Crore)

1,033.0**AUM**

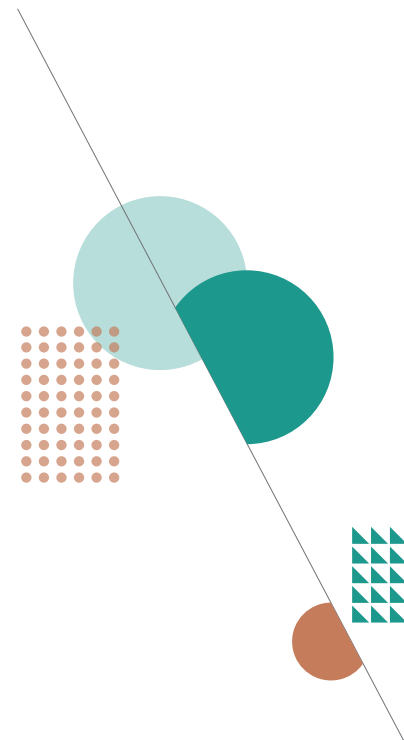
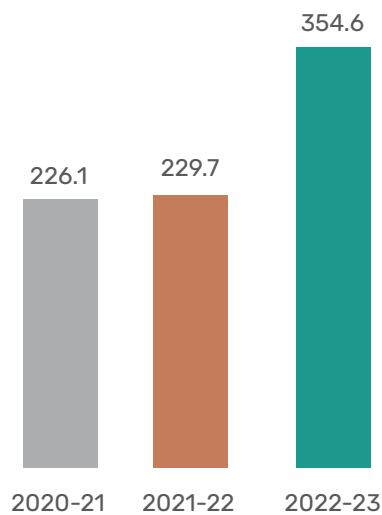
(INR Crore)

3,960.3**BORROWINGS**

(INR Crore)

3,115.8**LIQUIDITY**

(INR Crore)

354.6

PRODUCT PORTFOLIO

BUILDING TRUST WITH CUSTOMISED SOLUTIONS

At Arka Fincap, our range of financing products is designed to cater to a wide and diversified spectrum of clients. Our comprehensive portfolio empowers us to capitalise on the flourishing growth trends in various sectors, while simultaneously safeguarding us from potential downturns in specific segments.



CORPORATE LENDING

The corporate loan segment of Arka Fincap caters to large and mid sized corporates. Our diverse financing solutions fulfil the varied business requirements. We also provide flexible repayment structures determined on the basis of client cash flow. Besides, our structural financing to corporates is mapped against collateral and securities like operating cash flow.

Nature of funding for corporate lending

- We offer funding for capital expenditure in the form of secured corporate term lending, growth funding for asset-light companies, and project funding to facilitate longer-term financing.
- Our comprehensive structured lending solutions encompass various financing options tailored to meet diverse needs. These include Promoter Funding, Holdco Debt, Acquisition Financing, Funding to Financial Sponsors, Contractual Cashflows, Short-Term Loans, and Bespoke Facilities designed to offer customised financing solutions.



40%
of AUM

REAL ESTATE AND URBAN INFRASTRUCTURE

Our real estate lending business offers funding for residential as well as commercial projects to scale up projects and ensure their timely completion. It allows clients to keep their working capital afloat while meeting day-to-day expenses and non-project-related costs efficiently. Urban infra financing, on the other hand, is extended to mid-large sized companies as a long term credit facility. Long-term debts for project financing are also offered by this vertical and are often used for project construction or approval purposes.



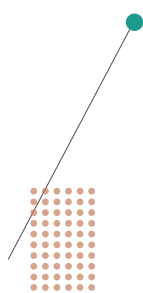
31%
of AUM

Nature of funding for real estate and urban infrastructure

- For residential developments, we provide last-mile financing, project finance, corporate exposures, working capital finance, and acquisition financing. Commercial project developers avail of our asset-backed financing, project finance, and acquisition financing, while retail and hospitality project developers can access our asset-backed, working capital financing solutions.
- We provide various funding alternatives to developers of educational and healthcare institutions and hospitals through allied funding. Our offerings include asset-backed financing, working capital financing, acquisition financing, and so on.
- We offer project finance, corporate exposure, working capital financing, acquisition financing, and capital for warehousing and logistics segments, roads and other infrastructure projects as well.

SME/MSME LENDING

Our MSME financing services include loans against property, supply chain finance, and business loans designed to help businesses grow quickly. We serve various MSMEs, including traders, wholesalers, distributors, retailers, self-employed professionals and small manufacturing companies. These loans are provided for the expansion of businesses, working capital requirements and purchase of equipment. We have also formed co-lending partnerships with small NBFCs to extend loans to MSMEs in our locations.



Key Highlights

14
Branches

7
States

100%
Of our MSME loans qualify for Priority sector lending

Co-lending
With other NBFCs to enhance reach

29%
of AUM



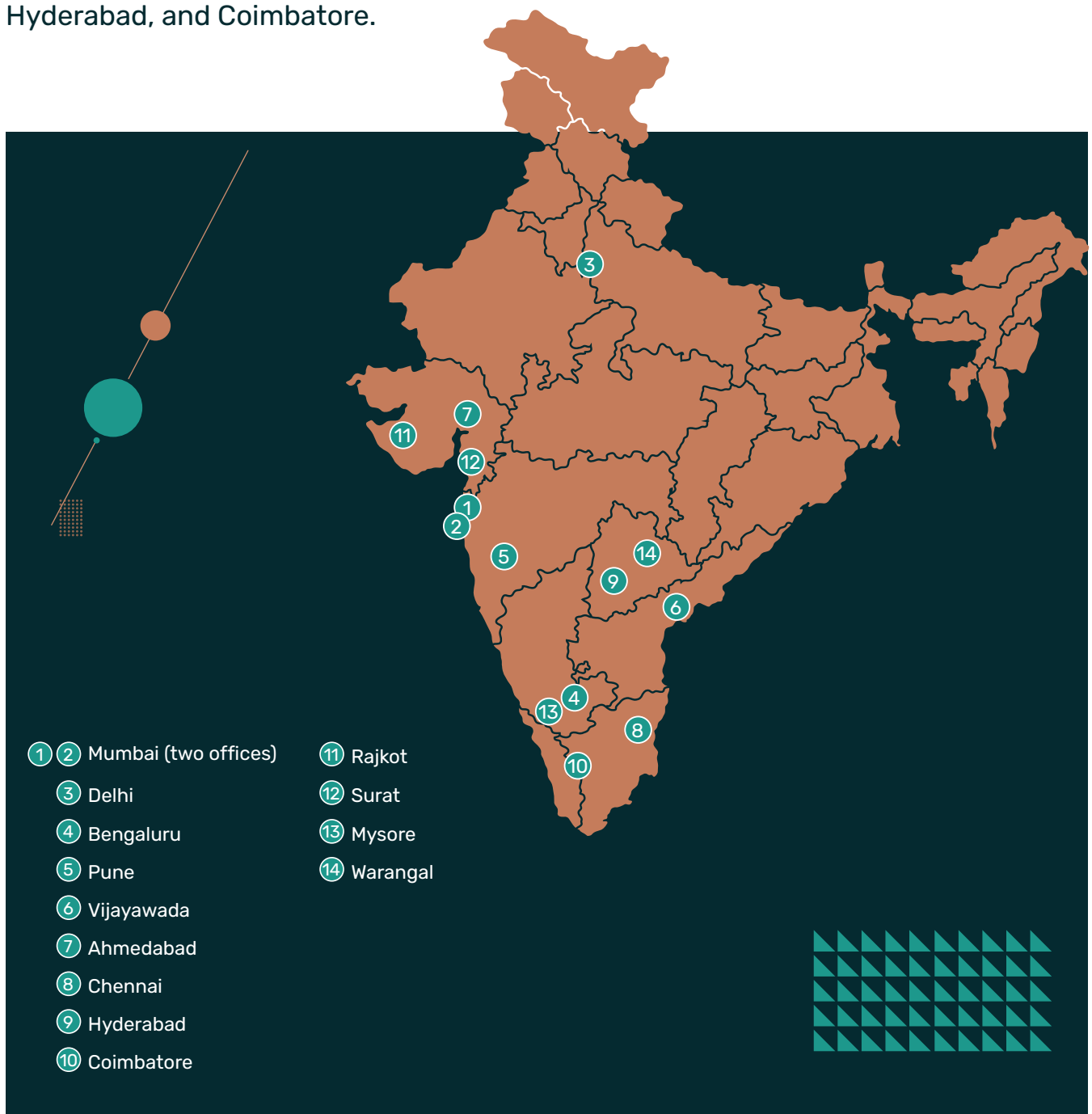
DIGITAL PERSONAL LOANS

We provide short-term digital personal loans for both salaried and self-employed professionals. Collaborations with NBFCs and Fintech partners have helped us ensure seamless and paper-free digital lending. We also aspire to become the lender of choice for salaried individuals.

PRESENCE

Strengthening pan-India operations

With an aim to serve the needs of small businesses as well as individuals effectively, we are expanding our presence across the country to ensure seamless access to customised financial solutions. We have established a significant presence in Mumbai, Delhi, Bengaluru, Pune, Vijayawada, Ahmedabad, Chennai, Hyderabad, and Coimbatore.



COMPETITIVE ADVANTAGES

Nurturing a robust business

With an emphasis on keeping the customer at the core of our operations, we continue to refine our product portfolio to provide innovative financing solutions to a large spectrum of customers.



TAILOR-MADE PRODUCTS

We strive to offer customised financial solutions to clients by setting borrowing limits for each customer. The limits are determined based on the loan cycle of customers and the number of years of association with the Company. Borrowing in times of need helps our customers to tide over monetary crisis and we aim to provide loans for critical and relevant needs throughout the customers' lifespan, which helps us build customer loyalty. We have also increased the frequency of customer interactions to ensure timely repayment of loans and keep credit costs at optimal levels.



EFFECTIVE USE OF TECHNOLOGY

We have launched a loan management system to ensure seamless processing of loans through a single window. This has made the entire process (from loan application to final approval) simpler for SMEs and digital personal loans can be availed without visiting our branches. We believe, it has ensured ease of access to our services and helped us to develop custom applications that create a user-friendly interface for customers. We have also collaborated with fintechs to explore opportunities in the personal loan segment.



ROBUST CREDIT ASSESSMENT AND RISK MANAGEMENT FRAMEWORK

We have a robust framework for credit assessment and risk management which comprises 4 stages.

Screening stage

Initial screening of prospective borrowers.

Sanction and monitoring stage

A team regularly monitors our loan portfolio for early identification of problematic loans.

We have also formulated a vigil mechanism to enable employees to report concerns about unethical behaviour and actual or suspected fraud or violation of the Company's policies.

→ Evaluation stage

Assessment of financial needs and repayment ability of prospective borrowers.



Approval stage

Presented to the respective committee for final approval.



WELL-DIVERSIFIED FUNDING PROFILE

We maintain a well-diversified funding profile by accessing funds from a range of sources, including banks, mutual funds, and other financial institutions. This approach allows us to effectively manage our borrowing costs, resulting in a lower average cost across our borrowing portfolio. Our strategic financial management enables us to secure funding through multiple channels, optimising our borrowing expenses and supporting our overall business objectives.

Our Asset Liability Management (ALM) policy encompasses managing market risks, maintaining liquidity, and handling interest rate risks. It allows us to diligently oversee interest rates, liquidity, funding sources, and surplus fund investments to navigate potential stress situations and ensure the steady availability of funds.



EXPERIENCED MANAGEMENT

The specialised expertise of our management in financial and banking services provides able guidance and mentorship for our employees. As a result, we have seen significant growth in our total assets, income, and profit after tax (PAT), securing the path to our continued success.

STRATEGIC PRIORITIES




Poised to grow

To ensure consistent growth, we fast-track strategic initiatives to strengthen our operations and reach out to more customers in the shortest period of time.

EXPANDING THE SCALE OF OPERATIONS

We are currently focusing on each business as an independent entity with individual management teams.

We focus on secured lending products, including corporate lending, real estate and urban infra finance, and MSME lending. The loans are secured by specific assets or collateral, as per the specifications mentioned in the loan documentation. We believe this strategy reduces the risk of capital loss in case of default by a customer. The security for corporate lending and real estate and urban infra finance includes mortgages, hypothecation of moveable assets, charges on project contracts, pledges of securities, and corporate and personal guarantees. For MSME lending, the security mainly includes immovable property. We plan to leverage our secured lending products to achieve long-term growth and reduce the risk of non-performing assets.

	Business line	Business line	Business line
	 <p>Corporate lending</p>	 <p>Real-estate and urban infrastructure financing</p>	 <p>SME lending</p>
Objective	<p>INCREASE THE PROPORTION OF CORPORATE LOANS IN OUR LOAN BOOK</p>	<p>LEVERAGING OUR RELATIONSHIP WITH REAL ESTATE DEVELOPERS TO GAIN ACCESS TO PROPERTY PURCHASERS AND TO GROW OUR REAL-ESTATE AND URBAN INFRA LOAN BOOK, WE SEEK TO FOCUS ON OPPORTUNITIES FOR URBAN INFRA FINANCE IN SELECTED LOCATIONS.</p>	<p>LEVERAGE THE POTENTIAL OF OUR EXISTING BRANCHES TO EXPAND OUR CUSTOMER BASE.</p>
Strategy	<p>Consistently evaluate and monitor existing loans in our portfolio</p>	<p>Provide a differentiated approach to our customers using several means including the use of technology, analytics and clearly stated processes to ensure quick turnaround times for credit underwriting and disbursals.</p>	<p>We will continue to provide loans against collaterals of readily built property.</p>

LEVERAGING TECHNOLOGY TO IMPROVE EFFICIENCY

By leveraging analytics and technology, we have created a foundation for sustainable growth, empowering our Company to thrive in a rapidly evolving fintech landscape. Through our tech initiatives, we have embraced innovative solutions to enhance efficiency, customer experience, and risk management. The implementation of LeMS has streamlined our customer acquisition process, allowing us to prioritise and engage with leads effectively. ITSM has optimised our IT operations, maximising productivity and ensuring seamless services. Our commitment to cybersecurity and data protection safeguards customer trust.



Lead management system (LeMS)

In our pursuit of continuous improvement, we have implemented the Lead Management System (LeMS) to revolutionise our customer acquisition process. With LeMS, we have effectively captured and organised lead information, empowering our sales teams to prioritise and follow up on leads promptly. By generating reminders and notifications, we have minimised the risk of missed opportunities and ensured timely engagement with potential customers. LeMS provides invaluable insights into lead generation and sales, offering real-time reporting and analytics. Through this system, we are able to track key performance indicators and identify areas for enhancement, thus optimising our customer acquisition journey.

Enhancing accuracy and transparency

In our pursuit of effective risk management, we have automated the calculation of key metrics such as Expected Credit Loss (ECL) and Enterprise Risk Framework (ERFM). By leveraging an analytics and business intelligence platform, we have consolidated data from various applications, enabling a comprehensive and accurate assessment of credit risk. This system-based approach ensures consistency, accuracy, and accountability in calculating ECL. Furthermore, by incorporating the most recent and relevant data, we enhance the credibility of our risk evaluations. This transparency and accountability not only benefit our organisation but also facilitate regulators and investors in understanding and evaluating our credit risk profile.

IT service management (ITSM)

Implemented ITSM solution to streamline incident and service management processes. We have been able to improve IT efficiency and productivity by focusing on optimising IT processes, automating repetitive tasks, and minimising manual interventions.

Safeguarding customer trust

As a responsible lending company, safeguarding customer data and maintaining cybersecurity is of utmost importance to us. We have implemented robust security measures and controls to protect customer information, prevent unauthorised access, and comply with regulatory requirements. Regular security audits, vulnerability assessments, and employee awareness programs ensure the highest level of data protection. We uphold the trust our customers place in us, reinforcing our commitment to data privacy and security.

HUMAN ASSETS

Thriving with collective knowledge and focused teamwork

Our people form the backbone of our success and constitute one of our greatest assets. We have a team of highly skilled and motivated professionals who are dedicated to delivering exceptional results for our clients. As a customer-centric Company, we believe in sourcing talent locally who have an understanding of the specific requirements of customers in different regions. At Arka, we believe in nurturing diversity and recruiting people from varied backgrounds and experiences to bring unique perspectives and expertise to the fore.

241

Number of employees

12.5 %

Diversity



TALENT MANAGEMENT

We have a clear objective of attracting top-tier talent, cultivating employee capabilities, and fostering a conducive culture that drives the achievement of business objectives. With a focus on acquiring the most skilled individuals, we endeavour to create a workforce that possesses the necessary expertise and competencies to excel in their respective roles. Additionally, the HR department plays a crucial role in promoting a nurturing environment that supports employee growth, engagement, and development.

BY ALIGNING HUMAN CAPITAL STRATEGIES WITH ORGANISATIONAL GOALS, WE AIM TO MAXIMISE THE POTENTIAL OF OUR WORKFORCE AND DRIVE SUSTAINABLE SUCCESS.



STRATEGIC HIRING

During the year under review, significant attention was placed on strategic hiring, particularly at the mid-managerial level, and there was a strong focus on recruiting a larger number of employees for the retail business division. Our selection criteria emphasised role competencies, adherence to organisational values, and cultural fit. Consequently, we placed a great emphasis on a thorough selection process that included functional and cross-functional interviews to ensure the best possible fit for the roles and the organisation as a whole.

LEARNING AND DEVELOPMENT

In addition to prioritising automation, we placed emphasis on enhancing capabilities through comprehensive developmental programs which aimed to create an environment that fosters continuous learning, recognition, innovation, leadership development, and employee well-being. These areas were identified as crucial focal points to nurture a skilled and engaged workforce. By investing in talent development, creating opportunities for growth, and promoting a culture of innovation, we strived to create a conducive environment where employees can thrive and fulfil their potential.

An average of

2 Learning days

per employee

This year, the key initiatives undertaken were as follows:



EMPLOYEE ENGAGEMENT

Besides hiring a strong second line of leadership, we focused and invested in in-house talent. Few of our high-potential employees were handpicked and sent for management developmental programs at one of the top B-schools. Year-round learning and developmental programs were conducted for the employees to cater to their learning needs.

Promoting a progressive culture through forward-looking policies stood as one of our paramount objectives for the year. We implemented new policies and enhanced existing ones to adapt and stay abreast of the evolving times while fostering employee motivation.

In order to cultivate a sense of camaraderie among the workforce, a multitude of team-building activities, celebratory events for organisational achievements, health initiatives, festive celebrations, and sporting events were organised throughout the year. These initiatives aimed to foster a harmonious work environment, boost employee morale, and ensure a well-rounded employee experience.



TECHNOLOGY BACKBONE

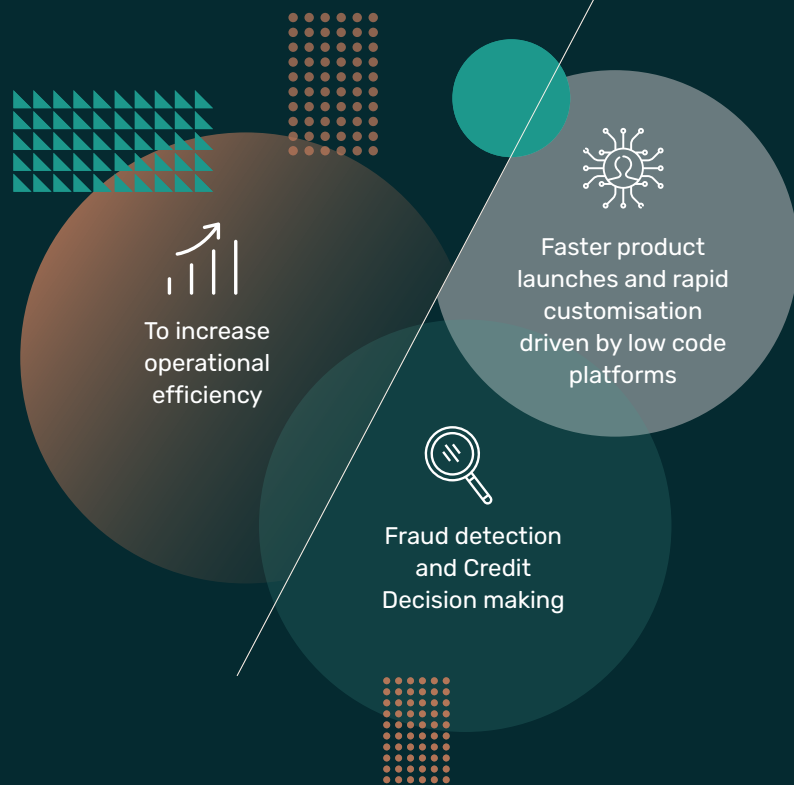
Strengthening our digital quotient

Arka Fincap recognises the significance of delivering efficient services and leverages advanced technology to provide digitally-enabled, innovative and customised financial solutions to customers.



Our reliance on cutting-edge technology lends us a competitive edge and significantly improves our operational efficiency. Delivering seamless digital experiences, agility in solution delivery, and the shift to a data-driven enterprise have been top priorities for us.

Application of technology at Arka Fincap



DRIVING GROWTH

At Arka Fincap, we recognise technology as a primary catalyst for growth and place a high emphasis on digital solutions over conventional systems. By partnering with NBFCs and Fintech companies, we have expanded our outreach to a wider population. Our robust digital capabilities enable us to effectively meet the needs of our clients, making technology a key enabler of our success and driving our continuous growth.

ENABLING OPERATIONAL EFFICIENCY

We have incorporated technology into our systems to integrate activities ranging from operations to sales and distribution to increase operational efficiency, reduce risks and achieve seamless integration of different processes into a central platform. Advanced technology has strengthened our risk management framework and helped to detect threats efficiently. It also provides operational and decision-making support throughout the loan uptake cycle and enables us to improve the quality of our services.

BOARD OF DIRECTORS



MR. VIMAL BHANDARI

Mr. Vimal Bhandari is the Executive Vice-Chairman & CEO of Arka Fincap Limited. Mr. Vimal Bhandari has over 36 years of rich work experience in a range of businesses in the financial services industry of which 25 years have been at the Board of Directors level. He also has rich experience of building businesses from inception stage (startup team of IL&FS, first country head of AEGON NV, first CEO of IndoStar Capital and Arka Fincap)

He also serves as an independent Director on the boards of various companies in diverse business segments including Bharat Forge, Kalpataru Projects International (formerly known as Kalpataru Power Transmission), HDFC Trustee, JK Tyre, DCM Shriram and Escorts Kubota. He also serves as Non-Independent Director on the Board of RBL Bank.

Mr. Vimal Bhandari is a Chartered Accountant from Institute of Chartered Accountants of India with a Commerce degree from Mumbai University (Sydenham College).



MR. MAHESH CHHABRIA

Mr. Mahesh Chhabria is a Non-Executive Non-Independent Director on the Board of Arka Fincap Limited. Currently, Mr. Chhabria is the Managing Director of Kirloskar Industries Limited. In his career spanning more than 30 years in the financial services industry, he has been previously associated with Actis Advisers Private Limited as a partner, 3i India where he was a partner in the firm's Growth Capital Group and has also acted as the co-head of investment banking at Enam Financial Consultants Private Limited. He serves as an independent director on the Board of ZF Commercial Vehicle Control Systems India Limited and Shoppers Stop Limited.

Mr. Mahesh Chhabria is an Associate Member of the Institute of Chartered Accountants of India and holds a Bachelor of Commerce from Mumbai University.



MS. GAURI KIRLOSKAR

Ms. Gauri Kirloskar is a Non-Executive Non-Independent Director on the Board of Arka Fincap Limited.

Currently, Ms. Gauri Kirloskar is the Managing Director of Kirloskar Oil Engines Limited since May 2022. As a board member on Kirloskar Oil Engines Limited since 2014, she was involved in regular compliance and performance reviews. She also leads at a Kirloskar group level, efforts in HR, branding, corporate communications and shared services. She led the recent brand refresh of the Kirloskar group under the banner "Kirloskar Limitless" and was responsible for the entire project. She is currently building out a new brand and communications team for the Kirloskar group. She leads the Kirloskar group's corporate social responsibility efforts in the environmental area under "Kirloskar Vasundhara". Prior to taking on the MD role, she was involved in the Group's real estate arm.

Ms. Gauri Kirloskar is also on the advisory team for Ekagrid University, an initiative to build a multidisciplinary research university that aims to be in the top 25 of global rankings by 2050. She has worked as an Investment Banking Analyst at Merrill Lynch in their mergers and acquisitions group and she then moved on to Pearson's Corporate Finance and Strategy group where she looked at bolt on acquisitions for their education business.

Ms. Gauri Kirloskar holds a B.Sc. in Business Administration from Carnegie Mellon's Tepper School of Business with a concentration in finance and has also attended Phillips Academy, Andover, near Boston.



MR. HARISH ENGINEER

Mr. Harish Engineer is an Independent Director on the Board of Arka Fincap Limited.

Mr. Harish Engineer holds rich experience of more than four decades in the banking & finance industry, having worked in leadership roles at HDFC Bank. Prior to joining HDFC Bank, he worked with Bank of America for 26 years in various areas including operations and corporate credit management.

He is on the Board of a Research & Manufacturing Company, Navin Fluorine International Limited (an Arvind Mafatlal Group Company) and Aditya Birla Sun Life AMC Limited.

Mr. Harish Engineer is a Science Graduate from Mumbai University and holds a Diploma in Business Management from Hazarimal Somani College, Mumbai.



MR. SIVANANDHAN DHANUSHKODI

Mr. Sivanandhan Dhanushkodi is an Independent Director on the Board of Arka Fincap Limited.

A highly regarded and reputed IPS officer, Mr. Sivanandhan Dhanushkodi has an illustrious career spanning 35 years which includes holding senior positions in the Intelligence Bureau, Central Bureau of Investigation and Mumbai crime branch. He joined IPS in 1976 and retired as the Director General of Police of Maharashtra State Police in 2011. He has also served as Commissioner of Police of Nagpur, Thane city and Mumbai.

Mr. Sivanandhan Dhanushkodi has been awarded the meritorious service medal, the president's distinguished service medal and also the Internal Security Medal. He has worked in the National Security Council Secretariat, New Delhi, as a member of the special task force and been a security adviser to the RBI for three years. He is on the Board of several prestigious companies. He has earned a postgraduate degree in Economics.



MR. VIJAY CHUGH

Mr. Vijay Chugh is an Independent Director on the Board of Arka Fincap Limited.

Mr. Vijay Chugh has over 32 years of experience in supervision and regulation of commercial banks, payments, settlement systems and core banking solutions. He has been the former Principal Chief General Manager, Department of Payment and Settlement Systems at RBI. He has been the Chief Vigilance Officer of the Industrial Investment Bank of India Limited. He was associated with the South East Asian Central Banks Conference of Directors of Payment and Settlement Systems: "Challenges in Promoting Safe and Efficient Payment Systems" held at Kuala Lumpur, Malaysia in 2013. He has previously been a nominee of the RBI on the board of directors of the State Bank of Patiala and the United Bank of India.

Post his retirement, he has been advising various organizations in respect of regulatory matters relating to payments industry and served as an Independent Director on the Boards of a few companies.

Mr. Vijay Chugh is a Certificated Associate of the Indian Institute of Bankers and has been awarded an Advanced Certificate for Executives in Management, Innovation and Technology from the Sloan School of Management, Massachusetts Institute of Technology, U.S.A.

After securing a B.A. degree from Delhi University and an M.A. degree from Rajasthan University, he pursued a Post Graduate Diploma in Business Administration at KC College.



MR. YOGESH KAPUR

Mr. Yogesh Kapur is an Independent Director on the Board of Arka Fincap Limited.

In his career, with over 38 years of experience in the financial services sector, Mr. Yogesh Kapur has worked with HDFC, HSBC, Axis Capital Ltd, Axis Bank and Enam Securities Private Limited. During his tenure as an investment banker, Mr. Yogesh Kapur has worked with companies both in the private and public sectors as these companies prepared to list on public markets. In addition, he has been engaged in advising companies on strategic initiatives, reorganization, business /corporate restructuring.

Mr. Yogesh Kapur has worked on number of international assignments including for USAID and World Bank in Sri Lanka and Ghana. He has served on committees set up by SEBI/ Government of India – Ministry of Finance to examine ADR/ GDRs as well as Bonds regulations.

Mr. Yogesh Kapur is currently serving on the board of companies including HDFC Education and Development Services Ltd, Kirloskar Oil Engines Limited, Arka Financial Holdings Private Limited, SSIPL Retail Limited, Greenlam Industries Ltd and ASK Automotive Limited.

Mr. Yogesh Kapur is a fellow chartered accountant from Institute of Chartered Accountants of India and holds a Bachelor of Commerce from Shri Ram College of Commerce.

OUR LEADERSHIP TEAMS



MR. MRIDUL SHARMA
Chief Operating Officer

Mridul is responsible for spearheading the Technology and Operations capabilities aimed at bettering client experience through the use of digital technologies.

Mridul is a veteran in the BFSI sector with 25+ years of experience in business process design and optimization. Mridul has worked in leadership positions for banks like IndusInd Bank, Dresdner Bank, Barclays Bank, ABN Amro Bank and Bank of America.

Having completed his MBA from Mohanlal Sukhadia University, Udaipur, he pursued a leadership program on 'Organizational Leadership' from the Asian Institute of Management, founded by Harvard Business School.



MR. AMIT KUMAR GUPTA
Chief Financial Officer

Amit is responsible for raising funds, managing the overall cost of borrowed funds, deployment of treasury funds, budgeting, financial analysis, accounting, compliances and other ancillary activities.

A veteran in the financial industry with 20+ years of experience, Amit has worked with various financial companies like Erstwhile Magma Fincorp Limited, ICICI Bank, and IndoStar Capital Finance Ltd. among others.

Amit is a Chartered Accountant from the ICAI and also a Company Secretary from the ICSI.



MR. NACHIKET NAIK
Head - Corporate Lending

Nachiket heads the Corporate Lending wing at Arka Fincap Limited. He has over 25 years of experience in the credit and debt markets and has worked in leadership positions with well-known financial companies such as IREP Credit Capital, UBS and ABM AMRO and Infrastructure Leasing & Finance (IL&FS).

Nachiket is an engineer with an MBA.



MR. SONIT SINGH
Business Head - Real Estate and Urban Infra and Syndications

Sonit is responsible for spearheading new strategic initiatives of the group in the financial sector foray. He has set up Real Estate and Urban Infra business grounds up into a diversified pan-India profitable business and grown it into a meaningful size maintaining impeccable asset quality. He further looks after the Syndications business, which started in 2021, to develop it into a more value-added non-fund-based business and enable Arka to manage its risk at a portfolio level.

Sonit has over 20 years of experience in the Capital Markets, Investment Banking with a specific focus on the Real Estate and Infrastructure sectors, and has worked with notable companies in the past like JLL, Standard Chartered Bank, Deutsche Bank, and JP Morgan Chase & Co.

Sonit has done an Executive Program in Private Equity from the ISB and a PGDM in Finance from Symbiosis Institute of International Business.



MR. NAVIN SAINI

Business Head - Retail
SME and MSME

Navin is responsible for building the Retail Franchise from the ground up with a focus on setting the right distribution, policy framework and underwriting models to onboard the best customers thereby creating quality portfolios for the retail business.

With 25+ years of experience, he has worked in leadership roles with the Aditya Birla Group, Standard Chartered Bank, Barclays Bank, ICICI Bank and Clix Capital, among others.

Navin has a distinguished pedigree and has pursued courses from Harvard Business School, Executive Education and from Indian School of Business. He has done his MBA in Finance from the Institute of Management Studies, Indore.



MR. MANISH NAGARSEKAR

Head - Operations and
Business Solutions Group

Manish is responsible to manage mid-office risk. He has 25+ years of experience in Operations, Risk Management, Digital Banking, Payments, and IT Application Delivery across Assets, Liabilities and Wealth. He has worked in leadership positions with well-known financial companies such as IndusInd Bank, Royal Bank of Scotland, YES Bank, and ABM AMRO, among others.

Manish is a CA and has done his Post Graduate Diploma in FX and Risk Management from World Trade Institute.



MR. SUMAN SAURAV

Head - Technology

Suman's core responsibility includes defining and implementing technology strategy to achieve the enterprise goals. He has close to two decades of experience in technology in the BFSI sector with an aptitude for innovative solutions, analytical intelligence and motivational leadership. In the past, he has worked at IndusInd Bank and Wipro Technologies.

Suman has done a PG in Actuarial Science from NMIMS and Bachelor's degree in Information Technology from Delhi University.



MS. RASHMI WARANGE

Vice President, Human
Capital Management

Rashmi is a business focused HR leader who is responsible for developing Arka's HR strategies, overseeing operations, ensuring compliance, and implementing the organization's mission and talent strategy.

A veteran with over 19 years of experience in talent strategies and automation, Rashmi has worked with institutions like Oberoi Realty, Shapoorji Pallonji Real Estate, ITC Hotels and Lodha Group to name a few. Rashmi was nominated for the Economic Times Young Leaders Award and has been consulting C-suites on Executive Presence for over 5 years now.

An alumnus of INSEAD Business School, France, Rashmi has also completed her post-graduation in Human Resources Management.

ARKA FINCAP IN NEWS



Certificate by Elets NBFC Leader of Excellence Awards in the category of "Outstanding Performer (Enterprise Lending)"



Arka Fincap Limited's Loan Origination System awarded as 'Best Analytics Driven project' by Quantic at their 2nd Annual NBFC & Fintech Excellence Awards 2023



Arka Fincap Limited's Loan Origination System awarded as 'Best Analytics Driven project' by Quantic at their 2nd Annual NBFC & Fintech Excellence Awards 2023



Comment of Navin Saini, Business Head - Retail Loans, included in an industry article in The Economic Times

INVESTORS MUST BRACE FOR VOLATILITY IN 2023

Global and domestic factors will play a significant role in the performance of equities, bonds, gold, fixed deposits and real estate this year

TECHNICAL ANALYSIS

THE YEAR 2022 will be remembered as a period when financial markets worldwide fell to their lowest levels in decades...

As we begin 2023, investors will need to be aware of several technical indicators of market trends...

Equities
Global equities are expected to show mixed performance in 2023...

Bonds
Fixed income investments are expected to remain a key part of portfolios...

Real Estate
The real estate market is expected to show signs of recovery...

Commodities
Energy and metals prices are expected to remain volatile...

Gold
Gold is expected to continue its role as a safe haven asset...

World Bank predicts India to grow by 6.5% in FY23, from 6.1% in FY22...

As per the Economic Growth of India Report, the GDP growth is expected to reach 6.5% in FY23...

India's economic growth is expected to be supported by several factors...

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CRYSTAL BALL GAZING

India's economic growth	6.5%	India's economic growth	6.5%
Global equities	Mixed	Global equities	Mixed
Bonds	Stable	Bonds	Stable
Real Estate	Recovery	Real Estate	Recovery
Commodities	Volatile	Commodities	Volatile
Gold	Safe Haven	Gold	Safe Haven

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Pandemic underlined inefficiencies among BFSI players, especially those sitting on CAPEX-based models

The pandemic brought out inefficiencies among many BFSI players, especially those sitting on fixed capacities and CAPEX-based models. To know more about the significant change and the opportunities in the BFSI sector, Mridul Sharma, COO, Arka Fincap Limited, had an interaction with Shruti Jain of Elets News Network (ENN).



You hold over two decades of experience in the BFSI sector. What according to you is the biggest game changer in the operations domain?

In the operations domain, the key change in this period has been the digitisation of processes. This was a key step from the earlier program in the 1990s when the basic transaction processing was digitised, the next decade saw the processes being digitised. The phase was characterised by the automation of paper-based processes to workflow/improvement-supported processing and the customer's getting a lot of self-service capabilities through the mobile/internet channels.

This change was pivotal to the transformation of the customer experience as earlier customers had to get servicing through physical visits and paper-based processing to the ones preferred today, i.e. digital channels-based servicing.

Another key change that I have seen is the use of a mobile phone as a personal banker. Gone are the days when we used to visit our bank branch for basic transactions. We live in an age where with the click of a button on our phone funds can be transferred, loans can be availed and all this in a seamless manner with no need for any paperwork.

You joined ARKA Fincap in 2019. What major developments in terms of OpenStack technologies have you undertaken?

ARKA was born in 2019 and given this timeframe, we made it clear to ourselves that we will act and function as per present digital, first time, and not be repeat in the past ways of functioning. The differentiation that we wanted to have in our set of solutions was to be architecturally flexible to enable quicker product launches and be scalable to meet seasonal surges in demand.

Arka is built on complete low-code, no-code configuration based cloud stacks. We have kept our technology agile and flexible by using low-code platforms to make them user-friendly while our systems are focused on augmenting product capabilities. We have used supported open stacks, be it in our API hubs or web gateways. We have ensured that open-source solutions are used in our onboarding platform to keep the technology cost minimum to sustain lower margins and higher returns to the shareholders.

Our in-built Loan Origination System (LOS) empowers all users with true insight into the organisation through an end-to-end integrated platform that spans across business products and combines customer onboarding, account opening, loan origination, workflow, credit analysis, content management and instant reporting capabilities.

The pandemic brought in several significant changes in the BFSI sector. How do you see it as an opportunity in disguise for NBFCS? As they say, the pandemic pushed forward

Views of Nachiket Naik, Business Head - Corporate Lending, included in an industry article in The New Indian Express

Exclusive interview of Mridul Sharma, COO, in the well-known trade publication, Elets Banking & Finance Post



The approach is to be narrow and deep rather than wide and shallow, and to not mimic banks by straddling a variety of businesses from corporate to retail



VIMAL BHANDARI
Executive Vice-Chairman & CEO,
ARKA Fincap

New rules on NBFCs' realty play will help manage systemic risk

IN MY VIEW



SONIT SINGH

As the real estate sector evolved over the last decade so did its financing needs. Traditionally, banks have been providing funds towards project construction, while non-banking financial companies (NBFCs) have been contributed on a wider basis and acting as a supplemental channel of credit intermediation.

Over the years, NBFC funding to the real estate sector has undergone considerable evolution in terms of size, complexity and interconnectedness with the financial sector.

SYSTEMIC CHANGE

NBFCs too have undergone a systemic change post the crisis of September 2018, triggered by the collapse of IL&FS, after which many of them faced an existential crisis. Some could not recover at all. Many of those NBFCs have been very active in the real estate sector up until then.

NBFCs have been funding real estate developers across the lifecycle of a project, and their value addition has been primarily during the initial stages of a project, with existing regulatory guidelines barring banks from extending financing.

The regulator might have thought that NBFCs were taking a disproportionately higher risk, which seems a fair assessment given the way the sector got impacted post the crisis.

Therefore, the Reserve Bank of India, vide its circular dated April 19, 2022, has stipulated that while approving loans involving real estate, NBFCs have to ensure that the borrower has been granted all requisite permission by the government/ other regulatory authorities for the underlying projects.

The above guideline has come into effect from October 1, 2022, and is applicable to NBFC-



Middle Layer (non-deposit taking NBFCs with assets of more than ₹1,000 crore) and NBFC-Upper Layer (as published by the RBI from time to time). Post the above notification, NBFCs are restricted from financing projects which are not approved, or in simple language, projects which are at land stage. To simplify further, this means NBFCs cannot fund acquisition of land, where the primary source of repayment is an unapproved project/land.

This will lead to the realignment of the sector as NBFCs has thus far acted as a vital cog during the lifecycle of a project by extending funding at the nascent stage of the project or towards land acquisition.

IN RIGHT DIRECTION

The RBI guidelines seem to be a step in the right direction to ensure more equity infusion into projects even while ensuring that the risks are at manageable levels for the entire system.

In conclusion, regulatory steps such as these are mainly to nudge NBFCs to adopt prudent risk management practices and become more bank like. At the same time, they need to ensure that there is more skin in the game for the promoters in the underlying project through infusion of higher equity towards land acquisition and approvals.

Consequently, this would lead to better managed overall systemic risk.

The author is Business Head - Real Estate and Urban Infrastructure, Arka Fincap Ltd

Comment of Vimal Bhandari, Executive Vice Chairman & CEO, included in an industry story in Business Standard

Exclusive guest article by Sonit Singh, Business Head - Real Estate & Urban Infra, in The Hindu Business Line.

CORPORATE INFORMATION

REGISTERED OFFICE AND CORPORATE OFFICE

One World Center, 1202B, Tower 2B,
Floor 12B, Jupiter Mills Compound,
Senapati Bapat Marg,
Mumbai – 400 013

Tel: +91 22 40471000

Fax: +91 22 40471010

Website: www.arkafincap.com

Email: arkasecretarialandcompliance@arkafincap.com

HOLDING COMPANY

Kirloskar Oil Engines Limited
(Ultimate Holding Company)

Arka Financial Holdings Private
Limited (Holding Company)

BOARD OF DIRECTORS

Mr. Vimal Bhandari
Executive Vice Chairman & CEO

Mr. Mahesh Chhabria
Non-Executive Director

Ms. Gauri Kirloskar
Non-Executive Director

Mr. Harish Engineer
Independent Director

Mr. Sivanandhan Dhanushkodi
Independent Director

Mr. Vijay Chugh
Independent Director

Mr. Yogesh Kapur
Independent Director
(from October 20, 2022)

KEY MANAGERIAL PERSONNEL

Mr. Vimal Bhandari
Executive Vice Chairman & CEO

Mr. Amit Kumar Gupta
Chief Financial Officer

Mr. Amit Bondre
Deputy Company Secretary
(upto April 26, 2022)

Ms. Niki Mehta
Company Secretary
(from July 22, 2022)

CIN

U65993MH2018PLC308329

LEI

3358008WH20GDP81AN85

BANKERS / LENDERS

1. Aditya Birla Finance Limited
2. AU Small Finance Bank Limited
3. Axis Bank Limited
4. Bandhan Bank
5. Bank of Baroda
6. Bank of Maharashtra
7. Bajaj Finance Limited
8. Canara Bank
9. DCB Bank
10. Federal Bank Limited
11. HDFC Bank Limited
12. ICICI Bank Limited
13. Indian Bank
14. IndusInd Bank
15. IDFC First Bank Limited
16. Indian Overseas
17. Karnataka Bank Limited
18. Kotak Mahindra Bank Limited
19. Punjab & Sind Bank
20. Punjab National Bank
21. Small Industries and Development Bank of India
22. State Bank of India
23. Tata Capital Finance Limited
24. Union Bank of India
25. Utkarsh Small Finance Bank Limited
26. Yes Bank

STATUTORY AUDITORS

P G BHAGWAT LLP
Chartered Accountants
Suite 102, "Orchard" Dr. Pai Marg
Baner, Pune – 411 045

Tel: +91 20 2729077/1772/1773

Email: pgb@pgbhagwatca.com

Web: www.pgbhagwatca.com

DEBENTURE TRUSTEES

Catalyst Trusteeship Limited
GDA House, Plot No. 85, Bhusari
Colony (Right), Paud Road,
Pune – 411038

Tel: +91 22 49220555

Fax: +91 22 49220505

Email: ComplianceCTL-Mumbai@ctltrustee.com

Website: www.catalysttrustee.com

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited
C-101, 247 Park,
L.B.S. Marg, Vikhroli (West),
Mumbai – 400 083

Tel: +91 810 811 4949

Fax: +91 22 4918 6060

Website: www.linkintime.co.in

STOCK EXCHANGE

BSE Limited

Board's Report

Dear Members,

Your Directors presents the 5th Annual Report on the affairs of your Company together with the audited financial statements for the financial year ended March 31, 2023.

FINANCIAL HIGHLIGHTS

The key highlights of the audited standalone financial statements of the Company for the financial year ended March 31, 2023 and comparison with the previous financial year ended March 31, 2022 are summarized below:

(₹ in Lakhs)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Total Income	37,288.88	20,309.40
Total Expenditure	29,008.41	15,900.78
Profit before Tax	8,280.47	4,408.62
Less: Tax Expense		
Current tax	2,450.07	1,535.13
(Excess)/Short provision related to earlier years	333.12	-
Deferred tax expense /(income)	(639.18)	(378.17)
Total Tax Expenses	2,144.01	1,156.96
Profit after tax	6,136.46	3,251.66
Other comprehensive income for the year, net of tax	(2.75)	0.16
Total comprehensive income for the period	6,133.71	3,251.82

During the year under review, the total income of the Company was Rs. 37,288.88 Lakhs and the Profit after Tax was 6,136.46 Lakhs (Previous Year: Rs. 20,309.40 Lakhs and Rs. 3,251.66 Lakhs, respectively).

Pursuant to the requirement of Section 45-IC of the RBI Act, 1934 an amount of Rs. 1227.29 Lakhs (Previous Year: Rs. 650.31 Lakhs) is transferred to Special Reserve Fund. For details of Reserves and Surplus of the Company, please refer the audited standalone financial statements of the Company for the financial year ended 31st March, 2023.

No material changes affecting the financial position of the Company have occurred between the Financial Year ended 31st March, 2023 and date of this Report.

BUSINESS OVERVIEW

Your Company is a Non-Deposit taking Systemically Important Non-Banking Financial Company. It is a subsidiary of Arka Financial Holdings Private Limited ("AFHPL") which is in turn a wholly-owned subsidiary of Kirloskar Oil Engines Limited (KOEL). As a professionally managed Company, it provides structured term financing solutions to Corporate, Real Estate and Micro, Small and Medium Enterprise (MSME) borrowers. The growth of the

business is built on robust digital credit assessment and concrete digital onboarding for a faster TAT (Turn Around Time) and a fast-tracked disbursement process.

With a focus on customers, experienced management team and vigilant monitoring of Company' loan assets, its business has experienced growth since the commencement of its operations in Fiscal 2020. We operate four principal lines of business: corporate lending, real estate and urban infra financing, syndication, MSME and personal lending.

For more details on the business of the Company, please refer the Management Discussion and Analysis Report annexed to this Board's Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A separate section on Management Discussion and Analysis Report is annexed as **Annexure I**.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is annexed as **Annexure II**.

DIVIDEND

Though your Company has performed reasonably well in its fifth year of operation, but believe there are enough growth opportunities, which are yet to be explored. Hence, the Board of Directors have not recommended dividend in the year under review.

FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. In terms of Section 129 of the Act read with Rules framed thereunder, audited financial statements of the Company for the financial year ended on March 31, 2023 shall be laid before the ensuing Annual General Meeting of the Company.

SHARE CAPITAL

The Authorised Share Capital of the Company is 100,00,00,000 equity shares of face value of Rs. 10/- each, amounting to Rs. 1000,00,00,000/-.

During the year under review, the Company issued and allotted:

- i. On May 27, 2022, 8,24,99,765 equity shares of face value of Rs. 10/- each issued by the Company at Rs. 12/- each, on rights basis;
- ii. On August 19, 2022, 4,16,66,666 equity shares of face value of Rs. 10/- each issued by the Company at Rs. 12/- each, on rights basis

Consequent to the abovementioned allotments, the issued, subscribed and paid-up share capital of the Company as on 31st March, 2023 and as on the date of this report stands increased to Rs. 884,02,22,660/- divided into 88,40,22,266 equity shares of face value of Rs.10/- each.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

At present, the Board of Directors of your Company comprises 7 (seven) Directors, of which 4 (four) are Non-Executive Independent Directors, 2 (two) are Non-Executive Non-Independent Directors and 1 (one) is an Executive Director. The Board composition is in compliance with the requirements of the Act, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") and the RBI Directions.

Detailed composition of the Board of Directors of the Company has been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

Appointment & Cessation of Director(s):

In order to further strengthen the composition of the Board of the Company and to augment its skill sets, the Board of Directors considered it prudent to induct an independent director on the Board of the Company. Considering the experience, professional expertise and qualifications of Mr. Yogesh Kapur (DIN:00070038), the Board of Directors, on the recommendation of the Nomination and Remuneration Committee appointed Mr. Yogesh Kapur as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from October 20, 2022 to October 19, 2027. The appointment of Mr. Yogesh Kapur as an Independent Director was approved by the shareholders of the Company at their Extraordinary General Meeting held on November 22, 2022.

The appointment of Mr. Yogesh Kapur was made in accordance with the relevant provisions of the Act, SEBI LODR, the RBI Directions and other laws, rules, guidelines as may be applicable to the Company. The Nomination & Remuneration Committee exercised due diligence inter-alia to ascertain the 'fit and proper' person status of Mr. Yogesh Kapur and recommended his candidature to the Board of Directors for consideration. The Board of Directors considered that Mr. Yogesh Kapur possessed the requisite expertise and experience (including the proficiency) and that he is a person of high integrity and repute and accordingly approved his appointment as Additional Independent Director of the Company.

Mr. Harish Engineer will be attaining the age of 75 years on September 1, 2023. As required under Regulation 17(A) of SEBI LODR, subsequent to the year under review, the Board of the Directors, on the recommendation of the Nomination and Remuneration Committee, has unanimously decided to recommend to the Members of the Company approving the continuation of the directorship of Mr. Harish Engineer as a Non-Executive Independent Director of the Company till the expiry of his term i.e., June 13, 2024.

Brief details of Mr. Harish Engineer along with justification for the above recommendation are provided in the Notice convening the ensuing Annual General Meeting.

Director(s) Retiring by Rotation

In terms of Section 152(6) of the Act, Mr. Vimal Bhandari, Executive Vice-Chairman & CEO of the Company, shall retire by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting of the Company. Brief profile of Mr. Vimal Bhandari has been included in the notice convening the ensuing Annual General Meeting.

Resignations of Directors

During the year under review, none of the Directors have resigned from the Board of Directors of the Company.

Director(s) Declaration and Disclosures

Based on the declarations and confirmations received in terms of the provisions of the Act, SEBI LODR and RBI Directions, none of the Directors on the Board of the Company are disqualified from being appointed/continuing as Directors. A certificate from Mayekar & Associates, Company Secretaries, confirming that none of the Directors on the Board of the Company as on March 31, 2023 have been debarred or disqualified from being appointed or continuing as Director on the Board of the Company by the Securities and Exchange Board of India, the Ministry of Corporate Affairs or any such statutory authority forms part of the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

The Company has received declaration from all the Non-Executive Independent Director(s), affirming compliance with the criteria of independence as stipulated in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI LODR.

The Board is of the opinion that the Independent Directors of the Company hold highest standards of integrity and possess requisite expertise and experience required to fulfill their duties as Independent Directors.

Key Managerial Personnel ("KMP")

During the year under review, Mr. Amit Bondre resigned from the office of Company Secretary of the Company with effect from April 26, 2022 and Ms. Niki Mehta was appointed as Company Secretary of the Company with effect from July 22, 2022.

As at 31st March, 2023 and on the date of the Board's Report, following are the KMP of the Company, in terms of provisions of Section 203 of the Act:

- (i) Mr. Vimal Bhandari, Executive Vice Chairman & CEO
- (ii) Mr. Amit Kumar Gupta, Chief Financial Officer
- (iii) Ms. Niki Mehta, Company Secretary

RBI DIRECTIONS

Your Company endeavor to comply with the direction(s), circular(s), notification(s) and guideline(s) issued by the Reserve Bank of India as applicable to your Company as a systemically important non-deposit taking non-banking financial company.

COMPLIANCE WITH SECRETARIAL STANDARDS

In terms of provisions of Section 118 of the Act, your Company is in compliance with Secretarial Standards on Meetings of the Board of Directors and Secretarial Standards on General Meeting issued by the Institute of Company Secretaries of India.

DEPOSITS

Your Company has not accepted any public deposits during the year under review and shall not accept any public deposits without obtaining prior approval of the Reserve Bank of India. Further, your Company being an NBFC, disclosure requirements under Chapter V of the Act read with Rule 8(5)(v) and 8(5)(vi) of the Companies (Accounts) Rules, 2014 are not applicable to your Company.

RESOURCES AND LIQUIDITY

Your Company has diversified funding sources including public sector banks, private sector banks, mutual funds and financial institutions. Funds were raised through various modes including bank borrowings, issuance of non-convertible debentures on private placement basis and issuance of commercial papers.

During the year under review, your Company has raised (i) Rs.1,473.00 crore as term borrowings (outstanding as on March 31, 2023: Rs. 1,955.22 Crores), (ii) Rs 513.00 crores by issuance of commercial paper (on face Value) (outstanding as on March 31, 2023: Rs. 116.47 Crores), and (iii) Rs 642.06 crores through issuance of non-convertible debentures (outstanding as on March 31, 2023: Rs. 1044.13 Crores).

Funds raised through private placement of debentures were utilised for the purpose mentioned in the respective offer documents.

DEBT EQUITY RATIO

The Company's Debt Equity ratio as on March 31, 2023 stood at 3.02:1.

CAPITAL ADEQUACY RATIO

As on March 31, 2023, the Capital to Risk Assets Ratio ("CRAR") of your Company stood at 25.48%, well above the regulatory limit of 15% as prescribed by the RBI for NBFCs.

NET OWNED FUNDS

The Net Owned Funds of your Company as on March 31, 2023 stood at Rs. 13,073.94 Lakhs.

AUDITORS

Statutory Auditors & their Report

The Members of the Company at their Extraordinary General Meeting held on November 19, 2021 appointed M/s P G Bhagwat LLP, Chartered Accountants, ("P G Bhagwat") having ICAI Firm Registration No. 101118W/W100682 as the Statutory Auditors of the Company for the financial years 2021-22 to 2023-24 in place of M/s BSR and Co LLP, Chartered Accountants ("BSR") to fill up the casual

vacancy caused due to the resignation of BSR in light of the guidelines issued by Reserve Bank of India vide its Circular No. RBI/2021-22/25 Reference No. DoS. CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April, 2021.

P G Bhagwat, Statutory Auditors in their report on the standalone audited financial statements of your Company for the financial year ended March 31, 2023, have not submitted any qualifications, reservations, adverse remarks or disclaimers.

During the year under review, the Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company.

Secretarial Auditors & their Report

In terms of Section 204 of the Act, the Board of Directors had appointed Mayekar & Associates, Company Secretaries, to undertake secretarial audit of the Company for the financial year ended March 31, 2023. The report of Mayekar & Associates, Company Secretaries in prescribed Form MR-3 is enclosed herewith at **Annexure III** to this Board's Report.

Mayekar & Associates, Company Secretaries, in their report on the secretarial audit of your Company for the financial year ended March 31, 2023 has not submitted any qualifications, reservations, adverse remarks or disclaimers.

Maintenance of Cost Records

Your Company is not required to maintain cost records in terms of Section 148(1) of the Act.

REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Report for the year under review, including disclosures as stipulated under Operational Circular for listing obligations and disclosure requirements for Non-convertible Securities, Securitised Debt Instruments and/ or Commercial Paper issued by SEBI dated 29th July, 2022, as amended and updated, Schedule V of SEBI LODR and the RBI Directions is annexed to and forms an integral part of this Board's Report.

A certificate from Mayekar & Associates, Company Secretaries, confirming compliance with the conditions of Corporate Governance as prescribed under the SEBI LODR is annexed to the Corporate Governance Report.

BOARD COMMITTEES

The Board of Directors, in compliance with the requirements of various laws applicable to the Company, as part of good corporate governance practices and for operational

convenience, has constituted several committees to deal with specific matters and has delegated powers for different functional areas to different committees.

The Board of Directors has amongst others, constituted Audit Committee, Credit Committee, Asset Liability Committee, Risk Management Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, IT Strategy Committee, Allotment Committee and Banking Committee. Details with respect to the composition, terms of reference, number of meeting(s) held and attended by respective member(s), roles, powers and responsibilities of the Committee(s) have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

PERFORMANCE EVALUATION

In terms of the requirements of the Act read with the rules framed thereunder and Schedule IV to the Act and SEBI LODR, your Company has laid down parameters and performance assessment process for the individual Directors, Committees and the Board of Directors of the Company.

In terms of the requirement of Schedule IV of the Act and Regulation 25 of SEBI LODR, a separate meeting of the Independent Directors was held on March 28, 2023 to review the performance of the Non-Independent Directors and the Board, as a collective entity.

Subsequent to the year under review, the Nomination & Remuneration Committee evaluated the performance of all the Directors and the Board of Directors evaluated the performance of the Directors including Independent Directors, Committee(s) of the Board and the Board as a collective entity.

A statement indicating the manner in which formal evaluation of the performance of the Board, Committee(s) of the Board, individual Directors during the year under review was carried out, is provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

FAMILIARISATION PROGRAMME

The Independent Directors of your Company were familiarised inter-alia with the industry in which your Company, the Company's business model and its operations in order to give them an insight into the Company's business and its functioning. Details of the familiarisation programmes imparted to Independent Directors during the year under review is available on the website of the Company at <https://www.arkafincap.com/disclosures-under-regulation-62-of-sebi>

POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

In terms of Section 178 (2) of the Act, the SEBI LODR and the RBI Directions, the Board of Directors adopted a 'Policy on Selection/Fit and Proper Person Criteria for the Directors/Senior Management of the Company inter-alia setting out parameters to be considered for appointment of Directors and Senior Management Personnel of the Company. Details of the Policy on Selection Criteria / "Fit & Proper" Person Criteria have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report and is also available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>

COMPENSATION AND CLAWBACK POLICY, DISCLOSURE OF REMUNERATION & PARTICULARS OF EMPLOYEES

Compensation and Clawback Policy

In terms of Section 178 of the Act read with the Rules Framed and SEBI LODR, the Board of Directors adopted a Remuneration Policy inter-alia setting out the key aspects of remuneration policy, remuneration of Executive Director, Non-Executive Directors, KMP, Senior Management Personnel and other employees of the Company. In terms of Scale Based Framework issued by Reserve Bank of India and Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs issued by RBI on April 29, 2022, the existing Remuneration Policy was amended to cover the requirements of the said circular/framework and rename it as "Compensation and Clawback Policy".

Details of the Compensation and Clawback Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report. The Compensation and Clawback Policy is also available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

In terms of Section 177(9) and Section 177(10) of the Act and SEBI LODR, the Board of Directors adopted a Whistle Blower Policy / Vigil Mechanism, inter-alia to report/make concerned authority alert of the instances of unethical behaviour, actual or suspected, fraud or violation and provide a mechanism for Directors and employees of the Company to approach the Audit Committee of the Company and to report genuine concerns related to the Company.

The Whistle Blower Policy / Vigil Mechanism provides for adequate safeguards against victimization of Director(s) or employee(s) who report genuine concerns under the mechanism. Details of the Whistle Blower Policy / Vigil Mechanism have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

CORPORATE SOCIAL RESPONSIBILITY

In terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("CSR Rules"), the Board of Directors have constituted a Corporate Social Responsibility (CSR) Committee and in light of your Company's philosophy of being a responsible corporate citizen, the Board of Directors adopted a CSR Policy which lays down the principles and mechanism for undertaking various projects / programs as part of Company's CSR activities.

Details of the composition of the CSR Committee and the CSR Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report. Disclosures in terms of Section 134(3)(o) and Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, with respect to CSR activities undertaken by the Company during the year under review, have been provided at **Annexure IV** to this Board's Report.

RISK MANAGEMENT FRAMEWORK

The Board of Directors of the Company has constituted Risk Management Committee which frames, implements and monitors the risk management plan including functions relating to cyber security, assess the risks, decide the measures to mitigate the risks. The Board reviews the effectiveness of risk management systems in place and ensures that the risks are effectively managed. The Audit Committee has additional oversight in the area of financial risks and controls.

The Company acknowledges that it was required to simultaneously enhance its risk monitoring by building a strong risk culture to enable healthy and sustainable growth. To achieve the same, the Board of Directors of the Company, on recommendation of the Risk Management Committee, adopted an Enterprise Risk Management Framework ("ERMF") as one of the step in the direction wherein the Company would be able to monitor, report and manage risks across business verticals and support functions. The ERMF, apart from detailing the risk management process and governance framework, has aimed to lay out the Company's risk appetite after due consideration of the Company's business plans and growth strategy.

While the Enterprise Risk Management Policy ("ERM Policy") provides for the overall risk framework, the Risk Appetite Framework is the subset of ERM Policy detailing the risk parameters within which the Company would be operating.

The Audit Committee, Risk Management Committee and the Board of Directors, on quarterly basis, reviews the performance, as mentioned in Risk Appetite Framework as against the defined parameters on a quarterly basis

Further, the Company has formulated an Entity Level Control Assessment Framework and Risk Control Matrix.

INTERNAL CONTROL/INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

The internal control system is supplemented by an extensive program of internal audit and reviews by the senior management. Our Company has appointed independent internal audit firm for the Company to assess and improve the effectiveness of risk management, control and operations and processes. Internal audit team is inter alia empowered to examine the adequacy and compliance with policies, plans and statutory requirements. The internal audit findings are reviewed by the Audit Committee of the Board. Corrective actions are, thereafter, suggested and are implemented by the process owner across the relevant functional areas to continuously strengthen the internal control framework.

The senior management regularly reviews the findings and recommendations of the internal auditors, secretarial auditors and auditors conducting IT audit so as to continuously monitor and improve internal controls to match the organization's pace of growth and increasing complexity of operations as well as to meet the changes in statutory and accounting requirements.

Pursuant to the requirement of the Companies Act, 2013, the Company also conducts secretarial audit by a Practising Company Secretary every year. The Secretarial Audit Report for the financial year ended on March 31, 2023 does not contain any qualifications, reservations or adverse remarks or disclaimers.

In terms of Section 143(3)(i) of the Act, P G Bhagwat LLP, Chartered Accountants, Statutory Auditors of the Company have issued a report on the internal financial controls with reference to the Financial Statements of your Company as of March 31, 2023 stating that your Company has, in all material respects, adequate internal financial controls with reference to the financial statements and such internal financial controls with reference to the financial statements were operating effectively as at March 31, 2023 based on the internal controls over financial reporting criteria established by our Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

CEO & CFO CERTIFICATE

Compliance Certificate in terms of Regulation 17(8) of SEBI LODR on the audited financial statements and other matters prescribed therein, submitted to the Board of Directors by the CEO & CFO of the Company, for financial year ended March 31, 2023, is enclosed herewith at **Annexure V** to this Board's Report.

CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES AND RELATED PARTY TRANSACTION POLICY

In terms of the provisions of the Act, SEBI LODR and the RBI Directions, the Board of Directors adopted 'Related Party Transaction Policy' to ensure obtaining of proper approvals and reporting of transactions with related parties.

In terms of Section 177 of the Act and Regulation 23 of SEBI LODR read with the Related Party Transaction Policy of the Company, transactions with related parties were placed before the Audit Committee for its approval and omnibus approval of the Audit Committee was obtained for related party transactions of repetitive nature. The Audit Committee is on quarterly basis updated with respect to related party transactions executed under omnibus approval.

During the year under review, no material related party transactions as prescribed in Section 188 of the Act read with Companies (Meetings of the Board and its Powers) Rules, 2014, were entered by your Company. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Act in Form AOC-2 is not applicable to the Company.

Disclosure of the related party transactions as required under IndAS - 24 are listed in the notes to the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2023. Details of the Related Party Transaction Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report. The Related Party Transaction Policy is available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

In terms of Section 186(11) of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014, loans made, guarantees given or securities provided by the Company are exempted from compliance with the requirements of Section 186 of the Companies Act, 2013.

For details of the investments made by the Company, please refer Note 3.05 to the Audited Standalone Financial Statements.

ANNUAL RETURN

In terms of Section 134(3)(a) and Section 92(3) of the Act read with the Companies (Management and Administration) Rules, 2014, the Annual Return as at financial year ended March 31, 2023 in prescribed form No. MGT-7 is available on the website of the Company at <https://www.arkafincap.com/investor-information>

EMPLOYEE STOCK OPTION PLANS (“ESOP PLANS”)

Your Company believes that its success and ability to achieve its objectives is largely determined by the quality of its workforce and recognises that not only good employment opportunities but also additional motivating mechanisms are needed to incentivize employees and aligning their interest with the interest of the Company. In recognition of the said objective, the Company adopted and implemented ESOP Plan 2019 to attract, retain, motivate and incentivise employees of the Company.

The ESOP Plan of the Company is implemented and administered by the Nomination & Remuneration Committee.

During the year under review, Nomination & Remuneration Committee had granted 1,00,00,000 stock options to eligible employees of the Company under ESOP Plan 2019.

The disclosure of information as required under Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 for the financial year ended March 31, 2023 is appended to this Report as **Annexure VI**.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

Your Company is committed to create an environment in which all individuals are treated with respect and dignity and promote a gender sensitive and safe work environment. Accordingly, the Board of Directors adopted a Care & Dignity Policy and also constituted an Internal Complaints Committee, in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. During the year under review, no complaints related to sexual harassment were received by the Internal Complaints Committee.

GENERAL DISCLOSURE

During the year under review, your Company, in the capacity of a financial creditor, has not filed petitions before the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 for recovery of outstanding loans against its customers, being corporate debtors. During the year under review, there has been no instance of one-time settlement with any Bank(s) or Financial Institution(s).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since your Company is engaged in financial services activities, its operations are not energy intensive nor does it require adoption of specific technology and hence information in terms of Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is not provided in this Board's Report. Your Company is vigilant on the need for conservation of energy. During the year under review, your Company did not have any foreign exchange earnings and incurred foreign currency expenditure of Rs. 2.47 Lakhs (Previous year foreign exchange expenditure: Nil).

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the year under review, no orders have been passed against your Company by any regulator(s) or court(s) or tribunal(s) which would impact the going concern status and / or the future operations of your Company.

DIRECTORS RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and according to the information and explanations obtained by us, pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, the Directors hereby confirm that:

- a) in the preparation of the annual accounts for the financial year ended March 31, 2023, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they had prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

APPRECIATION AND ACKNOWLEDGEMENT

The Directors take this opportunity to express their appreciation to all stakeholders of the Company including the Reserve Bank of India, the Ministry of Corporate Affairs, the Securities and Exchange Board of India, the Government of India and other Regulatory Authorities, the BSE Limited, the Depositories, Bankers, Financial Institutions, Members, Investors, Employees and Customers of the Company for their continued support and trust.

For and on behalf of the Board of Directors

Vimal Bhandari

Executive Vice Chairman & CEO

DIN: 00001318

Mahesh Chhabria

Director

DIN: 00166049

Date : 16th May, 2023

Place : Mumbai

Management Discussion and Analysis

ECONOMIC REVIEW

Global economy

In CY2022, global economies faced substantial challenges because of rising inflationary pressures and geopolitical conflicts in Europe. The relentless rise in interest rates by Central Banks to combat inflation and the continuing geopolitical crisis in Europe have been impacting economic activity.

The sudden surge of COVID-19 in China dampened growth in CY2022, but the recent reopening has prepared the stage for a faster-than-expected rebound. Additionally, central banks' monetary policies are expected to bear fruit, leading to a decline in global inflation. Global inflation is likely to decline from 8.7% in CY2022 to 7.0% in CY2023 and 4.9% in CY2024.¹

Emerging markets and developing economies like India are powering ahead in many cases, with growth rates expected to witness a significant upsurge this year.

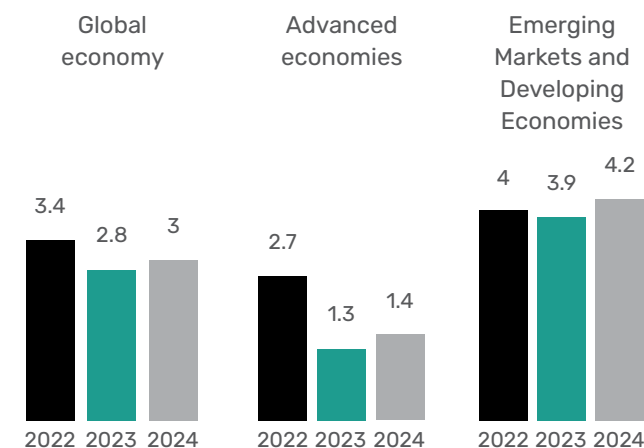
ACCORDING TO THE IMF, INDIA, ALONG WITH CHINA, IS EXPECTED TO DRIVE 50% OF GLOBAL GROWTH IN CY2023.

Outlook

There are positive signs that indicate a steady recovery from the pandemic-induced headwinds and supply-chain bottlenecks. The emerging markets and developing economies (EMDEs) are set to play a pivotal role in driving the revival of the economy in the years ahead.

The pace and effectiveness of fiscal and monetary policy measures to support economic expansion would also help shape the economy outlook. Central banks around the world have been tightening liquidity, but it is yet to be seen whether these measures will be effective in curbing sticky inflation and register sustainable growth. Fiscal policies would also be instrumental, particularly in supporting businesses and individuals affected by the pandemic.

Global growth (%)



[Source- IMF World Economic Outlook, April 2023]

Indian economy

The Indian economy demonstrated exceptional resilience in the face of global challenges in FY23. According to the second advance estimate by the National Statistical Office (NSO), the domestic economy is expected to register a GDP growth rate of 7% in FY23.¹ Sectorial analysis further reveals that the growth is primarily driven by robust domestic demand and enhanced construction activity, facilitated by increased infrastructure investments by both the Central and State governments. This is also expected to create employment opportunities on a large scale.

Despite being in the nascent stages of recovery, there are early indications that post-pandemic private investment could rise due to a positive investment cycle in the manufacturing and services sectors. In addition, the manufacturing sector has witnessed a gradual rise in the number of private investment projects that are presently being implemented.

Retail inflation in India, according to the RBI, has dropped below 6% in March 2023. This decline was attributed to stabilising commodity prices and reduced food prices. The foreseeable demand situation in India seems conducive to economic growth. The regulatory bodies have structured policies to adequately derisk the economy from ongoing geopolitical and geo-economic concerns, with macroeconomic stability already being witnessed with green shots in the some key economic metrics.

¹<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

²<https://pib.gov.in/PressReleasePage.aspx?PRID=1903091>

Outlook

High-frequency indicators such as GST collections, growing railway and air traffic, electronic toll collections and the volume of E-Way bills signify a strong economic rebound. India's sustained growth momentum has put the country in a sweet spot to make it an attractive destination for investments.

India is expected to be the G-20's fastest-growing economy in the near future. In addition, India's leadership of the G20 Summit in 2023 provides an immense opportunity for steering international coordination towards economic stability and prosperity.

Businesses are expected to focus on the growth potential an uncertainties inflation tend to decline. The RBI is anticipated to rein in inflation, manage a depreciating currency and reduce the immediate impact of a fiscal deficit on the economy. Along with a favourable policy environment and an improvement in downside risks, consumer sentiment is expected to further improve, bringing some modest relief to the Indian economy.

Industry overview

India remains as one of the fastest growing major economies despite the global headwinds. Recent studies on credit, market and liquidity risks reveal that Indian banks have typically been resilient and have fared well amid fears of an impending global recession.

In terms of market growth, trends, and the introduction of new enterprises, Indian financial services have evolved significantly. The financial services industry has substantially assisted the rise of the Indian economy. This sector includes commercial banks, insurance companies, non-banking financial institutions, cooperatives, pension funds, mutual funds, and other smaller financial organisations.

India has concentrated on expanding the scope of its banking sector through several initiatives. These programmes, along with important banking sector reforms including digital payments, neo-banking, the growth of Indian NBFCs and fintech, have greatly contributed to financial inclusion in India and fuelled the country's credit cycle. India's digital payment system has made people wonder when India's Immediate Payment Service (IMPS) is the only system at level five in the Faster Payments Innovation Index (FPII).

The Government of India has also introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have implemented various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching the Credit Guarantee

Fund Scheme for MSMEs, issuing guidelines to banks regarding collateral requirements and setting up the Micro Units Development and Refinance Agency (MUDRA).

The Reserve Bank of India (RBI) has been taking steps to create a more rigorous regulatory framework for Non-Banking Financial Companies (NBFCs) in order to bring them into line with banking regulations. One of the key areas of focus is the mitigation of various risks faced by NBFCs, such as default, credit, liquidity, interest rate, regulatory, operational, and reputation risks. The RBI has underlined the significance of updating risk management systems, practises, and processes, as well as implementing more comprehensive asset liability management practises, in order to manage these risks in an organised manner.

To achieve sustained growth, it is crucial for NBFCs to maintain credit quality. Establishing a healthy liability franchise and securing funding over extended time frames are also key objectives. Furthermore, demonstrating a strong history of asset quality and maintaining a strong capital base are important to strengthen confidence among stakeholders.³

With strong credit growth of 15.7% YoY in March, 2023, underpinned by ongoing traction in the Retail and SME categories, the banking sector's systemic loan growth is expected to remain robust. Deposit rates have risen significantly in recent months as liability accretion has become increasingly important.

Bank credit grew at a CAGR of 0.62% from FY16 to FY22. Total credit extensions reached USD 1,532.31 billion as of FY22. Deposits increased at a CAGR of 10.92% from FY16 to FY22, reaching USD 2.12 trillion by FY22. As of November 4, 2022, bank deposits totalled INR 173.70 trillion (2.12 trillion USD).⁴

Credit growth is anticipated to reach 10% in 2022-2023, which would lead to double-digit growth in eight years, according to India Ratings and Research (Ind-Ra).⁵

In the financial services industry, mutual funds experienced an inflow growth of approximately 7%, reaching a value of INR 40.05 lakh crore during FY23. The primary factor contributing to this growth was the increased investment in Systematic Investment Plans (SIPs), which achieved a record high of INR 14,27,600 lakh during the same period. As of March 2023, the total number of SIP accounts reached 636 lakh, and there were 21.65 lakh new SIP registrations.⁶

Government and budgetary measures

The Government and the Reserve Bank of India undertook various measures to boost the economy:

- In the Union Budget 2022-23, the Government of India announced plans for a central bank digital currency (CBDC), which will be known as the Digital Rupee.

³https://www.assochem.org/uploads/files/V11_CRISIL%20Assochem%20Report%20on%20NBFCs_Final.pdf

⁴<https://tradebrains.in/fundamental-analysis-of-icici-bank/>

⁵<https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-to-grow-in-double-digits-in-fy23-report/articleshow/90670955.cms>

⁶<https://economictimes.indiatimes.com/mf/mf-news/mutual-fund-inflows-rise-7-per-cent-to-rs-40-05-lakh-crore-in-fy23/articleshow/99481554.cms>

- The Reserve Bank of India introduced UPI Lite in September 2022 to streamline the UPI transaction process. Payments of up to INR 200 (USD 2.67) can be made using this.⁷
- According to the Economic Survey 2022-23, over the last few years, the number of neo-banking platforms and global investments in the neo-banking segment have also risen consistently. Neo-banks operate under mainstream finance's umbrella but empower specific services long associated with traditional institutions such as banks, payment providers and so on.
- The Government also proposed to bring all 150,000 post offices under the digital banking core business to enable financial inclusion.⁸
- The Reserve Bank of India (RBI) has announced that it will set up a centralised portal to access details of unclaimed deposits by depositors or their beneficiaries across various banks. About USD 4.23 billion (INR 35,000 crore) in unclaimed deposits as of February 2023 were transferred to the RBI by public sector banks (PSBs) in respect of deposits that had not been operated for 10 years or more.⁹
- The Stand-Up India (SUPI) scheme was launched on April 5, 2016 and has now been extended till 2025. The scheme aims to create an eco-system that facilitates and continues to provide a supportive environment for setting up greenfield enterprises through access to loans from bank branches of all Scheduled Commercial Banks.¹⁰

NBFC overview

The Non-Banking Finance Companies (NBFC) sector in India forms an important part of the Indian financial system. Over the last few years, they have been instrumental in contributing to the Government's vision of furthering financial inclusion by extending credit to the unbanked and unserved populace of the country, including the Farm, Retail, Infrastructure and MSME sectors. They play an active complementary role to the banking system by bridging the credit demand and supply gap, enhancing competition and diversifying the Financial sector. SME/MSME lending, corporate lending, supply chain financing, home loans, equipment financing, vehicle loans, and so on, are just a few of the different types of loans offered by the NBFCs.

MSME sector, comprising of nearly ~63 million enterprises contribute around 30% to India's GDP. Despite this, they produce nearly 80% of all jobs in India with a mere 20%

investment. It's interesting to note that 51% of MSMEs are located in rural areas and are the ones driving the economy's real growth. Unfortunately, 99.5% of MSMEs still operate as micro businesses and have consistently found it difficult to expand for a variety of reasons. The challenge of attracting investors or raising financial resources is a significant factor affecting the MSMEs' expansion.

Small businesses have conventionally relied on loans mostly for funding, and it is estimated that over 40% of loans are obtained through unofficial channels with interest rates that are at least twice as high as those found in the formal market. The formalisation of the economy will greatly benefit those seeking formal sources of funding. Currently, there are significant obstacles that prevent them from accessing these sources. Lack of collateral to support the loan, absence of a detailed business plan and the inability to assess accurate fund requirements are some of the challenges that they face and NBFCs are coming to the rescue of these small businesses that require funding.¹¹

COMPANY OVERVIEW

Arka Fincap Limited (AFL, Arka or Company), is a Non-Deposit taking Systemically Important NBFC. It is a subsidiary of Arka Financial Holdings Private Limited (AFHPL) which is in turn a subsidiary of Kirloskar Oil Engines Limited (KOEL). As a professionally managed Company, it provides structured term financing solutions to Corporate, Real Estate and Micro, Small and Medium Enterprise (MSME) borrowers. The growth of the business is built on robust digital credit assessment and concrete digital onboarding for a faster TAT (Turn Around Time) and a fast-tracked disbursement process.

With a focus on customers, experienced management team and vigilant monitoring of Company' loan assets, its business has experienced growth since the commencement of our operations in Fiscal 2020. We operate four principal lines of business: corporate lending, real estate and urban infra financing, syndication, MSME and personal lending.

In line with its objective of 'delivering technology-enabled, creative and personalised financial solutions for an enhanced customer experience,' the Company views technology as the primary enabler for business growth. The mission of the Company is to 'facilitate growth and achieve the customers' objectives via empathy and agility.' The six core values that the Company upholds are Own It and Be Responsible, Achieve Operational Excellence, Trust in Collaboration, Customer-Centric Every Time, Integrity and Make Workers Successful.

⁷<https://www.npci.org.in/what-we-do/upi-lite/product-overview>

⁸<https://economictimes.indiatimes.com/industry/banking/finance/banking/all-1-5-lakh-post-offices-in-india-to-be-connected-to-core-banking-system-fm-nirmala-sitharaman/articleshow/89267465.cms?from=mdr>

⁹<https://economictimes.indiatimes.com/wealth/save/rbi-to-develop-online-portal-for-unclaimed-deposits-of-all-banks/articleshow/99286209.cms?from=mdr>

¹⁰ <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1913705>

¹¹<https://msme.gov.in/sites/default/files/MSMEANNUALREPORT2022-23ENGLISH.pdf>

AUM Chart sector diversification

Sr. No.	Particulars	% age
1	Airport	1.3%
2	Automobiles	2.4%
3	FMCG	1.3%
4	Holding Co	2.5%
5	Infrastructure	4.6%
6	Logistics & Warehousing	3.4%
7	Metal Trading	2.1%
8	Mining	3.4%
9	NBFC	5.3%
10	Oil & Gas	1.3%
11	Others	6.7%
12	Pharmaceuticals	1.8%
13	Real Estate	24.3%
14	Renewable Energy	7.1%
15	SME / MSME Loans	28.6%
16	Steel and pipe	3.8%
		100%

KEY PERFORMING HIGHLIGHTS

(₹ in Lakhs)

	FY 2023	FY 2022
Total income	37,289	20,309
PBT	8,280	4,409
PAT	6,136	3,252
AUM	3,96,035	2,37,988
Net worth	1,03,304	82,693
Borrowings	3,11,582	1,74,394

Arka's financial performance in FY 2023 have improved significantly as compared to FY 2022. Total Income of the Company has increased to INR 37,289 lakhs registering 83% growth as compared to last fiscal. Arka registered PAT of INR 6,136 lakhs for FY 2023, 88% higher compared to last fiscal. As on 31 March 2023, AUM registered a growth of 66% over last year. Increase in Networth in FY 2023 is due to infusion of fresh Equity Capital and redeployment of profit for the financial year 2023. Total borrowings of the Company stand at INR 3,11,582 lakhs reflecting 79% increase as compared to FY 2022.

Vertical overview

Corporate lending

Arka FinCap offers bespoke financing to mid and large-sized corporates across various lifecycle of businesses, from early-stage equity to late-stage debt. The Company offers customised solutions to meet their fund requirements (at the holding Company and operating level) across

diverse sectors ranging from pharmaceuticals, renewable energy, power, telecom, entertainment, industrials, auto components and others.

The corporate lending financing has been broadly classified in three categories namely structured finance, working capital loan, term-loan or non-convertible debentures. Key products offered include structured financing, structured lending, working capital financing, capex funding, bridge financing, acquisition finance, mezzanine and structured debt, loans against shares and secured SME loans.

- a. **Acquisition financing:** The Company provides funds required by clients for their respective mergers and acquisitions. The funding requirements for both the parent company and the target companies are fulfilled.
- b. **Bridge financing:** The Company provides immediate liquidity to those clients that need funds for various business purposes. The Company is able to bridge financing gap for its clients by leveraging its quick turnaround time and flexibility in structure.
- c. **Mezzanine financing:** The Company satisfactorily fulfills requirements for subordinated debt, preferred equity, convertible instruments, and other forms of financing. It also effectively resolves the short-term issues of its clients by establishing long-term partnerships.
- d. **Promoter financing:** The Company empowers small businesses to accomplish their goals of growing into big companies by offering funds to them so that they can diversify with minimal effort.
- e. **Private equity exit:** The Company facilitates a smooth exit process with minimal paperwork for its client's numerous objectives, such as going for an IPO, selling out to a strategic buyer, recapitalising, or any other.

- **Working capital loan:** The Company offers flexible long-term working capital loans or short-term working capital loans for conglomerates to continue their operations seamlessly. The repayment tenure is over 84 months or varies based on the seasonal needs thus, positively impacting the cash flow of the business being funded. This relieves the Company's immediate cash pressure.

Business performance

As of March 31, 2023, the overall AUM for the corporate lending business aggregated at INR 1,58,626 lakh . During the year, total income from the business was INR 16,382 lakhs.

Real estate and Urban Infra Lending

The Company gives a partial or whole capital infusion to help India's infrastructure and real estate development. The focus is on the needs of the prestigious clients and guarantees a seamless procedure from beginning to end.

1. Residential

- a. **Last mile financing:** The Company offers growth capital to real estate businesses to scale up and ensure timely completion of projects with flexible payment options.
- b. **Corporate exposure:** This financing helps in meeting day to day expenses of its clients.
- c. **Project financing:** When the financing needs of clients is limited to a particular project needs.
- d. **Working capital finance:** Unique facility is extended as a long credit facility to mid-large sized companies post assessing the working capital limits of the group backed by some security.
- e. **Acquisition finance:** Acquisition financing solution will help the Company meet its current growth aspirations thereby aiding the group's financial growth.

2. Commercial

- a. **Assets backed financing:** This facility can be used to fulfil financial obligations and is extended as working capital or a term loan against receivables. Inventory or real estate are provided as collateral.
- b. **Project financing:** The Company extends long-term debts for project constructions and approvals.
- c. **Acquisition finance:** The growth aspirations of the clients are fulfilled and help them in arranging funds which the Company might have spent in arranging enough capital to acquire capital.

3. Retail

- a. **Assets backed financing:** This facility is available to fulfil financial obligations for clients and is extended as working capital or a term loan against receivables. inventory or real estate provided as collateral.
- b. **Working capital finance:** Unique facility is extended as a long credit facility to mid-large sized companies post assessing the working capital limits of the group backed by some security.

4. Hospitality

- a. **Assets backed financing:** The working capital requirement or term loans can be backed by the receivable or the assets of the Company.
- b. **Working capital finance:** This is a facility extended to medium companies in the form of long-term credit which are backed by some security. All this is done after assessing their working capital limits.

Business performance

The Real Estate and Urban Infra business ended FY 2022-23 with an AUM of INR 1,24,042 lakhs. During the year, Income from the business was INR 12,529 lakhs.

SME/MSME lending

Arka Fincap Limited launched its MSME business line in later part of 2020. The Company's MSME division continues to grow across three products, which includes Secured Business Loan, Supply Chain Finance, Digital Personal Loans. Through its MSME business, the Company offers loans to several small and medium-sized enterprises, including traders, wholesalers, distributors, retailers, self-employed professionals and small manufacturing companies. It provides loans for purposes such as expansion of businesses, working capital and the purchase of equipment. As on 31st March 2023, Company was operating SME / MSME lending business from 13 locations. The Company also entered into partnerships for co-lending with other smaller NBFCs and with various other fintech companies to widen its market reach and gain maximum customers from the market.

As of March 31, 2023, approximately 95% of the Company's MSME loans qualify for priority sector lending. Loan tenors for the Company's SME loans are typically up to 15 years and are generally collateralised against largely self-occupied residential and commercial property.

The AUM of the business as on 31 March 2023 was INR 1,13,359 lakhs. Total income from the business for FY 2023 was INR 6,308 lakhs.

Business performance

The unit was able to maintain an excellent customer repayment track record maintaining quality of the portfolio and a healthy IRR of ~ 11.9% p.a. as on 31 March 2023.

Arka's SME loans include the following:

- **Secured Business Loan:** The Company provides loans to customers who intend to purchase property for business expansion or for capital expenditure. They can get the loans against residential and/or commercial property. The average amount of such loans is around INR 124 lakh, and they can be repaid over a period of up to 15 years. These loans are secured against the property being purchased, and additional residential or commercial property may be added as collateral, subject to verification by third-party legal professionals.

Business performance

The total AUM for secured business loan as on 31 March 2023 was INR 90,515 lakhs

- **Supply chain finance:** The Supply Chain Finance program offered by the Company aims to assist its suppliers in meeting their financial needs by providing access to competitive interest rates while simultaneously streamlining working capital management. Under this program, suppliers are given the liberty to select which invoices they want to be discounted, thereby enabling them to benefit from reduced interest payments. The program aids MSMEs by facilitating the receipt of payment for their invoices on the first day of receipt of goods and consequently, meeting their working capital requirements. Repayment of invoices is undertaken by a reputable and well-rated anchor that has been brought on board by the Company. This program ultimately benefits all stakeholders involved in the supply chain process.

Business performance

The total AUM for Supply Chain Finance as on 31 March 2023 was INR 1,978 lakh.

- **Digital Personal Loans:** The Company provides unsecured digital personal loans to both salaried and self-employed borrowers. These loans are cash-flow-based and are evaluated based on several factors, such as financial statements, bank statements, GST returns, loan history, bureau checks and scorecards.

Business performance

The total AUM for digital personal loans for the last fiscal was INR 2,841 Lakh.

Syndication business

In April 2021, the syndication business was established. The Company's syndication team closely works with the clients to meet the client's specific debt financing needs. The Company provides holistic solutions to corporate clients for project finance, capital expenditure, general corporate requirements, last mile financing, subordinated structured debt through advisory/ syndication/ sell down and co-lending strategies across sectors.

Risk management

The transactions carried by the Company in this vertical not only allow it to take calculated risk but also help it price the deals from a risk and return perspective after the same has been validated by the market.

Portfolio quality

The syndication business serves as a risk management tool and supplements the current portfolio (both as an individual asset and as a portfolio). Risks are shared in transactions where there is co-participation.

Business width

The syndication business aids in maintaining investor and client relationships. The Company was able to participate in larger deal sizes and close multiple deals with ticket sizes ranging from INR 7,500 – 10,000 lakhs.

Business performance

- Fees Income of INR 512 lakh
- Income from business was INR 535 lakhs
- Lenders/Participants across the deals include Banks, NBFCs and AIFs

BUSINESS OUTLOOK

Corporate lending

Lending has increased consistently across the entire Indian banking industry. It has improved by almost 17% over the previous year in the final two weeks of October. According to the most recent sectoral data, lending to corporations—including small, medium and large businesses—rose by 12.6%¹² in September, marking the greatest annual growth rate since 2014 and this lending is not only being executed by banks but also by NBFCs. These are dominating the market as they can engage with start-ups and other small organisations and provide them with large or small loan facilities.

Real estate and allied lending

Considering the enormous amount of money needed for development, a strong financing environment that benefits from government initiatives is still necessary. Till now, the commercial banks have been considered the only source of financing, as they cover a major chunk of the sector. Then there are the NBFCs and other financial institutions.

In recent years, the Government has launched several policy initiatives, including re-finance programmes and the RBI has loosened its regulations on external commercial borrowings to make it easier for developers to raise money for low-cost and affordable housing developments.

Furthermore, the implementation of RERA's structure and transparency have supported the sourcing of international finance, which will help real estate finance expand.

SME/MSME lending

MSMEs are projected to make a substantial contribution to the economy's growth in the near future. Additionally, due to the rise in economic activity, consumer expenditure and capital spending, this sector's demand for credit is projected to increase. Growth is projected to be further aided by a

¹²<https://economictimes.indiatimes.com/industry/banking/finance/banking/rise-in-indian-corporate-lending-signals-new-investment-cycle/articleshow/95647836.cms>

rise in government programmes and investments. Retailers and wholesalers will now be given the MSME designation by the Government and 2.5 crore retail and wholesale dealers in the nation will profit from the decision. This is a smart measure that will make it simpler for millions of wholesalers and retailers to avail of finance and loans that will help them modernise and scale up their operations. It will help boost the GDP and the informal retail sector's contributions to the overall economic growth.¹³

Syndication business

The outlook for syndicated lending is positive, as it provides lenders with an opportunity to diversify their lending portfolios while minimising risks. Additionally, borrowers can access larger loan amounts than they may have been able to secure from a single lender. With the growing demand for financing across different industries and sectors, syndicated lending is expected to continue to grow and evolve as an important tool for meeting the needs of both lenders and borrowers

OPPORTUNITIES AND THREATS

Corporate lending

Opportunity: Corporate lending has gained prominence among the NBFCs because of its interest and fee payments and apart from this, it helps them diversify their businesses and has resulted in a few large players consolidating market shares. This can help the NBFCs build long-term relationships with their clients, thereby expanding their reach to a larger audience.

Threats: Corporate lending involves credit risks. Lending to a business with weak financials or lending to a high-risk industry can result in greater credit risks for the NBFCs. Apart from this, a downturn in the economy or changes in regulatory compliance can pose major threats to NBFCs, but this can be mitigated if the Company is diligent in its underwriting processes, manages credit risk effectively, and stays abreast of regulatory requirements and industry trends.

Real estate and allied lending

Opportunity: The real estate sector is likely to grow significantly in the upcoming years due to the rising demand for office spaces and residential property. To develop this sector, the Government has implemented several initiatives that will provide numerous opportunities for the NBFCs' growth. The Real Estate Investment Trust (REIT) platform, which allows all types of investors to invest in the Indian real estate market, has been approved by the Securities and Exchange Board of India (SEBI). The need for commercial and retail office space will rise as more homes are expected to be built in urban areas.

Threats: Tighter financial conditions tend to directly impact commercial property prices by making it more expensive for investors to finance new deals or refinance existing loans, which also lowers investment in the sector. They could also have an indirect impact on the sector by slowing economic activity and reducing demand for commercial property such as shops, restaurants and industrial buildings. If the sharp tightening of financial policies continues, then it is expected to create renewed pressure on the sector's growth.¹⁴

SME/MSME lending

Opportunity: MSMEs are always regarded as the growth engines of the new India. If one considers the opportunities for MSMEs, then it can be assumed that MSMEs can leverage technology to streamline their operations, reduce costs and widen their reach. The Government is also rolling out many initiatives and helping MSMEs to help India achieve its USD 5 trillion economy target. Governments offer numerous schemes and subsidies to support MSMEs which offer financial support, technical assistance and other incentives to help businesses expand.

MSMEs can leverage the higher demand for goods and services in international markets to expand their customer base and increase revenue. The internet and e-commerce platforms have made it easier for businesses to offer their products and services to customers across borders. MSMEs can also leverage government initiatives such as trade shows, buyer-seller meets and export promotion councils to explore new markets and expand their market reach.

Consistent research and innovation can help MSMEs develop new products and services and several collaborations and partnerships can help MSMEs access new markets, share knowledge and expertise, and enhance their brand visibility. MSMEs can explore partnerships with other businesses, universities, research institutions and government agencies to explore new opportunities and expand their businesses.

Threats: MSMEs may find it challenging to compete with larger businesses due to their limited resources, lower economies of scale, and limited market reach. The economic overview of India, its economic instability, such as a recession or a financial crisis, can impact MSMEs' ability to access finance, increase costs, and reduce demand for their products and services and additionally MSMEs may struggle to attract and retain skilled labor due to the limited resources available to offer competitive salaries and benefits, which can hinder their ability to grow and expand.

¹³ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1732193>

¹⁴ <https://www.imf.org/en/Blogs/Articles/2022/09/21/commercial-real-estate-sector-faces-risks-as-financial-conditions-tighten>

Syndication business

Opportunity: Syndication can offer numerous opportunities, including access to investment opportunities that would be difficult or impossible for small financial institutions investors to pursue. By pooling their resources, financial institutions can participate in large-scale projects that require significant amounts of capital. Additionally, syndication can provide the participants of syndication investors with access to specialized expertise and knowledge, which can help them evaluate investment opportunities and make informed decisions. By investing in multiple projects through a syndicate, investors can spread their risk across different ventures and minimize their exposure to any one particular investment.

Threats: One of the most significant risks associated with syndication is the potential for disagreements between investors. When multiple parties are involved in a project, there may be differing opinions on how to proceed, which can lead to conflicts and delays. Additionally, syndication may involve higher fees and costs, which can impact returns. Furthermore, effectively managing the enduring relationships between the facilitators and the investors proves to be a formidable task in syndication financing.

OPERATIONS AND TECHNOLOGY

The Company recognises technology as a key differentiator that has the potential to distinctly position it and accelerate its growth. The technology team makes committed efforts to offer a seamless digital experience, agile solution delivery as well as eases the transition to a data-driven enterprise.

All of the applications are highly scalable to ensure that business objectives can be supported seamlessly at optimum costs. The Company has adopted Inferyx analytics platform for business and operations teams to facilitate tracking and decision-making.

The Company has also built a customer portal on Liferay DXP, enabling customers to access their account information, repayment schedules and other account-related details on the portal.

Additionally, operational processes have been automated using Robotics (UI Path) and new APIs have been developed to automate the disbursement process. The Company's applications are hosted on the cloud, enabling them to easily scale up or down the infrastructure cost based on business volumes. The availability of collaboration platforms has allowed all employees to work seamlessly without any interference from their peers and they can manage working on different products simultaneously.

PLANS FOR 2023-24

FY 2024 will be focussed on growing SME/MSME portfolio. The endeavour of the team is towards opening up more branches, increasing the company's foot prints and

providing better and faster solution to its customers. It is intended to have presence in 40 locations by March 2024. With clear focus of growing MSME loan book, Arka is poised to have much granular loan book. Corporate Lending, Real estate and Urban Infra loan portfolio will continue to grow at its pace. With current capital base and achieving leverage of 4x, Arka will continue to grow its PAT. Non-fund based income including syndication fees income continues to contribute towards overall profitability.

TREASURY AND RATINGS

Arka maintains a stable long-term rating of AA [-] as assigned by CRISIL Ratings Limited. This rating serves as an endorsement of the strong confidence in the promoter, management, processes, and asset quality. Furthermore, the Company has obtained the highest rating of A1 [+] for its borrowings through Commercial Papers.

Arka has prioritised the diversification of its liability base, alongside its loan portfolio. It has established relationships with approximately 30 lenders. In addition to that, it has been successful in raising funds through various means such as term loans, NCD issuances, and MLD issuances.

The Company has been employing a prudent approach to leverage its balance sheet. In FY 2023, the Company raised INR 2,628 crores through various financial instruments. Additionally, during the year, the Company secured INR 60 crores through Tier II Capital. In line with its strategy to avoid any asset-liability mismatch, it has emphasised long-term borrowings. As of March 31, 2023, the total borrowing stands at INR 3,115.8 crores, with Commercial Papers accounting for only INR 116.4 crores.

Moreover, the Company has maintained surplus liquidity to meet future repayments and operational expenses. It has judiciously invested surplus liquidity in selected instruments, following a "S L R" (safety, liquidity, and return) approach. As of March 31, 2023, the Company holds a surplus liquidity of INR 354 crores.

RISK MANAGEMENT

The Board of Directors of the Company has constituted Risk Management Committee which frames, implements and monitors the risk management plan including functions relating to cyber security, assess the risks, decide the measures to mitigate the risks. The Board reviews the effectiveness of risk management systems in place and ensures that the risks are effectively managed. The Audit Committee has additional oversight in the area of financial risks and controls.

The Company acknowledges that it was required to simultaneously enhance its risk monitoring by building a strong risk culture to enable healthy and sustainable growth. To achieve the same, the Board of Directors of the Company, on recommendation of the Risk Management Committee, adopted a Enterprise Risk Management Framework ("ERMF")

as one of the step in the direction wherein the Company would be able to monitor, report and manage risks across business verticals and support functions. The ERMF, apart from detailing the risk management process and governance framework, has aimed to lay out the Company's risk appetite after due consideration of the Company's business plans and growth strategy.

While the Enterprise Risk Management Policy ("ERM Policy") provides for the overall risk framework, the Risk Appetite Framework is the subset of ERM Policy detailing the risk parameters within which the Company would be operating.

The Audit Committee, Risk Management Committee and the Board of Directors, on quarterly basis, reviews the performance, as mentioned in Risk Appetite Framework as against the defined parameters on a quarterly basis

Further, the Company has formulated an Entity Level Control Assessment Framework and Risk Control Matrix.

HUMAN RESOURCES

The Company's Human Resources department has been essential to growth over the years. The team has focused on several key initiatives to enhance the employee experience and drive employee engagement. One of the most significant achievements was the implementation of a comprehensive learning and development programme that offered employees access to a range of training programmes, workshops and skill-building opportunities. This programme was designed to help employees hone their skills, grow their careers and contribute to the success of the Company. The HR department at the Company has also played a crucial role in attracting and retaining top talent through competitive compensation packages and perks. The HR team has collaborated with the leadership team to develop programmes that meet the needs of Company's employees. The Company has created a positive work culture that fosters teamwork and collaboration.

As on 31 March 2023, the employee strength was 241

INTERNAL CONTROL

The internal control system is supplemented by an extensive program of internal audit and reviews by the senior management. We have appointed independent internal audit firm for the Company to assess and improve

the effectiveness of risk management, control and operations and processes. Internal audit team is inter alia empowered to examine the adequacy and compliance with policies, plans and statutory requirements. The internal audit findings are reviewed by the Audit Committee of the Board. Corrective actions are, thereafter, suggested and are implemented by the process owner across the relevant functional areas to continuously strengthen the internal control framework.

Pursuant to the requirement of the Companies Act, 2013, the Company also conducts secretarial audit by a Practicing Company Secretary every year. The Secretarial Audit Report for the financial year ended on March 31, 2023 does not contain any qualifications, reservations or adverse remarks or disclaimers.

The senior management regularly reviews the findings and recommendations of the internal auditors, secretarial auditors and auditors conducting IT audit so as to continuously monitor and improve internal controls to match the organization's pace of growth and increasing complexity of operations as well as to meet the changes in statutory and accounting requirements.

DISCLAIMER

The MDA section may contain forward-looking statements regarding future prospects. These statements involve various known and unknown risks and uncertainties, which may result in material differences between actual results and the forward-looking statements. In addition to changes in the macro-environment, the emergence of a global pandemic such as COVID can introduce unforeseen, unprecedented, unascertainable and continuously evolving risks to the Company and its operating environment. The estimates and figures presented in the report are based on certain assumptions made by the Company, taking into account internal and external information that is currently available. However, the factors underlying these assumptions can change over time, leading to corresponding changes in the estimates on which they are based. It should be noted that forward-looking statements only reflect the Company's current intentions, beliefs or expectations as of the date on which they are made. The Company is not obligated to revise or update any forward-looking statements in light of new information, future events or other factors.

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company is committed to the adoption of corporate governance practices for creation of value for its stakeholders. Corporate Governance is deeply ingrained in the Company culture at AFL which helps maintain an ethical workplace for the employees.

BOARD COMPOSITION

The Board of Directors (the "Board") of the Company, inter alia, oversees its overall functioning, provides a strategic direction, guidance, leadership to ensure that the Company's actions and objectives are aligned in creating long term value for its stakeholders.

The Board comprises of highly skilled professionals with wide range of expertise, having diverse background and possesses requisite qualifications and experience which enables it to discharge its responsibilities, provide effective leadership and independent views to the management.

As on March 31, 2023, the Board of Directors of the Company comprises of 7 (seven) Directors including 1 (one) Executive, 2 (two) Non-Executive Non-Independent Directors and 4 (four) Non-Executive Independent Directors. The composition of the Board of your Company is governed by and is in compliance with the requirements of the Companies Act, 2013 read with Rules framed there under ("Act"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR"), the circulars / directions / notifications issued by the Reserve Bank of India ("RBI Directions") and the Articles of Association of the Company.

Skills and competencies of the Board of Directors

The Board composition represents a particular set of skills and competencies including the following:

- Good business acumen
- Diverse set of experience
- Leadership quality
- Integrity
- Knowledge of Regulatory Environment
- Financial and Accounting Expertise
- Experience in Financial Services Industry

The Board composition represents an optimal mix of professionalism, knowledge, expertise and experience which enables the Board to discharge its responsibilities and provide effective leadership to the business.

As on March 31, 2023, the composition of the Board of Directors, including details of other directorship(s) of each Director on the Board of your Company and other details as required under Section II of RBI Circular No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2021 is given below:

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	DIN	Number of Board Meetings			No. of Directorships	Number of Committee Membership (Chairmanship(s)) ⁸	Details of other directorships in listed companies**	Remuneration			No. of shares held in and convertible instruments held in the Company
					Held	Attended	Missed				Salary and other compensation (in lakhs)	Sitting Fee [#] (in lakhs)	Commission	
1.	Mr. Vimal Bhandari	April 20, 2018*	Executive Vice-Chairman and CEO	00001318	6	6	10	7(2)	<ul style="list-style-type: none"> ● Escorts Kubota Limited (ID) ● Bharat Forge Limited (ID) ● Kalpataru Power Transmission Limited (ID) ● DCM Shriram Limited (ID) ● RBL Bank Limited (NED-NID) ● JK Tyre & Industries Limited (ID) 	585.34	-	-	1 [®]	
2.	Mr. Mahesh Ramchand Chhabria	April 20, 2018	Non-Executive Non-Independent Director	00166049	6	5	10	7(3)	<ul style="list-style-type: none"> ● Kirloskar Ferrous Industries Limited (NED-NID) ● Kirloskar Oil Engines Limited (NED-NID) ● Kirloskar Pneumatic Company Limited (NED-NID) ● ZF Commercial Vehicle Control Systems India Limited (ID) ● Kirloskar Industries Limited (MD) ● Shoppers Stop Limited (ID) 	-	-	-	1 [®]	
3.	Ms. Gauri Atul Kirloskar	June 14, 2019	Non-Executive Non-Independent Director	03366274	6	5	11	2(0)	<ul style="list-style-type: none"> ● Kirloskar Oil Engines Limited (MD) 	-	-	-	-	

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter/ nominee/ Independent)	Number of Board Meetings			DIN	No. of Directorships [~]	Number of Committee Membership (Chairmanship(s)) [§]	Details of other directorships in listed companies**	Remuneration			No. of shares held in and convertible instruments held in the Company
				Held	Attended	Missed					Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission	
4.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	Non-Executive Independent Director	6	6	03607203	13	9(2)	<ul style="list-style-type: none"> ● United Spirits Limited (ID) ● Forbes & Company Limited (ID) ● Inditrade Capital Limited (ID) ● Kirloskar Industries Limited (ID) ● AGS Transact Technologies Limited (ID) 	-	9.25	-	-	
5.	Mr. Vijay Chugh	April 24, 2019	Non-Executive Independent Director	6	6	07112794	4	2(0)	-	-	8.50	-	-	
6.	Mr. Harish Hansubhai Engineer	June 14, 2019	Non-Executive Independent Director	6	4	01843009	4	2(0)	<ul style="list-style-type: none"> ● Navin Fluorine International Limited (ID) ● Aditya Birla Sun Life AMC Limited (ID) 	-	6.60	-	-	
7.	Mr. Yogesh Kapur	October 20, 2022	Non-Executive Independent Director	3 [§]	3 [§]	00070038	6	7(4)	<ul style="list-style-type: none"> ● Greenlam Industries Limited (ID) ● Kirloskar Oil Engines Limited (ID) 	-	3.90	-	-	

[~]Vimal Bhandari is one of the First Director of the Company. Mr. Bhandari was appointed as Executive Vice-Chairman & CEO of the Company with effect from November 1, 2018.

[~]includes Directorships in Indian Companies only and also includes directorship in the Company.

[®]In terms of the provisions of Section 89 of the Companies Act, 2013, holds 1 (one) equity share as "Registered Owner" and the "Beneficial Owner" is Arka Financial Holdings Private Limited

[#]Sitting Fees paid for attending the meeting of Board of Directors, Committees in which a Director is a Member and separate meeting of Independent Directors

[§]Mr. Yogesh Kapur was appointed as the Non-Executive Independent Director with effect from October 20, 2022 and 3 Board Meetings were held after his appointment till March 31, 2023.

^{*}Membership(s) and chairmanship(s) in Audit Committee and Stakeholders Relationship Committee. While calculating the committee positions of the Directors, both listed (including high value debt listed public company) and unlisted public companies and private companies which is a subsidiary/holding of Public Company have been considered

^{**}Entities whose equity shares are listed on a recognised stock exchange(s).

ID: Independent Director; NED-NID: Non-Executive Non-Independent Director; MD: Managing Director

Details of change in composition of the Board during the current and previous financial year.

Sr. No.	Name of the Director	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Nature of change (resignation, appointment)	Effective date
1	Mr. Yogesh Kapur	Non-Executive Independent Director	Appointment	October 20, 2022 Appointed as an Additional Non-Executive Independent Director for a term of 5 years with effect from October 20, 2022 and the appointment was approved by the shareholders of the Company at their Extraordinary General Meeting held on November 22, 2022.

Skills/Expertise/Competencies of the Board

The Board members have rich and varied experience in critical areas like governance, finance, entrepreneurship, legal, economics, commercial, general management, etc., which enables them to satisfactorily discharge their duties as directors. This also helps them to effectively contribute in functioning of the Company. Pursuant to Schedule V(C) of SEBI LODR, the core skills/expertise/competencies possessed by the directors includes as stated below:

Sr. No.	Name of the	Skills/Expertise/Competencies
1.	Mr. Vimal Bhandari	financial services, law, strategic planning, leadership, management, knowledge about economy, industry and company sector experience, experience in developing and implementing risk management, insurance sector
2.	Mr. Mahesh Chhabria	financial services, investment banking, private equity experience, management, leadership, knowledge about economy, industry and company sector experience, strategic planning, communication and interpersonal skills.
3.	Ms. Gauri Kirloskar	management, leadership, finance, investment banking, mergers and acquisitions, corporate restructuring, strategic planning, business planning, real estate sector, corporate communication, human resources, areas of corporate social responsibility.
4.	Mr. Vijay Chugh	supervision and regulation of commercial banks, payment and settlement systems and core banking solutions, risk management
5.	Mr. Harish Engineer	finance, banking, investments, knowledge about economy, industry experience, knowledge about business sector, operations and corporate credit management.
6.	Mr. Sivanandhan Dhanushkodi	Public service, risk management, security advisor
7.	Mr. Yogesh Kapur	finance, accounting, investment banking, strategic planning, banking, management, knowledge about economy, industry and company sector experience, risk management, strategic initiatives and re-organisation, business/corporate restructuring.

BOARD AND COMMITTEE MEETINGS

The dates of each of the Board / Committee meetings to be held in a financial year is circulated in advance to enable the Directors / Committee Members to plan their schedule and ensure highest participation at Board / Committee Meetings. Directors are given an option of attending Board / Committee meetings through video conference or other audio-visual means in order to ensure effective decision making through increased participation. The agenda along with detailed notes are circulated to the Directors / Members well in advance. With a view to

leverage technology and to contribute to environment conservation, your Company has adopted an electronic Board / Committee Meetings application where the agenda and all supporting documents are hosted online.

BOARD OF DIRECTORS:

During the year under review, 6 (six) meetings of the Board of Director of the Company were held on April 26, 2022, July 22, 2022, September 1, 2022, October 20, 2022, January 20, 2023 and February 13, 2023. Not more than 120 days elapsed between 2 consecutive meetings. Due

to business urgency and/or requirement, certain decisions were taken by the Board by way of resolution(s) passed through circulation, from time to time.

Attendance of Directors at Board Meetings and Annual General Meeting ("AGM") of the Company held during financial year ended March 31, 2023 is given below:

Name of the Director	Number of Board Meetings Attended / Number of meetings held during the tenure of directorship	Attendance at last AGM
Mr. Vimal Bhandari	6/6	Yes
Mr. Mahesh Chhabria	5/6	Yes
Ms. Gauri Kirloskar	5/6	No
Mr. Sivanandhan Dhanushkodi	6/6	Yes
Mr. Vijay Chugh	6/6	No
Mr. Harish Engineer	4/6	Yes
Mr. Yogesh Kapur*	3/3	Not Applicable

* Mr. Yogesh Kapur was appointed as the Non-Executive Independent Director w.e.f. October 20, 2022 and 3 Board Meetings were held during his tenure.

INDEPENDENT DIRECTORS

As on March 31, 2023, the Board of your Company consisted of 4 (four) Independent Directors. All the Independent Directors have affirmed compliance with the criteria of independence as stipulated in the Act and SEBI LODR and have also confirmed their enrollment in the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs. None of the independent directors have resigned before expiry of her/ his term during the financial year 2022-23.

Independent Directors Meeting

In terms of the provisions of the Act and SEBI LODR, a separate meeting of the Independent Directors of the Company was held on March 28, 2023 without the attendance of the Non-Independent Directors and members of the management of the Company. All the Independent Directors attended the meeting through video conference.

At their meeting, the Independent Directors evaluated and assessed the performance of the Non-Executive Non-Independent Directors, the Executive Directors and the Board, as a collective entity. The Independent Directors also reviewed and assessed the quality, quantity and timeliness of the flow of information between the management and the Board/Committees, necessary for the Board / Committee Members to perform their duties effectively.

BOARD COMMITTEES

In terms of the provisions of the Act, SEBI LODR, RBI Directions, other applicable laws, acts, rules and regulations and Company's internal governance, the Board of Directors have constituted various committees and have also specified the terms of reference of each of the Committees constituted.

The Board of Directors has accepted and implemented the mandatory recommendations made by the Committee(s) during the year under review.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is constituted in terms of Section 177 of the Act, SEBI LODR and RBI Directions.

During the year under review, 5 (five) Meetings of the Audit Committee of the Company were held on April 26, 2022, July 22, 2022, October 20, 2022, January 20, 2023 and February 13, 2023

Composition of the Audit Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Sr. No.	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Yogesh Kapur*	October 20, 2022	Chairman	2 [#]	2 [#]
2.	Mr. Mahesh Chhabria*	April 24, 2019	Member	5	5
3.	Mr. Harish Engineer	April 24, 2019	Member	5	3
4.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	Member	5	5
5.	Mr. Vijay Chugh	April 24, 2019	Member	5	5

*In terms of SEBI LODR and the Company being categorised as a high value debt listed entity, Mr. Mahesh Chhabria stepped down as Chairman of the Committee and Mr. Yogesh Kapur was appointed as the Chairman of Audit Committee w.e.f. October 20, 2022.

All the recommendations of the Audit Committee during the year under review were accepted by the Board of Directors of the Company.

The terms of reference of the Audit Committee of the Company would be in terms of Section 177 and other applicable provisions of the Act read with rules prescribed thereunder, Regulation 18 of SEBI LODR read with Part C of Schedule II to SEBI LODR and RBI Master Directions which, inter-alia, includes overseeing recommending appointment, remuneration and terms of appointment of auditors of the Company, approving payment to statutory auditors for any other services rendered by the statutory auditors, review with the management, the annual financial statements and the auditor's report thereon before submission to the Board of Directors, reviewing and monitoring auditors' independence and performance, and effectiveness of audit process, monitoring the statutory auditor's conflict of interest position in terms of relevant regulatory provisions, standards and best practices, approving or any subsequent modification to transactions of the Company with its related parties, granting of omnibus approval for transactions proposed to be entered with the

related parties, evaluation of internal financial controls and risk management systems, reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board of Directors, reviewing the functioning of whistle blower mechanism, approving appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate, reviewing management discussion and analysis of financial condition and results of operation.

ASSET LIABILITY COMMITTEE (ALCO)

ALCO has been constituted in accordance with the provisions of RBI Directions.

During the year under review, 5 (five) meetings of the ALCO were held on October 20, 2022, December 7, 2022, January 19, 2023, March 6, 2023 and March 14, 2023. Further, due to certain business exigencies/urgencies, certain approvals of the Committee have also been obtained by way of resolution(s) passed through circulation.

Composition of the ALCO and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Sr. No.	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Vimal Bhandari*	July 31, 2019	Chairman	5	5
2.	Mr. Mahesh Chhabria	July 31, 2019	Member	5	3
3.	Ms. Gauri Kirloskar^	September 1, 2022	Member	5	1
4.	Mr. Harish Engineer	July 31, 2019	Member	5	3
5.	Mr. Yogesh Kapur®	January 20, 2023	Member	2	2
6.	Mr. Rahul Kirloskar§	July 31, 2019	Member	0	0

*Designated as a Chairman of the ALCO effective from September 1, 2022.

^Appointed as a Member of ALCO with effect from September 1, 2022.

§Stepped down as a Member of ALCO with effect from September 1, 2022.

®Appointed as a Member of ALCO with effect from January 20, 2023

The terms of reference of the ALCO inter-alia, includes overseeing and ensuring that an adequate and accurate management information system is put in place by the Company with respect to asset liability composition / mismatches, reviewing the gap reports (liquidity and interest rate sensitivities) admeasuring the mismatch between rate sensitive liabilities and rate sensitive assets and set limits thereof, articulating the current interest rate view of the Company and base its decisions for future business strategy based on this view, deciding on source and mix of liabilities or sale of assets, reviewing product pricing, desired maturity profile of assets and liabilities and also the mix of incremental assets & liabilities, approving proposals and detailed terms and conditions of borrowings from banks and non-bank sources, reviewing and recommending borrowing programme for the company, approving issue of non-convertible debentures and commercial papers. Authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as authorized person in its absolute discretion may deem necessary or desirable in connection with the issue and allotment of the NCDs;

NOMINATION AND REMUNERATION COMMITTEE (NRC)

NRC of the Board of Directors of the Company is constituted in terms of Section 178 of the Act, SEBI LODR and RBI Directions.

During the year under review, 1(one) meeting of the NRC was held on September 1, 2022. Due to business exigencies/urgencies, approvals have been obtained of the NRC by way of resolution(s) passed through circulation.

Composition of the NRC and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Sr. No.	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	Chairman	1	1
2.	Mr. Mahesh Chhabria	April 24, 2019	Member	1	0
3.	Mr. Harish Engineer	July 31, 2019	Member	1	1
4.	Ms. Gauri Kirloskar*	July 31, 2019	Member	1	1

*Stepped down as a Member of the Committee with effect from October 20, 2022.

The terms of reference of the NRC would be in terms of Section 178 and other applicable provisions of the Act read with rules prescribed thereunder, SEBI LODR and RBI Directions which, inter-alia, includes formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to the remuneration of the directors, key managerial personnel and other employees, for every appointment of an independent director, to evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director and the person recommended to the Board of Directors for appointment as an independent director, identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal, ensuring 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management; deciding on

whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors, recommending to the Board, all remuneration, in whatever form, payable to senior management, formulation of criteria for evaluation of performance of independent directors and the Board of Directors, specifying the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance; devising a policy on diversity of board of directors.

RISK MANAGEMENT COMMITTEE (RMC)

RMC is constituted in accordance with the provisions of SEBI LODR and RBI Directions.

During the year under review, 6 (six) meetings of the RMC were held on April 26, 2022, June 23, 2022, July 22, 2022, October 20, 2022, January 19, 2023 and February 22, 2023

Composition of the RMC and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Sr. No.	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Vijay Chugh	April 24, 2019	Chairman	6	6
2.	Mr. Harish Engineer	July 31, 2019	Member	6	4
3.	Mr. Mahesh Chhabria	April 24, 2019	Member	6	6
4.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	Member	6	6
5.	Mr. Vimal Bhandari*	October 20, 2022	Member	2	2
6.	Mr. Atit Shah*	October 20, 2022	Member	2	2
7.	Mr. Sachin Agarwal*	October 20, 2022	Member	2	2

*Appointed as members of the Risk Management Committee w.e.f. October 20, 2022

The terms of reference of the Risk Management Committee of the Company would be in terms of SEBI LODR and RBI Directions which, inter-alia, includes evaluating the overall risks faced by the Company including liquidity risks, examining and determining the sufficiency of the Company's internal processes for reporting on and managing key risk areas, developing and implementing a risk management framework and internal control system, oversight of management's responsibilities and review the risk profile of the organization to ensure that risk is not higher than the risk appetite determined, to ensure that a systematic, documented assessment of the processes and outcomes surrounding key risk is undertaken at least once in a year, to formulate a detailed risk management policy, to monitor and oversee implementation of the risk management policy including evaluating the adequacy of risk management systems, to periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

CSR Committee of the Board of Directors is constituted in terms of provisions of Section 135 of the Act read with Companies (Corporate Social Responsibility) Rules, 2014, as amended.

No meetings of CSR Committee were held during the year under review and the proposal requiring approval of the CSR Committee was approved by the Committee by resolution passed through circulation.

During the year under review, CSR Committee was reconstituted by inducting Mr. Yogesh Kapur as a Member of CSR Committee.

Composition of the SRC and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Sr. No.	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Yogesh Kapur	October 20, 2022	Chairman	1	1
2.	Mr. Mahesh Chhabria	October 20, 2022	Member	1	0
3.	Mr. Vimal Bhandari	October 20, 2022	Member	1	1

The terms of reference of SRC inter-alia includes to look into various aspects of interest of shareholders, debenture holders and other security holders including the following:

- To oversee, monitor and resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends/interest/principal amount and ensuring timely receipt of interest/redemption amount/dividend warrants/annual reports/statutory notices by the security holders of the company.

As on March 31, 2023, CSR Committee comprises of the following members:

Sr. No.	Name of Members	Member of the Committee since	Category
1.	Mr. Vimal Bhandari	July 31, 2019	Chairman
2.	Ms. Gauri Kirloskar	July 31, 2019	Member
3.	Mr. Vijay Chugh	July 31, 2019	Member
4.	Mr. Yogesh Kapur	October 20, 2022	Member

The terms of reference of the CSR Committee of the Company would be in terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility) Rules, 2014 which, inter-alia, includes formulating and recommending to the Board, a Corporate Social Responsibility Policy, to recommend the amount of expenditure to be incurred on the CSR activities, to monitor the Corporate Social Responsibility Policy of the company from time to time, to ensure that CSR activities undertaken by the Company are appropriately disclosed in the Annual Report, to review the adequacy of the CSR policy at periodic intervals and review / modify policy on annual basis, if necessary;

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee (SRC) was constituted pursuant to Regulation 20 of SEBI LODR.

During the year under review, 1 (one) meeting of the SRC Committee of the Company was held on January 19, 2023.

CREDIT COMMITTEE

As on March 31, 2023, the Credit Committee comprises of the following members:

Sr. No.	Name of Members	Member of the Committee since	Category
1.	Mr. Vimal Bhandari	March 20, 2019	Member
2.	Ms. Gauri Kirloskar	February 10, 2022	Member
3.	Mr. Mahesh Chhabria	March 20, 2019	Member

During the year under review, the Credit Committee was reconstituted by Mr. Rahul Kirloskar stepping down as a member of Credit Committee with effect from September 1, 2022. Mr. Rahul Kirloskar was a member of the Credit Committee effective from March 20, 2019.

The terms of reference of the Credit Committee includes oversight of the credit and lending strategies of the Company, oversight of the credit risk management of the Company and the organizational effectiveness thereof, including reviewing internal credit policies, portfolio limits, portfolio data and analytics, reviewing the quality and performance of the Company credit portfolio, approving / rejecting transactions put up to the Committee for approval, approving of lending criteria, approving new financial products, if any, review and monitoring of portfolio mix, scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal, approving any changes/ variations in the loan amount, tenor, interest rates and security structure.

ALLOTMENT COMMITTEE

The Board of Directors has constituted an Allotment Committee and the composition of the Allotment Committee as on March 31, 2023 comprises of the following:

Sr. No.	Name of Members	Member of the Committee since	Category
1.	Mr. Mahesh Chhabria	January 21, 2019	Member
2.	Mr. Vimal Bhandari	January 21, 2019	Member

Sr. No.	Name of Members	Member of the Committee since	Category
3.	Mr. Sivanandhan Dhanushkodi	February 10, 2022	Member
4.	Ms. Gauri Kirloskar	February 10, 2022	Member

No meetings were held during the year under review and the approval of the Committee was obtained by means of resolution passed through circulation.

The terms of reference of the Allotment Committee of the Company inter-alia, include:

- i. Issue and allotment of securities including Equity and/ or Preference Shares and Debentures.
- ii. Issue of new Share Certificate on Allotment.
- iii. Issue of duplicate/split/consolidated share certificates.
- iv. To settle any question, difficulty or doubts of the shareholders that may arise in regard to the issue and allotment of shares.
- v. Redressal of shareholder complaints like non receipt of share certificates, loss of share certificates, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
- vi. Reference to Board of Directors in case of any question, doubts or difficulty in respect of issue, allotment, transfer of shares and any shareholders grievances, if necessary.
- vii. It may delegate the power of approving requests for transfer, transmission, rematerialisation and dematerialization etc of shares of the Company to the Company Secretary of the Company.

IT STRATEGY COMMITTEE

The Board of Directors has constituted an IT Strategy Committee in terms of RBI Master Direction on Information Technology Framework for NBFCs

During the year under review, 2 (two) meetings of the IT Strategy Committee were held on July 19, 2022 and January 13, 2023. Not more than 6 months had elapsed between 2 consecutive meetings held during the year under review.

Composition of the IT Strategy Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Sr. No.	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Sivanandhan Dhanushkodi	November 20, 2019	Chairman	2	2
2.	Mr. Rahul Kirloskar	November 20, 2019	Member	2	1
3.	Mr. Vimal Bhandari	November 20, 2019	Member	2	2
4.	Mr. Mahesh Chhabria	November 20, 2019	Member	2	1
5.	Mr. Mridul Sharma	November 20, 2019	Member	2	2
6.	Mr. Pravir Vohra	November 20, 2019	Member	2	2
7.	Mr. Suman Saurav	February 10, 2022	Member	2	2

The terms of reference of the IT Strategy Committee includes:

- i. Reviewing and recommending to the Board, management's strategies relating to technology and their alignment with the strategy and objectives of the Company.
- ii. Reviewing and monitoring Management's strategies for developing or implementing new technologies and systems.
- iii. Increasing awareness of key technology changes and innovations in the marketplace.
- iv. Reviewing and recommending to the Board management's strategies for sourcing of major technology suppliers and monitoring the technology.
- v. Governance framework for third party suppliers
- vi. Reviewing and monitoring the effectiveness of the IT Risk Management and Security plan (including advising the Board Risk Committee on matters of Technology Risk and Cyber Security);
- vii. Improving the efficiency of the Board by taking responsibility for "technology" tasks delegated to the Committee where such tasks should be discussed in sufficient depth
- viii. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- ix. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- x. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

BANKING COMMITTEE

The Board of Directors of the Company have constituted the Banking Committee inter alia approve to opening, closing and changing Authorised Signatories for Bank Accounts, Demat Account, Broking and trading account, including Cash Management Services from banks of the Company.

As on March 31, 2023, the Banking Committee comprises of the following members:

Sr. No.	Name of Members	Member of the Committee since	Category
1.	Mr. Vimal Bhandari	April 24, 2019	Member
2.	Mr. Mridul Sharma	April 24, 2019	Member
3.	Mr. Amit Kumar Gupta	April 24, 2019	Member

During the year under review, no meetings were held of the Banking Committee. All the proposals requiring approval of the Banking Committee were approved by means of resolution(s) passed through circulation.

INTERNAL COMPLAINTS COMMITTEE (ICC)

Pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWW Act), the Company has formulated and adopted "Care and Dignity Policy".

Further, as required under the SHWW Act, your Company has constituted an Internal Complaints Committee comprising of Senior female Executives and one independent Member.

No complaints related to sexual harassment were received / were pending during the year under review.

CODES AND POLICIES

In terms of the provisions of the RBI Directions, provisions of the Act, SEBI LODR and various other laws, acts, rules and regulations applicable to the Company and as a part of good corporate governance practices as well as to ensure strong internal control, the Company had adopted several codes/policies/guidelines including the following:

<p>Fair Practices Code</p>	<p>In terms of the RBI Directions, the Board of Directors adopted a 'Fair Practices Code' which inter-alia deals with matters related to manner of application for loans, their processing, loan appraisal, terms / conditions and disbursement of loans and changes in terms and conditions of loans sanctioned.</p> <p>As a part of Fair Practices Code, the Board of Directors of the Company has laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of the company are heard and disposed of at least at the next higher level.</p> <p>The Fair Practices Code is available on the website of the Company at https://www.arkafincap.com/policy-and-codes</p>
<p>Investment Policy</p>	<p>In terms of RBI Master Directions to have a documented policy for investment policy, the Board of Directors adopted an 'Investment Policy'.</p> <p>The Investment Policy inter alia covers classification of investments into current investments or long term investments, transfer of investments, valuation of the investments, transaction in government securities and authorisation for investments.</p> <p>Along with the Investment Policy, the Board of Directors have also adopted Treasury Policy on Deployment of Funds and Short-Term Investment Programme.</p> <p>The Treasury Policy on Deployment of Funds lays down the policy of the Company and the guidelines to be adhered to while undertaking investment transactions for deployment of funds and placing short/ long fixed (term) deposits with Banks.</p> <p>The Short-Term Investment Programme has been formulated to safeguard the Company's funds, to provide alternate source of deploying surplus liquidity while maximizing income.</p>
<p>Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")</p>	<p>In terms of the circular(s) and direction(s) on KYC Norms and AML Measures issued by the Reserve Bank of India including Know Your Customer (KYC) Direction, 2016, the Prevention of Money Laundering Act, 2002 and rules made thereunder, the Board of Directors adopted a 'KYC & AML Policy' which inter-alia incorporates your Company's approach towards KYC norms, AML measures and combating of financing of terrorism ("CFT").</p> <p>The KYC & AML Policy provides a comprehensive and dynamic framework and measures relating to KYC, AML and CFT to be considered while conducting business. The primary objective of the policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.</p>
<p>Enterprise Risk Management Framework</p>	<p>The Company acknowledges that it was required to simultaneously enhance its risk monitoring by building a strong risk culture to enable healthy and sustainable growth. To achieve the same, the Board of Directors of the Company, on recommendation of the Risk Management Committee, adopted an Enterprise Risk Management Framework ("ERMF") as one of the step in the direction wherein the Company would be able to monitor, report and manage risks across business verticals and support functions. The ERMF, apart from detailing the risk management process and governance framework, has aimed to lay out the Company's risk appetite after due consideration of the Company's business plans and growth strategy.</p> <p>While the Enterprise Risk Management Policy ("ERM Policy") provides for the overall risk framework, the Risk Appetite Framework is the subset of ERM Policy detailing the risk parameters within which the Company would be operating.</p>

<p>Interest Rate Policy</p>	<p>Interest Policy has been formulated to arrive at the benchmark rates to be used for different category of products, customer segments and to determine the principles and approach to decide on the benchmark rate, taking into account the cost and the spread to be charged, methodology to arrive at the final rates charged from the customers.</p> <p>Interest Rate Policy inter alia covers methodology of arriving at a reference rate, interest rate model, interest rate for products offered by the Company, approach for gradation in risk and other charges and features. The Interest Rate Policy is available on the website of the Company.</p>
<p>Asset Liability Management (“ALM”) Policy</p>	<p>In terms of the RBI Directions, the Company has adopted ALM Policy to establish guidelines to ensure prudent management of assets and liabilities for the Company. These guidelines address management and reporting of capital, liquidity and interest rate risk.</p> <p>The ALM Policy provides a comprehensive and dynamic framework for assessing, measuring, monitoring and managing ALM risks. The policy explains the Company’s to liquidity management. It also outlines key aspects of the risk management process related to ALM process and identifies the main reporting procedures. It also describes the process the Asset Liability Committee (“ALCO”) will use to evaluate the effectiveness of the Company’s internal control procedures.</p>
<p>Policy on Liquidity Risk Management Framework</p>	<p>In terms of RBI Directions, the Board of Directors have adopted Liquidity Risk Management Framework. The Framework inter alia covers liquidity risk management policy, strategies and practices, adequate Management Information Systems, Internal Controls, Maturity Profiling, Stock Approach for liquidity risk management, managing interest rate risk, liquidity risk monitoring tools and roles and responsibilities of Asset Liability Management Committee.</p>
<p>Fraud Risk Management Policy</p>	<p>The Fraud Management Policy has been framed to provide a system for the prevention and detection of fraud, reporting of any fraud that is detected and dealing with matters pertaining to fraud.</p> <p>Fraud Risk Management Policy inter alia sets out the process for managing the fraud risk in the lending business, guidance to employees and others dealing with company, forbidding them from involvement in any fraudulent activity and the action to be taken by them when they suspect any fraudulent activity/ies, conducting investigation into fraudulent activities, ensuring the reporting of the fraud at the right levels and also ensuring the regulatory compliance.</p> <p>Fraud Risk Management Policy applies to any fraud involving employees of the company (all full time or employees appointed on adhoc/temporary/contract basis) and representatives of vendors, suppliers, contractors, consultants, customers, service providers or any outside agencies doing any type of business with the Company.</p>
<p>Policy on Selection Criteria / “Fit & Proper” Person Criteria</p>	<p>In terms of provisions of the Act, Guidelines on Corporate Governance prescribed vide RBI and the SEBI LODR, the Board of Directors adopted a ‘Policy on Selection Criteria / “Fit and Proper” Person Criteria’ which lays down a framework relating to appointment of Director(s) and senior management personnel including key managerial personnel of the Company.</p> <p>The Policy on Selection Criteria / “Fit and Proper” Person Criteria inter-alia includes Manner / process for selection of Directors and senior management personnel including key managerial personnel; criteria to be considered for appointment of Directors including qualifications, positive attributes, fit and proper person status and independence criteria for Independent Directors, criteria to be considered for appointment in senior management of the Company.</p> <p>In terms of the Policy on Selection Criteria / “Fit and Proper” Person Criteria, the Nomination & Remuneration Committee is primarily responsible for guiding and recommending to the Board of Directors the appointment and removal of Director(s), senior management personnel and key managerial personnel of the Company, ensuring “Fit and Proper” Person status of proposed / existing Director(s). The Policy on Selection Criteria / “Fit & Proper” Person Criteria is available on the website of the Company at https://www.arkafincap.com/policy-and-codes</p>

<p>Policy on Outsourcing</p>	<p>In terms of Directions on Managing Risks and Code of Conducts in Outsourcing of Financial Services by NBFCs issued by the Reserve Bank of India, the Company has adopted Policy on Outsourcing which would be applicable to all material outsourcing arrangements with service providers by the Company.</p> <p>The policy lays down the criteria for selection of the activities that may be outsourced, risks arising out of outsourcing and management of those risks, due diligence of outsourcing service providers, and putting in place the mechanism to monitor the activities performed by the service providers as to</p> <ul style="list-style-type: none"> ● Protect the interests of the customers; ● Have the access to all the relevant records, books, and information available with service provider for itself and for the Reserve Bank of India. <p>This Policy on Outsourcing is concerned with managing risks in outsourcing of financial services only and not to include outsourcing of activities not related to financial services like usage of courier, catering of staff, housekeeping and other related services, janitorial services, security of the office premises, movement and archiving of records etc.</p> <p>Policy on Outsourcing inter alia covers indicative list of activities that can be outsourced, activities that cannot be outsourced, risks arising out of outsourcing and management of such risks, appraisal of service provider, materiality of outsourcing, review, monitoring and control of outsourced activities, Business continuity plan and disaster recovery plan of outsourced entity, appointment of direct selling agents/direct recovery agents and the Model Code for direct selling agents/direct recovery agents.</p>
<p>Information Technology Policy and Information Security Policy</p>	<p>In terms of the Master Direction - Information Technology Framework for the NBFC Sector issued by the Reserve Bank of India, the Board of Directors adopted Information Technology Policy and Information Security Policy.</p> <p>The Information Technology Policy provides the framework to govern and manage various Information Technology systems in a cost-effective way. It provides the management directions and support for IT in accordance with business requirements, relevant laws and regulations. Information Technology Policy provides a framework to govern and manage Information Technology (IT), to provide management directions and support for IT in accordance with business requirements, relevant laws and regulations to:</p> <ul style="list-style-type: none"> ● Maintain high-quality information to support business decisions. ● Generate business value from IT-enabled investments. ● Achieve operational excellence through the reliable and efficient application of technology. ● Maintain IT-related risk at an acceptable level. ● Optimize the cost of IT services and technology. ● Comply with ever-increasing relevant laws, regulations, contractual agreements and policies. <p>The Information Security Policy provides the security framework upon which all subsequent security efforts will be based and to guide the development and maintenance of a comprehensive information security program. It deals with security of information in various forms like spoken, written, printed and electronic or any other medium and also handling of information in terms of creation, viewing, transportation, storage or destruction. It contains the principles that direct managerial decision making and facilitate secure business operations.</p> <p>The goal of Information Security Policy is to provide management direction and support for information security in accordance with business requirements and relevant laws and regulations through the issuance and maintenance of the Information Security Policy across the organization to ensure availability, integrity and confidentiality of the Information, to establish accountability and provide reasonable assurance to the customers and all stakeholders.</p>

BCP Policy	The Company has adopted BCP Policy to provide Business Continuity of its critical services/ products during disaster while protecting the life of its employees, safeguarding the interest of its clients and minimizing losses to its assets. The BCP Policy helps in providing operating guidelines to develop a resilient management framework and approach to achieve an effective and functional Business Continuity Management Policy for the critical activities of the Company.
Cyber Security Policy and Cyber Security Crisis Management Plan	<p>The Company has adopted a Cyber Security Policy to provide management direction and support for Cyber Security in accordance with business requirements and relevant laws and regulations through the issuance and maintenance of the Cyber Security Policy across the organization to ensure availability, integrity and confidentiality of the Information, to establish accountability and provide reasonable assurance to the customers and all stakeholders. The Cyber Security Policy defines overall cyber security framework for the Company.</p> <p>The Company has adopted Cyber Security Crisis Management Plan to assist the Company personnel in mitigating the risks from Cyber Security incidents by providing a practical guide for responding to incidents effectively and efficiently. The said plan includes guidelines on establishing an effective Cyber Security Incident response program and providing assistance with detecting, analyzing, prioritizing, and handling incidents. The said plan addresses incidents that are computer security-related, not those caused by natural disasters, power failures, etc.</p>
Policy for Co-lending of loans	The objective of Policy for Co-lending of loans between the Company and banks/NBFCs adopted by the Company is to lay down the guidelines for the Company to govern and manage the co-lending business. The policy document will help Company to adhere to guidelines as defined by the RBI from time to time and ensure consistent approach & transparency in the roles and responsibilities of key stakeholders. This policy is applicable for undertaking co-lending with scheduled commercial banks and NBFCs and Lending under this Policy will be made to priority sector segments as defined by RBI.
Policy on Expected Credit Loss, Write-off and Settlement	<p>The Board of Directors of the Company has adopted Policy on Expected Credit Loss (ECL), Write-off and Settlement.</p> <p>Policy on ECL inter alia sets out the following:</p> <ul style="list-style-type: none"> ● Defining the approach and outline the model used for calculating Expected Credit Loss (ECL) for the portfolio of loans / Financial Instruments to meet IND AS 109 requirements. ● Approach for developing the model for retail as well as wholesale loans. ● ECL model of the Company and the Company's approach for ECL computation in terms of classification of assets, bucketing of assets, 12 months probability of default, lifetime probability of default, exposure at default, loss given default, ECL computation. <p>The Policy also covers the write-off norms and settlement norms.</p>
Policy on Appointment of Statutory Auditors	In terms of requirements of the guidelines issued by RBI from time to time, provisions of the Act and RBI Directions and in order to clearly outline the parameters to be considered for appointment and continuation of Statutory Auditors of the Company including qualification, eligibility and tenor, the Board of Directors adopted a Policy on Appointment of Statutory Auditors.

Whistle Blower Policy / Vigil Mechanism	<p>In terms of requirements of SEBI LODR and provisions of the Act, the Board of Directors adopted a 'Whistle Blower Policy / Vigil Mechanism' inter-alia to report/make concerned authority alert of the instances of unethical behaviour, actual or suspected, fraud or violation and provide a mechanism for Directors and employees of the Company to approach the Audit Committee of the Company. It also provides mechanism to report genuine concerns related to the Company.</p> <p>The Whistle Blower Policy / Vigil Mechanism provides for adequate safeguards against victimization who report genuine concerns under the mechanism.</p> <p>The Whistle Blower Policy / Vigil Mechanism provides a mechanism to report to the management concerns about unethical behavior, actual or suspected fraud or violation of various codes or policies of the Company and provides adequate safeguards against victimization of persons who use such mechanism. The mechanism provides for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. During the year under review, the Whistle Blower Policy / Vigil Mechanism was amended to align with the amendments in the SEBI LODR. The Whistle Blower Policy / Vigil Mechanism is available on the website of the Company at https://www.arkafincap.com/policy-and-codes.</p>
Related Party Transaction Policy	<p>In term of the provisions of SEBI LODR, the Act and RBI Directions, the Board of Directors adopted a 'Related Party Transaction Policy' to ensure proper approval and reporting of transactions between the Company and its related parties.</p> <p>The Related Party Transaction Policy inter-alia sets out process for identifying the related parties, and process and manner of approval of transactions with related parties. During the year under review, the Related Party Transaction Policy was amended to align with the amendments in the SEBI LODR. The Related Party Transaction Policy is available on the website of the Company at https://www.arkafincap.com/policy-and-codes.</p>
Code of Conduct for Directors & Employees	<p>In terms of the SEBI LODR and as an initiative towards setting out a good corporate governance structure within the organization, the Board of Directors adopted a 'Code of Conduct for Directors and Employees' which is applicable to all the Directors, including Non-Executive and Independent Directors and employees of the Company to the extent of their role and responsibilities in the Company. The code provides guidance to the Directors and employees to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations. All the members of the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct for Directors and Employees for the year under review. A declaration to that effect, from Mr. Vimal Bhandari, Executive Vice-Chairman & CEO of the Company, is annexed to this Corporate Governance Report.</p>
Archival Policy	<p>In terms of the SEBI LODR, the Board of Directors adopted an 'Archival Policy' in order to prescribe the period for which events / information disclosed to the stock exchanges under Regulation 51 of SEBI LODR shall be hosted on the website of the Company. The Archival Policy is available on the website of the Company at https://www.arkafincap.com/policy-and-codes.</p>
Policy on Board Diversity	<p>In terms of SEBI LODR, the Board of Directors adopted a 'Policy on Board Diversity to ensure that the Company's Board has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy and while appointing a director to consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.</p>
Corporate Governance Risk and Compliance Policy	<p>The Company has adopted Corporate Governance Risk and Compliance Policy covering the set of guidelines / corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large etc.</p>

<p>Compensation and Clawback Policy</p>	<p>In terms of the provisions of the Act read with the Rules Framed and SEBI LODR, the Board of Directors had adopted a Remuneration Policy inter-alia setting out the key aspects of remuneration policy, remuneration of Executive Director, Non-Executive Directors, KMP, Senior Management Personnel and other employees of the Company. In terms of Scale Based Framework issued by Reserve Bank of India and Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs issued by RBI on April 29, 2022, the existing Remuneration Policy was amended to cover the requirements of the said circular/framework and rename it as "Compensation and Clawback Policy".</p> <p>Compensation and Clawback Policy inter alia covers principle of compensation policy, compensation guidelines in respect of the compensation of the Board of Directors including Non-Executive Directors, Key Managerial Personnel, Senior Management Personnel and other employees, goal setting and performance review, principles of annual increment and variable pay and principle of malus/clawback. The Compensation and Clawback Policy is available on the website of the Company at https://www.arkafincap.com/policy-and-codes.</p> <p>During the period under review, the sitting fees paid to Independent Directors for attending the meeting(s) of the Board of Directors and/or Committees is as given below:</p> <table border="1" data-bbox="466 869 1473 1093"> <thead> <tr> <th>Sr. No.</th> <th>Name of the Director</th> <th>Sitting Fees paid in FY 2022-23 (in Rupees)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr. Sivanandhan Dhanushkodi</td> <td>9,25,000</td> </tr> <tr> <td>2.</td> <td>Mr. Vijay Chugh</td> <td>8,50,000</td> </tr> <tr> <td>3.</td> <td>Mr. Harish Engineer</td> <td>6,60,000</td> </tr> <tr> <td>4.</td> <td>Mr. Yogesh Kapur</td> <td>3,90,000</td> </tr> </tbody> </table> <p>During the year under review, Non-Executive Directors other than Independent Directors were not paid any remuneration. The criteria for making payment to Non-Executive Directors including Independent Directors are prescribed in the Compensation and Clawback Policy which is available on the website of the Company at https://www.arkafincap.com/policy-and-codes</p> <p>During the year under review, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from payment of sitting fees to the Independent Directors. Further, the Directors of the Company are not related to each other inter se.</p> <p>Mr. Vimal Bhandari is appointed as Executive Vice-Chairman & CEO of the Company for a period of 5 years commencing from November 1, 2018. For the remuneration paid to Mr. Vimal Bhandari refer the table giving details of the composition of the Board of Directors and forming part of this Corporate Governance Report. As on March 31, 2023, the remuneration paid to Mr. Vimal Bhandari in financial year 2022-23 includes the variable pay/performance bonus for the performance during financial year 2021-22. As on March 31, 2023, Mr. Vimal Bhandari holds 1,75,00,000 stock options.</p>	Sr. No.	Name of the Director	Sitting Fees paid in FY 2022-23 (in Rupees)	1.	Mr. Sivanandhan Dhanushkodi	9,25,000	2.	Mr. Vijay Chugh	8,50,000	3.	Mr. Harish Engineer	6,60,000	4.	Mr. Yogesh Kapur	3,90,000
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1.	Mr. Sivanandhan Dhanushkodi	9,25,000														
2.	Mr. Vijay Chugh	8,50,000														
3.	Mr. Harish Engineer	6,60,000														
4.	Mr. Yogesh Kapur	3,90,000														
<p>Document Preservation and Archival Policy</p>	<p>In terms of the provisions of SEBI LODR, the Board of Directors have adopted Document Preservation and Archival Policy inter alia setting out the documents/records required to be preserved and the time of preservation and the manner and time of destruction of documents/records.</p>															
<p>Familiarisation Programme for Independent Directors</p>	<p>The Independent Directors of your Company were familiarised inter-alia with the industry in which your Company, the Company's business model and its operations in order to give them an insight into the Company's business and its functioning. Details of the familiarisation programmes imparted to Independent Directors during the year under review is available on the website of the Company at https://www.arkafincap.com/disclosures-under-regulation-62-of-sebi</p>															

<p>Corporate Social Responsibility (“CSR”) Policy</p>	<p>In terms of the provisions of the Act, the Board of Directors adopted a ‘CSR Policy’ which helps towards contribution and furtherance of your Company’s objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a socially responsible corporate citizen. The CSR Policy of the Company inter-alia indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board of Directors and CSR Committee in implementing and monitoring CSR projects identified and supported by the Company. The CSR Policy is available on the website of the Company at https://www.arkafincap.com/policy-and-codes.</p>
<p>Care and Dignity Policy</p>	<p>Consistent with its core values, the Company is committed to creating an environment in which all individuals are treated with respect and dignity and promote a gender sensitive safe work environment. The Company has zero tolerance to any form of sexual discrimination and / or harassment and hence has adopted a ‘Care and Dignity Policy’ to ensure that its employees are not subjected to any form of discrimination and / or sexual harassment.</p>

MANNER OF PERFORMANCE EVALUATION

The manner in which formal annual evaluation of the performance of the Board, its Committees and individual Directors was conducted is given below:

- A structured questionnaire setting out the criteria for evaluation of the individual directors, Board, as a collective entity, and its committees was circulated to the Directors for their ratings on the each of the questionnaire.
- A separate meeting of the Independent Directors was conducted on March 28, 2023. At the separate meeting of the Independent Directors, the Independent Directors evaluated the performance of the Non-Executive Non-Independent Directors and the Board, as a collective entity.
- Nomination and Remuneration Committee evaluated performance of all the Directors of the Company.
- Board of Directors evaluated the performance of all the Directors including Independent Directors, Board, as a collective and its Committees.

Performance Evaluation Criteria for Independent Directors

The performance of Independent Directors is to be evaluated broadly on parameters such as providing insight on Annual Operating Plan and Long-Range Plan discussions, providing independence of judgement, providing meaningful and constructive and inputs in the meeting, contribution towards strengthening corporate governance, financial reporting, development of strategy and risk management; relationship with other Board members; attendance and participation at the meetings of the Board, Committees and shareholders; understanding of the sector in which the Company operates, keeping up-to-date information about the Company and external environment in which it operates, level of integrity and confidentiality maintained by them, compliance with the Code of Conduct for Independent Directors, fulfillment of the prescribed Independence criteria and independence from the Management.

GENERAL BODY MEETINGS

(i) Details of the last three Annual General Meetings of the Company:

Financial year	Date	Time	Special Resolutions passed	Venue
2019-2020	Monday, June 29, 2020	9.00 a.m.	i. Determining Borrowing power of the Company ii. Mortgage or Security creation for borrowings of the Company	Held through Video Conferencing / Other Audio-Visual Means
2020-2021	Friday, May 28, 2021	2.12 p.m.	i. Issue of Secured Redeemable Non-Convertible Debentures on a private placement basis ii. Increase in Borrowing limit of the Company iii. Mortgage or Security creation for borrowings of the Company	Held through Video Conferencing / Other Audio-Visual Means
2021-2022	Wednesday, May 25, 2022	12.00 noon	i. Issue of Secured Redeemable Non-Convertible Debentures on a private placement basis ii. Increase in Borrowing Limit of the Company iii. Mortgage or Security creation for borrowings of the Company	Held through Video Conferencing / Other Audio-Visual Means

(ii) Details of the Extraordinary General Meetings ("EGM") held during FY 2022-2023:

Date	Time	Special Resolutions passed	Venue
Tuesday, November 22, 2022	4.00 p.m.	i. Appointment of Mr. Yogesh Kapur (DIN: 00070038) as an Independent Director ii. Issue of Non-Convertible Debentures for an amount upto Rs. 500 Crores by way of public offer/issue	Held through Video Conferencing / Other Audio-Visual Means
Tuesday, March 28, 2023	3.00 p.m.	i. Alteration of the Object Clause of the Memorandum of Association of the Company ii. Alteration of the Articles of Association of the Company	Held through Video Conferencing / Other Audio-Visual Means

(iii) Whether any special resolution passed last year through postal ballot – details of voting pattern–

None.

(iv) Person who conducted the postal ballot exercise

Not applicable.

(v) Whether any special resolution is proposed to be conducted through postal ballot –

None.

(vi) Procedure for postal ballot –

Not applicable.

of the provisions of the provisions of the Companies Act, 2013, including with respect to compliance with accounting and secretarial standards.

DETAILS OF PENALTIES AND STRICTURES

During the year under review, no penalties or strictures have been imposed on the Company by the Reserve Bank of India or any other statutory authority.

BREACH OF COVENANT

During the year under review, there has been no breach of covenant of term loan availed or non-convertible debentures issued by the Company.

DETAILS OF NON-COMPLIANCE WITH REQUIREMENTS OF COMPANIES ACT, 2013

During the year under review, there has been no defaults in compliance with the requirements, to the extent applicable,

MEANS OF COMMUNICATION

The "Investor Information" section on the Company's website (www.arkafincap.com) keeps the investors updated on material developments in the Company by providing key

and timely information such as Financial Results, Annual Reports, Contact details of persons responsible for investor grievances, details of debenture trustee, details on credit rating and other regulatory/statutory disclosures.

Quarterly, half-yearly and annual results are published in "Financial Express" and "Mumbai Lakshadeep".

GENERAL INFORMATION FOR SHAREHOLDERS AND DEBENTURE HOLDERS

The Company is registered with the Registrar of Companies, Maharashtra, Mumbai. The Corporate Identity Number allotted to the Company by the Ministry of Corporate Affairs is U65993MH2018PLC308329.

Debenture Trustees

Catalyst Trusteeship Limited

CIN: U74999PN1997PLC110262

Address: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune – 411 038

Tel: 022-49220506 Fax: 022-49220555

Email: ComplianceCTL-Mumbai@ctltrustee.com

Website: <https://catalysttrustee.com/>

(i) Annual General Meeting for FY 2022-23:

- Date, Time & Venue: As specified in the notice convening AGM
- Financial Year: April 1, 2022 to March 31, 2023
- Dividend Payment Date: Not Applicable, as no dividend declared for the financial year under review

d. Listing on Stock Exchange and Listing Fees:

Name and Address of the Stock Exchange	Type of Securities Listed
BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001	Non-Convertible Debentures issued on Private Placement basis and Commercial Papers

Required listing fees have been paid to BSE Limited

- Stock Codes/Symbol: Not Applicable*
- Market Price data- high, low during each month in last financial year: Not Applicable*
- Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc: Not Applicable*
- In case the securities are suspended from trading, the directors report shall explain the reason thereof: Not Applicable
- Registrar to issue of NCDs:
LINK INTIME INDIA PRIVATE LIMITED
C- 101, 247 Park, LBS Marg, Vikhroli (West)
Mumbai – 400 083, Maharashtra, India
Tel: +91 810 811 4949
Fax: +91 22 4918 6060
Website: www.linkintime.co.in
- Share transfer system – In terms of the provisions of the Act, the equity shares of the Company can be transferred only in dematerialised form.

k. Distribution of shareholding:

Shareholding Pattern as on March 31, 2023

Sr. No.	Name	Number of Equity Shares of Face Value Rs 10/- each	Amt paid-up (Rs.)	% of Share Capital
1.	Arka Financial Holdings Private Limited	88,40,04,809	884,00,48,090	99.998
2.	Mr. Vimal Bhandari [#]	1	10	
3.	Mr. Nachiket Naik [#]	1	10	
4.	Mr. Mridul Sharma [#]	1	10	
5.	Mr. Mahesh Chhabria [#]	1	10	
6.	Mr. Manish Nagarsekar [#]	1	10	
7.	Mr. Aditi Mahamunkar [#]	1	10	
8.	Mr. Ritesh Jhanwar	17,451	1,74,510	0.002
TOTAL		88,40,22,266	8,84,02,22,660	100%

[#]In terms of Section 89 of the Companies Act, 2013, the individuals are holding equity shares as "Registered Owner" and the "Beneficial Owner" is Arka Financial Holdings Private Limited.

I. Dematerialisation of Shares and Liquidity

Equity shares of the Company are available for trading in dematerialised form under both the Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited. Under the Depository System, the International Securities Identification Number ("ISIN") allotted to the Company's equity shares is INE03W101010.

m. Outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity.

The Company has not issued any global depository receipts or American depository receipts or warrants or any other convertible instruments.

n. Commodity price risk or foreign exchange risk and hedging activities:

Not applicable

o. Plant Locations

Since the Company is engaged in the business of providing financial services, the Company does not have any manufacturing plant. It operates from its Registered & Corporate Office and branches located at different places within India.

p. Address for correspondence

Ms. Niki Mehta

Company Secretary & Compliance Officer

One World Center, 1202B, Tower 2B,

Floor 12B, Jupiter Mills Compound,

Senapati Bapat Marg, Mumbai – 400 013

Telephone: +9122 40471000; Fax: +9122 43157010;

Email id: arkasecretarialandcompliance@arkafincap.com

q. List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad Credit Ratings assigned to

the Company as on March 31, 2023 is summarised below:

Particulars / Rating Agencies	Rating
Long term	
Non-Convertible Debentures	
CRISIL Limited	AA(-)/Stable
Market Linked Debentures	
CRISIL Limited	PPMLD AA-/Stable
Bank Borrowings	
CRISIL Limited	AA(-)/Stable
Short Term Programme	
Commercial paper	
CRISIL Limited	A1(+)
India Ratings	A1(+)

Infomerics Ratings had assigned the rating for issue of Non-Convertible Debentures ("NCDs") by the Company amounting upto Rs. 70 Crores, of which NCDs of Rs. 43 Crores (rating utilised) were repaid in full and the Company did not propose to utilise the remaining amount of Rs. 27 Crores and hence the Company had made request to Infomerics Ratings for voluntarily withdrawal of the ratings assigned to the NCDs of the Company.

Accordingly, upon request made by the Company, Infomerics Ratings had withdrawn the ratings assigned to NCDs of the Company with effect from September 5, 2022.

r. Transfer of Unclaimed / Unpaid Amounts to the Investor Education and Protection Fund

During the year under review, no amount was due for transfer to Investor Education and Protection Fund.

**The equity shares of the Company are not listed on any of the stock exchanges and hence certain details are not applicable to the Company.*

OTHER DISCLOSURES**a. Disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large.**

There are no material related party transactions during the year under review that have potential conflict with the interest of the Company.

b. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years:

Nil

c. Details of establishment of vigil mechanism/whistle blower policy, and affirmation that no personnel has been denied access to the audit committee:

In terms of the provisions of the Act and SEBI LODR, the Board of Directors of the Company have adopted Whistle Blower Policy/Vigil Mechanism. No person has been denied access to the Audit Committee.

d. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements, disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and disclosure to the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted.

The disclosures of the compliance with corporate governance requirements specified in Regulations 17 to 27 and clauses (a) to (j) of Regulation 62(1A) of SEBI LODR is made in the section on corporate governance of the annual report. The Company was categorized as a high value debt listed on September 6, 2022. In terms of first proviso to Regulation 15(1A) of SEBI LODR, the Company had time till March 6, 2023 i.e., 6 months from the date of trigger to ensure compliance with the requirements of Regulation 16 to Regulation 27 of SEBI LODR. Further, in terms of second proviso to Regulation 15(1A) of SEBI LODR, the provisions of Regulation 16 to Regulation 27 of SEBI LODR are applicable to high value debt listed entities on a "comply or explain" basis until March 31, 2023 and on mandatory basis thereafter. The Company has provided the necessary explanation in the quarterly compliance report on Corporate Governance submitted to BSE Limited under Regulation 27(2)(a) of SEBI LODR for the quarters ended September 30, 2022, December 31, 2022 and March 31, 2023.

A certificate from M/s. Mayekar & Associates, Company Secretaries, regarding compliance of conditions of corporate governance is annexed to this Corporate Governance Report as **Annexure A**.

The Company has adopted the following discretionary requirements as specified in Part E of Schedule II to SEBI LODR:

- The Company has adopted regime of financial statement with unmodified audit opinion.

- The Internal Auditor of the Company directly reports to Audit Committee of the Company.

e. Web-link where policy for determining 'material' subsidiaries is disclosed

The Company does not have any subsidiary company.

f. Web-link where policy on dealing with related party transactions

The Company has adopted Related Party Transaction Policy which is disclosed on its website at <https://www.arkafincap.com/policy-and-codes>

g. Disclosure of commodity price risks and commodity hedging activities:

Not Applicable

h. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A):

Not Applicable

i. A certificate from a company secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority

The Company has obtained certificate from Mayekar & Associates, Company Secretaries that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The same is annexed to this Corporate Governance Report as **Annexure B**.

j. Where the Board had not accepted any recommendation of any committee of the Board, which is mandatorily required, in the relevant financial year, the same to be disclosed along with reasons thereof:

During FY 2022-23, all the recommendations of the various Committees of the Board were accepted by the Board of Directors.

k. Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

P G Bhagwat LLP, Chartered Accountants, (ICAI Firm Registration No. 101118W/W100682), were appointed

as the Statutory Auditors of the Company to hold office for a period of three years i.e., for FY 2021-22 to FY 2023-24. The particulars of payment of fees to Statutory Auditors for FY 2022-23 is given below:

Particulars	Amount (in Lakhs)
Audit Fees	17.20
Certification and other services	2.51
Total	19.71

The above payments exclude out-of pocket, travelling expenses and Goods and Service tax.

Further no fees were paid to any entity in the network firm/network entity of which the P G Bhagwat is a part.

i. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Number of complaints filed during the financial year	Number of complaints disposed of during the financial year	Number of complaints pending as on end of the financial year
Nil	Nil	Nil

m. Disclosure by listed entity of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount disclosures of transactions of Company with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in Company:

Please refer the notes on "Related Party Disclosures" in Financial Statements of the financial year ended on March 31, 2023.

n. Non-compliance of any requirement of corporate governance report of sub-paras of 2 to 10 of Schedule V to SEBI LODR, with reasons thereof shall be disclosed

- None as on March 31, 2023.

o. Declaration signed by the managing director stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

The Company has adopted a Code of Conduct for its Directors and Employees These Codes are available on the Company's website at <https://www.arkafincap.com/policy-and-codes>. All the Directors on the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is reproduced at the end of this report and is annexed at **Annexure C**.

p. Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.

A certificate from M/s. Mayekar & Associates, Company Secretaries, regarding compliance of conditions of corporate governance is annexed to this Corporate Governance Report.

q. Disclosures with respect to demat suspense account / unclaimed suspense account

Not Applicable

Corporate Governance Compliance Certificate

To,
The Members
Arka Fincap Limited

We have examined the compliance of the conditions of Corporate Governance by Arka Fincap Limited ("the Company") for the year ended on March 31, 2023, as stipulated under Regulations 16 to 27, clauses (a) to (i) of sub-regulation (1A) of Regulation 62 and para C, D & E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as applicable to the Company on being categorized as "High Value Debt Listed Entity" effective September 6, 2022 on a comply or explain basis until March 31, 2023, and the necessary explanation in the quarterly compliance report on Corporate Governance submitted to BSE Limited under Regulation 27(2)(a) of SEBI Listing Regulations.

Compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementation thereof, as adopted by the Company for ensuring compliance with conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Company and considering the relaxations granted by Securities and Exchange Board of India, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Regulations 16 to 27, clauses (a) to (i) of sub-regulation (1A) of Regulation 62 and para C, D & E of Schedule V of the SEBI Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Mayekar & Associates

Company Secretaries
Firm U.I.N - P2005MH007400

Anil Vasant Mayekar

Partner

Date: 28th April, 2023
Place: Mumbai

FCS - 2071, COP - 2427
U.D.I.N - F002071E000212589

ANNEXURE B

Certificate of Non-Disqualification of Directors

(Pursuant to point 10(i) of paragraph C of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,

The Members

Arka Fincap Limited

One World Centre, 1202B, Tower 2B, Floor 12B

Jupiter Mills Compound, Senapati Bapat Marg

Mumbai - 400013

We have examined the relevant records maintained by Arka Fincap Limited ("the Company") and disclosures, notices and confirmations submitted by Directors of the Company for the purpose of issuing a certificate pursuant to point 10(i) of paragraph C of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our knowledge, based on the information furnished to us by the Company and the Directors of the Company and based on necessary verification by us, we certify that none of the following Directors, who were on the Board of Directors of the Company as on March 31, 2023, have been debarred or disqualified from being appointed or continuing as Director on the Board of the Company by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority:

Sr. No.	Name of the Director	DIN	Date of appointment in Company
1.	Mr. Vimal Bhandari	00001318	20/04/2018
2.	Mr. Mahesh Ramchand Chhabria	00166049	20/04/2018
3.	Ms. Gauri Atul Kirloskar	03366274	14/06/2019
4.	Mr. Sivanandhan Dhanushkodi	03607203	24/04/2019
5.	Mr. Vijay Chugh	07112794	24/04/2019
6.	Mr. Harish Hansubhai Engineer	01843009	14/06/2019
7.	Mr. Yogesh Kapur	00070038	20/10/2022

For Mayekar & Associates

Company Secretaries
Firm U.I.N - P2005MH007400

Anil Vasant Mayekar

Partner
FCS - 2071, COP - 2427
U.D.I.N - F002071E000212578

Date: 28th April, 2023

Place: Mumbai

ANNEXURE C**Declaration by the CEO of the Company under paragraph D of schedule V of SEBI LODR**

I, Vimal Bhandari, Executive Vice-Chairman & CEO of Arka Fincap Limited hereby declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for Directors and Senior Management for the financial year ended March 31, 2023.

Date: April 28, 2023

Place: Mumbai

Vimal Bhandari

Executive Vice-Chairman & CEO

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,

ARKA FINCAP LIMITED

(CIN - U65993MH2018PLC308329)

One World Center, 1202B, Tower 2B,

Floor 12B Jupiter Mills Compound,

Senapati Bapat Marg Mumbai - 400013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ARKA FINCAP LIMITED** (earlier known as Kirloskar Capital Limited) (**CIN - U65993MH2018PLC308329**) (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2023 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on **31st March, 2023** according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (To the extent Applicable to the Company during audit period);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not Applicable to the Company during audit period)
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during audit period)
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not Applicable to the Company during audit period)
 - (e) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
 - (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not Applicable to the Company during audit period) and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during audit period);

(vi) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Updated as on February 17, 2020)

(viii) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) Listing Agreements entered into by the Company with BSE Ltd. as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

We further report that -

The Board of Directors of the Company is duly constituted. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, the agenda and detailed notes on agenda were sent in the prescribed time i.e. seven days in advance. However, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings & Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or the Committees of the Board, as the case may be.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the year under review,

- i. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on May 27, 2022 for the allotment of 8,24,99,765 equity shares of face value of Rs.10/- each, for cash at an issue price of Rs. 12/- per equity share, aggregating upto Rs. 98,99,97,180/-.
- ii. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on June 27, 2022 to allot 250 Senior, Secured, Redeemable, Rated, Listed, Principal Protected, Market Linked Debentures

(MLD) of the face value of Rs. 10,00,000/- per MLD, at par, aggregating to Rs. 25,00,00,000/-- (Tranche I - Series III MLD) .

- iii. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on August 19, 2022 for the allotment of 4,16,66,666 equity shares of face value of Rs.10/- each, for cash at an issue price of Rs. 12/- per equity share, aggregating upto Rs. 49,99,99,992/-.
- iv. The Board of Directors of the Company passed a circular resolution on August 25, 2022 to allot 60 Unsecured, Listed, Rated, Redeemable, Non-Convertible Subordinated Debentures Tier-II Capital of the face value of Rs. 1,00,00,000/- per NCD, at par, aggregating to Rs. 60,00,00,000/-- (Tier - II Series "I" NCDs).
- v. The Board of Directors of the Company passed a circular resolution on September 6, 2022 to allot 500 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debentures -Series IX - Tranche I NCD of face value of Rs. 10 lakh each, at par, aggregating to Rs. 50 Crores.
- vi. The Board of Directors of the Company passed a circular resolution on September 9, 2022 for Allotment of 132 Senior, Secured, Redeemable, Rated, Listed, Principal Protected, Market Linked Debentures (MLD) of face value of Rs. 10 Lakh per MLD, at par, aggregating to Rs. 13.20 Crores under Series III - Tranche II
- vii. The Board of Directors of the Company passed a circular resolution on September 23, 2022 for Allotment of 300 Senior, Secured, Redeemable, Rated, Listed, Principal Protected, Market Linked Debentures (MLD) of face value of Rs. 10 Lakh per MLD, at par, aggregating to Rs. 30 Crores under Series III - Tranche III.
- viii. The Board of Directors of the Company passed a circular resolution on September 29, 2022 for Allotment of 500 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debentures Series IX - Tranche II of face value of Rs. 10 lakh each, at par, aggregating to Rs. 50 Crores.
- ix. The Board of Directors of the Company passed a circular resolution on September 30, 2022 for Allotment of 128 Senior, Secured, Redeemable, Rated, Listed, Principal Protected, Market Linked Debentures (MLD) of face value of Rs. 10,00,000/- per MLD, at an issue price of Rs. 10,04,756/- per Marked Linked Debenture, aggregating to Rs. 12,86,08,768/- under Series III - Tranche IV.
- x. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on January 6, 2023 for Allotment of 750 Senior, Secured, Redeemable, Rated, Listed, Principal Protected, Market Linked Non-Convertible Debentures (MLD) of the face value of Rs. 10,00,000/- per MLD, at an issue price of Rs. 10,00,000/- per MLD, aggregating to Rs. 75,00,00,000/- - (Series IV MLD - Tranche I).

- xi. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on January 30, 2023 for Allotment of 20,000 Senior Secured, Rated, Listed, Redeemable Non-Convertible Debentures (NCDs) of the face value of Rs. 1,00,000/- per NCD, at an issue price of Rs. 1,00,000/- per NCD, aggregating to Rs. 200,00,00,000/- (Series XI NCDs)
- xii. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on March 23, 2023 for Allotment of :
- a) 5,000 Listed, rated, senior, secured, redeemable, taxable, fully paid up, non-convertible debentures (NCDs) of the face value of Rs. 1,00,000/- per NCD, at an issue price of Rs. 1,00,000/- per NCD, aggregating to Rs. 50,00,00,000/-- (Series XII - NCDs)
 - b) 25,000 Listed, rated, senior, secured, redeemable, taxable, partly paid up, non-convertible debentures (NCDs) of the face value of Rs. 1,00,000/- per NCD, at an issue price of Rs. 1,00,000/- per NCD, and paid up value of Rs. 400/- per NCD, aggregating to Rs. 1,00,00,000/-- (Series XII - NCDs)
- xiii. The Allotment Committee of the Board of Directors of the Company passed a circular resolution on March 28, 2023 for Allotment of 7,500 Secured, Listed, Rated, Redeemable, Non-Convertible Debt Securities or Debentures (NCDs) of the face value of Rs. 1,00,000/- per NCD, at an issue price of Rs. 1,00,000/- per NCD, aggregating to Rs. 75,00,00,000/-- (Series XIII NCDs)
- xiv. The Members of Company at the Annual General Meeting of the Company held on May 25, 2022 passed the special resolution:
- a) - To increase Borrowing Limit of the Company upto Rs 5000 Crore (Rupees Five Thousand Crore Only)
 - b) - Mortgage or Security creation for borrowings of the Company upto Rs 5000 Crore (Rupees Five Thousand Crore Only)
- We further report that** during the audit period there was no other event/action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, and standards.

For Mayekar & Associates

Company Secretaries
Firm U.I.N - P2005MH007400

Anil Vasant Mayekar

Partner

Date: 28th April, 2023

FCS - 2071, COP - 2427

Place: Mumbai

U.D.I.N - F002071E000213403

Note: This report is to be read with our letter of even date which is annexed as **Annexure 'A'** and forms an integral part of this report

Annexure A

To,

The Members,

ARKA FINCAP LIMITED

(CIN - U65993MH2018PLC308329)

One World Center, 1202B, Tower 2B,

Floor 12B Jupiter Mills Compound,

Senapati Bapat Marg Mumbai - 400013

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Mayekar & Associates

Company Secretaries

Firm U.I.N - P2005MH007400

Anil Vasant Mayekar

Partner

FCS - 2071, COP - 2427

U.D.I.N - F002071E000213403

Date: 28th April, 2023

Place: Mumbai

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

(1) Brief outline on CSR Policy of the Company:

The Company, through its CSR projects, endeavours to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfilment of its role as a socially responsible corporate citizen. The ultimate aim of the CSR projects will be to benefit the communities at large and over a period of time enhance the quality of life and economic well-being of the local populace.

The CSR Policy inter alia includes the following:

- CSR Programmes/Projects
- Activities not to be considered as CSR activity
- CSR Budget of the Company
- Implementation processes
- Roles and responsibility of the Board and CSR Committee
- Monitoring and reporting framework

The CSR Policy adopted by your Company is available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>.

(2) Composition of CSR Committee:

Sr. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Vimal Bhandari	Executive Vice Chairman & CEO	Nil	Nil
2	Ms. Gauri Kirloskar	Non-Executive Director	Nil	Nil
3	Mr. Vijay Chugh	Independent Director	Nil	Nil
4	Mr. Yogesh Kapur	Independent Director	Nil	Nil

The proposals were approved by the Committee vide resolution passed through circulation.

During the year under review, the CSR Committee was re-constituted by inducting Mr. Yogesh Kapur as a member of the Committee.

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.	Project duration.	Amount allocated for the project (in Rs.).	Amount spent in the current financial year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation Direct (Yes/No).	Mode of Implementation - Through Implementing Agency
			State	District						Name
										CSR Registration No

Not Applicable

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No).	Location of the project.	Amount spent for the project (in Rs.).	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency
			State	District			Name
							CSR Registration No
1	Kirloskar Institute of Advanced Management Studies (KIAMS)	Schedule VII- Clause (ii)	No	Maharashtra	70,92,615	No	KIAMS
				Pune			CSR00004586

(d) Amount spent in Administrative Overheads: Nil**(e) Amount spent on Impact Assessment, if applicable: Not Applicable****(f) Total amount spent for the Financial Year (8b+8c+8d+8e): Rs. 70,92,615/-****(g) Excess amount for set off, if any-**

Sr. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	70,92,615
(ii)	Total amount spent for the Financial Year	70,92,615
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil (Refer point 5 above)
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil (Refer point 5 above)
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil (Refer point 5 above)

(9) (a) Details of Unspent CSR amount for the preceding three financial years:

Si. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Balance Amount in unspent CSR Account under Section 135(6) of the Act (in Rs.)	Amount spent in the reporting Financial Year (in Rs.)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any	Name of the Fund	Amount (in Rs.)	Date of transfer.	Amount remaining to be spent in succeeding financial years. (in Rs.)	Deficiency, if any

Not Applicable

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Si. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.)	Amount spent on the project in the reporting Financial Year (in Rs.)	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project – Completed / Ongoing.

Not Applicable

(10) In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):

Whether any capital assets have been created or acquired through CSR amount spent in the financial year 2022-23 – No

If yes, enter the number of capital assets acquired/created – Not Applicable

(1)	(2)	(3)	(4)	(5)	(6)
Si. No.	Short particulars of the property or asset(s) (including complete address and location of the property)	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner

Not Applicable

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

(11) Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5) - Not Applicable

Vimal Bhandari
Executive Vice Chairman & CEO and
Chairman of the CSR Committee

CEO AND CFO CERTIFICATE

(In terms of Regulation 17(8) of SEBI LODR)

To,
The Board of Directors
Arka Fincap Limited

CEO and CFO certificate pursuant to Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

We, Vimal Bhandari, Executive Vice Chairman and CEO and Amit Kumar Gupta, Chief Financial Officer of the Company confirm the following for the financial year ending March 31, 2023 ("Financial Year"):

- A. We have reviewed the financial statements and the cash flow statement for the Financial Year and confirm that, to the best of our knowledge and belief:
- (1) the statements mentioned therein do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements mentioned therein together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
- D. We have indicated to the auditors and the Audit committee:
- (1) Significant changes, if any, in internal control over financial reporting during the Financial Year.
 - (2) Significant changes, if any, in accounting policies during the Financial Year and that the same have been disclosed in the notes to the financial statements.
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

For **Arka Fincap Limited**

Vimal Bhandari

Executive Vice Chairman and CEO

Date: 28th April, 2023

Place: Mumbai

Amit Kumar Gupta

Chief Financial Officer

Date: 28th April, 2023

Place: Mumbai

ANNEXURE VI

Disclosure in terms of Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 as on financial year ended March 31, 2023

Sr. No.	Particulars	ESOP 2019
1.	options granted	3,30,25,000
2.	options vested	2,14,77,500
3.	options exercised	15,000
4.	the total number of shares arising as a result of exercise of option	15,000
5.	options lapsed	8,35,000
6.	the exercise price	Exercise Price for each grant is determined by Nomination & Remuneration Committee. Exercise Price of the options exercised – 15,000 stock options were exercised at an exercise price of Rs. 10/- per equity share.
7.	variation of terms of options	Not Applicable
8.	money realized by exercise of options	Rs. 1,50,000
9.	total number of options in force	3,21,75,000

Details of stock options granted to Key Managerial Personnel:

Sr. No.	Name	Designation	Number of Stock Options under ESOP 2019 granted during financial year 2022-23	Number of Stock Options under ESOP 2019 in force as on March 31, 2023
1.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO	25,00,000	1,75,00,000
2.	Mr. Amit Kumar Gupta	Chief Financial Officer	10,00,000	15,00,000

Details of employees including director(s) who have received a grant of options in any one year, of options amounting to five percent or more of options granted during that year:

Sr. No.	Name	Number of Stock Options granted under ESOP 2019
Total number of stock options granted in FY 2019-20: 2,19,50,000		
1.	Mr. Vimal Bhandari	1,50,00,000
2.	Mr. Mridul Sharma	30,00,000
3.	Mr. Sonit Singh	12,00,000
Total number of stock options granted in FY 2020-21: 10,75,000		
1.	Mr. Manish Nagarsekar	2,50,000
2.	Mr. Bhupesh Mahajan	7,50,000
3.	Ms. Tishya Batra	75,000
Total number of stock options granted in FY 2021-22: None		
Total number of stock options granted in FY 2022-23: 1,00,00,000		

Sr. No.	Name	Number of Stock Options granted under ESOP 2019
1.	Mr. Vimal Bhandari	25,00,000
2.	Mr. Mridul Sharma	17,00,000
3.	Mr. Amit Kumar Gupta	10,00,000
4.	Mr. Manish Nagarsekar	10,00,000
5.	Mr. Nachiket Naik	10,00,000
6.	Mr. Sonit Singh	10,00,000
7.	Mr. Navin Saini	8,00,000

Details of employees including director(s) who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant:

Sr. No.	Name	Number of Stock Options granted under ESOP 2019
Financial Year 2019-20		
1	Mr. Vimal Bhandari	1,50,00,000



03

**Financial
Statements**

Independent Auditor's Report

To the Members of **Arka Fincap Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Arka Fincap Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2023, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and its profit (including Other Comprehensive Income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Director's report, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Board Report, if we conclude that there is a material misstatement therein, we will communicate the matter to those charged with governance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of loans and advances, including off-balance sheet elements

Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates.

Refer to the accounting policies in "Note 2.06A(iv) to the Financial Statements: Impairment of Financial Assets", "Note 2.22 to the Financial Statements: Significant Accounting Policies - Critical Accounting Estimates" and "Note 3.04 and 3.05 to the Financial Statements: Loans and Investments respectively".

Charge for the year: INR 572.67 lakhs

Provision as on 31st March 2023: INR 1,493.91 lakhs

We have considered the impairment of loans and advances as Key audit Matter considering significant judgement, higher estimation uncertainty, limited historical data and potential range of reasonable outcomes greater than the our materiality.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are data inputs, model estimations which involves determining Probabilities of Default (PD) and Loss given Default (LGD) based on historical data and determining impact of forward looking economic scenarios.

Our audit methodology included the following:

- Evaluated the design and implementation of key internal controls over loan impairment process
- Evaluated the appropriateness of the impairment principles based on the requirements of IND AS
- Validating completeness and accuracy of the data and reasonableness of assumptions used in the model
- Evaluating the appropriateness of Management's Judgements applied in the model
- Performed Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data.
- Ensuring the compliance w.r.t. provisioning requirements as per RBI Master Directions
- Ensured presentation and disclosure

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
 2. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of the written representations received from the directors as on 31 March 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
 - g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company does not have any pending litigations which would impact its financial position.
 - (ii) The Company did not have any long-term contracts including derivative contracts as at 31 March 2023.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - (iv) (a) The management has represented to us that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the financial statements, if any, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (b) the management has represented to us, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the Financial Statements, if any, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding

- Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (c) Based on the information and explanation given to us and audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations made by the management and as mentioned under sub-clause (iv)(a) and (iv)(b) above contain any material misstatement.
- (v) The Company has not declared or paid dividend during the year.
- (vi) The requirement to the use of accounting software for maintaining Company’s books of account which has a feature of recording audit trail (edit log) facility, as prescribed under rule 3(1) of the Companies (Accounts) Rules, 2014, is deferred to financial years commencing on or after 1 April 2023, therefore reporting under Rule 11(g) of Companies (Audit & Auditors) Rules, 2014 is not applicable for financial year ended on 31 March 2023.

For P G BHAGWAT LLP

Chartered Accountants

Firm Registration Number: 101118W/W100682

Nachiket Deo

Partner

Membership Number: 117695

UDIN: 23117695B4XK015565

Place: Pune

Date: 28 April, 2023

Annexure A to Independent Auditors' Report (CARO)

Referred to in paragraph 1 of our "Report on Other Legal and Regulatory Requirements" on even date

- (i) (a) (A) The Company is maintaining proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company is maintaining proper records showing full particulars of intangible assets.
- (b) The Property, Plant & Equipment of the Company have been physically verified by the Management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account. In our opinion, the frequency of verification is reasonable.
- (c) The Company does not own any immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) as disclosed in Note 3.09 on Property, Plant & Equipment to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- (d) The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets during the year. Accordingly provisions of Clause 3(i)(d) of the said Order are not applicable to the Company.
- (e) According to the information and explanations provided to us, no proceedings have been initiated or are pending against the company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder. Therefore reporting under clause 3(i)(e) of the order is not applicable.
- (ii) (a) The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii)(a) of the said Order are not applicable to the Company.
- (b) We have observed differences in the quarterly returns or statements filed by the Company with such banks or financial institutions as compared to the books of account maintained by the Company. However, we have not carried out a specific audit of such statements. The reasons for such differences are given in note no. 3.14 of the financial statements of the Company.
- (iii) (a) The company's principal business is to give loans hence the provisions of Clause 3(iii)(a) of the said order are not applicable.
- (b) In terms of the information and explanations given to us and the books of account and records examined by us, investments made, loans provided, security given and the terms and conditions of the grant of all aforesaid loans and advances in the nature of loans during the year are not prejudicial to the Company's interest.
- (c) In respect of loans, advances and investments in the nature of loans (together referred to as 'loan assets'), the schedule of repayment of principal and payment of interest has been stipulated. Note no. 2.06(A)(iv) to the financial statements explains the Company's accounting policy relating to impairment of financial assets which include loan assets. In accordance with that policy, loan assets with balance as at 31 March 2023, aggregating ₹ 34.54 lakhs were categorised as credit impaired ('Stage 3') and ₹ 194.82 lakhs were categorised as those where the credit risk has increased significantly since initial recognition ('Stage 2'). Disclosures in respect of such loans have been provided in note no. 6.04 to the financial statements. In all other cases, the repayment of principal and interest is generally regular. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.
- (d) The total amount overdue for more than ninety days, in respect of the loans and advances in the nature of loans, as at the year-end is ₹ 25.41 lakhs. Reasonable steps are being taken by the Company for recovery of the principal and interest.
- (e) The company's principal business is to give loans hence the provisions of Clause 3(iii)(e) of the said order are not applicable.
- (f) The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013.
- (v) In our opinion and according to information and explanation given to us, the Company has not accepted public deposits or amounts which are deemed to be deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

- (vi) The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable.
- (vii) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including Goods and Service Tax, provident fund, income tax, and other material statutory dues, as applicable, with the appropriate authorities. As explained to us, the Company does not have any dues on account of employees' state insurance, sales tax, duty of customs or duty of excise.
According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, Goods and services tax and provident fund and other material statutory dues, as applicable were in arrears as at 31 March 2023 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.
- (viii) In terms of the information and explanations given to us and the books of account and records examined by us, the Company has not surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Therefore reporting under clause 3(viii) of the order is not applicable.
- (ix) (a) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender as at the balance sheet date.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanations given to us, the company has utilized the money obtained by way of term loans during the year for the purposes for which they were obtained.
- (d) On the basis of the maturity profile of assets and liabilities provided in the Note no. 5.11 to the financial statements, financial liabilities maturing within the 12 months following the reporting date (i.e. 31 March 2023) are less than expected recoveries from financial assets during that period. Further, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- (e) The company does not have any subsidiary, associate or joint venture, hence reporting under clause 3(ix)(e) of the order is not applicable.
- (f) The company does not have any subsidiary, associate or joint venture, hence reporting under clause 3(ix)(f) of the order is not applicable.
- (x) (a) In our opinion, and according to the information and explanations given to us, the Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) during the year. Accordingly, the provisions of Clause 3(x)(a) of the Order are not applicable to the Company.
- (b) The Company has not made preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) during the year under review and hence reporting under paragraph 3(x)(b) of the Order is not applicable to the Company.
- (xi) (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company noticed or reported during the year, nor have we been informed of any such case by the Management.
- (b) No report under section 143(12) of the Companies Act, 2013, has been filed in form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report. Accordingly reporting under clause 3(xi)(b) of the order is not applicable.
- (c) According to the information and explanations given to us and as represented to us by the management, there are no whistle blower complaints received by the company during the year.
- (xii) In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii)(a), 3(xii)(b) and 3(xii)(c) of Companies (Auditor's Report) order, 2020 are not applicable to the company.
- (xiii) In our opinion, the Company is in compliance with section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements, etc., as required by the applicable accounting standards.
- (xiv) (a) In our opinion and based on our examination, the company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered the internal audit reports of the company issued till date, for the period under audit in determining the nature, timing and extent of our audit procedures.

- (xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- (xvi) (a) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 25 July 2019 (previously issued in the name of Kirloskar Capital Limited vide certificate dated 29 October 2018).
- (b) According to the information and explanations given to us and procedures performed by us, the Company has conducted Non-Banking Financial activities with a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
- (c) According to the information and explanations given to us and procedures performed by us, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, hence reporting under clause 3(xvi)(c) of the order is not applicable.
- (d) Based on information and explanation given to us and as represented by the management, the Group has one Core Investment Companies (CIC)s as part of the Group which is Holding Company of the reporting entity.
- (xvii) The Company has not incurred cash losses during current financial year and had not incurred cash losses during immediately preceding financial year.
- (xviii) There has been no resignation by statutory auditors during the year hence reporting under clause 3(xviii) of the order is not applicable.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
- (xx) (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable for the year.
- (b) There are no unspent amounts towards Corporate Social Responsibility (CSR) in respect of ongoing projects requiring a transfer to a Special Account in compliance with sub-section (6) of Section 135 of the Act. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable for the year.

For **P G BHAGWAT LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

Nachiket Deo

Partner

Membership No: 117695

UDIN: 23117695B4XK0I5565

Place: Pune

Date: 28 April 2023

Annexure B to the Independent Auditors' Report

Referred to in paragraph 2 (f) under the heading "Report on Other Legal and Regulatory Requirements" of our report on even date:

Report on the Internal Financial Controls with reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to the Financial Statements of ARKA FINCAP LIMITED ("the Company") as of March 31, 2023 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to the Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to the Financial Statements included obtaining an understanding of internal financial controls with reference to the Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to the Financial Statements.

Meaning of Internal Financial controls with reference to the Financial Statements

A company's internal financial controls with reference to the Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to the Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

Inherent Limitations of Internal Financial Controls with reference to the Financial Statements

Because of the inherent limitations of internal financial controls with reference to the Financial Statements, including

the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to the Financial Statements to future periods are subject to the risk that the internal financial controls with reference to the Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to the Financial Statements and such internal financial controls with reference to the Financial Statements were operating effectively as at March 31, 2023, based on the internal

controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **P G BHAGWAT LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

Nachiket Deo

Partner

Membership No: 117695

UDIN: 23117695B4XK0I5565

Place: Pune

Date: 28 April 2023

Balance Sheet

as at 31 March 2023

(Currency : Indian Rupees in Lakhs)

Particulars	Note	As at 31 March 2023	As at 31 March 2022
I. ASSETS			
Financial assets			
Cash and cash equivalents	3.01	21,438.88	13,170.32
Bank balances other than cash and cash equivalents	3.02	1,022.19	1,015.42
Trade receivables	3.03	-	43.74
Loans	3.04	3,68,572.88	2,29,908.39
Investments	3.05	39,101.78	16,184.30
Other financial assets	3.06	1,100.73	276.79
		4,31,236.46	2,60,598.96
Non-financial assets			
Current tax assets (net)	3.07	445.86	370.17
Deferred tax assets (net)	3.08	1,292.82	652.72
Property, plant and equipment	3.09	313.71	523.49
Intangible assets	3.10	256.15	337.01
Other non-financial assets	3.11	264.44	217.37
		2,572.98	2,100.76
TOTAL ASSETS		4,33,809.44	2,62,699.72
II. LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	3.12		
(i) total outstanding to micro enterprises and small enterprises		17.73	9.72
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		144.48	124.37
Debt securities	3.13	1,09,742.15	57,425.47
Borrowings (other than debt securities)	3.14	1,95,521.88	1,16,968.08
Subordinated Debt	3.15	6,317.82	-
Other financial liabilities	3.16	12,673.11	2,300.36
		3,24,417.17	1,76,828.00
Non-financial liabilities			
Provisions	3.17	466.70	512.65
Other non-financial liabilities	3.18	4,072.61	1,676.57
		4,539.31	2,189.22
TOTAL LIABILITIES		3,28,956.48	1,79,017.22
Equity			
Equity share capital	3.19	88,402.23	75,985.58
Other equity	3.20	16,450.73	7,696.92
		1,04,852.96	83,682.50
TOTAL LIABILITIES AND EQUITY		4,33,809.44	2,62,699.72
Significant Accounting Policies	2		

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695

Place: Pune

Date: 28 April 2023

For and on behalf of the Board of Directors of

Arka Fincap Limited

Vimal Bhandari

Executive Vice

Chairman and CEO

DIN: 00001318

Place: Mumbai

Amit Kumar Gupta

Chief Financial Officer

Place: Mumbai

Date: 28 April 2023

Mahesh Chhabria

Non Executive Director

DIN: 00166049

Place: Pune

Niki Mehta

Company Secretary

Place: Mumbai

Statement of Profit & Loss

for the year ended 31 March 2023

(Currency : Indian Rupees in Lakhs)

Particulars	Note	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from operations	4.01		
Interest income		35,074.05	19,210.33
Fees and commission income		810.25	503.40
Net gain on sale of investments		1,182.01	380.25
Net gain on fair value changes of investments		-	78.76
Total revenue from operations		37,066.31	20,172.74
Other income	4.02	222.57	136.66
Total income		37,288.88	20,309.40
Expenses			
Finance costs	4.03	19,617.28	9,173.74
Net loss on fair value changes	4.04	76.10	-
Impairment on financial instruments	4.05	598.76	557.61
Employee benefit expenses	4.06	6,311.95	4,676.27
Depreciation and amortisation expenses	4.07	393.60	365.34
Other expenses	4.08	2,010.72	1,127.82
Total expenses		29,008.41	15,900.78
Profit before tax		8,280.47	4,408.62
Tax expense:	4.09		
1. Current tax		2,450.07	1,535.13
2. (Excess)/Short provision related to earlier years		333.12	-
3. Deferred tax expense /(income)		(639.18)	(378.17)
Total tax expenses		2,144.01	1,156.96
Profit after tax		6,136.46	3,251.66
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		(3.68)	0.22
- Income tax relating to items that will not be reclassified to profit or loss		0.93	(0.06)
Other comprehensive income for the year, net of tax		(2.75)	0.16
Total comprehensive income for the period		6,133.71	3,251.82
Earnings per equity share	5.01		
Basic earnings per share (₹)		0.72	0.45
Diluted earnings per share (₹)		0.71	0.45
(Equity Share of face value of ₹ 10 each)			

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants
ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner
Membership No. 117695

Place: Pune
Date: 28 April 2023

For and on behalf of the Board of Directors of

Arka Fincap Limited

Vimal Bhandari

Executive Vice
Chairman and CEO
DIN: 00001318
Place: Mumbai

Amit Kumar Gupta

Chief Financial Officer
Place: Mumbai

Date: 28 April 2023

Mahesh Chhabria

Non Executive Director
DIN: 00166049
Place: Pune

Niki Mehta

Company Secretary
Place: Mumbai

Statement of Cash Flows

for the year ended 31 March 2023

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
A Cash Flow from Operating Activities		
Net profit before tax	8,280.47	4,408.62
Adjustments for :		
Add:		
Depreciation and amortisation	393.60	365.34
Loss on sale of Property, Plant and Equipment	0.38	-
Provision for expected credit loss	598.76	557.61
Provision for share based payments	136.78	94.25
Fair value loss / (gain) on investments	76.10	(78.76)
Finance cost	19,617.28	9,173.74
	20,822.90	10,112.18
Less:		
Interest received on fixed deposits	285.75	260.09
Profit on sale of investments	1,182.01	380.25
Gain on derecognition of ROU asset	5.45	-
Interest received on debt instrument	1,574.33	468.30
Interest income on security deposit	24.45	22.06
Amortised discount income on commercial paper	-	303.98
	3,071.99	1,434.68
Operating profit before working capital changes	26,031.38	13,086.12
Adjustments:		
(Increase)/Decrease in loans and advances	(1,39,270.06)	(1,39,666.31)
(Increase)/Decrease in trade receivables	43.74	(43.74)
(Increase) / Decrease in security deposits	(273.64)	(15.75)
(Increase) / Decrease in Prepaid expenses	(52.82)	(46.63)
(Increase) / Decrease in Other financial assets	(158.32)	(35.56)
(Increase) / Decrease in Other non-financial assets	5.76	(8.15)
Increase/(Decrease) in provisions	1,350.18	1,170.13
Increase/(Decrease) in trade payable	28.12	67.50
Increase/(Decrease) in Other financial liabilities	9,330.44	273.79
Increase/(Decrease) in Other non-financial liabilities	2,396.04	1,013.45
Cash used in operating activities	(1,00,569.18)	(1,24,205.15)
Direct taxes paid	(2,858.88)	(1,820.51)
Net cash used in operating activities (A)	(1,03,428.06)	(1,26,025.66)
B Cash flows from investing activities		
Add:		
Interest received on fixed deposits	285.75	245.67
Receipt on sale / redemption of Investments	3,20,978.15	28,564.81
Interest received on debt instrument	1,574.33	-
	3,22,838.23	28,810.48
Less:		
Increase in other bank balance	6.77	1,001.00
Payments on purchase of investment	3,42,872.12	22,003.53
Payments for Purchase of Property, Plant and Equipment	132.50	57.43

Statement of Cash Flows

for the year ended 31 March 2023

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Payments for Purchase of Other Intangible assets	4.50	139.19
Payments for Purchase of Intangible assets under development	-	(2.00)
	3,43,015.89	23,199.15
Net cash generated from investing activities (B)	(20,177.66)	5,611.33
C Cash Flow from Financing Activities		
Proceeds from issue of equity share capital (including securities premium)	14,899.97	13,001.26
Proceeds from Bank and NBFCs Borrowings (net)	72,972.91	72,408.46
Proceeds from issuance of Non-Convertible Debentures (net)	63,938.42	24,923.16
Proceeds from issuance of Commercial Papers (net)	(162.21)	9,450.15
Finance cost paid	(19,593.96)	(8,639.67)
Lease liability paid	(180.85)	(184.17)
Net cash generated from financing activities (C)	1,31,874.28	1,10,959.19
Net Increase in cash and cash equivalents (A) + (B) + (C)	8,268.56	(9,455.14)
Cash and Cash Equivalents at the beginning of the year	13,170.32	22,625.46
Cash and Cash Equivalents at the end of the year	21,438.88	13,170.32
Reconciliation of cash and cash equivalents with the balance sheet		
Balances with banks		
- in current accounts	6,932.45	3,367.93
Deposits with original maturity of less than three months	14,506.43	9,802.39
Total	21,438.88	13,170.32

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695

Place: Pune

Date: 28 April 2023

For and on behalf of the Board of Directors of

Arka Fincap Limited

Vimal Bhandari

Executive Vice

Chairman and CEO

DIN: 00001318

Place: Mumbai

Amit Kumar Gupta

Chief Financial Officer

Place: Mumbai

Date: 28 April 2023

Mahesh Chhabria

Non Executive Director

DIN: 00166049

Place: Pune

Niki Mehta

Company Secretary

Place: Mumbai

Statement of Changes in Equity (SOCIE)

for the year ended 31 March 2023

(Currency : Indian Rupees in Lakhs)

(a) Equity Share Capital (Refer Note 3.19)

Equity Shares of 10 each issued, subscribed and fully paid	No. of Shares	Amount
Balance as at 31 March 2021	63,99,69,828	63,996.98
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 31 March 2021	63,99,69,828	63,996.98
Shares issued during the year	11,98,86,007	11,988.60
Balance as at 31 March 2022	75,98,55,835	75,985.58
Balance at 1 April, 2022	75,98,55,835	75,985.58
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2022	75,98,55,835	75,985.58
Shares issued during the year	12,41,66,431	12,416.65
Balance as at 31 March 2023	88,40,22,266	88,402.23

(b) Other equity (Refer Note 3.20)

Particulars	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	Total
Balance at 31 March 2021	459.55	699.48	1,134.70	-	1,044.44	3,338.17
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 31 March 2021	459.55	699.48	1,134.70	-	1,044.44	3,338.17
Profit for the year	-	-	-	-	3,251.66	3,251.66
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	0.16	0.16
Total	459.55	699.48	1,134.70	-	4,296.26	6,589.99
Transferred from Retained earnings	650.31	-	-	-	(650.31)	-
Share based payment expense (net*)	-	93.70	-	-	-	93.70
Shares issued during the year	-	-	1,013.22	-	-	1,013.22
Balance as at 31 March 2022	1,109.86	793.18	2,147.92	-	3,645.95	7,696.91
Balance at 1 April 2022	1,109.86	793.18	2,147.92	-	3,645.95	7,696.91
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 1 April 2022	1,109.86	793.18	2,147.92	-	3,645.95	7,696.91

Statement of Changes in Equity (SOCIE)

for the year ended 31 March 2023

(Currency : Indian Rupees in Lakhs)

(b) Other equity (Refer Note 3.20) (Contd..)

Particulars	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	Total
Profit for the year	-	-	-	-	6,136.46	6,136.46
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	(2.75)	(2.75)
Total	1,109.86	793.18	2,147.92	-	9,779.66	13,830.62
Transferred from Retained earnings	1,227.29	-	-	-	(1,227.29)	-
Transferred to Retained earnings	-	(2.75)	-	-	2.75	-
Shares issued during the year	-	-	2,483.33	-	-	2,483.33
Share based payment expense	-	136.78	-	-	-	136.78
Balance as at 31 March 2023	2,337.15	927.21	4,631.25	-	8,555.12	16,450.73

* The share based payment expenses are net of Rs 0.55 lacs transferred to securities premium account on account of exercise of ESOPs during the previous year ended 31 March 2022

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695

For and on behalf of the Board of Directors of

Arka Fincap Limited

Vimal Bhandari

Executive Vice

Chairman and CEO

DIN: 00001318

Place: Mumbai

Mahesh Chhabria

Non Executive Director

DIN: 00166049

Place: Pune

Amit Kumar Gupta

Chief Financial Officer

Place: Mumbai

Niki Mehta

Company Secretary

Place: Mumbai

Place: Pune

Date: 28 April 2023

Date: 28 April 2023

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

1. Corporate Information

Arka Fincap Limited (Formerly known as Kirloskar Capital Limited) (the 'Company') was incorporated on 20 April 2018. The Company is registered with the Reserve Bank of India (RBI) as a non-banking financial Company vide certificate no. N-13.02282 dated 25 July 2019 (previously issued in the name of Kirloskar Capital Limited vide certificate no. N-13.02282 dated 29 October 2018) in pursuance of Section 45-IA of the 'RBI' Act, 1934. The Company is wholly owned subsidiary of Arka Financial Holdings Private Limited ("AFHPL"). The Company is primarily engaged in lending activities.

2 Significant accounting policies

2.01 Statement of compliance with Indian Accounting Standards (Ind AS)

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) issued by Ministry of Corporate Affairs in exercise of the powers conferred by section 133 read with sub-section (1) of section 210A of the Companies Act, 2013. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied along with compliance with other statutory promulgations require a different treatment. Any application guidance/clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued/ applicable.

2.02 Basis of preparation

The financial statement comprises of the Balance sheet as at March 31 2023, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act, 2013 ("the Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The Company has assessed its liquidity position and its possible sources of funds. The Board of Directors of the Company are confident of the Company's ability to meet its obligations as and when they arise in the next twelve months from the date of these financial statements.

Accordingly, these financial statements have been prepared on a going concern basis.

2.03 Basis of measurement

The financial statements have been prepared on an accrual basis under the historical cost convention as modified by the application of fair value measurements required or allowed by the relevant standards under Ind AS in the case of certain financial assets and liabilities, net defined benefit (asset)/ liability and share based payments.

2.04 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Division III to Schedule III to the Companies Act, 2013 ("the Act") applicable for Non- Banking Finance Companies ("NBFC"). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under the notified Ind AS.

2.05 Functional Currency

Amounts in the financial statements are presented in Indian Rupees in lakhs rounded off to nearest Rupee in Lakhs with two decimal places as permitted by Schedule III to the Companies Act, 2013. Per share data are presented in Indian Rupee to two decimal places.

2.06 Financial Instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and financial liabilities at initial recognition based on its nature and characteristics.

2.06.A Financial assets

i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

The financial assets include investments in mutual funds, trade and other receivables, loans and advances and cash and bank balances.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- At amortised cost,
- At fair value through other comprehensive income (FVOCI), and
- At fair value through profit or loss (FVTPL).

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold the asset for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets at Amortised Cost

A financial asset is measured at amortised cost if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI)

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the statement of profit and loss.

Fair value through Profit and Loss (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at Amortised cost or at fair value through other comprehensive income.

In addition, the Company may elect to classify a financial asset, which otherwise meets Amortised cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the statement of profit and loss.

iii) Reclassifications

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The following are various reclassifications and how they are accounted for.

Reclassification from Amortised cost to FVTPL : Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in the statement of Profit and loss.

Reclassification from FVTPL to Amortised cost : Fair value at reclassification date becomes its new

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

gross carrying amount. EIR is calculated based on the new gross carrying amount.

Reclassification from Amortised cost to FVOCI : Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.

Reclassification from FVOCI to Amortised cost : Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.

Reclassification from FVTPL to FVOCI : Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.

Reclassification from FVOCI to FVTPL : Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

iv) Impairment of financial assets

iv. Expected Credit Loss (ECL) principles

The provision for credit risks, which is recognized in accordance with the expected credit loss method specified by Ind AS 109 and in accordance with uniform standards applied, encompasses all financial assets measured at amortised cost. The calculation of the provision for credit risks generally takes into account the exposure at default, the probability of default and the loss given default.

Financial assets are subject to credit risks, which are taken into account by recognising the amount of the expected loss; such allowances are recognised for both financial assets with objective evidence of impairment and non-impaired financial assets.

The general approach is used for financial assets measured at amortised cost on initial recognition. Financial assets are broken down into three stages in the general approach.

Stage 1: All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all advances upto 30 days overdue under this category.

Stage 2: All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days.

Stage 3: All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Exposures where the amount remains due for 90 days or more are considered as to be stage 3 assets.

The Company undertakes the classification of exposures within the aforesaid stages at each borrower account level.

Impairment arises in a number of situations, such as delayed payment over a certain period, the initiation of enforcement measures, the threat of insolvency or over indebtedness, application for or the initiation of insolvency proceedings, or the failure of restructuring measures.

Reviews are regularly carried out to ensure that the allowances are appropriate. Uncollectible loans or receivables that are already subject to a workout process and for which all collateral has been recovered and all further options for recovering the loan or receivable have been exhausted are written off directly. Any valuation allowances previously recognised are utilised. Income subsequently collected in connection with loans or receivables already written off is recognised in profit or loss.

Loans and receivables are reported in the balance sheet at the net off ECL provision. The provision for credit risks relating to off-balance sheet irrevocable credit commitments is recognised as ECL provision and shown under provisions on liability side.

iv. Expected Credit Loss (ECL) principles

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Exposure-At-Default (EAD): The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default of the exposure over a given time horizon.

Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

12-month ECL: 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

Lifetime ECL: Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

The Company compute the ECL allowance on individual basis based on type of asset/exposure and nature of collateral.

2.06.B Financial liabilities

i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities. The financial liabilities include trade and other payables and loans and borrowings etc.

ii) Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are classified and measured as follows.

ii. a) Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost

using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

ii. b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

2.06.C De-recognition

a) Derecognition of financial assets

A financial asset is derecognized when:

- the contractual rights to the cash flows from the financial asset expire,

Or

- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

b) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

2.06.D Offsetting of financial instruments

Financial assets and financial liabilities including derivative instruments are offset and the net amount is reported in the Balance sheet, if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.06.E Fair value measurement

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

The Company's accounting policies and disclosures require the measurement of fair values for financial instruments. Management regularly reviews significant unobservable inputs and valuation adjustments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.06.F Modification of financial assets and financial liabilities

Financial Assets

If the terms of a financial assets are modified, the Company evaluates whether the cash flow of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cashflows that are discounted at the financial asset's original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Statement of profit and loss. Any costs or fees incurred adjust the carrying amount of modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses, in other cases, it is presented as interest income.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the Statement of profit and loss.

2.07 Share capital

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Incremental costs directly attributable to the issuance of new equity shares are recognized as a deduction from equity, net of any tax effects.

2.08 Cash and Cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

2.09 Property, Plant and Equipment

- Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost of an item of Property, plant and equipment comprises its purchase price, and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.
- Residual values of all fixed assets are considered as nil.

Depreciation

- The Company follows Straight Line Method ('SLM') of depreciation which is computed based on useful lives of assets as provided in Part "C" of Schedule II of the Companies Act 2013. Depreciation is charged on the basis of useful life of assets on straight line method which are follows:

Particulars	Estimated useful life by the Company
Office Equipment	5 years
Office Equipment (Mobile)	2 years
Furniture & Fixtures	10 years
Motor vehicles	5 years
Computer Equipment	
- Desktop/laptop	3 years

Depreciation on addition is provided from put to use date of assets.

Useful lives and methods of depreciation of all fixed assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.10 Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

The amortisation period and amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired.

Asset Category	No. of years
Computer Software	5 years
LOS Software	5 Years
LMS Software	8 Years
Supply Chain Software	4 Years

Intangible assets under development

Directly attributable costs that are capitalized as a part of software include an appropriate portion of relevant

Notes to the financial statements for the year ended 31 March 2023

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overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

Research expenditure and development expenditure that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

2.11 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.13 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.14 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

2.15 Employee Benefits

i) Short-term employee benefits

The distinction between short term and long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

ii) Post-Employment Benefits

The employee's gratuity scheme is Company's defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet.

Defined benefit employee costs comprising current service cost, past service cost, interest cost implicit in defined benefit employee cost and actuarial gains or losses.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

Current service cost, past service cost, interest cost implicit in defined benefit employee cost are recognised in the Statement of Profit and Loss as employee benefits expense.

iii. Other long-term employment benefits:

The Company measures Accumulated leaves and long term incentives based on the actuarial valuation using the projected unit credit method at the year-end.

a) Defined Contribution Plan

The Company's contribution paid/payable during the year towards Provident and other funds is charged to statement of profit and loss in the year in which employee renders the related service.

b) Defined Benefit Plan

The Company has an obligation towards gratuity, a non funded defined benefit plan covering eligible employees. Vesting for gratuity occurs upon completion of five years of service. Details of the unfunded defined benefit plans for its employees are given in note 5.09 which is as certified by the actuary using projected unit credit method.

iv) Compensated Absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation using projected unit credit method for the unused entitlement that has accumulated as at the balance sheet date.

2.16 Taxes

Income tax expense comprises current tax and deferred tax and is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in OCI.

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid

to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of Profit and Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Leases

The Company as a lessee

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU")

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using incremental borrowing rates of the Company. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option. Lease liabilities are remeasured at fair value at the balance sheet date with the corresponding impact considered in the statement of profit and loss as interest charge/ income.

Lease liability and ROU asset have been separately presented in the Balance Sheet.

2.18 Employee Share Based Plan

Share-based compensation benefits are provided to the employees through the Employee Stock Option Scheme 2019 ("Plan"). The fair value of options determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding credit to share options outstanding reserve, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of service conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The stock options granted to employees are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

2.19 Segment Reporting

The Company is primarily engaged in the business of financing and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating segment.

2.20 Revenue Recognition

Recognition of Interest income

- Interest income and expense presented in statement of profit and loss includes interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. The amortization of income and expenses for financial assets under EIR approach is done on a systematic basis that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset.
- The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated applying the EIR to the amortised cost of the credit-impaired financial asset (i.e. the gross carrying amount less the allowances for ECLs).

Notes to the financial statements for the year ended 31 March 2023

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Fee income

- Fees earned by the Company which are not directly attributable to disbursement of loans are recognised in the statement of profit and loss as and when earned.
- The Company has applied Ind AS 115 Revenue recognition accounting standard for preparation of these financial statements. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers. The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Syndication, advisory & other fees

Syndication, advisory & other fees are recognised as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

Recognition of Profit/loss on sale of investments

Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

Net gain/(loss) on Fair value changes:

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as a Fair value gain or loss as a gain or expense respectively.

2.21 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

2.22 Critical Accounting Estimates and Judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

A. Measurement of impairment of loans and advances

Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Company makes judgements about the borrower's financial situation and the net realisable value of collateral, if any. These estimates are based on assumptions about a number of factors including forward looking information, and actual results may differ, resulting in future changes to the impairment allowance.

B. Measurement of defined benefit obligations

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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(Currency : Indian Rupees in lakhs)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 5.09

C. Useful lives of property, plant and equipment and intangible assets

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period or even earlier in case, circumstances change such that the amount recorded value of an asset may not be recoverable.

D. Recognition of deferred tax assets for carried forward tax losses

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

E. Fair value of financial instrument

The fair value of financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note - 5.02.

F. Business model assessment

Classification and measurement of financial asset depends upon the results of the solely payment of principal and interest (SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial asset are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the asset is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.01 : Cash and cash equivalents

Particulars	As at 31 March 2023	As at 31 March 2022
Balances with banks		
- in current accounts	6,932.45	3,367.93
- Deposits with original maturity of less than three months	14,506.43	9,802.39
	21,438.88	13,170.32

NOTE 3.02 : Bank balances other than cash and cash equivalents

Particulars	As at 31 March 2023	As at 31 March 2022
Deposits with original maturity of more than three months	1,022.19	1,015.42
	1,022.19	1,015.42

NOTE 3.03 : Trade receivables

Particulars	As at 31 March 2023	As at 31 March 2022
Trade receivables (Unsecured - considered good)	-	43.74
	-	43.74

Refer Note 6.06 for ageing schedule

There are no dues from private company in which director(s) of the Company is a director(s) or member(s)

NOTE 3.04 : Loans (At amortised cost)

Particulars	As at 31 March 2023	As at 31 March 2022
(A)		
Business Loan	3,69,842.26	2,30,590.06
Employee Loan	7.80	16.03
Total - Gross	3,69,850.06	2,30,606.09
Less: Provision for expected credit loss	(1,277.18)	(697.70)
Total - Net	3,68,572.88	2,29,908.39
(B)		
Secured by tangible assets	3,41,094.27	2,25,074.06
Unsecured	28,755.79	5,532.03
Total - Gross	3,69,850.06	2,30,606.09
Less: Provision for expected credit loss	(1,277.18)	(697.70)
Total - Net	3,68,572.88	2,29,908.39
(C)		
(i) Loans in India		
Public sector	-	-
Others	3,69,850.06	2,30,606.09
Total - Gross	3,69,850.06	2,30,606.09

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.04 : Loans (At amortised cost) (Contd..)

Particulars	As at 31 March 2023	As at 31 March 2022
Less: Provision for expected credit loss	(1,277.18)	(697.70)
Total - Net	3,68,572.88	2,29,908.39
(ii) Loans outside India	-	-
Total - Net C (i)+(ii)	3,68,572.88	2,29,908.39

NOTE 3.05 : Investments

Particulars	As at 31 March 2023	As at 31 March 2022
Mutual funds (At fair value through P&L)	13,002.02	8,789.03
Debt securities - Non convertible debentures (At amortised cost)	21,975.60	2,791.29
Debt securities - Commercial papers (At amortised cost)	1,488.92	-
Debt securities - Pass through certificates (At amortised cost)	2,720.22	4,606.56
Total - Gross	39,186.76	16,186.88
Investments in India	39,186.76	16,186.88
Investments outside India	-	-
Total - Gross	39,186.76	16,186.88
Long term investments	9,203.81	7,397.85
Short term investments	29,982.95	8,789.03
Total - Gross	39,186.76	16,186.88
Less: Provision for expected credit loss	(84.98)	(2.58)
Total - Net	39,101.78	16,184.30

NOTE 3.06 : Other financial assets

Particulars	As at 31 March 2023	As at 31 March 2022
Security deposit	540.21	241.23
Sundry Receivables (considered good)	193.88	35.56
Advance to lenders	366.64	-
	1,100.73	276.79

NOTE 3.07 : Current tax assets (net)

Particulars	As at 31 March 2023	As at 31 March 2022
Advance Tax (net of provision for tax)	445.86	370.17
	445.86	370.17

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.08 : Deferred tax assets (net)

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred Tax Assets		
Disallowances u/s 43 B of Income Tax Act	970.05	73.42
Provision for expected credit loss	375.99	231.86
Preliminary Expenses u/s 35D of Income tax Act, 1961	-	6.80
Fair value of Employee Loan	0.36	0.20
Fair value of Security deposit	4.02	10.40
Fair value of Lease Liability	24.01	74.37
Fair value of Loan given	390.82	351.59
Fair value of Investment in Debt instruments (CP+NCDs)	50.56	0.44
Total (A)	1,815.81	749.08
Deferred tax liability		
Depreciation on fixed assets	10.52	76.54
Fair value of investment in mutual funds	0.67	19.82
Fair value of borrowings	511.80	-
Total (B)	522.99	96.36
Net deferred tax asset (A-B)	1,292.82	652.72

NOTE 3.09 : Property plant and equipment

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Cost as at 31 March 2021	780.30	344.65	2.89	105.67	16.36	42.08	1,291.95
Additions	51.83	-	1.59	-	6.31	49.53	109.26
Disposals	(71.86)	-	-	-	-	-	(71.86)
Cost as at 31 March 2022	760.27	344.65	4.48	105.67	22.67	91.61	1,329.35
Additions	-	1.00	6.32	-	18.43	106.76	132.51
Disposals	(51.83)	-	(0.42)	-	(0.61)	(0.03)	(52.89)
Cost as at 31 March 2023	708.44	345.65	10.38	105.67	40.49	198.34	1,408.97
Accumulated depreciation as at 31 March 2021	324.71	160.38	0.65	31.72	5.48	16.77	539.70
Depreciation charged during the year	165.94	71.31	0.30	23.55	4.08	20.13	285.31
Disposals	(19.16)	-	-	-	-	-	(19.16)
Accumulated depreciation as at 31 March 2022	471.49	231.69	0.95	55.27	9.56	36.90	805.85
Depreciation charged during the year	164.93	71.50	0.80	23.55	5.88	41.58	308.24
Disposals	(18.14)	-	(0.14)	-	(0.52)	(0.03)	(18.83)
Accumulated depreciation as at 31 March 2023	618.28	303.19	1.61	78.82	14.91	78.45	1,095.26
Net carrying amount as at 31 March 2021	455.59	184.27	2.24	73.95	10.89	25.31	752.25

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.09 : Property plant and equipment

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Net carrying amount as at 31 March 2022	288.78	112.96	3.53	50.40	13.11	54.71	523.49
Net carrying amount as at 31 March 2023	90.16	42.46	8.77	26.85	25.58	119.89	313.71

1. For Depreciation policy refer accounting policy no. 2.09

2. Title deeds of Immovable Properties not held in name of the Company:

There is no immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deed is not held in the name of the company.

3. CWIP ageing and Completion schedule:

The Company does not have any CWIP as at 31 March, 2023 and 31 March, 2022 and hence disclosure of CWIP ageing schedule and CWIP completion schedule is not applicable.

4. Benami properties:

No proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

NOTE 3.10 : Intangible assets

Particulars	Softwares	Total
Cost as at 31 March 2021	415.17	415.17
Additions	46.62	46.62
Disposals	-	-
Cost as at 31 March 2022	461.79	461.79
Additions	4.50	4.50
Disposals	-	-
Cost as at 31 March 2023	466.29	466.29
Accumulated amortisation as at 31 March 2021	44.75	44.75
Amortisation recognised for the year	80.03	80.03
Disposals	-	-
Accumulated amortisation as at 31 March 2022	124.78	124.78
Amortisation recognised for the year	85.36	85.36
Disposals	-	-
Accumulated amortisation as at 31 March 2023	210.14	210.14
Net carrying amount as at 31 March 2021	370.42	370.42
Net carrying amount as at 31 March 2022	337.01	337.01
Net carrying amount as at 31 March 2023	256.15	256.15

1. For amortisation policy refer accounting policy no. 2.10

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.11 : Other non-financial assets

Particulars	As at 31 March 2023	As at 31 March 2022
Prepaid expenses	226.01	173.17
Advance to suppliers	18.76	7.27
GST receivable (net)	19.67	36.93
	264.44	217.37

NOTE 3.12 : Trade payables

Particulars	As at 31 March 2023	As at 31 March 2022
Dues to Micro, small and medium enterprises	17.73	9.72
Dues to Others	144.48	124.37
	162.21	134.09

Refer note 5.08 relating to dues to Micro, Small and Medium enterprises

Refer note 6.07 for ageing schedule

NOTE 3.13 : Debt securities

Particulars	As at 31 March 2023	As at 31 March 2022
At amortised cost		
Redeemable non convertible debentures [§] (Refer note (a) below)	98,094.98	45,616.09
Commercial paper (net of unamortised discount) repayable within next twelve months	11,647.17	11,809.38
Total	1,09,742.15	57,425.47
Debt securities in India	1,09,742.15	57,425.47
Debt securities outside India	-	-
Total	1,09,742.15	57,425.47
Secured	98,094.98	45,616.09
Unsecured	11,647.17	11,809.38
Total	1,09,742.15	57,425.47

[§] include interest accrued but not due Rs.3,130.19 Lakhs (Previous Year Rs.848.22 Lakhs)

Funds borrowed have been utilised for the purposes for which they were borrowed

(a) Non Convertible Debenture Privately placed Redeemable Non Convertible Debentures (NCDs) Terms of repayment

Redeemable within	As at 31 March 2023 Rate of interest >= 8.00% < 9.88% Amount	As at 31 March 2022 Rate of interest >= 8.00% < 9.88% Amount
Above 60 Months	-	-
48-60 Months	-	-
36-48 Months	7,500.00	-

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

(a) Non Convertible Debenture Privately placed Redeemable Non Convertible Debentures (NCDs) Terms of repayment (Contd..)

Redeemable within	As at 31 March 2023 Rate of interest >= 8.00% < 9.88% Amount	As at 31 March 2022 Rate of interest >= 8.00% < 9.88% Amount
24-36 Months	9,327.35	22,440.46
12-24 Months	50,992.45	18,399.78
0-12 Months	30,275.18	4,775.85
Total	98,094.98	45,616.09

Nature of Security:

Security is created in favour of the Debenture Trustee, as follows:

Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

NOTE 3.14 : Borrowings (other than debt securities)

Particulars	As at 31 March 2023	As at 31 March 2022
At amortised cost		
Term loans		
Term loans from banks [§] (Refer note (a) below)	1,67,733.95	91,107.16
Term loans from NBFCs* (Refer note (b) below)	27,787.93	24,860.93
Loans repayable on demand		
Bank overdrafts	-	-
Working capital demand loans from banks	-	999.99
Total	1,95,521.88	1,16,968.08
Borrowings in India	1,95,521.88	1,16,968.08
Borrowings outside India	-	-
Total	1,95,521.88	1,16,968.08
Secured borrowings	1,95,521.88	1,16,968.08
Unsecured borrowings	-	-
Total	1,95,521.88	1,16,968.08

[§] include interest accrued but not due Rs.154.66 Lakhs (Previous Year Rs.120.37 Lakhs)

* include interest accrued but not due Rs.77.66 Lakhs (Previous Year Rs.74.40 Lakhs)

(a) Term loan from banks (TL):

Terms of repayment

Repayment within	As at 31 March 2023 Rate of interest >7.56% <= 10.88% Amount	As at 31 March 2022 Rate of interest >7.25% <= 9.25% Amount
Above 60 Months	-	-
48-60 Months	984.95	-

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

(a) Term loan from banks (TL):

Terms of repayment (Contd..)

Repayment within	As at 31 March 2023	As at 31 March 2022
	Rate of interest >7.56% <= 10.88% Amount	Rate of interest >7.25% <= 9.25% Amount
36-48 Months	5,851.22	4,439.19
24-36 Months	29,274.97	14,175.24
12-24 Months	55,931.26	29,725.05
0-12 Months	75,691.55	42,767.68
Total	1,67,733.95	91,107.16

Nature of Security:

Security against facilities from bank (including term loan and demand loan):

Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

(b) Term loan from NBFCs (TL):

Terms of repayment

Repayment within	As at 31 March 2023	As at 31 March 2022
	Rate of interest >9.25% <= 10.65% Amount	Rate of interest >8.00% <= 9.40% Amount
Above 60 Months	-	-
48-60 Months	-	920.19
36-48 Months	2,332.10	1,800.00
24-36 Months	4,883.33	3,717.00
12-24 Months	7,151.09	5,082.67
0-12 Months	13,421.41	13,341.07
Total	27,787.93	24,860.93

Nature of Security:

Security against term loan from NBFCs :

Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

- (c) Funds borrowed have been utilised for the purpose for which they were sanctioned.
- (d) Quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts except to the extent of following adjustments:
- EIR adjustment as per Ind AS regulations
 - adjustments made during the course of audit (including limited review) post submission of the return
- (e) The Company has not defaulted in the repayment of any borrowings or in the payment of interest thereon to any lender during the year. The Company has not been declared a wilful defaulter by any bank or financial institution or government or any government authority.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.15 : Subordinated Debt (Unsecured)

Particulars	As at 31 March 2023	As at 31 March 2022
At amortised cost		
Subordinated (Tier II) redeemable non convertible debentures [§] (Refer note (a) below)	6,317.82	-
Total	6,317.82	-
Debt securities in India	6,317.82	-
Debt securities outside India	-	-
Total	6,317.82	-
Secured	-	-
Unsecured	6,317.82	-
Total	6,317.82	-

[§] include interest accrued but not due Rs.369.00 Lakhs (Previous Year Nil)

(a) Privately placed subordinated (Tier II) redeemable non convertible debentures (NCDs)

Terms of repayment

Redeemable within	As at 31 March 2023 Rate of interest 10.25% Amount	As at 31 March 2022 Rate of interest Amount
Above 60 Months	-	-
48-60 Months	5,948.82	-
36-48 Months	-	-
24-36 Months	-	-
12-24 Months	-	-
0-12 Months	369.00	-
Total	6,317.82	-

NOTE 3.16 : Other financial liabilities

Particulars	As at 31 March 2023	As at 31 March 2022
Book overdraft	9,330.43	-
Employee benefits payable	3,042.55	1,731.93
Lease obligation	95.40	291.18
Security deposit taken	204.73	277.25
	12,673.11	2,300.36

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 3.17 : Provisions

Particulars	As at	
	31 March 2023	31 March 2022
Provision for employee benefits:		
- Gratuity	79.86	45.04
- Leave encashment	59.45	51.03
- Long term benefits	195.65	195.65
Others:		
- Expected credit loss on undrawn loan commitments	131.74	220.93
	466.70	512.65

NOTE 3.18 : Other non-financial liabilities

Particulars	As at	
	31 March 2023	31 March 2022
Statutory dues payable	149.32	183.68
Advances from Customers	3,923.29	1,492.89
	4,072.61	1,676.57

NOTE 3.19 : Equity share capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number of shares	Amount	Number of shares	Amount
Authorised capital				
Equity shares of 10/- each	1,00,00,00,000	1,00,000.00	1,00,00,00,000	1,00,000.00
Issued, subscribed and fully paid up				
Equity shares of 10/- each fully paid	88,40,22,266	88,402.23	75,98,55,835	75,985.58
Total	88,40,22,266	88,402.23	75,98,55,835	75,985.58

b. Reconciliation of number of shares at the beginning and at the end of the year

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	75,98,55,835	75,985.58	63,99,69,828	63,996.98
Add: Shares issued during the year	12,41,66,431	12,416.65	11,98,86,007	11,988.60
Less: Shares bought back during the year	-	-	-	-
Total	88,40,22,266	88,402.23	75,98,55,835	75,985.58

c. Particulars of shares held by holding Company

Name of Shareholder	Relationship	As at 31 March 2023		As at 31 March 2022	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Arka Financial Holdings Private Limited*	Holding Company	88,40,04,815	99.998%	75,98,40,835	99.998%

* Number of shares include 6 shares held by nominee shareholders on behalf of Arka Financial Holdings Private Limited

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

d. Particulars of shareholders holding more than 5% of the share capital

Name of Shareholder	Relationship	As at 31 March 2023		As at 31 March 2022	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Arka Financial Holdings Private Limited*	Holding Company	88,40,04,815	99.998%	75,98,40,835	99.998%

* Number of shares include 6 shares held by nominee shareholders on behalf of Arka Financial Holdings Private Limited

e. Particulars of shares held by promoters

Name of Shareholder	As at 31 March 2023			As at 31 March 2022		
	No. of Shares	% of total shares	% Change during the year	No. of Shares	% of total shares	% Change during the year
Arka Financial Holdings Private Limited*	88,40,04,815	99.998%	16.34%	75,98,40,835	99.998%	100.00%

* Number of shares include 6 shares held by nominee shareholders on behalf of Arka Financial Holdings Private Limited

f. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

g. Objective for managing capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

NOTE 3.20 : Other equity

Particulars	As at 31 March 2023	As at 31 March 2022
Statutory reserves u/s 45-IC of The RBI Act, 1934	2,337.15	1,109.86
Securities premium reserve	4,631.25	2,147.92
Share options outstanding account	927.21	793.18
Retained earnings	8,555.12	3,645.96
	16,450.73	7,696.92

3.20.A Other equity movement

Particulars	As at 31 March 2023	As at 31 March 2022
Statutory reserves u/s 45-IC of The RBI Act, 1934		
Opening Balance	1,109.86	459.55
Add : Transferred from retained earnings	1,227.29	650.31
Closing Balance	2,337.15	1,109.86

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

3.20.A Other equity movement (Contd..)

Particulars	As at 31 March 2023	As at 31 March 2022
Securities premium reserve		
Opening Balance	2,147.92	1,134.70
Add : Premium collected on share allotment	2,483.33	1,013.22
Closing Balance	4,631.25	2,147.92
Share options outstanding account		
Opening Balance	793.18	699.48
Less : Transferred to Retained Earnings	(2.75)	
Add/(Less) : Movement during the year	136.78	93.70
Closing Balance	927.21	793.18
Retained earnings		
Opening Balance	3,645.96	1,044.45
Add: Profit / (Loss) for the year	6,136.46	3,251.66
Add: Other Comprehensive income	(2.76)	0.16
Add: ESOP reserves	2.75	-
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(1,227.29)	(650.31)
Closing Balance	8,555.12	3,645.96

- Pursuant to the provision of section 45(IC) of Reserve Bank of India Act, 1934, the Company has transferred 1,227.29 Lakhs (Previous Year : 650.31 Lakhs) towards statutory reserve fund.
- During the year ended 31 March 2023, the Company has issued 12,41,66,431 equity shares of face value of 10 per equity share at a premium of 2 per equity share amounting to 14,899.97 lakhs to its holding company 'Arka Financial Holdings Private Limited' on rights basis.
- Refer note no. 5.10 for disclosure on Employee Stock option Plan (ESOP).

NOTE 4.01 : Revenue from operations

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest income on financial assets measured at amortised cost:		
Interest on loans		
- Financing business	33,188.01	18,153.44
- Employee loan	1.51	2.46
Interest on investments		
- Debentures/bonds and Pass through certificates	1,368.21	468.30
- Commercial papers / Certificate of Deposits	206.12	303.98
Interest on Deposits		
- Deposits with banks	285.75	260.09
- Security deposits	24.45	22.06
Total	35,074.05	19,210.33
Fees and commission income		
- Syndication, advisory & other fees	810.25	503.40
Total	810.25	503.40
Net gain on sale of investments		
- Net gain on sale of investments	1,182.01	380.25
Total	1,182.01	380.25

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 4.01 : Revenue from operations (Contd..)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Net gain on fair value changes of investments		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investment in mutual funds	-	78.76
Total	-	78.76
Fair value changes		
- Realised	-	(7.94)
- Unrealised	-	86.70
Total	-	78.76

NOTE 4.02 : Other income

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Miscellaneous income		
- Other income	222.57	136.66
	222.57	136.66

NOTE 4.03 : Finance costs

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest expense on financial liabilities measured at amortised cost:		
Interest expense on borrowings		
Interest on term loan from banks and NBFCs	12,579.37	5,781.86
Interest on overdraft facility from banks	13.85	9.04
Interest on lease liability	23.32	39.87
Interest expense on debt securities		
Debentures	4,941.34	2,193.28
Commercial papers	891.81	679.96
Interest expense on subordinated debt	369.00	-
Other interest expense		
Bank charges & other related costs	798.59	469.73
	19,617.28	9,173.74

NOTE 4.04 : Net loss on fair value changes

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Net loss on fair value changes	76.10	-
	76.10	-

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 4.05 : Impairment on financial instruments

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Impairment on financial instruments at amortised cost:		
Impairment on loans		
Provision for expected credit loss	579.47	416.81
Write offs (net of recovery)	26.09	-
Impairment on investments		
Provision for expected credit loss	82.39	(34.34)
Impairment on others		
Undrawn loan commitments	(89.19)	175.14
	598.76	557.61

NOTE 4.06 : Employee benefit expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries, other allowances and bonus	5,976.09	4,434.42
Gratuity expenses	32.70	20.97
Leave encashment	15.95	26.45
Contribution to provident and other funds	115.61	80.05
Share based payment expense	136.78	94.25
Staff welfare expenses	34.82	20.13
	6,311.95	4,676.27

NOTE 4.07 : Depreciation and amortisation expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Depreciation of property, plant and equipment	308.24	285.31
Amortisation of intangible assets	85.36	80.03
	393.60	365.34

NOTE 4.08 : Other expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Rent	78.07	3.10
Insurance	105.44	51.82
Other repairs and maintenance	45.51	41.77
Travelling and conveyance	146.05	52.68
Communication expenses	8.14	6.63
Printing and stationery	14.83	4.92
Professional charges	690.67	339.72
Membership and subscription	33.50	14.44
Auditor's remuneration	19.71	21.10
Technology expenses	243.57	253.85

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 4.08 : Other expenses (Contd..)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Custodian charges	0.83	1.80
Directors' sitting fees	28.25	17.20
Electricity charges	12.56	9.55
Office expenses	50.97	29.18
Postage and courier	7.11	2.55
ROC Expenses	0.26	0.43
GST expenses	394.71	210.33
Stamp duty	27.83	13.19
Housekeeping and security charges	29.98	25.00
Corporate social responsibilities expenses	70.93	28.56
Loss on Disposal of Fixed Asset	0.38	-
Branding and advertisement expenses	1.42	-
	2,010.72	1,127.82
Payment to auditor includes:		
a) as statutory auditors	17.20	17.00
b) for certification related matters	1.98	4.10
c) for other services	0.53	-
Total	19.71	21.10
Details for expenditure on Corporate Social Responsibility:		
a) Gross amount required to be spent during the year	70.93	28.55
b) Amount spent during the year:		
- Expenses paid in cash	70.93	28.56
- Expenses yet to be paid for	-	-
Total	70.93	28.56
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	70.93	28.56
The donation is towards the expenses related to activities for admission process, payment of salaries, professional fees for education services, library subscriptions, books etc.		
Total	70.93	28.56

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 4.09 : Income Tax

Tax expense

(a) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Current tax expense		
Current income tax	2,450.07	1,535.13
(Excess)/short provision related to earlier years	333.12	-
	2,783.19	1,535.13
Deferred tax expense		
Origination and reversal of temporary differences	(639.18)	(378.17)
	(639.18)	(378.17)
Tax expense reported in the statement of profit and loss	2,144.01	1,156.96

(b) Amounts recognised in other comprehensive income (OCI)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit liability (asset)	(0.93)	0.05
Deferred tax charged to OCI	(0.93)	0.05

(c) Reconciliation of tax expense

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Accounting profit before income tax expense	8,280.47	4,408.62
Tax @ 25.168% (31 March 2022 : 25.168%)	2,084.03	1,109.56
Difference in tax rate due to:		
- Effect of non-deductible expenses	59.28	40.59
- Excess/ short provision related to earlier years and Others	0.70	6.80
Total Tax Expenses	2,144.01	1,156.95
Effective tax rate	25.89%	26.24%

The Company does not have unused tax losses

NOTE 5.01 : Earnings per share (EPS)

Basic EPS calculated by dividing the net profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders (after adjusting profit impact of dilutive potential equity shares, if any) by the aggregate of weighted average number of equity shares outstanding during the year and the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.01 : Earnings per share (EPS) (Contd..)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
I. Profit attributable to equity holders (A)		
Profit attributable to equity holders for basic and diluted EPS	6,136.46	3,251.66
II. Weighted average number of equity shares for calculating Basic EPS (B)	85,53,83,033	72,46,33,323
III. Weighted average number of equity shares for calculating Diluted EPS (C)	86,36,11,131	73,06,89,663
IV. Basic earnings per share (₹)	0.72	0.45
V. Diluted earnings per share (₹)	0.71	0.45

NOTE 5.02 : Financial instruments – Fair values

A. Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using a valuation technique.

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

Particulars	As at 31 March 2023							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Mutual Funds	13,002.02	-	-	13,002.02	13,002.02	-	-	13,002.02
(b) Investments in Debentures	-	-	21,975.60	21,975.60	21,975.60	-	-	21,975.60
(c) Investments in Commercial papers	-	-	1,488.92	1,488.92	-	-	1,488.92	1,488.92
(d) Investments in Pass through certificates (PTCs)	-	-	2,720.22	2,720.22	-	-	2,720.22	2,720.22
Total	13,002.02	-	26,184.74	39,186.76	34,977.62	-	4,209.14	39,186.76

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

A. Accounting classification and fair values (Contd..)

Particulars	As at 31 March 2022							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Mutual Funds	8,789.03	-	-	8,789.03	8,789.03	-	-	8,789.03
(b) Investments in Debentures	-	-	2,791.29	2,791.29	2,791.29	-	-	2,791.29
(c) Investments in Commercial papers	-	-	-	-	-	-	-	-
(d) Investments in Pass through certificates (PTCs)	-	-	4,606.56	4,606.56	-	-	4,606.56	4,606.56
Total	8,789.03	-	7,397.85	16,186.88	11,580.32	-	4,606.56	16,186.88

The management has assessed that the carrying amounts of cash and cash equivalents, loans carried at amortised cost, other financial assets, trade payables, borrowings, working capital demand loans and other current liabilities are a reasonable approximation to their fair value.

B. Fair value hierarchy

Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to un-adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair-value-hierarchy under Ind AS 107 are described below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and place limited reliance on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level. This is the case for unlisted equity securities included in level 3.

NOTE 5.03 : Financial instruments risk management

The Company has exposure to the following risks from financial instruments:

- (A) Regulatory Risk;
- (B) Credit Risk;
- (C) Liquidity Risk;
- (D) Operational Risk;
- (E) Reputation Risk; and
- (F) Strategic Risk

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

(A) Regulatory Risk;

The company being an NBFC shall have exposure to risk related to non-compliance to regulatory guidelines, laws as applicable. Such non-compliance may result in levy of heavy penalties and fines by the regulator, as well as, reputational loss to the company. The risk can arise due to non-compliance to applicable guidelines and/or lack of monitoring and follow-up on the implementation of applicable laws.

Mitigation:

- The compliance and legal / secretarial department shall submit a compliance certificate post ensuring adherence to applicable laws on quarterly basis to the Risk Committee.
- The Board shall take note of the compliance certificate and Compliance officer shall report to Board in case of any material non-compliance.
- The Board shall do a regular review of risk and identify gaps if any and take corrective actions.

(B) Credit Risk;

The company is subject to credit risk in terms of non-recovery of interest as well as principal amount of the money lent by the company to its customers. Such risk can arise due to inadequate documentation or evaluation of the borrower, default by the existing borrowers, external factors such as political volatility in the region of exposure concentration, amongst many other factors leading to loss of revenue for the company.

Mitigation:

- The company has formed a Credit procedures and policy to address the risk.
- Continuous monitoring mechanism is developed by adopting various checks and controls in the process.
- The Company has set up a Credit Committee for approval of the lending in both Retail Operations and Wholesale lending, the decision by the Credit Committee shall be binding on the Business Department. The Credit Committee is empowered to deploy, monitor, manage the funds of the Company in terms of its charter as approved by the Board if the Company.

(C) Liquidity Risk;

The risk arises due to asset liability mismatch. The inadequacy of the company in increasing its asset base, managing any unplanned changes in funding sources and meeting the financial commitments when required may result in non-liquidity.

Mitigation:

- The company has Asset Liability Management Policy in line with the RBI guidelines.
- The Asset Liability Management Committee (ALCO) is responsible for managing the risk arising out of exposures to interest rate changes and mismatches between assets and liabilities.

(D) Operational Risk;

Operational risk is the risk arising out of failure of internal process, people and systems put in place by the company. Such risk may also arise out of the external factors as well as internal control system failure defeating the core objective of the company operations.

Mitigation:

- The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include maker-checker controls, effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

(E) Reputation Risk;

The company being an NBFC is subject to reputational loss arising due to various other risks such as Regulatory non-compliance, Operational breakdown or Borrower Dissatisfaction.

Mitigation:

- Company has formed HR Policy in order to address any concerns of the employees internally.
- Company has created Fair Practice Code which sets out the Grievance Redressal Mechanism in order to address customer concerns.
- The fair practice code also ensures that the company does not rely upon any coercive activities in order to recover the money from borrowers.

(F) Strategic Risk;

The risk arising out of non-responsiveness of business in adapting to internal as well as external environment. Such risk arises when the business strategies are not flexible to factor in the macro factors.

Mitigation:

- The Board and Risk Committee are made ultimate responsible authorities in order to ensure that the risk in the organization are mitigated as well as monitored.
- The Risk/ALCO committee are given responsibility of recommending the changes in the risk appetite of the company.

NOTE 5.04 : Capital Disclosure

The Company maintains adequate capital to cover risks inherent in the business and is meeting the capital adequacy requirements of our regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

Company has complied in full with all its externally imposed capital requirements over the reported period.

The primary objectives of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company maintains its capital structure in line with economic conditions and the risk characteristics of its activities. The Board of directors reviews the capital position on a regular basis.

Particulars	As at 31 March 2023	As at 31 March 2022
CRAR – Tier I capital (%)	24.04%	30.57%
CRAR – Tier II capital (%)	1.44%	0.34%
CRAR (%)	25.48%	30.92%
Amount of subordinated debt raised as Tier-II capital (Lakhs)	6,000.00	Nil
Amount raised by issue of Perpetual Debt Instruments	Nil	Nil

Liquidity Coverage Ratio (LCR) is not applicable to the Company as per RBI Master Directions 2016

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.05(A) : Related Party Disclosure as per Ind AS regulations

Related Party Disclosures, as required by Indian Accounting Standard 24 (Ind AS 24) are given below:

A. Related Parties Relationship

(i) Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company Name
1	Ultimate Holding Company	Kirloskar Oil Engines Limited (w.e.f. 5 January 2022)
2	Holding Company	Arka Financial Holdings Private Limited (w.e.f. 5 January 2022)
3	Subsidiary Company of Holding Company	Arka Investment Advisory Services Private Limited (w.e.f. 30 March 2022)
4	Subsidiary Company of Ultimate Holding Company	La-Gajjar Machineries Private Limited Optiqua Pipes and Electricals Private Limited Kirloskar Americas Corp. USA
5	Entity under common group	Arka Credit Fund I

(ii) Key Management Personnel and their relatives:

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Vimal Bhandari (Executive Vice Chairman & CEO)	Vibha V. Bhandari	Wife
		Vatsal V Bhandari	Son
		Shivani Bhandari	Son's Wife
		Vandini V Bhandari	Daughter
		Shree Krishna M Gupta	Daughter's Husband
		Pushpa Bhandari	Mother
		Ashok Bhandari	Brother
		Asha Singhvi	Sister
		Vibha Doshi	Sister
	Jayashree Mehta	Sister	

(iii) Key Management Personnel of Ultimate Holding Company and their relatives:

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Gauri Kirloskar (w.e.f. 20 May 2022)	Arti A. Kirloskar	Mother
		Atul C. Kirloskar	Father
		Aditi A. Kirloskar (Sahni)	Sister
		Christopher Kolenaty	Husband
		Maya Kolenaty	Daughter
	Pia Kolenaty	Daughter	

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

B. Transactions with Related Parties

Sr. No.	Nature of the transaction / relationship / major parties	2022-23		2021-22	
		Amount	Amount from major parties	Amount	Amount from major parties
	Capital Contribution received from				
	Holding Company	14,899.68		12,999.76	
1	Kirloskar Oil Engines Limited (Upto 4 Jan 2022)		-		4,999.76
	Arka Financial Holdings Private Limited (w.e.f. 5 Jan 2022)		14,899.68		8,000.00
	Total	14,899.68	14,899.68	12,999.76	12,999.76
	Loan given to				
	Subsidiary Company of Ultimate Holding Company	321.23		-	
2	Optiqua Pipes and Electricals Private Limited		321.23		-
	Total	321.23	321.23	-	-
	Loan repayment from				
	Subsidiary Company of Ultimate Holding Company	321.23		-	
3	Optiqua Pipes and Electricals Private Limited		321.23		-
	Total	321.23	321.23	-	-
	Interest & fees received on loan given				
	Subsidiary Company of Ultimate Holding Company	6.10		-	
4	Optiqua Pipes and Electricals Private Limited		6.10		-
	Total	6.10	6.10	-	-
	Interest expenses on NCD issued to				
	Key Management Personnel	13.16		14.44	
5	Vimal Bhandari		13.16		14.44
	Total	13.16	13.16	14.44	14.44
	Expenses incurred on behalf of holding company	73.48		17.48	
6	Arka Financial Holdings Private Limited		73.48		17.48
	Total	73.48	73.48	17.48	17.48
	Expenses incurred on behalf subsidiary company of holding company	32.37		-	
7	Arka Investment Advisory Services Private Limited		32.37		-
	Total	32.37	32.37	-	-
	Reimbursement of Expenses from holding company	15.01		8.26	
8	Arka Financial Holdings Private Limited		15.01		8.26
	Total	15.01	15.01	8.26	8.26
	Managerial Remunerations:				
	Key Management Personnel	585.34		530.85	
9	Vimal Bhandari		585.34		530.85
	Total	585.34	585.34	530.85	530.85

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

B. Transactions with Related Parties (Contd..)

Sr. No.	Nature of the transaction / relationship / major parties	2022-23		2021-22	
		Amount	Amount from major parties	Amount	Amount from major parties
Balances with related parties					
	Non convertible debentures issued	150.00		150.00	
1	Vimal Bhandari		150.00		150.00
	Total	150.00	150.00	150.00	150.00
	Receivable from holding company	114.22		25.73	
2	Arka Financial Holdings Private Limited		114.22		25.73
	Total	114.22	114.22	25.73	25.73
	Subsidiary Company of Holding Company	32.37		-	
3	Arka Investment Advisory Services Private Limited		32.37		-
	Total	32.37	32.37	-	-

Notes

- As on 31st March 2023, the Company has approved in its Board Meeting, 5,000.00 Lakhs towards investments in Arka Credit Fund I
- The above compensation of the Company's key managerial personnel does not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave encashment & gratuity.
- The amounts are inclusive of GST wherever applicable.

Terms and conditions of transactions with related parties

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.05(B) : Related Party Disclosure pursuant to RBI Circular No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.2018/2022-23 - Disclosures in Financial Statements- Notes to Accounts of NBFCs

Particulars	Ultimate Holding Company		Holding Company		Fellow Subsidiary (Subsidiary of Holding Company)		Fellow Subsidiary (Subsidiary of Ultimate Holding Company)		Private Company in which a director is a director		Entity under common group		Key Management Personnel		Key Management Personnel		
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2021-22
Others																	
Capital Contribution received	-	4,999.76	14,899.68	8,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments done on behalf	-	-	73.48	17.48	32.37	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses from	-	-	15.01	8.26	-	-	-	-	5.43	-	-	-	-	-	-	-	-
Services availed	-	-	-	-	-	-	-	-	1.90	-	-	-	-	-	-	-	-
Remuneration ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	28.25	17.20	821.57	713.20	-

Notes

- Key Management Personnel (other than directors) include following persons:
 - Mr. Vimal Bhandari - Executive Vice Chairman and CEO
 - Mr. Amit Kumar Gupta - CFO
 - Ms. Niki Mehta - Company Secretary (w.e.f. 22 July 2022)
 - Mr. Amit Bondre - Company Secretary (upto 26 April 2022)
- As on 31st March 2023, the Company has approved in its Board Meeting, 5,000.00 Lakhs towards investments in Arka Credit Fund I
- Remuneration to Non-Executive Directors represents sitting fees for attending board meetings
- The Company does not have any subsidiary companies or Associates / Joint Ventures as on reporting date or as on previous year.
- The Company does not have any transactions with relatives of Key Management Personnel during current year or previous year.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.06 : Contingent liabilities and Commitments

Particulars	As at 31 March 2023	As at 31 March 2022
Contingent liabilities	Nil	Nil
Capital commitments:		
Estimated amount of contracts remaining to be executed on capital account	21.24	-
Loans sanctioned not yet disbursed	39,827.94	45,589.97
Investment in Arka Credit Fund I	5,000.00	-

NOTE 5.07 : Leases

Where the Company is a lessee

The Ministry of Corporate Affairs (MCA) notified Ind AS 116, the new leases accounting standard on 30 March 2019. Ind AS 116 come into force on 1 April 2019.

Ind AS 116 have replaced the previous guidance in Ind AS 17, 'Leases'. Ind AS 116 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Ind AS 116 requires lessees to recognize assets and liabilities arising from all leases (except for short-term leases and leases of low-value assets) in the Balance sheet. The Company have capitalised all assets currently held under operating leases. Operating lease expenses have been replaced by a depreciation expense on Right of Use assets recognised and an interest expense as the incremental borrowing rate in the lease liabilities unwinds.

Disclosures as required by Ind AS 116 'Leases' are given below:

(A) Lease liability movement

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liability at beginning of the year	291.18	439.82
Add: Interest on lease liability	23.32	39.87
Add: Lease liability recognised during the year	-	50.59
Less: Lease rental payments	(180.85)	(184.17)
Less: Lease liability de-recognised during the year	(38.26)	(54.92)
Lease liability at the end of the year	95.40	291.18

(B) Future lease cashflow for all leased assets

Particulars	As at 31 March 2023	As at 31 March 2022
Minimum Lease Payments:		
Not later than one year	98.84	181.90
Later than one year but not later than five years	-	143.70
Later than five years	-	-

(C) Maturity analysis of lease liability

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liability:		
Less than 12 months	95.40	158.24
More than 12 months	-	132.95

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.08 : Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

Particulars	As at 31 March 2023	As at 31 March 2022
a. Principal and interest amount remaining unpaid (not due)	17.73	9.72
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

NOTE 5.09 : Disclosure pursuant to Employee benefits

Defined contribution plan (Provident fund):

The Company makes specified monthly contributions towards employee provident fund to government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

The provident fund payment recognised as expenses and included in Employee benefit expenses during the current year .115.61 Lakhs (March 2022: 80.05 Lakhs).

Defined benefit plans: The Company has following Defined benefit plans:

- A Gratuity
- B Compensated Absences
- C Long term incentive plan (LTIP) (upto 31 March 2022)

Based on Ind AS 19 'Employee Benefits' notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, the following disclosures have been made as required by the standard:

Particulars	As at 31 March 2023	As at 31 March 2022
A (i) Gratuity:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	79.86	45.04
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	79.86	45.04
(ii) Compensated Absences:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	59.45	51.03
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	59.45	51.03

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Defined contribution plan (Provident fund): (Contd..)

Particulars	As at 31 March 2023	As at 31 March 2022
(iii) Long term incentive plan:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	195.65	195.65
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	195.65	195.65
B (i) Gratuity:		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	45.04	24.28
Current service cost	28.30	19.44
Past service cost	-	-
Interest cost	2.84	1.53
Benefits paid	-	-
Actuarial (gain) / loss on obligation	3.68	(0.22)
Projected benefit obligation at the end of the year	79.86	45.04
(ii) Compensated Absences:		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	51.03	33.97
Current service cost	23.43	20.88
Past service cost	-	-
Interest cost	3.22	2.14
Benefits paid	-	-
Remeasurements on obligation - (Gain) / Loss	(18.23)	(5.96)
Projected benefit obligation at the end of the year	59.45	51.03
C (i) Gratuity:		
Amount recognised in the statement of profit and loss		
Current service cost	28.30	19.44
Past service cost and loss/(gain) on curtailments and settlement	-	-
Net interest cost	2.84	1.53
Expenses recognised in the statement of profit and loss	31.14	20.97
(ii) Compensated Absences:		
Amount recognised in the statement of profit and loss		
Current service cost	23.43	20.88
Remeasurements on obligation - (Gain) / Loss	(18.23)	(5.96)
Net interest cost	3.22	2.14
Expenses recognised in the statement of profit and loss	8.42	17.06
(iii) Long term incentive plan		
Amount recognised in the statement of profit and loss		
Current service cost	-	195.65
Remeasurements on obligation - (Gain) / Loss	-	-
Net interest cost	-	-
Expenses recognised in the statement of profit and loss	-	195.65

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Defined contribution plan (Provident fund): (Contd..)

Particulars	As at	
	31 March 2023	31 March 2022
D (i) Gratuity:		
Amount recognised in other comprehensive income		
Actuarial (gains) / loss		
- change in financial assumption	4.06	-
- change in demographic assumption	(2.62)	(0.99)
- experience variation	2.24	0.77
Amount recognised in other comprehensive income	3.68	(0.22)
E Assumptions used		
Discount rate (gratuity and compensated absences)	7.30%	6.30%
Discount rate (Long term incentive plan)	NA	4.60%
Rate of increase in compensation levels	8.00%	4.00%
Expected average remaining working lives of employees (in years)	3.26	4.72
Retirement Age	60 years 63 years	60 years 63 years
Withdrawal Rate	30.00%	20.00%

F Sensitivity analysis - Gratuity

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at 31 March 2023		As at 31 March 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	77.66	82.20	43.31	46.91
Salary growth rate (1% movement)	81.48	78.28	46.56	43.61
Withdrawal rate (1% movement)	75.47	75.70	44.82	45.26

G Sensitivity analysis - Compensated Absences

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at 31 March 2023		As at 31 March 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	57.98	61.01	49.45	52.75
Salary growth rate (1% movement)	60.51	58.43	52.35	49.79
Withdrawal rate (1% movement)	61.98	56.80	54.61	47.24

H Sensitivity analysis - Long term incentive plan

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at 31 March 2023		As at 31 March 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	-	-	197.41	193.92
Salary growth rate (1% movement)	-	-	197.53	193.77
Withdrawal rate (1% movement)	-	-	197.92	193.37

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

I Other information:

1. The plan is unfunded as on the valuation date.
2. Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 5.55 years for Gratuity and 2.37 years for Compensated Absences.
3. The expected payment expected to be paid in next year Rs 0.24 Lakhs for Gratuity and Rs. 24.46 Lakhs for Compensated Absences.

NOTE 5.10 : Employee stock option plans

The Company provides share-based employee benefits to the employees of the Company. The relevant details of the schemes and the grant are as below.

Description of share-based payment arrangements:

As at 31 March 2023, the Company has the following share-based payment arrangements:

Share option plans (equity settled):

According to the Schemes, the employee selected by the Nomination and remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Plan was approved by Board of Directors on 24 April 2019 and by the shareholders in EGM dated 2 May 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of Rs. 10 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Company, the Nomination and Remuneration Committee had made grants, the details of the same are produced in the below table.

I. Details of the ESOP:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
ESOP Plan/ Scheme	ESOP - 2019	ESOP - 2019	ESOP - 2019	ESOP - 2019
Date of Grants	06 May 2019	01 November 2019	02 November 2020	18 July 2022
Vesting Requirements	Vesting Criteria is specified for each Option Holder by the Nomination and Remuneration Committee at the time of grant of Options.			
Maximum term of Options granted (years)	Vesting period of option vary from employee to employee or class of employees. the maximum vesting period of option is five years from the date of grant of option. Options shall be capable of being exercised within a period of 6 years from the Date of Vesting.			
Method of Settlement	Equity			
Method used for accounting of options	Fair Value Method			

II. Option Movement during the year ended Mar 2023:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
No. of Options Outstanding at the beginning of the year	2,06,50,000	12,50,000	10,75,000	-
Options Granted during the year	-	-	-	1,00,00,000
Options Forfeited / Lapsed during the year	-	-	7,50,000	50,000
Options Exercised during the year	-	-	-	-
Number of options Outstanding at the end of the year	2,06,50,000	12,50,000	3,25,000	99,50,000
Number of Options exercisable at the end of the year	2,06,30,000	7,50,000	97,500	-
The weighted average share price of shares exercised during the year ended 31 March 2023	NA	NA	NA	NA

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Option Movement during the year ended Mar 2022:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
No. of Options Outstanding at the beginning of the year	2,06,50,000	13,00,000	10,75,000	NA
Options Granted during the year	-	-	-	NA
Options Forfeited / Lapsed during the year	-	35,000	-	NA
Options Exercised during the year	-	15,000	-	NA
Number of options Outstanding at the end of the year	2,06,50,000	12,50,000	10,75,000	NA
Number of Options exercisable at the end of the year	1,95,75,000	3,75,000	1,07,500	NA
The weighted average share price of shares exercised during the year ended 31 March 2022	NA	10	NA	NA

III. Weighted Average remaining contractual life:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
Range of Exercise Price (₹ per share)	10	10	11	12
No. of Options Outstanding as on 31 March 2023	2,06,50,000	12,50,000	3,25,000	99,50,000
Contractual Life: Granted but not vested (in years)	0.01	0.27	0.98	1.76

IV. Method and Assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model. The Assumptions used in the model are as follows:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
Risk Free Interest Rate	7.40%	6.60%	5.80%	7.17%
Weighted average expected life (in years)	6	7	7	5
Expected Volatility	1.00%	1.00%	1.00%	19.45%
Weighted average exercise price (₹ per share)	10.00	10.00	11.00	12.00

V. Effect of share-based payment transactions on the entity's Profit or Loss for the year:

Particulars	31 March 2023	31 March 2022
Employee share based expense	136.78	94.25
Total ESOP reserve outstanding at the end of the year	927.21	793.18

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.11 : Maturity pattern of Assets and Liabilities

Financial statements of the Company are disclosed in the format of order of liquidity. An analysis of its assets and liabilities according to their timing of recoverability and settlement has been presented below in a tabulated format.

Particulars	Note	As at 31 March 2023			As at 31 March 2022		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS							
Financial assets							
Cash and cash equivalents	3.01	21,438.88	-	21,438.88	13,170.32	-	13,170.32
Bank balances other than cash and cash equivalents	3.02	1,022.19	-	1,022.19	1,015.42	-	1,015.42
Trade receivable	3.03	-	-	-	43.74	-	43.74
Loans	3.04	1,36,815.55	2,31,757.33	3,68,572.88	95,696.39	1,34,212.00	2,29,908.39
Investments	3.05	29,927.23	9,174.55	39,101.78	8,786.45	7,397.85	16,184.30
Other financial assets	3.06	827.51	273.22	1,100.73	35.79	241.00	276.79
Non-financial assets							
Current tax assets (net)	3.07	445.86	-	445.86	370.17	-	370.17
Deferred tax assets (net)	3.08	-	1,292.82	1,292.82	-	652.72	652.72
Property, plant and equipment	3.09	-	313.71	313.71	-	523.49	523.49
Intangible assets	3.10	-	256.15	256.15	-	337.01	337.01
Other non-financial assets	3.11	242.71	21.73	264.44	203.37	14.00	217.37
TOTAL ASSETS		1,90,719.93	2,43,089.51	4,33,809.44	1,19,321.65	1,43,378.07	2,62,699.72

Particulars	Note	As at 31 March 2023			As at 31 March 2022		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
LIABILITIES							
Financial liabilities							
Trade payables	3.12	162.21	-	162.21	134.09	-	134.09
Debt securities	3.13	41,922.35	67,819.80	1,09,742.15	16,951.09	40,474.38	57,425.47
Borrowings (other than debt securities)	3.14	89,112.96	1,06,408.92	1,95,521.88	57,108.75	59,859.33	1,16,968.08
Subordinated Debt	3.15	369.00	5,948.82	6,317.82	-	-	-
Other financial liabilities	3.16	12,673.11	-	12,673.11	2,167.41	132.95	2,300.36
Non-financial liabilities							
Provisions	3.17	26.54	440.16	466.70	20.18	492.47	512.65
Other non-financial liabilities	3.18	4,072.61	-	4,072.61	1,676.57	-	1,676.57
TOTAL LIABILITIES		1,48,338.78	1,80,617.70	3,28,956.48	78,058.10	1,00,959.12	1,79,017.22

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.12 : Asset liability management

Particulars	1 to 7 days	8 to 14 days	15 to 30/31 days	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
LIABILITIES										
Deposits	-	-	-	-	-	-	-	-	-	-
Borrowings from banks	753.41	300.00	1,501.26	4,327.13	10,779.49	21,936.01	36,094.26	85,206.23	6,836.16	-
Market borrowings	395.44	-	3,610.63	5,213.37	15,032.07	13,364.05	18,097.20	72,354.22	15,780.92	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
ASSETS										
Loans & advances	2,498.47	6,479.15	8,191.80	9,158.17	8,680.62	39,816.42	60,170.21	1,46,991.80	19,826.21	68,029.43
Investments	-	2,334.71	6,531.74	113.43	13,117.34	8,581.52	928.30	7,579.72	-	-
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-

The above disclosure is made as per RBI Guidelines on Liquidity Risk Management Framework

In addition to the investments shown in the table above, the Company also has cash & equivalents and undrawn funding lines as under:

- Cash & Cash Equivalents (refer note 3.01)	21,438.88
- Undrawn funding lines	12,600.00
Total	34,038.88

NOTE 5.13 : Exposure to Real Estate Sector

Particulars	As at 31 March 2023	As at 31 March 2022
i) Direct exposure		
a) Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Exposure would also include non-fund based (NFB) limits.	58,263.93	59,413.23
b) Commercial Real Estate		
Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	1,46,455.29	21,143.58
c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
- Residential	1,829.54	2,791.29
- Commercial Real Estate	908.50	-
ii) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
Total Exposure to Real Estate Sector	2,12,465.16	85,222.49

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 5.14 : Exposure to Capital Market

Particulars	As at 31 March 2023	As at 31 March 2022
i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	31,594.75	23,992.44
iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	8,905.63
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	5,019.73
vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii) Bridge loans to companies against expected equity flows / issues;	-	-
viii) Underwriting commitments taken up by the NBFCs in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
ix) Financing to stockbrokers for margin trading	-	-
x) All exposures to Alternative Investment Funds:	-	-
(i) Category I	-	-
(ii) Category II	5,000.00	-
(iii) Category III	-	-
Total Exposure to Capital Market	36,594.75	37,917.80

NOTE 6.01 : Disclosures Pursuant to Annex XVI to Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

I. Significant accounting policies

Significant accounting policies have been given in Note No 2 of the financial statements.

II. Capital

The disclosure related to capital has been given in Note No 5.04 in the financial statements.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

III. Investments

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	39,186.76	16,186.88
(b) Outside India	-	-
(ii) Provision for Depreciation*		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	39,186.76	16,186.88
(b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off/ write-back of excess provision during the year	-	-
(iv) Closing balance	-	-

* ECL Provision on investments are not considered here.

IV. Derivatives

During the current and previous year, the Company has not entered into any derivative contract and at the year-end there is no outstanding derivative contract. Therefore, disclosures pertaining to derivatives are not applicable.

V. Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

The disclosure on Asset Liability Management Maturity pattern has been given in Note No 5.12 of the financial statements

VI. Exposure to Real Estate Sector

The disclosure on exposure to real estate sector has been given in Note No 5.13 of the financial statements

VII. Exposure to Capital Market

The disclosure on exposure to capital market has been given in Note No 5.14 of the financial statements

VIII. Details of financing of parent Company products : None

IX. Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by NBFC:

The Company has not exceeded the Single Borrower Limit (SBL) / Group Borrower Limit (GBL) during the financial year.

X. Unsecured Advances against intangible securities : None

XI. Registration obtained from other financial sector regulators : None

XII. Disclosure of penalties imposed by RBI and other regulators : None

XVI. Related Party Transactions :

Details of all material transactions with related parties has been given in Notes No 5.05(B) of the financial statements.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

XVII. Rating assigned by credit rating agencies and migration of ratings during the year/period

Sr No	Instrument		For the year ended 31 March 2023	For the year ended 31 March 2022
1	Bank Loan Facilities	CRISIL	AA-	AA-
2	Commercial Paper	CRISIL	A1+	A1+
		INDIA RATINGS	A1+	A1+
3	Market Linked Debentures (MLD)	CRISIL	PPMLD AA-	PPMLD AA-
4	NCD	CRISIL	AA-	AA-
		INFOMERICS	-	AA-

XVIII. Remuneration of Directors :

Sr No	Instrument	For the year ended 31 March 2023	For the year ended 31 March 2022
1	Transactions with the Non-Executive Directors		
	Payment of Director Sitting fees	28.25	17.20

XIX. Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items impacting current year's profit and loss except tax provision which is disclosed separately in the statement of profit and loss. There are no changes in accounting policies during current year.

XX. Revenue Recognition

There is no postponement of revenue due to pending resolution of significant uncertainties.

XXI. Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Provisions for depreciation on Investment	-	-
2 Provision towards NPA	104.65	-
3 Provision made towards Income tax	2,450.07	1,535.13
4 Other Provision and Contingencies	-	-
5 Provision for Standard Assets	468.02	557.61

XXII. Draw down from reserves : None

XXIII. Concentration of Advances

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Total Advances to twenty largest borrowers	1,45,904.39	1,22,288.38
2 Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	39.45%	53.03%

XXIV. Concentration of Exposures

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Total Exposures to twenty largest borrowers	1,54,357.19	1,37,848.16
2 Percentage of Exposures to twenty largest borrowers to Total Exposures of the Company	35.41%	49.91%

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

XXV. Concentration of NPA

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Total Exposure to top four NPA accounts	31.70	-

XXVI. Sectorwise NPA (% of NPA to Total Advances in that sector)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Agriculture and allied activities	-	-
2 MSME	-	-
3 Corporate borrowers	-	-
4 Services	0.00%	-
5 Unsecured personal loans	1.23%	-
6 Auto loans	-	-
7 Other personal loans	0.22%	-

XXV. Movement of NPAs

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 Net NPAs to Net Advances (%)	-	-
2 Movement of NPAs (Gross)		
(a) Opening balance	-	-
(b) Additions during the year	116.27	-
(c) Reductions during the year	81.73	-
(d) Closing balance	34.54	-
3 Movement of Net NPAs		
(a) Opening balance	-	-
(b) Additions during the year	-	-
(c) Reductions during the year	-	-
(d) Closing balance	-	-
4 Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	-	-
(b) Additions during the year	104.65	-
(c) Reductions during the year	-	-
(d) Closing balance	104.65	-

XVIII. Overseas Assets (for those with joint ventures and Subsidiaries abroad):

There are no Overseas Assets.

XIX. Off- balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms):

There are no Off-balance Sheet SPVs sponsored by the Company which are required to be consolidated as per accounting norms.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

XX. Customer Complaints

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1 No. of complaints pending at the beginning of the period	-	-
2 No. of complaints received during the period	13	-
3 No. of complaints redressed during the period	13	-
4 No. of complaints pending at the end of the period	-	-

XXI. Loan against security of single product - Gold Jewellery

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Percentage of Loan against security of single product - Gold Jewellery to Total Assets	0.48%	Nil

No auctions have been conducted by the Company during the current year and previous year.

NOTE 6.02 (A) : Additional disclosures Pursuant to RBI Circular No. RBI/2022-23/26 DOR.ACC. REC.No.20/21.04.2018/2022-23 - Disclosures in Financial Statements- Notes to Accounts of NBFCs

I. Sectoral Exposure

Sectors	Current Year			Previous Year		
	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
1 Agriculture and Allied Activities	-	-	0.00%	-	-	0.00%
2 Industry						
i Micro and Small	28,054.67	-	0.00%	7,550.44	-	0.00%
ii Medium	1,733.51	-	0.00%	-	-	0.00%
iii Large	2,70,794.08	-	0.00%	2,25,719.25	-	0.00%
iv Others	38,115.13	80.29	0.21%	-	-	0.00%
Total of Industry (i+ii+iii+Others)	3,38,697.39	80.29	0.02%	2,33,269.69	-	0.00%
3 Services						
i NBFCs	21,319.11	-	0.00%	12,649.73	-	0.00%
ii Retail Trade	14,245.05	0.90	0.01%	19,105.31	-	0.00%
iii Wholesale Trade (other than Food Procurement)	11,219.21	-	0.00%	-	-	0.00%
Others	47,994.38	-	0.00%	17,967.75	-	0.00%
Total of Services (i+ii+iii+Others)	94,777.75	0.90	0.00%	49,722.79	-	0.00%

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

I. Sectoral Exposure

Sectors	Current Year			Previous Year		
	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
4. Personal Loans						
i Education Loans	1,768.14	4.18	0.24%	-	-	0.00%
ii Others	698.66	30.90	4.42%	585.39	-	0.00%
Total of Personal Loans (i+ii)	2,466.80	35.08	1.42%	585.39	-	0.00%
5. Others, if any (please specify)	-	-	0.00%	-	-	0.00%

II. Intra-group exposures

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
i) Total amount of intra-group exposure	500.00	Nil
ii) Total amount of top 20 intra-group exposures	Nil	Nil
iii) Percentage of intra-group exposures to total exposure of the NBFC on borrowers/customers	0.11%	Nil

III. Unhedged Foreign Currency Exposure

The Company does not have any unhedged foreign currency exposure for the year ended 31 March 2023 (Previous year : Rs Nil).

IV. Disclosure of complaints

1) Summary of information on complaints received by the Company from customers and from the offices of Ombudsman

Sr. No.	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
	Complaints received by the Company from its Customers		
1	Number of complaints pending at beginning of the year	-	-
2	Number of complaints received during the year	13	-
3	Number of complaints disposed during the year	13	-
	3.1 Of which, number of complaints rejected by the Company	-	-
4	Number of complaints pending at the end of the year	-	-
	Maintainable complaints received by the Company from Office of Ombudsman		
5	Number of maintainable complaints received by the Company from Office of Ombudsman	2	-
5.1	Of 5, number of complaints resolved in favour of the Company by Office of Ombudsman	2	-
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-	-

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

1) Summary of information on complaints received by the Company from customers and from the offices of Ombudsman

Sr. No.	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the Company	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

2) Top grounds of complaints received by the Company from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Current Year					
Loans and advances	-	4	100	-	-
Non receipt of documents	-	1	100	-	-
Reporting	-	8	100	-	-
Others	-	-	-	-	-
Total	-	13	100	-	-

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Previous Year					
Loans and advances	-	-	-	-	-
Non receipt of documents	-	-	-	-	-
Reporting	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-

V. Breach of Covenant

There are no instances of breach of covenants of loans availed or debt securities issued during the current year ended 31 March 2023 and previous year ended 31 March 2022.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 6.02 (B) : Disclosures Pursuant to RBI Circular No. RBI/2022-23/29 DOR.CRE.REC. No.25/03.10.001/2022-23 - Loans and Advances - Regulatory Restrictions - NBFCs

Loans sanctioned to Directors, Senior Officers and relatives of Directors

Sr. No.	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
1	Directors and their relatives	-	-
2	Entities associated with directors and their relatives	500.00	-
3	Senior Officers and their relatives	-	-

NOTE 6.03 (A) : Disclosures pursuant to Master Directions - RBI (Transfer of Loan Exposures) Directions, 2021 vide circular RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22

(i) Details of loans not in default acquired through assignments:

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Aggregate amount of loans acquired	18,826.24	5,939.48
Weighted average residual maturity (in years)	3.50	7.22
Weighted average holding period by originator (in years)	0.92	1.18
Retention of beneficial economic interest by the originator	10%	11%
Tangible security coverage	46%	80%
Rating-wise distribution of loans	Unrated	Unrated

(ii) Details of loans not in default transferred by way of Novation:

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Number of loans	3	1
Aggregate amount of loans transferred	5,303.00	2,400.00
Weighted average remaining maturity (in years)	2.70	2.25
Weighted average holding period after origination (in years)	0.82	2.25
Retention of beneficial economic interest	Nil	Nil
Coverage Tangible security coverage	100%	100%
Rating-wise distribution of loans	NA	NA
Number of transactions where transferee has agreed to replace the transferred loans	Nil	Nil
Number of transferred loans replaced	Nil	Nil

(iii) During the year, the company has not transferred / acquired loans in default.

NOTE 6.03 (B) : Disclosures pursuant to Master Direction - Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 vide circular RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22

The Company has not sold any of its assets during the current year and previous year by way of securitisation. Therefore, disclosure pertaining to securitisation is not applicable.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 6.04 : Disclosures pursuant to RBI Notification No. RBI/2019-20/170 DOR(NBFC). CC.PD.No.109/22.10106/2019-20

As per the said RBI notification, a comparison (as shown in below Appendix) between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by NBFC in the notes to their financial statements to provide a benchmark to their Boards, RBI supervisors and other stakeholders, on the adequacy of provisioning for credit losses.

As per the said notification, where impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), NBFC shall appropriate the difference from their net profit or loss after tax to a separate 'Impairment Reserve'. The balance in the 'Impairment Reserve' shall not be reckoned for regulatory capital. Further, no withdrawals shall be permitted from this reserve without prior permission from the Department of Supervision, RBI.

Appendix

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4) - (6)
Performing Assets						
Standard	Stage 1	3,95,797.64	1,256.95	3,94,540.69	1,481.61	(224.66)
	Stage 2	194.82	0.57	194.25	0.77	(0.20)
Subtotal		3,95,992.46	1,257.52	3,94,734.94	1,482.38	(224.86)
Non-Performing Assets (NPA)						
Substandard	Stage 3	34.54	104.65	(70.11)	11.53	93.12
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
	1 to 3 years	-	-	-	-	-
	More than 3 years	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		34.54	104.65	(70.11)	11.53	93.12
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	39,827.94	131.74	-	-	131.74
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		39,827.94	131.74	-	-	131.74
TOTAL	Stage 1	4,35,625.58	1,388.69	3,94,540.69	1,481.61	(92.92)
	Stage 2	194.82	0.57	194.25	0.77	(0.20)
	Stage 3	34.54	104.65	(70.11)	11.53	93.12
	Total	4,35,854.94	1,493.91	3,94,664.83	1,493.91	-

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 6.05 : Disclosures pursuant to Annex IV to Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Contd..)

ASSETS SIDE	As at 31 March 2023	As at 31 March 2022
(ii) Debentures and Bonds		
(iii) Units of mutual funds	13,002.02	8,789.03
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	15,492.02	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Commercial paper	1,488.92	-
(vi) Others - Pass through certificates	-	-
Long Term investments		
1. Quoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	6,483.59	2,791.29
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others - Pass through certificates	2,720.22	4,606.56

(6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category	As at 31 March 2023			As at 31 March 2022		
	Amount (net of provisions)					
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(i) Subsidiaries	-	-	-	-	-	-
(ii) Companies in the same group	-	-	-	-	-	-
(iii) Other related parties	-	-	-	-	-	-
2. Other than related parties	3,41,094.27	28,755.79	3,69,850.06	2,25,074.06	5,532.03	2,30,606.09

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	As at 31 March 2023		As at 31 March 2022	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(i) Subsidiaries	-	-	-	-
(ii) Companies in the same group	-	-	-	-
(iii) Other related parties	-	-	-	-
2. Other than related parties	39,186.76	39,099.11	16,186.87	16,184.29

(8) Other information

Particulars	As at 31 March 2023	As at 31 March 2022
(i) Gross Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	34.54	-
(ii) Net Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	-	-
(iii) Assets acquired in satisfaction of debt	-	-

Note 6.06: Trade receivables aging schedule - 31 March 2023

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	-	-	-	-	-	-
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables—considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Trade receivables aging schedule - 31 March 2022

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	43.74	-	-	-	-	43.74
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables—considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-

Note 6.07: Trade Payables aging schedule - 31 March 2023

Particulars	Not due	Outstanding for following periods from due date of payment#				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME*	17.73	-	-	-	-	17.73
(ii) Others*	144.48	-	-	-	-	144.48
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-	-

* The amount includes provision of Rs. 157.31 lacs which were unbilled as on 31 March 2023.

Trade Payables aging schedule - 31 March 2022

Particulars	Not due	Outstanding for following periods from due date of payment#				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	9.72	-	-	-	-	9.72
(ii) Others*	124.37	-	-	-	-	124.37
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-	-

* The amount includes provision of Rs. 43.83 lacs which were unbilled as on 31 March 2022.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Note 6.08: Other notes

6.08 (i): Accounting Ratios

Ratios	As at 31 March 2023	As at 31 March 2022
Debt-equity ratio ¹	3.02 : 1	2.1 : 1
Current ratio ²	1.29 : 1	1.53 : 1
Long term debt to working capital ³	4.25 : 1	2.43 : 1
Bad debts to Account receivable ratio	0.01%	Nil
Current liability ratio ⁴	0.45 : 1	0.44 : 1
Total debts to total assets ⁵	0.76 : 1	0.68 : 1
Gross NPA (%)	0.01%	Nil
Net NPA (%)	Nil	Nil
Capital adequacy ratio (CRAR)	25.48%	30.92%

¹ Debt = Debt Securities + Borrowings (other than debt securities) + Subordinated Debt.

² Current ratio = Current assets / Current liabilities.

³ (a) Long term debt = debt repayable after 12 months.

(b) working capital = current assets - current liability

⁴ Current Liability Ratio = Current Liabilities / Total Liabilities.

⁵ Total debt = Total Liabilities

6.08 (ii): Relationship with struck off companies

The company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

6.08 (iii): Registration of charges

For the year ended 31 March 2023

Registration of charges were performed as per the terms of sanction within the due dates during the year ended 31 March 2023

For the year ended 31 March 2022

Registration of charges were performed as per the terms of sanction within the due dates during the year ended 31 March 2022

6.08 (iv): Satisfaction of charges

For the year ended 31 March 2023

Satisfaction of charges were performed as per the terms of sanction within due date during the year ended 31 March 2023

For the year ended 31 March 2022

Satisfaction of charges were performed as per the terms of sanction within due date during the year ended 31 March 2022

6.08 (v): Utilization of borrowed funds

(i) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii) No funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

Standards Issued but not yet Effective

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 31 March 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2023, as below:

Particulars	Explanation
Ind AS 1-Presentation of Financial Statements	This amendment requires the entities to disclose their material accounting policies rather than their significant accounting policies. The effective date for adoption of this amendment is annual periods beginning on or after 1 April 2023. The Company has evaluated the amendment and the impact of the amendment is insignificant in the standalone financial statements.
Ind AS 8-Accounting Policies, Changes in Accounting Estimates and Errors	This amendment has introduced a definition of 'accounting estimates' and included amendments to Ind AS to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for adoption of this amendment is annual periods beginning on or after 1 April 2023. The Company has evaluated the amendment and there is no impact on its standalone financial statements.
Ind AS 12- Income Taxes	This amendment has narrowed the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effective date for adoption of this amendment is annual periods beginning on or after 1 April 2023. The Company has evaluated the amendment and there is no impact on its standalone financial statement.

NOTE 6.09 : Disclosure as per RBI Guidelines on liquidity framework

1 Funding Concentration based on significant counterparty

No. of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
30	2,74,797.00 *	N.A.	83.54%

* excluding EIR adjustments as per Ind AS

i) A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC- NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs.

ii) Total Liabilities have been computed as Total Assets less Equity share capital less Other Equity.

2 Top 20 large deposits

N.A., since Arka Fincap is a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India, and does not accept public deposits.

3 Top 10 borrowings

Amount	% of Total Borrowings
1,57,054.00 *	50.41%

* excluding EIR adjustments as per Ind AS

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

4 Funding Concentration based on significant instrument / product

Name of the product	Amount	% of Total Liabilities
Commercial Papers	11,647.17	3.74%
Private NCD	1,04,412.80	33.51%
Term Loan	1,95,521.88	62.75%
Cash credit (CC)	-	-
Working capital demand loan (WC DL)	-	-
Total	3,11,581.85	100.00%

5 Stock ratios

Stock Ratio	%
Commercial papers as a % of total public funds	3.74%
Commercial papers as a % of total liabilities	3.54%
Commercial papers as a % of total assets	2.68%
Non-convertible debentures (original maturity of less than one year) as a % of total public funds	-
Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	-
Non-convertible debentures (original maturity of less than one year) as a % of total assets	-
Other short-term liabilities as a % of total public funds	5.43%
Other short-term liabilities as a % of total liabilities	5.14%
Other short-term liabilities as a % of total assets	3.90%

i) Total Public Funds is defined as total borrowings

6 Institutional set-up for Liquidity Risk Management:

The Board of Directors of the Company has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company is exposed to in the course of conducting its business. The Board approves the governance structure, policies, strategy and the risk limits for the management of liquidity risk. The Board of Directors approves the constitution of the Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various aspects and types of risks, including liquidity risk, faced by the Company. The meetings of RMC held at regular interval. Further, the Board of Directors also approves constitution of Asset Liability Committee (ALCO), which functions as the strategic decision-making body for the asset-liability management of the Company from risk- return perspective. The main objective of ALCO is to assist the Board in effective discharge of the responsibilities of asset-liability management, market risk management, liquidity and interest rate risk management. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds.

The company's liquidity and funding approach documented through its various plans and policies including the Assets Liability Management policy, Treasury Deployment policy is to ensure that funding is available to meet all market related stress situations.

The company's liquidity management set up is assessed periodically to align same with regulatory changes in the economic landscape or business needs.

Notes to the financial statements for the year ended 31 March 2023

(Currency : Indian Rupees in lakhs)

NOTE 7.01 : Regrouping and / or reclassification

Figures for the previous years have been regrouped and / or reclassified wherever considered necessary to conform to current year presentation.

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695

For and on behalf of the Board of Directors

Arka Fincap Limited

Vimal Bhandari

Executive Vice

Chairman and CEO

DIN: 00001318

Place: Mumbai

Mahesh Chhabria

Non Executive Director

DIN: 00166049

Place: Pune

Amit Kumar Gupta

Chief Financial Officer

Place: Mumbai

Niki Mehta

Company Secretary

Place: Mumbai

Place: Pune

Date: 28 April 2023

Date: 28 April 2023

ARKA
FINCAP

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