Achieving Growth, Protecting Asset Quality, Ensuring Sustainability

Annual Report **2021-22**

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please visit: **www.arkafincap.com**

Arka Fincap

MEANING AND RESONANCE AS OUR BRAND NAME

The Sun is to us the "Sunrise" - when it embarks on a new journey every single day, with positivity. The name Arka is inspired by the Sun, which symbolises our philosophy of 'anchoring' and 'enabling' flights of growth for our Clients and for the Company.

Arka Fincap has inherited the strong values and stability of our ultimate parent company.

At the same time, we are defined by the agility that we derive from our leadership and teams of people, along with their proven expertise in the financial services industry.

This combination of premium parentage and people excellence has powered our growth within the sector.

Yet we balance our growth aspirations with uncompromised asset quality.

While we achieve continuous month-on-month progress in productivity, logins and disbursals, we ensure that our portfolio hygiene remains excellent, with no NPA cases and no overdue post-disbursement documents.

While we have achieved a strong portfolio IRR of over 10.5%, we ensure that we retain a healthy IRR mix for all products.

We believe in

Achieving Growth, Protecting Asset Quality, Ensuring Sustainability

Foundations of Strong Values and Premium Pedigree

ABOUT ARKA FINCAP

Arka Fincap Limited is a systemically important non-deposit taking NBFC.

We provide structured term financing solutions through Corporate Lending, Real Estate & Allied Financing, SME/MSME Lending and Personal Financing products.

To facilitate our customers and achieve our growth aspirations, we have adopted digital technology at various levels along the value chain. Our approach to achieving growth entails creating sustainable value for all our stakeholders.

VISION

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

MISSION

Our mission is to provide technology-enabled, innovative and customized 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

PRESENCE

During FY 2021-22, we have expanded our footprint to over 10 locations from merely 3 locations in FY 2020-21. We now have a presence in Mumbai, Delhi, Bengaluru, Pune, Vijayawada, Ahmedabad, Chennai, Hyderabad, Coimbatore,

Map not to scale.
For illustrative purposes only.

FACTS AND FIGURES*

₹ **2,379.88** crore
AUM

₹ **826.93** crore
Networth

₹ **1,733.5** crore
Borrowing

30.9%
CRAR

CRISIL Ratings :
Long-term borrowings: AA(-);
Short-term borrowings: A1(+)

*as at FY 2021-22

Product Portfolio

Arka Fincap has a suite of financing products that cater to a well-diversified spectrum of clients. This enables the company to leverage upbeat sectoral growth trends, while staying insulated from slumps in certain segments.

CORPORATE LENDING

AFL offers a range of financing solutions to meet business requirements of large corporations, with flexible repayment structures mapped to client cash flows.

Nature of funding within this domain:

- To facilitate longer term financing, we undertake Funding for Capital Expenditure in the form of Secured Corporate Term Lending, Growth Funding for Asset Light Companies and Project Financing
- Our Structured Lending solutions comprise Promoter Funding, Holdco Debt, Acquisition Financing, Funding to Financial Sponsors, Contractual Cashflows, Short Term Loan and Bespoke Facilities
- We also provide Long Term Working Capital to our corporate clients

REAL ESTATE & ALLIED FINANCING

We offer customized financing solutions, which enable property and urban infrastructure developers to scale up their businesses. We also offer financing to social entrepreneurs.

Nature of funding within this domain:

- In the Real Estate space, we offer Last-Mile Financing, Project Finance Corporate Exposures, Working Capital Finance, Acquisition Financing, for Residential projects. Commercial project developers can avail our Asset-Backed Financing, Project Finance, and Acquisition Financing while Retail and Hospitality project developers can access our Asset-Backed and Working Capital Financing
- Allied Financing – We offer a range of financing options to developers of Educational and Healthcare Institutions and Hospitals. These include Asset Backed Financing, Working Capital Financing, Acquisition Financing, etc.
- We provide Project Finance, Corporate Exposure, Working Capital Financing, Acquisition Financing and other forms of funding for Urban Infrastructure such as Warehousing & Logistics, Roads, etc.

PERSONAL LENDING

We facilitate clients with personal loans for various end-uses, through seamless and paper-free digital lending. These loans are collateral-free and fixed interest rates and tenure.

SME/MSME LENDING

Our MSME financing solutions, such as Loans Against Property, Supply Chain Finance and Business Loans are designed to fast-track business growth. To meet the needs of our clients, we offer innovative products, such as the LAP cum Supply Chain Finance which was introduced in October 2021.

While we cater to our MSME clients, we have also entered into co-lending tie-ups with small NBFCs for lending to MSMEs in our locations. For instance, we have on-boarded 5 new anchors as part of our supply chain product offering.

As a value-added service, we have tied-up with ICICI Prudential Life Insurance, to enable cross-selling of life insurance to our SME customers.

Group Dynamics

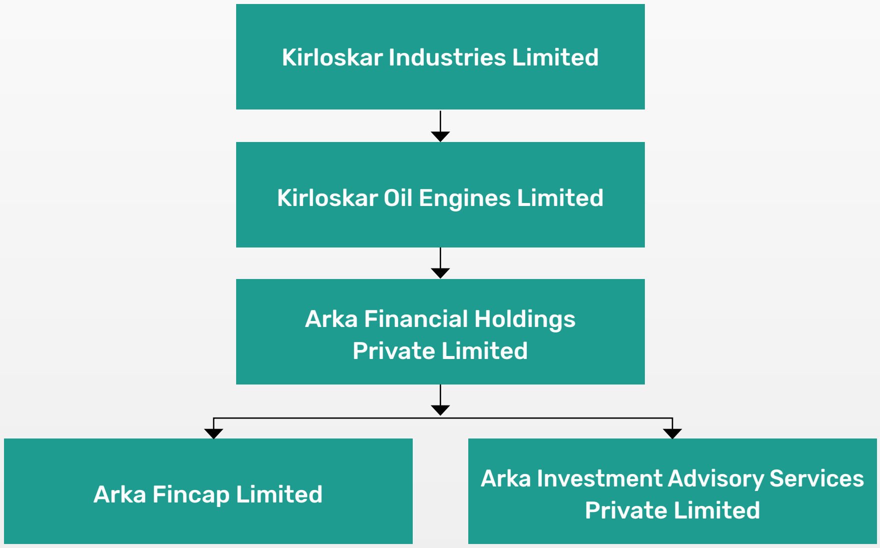
Our promoter company, Kirloskar Oil Engines Limited (KOEL) is the flagship company of the Kirloskar Group.

KOEL is an acknowledged leader in the manufacturing of diesel engines, agricultural pump sets and generating sets. It has four state-of-the-art manufacturing units in India that offer world-class services.

Beyond India, KOEL has a sizeable presence in international markets. It has offices in Dubai, South Africa and Kenya, representative offices in Indonesia and Nigeria and a strong distribution network throughout the Middle East and Africa. KOEL's network extends to more than 30,000 retailers and 1,000 dealers.

Incorporated in 1946, it is listed on both the NSE and BSE and has a market capitalization of approximately Rs 2000 Crore as on March 31, 2022.

Group Structure



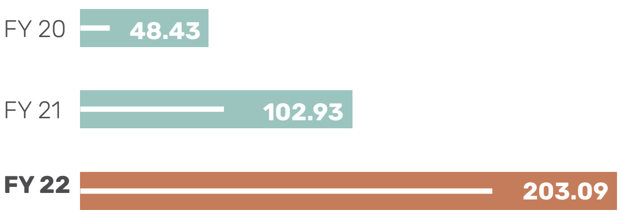
ARKA FINCAP

To ensure diversification and better capital allocation, a new structure was established under which Arka Financial Holdings Private Limited was created. Entire holding of Arka Fincap Limited which was previously held by Kirloskar Oil Engines Limited (KOEL) has been transferred to Arka Financial Holdings Private Limited (AFHPL), which is a 100% subsidiary of KOEL.

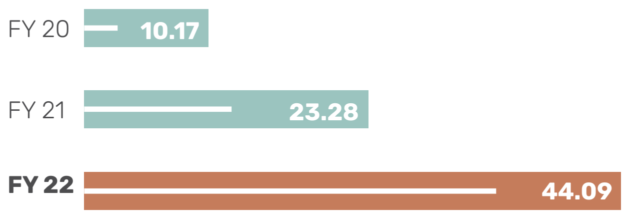
KOEL incorporated AFHPL as its wholly-owned subsidiary, to become the holding company for all its financial services businesses. This is envisioned to enhance strategic flexibility and build a vibrant robust platform for the financial service business.

Story of Financial Strength

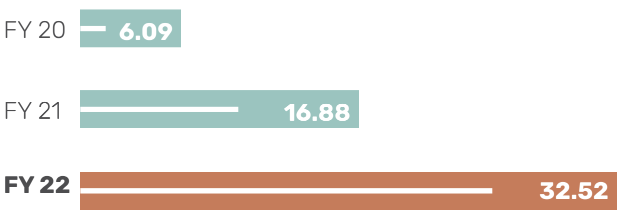
TOTAL INCOME (₹ Cr)



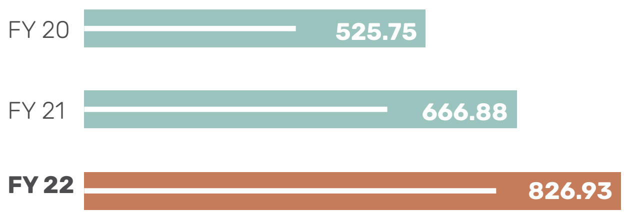
PBT (₹ Cr)



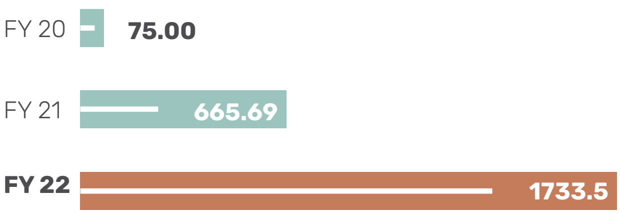
PAT (₹ Cr)



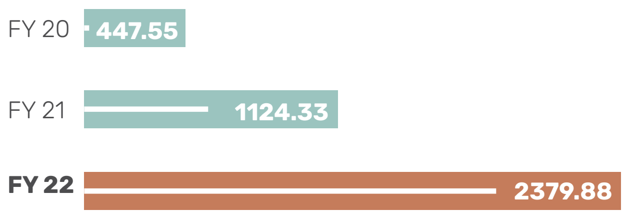
NETWORTH (₹ Cr)



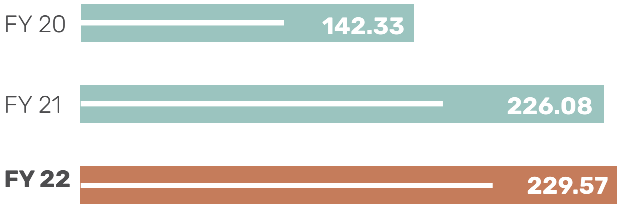
BORROWINGS (₹ Cr)



AUM (₹ Cr)



LIQUIDITY (₹ Cr)



Technology for Excellence

Technology is an enabler for business growth and customer facilitation and we have made it our constant endeavour to enhance our technology-enabled, innovative and customized financial solutions, to deliver differentiated customer journeys and enriched stakeholder experiences.

We consider technology as a key differentiator and major growth driver for the company. Our technology team has been focussing on delivering seamless digital experiences, agility in solution delivery and transitioning to a data-driven enterprise.

All of our applications are highly scalable to ensure business goals can be supported seamlessly at optimum costs. We have gone live with an analytics platform that provides a single version of truth, across the enterprise. A standard set of APIs, exposed through our API platform, has helped in smooth integration with Fintechs and NBFCs for sourcing customers. Being low-code/no-code, our platforms are agile, easy to use and help us achieve a competitive market edge.

Since all our applications are hosted on cloud, we have been able to seamlessly scale up or down the infrastructure cost, based on the business volumes.

OUR TECHNOLOGY DESIGN CONSIDERATIONS

- System of Differentiation (low code / no code agile applications)
- System of Records (secure & stable with product factory)
- SAAS-based Support Systems (HRMS, Service Desk etc.)

DURING FY 2021-22, WE LAUNCHED NUMEROUS NEW INITIATIVES:

We integrated with four NBFC/Fintechs for sourcing Personal Loan customers

On-boarded five additional fintech partners

Entered into a co-lending partnership with two NBFCs for Business Loans

Implemented an analytics platform for business and operations teams to facilitate monitoring and decision-making. Data from all applications are fed into the platform, which enables granular analysis by slicing and dicing portfolio data in multifarious ways

Built a customer portal on Liferay DXP, a group portal framework and digital experience platform. Our customers can now access their account information, account statements, repayment schedules and other account-related details on this portal. They can also raise various types of service requests and make overdue EMI payments online

Integrated the CRM with the customer portal to enable a seamless customer experience while they track their queries, requests and grievances

Automated some operational processes using Robotics (UiPath)

Developed new APIs to automate the disbursement process

TECHNOLOGY INITIATIVES IN FY 2022-23:

One of the leading initiatives we envisage for FY 2022-23 is to drive automation of processes across functions and businesses. We also plan to start self-sourcing customers through digital channels and invest in Digital Marketing. Our focus will be on making the company a data-driven enterprise, which would be facilitated by availability of required data in a timely and secure manner.

We intend to strengthen technology risk management by investing in tools for cyber security. It is our plan to build capabilities within the organization, such that stakeholders and key decision makers have access to cohesive and quality information in a timely manner. This will include putting in place appropriate alerting and forecasting tools for proactive action.

We will continue to lay emphasis on strengthening our IT governance and information security system across the organization in line with the RBI Master Direction for IT Framework in NBFCs.

Steering Arka Fincap towards Sustainability

Board of Directors

VIMAL BHANDARI
Executive Vice Chairman & CEO

Prior to his pivotal role at Arka Fincap, Vimal Bhandari has held many prestigious positions during his 30+ years of experience in the BFSI sector, including MD & CEO of Indostar Capital Finance, Country Head, Aegon N.V. and Executive Director at IL&FS.

He is a Chartered Accountant from ICAI with a Commerce degree from Mumbai University.

MAHESH CHHABRIA
Director

During his 30+ years of association with the financial services industry, Mahesh Chhabria has executed various leading roles, including MD of Kirloskar Industries Ltd and Partner at both Actis and 3i India.

He is an Associate Member of ICAI and has a B.Com. from Mumbai University.

GAURI KIRLOSKAR
Director

Before taking on the mantle of Director at Arka Fincap, Gauri Kirloskar has been an Investment Banking Analyst at Merrill Lynch and a Non-Executive Director at KOEL and KITL.

She has acquired a B.Sc. in Business Administration from Carnegie Mellon's Tepper School of Business and London School of Economics

HARISH ENGINEER

Independent Director

Harish Engineer has over 40 years of experience in finance and banking. He has been the Executive Director of HDFC Bank and Bank of America.

Afte graduating from Mumbai University with a degree in Science, he has completed his Business Management from Hazarimal Somani College.

D. SIVANANDHAN

Independent Director

D. Sivanandhan is a highly reputed IPS officer with an illustrious career spanning 36 years. He joined the IPS in 1976 and retired as the Director General of Police of Maharashtra State Police. He has held several senior positions in the IB, CBI and Mumbai Crime Branch and has served as Commissioner of Police of Nagpur, Thane City and Mumbai.

VIJAY CHUGH

Independent Director

Vijay Chugh has 35 years of experience in core banking systems, during which he has been the Principal Chief General Manager, Department of Payment and Settlement Systems, RBI.

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

ARKA
FINCAP

Corporate Information

REGISTERED OFFICE

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

CORPORATE OFFICE

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

CIN

U65993MH2018PLC308329

HOLDING COMPANY

Arka Financial Holdings (P) Ltd. (from 5th January 2022)

Kirloskar Oil Engines Limited (up to 4th January 2022)

BOARD OF DIRECTORS

1. Mr Vimal Bhandari - Executive Vice Chairman & CEO
2. Mr Mahesh Chhabria - Non-Executive Director
3. Ms Gauri Kirloskar - Non-Executive Director
4. Mr Harish Engineer - Independent Director
5. Mr Sivanandhan Dhanushkodi - Independent Director
6. Mr Vijay Chugh - Independent Director

KEY MANAGERIAL PERSONNEL

Mr Vimal Bhandari, Executive Vice Chairman & CEO

Mr Amit Kumar Gupta, CFO (from 20th October 2021)

Mr Ritesh Jhanwar, Financial Controller
(up to 20th October 2021)

Mr Amit Bondre, Deputy Company Secretary

BANKERS / LENDERS

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

STATUTORY AUDITORS

PG Bhagwat LLP
Chartered Accountants
LLP Identification Number: (LLPIN) AAT-9949
Suite 102, "Orchard" Dr. Pai Marg
Baner, Pune – 411 045
Contact Person: Nachiket Deo
Email: nachiket_deo@pgbhagwatca.com

DEBENTURE TRUSTEES

Catalyst Trusteeship Limited
(Erstwhile GDA Trusteeship Limited)
CIN No. U74999PN1997PLC110262
GDA House, Plot No. 85, Bhusari Colony (Right),
Paud Road, Pune – 411 038
Tel: 022-49220506
Fax: 022-49220555
Email: ComplianceCTL- Mumbai@ctltrustee.com

REGISTRAR & TRANSFER AGENTS

C-101, 1st Floor, 247 Park,
Lal Bahadur Shastri Marg
Vikhroli (West), Mumbai - 400 083
Tel: +91 22 49186200
Fax: +91 22 49186195
Website: www.linkintime.co.in

STOCK EXCHANGE

BSE Limited

DEPOSITORIES FOR DEMAT

National Securities Depositories Ltd

COMPLIANCE OFFICER

Amit Bondre,
Deputy Company Secretary & Compliance Officer

Directors' Report

The Shareholders

Arka Fincap Limited

Your Directors' have pleasure in presenting the Fourth Annual Report along with the Audited Accounts for the year ended March 31, 2022.

FINANCIAL RESULTS

(₹ in Cr)

For the year ended	March 31, 2022	March 31, 2021
Total Income	**203.09**	102.93
Total Expenses	**159.01**	79.65
Profit Before Tax	**44.09**	23.28
Profit After Tax	**32.52**	16.88
Other comprehensive income (net of taxes)	**0.00**	0.09
Total Comprehensive income (net of taxes)	**32.52**	16.97
Other Equity brought forward from Previous Year	**33.38**	2.79
Other Equity carried forward to Balance Sheet	**76.97**	33.38

SHARE CAPITAL

(i) Your Company made a Rights offer of 4,54,52,403 equity shares to its existing shareholders during the month of May, 2021, The Rights Issue offer was fully subscribed and Promoters showed their confidence in the Company.

(ii) The Company made preferential allotment of 7,44,18,604 equity share to Arka Financial Holdings Private Limited during the month of August 2021

(iii) As one of the incentives to personnel, during December 2021, the Company allotted 15,000 ESOPs to senior executives.

(iv) As at March 31, 2022, the Authorised Share Capital of the Company is ₹ 1000,00,00,000/-, whereas Issued, Subscribed and Paid-up Share Capital is ₹ 7,59,85,58,350/- comprising of 75,98,55,835 Equity Shares of ₹ 10/- each fully paid-up.

BUSINESS OVERVIEW

SME/MSME Lending:

Your Company's SME division continued to grow on all three product fronts namely Loan Against Property, Supply Chain Finance and Unsecured Loans through digital lending. From 3 branches and ~15 people in the beginning of the year to 10+ locations with over 60 people. Your Company also entered into partnerships for Colending with other smaller NBFCs and with various other fintech to expand its market reach and acquire maximum customers from the market.

Going forward, the SME division intends to grow robustly in the next financial year and the principal focus would be on secured business loans (LAP).

Digital Lending:

The FY 21-22 saw your company furthering it's offering in the Digital Lending. The use of Digital in this space signifies the use of technology to give a superior client experience. The objective has been to complete the loan sourcing through Fintech partners, application evaluation and disbursal within minutes aided by APIs, Configurable Loan Origination System (LOS) and embedded Business Rule Engine (BRE) for automated credit evaluation as per credit policy.

This year, we integrated with four NBFC/Fintech partners for offering Personal Loans. In addition, we partnered with two NBFCs under Colending partnership for offering Business Loans. Overall, we now have 7 partnerships in the Digital Lending space and ave emerged as a preferred partner for some of these fintech players as we are able to offer preservation of client journey and better experience based on our technology, which is essential for them.

Going forward, in Digital Lending, we plan to scale up monthly disbursals with these partners as well look at adding a few more partnerships so that we have a significant play in this space.

Corporate Lending:

Your Company's Corporate Lending division designs lending solutions to medium and large corporations by providing them bespoke loans to meet specific requirements of their business. Product offerings in the division include long working capital loans, funding for capital expenditure, and special situation financing.

With bank funding continuing to be regulatorily restricted to funding capex and working capital requirements of corporates, the non-bank channels continue to see strong viability for value added lending. This was further aided by the withdrawal of Credit Risk Mutual Funds given their own redemption pressure challenges.

Going forward alternate corporate credit will increasingly be played through close ended patient capital private fund formats. This is adequately demonstrated by the rapid increase in performing credit and special situation Alternate Investment Funds.

The coming year is expected to see an increase in capex spends by leading players in the commodity and industrial sectors, as well as inorganic growth opportunities especially through the IBC mechanism.

Real Estate & Allied Lending:

The focus of the Real Estate & Allied division has been on risk adjusted returns, while operating within the defined underwriting policy of the Company. During the year, the division has been successful in achieving sectoral and geographical diversification on the portfolio while foraying into new sectors such as Education & Hospitality. The target shall be to continue the existing business with a clear focus on existing client base as well as addition of pedigreed and financially strong clients on a pan-India basis across each sub-sector. The primary criteria of emphasizing on risk over returns shall continue as well. Further, the business has seen an overall yield compression in line with the market and the focus shall be to deal in structured products with the existing clients to maintain the overall yields, while operating within the overall risk based underwriting framework.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

DIRECTORS

(A) CHANGE IN COMPOSITION OF THE BOARD

There are no changes in the composition of the Board during the FY 2021-22.

(B) RETIREMENT BY ROTATION

In terms of the provisions of the Companies Act, 2013, and the Articles of Association of the Company, Mr. Mahesh Chhabria, (DIN: 00166049), Director of the Company, retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, have offered himself for re-appointment.

(C) INDEPENDENT DIRECTORS' DECLARATION

All three Independent Directors have provided declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

KEY MANAGERIAL PERSONNEL

As at March 31, 2022, following are the Key Managerial Personnel (KMP) of the Company, in terms of provisions of Section 203 of the Companies Act, 2013 (the Act),

(i) Mr. Vimal Bhandari, Executive Vice Chairman & CEO

(ii) Mr. Amit Bondre, Deputy Company Secretary

(iii) Mr. Amit Kumar Gupta, Chief Financial Officer from October 20, 2021

(iv) Mr. Ritesh Jhanwar, Financial Controller up to October 20, 2021

DIVIDEND

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

TRANSFER TO RESERVE

Your Company has transferred ₹ 6.50 Crore to a special reserve account named as "Special Reserve u/s 45IC of RBI Act, 1934". The amount transferred is equal to 20% of net profit after tax for the year.

PERFORMANCE OF SUBSIDIARIES, ASSOCIATES & JOINT VENTURES

Your Company does not have any Subsidiaries or Associates or Joint Ventures.

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to the provisions of Section 135 of the Companies Act, 2013 and rules made thereunder, during FY 2022, The Company complied with CSR requirement. The Company would continue to support quality education including special education, and strengthening of education infrastructure, in terms of its CSR policy.

A separate Report on the CSR activities is enclosed as an **Annexure III**

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

Since your Company is engaged in the 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 as amended from time to time, 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, however, it incurred foreign currency expenditure as follows:

Date of payment	Beneficiary Name & Address	Foreign Currency Amount	Purpose of remittance	Payment done from Banker
Nil	Nil	Nil	Nil	Nil

FIXED DEPOSITS

Your Company has neither invited, accepted nor renewed Public Deposits within the meaning of the provisions of Sections 2(31) and 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014, as amended from time to time, during the year under review.

PARTICULARS OF LOAN, GUARANTEE AND INVESTMENT OF THE COMPANY

Your Company is registered as a Systemically Important Non-Deposit Accepting Company (ND-SI), engaged in providing loan and making investments as an NBFC. Being an NBFC Section 186 of the Companies Act, 2013, except Section 186(1), is not applicable to the Company. As a part of its business activities, Loans and investments are done in ordinary course of business and at prevailing market rates.

MATERIAL CHANGES AND COMMITMENTS

There have been no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this report.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company believes conducting the affairs of its business in a fair and transparent manner by adopting the highest standard of professionalism, honesty, integrity and ethical behavior.

As per the provisions of Section 177(9) of the Companies Act, 2013, the Company has formulated and adopted a Whistle Blower Policy and Vigil Mechanism for employees and Directors of the Company. This is to report instances of unethical behavior, violation of Company's Code of Conduct. A copy of the Whistle Blower Policy is available on the Company's website: https://www.arkafincap.com/policy-and-codes.

To report any suspected or confirmed incident of fraud/misconduct, employees can make Protected Disclosure to Director nominated by Audit Committee and Director(s) can make Protected Disclosure to Ombudsperson, as soon as possible but not later than 30 consecutive days after becoming aware of the incidence.

RISK MANAGEMENT POLICY

Your Company recognizes that risk is an integral part of business and is committed to managing the risks in a proactive and efficient manner.

In view of the above, the Company has adopted a Governance, Risk and Compliance Policy to identify business risks and mitigation plan.

INTERNAL CONTROL SYSTEM

Your Company has implemented a proper and robust system of Internal Controls, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposal and that transaction are authorized, recorded and reported correctly. The internal control system would be designed to ensure that the financials and other records are reliable, for preparation of financial statements and other data and for maintaining accountability of assets. The Board of Directors of the Company would be keeping a close watch on compliance and internal control systems as per regulatory requirements.

DETAILS OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR

As stated above, your Company doesn't have any Subsidiaries or Associates or Joint Ventures.

RELATED PARTY TRANSACTIONS

During the year under review, all the transactions entered into with the Related Parties were in the ordinary course of business and on an arm's length basis and hence do not attract the provisions of Section 188 of the Companies Act, 2013. Accordingly, requisite disclosure in form AOC-2 in terms of Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014, as amended from time to time, is provided in **Annexure IV**. The policy on dealing with Related Party Transactions available on the Company's website: https://www.arkafincap.com/policy-and-codes.

STATUTORY AUDITORS

M/s B S R & Co. LLP, Chartered Accountants, Mumbai (ICAI Firm Registration No. 101248W /W-100022) were appointed as Statutory Auditors of the Company, at the first Annual General Meeting of the Company held on July 31, 2019. They expressed their desire to stepdown as the Auditors of the Company, in terms of Reserve Bank of India circular no. RBI/ 2021-22 / 25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 dated April 27, 2021, at the Board Meeting held on October 20, 2021. Accordingly, considering regulatory requirements, the resignation of M/S BSR and Co LLP as the Auditors of the Company was accepted and taken on records.

Pursuant to the foregoing RBI Circular and resignation of M/s B S R & Co. LLP, Chartered Accountants as Auditors of the Company, the casual vacancy was filled in by appointment of P G BHAGWAT LLP, Chartered Accountants, Pune as a Statutory Auditor (ICAI Firm Registration No. 101118W/ W100682), to hold office for a period of three years i.e. : for FY 2021-22 to FY 2023-24

AUDITORS' REPORT

The Financial Auditors' Report for the year under consideration is a clean report i.e., there is no adverse remark. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore no further clarifications are required.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed M/s. Mayekar & Associates, Mumbai, (CoP: 2427), Company Secretaries in whole-time practice to carry out the Secretarial Audit of the Company for the year under consideration i.e. FY 2021-22.

On completion of audit, the Secretarial auditors have provided their report for FY 2021-22. This is also a clean report i.e.: without any qualifications, reservations, adverse remarks or disclaimers. The report of the Secretarial Auditor is enclosed as **Annexure V**.

MAINTENANCE OF COST RECORDS

During the Financial Year 2021-22, the Company was not required to maintain any cost records and to appoint any Cost Auditor as Section 148(1) of the Companies Act, 2013 and Companies (Cost Records and Audit) Rules, 2014 were not applicable to the Company.

EMPLOYEES

The Board of Directors place on record their appreciation for all the employees of the Company for their sustained efforts, dedication and hard work during the year.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule, 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended time to time, is annexed as **Annexure VI** to the Directors Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED

There are no significant and material orders passed by the Regulators / Courts/ Tribunals which would impact the going concern status of the Company and its future operations.

ANNUAL RETURN

As required under Section 92(3) read with section 134(3)(a) of the Companies Act 2013 read with rule 12 of the Companies (Management and Administration) Rules, 2014 including amendments thereunder, the Annual Return filed with the Ministry of Corporate Affairs (MCA) for the Financial Year 2020-21 is available on the weblink https://www.arkafincap.com/investor-information and the Annual Return for Financial Year 2021-22 will be made available on the website of the Company once it is filed with the MCA.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES AND INDEPENDENCE OF A DIRECTOR

In terms of provisions of Section 178 of the Companies Act, 2013 and rules made thereunder as amended from time to time, your Company has adopted a policy on Director's Appointment and Remuneration including criteria for determining Qualifications, Positive Attributes and Independence of a Director as well as other relevant matters. The Remuneration Policy as well as Selection Criteria for Directors is available on the website of the Company: https://www.arkafincap.com/policy-and-codes.

PERFORMANCE EVALUATION OF BOARD

As per the requirement of Schedule IV, Section 134 and other applicable provisions of the Companies Act, 2013 and Rules framed thereunder, your Company has laid down parameters, Performance Assessment Process for the individual Directors, Committees and the Board of Directors of the Company.

During the year under review, a separate meeting of Independent Directors of the Company is held on March 02, 2022, to discuss strategic and operational matters. The Independent Directors reviewed overall performance of your Company as well as performance of the Board of Directors as well as various Board constituted Committees of the Company.

Chairman of Nomination and Remuneration Committee of the Company presented his views and briefed the Board of Directors of the Company at its Meeting held on April 26, 2022. He explained the Board on Performance Evaluation of individual Directors, Committee(s) of the Board and of the Board as a whole. The Board noted and concluded that the Board Performance Evaluation process has been completed for FY 2021-22.

FRAUDS REPORTED BY AUDITORS

There are no frauds reported by the Auditors under sub-section (12) of section 143 of the Companies Act, 2013.

EMPLOYEES STOCK OPTION SCHEME PASSED

a	Options granted		2,30,25,000 (2,06,50,000+13,00,000+10,75,000)
b	Options vested		2,00,72,500
c	Options exercised		15,000
d	The total number of shares arising as a result of exercise of option		15,000
e	Options lapsed		35,000
f	The exercise price		As per ESOP Policy
g	Variation of terms of options		Nil
h	Money realized by exercise of options		1,50,000
i	Total number of options in force		2,29,75,000
j	**Employee wise details of options granted to:**		
	i.	Key managerial personnel;	1. Mr. Vimal Bhandari, Executive Vice Chairman & CEO - 1,50,00,000 2. Mr. Ritesh Jhanwar, Financial Controller- 15,000 (up to October 20, 2021) 3. Mr. Amit Kumar Gupta, Chief Financial Officer- 5,00,000 (from October 20, 2021)
	ii.	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	1. Mr. Vimal Bhandari, Executive Vice Chairman & CEO - 1,50,00,000 2. Mr. Mridul Sharma, Chief Operating officer- 30,00,000 3. Mr. Sonit Singh, Head- Real Estate Financing & Advisory Services-12,00,000 4. Mr. Manish Nagarsekar, Head – Operations & Business Solutions Group -10,00,000 5. Mr. Bhupesh Mahajan, Head Risk – 6,00,000 6. Ms. Tishya Batra, Vice President - Business Solutions Group – 75,000 7. Mr. Manish Nagarsekar, Head – Operations & Business Solutions – 2,50,000 8. Mr. Bhupesh Mahajan, Head Risk – 1,50,000
	iii.	Identified employees who were granted option, 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;	Nil

DIRECTORS' RESPONSIBILITY STATEMENT

Section 134(3)(c) of the Companies Act, 2013, requires the Board of Directors to provide a statement to the Members of the Company in connection with maintenance of books, records, and preparation of Annual Accounts in conformity with accepted accounting standards and past practices followed by the Company. Pursuant to the foregoing, and on the basis of representations received from operating management, and after due enquiry, it is confirmed that:

(1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

(2) Directors 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 and loss of the Company for that period;

(3) Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(4) Directors have prepared the annual accounts on a going concern basis;

(5) As stated above the Company is in process of introducing adequate internal / financial control system in place; and

(6) As stated above since systems are being put in place, however the Company has ensured compliance of applicable laws.

THE DETAILS OF APPLICATION MADE OR ANY PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 DURING THE YEAR ALONG WITH THEIR STATUS AS AT THE END OF THE FINANCIAL YEAR PASSED

During the Financial Year 2021-22, there was no application made and proceeding initiated /pending under the Insolvency and Bankruptcy Code, 2016, by any Financial and/or Operational Creditors against your Company. As on the date of this report, there is no application or proceeding pending against your company under the Insolvency and Bankruptcy Code, 2016.

THE DETAILS OF DIFFERENCE BETWEEN THE AMOUNT OF VALUATION AT THE TIME OF ONE-TIME SETTLEMENT AND THE VALUATION DONE AT THE TIME OF TAKING A LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS ALONG WITH THE REASONS THEREOF PASSED

During the Financial Year 2021-22, the Company has not made any settlement with its Bankers from which it has accepted any term loan.

ACKNOWLEDGEMENTS

Relationships with Shareholders, Central and State Governments, Banks, Financial Institutions, Customers, Employees and other Stakeholders remained excellent during the year under review. Your directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement.

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318

Mahesh Chhabria
Director
DIN: 00166049

Date : April 26, 2022
Place : Mumbai

Annexure – I

Management Discussion & Analysis

INDUSTRY OVERVIEW

Commercial Banks, Insurance companies, non-banking financial companies, co-operatives, pension funds and mutual funds are considered as the major entities of the Indian financial ecosystem. However, the financial sector in India is predominantly considered as a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks, and 96,000 rural cooperative banks in addition to cooperative credit institutions. The assets of public sector banks stood at

₹ 107.83 lakh Cr (USD 1.52 trillion) in FY 2019-20 and during FY 2016- FY20, bank credit grew at a CAGR of 3.57%.

Subsequent rise in income is enabling the demand for financial services across all income levels. The importance of financial inclusion created by The Reserve Bank of India (RBI) has driven the demand of the financial sphere even more across semi urban and rural areas. Also, with fintechs coming into picture and changing the entire credit ecosystem, India is positioned to become one of the largest digital markets.

As of January 2022, AUM managed by the mutual funds industry stood at ₹ 38.89 trillion (US$ 518.15 billion) and the total number of accounts stood at 12.31 Cr.

Indian stock markets—S&P Sensex and Nifty50—rose 15.75% and 14.90%, respectively, in 2020. For the decade ended 2020, the Sensex gained a whopping 173% and Nifty surged by 169%. The number of companies listed on the NSE increased from 135 in 1995 to 1,913 by December 2020. According to Goldman Sachs, investors have been pouring money into India's stock market, which is likely to reach >US$ 5 trillion, surpassing the UK, and become the fifth-largest stock market worldwide by 2024. In FY21, the number of listed companies on the NSE and BSE were 1,920 and 5,542, respectively. In FY21, US$ 4.25 billion was raised across 55 initial public offerings (IPOs).

Life and Non-Life insurance in India have a great potential in the years to come. Gross premium collected by life insurance companies in India increased from ₹ 2.56 trillion (US$ 39.7 billion) in FY12 to ₹ 7.31 trillion (US$ 94.7 billion) in FY20. In FY22*premiums from new businesses of life insurance companies in India stood at US$ 17.6 billion. Whereas, gross premiums written of non-life insurers reached US$ 26.52 billion in FY21 (between April 2020 and March 2021), from US$ 26.49 billion in FY20 (between April 2019 and March 2020). Between April 2021 and October 2021, gross premiums written off by non-life insurers reached ₹ 126,385.4 crore (US$ 16.96 billion).

Considering the NBFCs, who are notably getting prominence in the retail and msme lending have increased rapidly as there are 9,425 NBFCs registered with the RBI as of January 22, 2021.

NBFCs have largely helped its customers by pioneering into retail asset-backed lending, lending against securities and microfinance along with having a deep focus to come out as a one stop shop for all the financial needs of the borrowers. The public funds of NBFCs increased from US$ 278.23 billion in 2016 to US$ 470.74 billion in 2020 at a CAGR of 14.04%.

The Indian economy suffered a huge setback and the government along with the Reserve Bank of India took various measures to curb the impact of the pandemic such as supporting msme sector, liquidity measures for the financial ecosystem like with TLTRO 1.0, 2.0 and PCG schemes which later eased the credit availability in the economy. Despite suffering back-to-back three waves of Covid 19 and multiple lockdowns, the economy is on the path of recovery.

Budgetary measures

- Under the Union Budget 2021-22, the government allocated ₹ 1,386,273.30 crore (US$ 191.54 billion) to the Ministry of Finance.
- Under the Union Budget 2021-22, the government allocated ₹ 29,510.79 crore (US$ 4.07 billion) to the Department of Financial Services.
- An Asset Reconstruction Company Limited and Asset Management Company will be formed to consolidate and take over existing stressed debt and manage and dispose assets.
- An institutional framework will be created for the corporate bond market to inculcate confidence among participants and augment liquidity of secondary markets.

Government Measures

- Reduction of Cash Reserve Ratio (CRR) has resulted in liquidity enhancement of ₹ 1,37,000 Cr
- Targeted Long Term Repo Operations (TLTROs) of ₹ 1,00,050 Cr for fresh deployment in investment-grade corporate bonds, commercial paper, and non-convertible debentures
- TLTRO of ₹ 50,000 Cr for investing them in investment-grade bonds, commercial paper, and non-convertible debentures of NBFCs, and MFIs
- Increased the bank's limit for borrowing overnight under the marginal standing facility (MSF), allowing the banking system to avail an additional ₹ 1,37,000 Cr of liquidity at the reduced MSF rate
- Announced special refinance facilities to NABARD, SIDBI, and the NHB for a total amount of ₹ 50,000 Cr at the policy repo rate
- Announced the opening of a special liquidity facility (SLF) of ₹ 50,000 Cr for mutual funds to alleviate intensified liquidity pressures
- Moratorium on payment of installments and payment of Interest on Working Capital Facilities in respect of all Term Loans
- For loans by NBFCs to the commercial real estate sector, an additional time of one year has been given for extension of the date for commencement of commercial operations (DCCO)
- ₹ 3 lakh Cr collateral-free automatic loans for businesses, including MSMEs; ₹ 20,000 Cr Subordinate Debt for Stressed MSMEs; ₹ 50,000 Cr Equity infusion for MSMEs through Fund of Funds

(Source: IBEF, NSE, SEBI, IRDA, Media Reports)

NBFC OVERVIEW

The Indian NBFC sector has flourished largely during the last decade which can be accredited to their ever-evolving low-cost technological business models, which have further helped the NBFCs to serve the underserved and unbanked sections of the society. NBFCs possess a greater understanding of the geographical dynamics, equipped collection systems, personalized services and innovation to empower financial inclusion in India.

NBFCs have been focusing on transforming their funding approach with a number of them looking closely at co-lending and securitisation as well as retail borrowings. NBFCs with deposit-taking licenses are also focusing on increasing the share of retail deposits in their liability mix. NBFC borrowings from banks continued to grow on top of a y-o-y growth rate of 13.8 per cent in the previous year. Borrowings through debentures and via commercial paper (CPs) also increased. At end-September 2021, total borrowings mobilized by NBFCs decelerated.

Over the past few years, the sector has witnessed a blow due to the default by a few large entities, followed by the headwinds caused due to COVID19. The pandemic created a larger impact on the growth and the asset quality of the NBFCs and further impacted the overall liquidity of the system. The most stressful period from a liquidity perspective was April - May 2020, when the first COVID19 wave was at its peak.

The sector had been quite watchful towards new disbursements and adopted strict underwriting norms. During Q1:2020-21, NBFC's encountered various disruptions in the wake of the nationwide lockdown leading to a standstill in the economic activity. NBFCs observed a sharp decline in the collections and disbursements and a substantial rise in the cost of their borrowings. Relief measures by the Reserve Bank of India and the government on monetary, fiscal and regulated fronts eased the financial conditions. In the light of the pandemic, the Reserve Bank had announced a six-month moratorium on loan repayments till August 31, 2020 and subsequently a one-time debt restructuring plan, which were geared to cushion the impact of the pandemic on the financial ecosystem. In the post moratorium period, the asset quality of NBFCs-ND-SI worsened in the retail loans category. By end-September 2021, stressed assets in the retail sector increased substantially while those in the industry sector reduced.

The NBFC sector faced headwinds again when the second wave hit the country by March 2021. However, the drop in collections during the second wave was not as alarming as what was seen during the first wave as the lockdowns were localized and some business activities continued during the year. Post the second wave, the outlook brightened again; however, downside risks remain significant.

Moreover, the third wave didn't significantly impact the sector, given that it was not so much of a health crisis and the NBFCs were placed in a much better position, having learnt from the impact of the first two waves.

NBFCs also increased substantial focus on collections and have strengthened collection infrastructure, including addition of modes of equated monthly installments due to which the collection efficiency has returned to pre-covid levels for most of the segments.

After weathering multiple challenges over the past three fiscals, made worse by Covid19 pandemic, non-banking financial companies (NBFCs) in the private sector are expected to see their assets under management (AUM) grow 8-10% next fiscal, compared with an estimated 6-8% in the current fiscal and 2% in the last. (Source: CRISIL).

COMPANY OVERVIEW

Arka Fincap Limited (AFL or Arka or Company), a Non-Deposit taking Systemically Important NBFC, is a subsidiary of Arka Financial Holdings Private Limited (AFHPL) which in turn is a subsidiary of Kirloskar Oil Engines Limited (KOEL). Arka Fincap Limited is a professionally managed Company focused on providing structured term financing solutions to Corporates, Real Estate, and loans to Micro, Small and Medium Enterprise (MSME) borrowers.

AFL rebranded its operations from its previous avatar of Kirloskar Capital Limited in October 2019 with a new philosophy of enabling and anchoring flights of growth for the clients and the Company. The Company considers technology as the key enabler to drive business growth which is also in line with its mission 'to provide technology-enabled, innovative and customized financial solutions for an enhanced customer experience'. The Company's vision is 'to enable growth and fulfill the aspirations of our customers through empathy and agility'. AFL stands by its 6 Core Values namely - Own It and Be Responsible, Achieve Operational Excellence, Trust in Collaboration, Customer-Centric Every Time, Integrity & Make Employees Successful.

A new structure was established under which Arka Financial Holdings Private Limited was created to ensure operational efficiency and better capital allocation. Entire holding of Arka Fincap Limited which was previously held by Kirloskar Oil Engines Limited (KOEL) was transferred to Arka Financial Holdings Private Limited, which is 100% subsidiary of KOEL.

AFL continued its expansion with more than 10 locations from 3 locations during FY 20-21. Co-Lending and tie ups were initiated with bigger players like ICICI Prudential Life Insurance, for cross-selling life insurance to the SME customers. As AFL considers technology as its major driving force, the Company tied up with 5 more fintechs during the year to provide a seamless experience to its customers and enlarging its customer base.

During the year under review, the Company made Gross Disbursements of ₹ 2,493.96 Cr, resulting in Net Increase in AUM by ₹ 1,255.55 Cr. As of March 31, 2022, the AUM of the Company stands at ₹ 2,379.88 Cr, diversified across three different business segments (i.e.)

Corporate Lending - ₹ 1,237.01 Cr

RE & Allied Activities - ₹ 820.14 Cr (RE - ₹ 614.11 Cr Allied Activities - ₹ 206.03 Cr)

SME / MSME / Retail - ₹ 322.73 Cr (including others)

The year under review was challenging for the financial sector in terms of leverage/liquidity. However, the Company has been able to establish relationships with more than 20 institutional lenders. The liquidity position of the Company is very comfortable. As of March 31, 2022, the liquidity of the Company stands at ₹ 229.58 Cr.

As of March 31, 2022, the net worth stands at ₹ 826.93 Cr. During the year FY 2022, the Company raised funds from diversified sources. The gross borrowing for the year was ₹ 1,765 Cr and the outstanding borrowing as of March 31, 2022 was ₹ 1,733.50 Cr.

During the year, the Company has raised funds via issuances of NCDs to the extent of ₹ 300.0 Cr and Commercial Papers (CP) of ₹ 420 Cr at gross level (outstanding as of March 31, 2022 was ₹ 118.09 Cr). The Debt-Equity ratio as on March 31, 2022 was 2.07x.

AUM Chart sector diversification

1	NBFC	1,120.32	4.7%
2	Chemical	653.91	2.7%
3	Real Estate	6,141.08	25.8%
4	HFC	187.44	0.8%
5	Industrial Pipe	297.81	1.3%
6	Pharmaceuticals	994.93	4.2%
7	Power	1,409.23	5.9%
8	Others	997.80	4.2%
9	Retail Loans	3,037.36	12.8%
10	Logistic	689.72	2.9%
11	Hospitality	963.98	4.1%
12	Warehousing	545.63	2.3%
13	Poultry	620.27	2.6%
14	Education	38.85	0.2%
15	Service	381.08	1.6%
16	Mining	667.61	2.8%
17	E Commerce	1,006.39	4.2%
18	Metal Trading	125.02	0.5%
19	Airport	1,008.86	4.2%
20	Renewable Energy	955.69	4.0%
21	Infrastructure	452.70	1.9%
22	Brokerage	501.97	2.1%
23	Insurance	500.44	2.1%
24	Automobiles	500.79	2.1%
	Total	**23,798.84**	**100.0%**

KEY PERFORMANCE HIGHLIGHTS

Total Income	₹ 203.09 Cr
PBT	₹ 44.09 Cr
PAT	₹ 32.52 Cr
AUM	₹ 2,379.88 Cr
Net Worth	₹ 826.93 Cr
Borrowings	₹ 1,733.5 Cr

VERTICAL OVERVIEW

SME/MSME LENDING

In FY 2021, NBFC industry suffered a subdued growth and impacted the earning performance due to rising credit costs caused by the pandemic. Q1 FY 2022 was again marred by the second wave of Covid19 which led to business shutdowns in most markets. Growth for NBFCs started showing green shots only after Q2 FY 2022.

Year-on-year (YoY) growth in bank credit to micro and small enterprises (MSEs) turned positive in December 2021 after negative growth for three straight months. Lending to NTB MSMEs has recovered back to pre-COVID levels, while lending to ETB continues to be buoyant.

The year also showed a lot of credit related measures deployed by the government to revive the MSME sector and enable their business continuity. Growth in MSME lending in last year was due to ECLGS and other interventions for the MSME sector by the government. ECLGS has also been extended till March'23. As per CIBIL Transunion report, Borrower-level NPA rate is at 6% for borrowers who have availed ECLGS compared to 7.5% for those who did not. Also, only 2% of the ECLGS loans extended have been reported by lenders as NPA or 90+ days past due.

As per ICRA, retail NBFCs AUM is estimated to grow by 5-7% in FY 22 and 8-10% in FY23.

MSME department at AFL has 3 products mainly; Loan Against Property, Supply Chain Finance and unsecured Loans through digital lending. The Company has continued to grow on all 3 product fronts. From 3 branches and ~15 people in the beginning of the year to 10+ locations with over 60 people. Company has also entered into partnerships for Colending with other smaller NBFCs and with various other fintechs to expand its market reach and acquire maximum customers from the market.

Loan Against Property

The flagship product for AFL's SME segment is the secured lending product to MSME customers. These loans are secured against property of the customer. The Company has a book size of close to 225 Cr for secured LAP. The same has been generated over a period of last one year.

Highlights of the Portfolio

- Team has built LAP portfolio which has no delinquency till date
- Portfolio is well diversified in terms of locations, sectors and constitution
- AFL is currently catering to prime MSMEs with ticket size up to 3 Cr
- The entire portfolio is secured with individual collaterals against each case. Majority of the collateral is self-occupied residential and commercial property.

Supply Chain Finance

AFL has levered the already existing Kirloskar ecosystem by targeting vendors of the group companies to build a book of MSME vendors that are dependent on Kirloskar Oil Engines Limited & group companies. Vendor financing helps the MSMEs to receive the payment on their invoice on day 1 of the good receipt and clear the working capital requirement. Repayment on the invoices is done by a large well rated anchor onboarded by AFL. This helps all the stakeholders involved in the supply chain process. AFL further intends to Cross sell to a pool of these supply finance customers through its offerings of Loan against property and Business loan by making use of their transaction and performance data.

Business Performance:

As of March 31, 2022, AFL's SME/MSME Retail Book stands at ₹ 322.73 Cr. The unit was able to maintain an excellent customer repayment track record with no bounce or dpd observed during the year while maintaining a healthy IRR of more than 10.65% p.a. None of the customers had opted for moratorium or restructuring.

CORPORATE LENDING

Corporate Lending designs lending solutions to medium and large corporations by providing them bespoke loans to meet specific requirements of their business. Product offerings in the division include long working capital loans, funding for capital expenditure, and special situation financing.

With bank funding continuing to be regulatorily restricted to funding capex and working capital requirements of corporates, the non-bank channels continue to see strong viability for value added lending. This was further aided by the withdrawal of Credit Risk Mutual Funds given their own redemption pressure challenges.

Going forward alternate corporate credit will increasingly be played through close ended patient capital private fund formats. This is adequately demonstrated by the rapid increase in performing credit and special situation Alternate Investment Funds.

Business Performance:

As of March 31, 2022, the overall disbursements for the corporate lending business aggregated at ₹ 1,336.36 Cr with a portfolio of ₹ 1,237.01 Cr. The total income of the business stood at ₹ 102.57 Cr.

REAL ESTATE & ALLIED LENDING

Indian Real Estate sector has witnessed resurgent demand during FY 22 backed by a K-shaped recovery evident by reputed and financially strong developers growing at a higher rate compared to the smaller developers. The industry is seeing a wave of consolidation wherein corporate developers with an established brand and good track record are acquiring assets and companies while witnessing even stronger demand compared to pre-Covid levels.

Post the Covid-19 crisis, the need for a self-owned home and increased space has seen a tremendous jump. The robust demand was further accentuated by attractive policy support from the Government in terms of tax benefits and availability of affordable home loans. Further, the recovery in residential sales saw a momentum build-up which continued for the entire year due to the home loan interest rates being at an all-time low.

With the Covid cases subsiding towards H2 FY 22, the office segment has also seen steady recovery. Grade A players with MNC or financially strong tenants have seen their occupancy and collection levels return to pre-Covid levels. The office segment has witnessed a further fillip due to increasing investments from Private Equity players into Grade A assets for developing a portfolio of REIT assets. We expect the future to be a hybrid model with work from home and office becoming prevalent, however the demand for Grade A assets shall remain robust.

The growth of the sector has been buoyed by the availability of liquidity in the market at competitive rates. Alongwith the return of traditional channel of financing from the banks, there has been a structural change on the supply of credit as well from other avenues such as NBFCs, Mutual Funds, AIFs and other sources of Private Credit. Institutional investments into the sector have been on a steady rise, driven by rising interest of investors towards capturing attractive valuations amid the pandemic.

In Spite of the Covid related challenges, there has been a continuous growth in demand for the Logistics and Warehousing sector. The leasing demand for Grade A warehousing assets is primarily driven by E-commerce, Pharma, Retail & FMCG & 3PL players. Demand for alternative assets including life science labs, data centres, flex spaces has grown during the pandemic as investors seek new avenues for growth and returns.

Overall, FY 22 has been a year of tremendous recovery for the Real Estate & Allied sector and going forward, the sector is expected to be a key contributor to the overall growth of the economy and achieving the target of an USD 5 trn economy by 2025.

Business Performance

The Real Estate and Allied business ended FY 2021-22 with an AUM of ₹ 820.14 Crs. The current year's focus was on cost control while earning the desired yield on the portfolio. The total revenue earned by the segment was ₹ 72.84 Cr. Key highlights of the year included:

- Number of transactions: 23
- Gross disbursement st: 784 Crs
- Total number of exits: 7
- Total no of clients: 18
- Total Accounts: 26
- Portfolio yield as of March 31,' 22: 12.99%

In summary,

- Achieved AUM of **INR 820.14 Crs, in line with the budget**.
- Achieved closing yield of **12.99%** and average yield for the year stood at 13.14%
- **Asset Portfolio continues to remain robust** with no critical covenant breaches and NIL credit losses
- Majority of the portfolio transactions **have been witnessing prepayments** (7 full exits amounting to INR 161 Crs). Further, additional part prepayments seen in other exposures across sectors
- **Repeat transactions** consummated with **existing clients**, thereby enhancing our relationships.
- **Further diversification in business achieved with across sectors and geographies**
- Business **momentum augurs well for FY 23** with an established pipeline of deals from pedigreed clients

SYNDICATION BUSINESS

The business was started with the following objectives

- Augmenting returns: Syndication business augments returns and leads to efficient capital usage.

- During the year FY 22, the syndication business concluded 6 transactions leading to fee income of INR 2.67 Cr which directly augments the bottom line of the firm.

Risk Management: Multiple transactions have been concluded with co-participants, this not only enables in undertaking marketable risk but also, helped us price the deals better with a risk and return perspective post validation of risk from the market.

Portfolio Quality: Concentration goes down due to co-participation / down-sell to other participants. The syndication business complements the existing portfolio and is a risk management tool (both at individual asset and portfolio). Co-participation in transactions leads to sharing of risks. During FY 22, we were able to successfully down-sell current exposure in a low-priced transaction which led to availability of limits for undertaking high yield transactions with the same client.

Business Width: Syndication business helps in maintaining an investor and client relationship with the ability to provide wider solutions for larger deals. Availability of liquidity enables the ability to undertake further business opportunities. Due to co-lending, the Company was able to participate in larger deal sizes and concluded multiple deals with the ticket size of INR 70-120 Cr.

The syndication business was started in April 2021. While the second wave of covid impacted the business during Q1 FY22, however it was swiftly recovered from Q2 FY22.

Key Highlights:

- Fee income of INR 5.03 Cr
- 6 Transactions concluded in total of INR 522 Cr and 1 partially concluded; comprising of 6 Co-lending transactions and 1 exclusively mandated deal partially consummated by the end of year 1
- Consummated first sell down at par to onboard another deal of higher yield with the same client
- Funded underwriting on a pilot basis also successfully concluded in Q2 FY22

BUSINESS OUTLOOK

SME/MSME LENDING

MSME sector was the most affected sector due to the pandemic in the last 2 years. Accordingly, the Indian Government introduced several credit measures to revive financial activity and growth in the sector. Those ranged from moratorium on existing loan facilities, additional credit lines of 3 lakh crore to MSMEs and restructuring of existing facilities.

In view of the significance of the NBFC sector for income and employment generation, many regulatory policies to support the sector have been extended.

AFL has had its first full year of its SME business where the Company has created a book that shall act as a base for the future scale up of operations. AFL's SME segment intends to grow by more than four times in the next financial year. The Company expects that its product Supply chain shall benefit from the rising disruptions in the global supply chains along with the rising prices of commodities. The LAP business shall benefit from the increasing need for working capital and the rising prices of real estate across the industry.

In the light of the recent events in the NBFC space which started with the fall of IL&FS, subsequent liquidity crunch, and the COVID-19 pandemic, many NBFCs have experienced weakened profitability and cash flows. Additionally, banks continue to be very cautious in their approach to financing this segment. This has created a unique vacant space and opportunity for AFL to leverage its capabilities and build its market positioning quickly.

As per ICRA, Retail non-banking financial companies are expected to witness an improvement in the growth in the assets under management (AUM) in FY2023 to 8-10% vis-à-vis the growth of 5-7% estimated for FY2022.

CORPORATE LENDING

Credit offtake continued to remain muted as the economy emerged from the covid crisis. The outlook for credit demand is positive as the economic sentiment improves and corporates gain confidence on capital spends.

The coming year is expected to see an increase in capex spends by leading players in the commodity and industrial sectors, as well as inorganic growth opportunities especially through the IBC mechanism.

REAL ESTATE & ALLIED LENDING

The focus of the Real Estate & Allied division has been on risk adjusted returns, while operating within the defined underwriting policy of the Company. During the year, the division has been successful in achieving sectoral and geographical diversification on the portfolio while foraying into new sectors such as Education & Hospitality. The target shall be to continue the existing business with a clear focus on existing client base as well as addition of pedigreed and financially strong clients on a pan-India basis across each sub-sector. The primary criteria of emphasizing on risk over returns shall continue as well. Further, the business has seen an overall yield compression in line with the market and the focus shall be to deal in structured products with the existing clients to maintain the overall yields, while operating within the overall risk based underwriting framework.

SYNDICATION BUSINESS

On the back of an improvement in market sentiment and an uptick in credit offtake, we expect the syndication business to see more traction in the coming year. The processes established and the visibility attained during the first year of operations should help increase our foothold in the market.

We will undertake the business with an increased momentum and further expand our product suite as detailed out below.

- Continued focus on the existing business of Co-lending, which will be the staple revenue potential for the business
- Funded Underwriting: Subject to adequate market checks, we would aim to take a few funded underwriting mandates
- Pure Arranger: We undertook one Arranger mandate in FY 21-22 which we have partially concluded however we would undertake deals of similar nature in Year 2 with an aim to broaden our origination and conclusion of similar mandates
- Secondary sourcing of deals: Help grow the balance sheet through sourcing of deals in secondary for AFL (including SME).

OPPORTUNITIES & THREATS

SME/MSME LENDING

Opportunity: The MSME sector has emerged as a backbone of the country through its spirit of entrepreneurship, innovation and the zeal to thrive. The efforts made by the government to support and promote in times of distress such as the timely incentives during the Covid times have only helped them grow. This highly vibrant and dynamic sector has contributed significantly in the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost.

With the global economy opening up and the world looking to break free from the shackles of the pandemic, AFI expects that the Indian SME industry is now poised to grow at a faster pace. This shall be aided by global developments of manufacturing industries moving out of China and increased dependence of the western world on the Asian countries to grow. Government schemes such as Make in India, PLI Scheme shall further help provide impetus to the SME space to manufacture and innovate. This gives new age & well capitalized lenders like AFL to target specific SME clusters and onboard SMEs to fulfill their growth and working capital requirements.

Threat: We are still not out of COVID-19. There have been supply chain constraints and sudden increase in prices of metal, oil and other raw materials. This could impact the cost dynamics and profitability of MSMEs. In cases of fixed price advance contracts with the corporates, MSMEs may find it tough to fulfill these orders. However, like in the past, we are confident of MSMEs emerging as winners out of all challenges.

CORPORATE LENDING

Opportunity: The transformed landscape of the corporate lending business amongst NBFCs has resulted in few large players consolidating market share and consequently throwing up opportunities for long-term players with pedigreed parentage and patient capital to build a sustainable lending franchise.

Threat: The current turmoil in the geopolitical environment is resulting in a rapid increase in inflation globally. This increase in input cost pressures for corporates with an increasing interest rate environment is likely to result in a demand crunch for discretionary spend industries along with margin pressure on profitability.

REAL ESTATE & ALLIED LENDING

Opportunity: The Real Estate sector especially the residential segment has witnessed one of the best ever years in terms of demand and absorption as a result of market synergies, impetus from Government through subsidies and tax cuts and recovery of demand for larger self-owned homes. Further, the demand continues to stay strong in the lower & mid-segment and affordable housing segment. Commercial sector is inching back to pre-Covid levels and the demand for Grade A assets from reputed developers is also on the rise. Amongst the Allied sectors, the logistics and warehousing sector is expected to witness significant demand from e-commerce, pharma, FMCG and 3PL players. With students returning to an offline mode, the Education segment (especially K-12 segment) have seen the student counts increase and the fee collection levels coming back to pre-Covid levels. The Real Estate and Allied business intends to target the growing sectors while continuing with its core strategy of dealing with financially strong and pedigreed clients, thereby providing a sustainable model for its growth.

Threat: The reputed players in the market are witnessing access to liquidity and there has been a yield compression across sectors. Further, as a result of tremendous sales & demand for residential and commercial assets, the collections have been much higher than anticipated levels, thereby leading to rundown of exposure faster than expected. Moreover, the business sentiments and the growth recovery would get negatively impacted in case of any further Covid waves. Under such a scenario, the business may adopt a wait and watch approach over the short term. Further, with increased regulatory supervision on NBFCs from the Reserve Bank of India, the business is also exposed to changes in the regulatory framework.

SYNDICATION BUSINESS

Opportunity: Business presents opportunity for AFL to be renowned for its market presence on originating marketable deals and have relationships with a wide range of banks and FI in placing such deals as well as renowned for underwriting risks which are well appreciated by the market. Further, the opportunity to serve fellow investors with cross leveraging our lending relationships with originating deals for the market enhances our reputation amongst investors as a dynamic institution.

Threat: The only threat we see for the business is the tightening credit environment due to further economic slowdown; leading to narrowing down of investors set thus reducing scope of investor participation.

RISK & CONCERNS

SME/MSME LENDING

AFL's SME segment has diversified its portfolio into various products such as Loan Against Property, Supply chain and Unsecured Loans. The entire portfolio has shown resilience against the external factors such as the Covid and the downtrend caused by global turbulence to show Nil Delinquency as on date. SME portfolio stands well diversified across sectors and regions; ~75% of the SME portfolio is secured against an underlying collateral. Supply chain book is further dependent on repayment from large well rated corporates. The same acts as a hedge to the MSME dependent portfolio.

However, the expected rise in the interest rates in the coming months to curb inflation is expected to impact the liquidity in the market and also squeeze the profitability margins for the existing NBFCs in the market. Further, since the world is still not out of the woods as far as the Covid19 pandemic is concerned and with ongoing global uncertainties, some MSMEs might face short term liquidity, supply chain disruptions. AFL, however, is confident that the sector shall come out stronger than ever before given the resilience it has shown in the past.

CORPORATE LENDING

In light of the current scenario, corporate credit offtake is likely to remain subdued, on the back of low confidence for significant capital outlay amongst larger industrial houses. Lower yields on the asset book owing to significant liquidity in the system are likely to put pressure on NIMs.

REAL ESTATE & ALLIED LENDING

Owing to the sales exceeding launches over the past couple of years, there has been a steady decrease in inventory levels across major cities. However, the strong demand and lower inventory levels might lead to increased launches which can adversely affect the growth momentum seen across sectors. Further, the price stabilization is also contingent upon a steady demand and adequate supply. Any future covid waves and the resultant movement restrictions would lead to the demand getting adversely affected. As seen during the earlier Covid waves, the lenders have adopted a wait and watch mode during the pandemic, thereby leading to restrictions in access to credit lines for the developers and a possibility of the project completion getting delayed. In terms of competition, with the return of traditional channels of finance i.e. Banks along with the resurgence of other liquidity providers like NBFCs, AIFs, Mutual Funds, Private Credits etc, there is adequate liquidity available for reputed and financially strong players. This might lead to further yield compression and availability of quality assets.

OPERATIONS & TECHNOLOGY

AFL considers technology as a key differentiator and major driver of growth for the Company. The technology team has been focusing on delivering seamless digital experience, agility in solution delivery and transitioning to a data-driven enterprise. All of our applications are highly scalable to ensure business goals can be supported seamlessly at optimum costs. The Company has gone live with an Analytics platform that provides a single version of truth across the enterprise. Standard set of APIs exposed through our API platform has helped in smooth integration with Fintechs and NBFCs for sourcing customers.

The following new initiatives were launched during the year:

- Integrated with four NBFC/Fintechs for sourcing personal loan customers
- We have entered into a Colending partnership with two NBFCs for Business Loans
- Implemented analytics platform for business and operations teams to facilitate monitoring and decision making. Data from all applications are fed into the platform which enables granular analysis by slicing and dicing portfolio data in multifarious ways. More than 100 dashboards have been created in consultation with departments across the Company.
- A Customer Portal has been built on Liferay DXP (Group portal framework and digital experience platform). The customers can now access their account information, account statement, repayment schedule and other

account related details on the portal. Customers can also raise various types of service requests and make overdue EMI payments online.

- We have integrated the CRM with the Customer Portal to enable a seamless experience to the customer for tracking their Query, Requests and Complaints.
- A couple of Operational processes have been automated using Robotics (UI Path)
- New APIs have been developed to automate the disbursement process.

Since all of our applications are hosted on cloud, we were able to seamlessly scale up or down the infrastructure cost based on the business volumes. All employees were able to work without any issues from home because of the availability of collaboration platform

Plans for FY 2022-23:

One of the key initiatives would be to drive automation of processes across functions & businesses. We also plan to start self-sourcing customers through digital channels and invest in digital marketing. The focus would be to make the Company a data-driven enterprise which would be facilitated by availability of required data in a timely and secure manner. We would also strengthen technology risk management by investing in tools for cyber security. Plan is to build capabilities within the organization such that stakeholders and key decision makers have access to cohesive and quality information in a timely manner. This will also include putting in place appropriate alerting and forecasting tools for proactive action. We will continue to put emphasis on strengthening our IT governance and information security system across the organization in line with the RBI Master Direction for IT Framework in NBFCs.

HUMAN RESOURCES

The last year was marked as a year of growth with AFL's headcount growing by 90% during the FY of 2021-22. The closing headcount for the year stands at 96 employees. This year, yet again, the focus remained on hiring strategically given the economic disruptions caused by the pandemic. Besides hiring, AFL focused on retention by providing an engaging environment of continuous learning, recognition, innovation and development through various people centric initiatives.

The human resource's function is the prime custodian of culture at AFL. Key initiatives focusing on both physical and mental well-being, collaboration, communication, fun at work, rewards & recognition, market benchmarking, celebrations, etc. were undertaken to offer a conducive and engaging work environment. AFL employees participated in various workshops, surveys, sports, celebrations and other festivities.

The coming year will be yet again focused on high growth with respect to manpower, specifically in the SME & MSME business vertical. The other focus areas will be process automation to support the steep growth trajectory, strengthening the Employer Value Proposition of AFL and driving a learning and development culture.

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.

The Company aims to achieve sound corporate governance through its newly co-created values: Own it and be Responsible, Achieve Operational Excellence, Trust in Collaboration, Customer Centric, every time, Integrity, make Employees Successful. As a part of building a great organizational culture and to implement a corporate governance framework, the employees are requested to live and practice them with a view of making the values a 'A way of life' at the Company.

BOARD COMPOSITION

The Board of Directors of the Company comprises 6 Directors including one (1) Executive, two (2) Non-Executive and three (3) Independent Directors. The composition of the Board is in conformity with the requirements of the Companies Act, 2013 ("the Act").

SKILLS AND COMPETENCIES OF THE BOARD OF DIRECTORS

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

- Good business acumen
- Diverse set of experience
- Leadership quality
- Integrity

The directors possess a wide range of expertise in the areas of banking and finance, strategy, marketing and many more which is essential to drive the Company's growth through their leadership and wisdom.

BOARD AND COMMITTEES

The Members of the Board and their Attendance at Board and Annual General Meetings:

Seven (7) Meetings of the Board of Director of the Company were held during the period under review. The Meetings were held on April 28, 2021, July 19, 2021, August 05, 2021, August 26, 2021, October 20, 2021, January 20, 2022 and February 10, 2022. The attendance status at the Board Meetings and Annual General Meeting is as follows:

Name of the Director (DIN)	Number of Board Meetings Attended	Attendance at last AGM
Mr. Vimal Bhandari (00001318)	7	Yes
Mr. Mahesh Chhabria (00166049)	7	Yes
Ms. Gauri Kirloskar (03366274)	6	Yes
Mr. D Sivanandhan (03607203)	7	Yes
Mr. Vijay Chugh (07112794)	7	No
Mr. Harish Engineer (01843009)	7	Yes

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is constituted in terms of Section 177 of the Companies Act, 2013, and relevant rules prescribed, as amended from time to time (hereinafter referred to as 'the Act'). The Committee is comprised of Mr. Mahesh Chhabria, Chairman, Mr. Vijay Chugh, Mr. Harish Engineer and Mr. D Sivanandhan as Members of the Committee.

During the year four (4) Meetings of the Audit Committee of the Company were held on April 28, 2021, July 19, 2021, October 20, 2021 and January 20, 2022. The details of the meetings and the attendance of the Members are provided below:

Sr. No	Name of Members	No. of Meetings held during tenure	Meetings attended
1.	Mr. Mahesh Chhabria, Chairman	4	4
2.	Mr. Harish Engineer, Member	4	4
3.	Mr. D Sivanandhan, Member	4	4
4.	Mr. Vijay Chugh, Member	4	4

All the recommendations of the Audit Committee during the year 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(4) and other applicable provisions of the Companies Act, 2013, to read along with rules prescribed which, inter-alia, include:

i. to recommend appointment, remuneration and terms of appointment of Auditors of the Company;

ii. to review and monitor the Auditors' independence and performance, and effectiveness of audit process;

iii. examination of the financial statement and the auditor's report thereon;

iv. approval or any subsequent modification to any Related Party Transaction(s) of the Company;

v. scrutiny of inter-corporate loans/deposits and investments;

vi. valuation of undertakings or assets of the Company, wherever it is necessary;

vii. evaluation of internal financial controls and risk management systems;

viii. monitoring the end use of funds raised through private placements of securities, public offers and related matters;

ix. ensure that any concerns raised by the external auditors are addressed by the management and to bring any unaddressed concerns to the notice of the management;

x. evaluate the scope of statutory audit, internal audit, Secretarial audit and ensure that there are no limitations placed by the management on the auditors;

xi. review management letter(s) and management response to the findings and recommendations of the external auditor(s);

xii. study the issues raised by external auditors and raise appropriate flags to the management in case of repeated issues;

xiii. review and approve policy on supply of non-audit services by external auditors, taking into account any relevant ethical guidance on the matter.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

NRC is constituted in terms of Section 178 of the Act. The Committee is Comprised of Mr. D Sivanandhan, Chairman, Mr. Mahesh Chhabria, Ms. Gauri Kirloskar and Mr. Harish Engineer as Members of the Committee.

During the year, one (1) Meeting of the Nomination and Remuneration Committee of the Company was held on April 28, 2021, and other approvals have been obtained vide circular resolution. The details of the meeting and the attendance of the Members are provided below:

Sr. No	Name of Members	No. of Meetings held during tenure	Meetings attended
1.	Mr. D Sivanandhan, Chairman	1	1
2.	Mr. Mahesh Chhabria, Member	1	1
3.	Ms. Gauri Kirloskar, Member	1	1
4.	Mr. Harish Engineer, Member	1	1

All the recommendations of the Nomination and Remuneration Committee during the year were accepted by the Board of Directors of the Company.

The functions of the NRC would be as per provisions of Section 178 of the Companies Act, 2013 which, inter-alia, include to ensure that:

i. the level and compensation of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;

ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

iii. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;

iv. develop policies and lay down criteria for appointment / removal / reappointment of the directors of the Board in terms of statutory and regulatory requirements from time to time;

v. formulate criteria for appointment/reappointment of directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person and the removal of the director is based on the provisions of the Companies Act, 2013 as amended from time to time;

vi. assist the Board of Directors of the Company, in formulation and implementation of remuneration policy which will lay down the remuneration to directors, key management personnel and other employees to ensure balance between remuneration and risks.

RISK MANAGEMENT COMMITTEE (RMC)

The Board of Directors have constituted a Risk Management Committee (RMC) and the Committee is comprising of Mr. Vijay Chugh, Chairman, Mr. Mahesh Chhabria, Mr. D Sivanandhan and Mr. Harish Engineer as Members of the Committee.

Two (2) Meetings of the RMC were held viz: April 28, 2021 and October 20, 2021 and approvals of the Committee have also been obtained vide circular resolution. The details of the meeting and the attendance of the Members are provided below:

Sr. No	Name of members	No. of Meetings held during tenure	Meetings attended
1.	Mr. Vijay Chugh, Chairman	2	2
2.	Mr. Mahesh Chhabria, Member	2	2
3.	Mr. D Sivanandhan, Member	2	2
4.	Mr. Harish Engineer, Member	2	2

The role and responsibility of the RMC is to:

i. assess the Company's risk profile and key areas of risk in particular;

ii. examine and determine the sufficiency of the Company's internal processes for reporting on and managing key risk areas;

iii. develop and implement a risk management framework and internal control system;

iv. review the nature and level of insurance coverage;

v. report the trends on the Company's risk profile, reports on specific risks and the status of the risk management process;

vi. exercise 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;

vii. assist the Board in setting risk strategies, policies, frameworks, models and procedures in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;

viii. ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company's appetite or tolerance for risk;

ix. ensure that a systematic, documented assessment of the processes and outcomes surrounding key risk is undertaken at least once in a year;

x. review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;

xi. provide an independent and objective oversight and view of the information presented by the management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risk facing by the Company;

xii. the Board shall review the performance of the risk management committee annually.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

In terms of provisions of the Companies Act, 2013, Corporate Social Responsibility (CSR) Committee is constituted, comprising of: Mr. Vimal Bhandari, Chairman, Ms. Gauri Kirloskar and Mr. Vijay Chugh as Members of the Committee.

one (1) meeting of the CSR Committee was held during the year on March 14, 2022, which was attended by all CSR Committee members.

The terms of reference of the CSR Committee of the Company would be in terms of Section 135 and other applicable provisions of the Companies Act, 2013, to read along with rules prescribed which, inter-alia, include:

i. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall include the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 as amended from time to time;

ii. recommend the amount of expenditure to be incurred on the activities referred to in clause (a);

iii. monitor the Corporate Social Responsibility Policy of the company from time to time;

iv. in case of inability to spend the prescribed CSR amount, provide suitable explanations to the Board and the relevant explanation in the Annual Report of the Company;

v. ensure that CSR activities undertaken by the Company are appropriately disclosed in the Annual Report;

vi. ensure that any surplus arising out of CSR activities does not form a part of business profits of the Company;

vii. review the adequacy of the CSR policy at periodic intervals and review / modify policy on annual basis, if necessary.

ALLOTMENT COMMITTEE

The Board of Directors have constituted a Allotment Committee and the Committee is comprising of Mr. Mahesh Chhabria, Mr. Vimal Bhandari, Mr. D Sivanandhan and Ms. Gauri Kirloskar as a Members of the Committee. During the year approval has been obtained via circular resolution.

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

i. Issue and Allotment of Equity and/or Preference Shares.

ii. Issue of new Share Certificate on Allotment.

iiii. 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

In term of Reserve Bank of India requirement, IT Strategy Committee is formed, the Committee is comprised of: Mr. D Sivanandhan, Chairman, Mr. Rahul Kirloskar, Mr. Vimal Bhandari, Mr. Mahesh Chhabria, Mr. Nihal Kulkarni, Mr. Mridul Sharma and Mr. Pravir Vohra.

During the year the IT Strategy Committee Meeting was held viz: February 8, 2022.

Sr. No	Name of members	No. of Meetings held during tenure	Meetings attended
1	Mr. D Sivanandhan	1	1
2	Mr. Mahesh Chhabria	1	1
3	Mr. Pravir Vohra	1	1
4	Mr. Rahul Kirloskar	-	-
5	Mr. Vimal Bhandari	1	1
6	Mr. Mridul Sharma	1	1
7	Mr Nihal Kulkarni	-	-

The terms of reference of the Committee include:

i. the role and responsibility of the committee would be same as mentioned in the RBI Direction and the same has been provided in IT Policy of the Company;

ii. reviewing and recommending to the Board, management's strategies relating to technology and their alignment with the strategy and objectives of the Company;

iii. reviewing and monitoring Management's strategies for developing or implementing new technologies and systems;

iv. increasing awareness of key technology changes and innovations in the marketplace;

v. reviewing and recommending to the Board management's strategies for sourcing of major technology suppliers and monitoring the technology 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. ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;

x. ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

xi. monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;

xii. ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

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 ICC comprising of Senior female Executives and one independent Member. The Committee is responsible for ensuring compliance in terms of provisions of SHWW Act, from time to time.

Pursuant to implementation of SHWW Act, the status of complaints received and resolved during the year under review, is as follows:

• Number of complaints received	Nil
• Number of complaints disposed	Nil
• Number of complaints pending for more than 90 days	Nil
• Number of awareness workshops conducted	1*
• Nature of action taken by the District Officer	Nil

(*)The Human Resource Department of the Company had conducted the presentation on awareness about the prevention of sexual harassment at workplace to the employees of the Company vide email dated May 14, 2021.

Annexure - III

The Annual Report on CSR Activities

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

The Company, through its CSR projects, will 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. Employment and livelihood creation, Millennium Development Goals (MDG) and global concerns such as climate change will be considered as guides in setting up the CSR projects.

- CSR Programmes/Projects undertaken by the Companies pursuant to the provisions of the Companies Act and rules made thereunder
- Activities not to be considered as CSR activity
- The CSR Budget of the Company
- The Implementation processes
- The Roles & 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:

Sl. 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	1	1
2	Ms. Gauri Kirloskar	Non-Executive Director	1	1
3	Mr. Vijay Chugh	Independent Director	1	1

(3) Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company at https://www.arkafincap.com/investor-information.

(4) Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report): Nil

(5) Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
1	2020-21	2,441	2,441

(6) Average net profit of the company as per section 135(5): ₹ 14,27,49,534/-

(7) (a) Two percent of average net profit of the company as per section 135(5): ₹ 28,54,991/-.

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil

(c) Amount required to be set off for the financial year: ₹ 2,441/-

(d) Total CSR obligation for the financial year (7a+7b- 7c): ₹ 28,52,550/-

(8) (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer	Name of the Fund	Amount.	Date of transfer
28,56,000	Nil	Nil	Nil	Nil	Nil

(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 ₹).	Amount spent in the current financial Year (in ₹).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹).	Mode of Implementation Direct (Yes/ No).	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration No
1.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

(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 ₹).	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	Pune	28,56,000	No	KIAMS	CSR00004586

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 28,56,000/-

(g) Excess amount for set off, if any-

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	28,54,991
(ii)	Total amount spent for the Financial Year	28,56,000
(iii)	Excess amount spent for the financial year [(ii)-(i)]	1,009
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	1,009

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

Sl No	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹).	Date of transfer.	
1	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(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
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in ₹).	Amount spent on the project in the reporting Financial Year (in ₹).	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project - Completed /Ongoing.
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(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):

(a) Date of creation or acquisition of the capital asset(s)- Nil

(b) Amount of CSR spent for creation or acquisition of capital asset- Nil

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.- Nil

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital. – Nil

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
Chairman of the CSR Committee

Annexure - IV

Form No. AOC. 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis – NIL

a) Name(s) of the related party and nature of relationship

b) Nature of contracts/arrangements/transactions

c) Duration of the contracts/arrangements/transactions

d) Salient terms of the contracts or arrangements or transactions including the value if any

e) Justification for entering into such contracts or arrangements or transactions

f) date(s) of approval by the Board

g) Amount paid as advances, if any

h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material Contracts or arrangement or transactions at arm's length basis

Sr No	Name(s) of the related party and nature of relationship	Nature of contracts / arrangements / transactions	Duration of the contracts / arrangements / transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
1	Kirloskar Oil Engines Limited –Ultimate Holding Company	Equity Capital Contribution	18-05-2021	4,54,52,403 equity shares issued at ₹ 11 (face value ₹ 10 per share) per share – Total Capital Contribution - ₹ 50 Crores	-	-
2	Arka Financial Holdings Pvt Ltd - Holding Company	Equity Capital Contribution	23-08-2021	7,44,18,604 equity shares issued at ₹ 10.75 (face value ₹ 10 per share) per share – Total Capital Contribution - ₹ 80 Crores	-	-

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318

Mahesh Chhabria
Director
DIN: 00166049

Date : April 26, 2022
Place : Mumbai

Annexure - V

Secretarial Audit Report

for the year ended March 31, 2022

[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 March 31, 2022 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 **March 31, 2022** 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; *(Not Applicable to the Company during audit period)*

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 *to the extent applicable;*

(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) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2015;

(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)

(vii) Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015"

(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. and National Stock Exchange of India 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 Board of Directors of the Company at their meeting held on April 28, 2021 approved the offer, issue and allotment of upto 4,54,52,403 (Four Crore Fifty-Four Lakhs Fifty-Two Thousand Four Hundred Three) Equity Shares of ₹ 11/- each (₹ 10 face value and Re. 1 premium) on rights basis.

ii. The Board of Directors of the Company at their meeting held on August 5, 2021 approved the offer and issue upto 7,44,18,604 (Seven Crores Forty-Four Lakhs Eighteen Thousand Six Hundred Four) Equity Shares of ₹ 10.75/- each (₹ 10 face value and Re. 0.75 premium) on preferential basis through Private Placement to the Arka Financial Holdings Private Limited.

iii. The Board of Directors of the Company at their meeting held on August 26, 2021 noted the resolution passed in circulation by the Allotment Committee on May 18, 2021 for allotment of 4,54,52,403 (Four Crore Fifty-Four Lakhs Fifty-Two Thousand Four Hundred Three) Equity Shares on rights basis to Kirloskar Oil Engines Limited.

iv. The Board of Directors of the Company at their meeting held on August 26, 2021 noted the resolution passed in circulation by the Allotment Committee on August 4 2021 for allotment of 750 Senior, Secured, Redeemable, Rated, Listed, Principal Protected Market Linked Non-Convertible Debentures of face value ₹ 10,00,000 (Rupees Ten Lakh) each.

v. The Board of Directors of the Company at their meeting held on October 20, 2021 noted the resolution passed in circulation by the Allotment Committee on August 23, 2021 for allotment of 7,44,18,604 (Seven Crores Forty-Four Lakhs Eighteen Thousand Six Hundred Four) Equity Shares of ₹ 10.75/- each (₹ 10 face value and Re. 0.75 premium) on preferential basis through Private Placement to the Arka Financial Holdings Private Limited.

vi. The Board of Directors of the Company at their meeting held on January 20, 2022 noted the resolution passed in circulation by the Allotment Committee on November 26 , 2021 for allotment of 750 Secured, Rated, Listed, Taxable, Redeemable Non-Convertible Debentures of face value ₹ 10,00,000 (Rupees Ten Lakh) each.

vii. The Board of Directors of the Company at their meeting held on January 20, 2022 noted the resolution passed in circulation by the Allotment Committee on December 02 , 2021 for allotment of 15,000 Equity Shares of ₹ 10 (Rupees ten) each to Mr. Ritesh Jhanwar in terms of Employee Stock Option Plan 2019

viii. The Members of Company at the Annual General Meeting of the Company held on May 28, 2021 passed the special resolution for issue of Secured and/or Unsecured, Listed and/or Unlisted Redeemable Non-Convertible Debentures and/or Subordinated Debt instruments and/or other securities for an aggregate value of upto ₹ 500 crore (Rupees Five Hundred Crore Only) on private placement basis in such form, manner, in one or more tranches.

ix. The Members of Company at the Annual General Meeting of the Company held on May 28, 2021 passed the special resolution to borrow any sum or sums of monies from time to time whether in Indian Rupees or in Foreign Currency in any form or manner and/or in one or more tranches by way of fund based or non-fund based assistance upto an amount of ₹ 2,500 Crores (Rupees Two Thousand Five Hundred Crores)

x. The Members of Company at the Extra-ordinary General Meeting of the Company held on August 5, 2021 passed the special resolution for issue of 7,44,18,604 equity shares having face value of ₹ 10/- at a price of ₹ 10.75 i.e. ₹ 0.75 per share aggregating to ₹ 79,99,99,993/- (Rupees Seventy-Nine Crores Ninety-Nine Lakhs Ninety-Nine Thousand Nine Hundred Ninety-Three only) on a preferential allotment basis.

xi. The Allotment Committee of the Board of Directors of the Company have passed a resolution in circulation on February 9, 2022 for allotment of 1000, Secured, Rated, Taxable, Listed, Redeemable Non-Convertible Debentures aggregating to ₹ 100 Crores.

xii. The Allotment Committee of the Board of Directors of the Company have passed a resolution in circulation on March 22, 2022 for allotment of 500, Senior, Secured, Redeemable, Rated, Listed, Principal Protected – Market Linked Non-Convertible Debentures to Sporta Technologies Private Limited aggregating to ₹ 50 Crores.

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
UDIN - F002071D000214030

Sd/-
Anil Vasant Mayekar
Partner
FCS – 2071, COP – 2427
PR – 777/2020

Date: April 26, 2022
Place: Mumbai

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. The Management along with the Board of Directors are responsible for ensuring that the Company complies with the provisions of all applicable laws and maintains the required statutory records and documents in the prescribed manner.

2. Based on audit, our responsibility is to express an opinion on the compliance with the applicable laws and maintenance of records by the Company. We conducted our audit in accordance with the auditing standards CSAS 1 to CSAS 4 ("**CSAS**") prescribed by the Institute of Company Secretaries of India ("ICSI"). These standards require that the auditor complies with statutory and regulatory requirements and plans and performs the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of records.

   Due to the inherent limitations of an audit including internal, financial and operating controls, there is an unavoidable risk that some misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with the CSAS

3. We have followed the audit practices, Secretarial Standards 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.

4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

5. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

6. 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.

7. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company. Due to the inherent limitations of an audit including internal, financial and operating controls, there is an unavoidable risk that some Misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with the Standards.

For Mayekar & Associates
Company Secretaries
Firm U.I.N - P2005MH007400
UDIN - F002071D000214030

Sd/-
Anil Vasant Mayekar
Partner
FCS – 2071, COP – 2427
PR – 777/2020

Date: April 26, 2022
Place: Mumbai

Annexure - VI

Statement of particulars of employees pursuant to the provision of Section 197 of the Companies Act, 2013, read with Rule, 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time and forming part of the Directors' Report for the year ended March 31, 2022.

Top Ten Employees (basis Annual Remuneration)

Sr No	Name	Age	Qualifications and Experience (years)	Date of Commencement of employment	Designation and nature of duties	Last Employment	Remuneration Received (Gross) (₹)
1	Vimal Bhandari	63.7	CA; 32.7	Nov 01, 2018	Executive Vice Chairman & CEO	Indostar Capital Finance Limited	51915509 +1169109
2	Mridul Sharma	48	MBA; 23.4	Jan 23, 2019	Chief Operating Officer	Indusind Bank	34749490 +148133
3	Sonit Singh	43.7	PGDM; 17.9	Jul 08, 2019	Head – Real Estate Financing & Advisory Services	JLL India	21142923
4	Manish Chandrashekhar Nagarsekhar	48.8	CA; 24.3	Mar 01, 2019	Head – Operations & Business Solutions Group	Indusind Bank	22015455
5	Navin Saini	47.8	MBA; 24.3	Feb 03, 2020	Head – SME & MSME Lending	Clix Capital Services Pvt. Ltd.	14980596
6	Nachiket Vishwaniyant Naik	50	MBA; 25.5	Jan 02, 2019	Head – Corporate Lending	IREP Credit Capital Limited	18476288
7	Amit Kumar Gupta		CA; CS; 20.4	Feb 18, 2019	Deputy CFO & Head – Resources & Corporate Finance	Indostar Capital Finance Limited	15701221
8	Bhupesh Mahajan	50	CA; 22.6	Nov 08, 2019	Head – Risk	Reliance Commercial Finance Ltd.	16071144
9	Suman Saurav	43.1	B IT; 20.3	Mar 01, 2019	Head – Information Technology	Indusind Bank	9239947
10	Sachin Agarwal	43.6	CA, MBA	July 01, 2021	Chief Credit Officer	Standard Chartered	6925671

ARKA FINCAP

Part A – Employed throughout the Financial year under review and were in receipt of remuneration in aggregate of not less than ₹ 1,02,00,000/- per annum-

Sr No	Name	Age	Qualifications and Experience (years)	Date of Commencement of employment	Designation and nature of duties	Last Employment	Remuneration Received (Gross) (₹)
1	Vimal Bhandari	63.7	CA; 32.7	Nov 01, 2018	Executive Vice Chairman & CEO	Indostar Capital Finance Limited	51915509 +1169109
2	Mridul Sharma	48.0	MBA; 23.4	Jan 23, 2019	Chief Operating Officer	Indusind Bank	34749490 +148133
3	Sonit Singh	43.7	PGDM; 17.9	Mar 01, 2019	Head – Real Estate Financing & Advisory Services	JLL India	21142923
4	Manish Chandrashekhar Nagarsekhar	48.8	CA; 24.3	Jan 02, 2019	Head – Operations & Business Solutions Group	Indusind Bank	22015455
5	Navin Saini	47.8	MBA; 24.3	Jul 08, 2019	Head – SME & MSME Lending	Clix Capital Services Pvt. Ltd.	14980596
6	Nachiket Vishwaniyant Naik	50	MBA; 25.5	Feb 18, 2019	Head – Corporate Lending	IREP Credit Capital Limited	18476288
7	Amit Kumar Gupta	42.8	CA; CS; 20.4	Mar 01, 2019	Deputy CFO & Head – Resources & Corporate Finance	Indostar Capital Finance Limited	15701221
8	Bhupesh Mahajan	50	CA	Nov 08, 2019	Head - Risk	Reliance Commercial Finance Ltd.	16071144

Part B – Employed for a part of the financial year under review and were in receipt of remuneration in aggregate of not less than ₹ 850,000/- per month: NIL

Gross Remuneration includes salary, taxable allowances, value of perquisites as per Income Tax Rules, 1962 but excludes contribution to Gratuity Fund. The nature of employment in all cases is contractual & are as per Company's Rules.

None of the above employees is related to any Director of the Company and hold any equity shares in the Company as on date.

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318

Mahesh Chhabria
Director
DIN: 00166049

Date : April 26, 2022
Place : Mumbai

Disclosures pursuant to Regulation 53(f) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on March 31, 2022

I.	**Related Party Disclosure:**		**(Currency: Indian Rupees in Lakhs)**
Sr. No.	**In the accounts of**	**Disclosures of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year**	**Details**
1	**Holding Company:**	1. Loans and advances in the nature of loans to subsidiaries by name and amount:	
	Kirloskar Oil Engines Limited (upto 4 January 2022) Arka Financial Holdings Private Limited (w.e.f. 5 January 2022)	**(i) Loan given to Arka Fincap Limited**	
		(a) Loan Outstanding at year end	--
		(b) Maximum amount of loan outstanding during the year	--
		2. Loans and advances in the nature of loans to associates by name and amount	N.A.
		3. Loans and advances in the nature of loans to firms / companies in which Directors are interested by name and amount	--
2	**Subsidiary Company:**	1. Loans and advances in the nature of loans to parent by name and amount	--
	Arka Fincap Limited	2. Loans and advances in the nature of loans to associates by name and amount	N.A.
		3. Loans and advances in the nature of loans to firms / companies in which Directors are interested by name and amount	--
3	**Holding Company:** Kirloskar Oil Engines Limited (upto 4 January 2022) Arka Financial Holdings Private Limited (w.e.f. 5 January 2022)	Investment by the loanee in the shares of parent company and subsidiary company, when the Company has made a loan or advance in the nature of loan	--
II.	Transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results – **None**		

Financials Statements
2021-22

Independent Auditors' Report

To the Members of Arka Fincap Limited (formerly Kirloskar Capital Limited)

Report on the Audit of the Financial Statements

OPINION

We have audited the Financial Statements of Arka Fincap Limited (formerly Kirloskar Capital Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2022, 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 March 31, 2022, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the Ind AS 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: ₹ 557.61 lakhs

Provision as on March 31, 2022: ₹ 921.23 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 is 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 with reference to financial statements 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.

OTHER MATTER/S

The financial statements of the Company for the financial year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on these statements on 28th April, 2021.

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 March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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 statements 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.

   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 March 31, 2022

(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.

For **P G BHAGWAT LLP**
Chartered Accountants
Firm Registration Number: 101118W/W100682

Nachiket Deo
Partner
Membership Number: 117695
UDIN: 22117695AHVQSY4832

Place: Pune
Date: April 26, 2022

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 has maintained 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 Company has a regular program of physical verification to cover all the items of fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The fixed assets were not physically verified by management during the year.
	(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 there are 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)	According to the information and explanations provided to us, the company has been sanctioned working capital limits in excess of five crore rupees during the year, in aggregate, from banks or financial institutions on the basis of security of current assets. The management of the company has provided us with the quarterly returns or statements, which they have represented to us have been filed by the company with their banks or financial institutions. In our opinion, these quarterly returns or statements are in agreement with the books of account 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 the aforesaid loans and advances in the nature of loans, the schedule of repayment of principal and payment of interest has been stipulated, and the repayment of principal amounts and receipts of interest are generally been regular as per stipulation.
	(d)	In respect of the aforesaid loans and advances in the nature of loans, there is no amount which is overdue for more than ninety days.
	(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.
(iv)		According to the information and explanations given to us, the Company has not granted any loans or made investments, or provided guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
(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 did 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 2022 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)	According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the company, we report that funds raised on short-term basis have, prima facie, not been used for long-term purposes by the company during the year.
	(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 made a preferential allotment of shares during the year, in compliance with the requirements of Section 42 and/or Section 62 of the Act. The amounts raised have been used for the purpose for which funds were raised.
(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)	According to the information and explanations given to us, report in the form ADT-4 as specified under sub-section (12) of section 143 of the Companies Act has not been filed. 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)		The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Ind AS 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(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.
(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)		During the period under Audit the previous statutory auditors have resigned pursuant to RBI Circular regarding the rotation of Auditors and we have taken into consideration the issues, objections or concerns, raised by the outgoing auditors.
(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 Number: 117695
UDIN: 22117695AHVQSY4832

Place: Pune
Date: April 26, 2022

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 (formerly Kirloskar Capital Limited) ("the Company") as of March 31, 2022 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 with reference to the financial statements 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, 2022, 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 Number: 117695
UDIN: 22117695AHVQSY4832

Place: Pune
Date: April 26, 2022

Balance Sheet

as at March 31, 2022

(₹ in Lakhs)

		Notes	As at March 31, 2022	As at March 31, 2021
I.	**ASSETS**			
	Financial assets			
	Cash and cash equivalents	3.01	13,167.93	22,608.09
	Bank balances other than cash and cash equivalents	3.02	1,001.00	-
	Trade receivables	3.03	43.74	-
	Loans	3.04	2,29,908.39	90,658.90
	Investments	3.05	16,184.30	21,479.95
	Other financial assets	3.06	293.60	220.79
			2,60,598.96	**1,34,967.73**
	Non-financial assets			
	Current tax assets (net)	3.07	370.17	84.79
	Deferred tax assets (net)	3.08	652.72	274.60
	Property, plant and equipment	3.09	523.49	752.24
	Intangible assets	3.10	337.01	370.42
	Intangible assets under development	3.11	-	2.00
	Other non-financial assets	3.12	217.37	162.60
			2,100.76	**1,646.65**
	TOTAL ASSETS		**2,62,699.72**	**1,36,614.38**
II.	**LIABILITIES AND EQUITY**			
	LIABILITIES			
	Financial liabilities			
	Trade payables	3.13		
	(i) total outstanding to micro enterprises and small enterprises		9.72	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		124.37	66.59
	Debt securities	3.14	56,577.25	22,203.94
	Borrowings (other than debt securities)	3.15	1,16,773.31	44,364.85
	Other financial liabilities	3.16	3,343.35	1,876.66
			1,76,828.00	**68,512.04**
	Non-financial liabilities			
	Current tax liabilities (net)	3.17	-	-
	Provisions	3.18	512.65	104.06
	Other non-financial liabilities	3.19	1,676.57	663.12
			2,189.22	**767.18**
	TOTAL LIABILITIES		**1,79,017.22**	**69,279.22**
	Equity			
	Equity share capital	3.20	75,985.58	63,996.98
	Other equity	3.21	7,696.92	3,338.18
	TOTAL EQUITY		**83,682.50**	**67,335.16**
	TOTAL LIABILITIES AND EQUITY		**2,62,699.72**	**1,36,614.38**
	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

Date: April 26, 2022
Place: Pune

For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Mahesh Chhabria
Non Executive Director
DIN: 00166049

Amit Kumar Gupta
Chief Financial Officer

Amit Bondre
Deputy Company Secretary

Date: April 26, 2022
Place: Mumbai

Statement of Profit and Loss

for the year ended March 31, 2022

(₹ in Lakhs)

	Notes	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue from operations	4.01		
Interest income		19,210.33	9,788.32
Fees and commission income		503.40	179.87
Net gain on sale of investments		380.25	228.26
Net gain on fair value changes of investments		78.76	(7.94)
Total revenue from operations		**20,172.74**	**10,188.51**
Other income	4.02	136.66	104.03
Total income		**20,309.40**	**10,292.54**
Expenses			
Finance costs	4.03	9,173.74	3,768.91
Net loss on fair value changes	4.04	-	0.27
Impairment on financial instruments	4.05	557.61	220.99
Employee benefit expenses	4.06	4,676.27	3,050.32
Depreciation and amortisation expenses	4.07	365.34	315.27
Other expenses	4.08	1,127.82	609.23
Total expenses		**15,900.78**	**7,964.99**
Profit before tax		**4,408.63**	**2,327.55**
Tax expense:	4.09		
1. Current tax		1,535.13	790.28
2. Deferred tax expense / (income)		(378.17)	(151.07)
Total tax expenses		**1,156.96**	**639.21**
Profit after tax		**3,251.67**	**1,688.34**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		0.22	11.52
- Income tax relating to items that will not be reclassified to profit or loss		(0.06)	(2.90)
Other comprehensive income for the year, net of tax		**0.16**	**8.62**
Total comprehensive income for the period		**3,251.83**	**1,696.96**
Earnings per equity share	5.01		
Basic earnings per share (₹)		0.45	0.30
Diluted earnings per share (₹)		0.45	0.30
(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

Date: April 26, 2022
Place: Pune

For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Mahesh Chhabria
Non Executive Director
DIN: 00166049

Amit Kumar Gupta
Chief Financial Officer

Amit Bondre
Deputy Company Secretary

Date: April 26, 2022
Place: Mumbai

Statement of Cash Flows

for the year ended March 31, 2022

(₹ in Lakhs)

		Year ended March 31, 2022	Year ended March 31, 2021
A	**Cash Flow from Operating Activities**		
	Net profit before tax	4,408.63	2,327.56
	Adjustments for :		
	Add:		
	Depreciation and amortisation	365.34	315.27
	Provision for expected credit loss	557.61	220.99
	Provision for share based payments	94.25	227.43
	Loss on fair value of employee loan	-	0.27
	Finance cost	9,173.74	3,768.91
		10,190.94	**4,532.87**
	Less:		
	Interest received on fixed deposits	260.09	520.89
	Profit on sale of investments	380.25	228.26
	Fair value (loss)/ gain on investments	78.76	(7.94)
	Interest received on debt instrument	468.30	1,973.76
	Interest income on security deposit	22.06	20.09
	Amortised discount income on commercial paper	303.98	496.04
		1,513.44	**3,231.10**
	Operating profit before working capital changes	**13,086.13**	**3,629.33**
	Adjustments:		
	(Increase)/Decrease in loans and advances	(1,39,666.31)	(54,258.02)
	Trade receivables	(43.74)	
	(Increase) / Decrease in security deposits	(15.75)	(4.91)
	(Increase) / Decrease in Prepaid expenses	(46.63)	(672.42)
	(Increase) / Decrease in Other financial assets	(35.56)	-
	(Increase) / Decrease in Other non-financial assets	(8.15)	46.78
	Increase/(Decrease) in provisions	233.68	37.18
	Employee benefits paid	936.45	184.41
	Increase/(Decrease) in trade payable	67.50	44.81
	Increase/(Decrease) in Other financial liabilities	273.79	641.36
	Increase/(Decrease) in Other non-financial liabilities	1,013.45	580.86
	Cash used in operating activities	**(1,24,205.14)**	**(49,770.62)**
	Direct taxes paid	(1,820.51)	(857.66)
	Net cash used in operating activities (A)	**(1,26,025.65)**	**(50,628.28)**
B	**Cash flows from investing activities**		
	Add:		
	Interest received on fixed deposits	260.65	509.92
	Receipt on sale of Investments	28,564.81	92,768.39
	Interest received on debt instrument	-	-
		28,825.46	**93,278.31**

Statement of Cash Flows (contd.)

for the year ended March 31, 2022

(₹ in Lakhs)

		Year ended March 31, 2022	Year ended March 31, 2021
	Less:		
	Increase in other bank balance	1,001.00	-
	Payments on purchase of investment	22,003.53	1,00,269.95
	Payments for Purchase of Property, Plant and Equipment	57.43	60.81
	Payments for Purchase of Other Intangible assets	139.19	186.00
	Payments for Purchase of Intangible assets under development	(2.00)	2.00
		23,199.15	**1,00,518.76**
	Net cash generated from investing activities (B)	**5,626.31**	**(7,240.45)**
C	**Cash Flow from Financing Activities**		
	Proceeds from issue of equity share capital (including securities premium)	13,001.26	12,481.68
	Proceeds from Bank and NBFCs Borrowings (net)	72,408.46	37,258.36
	Proceeds from issuance of Non-Convertible Debentures (net)	24,923.16	19,950.00
	Proceeds from issuance of Commercial Papers (net)	9,450.15	2,359.22
	Finance cost paid	(8,639.67)	(3,713.92)
	Lease liability paid	(184.17)	(185.20)
	Net cash generated from financing activities (C)	**1,10,959.18**	**68,150.14**
	Net Increase in cash and cash equivalents (A) + (B) + (C)	**(9,440.16)**	**10,281.41**
	Cash and Cash Equivalents at the beginning of the year	**22,608.09**	**12,326.68**
	Cash and Cash Equivalents at the end of the year	**13,167.93**	**22,608.09**
	Reconciliation of cash and cash equivalents with the balance sheet		
	Balances with banks		
	- in current accounts	3,367.93	5,108.09
	Deposits with original maturity of less than three months	9,800.00	17,500.00
	Total	**13,167.93**	**22,608.09**

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

Date: April 26, 2022
Place: Pune

For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Mahesh Chhabria
Non Executive Director
DIN: 00166049

Amit Kumar Gupta
Chief Financial Officer

Amit Bondre
Deputy Company Secretary

Date: April 26, 2022
Place: Mumbai

Statement of Changes in Equity (SOCIE)

for the year ended March 31, 2022

(A) EQUITY SHARE CAPITAL (NOTE 3.20)

(₹ in Lakhs)

Equity Shares of ₹ 10 each issued, subscribed and fully paid	No. of Shares	Amount
Balance as at March 31, 2020	**52,65,00,000**	**52,650.00**
Changes in equity share capital due to prior period errors	-	-
Restated balance as at March 31, 2020	**52,65,00,000**	**52,650.00**
Shares issued during the year	11,34,69,828	11,346.98
Balance as at March 31, 2021	**63,99,69,828**	**63,996.98**
Balance at April 01, 2021	63,99,69,828	63,996.98
Changes in equity share capital due to prior period errors	-	-
Restated balance as at April 01, 2021	**63,99,69,828**	**63,996.98**
Shares issued during the period	11,98,86,007	11,988.60
Balance as at March 31, 2022	**75,98,55,835**	**75,985.58**

(B) OTHER EQUITY (NOTE 3.21)

(₹ in Lakhs)

	Reserves and surplus					
Particulars	**Statutory Reserve U/s 45IC**	**Share options outstanding account**	**Securities Premium account**	**Impairment Reserve**	**Retained Earnings**	**Total**
Balance at March 31, 2020	**121.88**	**472.05**	**-**	**-**	**(314.85)**	**279.08**
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at March 31, 2020	**121.88**	**472.05**	**-**	**-**	**(314.85)**	**279.08**
Profit for the year	-	-	-	-	1,688.34	1,688.34
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	8.62	8.62
Total	**121.88**	**472.05**	**-**	**-**	**1,382.11**	**1,976.04**
Transferred from Retained earnings	337.67	-	-	-	(337.67)	-
Share based payment expense	-	227.43	-	-	-	227.43
Shares issued during the year	-	-	1,134.70	-	-	1,134.70
Balance at March 31, 2021	**459.55**	**699.48**	**1,134.70**	**-**	**1,044.44**	**3,338.17**
Balance at April 01, 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 April 01, 2021	459.55	699.48	1,134.70	-	1,044.44	3,338.17
Profit for the year	-	-	-	-	3,251.67	3,251.67
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**	**-**	**4,296.27**	**6,590.00**
Transferred from Retained earnings	650.31	-	-	-	(650.31)	-
Shares issued during the year	-	-	1,013.22	-	-	1,013.22
Share based payment expense (net*)	-	93.70	-	-	-	93.70
Balance at March 31, 2022	**1,109.86**	**793.18**	**2,147.92**	**-**	**3,645.96**	**7,696.92**

**The share based payment expenses are net of ₹ 0.55 Lakhs transferred to securities premium account on account of exercise of ESOPs during the year ended March 31, 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

Date: April 26, 2022
Place: Pune

For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Mahesh Chhabria
Non Executive Director
DIN: 00166049

Amit Kumar Gupta
Chief Financial Officer

Amit Bondre
Deputy Company Secretary

Date: April 26, 2022
Place: Mumbai

Notes to the financial statements for the year ended March 31, 2022

1. CORPORATE INFORMATION

Arka Fincap Limited (Formerly known as Kirloskar Capital Limited) (the 'Company') was incorporated on April 20, 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 July 25, 2019 (previously issued in the name of Kirloskar Capital Limited vide certificate no. N-13.02282 dated October 29, 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, 2022, 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.

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

Notes to the financial statements for the year ended March 31, 2022

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 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.

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

Notes to the financial statements for the year ended March 31, 2022

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 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 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.

Notes to the financial statements for the year ended March 31, 2022

2.09 Property, Plant and Equipment

a. 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.

b. Residual values of all fixed assets are considered as nil.

Depreciation

c. 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
- Server and Network	6 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 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.

Performance-based employee share options have been treated as contingently issuable shares as per IndAs 33 because their issue is contingent upon satisfying specified conditions related to performance of the respective employee in addition to the passage of time. As in the calculation of basic earnings per share, contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the specified conditions are satisfied.

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.

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

Notes to the financial statements for the year ended March 31, 2022

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") 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.

The Company as a lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

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

Notes to the financial statements for the year ended March 31, 2022

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 imparied financial assets. (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-imparied 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).

Fee income

- Fees earned by the Company which are not directly attributable to disbursal 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 statement. 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.

Notes to the financial statements for the year ended March 31, 2022

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 futureperiods.

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.

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

Notes to the financial statements for the year ended March 31, 2022

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.

2.23 Standards Issued but not yet Effective

The Ministry of Corporate Affairs (MCA) on April 05, 2022, vide Notification dated March 23, 2022 has issued Companies (Indian Accounting Standard) Amendment Rules, 2022 in consultation with the National Financial Reporting Authority (NFRA).

The notification states that these rules shall be applicable from April 01, 2022 and would thus be applicable for the financial year ending March 31, 2023.

The amendments to Ind AS are intended to keep the Ind AS aligned with the amendments made in IFRS.

Particulars	Explanation
Amendments to Ind AS 16, "Property, Plant and Equipment"	The amendments to Ind AS 16 issued by the Ministry of Corporate Affairs amends provisions regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management
Amendments to Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets"	The amendments to Ind AS 37 issued by the Ministry of Corporate Affairs amends provisions regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous
Amendments to 41, "Agriculture"	The amendments to Ind AS 41 issued by the Ministry of Corporate Affairs amends provisions to remove a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in Ind AS 41 with those in other Ind AS's.
Amendments to 101, "First-time Adoption of Indian Accounting Standards"	The amendments to Ind AS 101 issued by the Ministry of Corporate Affairs amends provisions to simplify the application of Ind AS 101 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
Ind AS 103, "Business Combination"	The amendments to Ind AS 103 issued by the Ministry of Corporate Affairs amends provisions to: - substitute the word 'Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework)' with the words 'Conceptual Framework of Financial Reporting in Ind AS'. - add to Ind AS 103 a requirement that, for transactions and other events within the scope of Ind AS 37, an acquirer applies Ind AS 37 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination - add to Ind AS 103 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination."
Ind AS 109, "Financial Instruments"	The amendments to Ind AS 109 issued by the Ministry of Corporate Affairs amends provisions to prescribe the treatment of fees involved during exchange between an existing borrower and lender of debt instruments with substantially different terms. The amendment clarifies that if an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability

Notes to the financial statements for the year ended March 31, 2022

NOTE 3.01 : CASH AND CASH EQUIVALENTS

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Balances with banks		
- in current accounts	3,367.93	5,108.09
- Deposits with original maturity of less than three months	9,800.00	17,500.00
	13,167.93	**22,608.09**

NOTE 3.02 : BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Deposits with original maturity of more than three months	1,001.00	-
	1,001.00	**-**

NOTE 3.03 : TRADE RECEIVABLES

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Trade receivables (Unsecured - considered good)	43.74	-
	43.74	**-**

Refer Note 6.04 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)

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
(A)		
Business Loan	2,30,590.06	90,916.48
Employee Loan	16.03	23.31
Total - Gross	**2,30,606.09**	**90,939.79**
Less: Provision for expected credit loss	(697.70)	(280.89)
Total - Net	**2,29,908.39**	**90,658.90**
(B)		
Secured by tangible assets	2,25,074.06	89,387.40
Unsecured	5,532.03	1,552.39
Total - Gross	**2,30,606.09**	**90,939.79**
Less: Provision for expected credit loss	(697.70)	(280.89)
Total - Net	**2,29,908.39**	**90,658.90**

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
(C)		
(i) Loans in India		
Public sector	-	-
Others	2,30,606.09	90,939.79
Total - Gross	**2,30,606.09**	**90,939.79**
Less: Provision for expected credit loss	(697.70)	(280.89)
Total - Net	**2,29,908.39**	**90,658.90**
(ii) Loans outside India	-	**-**
Total - Net C (i)+(ii)	**2,29,908.39**	**90,658.90**

NOTE 3.05 : INVESTMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Mutual funds (At fair value through P&L)	8,789.03	-
Debt securities - Non convertible debentures (At amortised cost)	2,791.29	5,108.70
Debt securities - Commercial papers (At amortised cost)	-	13,792.68
Debt securities - Pass through certificates (At amortised cost)	4,606.56	2,615.49
Total - Gross	**16,186.88**	**21,516.87**
Investments in India	16,186.88	21,516.87
Investments outside India	-	-
Total - Gross	**16,186.88**	**21,516.87**
Long term investments	7,397.85	4,739.97
Short term investments	8,789.03	16,776.90
Total - Gross	**16,186.88**	**21,516.87**
Less: Provision for expected credit loss	(2.58)	(36.92)
Total - Net	**16,184.30**	**21,479.95**

NOTE 3.06 : OTHER FINANCIAL ASSETS

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Security deposit	241.23	203.42
Sundry Receivables (considered good)	35.56	-
Accrued interest on fixed deposits	16.81	17.37
	293.60	**220.79**

NOTE 3.07 : CURRENT TAX ASSETS (NET)

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Advance Tax (net of provision for tax)	370.17	84.79
	370.17	**84.79**

Notes to the financial statements for the year ended March 31, 2022

NOTE 3.08 : DEFERRED TAX ASSETS (NET)

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Deferred Tax Assets		
Disallowances u/s 43 B of Income Tax Act	73.42	14.66
Provision for expected credit loss	231.86	11.53
Preliminary Expenses u/s 35D of Income tax Act, 1961	6.80	13.59
Fair value of Employee Loan	0.20	0.45
Fair value of Security deposit	10.40	16.12
Fair value of Lease Liability	74.37	110.69
Fair value of Loan given	351.59	223.18
Fair value of Investment in Debt instruments (CP+NCDs)	0.44	3.33
Total (A)	**749.08**	**393.55**
Deferred tax liability		
Depreciation on fixed assets	76.54	123.13
Fair value of Investment in Debt instruments (CP+NCDs)	-	(4.18)
Fair value of investment in mutual funds	19.82	-
Total (B)	**96.36**	**118.95**
Net deferred tax asset (A-B)	**652.72**	**274.60**

NOTE 3.09 : PROPERTY PLANT AND EQUIPMENT

(₹ in Lakhs)

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Cost as at March 31, 2020	**780.30**	**344.65**	**2.89**	**70.03**	**11.24**	**22.03**	**1,231.14**
Additions	-	-	-	35.64	5.12	20.06	60.82
Disposals	-	-	-	-	-	-	-
Cost as at March 31, 2021	**780.30**	**344.65**	**2.89**	**105.67**	**16.36**	**42.09**	**1,291.96**
Additions	51.83	-	1.59	-	6.31	49.53	109.26
Disposals	(71.86)	-	-	-	-	-	(71.86)
Cost as at March 31, 2022	**760.27**	**344.65**	**4.48**	**105.67**	**22.67**	**91.62**	**1,329.36**
Accumulated depreciation as at March 31, 2020	**155.77**	**89.08**	**0.36**	**13.79**	**2.33**	**6.16**	**267.49**
Depreciation charged during the year	168.94	71.31	0.29	17.93	3.15	10.61	272.23
Disposals	-	-	-	-	-	-	-
Accumulated depreciation as at March 31, 2021	**324.71**	**160.39**	**0.65**	**31.72**	**5.48**	**16.77**	**539.72**
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 March 31, 2022	**471.49**	**231.70**	**0.95**	**55.27**	**9.56**	**36.90**	**805.87**
Net carrying amount as at March 31, 2020	**624.53**	**255.57**	**2.53**	**56.24**	**8.91**	**15.87**	**963.65**
Net carrying amount as at March 31, 2021	**455.59**	**184.26**	**2.24**	**73.95**	**10.88**	**25.32**	**752.24**
Net carrying amount as at March 31, 2022	**288.78**	**112.95**	**3.53**	**50.40**	**13.11**	**54.72**	**523.49**

Notes to the financial statements for the year ended March 31, 2022

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 March 31, 2022 and March 31, 2021 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

(₹ in Lakhs)

Particulars	Softwares	Total
Cost as at March 31, 2020	**10.62**	**10.62**
Additions	404.55	404.55
Disposals	-	-
Cost as at March 31, 2021	**415.17**	**415.17**
Additions	46.62	46.62
Disposals	-	-
Cost as at March 31, 2022	**461.79**	**461.79**
Accumulated amortisation as at March 31, 2020	**1.70**	**1.70**
Amortisation recognised for the year	43.05	43.05
Disposals	-	-
Accumulated amortisation as at March 31, 2021	**44.75**	**44.75**
Amortisation recognised for the year	80.03	80.03
Disposals	-	-
Accumulated amortisation as at March 31, 2022	**124.78**	**124.78**
Net carrying amount as at March 31, 2020	**8.92**	**8.92**
Net carrying amount as at March 31, 2021	**370.42**	**370.42**
Net carrying amount as at March 31, 2022	**337.01**	**337.01**

NOTE 3.11 : INTANGIBLE ASSETS UNDER DEVELOPMENT

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Intangible assets under development		
Dashboard	-	2.00
	-	**2.00**

Refer note 6.06 for ageing schedule

Notes to the financial statements for the year ended March 31, 2022

NOTE 3.12 : OTHER NON-FINANCIAL ASSETS

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Prepaid expenses	173.17	126.55
Advance to suppliers	7.27	2.23
GST receivable (net)	36.93	33.82
	217.37	**162.60**

NOTE 3.13 : TRADE PAYABLES

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Dues to Micro, small and medium enterprises	9.72	-
Dues to Others	124.37	66.59
	134.09	**66.59**

Refer note 5.08 relating to dues to Micro, Small and Medium enterprises

Refer note 6.05 for ageing schedule

NOTE 3.14 : DEBT SECURITIES

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
At amortised cost	-	-
Redeemable non convertible debentures (Refer note (a) below)	44,767.87	19,844.72
Commercial paper (net of unamortised discount) repayable within next twelve months	11,809.38	2,359.22
Total	**56,577.25**	**22,203.94**
Debt securities in India	56,577.25	22,203.94
Debt securities outside India	-	-
Total	**56,577.25**	**22,203.94**
Secured	44,767.87	19,844.72
Unsecured	11,809.38	2,359.22
Total	**56,577.25**	**22,203.94**

Funds borrowed have been utilised for the purposes for which they were borrowed

(a) Non Convertible Debenture

Privately placed Redeemable Non Convertible Debentures of ₹ 10,00,000/- each

Terms of repayment

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Redeemable within	As at March 31, 2022 Rate of interest >= 8.00% <= 9.88%	As at March 31, 2021 Rate of interest >= 8.50% <= 10.00%
Above 60 Months	-	-
48-60 Months	-	-
36-48 Months	-	-
24-36 Months	22,429.67	15,577.34
12-24 Months	18,044.71	4,267.38
0-12 Months	4,293.49	-
Total	**44,767.87**	**19,844.72**

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 3.15 : BORROWINGS (OTHER THAN DEBT SECURITIES)

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
At amortised cost		
Term loans		
Term loans from banks (Refer note (a) below)	90,986.79	32,080.49
Term loans from NBFCs (Refer note (b) below)	24,786.52	7,288.79
Loans repayable on demand		
Bank overdrafts	-	-
Working capital demand loans from banks	1,000.00	4,995.57
Total	**1,16,773.31**	**44,364.85**
Borrowings in India	1,16,773.31	44,364.85
Borrowings outside India	-	-
Total	**1,16,773.31**	**44,364.85**
Secured borrowings	**1,16,773.31**	44,364.85
Unsecured borrowings	-	-
Total	**1,16,773.31**	**44,364.85**

Notes to the financial statements for the year ended March 31, 2022

(a) Term loan from banks (TL):

Terms of repayment

(₹ in Lakhs)

Repayment within	**As at March 31, 2022 Rate of interest >= 7.25% <= 9.25%**	**As at March 31, 2021 Rate of interest >= 7.25% <= 10.00%**
Above 60 Months	-	-
48-60 Months	-	-
36-48 Months	4,439.19	-
24-36 Months	14,175.24	5,876.32
12-24 Months	29,725.05	13,370.30
0-12 Months	42,647.31	12,833.87
Total	**90,986.79**	**32,080.49**

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

(₹ in Lakhs)

Repayment within	**As at March 31, 2022 Rate of interest >= 8.00% <= 9.40%**	**As at March 31, 2021 Rate of interest >= 9.50% <= 11.00%**
Above 60 Months	-	-
48-60 Months	920.19	-
36-48 Months	1,800.00	-
24-36 Months	3,717.00	726.74
12-24 Months	5,082.67	1,466.67
0-12 Months	13,266.67	5,095.38
Total	**24,786.53**	**7,288.79**

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.

Notes to the financial statements for the year ended March 31, 2022

NOTE 3.16 : OTHER FINANCIAL LIABILITIES

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Interest accrued but not due on borrowings	1,042.99	548.79
Employee benefits payable	1,731.93	795.48
Lease obligation	291.18	439.82
Provision for capital expenditure	-	92.57
Security deposit taken	277.25	-
	3,343.35	**1,876.66**

NOTE 3.17 : CURRENT TAX LIABILITIES (NET)

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for tax (net of advance tax)	-	-
	-	**-**

NOTE 3.18 : PROVISIONS

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for employee benefits:		
- Gratuity	45.04	24.28
- Leave encashment	51.03	33.97
- Long term benefits	195.65	
Others:		
- Expected credit loss on undrawn loan commitments	220.93	45.81
	512.65	**104.06**

NOTE 3.19 : OTHER NON-FINANCIAL LIABILITIES

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory dues payable	183.68	87.73
Advances from Customers	1,492.89	575.39
	1,676.57	**663.12**

Notes to the financial statements for the year ended March 31, 2022

NOTE 3.20 : EQUITY SHARE CAPITAL

a. Details of authorised, issued and subscribed share capital

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	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	75,98,55,835	75,985.58	63,99,69,828	63,996.98
Total	**75,98,55,835**	**75,985.58**	**63,99,69,828**	**63,996.98**

b. Reconciliation of number of shares at the beginning and at the end of the year

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	63,99,69,828	63,996.98	52,65,00,000	52,650.00
Add: Shares issued during the year	11,98,86,007	11,988.60	11,34,69,828	11,346.98
Less: Shares bought back during the year	-	-	-	-
Total	**75,98,55,835**	**75,985.58**	**63,99,69,828**	**63,996.98**

c. Particulars of shares held by holding Company

Name of Shareholder	Relationship	As at March 31, 2022		As at March 31, 2021	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company (Upto Jan 4, 2022)	-	-	63,99,69,828	100%
Arka Financial Holdings Private Limited*	Holding Company (From Jan 5, 2022)	75,98,40,835	100%	-	-

** Number of shares include 6 shares held by nominee shareholders on behalf of Arka Financial Holdings Private Limited*

d. Particulars of shareholders holding more than 5% of the share capital

Name of Shareholder	Relationship	As at March 31, 2022		As at March 31, 2021	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	-	-	63,99,69,828	100%
Arka Financial Holdings Private Limited*	Holding Company	75,98,40,835	100%	-	-

** 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

Particulars	As at March 31, 2022			As at March 31, 2021		
	No. of Shares	%of total shares	% Change during the year	No. of Shares	%of total shares	% Change during the year
Kirloskar Oil Engines Limited	-	-	-	63,99,69,828	100%	-
Arka Financial Holdings Private Limited*	75,98,40,835	100%	100%	-	-	-

** 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 3.21 : OTHER EQUITY

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory reserves u/s 45-IC of The RBI Act, 1934	1,109.86	459.55
Securities premium reserve	2,147.92	1,134.70
Share options outstanding account	793.18	699.48
Retained earnings	3,645.96	1,044.45
	7,696.92	3,338.18

3.21.A OTHER EQUITY MOVEMENT

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory reserves u/s 45-IC of The RBI Act, 1934		
Opening Balance	459.55	121.88
Add : Transferred from retained earnings	650.31	337.67
Closing Balancey	**1,109.86**	**459.55**
Securities premium reserve		
Opening Balance	1,134.70	-
Add : Premium collected on share allotment	1,013.22	1,134.70
Closing Balance	**2,147.92**	**1,134.70**

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Share options outstanding account		
Opening Balance	699.48	472.05
Add/(Less) : Movement during the year	93.70	227.43
Closing Balance	**793.18**	**699.48**
Retained earnings		
Opening Balance	1,044.45	(314.85)
Add: Profit / (Loss) for the year	3,251.67	1,688.34
Add: Other Comprehensive income	0.16	8.62
Add: ESOP reserves	-	-
Less: Stamp duty paid on equity issue	-	-
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(650.31)	(337.67)
Less: Transfer to Impairment reserve	-	-
Closing Balance	**3,645.96**	**1,044.45**

1. Pursuant to the provision of section 45(IC) of Reserve Bank of India Act, 1934, the Company has transferred ₹ 650.31 Lakhs (Previous Year : ₹ 337.67 Lakhs) towards statutory reserve fund.

2. During the year ended March 31, 2022, the Company has issued 4,54,52,403 right equity shares of ₹ 10 per shares at a premium of ₹ 1 per share amounting to ₹ 4,999.76 Lakhs to its ultimate holding comapny 'Kirloskar Oil Engines Limited' and 7,44,18,604 equity shares of ₹ 10 per share at a premium of ₹ 0.75 per share amounting to ₹ 7,999.99 Lakhs to its holding company 'Arka FInancial Holdings Private Limited' on preferential basis.

3. Refer note no. 5.10 for disclosure on Employee Stock option Plan (ESOP).

NOTE 4.01 : REVENUE FROM OPERATIONS

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest income on financial assets measured at amortised cost:		
Interest on loans		
- Financing business	18,153.44	6,772.66
- Employee loan	2.46	4.88
Interest on investments		
- Debentures/bonds and Pass through certificates	468.30	1,973.76
- Commercial papers	303.98	496.04
Interest on Deposits		
- Deposits with banks	260.09	520.89
- Security deposits	22.06	20.09
Interest on Others		
- Others	-	-
Total	**19,210.33**	**9,788.32**

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Fees and commission income		
- Syndication, advisory & other fees	503.40	179.87
Total	**503.40**	**179.87**
Net gain on sale of investments		
- Net gain on sale of investments	380.25	228.26
Total	**380.25**	**228.26**
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	(7.94)
Total	**78.76**	**(7.94)**
Fair value changes		
- Realised	-	(7.94)
- Unrealised	78.76	-
Total	**78.76**	**(7.94)**

NOTE 4.02 : OTHER INCOME

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Miscellaneous income		
- Other income	136.66	104.03
	136.66	**104.03**

NOTE 4.03 : FINANCE COSTS

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest expense on financial liabilities measured at amortised cost:		
Interest expense on borrowings		
Interest on term loan from banks and NBFCs	5,781.86	1,926.10
Interest on overdraft facility from banks	9.04	11.08
Interest on loan from holding company	-	35.18
Interest on lease liability	39.87	54.98
Interest expense on debt securities		
Debentures	2,193.28	1,303.15
Commercial papers	679.96	229.42
Other interest expense		
Bank charges & other related costs	469.73	208.14
Interest on shortfall in payment of advance income tax	-	0.86
	9,173.74	**3,768.91**

Notes to the financial statements for the year ended March 31, 2022

NOTE 4.04 : NET LOSS ON FAIR VALUE CHANGES

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Loss on fair value of employee loan	-	0.27
	-	**0.27**

NOTE 4.05 : IMPAIRMENT ON FINANCIAL INSTRUMENTS

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Impairment on financial instruments at amortised cost:		
Impairment on loans		
Provision for expected credit loss	416.81	155.43
Impairment on investments		
Provision for expected credit loss	(34.34)	19.75
Impairment on others		
Undrawn loan commitments	175.14	45.81
	557.61	**220.99**

NOTE 4.06 : EMPLOYEE BENEFIT EXPENSES

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, other allowances and bonus	4,434.42	2,729.78
Gratuity expenses	20.97	17.62
Leave encashment	26.45	19.79
Contribution to provident and other funds	80.05	53.18
Share based payment expense	94.25	227.43
Staff welfare expenses	20.13	2.52
	4,676.27	**3,050.32**

NOTE 4.07 : DEPRECIATION AND AMORTISATION EXPENSES

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Depreciation of property, plant and equipment	285.31	272.22
Amortisation of intangible assets	80.03	43.05
	365.34	**315.27**

Notes to the financial statements for the year ended March 31, 2022

NOTE 4.08 : OTHER EXPENSES

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Rent	3.10	-
Rates and taxes	-	0.03
Insurance	51.82	25.85
Other repairs and maintenance	41.77	20.73
Travelling and conveyance	52.68	25.05
Communication expenses	6.63	5.91
Printing and stationery	4.92	2.23
Professional charges	339.72	169.51
Membership and subscription	14.44	10.46
Auditor's remuneration	21.10	16.05
Technology expenses	253.85	149.02
Custodian charges	1.80	0.75
Directors' sitting fees	17.20	16.10
Electricity charges	9.55	5.94
Office expenses	29.18	15.96
Postage and courier	2.55	0.63
ROC Expenses	0.43	0.24
GST expenses	210.33	109.16
Stamp duty	13.19	7.22
Housekeeping and security charges	25.00	22.99
Corporate social responsibilities expenses	28.56	5.40
	1,127.82	**609.23**
Payment to auditor includes:		
a) as statutory auditors	17.00	15.75
b) for certification related matters	4.10	0.30
c) for other services	-	-
Total	**21.10**	**16.05**
Details for expenditure on Corporate Social Responsibility:		
a) Gross amount required to be spent during the year	28.55	5.38
b) Amount spent during the year:		
- Expenses paid in cash	28.56	5.40
- Expenses yet to be paid for	-	-
Total	**28.56**	**5.40**
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure The donation is towards the expenses related to activities for admission process, payment of salaries, professional fees for education services, liabrary subscriptions, books etc.	28.56	5.40
Total	**28.56**	**5.40**

Notes to the financial statements for the year ended March 31, 2022

NOTE 4.09 : INCOME TAX

Tax expense

(a) Amounts recognised in statement of profit and loss

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Current tax expense		
Current income tax	1,535.13	790.28
	1,535.13	**790.28**
Deferred tax expense		
Origination and reversal of temporary differences	(378.17)	(151.07)
	(378.17)	**(151.07)**
Tax expense reported in the statement of profit and loss	**1,156.96**	**639.21**

(b) Amounts recognised in other comprehensive income (OCI)

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit liability (asset)	0.06	2.90
Deferred tax charged to OCI	**0.06**	**2.90**

(c) Reconciliation of tax expense

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Accounting profit before income tax expense	4,408.63	2,327.55
Tax @ 25.168% (March 31, 2021 : 25.168%)	**1,109.56**	**585.80**
Difference in tax rate due to:		
- Effect of non-deductible expenses	40.60	58.98
- Others	6.80	(5.57)
Total Tax Expenses	**1,156.96**	**639.21**
Effective tax rate	**26.24%**	**27.46%**

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 March 31, 2022

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
I.	**Profit attributable to equity holders (A)**		
	Profit attributable to equity holders for basic and diluted EPS	3,251.67	1,688.35
II.	**Weighted average number of equity shares for calculating Basic EPS (B)**	72,46,33,323	56,12,87,051
III.	**Weighted average number of equity shares for calculating Diluted EPS (C)**	73,06,89,663	56,73,56,894
IV.	**Basic earnings per share (₹)**	0.45	0.30
V.	**Diluted earnings per share (₹)**	0.45	0.30

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:

(₹ in Lakhs)

Particulars	As at March 31, 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**

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	As at March 31, 2021							
	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								
(b) Investments in Debentures	-	-	5,108.70	5,108.70	5,108.70	-	-	5,108.70
(c) Investments in Commercial papers	-	-	13,792.68	13,792.68	-	-	13,792.68	13,792.68
(d) Investments in Pass through certificates (PTCs)	-	-	2,615.49	2,615.49	-	-	2,615.49	2,615.49
Total	-	-	21,516.87	21,516.87	5,108.70	-	16,408.17	21,516.87

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.

NOTE 5.02 : FINANCIAL INSTRUMENTS – FAIR VALUES

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

(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.

Notes to the financial statements for the year ended March 31, 2022

(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.

(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.

Notes to the financial statements for the year ended March 31, 2022

Particulars	As at March 31, 2022	As at March 31, 2021
CRAR – Tier I capital (%)	30.57%	57.54%
CRAR – Tier II capital (%)	0.34%	0.31%
CRAR (%)	30.92%	57.85%

Liquidity Coverage Rario (LCR) is not applicable to the Company as per RBI Master Directions 2016.

NOTE 5.05 : RELATED PARTY DISCLOSURES

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. January 5, 2022)
2	Holding Company	Arka Financial Holdings Private LImited (w.e.f. January 5, 2022)
3	Subsidiary Company of Holding Company	Arka Investment Advisory Services Private Limited (w.e.f. March 30, 2022)

(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
		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	Sanjeev Nimkar (Managing Director) (upto January 27, 2022)	Ashiwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter

Notes to the financial statements for the year ended March 31, 2022

B. Transactions with Related Parties

(₹ in Lakhs)

	Nature of the transaction / relationship / major parties	2021-22		2020-21	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Capital Contribution received from**				
	Holding Company	12,999.76		12,481.68	
	Kirloskar Oil Engines Limited (Upto Jan 4, 2022)		4,999.76		12,481.68
	Arka Financial Holdings Private Limited (w.e.f. Jan 5, 2022)		8,000.00		
	Total	**12,999.76**	**12,999.76**	**12,481.68**	**12,481.68**
2	**Short term loan from**				
	Holding Company	0.00		4,000.00	
	Kirloskar Oil Engines Limited (Upto Jan 4, 2022)		0.00		4,000.00
	Total	0.00	0.00	4,000.00	4,000.00
3	**Short term loan repayment to**				
	Holding Company	0.00		4,000.00	
	Kirloskar Oil Engines Limited (Upto Jan 4, 2022)		0.00		4,000.00
	Total	**0.00**	**0.00**	**4,000.00**	**4,000.00**
4	**Interest expenses on short term loan**				
	Holding Company	0.00		35.18	
	Kirloskar Oil Engines Limited (upto Jan 4, 2022)		0.00		35.18
	Total	**0.00**	**0.00**	**35.18**	**35.18**
5	**Non convertible debentures issued to**				
	Key Management Personnel	0.00		150.00	
	Vimal Bhandari		0.00		150.00
	Total	**0.00**	**0.00**	**150.00**	**150.00**
6	**Interest expenses on NCD issued to**				
	Key Management Personnel	14.44		0.00	
	Vimal Bhandari		14.44		0.00
	Total	**14.44**	**14.44**	**0.00**	**0.00**
7	**Expenses incurred on behalf of holding company**	17.48		0.00	
	Arka Financial Holdings Private Limited (w.e.f. Jan 4, 2022)		17.48		0.00
	Total	**17.48**	**17.48**	**0.00**	**0.00**
8	**Reimbursement of Expenses from holding company**	8.26		0.00	
	Arka Financial Holdings Private Limited (w.e.f. Jan 5, 2022)		8.26		0.00
	Total	**8.26**	**8.26**	**0.00**	**0.00**
9	**Managerial Remunerations:**				
	Key Management Personnel	530.85		500.93	
	Vimal Bhandari		530.85		500.93
	Total	**530.85**	**530.85**	**500.93**	**500.93**

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

	Nature of the transaction / relationship / major parties	2021-22		2020-21	
		Amount	Amount from major parties	Amount	Amount from major parties
Balances with related parties					
1	**Non convertible debentures issued**	150.00		150.00	
	Vimal Bhandari		150.00		150.00
	Total	**150.00**	**150.00**	**150.00**	**150.00**
2	**Receivable from holding company**	25.73		0.00	
	Arka Financial Holdings Private Limited		25.73		0.00
	Total	**25.73**	**25.73**	**0.00**	**0.00**

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.

All amounts are net of TDS and / or GST as 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.

NOTE 5.06 : CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in Lakhs)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Contingent liabilities	Nil	Nil
Capital commitments:		
Estimated amount of contracts remaining to be executed on capital account	-	-
Loans sanctioned not yet disbursed	45,589.97	6,997.55

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 March 30, 2019. Ind AS 116 come into force on April 01, 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.

Notes to the financial statements for the year ended March 31, 2022

Disclosures as required by Ind AS 116 'Leases' are given below:

(A) Lease liability movement

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Lease liability at begnning of the year	439.82	570.02
Add: Interest on lease liability	39.87	54.99
Add: Lease liability recognised during the year	50.59	-
Less: Lease rental payments	(184.17)	(185.20)
Less: Lease liability de-recognised during the year	(54.92)	-
Lease liability at the end of the year	291.18	439.82

(B) Future lease cashflow for all leased assets

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Minimum Lease Payments:		
Not later than one year	181.90	184.93
Later than one year but not later than five years	143.70	268.29
Later than five years	-	-

(C) Maturity analysis of lease liability

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Lease liability:		
Less than 12 months	158.24	146.73
More than 12 months	132.95	293.09

NOTE 5.08 : DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
a. Principal and interest amount remaining unpaid (not due)	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 ₹ 80.05 Lakhs (March 2021: ₹ 53.18 Lakhs).

Defined benefit plans: The Company has following Defined benefit plans:

A Gratuity

B Compensated Absences

C Long term incentive plan (LTIP)

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:

(₹ in Lakhs)

Particulars			As at March 31, 2022	As at March 31, 2021
A	(i)	**Gratuity:**		
		Amount recognised in the balance sheet		
		Present value of the obligation as at the end of the year	45.04	24.28
		Fair value of plan assets as at the end of the year	-	-
		Net (asset) / liability to be recognised in the balance sheet	**45.04**	**24.28**
	(ii)	**Compensated Absences:**		
		Amount recognised in the balance sheet		
		Present value of the obligation as at the end of the year	51.03	33.97
		Fair value of plan assets as at the end of the year	-	-
		Net (asset) / liability to be recognised in the balance sheet	**51.03**	**33.97**
	(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	-
		Fair value of plan assets as at the end of the year	-	-
		Net (asset) / liability to be recognised in the balance sheet	**195.65**	**-**
B	(i)	**Gratuity:**		
		Change in projected benefit obligation		
		Projected benefit of obligation at the beginning of the year	24.28	18.17
		Current service cost	19.44	16.46
		Past service cost	-	-
		Interest cost	1.53	1.16
		Benefits paid	-	-
		Actuarial (gain) / loss on obligation	(0.22)	(11.51)
		Projected benefit obligation at the end of the year	**45.04**	**24.28**

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars			As at March 31, 2022	As at March 31, 2021
	(ii)	**Compensated Absences:**		
		Change in projected benefit obligation		
		Projected benefit of obligation at the beginning of the year	33.97	14.41
		Current service cost	20.88	13.28
		Past service cost	-	-
		Interest cost	2.14	0.91
		Benefits paid	-	(0.23)
		Remeasurements on obligation - (Gain) / Loss	(5.96)	5.60
		Projected benefit obligation at the end of the year	**51.03**	**33.97**
C	(i)	**Gratuity:**		
		Amount recognised in the statement of profit and loss		
		Current service cost	19.44	16.46
		Past service cost and loss / (gain) on curtailments and settlement	-	-
		Net interest cost	1.53	1.16
		Expenses recognised in the statement of profit and loss	**20.97**	**17.62**
	(ii)	**Compensated Absences:**		
		Amount recognised in the statement of profit and loss		
		Current service cost	20.88	13.28
		Remeasurements on obligation - (Gain) / Loss	(5.96)	5.60
		Net interest cost	2.14	0.91
		Expenses recognised in the statement of profit and loss	**17.06**	**19.79**
	(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**	**-**
D	(i)	**Gratuity:**		
		Amount recognised in other comprehensive income		
		Actuarial (gains) / loss		
		- change in financial assumption	-	(5.36)
		- change in demographic assumption	-	-
		- experience variation	(0.22)	(6.15)
		Amount recognised in other comprehensive income	**(0.22)**	**(11.51)**
E	**Assumptions used**			
	Discount rate (gratuity and compensated absences)		6.30%	6.30%
	Discount rate (Long term incentive plan)		4.60%	-
	Rate of increase in compensation levels		4.00%	4.00%
	Expected average remaining working lives of employees (in years)		4.72	5.91
	Retirement Age		60 years 63 years	60 years 63 years
	Withdrawal Rate		20.00%	15. 00%

Notes to the financial statements for the year ended March 31, 2022

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.

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	43.31	46.91	23.04	25.64
Salary growth rate (1% movement)	46.56	43.61	25.45	23.20
Withdrawal rate (1% movement)	44.82	45.26	24.08	24.47

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.

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	49.45	52.75	32.72	35.34
Salary growth rate (1% movement)	52.35	49.79	35.08	32.94
Withdrawal rate (1% movement)	54.61	47.24	37.01	30.70

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.

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	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	-	-

H 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 7.56 years for Gratuity and 3.13 years for Compensated Absences.
3. The expected payment expected to be paid in next year ₹ 0.16 Lakhs for Gratuity and ₹ 18.37 Lakhs for Compensated Absences.

Notes to the financial statements for the year ended March 31, 2022

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 March 31, 2022, 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 April 24, 2019 and by the shareholders in EGM dated May 02, 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of ₹ 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 Plan / Scheme	ESOP - 2019	ESOP - 2019	ESOP - 2019
Date of Grants	May 06, 2019	November 01, 2019	November 02, 2020
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 March 2022:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options Outstanding at the beginning of the year	2,06,50,000	13,00,000	10,75,000.00
Options Granted during the year	-	-	-
Options Forfeited / Lapsed during the year	-	35,000	-
Options Exercised during the year	-	15,000	-
Number of options Outstanding at the end of the year	2,06,50,000	12,50,000	10,75,000
Number of Options exercisable at the end of the year	1,95,75,000	3,75,000	1,07,500
The weighted average share price of shares exercised during the year ended March 31, 2022	NA	10	NA

Notes to the financial statements for the year ended March 31, 2022

Option Movement during the year ended March 2021:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options Outstanding at the beginning of the year	2,06,50,000	13,00,000	-
Options Granted during the year	-	-	10,75,000
Options Forfeited / Lapsed during the year	-	-	-
Options Exercised during the year	-	-	-
Number of options Outstanding at the end of the year	2,06,50,000	13,00,000	10,75,000
Number of Options exercisable at the end of the year	1,35,35,000	1,30,000	-
The weighted average share price of shares exercised during the year ended March 31, 2020	NA	NA	NA

III. Weighted Average remaining contractual life:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
Range of Exercise Price (₹ per share)	10	10	11
No. of Options Outstanding as on March 31, 2022	2,06,50,000	12,50,000	10,75,000
Contractual Life: Granted but not vested (in years)	0.87	0.86	1.46

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
Risk Free Interest Rate	7.40%	6.60%	5.80%
Weighted average expected life (in years)	6	7	7
Expected Volatility	1.00%	1.00%	1.00%
Weighted average exercise price (₹ per share)	10.00	10.00	11.00

V. Effect of share-based payment transactions on the entity's Profit or Loss for the year:

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
Employee share based expense (₹)	94.25	227.43
Total ESOP reserve outstanding at the end of the year (₹)	793.18	699.48

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.

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	Note	As at March 31, 2022			As at March 31, 2021		
		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	13,167.93	-	13,167.93	22,608.09	-	22,608.09
Bank balances other than cash and cash equivalents	3.02	1,001.00		1,001.00	-		-
Trade receivable	3.03	43.74		43.74			
Loans	3.04	95,696.39	1,34,212.00	2,29,908.39	29,193.90	61,465.00	90,658.90
Investments	3.05	8,786.45	7,397.85	16,184.30	16,743.95	4,736.00	21,479.95
Other financial assets	3.06	52.60	241.00	293.60	17.79	203.00	220.79
Non-financial assets							
Current tax assets (net)	3.07	370.17	-	370.17	84.79	-	84.79
Deferred tax assets (net)	3.08	-	652.72	652.72	-	274.60	274.60
Property, plant and equipment	3.09	-	523.49	523.49	-	752.24	752.24
Intangible assets	3.10	-	337.01	337.01	-	370.42	370.42
Intangible assets under development	3.11	-	-	-	-	2.00	2.00
Other non-financial assets	3.12	203.37	14.00	217.37	143.60	19.00	162.60
TOTAL ASSETS		**1,19,321.65**	**1,43,378.07**	**2,62,699.72**	**68,792.12**	**67,822.26**	**1,36,614.38**

(₹ in Lakhs)

Particulars	Note	As at March 31, 2022			As at March 31, 2021		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
LIABILITIES							
Financial liabilities							
Trade payables	3.13	134.09	-	134.09	66.59	-	66.59
Debt securities	3.14	16,102.87	40,474.38	56,577.25	2,359.22	19,844.72	22,203.94
Borrowings (other than debt securities)	3.15	56,913.98	59,859.33	1,16,773.31	22,924.82	21,440.03	44,364.85
Other financial liabilities	3.16	3,210.40	132.95	3,343.35	1,583.57	293.09	1,876.66
Non-financial liabilities							
Provisions	3.18	20.18	492.47	512.65	12.43	91.63	104.06
Other non-financial liabilities	3.19	1,676.57	-	1,676.57	663.12	-	663.12
TOTAL LIABILITIES		**78,058.10**	**1,00,959.12**	**1,79,017.22**	**27,609.75**	**41,669.47**	**69,279.22**

Notes to the financial statements for the year ended March 31, 2022

NOTE 5.12 : ASSET LIABILITY MANAGEMENT

(₹ in Lakhs)

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	3,550.00	-	931.21	1,322.18	9,427.44	12,704.16	24,354.90	65,837.07	5,977.68	-
Market borrowings	-	-	5,063.62	166.67	5,953.58	6,450.00	7,420.24	21,429.73	2,762.04	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
ASSETS										
Loans & advances	281.97	1,000.37	4,640.10	976.54	5,691.01	28,768.32	49,403.37	1,05,203.14	15,622.90	19,002.34
Investments	-	-	1,753.95	570.26	7,413.26	911.36	1,583.33	3,508.51	433.91	12.28
Foreign Currency assets	-			-	-	-	-	-	-	-

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)	13,167.93
-	Undrawn funding lines	7,000.00
Total		**20,167.93**

NOTE 5.13 : EXPOSURE TO REAL ESTATE SECTOR

(₹ in Lakhs)

Particulars			As at March 31, 2022	As at March 31, 2021
A	**Direct exposure**			
	I.	**Residential Mortgages**		
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 Lakhs may be shown separately)	59,413.23	-
	II.	**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;	21,143.58	38,080.62

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars		As at March 31, 2022	As at March 31, 2021
	III. Investments in Mortgage Backed Securities (MBS) and other securitised exposures	2,791.29	-
	- Residential	-	-
	- Commercial Real Estate	-	-
B	**Indirect Exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,874.40	2,674.00

NOTE 5.14 : EXPOSURE TO CAPITAL MARKET

(₹ in Lakhs)

	Particulars	As at March 31, 2022	As at March 31, 2021
1	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;	-	-
2	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;	-	-
3	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;	23,992.44	7,451.71
4	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	7,075.30
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	5,019.73	-
6	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;	-	-
7	Bridge loans to companies against expected equity flows / issues;	-	-
8	All exposures to Venture Capital Funds (both registered and unregistered)	-	-

Notes to the financial statements for the year ended March 31, 2022

NOTE 6.01 : OTHER DISCLOSURES PURSUANT TO THE RBI MASTER DIRECTIONS, 2016

I. Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	Provisions for depreciation on Investment	-	-
2	Provision towards NPA	-	-
3	Provision made towards Income tax	1,535.13	790.28
4	Other Provision and Contingencies	-	-
5	Provision for Standard Assets	557.61	220.99

II. Concentration of Advances

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	Total Advances to twenty largest borrowers	1,22,288.38	84,432.01
2	Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	53.03%	92.87%

III. Concentration of Exposures

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	Total Exposures to twenty largest borrowers	1,37,848.16	84,432.01
2	Percentage of Exposures to twenty largest borrowers to Total Exposures of the Company	49.91%	92.87%

IV. Movement of NPAs

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	Net NPAs to Net Advances (%)	-	-
2	Movement of NPAs (Gross)	-	-
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(d) Closing balance	-	-
3	Movement of Net NPAs	-	-
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(d) Closing balance	-	-

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
4	Movement of provisions for NPAs (excluding provisions on standard assets)	-	-
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(d) Closing balance	-	-

V. Concentration of NPA

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	Concentration of NPA	0.00%	0.00%

VI. Sectorwise NPA (% of NPA to Total Advances in that sector)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	Agriculture and allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans	-	-
7	Other personal loans	-	-

VII. Customer Complaints

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	No. of complaints pending at the beginning of the period	-	-
2	No. of complaints received during the period	-	-
3	No. of complaints redressed during the period	-	-
4	No. of complaints pending at the end of the period	-	-

Notes to the financial statements for the year ended March 31, 2022

VIII. Investments

(₹ in Lakhs)

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
1	**Value of Investments**		
	(i) Gross Value of Investments		
	(a) In India	16,186.88	21,516.87
	(b) Outside India	-	-
	(ii) Provision for Depreciation*		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	16,186.88	21,516.87
	(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.*

IX. Registration obtained from other financial sector regulators : None

X. 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.

XI. Details of financing of parent Company products : None

XII. Disclosure of penalties imposed by RBI and other regulators : None

XIII. Draw down from reserves : None

XIV. Rating assigned by credit rating agencies and migration of ratings during the year/period

Sr No	Instrument		For the year ended March 31, 2022	For the year ended March 31, 2021
1	Bank Loan Facilities	CRISIL	AA-	AA-
2	Commercial Paper	CRISIL	A1+	A1+
		INDIA RATINGS	A1+	-
3	NCD	CRISIL	AA-	-
		INFOMERICS	AA-	-

Notes to the financial statements for the year ended March 31, 2022

XV. Unsecured Advances against intangible securities : None

XVI. Related Party Transactions :

Details of all material transactions with related parties has been given in Notes No 5.05 of the financial statements.

XVII. Remuneration of Directors :

(₹ in Lakhs)

Sr No	Instrument	For the year ended March 31, 2022	For the year ended March 31, 2021
	Transactions with the Non-Executive Directors		
	Payment of Director Sitting fees	17.20	16.10

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.

XX. 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.

XXI. Disclosures relating to Securitisation

(i) 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 are not applicable.

(ii) **Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:** During the current and previous year, the Company has not entered into any sale of financial assets to any securitisation/ reconstruction company for assets reconstruction. Therefore, disclosures pertaining to it are not applicable.

(iii) **Details of Assignment transactions undertaken by applicable NBFCs:** During the current and previous year, the Company has not entered into any sale of financial assets by way of assignment. Therefore, disclosures pertaining to it are not applicable.

(iv) **Details of non-performing financial assets purchased / sold:** During the current and previous year, the Company has not entered into any purchase /sale of any non-performing financial assets. Therefore, disclosures pertaining to it are not applicable.

XXII. Revenue Recognition

There is no postponement of revenue due to pending resolution of significant uncertainties.

Notes to the financial statements for the year ended March 31, 2022

NOTE 6.02 : 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

(₹ in Lakhs)

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	2,37,987.90	700.28	2,37,287.62	921.23	(220.95)
	Stage 2	-	-	-	-	-
Subtotal		**2,37,987.90**	**700.28**	**2,37,287.62**	**921.23**	**(220.95)**
Non-Performing Assets (NPA)						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
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	45,589.97	220.95	-	-	220.95
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**45,589.97**	**220.95**	**-**	**-**	**220.95**
TOTAL	Stage 1	**2,83,577.87**	**921.23**	**2,37,287.62**	**921.23**	**(0.00)**
	Stage 2	**-**	**-**	**-**	**-**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**
	Total	**2,83,577.87**	**921.23**	**2,37,287.62**	**921.23**	**(0.00)**

Notes to the financial statements for the year ended March 31, 2022

NOTE 6.03 : DISCLOSURE OF DETAILS AS REQUIRED BY SYSTEMICALLY IMPORTANT NON-BANKING FINANCIAL (NON-DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2015

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
Liabilities Side	**Amount outstanding**	**Amount overdue**	**Amount outstanding**	**Amount overdue**
(1) **Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:**				
(a) Debenture : Secured	45,616.09	-	20,363.54	-
: Unsecured	-	-	-	-
(b) Deferred Credits	-	-	-	-
(c) Term Loans	1,15,968.08	-	39,399.24	-
(d) Inter-corporate loans and borrowing	-	-	-	-
(e) Commercial Paper	11,809.38	-	2,359.22	-
(f) Public Deposits	-	-	-	-
(g) Other Loans - Working capital demand loans from bank	1,000.00			
(g) Overdraft	-	-	4,995.58	-
(2) **Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):**				
(a) In the form of Unsecured debentures	-	-	-	-
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-	-	-
(c) Other public deposits	-	-	-	-

ASSETS SIDE

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
(3) **Break-up of Loans and Advances including bills receivables (other than those included in (4) below):**		
(a) Secured	2,25,074.06	89,387.40
(b) Unsecured	5,532.03	1,552.39

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
(4) Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities		
(i) Lease assets including lease rentals under sundry debtors:		
(a) Financial lease	-	-
(b) Operating lease	-	-
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	-	-
(b) Repossessed Assets	-	-
(iii) Other loans counting towards asset financing activities		
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-

Particulars	As at March 31, 2022	As at March 31, 2021
(5) Break-up of Investments		
Current Investments		
1. Quoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds		2,589.35
(iii) Units of mutual funds	8,789.03	-
(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) Commercial paper		13,792.68
(vi) Others - Pass through certificates	0.00	394.87

Particulars	As at March 31, 2022	As at March 31, 2021
Long Term investments		
1. Quoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	2,791.29	2,519.35
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-

Notes to the financial statements for the year ended March 31, 2022

(₹ in Lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
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	4,606.56	2,220.61

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	Amount (net of provisions)		Amount (net of provisions)	
	Secured	Unsecured	Secured	Unsecured
(6) Borrower group-wise classification of assets financed as in (3) and (4) above:				
1. Related Parties				
(i) Subsidiaries	-	-	-	-
(ii) Companies in the same group	-	-	-	-
(iii) Other related parties	-	-	-	-
2. Other than related parties	2,25,074.07	5,532.03	89,387.40	1,552.39

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
	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)
(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):				
1. Related Parties				
(i) Subsidiaries	-	-	-	-
(ii) Companies in the same group	-	-	-	-
(iii) Other related parties	-	-	-	-
2. Other than related parties	16,186.87	16,184.29	21,516.87	21,479.95

Notes to the financial statements for the year ended March 31, 2022

(8) **Other information**

(₹ in Lakhs)

Particulars	As at March 31, 2022		As at March 31, 2021	
(i) Gross Non-Performing Assets				
(a) Related parties	-	-	-	-
(b) Other than related parties	-	-	-	-
(ii) Net Non-Performing Assets				
(a) Related parties	-	-	-	-
(b) Other than related parties	-	-	-	-
(iii) Assets acquired in satisfaction of debt	-	-	-	-

NOTE 6.04: TRADE RECEIVABLES AGING SCHEDULE - MARCH 31, 2022

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	Total
(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	-	-	-	-	-	-

TRADE RECEIVABLES AGING SCHEDULE - MARCH 31, 2021

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	Total
(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 March 31, 2022

NOTE 6.05: TRADE PAYABLES AGING SCHEDULE - MARCH 31, 2022

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					
	Not due	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	9.72					-
(ii) Others	124.37					-
(iii) Disputed dues – MSME						-
(iv) Disputed dues - Others						-

** The amount includes provision of ₹ 43.83 Lakhs which were unbilled as on March 31, 2022.*

TRADE PAYABLES AGING SCHEDULE - MARCH 31, 2021

(₹ in Lakhs)

Particulars	Outstanding for following periods from due date of payment					
	Not due	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME						-
(ii) Others*	66.59					-
(iii) Disputed dues – MSME						-
(iv) Disputed dues - Others						-

** The amount includes provision of ₹ 12.00 Lakhs which were unbilled as on March 31, 2021.*

NOTE 6.06: INTANGIBLE ASSETS UNDER DEVELOPMENT - AGEING SCHEDULE

(₹ in Lakhs)

Particulars	As on March 31, 2022				Total
Intangible assets under development	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	-				-
Projects temporarily suspended					-

(₹ in Lakhs)

Particulars	As on March 31, 2021				Total
Intangible assets under development	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	2.00				2.00
Projects temporarily suspended					-

There are no Intangible assets under development whose completion is overdue or has exceeded its cost compared to its original plan

Notes to the financial statements for the year ended March 31, 2022

NOTE 6.07: DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR NO. RBI/2019-20/220 DOR.NO.BP.BC.63/21.04.048/2019-20

(₹ in Lakhs)

Particulars	As at March 31, 2021
Respective amounts in SMA / overdue categories, where the moratorium / deferment was extended, in terms of paragraph 2 and 3 of RBI Circular	NIL
Respective amount where asset classification benefits is extended	NIL
Provisions made in terms of paragraph 5 of RBI Circular	NIL
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 and reversal	NIL
The residual provisions in terms of paragraph 6 of RBI Circular	NIL

Above details pertain to financial year ended March 31, 2021 which were required to be provided in audited financial statements for the year ended March 31, 2021

NOTE 6.08: OTHER NOTES

6.08 (I): 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 (II): REGISTRATION OF CHARGES

FOR THE YEAR ENDED MARCH 31, 2022

Registration of charges were performed as per the terms of sanction within the due dates during the year ended March 31, 2022

FOR THE YEAR ENDED MARCH 31, 2021

Registration of charges were performed as per the terms of sanction within the due dates during the year ended March 31, 2021

6.08 (III): SATISFACTION OF CHARGES

FOR THE YEAR ENDED MARCH 31, 2022

Satisfation of charges were performed as per the terms of sanction within due date during the year ended March 31, 2022

FOR THE YEAR ENDED MARCH 31, 2021

Satisfation of charges were performed as per the terms of sanction within due date during the year ended March 31, 2021

6.08 (III): 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 March 31, 2022

NOTE 6.09 : DISCLOSURE AS PER RBI GUIDELINES ON LIQUIDITY FRAMEWORK

1 Funding Concentration based on significant counterparty

(₹ in Lakhs)

No. of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
28	1,66,083.00	N.A.	95.13%

2 Top 10 borrowings

(₹ in Lakhs)

Amount	% of Total Borrowings
1,03,674.00	59.38%

3 Funding Concentration based on significant instrument / product

(₹ in Lakhs)

Name of the product	Amount	% of Total Liabilities
Commercial Papers	12,000.00	6.87%
Private NCD	44,950.00	25.75%
Term Loan	1,16,640.00	66.81%
Cash credit (CC)	-	0.00%
Working capital demand loan (WCDL)	1,000.00	0.57%
Total	**1,74,590.00**	**98.39%**

4 Stock ratios

(₹ in Lakhs)

Stock Ratio	%
Commercial papers as a % of total liabilities	6.60%
Commercial papers as a % of total assets	4.50%
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 liabilities	31.79%
Other short-term liabilities as a % of total assets	21.66%

5 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 int the economic landscape or business needs.

Notes to the financial statements for the year ended March 31, 2022

NOTE 7.01 : CORONAVIRUS (COVID-19) IMPACT ON FINANCIAL REPORTING:

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently indeterminable. In many countries, including India, there has been severe disruption to regular business operations due to lockdowns, disruptions in transportation, supply chain, travel bans, quarantines, social distancing and other emergency measures. The Indian government announced a strict lockdown across the country to contain the spread of virus.

(a) Impact of COVID-19 on Company business:

The Company has made an assessment of its liquidity position and assessment of solvency at year end and found both at comfortable level. Company capital adequacy is 57.85% which is much higher than minimum required by the RBI. In addition, the Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising Loans and advances, Property, Plant and Equipment and Intangible assets as at balance sheet date, and has concluded that there are no material adjustments required in the financial Statements, other than those already considered. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to monitor any material changes to future economic conditions.

(b) Regulatory Measures:

In accordance with RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and subsequent guidelines on EMI moratorium dated April 17, 2020 and May 23, 2020, the Company has granted moratorium to its customers as per its Board approved policy. The moratorium period ended on August 31, 2020 and the customers who availed benefits of moratorium have been making repayments as per the revised schedule and as of March 31, 2021, all payments have been received in full and on timely basis.

NOTE 7.02 : UNHEDGED FOREIGN CURRENCY EXPOSURE

The Company does not have any unhedged foreign currency exposure for the year ended March 31, 2022 (Previous year : ₹ Nil).

NOTE 7.03 : 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

Date: April 26, 2022
Place: Pune

For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Mahesh Chhabria
Non Executive Director
DIN: 00166049

Amit Kumar Gupta
Chief Financial Officer

Amit Bondre
Deputy Company Secretary

Date: April 26, 2022
Place: Mumbai

ARKA FINCAP LTD.

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Floor 12B, Jupiter Mills Compound,
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