INDEPENDENT AUDITOR'S REPORT

To the Members of Arka Financial Holdings Private Limited

Report on the Audit of the Standalone Financial Statements

1. Opinion

We have audited the accompanying standalone financial statements of **Arka Financial Holdings Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2024, the Statement of Profit and Loss, 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 material accounting policies and other explanatory information (hereinafter referred to as "Standalone Financial Statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, the loss, total comprehensive loss, changes in equity and its cash flows for the year ended on that date.

2. 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 Standalone 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 ('the ICAI') 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.

3. Information Other than the Standalone Financial Statements and Auditor's Report Thereon

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. The Board of Directors report is expected to be made available to us after the date of this auditor's report.

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

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the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

4. Management's Responsibility for the Standalone 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 Standalone Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. 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 Standalone Financial Statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

In preparing the Standalone Financial Statements, 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.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone 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 Standalone 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 standalone 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.

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- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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 standalone 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.

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6. 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 1," a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.

2. As required by Section 143 (3) of the Act, based on our audit 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, 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 standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2015.

(e) On the basis of the written representations received from the directors as on March 31, 2024, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2024, from being appointed as a director in terms of Section 164 (2) of the Act.

(f) Reporting of Internal financial controls over financial reporting of the company and the operating effectiveness of such controls is not applicable to the company, since it is a private limited company which neither has turnover of Rs. 50 crores or more nor does it have aggregate borrowings from banks or financial institutions or any body corporate at any point of time during the financial year in excess of Rs. 25 Crores based on the notification no. G.S.R. 583(E) dated June 13, 2017 issued by Ministry of Corporate Affairs.

(g) The Company has not paid any managerial remuneration to its directors and thus, the provisions of Section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2024.

(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, as amended, 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;

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ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

iv.

a. Based on the Management representation provided to us, we report that, 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. Based on the Management representation provided to us, we report that, other than as disclosed in the notes to the financial statements, 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 our audit procedures that we have considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. The Company has not declared or paid any dividend during the year.

vi. According to the information and explanations given to us and based on our examination which included appropriate test checks, we report that the company has used accounting software for maintaining its books of account which has the feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, we did not come across any instance of tampering of the audit trail feature during the course of our audit.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on

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preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.

For G. D. Apte & Co
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 24113053BKBFGO4476

Umesh S. Abhyankar
Partner
Membership Number: 113 053
Pune, May 3, 2024.

Annexure 1 referred to in Paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of the Company for the year ended March 31, 2024 of –Arka Financial Holdings Private Limited)

i.

(a) (A) The Company has generally maintained proper records showing full particulars including quantitative details and situation of Property, Plant & Equipment including details of right-of-use assets covered under Ind AS 116,' Leases.'

(B) The Company does not hold any intangible assets during the year , the reporting under paragraph 3 (i)(a) (B) are not applicable to the Company.

(b) The Property, Plant and Equipment (comprising of building on lease – ROU assets) have been physically verified by the management during the year. In our opinion, frequency of verification is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.

(c) The Company did not own any immovable properties during the year. In case of Building on lease, the lease deed has been duly registered in the favour of the company.

(d) The company has not revalued its Property, Plant and Equipment (including Right of Use assets) and intangible assets during the year. Accordingly, the clause 3(i)(d) of the Order is not applicable.

(e) Based on the audit procedures conducted by us and according to the information and explanations given to us, we report that no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

ii.

(a) The Company's nature of business does not involve inventories and as such, the reporting under paragraph 3 (ii)(a) of the Order is not applicable to the Company.

(b) Based on the audit procedures conducted by us and according to the information and explanations given to us, we report that the Company has not been sanctioned any working capital limits from banks or financial institutions during the year. As such, reporting under paragraph 3 (ii)(b) of the Order is not applicable to the Company.

iii.

a) Based on the audit procedures conducted by us and according to the information and explanations provided to us, during the year the company has not provided any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. As such, requirements under paragraph 3 (iii) (a) of the Order is not applicable to the Company.

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b) According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that the terms and conditions of the investment made by the company are not prejudicial to the company's interest.

Based on the audit procedures conducted by us and according to the information and explanations provided to us, during the year the company has not provided any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties and as such, requirements under paragraph 3 (iii) (c) to (f) of the Order are not applicable to the Company.

iv. Based on the audit procedures conducted by us and according to the information and explanations given to us, in our opinion, and with reference to exemption for Rights Issue under section 186 (11) (b) (ii), there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and as such requirements under paragraph 3 (iv) of the Order is not applicable to the company.

v. The Company has not accepted any deposits or amounts which are deemed to be deposits to which the provisions of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules made there under apply. According to the information and explanations given to us, no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

vi. The maintenance of cost records is not applicable to the company pursuant to the provisions of sub-section (1) of section 148 of the companies Act, 2013.

vii.

(a) According to the information and explanations given to us and on the basis of our examination of records of the company, we report that the company is regular in depositing the undisputed statutory dues including provident fund, income tax, employees state insurance, sales tax, service tax, duty of customs, duty of excise, value added tax, goods and services Tax, cess and other material statutory dues as applicable with appropriate authorities. According to the information and explanations given to us and on the basis of examination of the books of account and the records of the Company, we report that there were no undisputed statutory dues as at the last day of the financial year which were outstanding 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 on the basis of examination of books of account and records of the company, we report that there are no dues in respect of provident fund, income tax, employees state insurance, sales tax, service tax, duty of customs, duty of excise, value added tax, goods and services Tax, cess and other material statutory dues which have not been deposited on account of any dispute.

viii. According to the information and explanations given to us and on the basis of examination of books of account and records of the company, we report that there are no transactions, which were not recorded in the books of account but have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

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ix.

(a) The Company has not availed any loan from any financial institution, bank, government, debenture holders or any other lender. As such, the reporting under this paragraph regarding default of the Company in repayment of dues to financial institution, bank, government or debenture holders or any other lender is not required.

(b) According to the information and explanations given to us and on the basis of examination of books of account and records of the company, we report that the company has not obtained any loans from banks, financial institutions, Government Authorities and other lenders. As such, reporting under clause 3(ix)(b) shall not be applicable.

(c) According to the information and explanations given to us and on the basis of examination of books of account and records, the company has not availed term loans during the year. As such, reporting under clause 3(ix)(c) shall not be applicable.

(d) During the year, the company has not raised any loans from banks or financial institutions. As such, reporting under clause 3(ix)(d) shall not be applicable.

(e) According to the information and explanations given to us and on an overall examination of the financial statements of the company, we report that the company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures. As such, reporting under clause 3(ix)(e) shall not be applicable.

(f) According to the information and explanations given to us and procedures performed by us, we report that the company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. As such, reporting under clause 3(ix)(f) shall not be applicable.

x.

(a) During the year, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments). As such, reporting under clause 3(x)(a) is not be applicable.

(b) In our opinion and according to the information and explanations given to us, the company has not made any preferential allotment or private placement of shares during the year.

xi.

(a) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Financial Statements and as per the information and explanations given by the management, we report that no fraud by the Company or any fraud on the company has been noticed or reported during the year.

(b) No report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Financial Statements and as per the information and explanations given by the

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company we report that since requirement of establishing a vigil mechanism is not ap plicable under section 177 (9) of the Act or SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, reporting under this clause is also not applicable.

xii.

(a) According to the information and explanations given to us and on the basis of examination of books of account and records of the company, the Company is not a Nidhi Company within the meaning of Section 406 of the Act. As such, reporting under clause 3 (xii) (a) to (c) is not applicable.

xiii. Based upon the audit procedures performed and as per the information and explanations given to us, we report that the transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details as required by the applicable Indian Accounting Standards have been disclosed in the Financial Statements.

xiv.

(a) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(b) The internal audit report of the Company has been considered by us during the course of our audit.

xv. Based upon the audit procedures performed by us and according to the information and explanations given to us, we report that the Company has not entered into any non-cash transactions of the nature as described in Section 192 of the Act.

xvi.

(a) According to the information and explanations given to us and based on audit procedures performed by us, we report that the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

(b) According to the information and explanations given to us and based on audit procedures performed by us, we report that the company has not conducted any non-banking financial or housing finance activities during the year.

(c) According to the information and explanations given to us and based on audit procedures performed by us, we report that the Company is an unregistered Core Investment Company (CIC) and continues to fulfil the criteria of a CIC.

(d) According to the information and explanation given to us, the group has one Core Investment Company as defined in Core Investment Companies (Reserve Bank) Directions, 2016.

xvii. The Company has incurred cash losses of Rs. 46.32 Lakhs in the current financial year i.e. FY 2023-24 and Rs. 36.50 Lakhs during FY 2022-23.

xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under clause 3 (xviii) is not applicable.

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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. In our opinion and according to information and explanation provided to us, the Company is not required to comply with provisions of section 135 of Companies Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 since the company has incurred losses since its incorporation. Accordingly, reporting under clause 3(xx) of the Order is not applicable to the Company.

For G. D. Apte & Co.
Chartered Accountants
Firm Registration number: 100515W
UDIN: 24113053BKBFGO4476

Umesh S Abhyankar
Partner
Membership Number.: 113053
Pune, May 3, 2024

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	Note No	As at 31 March 2024	As at 31 March 2023
I. ASSETS			
Financial assets			
Cash and cash equivalents	3.01	470.27	3,075.05
Investments	3.02	1,04,576.49	98,304.59
Other financial assets	3.03	23.57	22.55
		1,05,070.33	**1,01,402.19**
Non-financial assets			
Current tax assets (net)	3.04	6.77	2.90
Deferred tax assets (net)	3.05	98.57	78.61
Property, plant and equipment	3.06	82.35	-
Other non-financial assets	3.07	11.89	5.63
		199.58	**87.14**
TOTAL ASSETS		**1,05,269.91**	**1,01,489.33**
II. LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	3.08		
(i) total outstanding to micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		242.34	117.27
Other financial liabilities	3.09	108.39	-
		350.73	**117.27**
Non-financial liabilities			
Other non-financial liabilities	3.10	2.66	1.08
		2.66	**1.08**
TOTAL LIABILITIES		**353.39**	**118.35**
Equity			
Equity share capital	3.11	1,05,265.30	1,01,660.44
Other equity	3.12	(348.78)	(289.46)
TOTAL EQUITY		**1,04,916.52**	**1,01,370.98**
TOTAL LIABILITIES AND EQUITY		**1,05,269.91**	**1,01,489.33**

Notes forming part of the financial statements 1 to 5.08

As per our report of even date attached

For **G D Apte & Co.**
Chartered Accountants
ICAI Firm Registration No.: 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

Place: Pune
Date: 03 May 2024

G. D. APTE & CO. ★ Chartered Accountants ★

For and on behalf of the Board of Directors of
Arka Financial Holdings Private Limited

Vimal Bhandari
Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Kumar Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

Particulars	Note No	For the year ended 31 March 2024	For the year ended 31 March 2023
Revenue from operations	4.01		
Interest income		67.75	39.10
Total revenue from operations		**67.75**	**39.10**
Other income		-	-
Total income		**67.75**	**39.10**
Expenses			
Finance costs	4.02	10.83	-
Employee benefits expenses	4.03	48.25	-
Depreciation, amortisation and impairment expenses	4.04	32.94	-
Other expenses	4.05	54.99	75.60
Total expenses		**147.01**	**75.60**
Profit / (Loss) before tax		**(79.26)**	**(36.50)**
Tax expense:	4.06		
1. Current tax		-	-
2. Deferred tax charge /(credit)		(19.95)	(8.99)
Total tax expenses		**(19.95)**	**(8.99)**
Profit / (Loss) after tax		**(59.31)**	**(27.51)**
Other comprehensive income			
Items that will not be reclassified to profit and loss		-	
Items that will be reclassified to profit and loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (Loss) for the period		**(59.31)**	**(27.51)**
Earnings / (Loss) per equity share	5.01		
Basic Earnings / (loss) per share (₹)		(0.0057)	(0.0029)
Diluted Earnings / (loss) per share (₹)		(0.0057)	(0.0029)
(Equity Share of face value of ₹ 10 each)			
Notes forming part of the financial statements	1 to 5.08		

As per our report of even date attached

For **G D Apte & Co.**
Chartered Accountants
ICAI Firm Registration No : 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

Place: Pune
Date: 03 May 2024

G.D. APTE & CO. ★ Chartered Accountants ★

For and on behalf of the Board of Directors of Arka Financial Holdings Private Limited

Vimal Bhandari
Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Kumar Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
A Cash Flow from Operating Activities		
Net profit / (loss) before tax	(79.26)	(36.50)
Adjustments for :		
Add:		
Depreciation and amortisation	32.94	-
Finance cost	10.83	-
	43.77	-
Less:		
Interest income on security deposit	1.62	-
	1.62	-
Operating profit / (loss) before working capital changes	**(37.11)**	**(36.50)**
Adjustments:		
(Increase) / Decrease in Other financial assets	(5.83)	(22.56)
(Increase) / Decrease in Other non-financial assets	(6.26)	(5.22)
Increase/(Decrease) in trade payable	125.07	86.51
Increase/(Decrease) in Other non-financial liabilities	1.58	0.45
Cash generated / (used) in operating activities	**77.45**	**22.68**
Direct taxes paid	(3.87)	(2.90)
Net cash generated from / (used in) operating activities (A)	**73.58**	**19.78**
B Cash flows from investing activities		
Payments on purchase of investment	(375.00)	-
Payments on purchase of investments in Equity Shares	-	(7.47)
Receipt on sale of investment in Equity Shares	2.99	-
Net cash generated from / (used in) investing activities (B)	**(372.01)**	**(7.47)**
C Cash Flow from Financing Activities		
Proceeds from issue of equity share capital	3,604.85	17,960.32
Stamp duty paid on issue of equity shares	-	(0.77)
Payments on purchase of investment in Subsidiaries	(5,899.88)	(14,900.68)
Lease Liability Paid	(11.32)	-
Net cash generated from / (used in) financing activities (C)	**(2,306.35)**	**3,058.87**
Net Increase / (Decrease) in cash and cash equivalents (A) + (B) + (C)	**(2,604.78)**	**3,071.18**
Cash and Cash Equivalents at the beginning of the year	**3,075.05**	**3.87**
Cash and Cash Equivalents at the end of the year	**470.27**	**3,075.05**
Reconciliation of cash and cash equivalents with the balance sheet		
Balances with banks		
- in current accounts	18.87	124.94
Deposits with original maturity of less than three months	451.40	2,950.11
Total	**470.27**	**3,075.05**

As per our report of even date attached

For **G D Apte & Co.**
Chartered Accountants
ICAI Firm Registration No: 100515W

Umesh S. Abhyankar
Partner
Membership No: 113053

Place: Pune
Date: 03 May 2024

G. D. APTE & CO. Chartered Accountants

For and on behalf of the Board of Directors of
Arka Financial Holdings Private Limited

Vimal Bhandari

Vimal Bhandari
Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Kumar Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

STATEMENT OF CHANGES IN EQUITY (SOCIE)

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

(a) Equity Share Capital (Note 3.07)

Equity Shares of ₹ 10 each issued, subscribed and fully paid	No. of Shares	Amount
Balance as at 01 April, 2022	83,70,01,285	83,700.13
Shares issued during the period	17,96,03,153	17,960.32
Balance as at 31 March 2023	**1,01,66,04,438**	**1,01,660.45**
Balance as at 01 April, 2023	1,01,66,04,438	1,01,660.45
Shares issued during the period	3,60,48,524	3,604.85
Balance as at 31 March 2024	**1,05,26,52,962**	**1,05,265.30**

(b) Other equity (Note 3.08)

Particulars	Statutory Reserve U/s 45IC	Retained Earnings	Total
Balance at 01 April, 2022	-	**(261.18)**	**(261.18)**
Profit for the year	-	(27.51)	(27.51)
Other comprehensive income for the year	-	-	-
Total	-	**(288.69)**	**(288.69)**
Transferred from Retained earnings	-	-	-
Expenses on issue of equity shares	-	**(0.77)**	**(0.77)**
Share based payment expense	-	-	-
Balance as at 31 March 2023	-	**(289.46)**	**(289.46)**
Balance at 01 April, 2023	-	**(289.46)**	**(289.46)**
Profit for the year	-	(59.32)	(59.32)
Other comprehensive income for the year	-	-	-
Total	-	**(348.78)**	**(348.78)**
Transferred from Retained earnings	-	-	-
Expenses on issue of equity shares	-	-	-
Balance as at 31 March 2024	-	**(348.78)**	**(348.78)**

Notes forming part of the financial statements

As per our report of even date attached

For **G D Apte & Co.**
Chartered Accountants
ICAI Firm Registration No.: 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

Place: Pune
Date: 03 May 2024

G. D. APTE & CO. ★ Chartered Accountants ★

For and on behalf of the Board of Directors of Arka Financial Holdings Private Limited

Vimal Bhandari

Vimal Bhandari
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Place: Mumbai

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Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

Notes to the financial statements for the year ended 31 March 2024

(Currency : Indian Rupees in lakhs)

1. Corporate Information

Arka Financial Holdings Private Limited (the 'Company') was incorporated on 13 July 2021. The Company is wholly owned subsidiary of Kirloskar Oil Engines Limited ("KOEL") operating as unregistered Core Investment Company.

2 Material Accounting Policy Information

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 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 relevant 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 2024, the Statement of Profit and Loss, including the statement of Other Comprehensive Income / (loss), the Cash Flow Statement and the Statement of Changes in Equity for the period then ended, and notes to the financial statements, including a summary of material accounting policy information 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"). 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.

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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. Investments in subsidiary is recognised at cost.

The financial assets include investments in equity of Subsidiary Company, 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.

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Fair value through Profit and Loss (FVTPL)

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

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

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

iii) Reclassifications

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

The following are various reclassifications and how they are accounted for.
Reclassification from Amortised cost to FVTPL : Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in the statement of Profit and loss.

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

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.

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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.

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.

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(Currency : Indian Rupees in lakhs)

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

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

2.06.B Financial liabilities

i) Initial recognition and measurement

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

ii) Subsequent measurement

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

ii.a) Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

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

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

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

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

2.06.C De-recognition

a) Derecognition of financial assets

A financial asset is derecognized when:

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

Or

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

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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:

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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, cash at bank 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.

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(Currency : Indian Rupees in lakhs)

2.09 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..

2.10 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.

2.11 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.

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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.

2.12 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.

2.13 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

2.14 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.

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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.

2.15 Segment Reporting

The Company is primarily operating as core investment company and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating segment.

2.16 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).

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.

2.17 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. Direct Tax paid is treated as arising from operating activities and are not bifurcated between investment and financing activities.

2.18 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.

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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. 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.

B. Fair value of financial instrument

The fair value of financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note - 5.02.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.01 : Cash and cash equivalents

Particulars	As at 31 March 2024	As at 31 March 2023
Cash on hand	-	-
Balances with banks		
- in current accounts	18.87	124.94
Deposits with original maturity of less than three months	451.40	2,950.11
	470.27	**3,075.05**

NOTE 3.02 : Investments

Particulars	As at 31 March 2024	As at 31 March 2023
Arka Credit Fund I (At fair value through P&L)	375.00	-
Equity Instruments of subsidiaries(at cost)*		
Arka Fincap Limited	1,03,996.01	98,296.12
Arka Investment Advisory Services Private Limited	201.00	1.00
Equity Instruments of others (FVTOCI)**		
Kirloskar Proprietary Ltd	4.48	7.47
	1,04,576.49	**98,304.59**

* Investment in equity (at cost) represents

(i) 92,87,09,755 (Previous year 88,40,04,815) fully paid equity shares (includes 6 shares held by nominee shareholders on behalf of the Company) of subsidiary Arka Fincap Limited (Face Value Rs. 10) valued at cost of INR 1,03,996.01 laksh (Previous year INR 98,296.12 lakhs).

(ii) 20,10,000 (Previous year 10,000) fully paid equity shares of wholly owned subsidiary Arka Investment Advisory Services (Face Value Rs. 10) valued at cost of INR 201 lakhs (Previous year INR 1 lakh).

** Investment in equity of others (FVTOCI) represents 3 (Previous year 5) full paid equity shares of Kirloskar Proprietary Ltd (Face Value Rs. 100) Since the shares were acquired during the year 2022-23 on the basis of valuation carried out by Independent Valuer, in the opinion of Management, the fair value on acquisition approximates the fair value as at March 31, 2024.

NOTE 3.03 : Other financial assets

Particulars	As at 31 March 2024	As at 31 March 2023
Security deposit	17.85	22.55
Sundry Receivables (considered good)	5.72	-
	23.57	**22.55**

NOTE 3.04 : Current tax assets (net)

Particulars	As at 31 March 2024	As at 31 March 2023
Advance Tax (net of provision for tax)	6.77	2.90
	6.77	**2.90**

NOTE 3.05 : Deferred tax assets (net)

Particulars	As at 31 March 2024	31 March 2023
Deferred Tax Assets		
Preliminary Expenses u/s 35D of Income tax Act, 1961	25.17	37.75
Business losses carried forward	73.40	40.86
Total (A)	**98.57**	**78.61**
Deferred tax liability (B)	-	-
Net deferred tax asset (A-B)	**98.57**	**78.61**

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FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 3.06 : Property, plant and equipment

Particulars	Right of use Building	Total
Cost as at 31 March 2023	-	-
Additions	115.29	115.29
Disposals	-	-
Cost as at 31 March 2024	**115.29**	**115.29**
Accumulated depreciation as at 31 March 2023	-	-
Depreciation charged during the year	32.94	32.94
Disposals	-	-
Accumulated depreciation as at 31 March 2024	**32.94**	**32.94**
Net carrying amount as at 31 March 2023	-	-
Net carrying amount as at 31 March 2024	**82.35**	**82.35**

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FOR THE YEAR ENDED 31 MARCH 2024

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NOTE 3.07 : Other non-financial assets

Particulars	As at 31 March 2024	As at 31 March 2023
Prepaid expenses	-	-
Advance to suppliers	0.53	0.36
GST receivable (net)	11.36	5.27
	11.89	**5.63**

NOTE 3.08 : Trade payables

Particulars	As at 31 March 2024	As at 31 March 2023
Dues to Micro, small and medium enterprises	-	-
Dues to Others	242.34	117.27
	242.34	**117.27**

NOTE 3.09 : Other financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Lease obligation	108.39	-
	108.39	-

NOTE 3.10 : Other non-financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Statutory dues payable	2.66	1.08
	2.66	**1.08**

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.11 : Equity share capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at 31 March 2024		As at 31 March 2023	
	Number of shares	Amount	Number of shares	Amount
Authorised capital				
Equity shares of ₹10/- each	1,50,00,00,000	1,50,000.00	1,50,00,00,000	1,50,000.00
Issued, subscribed and fully paid up				
Equity shares of ₹10/- each fully paid	1,05,26,52,962	1,05,265.30	1,01,66,04,438	1,01,660.44
Total	**1,05,26,52,962**	**1,05,265.30**	**1,01,66,04,438**	**1,01,660.44**

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

Particulars	As at 31 March 2024		As at 31 March 2023	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	1,01,66,04,438	1,01,660.44	83,70,01,285	83,700.13
Add: Shares issued during the year	3,60,48,524	3,604.85	17,96,03,153	17,960.32
Less: Shares bought back during the year	-	-	-	-
Total	**1,05,26,52,962**	**1,05,265.30**	**1,01,66,04,438**	**1,01,660.44**

c. Particulars of shares held by holding Company / Promotors

Name of Shareholder	Relationship	As at 31 March 2024		As at 31 March 2023	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	**1,05,26,52,962**	**100%**	**1,01,66,04,438**	**100%**

* Number of shares include 1 shares held by nominee shareholders on behalf of Kirloskar Oil Engines Limited

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

Name of Shareholder	Relationship	As at 31 March 2024		As at 31 March 2023	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	1,05,26,52,962	100%	1,01,66,04,438	100%

e. 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.

f. 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

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.12 : Other equity

Particulars	As at 31 March 2024	As at 31 March 2023
Retained earnings	(348.78)	(289.46)
	(348.78)	**(289.46)**

3.12.A Other equity movement

Particulars	As at 31 March 2024	As at 31 March 2023
Retained earnings		
Opening Balance	(289.46)	(261.18)
Add: Profit / (Loss) for the year	(59.32)	(27.51)
Add: Other Comprehensive income	-	-
Less: Expenses on equity issue	-	(0.77)
Closing Balance	**(348.78)**	**(289.46)**

NOTE 4.01 : Revenue from operations

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Interest income on financial assets measured at amortised cost:		
Interest on Deposits		
- Deposits with banks	43.10	39.10
- Security deposits	1.62	-
Total	**44.72**	**39.10**
Interest income on financial assets measured at fair value through profit or loss:		
- Investments in AIF	23.03	-
Total	**23.03**	**-**
	67.75	**39.10**

NOTE 4.02 : Finance costs

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Interest expense on financial liabilities measured at amortised cost:		
Interest on lease liability	10.83	-
	10.83	**-**

NOTE 4.03 : Employee benefit expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Salaries, other allowances and bonus	48.25	-
	48.25	**-**

NOTE 4.04 : Depreciation and amortisation expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Depreciation of property, plant and equipment	32.94	-
	32.94	**-**

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NOTES TO THE FINANCIAL STATEMENTS

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(Currency Indian Rupees in Lakhs)

NOTE 4.05 : Other expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Rent	2.39	2.40
Resource Sharing Expenses	20.89	10.38
Rates and taxes	-	11.80
Other repairs and maintenance	4.56	-
Professional charges	3.31	31.61
Auditor's remuneration	3.60	3.60
Technology expenses	0.16	-
Custodian charges	0.75	0.75
Directors' sitting fees	14.30	9.30
Electricity charges	0.15	-
Office expenses	0.19	-
ROC Expenses	0.04	0.19
GST expenses	3.90	5.57
Housekeeping and security charges	0.75	-
	54.99	**75.60**

Payment to auditor includes:		
a) as statutory auditors	3.50	3.50
b) for certification related matters	0.10	0.10
c) for other services	-	-
Total	**3.60**	**3.60**

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 4.06 : Income Tax

(a) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Current tax expense		
Current income tax	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(19.95)	(8.99)
	(19.95)	**(8.99)**
Tax expense reported in the statement of profit and loss	**(19.95)**	**(8.99)**

(b) Reconciliation of tax expense

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Accounting profit / (loss) before income tax expense	(79.27)	(36.50)
Tax @ 25.168%	**(19.95)**	**(9.19)**
Difference in tax rate due to:		
- Effect of non-deductible expenses	-	0.19
Stamp duty paid on Equity issue	-	0.19
Total Tax Expenses	**(19.95)**	**(9.00)**
Effective tax rate	**25.17%**	**24.66%**

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(Currency Indian Rupees in Lakhs)

NOTE 5.01 : Earnings per share (EPS)

Basic EPS calculated by dividing the net profit / (loss) 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 / (loss) 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.

Particulars		For the year ended 31 March 2024	For the year ended 31 March 2023
I.	**Profit / (Loss) attributable to equity holders (A)**		
	Profit / (Loss) attributable to equity holders for basic and diluted EPS	(59.31)	(27.51)
II.	**Weighted average number of equity shares for calculating Basic EPS (B)**	1,04,68,41,861	96,21,97,396
III.	**Weighted average number of equity shares for calculating Diluted EPS (C)**	1,04,68,41,861	96,21,97,396
IV.	**Basic earnings / (loss) per share (₹)**	(0.0057)	(0.0029)
V.	**Diluted earnings / (loss) per share (₹)**	(0.0057)	(0.0029)

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NOTE 5.02 : 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	Holding Company	Kirloskar Oil Engines Limited
2	Subsidiary Company	Arka Fincap Limited
		Arka Investment Advisory Services Private Limited
3	Subsidiary Company of Holding Company	La-Gajjar Machineries Private Limited
		Optiqua Pipes and Electricals Private Limited
		Kirloskar Americas Corp. USA
		Engines LPG, LLC dba Wildcat Power Gen
4	Entity under same group	Arka Credit Fund I - *Refer Note 5.07 (ii)*
5	Joint Venture of KOEL Group	ESVA Pumps India Private Limited

(ii) Key Management Personnel and their relatives:

Name of KMPs	Name of Relatives of KMPs	Relationship
Vimal Bhandari (Managing Director)	Vibha V. Bhandari	Wife
	Vatsal V Bhandari	Son
	Shivani Bhandari	Son's Wife
	Vandini V Bhandari	Daughter
	Shree Krishna M Gupta	Daughter's Husband
	Pushpa Bhandari	Mother
	Ashok Bhandari	Brother
	Asha Singhvi	Sister
	Vibha Doshi	Sister
	Jayashree Mehta	Sister

(iii) Key Management Personnel of Holding Company and their relatives:

Name of KMPs	Name of Relatives of KMPs	Relationship
Atul C. Kirloskar (upto 31 March 2023)	Arti A. Kirloskar	Wife
	Gauri A. Kirloskar (Kolenaty)	Daughter
	Aditi A. Kirloskar (Sahni)	Daughter
	Rahul C. Kirloskar	Brother
	Suman C. Kirloskar	Mother
Gauri Kirloskar (w.e.f. 20 May 2022)	Arti A. Kirloskar	Mother
	Atul C. Kirloskar	Father
	Aditi A. Kirloskar (Sahni)	Sister
	Christopher Kolenaty	Husband
	Maya Kolenaty	Daughter
	Pia Kolenaty	Daughter

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B. Transactions with Related Parties

Sr. No.	Nature of the transaction / relationship / major parties	2023-24		2022-23	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Capital Contribution received from Holding Company**	3,604.85		17,960.32	
	Kirloskar Oil Engines Limited (mainly for onward investment in Equity of Arka Fincap Limited)		3,604.85		17,960.32
	Total	**3,604.85**	**3,604.85**	**17,960.32**	**17,960.32**
2	**Investment in Equity of Subsidiary Company**	5,899.88		14,900.68	
	Arka Fincap Limited		5,699.88		14,899.68
	Arka Investment Advisory Services Pvt Ltd		200.00		1.00
	Total	**5,899.88**	**5,899.88**	**14,900.68**	**14,900.68**
3	**Reimbursement of expenses paid/payable to**				
	Subsidiary Company	43.56		15.01	
	Arka Fincap Limited		43.56		15.01
	Total	**43.56**	**43.56**	**15.01**	**15.01**
4	**Payments done by Subsidiary Company**	81.46		73.48	
	Arka Fincap Limited		81.46		73.48
	Total	**81.46**	**81.46**	**73.48**	**73.48**
5	**Sale of equity shares of Kirloskar Proprietary Ltd to Subsidiary Company**	2.99		0.00	
	Arka Fincap Limited		1.49		0.00
	Arka Investment Advisory Services Pvt Ltd		1.49		0.00
	Total	**2.99**	**2.99**	**0.00**	**0.00**
	Transactions with Entity under same group				
	Arka Credit Fund I	**403.74**		**0.00**	
	Investments done in the Arka Credit Fund I		375.00		0.00
	Income Earned from the Investment		23.02		0.00
	Recovery of Operating Expenses		5.72		0.00
	Total	**403.74**	**403.74**	**0.00**	**0.00**

Balances with related parties

Sr. No.	Nature	2023-24 Amount	2023-24 Amount from major parties	2022-23 Amount	2022-23 Amount from major parties
1	**Payable to Subsidiary Company**	239.24		114.22	
	Arka Fincap Limited		239.24		114.22
	Total	**239.24**	**239.24**	**114.22**	**114.22**
2	**Receivable from Entity under same group**	5.72		0.00	
	Arka Credit Fund I		5.72		0.00
	Total	**5.72**	**5.72**	**0.00**	**0.00**

Commitments

Sr. No.	Nature	2023-24 Amount	2023-24 Amount from major parties	2022-23 Amount	2022-23 Amount from major parties
1	**Committed Contribution in Entity under same group as Sponsor**	125.00		500.00	
	Arka Credit Fund I		125.00		500.00
	Total	**125.00**	**125.00**	**500.00**	**500.00**

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.

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(Currency: Indian Rupees in Lakhs)

Note 5.03: Trade Payables aging schedule - 31 March 2024

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	-	128.12	114.22	-	-	242.34
(iii) Disputed dues – MSME	-	-	-	-	-	-
(iv)Disputed dues - Others	-	-	-	-	-	-

Trade Payables aging schedule - 31 March 2023

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	-	91.54	25.73	-	-	117.27
(iii) Disputed dues – MSME	-	-	-	-	-	-
(iv)Disputed dues - Others	-	-	-	-	-	-

Note 5.04: Leases

Where the Company is a lessee

The Ministry of Corporate Affairs (MCA) notified Ind AS 116, the new leases accounting standard on 30 March 2019. Ind AS 116 come into force on 1 April 2019.

Ind AS 116 have replaced the previous guidance in Ind AS 17, 'Leases'. Ind AS 116 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Ind AS 116 requires lessees to recognize assets and liabilities arising from all leases (except for short-term leases and leases of low-value assets) in the Balance sheet. The Company have capitalised all assets currently held under operating leases. Operating lease expenses have been replaced by a depreciation expense on Right of Use assets recognised and an interest expense as the incremental borrowing rate in the lease liabilities unwinds.

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

(A) Lease liability movement

Particulars	As at 31 March 2024	As at 31 March 2023
Lease liability at begnning of the year	-	-
Add: Interest on lease liability	10.83	-
Add: Lease liability recognised during the year	108.88	-
Less: Lease rental payments	(11.32)	-
Less: Lease liability de-recognised during the year	-	-
Lease liability at the end of the year	108.39	-

(B) Future lease cashflow for all leased assets

Particulars	As at 31 March 2024	As at 31 March 2023
Minimum Lease Payments:		
Not later than one year	47.32	-
Later than one year but not later than five years	75.28	-
Later than five years	-	-

(C) Maturity analysis of lease liability

Particulars	As at 31 March 2024	As at 31 March 2023
Lease liability:		
Less than 12 months	38.58	-
More than 12 months	69.81	-

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NOTE 5.05 : Financial instruments – 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:

Sr. No.	Particulars	At Cost	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	As at 31 March 2024	As at 31 March 2023
1	Financial Assets:						
	Investment in subsidiary	1,04,197.01				1,04,197.01	98,297.12
	Investment in Kirloskar Proprietary Ltd				4.48	4.48	7.47
	Investment in Arka Credit Fund I				375.00	375.00	-

NOTE 5.06 : Contingent liabilities and Commitments

There are no contingent liabilities or commintments as at 31 March 2024.

NOTE 5.07 : Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises, as no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

	Particulars	As at 31 March 2024	As at 31 March 2023
a.	Principal and interest amount remaining unpaid	-	-
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 5.08 : Other Notes

5.08 (i): Investment in Arka Investment Advisory Services Private Limited

Arka Investment Advisory Service Private Limited has been incorporated on 30 March 2022 as wholly owned subsidiary of the company and is acting as Investment Manager for the purpose of Management of funds and undertaking Advisory business.

5.08 (ii): Sponsor to Arka Credit Fund I

The company is Sponsor to the Arka Credit Fund I registered with SEBI as category II Alternative Investment Fund. The Company's capital commitment to the said fund as sponsor is Rs. 5 Crores out of which Rs. 3.75 Crores has been invested as on 31 March 2024. The said fund is being managed by Investment Manager Arka Investment Advisory Services Private Limited. The remaining commitment amount is Rs. 1.25 Crores as on 31.03.2024.

5.08 (iii): Relationship with struck off companies

The company has not entered any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956

5.08 (iv): Note on Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. The Company's capital structure completely comprises of equity component. No changes were made in the objectives, policies or processes for managing capital during the current period.

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

5.08 (v): Note on Capital Disclosure:

The Company being Core Investment Company Capital Disclosure requirements are not applicable. Liquidity Coverage Ratio (LCR) is not applicable to the Company as per RBI Master Directions 2016.

5.08 (vi): Financial Risk Managment:

The Company's activities exposes it to liquidity risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk. The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified are systematically addressed through risk mitigation actions on a continuing basis.

Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due. The flexibility in funding requirements is met by ensuring availability of adequate inflows which is mainly sourced through equity capital contribution by the Holding Company. The Company had no outstanding bank borrowings as on March 31, 2024.

5.08 (vii): 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.

5.08 (viii): Events after reporting period

According to the management's evaluation of events subsequent to the balance sheet date, there were no significant adjusting events that occurred other than those disclosed/given effect to, in these Financial Statements as at 31 March 2024.

As per our report of even date attached
For **G D Apte & Co.**
Chartered Accountants
ICAI Firm Registration No.: 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

Place: Pune
Date: 03 May 2024

G. D. APTE & CO. ★ Chartered Accountants ★

For and on behalf of the Board of Directors of
Arka Financial Holdings Private Limited

Vimal Bhandari
Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Kumar Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

INDEPENDENT AUDITOR'S REPORT

To the Members of Arka Financial Holdings Private Limited

Report on the Audit of Consolidated Financial Statements

1. Opinion

We have audited the accompanying Consolidated Financial Statements of **Arka Financial Holdings Private Limited** (hereinafter referred to as the "Parent Company") and its subsidiaries (the Parent Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2024, the Consolidated Statement of Profit and Loss the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date and a summary of the material accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements and on the other financial information of the subsidiary the aforesaid consolidated 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 including the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act, of the consolidated state of affairs of the Group as at March 31, 2024, its consolidated profit, consolidated total comprehensive income, consolidated changes in equity and its consolidated cash flows for the year ended on that date.

2. Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained and the other auditors referred to in Other matters paragraph of this report have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

3. Emphasis of Matter

We draw attention to Note no 5.11 to the financial statements, regarding provision of INR 1,528.50 lakhs against its investments in Alternate Investment Funds (AIFs) as per RBI circular RBI/2023-24/90

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DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023 & RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024.
Our opinion is not modified in respect of above matter.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not audit the financial statements of one of the subsidiary company, **Arka Fincap Limited** as at and for the year ended on March 31, 2024, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our identification and reporting, if any, of the Key Audit Matters, in so far as it relates to said subsidiary, is based solely on the report of the other auditor.

The following Key Audit Matters were included in the audit report dated April 30, 2024, containing an unmodified audit opinion on the separate financial statements of Arka Fincap Limited, a subsidiary of the Holding Company issued by other auditors, reproduced by us as under:

1.	**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 on Impairment of Financial and Critical Accounting Estimates. Charge for the year: 1046.04 lakhs Provision as on March 31, 2024: Rs. 2539.95 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	**Our audit procedures to address this key audit matter 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

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	greater than 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.	• 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

5. Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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. The Board of Directors report is expected to be made available to us after the date of this auditor's report.

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

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

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

6. Management's Responsibility for the Consolidated Financial Statements

The Parent Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of the adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other

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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 Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the respective 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 Group or to cease operations, or has no realistic alternative but to do so.
The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of those Companies.

7. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated 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 Consolidated 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 financial controls 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 and its subsidiary which are companies incorporated in India, has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 ability of the Group 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 Consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the Consolidated Financial Statements.

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 Consolidated 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.

8. Other Matters

We did not audit the financial statements of the subsidiary, Arka Fincap Limited whose financial statements before consolidation adjustments reflect total assets of Rs. 5,29,602.41 lakhs as at March 31, 2024, total income of Rs. 57,078.73 lakhs, Group's share of total net profit after tax of Rs. 6,923.08 lakhs, Group's share of total comprehensive income of Rs. 6,902.74 lakhs for the year ended March 31, 2024 and net cash inflows amounting to Rs. 17,814.08 lakhs for the year ended on

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that date, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

9. Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.

   d. In our opinion, the aforesaid Consolidated Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015.

   e. On the basis of the written representations received from the directors of the Parent Company as on March 31, 2024 taken on record by the Board of Directors of the Parent Company and the report of the statutory auditors of its subsidiary company, none of the directors of the Group is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure 1" to this report.

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g.

a. The Parent Company did not pay any managerial remuneration to its directors and as such, provisions of Section 197 read with Schedule V of the Act are not applicable to the Parent Company;

b. As per the audit report issued by the independent auditors of the Subsidiary, the Subsidiary has paid remuneration to its directors 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 Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Group did not have any pending litigations which would impact its financial position.

ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended March 31, 2024.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

iv.

(a) Based on the Management representation provided by the Group, we report that, 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) Based on the Management representation provided to us, we report that, other than as disclosed in the notes to the consolidated financial statements no funds have been received by the Group 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 our audit procedures that we have considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused

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us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. The Group has not declared or paid any dividend during the year.

vi. There According to the information and explanations given to us and based on our examination which included appropriate test checks, we report that the Group has used accounting software for maintaining its books of account which has the feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, we did not come across any instance of tampering of the audit trail feature during the course of our audit.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.

2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us and by another independent auditors for the Company and its subsidiary respectively, included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO report except clause (ii) (b).

For G. D. Apte & Co
Chartered Accountants
Firm's Registration Number: 100 515W
UDIN: 24113053BKBFGP3498

G. D. APTE & CO. Chartered Accountants

Umesh S. Abhyankar
Partner
Membership Number: 113 053
Pune, May 3, 2024

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

1. Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the Act)

We have audited the internal financial controls over financial reporting of Arka Financial Holdings Private Limited (hereinafter referred to as "Parent Company") as of March 31, 2024 in conjunction with our audit of the Consolidated Financial Statements of the Company for the year ended on that date.

2. Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Parent Company considering the essential components of internal control 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 respective 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.

3. Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements of the Parent Company and its subsidiary companies, which are companies incorporated in India, 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 as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the

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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 and the audit evidence obtained by the other auditors in terms of the reports referred to in the Other Matters paragraph, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

4. Meaning of Internal Financial Controls Over Financial Reporting with reference to Consolidated Financial Statements

A company's internal financial control over financial reporting 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 control over financial reporting 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.

5. Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to Consolidated Financial Statements:

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

6. Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on consideration of reporting of other auditor as mentioned in Other Matter Paragraph, the subsidiary company which is a company incorporated in India, have maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2024, based on the internal control over financial reporting criteria established by respective companies 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.

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7. Other Matter

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to financial statements in so far as it relates to Arka Fincap Limited, one of the subsidiary companies, which is a Company incorporated in India to which provisions of section 143(3)(i) of the Act are applicable, is based solely on the corresponding report of the auditor of the subsidiary.

Our opinion is not modified in respect of above matter.

For G. D. Apte & Co.
Chartered Accountants
ICAI Firm registration number: 100515W
UDIN: 24113053BKBFGP3498

G. D. APTE & CO. ★ Chartered Accountants ★

Umesh S. Abhyankar
Partner
Membership No.: 113 053
Pune, May 3, 2024

Arka Financial Holdings Private Limited

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	Note	As at 31 March 2024	As at 31 March 2023
I. ASSETS			
Financial assets			
Cash and cash equivalents	3.01	39,925.12	24,514.92
Bank balances other than cash and cash equivalents	3.02	-	1,022.19
Trade receivables	3.03	20.25	-
Loans	3.04	4,70,488.06	3,68,572.88
Investments	3.05	9,451.83	39,109.25
Other financial assets	3.06	4,999.04	999.23
		5,24,884.30	**4,34,218.47**
Non-financial assets			
Current tax assets (net)	3.07	1,829.12	448.76
Deferred tax assets (net)	3.08	1,058.49	1,375.77
Property, plant and equipment	3.09	1,979.67	313.71
Intangible assets	3.10	249.29	256.15
Capital Work-in-progress	3.11	19.31	-
Intangible assets under development		-	-
Other non-financial assets	3.12	593.90	270.26
		5,729.78	**2,664.65**
TOTAL ASSETS		**5,30,614.08**	**4,36,883.12**
II. LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	3.13		
(i) total outstanding to micro enterprises and small enterprises		79.73	17.73
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		559.47	149.57
Debt securities	3.14	1,25,150.31	1,09,742.15
Borrowings (other than debt securities)	3.15	2,43,153.65	1,95,521.87
Subordinated Debt	3.16	13,832.98	6,317.82
Other financial liabilities	3.17	25,929.01	12,677.63
		4,08,705.15	**3,24,426.77**
Non-financial liabilities			
Provisions	3.18	458.83	466.69
Other non-financial liabilities	3.19	3,059.96	4,074.75
		3,518.79	**4,541.44**
TOTAL LIABILITIES		**4,12,223.94**	**3,28,968.21**
Equity			
Equity share capital	3.20	1,05,265.30	1,01,660.44
Other equity	3.21	13,122.52	6,252.40
Total equity attributable to owners		**1,18,387.82**	**1,07,912.84**
Non controlling interest	3.21	2.32	2.07
TOTAL EQUITY		**1,18,390.14**	**1,07,914.91**
TOTAL LIABILITIES AND EQUITY		**5,30,614.08**	**4,36,883.12**
Material Accounting Policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For G D Apte & Co.
Chartered Accountants
ICAI Firm Registration No.: 100515W

For and on behalf of the Board of Directors of
Arka Financial Holdings Private Limited

Umesh S. Abhyankar
Partner
Membership No. 113053

G. D. APTE & CO. Chartered Accountants

Place: Pune
Date: 03 May 2024

Vimal Bhandari
Managing Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

Arka Financial Holdings Private Limited

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	Note	For the year ended 31 March 2024	For the year ended 31 March 2023
Revenue from operations	4.01		
Interest income		49,112.96	35,113.15
Fees and commission income		1,264.10	810.25
Gain on derecognition of financial assets measured at amortised cost		4,017.89	-
Net gain on sale of investments		2,095.79	1,182.01
Net gain on fair value changes of investments		-	-
Total revenue from operations		**56,490.73**	**37,105.41**
Other income	4.02	709.90	222.57
Total income		**57,200.64**	**37,327.98**
Expenses			
Finance costs	4.03	31,490.04	19,617.28
Net loss on fair value changes	4.04	2.67	76.10
Impairment on financial instruments	4.05	2,561.19	598.76
Employee benefit expenses	4.06	7,906.64	6,335.53
Depreciation and amortisation expenses	4.07	838.00	393.60
Other expenses	4.08	3,822.08	2,079.96
Total expenses		**46,620.61**	**29,101.23**
Profit before exceptional items and tax		**10,580.02**	**8,226.75**
Exceptional items - (Expenses) / Income		(1,528.50)	-
Profit before tax		**9,051.52**	**8,226.75**
Tax expense:	4.09		
1. Current tax		2,049.53	2,450.06
2. (Excess)/Short provision related to earlier years		-	333.12
3. Deferred tax expense /(income)		324.12	(652.50)
Total tax expenses		**2,373.65**	**2,130.68**
Profit after tax		**6,677.87**	**6,096.07**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		(27.18)	(3.68)
- Income tax relating to items that will not be reclassified to profit or loss		6.84	0.93
Other comprehensive income for the year, net of tax		**(20.34)**	**(2.76)**
Total comprehensive income for the period		**6,657.53**	**6,093.31**
Profit for the year attributable to			
Owners of the Company		6,677.74	6,095.95
Non-controlling interest		0.14	0.12
		6,677.88	**6,096.07**
Other comprehensive income attributable to			
Owners of the Company		(20.34)	(2.76)
Non-controlling interest		(0.00)	(0.00)
		(20.34)	**(2.76)**
Total comprehensive income attributable to			
Owners of the Company		6,657.40	6,093.19
Non-controlling interest		0.14	0.12
		6,657.54	**6,093.31**
Earnings per equity share	5.01		
Basic earnings per share (₹) (not annualised)		0.64	0.63
Diluted earnings per share (₹) (not annualised)		0.63	0.63
(Equity Share of face value of ₹ 10 each)			

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For G D Apte & Co.
Chartered Accountants
ICAI Firm Registration No. 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

G. D. APTE & CO. ★ Chartered Accountants ★

Place: Pune
Date: 03 May 2024

For and on behalf of the Board of Directors of Arka Financial Holdings Private Limited

Vimal Bhandari

Vimal Bhandari
Managing Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SOCIE)

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

(a) Equity Share Capital (Note 3.19)

Equity Shares of ₹ 10 each issued, subscribed and fully paid	No. of Shares	Amount
Balance as at 01 April 2022	**83,70,01,285**	**83,700.13**
Shares issued during the year	17,96,03,153	17,960.32
Balance as at 01 April 2023	**1,01,66,04,438**	**1,01,660.45**
Shares issued during the period	3,60,48,524	3,604.85
Balance as at 31 Mar 2024	**1,05,26,52,962**	**1,05,265.30**

(b) Other equity (Note 3.20)

Particulars	Reserves and surplus attributable to owners						Non controlling interest (Note 3.20)	Total
	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Amalgamation Adjustment Deficit Account	Retained Earnings		
Balance at 01 April 2022	**1,109.86**	**793.18**	**2,147.92**	-	**(7,412.36)**	**3,384.62**	**1.65**	**24.87**
Share in Retained earnings transferred to NCI on acquisition of Arka Fincap Limited	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	6,095.95	0.12	6,096.07
Other comprehensive income for the period (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	-	(2.76)	-	(2.76)
Transfer from Employee Stock option reserve to Retained Earnings	-	(2.75)	-	-	-	2.75	-	-
Transfer to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	1,227.29	-	-	-	-	(1,227.29)	-	-
Shares issued during the period	-	-	-	-	-		0.30	0.30
Expenses on issue of Equity Shares	-	-	-	-	-	(0.79)	-	(0.79)
Share based payment expense	-	136.78	-	-	-	-	-	136.78
On Account of acquisition of Subsidiary	-	-	-	-	-	-	-	-
Balance at 31 March 2023	**2,337.15**	**927.21**	**2,147.92**	-	**(7,412.36)**	**8,252.48**	**2.07**	**6,254.47**
Share in Retained earnings transferred to NCI on acquisition of Arka Fincap Limited	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	6,677.74	0.14	6,677.88
Other comprehensive income for the period (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	-	(20.34)	-	(20.34)
Transfer from Employee Stock option reserve to Retained Earnings	-	-	-	-	-	-	-	-
Transfer to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	1,384.62	-	-	-	-	(1,384.62)	-	-
Shares issued during the period	-	-	-	-	-	-	0.11	0.11
Expenses on issue of Equity Shares	-	-	-	-	-	-	-	-
Share based payment expense	-	212.72	-	-	-	-	-	212.72
On Account of acquisition of Subsidiary	-	-	-	-	-	-	-	-
Balance at 31 March 2024	**3,721.77**	**1,139.93**	**2,147.92**	-	**(7,412.36)**	**13,525.26**	**2.32**	**13,124.84**

As per our report of even date attached

For G D Apte & Co.
Chartered Accountants
ICAI Firm Registration No: 100515W

Umesh S. Abhyankar
Partner
Membership No: 113053

G. D. APTE & CO. Chartered Accountants

Place: Pune
Date: 03 May 2024

For and on behalf of the Board of Directors of
Arka Financial Holdings Private Limited

Vimal Bhandari
Managing Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

Arka Financial Holdings Private Limited

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
A Cash Flow from Operating Activities		
Net profit before tax	9,051.52	8,226.75
Adjustments for :		
Add:		
Depreciation and amortisation	838.00	393.60
Loss on sale of Property, Plant and Equipment	7.44	0.38
Provision for expected credit loss	2,561.19	598.76
Provision for investments in Arka Credit Fund I	1,528.50	-
Provision for share based payments	212.72	136.78
Fair value loss / (gain) on investments	2.67	76.10
Finance cost	31,490.04	19,617.28
	36,640.56	**20,822.90**
Less:		
Interest received on fixed deposits	746.45	285.75
Profit on sale of investments	2,095.79	1,182.01
Gain on derecognition of ROU asset	-	5.45
Interest received on debt instrument	2,039.74	1,574.33
Interest income on security deposit	35.53	24.45
Gain on derecognition of financial assets measured at amortised cost	3,819.15	-
	8,736.66	**3,071.99**
Finance cost paid	(31,359.46)	(19,593.96)
Operating profit before working capital changes	**5,595.96**	**6,383.70**
Adjustments:		
(Increase)/Decrease in loans and advances	(1,04,495.99)	(1,39,270.06)
(Increase)/Decrease in trade receivables	(20.25)	43.74
(Increase) / Decrease in security deposits	268.71	(273.64)
(Increase) / Decrease in Prepaid expenses	46.60	(52.82)
(Increase) / Decrease in Other financial assets	(319.17)	(82.55)
(Increase) / Decrease in Other non-financial assets	(370.24)	0.36
Increase/(Decrease) in provisions	(43.98)	1,350.18
Increase/(Decrease) in trade payable	471.90	28.17
Increase/(Decrease) in Other financial liabilities	12,093.76	9,334.93
Increase/(Decrease) in Other non-financial liabilities	(1,030.59)	2,397.55
Cash used in operating activities	**(87,803.29)**	**(1,20,140.44)**
Direct taxes paid	(3,429.88)	(2,861.78)
Net cash used in operating activities (A)	**(91,233.17)**	**(1,23,002.22)**
B Cash flows from investing activities		
Add:		
Interest received on fixed deposits	746.45	285.75
Receipt on sale of Investments	4,25,030.18	3,20,978.15
Interest received on debt instrument	2,039.74	1,574.33
	4,27,816.37	**3,22,838.23**
Less:		
Increase in other bank balance	(1,022.19)	6.77
Payments on purchase of investment	3,94,748.75	3,42,872.12
Investments in equity shares of other companies	-	7.47
Payments for Purchase of Property, Plant and Equipment	1,012.40	132.50
Payments for Purchase of Other Intangible assets	89.65	4.50
	3,94,828.61	**3,43,023.36**
Net cash generated from investing activities (B)	**32,987.76**	**(20,185.13)**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
C Cash Flow from Financing Activities		
Proceeds from issue of equity share capital (including securities premium)	3,604.96	17,960.61
Stamp duty paid on issue of equity shares	-	(0.80)
Proceeds from Bank and NBFCs Borrowings (net)	47,540.09	72,972.91
Proceeds from issuance of Non-Convertible Debentures (net)	15,099.00	63,938.42
Proceeds from issuance / (Repayment) of Commercial Papers (net)	7,824.32	(162.21)
Lease liability paid	(412.77)	(180.85)
Net cash generated from financing activities (C)	**73,655.61**	**1,54,528.08**
Net Increase in cash and cash equivalents (A) + (B) + (C)	**15,410.19**	**11,340.73**
Cash and Cash Equivalents at the beginning of the year	**24,514.92**	**13,174.19**
Cash and Cash Equivalents at the end of the year	**39,925.12**	**24,514.92**
Reconciliation of cash and cash equivalents with the balance sheet		
Balances with banks		
- in current accounts	39,473.72	7,058.38
Deposits with original maturity of less than three months	451.40	17,456.54
Total	**39,925.12**	**24,514.92**

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For G D Apte & Co.
Chartered Accountants
ICAI Firm Registration No.: 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

G.D. APTE & CO. Chartered Accountants

Place: Pune
Date: 03 May 2024

For and on behalf of the Board of Directors of Arka Financial Holdings Private Limited

Vimal Bhandari

Vimal Bhandari
Managing Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

Notes to the consolidated financial statements for the period ended 31 March 2024

(Currency: Indian Rupees in lakhs)

1. Corporate Information

Arka Financial Holdings Private Limited (the 'Parent company') was incorporated on 13 July 2021. The Company is wholly owned subsidiary of Kirloskar Oil Engines Limited ("KOEL") operating as unregistered Core Investment Company.

The parent company and its subsidiaries are collectively referred to as the Group.

1.1 Basis of consolidation

The Consolidated Financial Statements of the Group have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Section 133 of the Companies Act, 2013 ("the Act") [Companies (Indian Accounting Standards) Rules, 2015], as amended and other relevant provisions of the Act.

The group has consistently applied accounting policies while preparing these Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared on a historical cost basis.

1.2 Principles of consolidation

The consolidated financial statements have been prepared on the following basis:

a. The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Ind AS 110, "Consolidated Financial Statements".

b. The financial statements of the Company and its subsidiary Companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India.

c. The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Group's separate financial statements. Differences if any, in accounting policies have been disclosed separately.

d. Particulars of subsidiaries have been considered in the preparation of the consolidated financial statements:

Name of Company	Country of Incorporation	% of shareholding of Arka Financial Holdings Pvt Ltd	Consolidated as
Arka Fincap Ltd	India	99.998%	Subsidiary
Arka Investment Advisory Services Private Limited	India	100.00%	Subsidiary

e. The accounting policies of the parent are best viewed in its independent financial statements. Differences in accounting policies and additional regulatory disclosures required to be followed by Arka Fincap Ltd have been reviewed and no adjustments have been made, since the impact if any of these differences is not significant.

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

2 Material accounting policies

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

The financial statements of the Group 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 2024, 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 Material accounting policies and other explanatory information. the Group 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 Group has assessed its liquidity position and its possible sources of funds. The Board of Directors of the Group are confident of the Group'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 Group becomes a party to the contractual provisions of the instrument. the Group determines the classification of its financial assets and financial liabilities at initial recognition based on its nature and characteristics.

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

2 *Material accounting policies (Continued)*

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 Group 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.

G. D. APTE & CO. * Chartered Accountants *

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED *

2 *Material accounting policies (Continued)*

iii) Reclassifications

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group 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 Group 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.

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

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.

2 *Material accounting policies (Continued)*

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 Group 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

2 *Material accounting policies (Continued)*

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

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

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

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

2.06.C De-recognition

a) Derecognition of financial assets

A financial asset is derecognized when:

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

Or

- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group'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

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

2 *Material accounting policies (Continued)*

The principal or the most advantageous market must be accessible by the Group
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 Group 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:

2.06.E Fair value measurement *(Continued)*

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 Group 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 Group 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 Group 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 Group 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 Group 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.

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Notes to the consolidated financial statements for the period ended 31 March 2024

(Currency Indian Rupees in lakhs)

2 *Material accounting policies (Continued)*

2.08 Cash and Cash equivalents

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

2.09 Property, Plant and Equipment

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 Group 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 Group**
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 Group 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 Cateory	**No. of years**
Computer Software	5 Years
LOS Software	5 Years
LMS Software	8 Years
Supply Chain Software	4 Years

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2 *Material accounting policies (Continued)*

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 Group 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 Group'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 Group 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.

Diluted EPS is calculated on same basis as EPS,after adjusting for the effects of potential dilutive eq shares including dilution on account of Stock options of the subsidiary

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2 *Material accounting policies (Continued)*

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 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 Group 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 Group'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 Group 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.

The unfunded defined benefit plan for its employees is certified by the actuary using projected unit credit method.

iv) Compensated Absences

The employees of the Group 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.

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2 *Material accounting policies (Continued)*

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 Group as a lessee

the Group 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 Group assesses whether: (1) the contract involves the use of an identified asset (2) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group 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 Group 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 Group. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group 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 Group as a lessor

Leases for which the Group 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 Group 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.

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2 *Material accounting policies (Continued)*

2.18 Employee Share Based Plan

Share-based compensation benefits are provided to the employees of Arka Fincap Ltd. 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 Group's estimate of the shares that will eventually vest and adjusted for the effect of service conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The stock options granted to employees are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

2.19 Segment Reporting

the Group 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 Group which are not directly attributable to disbursal of loans are recognised in the statement of profit and loss as and when earned.

• the Group 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 Group 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

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2 *Material accounting policies (Continued)*

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 Group on the balance sheet date is recognised as a Fair value gain or loss as a gain or expense respectively.

Income from de-recognition of financial assets:

Gains arising out of de-recognition transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the transaction is entered into with the transferee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the transferee is recorded upfront in the statement of profit and loss in accordance with Ind AS 109. EIS is evaluated and adjusted for ECL and expected prepayments.

Service asset and liability on de-recognition of financial assets:

Service asset as well as service liability are recognised on de-recognition of financial assets where the Group retains the right to service the asset. Present value of service fee expected to be received in future is recognised as servicing asset. Similarly, present value of expected costs to be incurred in future while service the asset is recognised as service liability. Net amount of service asset and liability is recongised upfront in the statement of profit and loss in accordance with Ind AS 109.

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 Group are segregated.

2.22 Critical Accounting Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. the Group 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 Group. 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 Group makes judgements about the borrower's financial situation and the net realisable value of collateral, if any. These estimates are based on assumptions about a number of factors including forward looking information, and actual results may differ, resulting in future changes to the impairment allowance.

B. Measurement of defined benefit obligations

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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2 *Material accounting policies (Continued)*

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.

C. Useful lives of property, plant and equipment and intangible assets

the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period or even earlier in case, circumstances change such that the amount recorded value of an asset may not be recoverable.

D. Recognition of deferred tax assets for carried forward tax losses

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

E. Fair value of financial instrument

The fair value of financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note - 5.02.

F. Business model assessment

Classification and measurement of financial asset depends upon the results of the solely payment of principal and interest (SPPI) and the business model test. the Group 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 Group 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

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1st, 2023. The Group does not expect the amendments to have any significant impact on its financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.01 : Cash and cash equivalents

Particulars	As at 31 March 2024	As at 31 March 2023
Cash on hand	-	-
Balances with banks		
- in current accounts	39,473.72	7,058.38
Deposits with original maturity of less than three months	451.40	17,456.54
	39,925.12	**24,514.92**

NOTE 3.02 : Bank balances other than cash and cash equivalents

Particulars	As at 31 March 2024	As at 31 March 2023
Deposits with original maturity of more than three months	-	1,022.19
	-	**1,022.19**

NOTE 3.03 : Trade receivables

Particulars	As at 31 March 2024	As at 31 March 2023
Trade receivables	20.25	-

Refer note 5.09 For ageing schedule

There are no dues from Private Company in which Directors of the Group is a director/ member

NOTE 3.04 : Loans

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
(A)		
Business Loan	4,72,830.06	3,69,842.26
Employee Loan	0.85	7.80
Total - Gross	**4,72,830.91**	**3,69,850.07**
Less: Provision for expected credit loss	(2,342.85)	(1,277.18)
Total - Net	**4,70,488.06**	**3,68,572.88**
(B)		
Secured by tangible assets	4,15,130.75	3,41,094.28
Unsecured	57,700.16	28,755.79
Total - Gross	**4,72,830.91**	**3,69,850.07**
Less: Provision for expected credit loss	(2,342.85)	(1,277.18)
Total - Net	**4,70,488.06**	**3,68,572.88**
(C)		
(i) Loans in India		
Public sector	-	-
Others	4,72,830.91	3,69,850.07
Total - Gross	**4,72,830.91**	**3,69,850.07**
Less: Provision for expected credit loss	(2,342.85)	(1,277.18)
Total - Net	**4,70,488.06**	**3,68,572.88**
(ii) Loans outside India	-	-
Total - Net C (i)+(ii)	**4,70,488.06**	**3,68,572.88**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 3.05 : Investments

Particulars	As at 31 March 2024	As at 31 March 2023
At fair value through P&L		
Mutual funds	0.00	13,002.02
At amortised cost		
Debt securities - Non convertiable debentures	6,503.02	21,975.60
Debt securities - Commercial papers	-	1,488.92
Debt securities - Pass through certificates	1,031.34	2,720.22
Arka Credit Fund I (At fair value through P&L)	3,464.09	-
At fair value through Other Comprehensive Income (FVTOCI)		
Equity Instruments*	7.47	7.47
Total - Gross	**11,005.92**	**39,194.23**
Investments in India	11,005.92	39,194.23
Investments outside India	-	-
Total - Gross	**11,005.92**	**39,194.23**
Long term investments	4,502.90	9,203.81
Short term investments	6,503.02	29,990.42
Total - Gross	**11,005.92**	**39,194.23**
Less: Provision for expected credit loss	(1,554.09)	(84.98)
Total - Net	**9,451.83**	**39,109.25**

* Investment in Equity Instruments (FVTOCI) represents 5 full paid equity shares of Kirloskar Proprietary Ltd (Face Value Rs. 100).

NOTE 3.06 : Other financial assets

Particulars	As at 31 March 2024	As at 31 March 2023
Security deposit	339.40	585.30
Sundry Receivables (considered good)	366.36	47.29
Advance to lenders	458.33	366.64
EIS receivable on Direct Assignment	3,492.49	-
Servicing Fees receivable on Direct Assignment	342.46	-
	4,999.04	**999.23**

NOTE 3.07 : Current tax assets (net)

Particulars	As at 31 March 2024	As at 31 March 2023
Advance Tax (net of provision for tax)	1,829.12	448.76
	1,829.12	**448.76**

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FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 3.08 : Deferred tax assets (net)

Particulars	As at 31 March 2024	As at 31 March 2023
Deferred Tax Assets		
Disallowances u/s 43 B of Income Tax Act	1,171.44	970.05
Provision for expected credit loss	1,023.95	375.99
Preliminary Expenses u/s 35D of Income tax Act, 1961	25.17	37.75
Business losses carried forward	140.25	45.19
Fair value of Employee Loan	0.25	0.36
Fair value of Security deposit	11.24	4.02
Fair value of Lease Liability	253.05	24.01
Fair value of Loan given	257.01	390.82
Fair value of Investment in Debt instruments (CP+NCDs)	(3.41)	50.56
Total (A)	**2,878.95**	**1,898.75**
Deferred tax liability		
Depreciation on fixed assets	173.43	10.52
Fair value of Prepaid Rent	-	-
Fair value of Investment in Debt instruments (CP+NCDs)	961.20	-
Fair value of investment in mutual funds	-	0.67
Fair value of borrowings	685.82	511.80
Total (B)	**1,820.45**	**522.98**
Net deferred tax asset (A-B)	**1,058.49**	**1,375.77**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 3.09 : Property plant and equipment

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Cost as at 31 March 2022	-	-	-	-	-	-	-
Cost as at 31 March 2022	**760.27**	**344.65**	**4.48**	**105.67**	**22.67**	**91.61**	**1,329.35**
Additions	-	1.00	6.32	-	18.43	106.76	132.51
Disposals	(51.83)	-	(0.42)	-	(0.61)	(0.03)	(52.89)
Cost as at 31 March 2023	**708.44**	**345.65**	**10.38**	**105.67**	**40.49**	**198.34**	**1,408.97**
Additions	1,421.84	573.41	137.22	-	166.20	119.42	2,418.09
Disposals	-	(345.66)	(3.84)	-	(5.74)	(0.61)	(355.85)
Cost as at 31 March 2024	**2,130.28**	**573.40**	**143.76**	**105.67**	**200.95**	**317.15**	**3,471.21**
Accumulated depreciation as at 31 March 2022	**471.49**	**231.69**	**0.95**	**55.27**	**9.56**	**36.90**	**805.85**
Depreciation charged during the year	164.93	71.50	0.80	23.55	5.88	41.58	308.24
Disposals	(18.14)	-	(0.14)	-	(0.52)	(0.03)	(18.83)
Accumulated depreciation as at 31 March 2023	**618.28**	**303.19**	**1.61**	**78.82**	**14.91**	**78.45**	**1,095.26**
Depreciation charged during the year	552.94	75.60	6.71	14.11	19.08	73.05	741.49
Disposals	-	(339.05)	(2.10)	-	(3.59)	(0.47)	(345.21)
Accumulated depreciation as at 31 March 2024	**1,171.22**	**39.74**	**6.22**	**92.93**	**30.40**	**151.03**	**1,491.54**
Net carrying amount as at 31 March 2023	**90.16**	**42.46**	**8.77**	**26.85**	**25.58**	**119.89**	**313.71**
Net carrying amount as at 31 March 2024	**959.06**	**533.66**	**137.54**	**12.74**	**170.55**	**166.12**	**1,979.67**

1 For Depreciation policy refer accounting policy no. 2.09

2 Title deeds of Immovable Properties not held in name of the Group
There is no immovable property (other than properties where the Group 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 Group

3 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

G. D. APTE & CO.
Chartered Accountants

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.10 : Intangible assets

Particulars	Softwares	Total
Cost as at 31 March 2022	**461.79**	**461.79**
Additions	4.50	4.50
Disposals	-	-
Cost as at 31 March 2023	**466.29**	**466.29**
Additions	89.65	89.65
Disposals	-	-
Cost as at 31 March 2024	**555.94**	**555.94**
Accumulated amortisation as at 31 March 2022	**124.78**	**124.78**
Amortisation recognised for the period	85.36	85.36
Disposals during the period	-	-
Accumulated amortisation as at 31 March 2023	**210.15**	**210.15**
Amortisation recognised for the period	96.51	96.51
Disposals during the period	-	-
Accumulated amortisation as at 31 March 2024	**306.66**	**306.66**
Net carrying amount as at 31 March 2023	**256.15**	**256.15**
Net carrying amount as at 31 March 2024	**249.29**	**249.29**

For amortisation policy, refer Note 2.10 in the notes to accounts

* Acquisition date of control over Arka Fincap Limited is considered to be 31st December 2021

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 3.11 : Capital Work-in-progress

Particulars	As at 31 March 2024	As at 31 March 2023
Leasehold Improvements	19.31	-
	19.31	**-**

CWIP ageing and Completion schedule: Refer Note 5.11

NOTE 3.12 : Other non-financial assets

Particulars	As at 31 March 2024	As at 31 March 2023
Prepaid expenses	179.78	226.01
Advance to suppliers	337.05	19.29
GST receivable (net)	77.07	24.96
	593.90	**270.26**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 3.13 : Trade payables

Particulars	As at 31 March 2024	As at 31 March 2023
Dues to Micro, small and medium enterprises	79.73	17.73
Dues to Others	559.47	149.57
	639.20	**167.30**

Refer note 5.07 relating to dues to Micro, Small and Medium enterprises

Refer note 5.10 for ageing schedule

NOTE 3.14 : Debt securities

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
Redeemable non convertible debentures [$] (Refer note (a) below)	1,05,678.83	98,094.98
Commercial paper (net of unamortised discount) repayable within next twelve months	19,471.49	11,647.17
Total	**1,25,150.31**	**1,09,742.15**
Debt securities in India	1,25,150.31	1,09,742.15
Debt securities outside India	-	-
Total	**1,25,150.31**	**1,09,742.15**
Secured	1,05,678.83	98,094.98
Unsecured	19,471.49	11,647.17
Total	**1,25,150.31**	**1,09,742.15**

[$] include interest accrued but not due Rs.4,241.39 Lakhs (Previous Year Rs.3,130.19 Lakhs)

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

(a) Non Convertible Debenture

Privately placed Redeemable Non Convertible Debentures (NCDs)

Terms of repayment

Redeemable within	As at 31 March 2024 Rate of interest >= 8.00% < 10.00% Amount	As at 31 March 2023 Rate of interest >= 8.00% < 9.88% Amount
Above 60 Months	-	-
48-60 Months	4,810.83	-
36-48 Months	-	7,500.00
24-36 Months	28,293.78	9,327.35
12-24 Months	13,475.98	50,992.45
0-12 Months	59,098.24	30,275.18
Total	**1,05,678.83**	**98,094.98**

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.

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.15 : Borrowings (other than debt securities)

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
Term loans		
Term loans from banks$ (Refer note (a) below)	2,06,448.10	1,67,733.95
Term loans from NBFCs# (Refer note (b) below)	34,963.50	27,787.93
Loans repayable on demand		
Bank overdrafts	1,742.05	-
Working capital demand loans from banks	-	-
Total	**2,43,153.65**	**1,95,521.87**
Borrowings in India	2,43,153.65	1,95,521.87
Borrowings outside India	-	-
Total	**2,43,153.65**	**1,95,521.87**
Secured borrowings	2,43,153.65	1,95,521.87
Unsecured borrowings	-	-
Total	**2,43,153.65**	**1,95,521.87**

$ include interest accrued but not due Rs.206.17 Lakhs (Previous Year Rs.154.66 Lakhs)

include interest accrued but not due Rs.160.42 Lakhs (Previous Year Rs.77.66 Lakhs)

(a) Term loan from banks (TL):

Terms of repayment

Repayment within	As at 31 March 2024 Rate of interest >8.35% <= 10.65% Amount	As at 31 March 2023 Rate of interest >7.56% <= 10.88% Amount
Above 60 Months	-	-
48-60 Months	589.60	984.95
36-48 Months	8,353.35	5,851.22
24-36 Months	33,920.11	29,274.97
12-24 Months	69,443.88	55,931.26
0-12 Months	94,141.15	75,691.56
Total	**2,06,448.10**	**1,67,733.95**

Nature of Security:

Security against facilities from bank (including term loan and demand loan):

Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

(b) Term loan from NBFCs (TL):

Terms of repayment

Repayment within	As at 31 March 2024 Rate of interest >9.25% <= 10.70% Amount	As at 31 March 2023 Rate of interest >9.25% <= 10.65% Amount
Above 60 Months	-	-
48-60 Months	-	-
36-48 Months	1,358.20	2,332.10
24-36 Months	4,573.56	4,883.33
12-24 Months	9,282.12	7,151.09
0-12 Months	19,749.62	13,421.41
Total	**34,963.50**	**27,787.93**

Nature of Security:

Security against term loan from NBFCs :

Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

(c) Funds borrowed have been utilised for the purpose for which they were sanctioned.

(d) Quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts except to the extent of following adjustments:

(i) EIR adjustment as per Ind AS regulations

(ii) adjustments made during the course of audit (including limited review) post submission of the return

(e) The Subsidiary Company has not defaulted in the repayment of any borrowings or in the payment of interest thereon to any lender during the year. The Company has not been declared a wilful defaulter by any bank or financial institution or government or any government authority.

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 3.16 : Subordinated Debt (Unsecured)

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
Subordinated (Tier II) redeemable non convertible debentures[$] (Refer note (a) below)	13,832.98	6,317.82
Total	**13,832.98**	**6,317.82**
Debt securities in India	13,832.98	6,317.82
Debt securities outside India	-	-
Total	**13,832.98**	**6,317.82**
Secured	-	-
Unsecured	13,832.98	6,317.82
Total	**13,832.98**	**6,317.82**

[$] include interest accrued but not due Rs.373.71 Lakhs (Previous Year Rs. 369.00 Lakhs)

(a) Privately placed subordinated (Tier II) redeemable non convertible debentures (NCDs)
Terms of repayment

Redeemable within	As at 31 March 2024	As at 31 March 2023
	Rate of interest	Rate of interest
	>= 10.25% < 10.75%	10.25%
	Amount	Amount
Above 60 Months	7,500.00	-
48-60 Months	-	5,948.82
36-48 Months	5,959.27	-
24-36 Months	-	-
12-24 Months	-	-
0-12 Months	373.71	369.00
Total	**13,832.98**	**6,317.82**

NOTE 3.17 : Other financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Book overdraft	20,511.40	9,330.43
Employee benefits payable	3,109.38	3,047.05
Lease liability	1,222.22	95.40
Assignment Liability	394.67	-
Security deposit taken	570.00	204.75
Interest refundable to customers	121.34	-
	25,929.01	**12,677.63**

NOTE 3.18 : Provisions

Particulars	As at 31 March 2024	As at 31 March 2023
Provision for employee benefits:		
- Gratuity	139.65	79.86
- Leave encashment	95.17	59.45
- Long term benefits	52.50	195.65
Others:		
- Expected credit loss on undrawn loan commitments	171.51	131.74
	458.83	**466.69**

NOTE 3.19 : Other non-financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Statutory dues payable	412.93	151.47
Advances from Customers	2,631.23	3,923.28
Servicing liability on direct assignment	15.80	-
	3,059.96	**4,074.75**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 3.20 : Equity share capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at 31 March 2024		As at 31 March 2023	
	Number of shares	Amount	Number of shares	Amount
Authorised capital				
Equity shares of ₹10/- each	1,50,00,00,000	1,50,000.00	1,50,00,00,000	1,50,000.00
Issued, subscribed and fully paid up				
Equity shares of ₹10/- each fully paid	1,05,26,52,962	1,05,265.30	1,01,66,04,438	1,01,660.44
Total	**1,05,26,52,962**	**1,05,265.30**	**1,01,66,04,438**	**1,01,660.44**

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

Particulars	As at 31 March 2024		As at 31 March 2023	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding as at 01 April 2023	1,01,66,04,438	1,01,660.44	83,70,01,285	83,700.13
Add: Shares issued during the period	3,60,48,524	3,604.85	17,96,03,153	17,960.32
Less: Shares bought back during the period	-	-	-	-
Total	**1,05,26,52,962**	**1,05,265.30**	**1,01,66,04,438**	**1,01,660.44**

c. Particulars of shares held by holding/promoter company

Name of Shareholder	Relationship	As at 31 March 2024		As at 31 March 2023	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	**1,05,26,52,962**	**100%**	**1,01,66,04,438**	**100%**

* Number of shares include 1 share held by nominee shareholders on behalf of Kirloskar Oil Engines Limited

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

Name of Shareholder	Relationship	As at 31 March 2024		As at 31 March 2023	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	**1,05,26,52,962**	**100%**	1,01,66,04,438	100%

e. Particulars of promoters holding more than 5% of the share capital

Promoter name	As at 31 March 2024			As at 31 March 2023	
	No. of Shares	%of total shares	% Change during the year	No. of Shares	%of total shares
Kirloskar Oil Engines Limited	1,05,26,52,962	100%	4%	1,01,66,04,438	100%

* Number of shares include 6 shares held by nominee shareholders on behalf of Kirloskar Oil Engines Limited

e. 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.

f. 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.

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LTD ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 3.21 : Other equity

Particulars	As at 31 March 2024	As at 31 March 2023
Statutory reserves u/s 45-IC of The RBI Act, 1934	3,721.77	2,337.15
Securities premium reserve	2,147.92	2,147.92
Share options outstanding account	1,139.93	927.21
Amalgamation Adjustment Deficit Account	(7,412.36)	(7,412.36)
Retained earnings	13,525.26	8,252.48
	13,122.52	**6,252.40**

3.21.A Other equity movement

Particulars	As at 31 March 2024	As at 31 March 2023
Statutory reserves u/s 45-IC of The RBI Act, 1934		
Opening Balance	2,337.15	1,109.86
Add : Transferred from retained earnings	1,384.62	1,227.29
Closing Balance	**3,721.77**	**2,337.15**
Securities premium reserve		
Opening Balance	2,147.92	2,147.92
Add : Premium collected on share allotment	-	-
Closing Balance	**2,147.92**	**2,147.92**
Share options outstanding account		
Opening Balance	927.21	793.18
Add/(Less) : Stock option expense	212.72	136.78
Less : Transferred to Retained Earnings	-	(2.75)
Closing Balance	**1,139.93**	**927.21**
Amalgamation Adjustment Deficit Account		
Opening Balance	(7,412.36)	(7,412.36)
Add/(Less) : On Account of acquisition of control over subsidiary	-	-
Closing Balance	**(7,412.36)**	**(7,412.36)**
Retained earnings		
Opening Balance	8,252.48	3,384.62
Share in Retained earnings transferred to NCI on acquisition of Arka Fincap Limited	-	-
Add: Profit / (Loss) for the year	6,677.74	6,095.95
Add: Other Comprehensive income	(20.34)	(2.76)
Add: Transfer from Employee Stock option reserve	-	2.75
Less: Stamp duty paid on equity issue	-	(0.79)
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(1,384.62)	(1,227.29)
Closing Balance	**13,525.26**	**8,252.48**

1 Pursuant to the provision of section 45(IC) of Reserve Bank of India Act, 1934, the Group has transferred ₹ 1,384.62 lakhs (Previous Year ₹ 1,227.29 lakhs) towards statutory reserve fund

NOTE 3.21 Non controlling interest

Particulars	As at 31 March 2024	As at 31 March 2023
Non controlling interest (NCI)		
Opening Balance	2.07	1.65
Add: Share in Retained earnings transferred to NCI on acquisition of Arka Fincap Limited	-	-
Add: Share capital issued	0.09	0.25
Add: Securities premium	0.02	0.05
Add: Profits during the period	0.14	0.12
Closing Balance	**2.32**	**2.07**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 4.01 : Revenue from operations

Particulars		For the year ended 31 March 2024	For the year ended 31 March 2023
Interest income on financial assets measured at amortised cost:			
Interest on loans			
- Financing business		46,008.18	33,188.01
- Employee loan		0.45	1.51
Interest on investments			
- Debentures/bonds and Pass through certificates		2,028.66	1,368.21
- Commercial papers		11.08	206.12
Interest on Deposits			
- Deposits with banks		789.55	324.85
- Security deposits		35.53	24.45
Interest on Others			
- Others		-	-
Interest income on financial assets measured at fair value through profit or loss:			
- Investments in AIF		239.51	-
	Total	**49,112.96**	**35,113.15**
Fees and commission income			
- Syndication, advisory & other fees		1,264.10	810.25
	Total	**1,264.10**	**810.25**
Gain on derecognition of financial assets measured at amortised cost		4,017.89	-
Net gain on sale of investments			
- Net gain on sale of investments		2,095.79	1,182.01
	Total	**2,095.79**	**1,182.01**
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		-	-
	Total	-	-
Fair value changes			
- Realised		-	-
- Unrealised		-	-
	Total	-	-
Total revenue from operations		**56,490.73**	**37,105.41**

NOTE 4.02 : Other income

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Miscellaneous income		
- Other income	709.90	222.57
	709.90	**222.57**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 4.03 : Finance costs

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Interest expense on financial liabilities measured at amortised cost:		
Interest expense on borrowings		
Interest on term loan from banks and NBFCs	20,259.18	12,579.37
Interest on overdraft facility from banks	5.55	13.85
Interest on lease liability	130.59	23.32
Interest expense on debt securities		
Debentures	7,986.63	4,941.34
Commercial papers	903.60	891.81
Interest expense on subordinated debt	917.10	369.00
Other interest expense		
Bank charges & other related costs	1,287.41	798.59
	31,490.04	**19,617.28**

NOTE 4.04 : Net loss on fair value changes

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Loss on fair value of employee loan	2.67	76.10
	2.67	**76.10**

NOTE 4.05 : Impairment on financial instruments

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Impairment on financial instruments at amortised cost:		
Impairment on loans		
Provision for expected credit loss	1,065.67	579.48
Write offs (net of recovery)	1,515.15	26.09
Impairment on investments		
Provision for expected credit loss	(59.40)	82.40
Impairment on others		
Undrawn loan commitments	39.77	(89.21)
	2,561.19	**598.76**

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 4.06 : Employee benefit expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Salaries, other allowances and bonus	7,362.64	5,999.38
Gratuity expenses	34.29	32.99
Leave encashment	43.12	15.95
Contribution to provident and other funds	192.61	115.61
Share based payment expense	212.72	136.78
Staff welfare expenses	61.25	34.82
	7,906.63	**6,335.53**

NOTE 4.07 : Depreciation and amortisation expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Depreciation of property, plant and equipment	741.49	308.24
Amortisation of intangible assets	96.51	85.36
	838.00	**393.60**

NOTE 4.08 : Other expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Rent	222.92	80.47
Rates and taxes	-	12.80
Insurance	140.10	105.44
Other repairs and maintenance	56.52	45.51
Travelling and conveyance	347.55	146.07
Communication expenses	18.15	8.14
Printing and stationery	24.78	15.10
Professional charges	1,244.68	722.90
Set up and operating expenses related to Arka Credit Fund	43.17	-
Membership and subscription	24.99	33.50
Auditor's remuneration	31.24	25.31
Technology expenses	516.22	243.57
Custodian charges	1.42	1.58
Directors' sitting fees	173.29	37.55
Electricity charges	33.49	12.56
Office expenses	126.89	50.97
Postage and courier	19.88	7.11
ROC Expenses	1.20	0.54
GST expenses	102.36	400.30
Stamp duty	22.79	27.83
Housekeeping and security charges	69.17	29.98
Corporate social responsibilities expenses	120.00	70.93
Loss on Disposal of Fixed Asset	7.44	0.38
Branding and advertisement expenses	148.27	-
Direct Assignment Expenses	303.23	1.42
Net loss on sale of investments	22.33	-
	3,822.08	**2,079.96**

Payment to auditor includes:		
a) as statutory auditors	27.88	22.80
b) for certification related matters	2.29	1.98
c) for other services	1.07	0.53
Total	**31.24**	**25.31**

Details for expenditure on Corporate Social Responsibility:		
a) Gross amount required to be spent during the year	120.00	70.93
b) Amount spent during the year:		
- Expenses paid in cash	120.00	70.93
- Expenses yet to be paid for	-	-
Total	**120.00**	**70.93**
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, library subscriptions, books etc.	120.00	70.93
Total	**120.00**	**70.93**

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

Arka Financial Holdings Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Currency Indian Rupees in Lakhs)

NOTE 4.09 : Income Tax

Tax expense

(a) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Current tax expense		
Current income tax	2,049.53	2,450.06
(Excess)/short provision related to earlier years	-	333.12
	2,049.53	**2,783.18**
Deferred tax expense		
Origination and reversal of temporary differences	324.12	(652.50)
	324.12	**(652.50)**
Tax expense reported in the statement of profit and loss	**2,373.65**	**2,130.68**

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

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit liability (asset)	(6.84)	(0.93)
Deferred tax charged to OCI	**(6.84)**	**(0.93)**

(c) Reconciliation of tax expense

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Accounting profit before income tax expense	9,051.52	8,226.75
Tax @ 25.168%	**2,278.09**	**2,070.51**
Difference in tax rate due to:		
- Effect of non-deductible expenses	88.72	59.47
- Others	6.84	0.69
Total Tax Expenses	**2,373.65**	**2,130.68**
Effective tax rate	**26.22%**	**25.90%**

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

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.

	Particulars	For the period ended 31 March 2024	For the year ended 31 March 2023
I.	**Profit attributable to equity holders (A)**		
	Profit attributable to equity holders for basic EPS	6,677.74	6,095.95
	Less: Adjustment to numerator on account of ESOP issued by subsidiary	(70.05)	(56.59)
	Profit attributable to equity holders for diluted EPS	6,607.69	6,039.36
II.	**Weighted average number of equity shares for calculating Basic EPS (B)**	1,04,68,41,861	96,21,97,396
III.	**Weighted average number of equity shares for calculating Diluted EPS (C)**	1,04,68,41,861	96,21,97,396
IV.	**Basic earnings per share (₹)**	0.64	0.63
V.	**Diluted earnings per share (₹)**	0.63	0.63

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

(Currency: Indian Rupees in Lakhs)

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:

	As at 31 March 2024							
	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	0.00	-	-	0.00	0.00	-	-	0.00
(b) Investments in Debentures	-	-	6,503.02	6,503.02	6,503.02	-	-	6,503.02
(c) Investments in Commercial papers	-	-	-	-	-	-	-	-
(d) Investments in Pass through certificates (PTCs)	-	-	1,031.34	1,031.34	-	-	1,031.34	1,031.34
(e) Investments in Units of AIF	3,464.09	-	-	3,464.09	-	-	3,464.09	3,464.09
(f) Investments in Equity Instruments	-	7.47	-	7.47	-	7.47	-	7.47
Total	**3,464.09**	**7.47**	**7,534.36**	**11,005.92**	**6,503.02**	**7.47**	**4,495.43**	**11,005.92**

Particulars	As at 31 March 2023							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Mutual Funds	13,002.02	-	-	13,002.02	13,002.02	-	-	13,002.02
(b) Investments in Debentures	-	-	21,975.60	21,975.60	21,975.60	-	-	21,975.60
(c) Investments in Commercial papers	-	-	1,488.92	1,488.92	-	-	1,488.92	1,488.92
(d) Investments in Pass through certificates (PTCs)	-	-	2,720.22	2,720.22	-	-	2,720.22	2,720.22
(e) Investments in Equity Instruments	-	7.47	-	7.47	-	7.47	-	7.47
Total	**13,002.02**	**7.47**	**26,184.74**	**39,194.23**	**34,977.62**	**7.47**	**4,209.14**	**39,194.23**

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.

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

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 Group 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 Group 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 Group. 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 Group is subject to credit risk in terms of non-recovery of interest as well as principal amount of the money lent by the Group 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 Group.

Mitigation

• the Group 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 Group 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 Group in terms of its charter as approved by the Board if the Group.

(C) Liquidity Risk;

The risk arises due to asset liability mismatch. The inadequacy of the Group 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 Group 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.

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

NOTE 5.03 : Financial instruments risk management *(Continued)*

(D) Operational Risk:

Operational risk is the risk arising out of failure of internal process, people and systems put in place by the Group. Such risk may also arise out of the external factors as well as internal control system failure defeating the core objective of the Group operations.

Mitigation:

• the Group 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 subsidiary company being an NBFC, the Group is subject to reputational loss arising due to various other risks such as Regulatory non-compliance, Operational breakdown or Borrower Dissatisfaction.

Mitigation:

• the Group has formed HR Policy in order to address any concerns of the employees internally.

• the Group 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 Group 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 Group.

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

(Currency : Indian Rupees in Lakhs)

NOTE 5.04 : 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	Holding Company	Kirloskar Oil Engines Limited
2	Subsidiary Company of Holding Company	Kirloskar Americas Corp. USA (earlier known as KOEL Americas Corp.) name change w.e.f. 21 May 2021
		La-Gajjar Machineries Private Limited
		Optiqua Pipes and Electricals Private Limited (upto 25 March 2024)
		Engines LPG LLC. DBA Wildcat Power Gen. USA (w.e.f. 29 November 2023)
3	Joint Venture of KOEL Group	ESVA Pumps India Private Limited
4	Entity under common group	Arka Credit Fund I - *Refer Note 1*

(ii) Key Management Personnel and their relatives:

Name of KMPs	Name of Relatives of KMPs
Vimal Bhandari (Executive Vice Chairman & CEO)	Vibha V. Bhandari
	Vatsal V Bhandari
	Shivani Bhandari
	Vandini V Bhandari
	Shree Krishna M Gupta
	Pushpa Bhandari
	Ashok Bhandari
	Asha Singhvi
	Vibha Doshi
	Jayashree Mehta

(iii) Key Management Personnel of Holding Company and their relatives:

Name of KMPs	Name of Relatives of KMPs
Atul C. Kirloskar (Upto 31 March 2023)	Arti A. Kirloskar
	Gauri A. Kirloskar (Kolenaty)
	Aditi A. Kirloskar (Sahni)
	Rahul C. Kirloskar
	Suman C. Kirloskar
Gauri Kirloskar (w.e.f. 20 May 2022)	Arti A. Kirloskar
	Atul C. Kirloskar
	Aditi A. Kirloskar (Sahni)
	Christopher Kolenaty
	Maya Kolenaty
	Pia Kolenaty

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B. Transactions with Related Parties

Sr. No.	Nature of the transaction / relationship / major parties	2023-24		2022-23	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Capital Contribution received from**				
	Holding Company	3,604.85		17,960.32	
	Kirloskar Oil Engines Limited (mainly for onward investment in Equity of Arka Fincap Limited)		3,604.85		17,960.32
	Total	**3,604.85**	**3,604.85**	**17,960.32**	**17,960.32**
2	**Loan given to**				
	Subsidiary Company of Ultimate Holding Company	477.47		321.23	
	Optiqua Pipes and Electricals Private Limited		477.47		321.23
	Total	**477.47**	**477.47**	**321.23**	**321.23**
3	**Loan repayment from**				
	Subsidiary Company of Ultimate Holding Company	477.47		321.23	
	Optiqua Pipes and Electricals Private Limited		477.47		321.23
	Total	**477.47**	**477.47**	**321.23**	**321.23**
4	**Interest & fees received on loan given**				
	Subsidiary Company of Ultimate Holding Company	4.85		6.10	
	Optiqua Pipes and Electricals Private Limited		4.85		6.10
	Total	**4.85**	**4.85**	**6.10**	**6.10**
5	**Repayment of NCD issued to**				
	Key Management Personnel	150.00		0.00	
	Vimal Bhandari		150.00		0.00
	Total	**150.00**	**150.00**	**0.00**	**0.00**
6	**Interest expenses on NCD issued to**				
	Key Management Personnel	12.15		13.16	
	Vimal Bhandari		12.15		13.16
	Total	**12.15**	**12.15**	**13.16**	**13.16**
7	**Transactions with Entity under same group**				
	Arka Credit Fund I	**5,866.16**		0.00	
	Sale of Exposure in NCD		2,025.06		0.00
	Investments done in the Arka Credit Fund I		3,464.09		0.00
	Income Earned from the Investment		239.51		0.00
	Management Fee Income		59.49		0.00
	Recovery of Operating Expenses		25.91		0.00
	Payments done on behalf of of Arka Credit Fund I		52.11		0.00
	Total	**5,866.16**	**5,866.16**	**0.00**	**0.00**
8	**Managerial Remunerations:**				
	Key Management Personnel	641.87		585.34	
	Vimal Bhandari		641.87		585.34
	Total	**641.87**	**641.87**	**585.34**	**585.34**
Balances with related parties					
1	**Non convertible debentures issued**	**0.00**		**150.00**	
	Vimal Bhandari		0.00		150.00
	Total	**0.00**	**0.00**	**150.00**	**150.00**
2	**Receivable from Entity under same group**	**88.87**		**0.00**	
	Arka Credit Fund I		88.87		0.00
	Total	**88.87**	**88.87**	**0.00**	**0.00**

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The above compensation of the Group'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 1 - Sponsor to Arka Credit Fund I

The company is Sponsor to the Arka Credit Fund I registered with SEBI as category II Alternative Investment Fund. The Company's capital commitment to the said fund as sponsor is Rs. 500 lakhs out of which Rs. 375 lakhs have been invested during current financial year. Hence, the outstanding committment of the Company as on 31 March 2024 is Rs.125 lakhs. The total committment by the Group towards investments in the Fund is also Rs. 125 lakhs as on 31 March 2024. The said fund will be managed by Investment Manager Arka Investment Advisory Services Private Limited.

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

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NOTE 5.05 : Contingent liabilities and Commitments

Particulars	As at 31 March 2024	As at 31 March 2023
Contingent liabilities	Nil	Nil
Capital commitments:		
Estimated amount of contracts remaining to be executedon capital account	2.82	21.24
Loans sanctioned not yet disbursed	56,761.09	39,827.94
Investment in Arka Credit Fund I	125.00	5,500.00

NOTE 5.06 : Leases

Where the Group is a lessee

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 Group has capitalised all assets currently held under operating leases. Operating lease expenses have been replaced by a depreciation expense on Right of Use assets recognised and an interest expense as the incremental borrowing rate in the lease liabilities unwinds.

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

(A) Lease liability movement

Particulars	As at 31 March 2024	As at 31 March 2023
Lease liability at beginning of the year	95.40	291.18
Add: Interest on lease liability	130.63	23.32
Add: Lease liability recognised during the year	1,348.02	-
Less: Lease rental payments	(351.83)	(180.85)
Less: Lease liability de-recognised during the year	-	(38.26)
Lease liability at the end of the year	1,222.23	95.40

(B) Future lease cashflow for all leased assets

Particulars	As at 31 March 2024	As at 31 March 2023
Minimum Lease Payments:		
Not later than one year	567.63	98.84
Later than one year but not later than five years	808.05	-
Later than five years	-	-

(C) Maturity analysis of lease liability

Particulars	As at 31 March 2024	As at 31 March 2023
Lease liability:		
Less than 12 months	471.92	95.40
More than 12 months	750.30	-

NOTE 5.07 : Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

	Particulars	As at 31 March 2024	As at 31 March 2023
a	Principal and interest amount remaining unpaid (not due)	79.73	17.73
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	-	-

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

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FOR THE PERIOD ENDED 31 MARCH 2024

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NOTE 5.08 : Maturity pattern of Assets and Liabilities

Financial statements of the Company are disclosed in the format of order of liquidity. An analysis of its assets and liabilities according to their timing of recoverability and settlement has been presented below in a tabulated format.

Particulars	Note	As at 31 March 2024			As at 31 March 2023		
		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	39,925.12	-	39,925.12	24,514.92	-	24,514.92
Bank balances other than cash and cash equivalents	3.02	-	-	-	1,022.19	-	1,022.19
Trade receivable	3.03	20.25	-	20.25	-	-	-
Loans	3.04	1,37,946.59	3,32,541.47	4,70,488.06	1,36,815.55	2,31,757.33	3,68,572.88
Investments	3.05	6,483.83	2,968.00	9,451.83	29,927.23	9,182.02	39,109.25
Other financial assets	3.06	849.04	4,150.00	4,999.04	680.92	318.31	999.23
Non-financial assets							
Current tax assets (net)	3.07	1,829.12	-	1,829.12	448.76	-	448.76
Deferred tax assets (net)	3.08	-	1,058.49	1,058.49	-	1,375.77	1,375.77
Property, plant and equipment	3.09	-	1,979.67	1,979.67	-	313.71	313.71
Intangible assets	3.10	-	249.29	249.29	-	256.15	256.15
Capital Work-in-progress	3.11	19.31	-	19.31	-	-	-
Other non-financial assets	3.11	560.90	33.00	593.90	248.53	21.73	270.26
TOTAL ASSETS		**1,87,634.16**	**3,42,979.92**	**5,30,614.08**	**1,93,658.10**	**2,43,225.02**	**4,36,883.12**

Particulars		As at 31 March 2024			As at 31 March 2023		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
LIABILITIES							
Financial liabilities							
Trade payables	3.12	639.20	-	639.20	167.30	-	167.30
Debt securities	3.13	78,569.72	46,580.59	1,25,150.31	41,922.35	67,819.80	1,09,742.15
Borrowings (other than debt securities)	3.14	1,15,632.82	1,27,520.83	2,43,153.65	89,112.95	1,06,408.92	1,95,521.87
Subordinated Debt	3.15	373.71	13,459.27	13,832.98	369.00	5,948.82	6,317.82
Other financial liabilities	3.16	25,179.01	750.00	25,929.01	12,677.63	-	12,677.63
Non-financial liabilities							
Provisions	3.18	76.83	382.00	458.83	26.53	440.16	466.69
Other non-financial liabilities	3.19	3,059.96	-	3,059.96	4,074.75	-	4,074.75
TOTAL LIABILITIES		**2,23,531.25**	**1,88,692.69**	**4,12,223.94**	**1,48,350.52**	**1,80,617.70**	**3,28,968.22**

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ARKA FINANCIAL HOLDINGS PVT. LTD. ★

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Currency: Indian Rupees in Lakhs)

Note 5.09: Trade receivables aging schedule - 31 March 2024

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	20.25	-	-	-	-	20.25
(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 - 31 March 2023

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	-	-	-	-	-	-

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ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

Note 5.10: Trade Payables aging schedule - 31 March 2024

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 *	78.88	0.85	-	-	-	79.73
(ii) Others*	554.86	4.61	-	-	-	559.47
(iii) Disputed dues – MSME	-	-	-	-	-	-
(iv)Disputed dues - Others	-	-	-	-	-	-

* The amount includes provision of Rs. 587.60 lacs which were unbilled as on 31 March 2024.

Trade Payables aging schedule - 31 March 2023

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	17.73	-	-	-	-	17.73
(ii) Others*	149.57	-	-	-	-	149.57
(iii) Disputed dues – MSME	-	-	-	-	-	-
(iv)Disputed dues - Others	-	-	-	-	-	-

* The amount includes provision of Rs. 162.10 lacs which were unbilled as on 31 March 2023.

Note 5.11: Provision made against investments in Alternate Investment Funds (AIFs) by subsidiary company Arka Fincap Ltd:

The Subsidiary Company, Arka Fincap Ltd.(AFL), had made provision of ₹ 3,089.09 lakh against its investments in Alternate Investment Funds (AIFs) during the quarter ended 31 December 2023 as per RBI circular RBI/2023-24/90 DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023. Further, AFL has reversed the provision to the extent of ₹ 1,560.59 lakh as per RBI circular RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024, during the current quarter ended 31 March 2024. Consequently, the provision as at 31 March 2024 stands at ₹ 1,528.50 lakh.

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

Note 6.01: Other notes

6.01 (i): Relationship with struck off companies

The Group does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

6.01 (ii): Registration of charges

For the year ended 31 March 2024 and previous year ended 31 March 2023

Registration of charges were performed as per the terms of sanction within the due dates during the year ended 31 March 2024 and previous year ended 31 March 2023

6.01 (iii): Satisfaction of charges

For the year ended 31 March 2024 and previous year ended 31 March 2023

Satisfation of charges were performed as per the terms of sanction within due date during the year ended 31 March 2024 and previous year ended 31 March 2023

NOTE 7.01 : Unhedged Foreign Currency Exposure

The Group does not have any unhedged foreign currency exposure for the year ended March 31, 2024.

NOTE 7.02 :

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 **G D Apte & Co.**
Chartered Accountants
ICAI Firm Registration No. 100515W

Umesh S. Abhyankar
Partner
Membership No. 113053

Place: Pune
Date: 03 May 2024

For and on behalf of the Board of Directors of
Arka Financial Holdings Private Limited

Vimal Bhandari

Vimal Bhandari
Managing Director
DIN: 00001318
Place: Coonoor

Mahesh Chhabria
Director
DIN: 00166049
Place: Mumbai

Amit Gupta
Chief Financial Officer
Place: Mumbai

Aditi Mahamunkar
Company Secretary
Place: Mumbai

Date: 03 May 2024

G. D. APTE & CO. ★ Chartered Accountants ★

ARKA FINANCIAL HOLDINGS PRIVATE LIMITED ★