

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements**Opinion**

We have audited the Financial Statements of Arka Fincap Limited (formerly Kirloskar Capital Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2022, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, and its profit (including Other Comprehensive Income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

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

Other Information

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

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



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

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

Key Audit Matters

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

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

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

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

Charge for the year: INR 557.61 lakhs

Provision as on 31st March 2022: INR 921.23 lakhs

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

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

Our audit methodology included the following:

- Evaluated the design and implementation of key internal controls over loan impairment process
- Evaluated the appropriateness of the impairment principles based on the requirements of IND AS
- Validating completeness and accuracy of the data and reasonableness of assumptions used in the model
- Evaluating the appropriateness of Management's Judgements applied in the model



- Performed Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data.
- Ensuring the compliance w.r.t. provisioning requirements as per RBI Master Directions
- Ensured presentation and disclosure

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Other Matter/s

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
 - g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid by the company to its directors is in accordance with the provisions of section 197 of the Act.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company does not have any pending litigations which would impact its financial position



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- (ii) The Company did not have any long-term contracts including derivative contracts as at 31 March 2022
- (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
- (iv) (a) The management has represented to us that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the financial statements, if any, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(b) the management has represented to us, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the Financial Statements, if any, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the information and explanation given to us and audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations made by the management and as mentioned under sub-clause (iv)(a) and (iv)(b) above contain any material misstatement.
- (v) The Company has not declared or paid dividend during the year.

For P G BHAGWAT LLP

Chartered Accountants

Firm Registration Number: 101118W/W100682



Nachiket Deo
Partner

Membership Number: 117695

UDIN: 22117695AHVQSY4832

Pune

Date: 26 April 2022



Annexure A to Independent Auditors' Report (CARO)

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

(i)	(a)	(A)	The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.
		(B)	The Company is maintaining proper records showing full particulars of intangible assets
	(b)	The Company has a regular program of physical verification to cover all the items of fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The fixed assets were not physically verified by management during the year.	
	(c)	The Company does not own any immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) as disclosed in Note 3.09 on Property, Plant & Equipment to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.	
	(d)	The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets during the year. Accordingly provisions of Clause 3(i)(d) of the said Order are not applicable to the Company.	
	(e)	According to the information and explanations provided to us there are no proceedings have been initiated or are pending against the company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder. Therefore reporting under clause 3(i)(e) of the order is not applicable.	
(ii)	(a)	The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii)(a) of the said Order are not applicable to the Company.	
	(b)	According to the information and explanations provided to us, the company has been sanctioned working capital limits in excess of five crore rupees during the year, in aggregate, from banks or financial institutions on the basis of security of current assets. The	



		management of the company has provided us with the quarterly returns or statements, which they have represented to us have been filed by the company with their banks or financial institutions. In our opinion, these quarterly returns or statements are in agreement with the books of account of the Company.
(iii)	(a)	The company's principal business is to give loans hence the provisions of Clause 3(iii)(a) of the said order are not applicable.
	(b)	In terms of the information and explanations given to us and the books of account and records examined by us, investments made, loans provided, security given and the terms and conditions of the grant of all aforesaid loans and advances in the nature of loans during the year are not prejudicial to the Company's interest.
	(c)	In respect of the aforesaid loans and advances in the nature of loans, the schedule of repayment of principal and payment of interest has been stipulated, and the repayment of principal amounts and receipts of interest are generally been regular as per stipulation.
	(d)	In respect of the aforesaid loans and advances in the nature of loans, there is no amount which is overdue for more than ninety days.
	(e)	The company's principal business is to give loans hence the provisions of Clause 3(iii)(e) of the said order are not applicable.
	(f)	The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013.
(iv)		According to the information and explanations given to us, the Company has not granted any loans or made investments, or provided guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
(v)		In our opinion and according to information and explanation given to us, the Company has not accepted public deposits or amounts which are deemed to be deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.



(vi)		The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable.
(vii)	(a)	According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including Goods and Service Tax, provident fund, income tax, and other material statutory dues, as applicable, with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance, sales tax, duty of customs or duty of excise. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, Goods and services tax and provident fund and other material statutory dues, as applicable were in arrears as at 31 March 2022 for a period of more than six months from the date they became payable.
	(b)	According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.
(viii)		In terms of the information and explanations given to us and the books of account and records examined by us, the Company has not surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Therefore reporting under clause 3(viii) of the order is not applicable.
(ix)	(a)	According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender as at the balance sheet date.
	(b)	According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
	(c)	In our opinion and according to the information and explanations given to us, the company has utilized the money obtained by way of term loans during the year for the purposes for which they were obtained.



	(d)	According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the company, we report that funds raised on short-term basis have, prima facie, not been used for long-term purposes by the company during the year.
	(e)	The company does not have any subsidiary, associate or joint venture, hence reporting under clause 3(ix)(e) of the order is not applicable.
	(f)	The company does not have any subsidiary, associate or joint venture, hence reporting under clause 3(ix)(f) of the order is not applicable.
(x)	(a)	In our opinion, and according to the information and explanations given to us, the Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) during the year. Accordingly, the provisions of Clause 3(x)(a) of the Order are not applicable to the Company.
	(b)	The Company has made a preferential allotment of shares during the year, in compliance with the requirements of Section 42 and/or Section 62 of the Act. The amounts raised have been used for the purpose for which funds were raised.
(xi)	(a)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company noticed or reported during the year, nor have we been informed of any such case by the Management.
	(b)	According to the information and explanations given to us, report in the form ADT-4 as specified under sub-section (12) of section 143 of the Companies Act has not been filed. Accordingly reporting under clause 3(xi)(b) of the order is not applicable.
	(c)	According to the information and explanations given to us and as represented to us by the management, there are no whistle blower complaints received by the company during the year.
(xii)		In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii)(a), 3(xii)(b) and 3(xii)(c) of Companies (Auditor's Report) order, 2020 are not applicable to the company.



(xiii)		The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Ind AS 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
(xiv)	(a)	In our opinion and based on our examination, the company has an internal audit system commensurate with the size and nature of its business.
	(b)	We have considered the internal audit reports of the company issued till date, for the period under audit.
(xv)		According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
(xvi)	(a)	The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 25 July 2019 (previously issued in the name of Kirloskar Capital Limited vide certificate dated 29 October 2018).
	(b)	According to the information and explanations given to us and procedures performed by us, the Company has conducted Non-Banking Financial activities with a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
	(c)	According to the information and explanations given to us and procedures performed by us, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, hence reporting under clause 3(xvi)(c) of the order is not applicable.
	(d)	Based on information and explanation given to us and as represented by the management, the Group has one Core Investment Companies (CIC)s as part of the Group which is Holding Company of the reporting entity.
(xvii)		The Company has not incurred cash losses during current financial year and had not incurred cash losses during immediately preceding financial year.
(xviii)		During the period under Audit the previous statutory auditors have resigned pursuant to RBI Circular regarding the rotation of Auditors and we have taken into consideration the issues, objections or concerns, raised by the outgoing auditors.



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Chartered Accountants

LLPIN: AAT - 9949

(xix)		According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
(xx)	(a)	There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable for the year.
	(b)	There are no unspent amounts towards Corporate Social Responsibility (CSR) in respect of ongoing projects requiring a transfer to a Special Account in compliance with sub-section (6) of Section 135 of the Act. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable for the year.

For P G BHAGWAT LLP

Chartered Accountants

Firm Registration Number: 101118W/W100682

Nachiket Deo
Partner

Membership No: 117695

UDIN: 22117695AHVQSY4832

Pune

Date: 26 April 2022



Annexure B to the Independent Auditors' Report

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

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

We have audited the internal financial controls with reference to the Financial Statements of Arka Fincap Limited (formerly Kirloskar Capital Limited) ("the Company") as of March 31, 2022 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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



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

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

Meaning of Internal Financial controls with reference to the Financial Statements

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

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

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



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Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to the Financial Statements and such internal financial controls with reference to the Financial Statements were operating effectively as at March 31, 2022, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **P G BHAGWAT LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682



Nachiket Deo

Partner

Membership Number: 117695

UDIN: 22117695AHVQSY4832

Pune

Date: 26th April 2022



BALANCE SHEET

AS AT 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

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

Significant Accounting Policies

2

As per our report of even date attached

For **P G BHAGWAT LLP**

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682



Nachiket Deo

Partner

Membership No. 117695



For and on behalf of the Board of Directors of

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)



Vimal Bhandari

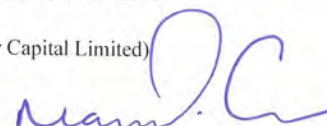
Executive Vice Chairman and CEO

DIN: 00001318



Amit Kumar Gupta

Chief Financial Officer



Mahesh Chhabria

Non Executive Director

DIN: 00166049



Amit Bondre

Deputy Company Secretary

Place: Pune

Date: 26 April 2022

Place: Mumbai

Date: 26 April 2022

ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

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

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695



For and on behalf of the Board of Directors of

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari

Executive Vice Chairman and CEO

DIN: 00001318

Amit Kumar Gupta

Chief Financial Officer

Mahesh Chhabria

Non Executive Director

DIN: 00166049

Amit Bondre

Deputy Company Secretary

Place: Pune

Date: 26 April 2022

Place: Mumbai

Date: 26 April 2022

ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
A Cash Flow from Operating Activities		
Net profit before tax	4,408.63	2,327.56
Adjustments for :		
Add:		
Depreciation and amortisation	365.34	315.27
Provision for expected credit loss	557.61	220.99
Provision for share based payments	94.25	227.43
Loss on fair value of employee loan	-	0.27
Finance cost	9,173.74	3,768.91
	10,190.94	4,532.87
Less:		
Interest received on fixed deposits	260.09	520.89
Profit on sale of investments	380.25	228.26
Fair value (loss)/ gain on investments	78.76	(7.94)
Interest received on debt instrument	468.30	1,973.76
Interest income on security deposit	22.06	20.09
Amortised discount income on commercial paper	303.98	496.04
	1,513.44	3,231.10
Operating profit before working capital changes	13,086.13	3,629.33
Adjustments:		
(Increase)/Decrease in loans and advances	(1,39,666.31)	(54,258.02)
Trade receivables	(43.74)	
(Increase) / Decrease in security deposits	(15.75)	(4.91)
(Increase) / Decrease in Prepaid expenses	(46.63)	(672.42)
(Increase) / Decrease in Other financial assets	(35.56)	-
(Increase) / Decrease in Other non-financial assets	(8.15)	46.78
Increase/(Decrease) in provisions	233.68	37.18
Employee benefits paid	936.45	184.41
Increase/(Decrease) in trade payable	67.50	44.81
Increase/(Decrease) in Other financial liabilities	273.79	641.36
Increase/(Decrease) in Other non-financial liabilities	1,013.45	580.86
Cash used in operating activities	(1,24,205.14)	(49,770.62)
Direct taxes paid	(1,820.51)	(857.66)
Net cash used in operating activities (A)	(1,26,025.65)	(50,628.28)
B Cash flows from investing activities		
Add:		
Interest received on fixed deposits	260.65	509.92
Receipt on sale of Investments	28,564.81	92,768.39
Interest received on debt instrument	-	-
	28,825.46	93,278.31
Less:		
Increase in other bank balance	1,001.00	-
Payments on purchase of investment	22,003.53	1,00,269.95
Payments for Purchase of Property, Plant and Equipment	57.43	60.81
Payments for Purchase of Other Intangible assets	139.19	186.00
Payments for Purchase of Intangible assets under development	(2.00)	2.00
	23,199.15	1,00,518.76
Net cash generated from investing activities (B)	5,626.31	(7,240.45)
C Cash Flow from Financing Activities		
Proceeds from issue of equity share capital (including securities premium)	13,001.26	12,481.68



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Proceeds from Bank and NBFCs Borrowings (net)	72,408.46	37,258.36
Proceeds from issuance of Non-Convertible Debentures (net)	24,923.16	19,950.00
Proceeds from issuance of Commercial Papers (net)	9,450.15	2,359.22
Finance cost paid	(8,639.67)	(3,713.92)
Lease liability paid	(184.17)	(185.20)
Net cash generated from financing activities (C)	1,10,959.18	68,150.14
Net Increase in cash and cash equivalents (A) + (B) + (C)	(9,440.16)	10,281.41
Cash and Cash Equivalents at the beginning of the year	22,608.09	12,326.68
Cash and Cash Equivalents at the end of the year	13,167.93	22,608.09
Reconciliation of cash and cash equivalents with the balance sheet		
Balances with banks		
- in current accounts	3,367.93	5,108.09
Deposits with original maturity of less than three months	9,800.00	17,500.00
Total	13,167.93	22,608.09

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682



Nachiket Deo

Partner

Membership No. 117695



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



Vimal Bhandari

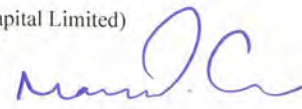
Executive Vice Chairman and CEO

DIN: 00001318



Amit Kumar Gupta

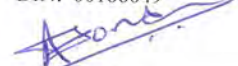
Chief Financial Officer



Mahesh Chhabria

Non Executive Director

DIN: 00166049



Amit Bondre

Deputy Company Secretary

Place: Pune

Date: 26 April 2022

Place: Mumbai

Date: 26 April 2022

STATEMENT OF CHANGES IN EQUITY (SOCIE)

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

(a) Equity Share Capital (Note 3.20)

Equity Shares of ₹ 10 each issued, subscribed and fully paid	No. of Shares	Amount
Balance as at 31 March 2020	52,65,00,000	52,650.00
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 31 March 2020	52,65,00,000	52,650.00
Shares issued during the year	11,34,69,828	11,346.98
Balance as at 31 March 2021	63,99,69,828	63,996.98
Balance at 1 April, 2021	63,99,69,828	63,996.98
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2021	63,99,69,828	63,996.98
Shares issued during the period	11,98,86,007	11,988.60
Balance as at 31 March 2022	75,98,55,835	75,985.58

(b) Other equity (Note 3.21)

Particulars	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	Total
Balance at 31 March 2020	121.88	472.05	-	-	(314.85)	279.08
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 31 March 2020	121.88	472.05	-	-	(314.85)	279.08
Profit for the year	-	-	-	-	1,688.34	1,688.34
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	8.62	8.62
Total	121.88	472.05	-	-	1,382.11	1,976.04
Transferred from Retained earnings	337.67	-	-	-	(337.67)	-
Share based payment expense	-	227.43	-	-	-	227.43
Shares issued during the year	-	-	1,134.70	-	-	1,134.70
Balance at 31 March 2021	459.55	699.48	1,134.70	-	1,044.44	3,338.17
Balance at 1 April 2021	459.55	699.48	1,134.70	-	1,044.44	3,338.17
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 1 April 2021	459.55	699.48	1,134.70	-	1,044.44	3,338.17
Profit for the year	-	-	-	-	3,251.67	3,251.67
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	0.16	0.16
Total	459.55	699.48	1,134.70	-	4,296.27	6,590.00
Transferred from Retained earnings	650.31	-	-	-	(650.31)	-
Shares issued during the year	-	-	1,013.22	-	-	1,013.22
Share based payment expense (net*)	-	93.70	-	-	-	93.70
Balance at 31 March 2022	1,109.86	793.18	2,147.92	-	3,645.96	7,696.92

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

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695



For and on behalf of the Board of Directors of

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari

Executive Vice Chairman and CEO

DIN: 00001318

Amit Kumar Gupta

Chief Financial Officer

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Amit Bondre

Deputy Company Secretary

Place: Pune

Date: 26 April 2022

Place: Mumbai

Date: 26 April 2022

ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

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

(Currency : Indian Rupees in lakhs)

1. Corporate Information

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

2 Significant accounting policies

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

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

2.02 Basis of preparation

The financial statement comprises of the Balance sheet as at March 31 2022, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act, 2013 ("the Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The Company has assessed its liquidity position and its possible sources of funds. The Board of Directors of the Company are confident of the Company's ability to meet its obligations as and when they arise in the next twelve months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

2.03 Basis of measurement

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

2.04 Presentation of financial statements

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



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

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

(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

2.05 Functional Currency

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

2.06 Financial Instruments

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

2.06.A Financial assets

i) Initial recognition and measurement

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

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

ii) Subsequent measurement

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

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

Debt instruments at amortised cost

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

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

Financial Assets at Amortised Cost

A financial asset is measured at amortised cost if:

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

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

Fair value through other comprehensive income (FVOCI)

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

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



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

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

(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

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

iv. Expected Credit Loss (ECL) principles

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

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

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

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

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



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

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

(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

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

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

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

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

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

iv. Expected Credit Loss (ECL) principles

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

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

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

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

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

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

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

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

2.06.B Financial liabilities

i) Initial recognition and measurement

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



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

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

(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

ii) Subsequent measurement

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

ii.a) Financial liabilities at amortised cost

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

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

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

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

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

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

2.06.C De-recognition

a) Derecognition of financial assets

A financial asset is derecognized when:

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

Or

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

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



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

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

(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

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:

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 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.



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(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

Financial liabilities

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

2.07 Share capital

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

2.08 Cash and Cash equivalents

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

2.09 Property, Plant and Equipment

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

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

Depreciation

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

Particulars	Estimated useful life by the Company
Office Equipment	5 years
Office Equipment (Mobile)	2 years
Furniture & Fixtures	10 years
Motor vehicles	5 years
Computer Equipment	
-Desktop/laptop	3 years
-Server and Network	6 years

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

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



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(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

2.10 Intangible assets

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

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

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

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

Intangible assets under development

Directly attributable costs that are capitalized as a part of software include an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

Research expenditure and development expenditure that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

2.11 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.13 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.



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(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

2.14 Earnings per share

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

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

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

2.15 Employee Benefits

i) Short-term employee benefits

The distinction between short term and long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

ii) Post-Employment Benefits

The employee's gratuity scheme is Company's defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet.

Defined benefit employee costs comprising current service cost, past service cost, interest cost implicit in defined benefit employee cost and actuarial gains or losses.

Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

Current service cost, past service cost, interest cost implicit in defined benefit employee cost are recognised in the Statement of Profit and Loss as employee benefits expense.

iii. Other long-term employment benefits:

The Company measures Accumulated leaves and long term incentives based on the actuarial valuation using the projected unit credit method at the year-end.

a) Defined Contribution Plan

The Company's contribution paid/payable during the year towards Provident and other funds is charged to statement of profit and loss in the year in which employee renders the related service.

b) Defined Benefit Plan

The Company has an obligation towards gratuity, a non funded defined benefit plan covering eligible employees. Vesting for gratuity occurs upon completion of five years of service.

Details of the unfunded defined benefit plans for its employees are given in note 5.09 which is as certified by the actuary using projected unit credit method.

iv) Compensated Absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation using projected unit credit method for the unused entitlement that has accumulated as at the balance sheet date.



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(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

2.16 Taxes

Income tax expense comprises current tax and deferred tax and is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in OCI.

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of Profit and Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Leases

The Company as a lessee

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.



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(Currency : Indian Rupees in lakhs)

2 Significant accounting policies (Continued)

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using incremental borrowing rates of the Company. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option. Lease liabilities are remeasured at fair value at the balance sheet date with the corresponding impact considered in the statement of profit and loss as interest charge/ income.

Lease liability and ROU asset have been separately presented in the Balance Sheet..

The Company as a lessor

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

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

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

2.18 Employee Share Based Plan

Share-based compensation benefits are provided to the employees through the Employee Stock Option Scheme 2019 ("Plan"). The fair value of options determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding credit to share options outstanding reserve, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of service conditions.

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

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

2.19 Segment Reporting

The Company is primarily engaged in the business of financing and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating segment.

2.20 Revenue Recognition

Recognition of Interest income

- Interest income and expense presented in statement of profit and loss includes interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. The amortization of income and expenses for financial assets under EIR approach is done on a systematic basis that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset.

- The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated applying the EIR to the amortised cost of the credit-impaired financial asset (i.e. the gross carrying amount less the allowances for ECLs).



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2 Significant accounting policies (Continued)

Fee income

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

• The Company has applied Ind AS 115 Revenue recognition accounting standard for preparation of these financial statement. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Syndication, advisory & other fees

Syndication, advisory & other fees are recognised as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

Recognition of Profit/loss on sale of investments

Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

Net gain/(loss) on Fair value changes:

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as a Fair value gain or loss as a gain or expense respectively.

2.21 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

2.22 Critical Accounting Estimates and Judgements

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

A. Measurement of impairment of loans and advances

Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Company makes judgements about the borrower's financial situation and the net realisable value of collateral, if any. These estimates are based on assumptions about a number of factors including forward looking information, and actual results may differ, resulting in future changes to the impairment allowance.



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

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2 Significant accounting policies (Continued)

B. Measurement of defined benefit obligations

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 5.09

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

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

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

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

E. Fair value of financial instrument

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

F. Business model assessment

Classification and measurement of financial asset depends upon the results of the solely payment of principal and interest (SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial asset are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the asset is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.



2.23 Standards Issued but not yet Effective

The Ministry of Corporate Affairs (MCA) on 5 April 2022, vide Notification dated 23 March 2022 has issued Companies (Indian Accounting Standard) Amendment Rules, 2022 in consultation with the National Financial Reporting Authority (NFRA).

The notification states that these rules shall be applicable from 1 April 2022 and would thus be applicable for the financial year ending 31 March 2023.

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.01 : Cash and cash equivalents

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

NOTE 3.02 : Bank balances other than cash and cash equivalents

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

NOTE 3.03 : Trade receivables

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

Refer Note 6.04 for ageing schedule

There are no dues from private company in which director(s) of the Company is a director(s) or member(s)

NOTE 3.04 : Loans (At amortised cost)

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.05 : Investments

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

NOTE 3.06 : Other financial assets

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

NOTE 3.07 : Current tax assets (net)

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.08 : Deferred tax assets (net)

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.09 : Properly plant and equipment

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Cost as at 31 March 2020	780.30	344.65	2.89	70.03	11.24	22.03	1,231.14
Additions	-	-	-	35.64	5.12	20.06	60.82
Disposals	-	-	-	-	-	-	-
Cost as at 31 March 2021	780.30	344.65	2.89	105.67	16.36	42.09	1,291.96
Additions	51.83	-	1.59	-	6.31	49.53	109.26
Disposals	(71.86)	-	-	-	-	-	(71.86)
Cost as at 31 March 2022	760.27	344.65	4.48	105.67	22.67	91.62	1,329.36
Accumulated depreciation as at 31 March 2020	155.77	89.08	0.36	13.79	2.33	6.16	267.49
Depreciation charged during the year	168.94	71.31	0.29	17.93	3.15	10.61	272.23
Disposals	-	-	-	-	-	-	-
Accumulated depreciation as at 31 March 2021	324.71	160.39	0.65	31.72	5.48	16.77	539.72
Depreciation charged during the year	165.94	71.31	0.30	23.55	4.08	20.13	285.31
Disposals	(19.16)	-	-	-	-	-	(19.16)
Accumulated depreciation as at 31 March 2022	471.49	231.70	0.95	55.27	9.56	36.90	805.87
Net carrying amount as at 31 March 2020	624.53	255.57	2.53	56.24	8.91	15.87	963.65
Net carrying amount as at 31 March 2021	455.59	184.26	2.24	73.95	10.88	25.32	752.24
Net carrying amount as at 31 March 2022	288.78	112.95	3.53	50.40	13.11	54.72	523.49

1. For Depreciation policy refer accounting policy no. 2.09

2. Title deeds of Immovable Properties not held in name of the Company:

There is no immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deed is not held in the name of the company.

3. CWIP ageing and Completion schedule:

The Company does not have any CWIP as at 31 March, 2022 and 31 March, 2021 and hence disclosure of CWIP ageing schedule and CWIP completion schedule is not applicable.

4. Benami properties:

No proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.10 : Intangible assets

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

1. For amortisation policy refer accounting policy no. 2.10



ARKA FINCAP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 3.11 : Intangible assets under development

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

Refer note 6.06 for ageing schedule

NOTE 3.12 : Other non-financial assets

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.13 : Trade payables

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

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

Refer note 6.05 for ageing schedule

NOTE 3.14 : Debt securities

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

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

(a) Non Convertible Debenture

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

Terms of repayment

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

Nature of Security:

Security is created in favour of the Debenture Trustee, as follows:

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.15 : Borrowings (other than debt securities)

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

(a) Term loan from banks (TL):
Terms of repayment

Repayment within	As at 31 March 2022	As at 31 March 2021
	Rate of interest	Rate of interest
	>7.25% <= 9.25%	>7.25% <= 10%
	Amount	Amount
Above 60 Months	-	-
48-60 Months	-	-
36-48 Months	4,439.19	-
24-36 Months	14,175.24	5,876.32
12-24 Months	29,725.05	13,370.30
0-12 Months	42,647.31	12,833.87
Total	90,986.79	32,080.49

Nature of Security:

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

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

(b) Term loan from NBFCs (TL):
Terms of repayment

Repayment within	As at 31 March 2022	As at 31 March 2021
	Rate of interest	Rate of interest
	>8.00% <= 9.40%	>9.50% <= 11%
	Amount	Amount
Above 60 Months	-	-
48-60 Months	920.19	-
36-48 Months	1,800.00	-
24-36 Months	3,717.00	726.74
12-24 Months	5,082.67	1,466.67
0-12 Months	13,266.67	5,095.38
Total	24,786.53	7,288.79

Nature of Security:

Security against term loan from NBFCs :

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

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

(d) Quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.



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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 3.16 : Other financial liabilities

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

NOTE 3.17 : Current tax liabilities (net)

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

NOTE 3.18 : Provisions

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

NOTE 3.19 : Other non-financial liabilities

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(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 2022		As at 31 March 2021	
	Number of shares	Amount	Number of shares	Amount
Authorised capital				
Equity shares of ₹10/- each	1,00,00,00,000	1,00,000.00	1,00,00,00,000	1,00,000.00
Issued, subscribed and fully paid up				
Equity shares of ₹10/- each fully paid	75,98,55,835	75,985.58	63,99,69,828	63,996.98
Total	75,98,55,835	75,985.58	63,99,69,828	63,996.98

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

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

c. Particulars of shares held by holding Company

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

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

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

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

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

e. Particulars of shares held by promoters

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

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

f. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

g. Objective for managing capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 3.21 : Other equity

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

3.21.A Other equity movement

Particulars	As at 31 March 2022	As at 31 March 2021
Statutory reserves u/s 45-IC of The RBI Act, 1934		
Opening Balance	459.55	121.88
Add : Transferred from retained earnings	650.31	337.67
Closing Balance	1,109.86	459.55
Securities premium reserve		
Opening Balance	1,134.70	-
Add : Premium collected on share allotment	1,013.22	1,134.70
Closing Balance	2,147.92	1,134.70
Share options outstanding account		
Opening Balance	699.48	472.05
Add/(Less) : Movement during the year	93.70	227.43
Closing Balance	793.18	699.48
Retained earnings		
Opening Balance	1,044.45	(314.85)
Add: Profit / (Loss) for the year	3,251.67	1,688.34
Add: Other Comprehensive income	0.16	8.62
Add: ESOP reserves	-	-
Less: Stamp duty paid on equity issue	-	-
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(650.31)	(337.67)
Less: Transfer to Impairment reserve	-	-
Closing Balance	3,645.96	1,044.45

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 4.01 : Revenue from operations

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest income on financial assets measured at amortised cost:		
Interest on loans		
- Financing business	18,153.44	6,772.66
- Employee loan	2.46	4.88
Interest on investments		
- Debentures/bonds and Pass through certificates	468.30	1,973.76
- Commercial papers	303.98	496.04
Interest on Deposits		
- Deposits with banks	260.09	520.89
- Security deposits	22.06	20.09
Interest on Others		
- Others	-	-
Total	19,210.33	9,788.32
Fees and commission income		
- Syndication, advisory & other fees	503.40	179.87
Total	503.40	179.87
Net gain on sale of investments		
- Net gain on sale of investments	380.25	228.26
Total	380.25	228.26
Net gain on fair value changes of investments		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investment in mutual funds	78.76	(7.94)
Total	78.76	(7.94)
Fair value changes		
- Realised	-	(7.94)
- Unrealised	78.76	-
Total	78.76	(7.94)

NOTE 4.02 : Other income

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 4.03 : Finance costs

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

NOTE 4.04 : Net loss on fair value changes

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

NOTE 4.05 : Impairment on financial instruments

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 4.06 : Employee benefit expenses

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

NOTE 4.07 : Depreciation and amortisation expenses

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

NOTE 4.08 : Other expenses

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Rent	3.10	-
Rates and taxes	-	0.03
Insurance	51.82	25.85
Other repairs and maintenance	41.77	20.73
Travelling and conveyance	52.68	25.05
Communication expenses	6.63	5.91
Printing and stationery	4.92	2.23
Professional charges	339.72	169.51
Membership and subscription	14.44	10.46
Auditor's remuneration	21.10	16.05
Technology expenses	253.85	149.02
Custodian charges	1.80	0.75
Directors' sitting fees	17.20	16.10
Electricity charges	9.55	5.94
Office expenses	29.18	15.96
Postage and courier	2.55	0.63
ROC Expenses	0.43	0.24
GST expenses	210.33	109.16
Stamp duty	13.19	7.22
Housekeeping and security charges	25.00	22.99
Corporate social responsibilities expenses	28.56	5.40
	1,127.82	609.23

Payment to auditor includes:

a) as statutory auditors	17.00	15.75
b) for certification related matters	4.10	0.30
c) for other services	-	-
Total	21.10	16.05

Details for expenditure on Corporate Social Responsibility:

a) Gross amount required to be spent during the year	28.55	5.38
b) Amount spent during the year:		
- Expenses paid in cash	28.56	5.40
- Expenses yet to be paid for	-	-
Total	28.56	5.40
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	28.56	
The donation is towards the expenses related to activities for admission process, payment of salaries, professional fees for education services, library subscriptions, books etc.		5.40
Total	28.56	5.40



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

(c) Reconciliation of tax expense

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

The Company does not have unused tax losses



NOTES TO THE FINANCIAL STATEMENTS

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(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 2022								
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Mutual Funds	8,789.03	-	-	8,789.03	8,789.03	-	-	8,789.03
(b) Investments in Debentures	-	-	2,791.29	2,791.29	2,791.29	-	-	2,791.29
(c) Investments in Commercial papers	-	-	-	-	-	-	-	-
(d) Investments in Pass through certificates (PTCs)	-	-	4,606.56	4,606.56	-	-	4,606.56	4,606.56
Total	8,789.03	-	7,397.85	16,186.88	11,580.32	-	4,606.56	16,186.88

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

The management has assessed that the carrying amounts of cash and cash equivalents, loans carried at amortised cost, other financial assets, trade payables, borrowings, working capital demand loans and other current liabilities are a reasonable approximation to their fair value.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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NOTE 3.02 : 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 3. This is the case for unlisted equity securities included in level 3.

NOTE 3.03 : Financial instruments risk management

The Company has exposure to the following risks from financial instruments:

- (A) Regulatory Risk;
- (B) Credit Risk;
- (C) Liquidity Risk;
- (D) Operational Risk;
- (E) Reputation Risk; and
- (F) Strategic Risk

(A) Regulatory Risk;

The company being an NBFC shall have exposure to risk related to non-compliance to regulatory guidelines, laws as applicable. Such non-compliance may result in levy of heavy penalties and fines by the regulator, as well as, reputational loss to the company. The risk can arise due to non-compliance to applicable guidelines and/or lack of monitoring and follow-up on the implementation of applicable laws.

Mitigation:

- The compliance and legal / secretarial department shall submit a compliance certificate post ensuring adherence to applicable laws on quarterly basis to the Risk Committee.
- The Board shall take note of the compliance certificate and Compliance officer shall report to Board in case of any material non-compliance.
- The Board shall do a regular review of risk and identify gaps if any and take corrective actions.

(B) Credit Risk;

The company is subject to credit risk in terms of non-recovery of interest as well as principal amount of the money lent by the company to its customers. Such risk can arise due to inadequate documentation or evaluation of the borrower, default by the existing borrowers, external factors such as political volatility in the region of exposure concentration, amongst many other factors leading to loss of revenue for the company.

Mitigation:

- The company has formed a Credit procedures and policy to address the risk.
- Continuous monitoring mechanism is developed by adopting various checks and controls in the process.
- The Company has set up a Credit Committee for approval of the lending in both Retail Operations and Wholesale lending, the decision by the Credit Committee shall be binding on the Business Department. The Credit Committee is empowered to deploy, monitor, manage the funds of the Company in terms of its charter as approved by the Board if the Company.

(C) Liquidity Risk;

The risk arises due to asset liability mismatch. The inadequacy of the company in increasing its asset base, managing any unplanned changes in funding sources and meeting the financial commitments when required may result in non-liquidity.

Mitigation:

- The company has Asset Liability Management Policy in line with the RBI guidelines.
- The Asset Liability Management Committee (ALCO) is responsible for managing the risk arising out of exposures to interest rate changes and mismatches between assets and liabilities.



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(Currency : Indian Rupees in Lakhs)

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 company. Such risk may also arise out of the external factors as well as internal control system failure defeating the core objective of the company operations.

Mitigation:

- The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include maker-checker controls, effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

(E) Reputation Risk;

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

Mitigation:

- Company has formed HR Policy in order to address any concerns of the employees internally.
- Company has created Fair Practice Code which sets out the Grievance Redressal Mechanism in order to address customer concerns.
- The fair practice code also ensures that the company does not rely upon any coercive activities in order to recover the money from borrowers.

(F) Strategic Risk;

The risk arising out of non-responsiveness of business in adapting to internal as well as external environment. Such risk arises when the business strategies are not flexible to factor in the macro factors.

Mitigation:

- The Board and Risk Committee are made ultimate responsible authorities in order to ensure that the risk in the organization are mitigated as well as monitored.
- The Risk/ALCO committee are given responsibility of recommending the changes in the risk appetite of the company.

NOTE 5.04 : Capital Disclosure

The Company maintains adequate capital to cover risks inherent in the business and is meeting the capital adequacy requirements of our regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

Company has complied in full with all its externally imposed capital requirements over the reported period.

The primary objectives of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company maintains its capital structure in line with economic conditions and the risk characteristics of its activities. The Board of directors reviews the capital position on a regular basis.

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

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



NOTES TO THE FINANCIAL STATEMENTS

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NOTE 5.05 : Related Party Disclosures

Related Party Disclosures, as required by Indian Accounting Standard 24 (Ind AS 24) are given below:

A. Related Parties Relationship

(i) Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company Name
1	Ultimate Holding Company	Kirloskar Oil Engines Limited (w.e.f. 5 January 2022)
2	Holding Company	Arka Financial Holdings Private Limited (w.e.f. 5 January 2022)
3	Subsidiary Company of Holding Company	Arka Investment Advisory Services Private Limited (w.e.f. 30 March 2022)

(ii) Key Management Personnel and their relatives:

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Vimal Bhandari (Executive Vice Chairman & CEO)	Vibha V. Bhandari	Wife
		Vatsal V Bhandari	Son
		Vandini V Bhandari	Daughter
		Shree Krishna M Gupta	Daughter's Husband
		Pushpa Bhandari	Mother
		Ashok Bhandari	Brother
		Asha Singhvi	Sister
		Vibha Doshi	Sister
		Jayashree Mehta	Sister

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

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Sanjeev Nimkar (Managing Director) (upto 27th January 2022)	Ashiwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter



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FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 5.05 : Related Party Disclosures (Continued)

B. Transactions with Related Parties

Sr. No.	Nature of the transaction / relationship / major parties	2021-22		2020-21	
		Amount	Amount from major parties	Amount	Amount from major parties
1	Capital Contribution received from				
	Holding Company	12,999.76		12,481.68	
	Kirloskar Oil Engines Limited (Upto 4 Jan 2022)		4,999.76		12,481.68
	Arka Financial Holdings Private Limited (w.e.f. 5 Jan 2022)		8,000.00		
	Total	12,999.76	12,999.76	12,481.68	12,481.68
2	Short term loan from				
	Holding Company	0.00		4,000.00	
	Kirloskar Oil Engines Limited (Upto 4 Jan 2022)		0.00		4,000.00
	Total	0.00	0.00	4,000.00	4,000.00
3	Short term loan repayment to				
	Holding Company	0.00		4,000.00	
	Kirloskar Oil Engines Limited (Upto 4 Jan 2022)		0.00		4,000.00
	Total	0.00	0.00	4,000.00	4,000.00
4	Interest expenses on short term loan				
	Holding Company	0.00		35.18	
	Kirloskar Oil Engines Limited (upto 4 Jan 2022)		0.00		35.18
	Total	0.00	0.00	35.18	35.18
5	Non convertible debentures issued to				
	Key Management Personnel	0.00		150.00	
	Vimal Bhandari		0.00		150.00
	Total	0.00	0.00	150.00	150.00
6	Interest expenses on NCD issued to				
	Key Management Personnel	14.44		0.00	
	Vimal Bhandari		14.44		0.00
	Total	14.44	14.44	0.00	0.00
7	Expenses incurred on behalf of holding company	17.48		0.00	
	Arka Financial Holdings Private Limited (w.e.f. 5 Jan 2022)		17.48		0.00
	Total	17.48	17.48	0.00	0.00
8	Reimbursement of Expenses from holding company	8.26		0.00	
	Arka Financial Holdings Private Limited (w.e.f. 5 Jan 2022)		8.26		0.00
	Total	8.26	8.26	0.00	0.00
9	Managerial Remunerations:				
	Key Management Personnel	530.85		500.93	
	Vimal Bhandari		530.85		500.93
	Total	530.85	530.85	500.93	500.93
Balances with related parties					
1	Non convertible debentures issued	150.00		150.00	
	Vimal Bhandari		150.00		150.00
	Total	150.00	150.00	150.00	150.00
2	Receivable from holding company	25.73		0.00	
	Arka Financial Holdings Private Limited		25.73		0.00
	Total	25.73	25.73	0.00	0.00

The above compensation of the Company's key managerial personnel does not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave encashment & gratuity.

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

Terms and conditions of transactions with related parties

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables.



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NOTE 5.06 : Contingent liabilities and Commitments

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

NOTE 5.07 : Leases

Where the Company is a lessee

The Ministry of Corporate Affairs (MCA) notified Ind AS 116, the new leases accounting standard on 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 2021	As at 31 March 2020
Lease liability at beginning of the year	439.82	570.02
Add: Interest on lease liability	39.87	54.99
Add: Lease liability recognised during the year	50.59	-
Less: Lease rental payments	(184.17)	(185.20)
Less: Lease liability de-recognised during the year	(54.92)	-
Lease liability at the end of the year	291.18	439.82

(B) Future lease cashflow for all leased assets

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

(C) Maturity analysis of lease liability

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



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NOTE 5.08 : Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

Particulars	As at	As at
	31 March 2022	31 March 2021
a. Principal and interest amount remaining unpaid (not due)	9.72	-
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-



ARKA FINCAP LIMITED
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NOTE 5.09 : Disclosure pursuant to Employee benefits

Defined contribution plan (Provident fund):

The Company makes specified monthly contributions towards employee provident fund to government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

The provident fund payment recognised as expenses and included in Employee benefit expenses during the current year ₹.80.05 Lakhs (March 2021: ₹ 53.18 Lakhs).

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

- A Gratuity
- B Compensated Absences
- C Long term incentive plan (LTIP)

Based on Ind AS 19 'Employee Benefits' notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, the following disclosures have been made as required by the standard:

Particulars	As at 31 March 2022	As at 31 March 2021
A (i) Gratuity:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	45.04	24.28
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	45.04	24.28
(ii) Compensated Absences:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	51.03	33.97
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	51.03	33.97
(iii) Long term incentive plan:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	195.65	-
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	195.65	-
B (i) Gratuity:		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	24.28	18.17
Current service cost	19.44	16.46
Past service cost	-	-
Interest cost	1.53	1.16
Benefits paid	-	-
Actuarial (gain) / loss on obligation	(0.22)	(11.51)
Projected benefit obligation at the end of the year	45.04	24.28
(ii) Compensated Absences:		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	33.97	14.41
Current service cost	20.88	13.28
Past service cost	-	-
Interest cost	2.14	0.91
Benefits paid	-	(0.23)
Remeasurements on obligation - (Gain) / Loss	(5.96)	5.60
Projected benefit obligation at the end of the year	51.03	33.97
C (i) Gratuity:		
Amount recognised in the statement of profit and loss		
Current service cost	19.44	16.46
Past service cost and loss/(gain) on curtailments and settlement	-	-
Net interest cost	1.53	1.16
Expenses recognised in the statement of profit and loss	20.97	17.62
(ii) Compensated Absences:		
Amount recognised in the statement of profit and loss		
Current service cost	20.88	13.28
Remeasurements on obligation - (Gain) / Loss	(5.96)	5.60
Net interest cost	2.14	0.91
Expenses recognised in the statement of profit and loss	17.06	19.79



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Particulars	As at 31 March 2022	As at 31 March 2021
(iii) Long term incentive plan		
Amount recognised in the statement of profit and loss		
Current service cost	195.65	-
Remeasurements on obligation - (Gain) / Loss	-	-
Net interest cost	-	-
Expenses recognised in the statement of profit and loss	195.65	-
D (i) Gratuity:		
Amount recognised in other comprehensive income		
Actuarial (gains) / loss		
- change in financial assumption	-	(5.36)
- change in demographic assumption	-	-
- experience variation	(0.22)	(6.15)
Amount recognised in other comprehensive income	(0.22)	(11.51)

NOTE 5.09 : Disclosure pursuant to Employee benefits (Continued)

Particulars	As at 31 March 2022	As at 31 March 2021
E Assumptions used		
Discount rate (gratuity and compensated absences)	6.30%	6.30%
Discount rate (Long term incentive plan)	4.60%	-
Rate of increase in compensation levels	4.00%	4.00%
Expected average remaining working lives of employees (in years)	4.72	5.91
Retirement Age	60 years	60 years
	63 years	63 years
Withdrawal Rate	20.00%	15.00%

F Sensitivity analysis - Gratuity

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

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

G Sensitivity analysis - Compensated Absences

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

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

H Sensitivity analysis - Long term incentive plan

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at 31 March 2022		As at 31 March 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	197.41	193.92	-	-
Salary growth rate (1% movement)	197.53	193.77	-	-
Withdrawal rate (1% movement)	197.92	193.37	-	-

H Other information:

- The plan is unfunded as on the valuation date.
- Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 7.56 years for Gratuity and 3.13 years for Compensated Absences.
- The expected payment expected to be paid in next year Rs 0.16 Lakhs for Gratuity and Rs. 18.37 Lakhs for Compensated Absences.



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NOTE 5.10 : Employee stock option plans

The Company provides share-based employee benefits to the employees of the Company. The relevant details of the schemes and the grant are as below.

Description of share-based payment arrangements:

As at 31 March 2022, the Company has the following share-based payment arrangements:

Share option plans (equity settled):

According to the Schemes, the employee selected by the Nomination and remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Plan was approved by Board of Directors on April 24, 2019 and by the shareholders in EGM dated May 2, 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of Rs. 10 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Company, the Nomination and Remuneration Committee had made grants, the details of the same are produced in the below table.

I. Details of the ESOP:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
ESOP Plan/ Scheme	ESOP - 2019	ESOP - 2019	ESOP - 2019
Date of Grants	06 May 2019	01 November 2019	02 November 2020
Vesting Requirements	Vesting Criteria is specified for each Option Holder by the Nomination and		
Maximum term of Options granted (years)	Vesting period of option vary from employee to employee or class of employees. the maximum vesting period of option is five years from the date of grant of option. Options shall be capable of being exercised within a period of 6 years from the Date of Vesting.		
Method of Settlement	Equity		
Method used for accounting of options	Fair Value Method		

II. Option Movement during the year ended Mar 2022:

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

Option Movement during the year ended Mar 2021:

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

III. Weighted Average remaining contractual life:

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

IV. Method and Assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model. The Assumptions used in the model are a.s follows:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
Risk Free Interest Rate	7.40%	6.60%	5.80%
Weighted average expected life (in years)	6	7	7
Expected Volatility	1.00%	1.00%	1.00%
Weighted average exercise price (₹ per share)	10.00	10.00	11.00

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

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



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NOTE 5.11 : Maturity pattern of Assets and Liabilities

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

Particulars	Note	As at 31 March 2022			As at 31 March 2021		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS							
Financial assets							
Cash and cash equivalents	3.01	13,167.93	-	13,167.93	22,608.09	-	22,608.09
Bank balances other than cash and cash equivalents	3.02	1,001.00		1,001.00			
Trade receivable	3.03	43.74		43.74	-		-
Loans	3.04	95,696.39	1,34,212.00	2,29,908.39	29,193.90	61,465.00	90,658.90
Investments	3.05	8,786.45	7,397.85	16,184.30	16,743.95	4,736.00	21,479.95
Other financial assets	3.06	52.60	241.00	293.60	17.79	203.00	220.79
Non-financial assets							
Current tax assets (net)	3.07	370.17	-	370.17	84.79	-	84.79
Deferred tax assets (net)	3.08	-	652.72	652.72	-	274.60	274.60
Property, plant and equipment	3.09	-	523.49	523.49	-	752.24	752.24
Intangible assets	3.10	-	337.01	337.01	-	370.42	370.42
Intangible assets under development	3.11	-	-	-	-	2.00	2.00
Other non-financial assets	3.12	203.37	14.00	217.37	143.60	19.00	162.60
TOTAL ASSETS		1,19,321.65	1,43,378.07	2,62,699.72	68,792.12	67,822.26	1,36,614.38

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 5.12 : Asset liability management

Particulars	1 to 7 days	8 to 14 days	15 to 30/31 days	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
LIABILITIES										
Deposits	-	-	-	-	-	-	-	-	-	-
Borrowings from banks	3,550.00	-	931.21	1,322.18	9,427.44	12,704.16	24,354.90	65,837.07	5,977.68	-
Market borrowings	-	-	5,063.62	166.67	5,953.58	6,450.00	7,420.24	21,429.73	2,762.04	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
ASSETS										
Loans & advances	281.97	1,000.37	4,640.10	976.54	5,691.01	28,768.32	49,403.37	1,05,203.14	15,622.90	19,002.34
Investments	-	-	1,753.95	570.26	7,413.26	911.36	1,583.33	3,508.51	433.91	12.28
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-
In addition to the investments shown in the table above, the Company also has cash & equivalents and undrawn funding lines as under:										
- Cash & Cash Equivalents (refer note 3.01)								13,167.93		
- Undrawn funding lines								7,000.00		
Total								20,167.93		

NOTE 5.13 : Exposure to real Estate Sector

Particulars	As at 31 March 2022	As at 31 March 2021
A Direct exposure		
I. Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakhs may be shown separately)	59,413.23	-
II. Commercial Real Estate		
Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	21,143.58	38,080.62
III. Investments in Mortgage Backed Securities (MBS) and other securitised exposures	2,791.29	
- Residential	-	-
- Commercial Real Estate	-	-
B Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,874.40	2,674.00

NOTE 5.14 : Exposure to capital market

Particulars	As at 31 March 2022	As at 31 March 2021
1 Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
2 Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
3 Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	23,992.44	7,451.71
4 Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	8,905.63	7,075.30
5 Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	5,019.73	-
6 Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
7 Bridge loans to companies against expected equity flows / issues;	-	-
8 All exposures to Venture Capital Funds (both registered and unregistered)	-	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 6.01 : Other Disclosures Pursuant to the RBI Master Directions, 2016

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

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

II. Concentration of Advances

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

III. Concentration of Exposures

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

IV. Movement of NPAs

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

V. Concentration of NPA

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
1 Concentration of NPA	0.00%	0%

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 6.01 : Other Disclosures Pursuant to the RBI Master Directions, 2016 (Continued)

VII. Customer Complaints

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

VIII. Investments

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	16,186.88	21,516.87
(b) Outside India	-	-
(ii) Provision for Depreciation*		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	16,186.88	21,516.87
(b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off/ write-back of excess provision during the year	-	-
(iv) Closing balance	-	-

* ECL Provision on investments are not considered here.

IX. Registration obtained from other financial sector regulators : None

X. Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by NBFC:

The Company has not exceeded the Single Borrower Limit (SBL) / Group Borrower Limit (GBL) during the financial year.

XI. Details of financing of parent Company products : None

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

XIII. Draw down from reserves : None

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

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

XV. Unsecured Advances against intangible securities : None

XVI. Related Party Transactions :

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

XVII. Remuneration of Directors :

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 6.01 : Other Disclosures Pursuant to the RBI Master Directions, 2016 (Continued)

XVIII. Overseas Assets (for those with joint ventures and Subsidiaries abroad):

There are no Overseas Assets.

XIX. Off- balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms):

There are no Off-balance Sheet SPVs sponsored by the Company which are required to be consolidated as per accounting norms.

XX. Derivatives

During the current and previous year, the Company has not entered into any derivative contract and at the year-end there is no outstanding derivative contract. Therefore, disclosures pertaining to derivatives are not applicable.

XXI. Disclosures relating to Securitisation

(i) The Company has not sold any of its assets during the current year and previous year by way of securitisation. Therefore, disclosure pertaining to Securitisation are not applicable.

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

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

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

XXII. Revenue Recognition

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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NOTE 6.02 : Disclosures pursuant to RBI Notification No. RBI/2019-20/170 DOR(NBFC). CC.PD.No.109/22.10106/2019-20

As per the said RBI notification, a comparison (as shown in below Appendix) between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by NBFC in the notes to their financial statements to provide a benchmark to their Boards, RBI supervisors and other stakeholders, on the adequacy of provisioning for credit losses.

As per the said notification, where impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), NBFC shall appropriate the difference from their net profit or loss after tax to a separate 'Impairment Reserve'. The balance in the 'Impairment Reserve' shall not be reckoned for regulatory capital. Further, no withdrawals shall be permitted from this reserve without prior permission from the Department of Supervision, RBI.

Appendix

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4) - (6)
Performing Assets						
Standard	Stage 1	2,37,987.90	700.28	2,37,287.62	921.23	(220.95)
	Stage 2	-	-	-	-	-
Subtotal		2,37,987.90	700.28	2,37,287.62	921.23	(220.95)
Non-Performing Assets (NPA)						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	45,589.97	220.95	-	-	220.95
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		45,589.97	220.95	-	-	220.95
TOTAL	Stage 1	2,83,577.87	921.23	2,37,287.62	921.23	(0.00)
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Total	2,83,577.87	921.23	2,37,287.62	921.23	(0.00)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 6.03 : Disclosure of details as required by Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

Particulars		As at March 31, 2022		As at March 31, 2021	
LIABILITIES SIDE		Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a)	Debtenture : Secured	45,616.09	-	20,363.54	-
	: Unsecured	-	-	-	-
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans	1,15,968.08	-	39,399.24	-
(d)	Inter-corporate loans and borrowing	-	-	-	-
(e)	Commercial Paper	11,809.38	-	2,359.22	-
(f)	Public Deposits	-	-	-	-
(g)	Other Loans - Working capital demand loans from bank	1,000.00	-	-	-
(g)	Overdraft	-	-	4,995.58	-
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):				
(a)	In the form of Unsecured debtentures	-	-	-	-
(b)	In the form of partly secured debtentures i.e. debtentures where there is a shortfall in the value of security	-	-	-	-
(c)	Other public deposits	-	-	-	-
ASSETS SIDE		As at March 31, 2022		As at March 31, 2021	
(3)	Break-up of Loans and Advances including bills receivables (other than those included in (4) below):				
(a)	Secured	2,25,074.06		89,387.40	
(b)	Unsecured	5,532.03		1,552.39	
(4)	Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities	As at March 31, 2022		As at March 31, 2021	
(i)	Lease assets including lease rentals under sundry debtors:				
(a)	Financial lease	-		-	
(b)	Operating lease	-		-	
(ii)	Stock on hire including hire charges under sundry debtors:				
(a)	Assets on hire	-		-	
(b)	Repossessed Assets	-		-	
(iii)	Other loans counting towards asset financing activities				
(a)	Loans where assets have been repossessed	-		-	
(b)	Loans other than (a) above	-		-	
(5)	Break-up of Investments				
	Current Investments				
1.	Quoted				
(i)	Shares: (a) Equity	-		-	
	(b) Preference	-		-	
(ii)	Debtentures and Bonds			2,589.35	
(iii)	Units of mutual funds	8,789.03		-	
(iv)	Government Securities	-		-	
(v)	Others (please specify)	-		-	
2.	Unquoted				
(i)	Shares: (a) Equity	-		-	
	(b) Preference	-		-	
(ii)	Debtentures and Bonds	-		-	
(iii)	Units of mutual funds	-		-	
(iv)	Government Securities	-		-	
(v)	Commercial paper			13,792.68	
(vi)	Others - Pass through certificates	0.00		394.87	



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FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 6.03 : Disclosure of details as required by Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 (Continued)

Long Term investments				
1.	Quoted			
	(i) Shares: (a) Equity	-	-	
	(b) Preference	-	-	
	(ii) Debentures and Bonds	2,791.29	2,519.35	
	(iii) Units of mutual funds	-	-	
	(iv) Government Securities	-	-	
	(v) Others (please specify)	-	-	
2.	Unquoted			
	(i) Shares: (a) Equity	-	-	
	(b) Preference	-	-	
	(ii) Debentures and Bonds	-	-	
	(iii) Units of mutual funds	-	-	
	(iv) Government Securities	-	-	
	(v) Others - Pass through certificates	4,606.56	2,220.61	
(6)	Borrower group-wise classification of assets financed as in (3) and (4) above:		As at March 31, 2022	As at March 31, 2021
	Category		Amount (net of provisions)	Amount (net of provisions)
			Secured	Unsecured
1.	Related Parties			
	(i) Subsidiaries	-	-	-
	(ii) Companies in the same group	-	-	-
	(iii) Other related parties	-	-	-
2.	Other than related parties	2,25,074.07	5,532.03	89,387.40
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):		As at March 31, 2022	As at March 31, 2021
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV
				Book Value (Net of Provisions)
1.	Related Parties			
	(i) Subsidiaries	-	-	-
	(ii) Companies in the same group	-	-	-
	(iii) Other related parties	-	-	-
2.	Other than related parties	16,186.87	16,184.29	21,516.87
(8)	Other information			
	Particulars	As at March 31, 2022		As at March 31, 2021
	(i) Gross Non-Performing Assets			
	(a) Related parties	-	-	-
	(b) Other than related parties	-	-	-
	(ii) Net Non-Performing Assets			
	(a) Related parties	-	-	-
	(b) Other than related parties	-	-	-
	(iii) Assets acquired in satisfaction of debt	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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Note 6.04: Trade receivables aging schedule - 31 March 2022

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables — considered good	43.74	-	-	-	-	43.74
(ii) Undisputed Trade Receivables — which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables — credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables—considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables — which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables — credit impaired	-	-	-	-	-	-

Trade receivables aging schedule - 31 March 2021

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables — considered good	-	-	-	-	-	-
(ii) Undisputed Trade Receivables — which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables — credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables—considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables — which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables — credit impaired	-	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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Note 6.05: Trade Payables aging schedule - 31 March 2022

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

* The amount includes provision of Rs. 43.83 lacs which were unbilled as on 31 March 2022.

Trade Payables aging schedule - 31 March 2021

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

* The amount includes provision of Rs. 12.00 lacs which were unbilled as on 31 March 2021.



ARKA FINCAP LIMITED

(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

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Note 6.06: Intangible assets under development - ageing schedule

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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Note 6.07: Disclosure pursuant to Reserve Bank of India circular no. RBI/2019-20/220 DOR.NO.BP.BC.63/21.04.048/

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

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



ARKA FINCAP LIMITED
(FORMERLY KNOWN AS KIRLOSKAR CAPITAL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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Note 6.08: Other notes

6.08 (i): Relationship with struck off companies

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

6.08 (ii): Registration of charges

For the year ended 31 March 2022

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

For the year ended 31 March 2021

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

6.08 (iii): Satisfaction of charges

For the year ended 31 March 2022

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

For the year ended 31 March 2021

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

6.08 (iii): Utilization of borrowed funds

(i) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii) No funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 6.09 : Disclosure as per RBI Guidelines on liquidity framework

1 Funding Concentration based on significant counterparty

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

2 Top 10 borrowings

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

3 Funding Concentration based on significant instrument / product

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

4 Stock ratios

Stock Ratio	%
Commercial papers as a % of total liabilities	6.60%
Commercial papers as a % of total assets	4.50%
Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	-
Non-convertible debentures (original maturity of less than one year) as a % of total assets	-
Other short-term liabilities as a % of total liabilities	31.79%
Other short-term liabilities as a % of total assets	21.66%

5 Institutional set-up for Liquidity Risk Management:

The Board of Directors of the Company has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company is exposed to in the course of conducting its business. The Board approves the governance structure, policies, strategy and the risk limits for the management of liquidity risk. The Board of Directors approves the constitution of the Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various aspects and types of risks, including liquidity risk, faced by the Company. The meetings of RMC held at regular interval. Further, the Board of Directors also approves constitution of Asset Liability Committee (ALCO), which functions as the strategic decision-making body for the asset-liability management of the Company from risk- return perspective. The main objective of ALCO is to assist the Board in effective discharge of the responsibilities of asset-liability management, market risk management, liquidity and interest rate risk management. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds.

The company's liquidity and funding approach documented through its various plans and policies including the Assets Liability Management policy, Treasury Deployment policy is to ensure that funding is available to meet all market related stress situations.

The company's liquidity management set up is assessed periodically to align same with regulatory changes in the economic landscape or business needs.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

(Currency : Indian Rupees in Lakhs)

NOTE 7.01 : Coronavirus (COVID-19) impact on financial reporting:

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

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

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

(b) Regulatory Measures:

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

NOTE 7.02 : Unhedged Foreign Currency Exposure

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

NOTE 7.03 : Regrouping and / or reclassification

Figures for the previous years have been regrouped and / or reclassified wherever considered necessary to conform to current year presentation.

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682



Nachiket Deo

Partner

Membership No. 117695



For and on behalf of the Board of Directors of
Arka Fincap Limited

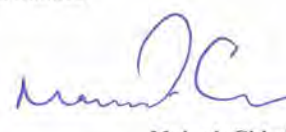
(Formerly known as Kirloskar Capital Limited)



Vimal Bhandari

Executive Vice Chairman and CEO

DIN: 00001318



Mahesh Chhabria

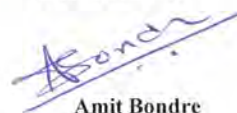
Non Executive Director

DIN: 00166049



Amit Kumar Gupta

Chief Financial Officer



Amit Bondre

Deputy Company Secretary

Place: Pune

Date: 26 April 2022

Place: Mumbai

Date: 26 April 2022