

**INDEPENDENT AUDITORS' REPORT**

To the Members of Arka Fincap Limited

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

We have audited the Financial Statements of Arka Fincap Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2024, 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 Material 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, 2024, 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.

**Emphasis of Matter**

We draw attention to Exceptional items - Expenses as explained in Note no 6.01(XVIII) to the financial statements, regarding provision of INR 1,528.50 lakhs against its investments in Alternate Investment Funds (AIFs) as per RBI circular RBI/2023-24/90 DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023 & RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024.

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**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 1046.04 lakhs

Provision as on 31st March 2024: INR 2539.95 lakhs

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

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

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

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





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

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards

(Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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

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

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

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

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:





- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
- e) On the basis of the written representations received from the directors as on March 31, 2024 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - (i) The Company does not have any pending litigations which would impact its financial position.
  - (ii) The Company did not have any long-term contracts including derivative contracts as at 31 March 2024.
  - (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 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.



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

(c) Based on the information and explanation given to us and audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations made by the management and as mentioned under sub-clause (iv)(a) and (iv)(b) above contain any material misstatement.

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

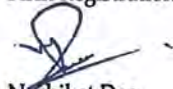
(vi) Based on our Examination which included test checks, the company has used an accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with.

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

For P G BHAGWAT LLP

Chartered Accountants

Firm Registration Number: 101118W/W100682



Nachiket Deo

Partner

Membership Number: 117695

UDIN: 24117695BKCKJC2278

Place: Mumbai

Date: 30 April 2024





**Annexure A to Independent Auditors' Report (CARO)**

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

(i)	(a)	(A)	The Company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant & Equipment.
		(B)	The Company is maintaining proper records showing full particulars of intangible assets.
	(b)	The Property, Plant & Equipment are physically verified by the Management according to a phased program designed to cover all the items which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, a portion of the Property, Plant & Equipment has been physically verified by the Management during the year and the discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.	
	(c)	The Company does not own any immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) as disclosed in Note 3.09 on Property, Plant & Equipment to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.	
	(d)	The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets during the year. Accordingly provisions of Clause 3(i)(d) of the said Order are not applicable to the Company.	
	(e)	According to the information and explanations provided to us, no proceedings have been initiated or are pending against the company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder. Therefore reporting under clause 3(i)(e) of the order is not applicable.	
(ii)	(a)	The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii)(a) of the said Order are not applicable to the Company.	
	(b)	We have observed differences in the quarterly returns/statements filed by the Company with such banks or financial institutions as compared to the books of account maintained by the Company. However, we have not carried out a specific audit of such statements. The reasons for such differences are given in note no. 3.15 of the financial statements of the Company.	
(iii)	(a)	The company's principal business is to give loans hence the provisions of Clause 3(iii)(a) of the said order are not applicable.	



	(b)	In terms of the information and explanations given to us and the books of account and records examined by us, investments made, loans provided, security given and the terms and conditions of the grant of all aforesaid loans and advances in the nature of loans during the year are not prejudicial to the Company's interest.
	(c)	In respect of loans, advances and investments in the nature of loans (together referred to as 'loan assets'), the schedule of repayment of principal and payment of interest has been stipulated. Note no. 2.06(A)(iv) to the financial statements explains the Company's accounting policy relating to impairment of financial assets which include loan assets. In accordance with that policy, loan assets with balance as at 31 March 2024, aggregating ₹ 1,095.17 lakhs were categorised as credit impaired ('Stage 3') and ₹ 1,873.68 lakhs were categorised as those where the credit risk has increased significantly since initial recognition ('Stage 2'). Disclosures in respect of such loans have been provided in note no. 6.04 to the financial statements. In all other cases, the repayment of principal and interest is generally regular. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.
	(d)	The total amount overdue for more than ninety days, in respect of the loans and advances in the nature of loans, as at the year-end is Rs. 189.12 lakhs. Reasonable steps are being taken by the Company for recovery of the principal and interest.
	(e)	The company's principal business is to give loans hence the provisions of Clause 3(iii)(e) of the said order are not applicable.
	(f)	The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013.
(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)	<p>According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including Goods and Service Tax, provident fund, income tax, and other material statutory dues, as applicable, with the appropriate authorities. As explained to us, the Company does not have any dues on account of employees' state insurance, sales tax, duty of customs or duty of excise.</p> <p>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 2024 for a period of more than six months from the date they became payable.</p>
	(b)	According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.
(viii)		In terms of the information and explanations given to us and the books of account and records examined by us, the Company has not surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Therefore reporting under clause 3(viii) of the order is not applicable.
(ix)	(a)	According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender as at the balance sheet date.
	(b)	According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
	(c)	In our opinion and according to the information and explanations given to us, the company has utilized the money obtained by way of term loans during the year for the purposes for which they were obtained.



	(d)	On the basis of the maturity profile of assets and liabilities provided in the Note no. 5.11 to the financial statements, financial liabilities maturing within the 12 months following the reporting date (i.e. 31 March 2024) are less than expected recoveries from financial assets during that period. Further, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
	(e)	The company does not have any subsidiary, associate or joint venture, hence reporting under clause 3(ix)(e) of the order is not applicable.
	(f)	The company does not have any subsidiary, associate or joint venture, hence reporting under clause 3(ix)(f) of the order is not applicable.
(x)	(a)	<p>According to the information and explanations provided to us and the records of the Company examined by us, the Company has not raised monies by way of initial public offer or further public offer except for the public offer of debt instruments.</p> <p>According to the information and explanation provided to us and the records of the Company examined by us, the monies raised by way of public offer of debt instruments during the year were applied for the purposes for which those were raised.</p>
	(b)	The Company has not made preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) during the year under review and hence reporting under paragraph 3(x)(b) of the Order is not applicable to the Company.
(xi)	(a)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
	(b)	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, 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)	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 and as represented to us by the management, there are no whistle blower complaints received by the company during the year.
(xii)		As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.





(xiii)		In our opinion and according to the information and explanations given to us, all transactions with related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and the details of such transactions have been disclosed in the financial statements as required by the applicable Indian Accounting Standards.
(xiv)	(a)	In our opinion and based on our examination, the company has an internal audit system commensurate with the size and nature of its business.
	(b)	We have considered the internal audit reports of the company issued till date, for the period under audit in determining the nature, timing and extent of our audit procedures.
(xv)		According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
(xvi)	(a)	The Company is a Non-Banking Finance Company and is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 25 July 2019 (previously issued in the name of Kirloskar Capital Limited vide certificate dated 29 October 2018).
	(b)	According to the information and explanations given to us and procedures performed by us, the Company has conducted Non-Banking Financial activities with a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
	(c)	According to the information and explanations given to us and procedures performed by us, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, hence reporting under clause 3(xvi)(c) of the order is not applicable.
	(d)	Based on information and explanation given to us and as represented by the management, the Group has one Core Investment Companies (CIC)s as part of the Group which is Holding Company of the reporting entity.
(xvii)		The Company has not incurred cash losses during current financial year and had not incurred cash losses during immediately preceding financial year.
(xviii)		There has been no resignation by statutory auditors during the year hence reporting under clause 3(xviii) of the order is not applicable.



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(xix)		According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
(xx)	(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: 24117695BKCKJC2278

Place: Mumbai

Date: 30<sup>th</sup> April 2024





**Annexure B to the Independent Auditors' Report**

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

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

We have audited the internal financial controls with reference to the Financial Statements of Arka Fincap Limited ("the Company") as of March 31, 2024 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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

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

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



**Meaning of Internal Financial controls with reference to the Financial Statements**

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

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

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


**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to the Financial Statements and such internal financial controls with reference to the Financial Statements were operating effectively as at March 31, 2024, 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: 24117695BKCKJC2278

Place: Mumbai

Date: 30 April 2024





## BALANCE SHEET

AS AT 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	Note	As at 31 March 2024	As at 31 March 2023
<b>I. ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3 01	39,252.96	21,438.88
Bank balances other than cash and cash equivalents	3 02	-	1,022.19
Trade receivables	3 03	20.25	-
Loans	3 04	4,70,488.06	3,68,572.88
Investments	3 05	9,070.85	39,101.78
Other financial assets	3 06	5,409.75	1,100.73
		<b>5,24,241.87</b>	<b>4,31,236.46</b>
<b>Non-financial assets</b>			
Current tax assets (net)	3 07	1,819.33	445.86
Deferred tax assets (net)	3 08	893.08	1,292.82
Property, plant and equipment	3 09	1,814.99	313.71
Intangible assets	3 10	249.28	256.15
Capital work-in-progress	3 11	19.31	-
Other non-financial assets	3 12	564.55	264.44
		<b>5,360.54</b>	<b>2,572.98</b>
<b>TOTAL ASSETS</b>		<b>5,29,602.41</b>	<b>4,33,809.44</b>
<b>II. LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Trade payables	3 13		
(i) total outstanding to micro enterprises and small enterprises		79.73	17.73
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		536.13	144.48
Debt securities	3 14	1,25,150.32	1,09,742.15
Borrowings (other than debt securities)	3 15	2,43,153.65	1,95,521.88
Subordinated Debt	3 16	13,832.98	6,317.82
Other financial liabilities	3 17	25,676.24	12,673.11
		<b>4,08,429.05</b>	<b>3,24,417.17</b>
<b>Non-financial liabilities</b>			
Provisions	3 18	458.83	466.70
Other non-financial liabilities	3 19	3,046.09	4,072.61
		<b>3,504.92</b>	<b>4,539.31</b>
<b>TOTAL LIABILITIES</b>		<b>4,11,933.97</b>	<b>3,28,956.48</b>
<b>Equity</b>			
Equity share capital	3 20	92,872.81	88,402.23
Other equity	3 21	24,795.63	16,450.73
<b>TOTAL EQUITY</b>		<b>1,17,668.44</b>	<b>1,04,852.96</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,29,602.41</b>	<b>4,33,809.44</b>

2

Material Accounting Policies

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No. 101118W/W100682

Nachiket Deo  
Partner  
Membership No. 117695



Place: Mumbai  
Date: 30 April 2024

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

Vimal Bhandari  
Executive Vice Chairman and CEO  
DIN: 00001318

Amit Kumar Gupta  
Chief Financial Officer

Place: Mumbai  
Date: 30 April 2024

Mahesh Chhabria  
Non Executive Director  
DIN: 00166049

Niki Mehta  
Company Secretary



## STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

Particulars	Note	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Revenue from operations</b>	4.01		
Interest income		49,043.60	35,074.05
Fees and commission income		1,211.55	810.25
Gain on derecognition of financial assets measured at amortised cost		4,017.89	-
Net gain on sale of investments		2,095.79	1,182.01
Net gain on fair value changes of investments		-	-
<b>Total revenue from operations</b>		<b>56,368.83</b>	<b>37,066.31</b>
Other income	4.02	709.90	222.57
<b>Total income</b>		<b>57,078.73</b>	<b>37,288.88</b>
<b>Expenses</b>			
Finance costs	4.03	31,468.43	19,617.28
Net loss on fair value changes	4.04	2.67	76.10
Impairment on financial instruments	4.05	2,561.19	598.76
Employee benefit expenses	4.06	7,729.61	6,311.95
Depreciation and amortisation expenses	4.07	772.12	393.60
Other expenses	4.08	3,637.00	2,010.72
<b>Total expenses</b>		<b>46,171.02</b>	<b>29,008.41</b>
<b>Profit before exceptional items and tax</b>		<b>10,907.71</b>	<b>8,280.47</b>
Exceptional items - Expenses / (Income)		1,528.50	-
<b>Profit before tax</b>		<b>9,379.21</b>	<b>8,280.47</b>
<b>Tax expense:</b>	4.09		
1. Current tax		2,049.53	2,450.07
2. (Excess) Short provision related to earlier years		-	333.12
3. Deferred tax expense / (income)		406.60	(639.18)
<b>Total tax expenses</b>		<b>2,456.13</b>	<b>2,144.01</b>
<b>Profit after tax</b>		<b>6,923.08</b>	<b>6,136.46</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		(27.18)	(3.68)
- Income tax relating to items that will not be reclassified to profit or loss		6.84	0.93
<b>Other comprehensive income for the year, net of tax</b>		<b>(20.34)</b>	<b>(2.75)</b>
<b>Total comprehensive income for the period</b>		<b>6,902.74</b>	<b>6,133.71</b>
<b>Earnings per equity share</b>	5.01		
Basic earnings per share (₹)		0.75	0.72
Diluted earnings per share (₹)		0.74	0.71
(Equity Share of face value of ₹ 10 each)			

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682



Nachiket Deo

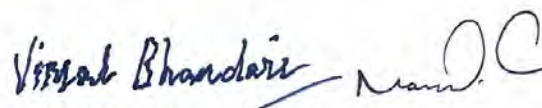
Partner

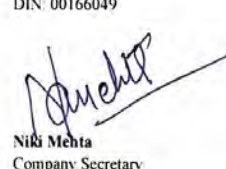
Membership No. 117695

Place: Mumbai  
Date: 30 April 2024

For and on behalf of the Board of Directors of

Arka Fincap Limited


Vimal Bhandari  
Executive Vice Chairman and CEO  
DIN: 00001318Mahesh Chhabria  
Non Executive Director  
DIN: 00166049

Amit Kumar Gupta  
Chief Financial Officer

Niki Mehta  
Company SecretaryPlace: Mumbai  
Date: 30 April 2024



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>A Cash Flow from Operating Activities</b>		
Net profit before tax	9,379.21	8,280.47
<b>Adjustments for :</b>		
<b>Add:</b>		
Depreciation and amortisation	772.12	393.60
Loss on sale of Property, Plant and Equipment	7.44	0.38
Provision for expected credit loss	2,561.19	598.76
Provision for investments in Arka Credit Fund I	1,528.50	-
Provision for share based payments	212.72	136.78
Fair value loss / (gain) on investments	2.67	76.10
Finance cost	31,468.43	19,617.28
	<b>36,553.07</b>	<b>20,822.90</b>
<b>Less:</b>		
Interest received on fixed deposits	746.45	285.75
Profit on sale of investments	2,095.79	1,182.01
Gain on derecognition of financial assets measured at amortised cost (unrealised)	3,819.15	-
Gain on derecognition of ROU asset	-	5.45
Interest received on debt instrument	2,039.74	1,574.33
Interest income on security deposit	32.30	24.45
	<b>8,733.43</b>	<b>3,071.99</b>
<b>Operating profit before working capital changes</b>	<b>37,198.85</b>	<b>26,031.38</b>
<b>Adjustments:</b>		
(Increase)/Decrease in loans and advances	(1,04,495.99)	(1,39,270.06)
(Increase)/Decrease in trade receivables	(20.25)	43.74
(Increase) / Decrease in security deposits	268.71	(273.64)
(Increase) / Decrease in Prepaid expenses	46.60	(52.82)
(Increase) / Decrease in Other financial assets	(618.80)	(158.32)
(Increase) / Decrease in Other non-financial assets	(346.70)	5.76
Increase/(Decrease) in provisions	(43.98)	1,350.18
Increase/(Decrease) in trade payable	453.64	28.12
Increase/(Decrease) in Other financial liabilities	12,062.27	9,330.44
Increase/(Decrease) in Other non-financial liabilities	(1,042.30)	2,396.04
<b>Cash used in operating activities</b>	<b>(56,537.95)</b>	<b>(1,00,569.18)</b>
Direct taxes paid	(3,423.00)	(2,858.88)
<b>Net cash used in operating activities (A)</b>	<b>(59,960.95)</b>	<b>(1,03,428.06)</b>
<b>B Cash flows from investing activities</b>		
<b>Add:</b>		
Interest received on fixed deposits	746.45	285.75
Receipt on sale / redemption of Investments	4,25,030.18	3,20,978.15
Interest received on debt instrument	2,039.74	1,574.33
	<b>4,27,816.37</b>	<b>3,22,838.23</b>
<b>Less:</b>		
Increase / (decrease) in other bank balance	(1,022.19)	6.77
Payments on purchase of investment	3,94,375.24	3,42,872.12
Payments for Purchase of Property, Plant and Equipment	1,012.40	132.50
Payments for Purchase of Other Intangible assets	89.65	4.50
	<b>3,94,455.10</b>	<b>3,43,015.89</b>
<b>Net cash generated from / (used) in investing activities (B)</b>	<b>33,361.27</b>	<b>(20,177.66)</b>



STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>C Cash Flow from Financing Activities</b>		
Proceeds from issue of equity share capital (including securities premium)	5,699.99	14,899.97
Proceeds from Bank and NBFCs Borrowings (net)	47,540.09	72,972.91
Proceeds from issuance of Non-Convertible Debentures (net)	15,099.00	63,938.42
Proceeds from issuance of Commercial Papers (net)	7,824.32	(162.21)
Finance cost paid	(31,359.46)	(19,593.96)
Lease liability paid	(390.18)	(180.85)
<b>Net cash generated from financing activities (C)</b>	<b>44,413.76</b>	<b>1,31,874.28</b>
<b>Net Increase in cash and cash equivalents (A) + (B) + (C)</b>	<b>17,814.08</b>	<b>8,268.56</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>21,438.88</b>	<b>13,170.32</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>39,252.96</b>	<b>21,438.88</b>
<b>Reconciliation of cash and cash equivalents with the balance sheet</b>		
Balances with banks		
- in current accounts	39,252.96	6,932.45
Deposits with original maturity of less than three months	-	14,506.43
<b>Total</b>	<b>39,252.96</b>	<b>21,438.88</b>

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No. 101118W/W100682



Nachiket Deo

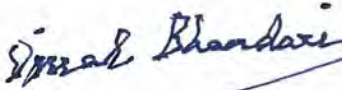
Partner

Membership No. 117695



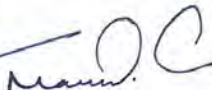
Place: Mumbai  
Date: 30 April 2024

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



Vimal Bhandari

Executive Vice Chairman and CEO  
DIN: 00001318



Mahesh Chhabria

Non Executive Director  
DIN: 00166049



Amit Kumar Gupta  
Chief Financial Officer



Niki Mehta  
Company Secretary

Place: Mumbai  
Date: 30 April 2024





## STATEMENT OF CHANGES IN EQUITY (SOCIE)

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## (a) Equity Share Capital (Refer Note 3.20)

	No. of Shares	Amount
Equity Shares of ₹ 10 each issued, subscribed and fully paid	75,98,55,835	75,985.58
Balance as at 31 March 2022	-	-
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2022	75,98,55,835	75,985.58
Shares issued during the year	12,41,66,431	12,416.65
Balance as at 31 March 2023	88,40,22,266	88,402.23
Balance at 1 April, 2023	88,40,22,266	88,402.23
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2023	88,40,22,266	88,402.23
Shares issued during the year	4,47,05,842	4,470.58
Balance as at 31 March 2024	92,87,28,108	92,872.81

## (b) Other equity (Refer Note 3.21)

Particulars	Reserves and surplus					Total
	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	
Balance at 31 March 2022	1,109.86	793.18	2,147.92	-	3,645.95	7,696.91
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 1 April 2022	1,109.86	793.18	2,147.92	-	3,645.95	7,696.91
Profit for the year	-	-	-	-	6,136.46	6,136.46
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	(2.75)	(2.75)
Total	1,109.86	793.18	2,147.92	-	9,779.66	13,830.62
Transferred from Retained earnings	1,227.29	-	-	-	(1,227.29)	-
Transferred to Retained earnings	-	(2.75)	-	-	2.75	-
Share based payment expense (net)	-	136.78	-	-	-	136.78
Shares issued during the year	-	-	2,483.33	-	-	2,483.33
Balance as at 31 March 2023	2,337.15	927.21	4,631.25	-	8,555.12	16,450.73
Balance at 1 April 2023	2,337.15	927.21	4,631.25	-	8,555.12	16,450.73
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 1 April 2023	2,337.15	927.21	4,631.25	-	8,555.12	16,450.73
Profit for the year	-	-	-	-	6,923.08	6,923.08
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	(20.34)	(20.34)
Total	2,337.15	927.21	4,631.25	-	15,457.86	23,353.47
Transferred from Retained earnings	1,384.62	-	-	-	(1,384.62)	-
Transferred to Retained earnings	-	-	-	-	-	-
Shares issued during the year	-	-	1,229.41	-	-	1,229.41
Share based payment expense	-	212.75	-	-	-	212.75
Balance as at 31 March 2024	3,721.77	1,139.96	5,860.66	-	14,073.24	24,795.63

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

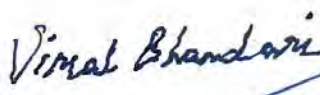
ICAI Firm Registration No. 101118W/W100682

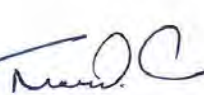
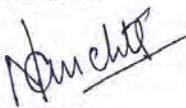


Nachiket Deo

Partner

Membership No. 117695

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

Vimal Bhandari  
Executive Vice Chairman and CEO  
DIN 00001318

Anil Kumar Gupta  
Chief Financial Officer

Mahesh Chhabria  
Non Executive Director  
DIN 00166049

Niki Mehta  
Company Secretary

Place Mumbai

Date 30 April 2024

Place Mumbai

Date 30 April 2024



## ARKA FINCAP LIMITED

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

(Currency - Indian Rupees in lakhs)

#### 1. Corporate Information

Arka Fincap Limited (Formerly known as Kiroloskar 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 Kiroloskar 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. Material 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.

(iii)

##### (i) 2.02 Basis of preparation

The financial statement comprises of the Balance sheet as at March 31, 2024, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of Material accounting policies and other explanatory information. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act, 2013 ("the Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

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

##### 2.03 Basis of measurement

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

##### 2.04 Presentation of financial statements

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

##### 2.05 Functional Currency

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

##### 2.06 Financial Instruments

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

##### 2.06.A Financial assets

###### i) Initial recognition and measurement

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

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

###### ii) Subsequent measurement

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

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

###### Debt instruments at amortised cost

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

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

###### Financial Assets at Amortised Cost

A financial asset is measured at amortised cost if:

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

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

###### Fair value through other comprehensive income (FVOCI)

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

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





## ARKA FINCAP LIMITED

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

(Currency: Indian Rupees in lakhs)

### 2. Material 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 amortised 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 recognised in OCI is reclassified to statement of profit and loss at the reclassification date.

#### iv) Impairment of financial assets

##### iv. Expected Credit Loss (ECL) principles

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

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

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

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

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

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

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

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

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

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

##### iv. Expected Credit Loss (ECL) principles

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

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

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

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

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

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

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

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



## ARKA FINCAP LIMITED

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

(Currency: Indian Rupees in lakhs)

### 2 Material accounting policies (Continued)

#### 2.06.B Financial liabilities

##### i) Initial recognition and measurement

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

##### ii) Subsequent measurement

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

##### ii.a) Financial liabilities at amortised cost

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

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

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

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

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

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

#### 2.06.C De-recognition

##### a) Derecognition of financial assets

A financial asset is derecognised when:

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

Or

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

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

##### b). Derecognition of financial liabilities

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

#### 2.06.D Offsetting of financial instruments

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

#### 2.06.E Fair value measurement

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

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

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

• In the principal market for the asset or liability;

Or

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

The principal or the most advantageous market must be accessible to 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:





## ARKA FINCAP LIMITED

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

(Currency: Indian Rupees in lakhs)

### 2. Material accounting policies (Continued)

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

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

##### Financial liabilities

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

#### 2.07 Share capital

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

#### 2.08 Cash and cash equivalents

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

#### 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 'F' of Schedule II of the Companies Act 2013. Depreciation is charged on the basis of useful life of assets on straight line method which are follows:

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

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

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

#### 2.10 Intangible assets

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

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

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



## ARKA FINCAP LIMITED

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

(Currency: Indian Rupees in lakhs)

### 2 Material accounting policies (Continued)

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 recognised in the statement of profit and loss when the asset is derecognised.

#### 2.11 Impairment of non-financial assets

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

#### 2.12 Provisions

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

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

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

#### 2.13 Contingent liabilities

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

#### 2.14 Earnings per share

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

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

#### 2.15 Employee Benefits

##### i) Short-term employee benefits

The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short-term compensated absences, awards, ex-gratia, 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.

#### 2.16 Taxes

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





## ARKA FINCAP LIMITED

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

(Currency: Indian Rupees in lakhs)

### 2 Material accounting policies (Continued)

#### Deferred tax

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised 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 recognises 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 recognises 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 recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

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

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

#### 2.18 Employee Share Based Plan

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

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

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

#### 2.19 Segment Reporting

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

#### 2.20 Revenue Recognition

##### Recognition of Interest income

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

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. 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).

##### Fee income

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

The Company has applied Ind AS 115 Revenue recognition accounting standard for preparation of these financial 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.



## ARKA FINCAP LIMITED

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

(Currency: Indian Rupees in lakhs)

### 2 Material accounting policies (Continued)

#### Income from de-recognition of financial assets:

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

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

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

### 2.21 Cash Flow Statement

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

### 2.22 Critical Accounting Estimates and Judgements

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

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

#### A. Measurement of impairment of loans and advances

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

#### B. Measurement of defined benefit obligations

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

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





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 3.01 : Cash and cash equivalents

Particulars	As at 31 March 2024	As at 31 March 2023
Balances with banks		
- in current accounts	39,252.96	6,932.45
- Deposits with original maturity of less than three months	-	14,506.43
	<b>39,252.96</b>	<b>21,438.88</b>

## NOTE 3.02 : Bank balances other than cash and cash equivalents

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

## NOTE 3.03 : Trade receivables

Particulars	As at 31 March 2024	As at 31 March 2023
Trade receivables (Unsecured - considered good)	20.25	-
	<b>20.25</b>	<b>-</b>

Refer Note 6.07 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 2024	As at 31 March 2023
<b>(A)</b>		
Business Loan	4,72,830.06	3,69,842.26
Employee Loan	0.85	7.80
<b>Total - Gross</b>	<b>4,72,830.91</b>	<b>3,69,850.06</b>
Less: Provision for expected credit loss	(2,342.85)	(1,277.18)
<b>Total - Net</b>	<b>4,70,488.06</b>	<b>3,68,572.88</b>
<b>(B)</b>		
Secured by tangible assets	4,15,130.75	3,41,094.27
Unsecured	57,700.16	28,755.79
<b>Total - Gross</b>	<b>4,72,830.91</b>	<b>3,69,850.06</b>
Less: Provision for expected credit loss	(2,342.85)	(1,277.18)
<b>Total - Net</b>	<b>4,70,488.06</b>	<b>3,68,572.88</b>
<b>(C)</b>		
<b>(i) Loans in India</b>		
Public sector	-	-
Others	4,72,830.91	3,69,850.06
<b>Total - Gross</b>	<b>4,72,830.91</b>	<b>3,69,850.06</b>
Less: Provision for expected credit loss	(2,342.85)	(1,277.18)
<b>Total - Net</b>	<b>4,70,488.06</b>	<b>3,68,572.88</b>
<b>(ii) Loans outside India</b>	-	-
<b>Total - Net C (i)+(ii)</b>	<b>4,70,488.06</b>	<b>3,68,572.88</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

## NOTE 3.05 : Investments

Particulars	As at 31 March 2024	As at 31 March 2023
Mutual funds (At fair value through P&L)	-	13,002.02
Debt securities - Non convertible debentures (At amortised cost)	6,503.02	21,975.60
Debt securities - Commercial papers (At amortised cost)	-	1,488.92
Debt securities - Pass through certificates (At amortised cost)	1,031.34	2,720.22
Arka Credit Fund I (At fair value through P&L)	3,089.09	-
Equity Instruments - Kirloskar Proprietary Ltd	1.49	-
<b>Total - Gross</b>	<b>10,624.94</b>	<b>39,186.76</b>
Investments in India	10,624.94	39,186.76
Investments outside India	-	-
<b>Total - Gross</b>	<b>10,624.94</b>	<b>39,186.76</b>
Long term investments	4,121.92	9,203.81
Short term investments	6,503.02	29,982.95
<b>Total - Gross</b>	<b>10,624.94</b>	<b>39,186.76</b>
Less: Provision for expected credit loss	(1,554.09)	(84.98)
<b>Total - Net</b>	<b>9,070.85</b>	<b>39,101.78</b>

## NOTE 3.06 : Other financial assets

Particulars	As at 31 March 2024	As at 31 March 2023
Security deposit	303.79	540.21
Sundry Receivables (considered good)	812.68	193.88
Advance to lenders	458.33	366.64
EIS receivable on Direct Assignment	3,492.49	-
Servicing Fees receivable on Direct Assignment	342.46	-
	<b>5,409.75</b>	<b>1,100.73</b>

## NOTE 3.07 : Current tax assets (net)

Particulars	As at 31 March 2024	As at 31 March 2023
Advance Tax (net of provision for tax)	1,819.33	445.86
	<b>1,819.33</b>	<b>445.86</b>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 3.08 : Deferred tax assets (net)

Particulars	As at 31 March 2024	As at 31 March 2023
<b>Deferred Tax Assets</b>		
Disallowances u/s 43 B of Income Tax Act	1,171.44	970.05
Provision for expected credit loss	1,023.95	375.99
Fair value of Employee Loan	0.25	0.36
Fair value of Security deposit	11.24	4.02
Fair value of Lease Liability	253.05	24.01
Fair value of Loan given	257.01	390.82
Fair value of Investment in Debt instruments (CP+NCDs)	(3.41)	50.56
<b>Total (A)</b>	<b>2,713.53</b>	<b>1,815.81</b>
<b>Deferred tax liability</b>		
Depreciation on fixed assets	173.43	10.52
Fair value of EIS receivable on direct assignment	961.20	-
Fair value of investment in mutual funds	-	0.67
Fair value of borrowings	685.82	511.80
<b>Total (B)</b>	<b>1,820.45</b>	<b>522.99</b>
<b>Net deferred tax asset (A-B)</b>	<b>893.08</b>	<b>1,292.82</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(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
<b>Cost as at 31 March 2022</b>	<b>760.27</b>	<b>344.65</b>	<b>4.48</b>	<b>105.67</b>	<b>22.67</b>	<b>91.61</b>	<b>1,329.35</b>
Additions	-	1.00	6.32	-	18.43	106.76	132.51
Disposals	(51.83)	-	(0.42)	-	(0.61)	(0.03)	(52.89)
<b>Cost as at 31 March 2023</b>	<b>708.44</b>	<b>345.65</b>	<b>10.38</b>	<b>105.67</b>	<b>40.49</b>	<b>198.34</b>	<b>1,408.97</b>
Additions	1,191.26	573.41	137.21	-	166.21	119.43	2,187.52
Disposals	-	(345.66)	(3.84)	-	(5.74)	(0.61)	(355.85)
<b>Cost as at 31 March 2024</b>	<b>1,899.70</b>	<b>573.40</b>	<b>143.75</b>	<b>105.67</b>	<b>200.96</b>	<b>317.16</b>	<b>3,240.64</b>
<b>Accumulated depreciation as at 31 March 2022</b>	<b>471.49</b>	<b>231.69</b>	<b>0.95</b>	<b>55.27</b>	<b>9.56</b>	<b>36.90</b>	<b>805.85</b>
Depreciation charged during the year	164.93	71.50	0.80	23.55	5.88	41.58	308.24
Disposals	(18.14)	-	(0.14)	-	(0.52)	(0.03)	(18.83)
<b>Accumulated depreciation as at 31 March 2023</b>	<b>618.28</b>	<b>303.19</b>	<b>1.61</b>	<b>78.82</b>	<b>14.91</b>	<b>78.45</b>	<b>1,095.26</b>
Depreciation charged during the year	487.06	75.60	5.11	14.11	20.67	73.05	675.60
Disposals	-	(339.05)	(0.50)	-	(5.19)	(0.47)	(345.21)
<b>Accumulated depreciation as at 31 March 2024</b>	<b>1,105.34</b>	<b>39.74</b>	<b>6.22</b>	<b>92.93</b>	<b>30.39</b>	<b>151.03</b>	<b>1,425.65</b>
<b>Net carrying amount as at 31 March 2022</b>	<b>288.78</b>	<b>112.96</b>	<b>3.53</b>	<b>50.40</b>	<b>13.11</b>	<b>54.71</b>	<b>523.49</b>
<b>Net carrying amount as at 31 March 2023</b>	<b>90.16</b>	<b>42.46</b>	<b>8.77</b>	<b>26.85</b>	<b>25.58</b>	<b>119.89</b>	<b>313.71</b>
<b>Net carrying amount as at 31 March 2024</b>	<b>794.36</b>	<b>533.66</b>	<b>137.53</b>	<b>12.74</b>	<b>170.57</b>	<b>166.13</b>	<b>1,814.99</b>

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 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 2024

(Currency : Indian Rupees in Lakhs)

## NOTE 3.10 : Intangible assets

Particulars	Softwares	Total
<b>Cost as at 31 March 2022</b>	<b>461.79</b>	<b>461.79</b>
Additions	4.50	4.50
Disposals	-	-
<b>Cost as at 31 March 2023</b>	<b>466.29</b>	<b>466.29</b>
Additions	89.65	89.65
Disposals	-	-
<b>Cost as at 31 March 2024</b>	<b>555.94</b>	<b>555.94</b>
<b>Accumulated amortisation as at 31 March 2022</b>	<b>124.78</b>	<b>124.78</b>
Amortisation recognised for the year	85.36	85.36
Disposals	-	-
<b>Accumulated amortisation as at 31 March 2023</b>	<b>210.14</b>	<b>210.14</b>
Amortisation recognised for the year	96.52	96.52
Disposals	-	-
<b>Accumulated amortisation as at 31 March 2024</b>	<b>306.66</b>	<b>306.66</b>
<b>Net carrying amount as at 31 March 2022</b>	<b>337.01</b>	<b>337.01</b>
<b>Net carrying amount as at 31 March 2023</b>	<b>256.15</b>	<b>256.15</b>
<b>Net carrying amount as at 31 March 2024</b>	<b>249.28</b>	<b>249.28</b>

1. For amortisation policy refer accounting policy no. 2.10



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

## NOTE 3.11 : Capital Work-In-Progress

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

Refer note 6.06 for CWIP ageing and Completion schedule

## NOTE 3.12 : Other non-financial assets

Particulars	As at 31 March 2024	As at 31 March 2023
Prepaid expenses	179.41	226.01
Advance to suppliers	336.36	18.76
GST receivable (net)	48.78	19.67
	564.55	264.44





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

## NOTE 3.13 : Trade payables

Particulars	As at 31 March 2024	As at 31 March 2023
Dues to Micro, small and medium enterprises	79.73	17.73
Dues to Others	536.13	144.48
	<b>615.86</b>	<b>162.21</b>

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

Refer note 6.08 for ageing schedule

## NOTE 3.14 : Debt securities

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
Redeemable non convertible debentures <sup>5</sup>	1,05,678.83	98,094.98
Commercial paper (net of unamortised discount) repayable within next twelve months	19,471.49	11,647.17
<b>Total</b>	<b>1,25,150.32</b>	<b>1,09,742.15</b>
Debt securities in India	1,25,150.32	1,09,742.15
Debt securities outside India	-	-
<b>Total</b>	<b>1,25,150.32</b>	<b>1,09,742.15</b>
Secured	1,05,678.83	98,094.98
Unsecured	19,471.49	11,647.17
<b>Total</b>	<b>1,25,150.32</b>	<b>1,09,742.15</b>

<sup>5</sup> include interest accrued but not due Rs.4,241.39 Lakhs (Previous Year Rs.3,130.19 Lakhs)

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

## (a) Non Convertible Debenture

Privately placed Redeemable Non Convertible Debentures (NCDs)

Terms of repayment

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

## 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 &amp; cash equivalents and liquid investments



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 3.15 : Borrowings (other than debt securities)

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
<b>Term loans</b>		
Term loans from banks <sup>5</sup>	2,06,448.10	1,67,733.95
Term loans from NBFCs <sup>6</sup>	34,963.50	27,787.93
<b>Loans repayable on demand</b>		
Cash Credit	1,742.05	-
Working capital demand loans from banks	-	-
<b>Total</b>	<b>2,43,153.65</b>	<b>1,95,521.88</b>
Borrowings in India	2,43,153.65	1,95,521.88
Borrowings outside India	-	-
<b>Total</b>	<b>2,43,153.65</b>	<b>1,95,521.88</b>
Secured borrowings	2,43,153.65	1,95,521.88
Unsecured borrowings	-	-
<b>Total</b>	<b>2,43,153.65</b>	<b>1,95,521.88</b>

<sup>5</sup> include interest accrued but not due Rs 206.17 Lakhs (Previous Year Rs 154.66 Lakhs)<sup>6</sup> include interest accrued but not due Rs 160.42 Lakhs (Previous Year Rs 77.66 Lakhs)(a) Term loan from banks (TL):  
Terms of repayment

Repayment within	As at 31 March 2024 Rate of interest >8.35% <= 10.65% Amount	As at 31 March 2023 Rate of interest >7.56% <= 10.88% Amount
Above 60 Months	-	-
48-60 Months	589.60	984.95
36-48 Months	8,353.35	5,851.22
24-36 Months	33,920.11	29,274.97
12-24 Months	69,443.88	55,931.26
0-12 Months	94,141.16	75,691.55
<b>Total</b>	<b>2,06,448.10</b>	<b>1,67,733.95</b>

## 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 &amp; cash equivalents and liquid investments

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

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

## 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 &amp; cash equivalents and liquid investments

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

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

(i) EIR adjustment as per Ind AS regulations

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

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





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

## NOTE 3.16 : Subordinated Debt (Unsecured)

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
Subordinated (Tier II) redeemable non convertible debentures <sup>5</sup> (Refer note (a) below)	13,832.98	6,317.82
<b>Total</b>	<b>13,832.98</b>	<b>6,317.82</b>
Debt securities in India	13,832.98	6,317.82
Debt securities outside India	-	-
<b>Total</b>	<b>13,832.98</b>	<b>6,317.82</b>
Secured	-	-
Unsecured	13,832.98	6,317.82
<b>Total</b>	<b>13,832.98</b>	<b>6,317.82</b>

<sup>5</sup> include interest accrued but not due Rs.373.71 Lakhs (Previous Year Rs. 369.00 Lakhs)(a) Privately placed subordinated (Tier II) redeemable non convertible debentures (NCDs)  
Terms of repayment

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

## NOTE 3.17 : Other financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Book overdraft	20,511.40	9,330.43
Employee benefits payable	3,073.38	3,042.55
Lease obligation	1,005.44	95.40
Assignment Liability	394.67	-
Security deposit taken	570.01	204.73
Interest refundable to customers	121.34	-
	<b>25,676.24</b>	<b>12,673.11</b>

## NOTE 3.18 : Provisions

Particulars	As at 31 March 2024	As at 31 March 2023
Provision for employee benefits		
- Gratuity	139.65	79.86
- Leave encashment	95.17	59.45
- Long term benefits	52.50	195.65
Others:		
- Expected credit loss on undrawn loan commitments	171.51	131.74
	<b>458.83</b>	<b>466.70</b>

## NOTE 3.19 : Other non-financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Statutory dues payable	399.06	149.32
Advances from Customers	2,631.23	3,923.29
Servicing liability on direct assignment	15.80	-
	<b>3,046.09</b>	<b>4,072.61</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 3.20 : Equity share capital

## a. Details of authorised, issued and subscribed share capital

Particulars	As at 31 March 2024		As at 31 March 2023	
	Number of shares	Amount	Number of shares	Amount
<b>Authorised capital</b>				
Equity shares of ₹10 - each	1,00,00,00,000	1,00,000.00	1,00,00,00,000	1,00,000.00
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹10 - each fully paid	92,87,28,108	92,872.81	88,40,22,266	88,402.23
<b>Total</b>	<b>92,87,28,108</b>	<b>92,872.81</b>	<b>88,40,22,266</b>	<b>88,402.23</b>

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

Particulars	As at 31 March 2024		As at 31 March 2023	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	88,40,22,266	88,402.23	75,98,55,835	75,985.58
Add: Shares issued during the year	4,47,05,842	4,470.58	12,41,66,431	12,416.65
Less: Shares bought back during the year	-	-	-	-
<b>Total</b>	<b>92,87,28,108</b>	<b>92,872.81</b>	<b>88,40,22,266</b>	<b>88,402.23</b>

## c. Particulars of shares held by holding Company

Name of Shareholder	Relationship	As at 31 March 2024		As at 31 March 2023	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Arka Financial Holdings Private Limited*	Holding Company	92,87,09,775	99.998%	88,40,04,815	99.998%

\* 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 2024		As at 31 March 2023	
		No of equity shares held	Percentage	No of equity shares held	Percentage
Arka Financial Holdings Private Limited*	Holding Company	92,87,09,775	99.998%	88,40,04,815	99.998%

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

## e. Particulars of shares held by promoters

Promoter name	As at 31 March 2024			As at 31 March 2023		
	No. of Shares	% of total shares	% Change during the year	No. of Shares	% of total shares	% Change during the year
Arka Financial Holdings Private Limited*	92,87,09,775	99.998%	5.06%	88,40,04,815	99.998%	16.34%

\* 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 2024

(Currency Indian Rupees in Lakhs)

## NOTE 3.21 : Other equity

Particulars	As at 31 March 2024	As at 31 March 2023
Statutory reserves u/s 45-IC of The RBI Act, 1934	3,721.77	2,337.15
Securities premium reserve	5,860.66	4,631.25
Share options outstanding account	1,139.96	927.21
Retained earnings	14,073.24	8,555.12
	<b>24,795.63</b>	<b>16,450.73</b>

## 3.21.A Other equity movement

Particulars	As at 31 March 2024	As at 31 March 2023
<b>Statutory reserves u/s 45-IC of The RBI Act, 1934</b>		
Opening Balance	2,337.15	1,109.86
Add : Transferred from retained earnings	1,384.62	1,227.29
<b>Closing Balance</b>	<b>3,721.77</b>	<b>2,337.15</b>
<b>Securities premium reserve</b>		
Opening Balance	4,631.25	2,147.92
Add : Premium collected on share allotment	1,229.41	2,483.33
<b>Closing Balance</b>	<b>5,860.66</b>	<b>4,631.25</b>
<b>Share options outstanding account</b>		
Opening Balance	927.21	793.18
Less : Transferred to Retained Earnings	-	(2.75)
Add/(Less) : Movement during the year	212.75	136.78
<b>Closing Balance</b>	<b>1,139.96</b>	<b>927.21</b>
<b>Retained earnings</b>		
Opening Balance	8,555.12	3,645.96
Add: Profit / (Loss) for the year	6,923.08	6,136.46
Add: Other Comprehensive income	(20.34)	(2.76)
Add: ESOP reserves	-	2.75
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(1,384.62)	(1,227.29)
<b>Closing Balance</b>	<b>14,073.24</b>	<b>8,555.12</b>

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

2. During the year ended 31 March 2024, the Company has issued and allotted 4,47,05,842 equity shares of face value of ₹ 10 per equity share at a premium of ₹ 2.75 per equity share amounting to ₹ 5,699.99 lakhs to its holding company 'Arka Financial Holdings Private Limited' on rights 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 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 4.01 : Revenue from operations

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Interest income on financial assets measured at amortised cost:</b>		
<b>Interest on loans</b>		
- Financing business	46,008.17	33,188.01
- Employee loan	0.45	1.51
<b>Interest on investments</b>		
- Debentures/bonds and Pass through certificates	2,028.66	1,368.21
- Commercial papers / Certificate of Deposits	11.08	206.12
<b>Interest on Deposits</b>		
- Deposits with banks	746.45	285.75
- Security deposits	32.30	24.45
<b>Total</b>	<b>48,827.11</b>	<b>35,074.05</b>
<b>Interest income on financial assets measured at fair value through profit or loss:</b>		
- Investments in AIF	216.49	-
<b>Total</b>	<b>216.49</b>	<b>-</b>
<b>Fees and commission income</b>		
- Syndication, advisory & other fees	1,211.55	810.25
<b>Total</b>	<b>1,211.55</b>	<b>810.25</b>
<b>Gain on derecognition of financial assets measured at amortised cost</b>	<b>4,017.89</b>	<b>-</b>
<b>Net gain on sale of investments</b>		
- Net gain on sale of investments	2,095.79	1,182.01
<b>Total</b>	<b>2,095.79</b>	<b>1,182.01</b>
<b>Net gain on fair value changes of investments</b>		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investment in mutual funds	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Fair value changes</b>		
- Realised	-	-
- Unrealised	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## NOTE 4.02 : Other income

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Miscellaneous income</b>		
- Other income	709.90	222.57
<b>Total</b>	<b>709.90</b>	<b>222.57</b>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 4.03 : Finance costs

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Interest expense on financial liabilities measured at amortised cost:</b>		
<b>Interest expense on borrowings</b>		
Interest on term loan from banks and NBFCs	20,259.18	12,579.37
Interest on overdraft facility from banks	5.55	13.85
Interest on lease liability	108.96	23.32
<b>Interest expense on debt securities</b>		
Debentures	7,986.63	4,941.34
Commercial papers	903.60	891.81
<b>Interest expense on subordinated debt</b>	917.10	369.00
<b>Other interest expense</b>		
Bank charges & other related costs	1,287.41	798.59
	<b>31,468.43</b>	<b>19,617.28</b>

## NOTE 4.04 : Net loss on fair value changes

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Net loss on fair value changes	2.67	76.10
	<b>2.67</b>	<b>76.10</b>

## NOTE 4.05 : Impairment on financial instruments

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Impairment on financial instruments at amortised cost:</b>		
<b>Impairment on loans</b>		
Provision for expected credit loss	1,065.67	579.47
Write offs (net of recovery)	1,515.15	26.09
<b>Impairment on investments</b>		
Provision for expected credit loss	(59.40)	82.39
<b>Impairment on others</b>		
Undrawn loan commitments	39.77	(89.19)
	<b>2,561.19</b>	<b>598.76</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

## NOTE 4.06 : Employee benefit expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Salaries, other allowances and bonus	7,187.81	5,976.09
Gratuity expenses	34.28	32.70
Leave encashment	43.12	15.95
Contribution to provident and other funds	190.39	115.61
Share based payment expense	212.75	136.78
Staff welfare expenses	61.26	34.82
	<b>7,729.61</b>	<b>6,311.95</b>

## NOTE 4.07 : Depreciation and amortisation expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Depreciation of property, plant and equipment	675.60	308.24
Amortisation of intangible assets	96.52	85.36
	<b>772.12</b>	<b>393.60</b>

## NOTE 4.08 : Other expenses

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Rent	219.14	78.07
Insurance	140.10	105.44
Other repairs and maintenance	47.26	45.51
Travelling and conveyance	345.46	146.05
Communication expenses	18.15	8.14
Printing and stationery	24.78	14.83
Professional charges	1,180.00	690.67
Membership and subscription	24.99	33.50
Auditor's remuneration	25.54	19.71
Technology expenses	515.91	243.57
Custodian charges	0.67	0.83
Directors' sitting fees and commission	158.99	28.25
Electricity charges	33.21	12.56
Office expenses	126.62	50.97
Postage and courier	19.88	7.11
ROC Expenses	1.17	0.26
GST expenses	98.45	394.71
Stamp duty	19.78	27.83
Housekeeping and security charges	67.73	29.98
Corporate social responsibilities expenses	120.00	70.93
Loss on Disposal of Fixed Asset	7.44	0.38
Branding and advertisement expenses	148.27	1.42
Direct Assignment Expenses	271.13	-
Net loss on sale of investments	22.33	-
	<b>3,637.00</b>	<b>2,010.72</b>

## Payment to auditor includes:

a) as statutory auditors	22.38	17.20
b) for certification related matters	2.09	1.98
c) for other services	1.07	0.53
<b>Total</b>	<b>25.54</b>	<b>19.71</b>

## Details for expenditure on Corporate Social Responsibility:

a) Gross amount required to be spent during the year	120.00	70.93
b) Amount spent during the year		
- Expenses paid in cash	120.00	70.93
- Expenses yet to be paid for	-	-
<b>Total</b>	<b>120.00</b>	<b>70.93</b>
c) Nature of expenditure		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure		
The donation is towards the expenses related to activities for admission process, payment of salaries, professional fees for education services, library subscriptions, books etc.	120.00	70.93
<b>Total</b>	<b>120.00</b>	<b>70.93</b>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 4.09 : Income Tax

## Tax expense

## (a) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Current tax expense</b>		
Current income tax	2,049.53	2,450.07
(Excess)/short provision related to earlier years	-	333.12
	<b>2,049.53</b>	<b>2,783.19</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	406.60	(639.18)
	<b>406.60</b>	<b>(639.18)</b>
<b>Tax expense reported in the statement of profit and loss</b>	<b>2,456.13</b>	<b>2,144.01</b>

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

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

## (c) Reconciliation of tax expense

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Accounting profit before income tax expense	9,379.21	8,280.47
<b>Tax @ 25.168% (31 March 2023 : 25.168%)</b>	<b>2,360.56</b>	<b>2,084.03</b>
<b>Difference in tax rate due to:</b>		
- Effect of non-deductible expenses	88.72	59.28
- Others	6.85	0.70
<b>Total Tax Expenses</b>	<b>2,456.13</b>	<b>2,144.01</b>
<b>Effective tax rate</b>	<b>26.19%</b>	<b>25.89%</b>

The Company does not have unused tax losses



ARKA FINCAP LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 5.01 : Earnings per share (EPS)

Basic EPS calculated by dividing the net profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders (after adjusting profit impact of dilutive potential equity shares, if any) by the aggregate of weighted average number of equity shares outstanding during the year and the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
I. Profit attributable to equity holders (A)		
Profit attributable to equity holders for basic and diluted EPS	6,923.08	6,136.46
II. Weighted average number of equity shares for calculating Basic EPS (B)	92,07,88,546	85,53,83,033
III. Weighted average number of equity shares for calculating Diluted EPS (C)	93,01,00,390	86,36,11,131
IV. Basic earnings per share (₹)	0.75	0.72
V. Diluted earnings per share (₹)	0.74	0.71





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 5.02 : Financial instruments – Fair values

**A. Accounting classification and fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using a valuation technique

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

As at 31 March 2024								
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual Funds	-	-	-	-	-	-	-	-
(b) Investments in Debentures	-	-	6,503.02	6,503.02	6,503.02	-	-	6,503.02
(c) Investments in Commercial papers	-	-	-	-	-	-	-	-
(d) Investments in Pass through certificates (PTCs)	-	-	1,031.34	1,031.34	-	-	1,031.34	1,031.34
(e) Investments in Arka Credit Fund I	3,089.09	-	-	3,089.09	-	-	3,089.09	3,089.09
(f) Investments in Equity Instruments - Kirloskar Proprietary Ltd	-	-	1.49	1.49	-	-	1.49	1.49
<b>Total</b>	<b>3,089.09</b>	<b>-</b>	<b>7,535.85</b>	<b>10,624.94</b>	<b>6,503.02</b>	<b>-</b>	<b>4,121.92</b>	<b>10,624.94</b>

As at 31 March 2023								
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
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual Funds	13,002.02	-	-	13,002.02	13,002.02	-	-	13,002.02
(b) Investments in Debentures	-	-	21,975.60	21,975.60	21,975.60	-	-	21,975.60
(c) Investments in Commercial papers	-	-	1,488.92	1,488.92	-	-	1,488.92	1,488.92
(d) Investments in Pass through certificates (PTCs)	-	-	2,720.22	2,720.22	-	-	2,720.22	2,720.22
<b>Total</b>	<b>13,002.02</b>	<b>-</b>	<b>26,184.74</b>	<b>39,186.76</b>	<b>34,977.62</b>	<b>-</b>	<b>4,209.14</b>	<b>39,186.76</b>

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 2024

(Currency: Indian Rupees in Lakhs)

## NOTE 5.02 : Financial instruments – Fair values

### B. Fair value hierarchy

Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to un-adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair-value-hierarchy under Ind AS 107 are described below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and place limited reliance on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level. This is the case for unlisted equity securities included in level 3.

## NOTE 5.03 : Financial instruments risk management

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

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

### (A) Regulatory Risk;

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

#### Mitigation:

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

### (B) Credit Risk:

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

#### Mitigation:

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

### (C) Liquidity Risk:

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

#### Mitigation:

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





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(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 2024	As at 31 March 2023
CRAR – Tier I capital (%)	22.54%	24.04%
CRAR – Tier II capital (%)	2.55%	1.44%
CRAR (%)	25.09%	25.48%
Liquidity Coverage Ratio (LCR) (%)	219%	NA
Amount of subordinated debt raised as Tier-II capital (₹ Lakhs)	13,500.00	6,000.00
Amount raised by issue of Perpetual Debt Instruments	Nil	Nil



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 5.05(A) : Related Party Disclosure as per Ind AS regulations

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

**A. Related Parties Relationship****(i) Name of the Related party and nature of relationship where control exists:**

Sr. No.	Related Party Category	Company Name
1	Ultimate Holding Company	Kirloskar Oil Engines Limited
2	Holding Company	Arka Financial Holdings Private Limited
3	Subsidiary Company of Holding Company	Arka Investment Advisory Services Private Limited
		La-Gajjar Machineries Private Limited
4	Subsidiary Company of Ultimate Holding Company	Optuqua Pipes and Electricals Private Limited (upto 25 March 2024)
		Kirloskar Americas Corp USA
		Engines LPG LLC, DBA Wildcat Power Gen, USA (w e f 29 November 2023)
5	Entity under common group	Arka Credit Fund I

**(ii) Key Management Personnel and their relatives:**

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
		Vibha V Bhandari	Wife
		Vatsal V Bhandari	Son
		Shivani Bhandari	Son's Wife
		Vandini V Bhandari	Daughter
1	Vimal Bhandari (Executive Vice Chairman & CEO)	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
		Arti A Kirloskar	Wife
1	Atul C Kirloskar (upto 31 March 2023)	Gauri A Kirloskar (Kolenaty)	Daughter
		Aditi A Kirloskar (Sahni)	Daughter
		Rahul C Kirloskar	Brother
		Suman C Kirloskar	Mother
		Arti A Kirloskar	Mother
		Atul C Kirloskar	Father
2	Gauri Kirloskar (w e f 20 May 2022)	Aditi A Kirloskar (Sahni)	Sister
		Christopher Kolenaty	Husband
		Maya Kolenaty	Daughter
		Pia Kolenaty	Daughter





**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

**NOTE 5.05(A) : Related Party Disclosures (Continued)****B. Transactions with Related Parties**

Sr. No.	Nature of the transaction / relationship / major parties	2023-24		2022-23	
		Amount	Amount from major parties	Amount	Amount from major parties
	<b>Capital Contribution received from</b>				
1	<b>Holding Company</b>	5,699.88		14,899.68	
	Arka Financial Holdings Private Limited		5,699.88		14,899.68
	<b>Total</b>	<b>5,699.88</b>	<b>5,699.88</b>	<b>14,899.68</b>	<b>14,899.68</b>
	<b>Purchase of Equity Shares of Kirloskar Proprietary Ltd from</b>				
2	<b>Holding Company</b>	1.49		0.00	
	Arka Financial Holdings Private Limited		1.49		0.00
	<b>Total</b>	<b>1.49</b>	<b>1.49</b>	<b>0.00</b>	<b>0.00</b>
	<b>Loan given to</b>				
3	<b>Subsidiary Company of Ultimate Holding Company</b>	477.47		321.23	
	Optiqua Pipes and Electricals Private Limited		477.47		321.23
	<b>Total</b>	<b>477.47</b>	<b>477.47</b>	<b>321.23</b>	<b>321.23</b>
	<b>Loan repayment from</b>				
4	<b>Subsidiary Company of Ultimate Holding Company</b>	477.47		321.23	
	Optiqua Pipes and Electricals Private Limited		477.47		321.23
	<b>Total</b>	<b>477.47</b>	<b>477.47</b>	<b>321.23</b>	<b>321.23</b>
	<b>Interest &amp; fees received on loan given</b>				
5	<b>Subsidiary Company of Ultimate Holding Company</b>	4.85		6.10	
	Optiqua Pipes and Electricals Private Limited		4.85		6.10
	<b>Total</b>	<b>4.85</b>	<b>4.85</b>	<b>6.10</b>	<b>6.10</b>
	<b>Transactions with Key Management Personnel</b>				
	Vimal Bhandari	162.15		13.16	
6	Interest expenses on NCD issued		12.15		13.16
	Repayment of Non-Convertible Debentures		150.00		0.00
	<b>Total</b>	<b>162.15</b>	<b>162.15</b>	<b>13.16</b>	<b>13.16</b>
	<b>Expenses incurred on behalf of holding company</b>	81.46		73.48	
7	Arka Financial Holdings Private Limited		81.46		73.48
	<b>Total</b>	<b>81.46</b>	<b>81.46</b>	<b>73.48</b>	<b>73.48</b>
	<b>Expenses incurred on behalf subsidiary company of holding company</b>	171.00		32.28	
8	Arka Investment Advisory Services Private Limited		171.00		32.28
	<b>Total</b>	<b>171.00</b>	<b>171.00</b>	<b>32.28</b>	<b>32.28</b>
	<b>Reimbursement of Expenses from holding company</b>	43.56		15.01	
9	Arka Financial Holdings Private Limited		43.56		15.01
	<b>Total</b>	<b>43.56</b>	<b>43.56</b>	<b>15.01</b>	<b>15.01</b>
	<b>Reimbursement of Expenses from subsidiary company of holding company</b>	57.51		0.09	
10	Arka Investment Advisory Services Private Limited		57.51		0.09
	<b>Total</b>	<b>57.51</b>	<b>57.51</b>	<b>0.09</b>	<b>0.09</b>
	<b>Transactions with Entity under same group</b>				
	Arka Credit Fund I	5,382.75		0.00	
	Sale of Exposure in NCD		2,025.06		0.00
11	Investments done in the Arka Credit Fund I		3,089.09		0.00
	Income Earned from the Investment		216.49		0.00
	Payments done on behalf of of Arka Credit Fund I		52.11		0.00
	<b>Total</b>	<b>5,382.75</b>	<b>5,382.75</b>	<b>0.00</b>	<b>0.00</b>
	<b>Managerial Remunerations:</b>				
12	<b>Key Management Personnel</b>	641.87		585.34	
	Vimal Bhandari		641.87		585.34
	<b>Total</b>	<b>641.87</b>	<b>641.87</b>	<b>585.34</b>	<b>585.34</b>



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(Currency: Indian Rupees in Lakhs)

<b>Balances with related parties</b>				
1	<b>Non convertible debentures issued</b>	0.00	150.00	
	Vimal Bhandari		0.00	150.00
	<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>150.00</b>
2	<b>Receivable from holding company</b>	239.24	114.22	
	Arka Financial Holdings Private Limited		239.24	114.22
	<b>Total</b>	<b>239.24</b>	<b>239.24</b>	<b>114.22</b>
3	<b>Subsidiary Company of Holding Company</b>	260.88	32.37	
	Arka Investment Advisory Services Private Limited		260.88	32.37
	<b>Total</b>	<b>260.88</b>	<b>260.88</b>	<b>32.37</b>
4	<b>Receivable from Entity under same group</b>	35.08	0.00	
	Arka Credit Fund I		35.08	0.00
	<b>Total</b>	<b>35.08</b>	<b>35.08</b>	<b>0.00</b>
5	<b>Investment in Entity under same group</b>	3,089.09	0.00	
	Arka Credit Fund I		3,089.09	0.00
	<b>Total</b>	<b>3,089.09</b>	<b>3,089.09</b>	<b>0.00</b>

**Notes**

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

**Terms and conditions of transactions with related parties**

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





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NOTE 5.05(B) : Related Party Disclosure pursuant to RBI Circular No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.2018/2022-23 - Disclosures in Financial Statements- Notes to Accounts of NBFC's

Particulars	Ultimate Holding Company		Holding Company		Fellow Subsidiary (Subsidiary of Holding Company)		Fellow Subsidiary (Subsidiary of Ultimate Holding Company)		Private Company in which a director is a director		Entity under common group		Key Management Personnel		Key Management Personnel	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
<b>Kirloskar Oil Engines Limited</b>																
Outstanding at year end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150.00
Maximum outstanding during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150.00
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placement of Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Advances</b>																
Outstanding at year end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maximum outstanding during the year	-	-	-	-	-	-	471.84	194.51	-	-	-	-	-	-	-	-
<b>Other Receivables</b>																
Outstanding at year end	-	-	239.24	114.22	260.88	32.37	-	-	-3.82	28.32	35.08	-	-	-	-	-
Maximum outstanding during the year	-	-	239.24	114.22	260.88	32.37	-	-	37.76	28.32	35.08	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Fixed / Other Assets	-	-	1.49	-	-	-	-	-	-	-	3,089.09	-	-	-	-	-
Sale of Fixed / Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-	2,025.06	-	-	-	-	-
Interest & processing fees received	-	-	-	-	-	-	4.85	6.10	-	-	216.49	-	-	-	12.15	13.16
<b>Others</b>																
Capital Contribution received	-	-	5,699.88	14,899.68	-	-	-	-	-	-	-	-	-	-	-	-
Payments done on behalf	-	-	81.46	73.48	171.00	32.28	-	-	-	-	52.11	-	-	-	-	-
Reimbursement of Expenses from	-	-	43.56	15.01	57.51	0.09	-	-	113.28	5.43	-	-	-	-	-	-
Services availed	-	-	-	-	-	-	-	-	78.59	1.90	-	-	-	-	-	-
Remuneration <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	151.50	28.25	984.35	821.57

**Notes**

- Key Management Personnel (other than directors) include following persons  
 (a) Mr. Vinod Bhandari - Executive Vice Chairman and CEO  
 (b) Mr. Amit Kumar Gupta - CFO  
 (c) Ms. Nisha Mehta - Company Secretary  
 (d) Mr. Tejas Raja - KMP of Holding Company (upto 31 July 2023)  
 (e) Ms. Aditi Mahamunkar - KMP of Holding Company
- Remuneration to Non-Executive Directors represents commission and sitting fees for attending board and other committee meetings. The amounts are exclusive of GST.
- The Company does not have any subsidiary companies or Associates / Joint Ventures as on reporting date or as on previous year.
- The Company does not have any transactions with relatives of Key Management Personnel during current year or previous year.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

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**NOTE 5.06 : Contingent liabilities and Commitments**

Particulars	As at 31 March 2024	As at 31 March 2023
<b>Contingent liabilities</b>	Nil	Nil
<b>Capital commitments:</b>		
Estimated amount of contracts remaining to be executed on capital account	2.82	21.24
Loans sanctioned not yet disbursed	56,761.09	39,827.94
Investment in Arka Credit Fund I	-	5,000.00

**NOTE 5.07 : Leases****Where the Company is a lessee**

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

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

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

**Disclosures as required by Ind AS 116 'Leases' are given below:****(A) Lease liability movement**

Particulars	As at 31 March 2024	As at 31 March 2023
Lease liability at beginning of the year	95.40	291.18
Add: Interest on lease liability	108.96	23.32
Add: Lease liability recognised during the year	1,130.27	-
Less: Lease rental payments	(329.19)	(180.85)
Less: Lease liability de-recognised during the year	-	(38.26)
Lease liability at the end of the year	1,005.44	95.40

**(B) Future lease cashflow for all leased assets**

Particulars	As at 31 March 2024	As at 31 March 2023
<b>Minimum Lease Payments:</b>		
Not later than one year	472.99	98.84
Later than one year but not later than five years	657.48	-
Later than five years	-	-

**(C) Maturity analysis of lease liability**

Particulars	As at 31 March 2024	As at 31 March 2023
<b>Lease liability:</b>		
Less than 12 months	394.75	95.40
More than 12 months	610.69	-

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

Particulars	As at 31 March 2024	As at 31 March 2023
a Principal and interest amount remaining unpaid (not due)	79.73	17.73
b Interest due thereon remaining unpaid	-	-
c Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006)	-	-
e Interest accrued and remaining unpaid	-	-
f Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## 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 ₹ 190.39 Lakhs (previous year ₹ 115.61 Lakhs).

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

- A Gratuity
- B Compensated Absences
- C Long term incentive plan (LTIP) (upto March 31, 2022)

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

Particulars	As at 31 March 2024	As at 31 March 2023
<b>A (i) Gratuity:</b>		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	139.65	79.86
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	139.65	79.86
<b>(ii) Compensated Absences:</b>		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	95.17	59.45
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	95.17	59.45
<b>(iii) Long term incentive plan:</b>		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	52.50	195.65
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	52.50	195.65
<b>B (i) Gratuity:</b>		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	79.86	45.04
Current service cost	28.52	28.30
Past service cost	-	-
Interest cost	5.76	2.84
Benefits paid	(1.67)	-
Actuarial (gain) / loss on obligation	27.18	3.68
Projected benefit obligation at the end of the year	139.65	79.86
<b>(ii) Compensated Absences:</b>		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	59.45	51.03
Current service cost	27.33	23.43
Past service cost	-	-
Interest cost	4.07	3.22
Benefits paid	(7.40)	-
Remeasurements on obligation - (Gain) / Loss	11.72	(18.23)
Projected benefit obligation at the end of the year	95.17	59.45
<b>C (i) Gratuity:</b>		
Amount recognised in the statement of profit and loss		
Current service cost	28.52	28.30
Past service cost and loss (gain) on curtailments and settlement	-	-
Net interest cost	5.76	2.84
Expenses recognised in the statement of profit and loss	34.28	31.14
<b>(ii) Compensated Absences:</b>		
Amount recognised in the statement of profit and loss		
Current service cost	27.33	23.43
Remeasurements on obligation - (Gain) / Loss	11.72	(18.23)
Net interest cost	4.07	3.22
Expenses recognised in the statement of profit and loss	43.12	8.42
<b>(iii) Long term incentive plan</b>		
Amount recognised in the statement of profit and loss		
Current service cost	-	-
Remeasurements on obligation - (Gain) / Loss	-	-
Net interest cost	-	-
Expenses recognised in the statement of profit and loss	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency - Indian Rupees in Lakhs)

## NOTE 5.09 : Disclosure pursuant to Employee benefits (Continued)

Particulars	As at	As at
	31 March 2024	31 March 2023
<b>D (i) Gratuity:</b>		
Amount recognised in other comprehensive income		
Actuarial (gains) / loss		
- change in financial assumption	0.41	4.06
- change in demographic assumption	-	(2.62)
- experience variation	26.77	2.24
Amount recognised in other comprehensive income	<b>27.18</b>	<b>3.68</b>
<b>E Assumptions used</b>		
Discount rate (gratuity and compensated absences)	7.20%	7.30%
Discount rate (Long term incentive plan)	NA	NA
Rate of increase in compensation levels	8.00%	8.00%
Expected average remaining working lives of employees (in years)	3.26	3.26
Retirement Age	60 years	60 years
	64 years	63 years
Withdrawal Rate	30.00%	30.00%

**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 2024		As at 31 March 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	135.70	143.87	77.66	82.20
Salary growth rate (1% movement)	142.40	136.95	81.48	78.28
Withdrawal rate (1% movement)	138.90	140.43	75.47	75.70

**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 2024		As at 31 March 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	92.70	97.79	57.98	61.01
Salary growth rate (1% movement)	96.95	93.45	60.51	58.43
Withdrawal rate (1% movement)	99.30	90.86	61.98	56.80

**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 2024		As at 31 March 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	-	-	-	-
Salary growth rate (1% movement)	-	-	-	-
Withdrawal rate (1% movement)	-	-	-	-

**I 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 3.3 years for Gratuity and 2.44 years for Compensated Absences
- The amount expected to be paid in next year Rs 36.82 Lakhs for Gratuity and Rs. 36.57 Lakhs for Compensated Absences





ARKA FINCAP LIMITED  
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 (Currency: Indian Rupees in Lakhs)

**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 2024, 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:

<b>I. Details of the ESOP:</b>						
Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4	ESOP Grant 5	ESOP Grant 6
ESOP Plan/ Scheme	ESOP - 2019	ESOP - 2019	ESOP - 2019	ESOP - 2019	ESOP - 2019	ESOP - 2019
Date of Grants	06 May 2019	01 November 2019	02 November 2020	18 July 2022	07 June 2023	26 June 2023
Vesting Requirements	Vesting Criteria is specified for each Option Holder by the Nomination and Remuneration Committee at the time of grant of Options.					
Maximum term of Options granted (years)	Vesting period of option vary from employee to employee or class of employees; the maximum vesting period of option is five years from the date of grant of option. Options shall be capable of being exercised within a period of 6 years from the Date of Vesting.					
Method of Settlement	Equity					
Method used for accounting of options	Fair Value Method					

<b>II. Option Movement during the year ended Mar 2024:</b>						
Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4	ESOP Grant 5	ESOP Grant 6
No. of Options Outstanding at the beginning of the year	2,06,50,000	12,50,000	3,25,000	99,50,000	-	-
Options Granted during the year	-	-	-	-	45,20,000	2,00,000
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	12,50,000	3,25,000	99,50,000	45,20,000	2,00,000
Number of Options exercisable at the end of the year	2,06,50,000	12,50,000	1,95,000	39,80,000	-	-
The weighted average share price of shares exercised during the year ended 31 March 2024	NA	NA	NA	NA	NA	NA

<b>Option Movement during the year ended Mar 2023:</b>						
Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4	ESOP Grant 5	ESOP Grant 6
No. of Options Outstanding at the beginning of the year	2,06,50,000	12,50,000	10,75,000	-	-	-
Options Granted during the year	-	-	-	1,00,00,000	-	-
Options Forfeited / Lapsed during the year	-	-	7,50,000	50,000	-	-
Options Exercised during the year	-	-	-	-	-	-
Number of options Outstanding at the end of the year	2,06,50,000	12,50,000	3,25,000	99,50,000	-	-
Number of Options exercisable at the end of the year	2,06,50,000	7,50,000	97,500	-	-	-
The weighted average share price of shares exercised during the year ended 31 March 2023	NA	NA	NA	NA	NA	NA

<b>III. Weighted Average remaining contractual life:</b>						
Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4	ESOP Grant 5	ESOP Grant 6
Range of Exercise Price (₹ per share)	10	10	11	12	12.75	12.75
No. of Options Outstanding as on 31 March 2024	2,06,50,000	12,50,000	3,25,000	99,50,000	45,20,000	2,00,000
Contractual Life: Granted but not vested (in years)	0	0	0.41	1.50	1.74	1.75

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

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

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4	ESOP Grant 5	ESOP Grant 6
Risk Free Interest Rate	7.40%	6.60%	5.80%	7.17%	6.84%	6.95%
Weighted average expected life (in years)	6	7	7	5	5	5
Expected Volatility	1.00%	1.00%	1.00%	19.45%	19.67%	19.45%
Weighted average exercise price (₹ per share)	10.00	10.00	11.00	12.00	12.75	12.75

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

Particulars	31 March 2024	31 March 2023
Employee share based expense	212.75	136.78
Total ESOP reserve outstanding at the end of the year	1,139.96	927.21



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

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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 2024			As at 31 March 2023		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS							
Financial assets							
Cash and cash equivalents	3 01	39,252.96	-	39,252.96	21,438.88	-	21,438.88
Bank balances other than cash and cash equivalents	3 02	-	-	-	1,022.19	-	1,022.19
Trade receivable	3 03	20.25	-	20.25	-	-	-
Loans	3 04	1,37,946.59	3,32,541.47	4,70,488.06	1,36,815.55	2,31,757.33	3,68,572.88
Investments	3 05	6,483.73	2,587.12	9,070.85	29,927.23	9,174.55	39,101.78
Other financial assets	3 06	1,295.85	4,113.90	5,409.75	827.51	273.22	1,100.73
Non-financial assets							
Current tax assets (net)	3 07	1,819.33	-	1,819.33	445.86	-	445.86
Deferred tax assets (net)	3 08	-	893.08	893.08	-	1,292.82	1,292.82
Property, plant and equipment	3 09	-	1,814.99	1,814.99	-	313.71	313.71
Intangible assets	3 10	-	249.28	249.28	-	256.15	256.15
Capital work-in-progress	3 11	-	19.31	19.31	-	-	-
Intangible assets under development		-	-	-	-	-	-
Other non-financial assets	3 12	531.06	33.49	564.55	242.71	21.73	264.44
TOTAL ASSETS		1,87,349.77	3,42,252.64	5,29,602.41	1,90,719.93	2,43,089.51	4,33,809.44

Particulars		As at 31 March 2024			As at 31 March 2023		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
<b>LIABILITIES</b>							
<b>Financial liabilities</b>							
Trade payables	3 12	615.86	-	615.86	162.21	-	162.21
Debt securities	3 13	78,569.73	46,580.59	1,25,150.32	41,922.35	67,819.80	1,09,742.15
Borrowings (other than debt securities)	3 14	1,15,632.82	1,27,520.83	2,43,153.65	89,112.96	1,06,408.92	1,95,521.88
Subordinated Debt	3 15	373.71	13,459.27	13,832.98	369.00	5,948.82	6,317.82
Other financial liabilities	3 16	25,065.55	610.69	25,676.24	12,673.11	-	12,673.11
<b>Non-financial liabilities</b>							
Provisions	3 17	76.40	382.43	458.83	26.54	440.16	466.70
Other non-financial liabilities	3 18	3,046.09	-	3,046.09	4,072.61	-	4,072.61
<b>TOTAL LIABILITIES</b>		<b>2,23,380.16</b>	<b>1,88,553.81</b>	<b>4,11,933.97</b>	<b>1,48,338.78</b>	<b>1,80,617.70</b>	<b>3,28,956.48</b>





**ARKA FINCAP LIMITED**  
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**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
<b>LIABILITIES</b>										
Deposits	-	-	-	-	-	-	-	-	-	-
Borrowings from banks	3,364.41	315.21	835.87	4,909.68	14,899.46	25,594.15	45,964.54	1,03,364.00	8,942.95	0.00
Market borrowings	1,012.17	-	5,092.09	3,283.15	4,250.36	13,338.38	71,716.90	55,625.44	12,128.30	7,499.90
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
<b>ASSETS</b>										
Loans & advances	4,258.07	5,575.43	6,319.97	8,625.69	19,973.48	34,307.51	73,432.98	1,57,233.26	34,118.09	1,28,985.58
Investments	-	-	3,569.65	71.44	71.77	209.61	3,432.48	179.40	-	3,090.58
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-

The above disclosure is made as per RBI Guidelines on Liquidity Risk Management Framework

In addition to the investments shown in the table above, the Company also has cash & equivalents and undrawn funding lines as under:

- Cash & Cash Equivalents (refer note 3.01)	39,252.96
- Undrawn funding lines	8,357.00
<b>Total</b>	<b>47,609.96</b>

**NOTE 5.13 : Exposure to Real Estate Sector**

Particulars	As at 31 March 2024	As at 31 March 2023
<b>i) Direct exposure</b>		
<b>a) Residential Mortgages</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Exposure would also include non-fund based (NFB) limits	1,02,387.59	58,263.93
<b>b) Commercial Real Estate</b>		
Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits	1,10,400.41	1,46,455.29
<b>c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures</b>		
- Residential	-	1,829.54
- Commercial Real Estate	214.33	908.50
<b>ii) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	5,916.41
<b>Total Exposure to Real Estate Sector</b>	<b>2,13,002.33</b>	<b>2,13,373.67</b>

**NOTE 5.14 : Exposure to Capital Market**

Particulars	As at 31 March 2024	As at 31 March 2023
i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt,	-	-
ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds,	-	-
iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security,	26,118.93	31,594.75
iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances,	-	-
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers,	-	-
vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources,	-	-
vii) Bridge loans to companies against expected equity flows / issues,	-	-
viii) Underwriting commitments taken up by the NBFCs in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
ix) Financing to stockbrokers for margin trading	-	-
x) All exposures to Alternative Investment Funds	-	-
(i) Category I	-	-
(ii) Category II	3,089.09	5,000.00
(iii) Category III	-	-
xi) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>	<b>29,208.02</b>	<b>36,594.75</b>



ARKA FINCAP LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 6.01 : Disclosures Pursuant to Annex XXII to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

**I. Significant accounting policies**

Significant accounting policies have been given in Note No 2 of the financial statements

**II. Capital**

The disclosure related to capital has been given in Note No 5.04 in the financial statements

**III. Investments**

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>1 Value of Investments</b>		
(i) Gross Value of Investments		
(a) In India	10,624.94	39,186.76
(b) Outside India	-	-
(ii) Provision for Depreciation*		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	10,624.94	39,186.76
(b) Outside India	-	-
<b>2 Movement of provisions held towards depreciation on investments</b>		
(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 and provision on investments in Arka Credit Fund I made in compliance with RBI circulars RBI/2023-24/90 DOR STR REC 58/21 04 048/2023-24 dated December 19, 2023 & RBI/2023-24/140 DOR STR REC.85/21 04 048/2023-24 dated March 27, 2024 are not considered here.

**IV. Derivatives**

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

**V. Asset Liability Management Maturity pattern of certain items of Assets and Liabilities**

The disclosure on Asset Liability Management Maturity pattern has been given in Note No 5.12 of the financial statements

**VI. Exposure to Real Estate Sector**

The disclosure on exposure to real estate sector has been given in Note No 5.13 of the financial statements

**VII. Exposure to Capital Market**

The disclosure on exposure to capital market has been given in Note No 5.14 of the financial statements

**VIII. Details of financing of parent Company products : None**

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

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

**X. Unsecured Advances against intangible securities : None**

**XI. Registration obtained from other financial sector regulators :**

The Company is registered with the Insurance Regulatory And Development Authority Of India (IRDA) on 29th February 2024 to act as a corporate agent for distribution of insurance products. The registration code is CA0914 and is valid till 28th February 2027





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

## NOTE 6.01 (Continued)

**XII. Disclosure of penalties imposed by RBI and other regulators :**

During the current year ended 31 March 2024, the company had received an order No. ACCT/LGSTO-55/PT order SI no. 7793/T No. 12001 /2023-24 dated October 31, 2023 from Commercial Taxes Department, Government of Karnataka towards non-payment of Profession Tax of Rs 4,425/- (including interest & penalty) for FY 2022-23 and Rs 3,975/- (including interest & penalty) for FY 2023-24

The Company had also received an assessment notice from Greater Chennai Corporation, Revenue Department, Chennai towards non-payment of Profession Tax of ₹ 61,165/- (including interest & penalty) for period Apr-22 to Sep-22, Oct-22 to Mar-23 & Apr-23 to Sep-23

Both the above liabilities have been paid and there is no outstanding demand from any regulators and statutory authorities as on 31 March 2024

No penalties were imposed by any regulators and statutory authorities during previous year ended 31 March 2023

**XIII. Related Party Transactions :**

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

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

Sr No	Instrument		For the year ended 31 March 2024	For the year ended 31 March 2023
1	Bank Loan Facilities	CRISIL	AA-	AA-
2	Commercial Paper	CRISIL	A1+	A1+
		INDIA RATINGS	A1+	A1+
3	Market Linked Debentures (MLD)	CRISIL	PPMLD AA-	PPMLD AA-
4	NCD	CRISIL	AA-	AA-
		INFOMERICS	-	-

**XV. Remuneration of Directors :**

Sr No	Instrument	For the year ended 31 March 2024	For the year ended 31 March 2023
1	Transactions with the Non-Executive Directors		
	Payment of Director Sitting fees and comission (inclusive of GST)	158.99	28.25

**XVI. Net Profit or Loss for the period, prior period items and changes in accounting policies**

There are no prior period items impacting current year's profit and loss. There are no changes in accounting policies during current year

**XVII. Revenue Recognition**

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

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

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 Provisions for depreciation on Investment	-	-
2 Provision towards NPA	691.31	104.65
3 Provision made towards Income tax	2,049.53	2,450.07
4 Other Provision and Contingencies	-	-
5 Provision for Standard Assets	354.73	468.02

The Company has made provision of ₹ 1,528.50 lakh against its investments in Alternate Investment Funds (AIFs) during the year ended 31 March 2024 as per RBI circular RBI/2023-24/90 DOR STR REC 58/21 04 048 2023-24 dated December 19, 2023 and RBI/2023-24/140 DOR STR REC 85/21 04 048 2023-24 dated March 27, 2024. The same has been disclosed as an exceptional item in the statement of profit and loss and hence not included above

**XIX. Draw down from reserves : None**

**ARKA FINCAP LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

(Currency Indian Rupees in Lakhs)

**NOTE 6.01 (Continued)**
**XX. Concentration of Advances**

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 Total Advances to twenty largest borrowers	1,40,608.17	1,45,904.39
2 Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	29.74%	39.45%

**XXI. Concentration of Exposures**

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 Total Exposures to twenty largest borrowers	1,57,643.80	1,54,357.19
2 Percentage of Exposures to twenty largest borrowers to Total Exposures of the Company	29.34%	35.41%

**XXII. Concentration of NPA**

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 Total Exposure to top four NPA accounts	684.28	31.70

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

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 Agriculture and allied activities	0.63%	-
2 MSME	0.28%	-
3 Corporate borrowers	-	-
4 Services	0.04%	0.00%
5 Unsecured personal loans	0.60%	1.23%
6 Auto loans	-	-
7 Other personal loans	2.16%	0.22%

**XXIV. Movement of NPAs**

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 Net NPAs to Net Advances (%)	0.06%	-
2 Movement of NPAs (Gross)		
(a) Opening balance	34.54	-
(b) Additions during the year	1,137.25	116.27
(c) Reductions during the year	76.61	81.73
(d) Closing balance	1,095.17	34.54
3 Movement of Net NPAs		
(a) Opening balance	-	-
(b) Additions during the year	299.22	-
(c) Reductions during the year	-	-
(d) Closing balance	299.22	-
4 Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	104.65	-
(b) Additions during the year	691.31	104.65
(c) Reductions during the year	-	-
(d) Closing balance	795.96	104.65

**XXV. Overseas Assets (for those with joint ventures and Subsidiaries abroad):**  
There are no Overseas Assets.

**XXVI. 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.





ARKA FINCAP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 6.01 (Continued)

### XXVII. Customer Complaints

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1 No. of complaints pending at the beginning of the period	-	-
2 No. of complaints received during the period	296	13.00
3 No. of complaints redressed during the period	296	13.00
4 No. of complaints pending at the end of the period	-	-

### XXVIII. Loan against security of single product - Gold Jewellery

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Percentage of Loan against security of single product - Gold Jewellery to Total Assets	0.22%	0.48%

No auctions have been conducted by the Company during the current year and previous year.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 6.02 (A) : Disclosures Pursuant to Annex VII to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

**I. Exposure to Real Estate Sector**

The disclosure on exposure to real estate sector has been given in Note No 5.13 of the financial statements

**II. Exposure to Capital Market**

The disclosure on exposure to capital market has been given in Note No 5.14 of the financial statements

**III. Sectoral Exposure**

Sectors	Current Year			Previous Year		
	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
<b>I Agriculture and Allied Activities</b>	1,458.20	9.16	0.63%	-	-	0.00%
<b>2 Industry</b>						
i Micro and Small	69,519.44	14.21	0.02%	28,054.67	-	0.00%
ii Medium	1,819.51	-	0.00%	1,733.51	-	0.00%
iii Large	2,84,584.60	-	0.00%	2,70,794.08	-	0.00%
iv Others	30,547.86	586.00	1.92%	38,115.13	80.29	0.21%
<b>Total of Industry (i+ii+iii+Others)</b>	<b>3,86,471.41</b>	<b>600.21</b>	<b>0.16%</b>	<b>3,38,697.39</b>	<b>80.29</b>	<b>0.02%</b>
<b>3 Services</b>						
i NBFCs	9,862.83	-	0.00%	21,319.11	-	0.00%
ii Retail Trade	34,930.14	203.69	0.58%	14,245.05	0.90	0.01%
iii Wholesale Trade (other than Food Procurement)	31,407.95	156.56	0.50%	11,219.21	-	0.00%
Others	63,296.60	137.80	0.22%	47,994.38	-	0.00%
<b>Total of Services (i+ii+iii+Others)</b>	<b>1,39,497.52</b>	<b>498.04</b>	<b>0.36%</b>	<b>94,777.75</b>	<b>0.90</b>	<b>0.00%</b>
<b>4 Personal Loans</b>						
i Education Loans	3,667.00	19.52	0.53%	1,768.14	4.18	0.24%
ii Others	6,112.41	45.71	0.75%	698.66	30.90	4.42%
<b>Total of Personal Loans (i+ii)</b>	<b>9,779.41</b>	<b>65.24</b>	<b>0.67%</b>	<b>2,466.80</b>	<b>35.08</b>	<b>1.42%</b>
5 Others, if any (please specify)	-	-	0.00%	-	-	0.00%

**IV. Intra-group exposures**

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
i) Total amount of intra-group exposure	-	500
ii) Total amount of top 20 intra-group exposures	Nil	Nil
iii) Percentage of intra-group exposures to total exposure of the NBFC on borrowers/customers	0.00%	0.11%

**V. Unhedged Foreign Currency Exposure**

The Company does not have any unhedged foreign currency exposure for the year ended March 31, 2024 (Previous year: Rs Nil)

**VI. Related Party Disclosure :**

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

**VII. Disclosure of complaints****1) Summary of information on complaints received by the Company from customers and from the offices of Ombudsman**

Sr. No.	Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
<b>Complaints received by the Company from its Customers</b>			
1	Number of complaints pending at beginning of the year	-	-
2	Number of complaints received during the year	296	13
3	Number of complaints disposed during the year	296	13
3.1	Of which, number of complaints rejected by the Company	-	-
4	Number of complaints pending at the end of the year	-	-
<b>Maintainable complaints received by the Company from Office of Ombudsman</b>			
5	Number of maintainable complaints received by the Company from Office of Ombudsman	6	2
5.1	Of 5, number of complaints resolved in favour of the Company by Office of Ombudsman	6	2
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-	-
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the Company	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency : Indian Rupees in Lakhs)

NOTE 6.02 (A) : Disclosures Pursuant to Annex VII to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Continued)

### 2) Top grounds of complaints received by the Company from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Loans and advances			Current Year		
Non receipt of documents	-	204	50	-	-
Reporting	-	0	-1	-	-
Staff Behaviour	-	79	9	-	-
Others	-	13	n.a.	-	-
Total	-	296	0	-	-
			Previous Year		
Loans and advances					
Non receipt of documents	-	4	100	-	-
Reporting	-	1	100	-	-
Staff Behaviour	-	8	100	-	-
Others	-	0	0	-	-
Total	-	13	100	-	-

VIII. Details of non-compliance with requirements of Companies Act, 2013 : None

#### IX. Details of penalties and strictures

The disclosure has been given in Note No 6.01 (XII) of the financial statements

#### X. Breach of Covenant

There are no instances of breach of covenants of loans availed or debt securities issued during the current year ended March 31, 2024 and previous year ended March 31, 2023.

#### XI. Divergence in Asset Classification and Provisioning : None

NOTE 6.02 (B) : Disclosures Pursuant to Annex XI to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

#### Loans sanctioned to Directors, Senior Officers and relatives of Directors

Sr. No.	Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
1	Directors and their relatives	-	-
2	Entities associated with directors and their relatives	-	-
3	Senior Officers and their relatives	-	500.00

NOTE 6.02 (C) : Disclosures Pursuant to RBI Master Direction - Monitoring of frauds in NBFCs dated September 29, 2016

The Company has reported a fraud in one borrowal account onboarded through co-lending arrangement, amounting to Rs. 6.96 lakhs (previous year : nil) to RBI. The management has taken appropriate action and the same has been fully recovered during the current year ended 31 March 2024.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

NOTE 6.03 (A) : Disclosures pursuant to Master Directions - RBI (Transfer of Loan Exposures) Directions, 2021 vide circular RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22

(i) Details of loans not in default acquired through assignments:

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Aggregate amount of loans acquired	18,971.78	18,826.24
Weighted average residual maturity (in years)	1.55	3.50
Weighted average holding period by originator (in years)	0.85	0.92
Retention of beneficial economic interest by the originator	10%	10%
Tangible security coverage	20%	46%
Rating-wise distribution of loans	Unrated	Unrated

(ii) Details of loans not in default transferred by way of Novation:

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Number of loans	10	3
Aggregate amount of loans transferred	17,568.78	5,303.00
(ii) Weighted average remaining maturity (in years)	2.52	2.70
(iii) Weighted average holding period after origination (in years)	0.58	0.82
Retention of beneficial economic interest	Nil	Nil
Coverage Tangible security coverage	100%	100%
Rating-wise distribution of loans	NA	NA
Number of transactions where transferor has agreed to replace the transferred loans	Nil	Nil
Number of transferred loans replaced	Nil	Nil

(iii) Details of loans not in default transferred by way of Assignment:

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Number of loans	1008	-
Aggregate amount of loans transferred (in Lakhs)	44,358.68	-
Weighted average remaining maturity (in years)	11.66	-
Weighted average holding period after origination (in years)	0.84	-
Retention of beneficial economic interest	14%	-
Coverage Tangible security coverage	87%	-
Rating-wise distribution of loans	NA	-
Number of transactions where transferor has agreed to replace the transferred loans	Nil	-
Number of transferred loans replaced	Nil	-

(iv) During the year, the company has not transferred / acquired loans in default.

NOTE 6.03 (B) : Disclosures pursuant to Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 vide circular RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22

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





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

**NOTE 6.04 : Disclosures Pursuant to Annex II to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023**

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)
<b>Performing Assets</b>						
Standard	Stage 1	4,77,395.56	1,482.98	4,75,912.58	1,876.24	(393.26)
	Stage 2	1,873.68	89.51	1,784.18	7.41	82.10
	<b>Subtotal</b>	<b>4,79,269.24</b>	<b>1,572.49</b>	<b>4,77,696.76</b>	<b>1,883.65</b>	<b>(311.16)</b>
<b>Non-Performing Assets (NPA)</b>						
Substandard	Stage 3	1,095.17	795.96	299.22	116.00	679.95
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
	<b>Subtotal for doubtful</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss	Stage 3	-	-	-	-	-
	<b>Subtotal for NPA</b>	<b>1,095.17</b>	<b>795.96</b>	<b>299.22</b>	<b>116.00</b>	<b>679.95</b>
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	56,761.09	171.51	-	-	171.51
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	<b>Subtotal</b>	<b>56,761.09</b>	<b>171.51</b>	<b>-</b>	<b>-</b>	<b>171.51</b>
<b>TOTAL</b>						
	Stage 1	5,34,156.65	1,654.48	4,75,912.58	1,876.24	(221.75)
	Stage 2	1,873.68	89.51	1,784.18	7.41	82.10
	Stage 3	1,095.17	795.96	299.22	116.00	679.95
	<b>Total</b>	<b>5,37,125.50</b>	<b>2,539.95</b>	<b>4,77,995.98</b>	<b>1,999.65</b>	<b>540.30</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currencies - Indian Rupees in Lakhs)

NOTE 6.05 : Disclosures Pursuant to Annex VIII to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

Particulars	As at March 31, 2024		As at March 31, 2023	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
<b>LIABILITIES SIDE</b>				
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a) Debenture - Secured	1,05,678.83	-	98,094.98	-
Unsecured	13,832.98	-	6,317.82	-
(b) Deferred Credits	-	-	-	-
(c) Term Loans	2,41,411.60	-	1,95,521.88	-
(d) Inter-corporate loans and borrowing	-	-	-	-
(e) Commercial Paper	19,471.49	-	11,647.17	-
(f) Public Deposits	-	-	-	-
(g) Other Loans - Working capital demand loans from bank	-	-	-	-
(g) Overdraft	1,742.05	-	-	-
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):				
(a) In the form of Unsecured debentures	-	-	-	-
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-	-	-
(c) Other public deposits	-	-	-	-
<b>ASSETS SIDE</b>				
(3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	As at March 31, 2024		As at March 31, 2023	
(a) Secured	4,15,130.75		3,41,094.27	
(b) Unsecured	57,700.16		28,755.79	
(4) Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities				
(i) Lease assets including lease rentals under sundry debtors:				
(a) Financial lease	-		-	
(b) Operating lease	-		-	
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire	-		-	
(b) Repossessed Assets	-		-	
(iii) Other loans counting towards asset financing activities				
(a) Loans where assets have been repossessed	-		-	
(b) Loans other than (a) above	-		-	
(5) Break-up of Investments				
Current Investments				
1. Quoted				
(i) Shares: (a) Equity	-		-	
(b) Preference	-		-	
(ii) Debentures and Bonds	6,503.02		15,492.02	
(iii) Units of mutual funds	-		13,002.02	
(iv) Government Securities	-		-	
(v) Others (please specify)	-		-	
2. Unquoted				
(i) Shares: (a) Equity	-		-	
(b) Preference	-		-	
(ii) Debentures and Bonds	-		-	
(iii) Units of mutual funds	-		-	
(iv) Government Securities	-		-	
(v) Commercial paper	-		-	
(vi) Others - Pass through certificates	-		1,488.92	





**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 6.05 : 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	6,483.59
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
2.	Unquoted	
	(i) Shares: (a) Equity	1.49
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others - Pass through certificates, units of AIF	4,120.43
		2,720.22

(6) Borrower group-wise classification of assets financed as in (3) and (4) above:		As at March 31, 2024			As at March 31, 2023		
		Amount (net of provisions)					
Category		Secured	Unsecured	Total	Secured	Unsecured	Total
1.	Related Parties						
	(i) Subsidiaries	-	-	-	-	-	-
	(ii) Companies in the same group	-	-	-	-	-	-
	(iii) Other related parties	-	-	-	-	-	-
		4,15,130.75	57,700.16	4,72,830.91	3,41,094.27	28,755.79	3,69,850.06
2.	Other than related parties						

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):		As at March 31, 2024		As at March 31, 2023	
		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	3,089.09	1,528.50	-	-
	(iii) Other related parties	-	-	-	-
		7,535.85	7,542.35	39,186.76	39,099.11
2.	Other than related parties				

(8) Other information		As at March 31, 2024	As at March 31, 2023
Particulars			
(i) Gross Non-Performing Assets			
(a) Related parties		-	-
(b) Other than related parties		1,095.17	34.54
(ii) Net Non-Performing Assets			
(a) Related parties		-	-
(b) Other than related parties		299.22	-
(iii) Assets acquired in satisfaction of debt		-	-



ARKA FINCAP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

Note 6.06: CWIP ageing and Completion schedule - 31 March 2024

Particulars	Amount in CWIP					Total
	Less than 6 months	6 months - 1 year	1-2 Years	2-3 years	More than 3 years	
Projects in progress	19.31	-	-	-	-	19.31
Projects temporarily suspended	-	-	-	-	-	-

CWIP ageing and Completion schedule - 31 March 2023

Particulars	Amount in CWIP					Total
	Less than 6 months	6 months - 1 year	1-2 Years	2-3 years	More than 3 years	
Projects in progress	-	-	-	-	-	-
Projects temporarily suspended	-	-	-	-	-	-

Note 6.07: Trade receivables aging schedule - 31 March 2024

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	20.25	-	-	-	-	20.25
(ii) Undisputed Trade Receivables — which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables — credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables—considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables — which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables — credit impaired	-	-	-	-	-	-

Trade receivables aging schedule - 31 March 2023

Particulars	Outstanding for following periods from due date of payment					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	-	-	-	-	-	-

Note 6.08: Trade Payables aging schedule - 31 March 2024

Particulars	Not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME*	78.88	0.85	-	-	-	79.73
(ii) Others*	531.52	4.61	-	-	-	536.13
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-	-

\* The amount includes provision of Rs. 567.82 lakhs which were unbilled as on 31 March 2024

Trade Payables aging schedule - 31 March 2023

Particulars	Not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	17.73	-	-	-	-	17.73
(ii) Others*	144.48	-	-	-	-	144.48
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-	-

\* The amount includes provision of Rs. 157.31 lacs which were unbilled as on 31 March 2023





**ARKA FINCAP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

(Currency: Indian Rupees in Lakhs)

**Note 6.09: Other notes**

**6.09 (i): Accounting Ratios**

Ratios	As at	As at
	31 March 2024	31 March 2023
Debt-equity ratio <sup>1</sup>	3.28 : 1	3.02 : 1
Current ratio <sup>2</sup>	Not Applicable	Not Applicable
Long term debt to working capital <sup>2</sup>	Not Applicable	Not Applicable
Bad debts to Account receivable ratio <sup>2</sup>	Not Applicable	Not Applicable
Current liability ratio <sup>2</sup>	Not Applicable	Not Applicable
Total debts to total assets <sup>1</sup>	0.78 : 1	0.76 : 1
Gross NPA (%)	0.23%	0.01%
Net NPA (%)	0.06%	Nil
Capital adequacy ratio (CRAR)	25.09%	25.48%

<sup>1</sup> Debt = Debt Securities + Borrowings (other than debt securities) + Subordinated Debt

<sup>2</sup> The Company being a Non-Banking Financial Company registered with the Reserve Bank of India, these ratios are not applicable

<sup>3</sup> Total debt = Total Liabilities

**6.09 (ii): Relationship with struck off companies**

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

**6.09 (iii): Registration of charges**

For the year ended 31 March 2024

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

For the year ended 31 March 2023

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

**6.09 (iv): Satisfaction of charges**

For the year ended 31 March 2024

Satisfaction of charges were performed as per the terms of sanction within due date during the year ended 31 March 2024

For the year ended 31 March 2023

Satisfaction of charges were performed as per the terms of sanction within due date during the year ended 31 March 2023

**6.09 (v): Utilization of borrowed funds**

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2024

(Currency: Indian Rupees in Lakhs)

NOTE 6.10 : Disclosures Pursuant to Annex VI to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

### 1 Funding Concentration based on significant counterparty

No. of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
28	3,22,090.00 *	N.A.	78.19%

\* excluding EIR adjustments as per Ind AS

i) A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC- NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs

ii) Total Liabilities have been computed as Total Assets less Equity share capital less Other Equity

### 2 Top 20 large deposits

N.A., since Arka Fincap is a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India, and does not accept public deposits

### 3 Top 10 borrowings

Amount	% of Total Borrowings
1,98,687.00 *	52.17% *

\* excluding EIR adjustments as per Ind AS

### 4 Funding Concentration based on significant instrument / product

Name of the product	Amount	% of Total Liabilities
Commercial Papers	19,471.49	5.10%
NCD	1,19,511.81	31.27%
Term Loan	2,41,411.60	63.17%
Cash credit (CC)	1,742.05	0.46%
Working capital demand loan (WC DL)	-	-
<b>Total</b>	<b>3,82,136.95</b>	<b>100.00%</b>

### 5 Stock ratios

Stock Ratio	%
Commercial papers as a % of total public funds	5.10%
Commercial papers as a % of total liabilities	4.73%
Commercial papers as a % of total assets	3.68%
Non-convertible debentures (original maturity of less than one year) as a % of total public funds	-
Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	-
Non-convertible debentures (original maturity of less than one year) as a % of total assets	-
Other short-term liabilities as a % of total public funds	53.82%
Other short-term liabilities as a % of total liabilities	49.92%
Other short-term liabilities as a % of total assets	38.83%

i) Total Public Funds is defined as total borrowings

### 6 Institutional set-up for Liquidity Risk Management:

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

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

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





**ARKA FINCAP LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

(Currency : Indian Rupees in Lakhs)

**NOTE 6.11 : Disclosures Pursuant to Annex XXI to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023**
**Liquidity Coverage Ratio (LCR)**

The Liquidity Coverage Ratio (LCR) is one of the key parameters closely monitored by RBI to enable a more resilient financial sector. The objective of the LCR is to promote an environment wherein balance sheet carry a strong liquidity for short term cash flow requirements. To ensure strong liquidity NBFCs are required to maintain adequate pool of unencumbered high-quality liquid assets (HQLA) which can be easily converted into cash to meet their stressed liquidity needs for 30 calendar days. The LCR is expected to improve the ability of financial sector to absorb the shocks arising from financial and/or economic stress, thus reducing the risk of spill over from financial sector to real economy.

The Liquidity Risk Management of the Company is managed by the Asset Liability Committee (ALCO) under the governance of Board approved Liquidity Risk Framework and Asset Liability Management policy.

The LCR levels for the balance sheet date is derived by arriving the stressed expected cash inflow and outflow for the next calendar month. To compute stressed cash outflow, all expected and contracted cash outflows are considered by applying a stress of 15%. Similarly, inflows for the Company is arrived at by considering all expected and contracted inflows by applying a haircut of 25%.

The Company for purpose of computing outflows, have considered: (1) all the contractual debt repayments, (2) committed credit facilities contracted with the customers, and (3) other expected or contracted cash outflows. Inflows comprises of: (1) expected receipt from all performing loans, and (2) liquid investment which are unencumbered and have not been considered as part of HQLA.

For the purpose of HQLA the Company considers: (1) Cash and Bank balances and (2) Investments in Bank Fixed Deposits and Debt Mutual Funds. The LCR is computed by dividing the stock of HQLA by its total net cash outflows over one-month stress period.

LCR guidelines have become effective from 1 December 2020, requiring NBFCs to maintain minimum LCR of 50%, LCR is gradually required to be increased to 100% by 1 December 2024. NBFCs are required to maintain LCR of 85% as on 31 March 2024. As per the LCR guidelines, the Company is required to maintain LCR from 01 January 2024.

For the quarter ended 31 March 2024			
High Quality Liquid Assets (HQLA)		Total Unweighted <sup>(1)</sup> Value (average)	Total Weighted <sup>(2)</sup> Value (average)
1	Total High Quality Liquid Assets (HQLA)	42,649.02	42,649.02
<b>CASH OUTFLOWS</b>			
2	Deposits (for deposit taking companies)	-	-
3	Unsecured wholesale funding	659.34	758.24
4	Secured wholesale funding	17,720.37	20,378.43
5	Additional requirements, of which	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	16,352.78	18,805.70
7	Other contingent funding obligations	34,732.49	39,942.37
8	<b>TOTAL CASH OUTFLOWS</b>		
<b>CASH INFLOWS</b>			
9	Secured Lending	20,929.31	15,696.98
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	6,980.77	5,235.58
12	<b>TOTAL CASH INFLOWS</b>	27,910.08	20,932.56
		Total Value	Adjusted Value
13	<b>TOTAL HQLA</b>		42,649.02
14	<b>TOTAL NET CASH OUTFLOWS</b>		19,509.34
15	<b>LIQUIDITY COVERAGE RATIO (%)</b>		219%

<sup>(1)</sup> Unweighted values calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

<sup>(2)</sup> Weighted values calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.

**Composition of HQLAs**

High Quality Liquid Assets (HQLA)		Total Unweighted Value (average)	Total Weighted Value (average)
1	Assets to be included as HQLA without any haircut	42,649.02	42,649.02
(i)	Bank Balance	5,459.42	5,459.42
(ii)	Investments in Fixed Deposits with Bank	7,676.35	7,676.35
(iii)	Investments in Debt Mutual Funds	29,513.25	29,513.25
2	Assets to be considered for HQLA with a minimum haircut of 15%	-	-
3	Assets to be considered for HQLA with a minimum haircut of 50%	-	-
4	Approved securities held as per the provisions of section 45 IB of RBI Act - Government securities	-	-
<b>Total HQLA</b>		42,649.02	42,649.02



ARKA FINCAP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

(Currency Indian Rupees in Lakhs)

### NOTE 7.01 : Regrouping and / or reclassification

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

As per our report of even date attached

**For P G BHAGWAT LLP**

Chartered Accountants

ICAI Firm Registration No. 101118W/W100682



**Nachiket Deo**

Partner

Membership No. 117695



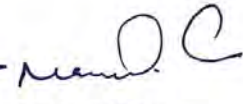
**For and on behalf of the Board of Directors of  
Arka Fincap Limited**



**Vimal Bhandari**

Executive Vice Chairman and CEO

DIN: 00001318



**Mahesh Chhabria**

Non Executive Director

DIN: 00166049



**Amit Kumar Gupta**

Chief Financial Officer



**Niki Mehta**

Company Secretary

Place: Mumbai

Date: 30 April 2024

Place: Mumbai

Date: 30 April 2024

