



**Staying on Course.
Getting Ahead.**



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Staying on Course. Getting Ahead.

Champions are defined by their relentless pursuit of excellence, striving to surpass their limits and achieve greatness.

Five years ago, we embarked on our journey with a vision to enable growth and fulfil the aspirations of our customers through empathy and agility, thus positively enhancing their lives, transforming their journey and enhancing their financial prosperity. As true champions, we stayed committed to our vision while pacing ahead. Constantly exploring new opportunities, we ensured the quality of our balance sheet while maintaining profitability.

From the outset, we embraced digitalisation to enhance operational efficiency, streamline customer onboarding, and effectively manage risks. With a resolute commitment to excellence, we navigated challenges, maintaining strong asset quality through superior credit underwriting, robust risk management, and effective collections.

Keeping our attention more towards the retail segment and reaching out to the MSME/SME finance sector, we were able to achieve a sustainable loan book. This has empowered businesses and fuelled their growth while significantly expanding our loan book.

For India to sustain its growth, estimated to be above 7%, credit growth must keep pace or even outpace to support investments. We remain resolute on our path, aligning ourselves with the India growth story and building an organisation for the future. In every step, we embody the spirit of 'Getting Ahead,' turning challenges into opportunities and forging new paths for our journey.

Who We Are

We are a customer-focused Non-Banking Finance Company (NBFC), and a part of the esteemed Kirloskar group, offering solutions that help turn aspirations into achievements. As a step-down subsidiary of Kirloskar Oil Engines Limited (KOEL), we boast a strong legacy of values, ethics and governance. We support our customers in both wholesale and retail segments by providing them with growth capital through our wide range of secured and unsecured financing solutions.

Founded in 2018, we have emerged as a trusted partner of more than 36,000 customers across the country. We provide a wide array of financing options with flexible repayment plans aligned with client cash flows. Expanding our reach, we aim to finance businesses across various sectors, such as manufacturing, trading, and services. Our integrated technology and analytics platform drive customer-centric experiences and sustainable growth.



VISION

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



MISSION

To provide technology-enabled, innovative, and customised financial solutions for an enhanced customer experience



CORE VALUES

The Company's success is founded on its unflinching commitment to 6 core values.

- Own it and be responsible**
- Achieve operational Excellence**
- Trust in Collaboration**
- Customer Centric, Every Time**
- Integrity**
- Make Employees Successful**

Each of these values describes what our Company stands for, and how passionate we are about our work. We are committed to our values, and they always reflect in everything we do.

FINANCIAL HIGHLIGHTS

A Peek Behind the Curtain

₹57,078 Lakh
Revenues
▲ 53%

₹3,82,137 Lakh
Borrowings
▲ 23%

₹ 9,379 Lakh
PBT
▲ 13%

₹1,16,526 Lakh
Net Worth
▲ 13%

₹5,21,041 Lakh
AUM
▲ 32%

36,000+
Customer Base

422
Total no. of employees

₹6,923 Lakh
PAT
▲ 13%

31 Branches
As of 31 March 2024

A1+
Short Term [CRISIL & INDIA RATINGS]

AA-
Long Term [CRISIL]

▲ Y-o-Y growth

Rooted to the Core, Progressing Consistently

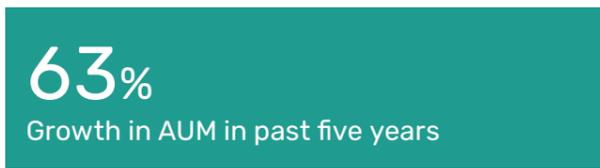


Arka Fincap started its journey at a time when the Indian NBFC sector was marred by various challenges. This was followed by the once-in-a-lifetime pandemic, which disrupted the entire business and social ecosystem. However, we focused on building a solid framework that included an independent risk team ensuring prudent decision-making, an in-house team driving collection efficiency and an independent compliance team guiding our entire operation with integrity and precision while ensuring adequate capitalisation.



FUNDING

While the formative years are challenging for NBFCs in terms of fund procurement, Arka Fincap has deftly circumvented this challenge through strategic financial management. We have diversified our capital access, drawing from banks, financial institutions, debt and capital markets. The number of our lending partners has increased from 1 in FY20 to 41 in 2024. We successfully entered the debt market, raising Rs 300 crore through an IPO of non-convertible debentures (NCDs). Despite challenges faced by other NBFCs, we achieved an AA- credit rating within a few months of operations, further demonstrating our robust financial health and strategic growth capabilities.



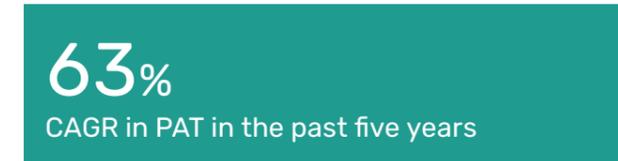
PRODUCT MIX AND REACH

At Arka Fincap, we started our journey with wholesale lending, creating a runaway for our growth. We diversified the wholesale book with exposure to 18 different industries with an 'A-' rating in the average portfolio. Identifying the massive opportunity in MSME/SME financing, we entered the sector with tailored products to suit the needs of the sector. Further, we are strategically expanding branches in India's key hubs, targeting accessibility and MSME proximity for enhanced business and customer service.



PROFITABILITY

Balancing growth and profitability is challenging for NBFCs in their formative years. At Arka Fincap, we pursued superior growth with a strong focus on balance sheet quality and profitability. We focused on customers in the prime segment, supported by a robust underwriting process and efficient collections to ensure strong asset quality. As a result, we achieved profitability from our very first year of operations.



SYSTEMS AND PROCESSES

Since inception, we have been investing in cutting-edge technology to drive operational efficiency, cost-effectiveness and customer management. We harness the potential of business analytics to drive informed decision-making, enabling us to proactively anticipate market trends and meet customer needs more effectively. We believe our in-house tech platform ensures super fast turn-around-time (TAT) in the industry for loan processing and disbursement of digitally sourced applications. Further, our investment in a tech-led credit underwriting model ensures quality assets.



ASSET QUALITY

The asset quality of Arka Fincap is evidence of our stringent approach to maintaining the integrity and sustainability of our loan portfolio. We prioritise sourcing high-quality assets through stringent criteria and due diligence, ensuring a dependable and sustainable portfolio. Our detailed credit approval process, managed by experienced analysts, ensures we make well-informed decisions that align with our risk management strategy. Our operations team plays a crucial role in verifying documentation accuracy and streamlining processes, reducing fraud risk. Moreover, we emphasise vigilant monitoring of our loan portfolio, with relationship managers and credit analysts consistently assessing borrower performance and market dynamics to identify and mitigate potential risks early. Through these comprehensive practices, we ensure the resilience and sustainability of our loan portfolio while safeguarding the interests of our stakeholders.

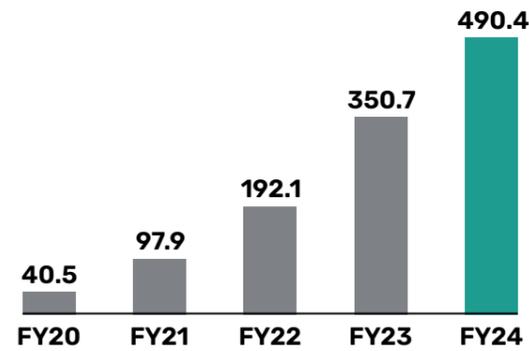


Key Performance Indicators

INTEREST INCOME

(₹ in Crore)

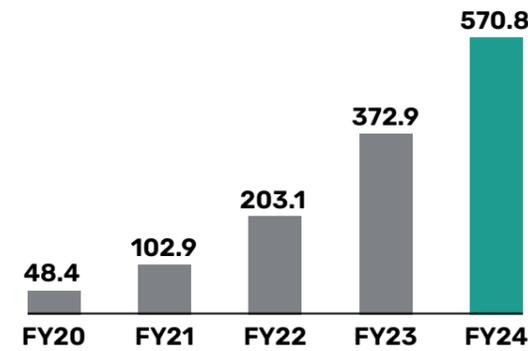
40% 65%



TOTAL INCOME

(₹ in Crore)

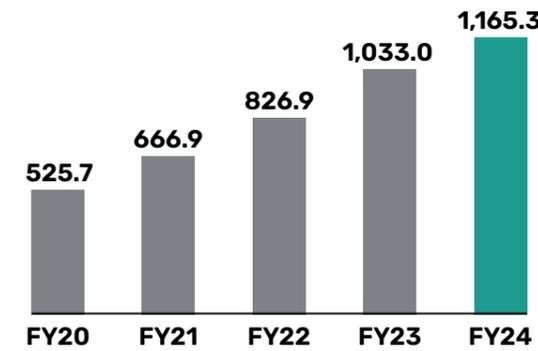
53% 64%



NET-WORTH

(₹ in Crore)

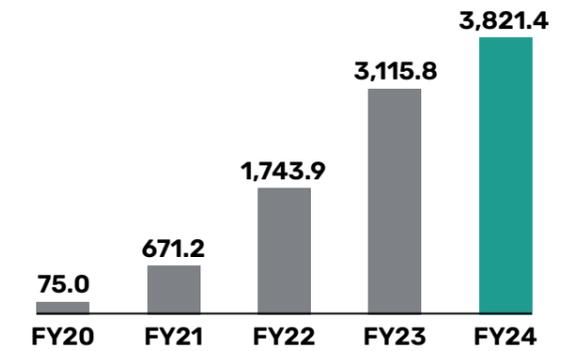
13% 17%



BORROWINGS

(₹ in Crore)

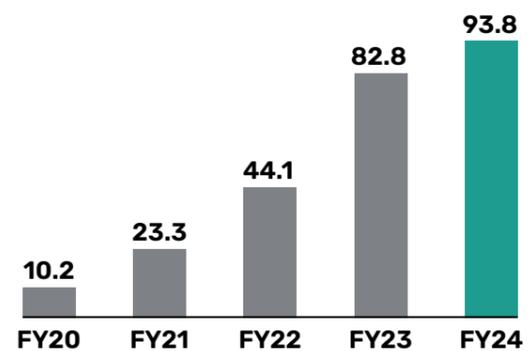
23% 119%



PBT

(₹ in Crore)

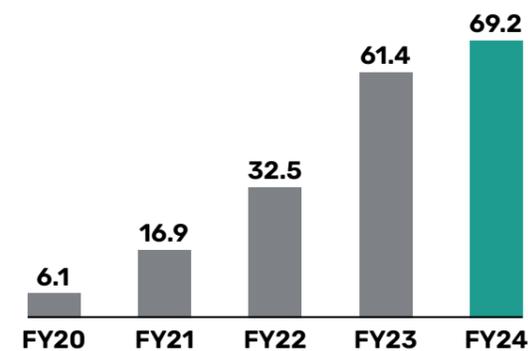
13% 56%



PAT

(₹ in Crore)

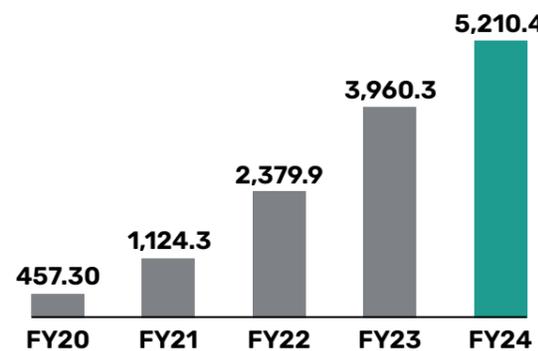
13% 63%



AUM

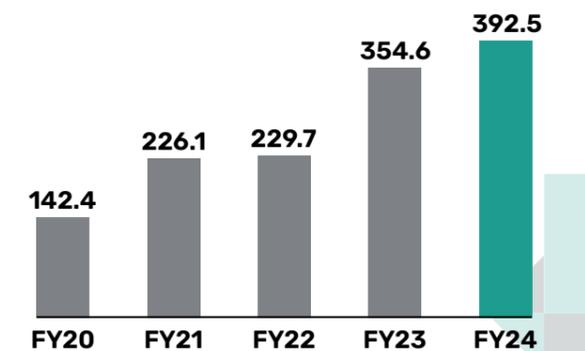
(₹ in Crore)

32% 63%



LIQUIDITY

(₹ in Crore)

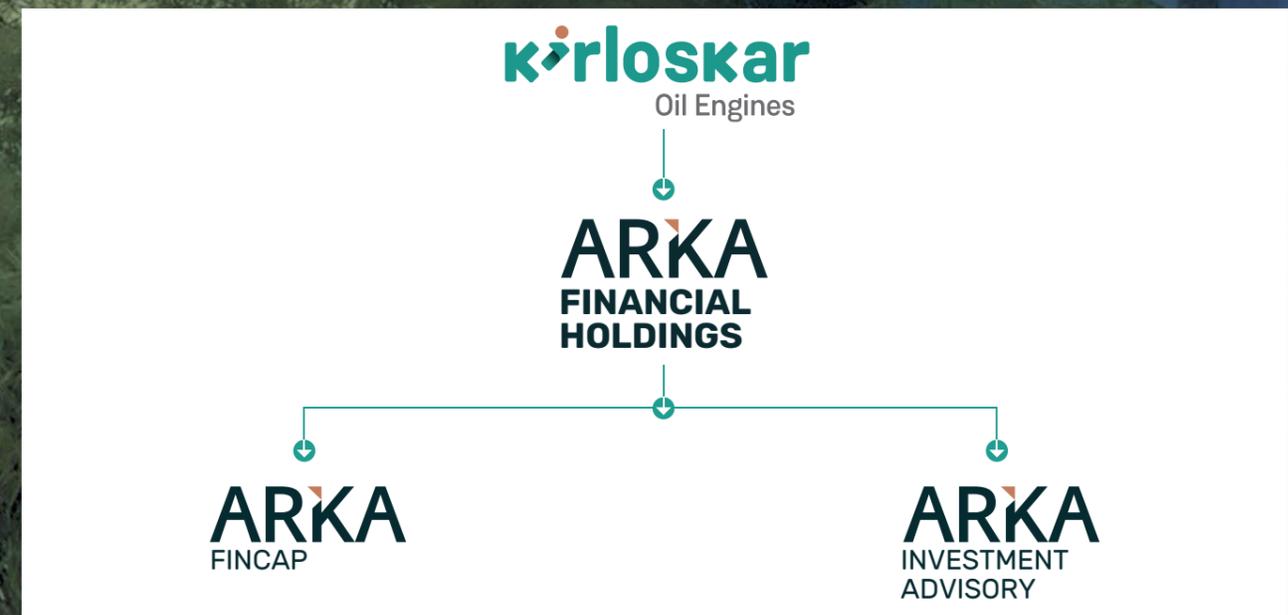


Y-o-Y growth 5-year CAGR

Kirloskar Group: A Legacy of over 130 Years

STRONG LEGACY

The Kirloskar Group is renowned for its engineering excellence and proud legacy, standing as one of India's largest conglomerates. Established in 1888, the group has maintained a strong commitment to integrity, innovation, and adapting to changing needs. It offers a wide range of products, including diesel engines, electric solutions, farm equipment, and generator sets, catering to diverse consumer and business requirements. Additionally, the company provides engines that run on alternative fuels like biodiesel, natural gas, and biogas, demonstrating its dedication to sustainability and advancement.



CEO's Message



As we complete five years of our operations, we reported an interest income of ₹490.4 crore in FY24, signifying a stupendous 40% growth over FY23. With stringent asset monitoring, better cost management, we could enhance our net profit 13%, from ₹61.4 crore in FY23 to ₹69.2 crore in FY24. The disbursement registered a growth of 32% during the year while AUM for the year stood at ₹5,210.4 crore, an increase of 32% over FY23. We raised gross borrowings of ₹2,314.4 crore during the year including the recent maiden public issue of NCDs of ₹300 crore.



DEAR STAKEHOLDERS,

It gives me immense pride to present the annual performance of the Company for the financial year FY24. As we complete five years of our journey since inception, we remain committed to staying on course towards our vision of partnering with our customers in their growth. We are also exploring new avenues for sustainable growth. When we started our journey in FY19, the sector grappled with various challenges. Further, the onset of the pandemic disrupted business and life across the globe.

We remained steadfast in our commitment to invest in processes, diversify our portfolio, expand reach and build a strong loan book. The result is a high-quality loan book, enhanced operational efficiency and a rapidly expanding network of branches.

A YEAR OF STRONG PERFORMANCE

One of the key highlights of this year has been the strategic re-pivoting of our books to be evenly split between wholesale and retail. This shift has not only diversified our revenue streams but has also contributed to the impressive growth of our retail business. Despite a competitive market landscape, we have witnessed remarkable expansion and increased market share, reaffirming our position as an emerging industry leader.

As we complete five years of our operations, we reported an interest income of ₹490.4 crore in FY24, signifying a stupendous 40% growth over FY23. With stringent asset monitoring, better cost management, we could enhance our net profit 13%, from ₹61.4 crore in FY23 to ₹69.2 crore in FY24. The disbursement registered a growth of 32% during the year while AUM for the year stood at ₹5,210.4 crore, an increase of 32% over FY23. We raised gross borrowings of ₹2,314.4 crore during the year including the recent maiden public issue of NCDs of ₹300 crore. As the book is going more granular, we have been able to raise liquidity via other channels like securitisation, co-lending among others. During the year, we have been able to raise ₹433.5 crore through these channels as well. This achievement is a testament to the confidence and trust that investors have placed in our company, and it positions us for even greater success in the years to come.

I am excited to announce that our branch network has grown from 14 to 31 branches this year, this is an evidence of our commitment to serving our customers better and reaching new markets. Looking ahead, our focus for the coming year will be to ensure that these 31 branches are also contributing to the bottom line of the company while simultaneously expanding our branch spread to 50 locations.

ENABLING GROWTH ENVIRONMENT

I must take this opportunity to mention that we are the right company at the right place at the right time. While the global economy remains volatile, India continues to remain an outlier, driven by strong domestic consumption, buoyant manufacturing sector and favourable government policies and reforms. As the country moves forward to emerge as \$5 trillion economy, the role of financial services remains pivotal. Credit growth needs to accelerate at a faster pace to support the country's growth aspirations.

NBFCs are positioned favourably as funding demand continues to grow, fuelled by the country's robust economic growth. Further, the strong economic conditions are expected to help the sector preserve its asset quality. NBFCs have emerged as a credible and reliable source of financing for a wide cross section of the population including small and medium-scale enterprises as well as the financially unserved and underserved segments. Case in point is several MSMEs lack adequate collateral and their financial track record often falls short of creditworthiness standards. Consequently, formal credit penetration in the sector stands at a mere 20%. Formal credit penetration to MSMEs is expected to increase as the government acts proactively towards the formalisation of MSMEs.

The tech-led NBFC space has undergone a profound transformation in recent years, driven by technological advancements and evolving consumer preferences. These NBFCs have been at the forefront of addressing the financial needs of individuals and businesses traditionally underserved by conventional lenders. The digital revolution, accelerated by the JAM trinity (linking Jan Dhan accounts, Aadhaar cards, and mobile numbers) and the India Stack, has enabled these NBFCs to offer capital-efficient solutions to marginalised and underserved sections of society. This has brought innovative and unprecedented growth opportunities to the MSME sector, effectively bringing the underbanked into the fold of credit.

At Arka Fincap, we are at the right place at the right time. Backed by a superior tech platform, robust processes, wide range of products catering to the wholesale and retail segments and expanding geography, we are strategically moving forward for an exciting growth journey.

ADOPTING NEW BRAND POSITIONING

At Arka Fincap, we address challenges as opportunities and believe that true hard work embodies a blend of passion, patience, and perseverance. These principles

are the hallmarks of true champions, who continually pursue excellence. We celebrate these champions and are deeply invested in their journeys. To support their endeavours, we provide customised financial solutions that empower their businesses to 'Get Ahead.'

Our newly adopted brand positioning, 'Get Ahead,' encapsulates the essence of Arka Fincap. It signifies our unparalleled dedication to confronting challenges directly and pioneering new paths when traditional routes are obstructed. This brand positioning is more than a slogan but is evidence of our commitment to enable our clients to achieve their goals, regardless of the obstacles they face. Through 'Get Ahead,' we reaffirm our mission to promote persistence and transformation, ensuring the sustained growth and success of our clients and stakeholders.

PEOPLE AT THE CORE

As we grow geographically, we have also grown in employee strength, with a talent pool of over 500 people both on- and off-roll. We recognise the importance of investing in our people, and we are committed to enhancing their learning journeys at Arka. We are focused on upskilling and development to support growth aspirations of our people.

POISED FOR STRONG GROWTH

As we look forward towards the future, the upcoming years promise even greater strides, with plans to further accelerate our growth via partnerships, emphasis on leveraging technology and an unflinching commitment to serve the financing needs of MSMEs, SMEs, Developers and Corporates. None of these accomplishments would have been possible without the hard work, dedication, and belief in our brand demonstrated by each member of our team. Their commitment has been the driving force behind our success, and I am truly grateful for their unwavering support.

The next years hold immense promise and opportunity for Arka. I am excited about the possibilities that lie ahead and confident that together, we will continue to achieve great things. I would also like to thank the Board for their support in navigating us to the position where we are today. I am confident that we will reach new heights of success in the coming year. I look forward to celebrating many more milestones together in the years to come.

Mr. Vimal Bhandari

Executive Vice Chairman & CEO, Arka Fincap

Business Model

Inputs



FINANCIAL PERFORMANCE

With diverse funding sources and a strong capital base, we effectively cater to our clients credit needs.



OUR PRESENCE

We are actively expanding our presence to multiple locations, driven by our dedication to serving a larger customer base.



OUR DIGITAL PROWESS

Our strong emphasis on technology sets us apart from the competition. By leveraging our intellectual assets, we gain a competitive edge to identify risks and evaluate the creditworthiness of our clients proactively.



OUR WORKFORCE

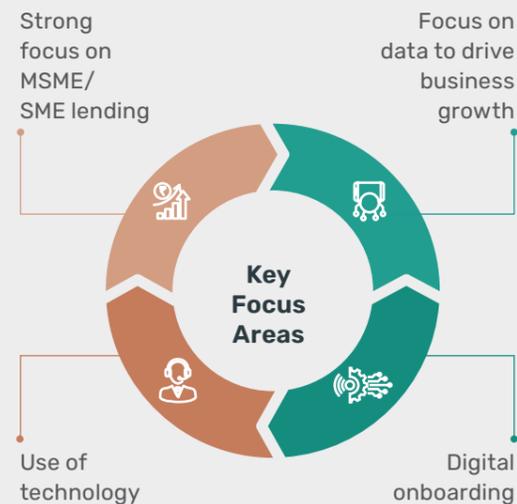
We encourage flexibility and adaptability among our employees, creating an atmosphere that stimulates creativity and drives innovation in the workplace.



STRENGTHENED RELATIONSHIP

We prioritise building lasting client relationships based on trust, collaboration, and mutual success.

Our Ecosystem



Our Products

Corporate Lending

- Acquisition financing
- Bridge financing
- Promoter Financing
- Private Equity Exit
- Working Capital Loan
- Capex Financing

Real Estate

- Last Mile Financing
- Corporate Exposure
- Project Financing
- Working Capital Finance
- Acquisition Finance

Urban Infra Business

- Asset-backed
- Financing Project Financing
- Acquisition Finance

MSME/SME Lending

- Secured Business Loan
- Digital Personal Loans
- Unsecured Business Loans

Syndication

Outputs

₹570.8 Crore

Total Revenue

₹69.2 Crore

Total PAT

Diversified our portfolio to serve a broader customer base.

In-house team of developers

Optimised risk management to increase efficiency

Efficient early warning systems

₹2,000+ Crore

Retail loans disbursed

50%

of AUM constitutes SME/MSME lending

Outcome



Significant increase in AUM

Sustainable growth over the years



Expanding into new locations



Better credit underwriting enables us to identify a customer's creditworthiness

Assessment of risks at an early stage



Higher employee engagement

Promoting inclusion, diversity

Comprehensive employee benefit policies



Establishing enduring relationships with customers, investors and the community

Providing loans to self-employed people

Tailored Solutions Exceeding Expectations



At Arka Fincap, we understand that every business has unique financial needs. That's why we have crafted a diverse portfolio of products designed to cater to unique requirements and aspirations of our customers. Whether an individual who needs personalised financial solutions or a business seeking funds for projects we have you covered.

₹1,26,707 Lakh
of AUM as of 31 March 2024

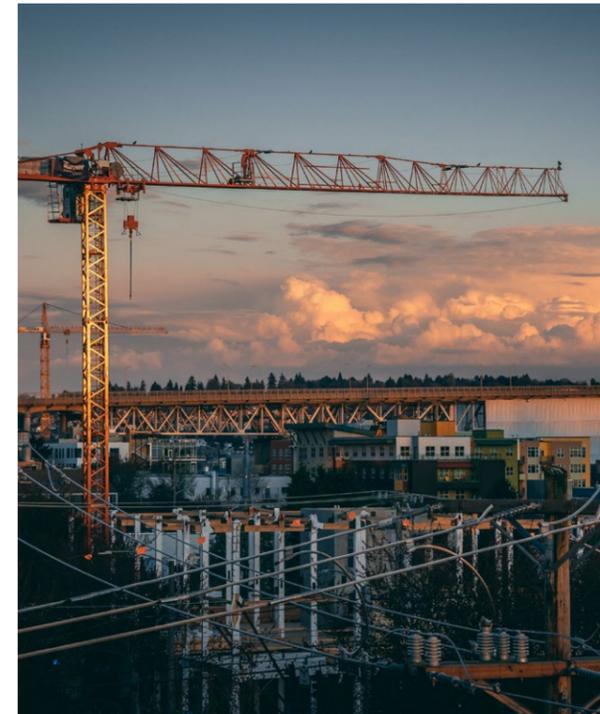
Please refer 65 for details

Wholesale Lending

CORPORATE LENDING

Arka Fincap Limited offers customised financing solutions for mid and large corporations at all stages of their business lifecycle. We provide tailor-made financial solutions across diverse sectors, including pharmaceuticals, renewable energy, consumer goods, infrastructure, power, telecom, entertainment, metals & mining, manufacturing, industrials, and auto components.

Our corporate lending falls into three categories: (i) structured finance, (ii) working capital loans, and (iii) capex financing. Our product offerings include structured lending, working capital financing, capex funding, bridge financing, acquisition finance, mezzanine and structured debt, loans against shares, and other specialised financial products



REAL ESTATE AND URBAN INFRASTRUCTURE

Arka offers comprehensive financing solutions to support infrastructure and real estate development in India. We prioritise our clients needs, ensuring a seamless process from start to finish.

We recognise the dynamic nature of the real estate sector, acknowledging its profound impact beyond mere skyline transformations. It stands as a crucial driver of national progress, reflecting economic development. Thus, we meticulously craft tailored real estate financial solutions, comprehending the sector's complexities and intricacies. Our goal is to help them raise capital, maintain liquidity, and successfully complete their projects.

₹1,32,998 Lakh
of AUM as of 31 March 2024

Please refer 66 for details



SYNDICATION

Arka Fincap's Syndication team structures strong financial solutions through availability of funds for acquisitions, expansions, debt restructuring, and refinancing. With our customers at the centre of our business, we bridge the gap between their requirements and their goals with in-part or total capital infusion. We excel in providing financial solutions through refinancing projects, optimising credit terms, reducing costs, and aligning capital structures with project progress. Our diverse network of investor base helps in providing bespoke solutions to clients across sectors, to suit client needs. Our success is driven by efficient execution and innovative solutions, ensuring clients' financial success.



Retail

MSME/SME LENDING

We believe in being dedicated partners in growth, offering a range of tailored financing solutions for Micro, Small, and Medium Enterprises (MSMEs). From loans against property to supply chain finance and unsecured business loans, our services are designed to propel our client's business forward. We cater to a diverse clientele, including traders, wholesalers, distributors, retailers, self-employed professionals, and small manufacturing companies, helping them expand, manage working

capital, and invest in equipment. Through strategic co-lending partnerships with other NBFCs, we extend our support to even more MSMEs, ensuring that businesses have the financial backing they need to thrive.

We are on the path of digitalising the retail and MSME/SME sector. Embracing cutting-edge technology and innovative solutions, we have streamlined operations, enhanced customer experiences, and unlocked new avenues for growth.

SECURED BUSINESS LOANS

We offer loans for business expansion or capital expenditure, secured against residential and/or commercial property. With an average loan amount of ₹110 lakh and a repayment period of up to 15 years, these loans are backed by the purchased property, with the option to include additional collateral verified by third-party legal professionals.

₹2,37,540 Lakh
of AUM as on 31 March 2024

Please refer 67 for details

UNSECURED BUSINESS LOANS

We offer unsecured business loans for the sector for working capital requirements and other business purposes.

PERSONAL LOAN

Our goal is to become the preferred lender for salaried individuals, providing them with quick and convenient financial solutions. We provide short-term personal loans for both salaried and self-employed professionals, facilitated by seamless, paper-free digital lending through collaborations with NBFCs and Fintech partners.

₹23,796 Lakh
of AUM as on 31 March 2024

Deepening Our Roots Across India

We are embarking on a nationwide expansion to deliver tailored financial solutions effortlessly and with a commitment to cater to the unique needs of both small businesses and individuals. We expanded in Chandigarh, Coimbatore, Gurugram, Indore, Jaipur, Hyderabad, Noida, Pune, Navi Mumbai, ensuring widespread access to our services.

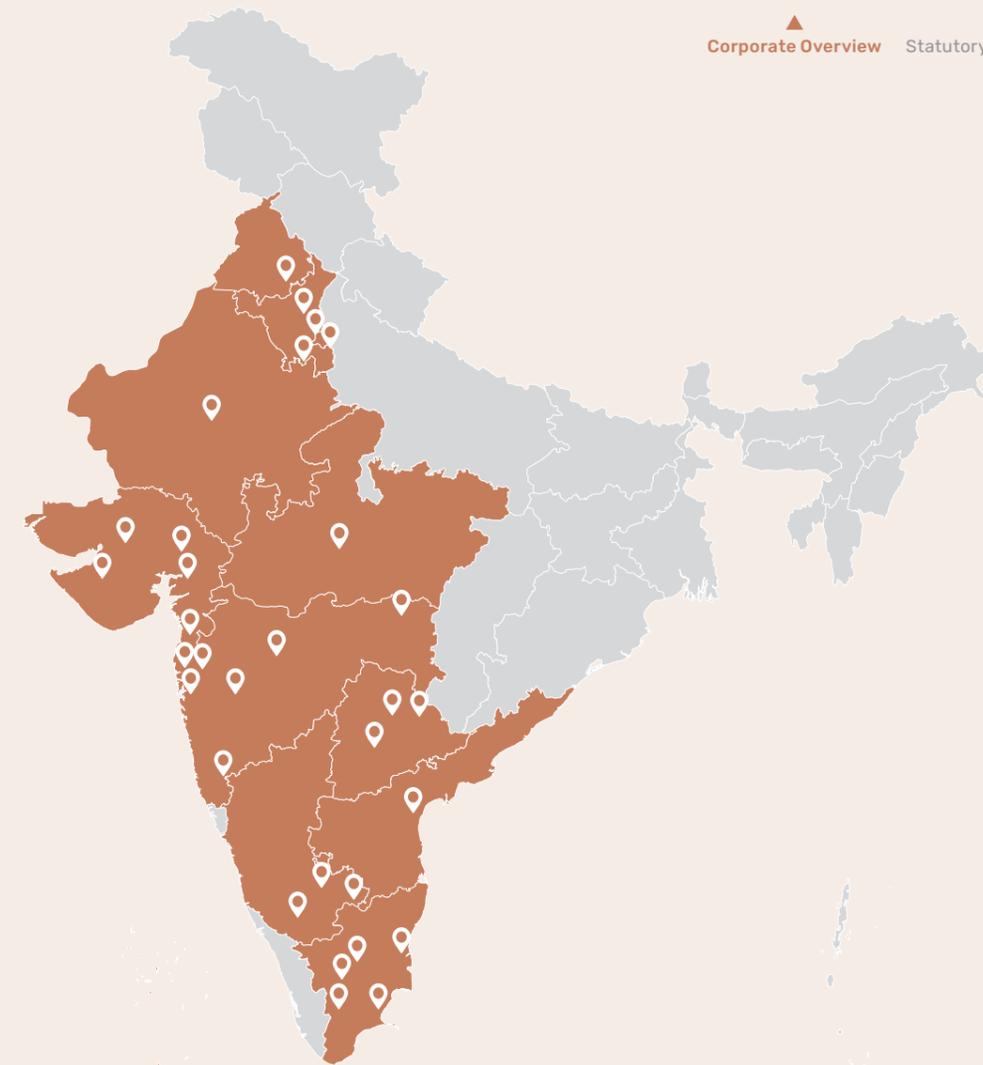
Present in

11 States

2 Union Territories

31 Branches

STATE	BRANCH NAME
Andhra Pradesh	Vijayawada
Chandigarh	Chandigarh
Delhi	Delhi
	Delhi - Rohini
	Ahmedabad
Gujarat	Ankleshwar
	Rajkot
	Surat
	Vapi
Haryana	Gurugram
Karnataka	Bengaluru
	Mysuru
Madhya Pradesh	Indore
	Andheri
	Aurangabad
	Kolhapur
Maharashtra	Nagpur
	Pune
	Thane
	Vashi
	Puducherry
Rajasthan	Jaipur
	Chennai
	Coimbatore
Tamil Nadu	Hosur
	Salem
	Tirupur
	Hyderabad
Telangana	Hyderabad LB Nagar
	Warangal
	Noida



Map not in scale



Attractively Positioned



At the heart of our operations lies a commitment to our customers, driving us to constantly evolve and enhance our product portfolio.



Tailor-made Products

We provide customised financial products to meet the needs of the retail and wholesale markets. Our strategy is based on getting to know our clients' precise demands so that every product is tailored to meet their budgetary constraints. By using a tailored approach, we are able to develop lasting connections with our customers in addition to helping them with their urgent financial requirements. We can provide prompt answers and help ensure timely repayments by keeping in frequent communication and being aware of their changing demands. This strengthens our relationships and promotes mutual progress.



Effective use of Technology

We focus on leveraging technology to streamline operations and enhance customer experiences. Our commitment to technological advancement enables us to offer efficient services tailored to individual customer requirements. Our complete technological intervention, which included sourcing, underwriting, and disbursement, allowed us to meet client requirements while maintaining efficiency and speed of delivery. To facilitate smooth processing, we have also integrated channel partners with our systems.



Well-diversified Funding Profile

Our funding profile, which comes from a variety of sources including banks, mutual funds, the stock market, and other financial institutions, has been deliberately diversified. Through NCDs, we were able to successfully raise ₹300 crore. Our thorough Asset Liability Management (ALM) programme guarantees that we successfully manage interest rate risks, preserve liquidity, and control market hazards. We benefit from lower funding costs because to our excellent credit ratings.



Experienced Management

We are led by a stellar management team with more than 200+ years of experience in their respective domains. Further, our leadership's deep-rooted expertise in financial and banking services not only guides but inspires our employees, promoting a culture of excellence.



Well-diversified Asset Base

As an effective strategy to manage concentration risk, we have created a diversified asset base spanning across different industries, consumer classes and segments.

Navigating Our Path to Success



As Arka Fincap, we are on a dynamic journey of growth. We propel strategic initiatives with agility, fortifying our operations and extending our reach to new horizons. This commitment drives us to connect with more customers swiftly, ensuring our impact is felt far and wide.

SAFEGUARDING CUSTOMER TRUST

As a trusted lending partner, we place the utmost importance on safeguarding customer data and maintaining cybersecurity. We have implemented stringent security measures and controls to protect customer information, prevent unauthorised access, and comply with regulatory requirements. Through regular security audits, vulnerability assessments, and employee awareness programs, we ensure the highest level of data protection. Upholding the trust our customers place in us, we remain committed to data privacy and security.

Corporate Lending

Objective

Arka wants to become the first port of call for its clients whenever they have any financing requirements.

Strategy

Offering bespoke financing solutions with innovative structures at OpCo/HoldCo levels.

Real-estate and Urban Infrastructure Financing

Objective

Leveraging our relationship with real estate developers to grow our real-estate and urban infra loan book, we seek to focus on opportunities for urban infra finance in selected locations.

Strategy

Deliver a unique customer experience through a blend of robust underwriting, analytics, and streamlined processes backed by continued focus on maintaining relationship with clients. This ensures bespoke solution backed by swift credit underwriting and disbursements, setting us apart from the competition.

MSME/SME Lending

Objective

Leverage the potential of our existing branches to expand our customer base and introduce newer products.

Strategy

Having established Loan against Property as our flagship product, we are now gearing up to launch new products such as Small Ticket LAP from our existing network.

STRATEGIC PRIORITIES



In order to pursue new avenues for development and opportunity, we are continuously refining our business priorities while enhancing our current strengths.

Geographic Presence

Initiatives/Strategy

- Expanding branches in India's important centres, focusing on accessibility and MSME proximity to improve business and customer service
- Before establishing a branch, demographics such as population density, income groups, and economic viability are considered
- Evaluate bureau statistics, assess local economic stability, and evaluate potential political or environmental hazards for branch operations
- Evaluate branch operations for talent availability, cost-effectiveness, revenue potential, and market viability

Outcome

- From 14 branches in March 2023 to 31 branches in March 2024 and target to open 70 branches by the end of March 2027
- From 7 States in 2023 to 11 states and 2 Union Territories by 2024

Collection

Initiatives/Strategy

- Collection system is put in place with the entire history of the borrower
- Quarterly Risk categorisation of Borrowers into High/Medium/Low
- Account-level strategising for High-Risk customers
- Quarterly visits to High-Risk customers
- Automated SMS and email reminders sent with a payment link
- Bounce calling by collection team and sales team visit to customers
- Soft letters intimating overdue sent from the legal ID
- Initiation of legal proceedings under Section 138
- Initiation of valuation for SARFAESI (for a secured loan)

Outcome

- The collection system has helped in immediate on field support to the collections team and resolving customer queries
- Joint visits by Sales, Collections and Legal teams are enabling early resolution and regularisation of bounced cases
- Timely execution of legal tools supports early resolution of high bucket cases and traction in NPA reduction

Risk Management

Initiatives/Strategy

- Established strong Risk Management Committee of the Board
- Multi-dimensional checks for customer onboarding
- Optimal mix of local and centralised credit decisions with robust deviation controls
- Policy-driven rule engine with connectivity to bureaus and fraud detection systems
- Periodic monitoring of portfolio - covenants, financial

- performance, industry through management calls and market presence
- Well-defined portfolio parameters for both Wholesale Lending & Retail
- SME Scorecard rolled out for back testing with existing customer base

Outcome

- Seamless credit processing with over 95% cases decided under straight through process with no manual intervention
- No breach in any of the Portfolio parameters/ covenants
- Robust Early Warning System in place ensuring Lower Gross bounce rate of 7-8% as against Industry benchmark of 12%
- Ended the year GNPA of 0.4%/ NNPA of 0.1%

Technological & Vendor Collaboration

Initiatives/Strategy

- Collaboration for Decision Support and Transaction Enablement Services
- Implementation of highly scalable API-driven and cloud-based loan engine stack

Outcome

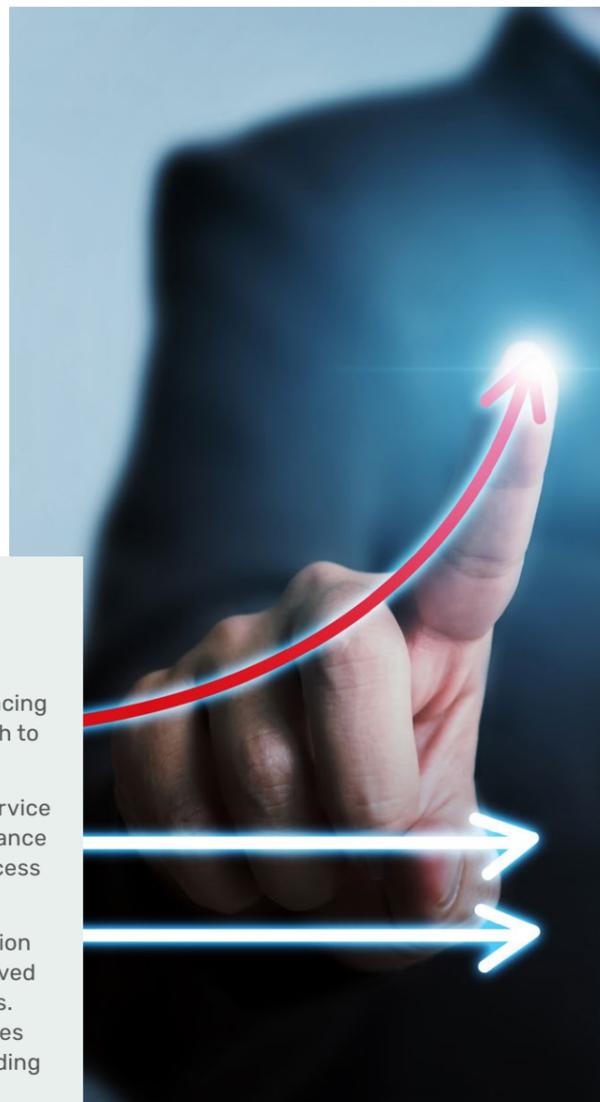
- Enhanced Decision Support: Leveraged extensive analytics to support data-driven decision-making processes. Provided stakeholders with actionable insights through detailed visualisations and real-time KPI tracking.
- Transaction Enablement Services: Integrated transaction enablement features within the customer portal which has a number of self service functionalities.
- API-Driven Scalability and Flexibility: Developed robust APIs to handle high transaction volumes, ensuring scalability and flexibility for seamless fintech integration and real-time data exchange.
- Cloud-native Loan Origination System: Built an adaptable, cloud-native loan origination system leveraging cloud resources for high availability, rapid deployment, and efficient management, reducing operational costs and improving processing times.
- Microservices Architecture: Implemented a microservices-based architecture allowing independent operation of services, facilitating continuous deployment, rapid development, and enhanced system resilience by isolating faults.
- Enhanced Resiliency: Adopted advanced resiliency strategies, including automated failover mechanisms and continuous monitoring, to reduce system outages, protect against data loss, and ensure consistent service delivery.

Advantageous Market Conditions

The NBFC sector has been crucial in driving the growth of India's financial sector. By reaching out to underserved areas and remote regions, NBFCs have expanded access to formal financial services for a wider population. This growth aligns with India's economic goals, promoting inclusivity and ensuring that everyone has the opportunity to participate in a strong and reliable financial system.

Strong Economic Fundamentals

India's economic trajectory is poised for significant growth, with projections indicating that it could become a \$5 trillion economy. This optimistic outlook is driven by several key factors, including rapid financialisation, a clean energy transition, and a digital revolution. These elements collectively contribute to a strong financial foundation that promises substantial growth and potential benefits for the Non-Banking Financial Company (NBFC) sector. Additionally, this favourable environment is expected to stimulate credit demand nationwide.



Our Response

Our Company has aligned its business strategies with the nation's growth, capitalising on the strong financial environment by expanding our loan portfolio and enhancing our product offerings. This includes expanding our reach to meet evolving consumer and business needs.

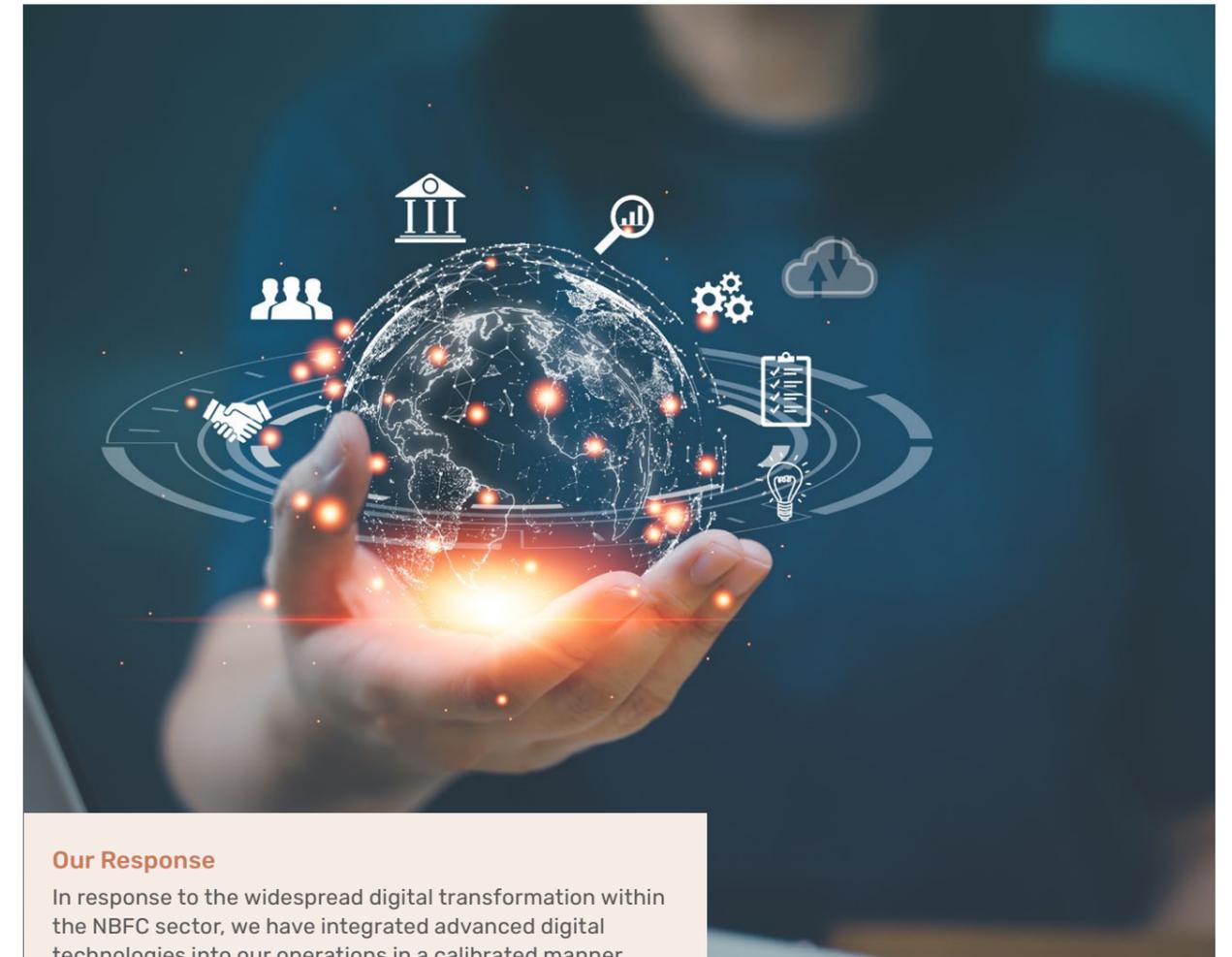
We prioritise leveraging digital innovation to improve service delivery and expand our customer reach, aiming to enhance operational efficiency and provide quick and reliable access to financial services.

Our strategy aligns with the concept of product expansion and diversification. We focus on offering new and improved financial products to cater to changing market demands. Additionally, our emphasis on digital innovation resonates with insights highlighting the importance of understanding business growth drivers and leveraging technology.

Digital Transformation

NBFCs have rapidly embraced digital technologies to enhance customer experiences, streamline operations, and reduce costs. This digital transformation has significantly improved operational efficiency, enabling NBFCs to provide quicker and more dependable services to their customers.

Accenture's recent study indicates that NBFCs can potentially increase loan volumes and decrease operational costs by 20% through strategic digital transformation.



Our Response

In response to the widespread digital transformation within the NBFC sector, we have integrated advanced digital technologies into our operations in a calibrated manner. Our strong digital platform streamlines loan processing, ensuring faster and more accurate service delivery. This digital strategy optimises cost efficiency and enhances the accessibility and reliability of financial services, making us a more agile and responsive organisation.

Additionally, we have focused on developing innovative fintech solutions that cater to the specific needs of our customer base, offering more personalised and flexible financial products. Through these efforts, we aim to maintain a competitive edge in the market, adapting swiftly to changes and capitalising on the opportunities presented by digital advancements in the financial sector.

OPERATING ENVIRONMENT

Demand for Credit

India's MSME sector is positioned for significant expansion, with entities expected to grow from 6.3 Crore to 7.5 Crore. However, financial challenges hinder this growth, primarily due to limited access to formal credit. The credit gap for MSMEs in India is estimated at ₹40 trillion, with a projected annual increase of 15%. Currently, only about 14% of MSMEs have access to formal credit, highlighting a substantial area for financial intervention.

The MSME sector is crucial for India's economy, contributing to employment and GDP. It accounts for 30% of India's GDP and 48% of total exports. Despite this, the sector faces challenges in accessing affordable and formal credit.

To address this credit gap, innovative financing solutions and enhanced digital financial services are essential. The potential market for NBFCs and fintech companies is significant in catering to the underserved MSME segment. Government support through budget allocations and initiatives like the Trade Receivable System (TReDS) can also play a vital role in bridging the credit gap and empowering MSMEs.

Bridging the credit gap for MSMEs is crucial for India's journey towards becoming the world's third-largest economy. By providing access to formal credit and fostering the growth of MSMEs, India can unlock the sector's potential and drive economic progress.

₹40 Trillion
MSME credit gap

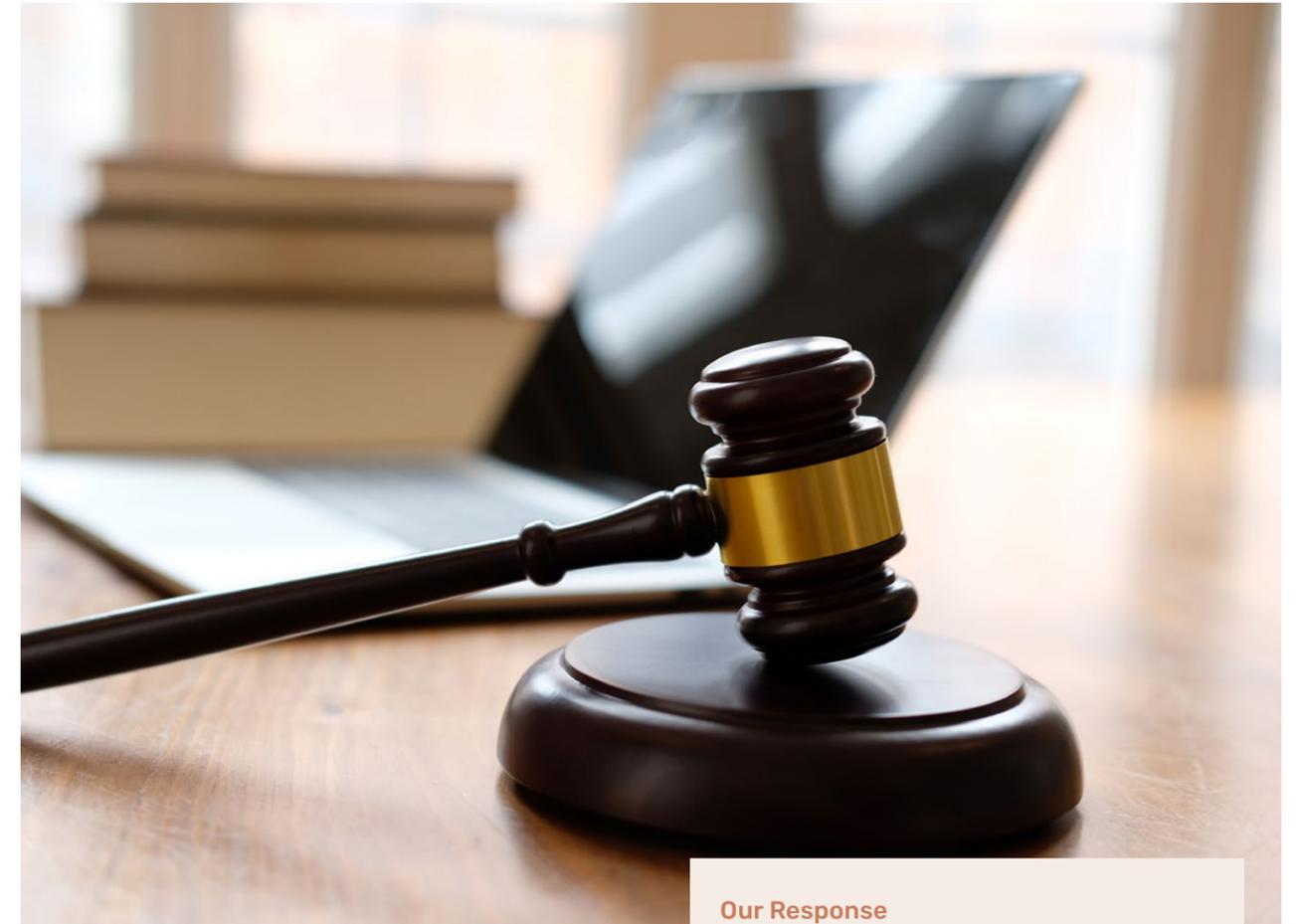
Source: Statista.com

₹1,170 Crore
Budget estimate for the Raising and Accelerating MSME Performance (RAMP scheme) for FY25

Our Response

We have strategically positioned ourselves to enhance our services for the MSME sector, a critical component of India's economy. Our approach focuses on bridging the credit gap through technology and innovative financial products. By digitalising the retail or the MSME/SME sector and providing a balanced mix of secured and unsecured loans, we cater to the diverse needs of MSMEs.

Our operational strategy emphasises disbursements and maintaining asset quality, resulting in strong quarterly performances. By integrating digital platforms and prioritising secured lending, we aim to offer more accessible and effective financial solutions to this underserved market. This aligns with India's broader economic growth goals, supporting the growth and success of MSMEs.



Regulatory Framework

RBI has introduced a revised regulatory framework for NBFCs, to address potential systemic risks and maintain deeper regulatory oversight. This framework aims to align the regulatory requirements with the changing risk profile of NBFCs. It includes a four-layered structure for classification and enhanced regulatory requirements for NBFCs in the upper layer (NBFC-UL).

The regulatory framework also emphasises the importance of liquidity buffers and the maintenance of a certain threshold of liquid assets by NBFCs, to address short-term liabilities. The RBI has introduced guidelines on loans and advances by NBFCs, including limits on aggregate exposure to entities.

This revised regulatory framework encourages NBFCs to invest in technology and alternative data to establish advanced credit scoring models. It aims to promote the development of the NBFC sector while ensuring compliance and operational freedom for small NBFCs.

Our Response

We have made changes to how we operate to meet new standards. We have strengthened our financial position, improved how we manage money, and created a better system for classifying assets to meet regulatory requirements. These changes ensure we follow the stricter rules and make Arka Fincap more financially stable, which builds trust with investors and customers.

Nurturing our People Capital

At Arka Fincap, our success is fuelled by our exceptional team of highly skilled professionals. They are the driving force behind our remarkable achievements, dedicated to delivering exceptional results for our clients. We believe in sourcing talent locally, embracing diversity, and bringing unique perspectives and expertise to the forefront. To ensure our team remains customer-centric, it is essential for us to be people-centric in our approach, which is fundamental to achieving our goals.

422
No. of Employees

54
No. of Female Employees



Strengthening Our Team

As we accelerate our growth and continue to expand across our focus markets, we are strengthening our team. During the year, we have hired more than 300 people, a prudent mix of seasoned professionals and fresh candidates. The candidates were recruited through referrals, job portals and consultants.

Talent Management

At our Company, talent management is our driving force. We recognise that our people are our greatest asset, and nurturing their growth is paramount to our success. We attract top-tier talent with the skills and passion that align with our vision. Once onboard, we embark on a collective journey, cultivating their capabilities and providing a supportive environment for them to thrive. Our HR department plays a vital role in understanding our employees' needs and aspirations. Through training, coaching, and mentorship, we empower them to learn and enhance their skills continuously. Recognition and rewards fuel our employees' motivation. By acknowledging their achievements and providing growth opportunities, we instil loyalty and fulfilment within our organisation. We believe that success is a collective effort. Together, we create a winning environment, attracting top talent and achieving exceptional results.

Diversity and Inclusion

At Arka Fincap, diversity and equality are core values that drive our inclusive culture. We actively foster a workplace where everyone, regardless of background, feels valued and empowered. Our commitment to diversity ensures varied perspectives, fostering innovation and better decision-making. By promoting equal opportunities and fair treatment, we aim to create a dynamic environment where all employees can thrive and contribute to our collective success.

Employee Engagement

At Arka Fincap, employee engagement is a top priority. We cultivate a vibrant and inclusive workplace where team members feel valued and motivated and help create organisational stickiness. Through regular communication, celebration of festivals, and recognition programmes, we ensure our employees are connected and invested in our mission.



Learning and Development

At Arka Fincap, we prioritise employee growth through comprehensive learning and development initiatives. Our programs include Behavioural Interviewing Skills (BEI) training for team managers, the 'Iceberg - Beyond the Apparent' training and an online Sales Consciousness training programme across all levels. These initiatives are designed to enhance managerial capabilities, foster deeper understanding, and boost sales proficiency, ensuring our team is well-equipped to excel and drive the Company's success. Further, we have a specialised training for our management trainees - Aarohan.

To strengthen our second line of leadership, we prioritise the development of our internal talent pool. Identifying high-potential employees, we selectively sponsor them for management development programs at renowned B-Schools. Throughout the year, we facilitate a range of learning and development initiatives tailored to meet the diverse learning needs of our workforce. These efforts not only enhanced our employees' skills but also contributed to a culture of continuous learning and growth within our organisation.



Leveraging Technology to Stay Ahead



As we navigate through the ever-evolving landscape of the financial industry, we understand the critical role that technology plays in driving our success. Over the past few years, we have been investing consistently in building a robust technology platform that drives organisational agility.

During the financial year under review, our commitment to technological innovation has driven significant enhancements across our operations:

Oracle Fusion Implementation: We implemented Oracle Fusion to ensure robust financial management and streamlined reporting.

Integration of Zoho Books and Zoho Expense: We optimised vendor invoice processing and expense management, enhancing financial efficiency.

Streamlined Collections System: We empowered proactive account management and improved interventions for seamless collections.

Migration to Latest LOS Platform: This helped improve performance during peak processing periods with a microservices architecture.

Low-Code LOS Platform: Enabled configuration of loan origination journeys without writing code, allowing non-technical users to make updates quickly.

Adoption of Google Appsheets: Streamlined workflows across departments, driving efficiency gains and fostering collaboration.

Enhancing Productivity and Transparency

Our focus on leveraging technology extends to enhancing employee productivity and stakeholder transparency:

AI-Driven Chatbots: Developed using Google's Gemini and AWS Bedrock, showing promising results in productivity enhancement.

Portals for Direct Selling Agents (DSAs): Provided access to incentive earnings and loan application updates, fostering transparency and driving performance.

PowerBI Visualisation Tools: Developed over 90 dashboards monitoring close to 300 Key Performance Indicators (KPIs) daily.



Way Forward

Moving forward, we will be focusing on driving technological capabilities to nurture innovation and meet evolving market demands. We will enhance financial controls and optimise risk mitigation strategies through a comprehensive Treasury and Risk Management Solution. Expanding our product offerings, particularly for SMEs, will enable seamless integration into our loan origination system. Targeted tech interventions will streamline processes, improve responsiveness and deliver personalised experiences to our growing retail customer base. We will also invest in robust data governance frameworks and cybersecurity measures to ensure the confidentiality, integrity and availability of our data assets.

Looking ahead, our focus remains on advancing technological capabilities to drive innovation and meet evolving market demands:

Treasury and Risk Management Solution: Enhance financial controls and optimise risk mitigation strategies.

Expanded Product Offerings: Cater to emerging customer segments, particularly SMEs, seamlessly integrated into our loan origination system.

Targeted Tech Interventions: Streamline processes, improve responsiveness, and deliver personalised experiences to our growing number of retail customers.

Data Governance and Cyber Security: Invest in robust frameworks and measures to ensure confidentiality, integrity, and availability of data assets.

Harnessing AI Technologies: Drive operational excellence, increase employee productivity, and enhance credit decision-making processes.

These initiatives underscore our proactive approach to leveraging technology as a strategic enabler, positioning us for continued growth, resilience, and leadership in the dynamic landscape of the financial industry.

Building A Brand of Champions



Brand Positioning

We want to create a brand that is sharply etched in the minds of our consumers, channel partners, employees and other stakeholders. We believe this is crucial for long-term sustainable growth with increased geographical presence and enhanced customer engagement. With this goal, we developed and executed a brand strategy that we believe will help Arka break into the league of preferred brands. Comprehensive qualitative research helped us define our brand positioning of 'Get Ahead'. 'Get Ahead' embodies the relentless drive for improvement and the aspiration to achieve new heights—an intrinsic quality of champions. As a brand, we believe our solutions help our customers achieve their goals and aspire for bigger ones. We celebrate values of courage, empathy, and honesty, seeing our customers not just as deal seekers but as individuals with the indomitable spirit of champions.

ADOPTION OF THE KIRLOSKAR STATUS LINE

The Kirloskar Group is a 130-year-old legacy company that has stood the test of time, faced wars and a global pandemic to only emerge stronger. Inspired by the founders' vision and values, Kirloskar Group has built its foundation on the basis of strong business ethics, growth-driven innovation, commitment to corporate responsibility and ensured the co-existence of industry and environment.

To leverage the benefits of being part of the Kirloskar Group's heritage, we have been permitted by Kirloskar Proprietary Limited, owner of the trademark "Kirloskar", to use a status line in all our communications.

The status and mandatory line are to be used in all internal and external communication.

A **kirloskar** Group Company

The mark 'Kirloskar' in the status line is owned by Kirloskar Proprietary Limited and ARKA Fincap Limited is the permitted user

Key Initiatives



Brand Photoshoot

Once we had defined our brand positioning, we began our journey by undertaking a professional photoshoot providing compelling imagery for our social media platforms, digital campaigns, and website.



Website Revamp

We undertook a comprehensive website revamp to align with our renewed brand positioning, ensuring a seamless and engaging user experience that embodies our 'Get Ahead' ethos. The updated design and content now vividly reflect our commitment to continuous improvement and the spirit of a champion.



Channel Partner Engagement

We undertook various channel partner initiatives which included hosting three major events in Delhi, Hyderabad and Ahmedabad drawing more than 700 channel partners. These gatherings fostered stronger partnerships and helped us enhance our market presence, driving positive business growth.



Maiden NCD Issue Campaign

Our bond issue marketing campaign achieved impressive results, generating approximately 63 lakh impressions through a blend of newspaper ads, digital advertisements, PR articles, hoardings, and roadshows.

Other Initiatives

We launched a targeted digital marketing campaign to enhance engagement and reach. Our active presence on social media channels such as Instagram, Facebook, Twitter, and LinkedIn has facilitated continuous interaction with our diverse audience base.

Our move to a larger office space and the opening of new branches were strategically aligned with our brand's visual identity, ensuring consistent branding elements across all locations. Internally, we focused on employee engagement through the launch of newsletters and the standardisation of communication templates, reinforcing our brand messaging.

These comprehensive efforts underscore our commitment to building a brand that resonates deeply with all our stakeholders.



MR. VIMAL BHANDARI

Executive Vice Chairman and CEO

Mr. Vimal Bhandari spearheads Arka, the financial services business of the Kirloskar Group. From driving the Company's end-to-end strategic vision, planning with a strong bottom-line focus, and meeting the expectations of key stakeholders to recruiting, managing and leading the leadership team, he is at the helm of our organisation.

With a rich experience of over 35 years of building businesses from conception and scaling them up to their vision, Mr. Vimal Bhandari has spent his years in some of the most notable financial organisations. He's been the CEO and Managing Director at IndoStar Capital Finance Limited, an NBFC established by international investors like Everstone, Goldman Sachs and Ashmor. Prior to that, he was associated with AEGON N.V., the Dutch life insurance and pension player as a Country Head. He spent 16 years in the top management

of IL&FS Limited, during which he led the financial services business as the Executive Director for 9 years. Additionally, he served as a Non-Executive Director for IL&FS Group entities in diverse financial services, businesses of stock broking, private equity, infrastructure project development, healthcare management services and as Director-In-Charge for the asset management and merchant banking subsidiaries. He is currently the Managing Director of Arka Financial Holdings Private Limited, the holding company of Arka Fincap Limited.

A commerce graduate from Mumbai University (Sydenham College) and a Chartered Accountant from the Institute of Chartered Accountants of India, Mr. Vimal Bhandari serves as an Independent Director on the boards of several companies in diverse business segments, including Escorts Kubota, Bharat Forge, HDFC Trustee, JK Tyre and DCM Shriram.



MS. GAURI KIRLOSKAR

Non-Executive Non-Independent Director

Ms. Gauri Kirloskar is the Managing Director of Kirloskar Oil Engines Limited since May 2022. After graduation, she worked as an investment banking analyst at Merrill Lynch in New York in their Mergers and Acquisitions group. Subsequently, she joined Pearson's Corporate Finance and Strategy group where she looked at bolt-on acquisitions for their education business. Post her stint at Pearson, Ms. Gauri Kirloskar moved back to India and has been focusing her efforts on strategic initiatives for the Kirloskar Group into infrastructure and investments as well as functioning as a director at several Kirloskar Group companies. As a board member of Kirloskar Oil Engines since 2014, she has been involved in regular compliance and performance reviews. She is an active member of the committee that looks at new investment initiatives in the energy space.

Ms. Gauri Kirloskar is a member of the boards of Kirloskar Oil Engines' subsidiaries, La-Gajjar Machineries, a pumps manufacturing company and Arka Fincap, the group's foray into the financial services business. Prior to being appointed as a Managing Director of Kirloskar Oil Engines, her primary role was establishment of the

Group's real estate business in Pune. This involved strategic alternatives analysis of value creation opportunities around the sale and development of the group's land banks. She was involved in title clearance and land approvals, building up the design brief, working closely with the IPCs and engaging with potential clients.

She also leads at a Group level, efforts in HR, branding, corporate communications, and shared services. She led the recent brand refresh of the group under the banner 'Kirloskar Limitless' and was responsible for the entire project. She is currently building out a new brand and communications team for the group. She leads the Group's CSR efforts in the environmental area under 'Kirloskar Vasundhara'. She is on the core advisory team for Ekagrid University, an initiative to build a multidisciplinary research university that aims to be in the top 25 of global rankings by 2050.

Ms. Gauri Kirloskar received a B.Sc. in Business Administration with a concentration in Finance in 2006 from Carnegie Mellon's Tepper School of Business, and has attended Phillips Academy, Andover, near Boston.



MR. MAHESH CHHABRIA

Non-Executive Non-Independent Director

Mr. Mahesh Chhabria, with over 30 years of experience in investment banking, private equity, and corporate governance, currently serves as the Managing Director of Kirloskar Industries Ltd. (KIL). His vast career includes significant roles at Actis, 3i India and as co-head of Investment Banking at Enam. Known for his robust relationship-building and interpersonal skills, he maintains an extensive network in financial and corporate sectors.

At Kirloskar group, Mr. Chhabria oversees key areas like Group Strategy, Risk, Mergers & Acquisitions, Fund Raising and Family Office Investing. He has been instrumental in inducting professional CXOs, bringing on board Independent Directors, and crafting business plans for two new verticals of Kirloskar Group Companies - Arka Fincap Ltd., the NBFC arm of Kirloskar Oil Engines Limited and Avante Spaces Ltd., the Real Estate business vertical of Kirloskar Industries Limited. Additionally, he is the Group Head for ESG implementation and a Founding Member of Kirloskar Management Services Private Ltd. KMSPL is actively involved with Investor Relations, Stakeholder Management, Group Policies and Group Digitisation Efforts.

Mr. Chhabria, a Bachelor of Commerce from University of Mumbai and an associate member of the Institute of Chartered Accountants of India, brings a wealth of expertise to his role.



MR. SIVANANDHAN DHANUSHKODI

Independent Director

A highly respected IPS officer, Mr. Sivanandhan Dhanushkodi joined IPS in 1976 and retired as the Director General of Police of Maharashtra State Police in 2011. His valour and acumen are evident in his 36-year-long journey. He has held several senior positions in the Intelligence Bureau, Central Bureau of Investigation and the Mumbai Crime Branch. He has also served as the Commissioner of Police in Nagpur, Thane City and Mumbai.

Mr. Sivanandhan's accolades include the Meritorious Service Medal (1993), the President's Police Medal for Distinguished Service (2000) and the Internal Security Medal (1998). His work also includes his contributions as a Member of the Special Task Force for the National Security Council Secretariat, New Delhi and as the Security Advisor to the Reserve Bank of India for three years. With a postgraduate degree in Economics, Mr. Sivanandhan also serves as an independent director on the boards of several esteemed companies.



MR. VIJAY CHUGH

Independent Director

Mr. Vijay Chugh has over 35 years of experience in the fields of supervision and regulation of commercial banks, payment and settlement systems, and core banking solutions.

He has been former Principal Chief General Manager of the Department of Payment and Settlement Systems for the Reserve Bank of India (RBI). He has been a nominee of the RBI on the board of directors of the State Bank of Patiala and the United Bank of India. He has also been the Chief Vigilance Officer at the Industrial Investment Bank of India Ltd. Mr. Chugh was associated with the South East Asian Central Banks Conference of Directors of Payment and Settlement Systems: 'Challenges in Promoting Safe and Efficient Payment Systems' held in Kuala Lumpur, Malaysia in 2013. Post his retirement, he has been advising various organisations in respect of regulatory matters relating to the payments industry and served as an Independent Director on the Boards of a few companies.

Mr. Vijay Chugh's expertise stems from his strong roots in academia. He holds a Bachelor of Arts from Delhi University, a Master of Arts from Rajasthan University and a Post Graduate Diploma in Business Administration from KC College of Management Studies, Mumbai. As a certified associate of the Indian Institute of Bankers, he has been awarded the Advanced Certificate for Executives in Management, Innovation and Technology from the Sloan School of Management, Massachusetts Institute of Technology, U.S.A.



MR. HARISH ENGINEER

Independent Director

Mr. Harish Engineer's remarkable journey in the finance and banking sphere spans over 40 years. Mr. Engineer was associated with HDFC Bank since 1994 in various capacities and retired as an Executive Director on the Board of the bank responsible for Wholesale Banking including International Banking. Prior to this, he spent 26 years at the Bank of America in diverse areas including operations and corporate credit card management.

Further, Mr. Harish Engineer is on the Board of a research and manufacturing company, Navin Fluorine International Ltd. (An Arvind Mafatlal Group Company.)

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

**MR. YOGESH KAPUR**

Independent Director

Mr. Yogesh Kapur, a Fellow Chartered Accountant (FCA), began his career in 1983 with HDFC. He later joined HSBC's investment banking arm in 1991 and moved to Enam Securities Pvt. Ltd. in 1994. After Axis Bank acquired Enam Securities Pvt. Ltd.'s investment banking business in 2012, Mr. Kapur joined Axis Capital Ltd., a wholly owned subsidiary of Axis Bank. In 2014, he assumed the role of Head of Strategic Relationship Group - Wholesale Banking for North India at Axis Bank. Following his superannuation in July 2017, he returned to Axis Capital on a contract as Managing Director (Special Coverage) until November 2022.

During his tenor as investment banker, Mr. Kapur has worked with companies both in private and public sectors as these companies prepared to list on public markets. In addition, he has been engaged in advising companies on strategic initiatives, reorganisation, business/corporate restructuring etc. Mr. Kapur has very closely engaged during this period with DIPAM to manage initial listings and further divestments in listed public sector companies in accordance with Government's directives/decisions on the subject.

During his career positions with different organisations, Mr. Kapur has worked on number of international assignments including for USAID and World Bank in Sri Lanka and Ghana.

Currently, Mr. Yogesh Kapur sits on the boards of various companies including HDFC Education and Development Services Private Limited, Greenlam Industries Limited, Kirloskar Oil Engines Limited, ASK Automotive Limited, Polyplex Corporation Limited and RICO Auto Industries Limited.

**MR. GURUMURTHY RAMANATHAN**

Independent Director

Mr. Gurumurthy Ramanathan superannuated from his role as the Head of Governance at RBL Bank in June 2023. He brings about 38 years of exposure in the banking sector both in India and in Hong Kong. During the 6 years in his last role he oversaw the assurance, operations, technology & credit functions in the bank. He joined RBL Bank in mid 2011 as part of the transformation team and was heading the Corporate & Institutional Banking business group for about 5 years. He also managed the regulatory interface for RBL Bank for several years.

Prior to joining RBL Bank, he set up & headed the FI Strategic Coverage Group for Standard Chartered Bank for India. In this role he was responsible for building and managing relationships for the Bank with large/strategic clients in the Financial Services space. Prior to joining Standard Chartered Bank he had a long stint with Bank of America in which he managed relationships with the IT sector, Corporates and Financial Institutions.

In earlier assignments he has been associated with Credit Lyonnais and State Bank of India. He has extensive experience in wholesale banking, capital markets, integrated risk management, and management of large/diverse teams in leadership both in India and outside.

Gurumurthy holds a Bachelor's degree from Delhi University and is a Certified Associate of the Indian Institute of Bankers.

OUR LEADERS

**MR. MRIDUL SHARMA**

Group Chief Operating Officer

Mridul Sharma, a founding member of ARKA Fincap team, serves as the Group Chief Operating Officer. He focuses on building the digital capabilities for ARKA so that the group delivers better operational efficiency and client experience. He also drives the technology and digital business transition for the Kirloskar Group's manufacturing businesses as Group Chief Digital Officer at Kirloskar Management Services.

A distinguished figure of the BFSI sector, he has been designing, optimising and implementing business process transitions through the use of digital technologies for over 28 years. Prior to this, he has held leadership roles at reputed national and international financial institutions, namely IndusInd Bank, Dresdner Bank, Barclays Bank, TATA-AIG, ABN AMRO Bank and Bank of America.

He holds an MBA degree from FMS, MLS University, Udaipur, and has attended the Organisational Leadership Programme at the Asian Institute of Management, Manila. Furthermore, he also serves as a Director on the board of the Centre for Industry 4.0 (C4i4) Lab, offering guidance in the design and dissemination of Industry 4.0 technologies within the manufacturing sector.

**MR. AMIT KUMAR GUPTA**

Group Chief Financial Officer

As the Group Chief Financial Officer, Amit Gupta holds a pivotal role in the various financial activities at Arka Fincap Limited, including fundraising, treasury, corporate finance, budgeting, financial analysis, finance, compliance, and other ancillary functions.

With over 20 years of extensive experience in the financial sector, he has played key roles in esteemed organisations such as Erstwhile Magma Fincorp Limited, ICICI Bank and IndoStar Capital Finance Ltd. Throughout his career, he has honed his proficiency in the BFSI sector and demonstrated a track record across diverse roles encompassing both assets as well as liabilities. His tenure at ICICI Bank included managing the SME portfolio which showcased his rich experience on the business side as well. His core expertise lies in Treasury, Corporate Finance, IPO, Finance, portfolio management and more.

Amit is a Chartered Accountant from the Institute of Chartered Accountants of India and a Company Secretary from the Institute of Company Secretaries of India. He did his graduation from St. Xavier's College, Kolkata, and has pursued a Corporate Finance course from IIM-Ahmedabad.



MR. NACHIKET NAIK

Head - Corporate Lending

Nachiket Naik, a founding member of Arka Fincap, is the Head of Corporate Lending. He has over 25 years of experience in the credit and debt markets. With his vast expertise, he has held leadership positions in prominent financial institutions such as IREP Credit Capital, UBS, ABN AMRO and Infrastructure Leasing & Finance (IL&FS).

In 2012, Nachiket founded IREP, steering it successfully for six years and cultivating a diverse portfolio across marquee transactions. During his tenure at UBS, he was an Executive director, where he set up the Debt Capital Markets and Financing franchisee, along with the origination, structuring, execution, and distribution of both onshore and offshore transactions. Before UBS, during his six-year tenure at ABN AMRO, he spearheaded several landmark transactions, including acquisition financings for Tata Steel - Corus, Hindalco - Novelis, and Suzlon - RE Power. He also led first-time offshore borrowings for several mid-market Indian companies and developed their first-ever structured funding for infrastructure companies in India. During his tenure at ABN AMRO, the organisation was voted the India Debt House of the Year for three consecutive years by several international publications.

Before joining ABN AMRO, Nachiket was with Infrastructure Leasing & Finance (IL&FS) where he was instrumental to the Investment Banking Division in handling the asset and structured finance business. His experience extends to his work with Credit Analysis & Research (CARE), where he looked after the financial sector and structured finance rating.

Nachiket is an engineer and holds an MBA.



MR. SONIT SINGH

Chief Business Officer - Real Estate, Asset Management & Advisory

Sonit Singh is currently the Head - Asset Management at Arka Financial Holdings Private Limited and Chief Business Officer - Real Estate, Asset Management & Advisory at Arka Fincap Limited. He established the Real Estate and Urban Infra Business at Arka Fincap Limited. Further, he is responsible for spearheading new strategic initiatives of the group in the financial sector foray.

At Arka Fincap, Mr. Singh has set up Real Estate & Urban Infra Business grounds up into a diversified pan-India profitable business and grown it into a meaningful size maintaining impeccable asset quality. He further looks after the Syndications business, started in 2021, to develop it into a more value added non fund-based business and enable Arka to manage its risk at a portfolio level.

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

In his previous roles across Standard Chartered, Deutsche Bank and JPM spanning over 15 years cumulatively, he effectively managed a \$2 Bn asset book, with impeccable track record on asset quality, ensuring robust growth and profitability. He has worked across the entire product spectrum, including financing, M&A advisory, private equity, mezzanine and capital markets. He was also responsible for managing the execution, credit structuring and trading desk, has led credit analysis, legal and financial due diligence, structuring & legal documentation and post-closing monitoring on debt/equity transactions in private financing and syndication space.

Sonit has done an Executive Program in Private Equity from the Indian School of Business.



MR. MANISH NAGARSEKAR

Deputy Chief Operating Officer

As the Deputy Chief Operating Officer, Manish Nagarsekar's responsibility is to manage mid-office risk, optimise system solutions and improve operational efficiency. He has over 25 years of experience in operations, risk management, digital banking, payments, and delivering IT applications across assets, liabilities and wealth. Before joining Arka Fincap Limited, he led the Solutions Delivery group and digital transformation at IndusInd Bank. His enterprising attitude and strong focus on delivery have driven him to implement large-sized strategic projects as well as automate goals and objectives through collaboration and teamwork.

In his previous roles, Manish has held leadership positions at reputed financial companies including IndusInd Bank, Royal Bank of Scotland, YES Bank and ABN AMRO. He is a Chartered Accountant, CISA and holds a Post Graduate Diploma in FX and Risk Management from World Trade Institute.



MR. NAVIN SAINI

Business Head - Retail SME and MSME

Navin Saini is the Head of the Retail, Micro & SME Business. He has been instrumental in building the Retail franchise for Arka from the grounds up and has played a key role since its inception. His primary focus has been on setting up the right physical distribution backed by digital infrastructure, policy framework and underwriting models, both scorecard-backed and analytics-driven, to onboard the best customers and create quality portfolios. He has been a founding member of the retail business and has built this entire team which comprises Sales, Credit, Products, & Collections.

With over 25 years of experience in the BFSI sector and a strong focus on, Micro and SME financing, Navin is a reputed member of the lending fraternity. His past roles include leadership positions at renowned institutions such as Aditya Birla Capital, Standard Chartered Bank, Barclays Bank, ICICI Bank and SIDBI. In his last role, he was instrumental in building and launching a tech-enabled SME business for Clix Capital in a CXO position. With profound expertise in building strong teams and quality portfolios, Navin has helped start-ups, as well as established brands, scale their businesses to the next level.

Navin has pursued courses from Harvard Business School, Executive Education and Indian School of Business. He is an MBA in Finance from the Institute of Management Studies, Indore. He has also completed several workshops on Design Thinking to bring a customer-centric approach to his problem-solving ability that blends well with his knowledge of people and systems. Besides that, he enjoys sharing his lending experiences with SME entrepreneurs and startup founders and helping them grow.



MR. ATIT SHAH

Chief Risk Officer

Atit Shah is the Chief Risk Officer at Arka Fincap and he manages enterprise risks covering credit, market and operation risks for SME and retail assets. His core duties include portfolio management, implementing early warning signals and overseeing policy and process management.

With a rich experience of close to two decades, Atit Shah brings his expertise in areas like risk administration, business development, client servicing, and product and policy drafting within the BFSI sector. His proficiency in this domain extends to retail asset products like housing and mortgages, SME lending, NBFC funding, invoice discounting, two-wheelers, consumer durables, and personal loans.

Atit Shah's previous roles include key positions in reputed institutions like Barclays Bank, Indiabulls, Standard Chartered Bank, Citibank and JM Financial, among others. He is a Chartered Accountant and a Company Secretary with an MBA in Finance from Welingkar's Institute of Management Studies.



MR. SACHIN AGARWAL

Chief Credit & Enterprise Risk Officer

Sachin Agarwal established the Enterprise Risk Management framework at Arka Fincap Limited. He manages credit risk for the wholesale business and he spearheads operational risk for the enterprise.

A seasoned finance professional with over 19 years of extensive experience, Sachin Agarwal has profound expertise in credit risk management across various industries, financial modelling, solutions structuring and relationship management. His previous roles include leadership positions in renowned institutions such as Standard Chartered and Citibank.

Sachin Agarwal is a Chartered Accountant and alumni of XLRI, Jamshedpur.



MS. RASHMI WARANGE

Head - Human Capital Management

A business focused HR leader with a comprehensive experience in Financial Services, Real Estate, Hospitality and Consulting, spread across almost two decades, Rashmi Warange leads our Human Capital Management. With a people-first approach, her purpose is to enable and empower Arka's talent to succeed. Rashmi Warange is responsible for developing and driving people management strategies through talent acquisition, development, engagement and retention to ensure that their output aligns with the organisation's talent and business strategy.

An alumnus of INSEAD Business School, France and Postgraduate in Human Resources Management from Welingkar's Institute of Management Studies, Rashmi Warange has built her expertise in talent optimisation, transformation and automation. She has worked with reputable companies such as Oberoi Realty, Shapoorji Pallonji Real Estate, ITC Hotels and the Lodha Group. Rashmi Warange has been nominated for the Economic Times Young Leaders Award and has been consulting C-Suites on Executive Presence.



MR. SUMAN SAURAV

Chief Technology Officer

As the Chief Technology Officer (CTO) at Arka Fincap Limited, Suman Saurav is responsible for shaping and executing the technology strategy to drive organisational objectives. He has successfully set up the IT function at Arka, creating a highly agile, cloud-native digital landscape while adhering to a minimal capex budget.

With nearly 20 years of experience in technology within the BFSI sector, Suman has demonstrated an aptitude for innovative solutions, analytical intelligence, and motivational leadership. He has worked as a developer, business analyst, and project manager, playing several strategic roles, wherein he delivered solutions at scale. He is a competent leader and is known for building strategic direction as well as translating technological trends to the changing business landscape.

Before joining Arka, Suman Saurav held executive roles in technology, programme delivery, and digital projects at IndusInd Bank and Wipro Technologies. At IndusInd Bank, he spent a decade as Head of Digital Solutions. During this time, his strategic vision and astute leadership guided BAU support for all customer-facing channels with seamless coordination among internal stakeholders and partners. At Wipro Technologies, he played a key role as a Senior Business Analyst in the Banking domain.

Suman holds a PG in Actuarial Science from Narsee Monjee Institute of Management Studies (NMIMS) and a Bachelor's Degree in Information Technology from Delhi University.

Arka Fincap in News

News coverage in 27 print and 40 online mainstream and regional publications.



RAISED 300 CRORES VIA MAIDEN PUBLIC ISSUE OF NCD

- Arka Fincap highlighted the successful sale of its non-convertible debentures (NCDs), as reported by The Economic Times. The NCDs were available for subscription from December 7 to December 20, offering interest rates ranging from 9.29% to 9.99% across three tenures: 24 months, 36 months, and 60 months. This move reflects Arka Fincap's strategic approach to funding and its commitment to providing attractive investment opportunities for a wide range of investors.
- In addition to coverage by The Economic Times, the NCD issue received extensive media attention. Financial newspapers and websites such as LiveMint, Business Standard, CNBC TV18, Zee Business, MoneyControl, United News of India, ZEE Business Hindi, Equity Bulls, NDTV Profit, and CNBC TV18 featured the news. Overall, the news was carried in over 60 media publications, both online and in print, demonstrating significant interest and coverage.

BONDS
Kirloskar co Arka Fincap eyes Rs 300 crore from NCD sale

Synopsis
 The NCDs, available in three tenures - 24 months, 36 months and 60 months - offer interest rates ranging from 9.29% to 9.99%. The company, part of the Kirloskar Group, has reserved 25% of the issue each to institutional buyers, companies, high-net-worth individuals and retail investors.

By ET Bureau
 Updated: Dec 6, 2023, 07:38 AM IST

Mumbai: Non-bank finance company **Arka Fincap** on Tuesday announced the sale of non-convertible debentures (**NCDs**) with a base size of ₹150 crore and an option to retain another up to ₹150 crore. The issue will open on December 7 and close on December 20.

- Furthermore, Arka Fincap's brand name penetrated regional languages, including Hindi, Marathi, and Gujarati, ensuring broad and diverse audience reach. This widespread media coverage underscores the significance of Arka Fincap's NCD issue and its impact on the market.



Arka Fincap announces NCD issue of Rs 300 crore, issue opens on December 7

Arka Fincap engages in corporate lending, real estate and urban infra financing, MSME lending and personal lending



Vimal Bhandari, Executive Vice Chairman and CEO, Arka Fincap said the public issue of NCDs is in line with the firm's strategy of liability diversification





HR STRATEGIES FOR A HAPPY WORKFORCE

Rashmi Warange, Vice President, Human Capital Management, Arka Fincap, discusses the Company's HR strategies for a happy workforce.

Rashmi shares with the media that, Arka Fincap prioritises a people-first strategy, focusing on engaging and upskilling its employees to create a highly engaged and inclusive work culture. The company emphasises learning journeys, leadership programs, and sales training to enhance employee skills and motivation.

Arka also sets clear, measurable goals and promotes work-life balance, ensuring a happy and motivated workforce. Regular employee satisfaction surveys and celebrations of achievements further contribute to a positive work environment and drive employee performance.

Published on the website of 'Banking Frontiers' a prominent banking and financial services magazine in India, known for its in-depth coverage of banking technology, innovations, and trends. It caters to banking professionals, providing valuable insights and analysis to help them stay updated with the latest developments in the industry.



" There is a rate arbitrage, which the NBFCs will look to utilise between MCLR-linked bank loans and short-term capital market instruments, as short-end yields are edging lower,"

MR. NACHIKET NAIK
Head – Corporate Lending

He was cited in an article by The Economic Times discussing about the strategic shift of NBFCs to leverage the widening bank rate gap leading to a significant increase in their fundraising through bonds in a short period.

EMBRACING TECHNOLOGY FOR SUSTAINABLE FINANCIAL PRACTICES

Mr. Amit Gupta, CFO of Arka Fincap Limited, recently spoke with CEOInsights India about the finance industry's transformative changes and his plans for sustainable strategies. Joining Arka Fincap in 2019 as Head of Resources and Corporate Finance, Amit's journey to CFO reflects his 20+ years of expertise in business, credit, treasury, and more, starting at Magma Leasing Limited in Kolkata in 2003 after completing his CA and CS degrees.



Digitisation's Influence on Finance

Discussing digitisation post-demonetisation, Amit mentioned its role in adapting to crises like the 2008 financial crisis, the 2016 demonetisation, and the 2020 pandemic. He highlighted its impact on digital payments, collections, and monitoring, crucial for growth and customer experience enhancement.

Regulatory Compliance and Growth

Mr. Gupta stressed the need for strong governance and internal controls to ensure compliance with regulations, vital for sustainable growth and quality deliverables. Compliance, he emphasised, is ongoing and integral to long-term success.

Mitigating Environmental Risks for Stability

Mr. Gupta highlighted the lending sector's sensitivity to factors like interest and liquidity risks, underscoring the need for constant global economic monitoring and strategic adaptation.

Investor Relevance and Sustainability Strategies

Regular performance and strategy updates to investors are key, Amit stressed, with agility in decision-making critical for adapting to market changes and investor expectations.

Evolving Expectations

Looking ahead, Amit expects the CFO role to evolve further, requiring a broader knowledge base and deeper insights into ancillary functions alongside core competencies to ensure sustainable growth.

CORPORATE INFORMATION

REGISTERED OFFICE AND CORPORATE OFFICE

2504, 2505, 2506, 25th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Mumbai – 400 013

Tel: +91 22 40471000

Fax: +91 22 40471010

Website:

<https://www.arkaholdings.com/arka-fincap>

Email:

arkasecretarialandcompliance@arkaholdings.com

HOLDING COMPANY

Kirloskar Oil Engines Limited (Ultimate Holding Company)

Arka Financial Holdings Private Limited (Holding Company)

BOARD OF DIRECTORS**Mr. Vimal Bhandari**

Executive Vice Chairman & CEO

Mr. Mahesh Chhabria

Non-Executive Director

Ms. Gauri Kirloskar

Non-Executive Director

Mr. Harish Engineer

Independent Director

Mr. Sivanandhan Dhanushkodi

Independent Director

Mr. Vijay Chugh

Independent Director

Mr. Yogesh Kapur

Independent Director

Mr. Gurumurthy Ramanathan

Independent Director (w.e.f. October 25, 2023)

KEY MANAGERIAL PERSONNEL**Mr. Vimal Bhandari**

Executive Vice Chairman & CEO

Mr. Amit Kumar Gupta

Chief Financial Officer

Ms. Niki Mehta

Company Secretary

CIN

U65993MH2018PLC308329

LEI

3358008WH20GDP81AN85

BANKERS / LENDERS

Aditya Birla Finance Limited

AU Small Finance Bank

Axis Bank Limited

Bajaj Finance Limited

Bandhan Bank

Bank Of Baroda

Bank of India

Bank of Maharashtra

Canara Bank

DCB Bank Limited

HDFC Bank Limited

ICICI Bank Limited

IDFC First Bank Limited

Indian Bank

Indian Overseas Bank

IndusInd Bank Limited

Karnataka Bank Limited

The Karur Vysya Bank Limited

Kotak Mahindra Bank Limited

Nabsamruddhi Finance Limited

Punjab & Sind Bank

Punjab National Bank

Small Industries Development

Bank of India

State Bank of India

Tata Capital Limited

The Federal Bank Limited

Union Bank Of India

Utkarsh Small Finance Bank Limited

YES Bank Limited

STATUTORY AUDITORS

P G BHAGWAT LLP

Chartered Accountants

Suite 102, "Orchard" Dr. Pai Marg Baner, Pune – 411 045

Tel: +91 20 2729077/1772/1773

Email: pgb@pgbhagwatca.com

Web: www.pgbhagwatca.com

DEBENTURE TRUSTEES

Catalyst Trusteeship Limited

GDA House, Plot No. 85, Bhusari

Colony (Right), Paud Road, Pune – 411 038

Tel: +91 22 49220555

Fax: +91 22 49220505

Email: ComplianceCTL-Mumbai@ctltrustee.com

Website: www.catalysttrustee.com

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited

C-101, 247 Park,

L.B.S. Marg, Vikhroli (West),

Mumbai – 400 083

Tel: +91 810 811 4949

Fax: +91 22 4918 6060

Website: www.linkintime.co.in

STOCK EXCHANGE

BSE Limited

Board's Report

Dear Members,

Your Directors presents their 6th Annual Report on the affairs of your Company together with the audited financial statements for the financial year ended March 31, 2024.

Financial Highlights

The key financial highlights of the audited standalone financial statements of the Company for the financial year ended March 31, 2024 and comparison with the previous financial year ended March 31, 2023 are summarized below:

Particulars	(in Lakhs)	
	For the year ended 31, 2024	For the year ended 31, 2023
Total Income	57,078.73	37,288.88
Total Expenditure	46,171.02	29,008.41
Profit before exceptional items and tax	10,907.71	8,280.47
Exceptional items - Expenses / (Income)	1,528.50	-
Profit before Tax	9,379.21	8,280.47
Less: Tax Expense		
Current tax	2,049.53	2,450.07
(Excess)/Short provision related to earlier years	-	333.12
Deferred tax expense / (income)	406.60	(639.18)
Total Tax Expenses	2,456.13	2,144.01
Profit after tax	6,923.08	6,136.46
Other comprehensive income for the year, net of tax	(20.34)	(2.75)
Total comprehensive income for the period	6,902.74	6,133.71

During the year under review, the total income of the Company was ₹57,078.73 Lakhs and the Profit after Tax was 6,923.08 Lakhs (Previous Year: ₹37,288.88 Lakhs and ₹6,136.46 Lakhs, respectively).

Pursuant to the requirement of Section 45-IC of the RBI Act, 1934 an amount of ₹1,384.62 Lakhs (Previous Year: ₹1,227.29 Lakhs) is transferred to Special Reserve Fund. For details of Reserves and Surplus of the Company, please refer note 3.21 of the audited standalone financial statements of the Company for the financial year ended March 31, 2024.

No material changes affecting the financial position of the Company have occurred between the Financial Year ended March 31, 2024 and date of this Report.

During the year under review, AUM of your Company crossed the milestone mark of ₹5,000 Crore.

Loan Book:

The loan book (on balance sheet) of the Company for the financial year ended March 31, 2024 was increased by 21.29 % to ₹4,80,364 Lakhs as compared to ₹3,96,027 Lakhs as of March 31, 2023.

Debt Equity Ratio

The Company's Debt Equity ratio as on March 31, 2024 stood at 3.28:1.

Capital Adequacy Ratio

As on March 31, 2024, the Capital to Risk Assets Ratio ("CRAR") of your Company stood at 25.09%, well above the regulatory limit of 15% as prescribed by the RBI for NBFCs. Out of the above, Tier I Capital Adequacy Ratio stood at 22.54% and Tier II Capital Adequacy Ratio stood at 2.55%, as on March 31, 2024.

Net Owned Funds

The Net Owned Funds of your Company as on March 31, 2024 stood at ₹1,13,508.33 Lakhs (March 31, 2023 – ₹1,03,073.94 lakhs) and the Net Owned Funds increased by 10.12% as compared to Net Owned Funds as on March 31, 2023.

Change in nature of business operations:

There has been no change in the nature of business and operations of the Company during the year under review.

During the period under review your Company has been granted a Certificate of Registration from Insurance Regulatory and Development Authority of India to act as Corporate Agent (Composite) vide Registration Number CA0914. The said registration is valid from February 29, 2024 till February 28, 2027.

Board's Report

Business Overview

Your Company is a Non-Deposit taking Systemically Important Non-Banking Financial Company categorised as Middle Layer (NBFC-ML), registered with the Reserve Bank of India under Section 45 IA of the RBI Act, 1934, bearing registration no. N-13.02282 dated July 25, 2019.

It is a subsidiary of Arka Financial Holdings Private Limited ("AFHPL") which is in turn a wholly-owned subsidiary of Kirloskar Oil Engines Limited (KOEL). As a professionally managed organization and a part of the Kirloskar Group, primarily engaged in providing structured term financing solutions to corporates, real estate and urban infra financing, loans to micro, small and medium enterprise ("MSME") and personal finance loans to borrowers in India. The growth of the business is built on robust digital credit assessment and concrete digital onboarding for a faster TAT (Turn Around Time) and a fast-tracked disbursement process.

With a focus on customers, experienced management team and vigilant monitoring of Company's loan assets, its business has experienced growth since the commencement of its operations in Fiscal 2019. We operate four principal lines of business: corporate lending, real estate and urban infra financing, syndication, MSME and personal lending.

The operating and financial performance of your Company has been covered in the Management Discussion and Analysis Report which forms part of the Annual Report.

Change in Registered Office

During the period under review, the registered office of the Company has been shifted from "1202B, Tower 2B, One World Centre, Senapati Bapat Marg, Mumbai-400013" to "2504, 2505, 2506, 25th floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Mumbai-400013" with effect from October 16, 2023.

Management Discussion and Analysis Report

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

Corporate Governance

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

Dividend

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

Financial Statements

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. In terms of Section 129 of the Act read with Rules framed thereunder, audited financial statements of the Company for the financial year ended on March 31, 2024 shall be laid before the ensuing Annual General Meeting of the Company.

The audited financial statements together with Auditor's Report thereon forms part of the Annual Report and are also available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/investor-information#arkainvestorfinancialreports>

Share Capital

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

During the year under review, the Company on June 5, 2023 allotted 4,47,05,842 equity shares of face value of ₹10/- each issued by the Company at ₹12.75/- each, aggregating to ₹56,99,99,485.50 on rights basis.

Consequent to the abovementioned allotment, the issued, subscribed and paid-up share capital of the Company as on March 31, 2024 and as on the date of this report stands increased to ₹928,72,81,080/- divided into 92,87,28,108 equity shares of face value of ₹10/- each.

During the period under review, 1 (one) share held by Mr. Vimal Bhandari as "Registered Owner" and the "Beneficial Owner" being Arka Financial Holdings Private Limited in terms of Section 89 of the Companies Act, 2013, was transferred to Mr. Amit Kumar Gupta as "Registered Owner" and the "Beneficial Owner" continues to be Arka Financial Holdings Private Limited.

Your Company has not issued any equity shares with differential rights as to voting, dividend or otherwise.

Directors and Key Managerial Personnel

At present, the Board of Directors of your Company comprises 8 (eight) Directors, of which 5 (five) are Non-Executive Independent Directors, 2 (two) are Non-Executive Non-Independent Directors and 1 (one) is an Executive Director. The Board composition is in compliance with the requirements of the Act, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") and the Master Direction - Reserve

Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 ("RBI Directions").

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

Appointment & Cessation of Director(s):

Appointment of Mr. Gurumurthy Ramanathan (DIN: 10366010):

During the year under review, in order to further strengthen the composition of the Board of the Company and to augment its skill sets, the Board of Directors considered it prudent to induct an independent director on the Board of the Company. Considering the experience, professional expertise and qualifications of Mr. Gurumurthy Ramanathan (DIN: 10366010), the Board of Directors, on the recommendation of the Nomination and Remuneration Committee appointed Mr. Gurumurthy Ramanathan (DIN: 10366010) as an Additional Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from October 25, 2023 to October 24, 2028. The appointment of Mr. Gurumurthy Ramanathan (DIN: 10366010) as an Independent Director was approved by the shareholders of the Company at their Extraordinary General Meeting held on January 23, 2024. The Company had received the requisite notice in terms of Section 160 of the Act from a member in writing proposing Mr. Gurumurthy's appointment as Independent Director.

The appointment of Mr. Gurumurthy Ramanathan (DIN: 10366010) was made in accordance with the relevant provisions of the Act, SEBI LODR, the RBI Directions and other laws, rules, regulations and guidelines as may be applicable to the Company. The Nomination & Remuneration Committee exercised due diligence inter-alia to ascertain the 'fit and proper' person status of Mr. Gurumurthy Ramanathan (DIN: 10366010) and recommended his candidature to the Board of Directors for consideration. The Board of Directors considered that Mr. Gurumurthy Ramanathan (DIN: 10366010) possessed the requisite expertise and experience (including the proficiency) and that he is a person of high integrity and repute and accordingly approved his appointment as an Additional Independent Director of the Company.

Re-appointment of Mr. Sivanandhan Dhanushkodi (DIN: 03607203):

The Board of Directors at their meeting held on April 24, 2019 and subsequently the shareholders of the Company at their Annual General Meeting held on

July 31, 2019 appointed Mr. Sivanandhan Dhanushkodi (DIN: 03607203) as an Independent Director of the Company for a period of 5 (five) years with effect from April 24, 2019 till April 23, 2024.

Taking into consideration the skills, expertise, experience and competencies required for the Board in the context of the business of the Company and based on the annual performance evaluation, the Board of Directors, on recommendation of Nomination & Remuneration Committee, at their meeting held on January 23, 2024, re-appointed Mr. Sivanandhan Dhanushkodi (DIN: 03607203) as an Independent Director for a second term of 5 (five) consecutive years commencing from April 24, 2024, subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting and subject to fresh approvals to be obtained from Nomination and Remuneration Committee, the Board and the shareholders of the Company to continue the directorship of Mr. Sivanandhan Dhanushkodi as an Independent Director beyond the age of 75 years.

The requisite notice in terms of Section 160 of the Act from a member in writing proposing re-appointment of Mr. Sivanandhan Dhanushkodi as an Independent Director. A brief profile of Mr. Sivanandhan Dhanushkodi forms part of the notice of the ensuing Annual General Meeting.

Re-appointment of Mr. Vijay Chugh (DIN: 07112794) as an Independent Director:

The Board of Directors at their meeting held on April 24, 2019 and subsequently the shareholders of the Company at their Annual General Meeting held on July 31, 2019 appointed Mr. Vijay Chugh (DIN: 07112794) as an Independent Director of the Company for a period of 5 (five) years with effect from April 24, 2019 till April 23, 2024.

Taking into consideration the skills, expertise, experience and competencies required for the Board in the context of the business of the Company and based on the annual performance evaluation, the Board of Directors, on recommendation of Nomination & Remuneration Committee, at their meeting held on January 23, 2024, re-appointed Mr. Vijay Chugh (DIN: 07112794) as an Independent Director for a second term of 5 (five) consecutive years commencing from April 24, 2024, subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting.

The requisite notice in terms of Section 160 of the Act from a member in writing proposing re-appointment of Mr. Vijay Chugh as an Independent Director. A brief profile of Mr. Vijay Chugh forms part of the notice of the ensuing Annual General Meeting.

Board's Report

Re-appointment of Mr. Vimal Bhandari (DIN:00001318) as Executive Vice-Chairman & CEO designated as Whole-Time Director:

The Board of Directors, on recommendation of the Nomination & Remuneration Committee, at their meeting held on August 21, 2018 and subsequently the shareholders of the Company at their Extraordinary General Meeting held on November 14, 2018 appointed Mr. Vimal Bhandari (DIN:00001318) as the Executive Vice Chairman and CEO designated as Whole-Time Director of the Company for a period of 5 years with effect from November 1, 2018 till October 31, 2023.

Over the past years, Mr. Bhandari had been instrumental in the growth of the Company and has demonstrated exemplary leadership, strategic vision and unparalleled dedication to the growth and success of the organization. Under his guidance, the Company achieved remarkable milestones and consistently delivered outstanding financial performance. Considering the same and his expertise/experience, the Board of Directors at their meeting held on July 25, 2023 and the shareholders of the Company at their Extraordinary General Meeting held on January 23, 2024 approved re-appointment of Mr. Vimal Bhandari (DIN:00001318) as Executive Vice-Chairman & CEO designated as a Whole-Time Director for a term of 5 (five) years effective from November 1, 2023.

Director(s) Retiring by Rotation

In terms of Section 152(6) of the Act, Ms. Gauri Kirloskar, Non-Executive Director of the Company, shall retire by rotation and being eligible, has offered herself for re-appointment at the ensuing Annual General Meeting of the Company. Brief profile of Ms. Gauri Kirloskar has been included in the notice convening the ensuing Annual General Meeting.

Resignation of Directors

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

Director(s) Declaration and Disclosures

Based on the declarations and confirmations received in terms of the provisions of the Act, SEBI LODR and RBI Directions, none of the Directors on the Board of the Company are disqualified from being appointed/continuing as Directors. A certificate from Mayekar & Associates, Company Secretaries, confirming that none of the Directors on the Board of the Company as on March 31, 2024 have been debarred or disqualified from being appointed or continuing as Director on the Board of the Company by the Securities and Exchange Board of India, the Ministry of Corporate Affairs or any

such statutory authority forms part of the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

All the Directors of the Company have confirmed that they satisfy the "fit and proper" criteria as prescribed under RBI Directions.

The Company has received declaration from all the Non-Executive Independent Director(s), affirming compliance with the criteria of independence as stipulated in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI LODR. They have also confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair their ability to discharge their duties independently.

Based on various disclosures, declarations and confirmations received, the Board of Directors are of the opinion that the Independent Directors of the Company hold highest standards of integrity and possess requisite expertise and experience required to fulfil their duties as Independent Directors and are independent of the management.

Further, in terms of Section 150 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, Independent Directors of the Company have confirmed that their names have been included in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs, Manesar.

All the Directors have also provided a Fit & Proper declaration in terms of Chapter XI of RBI Directions.

Key Managerial Personnel ("KMP")

During the year under review, Mr. Vimal Bhandari was re-appointed as an Executive Vice Chairman and CEO of the Company designated as Whole-Time Director for a term of 5 years with effect from November 1, 2023, liable to retire by rotation.

There were no other changes in the Key Managerial Personnel of the Company.

As at March 31, 2024 and on the date of the Board's Report, following are the KMP's of the Company, in terms of provisions of Section 203 of the Act:

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

RBI Directions

Your Company always endeavours to comply with the RBI Directions and other direction(s), circular(s),

notification(s) and guideline(s) issued by the Reserve Bank of India as applicable to your Company as a non-banking financial company.

During the period under review, in compliance with the RBI Directions and the circulars, guidelines and notifications issued by RBI, your Company had made following appointments:

- ♦ Ms. Priyal Shah as Chief Compliance Officer
- ♦ Mr. Atit Shah as Chief Risk Officer
- ♦ Mr. Tejas Raja as Head Internal Audit (Interim)
- ♦ Mr. Praful Kotian as Chief Information Security Officer (Interim)

Compliance with Secretarial Standards

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

Deposits

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

Resources and Liquidity

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

During the year under review, your Company had raised (i) ₹1,44,700 lakhs as term borrowings (outstanding as on March 31, 2024: ₹2,41,411.60 lakhs), (ii) ₹42,500 lakhs by issuance of commercial paper (on face Value) (outstanding as on March 31, 2024: ₹19,471.49 lakhs) and (iii) ₹42,500 lakhs through issuance of non-convertible debentures (outstanding as on March 31, 2024: ₹1,19,511.81 lakhs).

During the period under review, you Company launched and completed the maiden public offering of non-convertible debentures. Your Company had opened the issue for the public to subscribe upto 30,00,000 non-convertible debentures of face value ₹1,000 each, for an amount up to ₹150 Crore ("Base Issue Size") with an option to retain oversubscription up to ₹150

Crore ("Green Shoe Option"), aggregating up to ₹300 Crore. Your Company received an overall subscription of approximately ₹308 crores against issue size of ₹300 crores, including green shoe option and the public issue was subscribed by 2.01 times of the base issue size and 1.01 times of the overall issue size. On December 27, 2023, your Company allotted 30,00,000 non-convertible debentures of face value of ₹1,000 each, at an issue price of ₹1,000 each, aggregating to ₹300,00,00,000/- to the allottees under public issue

Funds raised through issue of non-convertible debentures and/or commercial papers were utilised for the purpose mentioned in the respective offer/disclosure documents.

Applicable disclosures in terms of Regulation 53(f) of SEBI LODR as on March 31, 2024 have been provided at **Annexure III** to this Board's Report.

Credit Rating

Credit Ratings assigned to the Company as on March 31, 2024 is summarised below:

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

During the year under review, CRISIL Ratings Limited had revised its rating outlook for the bank facilities and long-term debt instruments of the Company to 'Positive' from 'Stable' while reaffirming its rating at "CRISIL AA-/CRISIL PPMLD AA-".

Auditors

Statutory Auditors

In terms of the provisions of Section 139 of the Act read with the rules framed thereunder and the guidelines issued by Reserve Bank of India for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) vide its Circular No. RBI/2021-22/25 Reference No. DoS. CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, the Members of the Company at their Extraordinary General Meeting held on November 19, 2021 appointed P G BHAGWAT LLP, Chartered Accountants, having ICAI Firm Registration No. 101118W/W100682 as the Statutory

Board's Report

Auditors of the Company to conduct the statutory audit for the financial years 2021-22 to 2023-24 in place of BSR & Co. LLP, Chartered Accountants to fill up the casual vacancy caused due to the resignation of BSR & Co. LLP, Chartered Accountants in light of the aforesaid RBI guidelines.

The term of P G BHAGWAT as Statutory Auditors will expire on the date of the conclusion of the ensuing Annual General Meeting of the Company.

Subject to the approval of the shareholders of the Company, the Board of Directors, on recommendation of the Audit Committee, at its meeting held on April 30, 2024 approved the appointment of Singhi & Co., Chartered Accountants (Firm Registration No. 302049E) as Statutory Auditors of the Company to hold office for a period of 3 years commencing from the date of conclusion of the ensuing Annual General Meeting till the conclusion of the Annual General Meeting to be held in the year 2027. The proposal for appointment of Singhi & Co., Chartered Accountants (Firm Registration no. 302049E) as Statutory Auditors of the Company forms part of the Notice of the ensuing Annual General Meeting.

Singhi & Co., Chartered Accountants (Firm Registration no. 302049E) have provided their consent to be appointed as Statutory Auditors of the Company and have also confirmed meeting the required eligibility criteria and that they are independent of the management. Singhi & Co., Chartered Accountants also holds a valid peer review certificate.

Statutory Audit Report

P G BHAGWAT LLP, Chartered Accountants, Statutory Auditors have issued unmodified opinion on the audited financial statements of your Company for the financial year ended March 31, 2024 and they have not submitted any qualifications, reservations, adverse remarks or disclaimers.

During the year under review, P G BHAGWAT LLP, Chartered Accountants, Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company.

Secretarial Auditors & their Report

In terms of Section 204 of the Act, the Board of Directors had appointed Mayekar & Associates, Company Secretaries, to undertake secretarial audit of the Company for the financial year ended March 31, 2024. The report of Mayekar & Associates, Company Secretaries in prescribed Form MR-3 is enclosed herewith at **Annexure IV** to this Board's Report.

Mayekar & Associates, Company Secretaries, in their report on the secretarial audit of your Company for the financial year ended March 31, 2024 has not submitted

any qualifications, reservations, adverse remarks or disclaimers.

Internal Auditors

Pursuant to the requirements of Section 138 of the Act and Rule 13 of Companies (Accounts) Rules, 2014, Ernst & Young LLP, Chartered Accountants, were appointed as the Internal Auditors of the Company for the financial year 2023-24.

In compliance with RBI Circular RBI/2020-21/88Ref. No.DoS.CO.PPG./SEC.05/11.01.005/2020-21 dated February 3, 2021 on Risk-Based Internal Audit, Mr. Tejas Raja has been appointed as Internal Audit Head (Interim) with effect from March 31, 2024. The Board of Directors, on recommendation of the Audit Committee, at their meeting held on April 30, 2024 appointed Ernst & Young LLP, Chartered Accountants to assist the Internal Audit Head and facilitate in carrying out the function of internal audit for the financial year 2024-25.

Maintenance of Cost Records

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

Report on Corporate Governance

The Corporate Governance Report for the year under review, including disclosures as stipulated under SEBI LODR read with the circulars issued by SEBI and the RBI Directions is annexed to and forms an integral part of this Board's Report.

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

Board Meetings

The Board of Directors and Committees meet at regular intervals inter-alia to discuss, review and consider various matters including business performance, strategies, policies and regulatory updates and impact. During the year under review, the Board of Directors met 4 (four) times and several meetings of Committees were held. Details with respect to the meetings of the Board of Directors and Committees held during the year under review, including attendance by Directors / Members at such meetings have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

Board Committees

The Board of Directors, in compliance with the requirements of various laws applicable to the Company, as part of good corporate governance practices and for operational convenience, has constituted several committees to deal with specific

matters and has delegated powers for different functional areas to different committees.

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

Performance Evaluation

In terms of the requirements of the Act read with the rules framed thereunder, Schedule IV to the Act and SEBI LODR, your Company has laid down parameters and performance evaluation process for the individual Directors, Chairperson, Committees and the Board of Directors, as a collective entity by adopting a "Policy on Performance Evaluation – Board, Committees and Directors".

In terms of the requirement of Schedule IV to the Act and Regulation 25 of SEBI LODR, a separate meeting of the Independent Directors was held on March 28, 2024, inter alia, to review the performance of the Non-Independent Directors, Chairperson and the Board, as a collective entity.

Subsequent to the year under review, the Board of Directors at their meeting held on April 30, 2024 evaluated the performance of the Directors including Independent Directors, Chairperson, Committee(s) and the Board as a collective entity.

A statement indicating the manner in which formal evaluation of the performance of the Directors including Independent Directors, Chairperson, Committee(s) and the Board, as a collective entity was carried out, is provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

Familiarisation Programme

The Independent Directors of your Company were familiarised inter-alia with the industry in which your Company, the Company's business model and its operations in order to give them an insight into the Company's business and its functioning.

As part of the initial familiarisation programme, at the time of the appointment of an Independent Director,

the Company issues a formal letter of appointment outlining the role, function, duties and responsibilities of the Independent Directors being appointed. The letter of appointment as issued to the Independent Directors is available on the website <https://www.arkaholdings.com/arka-fincap/disclosures-under-regulation-62-of-sebi>

Details of the familiarisation programmes imparted to Independent Directors during the year under review is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/disclosures-under-regulation-62-of-sebi>.

Policy on Appointment of Directors and Senior Management Personnel

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

Compensation and Clawback Policy and Disclosure of Remuneration & Particulars of Employees

Compensation and Clawback Policy

In terms of Section 178 of the Act read with the Rules framed thereunder, SEBI LODR and RBI Directions, the Board of Directors, on recommendation of the Nomination & Remuneration Committee, adopted a "Compensation and Clawback Policy" inter-alia setting out the key aspects of remuneration of Executive Director, Non-Executive Directors, KMP, Senior Management Personnel and other employees of the Company.

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

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Details pertaining to Remuneration as required under Section 197(12) of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

A Statement giving the details required under Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, for the financial year ended March 31, 2024, is annexed as **Annexure V**.

Statement containing details of employees as required in terms of Section 197 of the Act read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is available for inspection at the Registered & Corporate Office of the Company during working hours before the date of the ensuing Annual General Meeting. A copy of the statement may be obtained by shareholders by writing to the Company Secretary at the Registered & Corporate Office of the Company or emailing at arkasecretarialandcompliance@arkaholdings.com.

Whistle Blower Policy / Vigil Mechanism

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

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

During the period under review, the Company has not received any complaints under Whistle Blower Policy/ Vigil Mechanism.

Corporate Social Responsibility

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

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

Risk Management Framework

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

Chief Risk Officer

In compliance with RBI Directions and to augment risk management practices, your Company has appointed Mr. Atit Shah as Chief Risk Officer for a term of 3 (three) years with effect from March 31, 2024 who will function independently to ensure highest standards of risk management. Mr. Atit Shah does not have any reporting relationship with the business verticals of the Company.

Your Company has also adopted a Policy on Independence of Chief Risk Officer and roles and responsibilities of Chief Risk Officer.

Enterprise Risk Management Framework

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

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

Your Company has also formulated an Entity Level Control Assessment Framework and Risk Control Matrix.

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

Operational Risk Management Framework

With a view to manage operational risks, improve controls, mitigate risks and reduce impact and probability of loss events, identify key risk indicators and increase accountability and track operational losses with an objective to help in loss estimation, improve controls and decision making, Your Company has adopted Operational Risk Management Policy.

The Audit Committee, Risk Management Committee and the Board of Directors, on quarterly basis, reviews an update under Operational Risk Management Framework.

Internal Control/Internal Financial Control Systems and Their Adequacy

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

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

Pursuant to the requirement of the Act, the Company also conducts secretarial audit by a Practising Company Secretary every year. The Secretarial Audit Report for the financial year ended on March 31, 2024 does not contain any qualifications, reservations or adverse remarks or disclaimers.

In terms of Section 143(3)(i) of the Act, P G BHAGWAT LLP, Chartered Accountants, Statutory Auditors of the Company have issued a report on the internal financial controls with reference to the Financial Statements of your Company as of March 31, 2024 stating that

your Company has, in all material respects, adequate internal financial controls with reference to the financial statements and such internal financial controls with reference to the financial statements were operating effectively as at March 31, 2024 based on the internal controls over financial reporting criteria established by our Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

CEO & CFO Certificate

Compliance Certificate in terms of Regulation 17(8) of SEBI LODR on the audited financial statements and other matters prescribed therein, submitted to the Board of Directors by the CEO & CFO of the Company, for financial year ended March 31, 2024, is enclosed herewith at **Annexure VII** to this Board's Report.

Contracts / Arrangements with Related Parties and Related Party Transaction Policy

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

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

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

Disclosure of the related party transactions as required under IndAS - 24 are listed in the notes to the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2024. Details of the Related Party Transaction Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report. The Related Party Transaction Policy is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>

Board's Report

Particulars of Loans, Guarantees or Investments

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

For details of the investments made by the Company, please refer Note 3.05 to the Audited Standalone Financial Statements for the financial year ended March 31, 2024.

Annual Return

In terms of Section 134(3)(a) and Section 92(3) of the Act read with the Companies (Management and Administration) Rules, 2014, the Annual Return as at financial year ended March 31, 2024 in prescribed form No. MGT-7 is available on the website of the Company <https://www.arkaholdings.com/arka-fincap/investor-formation#arkainvestorAnnualReport>

Employee Stock Option Plans ("ESOP PLANS")

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

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

During the year under review, Nomination & Remuneration Committee had granted 47,20,000 stock options to eligible employees of the Company under ESOP Plan 2019.

The disclosure of information as required under Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 for the financial year ended March 31, 2024 is appended to this Report as **Annexure VIII**.

Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

Your Company is committed to create an environment in which all individuals are treated with respect and dignity and promote a gender sensitive and safe work environment. Accordingly, the Board of Directors

adopted a Care & Dignity Policy and also constituted an Internal Complaints Committee, in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. During the year under review, no complaints related to sexual harassment were received by the Internal Complaints Committee.

General Disclosure

During the year under review, your Company, in the capacity of a financial creditor, has not filed petitions before the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 for recovery of outstanding loans against its customers, being corporate debtors.

During the year under review, there has been no instance of one-time settlement with any Bank(s) or Financial Institution(s).

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Since your Company is engaged in financial services activities, its operations are not energy intensive nor does it require adoption of specific technology and hence information in terms of Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is not provided in this Board's Report. Your Company is vigilant on the need for conservation of energy.

During the year under review, your Company did not have any foreign exchange earnings and incurred foreign currency expenditure of ₹8.90 Lakhs (Previous year foreign exchange expenditure: ₹2.47 lakhs).

Significant and Material Orders Passed by the Regulators or Courts or Tribunals

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

Directors Responsibility Statement

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

- a) in the preparation of the annual accounts for the financial year ended March 31, 2024, the applicable accounting standards have been followed and no material departures have been made from the same;

- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they had prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Appreciation and Acknowledgement

The Directors place on record their sincere appreciation for the assistance and guidance provided by the Reserve Bank of India, Securities and Exchange Board

of India, Ministry of Corporate Affairs, Registrar of Companies and all other government and regulatory authorities for the support and co-operation extended by them from time to time.

The Directors also further on record their gratitude for the guidance and support extended by BSE Limited, National Securities Depository Limited, Central Depository Services (India) Limited and the Credit Rating Agencies from time to time.

The Directors further place on record their sincere appreciation for the continued support extended by the Bankers, Financial Institutions, Lenders, Registrar and Transfer Agents, NCD Holders, Debenture Trustee, Security Trustee and other stakeholders and the trust reposed by them in the Company.

Additionally, the Directors place on record, their appreciation for the dedication and commitment displayed by all the employees of the Company across all levels.

For and on behalf of the Board of Directors

Vimal Bhandari

Executive Vice Chairman & CEO
DIN: 00001318
Date : April 30, 2024
Place : Mumbai

Mahesh Chhabria

Director
DIN: 00166049

Annexure I

Management Discussion And Analysis

Global Economic Landscape

Overview

The economy performed well during the global disinflation of 2023. Despite IMF's predictions of stagflation and a worldwide recession, economic activity increased steadily as global inflation declined from its peak in mid-2022. Employment and income growth remained stable, indicating both supply-side expansions in the face of an unexpected increase in labour force participation as well as supportive demand developments, such as higher-than-expected government spending and household consumption. The surprising economic resilience also reflects the ability of households in major advanced economies to tap into sizable savings amassed during the pandemic, even in the face of significant interest rate hikes by central banks intended to restore price stability.

Advanced economies are expected to experience a slight acceleration in growth, with rates rising from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025. In the United States, growth is expected to rise to 2.7% in 2024, then slow to 1.9% in 2025 due to gradual fiscal tightening and a softening in labour markets dampening aggregate demand. Further, Euro area growth is expected to rebound from its 2023 low of 0.4% to 0.8% in 2024 and 1.5% in 2025. This recovery is driven by stronger household consumption as energy price shocks subside and falling inflation boosts real income. Lastly, emerging market and developing economies are likely to witness a modest slowdown, with growth rates declining from 4.3% in 2023 to 4.2% in both 2024 and 2025.

Real GDP, Annual Percentage Change

Regions	2023	Projected 2024	Projected 2025
World Output	3.2	3.2	3.2
United States	2.5	2.7	1.9
Euro Area	0.4	0.8	1.5
India	7.8	6.8	6.5

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2023	2024	2025
World Output	3.2	3.2	3.2
Advanced Economies	1.6	1.7	1.8
United States	2.5	2.7	1.9
Euro Area	0.4	0.8	1.5
Germany	-0.3	0.2	1.3
France	0.9	0.7	1.4
Italy	0.9	0.7	0.7
Spain	2.5	1.9	2.1
Japan	1.9	0.9	1.0
United Kingdom	0.1	0.5	1.5
Canada	1.1	1.2	2.3

(Real GDP, annual percent change)	PROJECTIONS		
	2023	2024	2025
Other Advanced Economies	1.8	2.0	2.4
Emerging Market and Developing Economies	4.3	4.2	4.2
Emerging and Developing Asia	5.6	5.2	4.9
China	5.2	4.6	4.1
India	7.8	6.8	6.5
Emerging and Developing Europe	3.2	3.1	2.8
Russia	3.6	3.2	1.8
Latin America and the Caribbean	2.3	2.0	2.5
Brazil	2.9	2.2	2.1
Mexico	3.2	2.4	1.4
Middle East and Central Asia	2.0	2.8	4.2
Saudi Arabia	-0.8	2.6	6.0
Sub-Saharan Africa	3.4	3.8	4
Nigeria	2.9	3.3	3.0
South Africa	0.6	0.9	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.4	4.1	4.1
Low-Income Developing Countries	4.0	4.7	5.2

Source: IMF World Economic Outlook April 2024

Growth Outlook FY25

The global economy is expected to maintain a similar growth rate from FY24 to FY25, with a steady decline in global inflation. There have been minor adjustments for major economies, including a stronger projection for the United States but modest downward revisions for other economies.

As the global economy nears a soft landing, central banks face a crucial near-term task: ensuring a smooth descent of inflation. This requires a delicate balance, avoiding premature policy easing or excessive delay that could lead to inflation falling below targets.

According to the World Economic Outlook report, global inflation is projected to decrease steadily over the next few years. The forecast indicates a decline from 6.8% in 2023 to 5.9% in 2024 and further down to 4.5% in 2025. Advanced economies are expected to reach their inflation targets sooner compared to emerging markets and developing economies. Core inflation, which excludes volatile factors like food and energy prices, is generally projected to decline at a slower pace.

Indian Economic Landscape

India's economy grew above 8% in three consecutive quarters in FY24. India has made a name for itself as a consumer-driven economy. Domestic consumption drives the nation's economic growth, with the growing middle class and growing urbanisation being key drivers. People now have more disposable income thanks to the

growing middle class, which allows them to spend more on a wider range of products and services.

The Reserve Bank of India (RBI) has maintained a prolonged pause in its policy rates, keeping the repo rate unchanged at 6.5% since April 2022. This pause in policy rates indicates the RBI's confidence in the gradual easing of inflation, allowing time for the impact of previous rate hikes to percolate into the system. Market expectations suggest that the RBI will continue the pause and maintain a status quo on the repo rate. The expectation is based on factors such as easing inflation, resilient growth, and the need to evaluate the effects of past rate hikes. The Reserve Bank of India (RBI) halted policy rates due to global economic concerns, including the global banking crisis, core inflation, and the need to balance growth and inflation. The RBI expected retail inflation to moderate but emphasised the possibility of elevated core inflation due to input costs. External economic challenges, domestic issues, and food inflation risks contributed to the prolonged pause in policy rates.

The Purchasing Managers' Index (PMI) is an important economic indicator that provides insights into the health of the manufacturing and services sectors. This strong PMI reading indicated the strongest growth in 13 years for the manufacturing sector, while services also expanded rapidly for the first time in eight months. (<https://tradingeconomics.com/india/manufacturing-pmi>)

The Indian government has placed significant focus on infrastructure investment, recognizing its role in driving economic growth and development. The infrastructure sector, which includes power, bridges, dams, roads, and urban infrastructure development, acts as a catalyst for India's overall development. The government has initiated policies and schemes to ensure the timely creation of world-class infrastructure in the country. The focus has expanded beyond physical infrastructure to include digital and social infrastructure as well, considering the evolving environment and demographics. The Indian government has implemented various initiatives to address the country's infrastructural needs. The National Infrastructure Pipeline (NIP), introduced in 2019, emphasizes social and infrastructure projects, including energy, roads, railways, and urban development projects worth ₹11.11 Lakh Crores.

Growth Outlook for FY25

Over the next three years, India has the potential to become the world's third-largest economy, with an assumptive GDP of \$5 trillion. However, the government has set even higher goals, aiming to achieve 'developed country' status by 2047. This ambitious goal is within reach, thanks to the ongoing journey of reforms.

Investment in both physical and digital infrastructure, as well as measures to boost manufacturing, have strengthened the supply chain. These factors have contributed to increased economic activity in the country. As a result, in FY25, real GDP growth will likely be closer to 7%.

Indian Financial Services

Industry Overview

In FY23 India's financial services sector is experiencing rapid and transformative expansion, driven by increasing incomes, technological advancements in fintech and digital payments, government-led reforms, and deeper market penetration. Equity markets and corporate earnings also contribute to the sector's growth. However, challenges persist, particularly in financial literacy and the accessibility and effective utilization of formal credit.

Credit growth in FY24, for the Scheduled Commercial Banks (SCBs) retained a double digit growth and stood at 16.3% (as on March 22, 2024 per RBIs annual report). In future, the growth trend is likely to remain sturdy, aided by low inflation and some easing in liquidity conditions. However, a decline in the global macroeconomic and geopolitical environment remains a major risk.

The overall health of financial sector remained strong. Scheduled commercial banks (SCBs) reported a GNPA ratio of 2.8% in March 2024, according to the data from Reserve Bank of India (RBI). Meanwhile, their net non-performing assets ratio fell to an all-time low of 0.6%, indicating sufficient loan loss provisioning by the banking system.

The foundations of the Indian financial sector remain firm, with banks and financial institutions reflecting stronger balance sheets. Fiscal consolidation is on pace, the external balance is manageable, and considerable forex reserves protect against external shocks. These characteristics, together with consumer and business optimism, promote the Indian financial industry's upward trajectory.

Non-Banking Financial Companies (NBFC)

Overview

In the fiscal year 2023-24, the landscape of the Indian Non-Banking Financial Company (NBFC) sector underwent a significant transformation, marked by dynamic shifts and impactful trends. This period was characterised by a notable acceleration in digital adoption, with NBFCs leveraging technology to enhance customer experiences and drive operational efficiency. Regulatory reforms aimed at strengthening governance and risk management frameworks further reshaped

Management Discussion And Analysis

the industry, enabling a more resilient and transparent financial ecosystem. Additionally, the sector witnessed increased collaboration and consolidation, signalling a shift towards greater efficiency and competitiveness. As NBFCs navigated challenges such as asset quality concerns and liquidity constraints, they also embraced new opportunities, particularly in digital lending and microfinance segments. Amidst these transformations, the sector's commitment to financial inclusion and serving the underserved remained firm, underscored by initiatives to expand access to credit and promote sustainable growth.

India Ratings expects large and diversified NBFCs to grow at 20% YoY in FY25, down from 27% in FY24, due to capital constraints and heightened regulatory scrutiny.

NBFCs have established themselves as a key component of the financial services industry. They also help the banking system achieve its goal of financial inclusion. According to a recent RBI report, the Department of Supervision will focus on the fiscal year 2023-2024 on evaluating NBFC licencing criteria and implementing supervisory measures against non-compliant NBFCs.

In FY24, securitisation in the Non-Banking Financial Company (NBFC) sector played a crucial role in enhancing liquidity and managing risk. This financial practice involved pooling various types of debt, such as loans or receivables, and converting them into tradable securities. NBFCs utilized securitisation to diversify funding sources, improve balance sheet efficiency, and access capital markets more effectively.

Company Overview

Arka Fincap Limited (AFL, Arka, or the Company) is a Non-Deposit Taking Systemically Important Non-Banking Financial Company (NBFC). It operates as a subsidiary of Arka Financial Holdings Private Limited (AFHPL), which, in turn, is a subsidiary of Kirloskar Oil Engines Limited (KOEL). AFL is professionally managed and specializes in providing structured term financing solutions to Corporate, Real Estate, and Micro, Small, and Medium Enterprise (MSME) borrowers. The company's growth strategy hinges on robust digital credit assessment and efficient digital onboarding processes, ensuring faster Turnaround Time (TAT) and expedited disbursements.

With a customer-centric approach, a seasoned management team, and diligent monitoring of loan assets, the Company has witnessed growth since the inception of operations in Fiscal 2020. It operates in four main business segments: corporate lending, real estate and urban infrastructure financing, syndication, and MSME & personal lending.

Aligned with its objective of providing technology-enabled, innovative, and personalized financial solutions for an enhanced customer experience, the Company considers technology as the key driver for business expansion. Its mission is to facilitate growth and achieve customer objectives through empathy and agility. The Company adheres to six core values: "Own It and Be Responsible," "Achieve Operational Excellence," "Trust in Collaboration," "Customer-Centric Every Time," "Integrity," and "Make Workers Successful."

Sector	%
SME / MSME	50.2%
Real Estate	19.4%
Renewable Energy	5.8%
Logistics & Warehousing	4.9%
Metals	3.3%
Infrastructure	2.2%
Mining	1.8%
Financial Services	1.5%
Pharmaceuticals	1.4%
Auto Ancillary	1.4%
Automobile	1.2%
NBFC	1.0%
FMCG	1.0%
EPC	0.8%
Manufacturing	0.7%
Diversified	0.7%
Hospitality	0.6%
NBFC - MFI	0.5%
Services	0.5%
Fertilizer	0.5%
Others	0.6%
Grand Total	100.0%

Key Performance Highlights

	₹ in Lakh	
	FY 2024	FY 2023
Total income	57,079	37,289
PBT	9,379	8,280
PAT	6,923	6,136
AUM	5,21,041	3,96,035
Loan Assets	4,80,364	3,96,035
Net worth	1,16,526	1,03,304
Borrowings	3,82,137	3,11,582

Arka's financial performance in FY 2024 has improved as compared to FY 2023. Total Income of the Company has increased to ₹57,079 Lakh registering 53% growth as compared to last fiscal. Arka registered a PAT of

₹6,902 Lakh for FY 2024, 12% higher compared to last fiscal. As of 31 March 2024, AUM registered a growth of 32% over last year. The increase in net worth in FY 2024 is due to the infusion of fresh Equity Capital and redeployment of profit for the financial year 2024. Total borrowings of the Company stand at ₹3,82,137 Lakhs reflecting a 23% increase as compared to FY 2023.

Brand Positioning

Our aim is to establish a brand that is deeply ingrained in the minds of our consumers, channel partners, employees, and stakeholders. We believe this is vital for sustainable growth, expanding our geographical presence, and enhancing customer engagement. To achieve this, we developed and implemented a brand strategy to position Arka as one of the preferred brands. Through extensive qualitative research, we defined our brand positioning as "Get Ahead." This positioning embodies our relentless pursuit of improvement and the aspiration to reach new heights, qualities synonymous with champions. As a brand, we believe our solutions empower customers to achieve their goals and aspire for greater ones. We uphold values of courage, empathy, and honesty, viewing our customers not merely as transactional entities but as individuals with the spirit of champions.

Adoption of Kirloskar Status Line.

The Kirloskar Group is a legacy company with a 130-year history, having endured wars and a global pandemic to emerge stronger. Inspired by the founders' vision and values, the Kirloskar Group is built on strong business ethics, innovation, commitment to corporate responsibility, and ensured harmony between industry and the environment. To leverage the benefits of being part of the Kirloskar Group's heritage, we have been permitted by Kirloskar Proprietary Limited, owner of the trademark "Kirloskar", to use a status line in all our communications. This status and mandatory line are to be included in all internal and external communications.

A **kirloskar** Group Company

The mark 'Kirloskar' in the status line is owned by Kirloskar Proprietary Limited and ARKA Fincap Limited is the permitted user

Vertical Overview & Outlook

Corporate lending

Arka Fincap provides customised financing for mid and large corporations at all stages of their business lifecycle, from early-stage equity to late-stage

growth capital. It offers tailor made solutions across various sectors, including pharmaceuticals, renewable energy, consumer, infrastructure, power, telecom, entertainment, metals & mining, manufacturing, industrials and auto components.

Corporate lending financing falls into three categories: (i) structured finance (ii) working capital loans and (iii) capex financing. Our product offerings include structured lending, working capital financing, capex funding, bridge financing, acquisition finance, mezzanine and structured debt, loans against shares and others.

- Acquisition financing:** Arka provides necessary funds to its clients, who undertake mergers and acquisitions initiatives. It meets the funding needs of both the parent company and the target companies involved in the transaction.
- Bridge financing:** Arka provides prompt liquidity to its clients requiring funds for diverse business needs. Leveraging its quick turnaround time and structural flexibility, Arka offers an effective solution to meet the financing gaps for its clients.
- Promoter Financing:** Arka provides financing at the holding company level to its clients to maximize their Return on Equity (RoE) in the underlying projects.
- Private Equity Exit:** Streamlines the exit process for its clients, helping them achieve various objectives such as pursuing an IPO, selling to a strategic buyer, recapitalizing, etc.
- Working Capital Loan:** Provides conglomerates with flexible long-term or short-term working capital loans to support operations and meet their financing requirements.
- Capex Financing:** Development capital is provided to companies to meet their growth ambitions and build assets that generate healthy cash flows.

Business performance

₹1,26,707 lakh of AUM as of 31 March 2024
16,075 lakh Total Income during the Year

Outlook

As corporate India looks forward to its next round of growth in traditional and new age sectors like clean energy etc, Arka Fincap is well placed to work with them in funding their growth aspirations, both organic & inorganic, as well as assist them in supporting their ever-growing working capital requirements.

Management Discussion And Analysis

The ideation-led financial solutions offered, delivered in a client expected timeline, makes Arka Fincap a partner of choice for corporates.

Real estate and Urban Infra Lending

Arka provides complete financing solutions to support infrastructure and real estate development in India. It prioritizes the requirements of its esteemed clients and ensures a smooth process from start to finish.

1. Real Estate

- a. **Last Mile Financing:** Arka provides growth capital to real estate businesses, enabling them to expand and complete projects on schedule, supported by flexible payment options.
- b. **Corporate Exposure:** This financing aids clients in meeting their day-to-day expenses.
- c. **Project Financing:** This type of financing is tailored to meet the specific financial requirements of a particular project.
- d. **Working Capital Finance:** This unique facility offers a long-term credit facility to medium to large-sized companies after evaluating the group's working capital limits, supported by some form of security.
- e. **Acquisition Finance:** This financing solution supports Arka in achieving its current growth objectives, thereby contributing to the group's overall financial growth.

2. Urban Infra Business

- a. **Asset-Backed Financing:** This facility can be utilized to meet financial obligations and is offered as working capital or a term loan secured by receivables, inventory, or real estate.
- b. **Project Financing:** Arka provides long-term debt for project construction and approval processes.
- c. **Acquisition Finance:** This service fulfils clients' growth aspirations by helping them arrange funds that Arka might have otherwise spent to acquire capital.

Business Performance:

The performance of the Urban Infra Business in FY 23-24 remained strong, characterised by a significant book growth of 13.83% coupled with a healthy yield. This growth reflects the business's ability to achieve a critical width through diversification across clients, sectors, and geography, marking a key milestone in its development.

Noteworthy highlights of the business performance during the fiscal year include: the book grew by 9% to ₹1,330 crore, maintaining a strong yield of 13.83%. The business achieved its highest-ever deal count and disbursement, totalling ₹1,253 crore across 25 deals. The business successfully onboarded multiple new clients, expanding its client base and market presence.

Furthermore, the business witnessed a strong turnover, driven by its focus on clientele and market-oriented deals. This strategic approach underscores the business's commitment to maintaining a dynamic portfolio and maximising opportunities in the urban infrastructure sector.

Overall, the Urban Infra Business's performance in FY 23-24 reflects its strategic growth trajectory, marked by strong financial metrics, client expansion, and a focused approach to market dynamics.

₹1,32,998 lakh of AUM as of 31 March 2024

14,608 lakh Total Income during the Year

Outlook

A strong financing environment, supported by government initiatives, remains essential for market development. Although banks and NBFCs mainly meet this need, the 2018 NBFC sector crisis created a significant financial gap. In response, the Government has launched several policy initiatives, including refinance programmes, and the RBI has eased regulations on external commercial borrowings. This has helped developers raise funds for low-cost and affordable housing projects. The implementation of RERA has also improved transparency, attracted international finance and encouraged the growth of real estate finance.

Over the past five years, our conservative approach has ensured consistent performance, resulting in a strong business foundation with solid fundamentals and a reputable market standing. Consequently, the outlook for our business remains promising, as we anticipate growth following a stable performance last year.

SME/MSME lending

India's SME/MSME sector plays a crucial role in the nation's economy, contributing approximately 33% to the GDP growth and providing employment to around 45% of the workforce, which amounts to nearly 120 million jobs. This sector has been instrumental in driving credit offtake and economic growth. Banks extended ₹24.67 lakh crore in gross bank credit to Micro, Small, and Medium Enterprises (MSMEs) under priority sector lending in March 2024. This marked a

notable growth of 19.2% from the ₹20.69 lakh crore deployed in March 2023. This information comes from the latest data on sectoral deployment released by the Reserve Bank of India (RBI). Notably, the total bank credit to MSMEs under priority sector lending in March constituted 15% of India's non-food credit, which stood at ₹164.11 lakh crore during the same month.

In the latter part of 2020, Arka Fincap Limited introduced its MSME business line. Arka Fincap's MSME division has since expanded across three products: Secured Business Loans, Unsecured business loans & Personal Loans. Through this segment, Arka extends loans to numerous small and medium-sized enterprises, including traders, wholesalers, distributors, retailers, self-employed professionals, and small manufacturing companies, for purposes such as business expansion, working capital, and equipment purchase. As of 31 March 2024, Arka operated its SME/MSME lending business from 31 locations. Furthermore, it has collaborated with smaller NBFCs and various fintech companies for co-lending, aiming to broaden its market reach and acquire more customers.

As of 31 March 2024, majority of Arka's MSME loans qualify for priority sector lending. The loan tenures for Arka's SME loans are typically up to 15 years and are usually secured by largely self-occupied residential and commercial properties.

Business Performance:

₹2,61,335 lakh of AUM as of 31 March 2024

16,551 lakh Total Income during the Year

Arka's SME loans comprise the following:

- **Secured Business Loan:** Arka offers loans to customers looking to acquire property for business expansion or capital expenditure. These loans can be secured against residential and/or commercial property. The average loan amount is approximately ₹110 Lakh, with a repayment period of up to 15 years. The loans are backed by the property being purchased, and additional residential or commercial property may be included as collateral, subject to verification by third-party legal professionals.

Business performance

The total AUM for a secured business loan as of 31 March 2024 was ₹2,37,540 Lakh.

₹2,37,540 lakh of AUM as of 31 March 2024

- **Digital Personal Loans:** Arka Fincap offers unsecured digital personal loans to both salaried and self-employed individuals. These loans are cash-flow-based and are assessed using various criteria, including financial statements, bank statements, GST returns, loan history, bureau checks, and scorecards.

Business Performance

The total AUM for digital personal loans for the last fiscal year was ₹23,796 Lakh.

₹23,796 lakh of AUM as of 31 March 2024

Outlook

Micro, Small, and Medium Enterprises (MSMEs) continue to be the backbone of India's growing economy, contributing significantly to GDP and employment. As we look forward to the next three years, the outlook for MSME lending in India appears promising, driven by technological advancements, supportive government policies, and a growing recognition of the sector's critical role in economic development.

Key Drivers & Trends:

1. **Digital Transformation and Fintech Innovation**
 - a) Adoption of Digital Platforms - Digital lending platforms are expected to enhance accessibility to credit for MSMEs and would witness increasing adoption. Fintech companies and new-age Lending NBFCs are already leveraging technologies like AI and machine learning to streamline the loan approval process, reduce turnaround times, and mitigate risks. These also help in removing human biases from the Underwriting process.
 - b) Alternative Data Usage - With the penetration of Mobiles, the use of alternative data sources, such as transaction data, social media activity, and utility payments, is increasingly enabling lenders to assess creditworthiness more accurately. This goes a long way to expand credit access to underserved MSMEs in remote places.
2. **Government Initiatives and Regulatory Support**
 - a) Policy Frameworks - The government continues to exhibit keen intent in prioritising MSME growth through various schemes such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the

Management Discussion And Analysis

Emergency Credit Line Guarantee Scheme (ECLGS). These initiatives are expected to bolster lending by reducing the risk for lenders.

- b) Financial Inclusion Programs – Pradhan Mantri Mudra Yojana (PMMY) and the proposed increase in limits of coverage from 10 Lacs to 20 Lacs would go a long way in enhancing credit flow to Micro SMEs.

3. Economic Recovery and Demand Resurgence

- a) Export Growth – With the focus on \$5 Trillion economy the boost to exports is evident and so is the flow of credit to all the MSME Suppliers who in turn contribute to this trade.
- b) Post-Pandemic Recovery – The recovery from the Black Swan event in the overall economy is evident and the consequent surge in demand for growth capital has also been seen.

The lending landscape has gone through a transformation as we move forward and the comfort of the lenders with the Transaction data is growing by the day. The digital footprint of the borrowers is expanding and the Digital Stack of Growing India is touching every nook and corner of the country. Soon we will be witnessing a near-zero touch underwriting model largely fuelled by Transaction, Bureau, Banking and GST. The only thing that would remain to be seen is the gumption of the lending community to trust the Data.

Syndication business

In April 2021, Arka Fincap established its syndication business. The syndication team collaborates closely with clients to address their specific debt financing needs. Arka offers comprehensive solutions to corporate clients for project finance, capital expenditure, general corporate requirements, last-mile financing, and subordinated structured debt through advisory, syndication, sell-down, and co-lending strategies across various sectors.

Risk management

The business helps in to take measured risks and appropriately price transactions from a risk and return perspective, which is validated by the market.

Portfolio quality

The syndication business serves as a risk management tool and complements the current portfolio, both as an individual asset and as a portfolio.

Business width

The syndication business helps maintain investor and client relationships. Arka has been able to participate

in larger deal sizes and close multiple deals with ticket sizes ranging from ₹7,500 – 10,000 Lakh.

Business performance:

Arka Fincap's Syndication Business has demonstrated strong performance over the past year, engaging a diverse range of lenders/participants, including Banks, NBFCs, and AIFs, across various deals. The team successfully completed multiple transactions spanning different asset sectors and with multiple clients.

Throughout the year, the Syndication Business executed 13 transactions involving 9 clients, achieving a gross syndication of approximately ₹813 crores. Despite operating with a lean team, the business showcased remarkable consistency and efficiency.

In terms of financial performance, the Syndication Business generated a fee income of ₹493 lakhs and a total income of ₹818 lakhs. This performance underscores the team's adeptness at managing complex transactions and highlights their ability to deliver value to clients while maintaining a sustainable business model.

In summary, with deep understanding and a strong relationship between clients and investors have led to Syndications acting as a bridge between Arka and the market in closing multiple structured solution and deliver solutions.

₹493 lakh Fee Income during the year	818 lakh Income from business during the year
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Outlook

Whilst the market remains challenging with uncertainty over Interest rates and with the upcoming general elections likely to impact investors' decisions in the short run, we remain positive with the business outlook to be consistent in the new financial year with a strong pipeline. As the business completes its 3rd year of operations, it has given Arka a standing in the market for its origination and placement capabilities which will be helpful as we navigate ahead. In summary, Syndications lending is expected to continue to grow and evolve as an important tool for meeting the needs of both lenders and borrowers.

Operations and Technology

Our relentless pursuit of technological innovation has revolutionised our lending operations. By integrating Oracle Fusion with Zoho Books and Zoho Expense, we have streamlined our financial management systems. Our new collections system has optimised cash flow,

while transitioning our LOS platform to a microservices architecture has significantly enhanced performance. The low-code LOS platform enables swift, non-technical updates, and the implementation of Google Appsheet has simplified workflows. Complete transparency has also been ensured with our newly developed DSA portal. With over 90 PowerBI dashboards monitoring 300 KPIs daily, these advancements underscore our unwavering commitment to innovation, positioning us for sustained success in an ever-evolving financial landscape.

Treasury and Ratings

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

During the year, the rating outlook has been upgraded from "Stable" to "Positive". Arka has prioritised the diversification of its liability base, alongside its loan portfolio. It has established relationships with more than 30 lenders. In addition to that, it has been successful in raising funds through various means such as term loans, NCD issuances, and others.

During the year, with a view to further diversifying its liability base, Arka launched a Public Issue of NCDs of ₹300 crores, which got fully subscribed. With this issuance, Arka onboarded more than 2,500 investor base to be a part of its growth journey.

Arka Fincap has been employing a prudent approach to leverage its balance sheet. In FY 2024, Arka raised ₹2,239 Crore through various financial instruments. Additionally, during the year, Arka secured ₹75 Crore through Tier II Capital. In line with its strategy to avoid any asset-liability mismatch, it has emphasised long-term borrowings. As of 31 March 2024, the total borrowing stands at ₹3,821.4 Crore, with Commercial Papers accounting for only ₹194.7 Crore.

In addition to the above, during the year Company also mobilised liquidity to the extent of ₹400 crores by securitising the SME secured business loan portfolio to large banks. Arka also entered into a co-lending arrangement with SIDBI for an unsecured business loan to the extent of ₹50 crores.

Moreover, Arka has maintained surplus liquidity to meet future repayments and operational expenses. It has judiciously invested surplus liquidity in selected instruments, following a "S L R" (safety, liquidity, and

return) approach. As of 31 March 2024, Arka holds a surplus liquidity of ₹392 Crore.

Risk Management

The Board of Directors of Arka Fincap has established a Risk Management Committee responsible for developing, implementing, and monitoring the risk management plan, including functions related to cybersecurity and risk assessment. The Committee assesses risks and determines measures to mitigate them. The Board reviews the effectiveness of the risk management systems and ensures that risks are managed effectively. The Audit Committee provides additional oversight of financial risks and controls.

Arka Fincap recognizes the need to enhance its risk monitoring and build a strong risk culture for sustainable growth. To achieve this, the Board, on the recommendation of the Risk Management Committee, adopted an Enterprise Risk Management Framework (ERMF). This framework enables the Company to monitor, report, and manage risks across business verticals and support functions. The ERMF outlines the risk management process, governance framework, and Arka's risk appetite, considering its business plans and growth strategy.

While the Enterprise Risk Management Policy (ERM Policy) provides the overall risk framework, the Risk Appetite Framework specifies the risk parameters within which the Company operates.

The Audit Committee, Risk Management Committee, and Board of Directors review the performance against the defined parameters on a quarterly basis.

Additionally, the Company has formulated an Entity Level Control Assessment Framework and Risk Control Matrix to further enhance its risk management practices.

Human Resources

The Human Resources department has played a pivotal role in the Company's growth, implementing key initiatives to enhance the employee experience and drive engagement. A significant accomplishment was the introduction of a comprehensive learning and development programme, offering employees access to diverse training programmes, workshops, and skill-building opportunities. This initiative aims to improve employees' skills, advance their careers, and contribute to the Company's success.

Furthermore, the HR department has played a vital role in attracting and retaining top talent by offering competitive compensation packages and perks. Collaborating closely with the leadership team, HR has tailored programmes to meet employees' needs,

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nurturing a positive work culture that emphasises teamwork and collaboration. As on 31st March 2024, the Company has 422 permanent employees.

Internal Control

The internal control system is reinforced by an extensive internal audit program and reviews by senior management. An independent internal audit firm has been appointed to assess and enhance the effectiveness of risk management, control, and operations. Audit findings are reviewed by the Audit Committee of the Board, and corrective actions are suggested and implemented by the process owner across relevant functional areas to strengthen the internal control framework continuously.

In compliance with the Companies Act, 2013, the Company conducts a secretarial audit by a Practising Company Secretary every year. The Secretarial Audit Report for the financial year ended March 31, 2024, does not contain any qualifications, reservations, adverse remarks, or disclaimers.

Senior management regularly reviews the findings and recommendations of the internal auditors, secretarial auditors, and auditors conducting IT audits to monitor and improve internal controls continuously. This is done to keep pace with the organization's growth and increasing operational complexity, as well as to meet changes in statutory and accounting requirements.

Disclaimer

The Management Discussion and Analysis (MDA) section may include forward-looking statements regarding prospects. These statements involve various known and unknown risks and uncertainties, which may result in material differences between actual results and the forward-looking statements. Additionally, changes in the macro-environment and the emergence of global events such as the COVID-19 pandemic can introduce unforeseen, unprecedented, unascertainable, and continuously evolving risks to the Company and its operating environment.

The estimates and figures presented in the report are based on assumptions made by the Company, considering internal and external information that is currently available. However, the factors underlying these assumptions can change over time, leading to corresponding changes in the estimates on which they are based. It should be noted that forward-looking statements reflect the Company's current intentions, beliefs, or expectations as of the date on which they are made. The Company is not obligated to revise or update any forward-looking statements considering new information, future events, or other factors.

Corporate Governance Report

Company's Philosophy on Corporate Governance

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

Your Company adheres to the highest standards of governance. Your Company is committed to ethical values, sustainable business practices, driving positive change in the areas in which it operates and committed to transparency in all its dealings and creating shared value for all its stakeholders.

Responsible corporate conduct is integral to the way we do our business. At Arka, we are committed to doing things the right way which means taking business decisions and acting in a way that is ethical and in compliance with applicable laws, thereby ensuring that we gain and retain the trust of our stakeholders at all times.

Your Company always strives to adopt best practices with a strong aspiration to achieve good governance. These ethical and transparent values are reflected in our corporate culture and have helped strengthening our governance practices. Implementation and execution of various processes, procedures and policies not only governs the compliance but ensures adherence to the best corporate practices. The management ensures that our Company continues to remain a company of uncompromised integrity, excellence and is driven towards responsible growth.

Board Composition

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

The Company recognises and embraces the importance of diverse culture of the Board. The Company believes that the Board enhances the quality of the decisions made by it which is necessary for achieving desired objectives and sustainable results. The Board comprises of highly skilled professionals with wide range of expertise, having diverse background and possesses requisite qualifications and experience which enables it to discharge its responsibilities, provide effective leadership and independent views to the management.

As on March 31, 2024, the Board of Directors of the Company comprised of 8 (eight) Directors including 1 (one) Executive, 2 (two) Non-Executive Non-Independent Directors and 5 (five) Non-Executive Independent Directors. The composition of the Board of your Company is governed by and is in compliance with the requirements of the Companies Act, 2013 read with rules framed there under ("Act"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR"), the circulars / directions / notifications issued by the Securities and Exchange Board of India ("SEBI"), Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 issued by Reserve Bank of India ("RBI Directions") and the Articles of Association of the Company.

Skills and competencies of the Board of Directors

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

- ◆ Good business acumen
- ◆ General corporate management
- ◆ Diverse set of experience
- ◆ Leadership quality
- ◆ Integrity
- ◆ Knowledge of Regulatory Environment
- ◆ Financial and Accounting Expertise
- ◆ Experience in Banking and/or Financial Services Industry
- ◆ Strategy formulation and other allied fields

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

None of the Directors of the Company are related to each other.

The detailed profile of the Directors is available at the website of the Company at <https://www.arkaholdings.com/arka-fincap/board-of-directors>.

As on March 31, 2024, the composition of the Board of Directors, including details of other directorship(s) of each Director on the Board of your Company and other details as required under Section II of Annex VII to RBI Directions is given below:

Corporate Governance Report

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter/ nominee/ Independent)	Number of Board Meetings		DIN	No. of Directorships ⁶	Number of Committee Memberships [Chairmanship(s)]&	Details of other directorships in listed companies**	Remuneration			No. of shares held in and convertible instruments held in the Company
				Held	Attended					Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission% (in lakhs)	
1.	Mr. Vimal Bhandari	April 20, 2018*	Executive Vice-Chairman and CEO	4	4	00001318	8	5 (2)	Escorts Kubota Limited (ID) Bharat Forge Limited (ID) DCM Shriram Limited (ID) JK Tyre & Industries Limited (ID)	641.87	-	-	-
2.	Mr. Mahesh Ramchand Chhabria	April 20, 2018	Non-Executive Non-Independent Director	4	4	00166049	10	7 (3)	Kirloskar Ferrous Industries Limited (NED-NID) Kirloskar Oil Engines Limited (NED-NID) Kirloskar Pneumatic Company Limited (NED-NID) ZF Commercial Vehicle Control Systems India Limited (ID) Kirloskar Industries Limited (MD) Shoppers Stop Limited (ID)	-	8.75	25.00	1@
3.	Ms. Gauri Atul Kirloskar	June 14, 2019	Non-Executive Non-Independent Director	4	3	03366274	11	1 (0)	Kirloskar Oil Engines Limited (MD)	-	3.00	5.00	-

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter/ nominee/ Independent)	Number of Board Meetings		DIN	No. of Directorships ⁶	Number of Committee Memberships [Chairmanship(s)]&	Details of other directorships in listed companies**	Remuneration			No. of shares held in and convertible instruments held in the Company
				Held	Attended					Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission% (in lakhs)	
4.	Mr. Sivanandhan Dhanushkodi	April 24, 2019**	Non-Executive Independent Director	4	4	03607203	12	9 (2)	United Spirits Limited (ID) Forbes & Company Limited (ID) Inditrade Capital Limited (ID) Kirloskar Industries Limited (ID) AGS Transact Technologies Limited (ID)	-	7.50	5	-
5.	Mr. Vijay Chugh	April 24, 2019***	Non-Executive Independent Director	4	4	07112794	3	2 (0)	-	-	6.75	5	-
6.	Mr. Harish Hansubhai Engineer	June 14, 2019	Non-Executive Independent Director	4	4	01843009	2	1 (0)	Navin Fluorine International Limited (ID)	-	8.25	5	-
7.	Mr. Yogesh Kapur	October 20, 2022	Non-Executive Independent Director	4	4	00070038	8	8 (5)	Greenlam Industries Limited (ID) Kirloskar Oil Engines Limited (ID) Rico Auto Industries Limited (ID) ASK Automotive Limited (ID)	-	7.05	5	-

Corporate Governance Report

Sr. No.	Name of the Director	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Board Meetings		No. of Directorships ¹	Number of Committee Memberships [Chairmanship(s)] & companies**	Remuneration			No. of shares held in and convertible instruments held in the Company
			Held	Attended			Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission% (in lakhs)	
8.	Mr. Gurumurthy Ramanathan	Non-Executive Independent Director	2 ^{\$}	2 ^{\$}	0	-	-	-	2.20	-

*Vimal Bhandari is one of the First Director of the Company. Mr. Bhandari was appointed as Executive Vice-Chairman & CEO of the Company for a term of 5 years with effect from November 1, 2018. He was further re-appointed as Executive Vice-Chairman & CEO designated as Whole-Time Director for another term of 5 years with effect from November 1, 2023.

¹ includes Directorships in Indian Companies only and also includes directorship in the Company.

² in terms of the provisions of Section 89 of the Companies Act, 2013, holds 1 (one) equity share as "Registered Owner" and the "Beneficial Owner" is Arka Financial Holdings Private Limited

³ Sitting Fees paid for attending the meeting of Board of Directors, Committees in which a Director is a Member and separate meeting of Independent Directors

⁴ Membership (s) and chairmanship (s) in Audit Committee and Stakeholders Relationship Committee. While calculating the committee positions of the Directors, both listed (including high value debt listed public company) and unlisted public companies and private companies which is a subsidiary/holding of Public Company have been considered. Committee membership(s) include Chairmanship(s).

⁵ Entities whose equity shares are listed on a recognised stock exchange(s).

⁶ Commission amount paid in FY 2023-24 pertaining to FY 2022-23.

⁷ The first term of 5 years is expiring on April 23, 2024. The Board of Directors of the Company at their meeting held on January 23, 2024, on recommendation of the Nomination & Remuneration Committee, approved re-appointment of Mr. Sivanandhan Dhanushkodi as an Independent Director of the Company for a second term of 5 (five) consecutive years commencing from April 24, 2024 till April 23, 2029, subject to the approval of the shareholders of the Company for re-appointment as an Independent Director and subject to fresh approval from Nomination and Remuneration Committee, the Board of Directors and the shareholders of the Company to continue as an Independent Director beyond the age of 75 years.

⁸ The first term of 5 years is expiring on April 23, 2024. The Board of Directors of the Company at their meeting held on January 23, 2024, on recommendation of the Nomination & Remuneration Committee, approved re-appointment of Mr. Vijay Chugh as an Independent Director of the Company for a second term of 5 (five) consecutive years commencing from April 24, 2024 till April 23, 2029, subject to the approval of the shareholders of the Company.

⁹ Mr. Gurumurthy Ramanathan was appointed as an Independent Director with effect from October 25, 2023 and 2 Board Meetings were held post his appointment.

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

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

Sr. No.	Name of the Director	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Nature of change (resignation, appointment)	Effective date
1.	Mr. Yogesh Kapur	Non-Executive Independent Director	Appointment	October 20, 2022
2.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO designated as Whole-Time Director	Re-appointment	November 1, 2023
3.	Mr. Gurumurthy Ramanathan	Non-Executive Independent Director	Appointment	October 25, 2023

Appointed as Additional Non-Executive Independent Director for a term of 5 years with effect from October 20, 2022 and the appointment was approved as Non-Executive Independent Director by the shareholders of the Company at their Extraordinary General Meeting held on November 22, 2022.

The term of 5 years of Mr. Vimal Bhandari as Executive Vice-Chairman & CEO was expiring on November 1, 2023. The Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company at their meeting held on October 25, 2023 and the shareholders of the Company at their Extraordinary General Meeting held on January 23, 2024 approved re-appointment of Mr. Vimal Bhandari as Executive Vice-Chairman & CEO designated as Whole-Time Director for another term of 5 years effective from November 1, 2023.

Appointed as Additional Non-Executive Independent Director for a term of 5 years with effect from October 25, 2023 and the appointment was approved as an Independent Director by the shareholders of the Company at their Extraordinary General Meeting held on January 23, 2024.

Skills/Expertise/Competencies of the Board

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

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

Corporate Governance Report

Board And Committee Meetings

The dates of each of the Board / Committee meetings to be held in a financial year is circulated in advance to enable the Directors / Committee Members to plan their schedule and ensure highest participation at Board / Committee Meetings. Directors are given an option of attending Board / Committee meetings through video conference or other audio-visual means in order to ensure effective decision making through increased participation. The agenda along with detailed notes are circulated to the Directors / Members well in advance. With a view to leverage technology and to contribute to environment conservation, your Company has adopted an electronic Board / Committee Meetings application where the agenda and all supporting documents are hosted online.

Permanent Invitee to Board/Committee Meetings

In order to benefit from the expertise/experience of Mr. Rahul Kirloskar, the Board of Directors, on recommendation of the Nomination & Remuneration Committee, appointed Mr. Rahul Kirloskar as a Permanent Invitee to all the meetings of the Board of Directors/Committees of the Company.

Mr. Rahul Kirloskar as a Permanent Invitee participates in the meeting in accordance with the Act, Secretarial Standards on Meeting of the Board of Directors and other applicable laws however, Mr. Kirloskar is not entitled to vote in respect of any item at the meeting(s) nor would be considered for counting quorum for the meeting(s).

Senior Management

The particulars of Senior Management of the Company as at March 31, 2024:

Sr. No.	Name of SMPs	Designation
1.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO
2.	Mr. Mridul Sharma	Group Chief Operating Officer
3.	Mr. Amit Kumar Gupta	Group Chief Financial Officer
4.	Mr. Nachiket Naik	Head – Corporate Lending
5.	Mr. Sonit Singh	Chief Business Officer – Real Estate, Asset Management & Advisory
6.	Mr. Manish Nagarsekar	Deputy Chief Operating Officer
7.	Mr. Navin Saini	Business Head – Retail SME & MSME Lending
8.	Mr. Atit Shah	Chief Risk Officer
9.	Mr. Sachin Agarwal	Chief Credit & Enterprise Risk Officer
10.	Ms. Rashmi Warange	Head – Human Capital Management
11.	Mr. Suman Saurav	Chief Technology Officer
12.	Mr. Shantanu Dorlikar	Head – Legal
13.	Ms. Niki Mehta	Company Secretary
14.	Ms. Priyal Shah	Chief Compliance Officer

Board of Directors:

During the year under review, 4 (four) meetings of the Board of Directors of the Company were held on April 28, 2023, July 25, 2023, October 25, 2023 and January 23, 2024. Not more than 120 days elapsed between 2 consecutive meetings of the Board. The required quorum was present for all the aforesaid meetings. Video conferencing facilities are provided to enable active participation by Directors who are unable to attend the meetings in person. Due to business urgency and/or requirement, certain decisions were taken by the Board by way of resolution(s) passed through circulation, from time to time, in accordance with the Act and Secretarial Standards on Meetings of the Board of Directors.

Attendance of Directors at Board Meetings and Annual General Meeting (“AGM”) of the Company held during financial year ended March 31, 2024 is given below:

Name of the Director	Number of Board Meetings Attended /Number of meetings held during the tenure of directorship	Attendance at last AGM held on June 16, 2023
Mr. Vimal Bhandari	4/4	Yes
Mr. Mahesh Chhabria	4/4	Yes
Ms. Gauri Kirloskar	3/4	Yes
Mr. Sivanandhan Dhanushkodi	4/4	Yes
Mr. Vijay Chugh	4/4	Yes
Mr. Harish Engineer	4/4	Yes
Mr. Yogesh Kapur	4/4	Yes
Mr. Gurumurthy Ramanathan*	2/2	Not Applicable

* Mr. Gurumurthy Ramanathan was appointed as the Non-Executive Independent Director w.e.f. October 25, 2023 and 2 (two) Board Meetings were held during financial year 2023-24 post his appointment.

Independent Directors

As on March 31, 2024, the Board of your Company comprised of 5 (five) Independent Directors. All the Independent Directors have affirmed compliance with the criteria of independence as stipulated in the Act and SEBI LODR and have also confirmed their enrolment in the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs. None of the independent directors have resigned before expiry of his term during the financial year 2023-24.

Independent Directors Meeting

In terms of the provisions of the Act and SEBI LODR, a separate meeting of the Independent Directors of the Company was held on March 28, 2024 without the attendance of the Non-Independent Directors and members of the management of the Company. All the Independent Directors attended the meeting.

At their aforesaid meeting, the Independent Directors evaluated and assessed the performance of the Non-Executive Non-Independent Directors, the Executive Directors, the Chairperson and the Board, as a collective entity and found it to be good, satisfactory and meeting the expectations.

The Independent Directors also reviewed and assessed the quality, quantity and timeliness of the flow of information between the management and the Board/ Committees, necessary for the Board / Committee Members to perform their duties effectively.

Board Committees

The Board Committees are set up by the Board and are governed by its terms of reference which exhibit the scope, composition, tenure, functioning and reporting parameters. The Board Committees play a crucial role in the governance structure of the Company and they deal with specific areas of concern for the Company that need a closer review. The Committees operate under the direct supervision of the Board and Chairpersons of the respective Committees report to the Board about the deliberations and decisions taken by the Committees.

In terms of the provisions of the Act, SEBI LODR, RBI Directions, other applicable laws, acts, rules and regulations and Company’s internal governance, the

Board of Directors have constituted various committees and have also specified the terms of reference of each of the Committees constituted.

The recommendations of the Committees are submitted to the Board for approval. The Board of Directors has accepted and implemented the mandatory recommendations made by the Committee(s) during the year under review.

The minutes of the meetings of all Committees of the Board are placed before the Board for noting. As a part of good corporate governance, the charter of all the Committees including the terms of reference of the Committees are reviewed annually by the Board.

Audit Committee

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

During the period under review, the Audit Committee was re-constituted by inducting Mr. Gurumurthy Ramanathan as a member of the Committee.

During the year under review, 5 (five) Meetings of the Audit Committee of the Company were held on April 28, 2023, July 25, 2023, October 25, 2023, January 23, 2024 and March 29, 2024. The gap between 2 Audit Committee meeting was not more than 120 days.

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

Sr. No	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Yogesh Kapur	October 20, 2022	Chairman	5	4
2.	Mr. Mahesh Chhabria	April 24, 2019	Member	5	5
3.	Mr. Harish Engineer	April 24, 2019	Member	5	5
4.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	Member	5	5
5.	Mr. Vijay Chugh	April 24, 2019	Member	5	5
6.	Mr. Gurumurthy Ramanathan*	January 23, 2024	Member	1	1

*Mr. Gurumurthy Ramanathan was appointed as a Member of the Committee with effect from January 23, 2024 and only 1 meeting was held post his appointment as a Member.

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

The terms of reference of the Audit Committee of the Company are in terms of Section 177 and other applicable provisions of the Act read with rules prescribed thereunder, Regulation 18 of SEBI LODR read with Part C of Schedule II to SEBI LODR, RBI Master Directions and the charter approved by the Board of Directors. The major terms of reference include the following:

- To oversee the financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient, and credible.
- To recommend appointment, remuneration and terms of appointment of Auditors of the Company.
- To approve payment to statutory auditors for any other services rendered by the statutory auditors.

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- iv. To review with the management, the annual financial statements and the auditor's report thereon before submission to the Board of Directors for approval.
- v. To review with the management, the quarterly financial statements and the audit/limited review report before submission to the Board of Directors for approval.
- vi. To review and monitor the auditors' independence and performance, and effectiveness of audit process.
- vii. Approval or any subsequent modification to transactions of the Company with its related parties.
- viii. Granting of omnibus approval for transactions proposed to be entered with the related parties in accordance with Section 177 of the Act read with the rules framed thereunder and Regulation 23(3) of SEBI LODR.
- ix. Scrutiny of inter-corporate loans/deposits and investments.
- x. Valuation of undertakings or assets of the Company, wherever it is necessary.
- xi. Evaluation of internal financial controls and risk management systems.
- xii. To review with the management performance of statutory and internal auditors, adequacy of the internal control systems.
- xiii. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- xiv. To review the functioning of whistle blower mechanism.
- xv. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate.
- xvi. To review management discussion and analysis of financial condition and results of operation.
- xvii. To review management letters/letters of internal control weaknesses issued by the statutory auditors.
- xviii. To review internal audit reports relating to internal control weaknesses.
- xix. To review the appointment, removal and terms of remuneration of the chief internal auditor.
- xx. To ensure that an Information Systems Audit of the internal systems and processes is conducted at least once in 2 years to assess operational risks faced by the Company.

Nomination and Remuneration Committee (NRC)

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

During the year under review, 2(two) meetings of the NRC was held on April 25, 2023 and January 23, 2024. Due to business exigencies/urgencies, approvals have been obtained of the NRC by way of resolution(s) passed through circulation in accordance with the Act and Secretarial Standards on Meetings of the Board of Directors.

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

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

The terms of reference of the NRC are in terms of Section 178 and other applicable provisions of the Act read with rules prescribed thereunder, SEBI LODR read with Part D of Schedule II to SEBI LODR, RBI Directions and the charter approved by the Board of Directors. The major terms of reference include the following:

- i. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to the remuneration of the directors, key managerial personnel and other employees.
- ii. To oversee the framing, review and implementation of compensation/remuneration policy of the company.

- iii. For every appointment of an independent director, to evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director and the person recommended to the Board of Directors for appointment as an independent director shall have the capabilities identified in such description.
- iv. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal.
- v. To ensure 'fit and proper' status of proposed/ existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.
- vi. To decide whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- vii. Recommend to the board, all remuneration, in whatever form, payable to senior management.

- viii. Formulation of criteria for evaluation of performance of independent directors and the board of directors.
- ix. To specify the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- x. Devising a policy on diversity of board of directors.

Risk Management Committee (RMC)

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

During the year under review, RMC was re-constituted by inducting Mr. Gurumurthy Ramanathan as its member and in terms of RBI Directions, Mr. Sachin Agarwal and Mr. Atit Shah stepped down as a Member.

During the year under review, 4 (four) meetings of the RMC were held on April 25, 2023, July 25, 2023, October 25, 2023 and January 23, 2024. Due to business exigencies/urgencies, approvals have been obtained of the RMC by way of resolution(s) passed through circulation in accordance with the Act and Secretarial Standards on Meetings of the Board of Directors.

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

Sr. No	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Vijay Chugh	April 24, 2019	Chairman	4	4
2.	Mr. Harish Engineer	July 31, 2019	Member	4	4
3.	Mr. Mahesh Chhabria	April 24, 2019	Member	4	4
4.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	Member	4	4
5.	Mr. Vimal Bhandari	October 20, 2022	Member	4	4
6.	Mr. Atit Shah*	October 20, 2022	Member	4	4
7.	Mr. Sachin Agarwal*	October 20, 2022	Member	4	4
8.	Mr. Gurumurthy Ramanathan#	January 23, 2024	Member	0	0

*Ceased to be Member with effect from January 23, 2024.

#Appointed as a Member with effect from January 23, 2024 and no meeting was held during the period under review post his appointment as a Member.

The terms of reference of the Risk Management Committee of the Company is in terms of SEBI LODR read with Part D of Schedule II to SEBI LODR, RBI Directions and the charter approved by the Board of Directors. The major terms of reference include the following:

- i. To evaluate the overall risks faced by the Company including liquidity risks and cyber security risk.
- ii. To assist the Board in setting risk strategies, policies, frameworks, models and procedures in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting.
- iii. To ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively

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- manage these risks, and to decide the Company's appetite or tolerance for risk.
- iv. To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risk is undertaken at least once in a year.
 - v. To formulate a detailed risk management policy which shall include:
 - ♦ A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks, if applicable), information, cyber security risks or any other risk as may be determined.
 - ♦ Measures for risk mitigation including systems and processes for internal control of identified risks.
 - ♦ Business continuity plan.
 - vi. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
 - vii. To monitor and oversee implementation of the risk management policy/plan including evaluating the adequacy of risk management systems.
 - viii. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
 - ix. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
 - x. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

Stakeholders Relationship Committee

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

Subsequent to the year under review and prior to approval of the Board's Report, SRC was re-constituted wherein Mr. Yogesh Kapur stepped down as a Member and Chairman of the Committee and Mr. Gurumurthy Ramanathan was appointed as Chairman of SRC in place of Mr. Yogesh Kapur.

During the year under review, 2 (two) meetings of the SRC of the Company was held on April 25, 2023 and October 25, 2023.

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

Sr. No	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Yogesh Kapur*	October 20, 2022	Chairman	2	2
2.	Mr. Mahesh Chhabria	October 20, 2022	Member	2	2
3.	Mr. Vimal Bhandari	October 20, 2022	Member	2	2
4.	Mr. Gurumurthy Ramanathan*	April 17, 2024	Member	0	0

*Ceased to be Member & Chairman with effect from April 17, 2024.

*Appointed as a Member & Chairman with effect from April 17, 2024.

The terms of reference of SRC is in terms of the Act, SEBI LODR read with Part D of Schedule II to SEBI LODR and charter of the Committee approved by the Board of Directors. The major terms of reference include the following:

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

- vi. To approve issuance of issue of duplicate/split/consolidated security certificates.
- vii. To approve matters relating to the unclaimed dividend/interest/redemption amount including transfer to IEPF in compliance with applicable laws.

Asset Liability Committee (ALCO)

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

During the period under review, the ALCO was re-constituted by inducting Mr. Gurumurthy Ramanathan as a Member of the Committee.

During the year under review, 5 (five) meetings of the ALCO were held on April 25, 2023, July 25, 2023, October 25, 2023, November 28, 2023 and January 23, 2024. Further, due to certain business exigencies/urgencies, certain approvals of the Committee have also been obtained by way of resolution(s) passed through circulation.

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

Sr. No	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Vimal Bhandari	July 31, 2019	Chairman	5	5
2.	Mr. Mahesh Chhabria	July 31, 2019	Member	5	5
3.	Ms. Gauri Kirloskar	September 1, 2022	Member	5	2
4.	Mr. Harish Engineer	July 31, 2019	Member	5	5
5.	Mr. Yogesh Kapur	January 20, 2023	Member	5	5
6.	Mr. Gurumurthy Ramanathan*	January 23, 2024	Member	0	0

* Mr. Gurumurthy Ramanathan was appointed as a Member of the Committee with effect from January 23, 2024 and no meetings were held during the period under review post his appointment as a Member.

The terms of reference of ALCO is in terms of the RBI Directions and charter of the Committee approved by the Board of Directors. The major terms of reference include the following:

- i. To approve/monitor matters relating to borrowings by the Company including borrowings by way of term loan, working capital demand loan, cash credit facility, issue of non-convertible debentures/issue of commercial papers and/or by way of other eligible modes of borrowing.
- ii. To ensure adherence to the risk tolerance/limits set by the Board of Directors as well as implementing the liquidity risk.
- iii. To oversee and ensure that an adequate and accurate management information system is put in place by the Company w.r.t asset liability composition / mismatches.
- iv. To oversee balance sheet planning from risk return perspective including strategic management of interest rate and liquidity risk and tracking of liquidity through maturity or cash flow mismatches.
- v. To review the Gap reports (liquidity and interest rate sensitivities) admeasuring the mismatch between rate sensitive liabilities and rate sensitive assets and set limits thereof.

- vi. With respect to liquidity risk, to decide on desired maturity profile and mix of the incremental assets and liabilities, sale of assets as a source of funding.
- vii. To articulate the current interest rate view of the Company and base its decisions for future business strategy based on this view.
- viii. To decide on source and mix of liabilities or sale of assets and towards this end, develop a view on future direction of interest rate movements and decide on funding mixes.
- ix. To review and recommend borrowing programme for the company.
- x. Buy back / redeem / repurchase of the NCDs in case of put option and reissue of same to the new investors.

Corporate Social Responsibility (CSR) Committee

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

During the year under review, 1(one) meeting of the CSR Committee was held on March 5, 2024.

Corporate Governance Report

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

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

The terms of reference of the CSR Committee of the Company is in terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility) Rules, 2014 and the charter approved by the Board of Directors which, inter-alia, includes the following:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall include the activities to be undertaken by the company in areas or subject as specified in Schedule VII of the Companies Act, 2013 as amended from time to time.
- Recommend the amount of expenditure to be incurred on the CSR activities.
- Monitor the Corporate Social Responsibility Policy of the company from time to time.
- Recommend to the Board the amendments to the Corporate Social Responsibility Policy.
- Ensure that CSR activities undertaken by the Company are appropriately disclosed in the Annual Report.
- Ensure that any surplus arising out of CSR activities does not form a part of business profits of the Company.
- Review the adequacy of the CSR policy at periodic intervals and review / modify policy on annual basis, if necessary.
- To recommend to the Board of Directors annual action plan in pursuance of the CSR Policy.

Credit Committee

As on March 31, 2024, the Credit Committee comprised of the following members:

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

The terms of reference of the Credit Committee includes oversight of the credit and lending strategies of the Company, oversight of the credit risk

management of the Company and the organizational effectiveness thereof, including reviewing internal credit policies, portfolio limits, portfolio data and analytics, reviewing the quality and performance of the Company credit portfolio, approving of lending criteria, approving new financial products, if any, review and monitoring of portfolio mix, scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal, approving any changes/ variations in the loan amount, tenor, interest rates and security structure, approving partnerships in connection with the lending business of the Company.

Securities Allotment Committee

The Board of Directors has constituted Securities Allotment Committee and the composition of the Committee as on March 31, 2024 comprised of the following:

Sr. No	Name of Members	Member of the Committee since	Category
1.	Mr. Mahesh Chhabria	January 21, 2019	Member
2.	Mr. Vimal Bhandari	January 21, 2019	Member
3.	Mr. Sivanandhan Dhanushkodi	February 10, 2022	Member
4.	Ms. Gauri Kirloskar	February 10, 2022	Member

During the year under, the Board of Directors of the Company at their meeting held on January 23, 2024 renamed the Committee as "Securities Allotment Committee".

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

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

- Allotment of securities including Equity and/or Preference Shares and/or Debentures.
- Issue of new certificates for equity shares, NCDs and such other securities that may be allotted by the Company from time to time.
- Approve transfer of securities including equity, NCDs.

IT STRATEGY COMMITTEE

The Board of Directors has constituted an IT Strategy Committee in terms of Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices issued by Reserve Bank of India ("RBI IT Directions")

During the year under review, 2 (two) meetings of the IT Strategy Committee were held on May 26, 2023 and November 23, 2023. Not more than 6 months had elapsed between 2 consecutive meetings held during the year under review.

During the year under review, pursuant RBI IT Directions, IT Strategy Committee was reconstituted by appointing Mr. Gurumurthy Ramanathan as Chairman of the Committee and Mr. Sivanandhan Dhanushkodi stepped down as a Chairman of the Committee and continues to be a member. Also, Mr. Rahul Kirloskar, Mr. Mridul Sharma, Mr. Pravir Vohra and Mr. Suman Saurav stepped down as a member of the Committee and are now invitee to the IT Strategy Committee.

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

Sr. No	Name of Members	Member of the Committee since	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Sivanandhan Dhanushkodi*	November 20, 2019	Chairman	2	2
2.	Mr. Rahul Kirloskar#	November 20, 2019	Member	2	1
3.	Mr. Vimal Bhandari	November 20, 2019	Member	2	2
4.	Mr. Mahesh Chhabria	November 20, 2019	Member	2	1
5.	Mr. Mridul Sharma#	November 20, 2019	Member	2	2
6.	Mr. Pravir Vohra#	November 20, 2019	Member	2	2
7.	Mr. Suman Saurav#	February 10, 2022	Member	2	2
8.	Mr. Gurumurthy Ramanathan^	January 23, 2024	Chairman	0	0

*Stepped down as a Chairman and continue as a Member with effect from January 23, 2024.

#Stepped down as a member and appointed as an invitee with effect from January 23, 2024.

^Appointed as a Member & Chairman with effect from January 23, 2024 and no meeting was held post his appointment as a Member & Chairman of the Committee.

The terms of reference of the IT Strategy Committee is in terms of RBI IT Directions and the charter approved by the Board of Directors. The major terms of reference include the following:

- The role and responsibility of the committee would be same as prescribed by Reserve Bank of India.
- Reviewing and recommending to the Board, management's strategies relating to technology and their alignment with the strategy and objectives of the Company.
- Reviewing and monitoring Management's strategies for developing or implementing new technologies and systems.
- Reviewing and monitoring the effectiveness of the IT Risk Management and Security plan (including advising the Board Risk Committee on matters of Technology Risk and Cyber Security); and
- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.

- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
- Ensuring IT investments represent a balance of risks and benefits and those budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

IT Steering Committee

The Board of Directors have constituted IT Steering Committee pursuant to Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices ("RBI IT Directions").

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As on March 31, 2024, the composition of the IT Steering Committee, comprised of the following members:

- i. Mr. Mridul Sharma
- ii. Mr. Nachiket Naik
- iii. Mr. Sonit Singh
- iv. Mr. Navin Saini
- v. Mr. Manish Nagarsekar
- vi. Mr. Suman Saurav

The terms of reference of the IT Steering Committee is in terms of RBI IT Directions and the charter approved by the Board of Directors. The major terms of reference include the following:

- i. The role and responsibility of the committee would be same as prescribed by Reserve Bank of India.
- ii. Assist the IT Strategy Committee in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
- iii. Oversee the processes put in place for business continuity and disaster recovery;
- iv. Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and
- v. Update IT Strategy Committee and CEO periodically on the activities of IT Steering Committee.

Banking Committee

As on March 31, 2024, the Banking Committee comprised of the following members:

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

During the year under review, no meetings were held of the Banking Committee. All the proposals requiring approval of the Banking Committee were approved by means of resolution(s) passed through circulation in accordance with the Act and the Secretarial Standards on Meetings of the Board of Directors.

The terms of reference of the Banking Committee are in terms of the charter approved by the Board of Directors which inter-alia include the following:

- i. Approving opening/operating/closing of bank accounts, demat account, trading account and broking account including Cash Management Services from banks as well as opening/operating the CSGL/Gilt accounts of the Company.

- ii. Approving addition/deletion/modification of authorised signatories for bank accounts, demat account, broking and trading account including Cash Management Services from banks as well as opening/operating the CSGL/Gilt accounts of the Company.
- iii. Approving matters related to availing Cash Management Services from banks.
- iv. Approving matters related to procurement of corporate credit card(s).

Internal Complaints Committee (ICC)

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

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

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

Codes and Policies

In terms of the provisions of the Act, RBI Directions, RBI IT Directions, SEBI LODR and various other laws, acts, rules and regulations applicable to the Company and as a part of good corporate governance practices as well as to ensure strong internal control, your Company has adopted several codes/policies/guidelines including the codes/policies enlisted in this corporate governance report.

All the policies/codes to be adopted by your Company are recommended by the Risk Management Committee to the Board of Directors for their approval.

As a part of good corporate governance practice, the Board of Directors of your Company annually reviews the codes and policies adopted by the Company.

Fair Practices Code

In terms of the RBI Directions, the Board of Directors adopted a 'Fair Practices Code' which inter-alia deals with matters related to manner of application for loans, their processing, loan appraisal, terms / conditions and disbursement of loans and changes in terms and conditions of loans sanctioned.

As a part of Fair Practices Code, the Board of Directors of the Company has laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the

decisions of the company are heard and disposed of at least at the next higher level.

The Fair Practices Code is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Investment Policy, Treasury Policy on Deployment of Funds and Short term Investment Programme

In terms of RBI Master Directions to have a documented policy for investment, the Board of Directors adopted an 'Investment Policy'.

The Investment Policy inter alia covers norms for classification of investments into current investments or long term investments, transfer of investments, valuation of the investments, transaction in government securities and authorisation for investments.

Along with the Investment Policy, the Board of Directors have also adopted Treasury Policy on Deployment of Funds and Short-Term Investment Programme.

The Treasury Policy on Deployment of Funds lays down the guidelines including to be adhered to while undertaking investment transactions for deployment of funds and placing short/long fixed (term) deposits with Banks. The parameters are set out in the policy to guide the treasury for optimal deployment of surplus funds.

The Short-Term Investment Programme has been formulated to safeguard the Company's funds, to provide alternate source of deploying surplus liquidity while maximizing income.

Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")

In terms of the circular(s) and direction(s) on KYC Norms and AML Measures issued by the Reserve Bank of India including Know Your Customer (KYC) Direction, 2016, the Prevention of Money Laundering Act, 2002 and rules made thereunder, the Board of Directors adopted a 'KYC & AML Policy' which inter-alia incorporates your Company's approach towards KYC norms, AML measures and combating of financing of terrorism ("CFT").

The KYC & AML Policy provides a comprehensive and dynamic framework and measures relating to KYC, AML and CFT to be considered while conducting business. The primary objective of the policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. KYC Procedures laid down in the Policy enable your Company to know/understand its customers and their financial dealings better, which in turn help in managing

its risks prudently. KYC & AML Policy also provides for processes and procedures to monitor high value cash transactions and /or transactions of suspicious nature and to develop measures for conducting due diligence in respect of customers and reporting of such transactions.

Enterprise Risk Management Framework and Risk Appetite Framework

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

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

ERM Policy and the Risk Appetite Framework help in monitoring key performance and risk related parameters which would aid in tracking the strategic and tactical objectives while simultaneously helping in managing enterprise-wide risk. The focus area of the framework thereby, include credit risk, concentration risk, capital adequacy, sales growth and profitability, liquidity management, operational risk, reputation risk, delinquency and key identifiers for specific business segments

On quarterly basis, the Risk Management Committee, the Audit Committee and the Board of Directors of your Company reviews, discusses and notes an update on the monitoring under the Enterprise Risk Management Framework carried out quarterly through measuring well defined measurable thresholds termed as Risk Appetite Statement.

Operational Risk Management Framework

The Board of Directors of your Company has adopted Operational Risk Management Framework inter alia comprising of Operational Risk Management Policy, Risk and Control Assessment Framework, Key Risk Indicator Framework, Loss Data Management Framework and Risk Profile Framework.

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Operational Risk Management Policy outlines your Company's approach to the management of Operational Risk and seeks to put in place a comprehensive framework for identification, assessment, management, monitoring and reporting of Operational Risks so that Operational Risks are managed & monitored in a timely & efficient manner and in a consistent manner across your Company.

On quarterly basis, the Risk Management Committee, the Audit Committee and the Board of Directors of your Company reviews, discusses and notes an update on Operational Risk Management Framework.

Interest Rate Policy

The Board of Directors of your Company has adopted Interest Rate Policy pursuant to the RBI Directions.

Interest Rate Policy has been formulated to arrive at the benchmark rates to be used for different category of products, customer segments and to determine the principles and approach to decide on the benchmark rate, taking into account the cost and the spread to be charged, methodology to arrive at the final rates charged from the customers.

Interest Rate Policy inter alia covers methodology of arriving at a benchmark/reference rate, interest rate model, interest rate for products offered by the Company, approach for gradation of risk and other charges and features.

The Interest Rate Policy is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Asset Liability Management ("ALM") Policy

In terms of the RBI Directions, the Board of Directors of your Company has adopted ALM Policy to establish guidelines to ensure prudent management of assets and liabilities for your Company. These guidelines address management and reporting of capital, liquidity and interest rate risk.

The ALM Policy provides a comprehensive and dynamic framework for assessing, measuring, monitoring and managing ALM risks. The policy explains the Company's approach to liquidity management. It also outlines key aspects of the risk management process related to ALM process and identifies the main reporting procedures. It also describes the asset liability management process for your Company.

Policy on Liquidity Risk Management Framework

In terms of RBI Directions, the Board of Directors of your Company have adopted Liquidity Risk Management Framework. The Framework is adopted with an objective to lay down the procedures for the management to

ensure that there is sufficient liquidity, to have a reliable Management Information System to provide timely information on the liquidity position of the company, to put in place appropriate internal controls, system and procedures which shall be subject to constant supervisory/Board review to ensure adherence to liquidity risk management framework and to lay down tools to maintain, measure and manage the net funding requirements, tools to measure and monitor liquidity risk.

The Framework inter alia covers norms for liquidity risk management policy, strategies and practices, adequate Management Information Systems, Internal Controls, Maturity Profiling, Stock Approach for liquidity risk management, managing interest rate risk, liquidity risk monitoring tools and roles and responsibilities of Asset Liability Committee.

Fraud Risk Management Policy

The Fraud Risk Management Policy has been framed to provide a system for the prevention and detection of fraud, reporting of any fraud that is detected and dealing with matters pertaining to fraud.

Fraud Risk Management Policy inter alia sets out the process for managing the fraud risk in the lending business, guidance to employees and others dealing with company, forbidding them from involvement in any fraudulent activity and the action to be taken by them when they suspect any fraudulent activity/ies, conducting investigation into fraudulent activities, ensuring the reporting of the fraud at the right levels and also ensuring the regulatory compliance.

Policy on Selection / "Fit & Proper" Person Criteria

In terms of provisions of the Act, RBI Directions and SEBI LODR, your Board of Directors have adopted a 'Policy on Selection / "Fit and Proper" Person Criteria' which lays down a framework relating to appointment of Director(s) and/or senior management personnel including key managerial personnel of the Company.

The Policy on Selection/"Fit and Proper" Person Criteria inter-alia includes manner / process for selection of Directors and senior management personnel including key managerial personnel; criteria to be considered for appointment of Directors including qualifications, positive attributes, fit and proper person status and independence criteria for Independent Directors, criteria to be considered for appointment in senior management of the Company.

In terms of the Policy on Selection Criteria / "Fit and Proper" Person Criteria, the Nomination & Remuneration Committee is primarily responsible for guiding and recommending to the Board of Directors

the appointment and removal of Director(s), senior management personnel and key managerial personnel of the Company and ensuring "Fit and Proper" Person status of proposed / existing Director(s). The Policy on Selection Criteria / "Fit & Proper" Person Criteria is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Policy on Outsourcing

In terms of directions issued by Reserve Bank of India on Managing Risks and Code of Conducts in Outsourcing of Financial Services by NBFCs, the Board of Directors of your Company has adopted Policy on Outsourcing.

The policy lays down the criteria for selection of the activities that may be outsourced, risks arising out of outsourcing and management of those risks, due diligence of outsourcing service providers, and putting in place the mechanism to monitor the activities performed by the service providers as to

- ♦ Protect the interests of the customers;
- ♦ Have the access to all the relevant records, books, and information available with service provider for itself and for the Reserve Bank of India.

The Policy on Outsourcing is concerned with managing risks in outsourcing of financial services only and not to include outsourcing of activities not related to financial services like usage of courier, catering of staff, housekeeping and other related services, janitorial services, security of the office premises, movement and archiving of records, etc.

Policy on Outsourcing inter alia covers indicative list of activities that can be outsourced, activities that cannot be outsourced, risks arising out of outsourcing and management of such risks, appraisal of service provider, materiality of outsourcing, review, monitoring and control of outsourced activities, Business continuity plan and disaster recovery plan of outsourced entity, appointment of direct selling agents/direct recovery agents and the Model Code for direct selling agents/direct recovery agents.

Further, to define the process of classifying financial activities which would be outsourced into material and non-material, approval of material outsourcing activities, periodic review of vendors to ascertain applicability of the materiality criteria, monitoring of vendors who meet the materiality criteria, centralised record management and reporting of material outsourced arrangements, your Company has framed and implemented a Standard Operating Procedure (Outsourcing).

Information Technology Policy and Information Security Policy

In terms of the directions issued by Reserve Bank of India, the Board of Directors of your Company has adopted Information Technology Policy and Information Security Policy.

The Information Technology Policy provides a framework to govern and manage Information Technology (IT), to provide management directions and support for IT in accordance with business requirements, relevant laws and regulations to:

- ♦ Maintain high-quality information to support business decisions.
- ♦ Generate business value from IT-enabled investments.
- ♦ Achieve operational excellence through the reliable and efficient application of technology.
- ♦ Maintain IT-related risk at an acceptable level.
- ♦ Optimize the cost of IT services and technology.
- ♦ Comply with ever-increasing relevant laws, regulations, contractual agreements and policies.

The Information Security Policy provides the security framework upon which all subsequent security efforts will be based and to guide the development and maintenance of a comprehensive information security program. It contains the principles that direct managerial decision making and facilitate secure business operations.

The goal of Information Security Policy is to provide management direction and support for information security in accordance with business requirements and relevant laws and regulations through the issuance and maintenance of the Information Security Policy across the organization to ensure availability, integrity and confidentiality of the Information, to establish accountability and provide reasonable assurance to the customers and all stakeholders.

BCP Policy

The Board of Directors of your Company has adopted BCP Policy which guides in providing operating guidelines to develop a resilient management framework and approach to achieve an effective and functional Business Continuity Management Policy for the critical activities of the Company.

Cyber Security Policy and Cyber Security Crisis Management Plan

Your Company has adopted a Cyber Security Policy to provide management direction and support for Cyber Security in accordance with business requirements

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and relevant laws and across the organization to ensure availability, integrity and confidentiality of the information, to establish accountability and provide reasonable assurance to the customers and all stakeholders. The Cyber Security Policy defines overall cyber security framework for the Company.

Your Company has adopted Cyber Security Crisis Management Plan to assist the Company personnel in mitigating the risks from Cyber Security incidents by providing a practical guide for responding to incidents effectively and efficiently. The said plan includes guidelines on establishing an effective Cyber Security Incident response program and providing assistance with detecting, analyzing, prioritizing, and handling incidents.

Policy on IT Outsourcing

In terms of the master Direction on Outsourcing of Information Technology Services issued by the Reserve Bank of India, the Board of Directors of your Company has adopted Policy on IT Outsourcing. The Policy inter alia, defines the roles and responsibilities of the Board, Committees of the Board (if any) and Senior Management, IT function, business function as well as oversight and assurance functions in respect of outsourcing of IT services.

The Policy also covers the criteria for selection of such activities as well as service providers, parameters for defining material outsourcing based on the broad criteria, delegation of authority depending on risk and materiality, disaster recovery and business continuity plans, systems to monitor and review the operations of these activities and termination processes and exit strategies, including business continuity in the event of a third-party service provider exiting the outsourcing arrangement.

Policy for Co-lending of loans

The objective of Policy for Co-lending of loans between the Company and banks/NBFCs adopted by your Company is to lay down the general principles and practices to be followed by your Company in co-lending with partner institutions being banks or other non-banking financial companies.

Policy Guidelines on Expected Credit Loss, Write-off and Settlement

The Board of Directors of your Company has adopted Policy on Expected Credit Loss (ECL), Write-off and Settlement.

The Policy inter alia sets out the following:

- ♦ Defining the approach and outline the model to be used for calculating Expected Credit Loss (ECL) for

the portfolio of loans / Financial Instruments to meet IND AS 109 requirements.

- ♦ Approach for developing the model for retail as well as wholesale loans.
- ♦ ECL model of the Company and the Company's approach for ECL computation in terms of classification of assets, bucketing of assets, 12 months probability of default, lifetime probability of default, exposure at default, loss given default, ECL computation.

The Policy also covers the write-off norms, settlement norms and restructuring norms.

Open Architecture policy for Corporate Agency Business

During the period under review, your Company has been granted Certificate of Registration as Corporate Agent (Composite) effective February 29, 2024 till February 28, 2027 by Insurance Regulatory and Development Authority of India.

In terms of IRDAI (Registration of Corporate Agents) Regulations, 2015, the Board of Directors of your Company has adopted Open Architecture Policy for Corporate Agency Business, which guides the manner of solicitation and servicing of insurance products by your Company.

The Policy inter alia covers the aspects pertaining to single or multiple tie-ups, the partners in tie-ups, the business mix and the products sold, grievance redressal mechanism and reporting requirements.

Policy on Appointment of Statutory Auditors

In terms of requirements of the guidelines issued by RBI from time to time, provisions of the Act and RBI Directions and in order to clearly outline the parameters to be considered for appointment and continuation of Statutory Auditors of the Company including qualification, eligibility and tenor, the Board of Directors of your Company has adopted a Policy on Appointment of Statutory Auditors.

Whistle Blower Policy / Vigil Mechanism

In terms of requirements of SEBI LODR and provisions of the Act, the Board of Directors of your Company has adopted a 'Whistle Blower Policy / Vigil Mechanism' to enable its stakeholders, including individual employees and/or directors, to report genuine concerns including but not limited to unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct for Board of Directors and Senior Management or leakage of Unpublished Price Sensitive Information (UPSI) or any other instance to the Chairperson of the Audit Committee.

The Whistle Blower Policy/Vigil Mechanism provides for adequate safeguards against victimization who report genuine concerns under the mechanism.

The Whistle Blower Policy / Vigil Mechanism is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

None of the Company personnel have been denied access to the Audit Committee Chairman.

Related Party Transaction Policy

In term of the provisions of SEBI LODR, the Act and RBI Directions, the Board of Directors of your Company has adopted a 'Related Party Transaction Policy' inter alia to ensure proper approval and reporting of transactions between the Company and its related parties.

The Related Party Transaction Policy inter-alia sets out process for identifying the related parties and process and manner of approval of transactions with related parties. The Related Party Transaction Policy is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Code of Conduct for Directors & Employees

In terms of the SEBI LODR and as an initiative towards setting out a good corporate governance structure within the organization, the Board of Directors adopted a 'Code of Conduct for Directors and Employees' which is applicable to all the Directors, including Non-Executive and Independent Directors and employees of the Company to the extent of their role and responsibilities in the Company. The code provides guidance to the Directors and employees to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations. All the members of the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct for Directors and Employees for the year under review. A declaration to that effect, from Mr. Vimal Bhandari, Executive Vice-Chairman & CEO of the Company, is annexed to this Corporate Governance Report.

Archival Policy

In terms of the SEBI LODR, the Board of Directors of your Company has adopted an 'Archival Policy' in order

Non-Executive Directors:

Our Company pays sitting fees per meeting to the Non-Executive Directors for attending the meetings of the Board/Committees/Independent Director's Meetings thereof, as under:

Particulars	Board		Audit Committee		Other Committees/ Independent Director's Meeting	
	Chairman	Members	Chairman	Members	Chairman	Members
Sitting Fees to Non-Executive Directors	75,000	75,000	45,000	45,000	25,000	25,000

to prescribe the period for which events / information disclosed to the stock exchanges under Regulation 51 of SEBI LODR shall be hosted on the website of the Company. The Archival Policy is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Policy on Board Diversity

In terms of SEBI LODR, the Board of Directors adopted a 'Policy on Board Diversity to ensure that the Company's Board has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy and while appointing a director to consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Internal Guidelines on Corporate Governance.

The Board of Directors of your Company had adopted Corporate Governance Risk and Compliance Policy covering the set of guidelines/corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large etc. During the period under review, the said guidelines was renamed to "Internal Guidelines on Corporate Governance".

The Internal Guidelines on Corporate Governance is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Compensation and Clawback Policy

In terms of the provisions of the Act read with the rules framed thereunder, RBI Directions and SEBI LODR, the Board of Directors of your Company has adopted Compensation and Clawback Policy inter-alia setting out the principle of compensation guidelines in respect of the compensation of the Board of Directors including Non-Executive Directors, Key Managerial Personnel, Senior Management Personnel and other employees, goal setting and performance review, principles of annual increment and variable pay and principle of malus/clawback. The Compensation and Clawback Policy is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

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During the period under review, the sitting fees paid to Non-Executive Directors for attending the meeting(s) of the Board of Directors and/or Committees and/or meeting of the Independent Directors, as the case may be is as given below:

Sr. No.	Name of the Director	Sitting Fees (in Rupees)*	Commission (in Rupees)
1.	Mr. Mahesh Chhabria	8,75,000	25,00,000
2.	Ms. Gauri Kirloskar	3,00,000	5,00,000
3.	Mr. Sivanandhan Dhanushkodi	7,50,000	5,00,000
4.	Mr. Vijay Chugh	6,75,000	5,00,000
5.	Mr. Harish Engineer	8,25,000	5,00,000
6.	Mr. Yogesh Kapur	7,05,000	5,00,000
7.	Mr. Gurumurthy Ramanathan	2,20,000	Not Applicable [^]

*Includes sitting fees paid post March 31, 2024 to the members of the Audit Committee for the meeting held on March 29, 2024.

[^]Commission pertains to financial year 2022-23 and paid in financial year 2023-24

[^]Mr. Gurumurthy Ramanathan was appointed as an Independent Director effective from October 25, 2023.

The Non-Executive Directors and the Independent Directors receive remuneration by way of sitting fees for attending the meetings of the Board and/or Committees and/or meeting of the Independent Directors, as the case may be thereof, as decided by the Board from time to time subject to the limits specified under the Act and SEBI LODR. Additionally, they are also entitled to receive profit related commission as may be determined by the Board within the limits specified under the applicable provisions of the Act and SEBI LODR and as approved by the shareholders of the Company. Commission, if any, paid to Non-Executive Directors is based on various criteria including Company's performance, time devoted, role assumed in the Committees and contribution and participation in the meetings of the Board/Committees.

During the year under review, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from payment of sitting fees, Commission and/or reimbursement if any, of the expenses incurred for attending the meetings. Further, the Directors of the Company are not related to each other inter se.

Executive Director

During the period under review, on recommendation of the Nomination & Remuneration Committee, the Board of Directors and shareholders of your Company re-appointed Mr. Vimal Bhandari as Executive Vice-Chairman & CEO designated as Whole-Time Director for another term of 5 years effective from November 1, 2023.

For the remuneration paid to Mr. Vimal Bhandari, Executive Vice-Chairman & CEO during financial year 2023-24, refer the table giving details of the composition of the Board of Directors and forming part of this Corporate Governance Report.

The remuneration paid to Mr. Vimal Bhandari in financial year 2023-24 includes the variable pay/performance bonus for the performance during financial year 2022-23. As on March 31, 2024, Mr. Vimal Bhandari held 1,75,00,000 stock options.

The criteria for payment of remuneration to the Non-Executive Directors and Executive Director is specified in the Compensation and Clawback Policy which is available on the website of the Company.

Succession Planning Policy

Believing that succession or replacement planning is particularly important and recognising that Succession planning is a continuous process rather than a onetime event, your Board of Directors on recommendation of NRC have adopted Succession Planning Policy that aligns talent management with the said objective and endeavors to mitigate the critical risks such as vacancy, readiness and transition risk.

Document Preservation and Archival Policy

In terms of the provisions of SEBI LODR, the Board of Directors have adopted Document Preservation and Archival Policy inter alia setting out the documents/ records required to preserved and the time of preservation and the manner and time of destruction of documents/records.

Familiarisation Programme for Independent Directors

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

Corporate Social Responsibility ("CSR") Policy

In terms of the provisions of the Act, the Board of Directors adopted a 'CSR Policy' which helps towards contribution and furtherance of your Company's objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a socially responsible corporate citizen. The CSR Policy

of the Company inter-alia indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board of Directors and CSR Committee in implementing and monitoring CSR projects identified and supported by the Company. The CSR Policy is available on the website of the Company at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

Care and Dignity Policy

Consistent with its core values, the Company is committed to creating an environment in which all individuals are treated with respect and dignity and promote a gender sensitive safe work environment. The Company has zero tolerance to any form of sexual discrimination and / or harassment and hence has adopted a 'Care and Dignity Policy' to ensure that its employees are not subjected to any form of discrimination and / or sexual harassment.

Code of Conduct for Prohibition of Insider Trading

In terms of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, in order to maintain highest standards whilst dealing with confidential and unpublished price sensitive information of the Company and in order to ensure uniform dissemination of unpublished price sensitive information, the Board of Directors adopted a Code of Conduct for Prohibition of Insider Trading. Additionally, your Company has also adopted Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.

The Company Secretary of your Company has been appointed as the Compliance Officer under the said code for monitoring the aforesaid Code.

Further, in compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, your Company has in place a structured digital databased to incorporate the details including the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared.

Corporate Communication Policy

In order to help your Company to build and enhance their brand image, define internal communication to make employees feel more inclusive, successfully navigate the external communication to showcase an aligned view of the Company, the Board of Directors of your Company have adopted Corporate Communication Policy.

Corporate Communication Policy of your Company lays down the guidelines and procedures directing/

governing its communication activities. The Policy also sets forth the procedure as to how information has to be communicated/ circulated, internally and externally with diverse stakeholders. It defines how information/ news/ updates should be shared with the internal stakeholders; employees and external stakeholders; customers, business associates, potential investors, media, amongst others.

Compliance Policy

In compliance with requirements of RBI Circular on Compliance Function and Role of Chief Compliance Officer ("CCO") – NBFCs dated April 11, 2022, your Company has adopted a Compliance Policy inter-alia to codify the compliance framework and outline the compliance within the organisation.

The Compliance Policy lays down the compliance philosophy of your Company. The broad objectives of the Policy inter-alia include embed compliance sensitivity in every department as part of the Company's culture that emphasis standards of honesty and integrity, monitoring of strict observance of directions, circulars, guidelines and laws applicable to your Company specifically in relation to its activities as a non-banking financial company and ensuring that the customer offerings and products / services of your Company are in compliance with rules and regulations and are fair to the customers.

Policy on Independence of Chief Risk Officer

In terms of RBI Directions and to safeguard the independence of the Chief Risk Officer, your Company has adopted Policy on Independence of Chief Risk Officer inter alia specifying the roles and responsibilities of Chief Risk Officer of your Company.

Manner of Performance Evaluation

In terms of the Act read with Schedule IV to the Act, Regulation 25(4) of SEBI LODR, Guidance note on Board Evaluation issued by SEBI vide circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated January 5, 2017, the Board of Directors of your Company, on recommendation of the Nomination & Remuneration Committee, had adopted a Policy on Performance Evaluation – Board, Committees and Directors.

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

- ♦ Performance evaluation process was recommended by the Nomination & Remuneration Committee and approved by the Board of Directors
- ♦ Questionnaire and the evaluation criteria approved as a part of the performance evaluation process

Corporate Governance Report

was circulated with the directors to facilitate the performance evaluation process

- ♦ Filled in questionnaire received from the directors along with the summary for evaluation of the performance of the Board, as a whole and Committees of the Board was circulated with chairman of Nomination & Remuneration Committee to facilitate the discussion at the Independent Directors meeting and the Board Meeting
- ♦ Independent Directors at their separate meeting, inter alia, evaluated the:
 - a. Performance of the Board, as a collective entity
 - b. Performance of the Non-Executive Non-Independent Director
 - c. Performance of the Executive Director
 - d. Performance of the Chairperson.
- ♦ The Board of Directors evaluated the performance of the Directors including independent directors and chairperson, Board, as a collective entity and its committees.

The Independent Directors evaluated the performance of the Non-Independent Directors, Board, as a collective entity and Chairperson and found it to be good, satisfactory and meeting the expectations.

The Board of Directors evaluated the performance of the Directors including independent directors and chairperson, Board, as a collective entity and its committees and found it to be good, satisfactory and meeting the expectations.

Performance Evaluation Criteria for Independent Directors

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

General Body Meetings

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

Financial year	Date	Time	Special Resolutions passed	Venue
2020-2021	Friday, May 28, 2021	2.12 p.m.	i. Issue of Secured Redeemable Non-Convertible Debentures on a private placement basis ii. Increase in Borrowing limit of the Company iii. Mortgage or Security creation for borrowings of the Company	Held through Video Conferencing / Other Audio-Visual Means
2021-2022	Wednesday, May 25, 2022	12.00 noon	i. Issue of Secured Redeemable Non-Convertible Debentures on a private placement basis ii. Increase in Borrowing Limit of the Company iii. Mortgage or Security creation for borrowings of the Company	Held through Video Conferencing / Other Audio-Visual Means
2022-2023	Friday, June 16, 2023	02.00 p.m.	i. Issue of Non-Convertible Debentures on Private Placement basis ii. Increase in borrowing limit of the Company iii. Mortgage or security creation for borrowings of the Company iv. Continuation of Directorship of Mr. Harish Engineer on attaining the age of 75 years v. Payment of Commission to Non-Executive Directors for the financial year 2022-23	Held through Video Conferencing / Other Audio-Visual Means

(ii) Details of the Extraordinary General Meetings ("EGM") held during FY 2023-2024:

Date	Time	Special Resolutions passed	Venue
Tuesday, January 23, 2024	11.30 a.m.	i. Re-appointment of Mr. Vimal Bhandari as Executive Vice-Chairman & CEO designated as Whole-Time Director ii. Appointment of Mr. Gurumurthy Ramanathan (DIN: 10366010) as an Independent Director iii. Approval for selling/assigning/securitisation of the assets including loan receivables/book, book debts and investments of the Company	Registered Office of the Company

- (iii) Whether any special resolution passed last year through postal ballot – details of voting pattern – No resolution was passed through postal ballot in financial year 2023-24.
- (iv) Person who conducted the postal ballot exercise – Not applicable.
- (v) Whether any special resolution is proposed to be conducted through postal ballot – None.
- (vi) Procedure for postal ballot – Not applicable.

Details of Non-compliance with requirements of Companies act, 2013

During the year under review, there has been no defaults in compliance with the requirements, to the extent applicable, of the provisions of the Companies Act, 2013, including with respect to compliance with accounting and secretarial standards.

Means of Communication

The "Investor Information" section on the Company's website <https://www.arkaholdings.com/arka-fincap> keeps the investors updated on material developments in the Company by providing key and timely information such as Financial Results, Annual Reports, Contact details of persons responsible for investor grievances, details of debenture trustee, details on credit rating and other regulatory/statutory disclosures.

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

General Information for Shareholders and Debenture Holders

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

Debenture Trustees

Catalyst Trusteeship Limited
 CIN: U74999PN1997PLC110262
 Address: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune – 411 038

Tel: 022-49220506 Fax: 022-49220555
 Email: ComplianceCTL-Mumbai@ctltrustee.com
 Website: <https://catalysttrustee.com/>

- a. **Annual General Meeting for FY 2023-24:**
Date, Time & Venue: As specified in the notice convening AGM
- b. **Financial Year:** April 1, 2023 to March 31, 2024
- c. **Dividend Payment Date:** Not Applicable, as no dividend declared for the financial year under review
- d. **Listing on Stock Exchange and Listing Fees:**

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

Required listing fees have been paid to BSE Limited

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

Corporate Governance Report

k. Distribution of shareholding: Shareholding Pattern as on March 31, 2024

Sr. No.	Name	Number of Equity Shares of Face Value ₹10/- each	Amt paid-up (₹)	% of Share Capital
1.	Arka Financial Holdings Private Limited	92,87,09,769	928,70,97,690	99.998
2.	Mr. Nachiket Naik [#]	1	10	
3.	Mr. Mridul Sharma [#]	1	10	
4.	Mr. Mahesh Chhabria [#]	1	10	
5.	Mr. Manish Nagarsekar [#]	1	10	
6.	Mr. Amit Kumar Gupta [#]	1	10	
7.	Ms. Aditi Mahamunkar [#]	1	10	
8.	Mr. Ritesh Jhanwar	18,333	1,83,330	0.002
Total		92,87,28,108	928,72,81,080	100%

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

l. Dematerialisation of Shares and Liquidity

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

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

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

n. Commodity price risk or foreign exchange risk and hedging activities: Not applicable

o. Plant Locations

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

p. Address for correspondence

Ms. Niki Mehta

Company Secretary & Compliance Officer
2504/2505/2506, 25th Floor, One Lodha Place,
Lodha World Towers, Senapati Bapat Marg, Lower
Parel, Mumbai - 400013
Telephone: +91 22 40471000;
Fax: +91 22 43157010;
Email id: arkasecretarialandcompliance@arkaholdings.com

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

Credit Ratings assigned to the Company as on March 31, 2024 is summarised below:

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

During the year under review, CRISIL Ratings Limited had revised its rating outlook for the bank facilities and long-term debt instruments of the Company to 'Positive' from 'Stable' while reaffirming its rating at "CRISIL AA-/CRISIL PPMLD AA-".

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

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

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

Other Disclosures

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

There are no material related party transactions during the year under review that have potential conflict with the interest of the Company. For details of transactions with related parties, please refer Note No. 5.05 of the Audited Financial Statements for the financial year ended March 31, 2024.

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

None

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

In terms of the provisions of the Act and SEBI LODR, the Board of Directors of the Company have adopted Whistle Blower Policy/Vigil Mechanism. None of the Company's personnel has been denied access to the Audit Committee Chairman.

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

The disclosures of the compliance with corporate governance requirements specified in Regulations 17 to 27 and clauses (a) to (i) of Regulation 62(1A) of SEBI LODR is made in the section on corporate governance of the annual report. Your Company is categorized as a high value debt listed entity in accordance with SEBI LODR. In terms of second proviso to Regulation 15(1A) of SEBI LODR, the provisions of Regulation 16 to Regulation 27 of SEBI LODR are applicable to high value debt listed entities on a "comply or explain" basis until March 31, 2024 and on mandatory basis thereafter.

The Board of Directors of your Company on quarterly basis, reviews certificate with respect to compliance with regulatory/statutory reporting, registration of material licenses/registrations,

various policies/codes/processes adopted by the Company and material contractual obligations. The Board of Directors shall review compliance reports pertaining to all laws applicable to the Company on an annual basis.

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

During the year under review, there were no audit qualification in the Company's financial statements. The Internal Auditor of the Company directly reports to Audit Committee of the Company.

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

The Company does not have any subsidiary company.

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

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

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

Not Applicable

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

Not Applicable

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

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

Corporate Governance Report

Annexure A

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

During FY 2023-24, all the recommendations of the various Committees of the Board were accepted by the Board of Directors.

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

P G BHAGWAT LLP, Chartered Accountants, (ICAI Firm Registration No. 101118W/W100682), were appointed as the Statutory Auditors of the Company to hold office for a period of three years i.e., for FY 2021-22 to FY 2023-24. The particulars of payment of fees to Statutory Auditors for FY 2023-24 is given below:

Particulars	Amount (in Lakhs)
Audit Fees	22.38
Certification and other services	2.09
Total	24.47

The above payments exclude out-of pocket and travelling expenses.

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

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

Number of complaints filed during the financial year	Number of complaints disposed of during the financial year	Number of complaints pending as on end of the financial year
Nil	Not Applicable	Not Applicable

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

Please refer the notes on "Related Party Disclosures" in Financial Statements of the financial year ended on March 31, 2024.

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

None

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

The Company has adopted a Code of Conduct for its Directors and Employees. The Code is available on the Company's website at <https://www.arkaholdings.com/arka-fincap>. All the Directors on the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct. A declaration signed by Mr. Vimal Bhandari, Executive Vice-Chairman & CEO to this effect is reproduced at the end of this report at **Annexure C**.

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

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

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

Not Applicable

Corporate Governance Compliance Certificate

To,
The Members,
ARKA FINCAP LIMITED
(CIN - U65993MH2018PLC308329)
2504, 2505, 2506, 25th Floor,
One Lodha Place, Lodha World Towers,
Senapati Bapat Marg, Lower Parel, Mumbai-400013

We have examined the compliance of the conditions of Corporate Governance by Arka Fincap Limited (CIN: U65993MH2018PLC308329) ("the Company") for the year ended on March 31, 2024, as stipulated under Regulations 16 to 27, clauses (a) to (i) of sub-regulation (1A) of Regulation 62 and para C, D & E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as applicable to the Company on being categorized as "High Value Debt Listed Entity" effective September 6, 2022 on a comply or explain basis until March 31, 2024, and the necessary explanation in the quarterly compliance report on Corporate Governance submitted to BSE Limited under Regulation 27(2)(a) of SEBI Listing Regulations.

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

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

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

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

Anil Vasant Mayekar
Partner

FCS - 2071, COP - 2427
U.D.I.N - F002071F000274849

Date: 30th April, 2024
Place: Mumbai

Annexure B

Certificate of Non-Disqualification of Directors

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

To,
The Members,
ARKA FINCAP LIMITED
(CIN - U65993MH2018PLC308329)
2504, 2505, 2506, 25th Floor,
One Lodha Place, Lodha World Towers,
Senapati Bapat Marg, Lower Parel, Mumbai-400013

We have examined the relevant records maintained by Arka Fincap Limited (CIN: U65993MH2018PLC308329) ("the Company") and disclosures, notices and confirmations submitted by Directors of the Company for the purpose of issuing a certificate pursuant to

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

In our opinion and to the best of our knowledge, based on the information furnished to us by the Company and the Directors of the Company and based on necessary verification by us, we certify that none of the following Directors, who were on the Board of Directors of the Company as on March 31, 2024, have been debarred or disqualified from being appointed or continuing as Director on the Board of the Company by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority:

Sr. No.	Name of the Director	DIN	Date of appointment in Company
1.	Mr. Vimal Bhandari	00001318	20/04/2018
2.	Mr. Mahesh Ramchand Chhabria	00166049	20/04/2018
3.	Ms. Gauri Atul Kirloskar	03366274	14/06/2019
4.	Mr. Sivanandhan Dhanushkodi	03607203	24/04/2019
5.	Mr. Vijay Chugh	07112794	24/04/2019
6.	Mr. Harish Hansubhai Engineer	01843009	14/06/2019
7.	Mr. Yogesh Kapur	00070038	20/10/2022
8.	Mr. Gurumurthy Ramanathan	10366010	25/10/2023

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

Anil Vasant Mayekar
Partner

FCS - 2071, COP - 2427
U.D.I.N - F002071F000274741

Date: 30th April, 2024
Place: Mumbai

Annexure C

Declaration by The CEO of The Company Under Paragraph D of Schedule V of SEBI LODR

I, Vimal Bhandari, Executive Vice-Chairman & CEO of Arka Fincap Limited hereby declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for Directors and Senior Management for the financial year ended March 31, 2024.

Vimal Bhandari
Executive Vice-Chairman & CEO

Date: 30th April, 2024
Place: Mumbai

Annexure III

Disclosures pursuant to Regulation 53(f) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on March 31, 2024

Sr. no.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.	Details
1. Holding Company			
a)	Arka Financial Holdings Private Limited	<ul style="list-style-type: none"> Loans and advances in the nature of loans to subsidiaries by name and amount. Loans and advances in the nature of loans to associates by name and amount. Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount 	<p>Nil</p> <p>Nil</p> <p>Nil</p>
b)	Kirloskar Oil Engines Limited KOEL (KOEL)	<ul style="list-style-type: none"> Loans and advances in the nature of loans to subsidiaries by name and amount. Loans and advances in the nature of loans to associates by name and amount. Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount 	There are no loans and advances in the nature of loans granted/advanced by KOEL to the subsidiary, except to the wholly owned subsidiary La-Gajjar Machineries Private Limited as disclosed in Annexure I below.
2. Subsidiary			
		<ul style="list-style-type: none"> Loans and advances in the nature of loans to subsidiaries by name and amount. Loans and advances in the nature of loans to associates by name and amount. Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount 	Not Applicable, since the Company does not have any subsidiary
3. Holding Company			
a)	Arka Financial Holdings Private Limited	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.	Nil
b)	Kirloskar Oil Engines Limited	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.	Nil

Annexure I: Loans granted by KOEL to its subsidiary

Type of relationship	Name	Amount outstanding as at March, 2024 (in ₹)	Maximum Amount outstanding during financial year (in ₹)
Wholly owned subsidiary	La-Gajjar Machineries Private Limited	10,71,75,228	29,85,00,000

Annexure IV

Secretarial Audit Report

For the Financial Year ended 31st March, 2024

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

To,
The Members,
ARKA FINCAP LIMITED
(CIN - U65993MH2018PLC308329)
2504, 2505, 2506, 25th Floor, One Lodha Place,
Lodha World Towers, Senapati Bapat Marg,
Lower Parel, Mumbai, Maharashtra, India, 400013

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

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2024 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2024 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (during the period under review FEMA Regulations for Foreign Direct Investment and Overseas Direct Investment were not applicable to the Company));

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not Applicable to the Company during audit period)
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during audit period)
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not Applicable to the Company during audit period)
- (e) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
- (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not Applicable to the Company during audit period) and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during audit period);
- (vi) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (To the extent Applicable to the Company during audit period);
- (vii) Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 (To the extent Applicable to the Company during audit period

(viii) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 (To the extent Applicable to the Company during audit period);

(ix) Master Direction - Reserve Bank of India (Filing of Supervisory Returns) Directions - 2024 (To the extent Applicable to the Company during audit period);

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

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

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

We further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

We further report that during the year under review,

- i. The Board of Directors of the Company at their meeting held on April 28, 2023 passed a resolution in suppression of the earlier Board resolution passed by the Board of Directors at their meeting held on April 26, 2022 to approve the issuance of Non-Convertible Debentures during a period of

1 (one) year commencing from the date of passing of the Special Resolution at Annual General Meeting held on June 16, 2023 not exceeding the aggregate principal amount of ₹2,000 Crore within the overall borrowing limits of the Company;

- ii. The Board of Directors of the Company at their meeting held on April 28, 2023 passed a resolution in suppression of the earlier Board resolution passed by the Board of Directors at their meeting held on April 26, 2022 to approve the borrowing of such sum or sums of monies, from time to time, in any form or manner and/or in one or more tranches, by way of Commercial Paper(s) (CPs) for an amount not exceeding in aggregate, at any single point in time a sum equivalent to ₹500 Crores);
- iii. The Board of Directors of the Company at their meeting held on April 28, 2023 passed a resolution in suppression of the earlier Board resolution passed by the Board of Directors at their meeting held on April 26, 2022 to increase Borrowing Limit of the Company upto ₹7000 Crore.
- iv. The Board of Directors of the Company at their meeting held on April 28, 2023 passed a resolution to approve the offer, issue and allotment of equity shares on rights basis for an amount not exceeding ₹62 Crore, in one or more tranches (hereinafter referred to "Rights Issue") to the shareholders of the Company;
- v. The Board of Directors of the Company at their meeting held on July 25, 2023 passed a resolution to approve the investment in the equity share of Kirloskar Proprietary Limited ("KPL") by purchase of one (1) equity share of KPL from Arka Financial Holdings Private Limited, holding company at ₹1,49,412/- per equity share;
- vi. The Allotment Committee of Board of Directors of the Company passed resolution on June 05, 2023 to approve the allotment of 4,47,05,842 equity shares of face value of ₹10/- per equity share at an issue price of ₹12.75 /- per equity share (including premium of ₹2.75/- per equity share).
- vii. The Allotment Committee of Board of Directors of the Company passed resolution on November 17, 2023 to approve the allotment of 7,500 Series II Unsecured, Rated, Listed, Redeemable, Non-Convertible Subordinated Debentures of the face value of ₹1,00,000 each for cash aggregating upto ₹75,00,00,000.
- viii. The Allotment Committee of Board of Directors of the Company passed resolution on December 27, 2023 to approve the allotment of 30,00,000 NCDs

Secretarial Audit Report

Annexure A

- of face value of ₹1,000 each for cash aggregating upto ₹300,00,00,000/- to Public.
- ix. The Securities Allotment Committee of Board of Directors of the Company passed resolution on March 13, 2024 to approve the allotment of 5000 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debentures of face value of ₹1,00,000/- each for an aggregate amount of upto ₹50,00,00,000 on private placement basis.
- x. The Members of Company at the Extra Ordinary General Meeting of the Company held on 23rd January, 2024 passed the special resolution to approve:
- a) the selling/assigning/ securitisation of the assets including loan receivables/book, book debts and investments of the Company upto a limit of ₹990 Crore during a financial year.
- b) Re-appointment of Mr. Vimal Bhandari (DIN: 00001318) as Executive Vice Chairman and CEO designated as Whole-Time Director for a term of 5 years with effect from November 1, 2023.
- c) Appointment of Mr. Gurumurthy Ramanathan as an Independent Director for a term of 5 consecutive years with effect from October 25, 2023
- xi. The Members of Company at their Annual General Meeting held on 16th June, 2023 passed the following special resolution:
- d) Increase in Borrowing Limit of the Company upto ₹7000 Crore
- a) Approval for mortgage/security creation for borrowings by the Company

- b) Issuance of Non-Convertible Debentures on private placement basis during a period of 1 (one) year commencing from the date of passing of the Special Resolution for an amount not exceeding ₹2,000 Crore.
- c) Continuation of directorship of Mr. Harish Engineer (DIN:01843009) as a Non-Executive Independent Director till the expiry of his term i.e., June 13, 2024, notwithstanding Mr. Harish Engineer (DIN:01843009) attaining the age of 75 years
- d) Payment of commission to Non-Executive Directors for the financial year 2022-23

We further report that during the audit period there was no other event/action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, and standards.

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

Anil Vasant Mayekar
Partner

Date: 30th April, 2024 FCS - 2071, COP - 2427
Place: Mumbai U.D.I.N - F002071F000274739

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

To,
The Members,
ARKA FINCAP LIMITED
(CIN - U65993MH2018PLC308329)
2504, 2505, 2506, 25th Floor, One Lodha Place,
Lodha World Towers, Senapati Bapat Marg,
Lower Parel, Mumbai, Maharashtra, India, 400013

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

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

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

Anil Vasant Mayekar
Partner
FCS - 2071, COP - 2427
U.D.I.N - F002071F000274739

Date: 30th April, 2024
Place: Mumbai

Annexure V

Information required under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

a. Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2023-24 is as follows:

Sr. No.	Name of the Director	Category	Ratio of remuneration of Director to the Median remuneration
1.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO designated as Whole-Time Director	41.87
2.	Ms. Gauri Kirloskar	Non-Executive Director	0.56
3.	Mr. Mahesh Chhabria	Non-Executive Director	2.78
4.	Mr. Sivanandhan Dhanushkodi	Independent Director	0.56
5.	Mr. Vijay Chugh	Independent Director	0.56
6.	Mr. Harish Engineer	Independent Director	0.56
7.	Mr. Yogesh Kapur	Independent Director	0.56
8.	Mr. Gurumurthy Ramanathan	Independent Director	Not Applicable

Note 1: Remuneration to the Non-Executive Directors includes commission for financial year 2022-23 paid in financial year 2023-24 and does not include sitting fees.

Note 2: Mr. Gurumurthy Ramanathan was appointed as Independent Director with effect from October 25, 2023 and hence no commission was paid to him.

b. Percentage increase/(decrease) in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2023-24, is as follows:

Sr. No.	Name of the Director/KMP	Category	% increase/(decrease) in the remuneration
1.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO designated as Whole-Time Director	9%
2.	Ms. Gauri Kirloskar	Non-Executive Director	100%
3.	Mr. Mahesh Chhabria	Non-Executive Director	100%
4.	Mr. Sivanandhan Dhanushkodi	Independent Director	100%
5.	Mr. Vijay Chugh	Independent Director	100%
6.	Mr. Harish Engineer	Independent Director	100%
7.	Mr. Yogesh Kapur	Independent Director	100%
8.	Mr. Gurumurthy Ramanathan	Independent Director	Not Applicable
9.	Mr. Amit Kumar Gupta	Group Chief Financial Officer	31%
10.	Ms. Niki Mehta	Company Secretary	58%

Note 1: Remuneration to the Non-Executive Directors includes commission for financial year 2022-23 paid in financial year 2023-24 and does not include sitting fees. Further, no commission was paid in financial year 2022-23 pertaining to financial year 2021-22.

Note 2: Mr. Gurumurthy Ramanathan was appointed as Independent Director with effect from October 25, 2023 and hence no commission was paid to him.

c. The percentage increase in the median remuneration of employees in the financial year 2023-24:

There is a decrease in the median remuneration of employees in FY 2023-24 by 4.71% as compared to FY 2022-23.

d. Number of permanent employees on rolls of the Company as on March 31, 2024:

The permanent employees on the rolls of Company as on March 31, 2024, were 422.

e. Average percentile increase already made in the salaries of employees other than the managerial personnel in financial year 2023-24 and its comparison with the percentile increase in the managerial remuneration in financial year 2023-24 and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average percentage increase already made in the salaries of employees other than that of the managerial personnel in FY 2023-24 is 12 % and the percentage increase in the overall managerial remuneration is 9%. The increase in the managerial remuneration is line with the average industry norms and There are no exceptional circumstances for increase in the Managerial Remuneration.

f. The key parameters for any variable component of remuneration availed by the directors:

In terms of the Compensation and Clawback Policy of the Company

g. Affirmation that the remuneration is as per the Remuneration Policy of the Company:

We hereby affirm that the remuneration paid to the employees including KMPs is as per the Compensation and Clawback Policy of the Company.

Annexure VI

Annual Report on Corporate Social Responsibility (CSR) Activities

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

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

The CSR Policy inter alia includes the following:

- ♦ CSR Programmes/Projects
- ♦ Activities not to be considered as CSR activity
- ♦ CSR Expenditure
- ♦ Governance Requirement
- ♦ Implementation processes
- ♦ Reporting Framework and Impact Assessment
- ♦ Unspent CSR Expenditure

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

(2) Composition of CSR Committee:

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

(3) Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

Composition of CSR Committee: <https://www.arkaholdings.com/documents/2303837/536b9c3a-3a9e-4d32-8171-3ef3da38eb68>

CSR Policy: <https://www.arkaholdings.com/arka-fincap/policy-and-codes>

CSR Projects: <https://www.arkaholdings.com/arka-fincap/investor-information#arkalInvestorDisclosuresAnnouncements>

(4) Executive summary along with web-links of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable: Not Applicable

- (5) (a) Average net profit of the company as per section 135(5): ₹59,95,01,487/-
 (b) Two percent of average net profit of the company as per section 135(5): ₹1,19,90,030/-
 (c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil
 (d) Amount required to be set off for the financial year: Nil
 (e) Total CSR obligation for the financial year [(b)+(c)-(d)]: ₹1,19,90,030/-
- (6) (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): ₹1,20,00,000/-
 (b) Amount spent in Administrative Overheads: Nil
 (c) Amount spent on Impact Assessment, if applicable: Not Applicable
 (d) Total amount spent for the Financial Year 2023-24 [(a)+(b)+(c)]: ₹1,20,00,000/-
 (e) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer	Name of the Fund	Amount.	Date of transfer
1,20,00,000	Nil	Not Applicable	Not Applicable	Nil	Not Applicable

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

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135 (5)	1,19,90,030
(ii)	Total amount spent for the Financial Year	1,20,00,000
(iii)	Excess amount spent for the financial year [(ii) - (i)]	9,970
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii) - (iv)]	9,970

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

Sl No	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Balance Amount in unspent CSR Account under Section 135(6) of the Act (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years. (in ₹)	Deficiency, if any
					Name of the Fund	Amount (in ₹).	Date of transfer.		
Not Applicable									

(8) Whether any capital assets have been created or acquired through CSR amount spent in the financial year 2023-24 - No

- (a) If yes, enter the number of capital assets acquired/created - Not Applicable
 (b) Furnish the details relating to such asset(s) so created or acquired through CSR amount spent in financial year 2023-24: Not Applicable

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

Vimal Bhandari

Executive Vice Chairman & CEO and
Chairman of the CSR CommitteePlace: Mumbai
Date: April 30, 2024

Annexure VII

CEO and CFO Certificate

To,
The Board of Directors
Arka Fincap Limited

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

We, Vimal Bhandari, Executive Vice Chairman and CEO and Amit Kumar Gupta, Chief Financial Officer of the Company confirm the following for the financial year ending March 31, 2024 ("Financial Year"):

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

For Arka Fincap Limited

Vimal Bhandari
Executive Vice Chairman and CEO
Date: April 30, 2024
Place: Mumbai

Amit Kumar Gupta
Chief Financial Officer
Date: April 30, 2024
Place: Mumbai

Annexure VIII

Disclosure in terms of Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 as on financial year ended March 31, 2024

Sr. No.	Particulars	ESOP 2019
1.	Options granted as on March 31, 2024	3,77,45,000 47,20,000 stock options were granted during the FY 2023-24
2.	Options vested as on March 31, 2024	2,60,75,000
3.	Options exercised as on March 31, 2024	15,000 No stock options were exercised during FY 2023-24
4.	The total number of shares arising as a result of exercise of option as on March 31, 2024	15,000 No stock options were exercised during FY 2023-24
5.	Options lapsed as on March 31, 2024	8,35,000 No stock options were lapsed during the FY 2023-24
6.	The exercise price	Exercise Price for each grant is determined by Nomination & Remuneration Committee.
7.	Variation of terms of options	Not Applicable
8.	Money realized by exercise of options	Not Applicable. No stock options were exercised during FY 2023-24
9.	Total number of options in force as on March 31, 2024	3,68,95,000

Details of stock options granted to Key Managerial Personnel:

Sr. No.	Name	Designation	Number of Stock Options under ESOP 2019 granted during financial year 2023-24	Number of Stock Options under ESOP 2019 in force as on March 31, 2024
1.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO	-	1,75,00,000
2.	Mr. Amit Kumar Gupta	Group Chief Financial Officer	-	15,00,000

Details of employees who have received a grant of options in financial year 2023-24, of options amounting to five percent or more of options granted during that year:

Sr. No.	Name	Number of Stock Options granted under ESOP 2019
Total number of stock options granted in FY 2023-24: 47,20,000		
1.	Mr. Navin Saini	7,00,000
2.	Mr. Atit Shah	5,00,000
3.	Mr. Ramadhar Yadav	5,00,000
4.	Mr. Sudeep PS	5,00,000
5.	Ms. Rashmi Warange	4,00,000
6.	Mr. Dipesh Rath	2,90,000
7.	Mr. Fedrick Harrison	2,65,000
8.	Mr. Sachin Agarwal	2,50,000

Details of employees who were granted options, during financial year 2023-24, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant:

None

Independent Auditor's Report

To the Members of **Arka Fincap Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Arka Fincap Limited ("the Company"), which comprise the Balance Sheet as at 31 March 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 31 March 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 ₹1,528.50 Lakh 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 19 December 2023 & RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated 27 March 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: ₹1046.04 Lakh

Provision as on 31 March 2024: ₹2539.95 Lakh

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.

Independent Auditors' Report

- ♦ 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 31 March 2024 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 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.
- (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 1 April 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 31 March 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.
		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.
		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.
		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 Lakh were categorised as credit impaired ('Stage 3') and ₹1,873.68 Lakh 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.
		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 ₹189.12 Lakh. Reasonable steps are being taken by the Company for recovery of the principal and interest.
		The company's principal business is to give loans hence the provisions of Clause 3(iii)(e) of the said order are not applicable.
		The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013.
(iv)		According to the information and explanations given to us, the Company has not granted any loans or made investments, or provided guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
(v)		In our opinion and according to information and explanation given to us, the Company has not accepted public deposits or amounts which are deemed to be deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
(vi)		The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable.

(vii)	(a)	According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including Goods and Service Tax, provident fund, income tax, and other material statutory dues, as applicable, with the appropriate authorities. As explained to us, the Company does not have any dues on account of employees' state insurance, sales tax, duty of customs or duty of excise.
		According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, Goods and services tax and provident fund and other material statutory dues, as applicable were in arrears as at 31 March 2024 for a period of more than six months from the date they became payable.
	(b)	According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.
(viii)		In terms of the information and explanations given to us and the books of account and records examined by us, the Company has not surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Therefore reporting under clause 3(viii) of the order is not applicable.
(ix)	(a)	According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender as at the balance sheet date.
		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 utilised 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)	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.
		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.
	(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.
		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.
		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.
		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.
(xix)		According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
(xx)	(a)	There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the Act. Accordingly, reporting under clause 3(xx) (a) of the Order is not applicable for the year.
	(b)	There are no unspent amounts towards Corporate Social Responsibility (CSR) in respect of ongoing projects requiring a transfer to a Special Account in compliance with sub-section (6) of Section 135 of the Act. Accordingly, reporting under clause 3(xx) (b) of the Order is not applicable for the year.

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

Nachiket Deo
Partner
Membership Number: 117695
UDIN: 24117695BKCKJC2278

Place: Mumbai
Date: 30 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 31 March 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 31 March 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
I. ASSETS			
Financial assets			
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
		5,24,241.87	4,31,236.46
Non-financial assets			
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
		5,360.54	2,572.98
TOTAL ASSETS		5,29,602.41	4,33,809.44
II. LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	3.13		
(i) total outstanding to micro enterprises and small enterprises		79.73	17.73
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		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
		4,08,429.05	3,24,417.17
Non-financial liabilities			
Provisions	3.18	458.83	466.70
Other non-financial liabilities	3.19	3,046.09	4,072.61
		3,504.92	4,539.31
TOTAL LIABILITIES		4,11,933.97	3,28,956.48
Equity			
Equity share capital	3.20	92,872.81	88,402.23
Other equity	3.21	24,795.63	16,450.73
TOTAL EQUITY		1,17,668.44	1,04,852.96
TOTAL LIABILITIES AND EQUITY		5,29,602.41	4,33,809.44
Material Accounting Policies	2		

As per our report of even date attached

For P G BHAGWAT LLP

Chartered Accountants

ICAI Firm Registration No.: 101118W/W100682

Nachiket Deo

Partner

Membership No. 117695

For and on behalf of the Board of Directors of

Arka Fincap Limited

Vimal Bhandari

Executive Vice Chairman and CEO

DIN: 00001318

Amit 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

Statement of Profit and Loss

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

Particulars	Note	For the year ended 31 March 2024	For the year ended 31 March 2023
Revenue from operations	4.01		
Interest income		49,043.60	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		-	-
Total revenue from operations		56,368.83	37,066.31
Other income	4.02	709.90	222.57
Total income		57,078.73	37,288.88
Expenses			
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
Total expenses		46,171.02	29,008.41
Profit before exceptional items and tax		10,907.71	8,280.47
Exceptional items - Expenses / (Income)		1,528.50	-
Profit before tax		9,379.21	8,280.47
Tax expense:	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)
Total tax expenses		2,456.13	2,144.01
Profit after tax		6,923.08	6,136.46
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		(27.18)	(3.68)
- Income tax relating to items that will not be reclassified to profit or loss		6.84	0.93
Other comprehensive income for the year, net of tax		(20.34)	(2.75)
Total comprehensive income for the period		6,902.74	6,133.71
Earnings per equity share	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

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

Mahesh Chhabria

Non Executive Director

DIN: 00166049

Niki Mehta

Company Secretary

Place: Mumbai

Date: 30 April 2024

Place: 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
A Cash Flow from Operating Activities		
Net profit before tax	9,379.21	8,280.47
Adjustments for:		
Add:		
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
	36,553.07	20,822.90
Less:		
Interest received on fixed deposits	746.45	285.75
Profit on sale of investments	2,095.79	1,182.01
Gain on derecognition of 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
	8,733.43	3,071.99
Operating profit before working capital changes	37,198.85	26,031.38
Adjustments:		
(Increase) / Decrease in loans and advances	(1,04,495.99)	(1,39,270.06)
(Increase) / Decrease in trade receivables	(20.25)	43.74
(Increase) / Decrease in security deposits	268.71	(273.64)
(Increase) / Decrease in Prepaid expenses	46.60	(52.82)
(Increase) / Decrease in Other financial assets	(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
Cash used in operating activities	(56,537.95)	(1,00,569.18)
Direct taxes paid	(3,423.00)	(2,858.88)
Net cash used in operating activities (A)	(59,960.95)	(1,03,428.06)
B Cash flows from investing activities		
Add:		
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
	4,27,816.37	3,22,838.23
Less:		
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
	3,94,455.10	3,43,015.89
Net cash generated from / (used) in investing activities (B)	33,361.27	(20,177.66)

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
C Cash Flow from Financing Activities		
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)
Net cash generated from financing activities (C)	44,413.76	1,31,874.28
Net Increase in cash and cash equivalents (A) + (B) + (C)	17,814.08	8,268.56
Cash and Cash Equivalents at the beginning of the year	21,438.88	13,170.32
Cash and Cash Equivalents at the end of the year	39,252.96	21,438.88
Reconciliation of cash and cash equivalents with the balance sheet		
Balances with banks		
- in current accounts	39,252.96	6,932.45
Deposits with original maturity of less than three months	-	14,506.43
Total	39,252.96	21,438.88

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

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)

Equity Shares of ₹10 each issued, subscribed and fully paid	No. of Shares	Amount
Balance as at 31 March 2022	75,98,55,835	75,985.58
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2022	75,98,55,835	75,985.58
Shares issued during the year	12,41,66,431	12,416.65
Balance as at 31 March 2023	88,40,22,266	88,402.23
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					
	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	Total
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

Statement of Changes in Equity (SOCIE)

for the year ended 31 March 2024

(b) Other equity (Refer Note 3.21)(Contd.)

Particulars	Reserves and surplus					
	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	Total
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

Amit 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

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

2. 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.

2.02 Basis of preparation

The financial statement comprises of the Balance sheet as at 31 March 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 Lakh rounded off to nearest Rupee in Lakh 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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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

ii) Subsequent measurement

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

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

Debt instruments at amortised cost

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

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

Financial Assets at Amortised Cost

A financial asset is measured at amortised cost if:

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

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

Fair value through other comprehensive income (FVOCI)

- ♦ the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

- ♦ the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Fair value through Profit and Loss (FVTPL)

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

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

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

iii) Reclassifications

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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 recognised 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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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

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

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

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

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

2.06.B Financial liabilities**i) Initial recognition and measurement**

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

ii) Subsequent measurement

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

ii. a) Financial liabilities at amortised cost

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

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

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

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

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

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

2.06.C De-recognition**a) Derecognition of financial assets**

A financial asset is 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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

liability are measured on a basis that reflects the rights and obligations that the Company has retained.

b). Derecognition of financial liabilities

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

2.06.D Offsetting of financial instruments

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

2.06.E Fair value measurement

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

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability,

assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

2.06.F Modification of financial assets and financial liabilities

Financial Assets

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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 recognised as a deduction from equity, net of any tax effects.

2.08 Cash and Cash equivalents

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

2.09 Property, Plant and Equipment

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

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

Depreciation

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

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

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

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

2.10 Intangible assets

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

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

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

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

Intangible assets under development

Directly attributable costs that are capitalised as a part of software include an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised

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(Currency : Indian Rupees in Lakhs)

from the point at which the asset is available for use.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.13 Contingent liabilities

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

2.14 Earnings per share

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

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

2.15 Employee Benefits

i) Short-term employee benefits

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

ii) Post-Employment Benefits

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

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

Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the

Notes to the Financial Statements

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(Currency: Indian Rupees in Lakhs)

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.

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

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(Currency : Indian Rupees in Lakhs)

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

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

2.18 Employee Share Based Plan

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

shares that will eventually vest and adjusted for the effect of service conditions.

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

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

2.19 Segment Reporting

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

2.20 Revenue Recognition

Recognition of Interest income

- Interest income and expense presented in statement of profit and loss includes interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. The amortisation of income and expenses for financial assets under EIR approach is done on a systematic basis that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset.
- The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated applying the EIR to the amortised cost of the credit-impaired financial asset (i.e. the gross carrying amount less the allowances for ECLs).

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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.

Income from de-recognition of financial assets:

Gains arising out of de-recognition transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the transaction is entered into with the transferee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows

on execution of the transaction, discounted at the applicable rate entered into with the transferee is recorded upfront in the statement of profit and loss in accordance with Ind AS 109. EIS is evaluated and adjusted for ECL and expected prepayments.

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

Service asset as well as service liability are recognised on de-recognition of financial assets where the 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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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 utilised.

E. Fair value of financial instrument

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

F. Business model assessment

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

Notes to the Financial Statements

for the year ended 31 March 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
	39,252.96	21,438.88

NOTE 3.02: Bank balances other than cash and cash equivalents

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

NOTE 3.03: Trade receivables

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

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

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	-
Total - Gross	10,624.94	39,186.76
Investments in India	10,624.94	39,186.76
Investments outside India	-	-
Total - Gross	10,624.94	39,186.76
Long term investments	4,121.92	9,203.81
Short term investments	6,503.02	29,982.95
Total - Gross	10,624.94	39,186.76
Less: Provision for expected credit loss	(1,554.09)	(84.98)
Total - Net	9,070.85	39,101.78

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	-
	5,409.75	1,100.73

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
	1,819.33	445.86

NOTE 3.08 : Deferred tax assets (net)

Particulars	As at 31 March 2024	As at 31 March 2023
Deferred Tax Assets		
Disallowances u/s 43 B of Income Tax Act	1,171.44	970.05
Provision for expected credit loss	1,023.95	375.99
Fair value of Employee Loan	0.25	0.36
Fair value of Security deposit	11.24	4.02
Fair value of Lease Liability	253.05	24.01
Fair value of Loan given	257.01	390.82
Fair value of Investment in Debt instruments (CP+NCDs)	(3.41)	50.56
Total (A)	2,713.53	1,815.81
Deferred tax liability		
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
Total (B)	1,820.45	522.99
Net deferred tax asset (A-B)	893.08	1,292.82

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

NOTE 3.09 : Property plant and equipment

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Cost as at 31 March 2022	760.27	344.65	4.48	105.67	22.67	91.61	1,329.35
Additions	-	1.00	6.32	-	18.43	106.76	132.51
Disposals	(51.83)	-	(0.42)	-	(0.61)	(0.03)	(52.89)
Cost as at 31 March 2023	708.44	345.65	10.38	105.67	40.49	198.34	1,408.97
Additions	1,191.26	573.41	137.21	-	166.21	119.43	2,187.52
Disposals	-	(345.66)	(3.84)	-	(5.74)	(0.61)	(355.85)
Cost as at 31 March 2024	1,899.70	573.40	143.75	105.67	200.96	317.16	3,240.64
Accumulated depreciation as at 31 March 2022	471.49	231.69	0.95	55.27	9.56	36.90	805.85
Depreciation charged during the year	164.93	71.50	0.80	23.55	5.88	41.58	308.24
Disposals	(18.14)	-	(0.14)	-	(0.52)	(0.03)	(18.83)
Accumulated depreciation as at 31 March 2023	618.28	303.19	1.61	78.82	14.91	78.45	1,095.26
Depreciation charged during the year	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)
Accumulated depreciation as at 31 March 2024	1,105.34	39.74	6.22	92.93	30.39	151.03	1,425.65
Net carrying amount as at 31 March 2022	288.78	112.96	3.53	50.40	13.11	54.71	523.49
Net carrying amount as at 31 March 2023	90.16	42.46	8.77	26.85	25.58	119.89	313.71
Net carrying amount as at 31 March 2024	794.36	533.66	137.53	12.74	170.57	166.13	1,814.99

- For Depreciation policy refer accounting policy no. 2.09
- 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.
- Benami properties:
No proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

NOTE 3.10 : Intangible assets

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

- 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	-
Total	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
Total	564.55	264.44

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
Total	615.86	162.21

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 [§] (Refer note (a) below)	1,05,678.83	98,094.98
Commercial paper (net of unamortised discount) repayable within next twelve months	19,471.49	11,647.17
Total	1,25,150.32	1,09,742.15
Debt securities in India	1,25,150.32	1,09,742.15
Debt securities outside India	-	-
Total	1,25,150.32	1,09,742.15
Secured	1,05,678.83	98,094.98
Unsecured	19,471.49	11,647.17
Total	1,25,150.32	1,09,742.15

[§] include interest accrued but not due ₹4,241.39 Lakh (Previous Year ₹3,130.19 Lakh)

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

(a) Non Convertible Debenture Privately placed Redeemable Non Convertible Debentures (NCDs) Terms of repayment

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

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

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

NOTE 3.15 : Borrowings (other than debt securities)

Particulars	As at 31 March 2024	As at 31 March 2023
At amortised cost		
Term loans		
Term loans from banks [§] (Refer note (a) below)	2,06,448.10	1,67,733.95
Term loans from NBFCs [#] (Refer note (b) below)	34,963.50	27,787.93
Loans repayable on demand		
Cash Credit	1,742.05	-
Working capital demand loans from banks	-	-
Total	2,43,153.65	1,95,521.88
Borrowings in India	2,43,153.65	1,95,521.88
Borrowings outside India	-	-
Total	2,43,153.65	1,95,521.88
Secured borrowings	2,43,153.65	1,95,521.88
Unsecured borrowings	-	-
Total	2,43,153.65	1,95,521.88

[§] include interest accrued but not due ₹206.17 Lakh (Previous Year ₹154.66 Lakh)[#] include interest accrued but not due ₹160.42 Lakh (Previous Year ₹77.66 Lakh)**(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
Total	2,06,448.10	1,67,733.95

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

Nature of Security:

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

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

(b) Term loan from NBFCs (TL):

Terms of repayment

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

Nature of Security:

Security against term loan from NBFCs :

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

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

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

- EIR adjustment as per Ind AS regulations
- adjustments made during the course of audit (including limited review) post submission of the return

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

NOTE 3.16 : Subordinated Debt (Unsecured)

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

[§] include interest accrued but not due ₹373.71 Lakh (Previous Year ₹369.00 Lakh)

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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

Terms of repayment

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

NOTE 3.17 : Other financial liabilities

Particulars	As at 31 March 2024	As at 31 March 2023
Book overdraft	20,511.40	9,330.43
Employee benefits payable	3,073.38	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	-
	25,676.24	12,673.11

NOTE 3.18 : Provisions

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

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	-
	3,046.09	4,072.61

NOTE 3.20 : Equity share capital

a. Details of authorised, issued and subscribed share capital

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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	-	-	-	-
Total	92,87,28,108	92,872.81	88,40,22,266	88,402.23

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.

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
	24,795.63	16,450.73

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

3.21.A Other equity movement

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

- Pursuant to the provision of section 45(IC) of Reserve Bank of India Act, 1934, the Company has transferred ₹1,384.62 Lakh (Previous Year : ₹1,227.29 Lakh) towards statutory reserve fund.
- 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 Lakh to its holding company 'Arka Financial Holdings Private Limited' on rights basis.
- Refer note no. 5.10 for disclosure on Employee Stock option Plan (ESOP).

NOTE 4.01 : Revenue from operations

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Interest income on financial assets measured at amortised cost:		
Interest on loans		
- Financing business	46,008.17	33,188.01
- Employee loan	0.45	1.51
Interest on investments		
- Debentures/bonds and Pass through certificates	2,028.66	1,368.21
- Commercial papers / Certificate of Deposits	11.08	206.12
Interest on Deposits		
- Deposits with banks	746.45	285.75
- Security deposits	32.30	24.45
Total	48,827.11	35,074.05

Notes to the Financial Statements

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
Interest income on financial assets measured at fair value through profit or loss:		
- Investments in AIF	216.49	-
	216.49	-
Fees and commission income		
- Syndication, advisory & other fees	1,211.55	810.25
Total	1,211.55	810.25
Gain on derecognition of financial assets measured at amortised cost	4,017.89	-
Net gain on sale of investments		
- Net gain on sale of investments	2,095.79	1,182.01
Total	2,095.79	1,182.01
Net gain on fair value changes of investments		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investment in mutual funds	-	-
Total	-	-
Fair value changes		
- Realised	-	-
- Unrealised	-	-
Total	-	-

NOTE 4.02 : Other income

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

NOTE 4.03 : Finance costs

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

NOTE 4.04 : Net loss on fair value changes

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

NOTE 4.05 : Impairment on financial instruments

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

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
	7,729.61	6,311.95

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
	772.12	393.60

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

Notes to the Financial Statements

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
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	-
	3,637.00	2,010.72
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
Total	25.54	19.71
Details for expenditure on Corporate Social Responsibility:		
a) Gross amount required to be spent during the year	120.00	70.93
b) Amount spent during the year:		
- Expenses paid in cash	120.00	70.93
- Expenses yet to be paid for	-	-
Total	120.00	70.93
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	120.00	70.93
The donation is towards the expenses related to activities for admission process, payment of salaries, professional fees for education services, library subscriptions, books etc.		
Total	120.00	70.93

NOTE 4.09 : Income Tax

Tax expense

(a) Amounts recognised in statement of profit and loss

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

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

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

(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
Tax @ 25.168% (31 March 2023 : 25.168%)	2,360.56	2,084.03
Difference in tax rate due to:		
- Effect of non-deductible expenses	88.72	59.28
- Others	6.85	0.70
Total Tax Expenses	2,456.13	2,144.01
Effective tax rate	26.19%	25.89%

The Company does not have unused tax losses

NOTE 5.01 : Earnings Per Share (EPS)

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

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

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

NOTE 5.02 : Financial Instruments – Fair values

A. Accounting classification and fair values

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

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

Particulars	As at 31 March 2024						
	Carrying amount				Fair value		
	Fair value through profit and loss	Fairvalue through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs
Investments covered under Ind AS 109							
(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
(e) Investments in Arka Credit Fund I	3,089.09	-	-	3,089.09	-	-	3,089.09
(f) Investments in Equity Instruments - Kirloskar Proprietary Ltd.	-	-	1.49	1.49	-	-	1.49
Total	3,089.09	-	7,535.85	10,624.94	6,503.02	-	4,121.92

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2023							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Mutual Funds	13,002.02	-	-	13,002.02	13,002.02	-	-	13,002.02
(b) Investments in Debentures	-	-	21,975.60	21,975.60	21,975.60	-	-	21,975.60
(c) Investments in Commercial papers	-	-	1,488.92	1,488.92	-	-	1,488.92	1,488.92
(d) Investments in Pass through certificates (PTCs)	-	-	2,720.22	2,720.22	-	-	2,720.22	2,720.22
Total	13,002.02	-	26,184.74	39,186.76	34,977.62	-	4,209.14	39,186.76

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

B. Fair value hierarchy

Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to unadjusted 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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

Mitigation:

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

(B) Credit Risk;

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

Mitigation:

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

(C) Liquidity Risk;

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

Mitigation:

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

(D) Operational Risk;

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

Mitigation:

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

(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 organisation are mitigated as well as monitored.
- ♦ The Risk/ALCO committee are given responsibility of recommending the changes in the risk appetite of the company.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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 (₹ Lakh)	13,500.00	6,000.00
Amount raised by issue of Perpetual Debt Instruments	Nil	Nil

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
4	Subsidiary Company of Ultimate Holding Company	La-Gajjar Machineries Private Limited Optiqua 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
1	Vimal Bhandari (Executive Vice Chairman & CEO)	Vibha V. Bhandari	Wife
		Vatsal V Bhandari	Son
		Shivani Bhandari	Son's Wife
		Vandini V Bhandari	Daughter
		Shree Krishna M Gupta	Daughter's Husband
		Pushpa Bhandari	Mother
		Ashok Bhandari	Brother
		Asha Singhvi	Sister
		Vibha Doshi	Sister
	Jayashree Mehta	Sister	

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Atul C. Kirloskar (upto 31 March 2023)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Gauri Kirloskar (w.e.f. 20 May 2022)	Arti A. Kirloskar	Mother
		Atul C. Kirloskar	Father
		Aditi A. Kirloskar (Sahni)	Sister
		Christopher Kolenaty	Husband
		Maya Kolenaty	Daughter
		Pia Kolenaty	Daughter

B. Transactions with Related Parties

Sr. No.	Nature of the transaction / relationship / major parties	2023-24		2022-23	
		Amount	Amount from major parties	Amount	Amount from major parties
1	Capital Contribution received from Holding Company				
	Arka Financial Holdings Private Limited	5,699.88	5,699.88	14,899.68	14,899.68
	Total	5,699.88	5,699.88	14,899.68	14,899.68
2	Purchase of Equity Shares of Kirloskar Proprietary Ltd. from Holding Company				
	Arka Financial Holdings Private Limited	1.49	1.49	0.00	0.00
	Total	1.49	1.49	0.00	0.00
3	Loan given to Subsidiary Company of Ultimate Holding Company				
	Optiqua Pipes and Electricals Private Limited	477.47	477.47	321.23	321.23
	Total	477.47	477.47	321.23	321.23
4	Loan repayment from Subsidiary Company of Ultimate Holding Company				
	Optiqua Pipes and Electricals Private Limited	477.47	477.47	321.23	321.23
	Total	477.47	477.47	321.23	321.23
5	Interest & fees received on loan given Subsidiary Company of Ultimate Holding Company				
	Optiqua Pipes and Electricals Private Limited	4.85	4.85	6.10	6.10
	Total	4.85	4.85	6.10	6.10
6	Transactions with Key Management Personnel				
	Vimal Bhandari	162.15		13.16	
	Interest expenses on NCD issued		12.15		13.16
	Repayment of Non-Convertible Debentures		150.00		0.00
	Total	162.15	162.15	13.16	13.16
7	Expenses incurred on behalf of holding company				
	Arka Financial Holdings Private Limited	81.46	81.46	73.48	73.48
	Total	81.46	81.46	73.48	73.48
8	Expenses incurred on behalf subsidiary company of holding company				
	Arka Investment Advisory Services Private Limited	171.00		32.28	
	Total	171.00	171.00	32.28	32.28

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

Sr. No.	Nature of the transaction / relationship / major parties	2023-24		2022-23	
		Amount	Amount from major parties	Amount	Amount from major parties
9	Reimbursement of Expenses from holding company	43.56		15.01	
	Arka Financial Holdings Private Limited		43.56		15.01
	Total	43.56	43.56	15.01	15.01
10	Reimbursement of Expenses from subsidiary company of holding company	57.51		0.09	
	Arka Investment Advisory Services Private Limited		57.51		0.09
	Total	57.51	57.51	0.09	0.09
11	Transactions with Entity under same group				
	Arka Credit Fund I	5,382.75		0.00	
	Sale of Exposure in NCD		2,025.06		0.00
	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
	Total	5,382.75	5,382.75	0.00	0.00
12	Managerial Remunerations:				
	Key Management Personnel	641.87		585.34	
	Vimal Bhandari		641.87		585.34
	Total	641.87	641.87	585.34	585.34
Balances with related parties					
1	Non convertible debentures issued	0.00		150.00	
	Vimal Bhandari		0.00		150.00
	Total	0.00	0.00	150.00	150.00
2	Receivable from holding company	239.24		114.22	
	Arka Financial Holdings Private Limited		239.24		114.22
	Total	239.24	239.24	114.22	114.22
3	Subsidiary Company of Holding Company	260.88		32.37	
	Arka Investment Advisory Services Private Limited		260.88		32.37
	Total	260.88	260.88	32.37	32.37
4	Receivable from Entity under same group	35.08		0.00	
	Arka Credit Fund I		35.08		0.00
	Total	35.08	35.08	0.00	0.00
5	Investment in Entity under same group	3,089.09		0.00	
	Arka Credit Fund I		3,089.09		0.00
	Total	3089.09	3089.09	0.00	0.00

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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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

Particulars	Ultimate Holding Company		Holding Company		Fellow Subsidiary (Subsidiary of Holding Company)		Fellow Subsidiary (Subsidiary of Ultimate Holding Company)		Private Company in which a director is a director		Entity under common group		Key Management Personnel		Key Management Personnel		Other than Non-Executive Directors ⁽¹⁾	
	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	2023-24	2022-23
Borrowings																		
Outstanding at year end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150.00
Maximum outstanding during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150.00
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placement of Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances																		
Outstanding at year end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maximum outstanding during the year	-	-	-	-	-	-	471.84	194.51	-	-	-	-	-	-	-	-	-	-
Other Receivables																		
Outstanding at year end	-	-	239.24	114.22	-	-	-	-	-3.82	28.32	-	35.08	-	-	-	-	-	-
Maximum outstanding during the year	-	-	239.24	114.22	-	-	-	-	37.76	28.32	-	35.08	-	-	-	-	-	-
Investments																		
Purchase of Fixed / Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Fixed / Other Assets	-	-	1.49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest & processing fees received	-	-	-	-	-	-	6.10	-	-	-	-	216.49	-	-	-	-	-	13.16

Notes to the Financial Statements
for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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

Particulars	Ultimate Holding Company		Holding Company		Fellow Subsidiary (Subsidiary of Holding Company)		Fellow Subsidiary (Subsidiary of Ultimate Holding Company)		Private Company in which a director is a director		Entity under common group		Key Management Personnel		Key Management Personnel	
	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
			Arka Financial Holdings Pvt Ltd.		Arka Investment Advisory Services Private Limited	Optiqua Pipes and Electricals Private Limited (upto 25 March 2024)	Kirloskar Management Services Private Limited (w.e.f. 9 March 2023)	Arka Credit Fund I		Non-Executive Directors	Other than Non-Executive Directors ⁽¹⁾					
Others																
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 ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	151.50	28.25	984.35	821.57	-

Notes

- Key Management Personnel (other than directors) include following persons:
 - Mr. Vimal Bhandari – Executive Vice Chairman and CEO
 - Mr. Amit Kumar Gupta – CFO
 - Ms. Niki Mehta – Company Secretary
 - Mr. Tejas Raja – KMP of Holding Company (upto 31 July 2023)
 - 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

(Currency: Indian Rupees in Lakhs)

NOTE 5.06 : Contingent liabilities and Commitments

Particulars	As at 31 March 2024	As at 31 March 2023
Contingent liabilities	Nil	Nil
Capital commitments:		
Estimated amount of contracts remaining to be 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 come into force on 1 April 2019.

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

Ind AS 116 requires lessees to recognise 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
Minimum Lease Payments:		
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
Lease liability:		
Less than 12 months	394.75	95.40
More than 12 months	610.69	-

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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

Particulars	As at 31 March 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	-	-

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 recognised 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 Lakh (previous year: ₹115.61 Lakh).

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

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

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

Particulars	As at 31 March 2024	As at 31 March 2023
A (i) Gratuity:		
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
(ii) Compensated Absences:		
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
(iii) Long term incentive plan:		
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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

Particulars	As at 31 March 2024	As at 31 March 2023
B (i) Gratuity:		
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
(ii) Compensated Absences:		
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
C (i) Gratuity:		
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
(ii) Compensated Absences:		
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
(iii) Long term incentive plan		
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	-	-
D (i) Gratuity:		
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	27.18	3.68
E Assumptions used		
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 64 years	60 years 63 years
Withdrawal Rate	30.00%	30.00%

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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 ₹36.82 Lakh for Gratuity and ₹36.57 Lakh for Compensated Absences.

NOTE 5.10 : Employee stock option plans

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

Description of share-based payment arrangements:

As at 31 March 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 24 April 2019 and by the shareholders in EGM dated 2 May 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of ₹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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

I. Details of the ESOP:

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	6 May 2019	1 November 2019	2 November 2020	18 July 2022	7 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					

II. Option Movement during the year ended Mar 2024:

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

Option Movement during the year ended Mar 2023:

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	2,06,30,000	7,50,000	97,500	-	-	-
The weighted average share price of shares exercised during the year ended 31 March 2023	NA	NA	NA	NA	NA	NA

III. Weighted Average remaining contractual life:

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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

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

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	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

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	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
LIABILITIES							
Financial liabilities							
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
Non-financial liabilities							
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
TOTAL LIABILITIES		2,23,380.16	1,88,553.81	4,11,933.97	1,48,338.78	1,80,617.70	3,28,956.48

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

NOTE 5.12 : Asset liability management

Particulars	1 to 7 days	8 to 14 days	15 to 30/31 days	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
LIABILITIES										
Deposits	-	-	-	-	-	-	-	-	-	-
Borrowings from banks	3,364.41	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	-	-	-	-	-	-	-	-	-	-
ASSETS										
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
Total	47,609.96

NOTE 5.13 : Exposure to Real Estate Sector

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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)	-	-
Total Exposure to Capital Market	29,208.02	36,594.75

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
1 Value of Investments		
(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	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off/ write-back of excess provision during the year	-	-
(iv) Closing balance	-	-

* ECL Provision on investments 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 19 December 2023 & RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated 27 March 2024 are not considered here.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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 29 February 2024 to act as a corporate agent for distribution of insurance products. The registration code is CA0914 and is valid till 28 February 2027.

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 Sl.no. 7793/T. No. 12001 /2023-24 dated 31 October 2023 from Commercial Taxes Department, Government of Karnataka towards non-payment of Profession Tax of ₹4,425/- (including interest & penalty) for FY 2022-23 and ₹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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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 commission (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 19 December 2023 and RBI/2023-24/140 DOR.STR. REC.85/21.04.048/2023-24 dated 27 March 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

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%

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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.

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
1. Agriculture and Allied Activities	1,458.20	9.16	0.63%	-	-	0.00%
2. Industry						
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%
Total of Industry (i+ii+iii+Others)	3,86,471.41	600.21	0.16%	3,38,697.39	80.29	0.02%
3. Services						
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%
Total of Services (i+ii+iii+Others)	1,39,497.52	498.04	0.36%	94,777.75	0.90	0.00%
4. Personal Loans						
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%
Total of Personal Loans (i+ii)	9,779.41	65.24	0.67%	2,466.80	35.08	1.42%
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 31 March 2024 (Previous year : ₹ 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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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

Sr No Instrument	For the year ended 31 March 2024	For the year ended 31 March 2023
Complaints received by the Company from its Customers		
1 Number of complaints pending at beginning of the year	-	-
2 Number of complaints received during the year	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	-	-
Maintainable complaints received by the Company from Office of Ombudsman		
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)	-	-

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

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Current Year					
Loans and advances	-	204	50	-	-
Non receipt of documents Reporting	-	0	-1	-	-
Staff Behaviour	-	79	9	-	-
Others	-	13	n.a.	-	-
Total	-	296	22	-	-
Previous Year					
Loans and advances	-	4	100	-	-
Non receipt of documents Reporting	-	1	100	-	-
Staff Behaviour	-	8	100	-	-
Others	-	-	-	-	-
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 31 March 2024 and previous year ended 31 March 2023.

XI. Divergence in Asset Classification and Provisioning : None

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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**

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	-	500.00
3 Senior Officers and their relatives	-	-

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

The Company has reported a fraud in one borrowal account onboarded through co-lending arrangement, amounting to ₹ 6.96 Lakh (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.

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
Weighted average remaining maturity (in years)	2.52	2.70
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 Lakh)	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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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.

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)
Performing Assets						
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
Subtotal		4,79,269.24	1,572.49	4,77,696.76	1,883.65	(311.16)
Non-Performing Assets (NPA)						
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	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		1,095.17	795.96	299.22	116.00	679.95
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	-	-	-	-	-
Subtotal		56,761.09	171.51	-	-	171.51
TOTAL	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
	Total	5,37,125.50	2,539.95	4,77,995.98	1,999.65	540.30

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : 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 31 March 2024		As at 31 March 2023	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
LIABILITIES SIDE				
(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	-	-	-	-

ASSETS SIDE	As at 31 March 2024		As at 31 March 2023	
	Amount	Amount	Amount	Amount
(3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):				
(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	-	1,488.92		
(vi) Others - Pass through certificates	-	-		

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

ASSETS SIDE	As at 31 March 2024	As at 31 March 2023
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:

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

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	As at 31 March 2024		As at 31 March 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	-	-	-	-
2. Other than related parties	7,535.85	7,542.35	39,186.76	39,099.11

(8) Other information

Particulars	As at 31 March 2024	As at 31 March 2023
(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	-	-

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	-	-	-	-	-	-

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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 ₹567.82 Lakh 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 ₹157.31 lacs which were unbilled as on 31 March 2023.

Note 6.09: Other notes

6.09 (i): Accounting Ratios

Ratios	As at 31 March 2024	As at 31 March 2023
Debt-equity ratio ¹	3.28 : 1	3.02 : 1
Current ratio ²	Not Applicable	Not Applicable
Long term debt to working capital ²	Not Applicable	Not Applicable
Bad debts to Account receivable ratio ²	Not Applicable	Not Applicable
Current liability ratio ²	Not Applicable	Not Applicable
Total debts to total assets ³	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%

¹ Debt = Debt Securities + Borrowings (other than debt securities) + Subordinated Debt.² The Company being a Non-Banking Financial Company registered with the Reserve Bank of India, these ratios are not applicable.³ 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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency : Indian Rupees in Lakhs)

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): Utilisation 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.

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.

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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)	-	-
Total	3,82,136.95	100.00%

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.

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 1 January 2024.

For the quarter ended 31 March 2024

High Quality Liquid Assets (HQLA)	Total Unweighted Value (average) ⁽¹⁾	Total Weighted Value (average) ⁽²⁾
1 ** Total High Quality Liquid Assets (HQLA)	42,649.02	42,649.02
CASH OUTFLOWS		
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	-	-
7 Other contingent funding obligations	16,352.78	18,805.70
8 TOTAL CASH OUTFLOWS	34,732.49	39,942.37
CASH INFLOWS		
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 TOTAL CASH INFLOWS	27,910.08	20,932.56
		Total Adjusted Value
13 TOTAL HQLA		42,649.02
14 TOTAL NET CASH OUTFLOWS		19,509.34
15 LIQUIDITY COVERAGE RATIO (%)		219%

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

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

Notes to the Financial Statements

for the year ended 31 March 2024

(Currency: Indian Rupees in Lakhs)

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	-	-
Total HQLA	42,649.02	42,649.02

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 attachedFor **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

ARKA

Arka Fincap,
2504, 2505, 2506, 25th Floor, One
Lodha Place, Lodha World Towers,
Senapati Bapat Marg,
Mumbai – 400013

A **Kirloskar** Group Company

The mark 'Kirloskar' in the status line is owned by Kirloskar Proprietary Limited and ARKA Fincap Limited is the permitted user