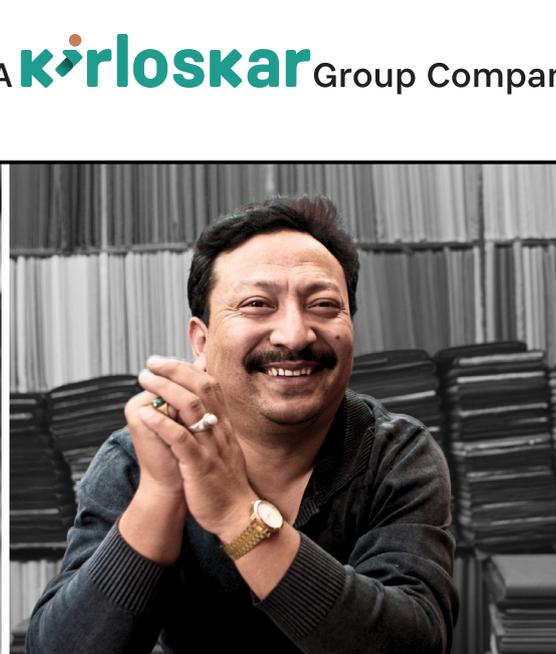




ARKA
Aapka Apna

**Partnering for
Prosperity**
Built on a Tradition of Trust

A **kirloskar** Group Company



Our Future Aspiration

We aspire to be an admirable financial institution, a leader in empowering India's micro, small and medium enterprises. Our path involves expanding beyond Metros, driven by profitable growth to achieve sustainable 3% plus ROA. This is our ambitious next chapter.

What's Inside?

Overview

Partnering for Prosperity	09
Corporate Overview	10
Board of Directors	12
Our Heritage Strength	14
Message from The Managing Director	16
Message from The CEO	18
Financial Highlights	20
Management Discussion & Analysis	22
Corporate Information	50

Governance

Boards Report	51
Report on Corporate Governance	82

Financial

Independent Auditor's Report	127
Balance Sheet	140
Statement of Profit & Loss	141
Statement of Cash Flows	142
Statement of Changes in Equity (SOCIE)	144
Notes to the financial statements	146



How We Deliver Value

We provide innovative, technology-enabled, and tailored financial solutions, primarily through secured lending products like Secured Business Loans and Pre-Owned Wheels. Our operational focus involves scaling our branch network to serve underserved MSMEs across Tier 2 and 3 cities, enhancing their experience.



Our Core Identity

Our guiding principle is "Aapka Apna" – your trusted partner. Built on the Kirloskar Group's 130-year legacy of integrity and strong governance, we empower MSMEs with financial resilience and drive their prosperity, fueling India's growth from its heartland.



Aapka Apna:

Your Partner in Prosperity

At ARKA, we don't just offer loans - we offer partnership, trust, and a shared belief in your potential. For MSMEs navigating everyday challenges and big dreams, we stand by you with solutions that are as personal as they are practical. Inspired by the Kirloskar legacy and driven by our promise of "Aapka Apna," we're here not just to fund growth, but to walk alongside you as you build it. Together, we're turning ambition into action - and progress into prosperity.

ARKA

A Kirloskar Group Company

Partnering for Prosperity Built on a Tradition of Trust

At ARKA, our FY2025 theme - **"Partnering for Prosperity, Built on a Tradition of Trust"** - captures both the heart of our business and the strategic path we're charting forward. It reflects our belief that lasting, trust-based relationships are the foundation of shared success.

"Partnering for Prosperity" articulates our role as more than just a financial provider. We are enablers of ambition - committed to helping MSMEs grow, especially in India's Tier 2 and Tier 3 cities where access to reliable credit remains limited. Our tailored solutions, such as Secured Business Loans and Pre-Owned Wheels Financing are built around the real needs of our clients - timely, relevant, and empowering.

This partnership mindset extends across our ecosystem:

- » **Clients** see us as trusted allies on their growth journey, not just lenders.
- » **Investors** value our disciplined, return-focused strategy with our secured retail business targeting an ROA of over 3% in next 5 years.
- » **Lenders** recognize our prudent risk management and commitment to long-term financial stability.
- » **Technology partners** collaborate with us to co-create agile, digital-first platforms that enhance customer experience.
- » **Employees**, inspired by our brand philosophy of "Aapka Apna," foster a culture of empathy, ownership, and shared purpose.

"Built on a Tradition of Trust" affirms the legacy that underpins our mission. Incubated in 2018 by Kirloskar Oil Engines, ARKA inherits over 130 years of stakeholder-centricity, operational excellence, and integrity from the Kirloskar Group. This heritage guides our strategy today - focused on sustainable, return-accretive growth through secured lending, powered by robust credit discipline and digital innovation.

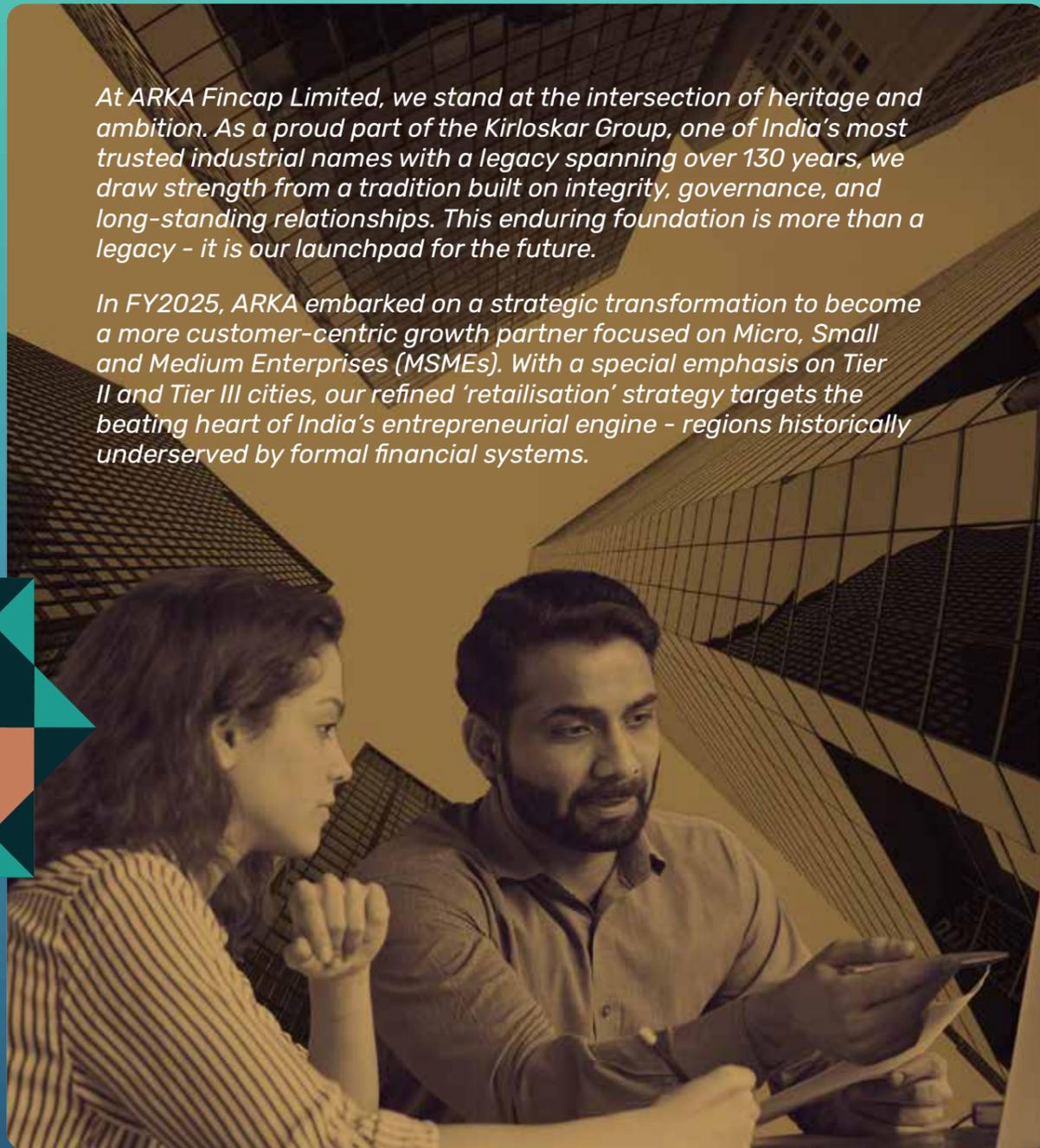
Our emotional brand-connect, "Aapka Apna," brings this philosophy to life. It reflects how our customers perceive us: not as distant financiers, but as partners who care deeply about their aspirations and stand by them every step of the way.

In essence, our FY2025 theme is more than a message - it's a mindset. At ARKA, we're building prosperity hand-in-hand with those we serve, grounded in trust and driven by purpose.

Corporate Overview: Building on Trust

At ARKA Fincap Limited, we stand at the intersection of heritage and ambition. As a proud part of the Kirloskar Group, one of India's most trusted industrial names with a legacy spanning over 130 years, we draw strength from a tradition built on integrity, governance, and long-standing relationships. This enduring foundation is more than a legacy - it is our launchpad for the future.

In FY2025, ARKA embarked on a strategic transformation to become a more customer-centric growth partner focused on Micro, Small and Medium Enterprises (MSMEs). With a special emphasis on Tier II and Tier III cities, our refined 'retailisation' strategy targets the beating heart of India's entrepreneurial engine - regions historically underserved by formal financial systems.



14

Geographic Reach: Number of states with ARKA's presence in FY2025, highlighting new market entries.

70,600

Total Customer Base (FY2025)

₹20,000 Crore

5 Year Vision: AUM Target

34

Branch Network Expansion: Total branches as of FY2025

64%:36%

Retail: Wholesale AUM Mix (FY2025)

~3%

5 Year Vision: ROA Target

About ARKA Fincap: Philosophy and "Aapka Apna" Ethos

At ARKA, our core philosophy is centered on becoming a **trusted financial partner** to those building India's future from the ground up.

Our tagline, "Aapka Apna" ("Your Own"), is not just a message - it's a promise. We strive to be more than a lender. We are your growth partner, your trusted ally, and your consistent support system - especially for small businesses with big dreams. Whether it's enabling a move to a larger facility or unlocking working capital to scale operations, we are there at every step.

Our growing branch network is the cornerstone of our customer-first approach - bringing finance closer to those who need it most.



We are 'Aapka Apna' - your trusted partner, walking alongside you on the path to prosperity."

Our Growing Branch Network: Reaching India's Growth Markets

Our **expanding branch network** is a critical enabler of our mission. We are deliberately growing in regions where our services matter most - Tier II and Tier III cities - bringing formal finance closer to aspiring entrepreneurs.

Each new branch is more than a location; it's a **local touchpoint**, helping us understand the unique needs of local customers and creating deeper connections. This physical proximity reinforces our **service capital**, enhances the **customer experience**, and contributes to **sustainable growth** by improving retention and revenue durability.

Key Performance Indicators	FY2024	FY2025
Total AUM	₹5,210.4 Cr	₹7,255.1 Cr
Total Income	₹570.8 Cr	₹787.9 Cr
Net Worth	₹1,174.9 Cr	₹1,245.5 Cr
Total Borrowings	₹3,821.4 Cr	₹5,454.6 Cr
CRAR (Total)	25.09 %	20.84 %
Gross NPA	0.23 %	0.69 %
Net NPA	0.06 %	0.20 %
Profit After Tax (PAT)	₹69.2 Cr	₹80.4 Cr
Retail:Wholesale Mix	50 % : 50 %	64 %:36 %
Yield	11.9 %	11.9 %
Net Interest Margin (Annualized)	6.3 %	5.7 %
Cost-to-Income Ratio	46.9 %	53.9 %
Return on Average Assets (RoAA, Annualized)	1.7 %	1.4 %
Debt-to-Equity Ratio	3.3 x	4.4 x
Credit Rating	AA-/Positive	AA Stable

Board of Directors



Nasser Munjee
Chairman, Independent Director



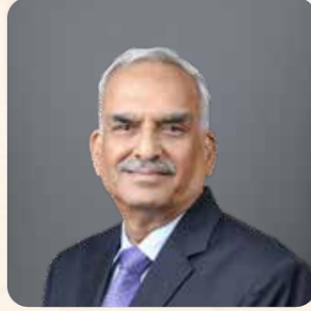
Gauri Kirloskar
Non-Executive Director



Hoshang Noshirwan Sinor
Independent Director



Yogesh Kapur
Independent Director



Shivanandhan Dhanushkodi
Independent Director



Rahul Narain Bhagat
Independent Director



Vijay Chugh
Independent Director



Gurumurthy Ramanathan
Independent Director



Samrat Gupta
Managing Director



Our Board of Directors brings expertise in finance, risk management, digital innovation and corporate governance, guiding strategic decisions to deliver sustainable growth and shareholder value.”

Our Heritage Strength

ARKA Fincap – an emerging star of the Kirloskar Group



As part of the Kirloskar Group, ARKA Fincap draws strength from a heritage spanning over 130 years. The Kirloskar name is synonymous with trust, industrial excellence, and nation-building – a legacy built on strong ethics, innovation, and an unwavering customer-centric ethos. ARKA Fincap's identity is rooted in this lineage of integrity and enterprise. By embracing the Group's values of excellence, integrity, innovation, and empathy, ARKA Fincap ensures that every strategic decision aligns with a century-old commitment to fostering growth and creating value. This deep heritage provides not only brand equity but also a guiding compass, as ARKA carries forward the Kirloskar tradition of contributing to India's progress while adapting to the needs of a new era.

Sustainability and Inclusive Growth

ARKA Fincap's growth agenda is firmly entwined with its responsibility towards sustainable and inclusive development. The shift toward granular retail lending is not only a business strategy but also a mission to deepen **financial inclusion** across India's heartland. By extending credit to underserved segments – from first-time small business borrowers to owner-drivers of commercial vehicles – ARKA is empowering a new class of entrepreneurs and catalysing grassroots economic activity. This focus on inclusive finance aligns with broader societal goals and underscores ARKA's role in fostering equitable opportunity. Equally important, ARKA views each loan as an investment in an individual's or enterprise's aspiration – whether it is helping a family expand their business, a self-employed professional acquire their first essential equipment, or a small fleet operator grow their transport venture. This form of livelihood financing fuels upward mobility and reflects the Company's ethos of enabling progress.



ARKA is built on the foundation of a 130-year Kirloskar legacy – one defined by industrial credibility, ethical governance, and long-term value creation.”

By building a portfolio that supports entrepreneurs in a prudent manner, the Company creates long-term value for all stakeholders. ARKA's institutional stakeholders and regulators can take confidence in the fact that the Company's expansion is rooted in sound governance, ethical practices, and a genuine desire to contribute meaningfully to society. Every step of this journey – from leveraging the Kirloskar legacy, to recalibrating strategy, to innovating product offerings – is undertaken with deliberation and clarity. The result is a premium, future-ready financial institution that is authoritative yet empathetic, growth-oriented yet grounded in values. ARKA Fincap's narrative for the year is one of steady, purpose-driven progress: reinforcing its brand heritage, executing a bold strategic shift, and championing sustainable prosperity for the communities it serves.

Message from The Managing Director

Dear Partners in Progress,

The year gone by has been a defining chapter in the story of Arka Fincap. We have moved with purpose and clarity, transforming from a balanced wholesale and retail lender into a diversified yet sharply focused, customer first institution dedicated to serving India's secured retail livelihood financing needs.

This transformation is anchored in a simple belief that financial services can be a force for good when they reach the aspirations of entrepreneurs and families in the farthest corners of Bharat.

A Culture That Sets Us Apart

At Arka, we are building more than a balance sheet. We are nurturing a culture where every colleague thinks like a founder, where perseverance triumphs over glamour, and where promises are fulfilled not with words but with decisive action. We believe the true test of an institution lies in its ability to combine data-driven precision with deep understanding of local realities.

We are shaping an organisation where integrity is not a value on paper but a way of life.

Our purpose is to serve deeply and to lend wisely, ensuring that every loan is more than a transaction. It is a bridge to livelihood, growth, and dignity.

Our Promise to Customers and Communities

Arka's unique strength lies in its ability to stay close to the customer. Whether it is through faster disbursals, flexible repayment options, rewards for timely payments, or dedicated relationship managers, we are reimagining lending to be personal and empathetic. Our branch network and partnerships are designed to create seamless access, blending physical presence with digital agility.

We aspire to grow our reach to 200 branches across India in three years and to create a financial ecosystem that is inclusive, responsive, and transformative.

Strong Foundations, Responsible Growth

As of March 2025, Arka's Assets Under Management stand at ₹7,255 crore with a portfolio that is both granular and robust. Our asset quality remains among the best in class and our capital adequacy reflects our commitment to resilience.

Looking ahead, we are engineering a growth path to achieve a sustainable 3% ROA over next 5 years driven by quality, discipline, customer service and operational excellence.

Equally important is our investment in people. We appreciate and salute the contribution of the team members who have been instrumental in building Arka story so far and continue to remain in the core group for the journey ahead.

In next 12 month we plan to bring in 2000 new colleagues, many into critical sales credit and collections roles, to power our first 100 branches. These are not just hires, they are the founding architects of the institution we are building together.

Faster. Smarter. Kinder.

We also believe the future of financial services lies at the intersection of human empathy and intelligent technology. From smarter credit models to predictive collections and hyper-personalised customer journeys, AI is helping us make faster, sharper, and more reliable decisions. By embedding intelligent systems across our operations, we aim to deliver superior risk management, operational leverage, and customer stickiness.

Our vision is to build an NBFC where technology does not replace human touch but amplifies it, making every interaction smarter, simpler, and more meaningful.

An Invitation to Join Our Journey

To our shareholders, I extend my deepest gratitude for your trust. To our future investors and partners, I invite you to



Our purpose is to serve deeply and lend wisely, ensuring every loan bridges livelihood, growth and dignity, while leveraging technology to amplify human empathy, making each interaction smarter, simpler and more meaningful.



Samrat Gupta
Managing Director
Arka Fincap Limited

walk alongside us in creating one of India's remarkable and admirable financial institutions.

To our current and prospective employees, know that you are the custodians of a culture that blends ambition with humility and execution with empathy.

And to our customers, past and future, you remain at the heart of everything we do.

Arka is not just in the business of financing. We are in the business of enabling dreams, fuelling livelihoods, and strengthening the backbone of India's economy. Together, we are writing a story of trust, impact, and enduring value.

With utmost respect,

Samrat Gupta

Message from The CEO



Fueled by strategic focus and disciplined governance, ARKA Fincap delivered exceptional performance—expanding reach, deepening customer trust and driving sustainable growth.”



Anand Bang
CEO
Arka Fincap Limited

To Our Valued Stakeholders,

Dear Stakeholders,

Fiscal Year 2025 has been a defining chapter for ARKA Fincap. Under our theme, “**Partnering for Prosperity, Built on a Tradition of Trust,**” we are on a concrete path to transform ourselves into a genuine growth partner for India’s underserved Micro, Small and Medium Enterprises, especially in the Tier II and Tier III markets. Drawing on the Kirloskar Group’s 130-year heritage of integrity and sound governance, we will be delivering meaningful value across the country’s vibrant enterprise landscape.

At the heart of this transformation is our “**Aapka Apna**”, promise, a commitment to work as true allies. We listen attentively to each customer’s aspirations, tailor solutions to their specific needs, and foster relationships that extend well beyond transactions. This customer-centric approach strengthens trust and underpins sustainable profitability.

Our strategic evolution has produced robust financial and operational results in FY2025:

Assets under management grew to ₹7,255.1 Crores as of March 31, 2025, up from ₹5,210.4 Crores in the prior year.

Net profit after tax rose to ₹80.4 Crores for the year ended March 31, 2025, compared with ₹69.2 Crores in FY2024. Total income expanded to ₹787.9 Crores, up from ₹570.8 Crores a year earlier.

Total borrowings stood at ₹5,454.6 Crores, reflecting our strong access to diversified funding sources. Our CRISIL credit ratings of AA/Stable and A1+ were reaffirmed, a testament to our disciplined governance and financial stability.

Branch network expanded to 34 locations across 14 states, compared to 31 branches in the previous year. We are on track to grow to approximately 200 branches in over 3 years further deepening our reach in key underserved regions.

Net Worth stood at ₹1,245.5 crore, while our gross non-performing assets remained tightly controlled at ₹41.52 Crs, reflecting a ratio of just 0.69 percent as of March 31, 2025.

Looking forward, we will scale our new businesses of Secured Business Loan and Pre-owned Wheels by foraying into new markets and hiring industry-best talent. At the same time, our focus will remain to deliver profitable growth in our existing businesses of Wholesale lending and SME financing. We will also prepare ourselves for a capital raise to support our disciplined growth trajectory. Our strong results and clear strategic direction position us attractively with investors, reinforcing our commitment to a sustainable, profitable business model. We will continue to strengthen our financial foundation, expand our lending footprint, and adapt resiliently to evolving market dynamics.

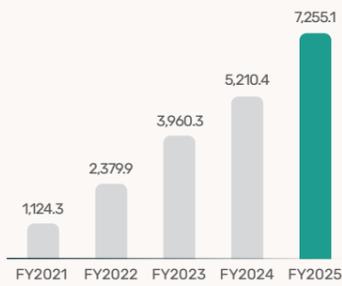
Thank you for your trust. We remain dedicated to driving prosperity for India’s small businesses and to our role as a preferred financial partner.

Sincerely,

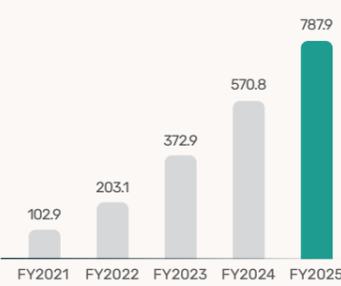
Anand Bang
Chief Executive Officer
ARKA Fincap Limited

Financial Highlights

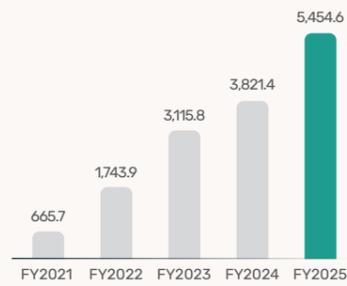
Assets Under Management (₹ Cr)



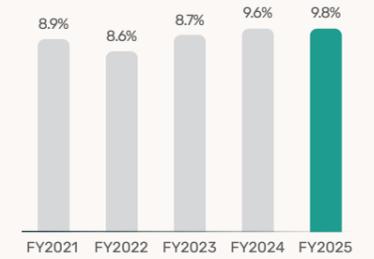
Total Income (₹ Cr)



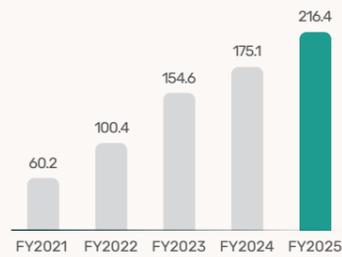
Borrowings (₹ Cr)



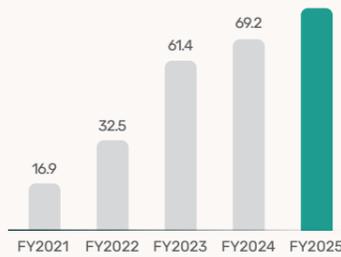
Borrowing Cost (%)



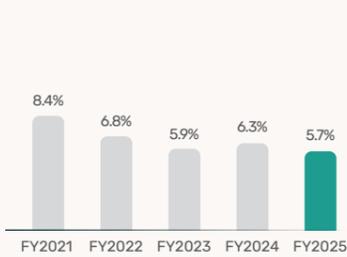
Net Interest Income (₹ Cr)



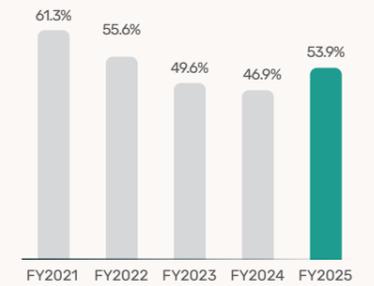
Profit After Tax (₹ Cr)



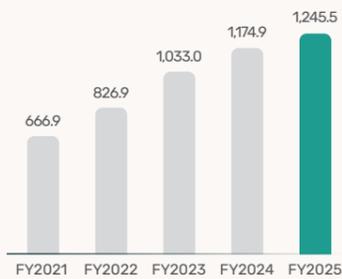
NIM (%)



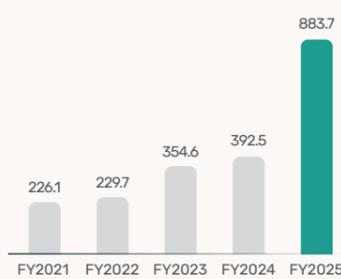
Cost to Income (%)



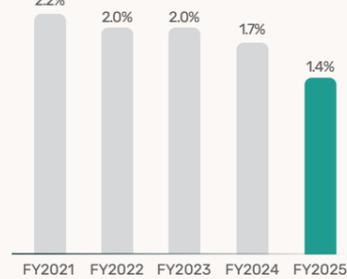
Net Worth (₹ Cr)



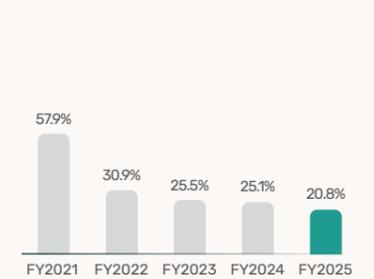
Liquidity (₹ Cr)



Return on Average Assets (%)



CRAR (%)



Management Discussion & Analysis



Global GDP growth slowed to 3.1% in 2024, underscoring a fragile recovery still trailing its pre-pandemic pace.”

Economic & Industry Environment

Global Economic Review

The global economy in 2024, witnessed a year of gradual stabilisation, although it remained well below its historical trajectory. According to the International Monetary Fund, Global GDP growth stood at 3.1% in 2024, remaining below the pre-pandemic average of 3.7%. This growth was supported by resilient consumption in the United States and some rebound in trade volumes, yet continued to be restrained by geopolitical tensions, policy uncertainty, fragmented global supply chains, and uneven performance across major economies.

Growth Projections

(Real GDP, annual percentage change)



Source: International Monetary Fund, World Economic Outlook Update, IMF, January 2025.



The IMF forecasts global growth to stabilise at 3.3% in 2025 and 2026, signalling a steady yet subdued expansion.”

Inflationary pressures, prominent in the early part of the year, showed signs of easing. Headline inflation globally is projected to decline to 4.2% in 2025, aided by cooling commodity prices and a gradual softening in labour markets. However, core inflation remained sticky in several advanced economies. This trend has resulted in cautious monetary policy stances across central banks globally, with divergent easing cycles beginning to emerge.

The economic picture remained fragmented. The United States outperformed expectations, growing at 2.7% in 2024 and projected to maintain this momentum in 2025. By contrast, growth in Europe and parts of Asia—including China and Japan—was subdued due to persistent structural weaknesses and political uncertainty. Although external headwinds persisted, growth continued robustly in many emerging markets, including India.

From a monetary policy perspective, the US Federal Reserve held rates steady in March 2025, indicating a wait-and-watch approach considering inflation persistence and strong job data. The anticipated rate cuts have been pushed further out, contributing to a stronger US dollar, higher global bond yields, and volatility in capital flows to emerging markets.

Geopolitical risks also added a layer of complexity. Conflicts in the Middle East and the lingering effects of the war in Ukraine continued to elevate uncertainty, disrupt energy markets, and pressure global supply chains. Additionally, changes in US trade policy—particularly the imposition of new tariffs and the subsequent temporary pause—did little to alleviate concerns over a potential re-escalation of trade tensions under a shifting political landscape. The prospect of a renewed tariff war or strategic decoupling between the US and China has prompted defensive positioning in global capital markets and raised borrowing costs for many emerging economies.

According to the IMF’s January 2025, World Economic Outlook update, the global economy is expected to expand at 3.3% in 2025 and 2026, with monetary policy easing gaining traction across several regions. Inflation is projected to continue its downward path, albeit unevenly, allowing scope for selective rate cuts. However, the balance of risks remains tilted to the downside, shaped by policy uncertainty, geopolitical fragmentation, and fragile financial markets.

While some advanced economies may benefit from regulatory rollbacks or fiscal expansion, emerging markets like India must navigate a complex landscape of a stronger dollar, evolving trade regimes, and tighter financial conditions. The path forward calls for macroeconomic vigilance, diversified funding strategies, and continued structural reforms to remain resilient amid global volatility.

3.1 %

Global GDP Growth (2024): Below the 2000–19 average of 3.8 %, reflecting continued headwinds from policy uncertainty and fragmented supply chains.

Management Discussion & Analysis

Indian Economic Review

The Indian economy displayed considerable resilience in 2024, despite the volatile global environment. According to the IMF, India recorded a real GDP growth of 6.5% in FY24, maintaining its position among the fastest-growing major economies. Growth was underpinned by robust public capital expenditure, a gradual recovery in private investment, and a sustained rebound in consumption, particularly in the year's second half. Key sectors such as construction, trade, and financial services continued to drive expansion, supported by improved rural sentiment and urban discretionary demand.

On the inflation front, retail inflation declined sharply to 3.34% in March 2025, marking a 67-month low and well below the RBI's 4% target. This moderation was attributed to easing food prices, a favourable base effect, and lower input costs. The average inflation for FY25 stood at 4.6%, down from 5.4% in FY24. However, core inflation—covering non-food, non-fuel items—remained sticky at around 4.1%, driven by higher costs in personal care products and precious metals. Despite this, the downward trend in headline inflation prompted the RBI's Monetary Policy Committee to reduce the repo rate by 25 basis points in April, bringing it to 6.00%.

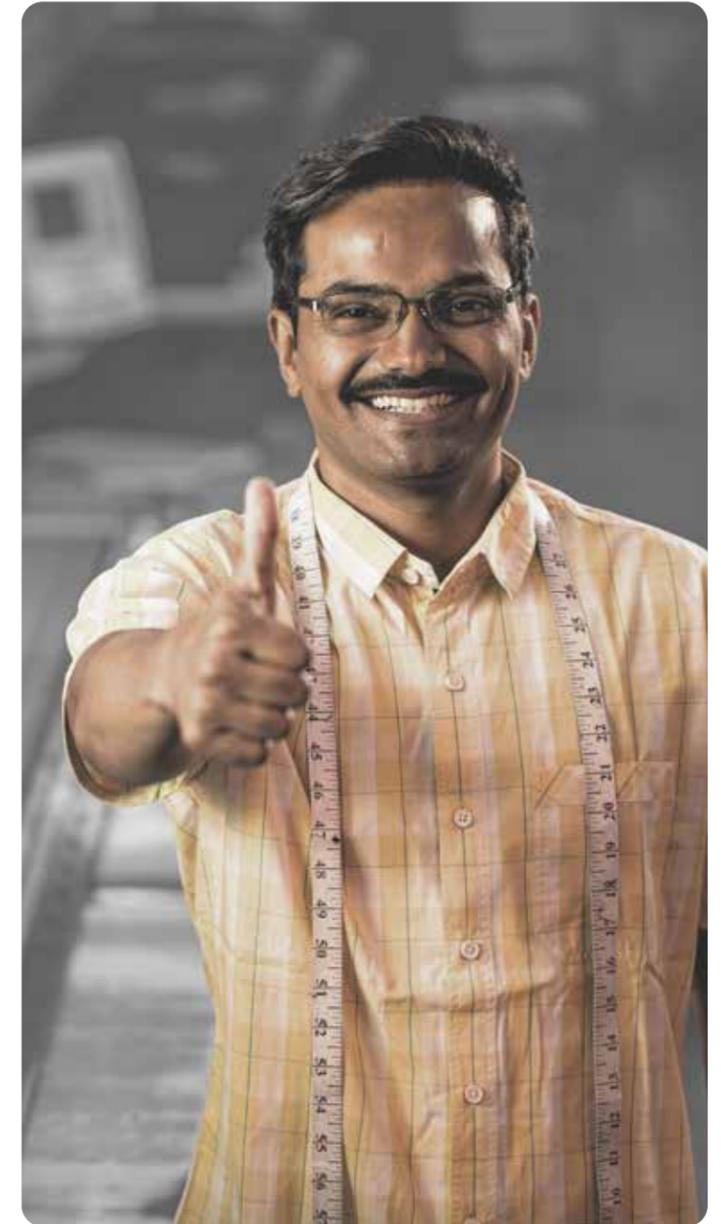
Credit growth remained steady, particularly in the MSME and retail lending segments. While corporate credit off-take was relatively moderate, improved transmission of policy rates and targeted liquidity measures helped support overall credit momentum. The RBI's active liquidity management further aided bank lending through variable rate repos, open market operations, and forex interventions.

India's capital markets remained broadly stable

despite external headwinds and the short-term shocks caused by global volatility. Domestic institutional flows continued to counterbalance intermittent foreign portfolio outflows, while household participation in equities grew, reflecting rising financial inclusion and changing savings behaviour.

India's growth prospects for FY26 remain strong. The IMF projects real GDP to expand by 6.5% during 2025, driven by policy continuity, improving private investment sentiment, and a normal monsoon forecast. Easing inflationary pressures and favourable commodity prices are expected to support consumption, while the RBI's calibrated monetary easing could further encourage credit demand.

Nevertheless, risks persist. The outlook could be affected by global trade frictions, capital flow volatility, and weather-related disruptions. Continued macroeconomic stability, supply-side reforms, and responsive monetary policy will remain critical to sustaining India's growth momentum in a complex global environment.



Retail inflation dropped to 3.34% in March 2025 – a 67-month low, significantly undercutting the RBI's 4% target."



Echoing the IMF's outlook, the RBI estimates India's GDP growth at 6.5% for FY25, underscoring broad consensus on the economy's resilience."

India's GDP Growth
(Projections for FY25)



Consume Price Index (CPI)
(Inflation Projections for FY25)



Source: RBI Issues April 2025 Policy Update, PIB, April 09, 2025.

Management Discussion & Analysis



NBFC Industry Landscape – India

India's Non-Banking Financial Companies (NBFCs) have evolved into a critical component of the country's credit ecosystem, particularly in bridging the financing gap for underserved and unbanked segments.

NBFCs now command nearly 25% of India's total credit market, serving as a vital complement to the dominance of scheduled commercial bank. CRISIL projects NBFC AUM to grow at a steady 15-17% over the next two years.

NBFCs in India offer diverse financial services that complement the traditional banking sector. By addressing credit and investment needs, NBFCs play a vital role in financial inclusion and economic expansion across India.



NBFCs now command nearly 25% of India's total credit market, serving as a vital complement to the dominance of Scheduled Commercial Banks."

In 2025, NBFCs face a dynamic environment marked by moderating asset growth, tight funding conditions, and regulatory recalibration due to rising delinquencies, credit costs, and constrained funding avenues. According to CRISIL, Assets under management (AUM) of non-banking financial companies (NBFCs) are projected to expand at a moderate pace of 15-17% over the current and next fiscal years, a decline of 600-800 basis points from the robust 23% growth recorded in the previous fiscal. This tapering reflects the sector's efforts to adapt to a shifting regulatory landscape and evolving operating conditions while reassessing strategic priorities.

The Reserve Bank of India have been keeping a strict watch on the growth of unsecured credit in the NBFC Sector and has raised concerns over the aggressive lending by NBFCs. The RBI has issued various guidelines to address this issue, clamping down on unsecured credit. The regulator has called for stronger governance and risk management frameworks amid these developments. Also, emphasised the importance of asset-liability matching, transparency in product structures, and fair lending practices, particularly in microfinance and unsecured loan portfolios and has advised NBFCs not to take risks beyond their capacity.

Key Segmental Trends in Lending

Retail Lending: Sustaining Momentum

Retail credit continues to be the engine of growth for NBFCs. It includes housing finance, vehicle loans, gold loans, personal loans, MSME credit, and microfinance. The segment registered a compound annual growth rate (CAGR) of 16% between FY20 and FY24, reaching a volume of ₹75.2 lakh crore by the end of FY24. Projections indicate a further expansion at a CAGR of 17-18%, with the retail credit market estimated to cross ₹100.9 lakh crore by FY26.

Among sub-segments, housing finance remains the largest, comprising 36% of NBFC retail credit as of FY24. Although this represents a decline from 41% in FY20, the segment remains structurally robust, driven by sustained urbanisation, government-backed housing schemes, and rising aspirations among middle-income households.



Retail credit is set to grow at 17-18% CAGR, crossing ₹100.9 lakh crore by FY26."

Management Discussion & Analysis

Vehicle finance, forming around 32% of retail lending, continues to grow steadily, supported by increasing demand from rural markets, a recovery in fleet replacement cycles, and expanding logistics networks. Meanwhile, personal loans have emerged as the fastest-growing component, surging from 9% in FY20 to 15% in FY24. This growth is primarily attributed to greater digitisation in credit delivery, expansion of fintech partnerships, and increased consumer confidence in borrowing.

MSME and Microfinance: Deepening Penetration

The MSME lending segment—a key focus for NBFCs like Arka—is expected to grow at a 13–15% CAGR over FY24–FY26. Key enablers include improved access to borrower data (e.g., GST, ITR filings), expansion of the formal economy, and ongoing government initiatives such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

Microfinance, which caters predominantly to rural and semi-urban borrowers, stood at ₹1.7 lakh crore in FY24 and is expected to grow at 23–25% CAGR over the next two years. The momentum in this segment is supported by strong credit demand from women entrepreneurs, digital onboarding infrastructure, and focused government support for financial inclusion.

Consumer Finance: Digitally Driven Expansion

NBFCs operating in consumer finance—covering unsecured personal loans, gold loans, and consumer durables—have shown strong performance. The segment reached ₹4.6 lakh crore in FY24, with expectations of a 17–20% growth CAGR through FY26. Rising disposable incomes, demand for lifestyle products, and increased adoption of embedded finance solutions propel growth in this segment.

Emerging Opportunities in Affordable Housing and Agriculture

Affordable housing finance remains a promising growth area for NBFCs with exposure to the lower- and middle-income



Retail credit now forms nearly half of the NBFC loan book, according to CRISIL Ratings.”



48 %

Retail credit comprised 48 % of the NBFC loan book in FY 2024, up from 42 % in FY 2018, highlighting the sector's strategic shift toward granular, consumer-focused lending (CRISIL Ratings, <https://www.crisil.com>).

segments. This category is projected to grow at 14–16% CAGR through FY26, driven by favourable demographics, expanding urban centres, and policy support under schemes such as PMAY.

The Non-Banking Financial Company (NBFC) sector in India has undergone a significant transformation in recent years, both in structure and strategy. As the financial ecosystem becomes increasingly complex and competitive, NBFCs have strategically realigned their business models, focusing more on specialised lending, technology-led distribution, and robust governance frameworks. Their role as credit enablers, particularly for underserved borrower segments, continues to grow in importance.

Challenges and Risks in the NBFC Sector

India's Non-Banking Financial Companies (NBFCs) are navigating a complex landscape of liquidity constraints, evolving asset quality dynamics, and heightened regulatory scrutiny. These challenges are reshaping operational strategies and necessitating robust risk management frameworks.

Liquidity Pressures and Cost of Capital

Bank lending to non-banking financial companies (NBFCs) registered its slowest growth in four years, increasing by just 6.7% in 2024 to reach ₹16.22 lakh crore as of December, a sharp deceleration from the 15% growth recorded in 2023, making



Margin pressure is driving NBFCs to diversify funding and boost operational efficiency to protect profitability.”

bank loans to NBFCs more capital-intensive and costly. The increased cost of funds is compressing net interest margins (NIMs). This margin pressure is prompting NBFCs to diversify their funding sources and enhance operational efficiencies to sustain profitability.

Asset Quality Concerns in Unsecured Lending

Unsecured personal loans and credit card borrowings have grown significantly, causing concerns regarding the asset quality and the risk of default. Increased delinquencies have accompanied this growth. In response to the rising risks, the RBI increased risk weights on unsecured personal loans and credit card exposures by 25 percentage points in November 2024. This measure aims to curb indiscriminate growth in unsecured lending and ensure that NBFCs maintain adequate capital buffers. The microfinance sector has also shown signs of stress. This contraction reflects repayment challenges among borrower and cautious lending by NBFCs.

Regulatory Compliance and Governance

The RBI has emphasised the need for robust internal controls, especially concerning asset-liability mismatches and funding concentration risks. Regulatory non-compliance has led to supervisory actions, including restrictions on lending activities. RBI's Department of Supervision focuses on examining licensing

requirements and initiating actions against non-compliant NBFCs. This increased scrutiny aims to address systemic challenges and ensure the sector's financial stability.

Outlook for the NBFC Sector

The outlook for India's Non-Banking Financial Companies (NBFCs) remains positive and resilient, supported by structural demand, evolving regulations, and increasing digital adoption. While the sector is expected to moderate asset growth to 15–17% over the next two fiscal years, down from the sharp 23% growth seen in FY24, this measured pace is widely viewed as a healthy recalibration. It signals a shift toward more excellent portfolio stability, improved underwriting discipline, and sustainable expansion, rather than indiscriminate growth.

This consolidation phase comes as NBFCs deepen their presence across emerging segments such as MSME financing, affordable housing, used vehicle loans, and consumer durables, while also scaling up their technological capabilities. The sector continues to outpace the decadal average credit growth rate of ~14%, reinforcing its pivotal role in broadening credit access beyond urban centres.

Despite near-term challenges around funding costs and regulatory tightening, the long-term trajectory for NBFCs remains robust. Supported by strong policy direction, evolving consumer expectations, and their agile operating models, NBFCs are set to remain a critical engine of inclusive and balanced growth in India's financial ecosystem.



The NBFC sector continues to outpace the decadal average credit growth rate of ~14%

Management Discussion & Analysis



“Even as we scale, we remain anchored in building a distinctive institutional character. We are cultivating an ownership-driven mindset – one that prizes resilience over optics, and action over intent. By balancing data-backed decision-making with on-ground insights, we’re fostering a culture of clarity, accountability, and mutual trust. At the heart of it all is our unwavering belief: to lend with care, to act with purpose, and to keep the customer at the center of every action we take. ‘Aapka Apna’ reflects our enduring commitment to stand beside customers, not just in transactions, but through every journey of aspiration and progress.”

Company Snapshot

Arka Fincap Limited is a Non-Deposit-Taking Non-Banking Financial Company categorised as Middle Layer incorporated in April 2018 with the vision of offering reliable, scalable, and customer-centric credit solutions. The company is a wholly owned subsidiary of Arka Financial Holdings Private Limited (AFHPL).

AFHPL is, in turn, a wholly-owned subsidiary of Kirloskar Oil Engines Limited (KOEL), placing Arka Fincap under the umbrella of AFHPL—the financial services arm of the Kirloskar Group, one of India’s most respected and long-standing industrial conglomerates with a legacy of over 130 years. This strategic alignment offers Arka Fincap the strength of institutional parentage, long-term stability, and deep domain expertise rooted in the group’s commitment to engineering progress and enabling national development.

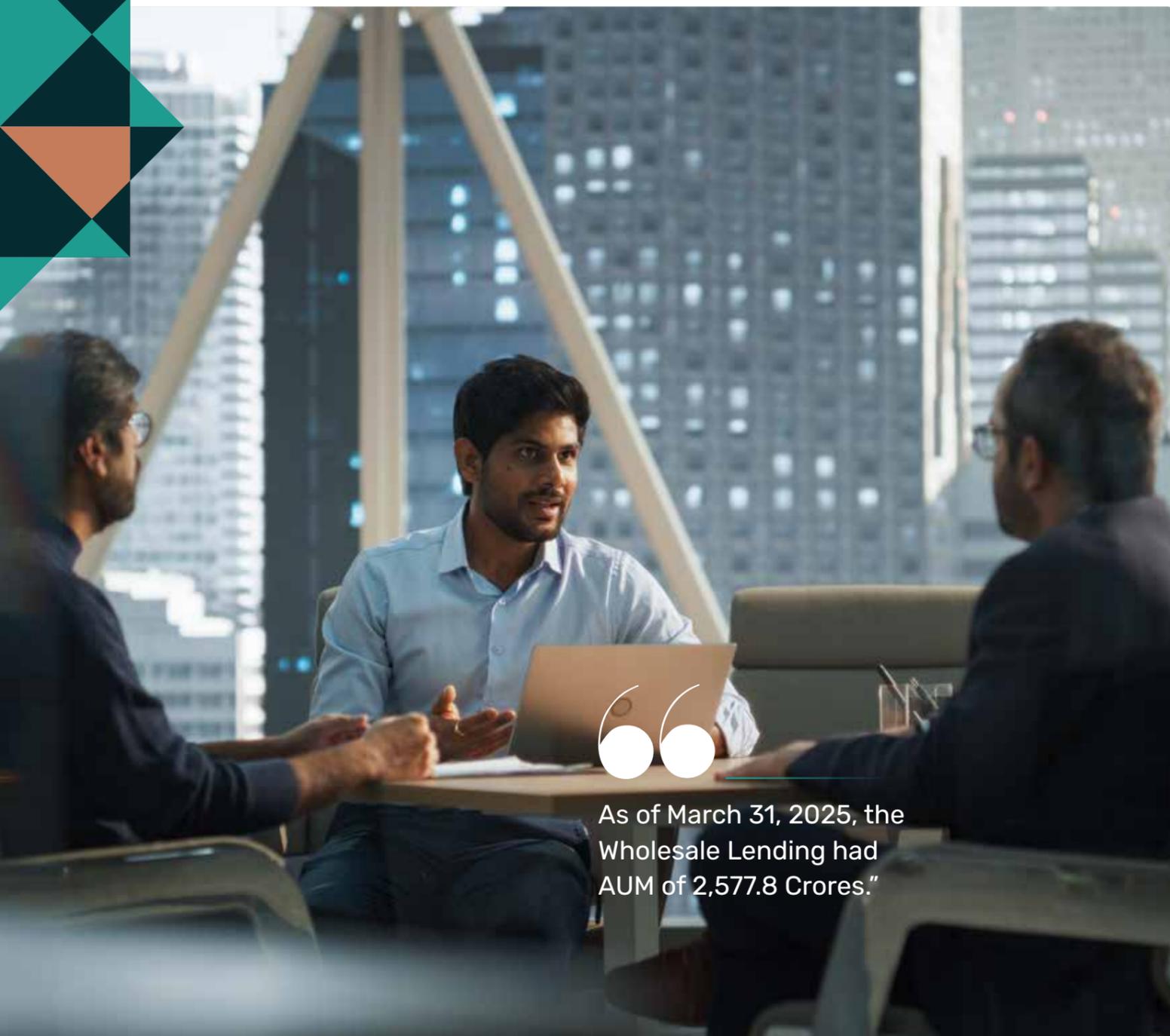
This belief system finds its most authentic expression in our brand promise—**“Aapka Apna.”**

More than a slogan, it is the essence of who we are. It reflects our enduring commitment to being a trusted financial partner who stands beside our customers in moments of transaction and through journeys of aspiration, resilience, and progress. Whether supporting a local trader, enabling MSME growth, or empowering a first-generation entrepreneur, “Aapka Apna” anchors our approach in empathy, accessibility, and shared ambition. This unwavering commitment drives us to reach and uplift as many lives as possible. We believe that true financial strength is built through

numbers and the depth and diversity of the relationships we cultivate. This approach is steadily shaping a more inclusive, resilient, and balanced portfolio—one rooted in people, and powered by purpose.

As of FY2025, we have expanded our footprint to 34 branches across 14 states, with continued plans for responsible expansion. With a robust governance framework, a scalable digital backbone, and a mission-driven team, we are steadily evolving from a high-performing start-up into a values-driven, institutionally strong player in India’s financial services landscape.

Management Discussion & Analysis



As of March 31, 2025, the Wholesale Lending had AUM of 2,577.8 Crores."

36%

Proportion of Arka's total AUM contributed by Wholesale Lending division as of March 31, 2025

₹7,255 crore AUM

Diversified book comprising Wholesale and MSME/Retail Lending

0.2 % NNPA

NNPA reflecting strong asset quality and prudent risk management

Business Overview

We have developed a well-diversified and evolving loan portfolio, ranging from wholesale to granular retail lending. Our strategy reflects a deliberate pivot toward broadening its customer base, diversifying risk, and deepening credit penetration in underbanked geographies. As of FY25, Arka's total Assets Under Management (AUM) stood at approximately ₹7,255 crore.

Wholesale Lending

Arka Fincap provides comprehensive financing solutions to mid and large corporations, as well as to support infrastructure and real estate development across India. We offer tailored financial products throughout the business lifecycle, from early-stage equity to late-stage growth capital, and for various project needs. Our expertise spans diverse sectors, including pharmaceuticals, renewable energy, consumer, infrastructure, power, telecom, entertainment, metals & mining, manufacturing, industrials, auto components, and real estate.

Our wholesale lending solutions are categorized into **Corporate Lending** and **Real Estate and Urban Infra Lending**. Corporate lending offers a range of financial products, including structured finance, working capital and capex loans, acquisition and bridge financing, and loans secured by shares. Our real estate and urban infrastructure solutions provide financing for various stages of project development and acquisition, with specialized options like last-mile financing and asset-backed facilities to support project completion and operational needs.

Business Performance:

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 Corporate and Real Estate & Urban Infra sector.

Our highly experienced team has a proven track record of associating with clients across diverse sectors, working collaboratively to offer tailored financial solutions that meet their unique needs.

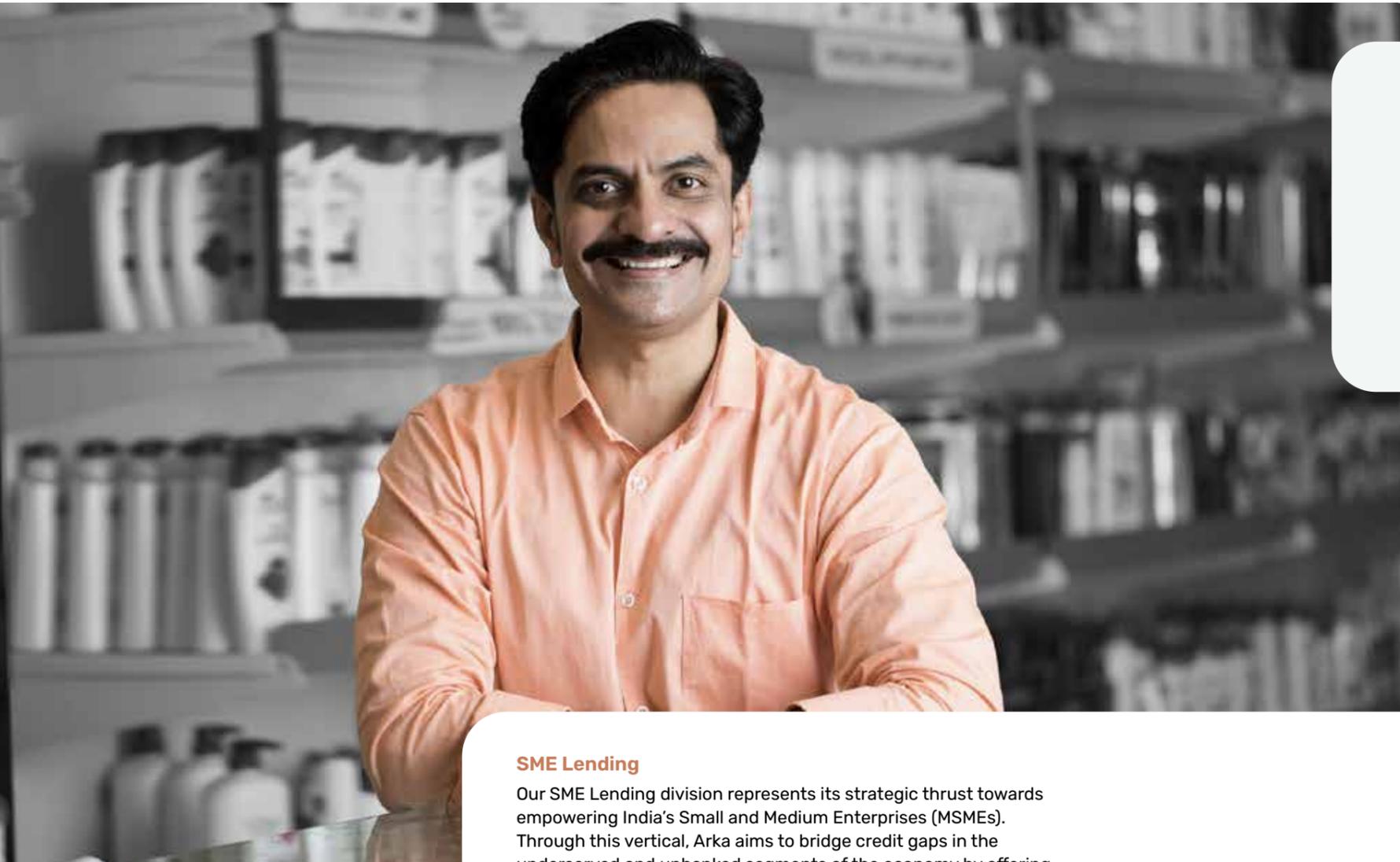
Overall, the Wholesale Business performance in FY 24-25 reflects its strategic growth trajectory, marked by strong financial metrics, client expansion, and a focused approach to market dynamics. Our highly experienced team has a proven track record of associating with clients across diverse sectors, working collaboratively to offer tailored financial solutions that meet their unique needs.

Outlook:

As Corporate India anticipates its next phase of growth in both traditional and new-age sectors like clean energy, Arka Fincap is strategically positioned to support their growth aspirations, both organic and inorganic, and assist with their ever-growing working capital requirements. Our ideation-led financial solutions, delivered within client-expected timelines, establish Arka Fincap as a partner of choice for corporations.

Similarly, a strong financing environment, bolstered by government initiatives, is crucial for market development in real estate and urban infrastructure. Despite past challenges in the NBFC sector, government policy initiatives (including refinance programmes) and RBI's eased regulations on external commercial borrowings have facilitated developers' ability to raise funds for low-cost and affordable housing projects. The implementation of RERA has further enhanced transparency, attracting international finance and fostering growth in real estate finance. Our conservative approach over the past five years has ensured consistent performance, resulting in a strong business foundation with solid fundamentals and a reputable market standing.

Management Discussion & Analysis



SME Lending

Our SME Lending division represents its strategic thrust towards empowering India's Small and Medium Enterprises (MSMEs). Through this vertical, Arka aims to bridge credit gaps in the underserved and unbanked segments of the economy by offering collateral-backed and cash flow-based financing solutions. The division caters to a broad spectrum of clients—traders, retailers, distributors, professionals, small and medium manufacturers—enabling them to pursue working capital needs, asset acquisition, business expansion, and operational resilience.



As we scale, we remain committed to responsible lending and deepening our reach across underserved business clusters.”

The SME Lending portfolio is driven by two primary offerings:

- 1. Loans Against Property**—These are long-tenure loans, typically up to 15 years, backed by residential, commercial and industrial properties. The average ticket size is around ₹120 lakh.
- 2. Unsecured Business Loans**—These are offered primarily for working capital and general business purposes and are underwritten using cash flow assessments, financial statements, bank and GST records, and bureau scores. This product is designed for borrowers with no collateral but robust income flows.

We have also developed co-lending partnerships with smaller NBFCs and fintech platforms to deepen credit penetration across Tier II–IV cities and ensure outreach at scale. Operations are supported through 34 branches in 14 states.

As of March 31, 2025, the SME division reported a total AUM of ₹3,899.6 Crores.

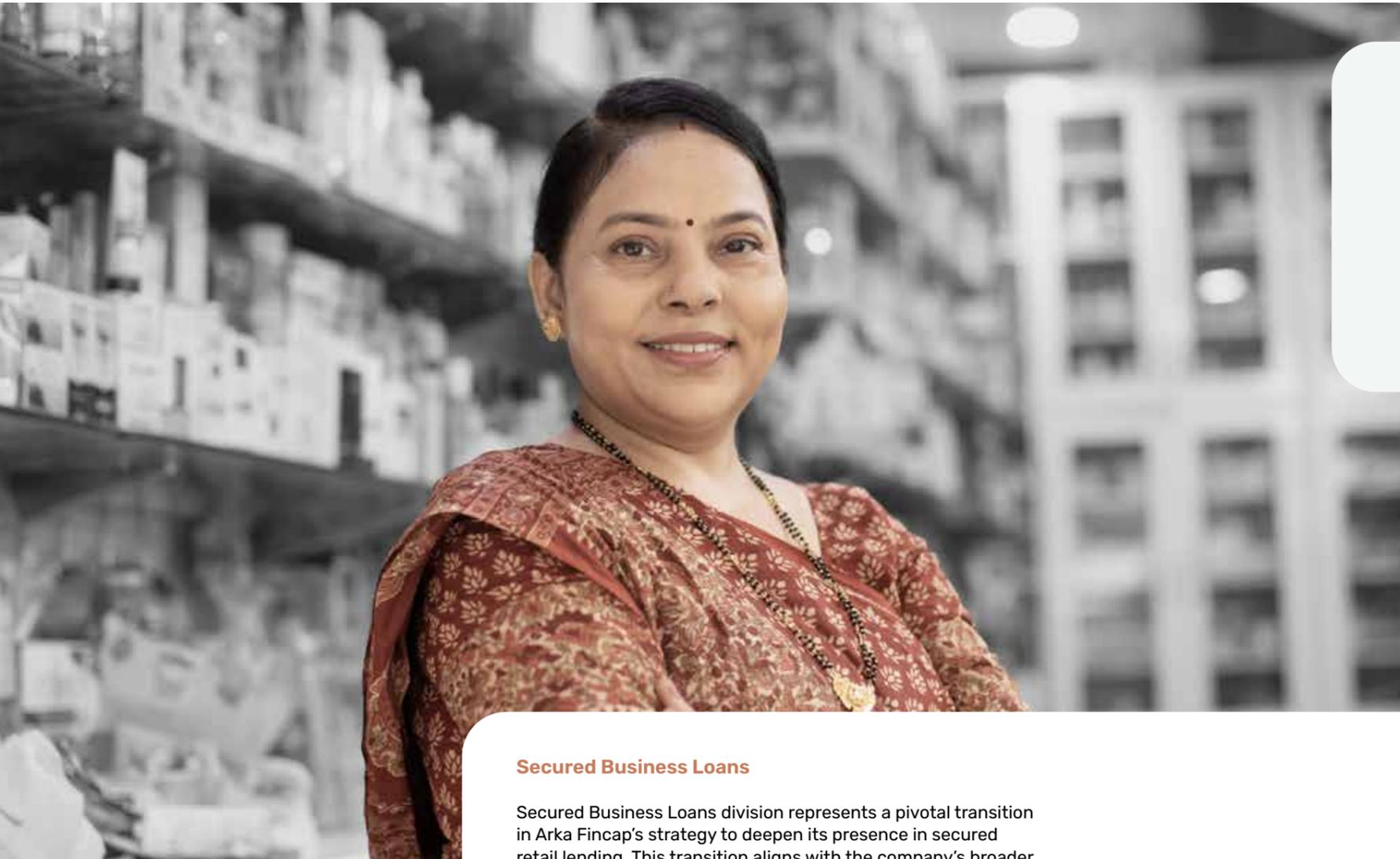
This division contributed a significant portion of Arka's total AUM, supported by robust underwriting standards, and proactive portfolio monitoring through data analytics.

Outlook

The SME Lending division is expected to remain a core driver of Arka's growth strategy. The MSME sector, contributing 33% to GDP and employing over 120 million people, is a focal point for financial inclusion. Arka's model of combining branch-based origination, channel relationships, and digital underwriting positions it to capture credit demand across emerging business clusters.

Arka is set to responsibly scale in this segment, enhancing credit access, improving risk-adjusted returns, and furthering its vision of bridging SME credit gap.

Management Discussion & Analysis



Secured Business Loans

Secured Business Loans division represents a pivotal transition in Arka Fincap's strategy to deepen its presence in secured retail lending. This transition aligns with the company's broader objective to diversify its portfolio, improve yield metrics, and serve India's expanding base of micro and small enterprises in underbanked regions. The Secured Business Loan division caters to borrowers typically overlooked by traditional financial institutions—self-employed individuals, small traders, and micro entrepreneurs operating in Tier 2 to Tier 4 towns.

It includes Loans ranging from ₹7 Lakh to ₹50 Lakh, backed by residential or commercial property collateral. These loans cater to working capital and business expansion requirements.



By combining branch-led Secured Business Loans with digital scoring and collateral-backed discipline, we empower MSMEs in Tier II-IV towns with tailored credit and robust risk control."

Distribution Strategy

Secured Business Loan products are delivered via a decentralised, cost-efficient branch-led model. As of FY2025, Arka has rolled out over 4 branches dedicated to Secured Business Loans (SBL) across Tamil Nadu. By the end of FY2026, Arka aims to expand its network to 100 branches.

Lending Philosophy and Risk Framework

The division targets property-backed borrowers who may have limited formal documentation but strong informal business cash flows. Loan approvals are guided by a hybrid credit model that blends **physical assessment** with **digital intelligence**:

- **Physical Assessment:** On-ground credit managers conduct personal discussions and evaluate collateral through field visits.
- **Digital Scoring:** A third-party credit analytics platform generates granular risk matrices using demographic, occupational, and regional credit trends. These pre-screening tools assist in early-stage decision-making and pricing calibration.

The average ticket size for Secured Business Loan is ₹10-15 Lakh, with yields in the range of 14% - 21% and LTV broadly capped at 50% - 60%. This conservative approach ensures prudent risk containment while maintaining profitability.

Outlook

The Secured Business Loan division is poised to benefit from several macro and structural tailwinds. The rise of formalised micro enterprises in smaller towns, digital penetration of financial services, and increasing awareness of secured credit are unlocking latent demand in Bharat's underserved geographies. Moreover, Arka's parentage and brand equity—particularly the Kirloskar legacy—provide a trust anchor in newly entered markets.

Arka's differentiated model—combining physical proximity with digital underwriting—positions it well to scale this business sustainably. The focus in coming years will be on expanding to 200 locations, hiring and training ~800 professionals, and building a digitally tracked, physically engaged portfolio.

Arka's Secured Business Loan franchise is thus being built as a high-yield, secured lending engine, with robust governance and a strong local presence—hallmarks that are expected to drive profitability and stakeholder trust in the years ahead.

Management Discussion & Analysis



Pre-Owned Wheels (POW) Financing

The Pre-Owned Wheels (POW) financing division marks a strategic foray by Arka into a high-yield, granular retail lending segment that plays a pivotal role in India's logistics and transportation economy. The Pre-Owned Wheels market is deeply entrenched in the country's semi-formal freight ecosystem and is currently dominated by NBFCs due to its operational complexities and asset-specific underwriting requirements. Arka's entry into this segment is grounded in a sharply defined model of geographic concentration, product-market fit, and technology-led differentiation.

Product Strategy and Customer Segments

Arka's Pre-Owned Wheels offering spans two broad asset categories:

- 1. Heavy and Medium Commercial Vehicles (HCV/MCV):** Long-haul trucks, refinanced or sold in the secondary market by large fleet operators. These vehicles often service mid-tier contracts with moderate time sensitivity and reliability needs.

- 2. Small and Light Commercial Vehicles (SCV/LCV):** Including intra-city delivery trucks, pick-ups, and tempo-style carriers, catering to hyperlocal logistics and utility-based transport.

Target customers fall into three strategic buckets:

- Fleet Operators:** Entities managing more than 25 vehicles with established route contracts.
- Retail Transporters:** Mid-sized operators with 5–25 vehicles, often serving FMCG, cement, and e-commerce supply chains.
- First-Time Buyers (FTBs):** Aspiring owner-drivers transitioning from employment to self-ownership.

Distribution Network and Operational Rollout

Arka aims to establish 100 Pre-Owned Wheels branches across seven high-density states by FY2026. The branch network has been optimised to ensure synergy with the Secured Business Loans (SBL) network, leveraging common infrastructure in areas with overlapping customer demand and product opportunity.

Risk Framework and Credit Discipline

Arka's Pre-Owned Wheels credit framework is structured around three core pillars:

- Product Profiling:** Detailed model-level evaluation of vehicle viability, residual value over tenure, and historical delinquency behaviour.
- Customer Stratification:** Risk-weighted pricing based on customer vintage, route history, and prior repayment behaviour, supported by PIN code-level bureau analytics.
- Geographic Calibration:** Selection of lending markets based on regional CV hub density, freight demand, and historical credit performance.



Our Pre-Owned Wheels foray unites geographic focus, technology-driven underwriting, and connector-based sourcing."

Talent, Channels and Collections

The Pre-Owned Wheels business is supported by a full-stack organisational structure, encompassing zonal heads, regional and area managers, branch teams, and dedicated collections infrastructure. In FY2026, Arka plans to hire ~1,000 employees across Pre-Owned Wheels verticals. Specific emphasis is placed on sourcing local talent with domain knowledge in vehicle assessment, title transfer, and route-specific underwriting.

Outlook

India's Pre-Owned Wheels ecosystem is at an inflection point—driven by formalisation of logistics, e-commerce growth, and infrastructure-led economic expansion. Arka Fincap's model—anchored in local intelligence, rigorous credit policy, and digital enablement—is designed to capture this evolving opportunity at scale.

With new vehicle prices escalating due to regulatory changes (e.g., BS-VI norms), the addressable market for Pre-Owned Wheels financing continues to expand. Arka's ethical positioning, transparent pricing, and speed of disbursement are expected to deliver competitive advantage in this unstructured market.

Through disciplined execution and a customer-first philosophy, the Pre-Owned Wheels franchise is set to deliver long-term, risk-adjusted growth and build enduring stakeholder value.

Management Discussion & Analysis

Financial Overview

₹4,677.4 crore

contributed in Retail Lending during FY2025

1.4 %

Return on Assets: Net profit after tax divided by average loan assets

Operational Performance

Loan Book and Segment Performance

We have developed a well-balanced and diversified loan book structured around wholesale, SME lending, Secured business loan and Pre-owned wheels financing. This diversification is designed to combine the yield potential and depth of retail while also maintaining a prudent risk profile across market cycles.

As of March 31, 2025, ARKA Fincap's total Assets Under Management (AUM) (AUM) stood at ₹7,255.1 crore, reflecting a Year-over-Year growth of 39% compared to FY2024's ₹5,210.4 Crore.

This diversified AUM comprises:

Retail Lending, which contributed approximately ₹4,677.4 Crore, which encompasses SME Lending and newly scaled vertical Secured Business Loans (SBL).

Wholesale Lending, which accounted for ₹2,577.8 Crore, includes Corporate Lending, Real Estate, Urban Infrastructure, and Syndication services.

This strategic pivot towards secured retail lending in Tier II and Tier III cities is a core part of ARKA Fincap's strategy to unlock higher growth margins and profitability, particularly in segments like Secured Business Loans (SBL) and Pre-Owned Wheels (POW) which are generating yields upwards of 16% with secured collateral. This shift in AUM composition reflects the company's deliberate strategy to pivot towards granular, secured retail assets without compromising the strengths built in structured wholesale financing.

Particulars (₹ in crores)	FY 2025	FY 2024
Interest Income on Loans	657.8	460.1
Interest Income other than on Loans	14.2	30.4
Fee & Other Income	116.0	80.3
Total Income	787.9	570.8
Finance Cost	455.5	315.3
Operating Expenses	185.3	120.7
Pre-Provisioning Operating Profit	147.2	134.7
Credit Cost	53.0	25.6
PBT Before Exceptional Item	94.1	109.1
Exceptional Item	-15.3	15.3
Profit Before Tax	109.4	93.8
Tax Expense	29.0	24.6
Profit after Tax	80.4	69.2
Basic EPS (₹ / Share)	0.9	0.8
Diluted EPS (₹ / Share)	0.9	0.7

Management Discussion & Analysis

Geographic Footprint and Branch Network

We continued to expand our physical presence in line with our retail growth strategy. We are also in the process of launching an additional 200 low-cost branches over next 3 years, primarily to support our Secured Business Loans and Pre-Owned Wheels business across high-opportunity states such as Tamil Nadu, Maharashtra, Gujarat, Rajasthan, Andhra Pradesh, and Karnataka.

This expanding footprint is expected to drive deeper geographic penetration, enhance local credit delivery, and improve asset quality through proximity-based collection and customer servicing models.

OPERATIONS AND TECHNOLOGY

At Arka, technology is more than an enabler—it is a core strategic pillar driving scale, speed, and service. As our business expands across loan products and customer segments, we continue to execute a technology roadmap centered on scalability, automation, resilience, and intelligence.

Migrating our Loan Origination System (LOS) to a microservices architecture has significantly enhanced performance and agility. We have adopted a "Structured Agile" delivery model, combining the best of waterfall and agile methodologies to accelerate development while maintaining stability. To power the next phase of growth, we have also initiated the development of new loan products on our upgraded LOS platform.

Our financial operations have been streamlined through the implementation of Oracle Fusion and the integration of Zoho Books and Zoho Expense. Additionally, the adoption of Google App sheet has automated workflows, while AI-driven chatbots have improved employee productivity and responsiveness.

To strengthen stakeholder engagement, we launched dedicated portals for DSAs and partners, ensuring transparency and ease of operations. More than 90 Power BI dashboards now track over 300 key performance indicators daily, enabling real-time insights and decision-making.

Looking ahead, we are integrating AI-led modules for risk analysis to enhance credit decision-making, reduce processing times, and strengthen compliance frameworks. Across the organization, the user experience is being reimagined—enhanced partner interfaces, intuitive customer journeys, and digital onboarding are making our platforms smarter and more efficient.

These advancements underscore our commitment to continuous innovation, positioning Arka for sustained, technology-led growth in a dynamic financial ecosystem.

TREASURY AND RATINGS

Arka maintains a stable long-term rating of AA / Stable 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 [+] by Crisil for its borrowings through Commercial Papers. Company also has additional ratings of AA/Stable from Acuite Ratings & Research Private Limited and a

CP rating of A1+ from India Ratings and Research Private Limited.

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 Commercial Papers and others.

Arka Fincap has been employing a prudent approach to leverage its balance sheet. In FY 2025, Arka raised ₹4,142.6 Crores through various funding sources. Additionally, during the year, Arka secured ₹75 Crores 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 2025, the total borrowing stands at ₹5,454.6 Crores.

In addition to the above, during the year Company also mobilised liquidity to the extent of ₹223.3 Crores by securitising the loan portfolio and ₹965 Crores by the way of Direct Assignment.

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 2025, Arka holds a surplus liquidity of ₹883.7 Crores.

Management Discussion & Analysis



Our integrated, holistic governance and risk framework, with robust internal controls, risk-based audits, and proactive compliance, ensures asset protection, regulatory adherence, and resilient, strategic performance across credit, market, liquidity, and operational domains.”

Governance, Risk & Compliance

Internal Controls and Compliance

We have instituted a robust framework of internal controls to safeguard assets, ensure accurate financial reporting, and maintain compliance with statutory and regulatory obligations. Regular internal audits, guided by a structured audit plan, evaluate systems' operational soundness and integrity. These audits are carried out in line with risk-based assessments and are reported to the Audit Committee for oversight. Further, the company follows a **maker-checker framework, segregation of duties, access controls**, and regular reconciliations to ensure transparency and accountability.

In addition, compliance with **RBI regulations** is monitored through detailed policies on KYC (Know Your Customer), AML (Anti-Money Laundering), and CFT (Combating the Financing of Terrorism). The company's dynamic compliance framework ensures ongoing adherence to applicable RBI Master Directions, scale-based regulations, fair practice codes, and IT system audits.

Risk Management

We operate under a comprehensive Enterprise Risk Management Framework (ERMF) that allows us to monitor and mitigate risks across business verticals. The ERMF encompasses a Risk Appetite Framework, reviewed quarterly by the Risk Management Committee, the Audit Committee, and the Board of Directors. Key risks covered under this framework include credit, concentration, capital adequacy, liquidity, operational, delinquency, and sectoral risks.

Credit Risk

Credit risk—stemming from borrower defaults—is mitigated through a multi-tiered approval structure involving Credit Committees and clearly defined delegation of authority. The company also employs continuous portfolio review mechanisms and early warning systems to flag potential stress exposures.

Market and Interest Rate Risk

We actively manage interest rate mismatches through an Asset Liability Management (ALM) Policy, overseen by our ALCO Committee. The balance in fixed and floating rate enables better control of spreads and reduces earnings volatility under changing rate cycles.

Liquidity Risk

We maintain a substantial liquidity buffer backed by long-term borrowings, bank lines, and market access. Our funding profile is aligned to match the maturity of assets and comply with RBI's liquidity norms, ensuring availability of funds under both normal and stressed conditions.

Operational Risk

Operational risk is addressed through a suite of policies, including the Operational Risk Management Framework, Key Risk Indicator tracking, and Loss Data Management Systems. Internal systems are enabled with real-time dashboards and analytics to detect anomalies and enhance control. Per RBI guidelines, a dedicated IT Steering Committee ensures resilience, cybersecurity preparedness, and continuity planning.

Emerging Risks

We remain vigilant to external and sectoral risks such as inflation, concentration risk, geopolitical disruptions, and technological shifts. We focus on macroeconomic headwinds, including volatility in interest rates, asset valuations, and sector-specific downturns like real estate and export-led industries. These are countered by proactive portfolio diversification, strong underwriting, and co-lending or syndication strategies to dilute exposure concentrations.

Management Discussion & Analysis



“Our plan is to hire close to 1,800 people in this financial year FY2026”

Human Capital:

The **Human Resources (HR) department** has been instrumental in driving the Company's growth by implementing strategic initiatives that elevate the employee experience and foster engagement across all levels. This year marked a deliberate focus on strengthening our human capital to support our strategic pivot towards the MSME segment in Tier II and III cities.

A key milestone during FY2025 was the launch of a comprehensive Learning and Development (L&D) platform, providing our employees with access to a wide array of training programs, skill-building workshops, and career advancement opportunities. This initiative is designed not only to enhance individual capabilities but also to align employee growth with the Company's long-term objectives. Specifically, programs like Behavioural Interviewing Skills (BEI) training for team managers, “Iceberg - Beyond the Apparent” training, and an online Sales Consciousness training programme were conducted across all levels, alongside a specialized “Aarohan” training for management

trainees. Select senior leaders were also nominated for Managerial Development Programmes at reputed institutions, reinforcing our commitment to leadership development.

In addition to capability-building, HR played a central role in attracting and retaining top talent by offering competitive compensation structures and employee-centric benefits. Working closely with the leadership team, the department developed tailored programs that address evolving workforce expectations while reinforcing a collaborative and high-performance culture. As of March 31, 2025, the Company employed 539 permanent employees.

During the year, all HR policies underwent a comprehensive review in FY2025, culminating in the release of an updated Employee Handbook. A new Performance Management System (PMS) was

also introduced, meticulously aligned with the Company's broader strategy for next 5 years to drive accountability, continuous feedback, and results-oriented performance.

Corporate Social Responsibility (CSR)

Our CSR initiatives align with the Group's sustainable development and community impact vision. In FY25, the Company was required to spend ₹1.5 Crores on CSR activities, fulfilling its statutory obligations under Section 135 of the Companies Act, 2013. These initiatives aimed to enhance environmental awareness, promote education, and support social welfare programmes.

Management Discussion & Analysis

Forward-Looking Statements & Strategic Outlook

Management Outlook

As we enter our next phase of evolution, we remain focused on executing our multi-pronged strategy anchored on retail expansion, technological advancement, and operational resilience. Having built a strong foundation across wholesale verticals in its early years, the shift towards granular, secured retail lending marks a strategic transformation, driven by the goal of building a diversified and sustainable loan book.

Our continued focus on SME Lending is a key growth lever, complemented by our growing Secured Business Loans (SBL) and Pre-Owned Wheels (POW) businesses. These verticals are supported by an expanding physical footprint, with plans to scale branch operations in over 10 states, targeting underserved urban and semi-urban markets.

On the operational front, we continue to invest in digital transformation, including AI-powered underwriting, Power BI-enabled portfolio analytics, and integrated LOS-LMS systems. Strategic partnerships with fintech platforms and data providers further enhance our credit assessment capabilities, enabling faster, safer, and more inclusive credit delivery mechanisms.

We also remain focused on maintaining our strong compliance culture, optimising cost-to-income ratios, and upholding the legacy of the Kirloskar brand, which underpins its customer trust and governance ethos.

Strategic Evolution

Our strategic direction is defined by a conscious transition from predominantly a wholesale model to a more balanced retail-led franchise, focused on Secured Granular Retail Book. This evolution aligns with the Company's aspiration to deepen financial inclusion while maintaining asset quality through secured, livelihood financing.

Our retail push is not merely a growth imperative but a resilience-building strategy, designed to spread risk across smaller ticket sizes and varied geographies. Alongside, we continue to uphold our brand promise—"Arka. Aapka Apna."—as a reflection of its customer-first approach and our identity as a responsible lender backed by the legacy and values of the Kirloskar Group.

Cautionary Statement

This document contains forward-looking statements regarding anticipated future events and Arka Fincap Limited's financial and operational performance. These statements are inherently forward-looking and involve assumptions subject to significant business, economic, regulatory, and market risks and uncertainties. Accordingly, there can be no assurance that such statements, expectations, or projections will be realised.

Actual results, performance, or achievements may differ materially from those expressed or implied in such forward-looking statements due to a variety of factors, including but not limited to macroeconomic conditions, changes in interest rates, regulatory developments, borrower behaviour, competitive dynamics in the financial services sector, and other risks detailed in this Annual Report.

Readers are therefore advised not to place undue reliance on these forward-looking statements. This document should be read with the assumptions, qualifications, and risk factors discussed in our Annual Report for the FY2025 Management Discussion and Analysis section.

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.arkafincap.com/>

Email:

arkasecretarialandcompliance@arkafincap.com

HOLDING COMPANY

Kirloskar Oil Engines Limited (Ultimate Holding Company)

Arka Financial Holdings Private Limited (Holding Company)

BOARD OF DIRECTORS

Mr. Nasser Mukhtar Munjee

Chairman, Independent Director (Director w.e.f. October 23, 2024 and Chairman w.e.f. December 02, 2024)

Ms. Gauri Atul Kirloskar

Non-Executive Director

Mr. Yogesh Kapur

Independent Director and Audit Committee Chairman

Mr. Sivanandhan Dhanushkodi

Independent Director and Nomination & Remuneration Committee Chairman

Mr. Vijay Chugh

Independent Director

Mr. Gurumurthy Ramanathan

Independent Director

Mr. Hoshang Noshirwan Sinor

Independent Director (w.e.f. January 28, 2025)

Mr. Rahul Narain Bhagat

Independent Director (w.e.f. February 20, 2025)

Mr. Samrat Gupta

Managing Director (w.e.f. October 23, 2024)

KEY MANAGERIAL PERSONNEL

Mr. Samrat Gupta

Managing Director (w.e.f. October 23, 2024)

Ms. Ridhi Gangar

Chief Financial Officer (w.e.f. February 19, 2025)

Ms. Niki Mehta

Company Secretary and Chief Compliance Officer

CORPORATE INDENTITY NUMBER

U65993MH2018PLC308329

LEI

3358008WH20GDP81AN85

BANKERS / LENDERS

1. Aditya Birla Capital Limited
2. Axis Bank Limited
3. Bajaj Finance Limited
4. Bandhan Bank Limited
5. Bank of Baroda
6. Bank of India
7. Bank of Maharashtra
8. Canara Bank
9. City Union Bank Limited
10. CSB Bank Limited
11. DCB Bank Limited
12. Dhanlaxmi Bank Limited
13. HDFC Bank Limited
14. ICICI Bank Limited
15. IDBI Bank Limited
16. IDFC First Bank Limited
17. Indian Bank
18. Indian Overseas Bank
19. IndusInd Bank Limited
20. Karnataka Bank Limited
21. Kotak Mahindra Bank Limited
22. Micro Units Development and Refinance Agency Limited
23. National Bank for Agriculture and Rural Development
24. Nabsamruddhi Finance Limited
25. Punjab & Sind Bank

26. Punjab National Bank
27. RBL Bank Limited
28. Small Industries Development Bank of India
29. State Bank of India
30. Tata Capital Limited
31. The Federal Bank Limited
32. The Karur Vysya Bank Limited
33. Union Bank of India Limited
34. Yes Bank Limited

STATUTORY AUDITORS

SINGHI & CO.

Chartered Accountants
B2 402B, Marathon Innova, 4th Floor, Off Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013, Maharashtra, India

Tel: +91 (22) 6662 5537 / 5538

Email: mumbai@singhico.com

Web: www.singhico.com

SECRETARIAL AUDITOR

DEBENTURE TRUSTEE

Catalyst Trusteeship Limited

GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune – 411038

Tel: +91 22 49220555

Fax: +91 22 49220505

Email: ComplianceCTL-Mumbai@ctltrustee.com

Website: www.catalysttrustee.com/

REGISTRAR &

TRANSFER AGENTS

MUFG Intime India Private Limited

(Formerly Known as Link Intime India Private Limited)
C-101, Embassy 247, L.B.S. Marg, Vikhroli, (West), Mumbai – 400 083

Tel: +91 (22) 4918600

Fax: +91 (22) 49186060

Website: <https://in.mpms.mufg.com/>

STOCK EXCHANGE

BSE Limited

Board's Report

Dear Members,

Your Directors presents their 7th Annual Report on the affairs of your Company together with the audited financial statements for the financial year ended March 31, 2025.

FINANCIAL HIGHLIGHTS

The key financial highlights of the audited standalone financial statements of the Company for the financial year ended March 31, 2025 and comparison with the previous financial year ended March 31, 2024 are summarised below:

Particulars	For the year ended 31, 2025 (in Lakhs)	For the year ended 31, 2024 (in Lakhs)
Total Income	78,793.19	57,076.06
Total Expenditure	69,381.43	46,168.35
Profit before exceptional items and tax	9,411.76	10,907.71
Exceptional items - Expenses / (Income)	(1,528.50)	1,528.50
Profit before Tax	10,940.26	9,379.21
Less: Tax Expense		
Current tax	1,253.68	2,049.53
(Excess)/Short provision related to earlier years	(30.11)	-
Deferred tax expense /(income)	1,681.09	406.60
Total Tax Expenses	2,904.66	2,456.13
Profit after tax	8,035.60	6,923.08
Other comprehensive income for the year, net of tax	(29.53)	(20.34)
Total comprehensive income for the period	8,006.07	6,902.74

During the year under review, the total income of the Company was ₹ 78,793.19 Lakhs and the Profit after Tax was 8,035.60 Lakhs (Previous Year: ₹ 57,076.06 Lakhs and ₹ 6,923.08 Lakhs, respectively).

Pursuant to the requirement of Section 45-IC of the Reserve Bank of India Act, 1934, non-banking financial companies ("NBFCs") are required to transfer a sum not less than 20% of its net profit every year to reserve fund before declaration of any dividend. Accordingly, your Company has transferred an amount of ₹ 1,607.12 Lakhs (Previous Year: ₹ 1,384.62 Lakhs) to Special Reserve Fund. For details of Reserves and Surplus of your Company, please refer note 3.21 of the audited standalone financial statements of the Company for the financial year ended March 31, 2025.

There are no material changes and commitments affecting the financial position of the Company which

have occurred between the Financial Year ended March 31, 2025 and the date of this Report.

Loan Book:

The loan book (on balance sheet) of AFL for the financial year ended March 31, 2025 increased by 27.14% to ₹ 6,10,731 Lakhs as compared to ₹ 4,80,364 Lakhs as of March 31, 2024. The loan book includes loans and credit facilities in the form of NCDs and PTCs.

Debt Equity Ratio

The Company's Debt Equity ratio as on March 31, 2025 stood at 4.38:1.

Capital Adequacy Ratio

As on March 31, 2025, the Capital to Risk Assets Ratio ("CRAR") of your Company stood at 20.84%, well above the regulatory limit of 15% as prescribed by the RBI for

Board's Report

(contd.)

NBFCs. Out of the above, Tier I Capital Adequacy Ratio stood at 17.97% and Tier II Capital Adequacy Ratio stood at 2.87%, as on March 31, 2025.

Net Owned Funds

The Net Owned Funds of your Company as on March 31, 2025 stood at ₹ 1,18,326.98 Lakhs (March 31, 2024 – ₹1,13,508.33 Lakhs) and the Net Owned Funds increased by 4% as compared to Net Owned Funds as on March 31, 2024.

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.

BUSINESS OVERVIEW

Your Company is a Non-Deposit taking 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 October 29, 2018.

Your Company 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed analysis of the Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of the Annual Report.

CORPORATE GOVERNANCE

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

DIVIDEND AND DIVIDEND DISTRIBUTION POLICY

The Board of Directors of the Company, at their Meeting held on March 25, 2025 had declared its maiden Interim Dividend ₹ 0.11/- (Rupees Eleven Paise only) per Equity Share of ₹ 10/- aggregating to ₹ 10,21,60,091.88/- (Rupees Ten Crore Twenty-One Lakh Sixty Thousand Ninety-One and Eighty-Eight Paise Only) to those shareholders whose name appeared in Register of Members as on Record date i.e. March 25, 2025.

With an objective to lay down the criteria and parameters that should be considered by your Board while deciding on the declaration of Dividend from time to time, a "Dividend Distribution Policy" has been formulated. Your Company aims at maximization of shareholders' value and believes that this can be attained by driving growth. The Dividend Distribution Policy endeavors to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient profits are retained for both medium-term and long-term value creation. The policy is available on the website of the Company and can be accessed at <https://www.arkafincap.com/policy-and-codes>.

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, 2025 shall be laid before the Members of the Company at 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.arkafincap.com/investor-information#arkainvestorfinancialresults>.

SUBSIDIARIES, JOINT VENTURES, ASSOCIATE COMPANIES

Your Company has no subsidiary, joint venture or associate company. Also, the Company did not become a part of any Joint Venture during the year.

SHARE CAPITAL STRUCTURE

a. Authorised Capital

During the year under review, there was no change in the Authorised Share Capital of the Company. The Authorised Share Capital of your Company is ₹ 1000,00,00,000/- (Rupees One Thousand Crore) divided into 100,00,00,000 (One Hundred Crore) Equity shares of face value of ₹ 10/- (Rupees Ten Only) each.

b. Issued, Subscribed and Paid-Up Capital

As on March 31, 2025, the issued, subscribed and paid-up share capital of your Company was ₹ 928,72,81,080/- (Rupees Nine Hundred Twenty-Eight Crore Seventy-Two Lakhs Eighty-One Thousand and Eighty Only) comprising of 92,87,28,108 (Rupees Ninety-Two Crore Eighty-Seven Lakhs Twenty-Eight Thousand One Hundred and Eight Only) equity shares of face value of ₹ 10/- each.

During the year under review, your Company had not issued and allotted any equity shares.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

As on March 31, 2025, the Board of Directors of your Company comprised of 11 (Eleven) Directors, of which 7 (Seven) were Non-Executive Independent Directors, 3 (Three) were Non-Executive Non-Independent Directors and 1 (One) Executive Director. The Board composition is in compliance with the requirements of the Companies Act, 2013 ("the Act"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the Master Direction –

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

Re-designation of Mr. Vimal Bhandari (DIN: 00001318) as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director:

Mr. Vimal Bhandari, Executive Vice Chairman and CEO of your Company had been appointed for a term of 5 (five) years, beginning on November 1, 2018 upto October 31, 2023, following which he was re-appointed as Executive Vice Chairman and CEO, designated as a Whole-Time Director, for another term of 5 (five) years starting from November 1, 2023.

On Mr. Bhandari expressing his desire to superannuate and step down from the executive responsibilities, on recommendation of the Nomination & Remuneration Committee, the Board of Directors and shareholders of your Company, at their respective meetings held on October 22, 2024:

- Re-designated Mr. Vimal Bhandari (DIN: 00001318) as Non-Executive Non-Independent Director with effect from October 23, 2024 till March 31, 2025 or further period of 6 (six) months as may be mutually agreed between the Company and Mr. Vimal Bhandari.
- Appointed Mr. Samrat Gupta (DIN: 07071479) as the Managing Director of the Company for a term of 5 (five) years with effect from October 23, 2024, liable to retire by rotation.

Appointment of Director(s):

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 independent directors on the Board of your Company. Considering the experience, professional expertise and qualifications, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee made the following appointments on your Board:

Board's Report

(contd.)

Name of the Director and DIN	Term of appointment and effective date of appointment	Date of recommendation by Nomination & Remuneration Committee	Date of approval by the Board	Date of approval by the shareholders
Mr. Nasser Mukhtar Munjee (DIN: 00010180)	A term of 5 (five) consecutive years with effect from October 23, 2024, to October 22, 2029	October 21, 2024	October 22, 2024	October 22, 2024
Mr. Hoshang Noshirwan Sinor (DIN: 0007405)	A term of 5 (five) consecutive years with effect from January 28, 2025, till January 27, 2030	January 27, 2025	January 27, 2025	January 27, 2025
Mr. Rahul Narain Bhagat (DIN: 02473708)	A term of 5 (five) consecutive years with effect from February 20, 2025, till February 19, 2030	February 19, 2025	February 19, 2025	March 25, 2025

In compliance with the provisions of Regulation 17(1A) of SEBI Listing Regulations, the shareholders of your Company (i) approved continuation of directorship of Mr. Nasser Mukhtar Munjee (DIN: 00010180), who will attend age of 75 years during his term as Non-Executive Independent Director till the expiry of original term; and (ii) approved the appointment of Mr. Hoshang Noshirwan Sinor (DIN: 0007405), notwithstanding Mr. Sinor having attained more than 75 (seventy-five) years of age as on the date of his appointment.

Your Company had received the requisite notice in terms of Section 160 of the Act from a member in writing proposing the appointment of above stated Independent Directors.

The Board of Directors of your Company considered the requisite expertise and experience (including the proficiency) and the high integrity and repute of the Directors and accordingly approved the aforementioned appointments.

Appointment of Chairman of the Board:

Considering the knowledge, experience, the professional expertise and skill sets of Mr. Nasser Mukhtar Munjee (DIN: 00010180), the Nomination & Remuneration Committee and the Board of your Company approved appointment of Mr. Nasser Mukhtar Munjee (DIN: 00010180) as Chairman of the Board effective December 2, 2024.

Completion of Term/Resignation of Director(s):

During the year under review and upto the date of this report:

- Mr. Harish Engineer ceased to be Director due to the completion of his term as Independent Director with effect from June 14, 2024.
- Mr. Vimal Bhandari through his email dated January 24, 2025, communicated to the Chairman of the Board that due to his other commitments, he does not desire to seek re-appointment upon the end of his term on March 31, 2025. The Board considered, noted and accepted the communication by Mr. Vimal Bhandari at its meeting held on January 27, 2025 and noted the end of term of Mr. Vimal Bhandari as Non-Executive Non-Independent Director effective April 1, 2025.
- Mr. Mahesh Chhabria, Non-Executive Non-Independent Director vide letter dated January 27, 2025, expressed his intent to pursue entrepreneurial journey and hence desired to step down from his position as Non-Executive Non-Independent Director of the Company. The Board considered, noted and accepted the communication by Mr. Mahesh Chhabria at its meeting held on January 27, 2025, effective April 1, 2025.

Pursuant to Regulation 42 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, your Company submitted an application to the Reserve Bank of India seeking prior approval for the change in management resulting from the end of term of Mr. Vimal Bhandari and the resignation of Mr. Mahesh Chhabria. The Reserve Bank of India acknowledged and took note of the application.

The Board placed on record its appreciation for the efforts and contribution by Mr. Harish Engineer. The Board also placed on record its appreciation for the efforts and contribution of Mr. Vimal Bhandari and Mr. Mahesh Chhabria in the growth of Arka Fincap Limited.

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.

Director(s) Declaration and Disclosures

Based on the declarations and confirmations received in terms of the provisions of the Act, SEBI Listing Regulations and RBI Master Directions, none of the Directors on the Board of the Company are disqualified from being appointed/continuing as Directors.

None of the Directors of the Company are disqualified from being appointed as Directors as specified under Section 164(1) and 164(2) of the Act read with Rule 14(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) and or re-enactment(s) thereof for the time being in force) or are debarred or disqualified by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any other such statutory authority.

A certificate from Mayekar & Associates, Company Secretaries, confirming that none of the Directors on the Board of the Company as on March 31, 2025 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 Annex XXIII of RBI Master Directions, as amended.

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 Listing Regulations. 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, your 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 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, Independent Directors have registered themselves with the Independent Director's Database maintained by the Indian Institute of Corporate Affairs. All the Independent Directors have qualified in the online proficiency self-assessment test or are exempted from passing the test.

As on the date of this report, your Board comprises of the following Directors:

Sr. No.	Name of the Director	Category
1.	Mr. Nasser Mukhtar Munjee	Chairman, Independent Director
2.	Mr. Samrat Gupta	Managing Director
3.	Ms. Gauri Kirloskar	Non-Executive Director
4.	Mr. Sivanandhan Dhanushkodi	Independent Director
5.	Mr. Vijay Chugh	Independent Director
6.	Mr. Yogesh Kapur	Independent Director
7.	Mr. Gurumurthy Ramanathan	Independent Director
8.	Mr. Hoshang Noshirwan Sinor	Independent Director
9.	Mr. Rahul Narain Bhagat	Independent Director

Key Managerial Personnel ("KMP")

During the start of the financial year, the following were the Key Managerial Personnel in terms of Section 203 of the Act:

Board's Report

(contd.)

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

Change in the Executive Director

Mr. Vimal Bhandari, Executive Vice Chairman and CEO of your Company had been appointed for a term of 5 (five) years, beginning on November 1, 2018 upto October 31, 2023, following which he was re-appointed as Executive Vice Chairman and CEO, designated as a Whole-Time Director, for another term of 5 (five) years starting from November 1, 2023.

On Mr. Bhandari expressing his desire to superannuate and step down from the executive responsibilities, on recommendation of the Nomination & Remuneration Committee, the Board of Directors and shareholders of your Company, at their respective meetings held on October 22, 2024:

- Re-designated Mr. Vimal Bhandari (DIN: 00001318) as Non-Executive Non-Independent Director with effect from October 23, 2024 till March 31, 2025 or further period of 6 (six) months as may be mutually agreed between the Company and Mr. Vimal Bhandari.
- Appointed Mr. Samrat Gupta (DIN: 07071479) as the Managing Director of the Company for a term of 5 (five) years with effect from October 23, 2024, liable to retire by rotation.

Mr. Vimal Bhandari ceased to be the Non-Executive Non-Independent Director of the Company effective April 1, 2025, consequent to his end of term on March 31, 2025.

In compliance with the RBI Directions and the circulars, guidelines and notifications issued by RBI, the following appointments were made/resignations were tendered:

Sr. No.	Name	Designation	Nature of change	Effective date
1.	Mr. Vimal Bhandari	Designated Director	Cessation	October 23, 2024
2.	Mr. Samrat Gupta	Designated Director	Appointment	December 2, 2024
3.	Ms. Priyal Shah	Chief Compliance Officer	Cessation	June 9, 2024
4.	Mr. Jitendra Chaturvedi	Chief Compliance Officer	Appointment	August 26, 2024
5.	Ms. Priyal Shah	Grievance Redressal Officer and Principal Nodal Officer	Cessation	June 9, 2024
6.	Mr. Manish Nagarsekar	Grievance Redressal Officer and Principal Nodal Officer	Appointment	June 12, 2024

Change in Chief Financial Officer

During the year under review, Mr. Amit Kumar Gupta resigned as Chief Financial Officer of the Company w.e.f. February 18, 2025 and Ms. Ridhi Gangar was appointed as Chief Financial Officer of the Company with effect from February 19, 2025, as per provisions of Section 203 of the Act.

Except for the above, there were no other changes in the KMP of the Company.

As on March 31, 2025, 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. Samrat Gupta, Managing Director
- (ii) Ms. Ridhi Gangar, Chief Financial Officer
- (iii) Ms. Niki Chirag Mehta, Company Secretary

DIRECTOR E-KYC

Pursuant to the requirement prescribed under the Companies (Appointment and Qualification of Directors) Rules, 2014, the Directors with active DIN need to file an e-Form DIR-3 KYC annually on the MCA portal verifying their mobile number and personal email address. All the Directors of the Company have complied with the KYC registration on the MCA portal for Financial Year 2024-25.

RBI DIRECTIONS

Your Company always endeavours to comply with the RBI Master 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 NBFC – Middle Layer.

Sr. No.	Name	Designation	Nature of change	Effective date
7.	Mr. Manish Nagarsekar	Grievance Redressal Officer and Principal Nodal Officer	Cessation	December 3, 2024
8.	Mr. Jitendra Chaturvedi	Grievance Redressal Officer and Principal Nodal Officer	Appointment	December 3, 2024
9.	Mr. Pradeep Kumar Mishra	Internal Ombudsman	Appointment	June 30, 2024
10.	Mr. Tejas Raja	Head of Internal Audit (Interim)	Cessation	July 23, 2024
11.	Mr. Sanjay Kohli	Head of Internal Audit	Appointment	July 23, 2024
12.	Mr. Praful Kotian	Chief Information Security Officer	Appointment	August 25, 2024

With a view that combining the roles of Company Secretary and Chief Compliance Officer would facilitate in more effective communication between the board, management, and regulatory authorities post the year under review and prior to the approval of this report by the Board, your Board at its meeting held on April 10, 2025, inter alia, approved the appointment of Ms. Niki Chirag Mehta as the Chief Compliance Officer effective April 16, 2025. Ms. Niki Chirag Mehta has been appointed as Company Secretary designated as KMP of your Company effective July 22, 2022.

Mr. Atit Shah acts as the Chief Risk Officer of your Company.

COMPLIANCE WITH SECRETARIAL STANDARDS

Secretarial Standards are guidelines, which lays down the standard procedure and structure for undertaking specific tasks and actions within an organisation, which is in addition to the provisions of the Act and not in substitution to the Act. Pursuant to Section 118(10) of the Act, every Company shall observe Secretarial Standards with respect to general and board meetings specified by the Institute of Company Secretaries of India.

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 Meeting 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, insurance companies and financial institutions. Funds were raised through various modes including bank borrowings, issuance of non-convertible debentures and/or issuance of commercial papers.

Board's Report

(contd.)

The details of funds raised during the year are as below:

Sr. No.	Type of Borrowings	Amount raised during FY 2024-25 (in Lakhs)	Outstanding as per Financial Statements as on March 31, 2025 (in Lakhs)
1.	Term Loan Borrowings	2,87,400	3,80,780.69
2.	Commercial Papers	42,000	14,287.85
3.	Non-Convertible Debentures	62,530	1,31,091.64
4.	Pass-through Certificates	22,327.66	19,301.61
Total		4,14,257.66	5,45,461.79

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

No interest payment or principal repayment of the Term Loans and/or Non-Convertible Debentures were due and unpaid as on March 31, 2025. The assets of the Company which are available by way of security are sufficient to discharge the claims with respect to the Term Loans and/or Non-Convertible Debentures as and when they become due.

The Non-Convertible Debentures and the Commercial Papers issued by the Company are listed on the Wholesale Debt Market Segment of BSE Limited.

Applicable disclosures in terms of Regulation 53(f) of the Listing Regulations as on March 31, 2025 have been provided at **Annexure II** to this Board's Report.

CREDIT RATING

As on March 31, 2025 and as on the date of this Report, the Credit Ratings assigned to the Company are as summarised below:

Particulars / Rating Agencies	Rating
LONG-TERM PROGRAMME	
Non-Convertible Debentures	
CRISIL Limited	CRISIL AA/Stable
Acuite Rating	ACUITE AA/Stable
Market Linked Debentures	
CRISIL Limited	CRISIL PPMLD AA/Stable

Particulars / Rating Agencies	Rating
Bank Borrowings	
CRISIL LIMITED	CRISIL AA/Stable
SHORT TERM PROGRAMME	
Commercial paper	
CRISIL Limited	CRISIL A1+
India Ratings	IND A1+
PASS-THROUGH CERTIFICATES	
India Ratings	IND AAA(SO)/Stable

All the above ratings indicate instruments with very strong/high degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

During the year under review, CRISIL Ratings Limited on 19th July 2024, revised its rating outlook for the bank facilities and long-term debt instruments of the Company to 'Stable' from 'Positive' while upgrading its rating to "CRISIL AA/CRISIL PPMLD AA".

During the year under review, Acuite Ratings & Research Limited had assigned ACUITE AA/Stable to the long-term debt instruments on August 21, 2024. Additionally, India Ratings and Research Private Limited had on October 14, 2024, assigned IND AAA(SO)/Stable to the PTC instruments.

UNCLAIMED AMOUNT

During FY 2024-25, no amount was required to be transferred to the Investor Education and Protection Fund ("IEPF"). Further, pursuant to the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, Ms. Niki Chirag

Mehta, Company Secretary, has been appointed as the Nodal Officer of the Company, for the purpose of verification of claims and co-ordination with the IEPF Authority. The Contact details of Persons handling Investor Grievance are available on the website of the Company at <https://www.arkafincap.com/contact> under "Get in Touch" tab.

AUDITORS

Statutory Auditors

In terms of the provisions of Section 139 and 141 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 Annual General Meeting held on June, 25, 2024 appointed Singhi & Co., Chartered Accountants (Firm Registration no. 302049E) as the Statutory Auditors of the Company to hold office for continuous period of 3 (three) years commencing from the conclusion of the 6th Annual General Meeting held on June 25, 2024 till the conclusion of 9th Annual General Meeting of the Company to be held in the year 2027.

Statutory Audit Report

Singhi & Co., Chartered Accountants, Statutory Auditors of the Company have issued unmodified opinion on the audited financial statements of your Company for the financial year ended March 31, 2025 and they have not submitted any qualifications, reservations, adverse remarks or disclaimers and the Statutory Audit Report is disclosed in the Financial Statements forming part of the Annual Report

During the year under review, Singhi & Co., Chartered Accountants, Statutory Auditors have not reported any incident of fraud to the Audit Committee of your 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,

2025. The report of Mayekar & Associates, Company Secretaries in prescribed Form MR-3 is enclosed at **Annexure III** 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, 2025, 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 read with RBI Circular RBI/2020-21/88 Ref.No.DoS.CO.PPG./SEC.05/11.01.005/2020-21 dated February 3, 2021 on Risk-Based Internal Audit, Mr. Tejas Raja was appointed as the Head of Internal Audit (Interim) effective March 31, 2024.

Considering that Mr. Tejas Raja was appointed as Head of Internal Audit (Interim), your Board appointed Mr. Sanjay Kohli as the Head of Internal Audit of your Company for a period of 3 years.

Further 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.

The Audit Committee of the Board meets the Head of Internal Audit once in a quarter without the presence of the Managing Director or Senior Management.

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

Your Company is committed to maintain the highest standards of Corporate Governance and adheres to the Corporate Governance requirements set out by SEBI. The Corporate Governance Report for the year under review, including disclosures as stipulated under SEBI Listing Regulations read with the circulars issued by SEBI and the RBI Master Directions is annexed to and forms an integral part of this Board's Report.

Board's Report

(contd.)

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

All Board members and Senior Management Personnel have affirmed compliance with the Company's code of conduct for financial year 2024-25. A declaration to this effect signed by the Managing Director is included in Corporate Governance Report forming part of this Annual Report.

BOARD/COMMITTEE 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 8 (Eight) times and several meetings of Committees were held. The intervening gap between the said Meetings of Board of Directors/Committees was within the period prescribed under the Act as well as SEBI Listing Regulations. 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 and Customer Service/Consumer Protection Committee, IT Strategy Committee, Securities Allotment Committee, IT Steering Committee, Identification Committee and Review Committee (constituted pursuant to the Master Direction on Treatment of Wilful Defaulters and Large Defaulters

dated July 30, 2024) 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 Listing Regulations, 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 Listing Regulations, a separate meeting of the Independent Directors was held on March 20, 2025, inter alia, to review the performance of the Non-Independent Directors, Chairperson, Committee(s) and the Board, as a collective entity.

Subsequent to the year under review, the Board of Directors at their meeting held on April 30, 2025, 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 operates, 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.arkafincap.com/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.arkafincap.com/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 Listing Regulations and the RBI Master Directions, your Board of Directors have 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 the said Policy is also available on the website of the Company at <https://www.arkafincap.com/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 Listing Regulations and RBI Master 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 Directors, 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.arkafincap.com/policy-and-codes>.

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, 2025, is annexed as **Annexure IV**.

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 arkasecretarialnadcompliance@arkafincap.com.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

In terms of Section 177(9) and Section 177(10) of the Act and SEBI Listing Regulations 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

Board's Report

(contd.)

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.

The Company's CSR Projects are compliant with the CSR mandate as specified under Section 135 of the Act read with Schedule VII of the Act along with the Companies CSR Rules, as amended and in line with notifications issued by the Ministry of Corporate Affairs ("MCA") from time to time.

Through the CSR initiatives, the Company aims to effect positive societal change by investing in projects that focus on promoting education for girls and skill development for women wherein they can look for jobs within the financial services sector and/or women empowerment.

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 CSR Rules, with respect to CSR activities undertaken by the Company during the year under review, have been provided at **Annexure V** to this Board's Report.

RISK MANAGEMENT FRAMEWORK

The Board of Directors of the Company has constituted Risk Management Committee which 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 functions 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.

The Risk Management Committee of the Board meets the Chief Risk Officer once in a quarter without the presence of the Managing Director and Chief Executive Officer.

Enterprise Risk Management Framework

With a view to enhance the risk monitoring by building a strong risk culture to enable healthy and sustainable growth, 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 laid 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. Your Company has appointed Mr. Sanjay Kohli as Head of Internal Audit to carry out internal audit. 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.

Your Company has adopted a Risk Based Internal Audit Framework in accordance with the RBI Guidelines to NBFC to enhance the quality and effectiveness of their internal audit systems and processes. Duly approved by Audit Committee and your Board, the framework enables Internal Audit Function to broadly assess and contribute to the overall improvement of the organization's governance, risk management and control processes using a systematic and disciplined approach.

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.

The Audit Committee meets the Head of Internal Audit once in a quarter without the presence of the Managing Director and Senior Management.

Pursuant to the requirement of the Act, the Company also conducts secretarial audit by a Practicing Company Secretary every year. The Secretarial Audit Report for the financial year ended on March 31, 2025 does not contain any qualifications, reservations or adverse remarks or disclaimers.

In terms of Section 143(3)(i) of the Act, Singhi & Co., 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, 2025 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, 2025 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 Listing Regulations on the audited financial statements and other matters prescribed therein, submitted to the Board of Directors by Mr. Samrat Gupta, Managing Director & Ms. Ridhi Gangar, Chief Financial Officer of the Company, for the financial year ended March 31, 2025, is enclosed at **Annexure VI** to this Board's Report.

CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES AND RELATED PARTY TRANSACTION POLICY

In terms of the provisions of the Act, SEBI Listing Regulations and the RBI Master Directions, the Board of Directors have adopted 'Related Party Transactions 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 Listing Regulations read with the Related Party Transactions Policy of the Company, transactions with related parties are placed before the Audit Committee for its approval. Also, omnibus approval of the Audit Committee is obtained for related party transactions of repetitive nature. The Audit Committee, on quarterly basis reviews the 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 Ind AS - 24 are listed in the notes to the Audited Financial Statements of the Company for the financial

Board's Report

(contd.)

year ended March 31, 2025. Details of the Related Party Transactions 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.arkafincap.com/policy-and-codes>.

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 Act.

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, 2025.

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, 2025 in prescribed form No. MGT-7 shall be available on the website of the Company at <https://www.arkafincap.com/investor-information#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 had 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.

Considering that the ESOP Plan was adopted in 2019, based on the implementation of the ESOP Plan – 2019 and in order to better protect the overall interests of

the employees and the Company as a whole, the Board and the Nomination & Remuneration Committee at their respective meeting(s) held on April 16, 2025 and the shareholders of your Company at their Extraordinary General Meeting held on April 16, 2025 approved (i) increase of pool of Employee Stock Option Plan 2019 from 5,00,00,000 (Five Core) stock options to 10,00,00,000 (Ten Crore) stock options convertible into 10,00,00,000 (Ten Crore) equity shares of the Company having face value of ₹ 10/- (Rupees Ten Only) per equity share; (ii) amendments to the ESOP Plan 2019, and that the amended Employee Stock Option Plan 2019 was restated as ESOP Plan 2025; and (iii) extension of the amended and restated ESOP Plan 2025 to the eligible employees of the Holding Company and/or Subsidiary Company.

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, 2025 is appended to this Report as **Annexure VII**.

COMPLIANCE

The Company is registered with the RBI as a Non-Deposit taking Non-Banking Financial Company and is categorised as NBFC-Middle Layer in terms of RBI Master Directions. The Company shall continue to ensure full compliance with all the requirements applicable to NBFC-ML under RBI Master Directions within the prescribed timelines.

Further, your Company has also received Certificate of Registration to act as a Corporate Agent (Composite) from Insurance Regulatory and Development Authority of India ("IRDAI").

The NCDs issued by the Company to the public as well as on private placement basis are listed on the BSE Limited ("BSE"). The Commercial Papers issued by the Company are also listed on BSE. Further, the Company is classified as High Value Debt Listed Entity in accordance with the SEBI Listing Regulations.

COMPLIANCE MANAGEMENT

The Company has in place a comprehensive and robust compliance management tool, which is devised to ensure compliance with all applicable laws which impact the operations and business of your Company. Automated alerts are sent to performers to ensure compliance within stipulated timelines. This measure helps keep on track and avoid any penalties or other

legal issues that could arise from non-compliance. The compliance performers certify the compliance status which is reviewed by compliance reviewers and a consolidated dashboard is presented to the respective functional heads and Compliance Officer. A certificate of compliance with all applicable laws and regulations along with the corrective and preventive action, if any, is placed before the Board of Directors on a quarterly basis.

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 have 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.

The said policy is uploaded on the website of the Company which can be accessed at <https://www.arkaholdings.com/arka-fincap/policy-and-codes>.

MATERNITY BENEFIT ACT, 1961

The Company is in compliance with the applicable provisions relating to the Maternity Benefit Act, 1961.

GENERAL DISCLOSURE

During the year under review, your Company, in its 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. However, 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 ₹ 2.61 Lakhs (Previous year foreign exchange expenditure: ₹ 8.90 Lakhs).

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the year under review and as on the date of this Report, 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, 2025, 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;

Board's Report

(contd.)

- 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.

The Directors also further place 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

Nasser Munjee
Chairman
DIN: 00010180

Date : 30-04-2025
Place : Goa

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, Insurance Regulatory and Development Authority 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.

Annexure II

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, 2025

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. 	Nil
b)	Kirloskar Oil Engines 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. 	There are no loans and advances in the nature of loans granted/advanced to the subsidiary, except to the wholly owned subsidiary La-Gajjar Machineries Private Limited as disclosed in this Annexure.
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. 	Nil
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

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 III

SECRETARIAL AUDIT REPORTFOR THE FINANCIAL YEAR ENDED 31st MARCH, 2025

[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 (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, 2025 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, 2025** 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 – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023;
- (vii) Master Direction – Reserve Bank of India (Filing of Supervisory Returns) Directions – 2024;

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 30, 2024 passed a resolution in supersession of the earlier Board resolution passed by the Board of Directors at their meeting held on April 28, 2023, to Increase the overall borrowing limit from ₹ 7,000 Crore to ₹ 10,000 Crore.

- ii. The Board of Directors of the Company at their meeting held on April 30, 2024 passed a resolution in supersession of the earlier Board Resolution passed by the Board of Directors at their meeting held on April 28, 2023, to approve renewal of the issuance of Non-Convertible Debentures during a period of 1 (one) year commencing from the date or passing of the Special Resolution at the Annual General Meeting held on June 25, 2024 not exceeding the aggregate principal amount of ₹ 2,000 crore (Rupees Two Thousand Crore only) within the overall borrowing Company.
- iii. The Board of Directors of the Company at their meeting held on April 30, 2024 passed a resolution in supersession of the earlier Board Resolution passed by the Board of Directors at their meeting held on April 28, 2023, to create mortgages and/or charges and/or hypothecation and/or any other form of security creation in respect of enhanced borrowing limit by the Company.
- iv. The Board of Directors of the Company at their meeting held on April 30, 2024 passed a resolution to approve the appointment of Singhi & Co. Chartered Accountants (Firm Registration No. 302049E) as Statutory Auditors of the Company, to hold office for a continuous period of 3 years commencing from the conclusion of the Annual General Meeting held on June 25, 2024 till the conclusion of the Annual General Meeting to be held in the year 2027 including their remuneration.
- v. The Allotment Committee of the Board of Directors of the Company passed a resolution on February 02, 2024, to approve transfer of 1 (one) equity share of the Company from Mr. Vimal Bhandari to Mr. Amit Kumar Gupta, the Board took note of the same at their meeting held on April 30, 2024.
- vi. The Board of Directors of the Company at their meeting held on July 30, 2024 passed a resolution to approve contribution/investment for an amount upto ₹ 25 Crore, in one or more tranches, in the Arka Hreem Real Estate Opportunities Fund I, a scheme of Arka Real Estate Opportunities Fund.
- vii. The Allotment Committee of the Board of Directors of the Company passed a resolution on August 19, 2024, to approve allotment of 10,000 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debentures ("Series XV NCDs") of face value of ₹ 1,00,000/- each for cash at par for an aggregate amount up to ₹ 100,00,00,000/-

Annexure III

(contd.)

- (Rupees One Hundred Crores only) on Private Placement Basis.
- viii. The Allotment Committee of the Board of Directors of the Company passed a resolution on August 27, 2024, to approve allotment of 10,000 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debentures ("Series XVI NCDs") of face value of ₹ 1,00,000/- each, for cash at par for an aggregate amount up to ₹ 100,00,00,000/- (Rupees One Hundred Crores only) on Private Placement Basis.
- ix. The Allotment Committee of the Board of Directors of the Company passed a resolution on September 19, 2024, to approve allotment of 5,000 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debenture ("Series XVII NCDs") of face value of ₹ 1,00,000/- each, for cash at par for an aggregate amount up to ₹ 50,00,00,000/- (Rupees Fifty Crores only) on Private Placement Basis.
- x. The Allotment Committee of the Board of Directors of the Company passed a resolution on November 11, 2024 to approve transfer of 1 (one) equity share of the Company from Mr. Nachiket Naik to Mr. Sonit Singh, the Board took note of the same at their meeting held on January 27, 2025.
- xi. The Allotment Committee of the Board of Directors of the Company passed a resolution on November 26, 2024, to approve allotment of 7,500 Unsecured, Listed, Rated, Redeemable, Subordinated Non-Convertible Debenture ("AFL Tier II Series III NCDs") of face value of ₹ 1,00,000/- each, for cash at par for an aggregate amount up to ₹ 75,00,00,000/- (Rupees Seventy-Five Crores only) on Private Placement Basis.
- xii. The Board of Directors and shareholders of the Company at their meeting held on October 22, 2024, passed a resolution to approve re-designation of Mr. Vimal Bhandari (DIN: 00001318) from his existing role of Executive Vice Chairman and CEO of the Company designated as Whole-Time Director to Non-Executive, Non-Independent Director of the Company with effect from October 23, 2024 till March 31, 2025 or further period of 6 (six) months as may be mutually agreed between the Company and Mr. Vimal Bhandari.
- xiii. The Board of Directors and shareholders of the Company at their meeting held on October 22, 2024, passed a resolution to approve the appointment of Mr. Samrat Gupta (DIN: 07071479) as Managing Director of the Company for a term of 5 (five) years effective from October 23, 2024 and designated him as the Key Managerial Personnel of the Company.
- xiv. The Board of Directors and shareholders of the Company at their meeting held on October 22, 2024, passed a resolution to approve the appointment of Mr. Nasser Mukhtar Munjee (DIN: 00010180) as an Independent Director of the Company for a term of five (5) consecutive years effective from October 23, 2024 till October 22, 2029.
- xv. The Board of Directors of the Company at their meeting held on December 02, 2024, passed a resolution to approve the appointment of Mr. Nasser Mukhtar Munjee (DIN: 00010180) as a Chairman of the Board of the Company effective from December 02, 2024.
- xvi. The Allotment Committee of the Board of Directors of the Company passed a resolution on January 06, 2025, to approve allotment of 5,000 Senior, Secured, Listed, Rated, Taxable, Redeemable, Non-Convertible Debentures ("Series XVIII NCDs") of face value of ₹ 1,00,000/- each, for cash at par for an aggregate amount up to ₹ 50,00,00,000/- (Rupees Fifty Crores only) on Private Placement Basis.
- xvii. The Board of Directors and shareholders of the Company at their meeting held on January 27, 2025, passed a resolution to approve the appointment of Mr. Hoshang Noshirwan Sinor (DIN: 00074905) as an Independent Director of the Company for a term of five (5) consecutive years effective from January 28, 2025 till January 27, 2030.
- xviii. The Board of Directors of the Company at their meeting held on January 27, 2025, noted resignation of Mr. Mahesh Chhabria (DIN: 00166049) as Non-Executive Non-Independent Director of the Company effective from April 01, 2025.
- xix. The Board of Directors of the Company at their meeting held on January 27, 2025, noted end of term of Mr. Vimal Bhandari (DIN: 00001318), as Non-Executive Non-Independent Director of the Company effective from April 01, 2025.
- xx. The Board of Directors of the Company at their meeting held on February 19, 2025, noted resignation of Mr. Amit Kumar Gupta as Chief Financial Officer of the Company effective from February 18, 2025 and approved the appointment of Ms. Ridhi Gangar as Chief Financial Officer of the Company effective from February 19, 2025.
- xxi. The Board of Directors at their meeting held on February 19, 2025 and shareholders of the Company at their meeting held on March 25, 2025, passed a resolution to approve the appointment of Mr. Rahul Narain Bhagat (DIN: 02473708) as an Independent Director of the Company for a term of five (5) consecutive years effective from February 20, 2025 till February 19, 2030.
- xxii. The Allotment Committee of the Board of Directors of the Company passed a resolution on March 17, 2025, to approve allotment of 25,000 Senior, Secured, Rated, Listed, Taxable, Redeemable, Non-Convertible Debentures ("Series XIX NCDs") of face value of ₹ 1,00,000/- each for cash for an aggregate amount of ₹ 250,00,00,000/- (Rupees Two Hundred and Fifty Crores only) on Private Placement Basis.
- xxiii. The Board of Directors of the Company at their meeting held on March 25, 2025, passed a resolution to approve (i) payment of an interim dividend for the financial year 2024-25 at the rate of ₹ 0.11/- (Eleven Paise only) per Equity Share of face value of ₹ 10/- each on 92,87,28,108 fully paid-up Equity Shares, aggregating to ₹ 10,21,60,091.88/- (Rupees Ten Crore Twenty-One Lakh Sixty Thousand Ninety-One and Eighty-Eight Paise Only) to those Beneficial Owners whose names appear in the Register of Members of the Company as on the Record Date i.e., March 25, 2025; and (ii) opening of dividend distribution account with ICICI Bank Limited.
- xxiv. The Board of Directors and shareholders of the Company at their meeting held on March 25, 2025, passed a resolution in supersession of the earlier Board resolution passed by the Board of Directors at their meeting held on April 28, 2023, to approve Increase in limit for selling/assigning/securitisation of the assets including loan book/receivables, book debts and investments from ₹ 990 Crore to ₹ 1100 Crores.
- xxv. The Members of Company at their Annual General Meeting held on 25th June, 2024 passed the following special resolutions:
- 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 (Rupees Two Thousand Crore only);
 - Increase in Borrowing Limit of the Company upto ₹ 10,000 Crore;
 - Approval for mortgage/security creation for borrowings by the Company;
 - Re-appointment of Mr. Vijay Chugh as an Independent Director for the second term of 5 (five) consecutive years;
 - Re-appointment of Mr. Sivanandhan Dhanushkodi as an Independent Director for a second term of 5 (five) consecutive years;
 - Payment of Commission to Non-Executive Directors of the Company for the financial year 2023-24.
- xxvi. The Members of Company at the Extra Ordinary General Meeting of the Company held on October 22, 2024 passed the following resolutions:
- Appointment of Mr. Samrat Gupta (DIN: 07071479) as the Managing Director.
 - Re-designation of Mr. Vimal Bhandari (DIN: 00001318) as a Non-Executive Non-Independent Director;
 - Variation in vesting and exercise of options granted to Mr. Vimal Bhandari; and
 - Appointment of Mr. Nasser Mukhtar Munjee (DIN: 00010180) as an Independent Director and continuation of directorship on attaining age of 75 years.
- xxvii. The Members of Company at the Extra Ordinary General Meeting of the Company held on January 27, 2025 passed the following resolution:

Annexure III

(contd.)

Annexure A

- a) Appointment of Mr. Hoshang Noshirwan Sinor (DIN: 00074905 as an Independent Director for a term of five (5) consecutive year effective from January 28, 2025 till January 27, 2030.

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.

xxviii. The Members of Company at the Extra Ordinary General Meeting of the Company held on March 25, 2025 passed the following resolution:

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

Anil Vasant Mayekar
Partner

Date: 30/04/2025 **FCS - 2071, COP - 2427**
Place: Mumbai **U.D.I.N - F002071G000238560**

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.

- a) Appointment of Mr. Rahul Narain Bhagat (DIN: 02473708) as an Independent Director of the Company for a term of five (5) consecutive years effective from February 20, 2025 till February 19, 2030.
- b) Approval to sell/assign/securitise assets including, present and/or future loan receivables/book, book debts and investments of the Company not exceed ₹ 1,100 Crore (Rupees One Thousand One Hundred Crore only), in one more or tranches.

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.

1. 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.
2. 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.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. 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.
6. 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 - F002071G000238560

Date: 30/04/2025
Place: Mumbai

Annexure IV

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 2024-25 is as follows:

Sr. No.	Name of the Director	Category	Ratio of remuneration of Director to the Median remuneration
1)	Mr. Nasser Mukhtar Munjee	Chairman and Independent Director	Not Applicable
2)	Mr. Samrat Gupta	Managing Director	41.11
3)	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO designated as Whole-Time Director upto October 22, 2024	42.18
		Non-Executive Non-Independent Director w.e.f. October 23, 2024	Not Applicable
4)	Ms. Gauri Kirloskar	Non-Executive Non-Independent Director	0.67
5)	Mr. Mahesh Chhabria	Non-Executive Non-Independent Director	2.78
6)	Mr. Sivanandhan Dhanushkodi	Independent Director	0.67
7)	Mr. Vijay Chugh	Independent Director	0.67
8)	Mr. Harish Engineer	Independent Director	0.67
9)	Mr. Yogesh Kapur	Independent Director	0.67
10)	Mr. Gurumurthy Ramanathan	Independent Director	0.33
11)	Mr. Hoshang Noshirwan Sinor	Independent Director	Not Applicable
12)	Mr. Rahul Narain Bhagat	Independent Director	Not Applicable

Note 1: Remuneration to the Non-Executive Directors includes commission for financial year 2023-24 paid in financial year 2024-25 and does not include Sitting fees.

Note 2: Upon completion of term of 5 years, Mr. Harish Engineer ceased to be an Independent Director of the Company effective from June 14, 2024.

Note 3: On Superannuation, Mr. Vimal Bhandari was re-designated as Non-Executive, Non-Independent Director of the Company with effect from October 23, 2024, till March 31, 2025 or further period of 6 (six) months as may be mutually agreed between the Company and Mr. Vimal Bhandari. Mr. Vimal Bhandari ceased to be Non-Executive Non-Independent Director effective April 1, 2025 consequent to end of term.

Note 4: Mr. Samrat Gupta was appointed as Managing Director of the Company effective from October 23, 2024.

Note 5: Mr. Nasser Mukhtar Munjee was appointed as Non-Executive Independent Director of the Company effective from October 23, 2024 and he has been appointed as a Chairman of the Board effective from December 2, 2024 and hence no commission was paid to him for financial year 2023-24.

Note 6: Mr. Hoshang Noshirwan Sinor was appointed as Non-Executive Independent Director of the Company effective from January 28, 2025 and hence no commission was paid to him for financial year 2023-24.

Note 7: Mr. Rahul Narain Bhagat was appointed as Non-Executive Independent Director of the Company effective from February 20, 2025 and hence no commission was paid to him for financial year 2023-24.

Note 8: Mr. Mahesh Chhabria ceased to be the Director of the Company effective from April 12, 2025 on account of his resignation.

Note 9: Only annual fixed component considered for the purpose of calculating the median.

b. The percentage increase/(decrease) in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2024-25, is as follows:

Sr. No.	Name of the Director	Category	% increase/ (decrease) in the remuneration
1)	Mr. Nasser Mukhtar Munjee	Chairman and Independent Director	Not Applicable
2)	Mr. Samrat Gupta	Managing Director	Not Applicable
3)	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO designated as Whole-Time Director till October 22, 2024	8.25%
		Non-Executive Non-Independent Director w.e.f. October 23, 2024	Not Applicable
4)	Ms. Gauri Kirloskar	Non-Executive Non-Independent Director	20%
5)	Mr. Mahesh Chhabria	Non-Executive Non-Independent Director	0%
6)	Mr. Sivanandhan Dhanushkodi	Independent Director	20%
7)	Mr. Vijay Chugh	Independent Director	20%
8)	Mr. Harish Engineer	Independent Director	Not Applicable
9)	Mr. Yogesh Kapur	Independent Director	20%
10)	Mr. Gurumurthy Ramanathan	Independent Director	Not Applicable
11)	Mr. Hoshang Noshirwan Sinor	Non-Executive Independent Director	Not Applicable
12)	Mr. Rahul Narain Bhagat	Independent Director	Not Applicable
13)	Ms. Ridhi Gangar	Chief Financial Officer w.e.f. February 19, 2025	Not Applicable
14)	Mr. Amit Kumar Gupta	Chief Financial Officer upto February 18, 2025	Not Applicable
15)	Ms. Niki Chirag Mehta	Company Secretary	10.71%

Note 1: Comparison in respect of the Remuneration to the Non-Executive Directors is of the commission for the financial year 2022-23 and 2023-24 and does not include Sitting fees.

Note 2: Upon completion of term of 5 years, Mr. Harish Engineer ceased to be an Independent Director of the Company effective from June 14, 2024.

Note 3: On Superannuation, Mr. Vimal Bhandari was re-designated as Non-Executive, Non-Independent Director of the Company with effect from October 23, 2024, till March 31, 2025 or further period of 6 (six) months as may be mutually agreed between the Company and Mr. Vimal Bhandari. Mr. Vimal Bhandari ceased to be Non-Executive Non-Independent Director effective April 1, 2025 consequent to end of term.

Note 4: Mr. Samrat Gupta was appointed as Managing Director of the Company effective from October 23, 2024.

Note 5: Mr. Nasser Mukhtar Munjee was appointed as Non-Executive Independent Director of the Company effective from October 23, 2024 and he has been appointed as a Chairman of the Board effective December 2, 2024.

Note 6: Mr. Hoshang Noshirwan Sinor was appointed as Independent Director of the Company effective from January 28, 2025.

Note 7: Mr. Rahul Narain Bhagat was appointed as Independent Director of the Company effective from February 20, 2025.

Note 8: Mr. Amit Kumar Gupta, Chief Financial Officer of the Company resigned from his position effective from February 18, 2025.

Note 9: Ms. Ridhi Gangar was appointed as Chief Financial Officer of the Company 'effective from February 19, 2025'.

Note 10: Only annual fixed component considered for the purpose of calculating the increase/decrease.

Annexure IV*(contd.)***c. The percentage increase in the median remuneration of employees in the financial year 2024-25:**

There is no increase /decrease in the median remuneration of employees.

d. Number of permanent employees on rolls of the Company as on March 31, 2025:

The permanent employees on the rolls of Company as on March 31, 2025, were 539.

e. Average percentile increase already made in the salaries of employees other than the managerial personnel in financial year 2024-25 and its comparison with the percentile increase in the managerial remuneration in financial year 2024-25 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 2024-25 (appraisal pertaining to FY 2023-24) was 12%.

The percentage increase in the overall managerial remuneration in FY 2024-25 (appraisal pertaining to Mr. Vimal Bhandari for FY 2023-24) was 8.25%. The remuneration paid to Mr. Samrat Gupta was not considered as Mr. Gupta was appointed as Managing Director 'effective from October 23, 2024'.

f. The key parameters for any variable component of remuneration availed by the directors:

In terms of the remuneration policy of the Company, as amended.

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 Key Managerial Personnels is as per the Remuneration Policy of the Company.

Annexure V**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 Vision Statement
- CSR Programmes/Projects
- Activities not to be considered as CSR activity
- CSR Expenditure
- Governance
- Implementation process
- 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.arkafincap.com/policy-and-codes>.

(2) Composition of CSR Committee as on March 31, 2025:

Sr. No.	Name of Director	Designation / Nature of Directorship	Member of the Committee since	Date of Cessation, if any	Number of meetings of CSR Committee held during the tenure	Number of meetings of CSR Committee attended during the year
1	Mr. Vimal Bhandari	Chairman of the Committee, Executive Vice-Chairman & CEO	July 31, 2019	October 23, 2024	1	1
2	Mr. Samrat Gupta	Chairman of the Committee, Managing Director	October 23, 2024	-	1	1
3	Ms. Gauri Kirloskar	Member, Non-Executive Non-Independent Director	July 31, 2019	-	2	2
4	Mr. Vijay Chugh	Member, Independent Director	July 31, 2019	-	2	2
5	Mr. Yogesh Kapur	Member, Independent Director	October 20, 2022	-	2	2

Annexure V

(contd.)

(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.arkafincap.com/board-of-directors-committees-and-its-composition>

CSR Policy: <https://www.arkafincap.com/policy-and-codes>

CSR Projects: <https://www.arkafincap.com/investor-information#arkalInvestorDisclosuresAnnouncements>

(4) Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable: Not Applicable

- (5) (a) Average net profit of the Company as per section 135(5): ₹ 73,18,00,155/-
 (b) Two percent of average net profit of the Company as per section 135(5): ₹ 1,46,36,003/-
 (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)]: ₹ 1,46,36,033/-

- (6) (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): ₹ 18,50,000/-
 (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 (6a+6b+6c): ₹ 18,50,000/-
 (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
18,50,000	1,27,86,003	28-04-2025	Not Applicable	Not Applicable	Not Applicable

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

Sr. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per section 135(5)	1,46,36,003
(ii)	Total amount spent for the Financial Year	18,50,000
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(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)]	Nil

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

Sr. 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 2024-25: No

If yes, enter the number of capital assets acquired/created – Not Applicable

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year: Not applicable

Sr. No.	Short particulars of the property or asset(s) (including complete address and location of the property)	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
Not Applicable							

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/ Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

(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

Mr. Samrat Gupta
Chairman of the CSR Committee and Managing Director

Annexure VI

CEO and CFO certificate

To,
The Board of Directors
Arka Fincap Limited

CEO and CFO certificate pursuant to Regulation 17(8)/62D(14) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

We, Samrat Gupta, Managing Director and Ridhi Gangar, Chief Financial Officer of the Company confirm the following for the financial year ending March 31, 2025 ("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:
- The statements mentioned therein do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 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 and we have disclosed to the auditors and the Audit Committee, that there were no deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit Committee:
- Significant changes, if any, in internal control over financial reporting during the Financial Year.
 - 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.
 - 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 Company's internal control system over financial reporting.

For Arka Fincap Limited

Samrat Gupta
Managing Director
Date: April 30, 2025
Place: Mumbai

Ridhi Gangar
Chief Financial Officer
Date: April 30, 2025
Place: Mumbai

Annexure VII

Disclosure of Employee Stock Option Plan in terms of Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 for the financial year ended March 31, 2025

Sr. No.	Particulars	ESOP 2019*
1.	options granted [^] during Financial Year 2024-25	None
2.	options vested during Financial Year 2024-25	33,68,000
3.	options exercised during Financial Year 2024-25	None
4.	the total number of shares arising as a result of exercise of option during Financial Year 2024-25	Not Applicable as no stock options were exercised.
5.	options lapsed during Financial Year 2024-25	92,90,000
6.	the exercise price	Exercise Price for each grant is determined by Nomination & Remuneration Committee.
7.	variation of terms of options	None during the Financial Year 2024-25. However, The Board of Directors and shareholders of the Company at their meeting held on April 16, 2025 approved amendments/variations to the terms of ESOP 2019 and restated it as Employee Stock Option Plan 2025.
8.	money realized by exercise of options	Not Applicable as no stock options exercised during the Financial Year 2024-25.
9.	total number of options in force	2,76,05,000

*The Board of Directors and shareholders of the Company at their meeting held on April 16, 2025 approved amendments to ESOP 2019 and restated it as Employee Stock Option Plan 2025.

[^]No stock options were granted during the financial year 2024-25.

Details of stock options granted to Key Managerial Personnel:

No stock options were granted to Key Managerial Personnel during financial year 2024-25.

Details of employees including director(s) who have received a grant of option amounting to 5% or more of options granted during financial year 2024-25: Not Applicable as no stock options granted during the Financial Year 2024-25.

Details of employees including director(s) who were granted options during the financial year 2024-25 equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: None

REPORT ON CORPORATE GOVERNANCE

Annexure I

Corporate governance is about commitment to values and ethical business conduct. It is also about how an organization is managed viz., its corporate and business structure, culture, policies, and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial position of the Company, performance and ownership forms part of the corporate governance.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your 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's 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, your Company is 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 the Company continues to remain a Company of uncompromised integrity, excellence and is driven towards responsible growth.

Your Company has adopted Internal Guidelines on Corporate Governance and the said guideline is available on the Company's website and can be accessed at <https://www.arkafincap.com/policy-and-codes>.

Your Company is in compliance with the requirements stipulated under Regulation 17 to 27 read with

Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable, with regard to corporate governance.

BOARD OF DIRECTORS

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.

Your 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.

To facilitate effective oversight and decision-making, the Board is supported by several Committees, each entrusted with specific responsibilities in accordance with applicable laws. The Committees enhance the functioning of the Board by ensuring the efficient flow of information and enabling a focused and timely resolution of diverse matters.

Your Company's Board of Directors has a fiduciary role to protect and enhance stakeholders' value through strategic supervision. The Board provides direction and exercises appropriate controls over the business and operations of the Company to achieve its objectives. Your Board is a blend of members having diverse skills, experience, knowledge, capabilities, expertise, attributes and educational qualifications, amongst others. The composition of the Board comprises of highly experienced and knowledgeable persons with good reputation and eminence. It has a diverse mix of executive, non-executive and independent directors representing an optimal mix of professionalism, knowledge and experience required for the financial services industry. The corporate governance principles of your Company have been formulated to ensure that the Board of Directors remain informed, independent and participate actively in the affairs of your Company.

Composition of the Board

As of March 31, 2025, the Board of Directors of the Company comprised of 11 (Eleven) Directors including 1 (one) Executive, 3 (three) Non-Executive Non-Independent Directors and 7 (seven) Non-Executive Independent Directors including one woman Director. 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 ("the Act"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), 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 Master Directions"/"RBI Scale Based Directions") and the Articles of Association of the Company ("AOA").

Skills, Expertise 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
- Information Technology and/or Cyber Security
- Policy shaping & industry advocacy
- 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.arkafincap.com/board-of-directors>.

Report on Corporate Governance *(contd.)*

During the period under review, 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 Master Directions is given below:

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	DIN	Number of Board Meetings Held during the tenure	Number of Meetings Attended	No. of Directorships	Number of Committee Memberships & [Chairmanship(s)]	Details of other directorships in listed companies*	Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission% (in lakhs)	No. of shares held in and convertible instruments held in the Company
1.	Mr. Nasser Mukhtar Munjee	October 23, 2024 (Note 1)	Chairman, Non-Executive Independent Director	00010180	4	4	8	5(4)	• The Indian Hotels Company Limited - ID • Tata Motors Finance Limited (Formerly Tata Motors Finance Solutions Limited) - Chairman and ID • DCB Bank Limited - NED-NID • Allied Blenders and Distillers Limited - ID	-	3.00	-	-
2.	Mr. Samrat Gupta	October 23, 2024 (Note 2)	Managing Director	07071479	4	4	2	1(0)	-	159.31	-	-	-
3.	Mr. Vimal Bhandari	April 20, 2018 (Note 3)	Non-Executive Independent Director	00001318	8	7	4	4(3)	• Escorts Kubota Limited - ID • Poly Medicure Limited - ID • KEC International Limited - ID	999.86	2.25	-	-
4.	Mr. Mahesh Ramchand Chhabria	April 20, 2018 (Note 4)	Non-Executive Independent Director	00166049	8	6	5	7(3)	• Kirloskar Ferrrous Industries Limited - NED-NID • ZF Commercial Vehicle Control Systems India Limited - ID • Shoppers Stop Limited - ID	10.30	25.00	1@	-
5.	Ms. Gauri Atul Kirloskar	June 14, 2019	Non-Executive Independent Director	03366274	8	7	11	3(0)	• Kirloskar Oil Engines Limited - MD	-	6.75	6.00	-

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	DIN	Number of Board Meetings Held during the tenure	Number of Meetings Attended	No. of Directorships	Number of Committee Memberships & [Chairmanship(s)]	Details of other directorships in listed companies*	Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission% (in lakhs)	No. of shares held in and convertible instruments held in the Company
6.	Mr. Sivanandhan Dhanushkodi	April 24, 2019 (Note 5)	Non-Executive Independent Director	03607203	8	5	8	5(0)	• Forbes Precision Tools & Machine Parts Limited - ID • Kirloskar Industries Limited - ID	-	8.35	6.00	-
7.	Mr. Vijay Chugh	April 24, 2019 (Note 6)	Non-Executive Independent Director	07112794	8	8	3	2(0)	-	-	10.70	6.00	-
8.	Mr. Yogesh Kapur	October 20, 2022	Non-Executive Independent Director	00070038	8	8	11	10(5)	• Greenlam Industries Limited - ID • Kirloskar Oil Engines Limited - ID • Rico Auto Industries Limited - ID • ASK Automotive Limited - ID • Relaxo Footwears Limited - ID • Polyplex Corporation Limited - ID • Simplex Infrastructures Limited - ND • Cosmo First Limited - ID	-	10.95	6.00	-
9.	Mr. Gurumurthy Ramanathan	October 25, 2023	Non-Executive Independent Director	10366010	8	8	4	2(1)	-	-	12.70	3.00	-
10.	Mr. Hoshang Noshirwan Sinor	January 28, 2025 (Note 7)	Non-Executive Independent Director	00074905	2	2	3	1(1)	• Cosmo First Limited - ID	-	1.50	-	-
11.	Mr. Rahul Narain Bhagat	February 20, 2025 (Note 8)	Non-Executive Independent Director	02473708	1	1	7	4(0)	• Thomas Cook (India) Limited - ID	-	1.00	-	-

Report on Corporate Governance

(contd.)

Sr. No.	Name of the Director	Director Since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	DIN	Number of Board Meetings Held during the tenure	No. of Directorships ¹	Number of Committee Memberships ² & Chairmanship(s)	Details of other directorships in listed companies ³	Remuneration			No. of shares held in and convertible instruments held in the Company
									Salary and other compensation (in lakhs)	Sitting Fee# (in lakhs)	Commission% (in lakhs)	
12.	Mr. Harish Engineer	June 14, 2019 (Note 9)	Non- Executive Independent Director	01843009	-	-	-	-	1.95	6.00	-	-

¹Includes 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, Mr. Mahesh Chhabria holds 1 (one) equity share as "Registered Owner" and the "Beneficial Owner" is Arka Financial Holdings Private Limited. The Securities and Allotment Committee on April 6, 2025, inter alia, approved transfer of 1 equity share from Mr. Mahesh Chhabria to Mr. Atit Shah. The transfer has not yet been completed and upon transfer, the 1 equity share will be held by Mr. Atit Shah as "Registered Owner" and the Arka Financial Holdings Private Limited would continue to be the "Beneficial Owner".
³Sitting Fees paid for attending the meeting of Board of Directors, Committees in which a director is a member and separate meeting of Independent Directors, & Memberships(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).
⁴Entities whose equity shares are listed on a recognised stock exchange(s).
⁵Commission amount paid in FY 2024-25 pertaining to FY 2023-24.

Notes-

- The Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company at their meeting held on October 22, 2024 appointed Mr. Nasser Mukhtar Munjee as a Non-Executive Independent Director of the Company for a term of 5 years with effect from October 23, 2024 and the appointment was approved by the shareholders of the Company at their Extraordinary General Meeting held on October 22, 2024. Further the Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company at their meeting held on December 02, 2024 appointed Mr. Nasser Mukhtar Munjee as Chairman of the Board with effect from December 02, 2024.
- The Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company, at their meeting held on October 22, 2024 appointed Mr. Samrat Gupta as Managing Director with effect from October 23, 2024 for a term of 5(five) years, liable to retire by rotation and the appointment was approved by the shareholders of the Company at their Extraordinary General Meeting held on October 22, 2024.
- On account of superannuation, the Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company at their meeting held on October 22, 2024 re-designated Mr. Vimal Bhandari as Non-Executive Non-Independent Director with effect from October 23, 2024 till March 31, 2025 or a further period of 6 months as may be mutually agreed between the Company and Mr. Vimal Bhandari. Re-designation of Mr. Vimal Bhandari was also further approved by the shareholders of the Company at their Extraordinary General Meeting held on October 22, 2024. However, Mr. Vimal Bhandari vide his email communication dated January 24, 2025 expressed his desire to not to seek re-appointment upon the end of his term on March 31, 2025 and accordingly his term ended effective April 1, 2025.
- Mr. Mahesh Chhabria resigned from his position as Non-Executive Non-Independent Director of the Company effective from April 01, 2025, to pursue entrepreneurial journey.
- The first term of 5 years was upto 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. The re-appointment of Mr. Sivanandhan Dhanushkodi as an Independent Director was approved by the shareholders of the Company at the Annual General Meeting held on June 25, 2024.
- The first term of 5 years was upto 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. The re-appointment of Mr. Vijay Chugh as an Independent Director was approved by the shareholders of the Company at the Annual General Meeting held on June 25, 2024.
- The Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company at their meeting held on January 27, 2025 appointed Mr. Hoshang Noshirwan Sinor as a Non- Executive Independent Director of the Company for a term of 5 years with effective from January 28, 2025 till January 27, 2030 and the appointment was approved by the shareholders of the Company at their Extraordinary General Meeting held on January 27, 2025.
- The Board of Directors, on recommendation of the Nomination & Remuneration Committee of the Company at their meeting held on February 19, 2025 appointed Mr. Rahul Narain Bhagat as

Report on Corporate Governance (contd.)

an Non-Executive Independent Director of the Company for a term of 5 years with effective from February 20, 2025 till February 19, 2030 and the appointment was approved by the shareholders of the Company at their Extraordinary General Meeting held on March 25, 2025.

9. Ceased to be a Director on the Board of the Company effective June 14, 2024 consequent to end of a term of 5 years as an Independent Director.

[ID: Independent Director; NED-NID: Non-Executive Non-Independent Director; MD: Managing Director; ND: Nominee Director]

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

Change in the composition of the Board during FY 2024-25 (Current 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. Sivanandhan Dhanushkodi	Non-Executive Independent Director	Re-appointment	April 24, 2024
2.	Mr. Vijay Chugh	Non-Executive Independent Director	Re-appointment	April 24, 2024
3.	Mr. Harish Hansubhai Engineer	Non -Executive Independent Director	Cessation due to end of Term	June 14, 2024
4.	Mr. Vimal Bhandari	Executive Director (Executive Vice-Chairman & CEO designated as Whole-Time Director)	Re-Designation (On superannuation re-designated as Non-Executive Director)	October 23, 2024
5.	Mr. Samrat Gupta	Managing Director	Appointment	October 23, 2024
6.	Mr. Nasser Mukhtar Munjee	Non-Executive Independent Director	Appointment	October 23, 2024
7.	Mr. Nasser Mukhtar Munjee	Chairman	Appointment	December 02, 2024
8.	Mr. Hoshang Noshirwan Sinor	Non-Executive Independent Director	Appointment	January 28, 2025
9.	Mr. Rahul Narain Bhagat	Non-Executive Independent Director	Appointment	February 20, 2025
10.	Mr. Vimal Bhandari	Non-Executive Non-Independent Director	Cessation due to end of term	April 1, 2025
11.	Mr. Mahesh Chhabria	Non-Executive Non-Independent Director	Resignation	April 1, 2025

Change in the composition of the Board during FY 2023-24 (Previous 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. Vimal Bhandari	Executive Director (Executive Vice-Chairman & CEO designated as Whole-Time Director)	Re-appointment	November 1, 2023
2.	Mr. Gurumurthy Ramanathan	Non-Executive Independent Director	Appointment	October 25, 2023

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 your Company. Pursuant to Schedule V(C) of SEBI Listing Regulations, 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 accountancy, treasury management, strategic planning, leadership, 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. Sivanandhan Dhanushkodi	Public service, risk management, security advisor.
6.	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.
7.	Mr. Gurumurthy Ramanathan	Finance, banking, risk management, corporate governance & assurance, regulatory oversight, compliance, operations, industry and company sector experience, technology.
8.	Mr. Samrat Gupta	Entrepreneur / Leadership, Financial Expertise, Accounts & Taxation, Strategy and Planning, Business & Operations, Corporate re-structuring, Investment Research & Analysis, Governance & Compliance, NBFC Industry Experience, Information Technology, Human Capital Management.
9.	Mr. Nasser Mukhtar Munjee	Entrepreneur / Leadership, Financial Expertise, Strategy and Planning, Governance & Compliance, Risk Management, NBFC/Bank Industry Experience, Information Technology, Human Capital Management.
10.	Mr. Hoshang Noshirwan Sinor	Entrepreneur / Leadership, Business acumen and experience, Strategic thinking and planning, Financial and risk management, people management and leadership, corporate governance, compliance, legal and regulatory.
11.	Mr. Rahul Narain Bhagat	Financial knowledge, Entrepreneur / Leadership, Global business Leadership, Business Strategy and Development Board Service and Governance, Strategic thinking and planning.

Report on Corporate Governance (contd.)

BOARD MEETINGS AND BOARD PROCEDURES

The dates of each of the Board meetings to be held in a financial year is circulated in advance to enable the Directors to plan their schedule and ensure highest participation at Board Meetings. Directors are given an option of attending Board 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 well in advance. With a view to leverage technology and to contribute to environment conservation, your Company has adopted an electronic Board Meeting application where the agenda and all supporting documents are hosted online. The Board is provided with all the information in order to discharge its duties and to take well informed decisions.

The Senior Management personnel, Business Heads and other executives are invited to Board Meetings as and when required, to provide insights and updates on operational and strategic matters. The Board meets at least once in every quarter to review the quarterly results and other key matters. Additional meetings are convened to address specific needs and business requirements of your Company. In case of business

The Permanent Invitee to the various Committees are as mentioned below:

Sr. No.	Committee Name	Name of Permanent Invitees
1.	Audit Committee	Mr. Rahul Kirloskar
2.	Nomination & Remuneration Committee	Mr. Rahul Kirloskar and Mr. Samrat Gupta
3.	Risk Management Committee	Mr. Rahul Kirloskar/Chief Credit & Enterprise Risk Officer/Chief Risk Officer
4.	Stakeholders' Relationship and Customer Service/ Consumer Protection Committee.	Mr. Rahul Kirloskar and Internal Ombudsman
5.	Corporate Social Responsibility Committee	Mr. Rahul Kirloskar
6.	IT Strategy Committee	Mr. Rahul Kirloskar, Mr. Pravir Vohra, Chief Technology Officer, Chief Business Officer – SME & MSME Lending, Chief Information Security Officer
7.	IT Steering Committee	Chief Information Security Officer
8.	Asset Liability Committee	Mr. Rahul Kirloskar
9.	Credit Committee	Mr. Rahul Kirloskar
10.	Securities Allotment Committee	Mr. Rahul Kirloskar

All the Permanent Invitees participates in the meeting in accordance with the Act, Secretarial Standards on Meeting of the Board of Directors and other applicable laws however, they are not entitled to vote in respect of any item at the meeting(s) and are not considered for counting quorum for the meeting(s).

exigencies, the Board's approvals are obtained through circular resolutions, which are placed before the Board in the subsequent meeting for noting. The quorum of the Board meeting is maintained in accordance with the statutory requirement.

The Company Secretary attends all the meetings of the Board and its committees and is, inter alia, responsible for recording the minutes of such meetings. The draft minutes of the meetings of the Board and its committees are sent to the Board/committee members for their comments in accordance with the Secretarial Standard on meetings of the Board of Directors (the "SS-1"), issued by the Institute of Company Secretaries of India. Suggestions, if any, received from the Board/committee members are suitably incorporated in the draft minutes, in consultation with the Chairman of the Board/committee.

Permanent Invitee to the 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.

SENIOR MANAGEMENT:

The details of Senior Management Personnel ("SMPs") as per SEBI Listing Regulations as on March 31, 2025 are as follows:

Sr. No.	Name of SMPs	Designation
1.	Mr. Samrat Gupta	Managing Director
2.	Ms. Ridhi Gangar	Chief Financial Officer
3.	Mr. Sonit Singh	Chief Business Officer – Real Estate, Asset Management & Advisory
4.	Mr. Navin Saini	Chief Business Officer – SME & MSME Lending
5.	Mr. Suman Saurav	Chief Technology Officer
6.	Mr. Sachin Agarwal	Chief Credit & Enterprise Risk Officer
7.	Mr. Atit Shah	Chief Risk Officer
8.	Mr. Shantanu Dorlikar	Head – Legal
9.	Ms. Rashmi Warange	Head – Human Capital Management
10.	Ms. Niki Chirag Mehta	Company Secretary
11.	Mr. Jitendra Chaturvedi	Chief Compliance Officer

The following appointments were made/resignations were tendered during the year:

Sr. No.	Name of SMPs	Designation	Nature of change	Effective date
1.	Ms. Priyal Shah	Chief Compliance Officer	Cessation	June 9, 2024
2.	Mr. Nachiket Naik	Head – Corporate Lending	Cessation	September 27, 2024
3.	Mr. Vimal Bhandari	Executive Vice-Chairman & CEO	Cessation	October 23, 2024
4.	Mr. Samrat Gupta	Managing Director	Appointment	October 23, 2024
5.	Mr. Mridul Sharma	Group Chief Operating Officer	Cessation	November 19, 2024
6.	Mr. Amit Kumar Gupta	Chief Financial Officer	Cessation	February 18, 2025
7.	Ms. Ridhi Gangar	Chief Financial Officer	Appointment	February 19, 2025
8.	Mr. Manish Nagarsekar	Deputy Chief Operating Officer	Cessation	February 27, 2025

Board Meetings

During the year under review, 8 (Eight) meetings of the Board of Directors of the Company were held on April 30, 2024, July 23, 2024, July 30, 2024, October 22, 2024, December 02, 2024, January 27, 2025, February 19, 2025, and March 25, 2025. 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 the Meetings of the Board of Directors.

Report on Corporate Governance

(contd.)

Attendance of Directors at Board Meetings and Annual General Meeting (“AGM”) of the Company held during financial year ended March 31, 2025 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 25, 2024
Mr. Nasser Mukhtar Munjee	4/4	NA
Mr. Samrat Gupta	4/4	NA
Mr. Vimal Bhandari	7/8	Yes
Mr. Mahesh Chhabria	6/8	Yes
Ms. Gauri Kirloskar	7/8	No
Mr. Sivanandhan Dhanushkodi	5/8	Yes
Mr. Vijay Chugh	8/8	No
Mr. Harish Engineer	1/1	NA
Mr. Yogesh Kapur	8/8	Yes
Mr. Gurumurthy Ramanathan	8/8	Yes
Mr. Hoshang Noshirwan Sinor	2/2	NA
Mr. Rahul Narain Bhagat	1/1	NA

INDEPENDENT DIRECTORS

As on March 31, 2025, the Board of your Company comprised of 7 (seven) Independent Directors. All the Independent Directors have affirmed compliance with the criteria of independence as stipulated in the Act and SEBI Listing Regulations 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 2024-25. Mr. Harish Engineer, Independent Director, ceased to be the Director of the Company effective June 14, 2024 consequent to end of his term.

Independent Directors Meeting

In terms of the provisions of the Act and SEBI Listing Regulations, a separate meeting of the Independent Directors of the Company was held on March 20, 2025 without the attendance of the Non-Independent Directors and members of the management of the Company.

At their meeting, the Independent Directors evaluated and assessed the performance of the Non-Executive Non-Independent Directors, the Executive Directors 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 your 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 Listing Regulations, RBI Master 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 brief terms of reference for each Committees are aligned with their functional scope and are available in detail in the Company’s Internal Guidelines on Corporate Governance available at <https://www.arkafincap.com/policy-and-codes>.

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. The Chairperson of each Committee regularly briefs the Board on key discussions, recommendations and decisions taken in the respective meetings. The quorum for all Board Committees is as required under the Act and SEBI Listing Regulations.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is constituted in terms of Section 177 of the Act, Regulation 18 of SEBI Listing Regulations and RBI Scale Based Directions.

The Company Secretary of the Company acts as Secretary to the Committee. The Statutory Auditors and the Internal Auditors of the Company submit their report(s) to the Audit Committee.

During the year under review, 6 (Six) Meetings of the Audit Committee of the Company were held on April 30, 2024, July 23, 2024, October 22, 2024, January 27, 2025, February 19, 2025, and March 25, 2025. Due to business exigencies/urgencies, approvals have been obtained of the Audit Committee by way of resolution(s) passed through circulation in accordance with the Act and Secretarial Standards on Meetings of the Board of Directors. The gap between two audit committee meetings did not exceed 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	Date of Cessation, if any	Category	No. of Meetings held during the tenure	Meetings attended
1.	Mr. Yogesh Kapur	October 20, 2022	-	Chairman	6	6
2.	Mr. Mahesh Chhabria	April 24, 2019	April 1, 2025	Member	6	4
3.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	-	Member	6	3
4.	Mr. Vijay Chugh	April 24, 2019	-	Member	6	6
5.	Mr. Gurumurthy Ramanathan	January 23, 2024	-	Member	6	6
6.	Mr. Harish Engineer	April 24, 2019	June 14, 2024	Member	1	1
7.	Ms. Gauri Kirloskar	April 1, 2025	-	Member	NA	NA
8.	Mr. Hoshang Sinor	April 1, 2025	-	Member	NA	NA

All the Members of the Committee are financially literate and possess relevant knowledge of the financial services industry.

During the year under review, the Audit Committee was reconstituted as mentioned below:

- Consequent to the end of term of Mr. Harish Engineer as an Independent Director, he ceased to be the Member of the Committee effective June 14, 2024.

- Board of Directors at its meeting held on January 27, 2025 reconstituted Audit Committee by inducting Mr. Hoshang Sinor and Ms. Gauri Kirloskar as Members of the Committee in place of Mr. Mahesh Chhabria and the said re-constitution is effective April 1, 2025.

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

Report on Corporate Governance (contd.)

The terms of reference of the Audit Committee of the Company would be as prescribed under Section 177 and other applicable provisions of the Act read with rules prescribed thereunder, Regulation 18 of SEBI Listing Regulations read with Part C of Schedule II to SEBI Listing Regulations and RBI Master Directions which, inter-alia, includes the following:

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| <ul style="list-style-type: none"> i. To oversee the financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient, and credible. ii. To recommend appointment, remuneration and terms of appointment of Auditors of the Company. iii. To approve payment to statutory auditors for any other services rendered by the statutory auditors. 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, with particular reference to: <ul style="list-style-type: none"> a. Matters to be included in Directors' Responsibility statement to be included in the Board's Report in terms of Section 13(3)(c) of the Act. b. Changes, if any, in the accounting policies and practices and reasons for the same. c. Major accounting entries involving estimates based on the exercise of judgment by management. d. Significant adjustments made in the financial statements arising out of audit findings. e. Compliance with listing and other legal requirements relating to financial statements. f. Disclosure of any related party transactions. g. Modified opinion(s) in the draft audit report. 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. | <ul style="list-style-type: none"> vii. To monitor and assess the statutory auditor's conflict of interest position in terms of relevant regulatory provisions, standards and best practices. viii. Approval or any subsequent modification to transactions of the Company with its related parties. ix. Granting of omnibus approval for transactions proposed to be entered with the related parties in accordance with Section 177 of the Companies Act, 2013 read with the rules framed thereunder and Regulation 23(3) of SEBI Listing Regulations. x. Scrutiny of inter-corporate loans/deposits and investments. xi. Valuation of undertakings or assets of the Company, wherever it is necessary. xii. Evaluation of internal financial controls and risk management systems. xiii. To review with the management performance of statutory and internal auditors, adequacy of the internal control systems. xiv. 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. xv. Discussion with internal auditors of any significant findings and follow up there on. xvi. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board of Directors. xvii. Discussion with statutory auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. xviii. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors. | <ul style="list-style-type: none"> xix. To review the functioning of whistle blower mechanism. xx. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate. xxi. To review the utilization of loans and/or advances from / investment by the holding company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances. xxii. To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders. xxiii. To review management discussion and analysis of financial condition and results of operation. xxiv. To review management letters/letters of internal control weaknesses issued by the statutory auditors. xxv. To review internal audit reports relating to internal control weaknesses. xxvi. To review the appointment, removal and terms of remuneration of the chief internal auditor. xxvii. To ensure that any concerns raised by the external auditors are addressed by the management and to bring any unaddressed concerns to the notice of the management. | <ul style="list-style-type: none"> xxviii. To review with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the board to take up steps in this matter; xxix. 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. xxx. To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations. <p>The Audit Committee shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.</p> <p>The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.</p> |
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Report on Corporate Governance (contd.)

NOMINATION AND REMUNERATION COMMITTEE (NRC)

NRC of the Board of Directors of the Company is constituted in terms of Section 178 of the Act, Regulation 19 of SEBI Listing Regulations and RBI Master Directions.

During the year under review, 5 (Five) meetings of the NRC were held on April 30, 2024, June 25, 2024, October 21, 2024, January 27, 2025 and February 19, 2025. 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	Date of Cessation, if any	Category	No. of Meetings held during the tenure	Meetings attended
1.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	-	Chairman	5	5
2.	Mr. Yogesh Kapur	July 30, 2024	-	Member	3	3
3.	Mr. Mahesh Chhabria	April 24, 2019	April 1, 2025	Member	5	5
4.	Mr. Harish Engineer	July 31, 2019	June 14, 2024	Member	1	1
5.	Ms. Gauri Kirloskar	April 1, 2025	-	Member	NA	NA
6.	Mr. Nasser Munjee	April 1, 2025	-	Member	NA	NA

During the year under review, the Nomination & Remuneration Committee was reconstituted as mentioned below:

- Consequent to the end of term of Mr. Harish Engineer as an Independent Director, he ceased to be the Member of the Committee effective June 14, 2024.
- The Board of Directors in its meeting held on July 30, 2024 inducted Mr. Yogesh Kapur as a Member of the Committee, effective immediately.
- The Board of Directors in its meeting held on January 27, 2025 reconstituted Nomination & Remuneration Committee by inducting Mr. Nasser Munjee and Ms. Gauri Kirloskar as Members of the Committee in place of Mr. Mahesh Chhabria and the said re-constitution is effective April 1, 2025.

The terms of reference of the Nomination and Remuneration Committee of the Company would be as provided in Section 178 of the Act read with rules prescribed thereunder and Regulation 19 of SEBI Listing Regulations read with Para A of Part C of Schedule II to SEBI Listing Regulations and RBI Scale Based Directions which, inter-alia, includes:

- 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.
- For the purpose of identifying suitable candidates, the Committee may:
- a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.
- 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.
 - xi. To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

Report on Corporate Governance

(contd.)

RISK MANAGEMENT COMMITTEE (RMC)

RMC is constituted in accordance with the provisions of Regulation 21 of SEBI Listing Regulations and RBI Scale Based Directions.

During the year under review, 5 (Five) meetings of the RMC were held on April 30, 2024, July 23, 2024, November 29, 2024, January 24, 2025, and March 25, 2025. 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	Date of Cessation, if any	Category	No. of Meetings held during the tenure	Meetings attended
1.	Mr. Vijay Chugh	April 24, 2019	-	Chairman	5	5
2.	Mr. Mahesh Chhabria	April 24, 2019	April 1, 2025	Member	5	3
3.	Mr. Sivanandhan Dhanushkodi	April 24, 2019	-	Member	5	3
4.	Mr. Samrat Gupta	October 23, 2024	-	Member	3	3
5.	Mr. Gurumurthy Ramanathan	January 23, 2024	-	Member	5	5
6.	Mr. Harish Engineer	July 31, 2019	June 14, 2024	Member	1	1
7.	Mr. Vimal Bhandari	October 20, 2022	October 23, 2024	Member	2	2
8.	Mr. Hoshang Sinor	April 1, 2025	-	Member	NA	NA

During the year under review, the Risk Management Committee was reconstituted as mentioned below:

- Consequent to the end of term of Mr. Harish Engineer as an Independent Director, Mr. Engineer ceased to be the Member of the Committee effective June 14, 2024.
- Consequent to the re-designation of Mr. Vimal Bhandari as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director, the Board of Directors at its meeting held on October 22, 2024 inducted Mr. Samrat Gupta as a Member of the Committee in place of Mr. Vimal Bhandari.
- The Board of Directors at its meeting held on January 27, 2025 reconstituted the Risk Management Committee by inducting Mr. Hoshang Sinor as Member of the Committee in place of Mr. Mahesh Chhabria and the said re-constitution is effective April 1, 2025.

Meetings with Chief Risk Officer - During the year under review, in line with the requirements of RBI Scale Based Directions, the Committee had separate meetings every quarter with Chief Risk Officer of the Company without the presence of the Managing Director.

The terms of reference of the Risk Management Committee of the Company would be as provided in Regulation 21 of SEBI Listing Regulations read with Para C of Part D of Schedule II to SEBI Listing Regulations and RBI Scale Based Directions which, inter-alia, includes the following:

- To evaluate the overall risks faced by the Company including liquidity risks and cyber security risk.
- 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.
- 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 manage these risks, and to decide the Company's appetite or tolerance for risk.
- To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risk is undertaken at least once in a year.
- 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.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy/plan including evaluating the adequacy of risk management systems.
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

The Risk Management Committee to coordinate its activities with other committees, in instance where there is overlap with activities of such committees.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

Report on Corporate Governance

(contd.)

STAKEHOLDERS RELATIONSHIP AND CUSTOMER SERVICE/CONSUMER PROTECTION COMMITTEE

The Stakeholders Relationship and Customer Service/Consumer Protection Committee was constituted pursuant to Regulation 20 of SEBI Listing Regulations, the Act and Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023.

During the year under review, 3 (Three) meetings of the Stakeholders Relationship and Customer Service/Consumer Protection Committee of the Company was held on April 30, 2024, November 29, 2024, and January 24, 2025.

Composition of the Stakeholders Relationship and Customer Service/Consumer Protection 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	Date of Cessation, if any	Category	No. of Meetings held during the tenure	Meetings attended
1.	Mr. Gurumurthy Ramanathan	October 20, 2022	-	Chairman	3	3
2.	Mr. Mahesh Chhabria	October 20, 2022	April 1, 2025	Member	3	2
3.	Mr. Samrat Gupta	October 23, 2024	-	Member	2	2
4.	Mr. Vimal Bhandari	October 20, 2022	October 23, 2024	Member	1	1
5.	Ms. Gauri Kirloskar	April 1, 2025	-	Member	NA	NA

During the period under review, following changes to the charter of the Stakeholders Relationship and Customer Service/Consumer Protection Committee were approved by the Board of Directors:

- Effective July 30, 2024, pursuant to Master Direction of Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023, the Committee was renamed as Stakeholders Relationship and Customer Service/Consumer Protection Committee and Mr. Pradeep Kumar Mishra, Internal Ombudsman was appointed as a permanent invitee to the Stakeholders Relationship and Customer Service/Consumer Protection Committee to attend the meeting at the time of discussion of matters pertaining to customer service/consumer protection and/or matters pursuant to Master Direction of Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023.
- Consequent to the re-designation of Mr. Vimal Bhandari as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director, the Board of Directors at its meeting held on October 22, 2024 inducted Mr. Samrat Gupta as a Member of the Committee in place of Mr. Vimal Bhandari, effective October 23, 2024.
- The Board of Directors at its meeting held on January 27, 2025 reconstituted the Committee by inducting Ms. Gauri Kirloskar as a Member of the Committee in place of Mr. Mahesh Chhabria and the said re-constitution is effective April 1, 2025.

The terms of reference of the Stakeholders Relationship and Customer Service/Consumer Protection Committee of the Company would be in terms of applicable provisions of the Act, SEBI Listing Regulations and Master Direction of Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023 which, inter-alia, includes:

- To look into various aspects of interest of shareholders, debenture holders and other security holders.
- 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.
- Review of measures taken for effective exercise of voting rights by shareholders/debenture holders.
- Resolving grievances of debenture holders related to creation of charge, payment of interest/principal, maintenance of security cover and any other covenants.
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Transfer Agent.
- 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.
- To approve the request for dematerialization/rematerialisation.
- To approve issuance of issue of duplicate/split/consolidated security certificates.
- To approve matters relating to the unclaimed dividend/interest/redemption amount including transfer to IEPF in compliance with applicable laws.
- Reviewing and analysing the reports furnished by the Internal Ombudsman (IO) on customer complaints.
- To review and approve a Standard Operating Procedure for Customer Grievance Redressal Mechanism.
- To perform such other acts as may be required pursuant to Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023.
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

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, 2 (Two) meetings of the CSR Committee were held on July 30, 2024 and March 25, 2025.

Report on Corporate Governance (contd.)

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	Date of Cessation, if any	Category	No. of Meetings held during the tenure	Meetings attended
1.	Mr. Vimal Bhandari	July 31, 2019	October 23, 2024	Chairman upto October 22, 2024	1	1
2.	Mr. Samrat Gupta	October 23, 2024	-	Chairman w.e.f. October 23, 2024	1	1
3.	Ms. Gauri Kirloskar	July 31, 2019	-	Member	2	2
4.	Mr. Vijay Chugh	July 31, 2019	-	Member	2	2
5.	Mr. Yogesh Kapur	October 20, 2022	-	Member	2	2

Consequent to the re-designation of Mr. Vimal Bhandari as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director, the Board of Directors at its meeting held on October 22, 2024 inducted Mr. Samrat Gupta as a Chairman of the Committee in place of Mr. Vimal Bhandari, effective October 23, 2024.

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 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.
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

ASSET LIABILITY COMMITTEE (ALCO)

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

During the year under review, 4 (Four) meetings of the ALCO were held April 30, 2024, July 30 2024, November 29, 2024 and January 24, 2025. 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	Date of Cessation, if any	Category	No. of Meetings held during the tenure	Meetings attended
1.	Mr. Samrat Gupta	October 23, 2024	-	Chairman w.e.f. October 23, 2024	2	2
2.	Ms. Gauri Kirloskar	September 1, 2022	-	Member	4	4
3.	Ms. Ridhi Gangar	March 25, 2025	-	Member	NA	NA
4.	Mr. Anand Bang	April 10, 2025	-	Member	NA	NA
5.	Mr. Amit Kumar Gupta	December 02, 2024	March 25, 2025	Member	1	1
6.	Mr. Navin Saini	December 02, 2024	April 10, 2025	Member	1	1
7.	Mr. Atit Shah	December 02, 2024	-	Member	1	1
8.	Mr. Vimal Bhandari	July 31, 2019	October 23, 2024	Chairman upto October 22, 2024	2	2
9.	Mr. Mahesh Chhabria	July 31, 2019	December 2, 2024	Member	3	3
10.	Mr. Yogesh Kapur	January 20, 2023	December 2, 2024	Member	3	3
11.	Mr. Harish Engineer	July 31, 2019	June 14, 2024	Member	1	1
12.	Mr. Gurumurthy Ramanathan	January 23, 2024	December 2, 2024	Member	3	3

During the period under review, ALCO was re-constituted as mentioned below:

- Consequent to the end of term of Mr. Harish Engineer as an Independent Director, Mr. Engineer ceased to be the Member of the Committee effective June 14, 2024.

Report on Corporate Governance (contd.)

- Consequent to the re-designation of Mr. Vimal Bhandari as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director, the Board of Directors at its meeting held on October 22, 2024 inducted Mr. Samrat Gupta as a Chairman of the Committee in place of Mr. Vimal Bhandari, effective October 23, 2024.
- The Board of Directors at its meeting held on December 02, 2024 reconstituted the Committee by inducting Mr. Amit Kumar Gupta, Mr. Navin Saini and Mr. Atit Shah as Member of the Committee in place of Mr. Mahesh Chhabria, Mr. Yogesh Kapur and Mr. Gurumurthy Ramanathan and the said re-constitution was effective December 02, 2024.
- The Board at its meeting held on March 25, 2025 reconstituted the Committee by inducting Ms. Ridhi Gangar as Member of the Committee in place of Mr. Amit Kumar Gupta and the said re-constitution was effective March 25, 2025.
- Post the year under, the Board of Directors at its meeting held on April 10, 2025 inducted Mr. Anand Bang as Member of the Committee in place of Mr. Navin Saini, effective immediately.

The terms of reference of ALCO is in terms of the RBI Scale Based 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 program for the Company.
- x. Buy back / redeem / repurchase of the NCDs in case of put option and reissue of same to the new investors.
- xi. To review, approve, monitor the availing of financial assistance/credit facility in the nature of Pass-Through Certificates (PTC) transaction(s) and also approve/review matters related/incidental in connection with PTC transactions.

- xii. To do all such acts, deeds and things as may be required to be undertaken in accordance with the applicable law, rules and regulations applicable to the Company.
- xiii. To do all such acts, deeds, things and matters as may be delegated, from time to time, by the Board of Directors of the Company.
- xiv. To delegate to the officials such powers of the Committee as may be deemed fit by the Committee.

CREDIT COMMITTEE

As on the date of this report the Credit Committee comprises of the following members:

Sr. No	Name of Members	Member of the Committee since	Category
1.	Mr. Samrat Gupta	October 23, 2024	Member
2.	Ms. Gauri Kirloskar	February 10, 2022	Member
3.	Mr. Anand Bang	April 10, 2025	Member

Mr. Sujit Varma has been appointed as an Independent Advisor to the Credit Committee with effect from February 1, 2025 to provide his insights on each of the deals to be presented before the Credit Committee.

Consequent to the re-designation of Mr. Vimal Bhandari as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director, the Board of Directors at its meeting held on October 22, 2024 inducted Mr. Samrat Gupta as a Member of the Committee in place of Mr. Vimal Bhandari, effective October 23, 2024.

Post the period under review, the Board at its meeting held on April 10, 2025 re-constituted the Credit Committee by appointing Mr. Anand Bang as the Member of the Committee.

The terms of reference of the Credit Committee includes:

- i. Oversight/Review/Approve of the credit and lending strategies of the Company.
- ii. 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.
- iii. Reviewing the quality and performance of the credit portfolio.
- iv. Approving of lending criteria.
- v. Approving new financial products, if any.
- vi. Review and monitoring of portfolio mix.
- vii. Scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal.
- viii. To approve partnerships in connection with the lending business of the Company.
- ix. Approving any changes/variations in the loan amount, tenor, interest rates and security structure.
- x. To delegate the powers so conferred upon the Credit Committee as it may deem fit.
- xi. Perform such other allied functions as may be required from time to time.

Report on Corporate Governance (contd.)

- xii. To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

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 dated November 7, 2023 issued by Reserve Bank of India ("RBI IT Directions").

During the year under review, 4 (Four) meetings of the IT Strategy Committee were held on June 25, 2024, September 26, 2024, December 20, 2024, and March 25, 2025.

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	Date of Cessation, if any	Category	No. of Meetings held during tenure of membership	Meetings attended
1.	Mr. Gurumurthy Ramanathan	January 23, 2024	-	Chairman	4	4
2.	Mr. Sivanandhan Dhanushkodi	November 20, 2019	-	Member	4	4
3.	Mr. Vimal Bhandari	November 20, 2019	October 23, 2024	Member	2	2
4.	Mr. Samrat Gupta	October 23, 2024	-	Member	2	2
5.	Mr. Mahesh Chhabria	November 20, 2019	April 1, 2025	Member	4	3
6.	Mr. Nasser Munjee	April 1, 2025	-	Member	NA	NA

During the period under review, the IT Strategy Committee was reconstituted as mentioned below:

- Consequent to the re-designation of Mr. Vimal Bhandari as Non-Executive Non-Independent Director and appointment of Mr. Samrat Gupta as Managing Director, the Board at its meeting held on October 22, 2024 inducted Mr. Samrat Gupta as a Member of the Committee in place of Mr. Vimal Bhandari, effective October 23, 2024.
- The Board at its meeting held on January 27, 2025 reconstituted the Committee by inducting Mr. Nasser Munjee as Member of the Committee in place of Mr. Mahesh Chhabria and the said re-constitution was effective April 1, 2025.

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:

- i. The role and responsibility of the committee would be same as prescribed by Reserve Bank of India.

- ii. Reviewing and recommending to the Board, management's strategies relating to technology and their alignment with the strategy and objectives of the Company.
- iii. Reviewing and monitoring Management's strategies for developing or implementing new technologies and systems.
- iv. 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
- v. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.
- vi. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
- vii. Ensuring IT investments represent a balance of risks and benefits and those budgets are acceptable.
- viii. 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.
- ix. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.
- x. To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

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 dated November 7, 2023 issued by Reserve Bank of India ("RBI IT Directions").

As on March 31, 2025, the composition of the IT Steering Committee, comprised of the following members:

- i. Ms. Ridhi Gangar
- ii. Mr. Sonit Singh
- iii. Mr. Navin Saini
- iv. Mr. Suman Saurav

Re-constitution of the Committee:

The Board of Directors at their meeting held on December 02, 2024, re-constituted the IT Steering Committee of the Company and inducted Mr. Amit Kumar Gupta as member of the Committee in place of Mr. Mridul Sharma, Mr. Nachiket Naik and Mr. Manish Nagarsekar.

The Board of Directors at their meeting held on March 25, 2025, re-constituted the IT Steering Committee of the Company and inducted Ms. Ridhi Gangar as member of the Committee in place of Mr. Amit Kumar Gupta.

Post the year under review, the Board of Directors at its meeting held on April 10, 2025 re-constituted the Committee by inducting Mr. Anand Bang, Mr. Atit Shah and Mr. Neeloy Majumder as Members of the Committee in place of Mr. Sonit Singh, Mr. Navin Saini and Mr. Suman Saurav.

Report on Corporate Governance (contd.)

The terms of reference of the IT Steering Committee are 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.
- Assist the IT Strategy Committee in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs.
- Oversee the processes put in place for business continuity and disaster recovery.
- Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance.
- Update IT Strategy Committee and CEO periodically on the activities of IT Steering Committee. and
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

SECURITIES ALLOTMENT COMMITTEE

The Board of Directors has constituted a Securities Allotment Committee and the composition of the Committee as on March 31, 2025 comprised of the following:

Sr. No	Name of Members	Member of the Committee since	Category
1.	Mr. Mahesh Chhabria ^	January 21, 2019 – March 31, 2025	Member
2.	Mr. Vimal Bhandari*	January 21, 2019 – October 22, 2024	Member
3.	Mr. Samrat Gupta*	October 23, 2024	Member
4.	Mr. Sivanandhan Dhanushkodi	February 10, 2022	Member
5.	Ms. Gauri Kirloskar	February 10, 2022	Member
6.	Mr. Nasser Munjee	April 1, 2025	Member

*Mr. Vimal Bhandari ceased to be the Member and Mr. Samrat Gupta appointed as the member of the Committee, effective October 23, 2024.

^Mr. Mahesh Chhabria ceased to be the Member and Mr. Nasser Munjee appointed as the Member of the Committee effective April 1, 2025.

No meetings were held during the year under review and the approval of the Committee was obtained by means of resolution 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 and NCDs.
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

BANKING COMMITTEE

The Board of Directors has constituted a Banking Committee and the composition of the Committee as on March 31, 2025 comprised of the following:

Sr. No	Name of Members	Member of the Committee since	Category
1.	Mr. Vimal Bhandari	April 24, 2019 – October 22, 2024	Member
2.	Mr. Mridul Sharma	April 24, 2019 – November 18, 2024	Member
3.	Mr. Amit Kumar Gupta	April 24, 2019 – March 24, 2025	Member
4.	Mr. Samrat Gupta	October 23, 2024	Member
5.	Ms. Ridhi Gangar	March 25, 2025	Member
6.	Mr. Girish Kulkarni	December 02, 2024	Member
7.	Ms. Niki Mehta	March 25, 2025	Member

Note-

- The Board of Directors at their meeting held on October 22, 2024, re-constituted the Banking Committee of the Company and inducted Mr Samrat Gupta as member of the Committee in place of Mr. Vimal Bhandari.
- Consequent to the resignation, Mr. Mridul Sharma ceased to be associated with the Company with effect from November 19, 2024.
- The Board of Directors at their meeting held on December 02, 2024, re-constituted the Banking Committee of the Company and inducted Mr. Girish Kulkarni as a member of the Committee.
- The Board of Directors at their meeting held on March 25, 2025, re-constituted the Banking Committee of the Company and inducted Ms. Ridhi Zaveri Gangar and Ms. Niki Mehta as member of the Committee in place of Mr. Amit Kumar Gupta.
- The Board of Directors at its meeting held on April 10, 2025 inducted Mr. Anand Bang as the Member of the Committee.

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:

- 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 CSDL/Gilt accounts of the Company.
- 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 CSDL/Gilt accounts of the Company.

- Approving matters related to availing Cash Management Services from banks.
- Approving matters related to procurement of corporate credit card(s).
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

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 during the year under review.

Report on Corporate Governance

(contd.)

DETAILS OF REMUNERATION TO DIRECTORS

Compensation and Clawback Policy

In terms of the provisions of the Act read with the rules framed thereunder, RBI Scale Based Directions and SEBI Listing Regulations, 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.arkafincap.com/policy-and-codes>.

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 Meeting (in ₹ Per meeting)	Audit Committee Meeting (in ₹ Per meeting)	Other Committees/ Independent Director's Meeting (in ₹ Per meeting)
Sitting Fees to Non-Executive Directors	75,000	45,000	25,000

The sitting fees paid to Non-Executive Directors for attending the meeting(s) of the Board/Committees/Independent Director's held during Financial Year 2024-25 is as given below:

Sr. No	Name of the Director	Sitting Fees (in Rupees)	Commission (in Rupees)#
1.	Mr. Vimal Bhandari%	2,25,000	NA
2.	Mr. Mahesh Chhabria	10,30,000	25,00,000
3.	Ms. Gauri Kirloskar	6,75,000	6,00,000
4.	Mr. Sivanandhan Dhanushkodi	8,35,000	6,00,000
5.	Mr. Vijay Chugh	10,70,000	6,00,000
6.	Mr. Harish Engineer^	1,95,000	6,00,000
7.	Mr. Yogesh Kapur	10,95,000	6,00,000
8.	Mr. Gurumurthy Ramanathan	12,70,000	3,00,000
9.	Mr. Nasser Mukhtar Munjee*	3,00,000	NA
10.	Mr. Hoshang Noshirwan Sinor*	1,50,000	NA
11.	Mr. Rahul Narain Bhagat*	75,000	NA

%Mr. Vimal Bhandari was re-designated as Non-Executive Non- Independent Director effective October 23, 2024 till March 31, 2025 or further period of 6 months as may be mutually agreed between the Company and Mr. Vimal Bhandari. Mr. Vimal Bhandari ceased to be the Director of the Company with effect from April 1, 2025 pursuant to end of term.

#Commission pertains to financial year 2023-24 and paid in financial year 2024-25.

*Appointed during the year, no commission paid for the financial year 2023-24.

^Mr. Harish Engineer ceased to be the Director effective June 14, 2024 on account of end of a term.

The Non-Executive Directors receive remuneration by way of sitting fees for attending the Board/Committees/ Independent Director's Meetings thereof, as decided by the Board from time to time subject to the limits specified under the Act and SEBI Listing Regulations. 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 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 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, Mr. Vimal Bhandari was re-designated as Non-Executive Non-Independent Director with effect from October 23, 2024 till March 31, 2025 or a further period of 6 months as may be mutually agreed between the Company and Mr. Vimal Bhandari.

On recommendation of the Nomination & Remuneration Committee, the Board of Directors and shareholders of your Company appointed Mr. Samrat Gupta as Managing Director for a term of 5 years effective from October 23, 2024.

For the remuneration paid to Mr. Samrat Gupta, Managing Director during financial year 2024 - 25, refer the table giving details of the composition of the Board of Directors and forming part of this Corporate Governance Report.

The Company pays remuneration to the Managing Director by way of fixed remuneration, variable/ bonus, perquisites, gratuity and other allowances. An Agreement have been separately entered into with the Managing Director setting out the terms and conditions of appointment including the notice period. As on March 31, 2025, Mr. Samrat Gupta does not hold any 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.

POLICIES, GUIDELINES AND CODES

In terms of the applicable provisions of the Act read with the rules framed thereunder, SEBI Listing

Regulations, RBI Scale Based Directions, various other laws applicable to the Company, as a part of good corporate governance and to ensure strong internal controls, the Company had adopted several codes/ policies/guidelines. As a part of good corporate governance practices, all the policies/codes/ guidelines are reviewed by the Board/Committees once in a financial year. Details of few policies/codes/ guidelines adopted by the Board as given below:

Fair Practices Code

In terms of the RBI Master 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.arkafincap.com/policy-and-codes>.

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

Report on Corporate Governance (contd.)

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.

Interest Rate Policy

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

Interest 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.arkafincap.com/policy-and-codes>.

Asset Liability Management (“ALM”) Policy

In terms of the RBI Master Directions, the Board of Directors of your Company has amended and 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 Master Directions, the Board of Directors of your Company has approved and adopted Liquidity Risk Management Framework. The Framework is approved and 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 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 Scale Based Directions and SEBI Listing Regulations, 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.arkafincap.com/policy-and-codes>.

Whistle Blower Policy / Vigil Mechanism

In terms of requirements of SEBI Listing Regulations 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 employees 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.arkafincap.com/policy-and-codes>.

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

Corporate Social Responsibility (“CSR”) Policy

In terms of the provisions of the Act read with the Companies (Corporate Social Responsibility) Rules, 2014, the Board of Directors of your Company has 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 fulfilment 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.arkafincap.com/policy-and-codes>.

Related Party Transactions Policy

In term of the provisions of SEBI Listing Regulations, the Act and RBI Scale Based Directions, the Board of Directors of your Company has adopted a ‘Related Party Transactions Policy’ inter alia to ensure proper approval and reporting of transactions between the Company and its related parties. The Related Party Transactions 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 Transactions Policy is available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>.

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 Scale Based 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”.

Code of Conduct for Directors & Employees

In terms of the SEBI Listing Regulations and as an initiative towards setting out a good corporate governance structure within the organization, the Board of Directors of your Company adopted a ‘Code of Conduct for Directors and Employees’ (“Code”) which is applicable to all the Directors, including Non-Executive and Independent Directors to the extent of their role and responsibilities in the Company and employees of 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

Report on Corporate Governance (contd.)

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. Samrat Gupta, Managing Director of the Company, is annexed to this Corporate Governance Report.

Archival Policy

In terms of the SEBI Listing Regulations, the Board of Directors of your Company has adopted an 'Archival Policy' in order to prescribe the period for which events / information disclosed to the stock exchanges under Regulation 51 of SEBI Listing Regulations shall be hosted on the website of the Company. The Archival Policy is available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>.

Policy on Board Diversity

In terms of SEBI Listing Regulations, 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 "Internal Guidelines on Corporate Governance" in compliance with the RBI Scale Based Directions, covering the set of guidelines/corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large etc. The Internal Guidelines on Corporate Governance is available on the website of the Company at <https://www.arkafincap.com/policy-and-codes>.

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.arkafincap.com/policy-and-codes>.

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 database 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.

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.

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 have adopted Succession Planning Policy that aligns talent management with the said objective and endeavours to mitigate the critical risks such as vacancy, readiness and transition risk.

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 Schedule IV to the Act, Regulation 25(4) of SEBI Listing Regulations, 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.
- The Board Performance Evaluation Questionnaire was uploaded on the 'Dess Digital – Board Meetings Management Solution' ("Dess Portal").
- The Director accessed the questionnaire mapped to them through the Dess Portal using their individual login credentials and completed the evaluation by submitting the filled in questionnaire.
- Filled in questionnaire received from the directors along with the summary for evaluation of the Board, as a whole and Committees of the Board

was accessible to the 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-Independent Directors of the Company
 - c. Performance of the Managing Director

The Independent Directors evaluated the performance of the Non-Independent Directors, Board, as a collective entity and Managing Director 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, fulfilment of the prescribed Independence criteria and independence from the Management.

Report on Corporate Governance

(contd.)

GENERAL BODY MEETINGS

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

Financial year	Date	Time	Special Resolutions passed	Venue
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 Limits 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 Limits 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
2023-2024	Tuesday, June 25, 2024	03.00 p.m.	i. Issue of Non-Convertible Debentures on private placement basis. ii. Increase in Borrowing Limits of the Company. iii. Mortgage or Security creation for borrowings of the Company. iv. Re-appointment of Mr. Vijay Chugh as an Independent Director for a second term of 5 (five) consecutive years. v. Re-appointment of Mr. Sivanandhan Dhanushkodi as an Independent Director for a second term of 5 (five) consecutive years. vi. Payment of Commission to Non-Executive Directors of the Company for the financial year 2023-24.	Held through Video Conferencing / Other Audio-Visual Means

(ii) Details of the Extraordinary General Meetings ("EGM") held during FY 2024-2025 and upto the date of this Report:

Financial year	Date	Special Resolutions passed	Venue
Tuesday, October 22, 2024	05.15 p.m.	1. Appointment of Mr. Samrat Gupta (DIN: 07071479) as the Managing Director for a term of 5(five) years effective October 23, 2024. 2. Re-Designation of Mr. Vimal Bhandari (DIN: 00001318) as Non-Executive Non-Independent Director. 3. Variation in vesting and exercise of options granted to Mr. Vimal Bhandari. 4. Appointment of Mr. Nasser Mukhtar Munjee (DIN: 00010180) as an Independent Director for a term of 5(five) consecutive years effective October 23, 2024 and Continuation of directorship on attaining age of 75 Years.	Registered Office of the Company at 2504, 2505, 2506, 25 th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Lower Parel, Mumbai- 400013
Monday, January 27, 2025	04.15 p.m.	1. Appointment of Mr. Hoshang Noshirwan Sinor (DIN: 00074905) as an Independent Director for a term of 5(five) consecutive years effective January 28, 2025 and Continuation of directorship on having attained age exceeding 75 Years on the date of appointment.	Registered Office of the Company at 2504, 2505, 2506, 25 th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Lower Parel, Mumbai- 400013
Tuesday, March 25, 2025	11.55 a.m.	1. Appointment of Mr. Rahul Narain Bhagat (DIN: 02473708) as an Independent Director for a term of 5(five) consecutive years effective February 20, 2025. 2. Approval for selling/assigning/securitisation of the assets including loan receivables/book, book debts and investments of the Company for an amount not exceeding ₹ 1,100 crore during any financial year.	Registered Office of the Company at 2504, 2505, 2506, 25 th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Lower Parel, Mumbai- 400013
Wednesday, April 16, 2025	05.35 p.m.	1. Amendment to Employee Stock Option Plan 2019 and to be amended and restated as Employee Stock Option Plan 2025. 2. Approval of extending the restated Employee Stock Option Plan 2025 to eligible employees of subsidiary/holding company(ies) of the Company.	Registered Office of the Company at 2504, 2505, 2506, 25 th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Lower Parel, Mumbai- 400013

(iii) Whether any special resolution passed last year through postal ballot – details of voting pattern – During the year under review, no resolutions were passed through postal ballot.

(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.

Report on Corporate Governance

(contd.)

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, read with the rules framed thereunder.

MEANS OF COMMUNICATION

The Company maintains a dedicated "Investors" section on its official website to facilitate easy access to information for shareholders/stakeholders. The "Investor Information" section on the Company's website <https://www.arkafincap.com/> 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.

The quarterly, half-yearly and annual financial results are submitted to BSE Limited. These Financial results are also published in widely circulated newspapers - "Financial Express" and "Mumbai Lakshadeep" to ensure wider public dissemination.

In compliance with Regulation 51 of SEBI Listing Regulations, your Company timely intimates the required information on the listing portal of BSE Limited.

GENERAL INFORMATION FOR SHAREHOLDERS AND DEBENTURE HOLDERS

A. Corporate Information:

Arka Fincap Limited was incorporated as a public limited company on April 20, 2018 under the provisions of the Companies Act, 2013. The Company is registered with the Reserve Bank of India (RBI) and is carrying on the business of Non-Banking Financial Company (NBFC), not accepting public deposit. The Company is registered with the Registrar of Companies, Maharashtra, Mumbai. The key corporate details of your Company are as follows:

1. Corporate Identification Number	U65993MH2018PLC308329
2. RBI Registration No.	N-13.02282
3. Financial Year	March 31
4. No. of Branches	34 as on March 31, 2025
5. Registered Office	2504,2505,2506, 25th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Lower Parel, Mumbai - 400013
6. Company Secretary	Ms. Niki Chirag Mehta Email: arkasecretarialandcompliance@arkafincap.com Tel.: 022 40471000

B. Debenture Trustees:

Catalyst Trusteeship Limited
CIN: U74999PN1997PLC110262
Address: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411 038
Tel: 022- 49220505 Fax: 022-49220555
Email: ComplianceCTL-Mumbai@ctltrustee.com
Website: <https://catalysttrustee.com/>

C. Annual General Meeting for FY 2024-25:

- Date, Time & Venue: As specified in the notice convening AGM
- Financial Year: April 1, 2024 to March 31, 2025

c. Dividend Payment Date:

Sr. No.	Financial year	Interim/ Final	Rate of Dividend (%)	Date of declaration	Date of payment	Amount of dividend (₹ in Cr.)	Dividend payout ratio (%)
1	2024-25	Interim	1.10	March 25, 2025	March 28, 2025	10.22	16.42

D. Listing on Stock Exchange and Listing Fees:

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

The Annual Listing Fees have been paid to BSE Limited.

In case the securities are suspended from trading, the directors report shall explain the reason thereof:
Not Applicable

E. Registrar to issue of NCDs:

MUFG Intime India Private Limited (Formerly Link Intime India Private Limited)

C- 101, Embassy 247, L.B.S. Marg, Vikhroli, (West),
Mumbai - 400 083, Maharashtra, India
Tel: +91 (22) 4918600
Fax: +91 (22) 49186060
Email: ganesh.jadhav@in.mpms.mufg.com
Website: <https://in.mpms.mufg.com/>

F. Share transfer system:

In terms of the provisions of the Act, the equity shares of the Company can be transferred only in dematerialised form.

G. Distribution of shareholding:

Shareholding Pattern as on March 31, 2025

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	
2.	Mr. Sonit Singh#	1	10	
3.	Mr. Mridul Sharma#	1	10	
4.	Mr. Mahesh Chhabria#	1	10	99.998
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.

Report on Corporate Governance

(contd.)

H. 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. Since, the equity shares are not listed they are not traded on any stock exchange(s).

I. 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.

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

K. 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.

L. Address for correspondence:

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

M. 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:

As on March 31, 2025 and as on the date of this Report, the Credit Ratings assigned to the Company are as summarised below:

Particulars / Rating Agencies	Rating
LONG-TERM PROGRAMME	
Non-Convertible Debentures	
CRISIL Limited	CRISIL AA/Stable
Acuite Rating	ACUITE AA/Stable
Market Linked Debentures	
CRISIL Limited	CRISIL PPMLD AA/ Stable
Bank Borrowings	
CRISIL LIMITED	CRISIL AA/Stable
SHORT TERM PROGRAMME	
Commercial paper	
CRISIL Limited	CRISIL A1+
India Ratings	IND A1+
PASS-THROUGH CERTIFICATES	
India Ratings	IND AAA(SO)/ Stable

All the above ratings indicate instruments with very strong/high degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

During the year under review, CRISIL Ratings Limited on 19th July 2024, revised its rating outlook for the bank facilities and long-term debt instruments of the Company to 'Stable' from 'Positive' while upgrading its rating to "CRISIL AA/CRISIL PPMLD AA".

During the year under review, Acuite Ratings & Research Limited had assigned ACUITE AA/Stable to the long-term debt instruments on August 21, 2024. Additionally, India Ratings and Research Private Limited had on October 14, 2024, assigned IND AAA(SO)/Stable to the PTC instruments.

N. 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 may have potential conflict with the interest of the Company at large. For details of transactions with related parties, please refer to the Audited Financial Statements for the financial year ended March 31, 2025.

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; except during the year under review, BSE Limited, under Regulation 50(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 imposed a fine of ₹ 5,900/- (inclusive of GST) to the Company. The said fine was paid by the Company to BSE Limited.

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 Listing Regulations, the Board of Directors of the Company have adopted Whistle Blower Policy/Vigil Mechanism. No person has been denied access to the Audit Committee.

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 Listing Regulations 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 Listing Regulations. In terms of second proviso to Regulation 15(1A) of SEBI Listing Regulations, the provisions of Regulation 16 to Regulation 27 of SEBI Listing Regulations are applicable to high value debt listed entities on a "comply or explain" basis until March 31, 2025 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 review compliance reports pertaining to all laws applicable to the Company on an annual basis.

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

Compliance with discretionary requirements:

(a) The Board

The Chairman is entitled to reimbursement of expenses incurred while discharging his duties.

(b) Modified Opinion(s) in the Audit Report

During the year under review, there were no audit qualification in the Company's financial statements.

(c) Separation of Roles - Chairman and Managing Director or the Chief Executive Officer

The role of the Chairman and the Managing Director are distinct and separate, in line with best governance practices.

Mr. Nasser Munjee, Independent Director, is the Chairman of the Board and Mr. Samrat Gupta is the Managing Director.

(d) Risk Management

Your Company has constituted the Risk Management Committee in compliance with Regulation 21 of SEBI Listing Regulations.

Report on Corporate Governance (contd.)

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 Transactions Policy which is disclosed on its website at <https://www.arkafincap.com/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 Director on the Board of the Company by the Board/Ministry of Corporate Affairs or any such statutory authority. The same is annexed to this Corporate Governance Report as **Annexure B**.

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 2024-25, 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:

Singhi & Co., Chartered Accountants, (ICAI Firm Registration No. 302049Ed), were appointed as the

Statutory Auditors of the Company to hold office for a period of three years i.e., for FY 2024-25 to FY 2026-27. The particulars of payment of fees to Statutory Auditors for FY 2024-25 is given below:

Particulars	Amount
Audit Fees (including limited review reports)	24,00,000/-
Certification and other services	4,00,000/-
Total	28,00,000/-

The above payments exclude out-of pocket, travelling expenses and Goods and Service tax.

Further no fees were paid to any entity in the network firm/network entity of which the Singhi & Co., Chartered Accountants 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	Nil	Nil

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, 2025.

n. Non-compliance of any requirement of corporate governance report of sub-paras of 2 to 10 of Schedule V to SEBI Listing Regulations, 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. These Code is

available on the Company's website at <https://www.arkafincap.com/policy-and-codes>. 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 the Managing Director 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:

Your Company is categorised as a High Value Debt Listed Entity in terms of SEBI Listing Regulations. In line with applicable regulation of SEBI Listing

Regulations, your Company files quarterly corporate governance report with BSE Limited.

A certificate from Mayekar & Associates, Practicing 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

r. Disclosure of certain types of agreements binding listed entities:

The Company being a High Value Debt Listed Entity Schedule III is not applicable to your Company.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**Annexure A**

To,
The Members
Arka Fincap Limited,
(CIN: U65993MH2018PLC308329)
2504, 2505, 2506, 25th Floor,
One Lodha Place, Lodha World Towers,
Senapati Bapat Marg, Lower Parel,
Delisle Road, 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, 2025, 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, 2025, 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
Date: 30/04/2025
Place: Mumbai

U.D.I.N - F002071G000238703

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)

Annexure B

To,
The Members
Arka Fincap Limited
(CIN: U65993MH2018PLC308329)
2504, 2505, 2506, 25th Floor,
One Lodha Place, Lodha World Towers,
Senapati Bapat Marg, Lower Parel,
Delisle Road, 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, 2025, 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. Yogesh Kapur	00070038	20/10/2022
7.	Mr. Gurumurthy Ramanathan	10366010	25/10/2023
8.	Mr. Nasser Mukhtar Munjee	00010180	23/10/2024
9.	Mr. Samrat Gupta	07071479	23/10/2024
10.	Mr. Hoshang Noshirwan Sinor	00074905	28/01/2025
11.	Mr. Rahul Narain Bhagat	02473708	20/02/2025

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

Anil Vasant Mayekar
Partner
FCS - 2071, COP - 2427
Date: 30/04/2025
Place: Mumbai

U.D.I.N - F002071G000238771

Annexure C

Declaration by Managing Director of The Company Under Paragraph D of Schedule V of SEBI Listing Regulations

I, Samrat Gupta, Managing Director 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, 2025.

April 30, 2025
Mumbai

Samrat Gupta
Managing Director

Independent Auditor's Report

To the Members of [Arka Fincap Limited](#)

Report on the audit of the Financial Statements

Opinion

- We have audited the accompanying Ind AS Financial Statements ("Financial Statements") of Arka Fincap Limited (hereinafter referred as "the Company"), which comprise the Balance sheet as at March 31, 2025, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.
- 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, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2025, 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 of the Financial Statements in accordance with the Standards on Auditing ("SAs"), as specified under section 143(10) of the Act. Our responsibilities under those SAs 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 ("ICAI") together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act, and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the Financial Statements.

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 financial year ended March 31, 2025. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
1.	Information Technology (IT) systems & controls The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems, such that there exists a risk that gaps in the IT general control environment could result in a misstatement of the financial accounting and reporting	Our Audit Approach: With the assistance of our IT specialists, we obtained an understanding of the Company's IT applications, databases and operating systems relevant to financial reporting and the control environment.

Independent Auditor's Report

(contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	records. Accordingly, we have considered user access management, segregation of duties and controls over system change over key financial accounting and reporting systems, as a key audit matter.	<p>Our audit approach was a combination of test of internal controls and substantive procedures on the areas of the IT infrastructure, which majorly focused access security (including controls over privileged access), program change controls, database management and network operations.</p> <p>In particular, our activity included the following:</p> <p>General IT controls design, observation and operation:</p> <ul style="list-style-type: none"> » Understood the changes made in the IT environment during the year and ascertained its effect on the financial statements controls and accounts. » Tested key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. <p>User access controls operation:</p> <ul style="list-style-type: none"> » Obtained management's evaluation of the access rights granted to applications relevant to financial accounting and reporting systems and tested resolution of a sample of expectations. » Further, we assessed the operating effectiveness of controls over granting, removal and appropriateness of access rights. <p>Application controls:</p> <ul style="list-style-type: none"> » We tested the design and operating effectiveness of automated controls critical to financial accounting and reporting. » For any identified deficiencies, tested the design and operating effectiveness of compensating controls and, where necessary, extended the scope of our substantive audit procedures. » Our tests also included testing of the compensating controls or alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the Financial Statements.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
2.	<p>Accuracy of recognition, measurement, presentation and disclosures of Impairment of Loans and Advances (Expected Credit Loss)</p> <p>Ind AS 109: Financial Instruments ("Ind AS 109") requires the Company to provide for impairment of its Loan & Advances and Investments ("Financial Instruments") using the Expected Credit Losses ("ECL") approach. ECL involves an estimation of probability-weighted loss on Financial Instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances and Investments.</p> <p>In the process, a significant degree of judgement has been applied by the management for:</p> <ol style="list-style-type: none"> a) Defining qualitative/ quantitative thresholds for 'significant increase in credit risk' ("SICR") and 'default' categorically for corporate portfolio, wherein Company's credit risk function also segregates loans with specific risk characteristics based on trigger events identified using sufficient and credible information available from internal sources supplemented by external data. Impairment allowance for these exposures are reviewed and accounted on a case by case basis. b) Determining effect of less frequent past events on future probability of default. c) Grouping of borrowers based on homogeneity by using appropriate statistical techniques. d) Determining macro-economic factors impacting credit quality of receivables. e) Data inputs - The application of ECL model requires inputs from several data sources. 	<p>Our Audit Approach:</p> <p>Our audit approach was a combination of test of internal controls and substantive procedures which included the following:</p> <ul style="list-style-type: none"> » Evaluating the Company's accounting policies, as approved by the Board of Directors, for impairment of Financial Instruments and assessing compliance with the policies in terms of Ind AS 109: Financial Instruments. » Obtained an understanding of the modelling techniques / models adopted by the Company including the key inputs and assumptions including overlays, if any. » Evaluated the reasonableness of the management estimates by analysing the underlying assumptions and testing of controls around data extraction / validation. » Assessed the criteria for staging of loans based on their past-due status to check compliance with the requirement of Ind-AS 109. Tested samples of Stage 1 loans, to assess whether any SICR or loss indicators were present requiring them to be classified under Stage 2 or Stage 3. » Evaluated the appropriateness of the Company's determination of Significant Increase in Credit Risk ("SICR") in accordance with the applicable accounting standard and the basis for classification of various exposures into various stages. » Performed test of details over calculation of ECL, in relation to the completeness and accuracy of the data. » Obtained written representations from management on whether they believe significant assumptions used in calculation of expected credit losses are reasonable. » Discussed with the management, the approach, interpretation, systems and controls implemented in relation to probability of default and stage-wise bifurcation of product-wise portfolios for timely ascertainment of stress and early warning signals. » Read and assessed the disclosures included in the Ind AS financial statements in respect of expected credit losses with the requirements of Ind AS 107 Financial Instruments: Disclosure ("Ind AS 107"), Ind AS 109 and related RBI circulars.

Independent Auditor's Report (contd.)

Information Other than the Financial Statements and Auditor's Report thereon

5. The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Directors Report but does not include the Financial Statements and our auditor's report thereon. These reports are expected to be made available to us after the date of our auditor's report. Our opinion on the Ind AS Financial Statements does not cover the other information and we will not express any form of assurance thereon. In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated. When we read the other information included in the above reports, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and determine the actions under the applicable laws and regulations.

Management's Responsibility for the Financial Statements

6. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

9. 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.
10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - 10.1. 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.

10.2. 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 in place and the operating effectiveness of such controls.

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

10.4. Conclude on the appropriateness of the 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.

10.5. 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.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

11. 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.

12. 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.
13. 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 for the financial year ended March 31, 2025 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

14. 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 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
15. As required by Section 143(3) of the Act, we report that:
 - 15.1. 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.
 - 15.2. 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, except for the matters stated in the paragraph 16.6 below on reporting under Rule 11(g).

Independent Auditor's Report (contd.)

- 15.3. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
- 15.4. In our opinion, the aforesaid Financial Statements comply with the Ind AS specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
- 15.5. On the basis of the written representations received from the directors as on March 31, 2025 taken on record by the Board of Directors in the meeting dated April 15, 2025, none of the directors is disqualified as on March 31, 2025 from being appointed as a director in terms of Section 164(2) of the Act.
- 15.6. The modifications relating to the maintenance of the accounts and other matters connected therewith are as stated in the paragraph 15.2 above on the reporting under Section 143(3) (b) of the Act and paragraph 16.6 below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014
- 15.7. With respect to the adequacy of the internal financial controls with reference to these Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B"**.
- 15.8. In our opinion, the managerial remuneration for the year ended March 31, 2025 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act.
16. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us, we report as under:
- 16.1. The Company has disclosed the impact of pending litigations as at March 31, 2025 on its financial position in its Financial Statements – Refer Note 5.06 to the Financial Statements;
- 16.2. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- 16.3. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- 16.4.
- (a) The management has represented to us that, to the best of its knowledge and belief, 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 to 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 that, to the best of its knowledge and belief, 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; and
- (c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- 16.5. The Board of Directors of the Company have not proposed any dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting, further, the Company has declared and paid an interim dividend during the year which is in compliance with Section 123 of the Act.
- 16.6. Based on our examination, which included test checks, the Company has used various accounting software(s) for maintaining its books of account which has a feature of recording audit trail (edit log) facility and has been operated throughout the year for all relevant transactions recorded in the respective software(s), except that:
- a) audit trail feature is not enabled at the database level throughout the year in respect of three accounting applications(s);
- Hence, we are unable to comment upon whether the required provisions of the Act regarding audit trail for these software(s) have been complied with in all aspects. Further, except for the accounting software(s) referred in above paras, where the audit trail feature is not enabled, during the course of our examination, in respect of the other accounting software(s) being used by the Company, we did not come across any instance of audit trail feature being tampered with or audit trail retention not being maintained.

For **Singhi & Co.**
Chartered Accountants
Firm Registration Number: 302049E

Shweta Singhal
Partner
Membership No: 414420

Place: Mumbai
Date: April 30, 2025
UDIN: 25414420BMLEJT2561

Annexure - A to the Independent Auditor's Report

Annexure A referred to in paragraph 14 of the Independent Auditors Report of even date to the members of Arka Fincap Limited ("the Company") in the Financial Statements as of and for the year ended March 31, 2025 under the heading "Report on other Legal and Regulatory requirements".

i. In respect of the Company's Property, Plant & Equipment and Intangible Assets:

(a) (A) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant & Equipment and relevant details of Right-of-use assets.

(B) The Company has maintained proper records showing full particulars including quantitative details and situation of Intangible Assets.

(b) As per the information and explanation given to us and as verified by us, the Property, Plant and Equipment and Right-of-Use Assets have been physically verified by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable having regard to the size of the operations of the Company and on the basis of explanations received, no material discrepancies were noticed during the verification.

(c) 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), held by the Company and accordingly, the requirement to report on clause 3(i)(c) of the Order is not applicable to the Company.

(d) The Company has not revalued any of its Property, Plant and Equipment (including Right of Use assets) or intangible assets during the year.

(e) According to the information and explanations given to us, no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

ii. (a) The Company is primarily engaged in lending business. Accordingly, it does not hold any inventories. Thus, paragraph 3(ii)(a) of the Order is not applicable to the Company.

(b) The Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets. Based on the information and explanations provided to us, and on the audit procedures performed, we have not come across any discrepancies between the information submitted in the quarterly returns/statements filed by the Company (up to the date of signing the financial statements and not considering provisional submissions) with such banks or financial institutions, and the books of account and other relevant information provided by the Company.

iii. (a) The Company is primarily engaged in lending activities and hence reporting under paragraph 3(iii)(a) of the order is not applicable to the Company.

(b) Considering that the Company is a Non - Banking Financial Company, the investments made, security given and the terms and conditions of the grant of all loans and advances in the nature of loans are not prima facie prejudicial to the Company's interest. According to information and explanations provided to us, the Company has not provided any guarantees during the year.

(c) The Company, being a NBFC, is registered under provisions of the Reserve Bank of India Act, 1934 and rules made thereunder, in pursuance of its compliance with provisions of the said Act, particularly, the Income Recognition, Asset Classification and Provisioning Norms and generally accepted business practices by the lending institutions, repayments schedules are stipulated basis the nature of the loan products. Having regard to the voluminous nature of loan transactions, it is not practicable to furnish entity-wise details of the amount, due date for repayment or receipt and extent of delay in this report (as suggested in the Guidance Note on CARO 2020, issued by the ICAI for reporting under this clause), in respect of loans and advances which were not repaid/ paid when they were due or were repaid/ paid with a delay, in the normal course of lending business

(d) In respect of loans granted and advances in the nature of loans, provided by the Company, the total amount overdue for more than ninety days as on March 31, 2025 is as under:

No. of cases	Principal amount overdue (₹ in lakhs)	Interest overdue# (₹ in lakhs)	Total overdue# (₹ in lakhs)	Remarks (if any)
735	3,881.83	269.86	4,151.69	According to the information and explanation given to us, reasonable steps have been taken by the Company for recovery of principal amount and interest.

#The amounts include IndAS adjustments

(e) The Company is engaged primarily in lending activities and hence reporting under paragraph 3(iii)(e) of the order is not applicable to the Company.

(f) Basis the information and explanations provided to us, we did not come across loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment. Thus, reporting under paragraph 3(iii)(f) of the Order is not applicable to the Company.

iv. According to the information and explanations given to us, the Company has complied with the provisions of Section 185 of the Act, in respect of loans, investments, guarantees and security given, as applicable and the provisions of Section 186 of the Act are not applicable to the Company.

v. According to the information and explanations given to us, the Company has not accepted any deposit or amounts which are deemed to be deposits during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules made there under, are not applicable to the Company. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal against the Company in this regard.

vi. The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under paragraph 3(vi) of the Order is not applicable to the Company.

vii. In respect of statutory dues:

(a) The Company has been generally regular in depositing undisputed statutory dues, including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities except in case of Professional Tax and Labour Welfare Fund.

There were no undisputed amounts payable in respect of Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other material statutory dues in arrears as at March 31, 2025, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of the records, there are no statutory dues referred to in sub clause (a) that have not been deposited on account of any dispute.

viii. According to the information and explanations given to us, there are no transactions which have not been recorded in the books of account but have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.

ix. (a) According to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings or in the payment of interest thereon to any lender.

(b) Basis the information and explanation provided to us, the Company has not been declared a willful defaulter by any bank or financial institution or other lender.

Annexure - A to the Independent Auditor's Report

(contd.)

- (c) According to the information and explanations given to us and to the best of our knowledge and belief, in our opinion, term loans availed by the Company were applied during the year for the purpose for which the loans were obtained, other than temporary deployment pending application of proceeds.
- (d) On an overall examination of the financial statements of the Company, funds raised on short-term basis do not seem to have been utilized during the year for long-term purposes.
- (e) The Company does not have any subsidiaries / associates / joint ventures. Accordingly, reporting under paragraph 3(ix)(e) of the Order is not applicable to the Company.
- (f) The Company does not have any subsidiaries, associates or joint ventures. Accordingly, reporting under paragraph 3(ix)(f) of the Order is not applicable to the Company.
- x. (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under paragraph 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year and hence reporting under paragraph 3(x)(b) of the Order is not applicable to the Company.
- xi. (a) According to the information, explanations and representations given to us, no fraud by the Company or no fraud on the Company has been noticed or reported during the year.
- (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by the secretarial auditor or by us in Form ADT - 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) According to the information and explanations given to us, there are no whistle blower complaints received by the Company during the year.
- xii. The Company is not a Nidhi Company and hence reporting under paragraph 3(xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- xiv. (a) In our opinion the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (b) We have taken into consideration, the internal audit reports for the period under audit issued to the Company till the date of Auditor's Report for determining the nature, timing and extent of audit procedures.
- xv. According to the information and explanations given by the management, the Company has not entered into non-cash transactions with directors or persons connected with them as referred to in Section 92 of the Act. Accordingly, reporting under paragraph 3(xv) of the Order is not applicable to the Company.
- xvi. (a) The Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934).
- (b) According to the information and explanations given to us, the Company holds a valid Certificate of Registration (CoR).
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India and hence reporting under paragraph 3(xvi)(c) of the Order is not applicable to the Company.
- (d) According to the information and explanations provided to us, the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) has one Core Investment Company (CIC) as part of its Group (as identified by the management and reported to the RBI), which is in the process of registration with the RBI.
- xvii. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xviii. There has been a resignation of the Statutory Auditors of the Company during the year in lieu of RBI Circular no. RBI/2021-22/25 Ref. No. DoS. CO. ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 relating to Guidelines for appointment of Statutory Auditors and no issue, objection or concern was raised by the erstwhile auditor.
- xix. According to the information and explanations given to us and on the basis of the financial ratios disclosed in Note 6.09 to the Financial Statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, undrawn credit lines, 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.
- Also refer to the Other Information paragraph of our main audit report which explains that the other information comprising the information included in annual report is expected to be made available to us after the date of this auditor's report.
- xx. (a) There are no unspent CSR amounts on account on "other than ongoing projects" for the year requiring a transfer to a Fund specified in Schedule VII to the Companies Act or special account in compliance with the provision of sub-section (6) of section 135 of the said Act. Accordingly, reporting under paragraph 3(xx)(a) of the Order is not applicable for the year.
- (b) According to the information and explanations given to us, the amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, which is required to be transferred to special account in compliance with the provision of sub-section (6) of section 135 of the said Act has been transferred within 30 days from the end of the financial year in compliance with the provisions of the Act. Refer Note no. 4.07(b) to the financial statements.
- xxi. According to the information and explanations given to us and based on our examination of the records of the Company, there are no subsidiaries / associates / joint ventures of the Company and hence the paragraph 3(xxi) of the Order is not applicable.

For **Singhi & Co.**
Chartered Accountants
Firm Registration Number: 302049E

Shweta Singhal
Partner
Membership No: 414420

Place: Mumbai
Date: April 30, 2025
UDIN: 25414420BMLEJT2561

Annexure - B to the Independent Auditor's Report

(Referred in paragraph 15.6 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

Opinion

We have audited the internal financial controls with reference to the financial statements of Arka Fincap Limited ("the Company") as of March 31, 2025 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2025 based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to the financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

Auditor's 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 control based on the assessed risk. The procedures selected depend on the auditor's judgment, 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 system with reference to the financial statements.

Meaning of Internal Financial Controls with reference to the financial statements

A Company's internal financial control 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 control 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 authorizations of management and directors of the Company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 control 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.

For **Singhi & Co.**
Chartered Accountants
Firm Registration Number: 302049E

Shweta Singhal
Partner
Membership No: 414420

Place: Mumbai
Date: April 30, 2025
UDIN: 25414420BMLEJT2561

Balance Sheet

as at 31 March 2025

(Currency : Indian Rupees in Lakhs)

Particulars	Note	As at 31 March 2025	As at 31 March 2024
I. ASSETS			
Financial assets			
Cash and cash equivalents	3.01	63,571.02	39,252.96
Bank balances other than cash and cash equivalents	3.02	1,816.57	-
Receivables			
Trade receivables	3.03	-	20.25
Loans	3.04	6,00,060.92	4,70,488.06
Investments	3.05	28,114.94	9,070.85
Other financial assets	3.06	8,511.72	5,409.75
		7,02,075.17	5,24,241.87
Non-financial assets			
Current tax assets (net)	3.07	2,645.31	1,819.33
Deferred tax assets (net)	3.08	-	893.08
Property, plant and equipment	3.09	1,443.39	1,814.99
Capital work-in-progress	3.10	137.62	19.31
Intangible assets	3.11	145.65	249.28
Other non-financial assets	3.12	750.88	564.55
		5,122.85	5,360.54
TOTAL ASSETS		7,07,198.02	5,29,602.41
II. LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payable			
Trade payables	3.13		
(i) total outstanding to micro enterprises and small enterprises		53.44	79.73
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		1,027.53	536.13
Debt securities	3.14	1,24,093.09	1,25,150.32
Borrowings (other than debt securities)	3.15	4,00,082.30	2,43,153.65
Subordinated Debt	3.16	21,286.40	13,832.98
Other financial liabilities	3.17	27,713.31	22,602.86
		5,74,256.07	4,05,355.67
Non-financial liabilities			
Provisions	3.18	4,094.08	3,532.21
Deferred tax liabilities (Net)	3.08	778.07	-
Other non-financial liabilities	3.19	3,343.52	3,046.09
		8,215.67	6,578.30
TOTAL LIABILITIES		5,82,471.74	4,11,933.97
Equity			
Equity share capital	3.20	92,872.81	92,872.81
Other equity	3.21	31,853.47	24,795.63
		1,24,726.28	1,17,668.44
TOTAL LIABILITIES AND EQUITY		7,07,198.02	5,29,602.41
The accompanying summary of material accounting policy information and notes form an integral part of the Financial Statements.	2		

As per our attached report of even date

For **Singhi & Co.**

Chartered Accountants

ICAI Firm Registration No.: 302049E

Shweta Singhal

Partner

Membership No. 414420

For and on behalf of the Board of Directors of

Arka Fincap Limited**Samrat Gupta**

Managing Director

DIN: 07071479

Gauri Kirloskar

Non Executive Director

DIN: 03366274

Ridhi Gangar

Chief Financial Officer

Niki Mehta

Company Secretary

Place: Mumbai**Date:** 30 April 2025**Place:** Mumbai**Date:** 30 April 2025**Statement of Profit and Loss**

for the year ended 31 March 2025

(Currency : Indian Rupees in Lakhs)

Particulars	Note	For the year ended 31 March 2025	For the year ended 31 March 2024
Revenue from operations	4.01		
Interest income		67,190.91	49,043.60
Fees and commission income		3,329.62	1,220.71
Gain on derecognition of financial assets measured at amortised cost		4,676.02	4,008.73
Net gain on fair value changes		2,245.27	2,093.12
Total revenue from operations		77,441.82	56,366.16
Other income	4.02	1,351.37	709.90
Total income		78,793.19	57,076.06
Expenses			
Finance costs	4.03	45,551.27	31,533.12
Impairment on financial instruments	4.04	5,304.16	2,561.19
Employee benefit expenses	4.05	12,601.47	7,864.18
Depreciation, amortisation and impairment	4.06	767.01	772.12
Other expenses	4.07	5,157.52	3,437.74
Total expenses		69,381.43	46,168.35
Profit before exceptional items and tax		9,411.76	10,907.71
Exceptional items - Expenses / (Income)		(1,528.50)	1,528.50
Profit before tax		10,940.26	9,379.21
Tax expense:	4.08		
1. Current tax		1,253.68	2,049.53
2. (Excess)/Short provision related to earlier years		(30.11)	-
3. Deferred tax expense /(income)		1,681.09	406.60
Total tax expenses		2,904.66	2,456.13
Profit after tax		8,035.60	6,923.08
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		(38.12)	(27.18)
- Income tax relating to items that will not be reclassified to profit or loss		9.59	6.84
Subtotal (A)		(28.53)	(20.34)
- Fair valuation of equity investments		(1.34)	-
- Income tax relating to items that will be reclassified to profit or loss		0.34	-
Subtotal (B)		(1.00)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B), net of tax		(29.53)	(20.34)
Total comprehensive income for the year		8,006.07	6,902.74
Earnings per equity share	5.01		
Basic earnings per share (₹)		0.87	0.75
Diluted earnings per share (₹)		0.86	0.74
(Equity Share of face value of ₹ 10 each)			
The accompanying summary of material accounting policy information and notes form an integral part of the Financial Statements.	2		

As per our attached report of even date

For **Singhi & Co.**

Chartered Accountants

ICAI Firm Registration No.: 302049E

Shweta Singhal

Partner

Membership No. 414420

For and on behalf of the Board of Directors of

Arka Fincap Limited**Samrat Gupta**

Managing Director

DIN: 07071479

Gauri Kirloskar

Non Executive Director

DIN: 03366274

Ridhi Gangar

Chief Financial Officer

Niki Mehta

Company Secretary

Place: Mumbai**Date:** 30 April 2025**Place:** Mumbai**Date:** 30 April 2025

Statement of cash flows

for the year ended 31 March 2025

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
A Cash Flow from Operating Activities		
Net profit before tax	10,940.26	9,379.21
Adjustments for :		
Depreciation and amortisation	767.01	772.12
Loss on sale of Property, Plant and Equipment	2.02	7.44
Provision for expected credit loss	5,304.16	2,561.19
Provision for share based payments	73.39	212.72
Fair value loss / (gain) on investments	(382.49)	2.67
Finance cost	45,551.27	31,533.12
Interest received on fixed deposits	(171.44)	(746.45)
Profit on sale of investments	(1,862.78)	(2,095.79)
Gain on derecognition of financial assets measured at amortised cost (unrealised)	(4,676.02)	(3,819.15)
Provision for investments in Arka Credit Fund I	(1,528.50)	1,528.50
Interest received on debt instrument	(1,215.81)	(2,039.74)
Interest income on security deposit	(18.24)	(32.30)
Interest income on investments in AIF	(10.04)	(216.49)
Operating profit before working capital changes	52,772.78	37,047.05
Working capital adjustments		
(Increase)/Decrease in loans and advances	(1,34,677.42)	(1,04,495.99)
(Increase)/Decrease in trade receivables	20.25	(20.25)
(Increase) / Decrease in security deposits	(79.84)	268.71
(Increase) / Decrease in Prepaid expenses	7.48	46.60
(Increase) / Decrease in Other financial assets	1,709.10	(618.80)
(Increase) / Decrease in Other non-financial assets	(193.81)	(346.70)
Increase/(Decrease) in provisions	304.59	(43.98)
Increase/(Decrease) in trade payable	465.11	453.64
Increase/(Decrease) in Other financial liabilities	5,412.32	12,062.27
Increase/(Decrease) in Other non-financial liabilities	256.05	(1,042.30)
Cash used in operating activities	(74,003.39)	(56,689.75)
Direct taxes paid	(2,049.54)	(3,423.00)
Net cash generated from / (used in) operating activities (A)	(76,052.93)	(60,112.75)
B Cash flows from investing activities		
Interest received on fixed deposits	171.44	746.45
Receipt on sale / redemption of Investments	3,62,729.07	4,25,030.18
Interest received on debt instrument	1,215.82	2,039.74
Interest received on investments in AIF	10.04	216.49
(Increase) / decrease in other bank balance	(1,816.57)	1,022.19
Payments on purchase of investment	(3,77,981.17)	(3,94,375.24)
Payments for Purchase of Property, Plant and Equipment	(307.73)	(1,012.40)
Payments for Purchase of Other Intangible assets	-	(89.65)
Net cash generated from / (used in) investing activities (B)	(15,979.10)	33,577.76

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
C Cash Flow from Financing Activities		
Proceeds from issue of equity share capital (including securities premium)	-	5,699.99
Proceeds from Bank and NBFCs Borrowings	1,57,679.11	47,540.09
Proceeds from issuance of Non-Convertible Debentures	11,823.84	15,099.00
Proceeds from issuance of Commercial Papers	(7,412.99)	7,824.32
Finance cost paid	(44,236.68)	(31,424.15)
Lease liability paid	(481.59)	(390.18)
Dividend Paid	(1,021.60)	-
Net cash generated from / (used in) financing activities (C)	1,16,350.09	44,349.07
Net Increase in cash and cash equivalents (A) + (B) + (C)	24,318.06	17,814.08
Cash and Cash Equivalents at the beginning of the year	39,252.96	21,438.88
Cash and Cash Equivalents at the end of the year	63,571.02	39,252.96
Reconciliation of cash and cash equivalents with the balance sheet		
Balances with banks		
- in current accounts	33,551.60	39,252.96
Deposits with original maturity of less than three months	30,019.42	-
Total	63,571.02	39,252.96

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Additional disclosure pursuant to Ind AS 7		
Opening balance of debt securities, borrowings (other than debt securities) and subordinated liabilities including interest accrued	3,82,136.95	3,11,581.85
Cash flow (net)	1,62,089.96	70,463.41
Non cash changes	1,234.88	91.69
Opening balance of debt securities, borrowings (other than debt securities) and subordinated liabilities including interest accrued	5,45,461.79	3,82,136.95

Refer Note 5.07 for movement in lease liabilities

Refer Note 3.09 for movement in Right of use (ROU) assets.

The above statement of cash flow has been prepared under the indirect method as set out in Ind AS 7: Statement of Cash Flows.

The accompanying summary of material accounting policy information and notes form an integral part of the Financial Statements.

2

As per our attached report of even date

For **Singhi & Co.**
Chartered Accountants
ICAI Firm Registration No.: 302049E

Shweta Singhal
Partner
Membership No. 414420

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

Samrat Gupta
Managing Director
DIN: 07071479

Ridhi Gangar
Chief Financial Officer

Gauri Kirloskar
Non Executive Director
DIN: 03366274

Niki Mehta
Company Secretary

Place: Mumbai
Date: 30 April 2025

Place: Mumbai
Date: 30 April 2025

Statement of Changes in Equity (SOCIE)

for the year ended 31 March 2025

(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 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
Balance as at 1 April, 2024	92,87,28,108	92,872.81
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2024	92,87,28,108	92,872.81
Changes in equity share capital during the year	-	-
Balance as at 31 March 2025	92,87,28,108	92,872.81

(b) Other equity (Refer Note 3.21)

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

(Currency : Indian Rupees in Lakhs)

Particulars	Reserves and surplus			Items of OCI		Total
	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Retained Earnings	Equity instruments through other comprehensive income	
Profit for the year	-	-	-	8,035.60	-	8,035.60
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	(28.53)	-	(28.53)
Other comprehensive income for the year (Remeasurement loss on investments)	-	-	-	-	(1.00)	(1.00)
Total	3,721.77	1,139.96	5,860.66	22,080.31	(1.00)	32,801.70
Transfer to Special Reserve u/s 45 IC of the RBI Act, 1934	1,607.12	-	-	(1,607.12)	-	-
Transferred to / from Retained earnings	-	(150.48)	-	150.48	-	-
Share based payment expense	-	73.37	-	-	-	73.37
Interim Dividend for the year ended 31 March 2025	-	-	-	(1,021.60)	-	(1,021.60)
Balance as at 31 March 2025	5,328.89	1,062.85	5,860.66	19,602.07	(1.00)	31,853.47

The accompanying summary of material accounting policy information and notes form an integral part of the Financial Statements.

2

As per our attached report of even date

For **Singhi & Co.**
Chartered Accountants
ICAI Firm Registration No.: 302049E

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

Shweta Singhal
Partner
Membership No. 414420

Samrat Gupta
Managing Director
DIN: 07071479

Gauri Kirloskar
Non Executive Director
DIN: 03366274

Ridhi Gangar
Chief Financial Officer

Niki Mehta
Company Secretary

Place: Mumbai
Date: 30 April 2025

Place: Mumbai
Date: 30 April 2025

Notes to the Financial Statements

for the year ended 31 March 2025

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") and its ultimate holding company is Kirloskar Oil Engines Limited. The Company is primarily engaged in lending activities. The Company's Debt securities are listed at BSE Limited.

2 Statement of Compliance, Basis of Preparation and Presentation of the Financial Statements

2.01 Statement of compliance

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), to be read with Section 133 of the Companies Act, 2013 ("the Act") and relevant amendments rules issued thereafter.

Any directions issued by the RBI or other regulators are implemented as and when they become applicable. Further, the Company has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC).CC.PD. No.109/22.10.106/2019-20 dated March 13, 2020. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied.

These Financial Statements for the year ended 31 March 2025 have been reviewed by the Audit Committee and were authorized for issue by the Board of Directors of the Company at their meeting held on 30 April 2025.

Accounting policies have been consistently applied except where a newly-issued accounting standard

(Currency : Indian Rupees in Lakhs)

is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

2.02 Basis of preparation

The financial statement comprises of the Balance sheet as at March 31 2025, 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 financial statements have been prepared and presented on a going concern basis. The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed the by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

The preparation of the financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complexity, or areas where the assumptions are significant to the Company are discussed in relevant policies or notes.

2.03 Presentation of financial statements

The Balance Sheet, the Statement of Profit and Loss and the Statement of Change in Equity 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".

2.04 Functional and Presentation Currency

Amounts in the financial statements are presented in Indian Rupees in Lakhs (rounded off to two decimal places) which is determined to be the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes to these financial statements.

2.05 Material Accounting Policy Information

i) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

ii) Date of recognition and initial measurement

All financial instruments are recognized initially at fair value. However, in the case of financial instruments not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial instruments are added to the fair value. Purchases or sales of financial instruments that require delivery of assets / liabilities within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset / liabilities.

iii) Financial assets

i) Initial recognition and measurement

Based on the Business Model, the contractual characteristics of the financial assets and specific elections where appropriate, the financial assets are classified into one of the three categories for measurement and income recognition:

- » Amortized Cost (AC)
- » Fair value through other comprehensive income (FVOCI)
- » Fair value through profit and loss (FVTPL)

Amortised cost

A financial asset is measured at amortised cost if it meets both the following conditions:

- a) The financial asset is held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows; and

(Currency : Indian Rupees in Lakhs)

- b) The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ("EIR") method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value through other comprehensive income (FVOCI)

Further other things remain the same (as in (a) and (b) above), if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, such asset/s are classified as held at FVOCI.

Financial assets included within the FVOCI category are measured subsequently at each reporting date at fair value. Interest income and impairment loss are recognised in the statement of profit and loss. Fair value movements on subsequent measurement are recognised in the OCI.

Fair value through Profit and Loss (FVTPL)

In case of a financial asset that does not meet both the above conditions, it is classified as FVTPL. Financial assets included within the FVTPL category are measured subsequently at each reporting date at fair value. Net gain or loss, including interest and other income are recognized in the Statement of Profit and Loss.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

a) Business Model (BM) Assessment

In order to arrive at the appropriate Business Model, the following factors are considered by the Company.

- » How the performance of the business model (including the financial assets in that business model) are evaluated and reported to key management personnel within the Company.
- » The risks that affect the performance of the business model (and the financial assets in it) and how those risks are managed.

Changes in Business Model

The Company periodically reviews and updates the existing business model for its portfolio as long as these changes are expected to be infrequent, significant to the entity's operations, and demonstrable to external parties.

b) Solely Payments of Principal and Interest (SPPI) Test

Contractual Cash Flow Assessment

To determine whether a financial asset is measured at either amortized cost or FVOCI, the Company has considered whether the cash-flows from the financial asset are solely for the payments of principal and interest ("SPPI").

For the purpose of Ind AS 109, principal and interest are defined as follows:

- » Principal is the fair value of the financial asset at initial recognition.
- » Interest is consideration for:
 - » The time value of money.
 - » Credit risk associated with the principal amount.
- » In addition, interest may also include consideration for other basic lending risks such as liquidity risk and costs of holding the asset (e.g. administrative costs).
- » Interest may include a profit margin that is consistent with a basic lending arrangement.

If the 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 then the SPPI criteria is met.

(Currency : Indian Rupees in Lakhs)

The Company classifies its financial assets into the following four categories:

- » Debt instruments at amortized cost.
- » Debt instruments at fair value through other comprehensive income (FVOCI).
- » Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).
- » Equity instruments measured at fair value through other comprehensive income (FVOCI).

Initial measurement, classification and subsequent measurement of Financial Liabilities and Equity Instruments.

The Company classifies these instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

iv) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the face value and proceeds received in excess of the face value are recognised as securities premium.

v) Financial liabilities

The Company's borrowings include bonds, commercial paper, borrowings from banks, etc. Debt securities issued, subordinated liabilities and other borrowings are initially measured at fair value less directly attributable transaction costs and subsequently measured at their amortised cost using the EIR method.

Initial recognition and subsequent measurement of financial liability is based on their classification.

The Company's most of the Financial Liabilities are measured initially and subsequently measured at amortised cost.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

De-recognition of Financial Assets and Liabilities

a) Derecognition of financial assets

A financial asset is derecognized only 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.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Company has not retained control of the financial asset. Where the Company retains the control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

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.

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

(Currency : Indian Rupees in Lakhs)

as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii) Reclassifications of Financial Assets and Financial Liabilities

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line or in the period the Company changes its business model for managing financial assets. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the changes in the business model that results in reclassification.

Reclassifications are expected to be very infrequent. Such changes must be determined by the Company's senior management as a result of external or internal changes and must be significant to the Company's operations and demonstrable to external parties.

Further re- classification is not allowed in following cases:

- » Investments in equity instruments irrevocably designated as at FVOCI cannot be reclassified.
- » Reclassification of financial liabilities.

iv) Impairment of financial assets

The Company records allowance for expected credit losses (ECL) for all loans and debt investments, together with loan commitments to customers .

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss. The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

At the end of each reporting period, the Company performs an assessment of whether the loan's / investment's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the asset. This includes both quantitative

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

and qualitative information and analysis based on a provision matrix which takes into account the Company's historical credit loss experience, current economic condition, forward looking information and scenario analysis.

The expected credit loss is a product of Exposure at Default (EAD), Probability of Default (PD) and Loss given default (LGD).

The Company has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind AS 109. Accordingly, the financial assets have been segmented into three stages based on their risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset.

The Company categorizes financial assets at the reporting date into stages based on the days past due (DPD) status as under:

- » **Stage 1:** 0 to 30 days past due
- » **Stage 2:** 31 to 90 days past due
- » **Stage 3:** more than 90 days past due

Based on the above, the Company categorizes its loans into Stage 1, Stage 2 and Stage 3 as under:

Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12 months' expected credit loss.

Stage 2: When a loan has shown significant increase in credit risk since origination, the Company records an allowance for the lifetime expected credit loss.

Stage 3: When a loan is credit impaired, the Company records an allowance for the lifetime expected credit loss.

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. In order to estimate the PDs, studies on defaults available

in public domain and experience of the Company have been taken into account.

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 security.

ECL is calculated as under:

Stage 1: The Company calculates the 12 months' ECL based on the expectation of a default occurring within 12 months from the reporting date. The expected 12-month PD is applied to the EAD and multiplied by the expected LGD and discounted at the EIR.

Stage 2: When a loan has shown significant increase in credit risk since origination, the Company records an allowance for life time expected credit loss as above, but the PD and LGD is estimated over the lifetime of the loan.

Stage 3: For loans considered credit impaired, life time ECL is recognized. The method is similar to that for Stage 2 loans / assets, with the PD set at 100%.

2.06 Offsetting of financial instruments

Financial assets and financial liabilities 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.

Write Off

Loans and Debt Securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts, subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to the financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains and will be recognized in the Statement of Profit and Loss.

2.07 Fair value measurement

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

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

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements

(Currency : Indian Rupees in Lakhs)

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.

2.08 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

Property, plant and equipment (PPE) 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 capitalized only when it increases the future economic benefits from the specific asset to which it relates. All other repair and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

Depreciation, estimated useful life and residual value

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

II of the Companies Act 2013 or the useful lives as estimated by the management. Depreciation on assets purchased during the period is provided on pro rata basis from the date asset is available for use as intended by management. Item of PPE is derecognized upon disposal, when no future economic benefits are expected from its use or disposal. The residual values, useful lives and method of depreciation of PPE are reviewed annually and adjusted prospectively. The Company has used below estimated useful lives to provide depreciation and amortization on its Property, plant and equipment:

Particulars	Estimated useful life by the Company	Estimated useful life as per Companies Act, 2013
Office Equipment	5 years	5 years
Office Equipment (Mobile)	2 years	5 years
Leasehold Improvements	5 years	As per Lease Term
Furniture & Fixtures	10 years	10 years
Motor vehicles	5 years	8 years
Computer Equipment		
-Desktop/laptop	3 years	3 years

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

2.10 Other Intangible assets and Amortization

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

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development".

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

2.11 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.12 Provisions, Contingent liabilities and Contingent Assets

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

Provisions are measured at the Company's best estimate of the expenditure required to settle the

obligation at the reporting date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The expenses relating to a provision is presented in the statement of profit or loss.

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. A contingent liability also arises in extremely rare cases where there is liability that cannot be recognized because it cannot be measured reliably.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and gets recognized.

2.13 Earnings per share

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

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

(Currency : Indian Rupees in Lakhs)

2.14 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.

The Company recognizes a liability, and records an expense for bonuses (including performance-linked bonuses) where contractually obliged or where there is a past practice that has created a constructive obligation.

ii) 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.

iii) 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.

iv) Defined Benefit Plan

The employee's gratuity scheme is Company's defined benefit retirement 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.

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.

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

v) 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.

vi) Share based payments Transactions

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.

2.15 Taxes

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

Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax

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

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

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

2.16 Leases

The Company as a lessee

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified

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

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

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

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

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

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

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

(Currency : Indian Rupees in Lakhs)

2.17 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. 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.

2.18 Revenue Recognition

Recognition of Interest income

» 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).

The EIR in case of a financial asset is computed –

- As the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.
- By considering all the contractual terms of the financial instrument in estimating the cash flows.
- Including all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows is recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

Fee income

Fees and commissions are recognised when the Company satisfies the performance obligation,

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

at fair value of the consideration received or receivable based on a five-step model as set out in Ind AS 115, unless included in the effective interest calculation.

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company 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.

Income from de-recognition of financial assets:

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at

(Currency : Indian Rupees in Lakhs)

which the direct assignment is entered into with the assignee, also known as the right of Excess Interest Spread (EIS). The future EIS basis the expected cash flows on the execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the statement of profit and loss.

2.19 Statement of Cash Flows

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 and items of income or expenses associated with investing or financing cash flows. The cash flows from regular operating, investing and financing activities of the Company are segregated.

2.20 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 preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

(Currency : Indian Rupees in Lakhs)

The significant areas involving estimates or judgements are:

1. Estimation of defined benefit obligations.
2. Recognition of deferred tax assets, estimation of current tax expense and current tax payable.
3. Estimation of provisions and contingencies.
4. Fair value of employee share options.
5. Fair value of financial instruments including unlisted equity instruments.
6. Business model assessment.
7. Impairment of financial assets.
8. Determination of useful life of Property, Plant and Equipment.

9. Determination of useful life of Intangible asset.
10. Effective interest rate.
11. Evaluation of lease, lease term and discount rates.

2.21 New Standards/Amendments Notified But Not Yet Effective:

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. During the year ended March 31, 2025, MCA has not notified any new standards or amendments to the existing standards applicable to the Company.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 3.01 : Cash and cash equivalents

Particulars	As at 31 March 2025	As at 31 March 2024
Balances with banks		
- in current accounts	33,551.60	39,252.96
- Deposits with original maturity of less than three months	30,019.42	-
Total	63,571.02	39,252.96

NOTE 3.02 : Bank balances other than cash and cash equivalents

Particulars	As at 31 March 2025	As at 31 March 2024
Deposits with original maturity of more than three months	1,816.57	-
Total	1,816.57	-

Bank balances other than cash and cash equivalents represent fixed deposits which are lien marked against borrowings from securitization transaction (i.e. PTC).

NOTE 3.03 : Trade receivables

Particulars	As at 31 March 2025	As at 31 March 2024
Trade receivables (Unsecured - considered good)	-	20.25
Total	-	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 2025	As at 31 March 2024
(A)		
Term Loan	6,05,590.18	4,72,830.06
Employee Loan	-	0.85
Total - Gross	6,05,590.18	4,72,830.91
Less: Impairment loss allowance	(5,529.26)	(2,342.85)
Total - Net	6,00,060.92	4,70,488.06
(B)		
Secured by tangible assets	5,03,986.31	4,15,130.75
Unsecured	1,01,603.87	57,700.16
Total - Gross	6,05,590.18	4,72,830.91
Less: Impairment loss allowance	(5,529.26)	(2,342.85)
Total - Net	6,00,060.92	4,70,488.06

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2025	As at 31 March 2024
(C)		
(i) Loans in India		
Public sector	-	-
Others	6,05,590.18	4,72,830.91
Total - Gross	6,05,590.18	4,72,830.91
Less: Impairment loss allowance	(5,529.26)	(2,342.85)
Total - Net	6,00,060.92	4,70,488.06
(ii) Loans outside India	-	-
Total - Net C (i)+(ii)	6,00,060.92	4,70,488.06

- Loans to the extent of ₹ 503,986.31 Lakh (31 March 2024: ₹ 415,130.75 Lakh) are secured by:
 - hypothecation of assets and / or,
 - mortgage of property and / or,
 - pledge of shares and other financial securities.
- There is no loan asset measured at FVOCI or FVTPL or any asset that is designated as measured at FVTPL.
- There are no loans or advances in the nature of loans which are granted to promoters, Directors, KMPs and the related parties (as defined by the Companies Act 2013) either severally or jointly with any other person that are: (a) repayable on demand or (b) without specifying any terms or period of repayment during the year ended 31 March 2025. (31 March 2024 - NIL).
- Refer Note 5.16 for credit quality of financial assets and expected credit loss.

NOTE 3.05 : Investments

Particulars	As at 31 March 2025	As at 31 March 2024
Quoted investments		
Mutual funds (At fair value through P&L)	22,980.06	-
Debentures (At amortised cost)	4,940.09	6,503.02
Unquoted investments		
Pass through certificates (At amortised cost)	200.68	1,031.34
Alternate Investment Fund (At fair value through P&L)	-	3,089.09
Equity Instruments (At fair value through OCI)	0.15	1.49
Total - Gross	28,120.98	10,624.94
Investments in India	28,120.98	10,624.94
Investments outside India	-	-
Total - Gross	28,120.98	10,624.94
Less: Impairment loss allowance*	(6.04)	(1,554.09)
Total - Net	28,114.94	9,070.85

* Impairment loss allowance is created on debentures and pass through certificates.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 3.06 : Other financial assets

Particulars	As at 31 March 2025	As at 31 March 2024
Security deposit	397.47	303.79
Fees and commission receivables	496.32	812.68
Advance to lenders	-	458.33
Excess Interest Spread (EIS)	7,617.93	3,834.95
Total	8,511.72	5,409.75

NOTE 3.07 : Current tax assets (net)

Particulars	As at 31 March 2025	As at 31 March 2024
Taxes paid (net of provision for tax)	2,645.31	1,819.33
Total	2,645.31	1,819.33

NOTE 3.08 : Deferred tax assets / (liabilities) (net)

Particulars	As at 31 March 2025	As at 31 March 2024
Deferred Tax Assets		
Disallowances u/s 43 B of Income Tax Act, 1961	614.94	1,171.44
Impairment loss allowance	1,357.23	1,023.95
Fair value of Employee Loan	-	0.25
Impact of Ind AS 116	183.80	264.29
Unamortized processing fee on loans	113.92	253.60
Total (A)	2,269.89	2,713.53
Deferred tax liability		
On difference between book balance and tax balance of property, plant and equipment	73.54	173.43
Unamortized gain on derecognition of financial asset	1,902.89	961.20
Fair value of investment in mutual funds	96.26	-
Unamortized processing fee on borrowings	975.27	685.82
Total (B)	3,047.96	1,820.45
Net deferred tax asset / (liability) (A-B)	(778.07)	893.08

(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
Gross Carrying value 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)
Gross Carrying value as at 31 March 2024	1,899.70	573.40	143.75	105.67	200.96	317.16	3,240.64
Additions	104.41	21.70	16.57	-	40.23	119.97	302.88
Disposals	-	-	-	(105.67)	(5.53)	(8.30)	(119.50)
Gross Carrying value as at 31 March 2025	2,004.11	595.10	160.32	-	235.66	428.83	3,424.02
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
Depreciation charged during the year	370.27	122.97	15.60	7.10	46.65	103.27	665.86
Disposals	-	-	-	(100.03)	(4.35)	(6.50)	(110.88)
Accumulated depreciation as at 31 March 2025	1,475.61	162.71	21.82	-	72.69	247.80	1,980.63
Net carrying amount as at 31 March 2024	794.36	533.66	137.53	12.74	170.57	166.13	1,814.99
Net carrying amount as at 31 March 2025	528.50	432.39	138.50	-	162.97	181.03	1,443.39

- 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 during the current year and previous year.
- 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 during the current year and previous year.
- There has been no revaluation of any property, plant and equipment during the year ended at 31 March 2025 and 31 March 2024.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 3.10 : Capital Work-In-Progress

Particulars	As at 31 March 2025	As at 31 March 2024
Leasehold Improvements	137.62	19.31
Total	137.62	19.31

Refer note 6.06 for CWIP ageing and Completion schedule.

NOTE 3.11 : Intangible assets

Particulars	Softwares	Total
Gross Carrying value as at 31 March 2023	466.29	466.29
Additions	89.65	89.65
Disposals	-	-
Gross Carrying value as at 31 March 2024	555.94	555.94
Additions	-	-
Disposals	(28.36)	(28.36)
Gross Carrying value as at 31 March 2025	527.58	527.58
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
Amortisation recognised for the year	101.15	101.15
Disposals	(25.88)	(25.88)
Accumulated amortisation as at 31 March 2025	381.93	381.93
Net carrying amount as at 31 March 2024	249.28	249.28
Net carrying amount as at 31 March 2025	145.65	145.65

- For amortisation policy refer accounting policy no. 2.10.
- There has been no revaluation of intangible assets during the year ended at 31 March 2025 and 31 March 2024.

NOTE 3.12 : Other non-financial assets

Particulars	As at 31 March 2025	As at 31 March 2024
Prepaid expenses	171.94	179.41
Advance recoverable in cash or kind	578.94	336.36
Balance with Government Authorities	-	48.78
Total	750.88	564.55

(Currency : Indian Rupees in Lakhs)

NOTE 3.13 : Trade payables

Particulars	As at 31 March 2025	As at 31 March 2024
Total outstanding dues of micro enterprises and small enterprises	53.44	79.73
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,027.53	536.13
Total	1,080.97	615.86

No amount is due to directors or other Officers of the Company either severally or jointly with any other person or to firm or private companies respectively in which any director is a partner, director or a member.

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 2025	As at 31 March 2024
At amortised cost		
Non convertible debentures [§]	1,09,805.24	1,05,678.83
Commercial paper (Gross)	15,000.00	20,500.00
Less: Unamortized discount and processing fees	(712.15)	(1,028.51)
Total	1,24,093.09	1,25,150.32
Debt securities in India	1,24,093.09	1,25,150.32
Debt securities outside India	-	-
Total	1,24,093.09	1,25,150.32
Secured	1,09,805.24	1,05,678.83
Unsecured	14,287.85	19,471.49
Total	1,24,093.09	1,25,150.32

[§] include interest accrued but not due ₹ 4,016.90 Lakhs (Previous Year ₹ 4,241.39 Lakhs).

- There have been no default in repayment of principal or payment of interest during the current year and previous year.
- There have been no Debt Securities measured at FVTPL.
- There have been no Debt Securities issued outside India.
- Funds borrowed have been utilised for the purposes for which they were borrowed.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

(a) Non Convertible Debenture (NCD)

Terms of repayment

Redeemable within	As at 31 March 2025	As at 31 March 2024
	Rate of interest >= 8.75% < 10.75% Amount	Rate of interest >= 8.00% < 10.00% Amount
Above 60 Months	39,661.28	-
48-60 Months	-	4,810.83
36-48 Months	9,713.00	-
24-36 Months	-	28,293.78
12-24 Months	38,841.85	13,475.98
0-12 Months	21,589.11	59,098.24
Total	1,09,805.24	1,05,678.83

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.

Non convertible debentures are covered by the weighted average Asset Cover of 1.13 x (Ranging from 1.05 x to 1.33 x).

NOTE 3.15 : Borrowings (other than debt securities)

Particulars	As at 31 March 2025	As at 31 March 2024
	At amortised cost	
Term loans		
Term loans from banks [§]	3,53,691.24	2,06,448.10
Term loans from financial institutions other than Banks [#]	27,089.45	34,963.50
Loans repayable on demand		
Cash Credit	-	1,742.05
Others		
Securitisation (PTC)	19,301.61	-
Total	4,00,082.30	2,43,153.65
Borrowings in India	4,00,082.30	2,43,153.65
Borrowings outside India	-	-
Total	4,00,082.30	2,43,153.65
Secured borrowings	4,00,082.30	2,43,153.65
Unsecured borrowings	-	-
Total	4,00,082.30	2,43,153.65

[§] include interest accrued but not due ₹ 292.11 Lakhs (Previous Year ₹ 206.17 Lakhs).

[#] include interest accrued but not due ₹ 96.68 Lakhs (Previous Year ₹ 160.42 Lakhs).

(Currency : Indian Rupees in Lakhs)

(a) Term loan from banks

Terms of repayment

Repayment within	As at 31 March 2025		As at 31 March 2024	
	Rate of interest >8.10% <= 10.85%	Amount	Rate of interest >8.35% <= 10.65%	Amount
	No. of Installments	Amount	No. of Installments	Amount
Above 60 Months	-	-	-	-
48-60 Months	23	11,258.92	1	589.60
36-48 Months	70	39,561.06	17	8,353.35
24-36 Months	116	66,156.22	62	33,920.11
12-24 Months	183	1,03,290.77	142	69,443.88
0-12 Months	243	1,33,424.27	183	94,141.16
Total	635	3,53,691.24	405	2,06,448.10

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 financial institutions other than Banks

Terms of repayment

Repayment within	As at 31 March 2025		As at 31 March 2024	
	Rate of interest >9.60% <= 10.35%	Amount	Rate of interest >9.25% <= 10.70%	Amount
	No. of Installments	Amount	No. of Installments	Amount
Above 60 Months	-	-	-	-
48-60 Months	-	-	-	-
36-48 Months	-	-	11	1,358.20
24-36 Months	26	4,534.77	25	4,573.56
12-24 Months	45	9,167.93	46	9,282.12
0-12 Months	64	13,386.75	63	19,749.62
Total	135	27,089.45	145	34,963.50

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

(e) Securitization (PTC):

Terms of repayment

Repayment within	As at 31 March 2025 Rate of interest >8.50% <= 9.30%		As at 31 March 2024 Rate of interest	
	No. of Installments	Amount	No. of Installments	Amount
Above 60 Months	95	12,547.74	-	-
48-60 Months	24	1,610.27	-	-
36-48 Months	24	1,454.78	-	-
24-36 Months	24	1,320.18	-	-
12-24 Months	24	1,197.23	-	-
0-12 Months	24	1,171.41	-	-
Total	215	19,301.61	-	-

Nature of Security:

Security is created in favour of Trustee(s) as follows:

Secured by way of hypothecation on specific pool of receivables and cash collateral as per terms agreed.

Refer Note 3.02: Bank balances other than cash and cash equivalents.

NOTE 3.16 : Subordinated Debt

Particulars	As at 31 March 2025	As at 31 March 2024
At amortised cost		
Subordinated Debt (non convertible debentures) [§]	21,286.40	13,832.98
Total	21,286.40	13,832.98
Debt securities in India	21,286.40	13,832.98
Debt securities outside India	-	-
Total	21,286.40	13,832.98
Secured	-	-
Unsecured	21,286.40	13,832.98
Total	21,286.40	13,832.98

[§] include interest accrued but not due ₹ 622.26 Lakhs (Previous Year ₹ 373.71 Lakhs).

(Currency : Indian Rupees in Lakhs)

(a) There have been no default in repayment of principal or payment of interest during the current year and previous year

(b) Terms of repayment

Redeemable within	As at 31 March 2025 Rate of interest >= 9.60% < 10.75% Amount	As at 31 March 2024 Rate of interest >= 10.25% < 10.75% Amount
Above 60 Months	7,297.97	7,500.00
48-60 Months	7,396.47	-
36-48 Months	-	5,959.27
24-36 Months	5,969.70	-
12-24 Months	-	-
0-12 Months	622.26	373.71
Total	21,286.40	13,832.98

NOTE 3.17 : Other financial liabilities

Particulars	As at 31 March 2025	As at 31 March 2024
Book overdraft	23,022.49	20,511.40
Lease liabilities	703.58	1,005.44
Payable to assignee	2,544.99	394.67
Advance from customers	1,442.25	570.01
Interest refundable to customers	-	121.34
Total	27,713.31	22,602.86

NOTE 3.18 : Provisions

Particulars	As at 31 March 2025	As at 31 March 2024
Provision for employee benefits:		
- Gratuity	160.93	139.65
- Leave encashment	137.52	95.17
- Long term benefits	12.50	52.50
- Salaries and employee benefits payable	3,392.46	3,073.38
Others:		
- Impairment loss allowance on undrawn loan commitments	140.67	171.51
- Other contingency provision	250.00	-
Total	4,094.08	3,532.21

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 3.19 : Other non-financial liabilities

Particulars	As at	
	31 March 2025	31 March 2024
Statutory dues (undisputed)	841.14	399.06
Other liabilities	2,502.38	2,647.03
Total	3,343.52	3,046.09

NOTE 3.20 : Equity share capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at 31 March 2025		As at 31 March 2024	
	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	92,87,28,108	92,872.81
Total	92,87,28,108	92,872.81	92,87,28,108	92,872.81

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

Particulars	As at 31 March 2025		As at 31 March 2024	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	92,87,28,108	92,872.81	88,40,22,266	88,402.23
Add: Shares issued during the year	-	-	4,47,05,842	4,470.58
Less: Shares bought back during the year	-	-	-	-
Total	92,87,28,108	92,872.81	92,87,28,108	92,872.81

c. Particulars of shares held by holding Company

Name of Shareholder	Relationship	As at 31 March 2025		As at 31 March 2024	
		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%	92,87,09,775	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 2025		As at 31 March 2024	
		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%	92,87,09,775	99.998%

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

(Currency : Indian Rupees in Lakhs)

e. Particulars of shares held by promoters

Promoter name	As at 31 March 2025			As at 31 March 2024		
	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%	0.00%	92,87,09,775	99.998%	5.06%

* 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. Shares reserved for issue under options and contracts or commitments for the sale of shares or disinvestment, including the terms and amounts

Refer Note 5.10: Employee Stock Options Plans

h. Dividend

The Board of Directors in their meeting held on 26 March 2025, had declared an interim dividend of ₹ 0.11 per equity share amounting to ₹ 1,021.60 lakhs which was paid on 28 March 2025.

Accounting period	Net Profit ₹ in Cr.	Amount of Div ₹ in Cr.	Div pay o ut ratio %
Profit for the year ended 31 March 2025	8,035.60	1,021.60	12.71%

i. 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 2025	31 March 2024
Statutory reserves u/s 45-IC of The RBI Act, 1934	5,328.89	3,721.77
Securities premium reserve	5,860.66	5,860.66
Share options outstanding account (refer note 1 below)	1,062.85	1,139.96
Retained earnings	19,602.07	14,073.24
Equity instruments through other comprehensive income	(1.00)	-
Total	31,853.47	24,795.63

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

3.21.A Other equity movement

Particulars	As at 31 March 2025	As at 31 March 2024
Statutory reserves u/s 45-IC of The RBI Act, 1934		
Opening Balance	3,721.77	2,337.15
Add : Transferred from retained earnings	1,607.12	1,384.62
Closing Balance	5,328.89	3,721.77
Securities premium reserve		
Opening Balance	5,860.66	4,631.25
Add : Premium collected on share allotment	-	1,229.41
Closing Balance	5,860.66	5,860.66
Share options outstanding account (refer note 1 below)		
Opening Balance	1,139.96	927.21
Less : Transferred to Retained Earnings	(150.48)	-
Add/(Less) : Movement during the year	73.37	212.75
Closing Balance	1,062.85	1,139.96
Retained earnings		
Opening Balance	14,073.24	8,555.12
Add: Profit / (Loss) for the year	8,035.60	6,923.08
Add: Other Comprehensive income	(28.53)	(20.34)
Add: ESOP reserves	150.48	-
Less: Interim Dividend for the year ended 31 March 2025	(1,021.60)	-
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(1,607.12)	(1,384.62)
Closing Balance	19,602.07	14,073.24
Equity instruments through other comprehensive income		
Opening Balance	-	-
Add: Gain / (Loss) for the year	(1.00)	-
Closing Balance	(1.00)	-

Other equity - nature of the components

Particulars

Statutory reserves u/s 45-IC of The RBI Act, 1934

Statutory reserves represent reserve fund created pursuant to Section 45-IC of the RBI Act, 1934 through transfer of specified percentage of net profit every year before any dividend is declared. The reserve fund can be utilised only for limited purposes as specified by the RBI from time to time and every such utilisation shall be reported to the RBI within specified period of time from the date of such utilisation.

Securities premium reserve

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

Share options outstanding account

Share options outstanding account is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Company for its employees.

(Currency : Indian Rupees in Lakhs)

Retained earnings

Retained earnings represents undistributed accumulated earnings of the Company as on Balance Sheet date.

Equity instruments through other comprehensive income

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the Equity investments through OCI reserve.

1. 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 2025	For the year ended 31 March 2024
Interest income on financial assets measured at amortised cost:		
Interest on loans	65,775.38	46,008.17
Interest on investments		
- Debentures / bonds	696.39	2,028.66
- On lending through Pass through certificates	55.64	-
- Commercial papers / Certificate of Deposits	463.78	11.08
Other interest		
- Deposits with banks	171.44	746.45
- Security deposits	18.24	32.30
- Staff loan	-	0.45
Interest income on financial assets measured at fair value through profit or loss:		
- Investments in AIF	10.04	216.49
Total	67,190.91	49,043.60
Fees and commission income		
- Syndication, advisory & other fees	2,003.15	1,220.71
- Corporate agency income	1,326.47	-
Total	3,329.62	1,220.71
Gain on derecognition of financial assets measured at amortised cost	4,676.02	4,008.73
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Realised gain/(loss) on investments	1,862.78	2,093.12
- Unrealised gain/(loss) on investments	382.49	-
Total	2,245.27	2,093.12

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 4.02 : Other income

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Miscellaneous income		
- Interest on income tax refund	124.42	-
- Liabilities no longer required written back	1,027.50	-
- Other	199.45	709.90
Total	1,351.37	709.90

NOTE 4.03 : Finance costs

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Interest expense on financial liabilities measured at amortised cost:		
Interest on borrowings other than debt securities		
Interest on term loan from banks and financial institutions	28,811.29	20,259.18
Interest on overdraft facility from banks	12.34	5.55
Interest on lease liability	79.71	108.96
Interest on debt securities		
Debentures	10,168.16	7,986.63
Commercial Papers	2,236.29	903.60
PTCs	921.95	-
Interest on subordinated liabilities	1,669.80	917.10
Other interest expense		
Bank charges & other related costs	1,651.73	1,352.10
Total	45,551.27	31,533.12

NOTE 4.04 : Impairment on financial instruments

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Impairment on financial instruments at amortised cost:		
Impairment loss allowance on loans		
Provision for expected credit loss	2,936.41	1,065.67
Write offs (net of recovery)	1,918.15	1,515.15
Impairment loss allowance on investments		
Provision for expected credit loss	(19.55)	(59.40)
Impairment loss allowance on others		
Undrawn loan commitments	219.15	39.77
Contingency provision	250.00	-
Total	5,304.16	2,561.19

(Currency : Indian Rupees in Lakhs)

NOTE 4.05 : Employee benefit expenses

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Salaries, other allowances and bonus	11,730.56	7,187.81
Gratuity expenses (Refer Note no. 5.09)	57.17	34.28
Leave encashment	84.09	43.12
Contribution to provident fund and other funds	259.22	190.39
Share based payment expense	73.39	212.75
Employee welfare expenses	397.04	195.83
Total	12,601.47	7,864.18

NOTE 4.06 : Depreciation, amortisation and impairment expenses

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Depreciation of property, plant and equipment	295.59	188.54
Depreciation of right of use assets (ROU)	370.27	487.06
Amortisation of intangible assets	101.15	96.52
Total	767.01	772.12

NOTE 4.07 : Other expenses

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Rent	384.97	219.14
Rates and taxes	302.00	120.48
Insurance	3.53	5.53
Other repairs and maintenance	9.60	47.26
Travelling and conveyance	509.77	345.45
Communication expenses	63.19	18.15
Printing and stationery	21.24	24.78
Loan processing charges	429.35	317.51
Legal and professional charges	1,637.64	796.73
Membership and subscription	6.94	24.99
Auditor's remuneration (refer (a) below)	30.92	25.54
Technology expenses	724.54	515.91
Custodian charges	1.64	0.67
Directors' sitting fees and commission	80.31	158.99
Electricity charges	42.51	33.21
Office expenses	64.30	126.62
Postage and courier	34.07	19.88
Housekeeping and security charges	109.28	67.73
Corporate social responsibilities expenses (refer (b) below)	146.36	120.00
Loss on Disposal of PPE	2.02	7.44
Branding and advertisement expenses	171.65	148.27

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Direct Assignment Expenses	381.69	271.13
Net loss on sale of investments	-	22.33
Total	5,157.52	3,437.74
(a) Payment to auditor includes:		
a) as statutory auditors	24.00	22.38
b) for certification related matters	4.00	2.09
c) reimbursement of OPE	2.92	1.07
Total	30.92	25.54
(b) Details for expenditure on Corporate Social Responsibility:		
a) Gross amount required to be spent during the year	146.36	120.00
b) Amount spent during the year:		
- Expenses paid in cash	18.50	120.00
- Expenses yet to be paid for	127.86	-
Total	146.36	120.00
(c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	18.50	120.00
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	18.50	120.00

NOTE 4.08 : Income Tax

Tax expense

(a) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Current tax expense		
Current income tax	1,253.68	2,049.53
(Excess)/short provision related to earlier years	(30.11)	-
	1,223.57	2,049.53
Deferred tax expense		
Origination and reversal of temporary differences	1,681.09	406.60
	1,681.09	406.60
Tax expense reported in the statement of profit and loss	2,904.66	2,456.13

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

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit liability (asset)	(9.93)	(6.84)
Deferred tax charged to OCI	(9.93)	(6.84)

(Currency : Indian Rupees in Lakhs)

(c) Reconciliation of tax expense

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Accounting profit before income tax expense	10,940.26	9,379.21
Tax @ 25.168% (31 March 2024 : 25.168%)	2,753.45	2,360.56
Difference in tax rate due to:		
- Effect of non-deductible expenses	62.95	88.72
- Others	118.37	6.85
Total Tax Expenses	2,934.77	2,456.13
Effective tax rate	26.83%	26.19%

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 2025	For the year ended 31 March 2024
I. Profit attributable to equity holders (A)		
Profit attributable to equity holders for basic and diluted EPS	8,035.60	6,923.08
II. Weighted average number of equity shares for calculating Basic EPS (B)	92,87,28,108	92,07,88,546
III. Weighted average number of equity shares for calculating Diluted EPS (C)	93,65,50,824	93,01,00,390
IV. Basic earnings per share (₹)	0.87	0.75
V. Diluted earnings per share (₹)	0.86	0.74

NOTE 5.02 : Financial instruments – Fair values

A. 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.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

B. 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 2025							
	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	22,980.06	-	-	22,980.06	22,980.06	-	-	22,980.06
(b) Investments in Debentures	-	-	4,940.09	4,940.09	-	Not applicable	-	-
(c) Investments in Pass through certificates (PTCs)	-	-	200.68	200.68	-	Not applicable	-	-
(d) Investments in equity instruments	-	0.15	-	0.15	-	-	0.15	0.15
Total	22,980.06	0.15	5,140.77	28,120.98	22,980.06	-	0.15	22,980.21
Particulars	As at 31 March 2024							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Mutual Funds	-	-	-	-	-	-	-	-
(b) Investments in Debentures	-	-	6,503.02	6,503.02	-	Not applicable	-	-
(c) Investments in Pass through certificates (PTCs)	-	-	1,031.34	1,031.34	-	Not applicable	-	-
(d) Investments in Arka Credit Fund I	3,089.09	-	-	3,089.09	-	-	3,089.09	3,089.09
(e) Investments in equity instruments	-	1.49	-	1.49	-	-	1.49	1.49
Total	3,089.09	1.49	7,534.36	10,624.94	-	-	3,090.58	3,090.58

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.

(Currency : Indian Rupees in Lakhs)

NOTE 5.03 : Financial instruments risk management

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

- (A) Interest Rate Risk;
- (B) Credit Risk;
- (C) Liquidity Risk;
- (D) Operational Risk; and
- (E) Strategic Risk

(A) Interest Rate Risk;

Interest rate risk is the risk of loss in Company's net income out of change in level of interest rates and/or their implied volatility.

Mitigation:

- » The interest rate sensitivity statement is prepared and reviewed by the management of the Company every month. The statement captures the duration of rate sensitive assets and liabilities of the Company.
- » Any major gap between interest sensitive assets and liabilities is presented to the Asset Liability Committee (ALCO).

The impact of change in interest rate on the earnings of the Company is as below:

Change in interest rate	31 March 2025		31 March 2024	
	Impact on Profit Before Tax	Impact on Equity	Impact on Profit Before Tax	Impact on Equity
25 basis points down	982.85	719.20	607.88	448.70
50 basis points down	1,965.70	1,438.39	1,215.77	897.40
25 basis points up	(982.85)	(719.20)	(607.88)	(448.70)
50 basis points up	(1,965.70)	(1,438.39)	(1,215.77)	(897.40)

Break-up of borrowings into variable rate and fixed rate:

Particulars	31 March 2025	31 March 2024
Variable rate borrowings	3,93,140.16	2,43,153.65
Fixed rate borrowings	1,52,321.63	1,38,983.30
Total borrowings	5,45,461.79	3,82,136.95

(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.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

- » 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 of 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) Strategic Risk;

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

Mitigation:

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

NOTE 5.04 : Capital Disclosure

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

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

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

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

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2025	As at 31 March 2024	% Variance	Reason for variance (if above 25%)
CRAR – Tier I capital (%)	17.97%	22.54%	-20.28%	NA
CRAR – Tier II capital (%)	2.87%	2.55%	12.55%	NA
CRAR (%)	20.84%	25.09%	-16.94%	NA
Liquidity Coverage Ratio (LCR) (%)	192%	219%	-12%	NA
Amount of subordinated debt raised during the year as Tier-II capital (₹ Lakhs)	7,500.00	7,500.00	NA	NA
Amount raised by issue of Perpetual Debt Instruments	Nil	Nil	NA	NA

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	Fellow subsidiaries	Arka Investment Advisory Services Private Limited La-Gajjar Machineries Private Limited Optiqua Pipes and Electricals Private Limited (upto 25 March 2024)
4	Subsidiary Company of Ultimate Holding Company	Kirloskar Americas Corp. USA Engines LPG LLC, DBA Wildcat Power Gen, USA (w.e.f. 29 November 2023) Kirloskar International ME FZE (w.e.f. 07 January 2025)
5	Entity / fund under common group	Arka Credit Fund I
6	Chairman, Independent Director	Nasser Mukhtar Munjee (w.e.f. 23 October 2024)
7	Non-Executive Director	Gauri Kirloskar
8	Non-Executive Director	Mahesh Chhabria (upto 31 March 2025)
9	Non-Executive Director	Vimal Bhandari (upto 31 March 2025)
10	Independent Director	Hoshang Noshirwan Sinor (w.e.f. 28 January 2025)
11	Independent Director	Gurumurthy Ramanathan
12	Independent Director	Rahul Bhagat (w.e.f. 19 February 2025)
13	Independent Director	Yogesh Kapur
14	Independent Director	Vijay Chugh
15	Independent Director	Sivanandhan Dhanushkodi
16	Independent Director	Harish Engineer (upto 14 June 2024)

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

(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 (upto 22 October 2024)	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
2	Samrat Gupta - Managing Director (w.e.f. 23 October 2024)	Vaishali Gupta	Wife
		Amalendu Dutta Gupta	Father
		Rina Dutta Gupta	Mother
		Rohan Gupta	Son
3	Amit Kumar Gupta - Chief Financial Officer (upto 18 February 2025)	Suresh Kumar Gupta	Father
		Sumitra Devi Gupta	Mother
		Meghana Gupta	Wife
		Purvi Gupta	Daughter
		Pehal Gupta	Daughter
		Vikash Gupta	Brother
4	Ridhi Zaveri Gangar - Chief Financial Officer (w.e.f. 19 February 2025)	Rashmi Goel	Sister
		Mahavir Mahendrakumar Lunawat	Husband
		Ruxamani Zaveri Gangar	Mother
		Chirag Mehta	Husband
5	Niki Mehta - Company Secretary	Bharatbhai Modi	Father
		Mayaben Modi	Mother
		Devansh Mehta	Son
		Karan Modi	Brother
		Amisha Karani	Sister

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

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Aditi Mahamunkar	Arun Mahamunkar	Father
		Sadhana Mahamunkar	Mother
		Gaurav Chindarkar	Spouse
		Akshaya Mahamunkar	Sister
		Atul Mahamunkar	Brother
2	Tejas Raja (upto 31 July 2023)	Tanvi Raja	Wife
		Chandrakant Raja	Father
		Nita Raja	Mother
		Atharva Raja	Son
		Ashish Raja	Brother

(Currency : Indian Rupees in Lakhs)

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

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Gauri Kirloskar	Arti A. Kirloskar	Mother
		Atul C. Kirloskar	Father
		Christopher Kolenaty	Husband
		Maya Kolenaty	Daughter
		Pia Kolenaty	Daughter

NOTE 5.05(A) : Related Party Disclosures (Continued)

B. Transactions with Related Parties

Sr. No.	Nature of the transaction and relationship	2024-25		2023-24	
		Amount	Amount	Amount	Amount
1	Capital Contribution received from Holding Company Arka Financial Holdings Private Limited	-	-	5,699.88	5,699.88
	Total	-	-	5,699.88	5,699.88
2	Purchase of Equity Shares of Kirloskar Proprietary Ltd from Holding Company Arka Financial Holding Private Limited	-	-	1.49	1.49
	Total	-	-	1.49	1.49
3	Loan given to Subsidiary Company of Ultimate Holding Company Optiqua Pipes and Electricals Private Limited	-	-	477.47	477.47
	Total	-	-	477.47	477.47
4	Loan repayment from Subsidiary Company of Ultimate Holding Company Optiqua Pipes and Electricals Private Limited	-	-	477.47	477.47
	Total	-	-	477.47	477.47
5	Interest & fees received on loan given Subsidiary Company of Ultimate Holding Company Optiqua Pipes and Electricals Private Limited	-	-	4.85	4.85
	Total	-	-	4.85	4.85
6	Transactions with Key Management Personnel Vimal Bhandari Interest expenses on NCD issued Repayment of Non-Convertible Debentures	-	-	162.15	12.15 150.00
	Total	-	-	162.15	162.15
7	Transactions with holding company Arka Financial Holdings Private Limited (AFHPL) Expenses incurred on behalf of AFHPL	1,233.02	151.40	126.51	81.46

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Sr. No.	Nature of the transaction and relationship	2024-25		2023-24	
		Amount	Amount	Amount	Amount
	Reimbursement of Expenses from AFHPL (net of TDS)		60.04		43.56
	Purchase of Equity Shares of Kirloskar Proprietary Ltd		-		1.49
	Payment of Dividend		1,021.58		-
	Total	1,233.02	1,233.02	126.51	126.51
8	Transactions with fellow subsidiary				
	Arka Investment Advisory Services Private Limited (AIASPL)	3,444.09		228.51	
	Expenses incurred on behalf AIASPL		275.77		171.00
	Reimbursement of Expenses from AIASPL (net of TDS)		73.32		57.51
	Sale of Investments done in the Arka Credit Fund I		3,095.00		-
	Total	3,444.09	3,444.09	228.51	228.51
9	Transactions with Entity under same group				
	Arka Credit Fund I	73.30		5,382.75	
	Sale of Exposure in NCD		-		2,025.06
	Investments done in the Arka Credit Fund I		-		3,089.09
	Income Earned from the Investment		10.04		216.49
	Payments done on behalf of Arka Credit Fund I		63.26		52.11
	Total	73.30	73.30	5,330.64	5,382.75
10	Directors' Sitting Fees and Commission	80.31		158.99	
11	Managerial Remunerations paid to Key Management Personnel	1,576.86		984.35	
Balances with related parties					
1	Receivable from holding company	0.97		239.24	
	Arka Financial Holdings Private Limited		0.97		239.24
	Total	0.97	0.97	239.24	239.24
2	Fellow subsidiary	13.35		260.88	
	Arka Investment Advisory Services Private Limited		13.35		260.88
	Total	13.35	13.35	260.88	260.88
3	Receivable from Entity under same group	-		35.08	
	Arka Credit Fund I		-		35.08
	Total	-	-	35.08	35.08
4	Investment in Entity under same group	-		3,089.09	
	Arka Credit Fund I		-		3,089.09
	Total	-	-	3,089.09	3,089.09

Notes

- The above compensation of the Company's key managerial personnel does not include provision for bonus, 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.
- Directors' Sitting Fees and Commission include GST under Reverse Charge Mechanism (RCM) borne by the Company.

(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		Total	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Borrowings																				
Outstanding at year end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maximum outstanding during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits																				
Placement of Deposits																				
Advances																				
Outstanding at year end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maximum outstanding during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables																				
Outstanding at year end	-	-	0.97	239.24	13.35	260.88	-	-	14.30	-3.82	35.08	-	-	-	-	28.62	-	-	-	531.37
Maximum outstanding during the year	-	-	449.70	239.24	596.62	260.88	-	25.74	37.76	69.33	35.08	-	-	-	-	1,141.39	-	-	-	572.95
Investments																				
Purchase of Fixed / Other Assets				1.49																
Sale of Fixed / Other Assets																				
Interest Paid																				
Interest & processing fees received																				

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

(C) Maturity analysis of lease liability

Particulars	As at 31 March 2025	As at 31 March 2024
Lease liability:		
Less than 12 months	491.52	394.75
More than 12 months	212.06	610.69

Refer Note 3.09: Property, plant and equipment for the movement in ROU.

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

Based on the information / documents available with the Company, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

Particulars	As at 31 March 2025	As at 31 March 2024
a. Principal and interest amount remaining unpaid	-	0.85
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

NOTE 5.09 : Disclosure pursuant to Employee benefits

Defined contribution plan (Provident fund):

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

The provident fund payment recognised as expenses and included in Employee benefit expenses during the current year ₹ 259.22 Lakhs (previous year: ₹ 190.39 Lakhs).

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

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

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

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2025	As at 31 March 2024
A (i) Gratuity:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	160.93	139.65
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	160.93	139.65
(ii) Compensated Absences:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	137.52	95.17
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	137.52	95.17
(iii) Long term incentive plan:		
Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	12.50	52.50
Fair value of plan assets as at the end of the year	-	-
Net (asset) / liability to be recognised in the balance sheet	12.50	52.50
B (i) Gratuity:		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	139.65	79.86
Current service cost	49.78	28.52
Past service cost	-	-
Interest cost	7.39	5.76
Benefits paid	(74.01)	(1.67)
Actuarial (gain) / loss on obligation	38.12	27.18
Projected benefit obligation at the end of the year	160.93	139.65
(ii) Compensated Absences:		
Change in projected benefit obligation		
Projected benefit of obligation at the beginning of the year	95.17	59.45
Current service cost	46.91	27.33
Past service cost	-	-
Interest cost	5.35	4.07
Benefits paid	(41.74)	(7.40)
Remeasurements on obligation - (Gain) / Loss	31.83	11.72
Projected benefit obligation at the end of the year	137.52	95.17
C (i) Gratuity:		
Amount recognised in the statement of profit and loss		
Current service cost	49.78	28.52
Past service cost and loss/(gain) on curtailments and settlement	-	-
Net interest cost	7.39	5.76
Expenses recognised in the statement of profit and loss	57.17	34.28

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Particulars	As at	
	31 March 2025	31 March 2024
(ii) Compensated Absences:		
Amount recognised in the statement of profit and loss		
Current service cost	46.91	27.33
Remeasurements on obligation - (Gain) / Loss	31.83	11.72
Net interest cost	5.35	4.07
Expenses recognised in the statement of profit and loss	84.09	43.12
(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	10.05	0.41
- change in demographic assumption	5.27	-
- experience variation	22.80	26.77
Amount recognised in other comprehensive income	38.12	27.18
E Assumptions used		
Discount rate (gratuity and compensated absences)	6.62%	7.20%
Rate of increase in compensation levels	9.00%	8.00%
Expected average remaining working lives of employees (in years)	6.61	3.26
Retirement Age*	60 years	60 years & 64 years
Withdrawal Rate		
Business	34.00%	30.00%
Others	19.00%	30.00%

* There were two retirement age groups upto previous year based on management hierarchy. From the current year ended March 31, 2025, the retirement age is considered as 60 years for all employees.

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 2025		As at 31 March 2024	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	153.59	168.95	135.70	143.87
Salary growth rate (1% movement)	167.17	155.08	142.40	136.95
Withdrawal rate (1% movement)	159.10	162.85	138.90	140.43

(Currency : Indian Rupees in Lakhs)

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 2025		As at 31 March 2024	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	132.31	143.17	92.70	97.79
Salary growth rate (1% movement)	141.70	133.59	96.95	93.45
Withdrawal rate (1% movement)	146.21	128.24	99.30	90.86

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 6.36 years for Gratuity and 2.87 years for Compensated Absences.
- The amount expected to be paid in next year ₹ 16.86 Lakhs for Gratuity and ₹ 33.50 Lakhs for Compensated Absences.
- The Company had created a provision towards long term incentive for certain key employees in previous year ended 31 March 2022. The amount outstanding as on 31 March 2025 is expected to be paid in next financial year subject to the terms of the plan.

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 2025, the Company has the following share-based payment arrangements:

Share option plans (equity settled):

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

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

I. Details of the ESOP:

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4	ESOP Grant 5	ESOP Grant 6
Method of Settlement						Equity
Method used for accounting of options						Fair Value Method

II. Option Movement during the year ended Mar 2025:

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	45,20,000	2,00,000
Options Granted during the year	-	-	-	-	-	-
Options Forfeited / Lapsed during the year	5,00,000	-	-	36,90,000	19,00,000	2,00,000
Options Exercised during the year	-	-	-	-	-	-
Number of options Outstanding at the end of the year	2,01,50,000	12,50,000	3,25,000	62,60,000	26,20,000	-
Number of Options exercisable at the end of the year	2,01,50,000	12,50,000	3,25,000	53,30,000	11,08,000	-
The weighted average share price of options exercised during the year ended 31 March 2025	NA	NA	NA	NA	NA	NA

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	-	-	-	-	45,20,000.00	2,00,000.00
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	45,20,000.00	2,00,000.00
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

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 2025	2,01,50,000	12,50,000	3,25,000	62,60,000	26,20,000	0
Contractual Life: Granted but not vested (in years)	0	0	0.00	1.00	1.60	0.00

(Currency : Indian Rupees in Lakhs)

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

The fair value had 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 Statement of Profit and Loss for the year:

Particulars	31 March 2025	31 March 2024
Employee share based expense	73.39	212.75
Total ESOP reserve outstanding at the end of the year	1,062.85	1,139.96

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	As at 31 March 2025			As at 31 March 2024		
	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	63,571.02	-	63,571.02	39,252.96	-	39,252.96
Bank balances other than cash and cash equivalents	1,025.97	790.60	1,816.57	-	-	-
Trade receivable	-	-	-	20.25	-	20.25
Loans	1,45,218.39	4,54,842.53	6,00,060.92	1,37,946.59	3,32,541.47	4,70,488.06
Investments	23,178.56	4,936.38	28,114.94	6,483.73	2,587.12	9,070.85
Other financial assets	496.32	8,015.40	8,511.72	1,295.85	4,113.90	5,409.75
Non-financial assets						
Current tax assets (net)	2,645.31	-	2,645.31	1,819.33	-	1,819.33
Deferred tax assets (net)	-	-	-	-	893.08	893.08
Property, plant and equipment	-	1,443.39	1,443.39	-	1,814.99	1,814.99
Capital work-in-progress	-	137.62	137.62	-	19.31	19.31
Intangible assets	-	145.65	145.65	-	249.28	249.28
Other non-financial assets	658.61	92.27	750.88	531.06	33.49	564.55
TOTAL ASSETS	2,36,794.18	4,70,403.84	7,07,198.02	1,87,349.77	3,42,252.65	5,29,602.41

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2025			As at 31 March 2024		
	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
LIABILITIES						
Financial liabilities						
Trade payables	1,080.97	-	1,080.97	615.86	-	615.86
Debt securities	36,499.22	87,593.87	1,24,093.09	78,569.73	46,580.59	1,25,150.32
Borrowings (other than debt securities)	1,47,982.43	2,52,099.87	4,00,082.30	1,15,632.82	1,27,520.83	2,43,153.65
Subordinated Debt	622.26	20,664.14	21,286.40	373.71	13,459.27	13,832.98
Other financial liabilities	27,501.25	212.06	27,713.31	21,992.17	610.69	22,602.86
Non-financial liabilities						
Provisions	3,850.53	243.55	4,094.08	3,149.78	382.43	3,532.21
Deferred tax liabilities (Net)	-	778.07	778.07	-	-	-
Other non-financial liabilities	3,343.52	-	3,343.52	3,046.09	-	3,046.09
TOTAL LIABILITIES	2,20,880.18	3,61,591.56	5,82,471.74	2,23,380.16	1,88,553.81	4,11,933.97

NOTE 5.12 : Asset liability management

As on 31 March 2025

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	95.65	57.86	2,360.97	4,174.58	26,699.06	35,498.04	64,538.11	1,69,446.99	50,819.98	-
PTC	-	117.57	64.14	85.45	88.58	263.66	552.01	2,517.41	3,065.05	12,547.74
Borrowings from financial institutions	580.40	-	16.28	911.87	1,691.12	3,666.15	6,520.93	13,702.70	-	-
Debt Securities (including Subordinated Debt)	5,663.76	-	-	-	5.95	10,874.83	19,954.68	44,811.54	17,109.47	46,959.25
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
ASSETS										
Loans & advances	4,184.72	1,420.60	3,665.26	9,554.10	21,039.18	34,556.06	85,149.66	2,01,367.36	48,671.31	1,95,981.93
Investments	-	6,500.00	3,539.55	3,035.34	3,032.67	100.19	6,972.98	4,940.09	-	0.15
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-

(Currency : Indian Rupees in Lakhs)

As on 31 March 2024

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	-
PTC	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	1,012.17	-	113.64	818.93	1,382.72	3,254.19	13,167.95	13,855.68	1,358.19	-
Debt Securities (including Subordinated Debt)	-	-	4,978.45	2,464.22	2,867.64	10,084.19	58,548.95	41,769.76	10,770.10	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	-	3,090.59
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-

The above disclosure is made as per RBI Guidelines on Liquidity Risk Management Framework and the policy approved by the ALCO and relied upon by the auditors.

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

Particulars	As at 31 March 2025	As at 31 March 2024
- Cash & Cash Equivalents (refer note 3.01)	63,571.02	13,167.93
- Undrawn Funding lines	44,400.00	7,000.00
Total	1,07,971.02	20,167.93

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 5.13 : Exposure to Real Estate Sector

Particulars	As at 31 March 2025	As at 31 March 2024
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.	86,978.15	1,02,387.59
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.	1,34,317.83	1,10,400.41
c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
- Residential	-	-
- Commercial Real Estate	-	214.33
ii) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	495.37	-
Total Exposure to Real Estate Sector	2,21,791.35	2,13,002.33

NOTE 5.14 : Exposure to Capital Market

Particulars	As at 31 March 2025	As at 31 March 2024
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	7,918.79	26,118.93
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	-	-

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2025	As at 31 March 2024
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	5,003.29	-
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
(iii) Category III	-	-
Total Exposure to Capital Market	12,922.08	29,208.02

NOTE 5.15: Revenue from contract with customers (Ind AS 115)

Particulars	31-Mar-25	31-Mar-24
Type of services		
Advisory and syndication fees	1,078.49	870.47
Foreclosure charges	878.57	341.08
Corporate agency income	1,326.47	-
Bounce Charges	112.74	-
Other fees	64.99	-
Total	3,461.26	1,211.55
Geographical markets		
India	3,461.26	1,211.55
Outside India	-	-
Total	3,461.26	1,211.55
Timing of revenue recognition		
Services transferred at a point in time	3,461.26	1,211.55
Services transferred over time	-	-
Total	3,461.26	1,211.55

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 5.16: Credit quality of financial assets and expected credit loss

(A): Changes in its gross carrying amount (excluding staff loans)

For the year ended 31 March 2025

	Stage 1	Stage 2	Stage 3	Total
Opening Balance	4,69,861.19	1,873.69	1,095.18	4,72,830.06
New assets originated (refer note 1 below)	6,28,977.53	-	-	6,28,977.53
Assets repaid (excluding write offs)	(4,93,228.93)	(673.95)	(396.38)	(4,94,299.26)
Transfers to Stage 1	378.28	(207.91)	(170.37)	-
Transfers to Stage 2	(6,907.70)	6,907.70	-	-
Transfers to Stage 3	(4,972.32)	(569.09)	5,541.41	-
Amounts written off	-	-	(1,918.15)	(1,918.15)
Closing Balance	5,94,108.05	7,330.44	4,151.69	6,05,590.18

Note 1: New assets originated represents fresh disbursements made during the year.

For the year ended 31 March 2024

	Stage 1	Stage 2	Stage 3	Total
Opening Balance	3,69,612.91	194.81	34.54	3,69,842.26
New assets originated (refer note 1 below)	4,84,139.68	-	-	4,84,139.68
Assets repaid (excluding write offs)	(3,79,503.60)	(133.13)	-	(3,79,636.73)
Transfers to Stage 1	12.16	(12.46)	0.30	-
Transfers to Stage 2	(1,873.60)	1,873.01	0.59	-
Transfers to Stage 3	(2,526.36)	(48.54)	2,574.90	-
Amounts written off	-	-	(1,515.15)	(1,515.15)
Closing Balance	4,69,861.19	1,873.69	1,095.18	4,72,830.06

Note 1: New assets originated represents fresh disbursements made during the year.

(B): Reconciliation of Expected Credit Loss balance

For the year ended 31 March 2025

	Stage 1	Stage 2	Stage 3	Total
Opening Balance	1,457.39	89.50	795.96	2,342.85
New assets originated*	1,867.60	85.69	1,289.10	3,242.39
Assets repaid (excluding write offs)	(824.40)	(23.27)	(23.14)	(870.81)
Transfers to Stage 1	135.38	(7.48)	(127.90)	-
Transfers to Stage 2	(11.54)	11.54	-	-
Transfers to Stage 3	(6.47)	(9.82)	16.29	-
Impact on year end ECL on exposures transferred between stages during the year	(244.14)	89.58	1,481.78	1,327.22
Amounts written off	-	-	(512.39)	(512.39)
Closing Balance	2,373.82	235.74	2,919.70	5,529.26

*New assets originated represents fresh disbursements made during the year. Classification of new assets originated in stage 1,2,3 is based on year end staging.

(Currency : Indian Rupees in Lakhs)

For the year ended 31 March 2024

	Stage 1	Stage 2	Stage 3	Total
Opening Balance	1,171.96	0.57	104.65	1,277.18
New assets originated*	1,118.45	41.18	225.35	1,384.98
Assets repaid (excluding write offs)	(818.18)	0.05	(1.26)	(819.39)
Transfers to Stage 1	12.95	(0.09)	(12.86)	-
Transfers to Stage 2	(3.98)	5.18	(1.20)	-
Transfers to Stage 3	(2.81)	(0.01)	2.82	-
Impact on year end ECL on exposures transferred between stages during the year	(21.00)	42.62	572.74	594.36
Amounts written off	-	-	(94.28)	(94.28)
Closing Balance	1,457.39	89.50	795.96	2,342.85

*New assets originated represents fresh disbursements made during the year. Classification of new assets originated in stage 1,2,3 is based on year end staging.

NOTE 5.17: Change in accounting estimates during the year

During the year ended 31 March 2025, the Company has updated the criteria for recognising leases under Ind AS 116. The revision has led to an additional recognition of right of use asset to the extent of ₹ 104.41 lakh and lease liabilities to the extent of ₹ 100.01 lakh.

NOTE 6.01 : Disclosures Pursuant to Annex VII (Section I) 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	187.46	19.18	10.23%	1,458.20	9.16	0.63%
2 Industry						
i Micro and Small	1,21,568.22	1,749.93	1.44%	69,519.44	14.21	0.02%
ii Medium	3,779.64	7.68	0.20%	1,819.51	-	0.00%
iii Large	2,78,361.18	-	0.00%	2,84,584.60	-	0.00%
iv Others	20,062.92	725.15	3.61%	30,547.86	546.26	1.79%
Total of Industry (i+ii+iii+iv)	4,23,771.96	2,482.76	0.59%	3,86,471.41	560.47	0.15%

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

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
3 Services						
i NBFCs	8,827.36	469.75	5.32%	9,862.83	-	0.00%
ii Retail Trade	54,621.87	688.06	1.26%	34,930.14	198.25	0.57%
iii Wholesale Trade (other than Food Procurement)	44,314.79	130.28	0.29%	31,407.95	156.56	0.50%
iv Others	80,004.52	222.27	0.28%	63,296.60	131.88	0.21%
Total of Services (i+ii+iii+iv)	1,87,768.54	1,510.36	0.80%	1,39,497.52	486.69	0.35%
4 Personal Loans						
i Education Loans	14,149.79	-	0.00%	3,667.00	7.61	0.21%
ii Others	27,466.85	139.39	0.51%	6,112.41	31.26	0.51%
Total of Personal Loans (i+ii)	41,616.64	139.39	0.33%	9,779.41	38.87	0.40%
5. Others, if any (please specify)	-	-	0.00%	-	-	0.00%

IV. Intra-group exposures

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
i) Total amount of intra-group exposure	-	-
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%	0.00%

V. Unhedged Foreign Currency Exposure

The Company does not have any unhedged foreign currency exposure for the year ended March 31, 2025 (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.

VII. Disclosure of complaints

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

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
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	289	296

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
3 Number of complaints disposed during the year	284	296
3.1 Of which, number of complaints rejected by the Company	-	-
4 Number of complaints pending at the end of the year	5	-
Maintainable complaints received by the Company from Office of Ombudsman		
5 Number of maintainable complaints received by the Company from Office of Ombudsman	-	6
5.1 Of 5, number of complaints resolved in favour of the Company by Office of Ombudsman	-	6
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					
EMI related	-	101	NA	-	-
Loans and advances	-	75	-0.63	2	1
Non receipt of documents	-	20	NA	-	-
Reporting	-	64	-0.19	3	1
Staff Behaviour	-	29	1.23	-	-
Others	-	-	NA	-	-
Total	-	289	-0.02	5	2
Previous Year					
Loans and advances	-	204	50	-	-
Non receipt of documents	-	0	-1	-	-
Reporting	-	79	9	-	-
Staff Behaviour	-	13	n.a.	-	-
Others	-	-	-	-	-
Total	-	296	22	-	-

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 6.02 : Disclosures Pursuant to Annex VII (Section II) 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 2025	For the year ended 31 March 2024
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	28,120.98	10,624.94
(b) Outside India	-	-
(ii) Provision for Depreciation*		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	28,120.98	10,624.94
(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 December 19, 2023 & RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024 are not considered here.

IV. Derivatives

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

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

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

VI. Details of financing of parent Company products : None

VII. 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. (Previous year: NIL)

VIII. Unsecured Advances against intangible securities : None

(Currency : Indian Rupees in Lakhs)

IX. Registration obtained from other financial sector regulators

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

X. Disclosure of penalties imposed by RBI and other regulators

There were no penalties imposed by the RBI or any other regulators on the Company during the year ended 31 March 2025.

During the previous 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 October 31, 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.

XI. Breach of Covenant

There are no instances of breach of covenants of loans availed or debt securities issued during the current year and previous year.

XII. Divergence in Asset Classification and Provisioning

There are no divergence noted in asset classification and provisioning during the current year and previous year.

XIII. Related Party Transactions

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

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

Sr No	Instrument		For the year ended 31 March 2025	For the year ended 31 March 2024
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-
		Acuite	AA	-

XV. Remuneration of Directors

Sr No	Instrument	For the year ended 31 March 2025	For the year ended 31 March 2024
1	Transactions with the Non-Executive Directors		
	Payment of Director Sitting fees and commission (inclusive of GST)	80.31	158.99

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

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 and previous year.

XVII. Revenue Recognition

There is no postponement of revenue due to pending resolution of significant uncertainties during the current year and previous year.

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

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 Provisions for depreciation on Investment	-	-
2 Provision towards loan assets (Stage 3)	2,123.74	691.31
3 Bad debts written off (net of recovery)	1,918.15	1,515.15
4 Provision made towards Income tax	1,253.68	2,049.53
5 Other Provision and Contingencies	250.00	-
6 Provision for Standard Assets (Stage 1 & Stage 2)	1,031.82	414.13
7 Impairment loss allowance on investments	(19.55)	(59.40)

During the previous year ended 31 March 2024, the Company had made 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 December 19, 2023 and RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024. During the year ended 31 March 2025, the Company has reversed the entire provision of ₹ 1,528.50 lakh which is in compliance with the above-mentioned RBI circulars.

XIX. Draw down from reserves : None

XX. Concentration of Advances

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 Total Advances to twenty largest borrowers	1,34,684.29	1,40,608.17
2 Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	22.24%	29.74%

XXI. Concentration of Exposures*

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 Total Exposures to twenty largest borrowers	1,47,231.95	1,57,643.80
2 Percentage of Exposures to twenty largest borrowers to Total Exposures of the Company	22.54%	29.34%

* As per the RBI Master Circular DBR No. Diir. BC. 12/13.03.00/2015-16, exposure includes credit exposure (funded and non funded credit lines) and investments exposure (including underwriting and similar commitments). The sanctioned limits or outstandings, whichever are higher, has been reckoned for arriving at the exposure limit.

(Currency : Indian Rupees in Lakhs)

XXII. Concentration of NPA

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 Total Exposure to top four NPA accounts	1,376.19	684.28

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

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 Agriculture and allied activities	10.23%	0.63%
2 MSME	1.01%	0.28%
3 Corporate borrowers	-	-
4 Services	3.52%	0.04%
5 Unsecured personal loans	0.65%	0.60%
6 Auto loans	4.05%	-
7 Other personal loans	3.49%	2.16%

XXIV. Movement of NPAs

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 Net NPAs to Net Advances (%)	0.20%	0.06%
2 Movement of NPAs (Gross)		
(a) Opening balance	1,095.18	34.54
(b) Additions during the year	5,541.41	1,137.25
(c) Reductions during the year	(2,484.90)	(76.61)
(d) Closing balance	4,151.69	1,095.18
3 Movement of Net NPAs		
(a) Opening balance	299.22	-
(b) Additions during the year	2,770.53	299.22
(c) Reductions during the year	(1,837.76)	-
(d) Closing balance	1,231.99	299.22
4 Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	795.96	104.65
(b) Additions during the year	2,770.88	691.31
(c) Reductions during the year	(647.14)	-
(d) Closing balance	2,919.70	795.96

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

There are no overseas assets owned by the Company during the current year and previous year.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

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 2025	For the year ended 31 March 2024
1 No. of complaints pending at the beginning of the period	-	-
2 No. of complaints received during the period	289	296
3 No. of complaints redressed during the period	284	296
4 No. of complaints pending at the end of the period	5	-

XXVIII. Loan against security of single product - Gold Jewellery

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Percentage of Loan against security of single product - Gold Jewellery* to Total Assets	0.00%	0.22%

* These loans were not sourced by the Company and acquired under direct assignment arrangement. No auctions have been conducted by the Company during the current year and previous year.

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 2025	For the year ended 31 March 2024
1 Directors and their relatives	-	-
2 Entities associated with directors and their relatives	-	-
3 Senior Officers and their relatives	-	-

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

The Company has not reported any fraud in the current financial year 2024-25 (previous year : ₹ 6.96 lakhs) to RBI.

(Currency : Indian Rupees in Lakhs)

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

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

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
Aggregate amount of loans acquired	2,965.01	18,971.78
Weighted average residual maturity (in years)	1.29	1.55
Weighted average holding period by originator (in years)	0.99	0.85
Retention of beneficial economic interest by the originator	10%	10%
Tangible security coverage	0%	20%
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 2025	For the year ended 31 March 2024
Number of loans	5	10
Aggregate amount of loans transferred	9,869.70	17,568.78
Weighted average remaining maturity (in years)	3.25	2.52
Weighted average holding period after origination (in years)	0.44	0.58
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 2025	For the year ended 31 March 2024
Number of loans	5,649.00	1,008.00
Aggregate amount of loans transferred (in Lakhs)	96,498.72	44,358.68
Sale Consideration (in Lakhs)	96,498.72	44,358.68
Weighted average remaining maturity (in years)	10.09	11.66
Weighted average holding period after origination (in years)	0.77	0.84
Retention of beneficial economic interest	17%	14%
Coverage Tangible security coverage	78%	87%
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

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

NOTE 6.03B : Disclosures Pursuant to Annex 3 to Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021

Details of securitisation (PTC) with Ecstasy Oct 2024

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 No of SPEs holding assets for securitisation transactions originated by the originator (only the SPVs relating to outstanding securitization exposures to be reported here)	1	-
2 Total amount of securitised assets as per books of the SPEs	13,162.12	-
3 Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet	-	-
a) Off-balance sheet exposures	-	-
• First loss	-	-
• Others	-	-
b) On-balance sheet exposures	-	-
• First loss	FD Lien Amount- ₹ 995 Lakh	-
• Others	Equity Tranche- ₹ 710.10	-
4 Amount of exposures to securitisation transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own securitisations	-	-
• First loss	-	-
• Others	-	-
ii) Exposure to third party securitisations	-	-
• First loss	-	-
• Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own securitisations	-	-
• First loss	-	-
• Others	-	-
ii) Exposure to third party securitisations	-	-
• First loss	-	-
• Others	-	-
5 Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	13,491.91	-
6 Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.	FD Lien marked ₹ 995 Lakh ; Equity Tranche ₹ 710.10 Lakh	-

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
7 Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.		
Credit enhancement		
(a) Amount paid	995.00	-
(b) Repayment received	-	-
(c) Outstanding amount	995.00	-
Servicing Agent- Dec 24 - March-25 Collection		
(a) Amount paid	1,579.15	-
(b) Repayment received	1,579.15	-
(c) Outstanding amount	-	-
8 Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc (may mention average default rate of previous 5 years)	-	-
9 Amount and number of additional/top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc	-	-
10 Investor complaints	-	-
(a) Directly/Indirectly received	-	-
(b) Complaints outstanding	-	-

Details of securitisation (PTC) with Silver Arrows

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
1 No of SPEs holding assets for securitisation transactions originated by the originator (only the SPVs relating to outstanding securitization exposures to be reported here)	1	-
2 Total amount of securitised assets as per books of the SPEs	21,967.53	-
3 Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet	-	-
a) Off-balance sheet exposures	-	-
• First loss	-	-
• Others	-	-
b) On-balance sheet exposures	-	-
• First loss	FD Lien Marked - ₹ 790.60 Lakh	-
• Others	Equity Tranche - ₹ 465.04 Lakh	-

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2025	For the year ended 31 March 2024
4 Amount of exposures to securitisation transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own securitisations	-	-
• First loss	-	-
• Others	-	-
ii) Exposure to third party securitisations	-	-
• First loss	-	-
• Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own securitisations	-	-
• First loss	-	-
• Others	-	-
ii) Exposure to third party securitisations	-	-
• First loss	-	-
• Others	-	-
5 Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	8,835.75	-
6 Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.	FD -Lien Marked- ₹ 790.6 Lakh; Equity Tranche - ₹ 465.04 Lakh	-
7 Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.		
Credit enhancement		
(a) Amount paid	790.60	-
(b) Repayment received	-	-
(c) Outstanding amount	790.60	-
servicing agent- Collection for the period Aug 24 - March-25		
(a) Amount paid	2,182.02	-
(b) Repayment received	2,182.02	-
(c) Outstanding amount	-	-
8 Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc (may mention average default rate of previous 5 years)	-	-
9 Amount and number of additional/top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc	-	-
10 Investor complaints	-	-
(a) Directly/Indirectly received	-	-
(b) Complaints outstanding	-	-

(Currency : Indian Rupees in Lakhs)

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

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

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

FY 2024-25

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	5,99,248.83	2,354.23	5,96,894.60	2,366.39	(12.15)
	Stage 2	7,330.43	235.76	7,094.67	28.93	206.82
Subtotal		6,06,579.26	2,589.99	6,03,989.27	2,395.32	194.67
Non-Performing Assets (NPA)						
Substandard	Stage 3	3,503.55	2,344.18	1,159.37	878.59	1,460.59
Doubtful - up to 1 year	Stage 3	178.38	103.47	74.91	35.31	68.15
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		178.38	103.47	74.91	35.31	68.15
Loss	Stage 3	469.76	472.05	(2.29)	472.05	-
Subtotal for NPA		4,151.69	2,919.70	1,231.99	1,385.95	1,528.74
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	42,580.40	140.67	42,439.73	-	140.67
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		42,580.40	140.67	42,439.73	-	140.67
TOTAL	Stage 1	6,41,829.23	2,494.90	6,39,334.33	2,366.39	128.52
	Stage 2	7,330.43	235.76	7,094.67	28.93	206.82
	Stage 3	4,151.69	2,919.70	1,231.99	1,385.95	1,528.74
	Total	6,53,311.35	5,650.36	6,47,660.99	3,781.27	1,864.08

* Amounts disclosed include Ind AS adjustments

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

FY 2023-24

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	1,654.49	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	2,539.96	4,77,995.98	1,999.65	540.30

* Amounts disclosed include Ind AS adjustments

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

Particulars	As at March 31, 2025		As at March 31, 2024	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a) Debenture : Secured	1,09,805.24	-	1,05,678.83	-
: Unsecured	21,286.40	-	13,832.98	-
(b) Deferred Credits	-	-	-	-
(c) Term Loans	3,80,780.69	-	2,41,411.60	-
(d) Inter-corporate loans and borrowing	-	-	-	-

(Currency : Indian Rupees in Lakhs)

Particulars	As at March 31, 2025		As at March 31, 2024	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
LIABILITIES SIDE				
(e) Commercial Paper	14,287.85	-	19,471.49	-
(f) Public Deposits	-	-	-	-
(g) Other Loans - Working capital demand loans from bank	-	-	-	-
Securitization (PTC)	19,301.61	-	-	-
(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	-	-	-	-

Particulars	As at March 31, 2025		As at March 31, 2024	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
ASSETS SIDE				
(3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):				
(a) Secured	5,03,986.31	-	4,15,130.75	-
(b) Unsecured	1,01,603.87	-	57,700.16	-
(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	-
(iii) Units of mutual funds	22,980.06	-	-	-
(iv) Government Securities	-	-	-	-
(v) Others (please specify)	-	-	-	-
2. Unquoted				
(i) Shares: (a) Equity	-	-	-	-
(b) Preference	-	-	-	-
(ii) Debentures and Bonds	-	-	-	-
(iii) Units of mutual funds	-	-	-	-

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

ASSETS SIDE	As at March 31, 2025	As at March 31, 2024
(iv) Government Securities	-	-
(v) Commercial paper	-	-
(vi) Others - Pass through certificates	200.68	-
Long Term investments		
1. Quoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	4,940.09	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted		
(i) Shares: (a) Equity	0.15	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

(6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category	As at March 31, 2025			As at March 31, 2024		
	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	5,03,986.31	1,01,603.87	6,05,590.18	4,15,130.75	57,700.16	4,72,830.91

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	As at March 31, 2025		As at March 31, 2024	
	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	28,120.98	28,114.94	7,535.85	7,542.35

(Currency : Indian Rupees in Lakhs)

(8) Other information:

Particulars	As at March 31, 2025	As at March 31, 2024
(i) Gross Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	4,151.69	1,095.17
(ii) Net Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	1,231.99	299.22
(iii) Assets acquired in satisfaction of debt	-	-

Note 6.06: CWIP ageing and Completion schedule - 31 March 2025

	Amount in CWIP for a period of				
	Less than 1 year	1-2 Years	2-3 years	More than 3 years	Total
Projects in progress	137.62	-	-	-	137.62
Projects temporarily suspended	-	-	-	-	-

There were no overrun as on 31 March 2025 on account of cost or timelines for the ongoing projects.

CWIP ageing and Completion schedule - 31 March 2024

	Amount in CWIP for a period of				
	Less than 1 year	1-2 Years	2-3 years	More than 3 years	Total
Projects in progress	19.31	-	-	-	19.31
Projects temporarily suspended	-	-	-	-	-

There were no overrun as on 31 March 2024 on account of cost or timelines for the ongoing projects.

Note 6.07: Trade receivable ageing schedule - 31 March 2025

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Trade receivables aging schedule - 31 March 2024

	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	-	-	-	-	-	-

Note 6.08: Trade Payables aging schedule - 31 March 2025

	Outstanding for following periods from due date of payment					Total
	Unbilled / Provision	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	53.44	-	-	-	-	53.44
(ii) Others	1,006.87	20.66	-	-	-	1,027.53
(iii) Disputed dues – MSME	-	-	-	-	-	-
(iv) Disputed dues – Others	-	-	-	-	-	-

Trade Payables aging schedule - 31 March 2024

	Outstanding for following periods from due date of payment					Total
	Unbilled / Provision	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	-	-	-	-	-	-

(Currency : Indian Rupees in Lakhs)

Note 6.09: Other notes

6.09 (i): Accounting Ratios

Particulars	As at 31 March 2025	As at 31 March 2024
Debt-equity ratio ¹	4.38 : 1	3.28 : 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	0.82 : 1	0.78 : 1
Gross NPA (%)	0.69%	0.23%
Net NPA (%)	0.20%	0.06%
Capital Adequacy Ratio (CRAR)	20.84%	25.09%

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. during the current year and previous year.

6.09 (iii): Registration of charges

For the year ended 31 March 2025:

Registration of charges were performed as per the terms of sanction within the due dates during the year ended 31 March 2025.

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.

6.09 (iv): Satisfaction of charges

For the year ended 31 March 2025:

Satisfaction of charges were performed as per the terms of sanction within due date during the year ended 31 March 2025.

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.

6.09 (v): Utilization of borrowed funds

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

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

- (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, during the current year and previous year.

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

As on 31 March 2025

No. of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
31	4,62,248.73	N.A.	79.36%

As on 31 March 2024

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

- 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.
- iii) The amounts represent outstanding principal as on reporting date.

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

As on 31 March 2025

Amount	% of Total Borrowings
2,64,107.72	48.42%

As on 31 March 2024

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

(Currency : Indian Rupees in Lakhs)

4 Funding Concentration based on significant instrument / product

As on 31 March 2025

Name of the product	Amount	% of Total Liabilities
Commercial Papers	7,500.00	1.29%
NCD	83,333.92	14.31%
Term Loan	3,51,864.31	60.41%
PTC	19,550.50	3.36%
Cash credit (CC)	-	-
Working capital demand loan (WC DL)	-	-
Total	4,62,248.73	79.36%

As on 31 March 2024

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	31-Mar-25	31-Mar-24
	%	%
Commercial papers as a % of total public funds	2.75%	5.10%
Commercial papers as a % of total liabilities	2.58%	4.73%
Commercial papers as a % of total assets	2.12%	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	6.48%	53.82%
Other short-term liabilities as a % of total liabilities	6.07%	49.92%
Other short-term liabilities as a % of total assets	5.00%	38.83%

- i) Total Public Funds is defined as total borrowings.

Notes to the Financial Statements

for the year ended 31 March 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

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.

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. As per the LCR guidelines, the Company is required to maintain LCR from 01 January 2024.

(Currency : Indian Rupees in Lakhs)

	For the quarter ended 31 March 2025			For the quarter ended 30 Sept 2024			For the quarter ended 30 June 2024			For the quarter ended 31 March 2024		
	Total Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Total Adjusted Value	Total Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Total Adjusted Value	Total Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Total Adjusted Value	Total Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Total Adjusted Value
High Quality Liquid Assets (HQLA)												
1 ** Total High Quality Liquid Assets (HQLA)	67,949.48	67,949.48	67,949.48	54,763.51	54,763.51	54,763.51	25,348.99	25,349.00	24,262.80	24,262.80	42,649.02	42,649.02
CASH OUTFLOWS												
2 Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-	-	-	-	-
3 Unsecured wholesale funding	7,602.00	8,742.30	-	815.22	937.50	3,857.71	3,354.53	3,857.71	2,714.29	3,121.43	659.34	758.24
4 Secured wholesale funding	27,753.65	31,916.70	-	24,693.29	28,397.28	18,515.44	16,100.38	18,515.44	11,454.17	13,172.30	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	20,654.27	23,752.41	-	22,011.33	25,313.04	19,283.64	19,283.64	22,176.19	24,602.54	28,292.92	16,352.78	18,805.70
8 TOTAL CASH OUTFLOWS	56,009.92	64,411.41		47,519.84	54,647.82	38,738.55	38,738.55	44,549.34	38,771.00	44,586.65	34,732.49	39,942.37
CASH INFLOWS												
9 Secured Lending	21,510.94	16,133.20	-	13,708.37	10,281.27	18,529.63	18,529.63	13,897.22	17,847.60	13,385.70	20,929.31	15,696.98
10 Inflows from fully performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
11 Other cash inflows	17,166.34	12,874.76	-	24,388.11	18,291.09	7,856.83	7,856.83	5,892.62	9,673.61	7,255.21	6,980.77	5,235.58
12 TOTAL CASH INFLOWS	38,677.28	29,007.96		38,096.48	28,572.36	26,386.46	26,386.46	19,789.84	27,521.21	20,640.91	27,910.08	20,932.56
13 TOTAL HQLA			67,949.48			54,763.51					24,262.80	
14 TOTAL NET CASH OUTFLOWS			35,414.51			26,075.46					23,945.74	
15 LIQUIDITY COVERAGE RATIO (%)			192%			210%					102%	
												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 2025
(contd.)

(Currency : Indian Rupees in Lakhs)

Composition of HQLAs	For the quarter ended 31 March 2025		For the quarter ended 31 Dec 2024		For the quarter ended 30 Sept 2024		For the quarter ended 30 June 2024		For the quarter ended 31 March 2024	
	Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)	Unweighted ⁽¹⁾ Value (average)	Total Weighted ⁽²⁾ Value (average)
1 Assets to be included as HQLA without any haircut	67,949.48	67,949.48	54,763.51	54,763.51	25,348.99	25,348.99	24,262.80	24,262.80	42,649.02	42,649.02
(i) Bank Balance	11,330.73	11,330.73	8,154.81	8,154.81	6,984.86	6,984.86	5,229.83	5,229.83	5,459.42	5,459.42
(ii) Investments in Fixed Deposits with Bank	-	-	-	-	54.35	54.35	230.77	230.77	7,676.35	7,676.35
(iii) Investments in Debt Mutual Funds	56,618.75	56,618.75	46,608.70	46,608.70	18,309.78	18,309.78	18,802.20	18,802.20	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	67,949.48	67,949.48	54,763.51	54,763.51	25,348.99	25,348.99	24,262.80	24,262.80	42,649.02	42,649.02

(Currency : Indian Rupees in Lakhs)

NOTE 7.01 :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.

NOTE 7.02 :Other significant notes

- The Indian Parliament has approved the Code on Social Security, 2020, which subsumes the Provident Fund and the Gratuity Act and rules thereunder, vide its notification in the Gazette of India dated September 28, 2020. The Ministry of Labour and Employment notified few sections of the Code in May 2023. However the date from which all the provision of the Code will come into force is not yet notified.

The Company will assess the complete Code as and when it comes into effect and will take necessary impact if any, in the respective period.

2 Audit trail

The Company has used various accounting softwares 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. The Company has used three applications for maintaining some of its books of accounts and in the absence of service organisation control reports for the period April 1, 2024 to March 31, 2025 with respect to audit trail feature at the database level, the Company is unable to confirm whether audit trail feature in the aforesaid softwares at the database level was enabled and have operated throughout the year or not.

Additionally, the audit trail has been preserved by the Company as per the statutory requirements for record retention, except for the three applications stated above at database level.

3 Events after the reporting date

Subsequent events are tracked and evaluated by the Company. There are no events / information which requires adjustment to the financial statements as per Ind AS 10.

- The Company has not traded or invested in Crypto Currency or Virtual Currency during the current year and previous year.
- The Company does not have any income from undisclosed transactions during the year ended 31 March 2025 and 31 March 2024.
- The Company does not have any restructured accounts for the year ended and as on 31 Mar 2025 and 31 March 2024.

NOTE 7.03 : Regrouping and / or reclassification

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

As per our attached report of even date

For **Singhi & Co.**
Chartered Accountants
ICAI Firm Registration No.: 302049E

Shweta Singhal
Partner
Membership No. 414420

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

Samrat Gupta
Managing Director
DIN: 07071479

Gauri Kirloskar
Non Executive Director
DIN: 03366274

Ridhi Gangar
Chief Financial Officer

Niki Mehta
Company Secretary

Place: Mumbai
Date: 30 April 2025

Place: Mumbai
Date: 30 April 2025

ARKA

Aapka Apna

REGISTERED OFFICE AND CORPORATE OFFICE

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