



## Press Release

February 13, 2026

### ARKA FINCAP LIMITED Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	610.00	ACUITE AA   Stable   Reaffirmed	-
Total Outstanding	610.00	-	-
Total Withdrawn	0.00	-	-

#### Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE AA**'(**Read as ACUITE double A**) on the Rs 610.00 Cr. Non-convertible Debentures of Arka Fincap Limited. The Outlook is '**Stable**'.

#### Rationale for Rating

The rating reaffirmation takes into account the improvement in AUM and Disbursement levels and healthy capitalisation. The rating is further driven by the parentage of Kirloskar Oil Engines Ltd (KOEL) which is one of the flagship companies of the Kirloskar Group. This brings financial flexibility to Arka Fincap Limited. KOEL has already infused around Rs 1000 crores into Arka Fincap Limited and has the ability to further infuse to drive the growth for Arka Fincap Limited. The rating also takes into account the slight moderation in asset quality along with a shift in portfolio mix towards a more granular retail book of Arka Fincap Limited.

#### About the company

##### Arka Fincap Limited

Mumbai based, Arka Fincap Limited was incorporated in 2018. Ms Gauri Atul Kirloskar, Mr Aman Kirloskar, Mr Rahul Bhagat, Mr Yogesh Kapur , Mr Hoshang Noshirwan Sinor and Mr Srikumar Vijaysekharan and Mr Nasser Munjee are directors of the company. The Managing Director of Arka Fincap Limited is Mr Samrat Gupta. The company is engaged in lending activity. The company is registered with Reserve Bank of India as a Non banking financial Company. The company is a wholly owned subsidiary of Arka Financial Holdings Private Limited which in turn wholly owned by Kirloskar Oil Engine Limited.

#### About the Group

##### Arka Financial Holdings Private Limited

Mumbai based, Arka Financial Holdings Private Limited was incorporated in 2021. It operates as an unregistered core investment company. The company is a wholly owned subsidiary of Kirloskar Oil Engines Limited. Arka Financial Holdings Private Limited is a holding company of Arka Fincap Limited.

Mr Samrat Gupta, Ms Gauri Kirloskar, Mr Rahul Bhagat, Mr Yogesh Kapur, Mr Srikumar Vijayasekharan are directors of the company.

##### Kirloskar Oil Engines Limited

Kirloskar Oil Engines Limited is an ultimate holding company of Arka Fincap Limited. Pune based, Kirloskar Oil Engines Limited was incorporated in 2009. It is engaged in the business of manufacturing of engines, generating sets, pump sets and power tillers and spares thereof. The Company operates through three segments: Business to Business (B2B), Business to Customer (B2C) and Financial Services. Mr. Vinesh Kumar Jairath, Mr. Satish Jamdar, Mr. Abraham Kandathil Mathew , Mrs. Shalini Sarin, Mrs. Purvi Sheth, Mr. Rahul Chandrakant Kirloskar, , Mrs. Gauri Atul Kirloskar, Mr. Atul Chandrakant Kirloskar, Mr. Yogesh Kapur, Mr. Arvind Hari Goel, Mr Srikumar Vijayasekharan are directors of the company.

#### Unsupported Rating

Not Applicable

### **Analytical Approach**

For arriving at the rating, Acuite has assessed the standalone credit risk profile of Arka, and factored in the benefit derived from ownership from the ultimate parent, KOEL, given the strategic importance of Arka Fincap Limited to the former, 100% ultimate shareholding.

### **Key Rating Drivers**

#### **Strength**

##### **Strong parentage of Kirloskar Oil Engine Limited (KOEL)**

KOEL is the ultimate holding company of Arka Fincap Limited through Arka Financial Holdings Ltd. This brings the financial flexibility to Arka Fincap Limited and its promoters have already infused around Rs 1000 crore and it is expected that they can infuse further to drive the growth for Arka Fincap Limited. The AUM for Arka Fincap Limited has increased from Rs 5210.41 Cr. in FY24 to Rs 7255.15 Cr. in FY 25 which further increased to Rs 7679.27 Cr for 9MFY 2026 as against Rs 6739.59 Cr for 9MFY2025.

##### **Steady growth in AUM while maintaining asset quality**

The AUM for Arka Fincap Limited has increased from Rs 5210.41 Cr. in FY24 to Rs 7255.15 Cr. in FY 25 which further increased to Rs 7679.27 Cr. for 9MFY 2026 as against Rs 6739.59 Cr. for 9MFY2025. The Asset Quality of Arka Fincap Limited as indicated by the GNPA is at 0.69% and the NNPA is at 0.20% as on March 31, 2025 while the on time portfolio of Arka Fincap Limited is seen at 97.13% for the same period. For the period 9MFY2026, the GNPA and NNPA stood at 1.35% and 0.44% as against 0.42% and 0.17% for 9MFY2025 respectively. The asset quality deterioration is due to the delinquencies from unsecured business loan and digital partnership portfolio, both the businesses have been discontinued. The management does not expect LAP portfolio to further cause deterioration. Going forward, any further deterioration would remain key monitorables.

#### **Weakness**

##### **Limited track record**

Arka Fincap Limited has recently started operations in 2019 and the seasoning on the loan portfolio is yet to be seen. The asset under management has increased to Rs.7679.27 Cr. for 9MFY2026 and Rs.7255.15 Cr. in FY25 (AUM is Rs 5210.41 Cr. in FY24). For 9MFY2026, the SME & Retail segment comprised of 54% of the on book AUM, followed by ~23% in Corporate Lending book, ~23 % from Real Estate and Allied. The company is transitioning from a wholesale lending book to granular retail lending with an increase in prime and short tenure LAP along with financing against used wheels. In the past 9 months, the company has opened 85 new branches and disbursed ~ Rs 328 Cr. in Secured Retail lending division. The company is reducing the unsecured portfolio which comprised of unsecured business loans, digital lending, etc. which is expected to run down in the coming quarters. Going forward it would be essential to monitor the operations of Arka Fincap Limited with respect to these shifts and delinquencies that may arise from the overall AUM.

### **ESG Factors Relevant for Rating**

Arka Fincap Limited, registered with Reserve Bank of India as a Non-banking financial Company, is a wholly owned subsidiary of Arka Financial Holdings Private Limited. The company is engaged in providing structured term financing solutions to corporates, real estate and urban infra financing, loans to micro, small and medium enterprise ("MSME") loan against property and Used Wheels financing in India. The company is committed to upholding strong corporate governance practices and drive value for its stakeholders while fostering an ethical and transparent work environment. The board of Arka Fincap Limited comprises of 8 members including executive, non-executive, and independent directors and adheres to all applicable regulations to maintain integrity, excellence and responsible growth. Further, on the social aspect, the company is dedicated to understanding the needs of its employees and lays an emphasis on the continuous skill development through training, coaching and mentorship, ensuring as well as employee engagement programs. The company also focuses on an inclusivity and diversity as a part of their culture.

### **Rating Sensitivity**

- Continued financial and strategic benefit derived from ownership of KOEL
- Movement in Asset Quality
- Change in capital structure
- Movement in earnings profile
- Changes in regulatory environment
- Equity infusion done by external investors/promoters

### **All Covenants**

#### **All covenants of the NCD Issue**

i) In case of delay in execution of Trust Deed, the Company will refund the subscription with agreed rate of interest or will pay penal interest of at least 2% p.a. over the coupon rate till these conditions are complied with at the option of the

investor.ii) In case of delay in listing of securities issued on privately placement basis beyond the timelines specified above, the issuer;

1. Will pay penal interest of 1% p.a. over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing).
2. Will be permitted to utilize the issue proceeds of its subsequent two privately placed issuances of securities only after receiving final listing approval from Stock Exchanges.
- iii) The Issuer shall also supply to the Debenture Trustee all the information covenants as per the requirements of the Debenture Trust Deed.

The description above is indicative and a complete list of all the covenants will be specified in the Debenture Trust Deed. The Accelerated Redemption Option clause for redemption of the amount outstanding (principal, redemption premium (if applicable), coupon etc.) against the Debentures, can be triggered by Investor, if one or more of the following covenants are breached at any time up to the final redemption date of the Debentures: (If any covenant is breached and if Accelerated Redemption Option clause is triggered by Investor, the Issuer shall make all the outstanding payments due on the Debentures within "15" Business days from the date of exercise of Accelerated Redemption Option (by written notice or email by Investor)

The following financial covenants shall apply during the tenure of the Facility:

1. If there is a rating downgrade in the Issuer to below A-/Stable by any rating agency of any of its facilities/instruments.
2. AFL shall maintain minimum CRAR of 15% or as stipulated by RBI whichever is higher.
3. The Issuer's Bank Loans should not be categorized as restructured under any scheme by RBI during the tenor of the NCD.
4. There should be no ALM cumulative mismatch (negative) beyond limits stipulated by RBI
5. No subsidiary entity to default on any external borrowings/debt / cross default
6. Management control to be with Kirloskar Group and Promoter Equity to be maintained above 51% for at least 5yrs post issuance of this NCD.

### Liquidity Position

#### Adequate

The company has an adequate liquidity position with no negative cumulative mismatches in the near term. The cash and cash equivalents of Rs 604.91 Cr. as on December 31, 2025 and unutilized lines ( Term Loan and CC/WCDL) of Rs 750 Cr. The liquidity profile also factors in the benefit derived from the ownership of KOEL. Additionally, the Capital Adequacy Ratio and liquidity coverage ratio stood at 22.86 % and 154.83% as on December 31, 2025 respectively. Investments in G Sec/ TBills stands at Rs. 261.76 Cr. kept for LCR requirements.

### Outlook: Stable

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY25 (Actual)	FY24 (Actual)
Total Assets*	Rs. Cr.	7071.98	5287.09
Total Income**	Rs. Cr.	328.11	251.96
PAT	Rs. Cr.	80.36	69.23
Net Worth	Rs. Cr.	1247.26	1176.68
Return on Average Assets (RoAA)	(%)	1.30	1.44
Return on Average Net Worth (RoNW)	(%)	6.63	6.22
Debt/Equity	Times	4.37	3.25
Gross NPA ( On Book)	(%)	0.69	0.23
Net NPA (On Book)	(%)	0.20	0.06

\*Total Assets adjusted for deferred tax assets

\*\*Total income equals to Net Interest Income plus other income.

### Status of non-cooperation with previous CRA (if applicable):

Not Applicable

**Any other information**

None

**Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

**Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

**Rating History**

<b>Date</b>	<b>Name of Instruments/Facilities</b>	<b>Term</b>	<b>Amount (Rs. Cr)</b>	<b>Rating/Outlook</b>	
14 Feb 2025	Non-Convertible Debentures (NCD)	Long Term	150.00	ACUITE AA	Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	75.00	ACUITE AA	Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	75.00	ACUITE AA	Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	60.00	ACUITE AA	Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE AA	Stable (Assigned)
05 Sep 2024	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE AA	Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	75.00	ACUITE AA	Stable (Assigned)
21 Aug 2024	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE AA	Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Not Applicable	INE03W107298	Non-Convertible Debentures (NCD)	27 Aug 2024	9.50	23 Aug 2034	150.00	Simple	ACUITE AA   Stable   Reaffirmed
Not Applicable	INE03W108031	Non-Convertible Debentures (NCD)	26 Nov 2024	9.60	24 Nov 2034	75.00	Simple	ACUITE AA   Stable   Reaffirmed
Not Applicable	INE03W108023	Non-Convertible Debentures (NCD)	17 Nov 2023	10.75	17 May 2029	75.00	Simple	ACUITE AA   Stable   Reaffirmed
Not Applicable	INE03W108015	Non-Convertible Debentures (NCD)	25 Aug 2022	10.25	25 Feb 2028	60.00	Simple	ACUITE AA   Stable   Reaffirmed
Not Applicable	INE03W107314	Non-Convertible Debentures (NCD)	17 Mar 2025	9.25	17 Mar 2035	250.00	Simple	ACUITE AA   Stable   Reaffirmed

**Contacts**

<p>Mohit Jain Chief Analytical Officer - Rating Operations</p> <p>Nattasha Venkatesh Analyst - Rating Operations</p>	<p><b>Contact details exclusively for investors and lenders</b></p> <p>Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a></p>
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**About Acuité Ratings & Research**

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