ARKA FINCAP LIMITED

2020-21

Annual Report

Contents

Arka Fincap

MEANING AND RESONANCE AS OUR BRAND NAME

The sun is to us the "Sunrise" - when it embarks on a new journey every single day, with positivity. The name Arka is inspired by the Sun, which symbolises our philosophy of 'anchoring' and 'enabling' flights of growth for our Clients and for the Company.

Sturdy, Stable, Sustainable.

We are a wholly-owned subsidiary of Kirloskar Oil Engines Limited (KOEL). Being core to KOEL's overall growth strategy, we continue to derive strong financial and moral support from our parentage, conducting the business in line with the Group philosophy, and continuing to benefit from its expertise.

We continue to benefit from the backing of our parent with adequate capitalization and liquidity, and an experienced management and operating team. Greater corporate governance, integration of technology, transparency and a conservative philosophy towards risk adjusted return grant us the stability to operate in an increasingly competitive market.

Our business priorities and future growth plans are sustainable and highly accretive to our balance sheet. We have the ability to significantly scale up our loan book, while maintaining the asset quality and an improvement in the earnings profile on a sustained basis. With our patient capital approach, we are poised for growth.

Today, as the NBFC industry stands at the cusp of new beginnings and holds tremendous untapped opportunities, we, at Arka Fincap, find ourselves at an inflection point. A point from where we have the potential to generate returns and keep fueling sustainable growth. As we aim to drive financial empowerment with accelerating innovations and technology solutions, our commitment towards long-term and consistent value creation is leading us to become a robust, diversified institution, with a strong position in India's financial services landscape.

₹ 1,124.33 Cr
Assets Under Management

₹ 666.88 Cr
Net Worth

Mumbai, Delhi, Bangalore and Pune
Our presence

Ratings from CRISIL
Long-term borrowings: AA(-)
Short-term borrowings: A1(+)

Guided by a Strong Legacy and Domain Expertise

KNOW WHO WE ARE

Arka Fincap Limited is a wholly-owned subsidiary of Kirloskar Oil Engines Limited (KOEL). The Company is a systemically important non-deposit taking NBFC, with Assets Under Management of ₹ 1,124.33 Cr (as on March 31, 2021). We strive to ensure profitable growth by creating and enduring sustainable value for all our stakeholders.

Our key objective is to provide structured term financing solutions via Corporate Lending, Real Estate & Allied Financing, SME/MSME Lending and Personal Financing.

PRIDE OF PARENTAGE

We are a wholly-owned subsidiary of Kirloskar Oil Engines Limited, with market leadership position in the sector. Arka Fincap combines the strong values and stability of the parent Company, with the agility of a focused team with proven expertise in the financial services industry.

VISION

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

MISSION

Our mission is to provide technology-enabled, innovative and customized financial solutions for an enhanced customer experience.

OUR CORE VALUES

- Own it and be responsible
- Achieve operational excellence
- Trust in collaboration'
- Customer-centric
- Integrity
- Making employees successful

OUR BRAND PROMISE – ANCHORING FLIGHT

We live by our brand promise of anchoring flight, which shares the strong values of the parent Company, and also demonstrates our agility. We aim to help businesses grow by providing them growth capital and stable financial advice.

OUR PHILOSOPHY

Our services and funding enable and anchor flights of growth for our customers and the Company. Besides being fund providers, we also work as in-house financial counselors to the businesses we finance.

BUILDING VALUE WITH CARE AND CONSISTENCY

The Company commenced operations in the corporate and real estate lending segment in FY 2019-20 and expanded into SME/MSME lending business in FY 2020-21. It is driven by a highly experienced team and is focused on bundling a respectable and profitable franchise in the NBFC industry.

NEW INITIATIVES IN FY 2021

- **Growing the portfolio:**

  Added new products to expand and diversify the portfolio with a mix of 3-4 different segments and categories.

- **Lending growth capital to SMEs:**

  We expanded into SME lending to help micro, small and medium-sized businesses meet their financial and working capital requirements.

- **Foraying into retail segment through new offerings:**
  - We commenced digital lending business in partnership with HomeCapital, which provides home down payment assistance to individual borrowers, thus creating unique experiences for first-time homebuyers.
  - We rolled out Supply Chain Financing, which offers a range of credit solutions to suppliers of large corporations, helping them meet their funding needs and streamline working capital management.
  - Launched Loan Against Property for SMEs:

    We launched a new offering - Loan Against Property (LAP) for small and medium enterprises for starting a new venture for business expansion or funding for capital expenditure through the use of commercial/residential property as a collateral.

A Diversified Product Portfolio

We aim to provide digitally-enabled, customized financial solutions and innovative products & services to our customers to help them achieve their financial requirements. Our focus continues to provide structured term financing solutions and growth capital to micro, small and medium-sized enterprises and corporates.

CORPORATE LENDING

Bespoke financing solutions to meet business requirements

We offer corporate lending services to large corporations. Whatever be the financial goal, our corporate lending creates a range of solutions to provide a steady cash flow to the customers and meet their business requirements, offering customized lending solutions and flexible repayment structures.

Key Areas of Focus

- To diversify portfolio of borrowers through the opportunistic secondary purchase of assets
- To proactively develop a syndication/ advisory franchise through existing corporate relationships, as well as market intermediaries

₹ 992.13 Cr

Current disbursement

REAL ESTATE AND ALLIED FINANCING

Customized financing solutions to scale up the business

Through our real estate lending finance solutions, we provide loans to buy a property that can be used for business purposes. We understand our customers' needs. Using our expertise, we build customized lending solutions for our customers, which helps them purchase office buildings, retail sales buildings, warehouses, storage, and manufacturing facilities, and to expand and run their operations.

Key Areas of Focus

- To establish an independent fee-based syndication business
- To continue lending to existing real estate and allied businesses

₹ 454.95 Cr

Current disbursement

SME/MSME LENDING

Fast-tracking business growth

We help businesses meet their financial requirements by providing quick & convenient access to our SME loans. Through an SME loan, individuals can invest in their firm's infrastructure, meet working capital requirements and expand their business. We also offer instant, seamless and digital personal loans to salaried individuals, using API-based underwriting.

Key Areas of Focus

- To focus on building distribution infrastructure and create mindshare amongst industry stakeholders about our brand and product offerings
- To partner with leading financial institutions and new-age fintech players for product innovation and business growth

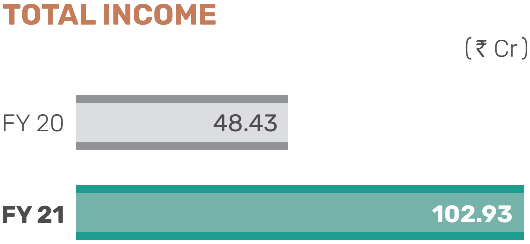
₹ 52.18 Cr

Current disbursement

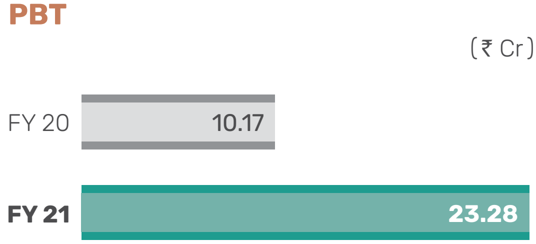
Strength and Stability through Performance

Our financial and operational performance has improved over the years and we have been growing at a healthy pace, driven by high-growth opportunities, a growing customer base and focus on segments with better margins.

TOTAL INCOME

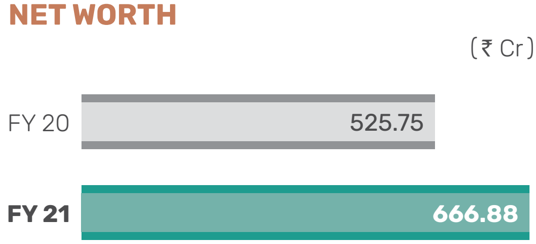


PBT

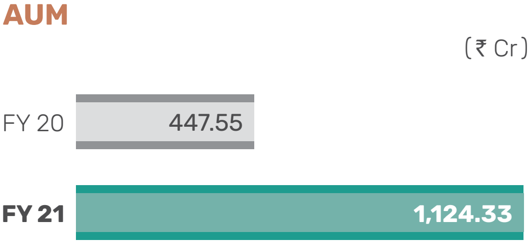


PAT

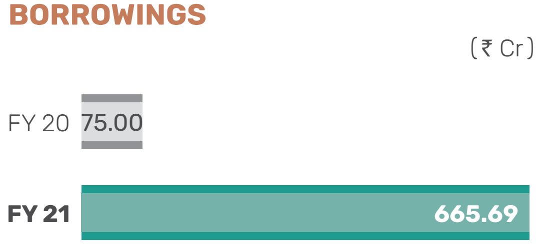
NET WORTH



AUM



BORROWINGS



What Separates Us in the Marketplace

Focused on building a distinguished NBFC, we leverage our market differentiators to fulfill our vision of enabling growth and fulfilling the aspirations of our customers. The combined potential of our differentiators is set to transform the organization and create a winning formula for growth.

1 SOLID CULTURE

We are rooted in the legacy of our promoter entity – Kirloskar Oil Engines Limited. Our inherent strengths include our robust management processes, solid business model, strong corporate governance and a highly experienced management and leadership team.

2 DIFFERENTIATED BUSINESS MODEL

We combine stability with agility, working with businesses and professing the role of both capital providers and in-house financial counselors. Our proven track record of delivering results in a challenging financial year depicts our intrinsic value and strength and a strong business model.

3 ABILITY TO BE AGILE

We have the ability to be agile with our innovative thinking and growth mindset. Our responsiveness and nimble-footedness to capture opportunities help us deliver a competitive market edge.

4 COMFORTABLE LIQUIDITY

We have a comfortable liquidity position. We established relationships with 15 institutional lenders. Further, capital infusion strengthens our position and builds a healthy balance sheet, enabling us continue with our journey of providing capital support to our valuable customers.

5 SUPERIOR TECHNOLOGY

We have created a technology structure that is easy to use while delivering a unique customer experience.

6 EFFECTIVE RISK MANAGEMENT

Risk is an integral part of our business and we are committed to managing risks in a proactive and efficient manner. We have a strong governance, risk and compliance policy that identifies business risks and plans mitigation strategies.

Leveraging IT for Differentiated Customer Experience

We consider technology as a key enabler for business growth, in line with our mission to provide technology-enabled, innovative and customized financial solutions for an enhanced customer experience. We consider technology as one of our major drivers to create customer journeys different from the rest, focusing on customer experience.

At Arka Fincap Limited, we are leveraging the best-in-class IT architecture built on the foundation of cloud and secure access to business systems and applications from the Internet, coupled with collaboration using Google Workspace, ensured the smooth transition to Work from Home (WFH).

Our cloud-based technology infrastructure for our core solutions helps provide cost-effective business scalability and business continuity, despite a challenging market environment. Our cloud-based solutions deliver a higher value proposition in a rapidly changing technical paradigm, meet customer expectations and comply with regulatory guidelines. The Software as a Service (SaaS) platform facilitates us in living up to our promise of quick time to market and enabling customers to leverage the benefit of cloud. Our superior and updated software products grant us a definite technology edge in the market. Armed with the above, we are able to provide low-code/no-code configuration-based agile digital solutions, create best-in-class customer journeys and build great customer experiences.

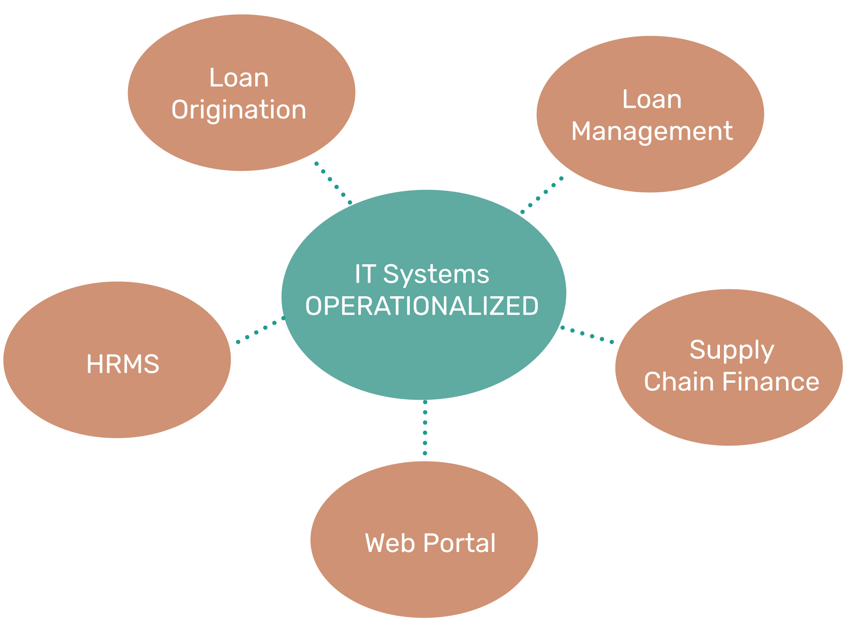
We are a 100% cloud organization built on modern technology. Effective collaboration and no disruptions to the systems and operations ensured no loss of productivity and helped the Company achieve its business goals. We are further strengthening our IT architecture by introducing capabilities in analytics and real-time business KPI measurements.

OUR THREE-PRONGED APPROACH

The IT architecture we had built on the foundation of cloud and secure access to business systems and applications from the internet, coupled with collaboration using Google Workspace, ensured that we did not face any disruption.

CONSOLIDATING IT ARCHITECTURE

We are further consolidating our IT architecture by introducing capabilities like analytics, starting with real-time business KPI measurements through dashboards and powered by an enterprise-wide data mart. We are further strengthening the cybersecurity architecture through planned initiatives in SOC (Security Operations Centre) and NOC (Network Operations Centre). With our IT architecture, we also controlled our costs significantly.



Corporate Information

REGISTERED OFFICE

One World Center, 1202B, Tower 2B,
Floor 12B, Jupiter Mills Compound,
Senapati Bapat Marg, Mumbai – 400 013

CORPORATE OFFICE

One World Center, 1202B, Tower 2B,
Floor 12B, Jupiter Mills Compound,
Senapati Bapat Marg, Mumbai – 400 013

CIN

U65993MH2018PLC308329

HOLDING COMPANY

Kirloskar Oil Engines Limited

BOARD OF DIRECTORS

1. Mr Vimal Bhandari - Executive Vice Chairman & CEO
2. Mr Mahesh Chhabria - Non-Executive Director
3. Ms Gauri Kirloskar - Non-Executive Director
4. Mr Harish Engineer - Independent Director
5. Mr Sivanandhan Dhanushkodi - Independent Director
6. Mr Vijay Chugh - Independent Director

KEY MANAGERIAL PERSONNEL

Mr Vimal Bhandari, Executive Vice Chairman & CEO

Mr Ritesh Jhanwar, Financial Controller

Mr Amit Bondre, Deputy Company Secretary

BANKERS

1. Aditya Birla Finance Limited
2. AU Small Finance Bank Limited
3. Axis Bank Limited
4. Bank of Baroda
5. Bank of India
6. Bank of Maharashtra
7. Canara Bank
8. Federal Bank Limited
9. ICICI Bank Limited
10. Indian Bank
11. IndusInd Bank
12. Kotak Mahindra Bank Limited
13. Punjab & Sind Bank
14. Tata Capital Finance Limited
15. Utkarsh Small Finance Bank Ltd

STATUTORY AUDITORS

B S R & Co. LLP
LLP Identification Number: (LLPIN)AAB-8181
IT Building No. 2, Hall 4, Nesco IT Park, Nesco Complex
Western Express Highway, Goregaon (East)
Mumbai – 400 063
Telephone: + 91 22 6257 1105
Contact Person: Vaibhav Shah
Email: vaibhavshah@bsraffiliates.com

DEBENTURE TRUSTEES

Catalyst Trusteeship Limited
(Erstwhile GDA Trusteeship Limited)
CIN No. U74999PN1997PLC110262
GDA House, Plot No. 85, Bhusari Colony (Right),
Paud Road, Pune – 411 038
Tel: 022-49220506
Fax: 022-49220555
Email: ComplianceCTL- Mumbai@ctltrustee.com

REGISTRAR & TRANSFER AGENTS

C-101, 1st Floor, 247 Park,
Lal Bahadur Shastri Marg
Vikhroli (West), Mumbai - 400 083
Tel: +91 22 49186200
Fax: +91 22 49186195
Website: www.linkintime.co.in

STOCK EXCHANGE

BSE Limited

DEPOSITORIES FOR DEMAT

National Securities Depositories Ltd

COMPLIANCE OFFICER

Amit Bondre,
Deputy Company Secretary & Compliance Officer

Directors' Report

The Shareholders

Arka Fincap Limited

Your Directors have pleasure in presenting the Third Annual Report along with the Audited Accounts for the year ended March 31, 2021.

FINANCIAL RESULTS

(₹ in Cr)

For the year ended	March 31, 2021	March 31, 2020*
Total Income	102.93	48.43
Total Expenses	79.65	38.26
(Loss)/Profit Before Tax	23.28	10.17
(Loss)/Profit After Tax	16.88	6.09
Other comprehensive income (net of taxes)	0.09	(0.02)
Total Comprehensive income (net of taxes)	16.97	6.07
Other Equity brought forward from Previous Year	2.79	(7.50)
Other Equity carried forward to Balance Sheet	33.38	2.79

** Ind AS is applicable on Company from current year with transition date of April 1, 2019 therefore previous year numbers (FY 2019-20) is also restated in Ind AS.*

SHARE CAPITAL

Your Company made a Rights offer to its shareholders during July 2020. The Rights Issue offer was fully subscribed and shareholders showed their confidence in the Company.

As at March 31, 2021, the Authorised Share Capital of the Company is ₹ 1000,00,00,000/-, whereas Issued, Subscribed and Paid-up Share Capital is ₹ 639,96,98,280/- comprising of 63,99,69,828 Equity Shares of ₹ 10 each fully paid-up.

BUSINESS OVERVIEW

SME / MSME LENDING

Your Company started laying the foundation for the start of SME/ MSME Lending during FY 2019-20 but major action started in the FY 2020-21. During the year, we added two locations and now operate through 4 locations namely Mumbai, Delhi, Bangalore & Pune.

During the year, your Company launched the new product offerings for SME / MSME businesses, namely - Loan Against Property (LAP) and Supply Chain Finance.

LAP can be availed to start a new venture, for business expansion, or funds for capital expenditure through the use of commercial or residential property as a collateral.

Further, your Company rolled out the Supply Chain Finance business which offers a range of credit solutions to suppliers of large corporations and helps them meet their funding needs at competitive interest rates and streamline working capital management. These loans are designed to suit suppliers' demand for faster short-term finance from the sale to payment. The Company is yet to enter in the Business Loan category and would be offering the services soon.

Your company also started individual lending under this segment and entered into the digital lending space with a fintech partnership to fund Home Loan down payment needs of salaried individuals. This is a fully automated lending product using technology to ensure smooth and speedy customer journey.

The year gone by was utilized in establishing systems and processes for the MSME division. In the coming year, your Company plans to build its distribution infrastructure and create a mind share among the industry stakeholders about its brand and product offerings.

CORPORATE LENDING

Given the COVID environment, your Company's lending strategy was to continue to support existing borrower relationships with incremental lines of funding and initiate new lending relationships only with pedigreed business groups, while focusing on asset management of the portfolio to ensure zero slippages in the book.

An added business focus was to opportunistically buy existing NCDs of targeted borrower clientele from mutual funds who were looking at selling assets to meet redemption pressures. This facilitated building quick short term credit positions with targeted borrowers at attractive yields.

The Corporate Lending division aims to maintain a steady growth of the credit portfolio by building diversity in the borrower base and being alive to the opportunities of secondary purchase of assets / portfolios, given the dislocation in the funding market. The Company shall also leverage relationships with corporates, market intermediaries and co-lenders to initiate the rollout of a robust syndication / advisory franchisee.

REAL ESTATE (RE) & ALLIED LENDING

Under the Real Estate & Allied division, your Company has a strong focus on corporate loans, project financing and structured debt to establish real estate developers across commercial, residential, industrial (warehousing), retail, affordable & mid income housing and hospitality in tier I cities. Under corporate loans and structured debt, your company focuses on strong corporates to finance their overall working capital requirements, expansion plans and opportunistic financing solutions, backed by strong collateral and sponsor support. Additionally, your Company also has a footprint in Allied Financing where it caters to clientele related to education, healthcare and hospitals.

Your Company plans to establish a diversified portfolio across RE & Sectors. The target shall be to establish an independent fee based syndications business. This shall be in addition to the continuation of existing Real Estate & Allied business with a clear purpose of catering to the strong and diversified clients in each sub-sector while maintaining an emphasis on measured and acceptable risk as a primary criterion over returns.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

DIRECTORS

(A) CHANGE IN COMPOSITION OF THE BOARD

Mr. Nihal Kulkarni (DIN: 01139147), Non-Executive Director of the Company had resigned from the Board of the Company with effect from September 18, 2020, on account of his personal commitments and other preoccupations.

(B) RETIREMENT BY ROTATION

In terms of the provisions of the Companies Act, 2013, and the Articles of Association of the Company, Ms. Gauri Kirloskar (DIN: 03366274), Director of the Company, retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, have offered herself for re-appointment.

(C) INDEPENDENT DIRECTORS' DECLARATION

All three Independent Directors have provided declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

KEY MANAGERIAL PERSONNEL

Following are the Key Managerial Personnel (KMP) of the Company, in terms of provisions of Section 203 of the Companies Act, 2013 (the Act),

(i) Mr. Vimal Bhandari, Executive Vice Chairman & CEO

(ii) Mr. Amit Bondre, Deputy Company Secretary

(iii) Mr. Ritesh Jhanwar, Financial Controller

DIVIDEND

Though your Company has performed reasonably well in its third-year of operation. However, it is crossing a difficult phase due to pandemic effect during its initial stage of operations. Hence the Board of Directors have not recommended a dividend.

TRANSFER TO RESERVE

Your Company has transferred ₹ 33.77 Mn to a special reserve account named as "Special Reserve u/s 45IC of RBI Act, 1934". The amount transferred is equal to 20% of net profit after tax for the year.

PERFORMANCE OF SUBSIDIARIES, ASSOCIATES & JOINT VENTURES

Your Company does not have any Subsidiaries or Associates or Joint Ventures.

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to the provisions of Section 135 of the Companies Act, 2013 and rules made thereunder, during FY 2020-21, the focus of the Company would continue to support quality education including special education, and strengthening of education infrastructure, in terms of its CSR policy.

A separate Report on the CSR activities is enclosed as an **Annexure III**.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

Since your Company is engaged in the 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 as amended from time to time, is not provided in this Board's Report. Your Company is vigilant on the need for conservation of energy.

During the year under review, your Company did not have any foreign exchange earnings, however, it incurred foreign currency expenditure as follows:

Date of payment	Beneficiary Name & Address	Foreign Currency Amount	Purpose of remittance	Payment done from Banker
April 27, 2020	MongoDB Limited, 3rd Floor, 3 Shelbourne Buildings, Ballsbridge, Dublin 4, Ireland	$ 64.76	Payment from Arka Fincap Limited against invoice no. IIR008064 for software consultancy related	Kotak Bank Limited

FIXED DEPOSITS

Your Company has neither invited, accepted nor renewed Public Deposits within the meaning of the provisions of Sections 2(31) and 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014, as amended from time to time, during the year under review.

PARTICULARS OF LOAN, GUARANTEE AND INVESTMENT OF THE COMPANY

Your Company is registered as a Systemically Important Non-Deposit Accepting Company (ND-SI), engaged in the activities of investing in and lending to Companies. Hence, the provisions of Section 186 of the Companies Act, 2013, except Section 186(1), are not applicable and the details thereof are not disclosed. Loan and investments are done in ordinary course of business and on arm's length basis by your Company.

MATERIAL CHANGES AND COMMITMENTS

There have been no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this report.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company believes conducting the affairs of its business in a fair and transparent manner by adopting the highest standard of professionalism, honesty, integrity and ethical behavior.

As per the provisions of Section 177(9) of the Companies Act, 2013, the Company has formulated and adopted a Whistle Blower Policy and Vigil Mechanism for employees and Directors of the Company. This is to report instances of unethical behavior, violation of Company's Code of Conduct. A copy of the Whistle Blower Policy is available on the Company's website: https://www.arkafincap.com/policy-and-codes.

To report any suspected or confirmed incident of fraud/ misconduct, employees can make Protected Disclosure to Director nominated by Audit Committee and Director(s) can make Protected Disclosure to Ombudsperson, as soon as possible but not later than 30 consecutive days after becoming aware of the same.

RISK MANAGEMENT POLICY

Your Company recognizes that risk is an integral part of business and is committed to managing the risks in a proactive and efficient manner.

In view of the above, the Company has adopted a Governance, Risk and Compliance Policy to identify business risks and mitigation plan.

INTERNAL CONTROL SYSTEM

Your Company has implemented a proper and robust system of Internal Controls, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposal and that transaction are authorized, recorded and reported correctly. The internal control system would be designed to ensure that the financials and other records are reliable, for preparation of financial statements and other data and for maintaining accountability of assets. The Board of Directors of the Company would be keeping a close watch on compliance and internal control systems as per regulatory requirements.

DETAILS OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR

As stated above your Company doesn't have any Subsidiaries or Associates or Joint Ventures.

RELATED PARTY TRANSACTIONS

During the year under review, all the transactions entered into with the Related Parties were in the ordinary course of business and on an arm's length basis and hence do not attract the provisions of Section 188 of the Companies Act, 2013. Accordingly, requisite disclosure in form AOC-2 in terms of Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014, as amended from time to time, is provided in **Annexure IV**. The policy on dealing with Related Party Transactions available on the Company's website : https://www.arkafincap.com/policy-and-codes.

STATUTORY AUDITORS

M/s B S R & Co. LLP, Chartered Accountants, Mumbai, have been appointed as Auditors of the Company during FY 2018-19 to hold office for a term of five years i.e. till date of fifth Annual General Meeting of the Company. M/s B S R & Co. LLP, Chartered Accountants, Mumbai, have provided their consent and eligibility declaration for appointment of Statutory Auditors of the Company from FY 2018-19 to FY 2022-23.

AUDITORS' REPORT

The Auditors' Report for the year under consideration is clean report i.e. there is no adverse remark. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore no further clarifications are required.

SECRETARIAL AUDIT & SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed M/s. Mayekar & Associates, Mumbai, (CoP: 2427), Company Secretaries in whole-time practice to carry out the Secretarial Audit of the Company for the year under consideration i.e. FY 2020-21.

M/s. Mayekar & Associates, Mumbai, (CoP: 2427), Company Secretaries in whole-time practice in their report on the secretarial audit of your Company for the financial year ended March 31, 2021 have not mentioned any qualifications, reservations, adverse remarks or disclaimers. Since the Company has ensured compliance of all applicable statutory provisions. The report of the Secretarial Auditor is enclosed as **Annexure V**.

EMPLOYEES

The Board of Directors place on record their appreciation for all the employees of the Company for their sustained efforts, dedication and hard work during the year.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule, 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended time to time, is annexed as **Annexure VI** to the Directors Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED

There are no significant and material orders passed by the Regulators / Courts/ Tribunals which would impact the going concern status of the Company and its future operations.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as **Annexure VII**. The same is also available on the Company's website: https://www.arkafincap.com/investor-information.

The Annual Return in form MGT-7 for FY 2019-20 is available on the Company's website at https://www.arkafincap.com/investor-information.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES AND INDEPENDENCE OF A DIRECTOR

In terms of provisions of Section 178 of the Companies Act, 2013 and rules made thereunder as amended from time to time, your Company has adopted a policy on Director's Appointment and Remuneration including criteria for determining Qualifications, Positive Attributes and Independence of a Director as well as other relevant matters. The Remuneration Policy and Selection Criteria for Directors is available on the website of the Company:https://www.arkafincap.com/policy-and-codes.

PERFORMANCE EVALUATION

As per the requirement of Schedule IV, Section 134 and other applicable provisions of the Companies Act, 2013 and Rules framed thereunder, your Company has laid down a Performance Assessment Process and Parameters for the individual Directors, Committees and the Board of Directors.

During the year under review, a separate meeting of Independent Directors of the Company is held on March 18, 2021, to discuss strategic and operational matters of the

Organization. The Independent Directors reviewed overall performance of your Company as well as performance of the Board of Directors and various Committees at its Meeting.

Chairman of Nomination and Remuneration Committee of the Company, presented his views and briefed the Board of Directors of the Company at its Meeting held on April 28, 2021. He explained the Board on Performance Evaluation of individual Directors, Committee(s) of the Board and of the Board as a whole. The Board noted and concluded that the Board Performance Evaluation process is completed for FY 2020-21.

FRAUDS REPORTED BY AUDITORS

There are no frauds reported by the Auditors under sub-section (12) of section 143 of the Companies Act, 2013.

EMPLOYEES STOCK OPTION SCHEME

a	Options granted	2,30,25,000 (2,06,50,000+13,00,000+10,75,000)
b	Options vested	1,35,75,000
c	Options exercised	Nil
d	The total number of shares arising as a result of exercise of option	Nil
e	Options lapsed	Nil
f	The exercise price	As per ESOP Policy
g	Variation of terms of options	Nil
h	Money realized by exercise of options	Nil
i	Total number of options in force	Nil
j	**Employee wise details of options granted to:**	
i	Key managerial personnel;	1. Mr. Vimal Bhandari, Executive Vice Chairman & CEO - 1,50,00,000 2. Mr. Ritesh Jhanwar, Financial Controller- 50,000
ii	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	1. Mr. Vimal Bhandari, Executive Vice Chairman & CEO - 1,50,00,000 2. Mr. Mridul Sharma, Chief Operating officer- 30,00,000 3. Mr. Sonit Singh, Head- Real Estate Financing & Advisory Services-12,00,000 4. Mr. Manish Nagarsekar, Head – Operations & Business Solutions Group (10,00,000+2,50,000= 12,50,000)
iii	Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant;	Nil

DIRECTORS' RESPONSIBILITY STATEMENT

Section 134(3)(c) of the Companies Act, 2013, requires the Board of Directors to provide a statement to the Members of the Company in connection with maintenance of books, records, and preparation of Annual Accounts in conformity with accepted accounting standards and past practices followed by the Company. Pursuant to the foregoing, and on the basis of representations received from operating management, and after due enquiry, it is confirmed that:

(1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

(2) Directors 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 and loss of the Company for that period;

(3) Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(4) Directors have prepared the annual accounts on a going concern basis;

(5) As stated above, the Company has an adequate internal/ financial control system in place; and

(6) As stated above since systems are being put in place, however the Company has ensured compliance of applicable laws.

ACKNOWLEDGEMENTS

Relationships with Shareholders, Central and State Governments, Banks, Financial Institutions, Customers, Employees and other Stakeholders remained excellent during the year under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement.

For and on behalf of the Board of Directors

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

Date : April 28, 2021
Place : Mumbai

Annexure – I

Management Discussion & Analysis

INDUSTRY OVERVIEW

Indian financial services have undergone a rapid transformation in terms of growth, trends, and new players emerging in the market. The financial services industry plays a vital role in driving the growth of the Indian economy. The industry incorporates commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds, and other smaller financial entities. The sector is considered majorly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

According to an IBEF report, the Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks, and 96,000 rural cooperative banks in addition to cooperative credit institutions. The assets of public sector banks stood at ₹ 107.83 Lakh Cr (USD 1.52 Trillion) in FY 2019-20 and during FY 2016-20, bank credit grew at a CAGR of 3.57%.

Bank credit grew 5.56% to ₹ 109.51 Lakh Cr, while deposits rose 11.4% to ₹ 151.13 Lakh Cr in the financial year ended March 31, 2021, as per the data released by the Reserve Bank of India (RBI).

Bank loans to NBFCs have picked up in February 2021, the first time after April 2020 as the liquidity measures announced by the Reserve Bank of India (RBI) have started showing results in addition to banks being less risk-averse. Lending to NBFCs by banks dropped steadily to 24.1% in July 2020, 9.2% in October 2020 and 6.6% in January 2021. However, in February, this growth rate improved to 9.2% indicating easier funding conditions for NBFCs, though it is lower than 24.6% reported a year earlier.

(Source: The Economic Times)

Considering other major elements of the financial service industry, Assets Under Management (AUM) (as of November 2020) managed by the mutual fund industry stood at ₹ 30 Lakh Cr (USD 407.39 Billion). Inflow in India's mutual fund schemes via the Systematic Investment Plan (SIP) route reached ₹ 82,453 Cr (USD 11.70 Billion) in 2019. Equity mutual funds registered a net inflow of ₹ 8.04 Trillion (USD 114.06 Billion) by the end of December 2019. Another crucial component of India's financial industry is the insurance industry. The insurance industry has been expanding at a fast pace. The total first-year premium of life insurance companies reached ₹ 2.59 Lakh Cr (USD 36.73 Billion) in FY 2019-20.

(Source: IBEF)

However, in light of the COVID-19 pandemic, the industry has suffered muted expectations for new businesses, revenue generation, and deteriorating asset quality. The impact on India's informal economy, along with unemployment, declining income and private consumption has affected the balance sheets of financial institutions.

The Government and the Reserve Bank of India undertook various measures to curb the impact.

ATMANIRBHAR PACKAGE ANNOUNCEMENTS

- Reduction of Cash Reserve Ratio (CRR) has resulted in liquidity enhancement of ₹ 1,37,000 Cr
- Targeted Long Term Repo Operations (TLTROs) of ₹ 1,00,050 Cr for fresh deployment in investment-grade corporate bonds, commercial paper, and non-convertible debentures
- TLTRO of ₹ 50,000 Cr for investing them in investment-grade bonds, commercial paper, and non-convertible debentures of NBFCs, and MFIs
- Increased the bank's limit for borrowing overnight under the marginal standing facility (MSF), allowing the banking system to avail an additional ₹ 1,37,000 Cr of liquidity at the reduced MSF rate
- Announced special refinance facilities to NABARD, SIDBI and the NHB for a total amount of ₹ 50,000 Cr at the policy repo rate
- Announced the opening of a special liquidity facility (SLF) of ₹ 50,000 Cr for mutual funds to alleviate intensified liquidity pressures
- Moratorium on payment of Installments and payment of Interest on Working Capital Facilities in respect of all Term Loans
- For loans by NBFCs to the commercial real estate sector, an additional time of one year has been given for extension of the date for commencement of commercial operations (DCCO)

- ₹ 3 Lakh Cr Collateral-free Automatic Loans for Businesses, including MSMEs; ₹ 20,000 Cr Subordinate Debt for Stressed MSMEs; ₹ 50,000 Cr Equity infusion for MSMEs through Fund of Funds

NBFC OVERVIEW

Non-Banking Financial Companies (NBFCs) are one of the major drivers of growth for underserved and unorganized segments of the country. They have been leading from the front in offering credit services to the MSME sector and eventually assisting them in the growth of a large semi-organized business segment, eventually leading to the overall economic growth of the country.

NBFCs have been providing financial services to all the segments from corporates to small business owners who often get deprived of formal credit facilities. NBFCs offer varied categories of loans namely SME/MSME lending, corporate lending, supply chain finance, housing loans, equipment finance, auto loans, etc.

NBFCs nowadays function on interesting and unique business models and have been instrumental in adopting technology as the driver of their business. New-age fintechs are also getting traction based on their business models with notable successes of PhonePe, Razorpay, Cred, etc.

NBFCs have faced multiple headwinds for the past few years starting from the defaults of some large Companies to the COVID-19 crisis which has hampered their asset quality and their access to funding. The pandemic taught various measures that were extremely important to be implemented in a crisis situation like enhancing digitization in the entire life cycle of the customer relationship, substantial focus on cost rationalization, focus on safer asset class, strengthening underwriting norms, focus on on-balance sheet liquidity and strengthening capitalization levels etc.

According to India Ratings, the operating costs should normalize to pre-COVID levels for NBFCs, leading to a moderation in pre-provision buffers to absorb higher-than-envisaged credit loss.

The rating agency expects non-bank lenders to grow by 9.5% year-on-year in FY 2021-22, whereas growth for housing finance companies would be around 10% year-on-year, higher than the expectations of 4-5% and 6.5%, respectively, for the fiscal year 2021. While stress among NBFCs has moderated thanks to government schemes, Ind-Ra expects asset quality to remain elevated. Any recovery would hinge on the economy gaining momentum in FY 2021-22. The rating agency also expects lower softer delinquencies and moderate addition to gross non-performing assets.

COVID-19 impact on NBFCs & battling the crisis

NBFCs have been facing a larger impact on their growth and asset quality due to the effect of the COVID-19 pandemic, especially the smaller ones who are barely able to sustain themselves due to lack of liquidity in the system. The sector has been very watchful towards new disbursements and has adopted strict underwriting norms.

They have been instrumental in adopting technology as an enabler into their system to manage customers effectively. Most lenders took good advantage of the lockdown period in strengthening their technological platforms through the use of online channels for customer onboarding, channel partner portals, digital document collections, video discussions, e-NACH, using digital modes of collection like payment wallets, UPI, etc.

NBFCs formally started cautious disbursements post the lockdown period, ended focusing on top-up loans and onboarding new leads selectively and also with a change in product focus.

On a good note, the pandemic has made the sector flexible and introduced them to newer ways of functioning. A smooth transition has been towards working with a new normal, while maintaining higher quality standards and services.

Measures by the Government

The Government announced various measures to provide liquidity support to non-bank lenders, many of them who provide financial services at the bottom of the pyramid.

The Government agreed to provide full and partial guarantees on investments in debt securities issued by non-bank lenders under two different schemes.

The first scheme is a ₹ 30,000 Cr special liquidity facility, where investments can be made in investment-grade debt securities of NBFCs, housing finance companies and microfinance institutions which will be fully guaranteed by the Government.

The facility creates demand for securities issued by the non-bank lenders and helps provide liquidity to them. Risk aversion in the current environment has meant that mutual funds and other investors have been reluctant to buy NBFC debt, leaving bank finance as the only option for them.

Additionally, a second scheme was introduced to help smaller entities in the financial services space.

The ₹ 45,000 Cr partial credit guarantee scheme was introduced to cover primary issues of lower-rated NBFCs. 20% first loss guarantee to be provided by the Government. The lower-rated and unrated securities would be eligible for relief via the scheme.

Separately, the Government also introduced ₹ 3 Lakh Cr in collateral-free, government guaranteed loans for micro, small and medium-sized enterprises.

Liquidity measures and partial credit guarantee scheme 2.0, amounting to a total of ₹ 75,000 Cr, will infuse more money in the financial system, and, thereby, benefit the NBFCs in a big way. This was a much-needed impetus needed to push the economy forward.

This liquidity scheme will be in addition to the ₹ 50,000 Cr funding available under the RBI's targeted long term repo operations (TLTRO 2.0). Under the TLTRO 2.0 window, banks can access three-year funding from the RBI to invest in investment-grade papers of NBFCs, with at least 50% in small- and mid-sized NBFCs and MFIs.

Within this, 10% to be invested in securities issued by MFIs, 15% in securities issued by NBFCs with assets of ₹ 500 Cr and below, and another 25% in securities issued by NBFCs with assets of ₹ 500-5,000 Cr.

COMPANY OVERVIEW - STORY SO FAR

Arka Fincap Limited (AFL or Arka or Company), a Non-Deposit taking Systemically Important NBFC, is a wholly-owned subsidiary of Kirloskar Oil Engines Limited (KOEL). Arka Fincap Limited is a professionally managed Company focused on providing structured term financing solutions to Corporates, Real Estate, and loans to Micro, Small and Medium Enterprise (MSME) borrowers.

AFL rebranded its operations from its previous avatar of Kirloskar Capital Limited in October 2019 with a new philosophy of enabling and anchoring flights of growth for the clients and the Company. The Company considers technology as the key enabler to drive business growth which is also in line with its mission 'to provide technology-enabled, innovative and customized financial solutions for an enhanced customer experience'. The Company's vision is 'to enable growth and fulfill the aspirations of our customers through empathy and agility'. AFL stands by its 6 Core Values namely - Own It and Be Responsible, Achieve Operational Excellence, Trust in Collaboration, Customer Centric- Everytime, Integrity and Make Employees Successful.

The Company commenced the corporate and real estate lending segment in FY 2019-20 and expanded to SME/ MSME lending business in FY 2020-21. It is driven by a highly experienced management team and is focused on building a respected NBFC in the years to come.

It successfully launched business segments under the SME/ MSME function namely digital loan products in partnership with HomeCapital which creates a unique experience for first-time homebuyers.

Additionally, it forayed into Supply Chain Finance offering and created a system that provides flexibility to the suppliers to choose the invoice which they want to discount thereby reducing their overall cost. Supplier onboarding can happen digitally and in an unassisted manner.

Further, the Company rolled out Loan Against Property (LAP), which can be availed to start a new venture, for business expansion, or funds for capital expenditure through the use of commercial or residential property as collateral.

During the year under review, the Company made Gross Disbursements of ₹ 1,514.87 Cr, resulting in Net Increase in AUM by ₹ 676.78 Cr. As of March 31, 2021, the AUM of the Company stands at ₹ 1,124.33 Cr, diversified across three different business segments (i.e.) Corporate Lending - ₹ 621 Cr, RE & Allied Activities - ₹ 452 Cr (RE - ₹ 381 Cr Allied Activities - ₹ 71 Cr), SME / MSME / Retail - ₹ 51 Cr (including others).

The year under review was challenging for the financial sector in terms of leverage/liquidity. However, the Company has been able to establish relationships with 15 institutional lenders. The liquidity position of the Company is very comfortable. As of March 31, 2021, the liquidity of the Company stands at ₹ 226.08 Cr.

As of March 31, 2021, the net worth stands at ₹ 666.88 Cr. During the year FY 2021, the Company raised funds from diversified sources. The gross borrowing for the year was ₹ 774.5 Cr and the outstanding borrowing as of March 31, 2021 was ₹ 665.69 Cr.

During the year, the Company has raised funds via issuances of NCDs to the extent of ₹ 199.5 Cr and Commercial Papers (CP) of ₹ 75 Cr at gross level (outstanding as of March 31, 2021 was ₹ 25 Cr). The Debt-Equity ratio as on March 31, 2021 was 0.99x.

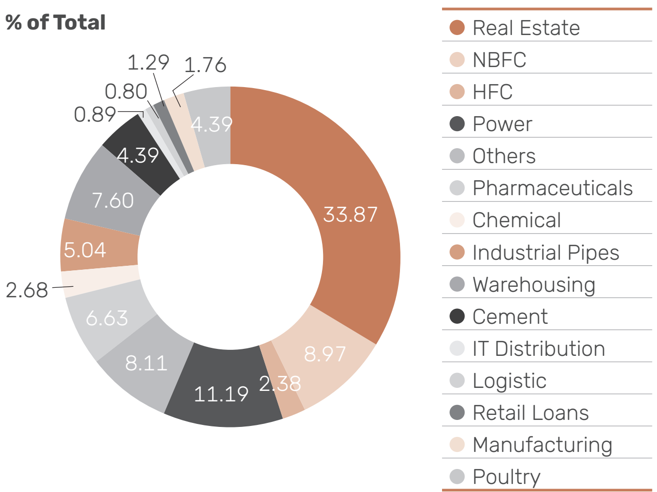
During the year, the Company got allocation under the TLTRO 2.0 and PCG scheme announced by the Reserve Bank of India (RBI). The Company has been assigned an external rating of AA[-] for its long-term borrowings and A1[+] for its short-term borrowings by CRISIL. The rating assigned by CRISIL indicates a high level of comfort on the strong promoter, management, good governance practices, transparency in working, conservative philosophy towards risk-adjusted return and an experienced operating team providing comfort and confidence to the rating agency.

AUM Chart sector diversification

(₹ in Cr)

Industry / Sector	O/s
Real Estate	380.82
NBFC	100.84
HFC	26.74
Power	125.83
Others	91.16
Pharmaceuticals	74.51
Chemical	30.15
Industrial Pipes	56.64
Warehousing	85.49
Cement	49.39
IT Distribution	10.05
Logistic	8.96
Retail Loans	14.55
Manufacturing	19.82
Poultry	49.38
Total	**1124.33**

% of Total



KEY PERFORMANCE HIGHLIGHTS

(₹ in Cr)

Performance	2021
Total Income	102.93
PBT	23.28
PAT	16.88
AUM	1,124.33
Net Worth	666.88
Borrowings	665.69

VERTICAL OVERVIEW

SME/MSME LENDING

The MSME landscape covering more than 6.5 Cr entities across the country and employing >10 Cr people contributes 30% to GDP and 45% to exports and manufacturing. Despite this volume and its strategic importance, MSMEs have continued to remain an underpenetrated and untapped segment among the financiers. The number of MSMEs has been increasing across India and access to credit has been a very crucial factor for the sector. Non-bank lenders have emerged to play a key role in the delivery of financial services to this segment by extending a range of products customized as per their needs.

However, the MSME space has been facing multiple challenges due to the countrywide lockdown imposed to curb the impact of COVID-19 pandemic.

There has been a significant impact on MSME lending business models namely conserving liquidity and raising capital for eventual losses; Accelerating digital adoption for customers, sales team and other employees, cost rationalization through right-sizing operations, sub-scaling branches, re-negotiating rents etc.

In the recent past, the sector has seen a lot of initiatives and developments in the MSME lending space, right from government schemes to regulatory changes to emergence of new age lenders. Change in MSME definition to include turnover-based criteria with Micro (<5 Cr), Small (<50 Cr), Medium (<250 Cr); MSME UDYAM – ₹ 20 Mn Registered MSMEs – Eligible to receive govt. benefits; ₹ 3 Lakh Cr in the form of a fully guaranteed emergency credit line; ₹ 50,000 Cr equity infusion for MSMEs; ₹ 16,000 Cr allocated in Budget 2021.

Business Performance:

As of March 31, 2021, AFL's SME/MSME Retail Book stands at ₹ 47.92 Cr. The unit was able to maintain an excellent customer repayment track record with no bounce or DPD observed during the year while maintaining a healthy IRR of more than 11.34%. None of the customers had opted for moratorium or restructuring.

CORPORATE LENDING

Corporate Lending extends lending services to medium and large corporations by providing them hassle-free solutions to create a steady cash flow for their business. Product offerings in the division include long working capital loans, funding for capital expenditure and structured loans. During the year under review, bank funding remained inadequate in addressing the credit demand of corporates on account of the COVID environment leading to risk aversion. Debt mutual funds also faced several challenges on account of the lack of new inflows coupled with redemption pressures.

NBFCs continued to face liquidity constraints owing to a lack of incremental bank and capital market funding. This resulted in lower disbursements from NBFCs, which were more focused on conserving liquidity to meet their existing debt maturities. This was further accentuated by the uncertainties around cash inflows for the loan portfolios, on account of COVID-related regulatory loan repayment moratoriums.

Business Performance:

As of March 31, 2021, the overall disbursements for the corporate lending business aggregated at ₹ 992.13 Cr with a portfolio of ₹ 620.86 Cr. The total income of the business stood at ₹ 54.46 Cr.

REAL ESTATE & ALLIED LENDING

With new cultures like work-from-home and online education permeating almost every household triggering the need for more space, the demand for homes witnessed a rise. Adding to this, growing demand is the structural fillip provided by the Government in the form of affordable home loans, stamp duty relaxation and tax benefits for the customers.

The Reserve Bank of India has been making accommodative policy changes since the beginning of the ongoing COVID-19 crisis. It introduced adequate liquidity into the market, and also provided the soft cushion of a loan moratorium. Notable among one of the steps taken by the RBI is the slashing down of bank loan rates. Presently, home loans rates stood at sub 7%, being the lowest ever, driven by a 120 basis point cut over the fiscal year.

Corporate developers who have a strong financial backing and brand equity are gaining a higher market share. Stressed and weaker players have already started divesting their assets either through development management agreements or business takeovers.

Foreign investment continues to be buoyant on the rent-yielding asset segment. Even during the lockdown, there has been good demand from foreign investors for quality assets in India, thus showcasing the confidence in the sector. Similarly, from an institutional investor perspective, REITs will continue to be the key theme in FY 2021-22. An asset class that has been a direct beneficiary of the various changes in the warehousing and logistics sector which will continue to see significant demand from various sectors like e-commerce, 3PL, FMCG, pharma, etc.

Thus, even though the year gone by was challenging, the real estate and allied sector has the potential and is poised to be one of the key drivers for supporting the overall growth in the economy.

Residential

Despite the prevailing crisis, the residential sales have continued to exceed launches in FY 2020-21, thereby leading to moderation in inventory levels on a pan-India basis. The pace of recovery intensified with sales increasing by more than 50% in FY 2020-21 compared to FY 2019-20. Focus during the fiscal was on completing existing projects to reinstate confidence among homebuyers. Under residential units, affordable housing and mid-priced houses have witnessed strong demand. Millennials are emerging as a key consumer class with increased demand for digitally-enabled homes and larger unit sizes to accommodate home offices.

Commercial

While flexible working practices are expected to continue, the demand for office space is unlikely to reduce in the medium term. The healthy market activity in the third quarter of FY 2020-21 bears testimony to the sustained demand for office spaces. Going forward, a hybrid model including WFH and work from office will characterize a future-fit organization. Occupiers with a healthy financial profile in Grade A office spaces have continued to meet their existing leases and commitments on time. Tenant expectations for quality spaces are increasing; leading to a trajectory of graded office space developments.

Hospitality

Luxury Leisure and Branded Economy business hotels are leading the recovery growth in the sector. Essential business travel is picking up, as domestic flights become operational due to pent-up requirements; but on an overall basis the business travel segment would take some more time to come back to normalcy. Non-essential business travel has reduced as organizations are getting used to virtual meetings, training, and even events. The sector has the potential for growth in FY 2021-22 based on an increase in disposable incomes, an increase in foreign tourist arrivals, momentum from government-led initiatives, and the burgeoning middle-class population.

Retail

E-retail is quickly progressing from being a regular habit for a minority of consumers to becoming a new norm driving the trend. Both developers and retailers are also increasingly adopting digital marketing, personalized promotions, predictive analytics, and in-store automation. Negligible supply addition has been witnessed during FY 2020-21. Flexibility remains key to success – Landlords with flexible lease terms, malls with flexible / convertible / open spaces would witness greater retailer interest.

Business Performance:

The Real Estate and Allied business ended FY 2020-21 with an AUM of ₹ 451.61 Cr. The current year's focus was on cost control while earning the desired yield on the portfolio. The total revenue earned by the segment was ₹ 39.40 Cr.

BUSINESS OUTLOOK

Since the onset of the pandemic, most of the NBFCs had taken a cautious approach towards onboarding new customers and doing fresh disbursements. However, post-December'20, the fresh disbursements in secured loans have kickstarted and are back to pre-COVID levels for most banks and large NBFCs.

During the last one year, NBFCs have taken a relook at their overall business model, rethinking the strategy for the next 3-5 years. Digitization and the ability to reach and manage customers remotely have emerged as a few large common themes.

For FY 2021-22, AFL's target shall be to continue the business clearly and purposefully, with a primary focus to increase the quality of business with tight control over cost.

The Corporate Lending division aims to maintain a steady growth of the credit portfolio by building diversity in the borrower base and being alive to the opportunities of secondary purchase of assets/portfolios, given the dislocation in the funding market. AFL shall also leverage relationships with corporates, market intermediaries and co-lenders to initiate the rollout of a robust syndication/ advisory franchisee.

Real Estate & Allied division plans to establish a diversified portfolio across RE & Allied Sectors. The target shall be to establish an independent fee based syndications business. This shall be in addition to the continuation of the existing Real Estate & Allied business with a clear purpose of catering to the strong and diversified clients in each sub-sector while maintaining an emphasis on measured and acceptable risk as a primary criterion over returns.

AFL remains optimistic about the outlook of its newly launched SME / MSME business, its growth will be driven through expansion into new locations, customer segments, and launching new product lines.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

(Refer to the section mentioned in Directors' Report)

OPPORTUNITIES & THREATS

SME/MSME LENDING:

Opportunity:

In the light of the recent events in the NBFC space which started with the fall of IL&FS, subsequent liquidity crunch and the COVID-19 pandemic, many NBFCs have experienced weakened profitability and cash flows. Additionally, banks continue to be very cautious in their approach to financing this segment. This has created a unique vacant space and opportunity for AFL to leverage its capabilities and build its market positioning quickly.

The year gone by was utilized in establishing systems and processes for the MSME division. In the coming year, the Company plans to build its distribution infrastructure and create a mindshare among the industry stakeholders about its brand and product offerings.

With an increase in the acceptance of digital offerings by customers across the domains, API-driven technology architecture can be a unique selling point for partnering with leading fintechs and digital players.

Threat:

Post unlock measures, full economic recovery towards pre-COVID levels have been only gradual and are likely to stretch into the next fiscal considering the recent spike in cases. The MSME sector has been one of the worst affected segments in this period. Their inability to service the debt has been severely hampered, especially after the moratorium period ended.

It would thus be a prudent approach to look out for customer segments that are likely to bounce back faster and would have been relatively lesser impacted, especially the B2C segment which caters to the consumption demand. The Company shall look forward to innovating the product proposition and delivery of credit to be able to appeal to the quality MSME borrower.

CORPORATE LENDING

Opportunity:

The transformed landscape of the corporate lending business amongst NBFCs has resulted in few large players consolidating market share and consequently throwing up opportunities for long-term players with pedigreed parentage and patient capital to build a sustainable lending franchise.

Threat:

In light of the current scenario, corporate credit offtake is likely to remain subdued, on the back of low confidence for significant capital outlay amongst larger industrial houses. Lower yields on the asset book owing to significant liquidity in the system is likely to put pressure on NIMs.

REAL ESTATE LENDING

Opportunity:

The real estate industry is inching back to normalcy. Residential sales are reaching pre-COVID levels on account of increasing affordability, stamp duty cuts, and historically low home loan interest rates. Further, increased adoption of online schooling and work from home on account of the pandemic has increased demand for the residential spaces, especially its peripheral areas and affordable housing segments. Commercial office space has also shown resilience with a healthy market activity demonstrated in the last quarter of FY 2019-20. The warehousing industry also witnessed healthy absorption on the back of increased demand from e-commerce. These positive industry developments along with the Company's continued strategy of targeting pedigreed real estate developers presents an excellent opportunity for sustainable business growth.

Threat:

In light of the COVID-19 pandemic and subsequent lockdowns, consumer sentiment may be impacted and stakeholders might adopt a wait and watch approach in the short term, closely monitoring the progress of mass vaccination programs. Further, the industry is also exposed to changes in the regulatory framework which may impact Company's operations. Competition to gain market share amongst banks and NBFCs may also intensify with the revival of the real estate industry, tightening the risk-reward relationship.

RISK & CONCERNS

SME/MSME LENDING

Moratorium support provided by the Government was temporary and most of the financiers are bracing for the eventuality of deteriorating asset quality due to the significant impact of COVID on customer incomes. Increasing credit costs and NPAs are expected to continue for the next 4-6 quarters and will impact the income and return ratios for the sector during this period.

Banks would also get cautious lending to small NBFCs due to their shrinking yields and income. Unsecured MSME market is expected to get impacted the most with a cautious approach in terms of disbursement and increased delinquency on existing books upto 2 to 3x of present credit costs.

For AFL, portfolio quality and the right customer selection would continue to be the key criteria for growth in the earlier part of the year. Usage of technology to reduce costs, implementation of new-age appraisal techniques, and faster customer onboarding processes would be tested and embraced to be able to quickly leverage them once the market returns to normalcy. This would allow the Company to expand faster with minimum investment and training.

CORPORATE LENDING

In light of the current scenario, corporate credit offtake is likely to remain subdued, on the back of low confidence for significant capital outlay amongst larger industrial houses. Lower yields on the asset book owing to significant liquidity in the system are likely to put pressure on NIMs.

REAL ESTATE LENDING

Historically, residential inventory build-up over the years has been a concern. However, as waves of disruptions in the industry since 2016 set in, the supply began tapering off. Given the risk of movement restrictions coming in again on the back of the second wave of COVID-19, residential sales may get impacted. Further, financial institutions may also adopt a wait and watch approach and access to credit lines may be impacted for developers, which may aggravate liquidity concerns and put at risk the completion of ongoing projects. Given this, price appreciation for developers may become challenging which will impact the overall profitability. Liquidity concerns for certain NBFCs could see some ripple effect as refinancing of debt has become difficult for the sector even for previously viable project developments.

OPERATIONS & TECHNOLOGY

AFL considers technology as one of the major drivers of growth and sustenance leading to, improvement of operational excellence and client experience. Leveraging the best-in-class IT architecture built on the foundation of cloud and secure access to business systems and applications from the internet, coupled with collaboration using Google Workspace, ensured the smooth transition to Work from Home (WFH) without any disruption. Effective collaboration and no disruptions to the systems and operations ensured that there is no loss of productivity and helped the Company achieve business goals.

The following new initiatives were launched during the year:

- Retail segment of the business kicked off: Commencement of Digital Lending business in partnership with Home Capital to provide home downpayment short term retail loans to individual borrowers through a completely digital process
- Supply Chain Financing started first within the Kirloskar ecosystem and later expanded to the open market
- Rolled out Loan against Property (LAP) for Small and Medium Enterprises
- Ind-AS accounting standards implemented on Loan Management System

- Corporate portal revamped using a Digital Experience Platform – Liferay - a group initiative
- Integration of CRIF Lookalike model for LAP completed. This enables us to make go/no-go decisions while underwriting by getting insights from similar borrower data from CRIF
- Darwinbox HR Management System was implemented as a group initiative
- Corporate loan origination was also added to the Loan Origination System

While the cloud and SAAS-based architecture bode well for resilience and continuity, cost-reduction was an added advantage. FY 2020-21 saw AFL getting all the required systems across loan origination, loan management, supply chain finance, web portal, HRMS and mobile apps operational. With the current architecture, the cost was controlled significantly. AFL closed the year with an expense of ~ 20% of budgeted IT capex and opex.

Plans for FY 2021-22:

The Company is in the process of consolidating further in the IT architecture by introducing capabilities like analytics, starting with realtime business KPI measurements through dashboards and powered by an enterprisewide data mart.

Further strengthening the cybersecurity architecture through groupwide planned initiatives in SOC - Security Operations Centre and NOC - Network Operations Centre would be of utmost priority.

The Company is in the process of launching customer portals, apps and as well get better service capabilities through CRM engines to bring client self-service capabilities as WFH can be a new way of working in the future.

HUMAN RESOURCES

With FY 2020-21 being marred with COVID-19 lockdowns and disruptions, there has been a need for an altered approach towards the original plans for growth created for AFL. During FY 2020-21, the Company's employee strength has seen significant growth from 31 employees in FY 2019-20 to a count of 52. Further, the Company successfully recruited for all the critical senior positions along with an overall focus on diversity.

Due to the COVID-19 lockdown, and most of the employees have been working from home for a fairly long time this year, an increased focus was adopted towards employee engagement, fun at work activities and learning and development. Digital interaction among the employees has also been encouraged and increased considerably this year.

Further, the Company initiated work on setting up policies for SME & MSME business and recruitment for second from top critical roles.

With the start of the new Financial Year, once again the focus will be towards creating a more interactive and transparent culture, across the Company. Also, there will be an increased sentiment to simplify the HR process through various technological additions in the system for the entire AFL family.

Annexure – II

Corporate Governance

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

The Company aims to achieve sound corporate governance through its newly co-created values: Own it and be Responsible, Achieve Operational Excellence, Trust in Collaboration, Customer Centric, every time, Integrity, Make Employees Successful. As a part of building a great organizational culture and to implement a corporate governance framework, the employees are requested to live and practice them with a view of making the values a 'A way of life' at the Company.

BOARD COMPOSITION

The Board of Directors of the Company comprises 6 Directors including one (1) Executive, two (2) Non-Executive and three (3) Independent Directors. The composition of the Board is in conformity with the requirements of the Companies Act, 2013 ("the Act").

SKILLS AND COMPETENCIES OF THE BOARD OF DIRECTORS

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

- Good business acumen
- Diverse set of experience
- Leadership quality
- Integrity

The directors possess a wide range of expertise in the areas of banking and finance, strategy, marketing and many more which is essential to drive the Company's growth through their leadership and wisdom.

BOARD AND COMMITTEES

The Members of the Board and their Attendance at Board and General Meetings.

Five Meetings of the Board of Director of the Company were held during the period under review. The Meetings were held on May 28, 2020, July 17, 2020, October 21, 2020, January 20, 2021 and February 23, 2021. The attendance status at the Board Meetings and General Meeting is as follows:

Name of the Director (DIN)	Number of Board Meetings Attended	Attendance at last AGM*
Mr. Vimal Bhandari (00001318)	5	Yes
Mr. Mahesh Chhabria (00166049)	5	Yes
Mr. Nihal Kulkarni (01139147) (Resigned w.e.f. September 18, 2020)	2	Yes
Ms. Gauri Kirloskar (03366274)	4	No
Mr. D Sivanandhan (03607203)	5	Yes
Mr. Vijay Chugh (07112794)	5	Yes
Mr. Harish Engineer (01843009)	5	Yes

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is constituted in terms of Section 177 of the Companies Act, 2013, and relevant rules prescribed, as amended from time to time (hereinafter referred to as 'the Act'). The Committee is comprised of Mr. Mahesh Chhabria, Chairman, Mr. Nihal Kulkarni, Mr. Vijay Chugh, Mr. Harish Engineer and Mr. D Sivanandhan as a Members of the Committee. Subsequently, during the year, the Audit Committee was reconstituted due to resignation of Mr. Nihal Kulkarni as Director of the Company.

During the year four (4) Meetings of the Audit Committee of the Company were held on May 28, 2020, July 17, 2020, October 21, 2020 and January 20, 2021. The details of the meetings and the attendance of the Members are provided below:

Sr. No	Name of Members	No. of Meetings held during tenure	Meetings attended
1	Mr. Mahesh Chhabria	4	4
2	Mr. Nihal Kulkarni	2	2
3	Mr. Harish Engineer	4	4
4	Mr. D Sivanandhan	4	4
5	Mr. Vijay Chugh	4	4

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

The terms of reference of the Audit Committee of the Company would be in terms of Section 177(4) and other applicable provisions of the Companies Act, 2013, to read along with rules prescribed which, inter-alia, include:

i. to recommend appointment, remuneration and terms of appointment of Auditors of the Company;

ii. to review and monitor the Auditors' independence and performance, and effectiveness of audit process;

iii. examination of the financial statement and the auditors' report thereon;

iv. approval or any subsequent modification to any Related Party Transaction(s) of the Company;

v. scrutiny of inter-corporate loans/deposits and investments;

vi. valuation of undertakings or assets of the Company, wherever it is necessary;

vii. evaluation of internal financial controls and risk management systems;

viii. monitoring the end use of funds raised through private placements of securities, public offers and related matters;

ix. 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;

x. evaluate the scope of statutory audit, internal audit, Secretarial audit and ensure that there are no limitations placed by the management on the auditors;

xi. review management letter(s) and management response to the findings and recommendations of the external auditor(s);

xii. study the issues raised by external auditors and raise appropriate flags to the management in case of repeated issues;

xiii. review and approve policy on supply of non-audit services by external auditors, taking into account any relevant ethical guidance on the matter.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

NRC is constituted in terms of Section 178 of the Act. The Committee is Comprised of Mr. D Sivanandhan, Chairman, Mr. Mahesh Chhabria, Ms Gauri Kirloskar and Mr. Harish Engineer as a Members of the Committee. NRC reviewed and recommended Managerial Remuneration policy for approval of the Board. During the year no NRC Meeting was held. However, NRC approvals had been obtained by circular resolutions.

The functions of the NRC would be as per provisions of Section 178 of the Companies Act, 2013, which, inter-alia, include to ensure that:

i. the level and compensation of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;

ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

iii. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;

iv. develop policies and lay down criteria for appointment / removal / reappointment of the directors of the Board in terms of statutory and regulatory requirements from time to time;

v. formulate criteria for appointment of directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person;

vi. assist the Board of Directors of the Company, in formulation and implementation of remuneration policy which will lay down the remuneration to directors, key management personnel and other employees to ensure balance between remuneration and risks.

RISK MANAGEMENT COMMITTEE (RMC)

The Board of Directors have constituted a Risk Management Committee (RMC) and the Committee is comprising of Mr. Vijay Chugh, Chairman, Mr. Mahesh Chhabria, Mr. Nihal Kulkarni, Mr. D Sivanandhan and Mr. Harish Engineer as a Members of the Committee. During the year under review, the RMC has been reconstituted due to resignation of Mr. Nihal Kulkarni as Director of the Company.

Four (4) Meetings of the RMC were held viz: May 26, 2020, July 17, 2020, October 21, 2020 and January 20, 2021.

Sr. No	Name of Members	No. of Meetings held during tenure	Meetings attended
1	Mr. Vijay Chugh, Chairman	4	4
2	Mr. Mahesh Chhabria	4	4
3	Mr. Nihal Kulkarni	2	2
4	Mr. D Sivanandhan	4	3
5	Mr. Harish Engineer	4	4

The role and responsibility of the RMC is to :

i. assess the Company's risk profile and key areas of risk in particular;

ii. examine and determine the sufficiency of the Company's internal processes for reporting on and managing key risk areas;

iii. develop and implement a risk management framework and internal control system;

iv. review the nature and level of insurance coverage;

v. report the trends on the Company's risk profile, reports on specific risks and the status of the risk management process;

vi. exercise oversight of management's responsibilities, and review the risk profile of the organization to ensure that risk is not higher than the risk appetite determined;

vii. 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;

viii. 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;

ix. ensure that a systematic, documented assessment of the processes and outcomes surrounding key risk is undertaken at least once in a year;

x. review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;

xi. provide an independent and objective oversight and view of the information presented by the management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risk facing by the Company;

xii. review issues raised by Internal Audit that impact the risk management framework;

xiii. the Board shall review the performance of the risk management committee annually.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

In terms of provisions of the Companies Act, 2013, Corporate Social Responsibility (CSR) Committee is constituted, comprising of: Mr. Vimal Bhandari, Chairman, Ms. Gauri Kirloskar and Mr. Vijay Chugh as a Members of the Committee.

One meeting of CSR Committee was held during the year on October 20, 2020, which was attended by all CSR Committee members.

The terms of reference of the CSR Committee of the Company would be in terms of Section 135 and other applicable provisions of the Companies Act, 2013, to read along with rules prescribed which, inter-alia, include:

i. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall include the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 as amended from time to time;

ii. recommend the amount of expenditure to be incurred on the activities referred to in clause (a);

iii. monitor the Corporate Social Responsibility Policy of the company from time to time;

iv. in case of inability to spend the prescribed CSR amount, provide suitable explanations to the Board and the relevant explanation in the Annual Report of the Company;

v. ensure that CSR activities undertaken by the Company are appropriately disclosed in the Annual Report;

vi. ensure that any surplus arising out of CSR activities does not form a part of business profits of the Company;

vii. review the adequacy of the CSR policy at periodic intervals and review / modify policy on annual basis, if necessary.

ALLOTMENT COMMITTEE

The Allotment Committee has been constituted to review and approve allotment of securities in terms relevant statutory provisions. The Committee comprises of Mr. Mahesh Chhabria, Chairman and Mr. Vimal Bhandari Directors of the Company.

IT STRATEGY COMMITTEE

In term of Reserve Bank of India requirement, IT Strategy Committee is formed, the Committee is comprised of: Mr. D Sivanandhan, Chairman, Mr. Rahul Kirloskar, Mr. Vimal Bhandari, Mr. Mahesh Chhabria, Mr. Nihal Kulkarni, Mr. Mridul Sharma and Mr. Pravir Vohra.

During the year two (2) Meetings of the IT Strategy Committee were held viz: July 19, 2020 and December 23, 2020.

Sr. No	Name of Members	No. of Meetings held during tenure	Meetings attended
1	Mr. D Sivanandhan, Chairman	2	2
2	Mr. Mahesh Chhabria	2	2
3	Mr. Nihal Kulkarni	2	2
4	Mr. Pravir Vohra	2	2
5	Mr. Rahul Kirloskar	2	2
6	Mr. Vimal Bhandari	2	2
7	Mr. Mridul Sharma	2	2

The terms of reference of the Committee include:

i. the role and responsibility of the committee would be same as mentioned in the RBI Direction and the same has been provided in IT Policy of the Company;

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. increasing awareness of key technology changes and innovations in the marketplace;

v. reviewing and recommending to the Board management's strategies for sourcing of major technology suppliers and monitoring the technology governance framework for third party suppliers;

vi. 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);

vii. improving the efficiency of the Board by taking responsibility for "technology" tasks delegated to the Committee where such tasks should be discussed in sufficient depth;

viii. approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;

ix. ascertaining that management has implemented processes and practices ensure that the IT delivers value to the business;

x. ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

xi. 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;

xii. ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

INTERNAL COMPLAINTS COMMITTEE (ICC)

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

Further, as required under the SHWW Act, your Company has constituted an ICC comprising of Senior female Executives and one independent Member. The Committee is responsible for ensuring compliance in terms of provisions of SHWW Act, from time to time.

Pursuant to implementation of SHWW Act, the status of complaints received and resolved during the year under review, is as follows:

• Number of complaints received	Nil
• Number of complaints disposed	Nil
• Number of complaints pending for more than 90 days	Nil
• Number of awareness workshops conducted	1*
• Nature of action taken by the District Officer	Nil

(*) The Human Resource Department of the Company had conducted the presentation on awareness about the prevention of sexual harassment at work place to the employees of the Company vide email dated February 15, 2021.

Annexure – III

The Annual Report on CSR Activities

(1) Brief outline on CSR Policy of the Company:

The Company, through its CSR projects, will 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. Employment and livelihood creation, Millennium Development Goals (MDG) and global concerns such as climate change will be considered as guides in setting up the CSR projects.

- CSR Programmes/Projects undertaken by the Companies pursuant to the provisions of the Companies Act and rules made thereunder
- Activities not to be considered as CSR activity
- The CSR Budget of the Company
- The Implementation processes
- The Roles & responsibility of the board and CSR Committee
- Monitoring and reporting framework

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:

Sr. No	Name of Members	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Vimal Bhandari	Executive Vice Chairman & CEO	1	1
2	Ms. Gauri Kirloskar	Non-Executive Director	1	1
3	Mr. Vijay Chugh	Non-Executive Director	1	1

(3) Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company at https://www.arkafincap.com/investor-information.

(4) Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).- Nil

(5) Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sr. No	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
1	Nil	Nil	Nil

(6) Average net profit of the company as per section 135(5): ₹ 2,68,77,940

(7) (a) Two percent of average net profit of the company as per section 135(5): ₹ 5,37,559

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil

(c) Amount required to be set off for the financial year: Nil

8. (a) 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
5,40,000	Nil	Nil	Nil	Nil	Nil

(b) Details of CSR amount spent against ongoing projects for the financial year:

1	2	3	4	5		6	7	8	9	10	11	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Project duration.	Amount allocated for the project (in ₹).	Amount spent in the current financial Year (in ₹).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implement-ation Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration No
1	Kirloskar Institute of Advanced Management Studies (KIAMS)	Promoting Education	No	Maharashtra	Pune	On Going	5,40,000	5,40,000	Nil	No	KIAMS	-

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

1	2	3	4	5		6	7	8	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Amount spent for the project (in ₹).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration No
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 5,40,000

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	5,37,559
(ii)	Total amount spent for the Financial Year	5,40,000
(iii)	Excess amount spent for the financial year [(ii)-(i)]	2,441
(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)]	2,441

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	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 ₹)	
				Name of the Fund	Amount (in ₹)	Date of transfer.	Name	CSR Registration No
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

1	2	3	4	5	6	7	8	9
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in ₹).	Amount spent on the project in the reporting Financial Year (in ₹).	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project - Completed / Ongoing.
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).- Nil

(a) Date of creation or acquisition of the capital asset(s).- Nil

(b) Amount of CSR spent for creation or acquisition of capital asset.- Nil

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.- Nil

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital. - Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).- Not Applicable

Vimal Bhandari

Executive Vice Chairman & CEO

Chairman of the CSR Committee

Annexure – IV

Form No. AOC.2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

(1) Details of contracts or arrangements or transactions not at arm's length basis - NIL

(a) Name(s) of the related party and nature of relationship

(b) Nature of contracts/arrangements/transactions

(c) Duration of the contracts/arrangements/transactions

(d) Salient terms of the contracts or arrangements or transactions including the value, if any

(e) Justification for entering into such contracts or arrangements or transactions

(f) date(s) of approval by the Board

(g) Amount paid as advances, if any

(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

(2) Details of material Contracts or arrangement or transactions at arm's length basis

Sr. No	Name(s) of the related party and nature of relationship	Nature of contracts / arrangements / transactions	Duration of the contracts / arrangements / transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
1.	Kirloskar Oil Engines Limited (Holding Company)	Issue of equity share capital to holding Company	During the FY 2020-21	Issue price per equity share ₹ 11 (face value ₹ 10 per share). Total Equity capital ₹ 124.82 Cr. (including Share premium ₹ 1 per share)	-	Nil

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318

Mahesh Chhabria
Director
DIN: 00166049

Date : April 28, 2021
Place : Mumbai

Annexure – V

Secretarial Audit Report

For the financial year ended March 31, 2021

[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)
One World Center, 1202B, Tower 2B,
Floor 12B, Jupiter Mills Compound,
Senapati Bapat Marg Mumbai - 400013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ARKA FINCAP LIMITED** (earlier known as Kirloskar Capital Limited) (**CIN - U65993MH2018PLC308329**) (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on March 31, 2021 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 March 31, 2021 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 (To the extent Applicable to the Company during audit period);

(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; (Not Applicable to the Company during audit period)

  (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) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2015;

  (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not Applicable to the Company during audit period) and

  (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during audit period);

(vi) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Updated as on February 17, 2020)

(vii) Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015"

(viii) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016

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. and National Stock Exchange of India 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. 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. However, 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 Members of Company in their Extra-ordinary General Meeting held on May 28, 2020 has given the consent to issue Secured and/or Unsecured, Listed and/or Unlisted Redeemable Non-Convertible Debentures and/or Subordinated Debt instruments and/or other securities for an aggregate value of upto ₹ 500 Cr (Rupees Five Hundred Cr Only) on private placement basis in such form, manner, in one or more tranches.

   Further to the above approval from Members, Company has made allotment of 1,995 Secured Non-Convertible Redeemable Debentures (NCDs) having face value of ₹ 10,00,000/- each aggregating to ₹ 1,995,000,000/- in 6 tranches during the year under review.

ii. the Members of Company in their Annual General meeting held on June 29, 2020 have increased the power to borrow money and power to mortgage or creation of security for borrowing of Company to the Board of Directors upto ₹ 2000 Cr under section 180(1)(c) and 180(1)(a) of the Companies Act, 2013.

We further report that during the audit period there was no other event/action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, and standards.

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

Anil Vasant Mayekar
Partner
FCS – 2071, COP – 2427

Date: April 28, 2021
Place: Mumbai
U.D.I.N - F002071C000191348

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.

ANNEXURE A

To,
The Members,
ARKA FINCAP LIMITED
(CIN - U65993MH2018PLC308329)
One World Center, 1202B, Tower 2B,
Floor 12B, Jupiter Mills Compound,
Senapati Bapat Marg Mumbai - 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. Where ever 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

Date: April 28, 2021
Place: Mumbai

Annexure – VI

Statement of particulars of employees pursuant to the provision of Section 197 of the Companies Act, 2013, read with Rule, 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time and forming part of the Directors' Report for the year ended March 31, 2021.

Top Ten Employees (basis Annual Remuneration)

Sr No	Name	Age	Qualifications and Experience (years)	Date of Commencement of employment	Designation and nature of duties	Last Employment	Remuneration Received (Gross) (₹)
1	Vimal Bhandari	62.7	CA; 32.7	01 Nov 2018	Executive Vice Chairman & CEO	Indostar Capital Finance Limited	49680057 + 562505
2	Mridul Sharma	47.0	MBA; 23.4	23 Jan 2019	Chief Operating Officer	Indusind Bank	31168778 + 116282
3	Sonit Singh	42.7	PGDM; 17.9	08 Jul 2019	Head - Real Estate Financing & Advisory Services	JLL India	20716986
4	Manish Chandrashekhar Nagarsekhar	47.8	CA; 24.3	01 Mar 2019	Head - Operations & Business Solutions Group	Indusind Bank	18327664
5	Navin Saini	46.8	MBA; 24.3	03 Feb 2020	Head - SME & MSME Lending	Clix Capital Services Pvt. Ltd.	15602867 + 72550
6	Nachiket Vishwaniyant Naik	49.0	MBA; 25.5	02 Jan 2019	Head - Corporate Lending	IREP Credit Capital Limited	14374756
7	Amit Kumar Gupta	41.8	CA;CS; 20.4	18 Feb 2019	Deputy CFO & Head – Resources & Corporate Finance	Indostar Capital Finance Limited	14008955
8	Bhupesh Mahajan	49.0	CA; 22.6	08 Nov 2019	Head - Risk	Reliance Commercial Finance Ltd.	9315092
9	Rajendra Kumar Gian Singh Saini	45.4	MMS; 20.1	14 Apr 2020	National Sales Head	Clix Capital Services Pvt. Ltd.	8573829
10	Suman Saurav	42.1	B IT; 20.3	01 Mar 2019	Head - Information Technology	Indusind Bank	7842856

Part A - Employed throughout the Financial year under review and were in receipt of remuneration in aggregate of not less than ₹ 1,02,00,000/- per annum-

Sr No	Name	Age	Qualifications and Experience (years)	Date of Commencement of employment	Designation and nature of duties	Last Employment	Remuneration Received (Gross) (₹)
1	Vimal Bhandari	62.7	CA; 32.7	01 Nov 2018	Executive Vice Chairman & CEO	Indostar Capital Finance Limited	49680057 + 562505
2	Mridul Sharma	47.0	MBA; 23.4	23 Jan 2019	Chief Operating Officer	Indusind Bank	31168778 + 116282
3	Sonit Singh	42.7	PGDM; 17.9	08 Jul 2019	Head - Real Estate Financing & Advisory Services	JLL India	20716986
4	Manish Chandrashekhar Nagarsekhar	47.8	CA; 24.3	01 Mar 2019	Head - Operations & Business Solutions Group	Indusind Bank	18327664
5	Navin Saini	46.8	MBA; 24.3	03 Feb 2020	Head - SME & MSME Lending	Clix Capital Services Pvt. Ltd.	15602867 + 72550
6	Nachiket Vishwaniyant Naik	49.0	MBA; 25.5	02 Jan 2019	Head - Corporate Lending	IREP Credit Capital Limited	14374756
7	Amit Kumar Gupta	41.8	CA;CS; 20.4	18 Feb 2019	Deputy CFO & Head – Resources & Corporate Finance	Indostar Capital Finance Limited	14008955

Part B - Employed for a part of the Financial year under review and were in receipt of remuneration in aggregate of not less than ₹ 850,000/- per month: NIL

Gross Remuneration includes salary, taxable allowances, value of perquisites as per Income Tax Rules, 1962 but excludes contribution to Gratuity Fund. The nature of employment in all cases is contractual & are as per Company's Rules.

None of the above employees is related to any Director of the Company and hold any equity shares in the Company as on date.

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318

Mahesh Chhabria
Director
DIN: 00166049

Date : April 28, 2021
Place : Mumbai

Annexure – VII

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the Financial Year ended on March 31, 2021

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014]

(I) REGISTRATION & OTHER DETAILS

(a)	Company Identification No (CIN)	U65993MH2018PLC308329
(b)	Registration Date	20/04/2018
(c)	Name of the Company	Arka Fincap Limited (Formerly Known as Kirloskar Capital Limited)
(d)	Category / Sub-Category of the Company	Company Limited by Shares
(e)	Address of the Registered Office and contact details	One World Center, 1202B, Tower 2B, Floor 12B, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai - 400013
(f)	Whether Listed Company-Yes/No	No
(g)	Name, Address & Contact details of Registrar & Share Transfer Agent, if any	Link Intime India Private Limited C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West) Mumbai-400083, Phone: +91 022 49186000

(II) PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

No	Name and description of the main products/ services	NIC code of the Product/ Service	% total turnover of the Company
1.	Interest and Investment Income	64990	100%

(III) PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

No	Name & Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1	Kirloskar Oil Engines Limited Laxmanrao Kirloskar Road, Khadki, Pune 411003	L29120PN2009PLC133351	Holding Company	99.99	2(46)

(IV) SHAREHOLDING PATTERN (Equity Share Capital Breakup as Percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholder	No of Shares held at the beginning of the year				No of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% Total Shares	Demat	Physical	Total	% Total Shares	
A Promoters									
(1) Indian									
- Individual / HUF	-	-	-	-	-	-	-	-	-
- Central Government	-	-	-	-	-	-	-	-	-
- State Government	-	-	-	-	-	-	-	-	-
- Bodies Corporate	51,75,00,000	89,99,994	52,64,99,994	100	63,09,69,828	89,99,994	63,99,69,822	100	-

Category of Shareholder	No of Shares held at the beginning of the year				No of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% Total Shares	Demat	Physical	Total	% Total Shares	
- Banks/ FIs	-	-	-	-	-	-	-	-	-
- Any Other (Individuals)	-	-	-	-	-	-	-	-	-
Sub Total (A)(1)	**51,75,00,000**	**89,99,994**	**52,64,99,994**	**100**	**63,09,69,828**	**89,99,994**	**63,99,69,822**	**100**	**-**
(2) Foreign									
- NRIs/ Individual	-	-	-	-	-	-	-	-	-
- Others – Individuals	-	-	-	-	-	-	-	-	-
- Bodies Corporate	-	-	-	-	-	-	-	-	-
- Banks/ FIs	-	-	-	-	-	-	-	-	-
- Any Other	-	-	-	-	-	-	-	-	-
Sub Total (A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Shareholding of Promotors (A)= (A)(1) + (A)(2)	**51,75,00,000**	**89,99,994**	**52,64,99,994**	**100**	**63,09,69,828**	**89,99,994**	**63,99,69,822**	**100**	**-**
B Public Shareholding									
(1) Institutions									
- Mutual Funds	-	-	-	-	-	-	-	-	-
- Banks / FIs	-	-	-	-	-	-	-	-	-
- Central Government	-	-	-	-	-	-	-	-	-
- State Government	-	-	-	-	-	-	-	-	-
- Venture Capital Funds	-	-	-	-	-	-	-	-	-
- Insurance Companies	-	-	-	-	-	-	-	-	-
- FIIs	-	-	-	-	-	-	-	-	-
- Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-	-
Sub Total (B)(1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(2) Non-Institutions	-	-	-	-	-	-	-	-	-
(a) Bodies Corporate	-	-	-	-	-	-	-	-	-
- Indian	-	-	-	-	-	-	-	-	-
- Overseas	-	-	-	-	-	-	-	-	-
(b) Individuals									
- Individual Shareholders holding nominal share capital upto ₹ 1 lakh	-	6	6	-	-	6	6	-	-
- Individual Shareholders holding nominal share capital in excess of ₹ 1 lakh	-	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-	-
Sub Total (B)(2)	**-**	**6**	**6**	**-**	**-**	**6**	**6**	**-**	**-**
Total Public Shareholding (B) = (B)(1) + (B)(2)	**-**	**6**	**6**	**-**	**-**	**6**	**6**	**-**	**-**
(C) Shares held by Custodians for ADRs & GDRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**51,75,00,000**	**90,00,000**	**52,65,00,000**	**100**	**63,09,69,828**	**90,00,000**	**63,99,69,828**	**100**	**-**

(ii) Shareholding of Promoters:

Sl No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No of Shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	No of Shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	
1	Kirloskar Oil Engines Limited	52,64,99,994	100	-	63,99,69,822	100	-	-
	Total	52,64,99,994	100	-	63,99,69,822	100	-	-

(iii) Change in Promoters' Shareholding:

Sl No	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
(1)	Kirloskar Oil Engines Limited				
	At the Beginning of the year	52,64,99,994	100	52,64,99,994	100
	Allotment of Rights Shares on August 11, 2020	11,34,69,828	100	63,99,69,822	100
	At the end of the year	63,99,69,822	100	63,99,69,822	100

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of ADRs & GDRs):

No	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
(1)	Mr. Nachiket Naik				
	At the Beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity, etc)	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00
(2)	Mr. Mridul Sharma				
	At the Beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity, etc)	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00
(3)	Mr. Manish Nagarsekar				
	At the Beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity, etc)	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00

(v) Shareholding of Directors & Key Managerial Personnel:

Sl No	Name of the Directors / KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
(1)	Mr. Mahesh Chhabria				
	At the Beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity, etc)	0	0.00	0	0.00
	At the end of the year	1	0.00	1	0.00
(2)	Mr. Vimal Bhandari (Director as well as Key Managerial Personal)				
	At the Beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity, etc)	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00
(3)	Mr. Amit Bondre (Key Managerial Personal)				
	At the Beginning of the year	1	0.00	1	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity, etc)	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00

(V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/ accrued but not due for Payment

(₹ in Mn)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	750.00	-	-	750.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**750.00**	**-**	**-**	**750.00**
Changes in indebtedness during the financial year:				
Additions (Term Loan from IndusInd)	6,595.00	750.00	-	7,345.00
Reductions	924.04	514.08	-	1,438.12
Net Change	**5,670.96**	**235.92**		**5,906.88**
Indebtedness at the end of the financial year				
i) Principal Amount	6,420.96	235.92	-	6,656.88
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	54.88	-	-	54.88
Total (i+ii+iii)	**6,475.84**	**235.92**	**-**	**6,711.76**

(VI) REMUNERATION OF DIRECTORS & KEY MANAGERIAL PERSONNEL

(A) Remuneration paid to Managing Director, Whole-time Directors and/or Manager:

(₹ in Mn)

Sl No	Particulars of Remuneration	Name of MD/WTD/ Manager Mr. Vimal Bhandari (Executive Vice Chairman & CEO)	Total
(1)	Gross Salary		
	(i) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	50.09	50.09
	(ii) Value of perquisites u/s 17(2) of Income Tax Act, 1961	0.56	0.56
	(iii) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961	-	-
(2)	Stock Options		
(3)	Sweat Equity	-	-
(4)	Commission		
	● As % of Profit	-	-
	● Others	-	-
(5)	Others	-	-
	Total (A)*	50.65	50.65
	Ceiling as per the Act	-	-

** During the Financial year, the company had made a profit of ₹ 16.97 Cr, hence the Remuneration paid to Mr. Vimal Bhandari pursuant to Section 197 and Scheduled V of the Companies Act 2013.*

(B) Remuneration to other Directors:

(₹ in Mn)

Sl No	Particulars of Remuneration	Name of the Directors						Total
(1)	**Independent Directors**	**Mr. Mahesh Chhabria**	**Mr. Nihal Kulkarni Up to September 18, 2020**	**Ms Gauri Kirloskar**	**Mr. D Sivanandhan**	**Mr. Vijay Chugh**	**Mr. Harish Engineer**	
	● Fee for attending board committee meetings (Sitting fees paid)	-	-	-	0.56	0.56	0.49	1.61
	● Commission	-	-	-	-	-	-	
	● Others	-	-	-	-	-	-	
	Total (1)	**-**	**-**	**-**	**0.56**	**0.56**	**0.49**	**1.61**
(2)	**Other Non – Executive Directors**	**-**	**-**	**-**	**-**	**-**	**-**	
	● Fee for attending board committee meetings	-	-	-	-	-	-	
	● Commission	-	-	-	-	-	-	
	● Others	**-**	**-**	**-**	**-**	**-**	**-**	
	Total (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total (B) = (1+2)	-	-	-	0.56	0.56	0.49	1.61
	Total Managerial Remuneration				0.56	0.56	0.49	1.61
	Overall Ceiling as per the Act	**-**	**-**					**-**

** During the Financial year, the company had made a profit of ₹ 16.97 Cr, hence the Remuneration paid to Mr. Vimal Bhandari pursuant to Section 197 and Scheduled V of the Companies Act 2013.*

(C) Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

(₹ in Mn)

Sl No	Particulars of Remuneration	Key Managerial Personnel		Total
		Ritesh Jhanwar (Financial Controller)	Amit Bondre (Company Secretary)	
(1)	Gross Salary			
	• Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	5.15	1.93	7.08
	• Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-	-
	• Profits in lieu of Salary under section 17(3) of Income Tax Act, 1961	-	-	-
(2)	Stock Options	-	-	-
(3)	Sweat Equity	-	-	-
(4)	Commission			
	• As % of Profit	-	-	-
	• Others	-	-	-
(5)	Others	-	-	-
	Total	**5.15**	**1.93**	**7.08**

(VII) PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD/ NCLT/ Court)	Appeal made, if any (give details)
Company					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
Directors					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
Other Officers in Default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318

Mahesh Chhabria
Director
DIN: 00166049

Date : April 28, 2021
Place : Mumbai

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 31 March 2021

I. RELATED PARTY DISCLOSURE:

(Currency : Indian Rupees in Lakhs)

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:**	1. Loans and advances in the nature of loans to subsidiaries by name and amount:	
	Kirloskar Oil Engines Limited	**(i) Loan given to Arka Fincap Limited**	
		(a) Loan Outstanding at year end	--
		(b) Maximum amount of loan outstanding during the year	2,000.00
		2. Loans and advances in the nature of loans to associates by name and amount	N.A.
		3. Loans and advances in the nature of loans to firms / companies in which Directors are interested by name and amount	--
2	**Subsidiary Company:**	1. Loans and advances in the nature of loans to parent by name and amount	--
	Arka Fincap Limited	2. Loans and advances in the nature of loans to associates by name and amount	N.A.
		3. Loans and advances in the nature of loans to firms / companies in which Directors are interested by name and amount	--
3	**Holding Company:** Kirloskar Oil Engines Limited	Investment 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	--
II.	Transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results – None		

Financial Statements

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Arka Fincap Limited (formerly Kirloskar Capital Limited) ("the Company"), which comprise the balance sheet as at 31 March 2021, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the 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 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was 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 the matter.

DESCRIPTION OF KEY AUDIT MATTER

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances, including off-balance sheet elements **Charge: INR 220.99 lakhs for year ended 31 March 2021** **Provision: INR 363.62 lakhs at 31 March 2021**	
Refer to the accounting policies in "Note 2.06A(iv) to the Financial Statements: Impairment of Financial Assets", "Note 2.22 to the Financial Statements: Significant Accounting Policies - Critical Accounting Estimates" and "Note 3.03 and 3.04 to the Financial Statements: Loans and advances and Investments respectively"	
Subjective estimate Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are: • Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In the case of the Company, historical data is limited, and reasonable alternatives have been applied to allow calculations to be performed.	Our key audit procedures included: **Design / controls** We performed end to end process walkthroughs to identify the controls applied in the ECL process. We tested the relevant manual (including spreadsheet controls), used in the ECL process. *Key aspects of our controls testing involved the following:* • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.

Key audit matter	How the matter was addressed in our audit
• Model estimations – Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach. Considering the historical data is limited, the Company has applied use of proxy PDs and LGDs. Management has also assessed impact of increased uncertainty on account of COVID-19. • Economic scenarios – Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the impact of forward-looking economic scenarios especially when considering the current uncertain economic environment arising from COVID-19. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, including off balance sheet elements, has a relatively high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Disclosures The disclosures regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results.	• Testing the 'Governance Framework' controls over validation, implementation and model monitoring in line with the RBI guidance. • Testing the design and operating effectiveness of the key controls over the application of the staging criteria. • Testing management's controls over authorisation and calculation of post model adjustments and management overlays. • Testing management's controls on compliance with Ind AS 109 disclosures related to ECL. **Test of details** Key aspects of our testing included: • Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and model assumptions applied. • Model calculations testing through re-performance, where possible. • Test of details of post model adjustments, considering the size and complexity of management overlays with a focus on COVID-19 related overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data. • Assessing disclosures - We assessed whether appropriate disclosures are made in line with requirements of Ind AS 109.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's management and the Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

MANAGEMENT'S AND THE BOARD OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Management and the Board of Directors are 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 state of affairs, profit/loss and 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. 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and the Board of Directors are 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by management and the Board of Directors.
- Conclude on the appropriateness of management and the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. (A) As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company does not have any pending litigations which would impact its financial position;

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   (C) With respect to the matter to be included in the Auditor's Report under section 197(16):

   In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377
UDIN: 21117377AAAABD9220

Mumbai
28 April 2021

Annexure A to the Independent Auditor's Report on the financial statements of Arka Fincap Limited (formerly known as Kirloskar Capital Limited)

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. The Company has a regular program of physical verification to cover all the items of fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The fixed assets were not physically verified by management during the year.

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not have any immovable property.

(ii) The Company is in the business of providing services and does not have any physical inventories. Accordingly, the provision of clause 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provision of clause 3(iii) of the Order is not applicable to the Company.

(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under Sections 185 and 186 of the Act. Accordingly, the provision of clause 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.

(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of Section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable.

(vii) a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, goods and service tax, cess and other material statutory dues have generally regularly deposited by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance, sales tax, duty of customs or duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax and goods and service tax were in arrears as at 31 March 2021 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, the Company did not have any dues on account of income tax, goods and service tax, duty of customs or duty of excise which have not been deposited on account of dispute.

(viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions or banks or debenture holders during the year. During the year, the Company did not have any loans or borrowings from Government.

(ix) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has applied money raised from term loans during the year for the purposes for which they were raised other than temporary deployment pending application of proceeds. The Company has not raised any money by way of initial public offer or follow public offer including debt instruments during the year ended 31 March 2021. .

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provision of clause 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provision of clause 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him and hence the provision of Section 192 of the Act is not applicable.

(xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 25 July 2019 (previously issued in the name of Kirloskar Capital Limited vide certificate dated 29 October 2018).

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377
UDIN: 21117377AAAABD9220

Mumbai
28 April 2021

Annexure B to the Independent Auditor's report on the financial statements of Arka Fincap Limited (formerly Kirloskar Capital Limited) for the year ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

OPINION

We have audited the internal financial controls with reference to financial statements of Arka Fincap Limited (formerly Kirloskar Capital Limited) ("the Company") as of 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria 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 issued by the Institute of Chartered Accountants of India ("the Guidance Note").

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 Companies Act, 2013 (hereinafter referred to as "the Act").

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to 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 financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377
UDIN: 21117377AAAABD9220

Mumbai
28 April 2021

Balance Sheet
as at March 31, 2021

(₹ in lakh)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
I **ASSETS**				
Financial assets				
Cash and cash equivalents	3.01	22,608.09	12,326.68	1,023.07
Bank balances other than cash and cash equivalents	3.02	-	-	-
Loans	3.03	90,658.90	36,233.56	34.35
Investments	3.04	21,479.95	11,308.01	-
Other financial assets	3.05	220.79	184.82	162.81
		1,34,967.73	**60,053.07**	**1,220.23**
Non-financial assets				
Current tax assets (net)	3.06	84.79	17.41	3.40
Deferred tax assets (net)	3.07	274.60	126.43	239.68
Property, plant and equipment	3.08	752.24	963.65	412.63
Intangible assets	3.09	370.42	8.92	2.10
Intangible assets under development	3.10	2.00	218.55	-
Other non-financial assets	3.11	162.60	358.77	155.64
		1,646.65	**1,693.73**	**813.45**
Total Assets		**1,36,614.38**	**61,746.80**	**2,033.68**
II **LIABILITIES AND EQUITY**				
LIABILITIES				
Financial liabilities				
Trade payables	3.12			
(i) total outstanding to micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		66.59	21.78	16.87
Debt securities	3.13	22,203.94	-	-
Borrowings (other than debt securities)	3.14	44,364.85	7,500.00	-
Other financial liabilities	3.15	1,876.66	1,181.09	-
		68,512.04	**8,702.87**	**16.87**
Non-financial liabilities				
Current tax liabilities (net)	3.16	-	-	-
Provisions	3.17	104.06	32.58	7.48
Other non-financial liabilities	3.18	663.12	82.27	59.67
		767.18	**114.85**	**67.15**
Total Liabilities		**69,279.22**	**8,817.72**	**84.02**
Equity				
Equity share capital	3.19	63,996.98	52,650.00	2,700.00
Other equity	3.20	3,338.18	279.08	(750.34)
Total Equity		**67,335.16**	**52,929.08**	**1,949.66**
Total Liabilities and Equity		**1,36,614.38**	**61,746.80**	**2,033.68**
Significant Accounting Policies	2			

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377

Date: April 28, 2021
Place: Mumbai

For and on behalf of the Board of Directors of

Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Date: April 28, 2021
Place: Mumbai

Statement of Profit and Loss
for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from operations	4.01		
Interest income		9,788.32	4,051.08
Fees and commission income		179.87	-
Net gain on sale of investments		228.26	783.66
Net gain on fair value changes of investments		(7.94)	7.94
Total revenue from operations		**10,188.51**	**4,842.68**
Other income	4.02	104.03	-
Total income		**10,292.54**	**4,842.68**
Expenses			
Finance costs	4.03	3,768.91	265.93
Net loss on fair value changes	4.04	0.27	0.84
Impairment on financial instruments	4.05	220.99	142.63
Employee benefit expenses	4.06	3,050.32	2,593.06
Depreciation and amortization expenses	4.07	315.27	245.60
Other expenses	4.08	609.23	577.80
Total expenses		**7,964.99**	**3,825.86**
Profit before tax		**2,327.55**	**1,016.82**
Tax expense:	4.09		
1. Current tax		790.28	293.47
2. Deferred tax expense / (income)		(151.07)	113.95
Total tax expenses		**639.21**	**407.42**
Profit after tax		**1,688.34**	**609.40**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Re-measurements of the defined benefit plans		11.52	(2.79)
- Income tax relating to items that will not be reclassified to profit or loss		(2.90)	0.70
Other comprehensive income for the year, net of tax		**8.62**	**(2.09)**
Total comprehensive income for the year		**1,696.96**	**607.31**
Earnings per equity share	5.01		
Basic earnings per share (₹)		0.30	0.12
Diluted earnings per share (₹)		0.30	0.12
(Equity Share of face value of ₹ 10 each)			

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377

Date: April 28, 2021
Place: Mumbai

For and on behalf of the Board of Directors of

Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Date: April 28, 2021
Place: Mumbai

Statement of Cash Flow
for the year ended March 31, 2021

(₹ in lakh)

	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
A	**Cash Flow from Operating Activities**		
	Net profit before tax	2,327.56	1,016.84
	Adjustments for :		
	Add:		
	Depreciation and amortization	315.27	245.59
	Provision for gratuity	17.62	12.33
	Provision for lease encashment	19.56	9.98
	Provision for expected credit loss	220.99	142.63
	Provision for bonus	800.00	610.00
	Provision for share based payments	227.43	472.05
	Loss on fair value of employee loan	0.27	0.84
	Prepaid expenses amortized	323.03	66.70
	Finance cost	3,768.91	265.94
		5,693.08	**1,826.06**
	Less:		
	Interest received on fixed deposits	520.89	696.60
	Profit on sale of investments	228.26	783.66
	Fair value (loss)/ gain on investments	(7.94)	7.94
	Interest received on debt instrument	1,973.76	540.17
	Interest income on security deposit	20.09	17.62
	Rent paid for office premise	185.20	171.46
	Amortized discount income on commercial paper	496.04	741.84
		3,416.30	**2,959.29**
	Operating profit before working capital changes	**4,604.34**	**(116.39)**
	Adjustments:		
	(Increase)/Decrease in loans and advances	(54,581.04)	(36,325.51)
	(Increase) / Decrease in security deposits	(4.91)	(7.95)
	(Increase) / Decrease in Prepaid expenses	(672.43)	(321.69)
	(Increase) / Decrease in Other financial assets	-	0.33
	(Increase) / Decrease in Other non-financial assets	46.78	(45.48)
	Employee benefits paid	(615.59)	-
	Increase/(Decrease) in trade payable	44.81	4.91
	Increase/(Decrease) in Other financial liabilities	641.36	1.07
	Increase/(Decrease) in Other non-financial liabilities	580.86	22.60
	Cash used in operating activities	**(49,955.82)**	**(36,788.11)**
	Direct taxes paid	(857.66)	(307.48)
	Net cash used in operating activities (A)	**(50,813.48)**	**(37,095.59)**

Statement of Cash Flow (Contd.)

for the year ended March 31, 2021

(₹ in lakh)

	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
B	**Cash flows from investing activities**		
	Add:		
	Interest received on fixed deposits	509.92	696.60
	Receipt on sale of Investments	90,998.24	3,43,012.82
	Interest received on debt instrument	1,770.15	540.65
		93,278.31	**3,44,250.07**
	Less:		
	Payments on purchase of investment	1,00,269.95	3,52,805.04
	Payments for Purchase of Property, Plant and Equipment	60.81	14.70
	Payments for Purchase of Other Intangible assets	186.00	8.44
	Payments for Purchase of Intangible assets under development	2.00	218.56
		1,00,518.76	**3,53,046.74**
	Net cash generated from investing activities (B)	**(7,240.45)**	**(8,796.67)**
C	**Cash Flow from Financing Activities**		
	Proceeds from issue of equity share capital (including securities premium)	12,481.68	49,950.00
	Stamp duty paid on issue of equity shares	-	(49.95)
	Proceeds from Bank and NBFCs Borrowings (net)	37,258.36	7,500.00
	Proceeds from issuance of Non-Convertiable Debentures	19,950.00	-
	Proceeds from issuance of Commercial Papers (net)	2,359.22	-
	Finance cost paid	(3,713.92)	(204.18)
	Net cash generated from financing activities (C)	**68,335.34**	**57,195.87**
	Net Increase in cash and cash equivalents (A) + (B) + (C)	**10,281.41**	**11,303.61**
	Cash and Cash Equivalents at the beginning of the year	**12,326.68**	**1,023.07**
	Cash and Cash Equivalents at the end of the year	**22,608.09**	**12,326.68**
	Reconciliation of cash and cash equivalents with the balance sheet		
	Balances with banks		
	- in current accounts	5,108.09	7,326.68
	Deposits with original maturity of less than three months	17,500.00	5,000.00
	Total	**22,608.09**	**12,326.68**

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377

Date: April 28, 2021
Place: Mumbai

For and on behalf of the Board of Directors of

Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Date: April 28, 2021
Place: Mumbai

Statement of Changes in Equity (SOCIE)

for the year ended March 31, 2021

(A) EQUITY SHARE CAPITAL (NOTE 3.19)

(₹ in lakh)

Particulars	No. of Shares	Amount
Equity Shares of ₹ 10 each issued, subscribed and fully paid		
Balance as at 1 April 2019	**2,70,00,000**	**2,700.00**
Shares issued during the year	49,95,00,000	49,950.00
Balance as at 31 March 2020	**52,65,00,000**	**52,650.00**
Balance at 1 April, 2020	52,65,00,000	52,650.00
Shares issued during the period	11,34,69,828	11,346.98
Balance as at 31 March 2021	**63,99,69,828**	**63,996.98**

(B) OTHER EQUITY (NOTE 3.20)

(₹ in lakh)

Particulars	Reserves and surplus					Total
	Statutory Reserve U/s 45IC	Share options outstanding account	Securities Premium account	Impairment Reserve	Retained Earnings	
Balance at 1 April 2019	**-**	**-**	**-**	**-**	**(750.34)**	**(750.34)**
Profit for the year	-	-	-	-	609.41	609.41
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	(2.09)	(2.09)
Total	**-**	**-**	**-**	**-**	**(143.02)**	**(143.02)**
Transferred from Retained earnings	121.88	-	-	-	(121.88)	-
Stamp duty paid on equity issue	-	-	-	-	(49.95)	(49.95)
Share based payment expense	-	472.05	-	-	-	472.05
Balance at 31 March 2020	**121.88**	**472.05**	**-**	**-**	**(314.85)**	**279.08**
Balance at 1 April, 2020	**121.88**	**472.05**	**-**	**-**	**(314.85)**	**279.08**
Profit for the year	-	-	-	-	1,688.35	1,688.35
Other comprehensive income for the year (Actuarial gain on defined benefit plan, net of tax)	-	-	-	-	8.62	8.62
Total	**121.88**	**472.05**	**-**	**-**	**1,382.12**	**1,976.05**
Transferred from Retained earnings	337.67	-	-	-	(337.67)	-
Shares issued during the year	-	-	1,134.70	-	-	1,134.70
Stamp duty paid on equity issue	-	-	-	-	-	-
Share based payment expense	-	227.43	-	-	-	227.43
Balance at 31 March 2021	**459.55**	**699.48**	**1,134.70**	**-**	**1,044.45**	**3,338.18**

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377

Date: April 28, 2021
Place: Mumbai

For and on behalf of the Board of Directors of

Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Date: April 28, 2021
Place: Mumbai

Notes to the Financial Statements

for the year ended 31 March, 2021

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 Kirloskar Oil Engines Limited ('KOEL'). The Company is primarily engaged in lending activities.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements for the year ended March 31, 2021 of the Company is the first financial statements prepared in compliance with Ind AS. The date of transition to Ind AS is April 1, 2019.

The financial statements upto the year ended March 31, 2020, were prepared in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 ("previous GAAP") and other relevant provisions of the Act. The figures for the year ended March 31, 2020 have now been restated under Ind AS to provide comparability. Refer Note 5.12 for the details of first-time adoption exemptions availed by the Company.

2.02 Basis of preparation

The financial statement comprises of the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act, 2013 ("the Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. These are the Company's first Ind AS financial statements.

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

2.03 Basis of measurement

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

2.04 Presentation of financial statements

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

Notes to the Financial Statements

for the year ended 31 March, 2021

2.05 Functional Currency

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

2.06 Financial Instruments

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

2.06.A Financial assets

i) Initial recognition and measurement

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

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

ii) Subsequent measurement

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

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

Debt instruments at amortized cost

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

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

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if:

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

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

Fair value through other comprehensive income (FVOCI)

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

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

Fair value through Profit and Loss (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at Amortized cost or at fair value through other comprehensive income.

In addition, the Company may elect to classify a financial asset, which otherwise meets Amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Notes to the Financial Statements

for the year ended 31 March, 2021

After initial measurement, such financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the statement of profit and loss.

iii) Reclassifications

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

The following are various reclassifications and how they are accounted for.

Reclassification from Amortized cost to FVTPL: Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in the statement of Profit and loss.

Reclassification from FVTPL to Amortized cost: Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.

Reclassification from Amortized cost to FVOCI: Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in OCI. No change in EIR due to reclassification.

Reclassification from FVOCI to Amortized cost: Fair value at reclassification date becomes its new amortized cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortized cost.

Reclassification from FVTPL to FVOCI: Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.

Reclassification from FVOCI to FVTPL: Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

iv) Impairment of financial assets

iv. Expected Credit Loss (ECL) principles

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 March, 2021

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

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

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

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

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

iv. Expected Credit Loss (ECL) principles

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

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

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

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

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

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

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

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

2.06.B Financial liabilities

i) Initial recognition and measurement

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

Notes to the Financial Statements

for the year ended 31 March, 2021

ii) Subsequent measurement

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

ii. a) Financial liabilities at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

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

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

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

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

2.06.C De-recognition

a) Derecognition of financial assets

A financial asset is derecognized when:

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

Or

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

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

b) Derecognition of financial liabilities

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

2.06.D Offsetting of financial instruments

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

2.06.E Fair value measurement

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

Notes to the Financial Statements

for the year ended 31 March, 2021

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

- In the principal market for the asset or liability.

  Or

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.06.F Modification of financial assets and financial liabilities

Financial Assets

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

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

Financial liabilities

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

Notes to the Financial Statements

for the year ended 31 March, 2021

2.07 Share capital

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

2.08 Cash and Cash equivalents

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

2.09 Property, Plant and Equipment

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

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

Depreciation

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

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

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

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

2.10 Intangible assets

Intangible assets are recognized 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 amortization period and amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortized 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 Cateory	No. of years
Computer Software	5 Years
LOS Software	5 Years
LMS Software	8 Years
Supply Chain Software	4 Years

Intangible assets under development

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

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

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

Notes to the Financial Statements

for the year ended 31 March, 2021

2.11 Impairment of non-financial assets

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

2.12 Provisions

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

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

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

2.13 Contingent liabilities

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

2.14 Earnings per share

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

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

2.15 Employee Benefits

i) Short-term employee benefits

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

ii) Post-Employment Benefits

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

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

Re-measurements, comprising of actuarial gains and losses, are 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 profit or loss in subsequent periods.

Notes to the Financial Statements
for the year ended 31 March, 2021

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

iii. Other long-term employment benefits:

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

a) Defined Contribution Plan

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

b) Defined Benefit Plan

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

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

iv) Compensated Absences

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

2.16 Taxes

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

Current income tax

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

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

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

2.17 Leases

The Company as a lessee

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

Notes to the Financial Statements

for the year ended 31 March, 2021

benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

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

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

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

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

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.

2.18 Employee Share Based Plan

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

The total expense is recognized 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 recognizes 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 recognized 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 recognized as expense in respect of such grant is transferred to the general reserve within equity.

2.19 Segment Reporting

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

2.20 Revenue Recognition

Recognition of Interest income

- Interest income and expense presented in statement of profit and loss includes interest on financial assets and liabilities measured at amortized cost calculated on an effective interest basis. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included

Notes to the Financial Statements

for the year ended 31 March, 2021

in the effective interest rate. The amortization of income and expenses for financial assets under EIR approach is done on a systematic basis that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset.

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

Fee income

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

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

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

  Step 1: Identify contract(s) with a customer

  Step 2: Identify performance obligations in the contract

  Step 3: Determine the transaction price

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

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

Syndication, advisory & other fees

Syndication, advisory & other fees are recognized 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 recognized on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

Net gain/(loss) on Fair value changes:

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

2.21 Cash Flow Statement

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

2.22 Critical Accounting Estimates and Judgements

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

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

Notes to the Financial Statements

for the year ended 31 March, 2021

A. Measurement of impairment of loans and advances

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

B. Measurement of defined benefit obligations

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

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

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

Further details about defined benefit obligations are provided in Note 5.09

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

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

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

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

E. Fair value of financial instrument

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

Notes to the Financial Statements
for the year ended 31 March, 2021

F. Business model assessment

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

2.23 Standards Issued but not yet Effective

There are neither new standards nor amendments to existing standards which are effective for the annual period beginning from 01 April 2021.

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 3.01 : CASH AND CASH EQUIVALENTS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Cash on hand	-	-	-
Balances with banks			
- in current accounts	5,108.09	7,326.68	123.07
Deposits with original maturity of less than three months	17,500.00	5,000.00	900.00
	22,608.09	**12,326.68**	**1,023.07**

NOTE 3.02 : BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Deposits with original maturity of more than three months	-	-	-
Earmarked deposits with banks	-	-	-
	-	-	-

NOTE 3.03 : LOANS (AT AMORTIZED COST)

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
(A)			
Business Loan	90,916.48	36,313.88	-
Employee Loan	23.31	45.14	34.35
Total - Gross	**90,939.79**	**36,359.02**	**34.35**
Less: Provision for expected credit loss	(280.89)	(125.46)	-
Total - Net	**90,658.90**	**36,233.56**	**34.35**
(B)			
Secured by tangible assets	89,387.40	36,313.88	-
Unsecured	1,552.39	45.14	34.35
Total - Gross	**90,939.79**	**36,359.02**	**34.35**
Less: Provision for expected credit loss	(280.89)	(125.46)	-
Total - Net	**90,658.90**	**36,233.56**	**34.35**
(C)			
(i) Loans in India			
Public sector	-	-	-
Others	90,939.79	36,359.02	34.35
Total - Gross	**90,939.79**	**36,359.02**	**34.35**
Less: Provision for expected credit loss	(280.89)	(125.46)	-
Total - Net	**90,658.90**	**36,233.56**	**34.35**
(ii) Loans outside India			
Total - Net C (i)+(ii)	**90,658.90**	**36,233.56**	**34.35**

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 3.04 : INVESTMENTS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Mutual funds (At fair value through P&L)	-	1,907.94	-
Debt securities - Non convertiable debentures (At amortized cost)	5,108.70	9,417.24	-
Debt securities - Commercial papers (At amortized cost)	13,792.68	-	-
Debt securities - Pass through certificates (At amortized cost)	2,615.49	-	-
Equity Instruments	-	-	-
Total - Gross	**21,516.87**	**11,325.18**	**-**
Investments in India	21,516.87	11,325.18	-
Investments outside India	-	-	-
Total - Gross	**21,516.87**	**11,325.18**	**-**
Less: Provision for expected credit loss	(36.92)	(17.17)	-
Total - Net	**21,479.95**	**11,308.01**	**-**

NOTE 3.05 : OTHER FINANCIAL ASSETS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Security deposit	203.42	178.42	156.08
Accrued interest on fixed deposits	17.37	6.40	6.73
	220.79	**184.82**	**162.81**

NOTE 3.06 : CURRENT TAX ASSETS (NET)

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Advance Tax (net of provision for taxes ₹ 791.53 Lakhs; Previous year ₹ 294.16 Lakhs)	84.79	17.41	3.40
	84.79	**17.41**	**3.40**

NOTE 3.07 : DEFERRED TAX ASSETS (NET)

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Deferred Tax Assets			
Disallowances u/s 43 B of Income Tax Act	14.66	8.20	2.18
Provision for expected credit loss	11.53	-	-
Preliminary Expenses u/s 35D of Income tax Act, 1961	13.59	20.39	31.45

Notes to the Financial Statements

for the year ended 31 March, 2021

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Business losses carried forward	-	-	206.57
Fair value of Employee Loan	0.45	0.81	1.32
Fair value of Security deposit	16.12	21.18	28.69
Fair value of Lease Liability	110.69	143.46	-
Fair value of Loan given	223.18	77.10	-
Fair value of Investment in CPs	3.33	-	-
Total (A)	**393.55**	**271.14**	**270.21**
Deferred tax liability			
Depreciation on fixed assets	123.13	150.07	2.18
Fair value of Prepaid Rent	-	-	28.35
Fair value of investment in debentures	(4.18)	(7.36)	-
Fair value of investment in mutual funds	-	2.00	-
Total (B)	**118.95**	**144.71**	**30.53**
Net deferred tax asset (A-B)	**274.60**	**126.43**	**239.68**

NOTE 3.08 : PROPERLY PLANT AND EQUIPMENT

(₹ in crores)

Particulars	Right of use Building	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Cost as at 1 April 2019	**-**	**344.65**	**2.78**	**70.03**	**7.59**	**11.09**	**436.14**
Additions	780.30	-	0.11	-	3.65	10.94	795.00
Disposals	-	-	-	-	-	-	-
Cost as at 31 March 2020	**780.30**	**344.65**	**2.89**	**70.03**	**11.24**	**22.03**	**1,231.14**
Additions	-	-	-	35.64	5.12	20.06	60.82
Disposals	-	-	-	-	-	-	-
Cost as at 31 March 2021	**780.30**	**344.65**	**2.89**	**105.67**	**16.36**	**42.09**	**1,291.96**
Accumulated depreciation as at 1 April 2019	**-**	**17.58**	**0.08**	**5.01**	**0.14**	**0.70**	**23.51**
Depreciation charged during the year	155.77	71.50	0.28	8.78	2.19	5.46	243.98
Disposals	-	-	-	-	-	-	-
Accumulated depreciation as at 31 March 2020	**155.77**	**89.08**	**0.36**	**13.79**	**2.33**	**6.16**	**267.49**
Depreciation charged during the year	168.94	71.31	0.29	17.93	3.15	10.61	272.23
Disposals	-	-	-	-	-	-	-
Accumulated depreciation as at 31 March 2021	**324.71**	**160.39**	**0.65**	**31.72**	**5.48**	**16.77**	**539.72**
Net carrying amount as at 1 April, 2019	**-**	**327.07**	**2.70**	**65.02**	**7.45**	**10.39**	**412.63**
Net carrying amount as at 31 March 2020	**624.53**	**255.57**	**2.53**	**56.24**	**8.91**	**15.87**	**963.65**
Net carrying amount as at 31 March 2021	**455.59**	**184.26**	**2.24**	**73.95**	**10.88**	**25.32**	**752.24**

Notes to the Financial Statements
for the year ended 31 March, 2021

NOTE 3.09 : INTANGIBLE ASSETS

(₹ in lakh)

Particulars	Softwares	Total
Cost as at 1 April 2019	**2.18**	**2.18**
Additions	8.44	8.44
Disposals	-	-
Cost as at 31 March 2020	**10.62**	**10.62**
Additions	404.55	404.55
Disposals	-	-
Cost as at 31 March 2021	**415.17**	**415.17**
Accumulated amortization as at 1 April 2019	**0.08**	**0.08**
Amortization recognized for the year	1.62	1.62
Disposals	-	-
Accumulated amortization as at 31 March 2020	**1.70**	**1.70**
Amortization recognized for the year	43.05	43.05
Disposals	-	-
Accumulated amortization as at 31 March 2021	**44.75**	**44.75**
Net carrying amount as at 1 April, 2019	**2.10**	**2.10**
Net carrying amount as at 31 March 2020	**8.92**	**8.92**
Net carrying amount as at 31 March 2021	**370.42**	**370.42**

NOTE 3.10 : INTANGIBLE ASSETS UNDER DEVELOPMENT

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Intangible assets under development	2.00	218.55	-
	2.00	**218.55**	**-**

NOTE 3.11 : OTHER NON-FINANCIAL ASSETS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Prepaid expenses	126.55	275.94	118.29
Advance to suppliers	2.23	0.95	1.01
GST receivable (net)	33.82	81.88	36.33
Advances recoverable in cash or in kind or for value to be received	-	-	0.01
	162.60	**358.77**	**155.64**

Notes to the Financial Statements
for the year ended 31 March, 2021

NOTE 3.12 : TRADE PAYABLES

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Dues to Micro, small and medium enterprises	-	-	-
Dues to Others	66.59	21.78	16.87
	66.59	**21.78**	**16.87**

NOTE 3.13 : DEBT SECURITIES

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
At amortized cost	-	-	-
Redeemable non convertible debentures (Refer note (a) below)	19,844.72	-	-
Commercial paper (net of unamortized discount) repayable within next twelve months	2,359.22	-	-
Total	**22,203.94**	**-**	**-**
Debt securities in India	22,203.94	-	-
Debt securities outside India	-	-	-
Total	**22,203.94**	**-**	**-**
Secured	19,844.72	-	-
Unsecured	2,359.22	-	-
Total	**22,203.94**	**-**	**-**

(a) Non Convertible Debenture

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

Terms of repayment

(₹ in lakh)

Redeemable within	As at March 31, 2021 Rate of interest >= 8.50% < 10.00% Amount	As at March 31, 2020 Rate of interest Amount	As at April 01, 2019 Rate of interest Amount
Above 60 Months	-	-	-
48-60 Months	-	-	-
36-48 Months	-	-	-
24-36 Months	15,577.34	-	-
12-24 Months	4,267.38	-	-
0-12 Months	-	-	-
Total	**19,844.72**	**-**	**-**

Nature of Security:

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

First pari-passu (with banks and financial institutions providing credit facilities to the Issuer) charge on by way of hypothecation on the standard asset portfolio of receivables of ₹ 90,916.48 Lakhs (31 March 2020: ₹ 36,313.88 Lakhs; 1 April 2019: ₹ Nil Lakhs).

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 3.14 : BORROWINGS (OTHER THAN DEBT SECURITIES)

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
At amortized cost			
Term loans			
Term loans from banks (Refer note (a) below)	32,080.49	7,500.00	-
Term loans from NBFCs (Refer note (b) below)	7,288.79	-	-
Loans repayable on demand			
Working capital demand loans from banks	4,995.57	-	-
Total	**44,364.85**	**7,500.00**	**-**
Borrowings in India	44,364.85	7,500.00	-
Borrowings outside India	-	-	-
Total	**44,364.85**	**7,500.00**	**-**
Secured borrowings	44,364.85	7,500.00	-
Unsecured borrowings	-	-	-
Total	**44,364.85**	**7,500.00**	**-**

(a) Term loan from banks (TL):

Terms of repayment

(₹ in lakh)

Redeemable within	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
	Rate of interest	Rate of interest	Rate of interest
	>7.25% <= 10%	>7.25% <= 10%	>7.25% <= 10%
	Amount	Amount	Amount
Above 60 Months	-	-	-
48-60 Months	-	-	-
36-48 Months	-	-	-
24-36 Months	5,876.32	2,250.00	-
12-24 Months	13,370.30	3,000.00	-
0-12 Months	12,833.87	2,250.00	-
Total	**32,080.49**	**7,500.00**	**-**

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.

Notes to the Financial Statements

for the year ended 31 March, 2021

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

(₹ in lakh)

Redeemable within	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
	Rate of interest	Rate of interest	Rate of interest
	>9.50% <= 11%	>9.50% <= 11%	>9.50% <= 11%
	Amount	Amount	Amount
Above 60 Months	-	-	-
48-60 Months	-	-	-
36-48 Months	-	-	-
24-36 Months	726.74	-	-
12-24 Months	1,466.67	-	-
0-12 Months	5,095.38	-	-
Total	**7,288.79**	**-**	**-**

Nature of Security
Security against term loan from NBFCs :
Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

NOTE 3.15 : OTHER FINANCIAL LIABILITIES

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Interest accrued but not due on borrowings	548.79	-	-
Employee benefits payable	795.48	611.07	-
Lease obligation (refer note no. 5.07)	439.82	570.02	-
Provision for capital expenditure	92.57	-	-
	1,876.66	**1,181.09**	**-**

NOTE 3.16 : CURRENT TAX LIABILITIES (NET)

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Provision for tax (net of advance tax)	-	-	-
	-	**-**	**-**

NOTE 3.17 : PROVISIONS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Provision for employee benefits:			
- Gratuity	24.28	18.17	3.05
- Leave encashment	33.97	14.41	4.43
Others:			
- Expected credit loss on undrawn loan commitments	45.81	-	-
	104.06	**32.58**	**7.48**

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 3.18 : OTHER NON-FINANCIAL LIABILITIES

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Statutory dues payable	87.73	82.27	59.67
Advances from Customers	575.39	-	-
	663.12	**82.27**	**59.67**

NOTE 3.19 : EQUITY SHARE CAPITAL

a. Details of authorized, issued and subscribed share capital

(₹ in lakh)

Particulars	As at March 31, 2021		As at March 31, 2020		As at April 01, 2019	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized capital						
Equity shares of ₹10/- each	1,00,00,00,000	1,00,000.00	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	63,99,69,828	63,996.98	52,65,00,000	52,650.00	2,70,00,000	2,700.00
Total	**63,99,69,828**	**63,996.98**	**52,65,00,000**	**52,650.00**	**2,70,00,000**	**2,700.00**

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

(₹ in lakh)

Particulars	As at March 31, 2021		As at March 31, 2020		As at April 01, 2019	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	52,65,00,000	52,650.00	2,70,00,000	2,700.00	-	-
Add: Shares issued during the year	11,34,69,828	11,346.98	49,95,00,000	49,950.00	2,70,00,000	2,700.00
Less: Shares bought back during the year	-	-	-	-	-	-
Total	**63,99,69,828**	**63,996.98**	**52,65,00,000**	**52,650.00**	**2,70,00,000**	**2,700.00**

c. Particulars of shares held by holding Company

(₹ in lakh)

Name of Shareholder	Relationship	As at March 31, 2021		As at March 31, 2020		As at April 01, 2019	
		No of equity shares held	Percentage	No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	63,99,69,828	100%	52,65,00,000	100%	2,70,00,000	100%

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

(₹ in lakh)

Name of Shareholder	Relationship	As at March 31, 2021		As at March 31, 2020		As at April 01, 2019	
		No of equity shares held	Percentage	No of equity shares held	Percentage	No of equity shares held	Percentage
Kirloskar Oil Engines Limited	Holding Company	63,99,69,828	100%	52,65,00,000	100%	2,70,00,000	100%

Notes to the Financial Statements
for the year ended 31 March, 2021

e. 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.

f. 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 3.20 : OTHER EQUITY

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Statutory reserves u/s 45-IC of The RBI Act, 1934 (note 1 below)	459.55	121.88	-
Securities premium reserve (note 2 below)	1,134.70	-	-
Share options outstanding account (note 3 below)	699.48	472.05	-
Retained earnings	1,044.45	(314.85)	(750.34)
	3,338.18	**279.08**	**(750.34)**

3.20.A OTHER EQUITY MOVEMENT

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Statutory reserves u/s 45-IC of The RBI Act, 1934			
Opening Balance	121.88	-	-
Add : Transferred from retained earnings (note 1 below)	337.67	121.88	-
Closing Balance	**459.55**	**121.88**	**-**
Securities premium reserve			
Opening Balance	-	-	-
Add : Premium collected on share allotment (note 2 below)	1,134.70	-	-
Closing Balance	**1,134.70**	**-**	**-**
Share options outstanding account (note 3 below)			
Opening Balance	472.05	-	-
Add/(Less) : Movement during the year	227.43	472.05	-
Closing Balance	**699.48**	**472.05**	**-**
Retained earnings			
Opening Balance	(314.85)	(750.34)	-
Add: Profit / (Loss) for the year	1,688.35	609.41	(750.51)
Add: Other Comprehensive income	8.62	(2.09)	0.17
Less: Stamp duty paid on equity issue	-	(49.95)	-
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(337.67)	(121.88)	-
Closing Balance	**1,044.45**	**(314.85)**	**(750.34)**

Notes to the Financial Statements

for the year ended 31 March, 2021

1. Pursuant to the provision of section 45(IC) of Reserve Bank of India Act, 1934, the Company has transferred ₹ 337.67 Lakhs (Previous Year : ₹ 121.88 Lakhs) towards statutory reserve fund.

2. During the year ended 31 March 2021, the Company has issued 11,34,69,828 right equity shares of ₹ 10 per shares at a premium of ₹ 1 per share amounting to ₹ 12,481.68 Lakhs to its holding comapny 'Kirloskar Oil Engines Limited'.

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

NOTE 4.01 : REVENUE FROM OPERATIONS

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest income on financial assets measured at amortized cost:		
Interest on loans		
- Financing business (refer note 1 below)	6,772.66	2,049.15
- Employee loan	4.88	5.52
Interest on investments		
- Debentures/bonds and Pass through certificates	1,973.76	540.17
- Commercial papers	496.04	741.84
Interest on Deposits		
- Deposits with banks	520.89	696.60
- Security deposits	20.09	17.62
Interest on Others		
- Others	-	0.18
Total	**9,788.32**	**4,051.08**
Fees and commission income		
- Syndication, advisory & other fees	179.87	-
Total	**179.87**	**-**
Net gain on sale of investments		
- Net gain on sale of investments	228.26	783.66
Total	**228.26**	**783.66**
Net gain on fair value changes of investments		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investment in mutual funds	(7.94)	7.94
Total	**(7.94)**	**7.94**
Fair value changes		
- Realized	(7.94)	-
- Unrealized	-	7.94
Total	**(7.94)**	**7.94**

Note 1: The Interest on loan from financing business includes reversal of interest on interest of ₹ 25.38 Lakhs charged to clients who opted for moratorium in line with the judgment passed by the Supreme Court.

Notes to the Financial Statements
for the year ended 31 March, 2021

NOTE 4.02 : OTHER INCOME

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Miscellaneous income		
Penal charges	104.03	-
	104.03	**-**

NOTE 4.03 : FINANCE COSTS

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expense on financial liabilities measured at amortized cost:		
Interest expense on borrowings		
Interest on term loan from banks and NBFCs	1,926.10	152.69
Interest on overdraft facility from banks	11.08	25.93
Interest on loan from holding company	35.18	-
Interest on lease liability	54.98	61.75
Interest expense on debt securities		
Debentures	1,303.15	-
Commercial papers	229.42	-
Other interest expense		
Bank charges & other related costs	208.14	24.88
Interest on shortfall in payment of advance income tax	0.86	0.68
	3,768.91	**265.93**

NOTE 4.04 : NET LOSS ON FAIR VALUE CHANGES

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Loss on fair value of employee loan	0.27	0.84
	0.27	**0.84**

NOTE 4.05 : IMPAIRMENT ON FINANCIAL INSTRUMENTS

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Impairment on financial instruments at amortized cost:		
Impairment on loans		
Provision for expected credit loss	155.43	125.46
Impairment on investments		
Provision for expected credit loss	19.75	17.17
Impairment on others		
Undrawn loan commitments	45.81	-
	220.99	**142.63**

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 4.06 : EMPLOYEE BENEFIT EXPENSES

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, other allowances and bonus	2,729.78	2,067.81
Gratuity expenses	17.62	12.33
Leave encashment	19.79	9.98
Contribution to provident and other funds	53.18	24.55
Share based payment expense	227.43	472.05
Staff welfare expenses	2.52	6.34
	3,050.32	**2,593.06**

NOTE 4.07 : DEPRECIATION AND AMORTIZATION EXPENSES

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation of property, plant and equipment	272.22	243.98
Amortization of intangible assets	43.05	1.62
	315.27	**245.60**

NOTE 4.08 : OTHER EXPENSES

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Rates and taxes	0.03	0.80
Insurance	25.85	12.22
Other repairs and maintenance	20.73	18.63
Travelling and conveyance	25.05	26.09
Communication expenses	5.91	6.97
Printing and stationery	2.23	3.55
Professional charges	169.51	309.70
Membership and subscription	10.46	14.38
Auditor's remuneration (refer note below)	16.05	16.74
Technology expenses	149.02	8.80
Custodian charges	0.75	-
Directors' sitting fees	16.10	11.10
Electricity charges	5.94	7.70
Office expenses	15.96	15.06
Postage and courier	0.63	0.42
ROC Expenses	0.24	0.45
GST expenses	109.16	99.41
Stamp duty	7.22	3.39
Housekeeping and security charges	22.99	22.39
Corporate social responsibilities expenses (refer note below)	5.40	-
	609.23	**577.80**

Notes to the Financial Statements
for the year ended 31 March, 2021

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Payment to auditor includes:		
a) as statutory auditors	15.75	15.00
b) for certification related matters	0.30	1.00
c) for other services	-	0.74
Total	**16.05**	**16.74**
Details for expenditure on Corporate Social Responsibility:		
a) Gross amount required to be spent during the year	5.38	-
b) Amount spent during the year:		
- Expenses paid in cash	5.40	-
- Expenses yet to be paid for	-	-
Total	**5.40**	**-**
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	5.40	-
Total	**5.40**	**-**

NOTE 4.09 : INCOME TAX

Tax expense

(a) Amounts recognized in statement of profit and loss

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current tax expense		
Current income tax	790.28	293.47
	790.28	**293.47**
Deferred tax expense		
Origination and reversal of temporary differences	(151.07)	113.95
	(151.07)	**113.95**
Tax expense reported in the statement of profit and loss	**639.21**	**407.42**

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

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit liability (asset)	2.90	(0.70)
Deferred tax charged to OCI	**2.90**	**(0.70)**

Notes to the Financial Statements
for the year ended 31 March, 2021

(c) Reconciliation of tax expense

(₹ in lakh)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Accounting profit before income tax expense	2,327.56	1,016.84
Tax @ 25.168% (31 March 2020 : 25.168%)	**585.80**	**255.92**
Difference in tax rate due to:		
- Effect of non-deductible expenses	58.98	118.97
- Others	(5.56)	32.53
Total Tax Expenses	**639.22**	**407.42**
Effective tax rate	**27.46%**	**40.07%**

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.

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
I.	**Profit attributable to equity holders (A)**		
	Profit attributable to equity holders for basic and diluted EPS	1,688.35	609.41
II.	**Weighted average number of equity shares for calculating Basic EPS (B)**	56,12,87,051	51,28,52,459
III.	**Weighted average number of equity shares for calculating Diluted EPS (C)**	56,73,56,894	51,86,53,336
IV.	**Basic earnings per share (₹)**	0.30	0.12
V.	**Diluted earnings per share (₹)**	0.30	0.12

NOTE 5.02 : FINANCIAL INSTRUMENTS – FAIR VALUES

A. Accounting classification and fair values

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

Notes to the Financial Statements

for the year ended 31 March, 2021

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

(₹ in lakh)

Particulars	As at March 31, 2021							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortized Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments in Debentures	-	-	5,108.70	5,108.70	5,108.70	-	-	5,108.70
(b) Investments in Commercial papers	-	-	13,792.68	13,792.68	-	-	13,792.68	13,792.68
(c) Investments in Pass through certificates (PTCs)	-	-	2,615.49	2,615.49	-	-	2,615.49	2,615.49
Total	**-**	**-**	**21,516.87**	**21,516.87**	**5,108.70**	**-**	**16,408.17**	**21,516.87**

(₹ in lakh)

Particulars	As at March 31, 2020							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortized 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	1,907.94	-	-	1,907.94	-	1,907.94	-	1,907.94
(b) Investments in Debentures	-	-	9,417.24	9,417.24	9,417.24	-	-	9,417.24
Total								

(₹ in lakh)

Particulars	As at 1 April 2019							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortized 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	-	-	-	-	-	-	-	-
Total								

Notes to the Financial Statements

for the year ended 31 March, 2021

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

NOTE 5.02 : FINANCIAL INSTRUMENTS – FAIR VALUES

B. Fair value hierarchy

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

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

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

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

NOTE 5.03 : FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

(A) Regulatory Risk;

(B) Credit Risk;

(C) Liquidity Risk;

(D) Operational Risk;

(E) Reputation Risk; and

(F) Strategic Risk

(A) Regulatory Risk;

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

Mitigation:

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

Notes to the Financial Statements

for the year ended 31 March, 2021

(B) Credit Risk;

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

Mitigation:

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

(C) Liquidity Risk;

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

Mitigation:

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

(D) Operational Risk;

Operational risk is the risk arising out of failure of internal process, people and systems put in place by the company. Such risk may also arise out of the external factors as well as internal control system failure defeating the core objective of the company operations.

Mitigation:

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

(E) Reputation Risk;

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

Mitigation:

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

Notes to the Financial Statements
for the year ended 31 March, 2021

(F) Strategic Risk;

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

Mitigation:

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

NOTE 5.04 : CAPITAL DISCLOSURE

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

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

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

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
CRAR – Tier I capital (%)	57.54%	108.26%	NA
CRAR – Tier II capital (%)	0.31%	0.29%	NA
CRAR (%)	57.85%	108.55%	NA

NOTE 5.05 : RELATED PARTY DISCLOSURES

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

A. Related Parties Relationship

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

Sr. No.	Related Party Category	Company Name
1	Holding Company	Kirloskar Oil Engines Limited (w.e.f. 20 April 2018)
2	Subsidiary Company of Holding Company	KOEL Americas Corp.USA
		La-Gajjar Machineries Private Limited
		Optiqua Pipes and Electricals Private Limited (w.e.f. 19 February 2021) step down subsidiary
3	Entity controlled by Key Managerial Personnel of Holding Company	Expert Quality Cloud Information Technology Private Limited (upto 28th April 2020)
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.) (upto 28th April 2020)
		Lakeland Universal Limited BVI
		Navsai Investments Private Limited

Notes to the Financial Statements
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Sr. No.	Related Party Category	Company Name
4	Entity controlled by Close Member of Key Managerial Personnel of Holding Company	Achyut & Neeta Holdings & Finance Pvt. Ltd. (upto 28 April 2020)
		Expert Quality Cloud Information Technology Private Limited (upto 28th April 2020)
		Alpak Investment Private Limited
		Snow Leopard Technology Ventures LLP
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Beluga Whale Capital Management Pte. Ltd.

(ii) Key Management Personnel and their relatives:

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

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

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Nihal G. Kulkarni (Managing Director) (upto 28th April 2020)	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
3	Sanjeev Nimkar (Managing Director) w.e.f. 29th April 2020	Ashiwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter
4	Rajendra R. Deshpande (Managing Director and CEO) (Up to 28 April 2020)	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Sourabh R. Deshpande	Son

Notes to the Financial Statements
for the year ended 31 March, 2021

B. Transactions with Related Parties

Sr. No.	Nature of the transaction / relationship / major parties	2020-21 Amount	2020-21 Amount from major parties	2019-20 Amount	2019-20 Amount from major parties
1	**Capital Contribution received from**				
	Holding Company	12,481.68		49,950.00	
	Kirloskar Oil Engines Limited		12,481.68		49,950.00
	Total	**12,481.68**	**12,481.68**	**49,950.00**	**49,950.00**
2	**Short term loan from**				
	Holding Company	4,000.00		0.00	
	Kirloskar Oil Engines Limited		4,000.00		0.00
	Total	**4,000.00**	**4,000.00**	**0.00**	**0.00**
3	**Short term loan repayment to**				
	Holding Company	4,000.00		0.00	
	Kirloskar Oil Engines Limited		4,000.00		0.00
	Total	**4,000.00**	**4,000.00**	**0.00**	**0.00**
4	**Interest expenses on short term loan**				
	Holding Company	35.18		0.00	
	Kirloskar Oil Engines Limited		35.18		0.00
	Total	**35.18**	**35.18**	**0.00**	**0.00**
5	**Non convertible debentures issued to**				
	Key Management Personnel	150.00		0.00	
	Vimal Bhandari		150.00		0.00
	Total	**150.00**	**150.00**	**0.00**	**0.00**
6	**Managerial Remunerations:**				
	Key Management Personnel	500.93		302.00	
	Vimal Bhandari		500.93		302.00
	Total	**500.93**	**500.93**	**302.00**	**302.00**
Balances with related parties					
1	**Non convertible debentures issued**	150.00		0.00	
	Vimal Bhandari		150.00		0.00
	Total	**150.00**	**150.00**	**0.00**	**0.00**
2	**Employee benefits payable**	-		1.29	
	Vimal Bhandari		-		1.29
	Total	**-**	**-**	**1.29**	**1.29**

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

Terms and conditions of transactions with related parties

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

Notes to the Financial Statements
for the year ended 31 March, 2021

NOTE 5.06 : CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Contingent liabilities	Nil	Nil	Nil
Capital commitments:			
Estimated amount of contracts remaining to be executed on capital account	-	181.50	-
Loans sanctioned not yet disbursed	6,997.55	-	-

NOTE 5.07 : LEASES

Where the Company is a lessee

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

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

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

Initial measurement of lease liability:
As on 1 April 2019, Company have measured the lease liability at the present value of the lease payments that are not paid at that date. these lease payments have been discounted by incremental borrowing rate of the Company.

Initial measurement of Right-of-use assets:
As on 1 April 2019, Company have measured the Right-of-use assets equal to the initial measurement of lease liability.

Subsequent measurement of lease liability:
After initial measurement, Company measures lease liability by increasing the carrying amount to reflect interest on lease liability and reducing the carrying amount to reflect the lease payments made.

Subsequent measurement of Right-of-use assets:
After initial measurement, Company measures Right-of-use assets at cost less any accumulated depreciation and any adjustment for remeasurement of lease liability, if any.

Disclosures as required by Ind AS 116 'Leases' are given below:

(A) Lease liability movement

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Lease liability at beginning of the year	570.02	679.73	NA
Add: Interest on lease liability	54.99	61.04	NA
Less: Lease rental payments	(185.20)	(170.75)	NA
Lease liability at the end of the year	439.82	570.02	NA

Notes to the Financial Statements

for the year ended 31 March, 2021

(B) Future lease cashflow for all leased assets

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Minimum Lease Payments:			
Not later than one year	184.93	185.20	169.45
Later than one year but not later than five years	268.29	453.22	607.19
Later than five years	-	-	-

(C) Maturity analysis of lease liability

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
Lease liability:			
Less than 12 months	146.73	130.20	NA
More than 12 months	293.09	439.82	NA

NOTE 5.08 : DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises, as no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

(₹ in lakh)

	Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
a.	Principal and interest amount remaining unpaid	-	-	-
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.

Notes to the Financial Statements

for the year ended 31 March, 2021

The provident fund payment recognized as expenses and included in Employee benefit expenses during the current year ₹ 53.18 Lakhs (March 2020: ₹ 24.55 Lakhs).

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

A Gratuity

B Compensated Absences

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:

(₹ in lakh)

Particulars			As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
A	(i)	**Gratuity:**			
		Amount recognized in the balance sheet			
		Present value of the obligation as at the end of the year	24.28	18.17	3.05
		Fair value of plan assets as at the end of the year	-	-	-
		Net (asset) / liability to be recognized in the balance sheet	**24.28**	**18.17**	**3.05**
	(ii)	**Compensated Absences:**			
		Amount recognized in the balance sheet			
		Present value of the obligation as at the end of the year	33.97	14.41	4.43
		Fair value of plan assets as at the end of the year	-	-	-
		Net (asset) / liability to be recognized in the balance sheet	**33.97**	**14.41**	**4.43**
B	(i)	**Gratuity:**			
		Change in projected benefit obligation			
		Projected benefit of obligation at the beginning of the year	18.17	3.05	-
		Current service cost	16.46	12.09	3.28
		Past service cost	-	-	-
		Interest cost	1.16	0.23	-
		Benefits paid	-	-	-
		Actuarial (gain) / loss on obligation	(11.51)	2.79	(0.23)
		Projected benefit obligation at the end of the year	**24.28**	**18.17**	**3.05**
	(ii)	**Compensated Absences:**			
		Change in projected benefit obligation			
		Projected benefit of obligation at the beginning of the year	14.41	4.43	-
		Current service cost	13.28	9.98	4.43
		Past service cost	-	-	-
		Interest cost	0.91	-	-

Notes to the Financial Statements
for the year ended 31 March, 2021

(₹ in lakh)

		Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
		Benefits paid	(0.23)	-	-
		Remeasurements on obligation - (Gain) / Loss	5.60	-	-
		Projected benefit obligation at the end of the year	**33.97**	**14.41**	**4.43**
C	(i)	**Gratuity:**			
		Amount recognized in the statement of profit and loss			
		Current service cost	16.46	12.09	3.28
		Past service cost and loss/(gain) on curtailments and settlement	-	-	-
		Net interest cost	1.16	0.23	-
		Expenses recognized in the statement of profit and loss	17.62	12.33	3.28
	(ii)	**Compensated Absences:**			
		Amount recognized in the statement of profit and loss			
		Current service cost	13.28	9.98	4.43
		Remeasurements on obligation - (Gain) / Loss	5.60	-	-
		Net interest cost	0.91	-	-
		Expenses recognized in the statement of profit and loss	**19.79**	**9.98**	**4.43**
D	(i)	**Gratuity:**			
		Amount recognized in other comprehensive income			
		Actuarial (gains) / loss			
		- change in financial assumption	(5.36)	0.94	-
		- change in demographic assumption	-	0.07	-
		- experience variation	(6.15)	1.78	(0.23)
		Amount recognized in other comprehensive income	**(11.51)**	**2.79**	**(0.23)**

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
E Assumptions used			
Discount rate	6.30%	6.40%	7.70%
Rate of increase in compensation levels	4.00%	8.00%	8.00%
Expected average remaining working lives of employees (in years)	5.91	5.59	11.88
Retirement Age	" 60 years 63 years "	60 years	65 years
Withdrawal Rate	15.00%	15.00%	5.00%

Notes to the Financial Statements

for the year ended 31 March, 2021

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.

(₹ in lakh)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	23.04	25.64	17.44	18.98
Salary growth rate (1% movement)	25.45	23.20	18.83	17.56
Withdrawal rate (1% movement)	24.08	24.47	18.11	18.23

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.

(₹ in lakh)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	32.72	35.34	13.90	14.97
Salary growth rate (1% movement)	35.08	32.94	14.85	14.00
Withdrawal rate (1% movement)	37.01	30.70	15.09	13.67

H Other information:

1. The plan is unfunded as on the valuation date.
2. Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 9.01 years for Gratuity and 4.56 years for Compensated Absences.
3. The expected payment expected to be paid in next year ₹ 0.10 Lakhs for Gratuity and ₹ 0.11 for Compensated Absences.

NOTE 5.10 : EMPLOYEE STOCK OPTION PLANS

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

Description of share-based payment arrangements:

As at 31 March 2021, 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.

Notes to the Financial Statements
for the year ended 31 March, 2021

I. Details of the ESOP:

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

II. Option Movement during the year ended Mar 2021:

(₹ in lakh)

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options Outstanding at the beginning of the year	2,06,50,000	13,00,000	-
Options Granted during the year	-	-	10,75,000
Options Forfeited / Lapsed during the year	-	-	-
Options Exercised during the year	-	-	-
Number of options Outstanding at the end of the year	2,06,50,000	13,00,000	10,75,000
Number of Options exercisable at the end of the year	1,35,35,000	1,30,000	-
The weighted average share price of shares exercised during the year ended 31 March 2021	NA	NA	NA

Option Movement during the year ended Mar 2020:

(₹ in lakh)

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

III. Weighted Average remaining contractual life:

(₹ in lakh)

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
Range of Exercise Price (₹ per share)	10	10	11
No. of Options Outstanding as on 31 March 2021	2,06,50,000	13,00,000	10,75,000
Contractual Life: Granted but not vested (in years)	0.86	1.51	2.28

Notes to the Financial Statements

for the year ended 31 March, 2021

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

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

(₹ in crores)

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

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

(₹ in lakh)

Particulars	March 31, 2021	March 31, 2020
Employee share based expense (₹)	227.43	472.05
Total ESOP reserve outstanding at the end of the year (₹)	699.48	472.05

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.

(₹ in lakh)

Particulars	Note	As at March 31, 2021			As at March 31, 2020			As at April 01, 2019		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS										
Financial assets										
Cash and cash equivalents	3.01	22,608.09	-	22,608.09	12,326.68	-	12,326.68	1,023.07	-	1,023.07
Loans	3.03	90,044.25	614.65	90,658.90	18,097.56	18,136.00	36,233.56	5.52	28.83	34.35
Investments	3.04	16,744.45	4,735.50	21,479.95	3,925.01	7,383.00	11,308.01	-	-	-
Other financial assets	3.05	17.79	203.00	220.79	6.82	178.00	184.82	6.73	156.08	162.81
Non-financial assets										
Current tax assets (net)	3.06	84.79	-	84.79	17.41	-	17.41	3.40	-	3.40
Deferred tax assets (net)	3.07	-	274.60	274.60	-	126.43	126.43	-	239.68	239.68
Property, plant and equipment	3.08	-	752.24	752.24	-	963.65	963.65	-	412.63	412.63
Intangible assets	3.09	-	370.42	370.42	-	8.92	8.92	-	2.10	2.10
Intangible assets under development	3.10	-	2.00	2.00	-	218.55	218.55	-	-	-
Other non-financial assets	3.11	143.60	19.00	162.60	226.77	132.00	358.77	79.54	76.10	155.64
TOTAL ASSETS		**1,29,642.97**	**6,971.41**	**1,36,614.38**	**34,600.25**	**27,146.55**	**61,746.80**	**1,118.26**	**915.42**	**2,033.68**

Notes to the Financial Statements
for the year ended 31 March, 2021

(₹ in lakh)

Particulars	Note	As at March 31, 2021			As at March 31, 2020			As at April 01, 2019		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS										
Financial liabilities										
Trade payables	3.12	66.59	-	66.59	21.78	-	21.78	16.87	-	16.87
Debt securities	3.13	2,359.22	19,844.72	22,203.94	-	-	-	-	-	-
Borrowings (other than debt securities)	3.14	22,924.82	21,440.03	44,364.85	2,250.00	5,250.00	7,500.00	-	-	-
Other financial liabilities	3.15	1,583.57	293.09	1,876.66	741.09	440.00	1,181.09	-	-	-
Non-financial liabilities										
Provisions	3.17	12.43	91.63	104.06	5.58	27.00	32.58	0.50	6.98	7.48
Other non-financial liabilities	3.18	663.12	-	663.12	82.27	-	82.27	59.67	-	59.67
TOTAL LIABILITIES		**27,609.75**	**41,669.47**	**69,279.22**	**3,100.72**	**5,717.00**	**8,817.72**	**77.04**	**6.98**	**84.02**

NOTE 5.12 : EXPLANATION OF TRANSITION TO IND AS:

These are the Company's first financial statements prepared in accordance with Ind AS. For the year ended 31 March 2020, the Company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The financial statements for the current year have been prepared under Ind AS.

The accounting policies set out in note 2 have been applied in preparing these financial statements for the year ended 31 March 2021 including the comparative information and in the preparation of an opening Ind AS balance sheet at 1 April 2019 (the "transition date").

In preparing opening Ind AS balance sheet and in presenting the comparative information, the Company has adjusted amounts reported in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected the financial performance, cash flows and financial position is set out in the following tables and the notes that accompany the tables.

Optional exemptions availed and mandatory exceptions

In preparing the first Ind AS financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

A Optional exemptions availed

1. Property, plant and equipment and Intangible assets

The Company has availed the exemption available under Ind AS 101 to continue the carrying value for all of its property, plant and equipment and intangibles as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition (1 April 2019).

B Mandatory Exceptions

1. Estimates

On assessment of the estimates made under the previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under Ind AS, as there is no objective evidence of an error in those

Notes to the Financial Statements

for the year ended 31 March, 2021

estimates. However, estimates that were required under Ind AS but not required under previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Determination of the discounted value for financial instruments carried at amortized cost.
- Impairment of financial assets based on the expected credit loss model.

2. Classification and measurement of financial assets

As permitted under Ind AS 101, Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. In line with Ind AS 101, measurement of financial assets accounted at amortized cost has been done retrospectively except where the same is impracticable.

Reconciliation of net worth as per previous GAAP and that computed under Ind AS

(₹ in lakh)

Particulars	As on 1 April 2019	As on 31 March 2020
Net worth under previous GAAP	1,953.72	53,091.90
Summary of Ind AS adjustments		
1 Lease and Security deposit Discounting	(1.20)	(29.35)
2 Fair valuation of employee loans	(4.53)	(3.21)
3 Fair valuation of Investments	-	(4.12)
4 Fair valuation of Loans	-	(180.90)
5 Tax effect on above adjustments	1.67	54.76
Total Ind AS adjustments	**(4.06)**	**(162.82)**
Net worth/ Total Equity under Ind AS	**1,949.66**	**52,929.08**

Reconciliation of total comprehensive income as per previous GAAP and that computed under Ind AS

(₹ in lakh)

Particulars	As on 31 March 2020
Profits as per previous GAAP	1,188.18
Summary of Ind AS adjustments	
1 Lease and Security deposit Discounting	(28.15)
2 Fair valuation of employee loans	1.32
3 Fair valuation of Investments	(4.12)
4 Fair valuation of Loans	(180.90)
5 Fair valuation of employee stock options	(472.05)
6 Stamp duty paid on equity issue	49.95
7 Tax effect on above adjustments	53.08
Total Ind AS adjustments	**(580.87)**
Total comprehensive income as per Ind AS	**607.31**

Material adjustments on adoption of Ind AS are explained below:

1 Interest income measured using effective interest method

Under Previous GAAP, origination fees and transaction costs charged to customers was recognized upfront. Under Ind AS, such fees and costs is amortized over the expected life of the loan assets and recognized as interest income using effective interest method.

Notes to the Financial Statements

for the year ended 31 March, 2021

2 Impairment Allowance for expected credit loss

Under Previous GAAP, the provisioning on loans was as per minimum provision required as per Master Direction- Non Banking Financial Company - Systematically Important Non Deposit taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016. Under Ind AS, impairment allowance is calculated as per expected credit loss method.

3 Reclassification of actuarial loss / (gain), arising out of employee benefit schemes, to Other Comprehensive Income (OCI)

Actuarial gain and losses are recognized in other comprehensive income under Ind AS. Under Previous GAAP, these were recognized in Statement of profit and loss.

4 Net gain on fair value changes

Under Previous GAAP, investment in Mutual Funds was carried at lower of cost or net realisable value. Under Ind AS, these investments are measured at FVTPL.

5 Employee stock option scheme

Under Previous GAAP, the cost of Employee Stock Options was recognized at intrinsic value. Under Ind AS, the same is recognized on the basis of fair value.

6 Deferred tax adjustments

Deferred tax effect of all adjustments has been recognized on transition date (1 April 2019) and previous year ended 31 March 2020.

NOTE 5.13 : ASSET LIABILITY MANAGEMENT

(₹ in lakh)

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	750.00	-	119.05	119.05	1,036.05	7,656.08	10,055.23	39,394.54	-	-
Market borrowings	-	-	-	-	366.67	4,362.05	733.33	1,976.74	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
ASSETS										
Loans & advances	922.07	333.12	1,172.36	1,248.07	1,705.72	9,912.08	15,573.97	51,896.57	7,328.36	824.16
Investments	2,519.35	204.25	46.93	7,638.77	6,440.09	2,740.21	328.93	1,598.34	-	-
Foreign Currency assets	-			-	-	-	-	-	-	-

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

- Cash & Cash Equivalents (refer note 3.01)	22,608.09
- Undrawn funding lines	9,500.00
Total	**32,108.09**

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 5.14 : EXPOSURE TO REAL ESTATE SECTOR

(₹ in lakh)

	Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
A	**Direct exposure**			
I.	**Residential Mortgages**			
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakhs may be shown separately)	-	-	-
II.	**Commercial Real Estate**			
	Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	38,080.62	15,545.70	-
III.	**Investments in Mortgage Backed Securities (MBS) and other securitised exposures**			
	- Residential	-	-	-
	- Commercial Real Estate	-	-	-
B	**Indirect Exposure**			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	2,674.00	-	-

NOTE 5.15 : EXPOSURE TO CAPITAL MARKET

(₹ in lakh)

	Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-	
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-	
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	7,451.71	-	
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	7,075.30	2,945.90	

Notes to the Financial Statements
for the year ended 31 March, 2021

(₹ in lakh)

	Particulars	As at March 31, 2021	As at March 31, 2020	As at April 01, 2019
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-	
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-	
7	Bridge loans to companies against expected equity flows / issues;	-	-	
8	All exposures to Venture Capital Funds (both registered and unregistered)	-	-	

NOTE 6.01 : OTHER DISCLOSURES PURSUANT TO THE RBI MASTER DIRECTIONS, 2016

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

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	Provisions for depreciation on Investment	-	-
2	Provision towards NPA	-	-
3	Provision made towards Income tax	790.28	293.47
4	Other Provision and Contingencies	-	-
5	Provision for Standard Assets*	220.99	142.63

** denotes ELC provision*

II. Concentration of Advances

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	Total Advances to twenty largest borrowers	84,432.01	36,313.88
2	Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	92.87%	100%

III. Concentration of Exposures

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	Total Exposures to twenty largest borrowers	84,432.01	36,313.88
2	Percentage of Exposures to twenty largest borrowers to Total Exposures of the Company	92.87%	100%

Notes to the Financial Statements
for the year ended 31 March, 2021

IV. Movement of NPAs

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	Net NPAs to Net Advances (%)	-	-
2	Movement of NPAs (Gross)	-	-
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(d) Closing balance	-	-
3	Movement of Net NPAs	-	-
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(d) Closing balance	-	-
4	Movement of provisions for NPAs (excluding provisions on standard assets)	-	-
	(a) Opening balance	-	-
	(b) Additions during the year	-	-
	(c) Reductions during the year	-	-
	(d) Closing balance	-	-

V. Concentration of NPA

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	Concentration of NPA	0.00%	0%

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

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	Agriculture and allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans	-	-
7	Other personal loans	-	-

Notes to the Financial Statements

for the year ended 31 March, 2021

VII. Customer Complaints

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	No. of complaints pending at the beginning of the period		
2	No. of complaints received during the period		
3	No. of complaints redressed during the period		
4	No. of complaints pending at the end of the period		

VIII. Investments

(₹ in lakh)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1	**Value of Investments**		
	(i) Gross Value of Investments		
	(a) In India	21,516.87	11,325.18
	(b) Outside India	-	-
	(ii) Provision for Depreciation*		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	21,516.87	11,325.18
	(b) Outside India	-	-
2	**Movement of provisions held towards depreciation on investments**		
	(i) Opening balance	-	-
	(ii) Add : Provisions made during the year	-	-
	(iii) Less : Write-off/ write-back of excess provision during the year	-	-
	(iv) Closing balance	-	-

** ECL Provision on investments are not considered here.*

IX. Registration obtained from other financial sector regulators : None

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

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

XI. Details of financing of parent Company products : None

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

XIII. Draw down from reserves : None

Notes to the Financial Statements

for the year ended 31 March, 2021

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

(₹ in lakh)

Instrument			For the year ended 31 March 2021	For the year ended 31 March 2020
1	Bank Loan Facilities	CRISIL	AA-	AA-
2	Commercial Paper	CRISIL	A1+	A1+
3	NCD	CRISIL	AA-	-
		INFOMERICS	AA-	-

XV. Unsecured Advances against intangible securities : None

XVI. Related Party Transactions :

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

XVII. Remuneration of Directors :

(₹ in lakh)

Instrument	For the year ended 31 March 2021	For the year ended 31 March 2020
Transactions with the Non-Executive Directors		
Payment of Director Sitting fees	16.10	11.10

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

There are no Overseas Assets.

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

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

XX. Derivatives

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

XXI. Disclosures relating to Securitisation

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

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

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

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

XXII. Revenue Recognition

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

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 6.02 : DISCLOSURES PURSUANT TO RBI NOTIFICATION NO. RBI/2019-20/170 DOR(NBFC).CC.PD.NO.109/22.10106/2019-20

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

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

Appendix

(₹ in lakh)

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	1,12,433.33	317.81	1,12,115.51	363.62	(45.81)
		Stage 2	-	-	-	-	-
Subtotal			**1,12,433.33**	**317.81**	**1,12,115.51**	**363.62**	**(45.81)**
Non-Performing Assets (NPA)							
Substandard		Stage 3	-	-	-	-	-
Doubtful -	up to 1 year	Stage 3	-	-	-	-	-
	1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years		Stage 3	-	-	-	-	-
Subtotal for doubtful			**-**	**-**	**-**	**-**	**-**
Loss		Stage 3	-	-	-	-	-
Subtotal for NPA			**-**	**-**	**-**	**-**	**-**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms		Stage 1	6,997.55	45.81	-	-	45.81
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	-	-

Notes to the Financial Statements

for the year ended 31 March, 2021

(₹ in lakh)

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
Subtotal		**6,997.55**	**45.81**	**-**	**-**	**45.81**
TOTAL	Stage 1	**1,19,430.88**	**363.62**	**1,12,115.51**	**363.62**	**0.00**
	Stage 2	**-**	**-**	**-**	**-**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**
	Total	**1,19,430.88**	**363.62**	**1,12,115.51**	**363.62**	**0.00**

NOTE 6.03 : DISCLOSURE OF DETAILS AS REQUIRED BY SYSTEMICALLY IMPORTANT NON-BANKING FINANCIAL (NON-DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2015

(₹ in lakh)

Particulars	As a March 31, 2021		As a March 31, 2020	
LIABILITIES SIDE	**Amount outstanding**	**Amount overdue**	**Amount outstanding**	**Amount overdue**
1 Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a) Debenture : Secured	20,363.54	-	-	-
: Unsecured	-	-	-	-
(b) Deferred Credits	-	-	-	-
(c) Term Loans	39,399.24	-	7,500.00	-
(d) Inter-corporate loans and borrowing	-	-	-	-
(e) Commercial Paper	2,359.22	-	-	-
(f) Public Deposits	-	-	-	-
(g) Other Loans - Working capital demand loans from bank	4,995.58	-	-	-
2 Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):				
(a) Secured	-	-	-	
(b) Unsecured	-	-	-	

Notes to the Financial Statements

for the year ended 31 March, 2021

(₹ in lakh)

ASSETS SIDE		As at March 31, 2021	As at March 31, 2020
3	**Break-up of Loans and Advances including bills receivables (other than those included in (4) below):**		
	(a) Secured	89,387.40	36,313.88
	(b) Unsecured	1,552.39	45.14
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	2,589.35	2,021.91
	(iii) Units of mutual funds	-	-
	(iv) Government Securities	-	-
	(v) Others (please specify)	-	-
	2. Unquoted		
	(i) Shares: (a) Equity	-	-
	(b) Preference	-	-
	(ii) Debentures and Bonds	-	-
	(iii) Units of mutual funds	-	1,907.94
	(iv) Government Securities	-	-
	(v) Commercial paper	13,792.68	-
	(vi) Others - Pass through certificates	394.87	-

Notes to the Financial Statements
for the year ended 31 March, 2021

(₹ in lakh)

ASSETS SIDE	As at March 31, 2021	As at March 31, 2020
Long Term investments		
1. Quoted.		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	2,519.35	7,395.33
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others - Pass through certificates	2,220.61	-

(₹ in lakh)

6 Borrower group-wise classification of assets financed as in (3) and (4) above:	As at March 31, 2021		As atMarch 31, 2020	
	Amount (net of provisions)			
	Secured	Unsecured	Secured	Unsecured
Category				
1. Related Parties				
(i) Subsidiaries	-	-	-	-
(ii) Companies in the same group	-	-	-	-
(iii) Other related parties	-	-	-	-
2. Other than related parties	89,387.40	1,552.39	36,313.88	45.14

(₹ in lakh)

7 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):	As at March 31, 2021		As atMarch 31, 2020	
	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)
Category				
1. Related Parties				
(i) Subsidiaries	-	-	-	-
(ii) Companies in the same group	-	-	-	-
(iii) Other related parties	-	-	-	-
2. Other than related parties	21,516.87	21,479.95	11,325.18	11,308.01

Notes to the Financial Statements

for the year ended 31 March, 2021

8 Other information	As at March 31, 2021		As at March 31, 2020	
(i) Gross Non-Performing Assets				
(a) Related parties	-	-	-	-
(b) Other than related parties	-	-	-	-
(ii) Net Non-Performing Assets				
(a) Related parties	-	-	-	-
(b) Other than related parties				
(iii) Assets acquired in satisfaction of debt				

NOTE 7.01 : CORONAVIRUS (COVID-19) IMPACT ON FINANCIAL REPORTING:

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

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

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

(b) Regulatory Measures:

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

Further, in accordance with RBI notification dated April 7, 2021, the Company is required to refund/adjust 'interest on interest' to borrowers. As required by the RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association. The Company is in the process of suitably implementing this methodology. At 31 March 2021, the Company has created a liability towards estimated interest relief and reduced the same from the interest income.

Notes to the Financial Statements

for the year ended 31 March, 2021

NOTE 7.02 : UNHEDGED FOREIGN CURRENCY EXPOSURE

The Company does not have any unhedged foreign currency exposure for the year ended March 31, 2021 (Previous year : ₹ Nil).

NOTE 7.03 : REGROUPING AND / OR RECLASSIFICATION

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

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No. 117377

Date: April 28, 2021
Place: Mumbai

For and on behalf of the Board of Directors of

Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Date: April 28, 2021
Place: Mumbai

ARKA
FINCAP

ARKA FINCAP LTD.

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