

Limited Review Report for unaudited quarterly and year to date results pursuant to Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To The Board of Directors of

Arka Fincap Limited

2504, 2505, 2506, 25th Floor,
One Lodha Place, Lodha World Towers,
Senapati Bapat Marg, Lower Parel,
Mumbai- 400013, India

Introduction

We have reviewed the accompanying Statement of unaudited financial results of Arka Fincap Limited (“the Company”) for the quarter ended 31 December 2023 and year-to-date results for the period from 01 April 2023 to 31 December 2023 (“the Statement”), attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”). This Statement, which is the responsibility of the Company’s management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 “Interim Financial Reporting” (“Ind AS 34”), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. Our responsibility is to issue a report on the Statement based on our review.

Scope of Review

We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 - “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus, provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

P G BHAGWAT LLP

Chartered Accountants | Since 1938

LLPIN: AAT 9949

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 52 of the Listing Regulations including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

We draw attention to Note No. 8 of the Statement, regarding additional provision of INR 3089.09 lakhs against its investments in Alternate Investment Funds (AIFs) as per RBI circular RBI/2023-24/90 DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023.

Our conclusion is not modified in respect of this matter.

For P G BHAGWAT LLP

Chartered Accountants

Firm's Registration Number: 101118W/W100682

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Partner

Membership No. 117695

UDIN: 24117695BKCKGX7101

Place: Pune

Date: 23rd January 2024

Arka Fincap Limited

Regd. Office: 2504, 2505, 2506, 25th Floor, One Lodha Place, Lodha World Towers, Senapati Bapat Marg, Lower Parel, Mumbai- 400013, India

Tel: +91 22 40471000 CIN: U65993MH2018PLC308329

Website: www.arkafincap.com E-mail: arkasecretarialandcompliance@arkaholdings.com

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2023

(₹ in Lakhs)

Sr. No.	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31 December 2023	30 September 2023	31 December 2022	31 December 2023	31 December 2022	31 March 2023
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from operations						
	(a) Interest income	12,632.44	11,474.30	9,118.17	35,666.85	24,273.91	35,074.05
	(b) Fees and commission income	153.77	220.13	226.50	605.93	661.50	810.25
	(c) Gain on derecognition of financial assets measured at amortised cost	1,488.61	371.35	-	2,269.92	-	-
	(d) Net gain on sale of investments	403.07	684.60	344.51	1,607.77	865.06	1,182.01
	(e) Net gain on fair value changes of investments	3.93	(79.99)	-	3.98	-	-
	Total revenue from operations	14,681.82	12,670.39	9,689.18	40,154.45	25,800.47	37,066.31
2	Other income	337.62	281.73	57.04	712.79	131.97	222.57
3	Total income (1+2)	15,019.44	12,952.12	9,746.22	40,867.24	25,932.44	37,288.88
4	Expenses						
	(a) Finance costs	7,795.77	7,090.87	5,289.26	22,240.55	13,442.22	19,617.28
	(b) Net loss on fair value changes	-	-	(42.01)	-	9.21	76.10
	(c) Impairment on financial instruments	319.88	548.57	189.84	2,025.54	366.61	598.76
	(d) Employee benefit expenses	2,166.46	1,847.25	1,468.54	5,316.09	3,948.32	6,311.95
	(e) Depreciation and amortisation expenses	185.85	207.20	99.64	591.03	293.20	393.60
	(f) Other expenses	806.32	707.82	453.18	2,170.64	1,258.33	2,010.72
	Total expenses	11,274.28	10,401.71	7,458.45	32,343.85	19,317.89	29,008.41
5	Profit before exceptional items and tax (3-4)	3,745.16	2,550.41	2,287.77	8,523.39	6,614.55	8,280.47
	Exceptional Items - Expenses / (Income) (refer note 8)	3,089.09	-	-	3,089.09	-	-
6	Profit before tax	656.07	2,550.41	2,287.77	5,434.30	6,614.55	8,280.47
7	Tax expense						
	(a) Current tax	680.61	635.67	989.00	1,484.42	2,285.53	2,450.07
	(b) (Excess)/Short provision related to earlier years	-	-	-	-	333.12	333.12
	(c) Deferred tax	(494.24)	29.52	(545.87)	(51.49)	(917.63)	(639.18)
	Total tax expenses	186.37	665.19	443.13	1,432.93	1,701.02	2,144.01
8	Profit after tax (5-6)	469.70	1,885.22	1,844.64	4,001.37	4,913.53	6,136.46
9	Other comprehensive income, net of tax						
	(a) Items that will not be reclassified to profit and loss	-	-	-	-	-	(2.75)
	(b) Items that will be reclassified to profit and loss	-	-	-	-	-	-
	Total other comprehensive income, net of tax	-	-	-	-	-	(2.75)
10	Total comprehensive income (7+8)	469.70	1,885.22	1,844.64	4,001.37	4,913.53	6,133.71
11	Paid-up equity share capital (Face value of ₹ 10/- each)	92,872.81	92,872.81	88,402.23	92,872.81	88,402.23	88,402.23
12	Other equity	21,843.28	21,322.04	15,178.58	21,843.28	15,178.58	16,450.73
13	Earning per share (in ₹)						
	(a) Basic (Not Annualised)	0.05	0.21	0.21	0.44	0.58	0.72
	(b) Diluted (Not Annualised)	0.05	0.20	0.21	0.43	0.58	0.71

Notes

- Arka Fincap Limited ("the Company") is Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India and is categorised as a 'Middle-layer' NBFC in accordance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.
- The financial results of the Company have been prepared in accordance with the Indian Accounting Standard ("Ind AS") notified under section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time.
- This financial results have been prepared in compliance with Regulation 52 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") and SEBI Operational Circular no. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/000000103 dated 29 July 2022, inter alia, applicable to listed Companies whose non-convertible securities are listed on recognised stock exchanges.
- During the nine months ended 31 December 2023, the Company has issued and allotted 4,47,05,842 equity shares of face value of ₹ 10 per equity share at a premium of ₹ 2.75 per equity share amounting to ₹ 5,699.99 Lakhs, on rights basis.
- 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.

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- 6 During the nine months ended 31 December 2023, the Company has issued and allotted (i) 7,500 Unsecured, Listed, Rated, Redeemable, Non-Convertible Subordinated Debentures as Tier - II Capital of face value of Rs.1,00,000/- each, aggregating to Rs. 7,500 Lakhs on a private placement basis (ii) 30,00,000 Senior, Secured, Listed, Taxable, Redeemable, Non-Convertible Debentures of face value of Rs.1,000/- each, aggregating to Rs. 30,000 Lakhs through public issue. The MLDs are rated as CRISIL PPMLD AA-r/Positive and the NCDs are rated as CRISIL AA-/Positive.
- 7 The Secured Non-Convertible Debentures of the Company as on 31 December 2023 are secured by first pari-passu charge over the receivables, including cash and cash equivalent and liquid investments of the Company. The security cover to the minimum extent of 100% or such higher cover as per the offer documents read with Debenture Trust Deeds executed for each of the series/tranches has been maintained by the Company.
- 8 During the quarter ended 31 December 2023, the Company has made provision of ₹ 3,089.09 lakh against its investments in Alternate Investment Funds (AIFs) as per RBI circular RBI/2023-24/90 DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023
- 9 Details of loans transferred / acquired during the nine months ended 31 December 2023 under the Master Directions - RBI (Transfer of Loan Exposures) Directions, 2021 vide circular RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021 are given below:

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

Aggregate amount of loans acquired (in Lakhs)	15,422.17
Weighted average residual maturity (in years)	1.61
Weighted average holding period by originator (in years)	0.85
Retention of beneficial economic interest by the originator	10%
Coverage Tangible security coverage	24%
Rating-wise distribution of loans	Unrated

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

Number of loans	7
Aggregate amount of loans transferred (in Lakhs)	10,633.10
Weighted average remaining maturity (in years)	2.28
Weighted average holding period after origination (in years)	0.70
Retention of beneficial economic interest	Nil
Coverage Tangible security coverage	100%
Rating-wise distribution of loans	NA
Number of transactions where transferrer has agreed to replace the transferred loans	Nil
Number of transferred loans replaced	Nil

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

Number of loans	582
Aggregate amount of loans transferred (in Lakhs)	26,737.62
Weighted average remaining maturity (in years)	11.74
Weighted average holding period after origination (in years)	0.86
Retention of beneficial economic interest	13%
Coverage Tangible security coverage	91%
Rating-wise distribution of loans	NA
Number of transactions where transferrer has agreed to replace the transferred loans	Nil
Number of transferred loans replaced	Nil

(iv) During the nine months ended 31 December 2023, the company has not transferred / acquired loans in default.

- 10 The above financial results of the Company for the nine months ended 31 December 2023 have been reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors, at their respective meeting held on 23 January 2024.
- 11 Figures for the previous period/year have been regrouped and / or reclassified wherever considered necessary to conform to current period presentation.
- 12 The Disclosures as required under Regulation 52(4) have been given in Annexure A.
- 13 The Disclosures as required under Regulation 54(3) have been given in Annexure B.

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

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Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

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Annexure A

Disclosures in accordance with Regulation 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR").

(₹ in Lakhs)

Sr no.	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31 December 2023	30 September 2023	31 December 2022	31 December 2023	31 December 2022	31 March 2023
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(a)	Debt-equity ratio ¹	3.26 : 1	2.79 : 1	2.41 : 1	3.26 : 1	2.41 : 1	3.02 : 1
(b)	Debt service coverage ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(c)	Interest service coverage ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(d)	Outstanding redeemable preference shares (quantity and value)	Nil	Nil	Nil	Nil	Nil	Nil
(e)	Capital redemption reserve	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(f)	Debenture redemption reserve ³	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(g)	Net worth ⁴	1,13,104.61	1,13,083.30	1,01,732.36	1,13,104.61	1,01,732.36	1,03,303.99
(h)	Net profit after tax	469.70	1,885.22	1,844.64	4,001.37	4,913.53	6,136.46
(i)	Earning per share (In ₹)						
	(a) Basic (Not Annualised)	0.05	0.21	0.21	0.44	0.58	0.72
	(b) Diluted (Not Annualised)	0.05	0.20	0.21	0.43	0.58	0.71
(j)	Current ratio ⁵	1.14 : 1	1.19 : 1	1.26 : 1	1.14 : 1	1.26 : 1	1.29 : 1
(k)	Long term debt to working capital ⁶	8.32 : 1	6.23 : 1	4.47 : 1	8.32 : 1	4.47 : 1	4.25 : 1
(l)	Bad debts to Account receivable ratio	0.32%	0.31%	0.00%	0.32%	0.00%	0.01%
(m)	Current liability ratio ⁷	0.47 : 1	0.45 : 1	0.47 : 1	0.47 : 1	0.47 : 1	0.45 : 1
(n)	Total debts to total assets ⁸	0.77 : 1	0.75 : 1	0.71 : 1	0.77 : 1	0.71 : 1	0.76 : 1
(o)	Debtors turnover ⁹	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(p)	Inventory turnover ⁹	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(q)	Operating margin (%) ⁹	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(r)	Net profit margin (%) ⁹	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(s)	Gross NPA (%)	0.21%	0.19%	0.00%	0.21%	0.00%	0.01%
(t)	Net NPA (%)	0.05%	0.05%	0.00%	0.05%	0.00%	Nil
(u)	Capital adequacy ratio (CRAR)	25.61%	27.59%	29.75%	25.61%	29.75%	25.48%
(v)	There is no material deviation in the use of proceeds from the issue of Non-Convertible Debentures.						

Notes:

- (1) Debt = Debt Securities + Borrowings (other than debt securities) + Subordinated Debt.
- (2) The Company being a Non-Banking Financial Company registered with the Reserve Bank of India, these ratios are not applicable.
- (3) The Company being a Non-Banking Financial Company is not required to create Debenture Redemption Reserve in terms of Rule 18 of Companies (Share Capital and Debenture) Rules, 2014.
- (4) Net worth/ Equity = Equity Share Capital + Other Equity – Deferred Tax Assets – Intangible assets
- (5) Current ratio = Current assets / Current liabilities.
- (6) (a) Long term debt = debt repayable after 12 months. (b) working capital = current assets - current liability
- (7) Current Liability Ratio = Current Liabilities / Total Liabilities.
- (8) Total debt = Total Liabilities
- (9) The Company is not a manufacturing and trading Company hence, Debtors turnover ratio, Inventory turnover ratio, Operating margin, Net profit margin are not applicable to it.

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Annexure B (As required under Regulation 54(3))- Asset Cover Certificate

Rs. in Crores

Column A	Column B	Column C i	Column D ii	Column E iii	Column F iv	Column G v	Column H vi	Column I vii	Column J	Column K	Column L	Column M	Column N	Column O
Particulars	Description of asset for which this certificate relate	Exclusive Charge	Exclusive Charge	Pari-Passu Charge	Pari-Passu Charge	Pari-Passu Charge	Assets not offered as security	Elimination (Amount in Negative)	(Total C to H)	Related to only those items covered by this certificate				
		Debt for which this certificate is being used	Other secured debt	Debt for which this certificate is being used	Assets shared by Pari Passu debt holder (includes debt for which this certificate is issued & other debt with pari passu charge)	Other debt on which there is pari-passu charge (excluding items covered in column F)		debt amount considered more than once (due to exclusive plus pari passu charge)		Market value for assets charged on exclusive basis	Carrying/book value for exclusive charge assets where market value is not ascertainable or applicable (For eg. Bank Balance, DSRA market value is not applicable)	Market value for pari-passu charge assets viii	Carrying/book value for pari-passu charge assets where market value is not ascertainable or applicable (For eg. Bank Balance, DSRA market value is not applicable)	Total Value=(K+L+M+N)
		Book Value	Book Value	Yes/No	Book Value	Book Value					Relating to Column F			
ASSETS														
Property, Plant & Equipment							7.91		7.91					
Capital Work-in-progress							0.12		0.12					
Right of Use assets							8.95		8.95					
Goodwill							-		-					
Intangible Assets							2.67		2.67					
Intangible Assets Under Development							-		-					
Investments					100.06		0.01		100.08		100.06			100.06
Loans					4,454.34		0.01		4,454.35				4,454.34	4,454.34
Inventories					-		-		-					
Trade Receivables					-		30.00		30.00					
Cash & Cash Equivalents					360.18		-		360.18				360.18	360.18
Bank Balances other than Cash & Cash Equivalents					10.05		-		10.05				10.05	10.05
Others							80.41		80.41					
TOTAL					4,924.64		130.07		5,054.71			100.06	4,824.58	4,924.64
LIABILITIES														
Debt securities to which this certificate pertains				Yes	1,111.06				1,111.06				1,111.06	1,111.06
Other debt sharing pari-passu charge with above debt				Yes	2,278.80				2,278.80				2,278.80	2,278.80
Other debt									-					
Subordinated debt							137.73		137.73					
Borrowings														
Bank														
Debt securities							157.19		157.19					
Others														
Trade Payables							5.64		5.64					
Lease liabilities							11.08		11.08					
Provisions							5.18		5.18					
Others							200.88		200.88					
TOTAL					3,389.86		517.69		3,907.55				3,389.86	3,389.86
Cover on Book Value														
Cover on Market Value ix														
		Exclusive Security Cover Ratio			Pari-Passu Security Cover Ratio	1.45								
Notes to Annexure:														
1) Loans amount is considered net of ECL provision and includes investments in CPs, NCDs and PTCs														
2) Other Assets (Column H) include Other Financial Assets, Other Non-financial Assets, Current tax assets and Deferred tax (assets)														
3) Debt securities for which this certificate is given includes interest accrued but not due on the same														
4) Other Debt - Debt Securities (Column H) includes unsecured commercial papers														
5) The Company has maintained the Security Cover as per the respective covenant mentioned in the disclosure document														
6) The numbers filled in the annexure are according to the unaudited financials prepared as per IND-AS regulations														

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