

DIRECTORS' REPORT

The Shareholders
Arka Fincap Limited

Your Directors have pleasure in presenting the Second Annual Report along with the Audited Accounts for the year ended March 31, 2020

FINANCIAL RESULTS

For the year ended	(in crores)	
	March 31, 2020	March 31, 2019
Total Income	50.079	0.338
Total Expenses	33.599	10.189
(Loss)/Profit Before Tax	16.48	(9.843)
(Loss)/Profit After Tax	11.882	(7.463)
Balance Profit/ (Loss) brought forward from Previous Year	(7.463)	-
Balance Profit/ (Loss) carried forward to Balance Sheet	4.419	(7.463)

SHARE CAPITAL

Your Company made a Rights offer to existing shareholders during April 2019. The Rights Issue offer was fully subscribed.

As at March 31, 2020, the Authorised Share Capital of the Company is Rs 1000,00,00,000/-, whereas Issued, Subscribed and Paid-up Share Capital is Rs 526,50,00,000/- comprising of 5,26,50,000 Equity Shares of Rs 10 each fully paid-up.

BUSINESS OVERVIEW

CORPORATE LENDING

Your Company's strategy for the first year of operations was to mark its presence in the NBFC space and initiate lending relationships with pedigreed business groups, while simultaneously developing robust internal systems, procedures and guidelines for the business. The key focus of the Corporate Lending business is to offer long term working capital loans for mid large sized corporates across sectors and cater to corporates with turnover of INR 500 crores and above. The objective of the long-term working capital loans is to meet the working capital requirements and terming out maturities of the loans. Additionally, the Company has focused on buying existing seasoned Loans / NCDs of targeted borrower clientele from its existing lenders. This facilitated building quick credit positions with targeted borrowers and also enabled the Company to establish relationships with reputed and well-established business groups.

REAL ESTATE LENDING

The Real Estate Lending (RE) business has been gradually expanding its reach by offering corporate loans, project financing and structured debt to established real estate developers across commercial, residential, industrial (warehousing), retail, affordable & mid income housing and hospitality in tier I cities. The objective of RE business is to cater strong corporates to meet their working capital and expansion plans backed by strong collateral and sponsor support. A focused approach in lending, helped the Company to establish a strong foothold into the business.

Your Company looks forward to targeting the logistics and warehousing sector along with some of the fast-growing alternative asset classes such as co-living and student housing. Additionally, the Company would also concentrate on advisory and syndication business. The Company aims to continue the business in a clear and purposeful manner with a vision to build a well-diversified asset portfolio in the years to come.

MSME LENDING

Small businesses are considered as major contributors of economic growth in the country. However, easy access to credit has been a major obstacle in their growth. Your Company sees a significant opportunity in SME / MSME lending to scale up their operations and growth. The Company has started laying the foundation of its team and distribution network along with hiring some key senior talent from reputed institutions in the NBFC space. The Company has successfully opened the first branch office in New Delhi which would give a footprint in the two top markets of the Country.

The Company plans to explore the possibility of partnerships with leading fintech players and co-lending with some reputed financial institutions. Portfolio quality, right customer selection and use of technology would continue to be the key criteria for growth in the initial phase of business.

IMPACT OF COVID 19

With the immediate impact of the COVID 19 outbreak and slowdown of the economy, NBFC as a sector has been bearing the brunt of the pandemic which would likely last longer than expected. The immediate lockdown imposed by the government has severely impacted the incomes of borrowers further affecting the revenue streams due to the drop in transactions and loan repayments. The NBFCs in general would further face asset quality challenges, low loan growth, high borrowing cost and weak operating performance in the months to come.

Also, when the MSMEs, who are a major contributor to the GDP of the country, won't be able to manage their business operations due to liquidity issues, it would further impact the demand for loans and would hamper the profitability of NBFCs.

Various measures like providing a three (3) month moratorium for banks and NBFCs, providing a Targeted Long-Term Repo Operation (TLTRO), special liquidity schemes, partial credit guarantee schemes are expected to be helpful for the NBFCs in the near term.

Post the lifting of the nationwide lockdown, the NBFCs would clearly have cash flow and operational issues during the second half of FY 2020-21. The sector needs to be well versed with their contingency plan which can be implemented post the business restarts and the economy will definitely bounce back and would rise above the crisis.

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

- (a) Mr D Sivanandhan (DIN: 03607203), Former Director General of Police, Maharashtra and Mr Vijay Chugh (DIN: 07112794), Former Chief General Manager, Reserve Bank of India and Consultant Payment System have been appointed as Independent Director of the Company with effect from April 24, 2019.
- (b) Mr Harish Engineer (DIN: 01843009), Former Executive Director, HDFC Bank Limited, has been appointed as Independent Director of the Company effective June 14, 2019.
- (d) Ms Gauri Kirloskar (DIN: 03366274), has been appointed as Non-Executive Director of the Company from June 14, 2019.

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

(B) RETIREMENT BY ROTATION

In terms of the provisions of the Companies Act, 2013, and the Articles of Association of the Company, Mr Mahesh Chhabria (DIN: 00166049), Director of the Company, retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, offered himself for re-appointment.

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

The year under consideration is first full year of operations of the Company. Since the Company is in initial stage of operations, the Board of Directors have not recommended dividend

TRANSFER TO RESERVE

Your Company has transferred Rs. 23.76 million 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

The provisions of Section 135 of the Companies Act, 2013 and rules made thereunder, formation of Corporate Social Responsibility Committee is not applicable to your Company for the year under consideration.

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

Your Company does not have any manufacturing activities, hence the provisions relating to 'Conservation of Energy' and 'Technology Absorption' as required to be given under the provisions of the Act, are not applicable.

Further, there were no foreign exchange earnings and/or outgo during the year under review.

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 hence 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 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 in order 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/wp-content/uploads/2019/09/021_Policy-on-Whistle-Blower.pdf.

To report any suspected or confirmed incident of fraud/ misconduct, the aggrieved person can reach the Ombudsman designated by the Company. In case the complaint is against any employee/ personnel of the Company then the same has to be reported to the CEO directly. Whereas if the complaint is against the CEO, the same should be reported directly to the Chairman of the Audit Committee.

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 III.

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 ie 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 ie: there is no adverse remark. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore no further clarifications is 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 ie : FY 2019-20.

The report of the Secretarial Auditor is enclosed as Annexure IV. The report is clear means there is no qualification or adverse comments.

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 V 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 VI. The same is also available on the Company's website:www.arkafincap.com.

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: www.arkafincap.com.

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, the Independent Directors held a separate Meeting on January 17, 2020 to discuss strategic and operational matters of the Organisation. The Independent Directors reviewed overall performance of your Company as well as performance of the Board of Directors and various Committees at its Meeting.

The Board noted the conclusion of Board Evaluation process completed.

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	2,19,50,000 (2,06,50,000+13,00,000)
b	Options vested	Nil
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	Rs. 10
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
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:

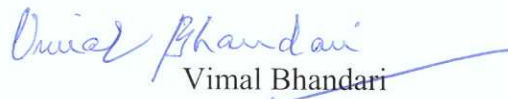
- (1) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (2) Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable 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;

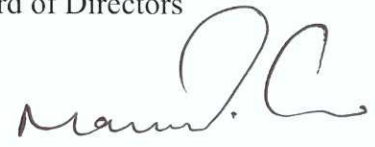
- (3) Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (4) Directors have prepared the annual accounts on a going concern basis;
- (5) As stated above the Company is in process of introducing adequate internal / financial control system in place
- (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
Executive Vice Chairman & CEO
DIN: 00001318


Mahesh Chhabria
Director
DIN: 00166049

Date : May 28, 2020
Place : Mumbai

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY OVERVIEW

NBFCs are considered as the integral part of the Indian economy as they play an important role in promoting inclusive growth by complementing the banking sector in providing last mile linkages to the underserved sections of the society.

Their ability to extend smaller ticket loans, ground level understanding of the customers profile, faster Turnaround Time (TAT) and wider reach gives them the opportunity to invent and innovate their systems as per the evolving needs of borrowers, which makes them the perfect fit for serving the business requirements of the Micro, Small and Medium Enterprises (MSMEs). With the deployment of technology, analytics and partnering with new age fintechs, NBFCs have started a new wave of change that has the potential to extend credit to financially unorganised population and achieve the goal of financial inclusion in the country.

The role of NBFCs has become even more important as the focus on entrepreneurship is very critical and the NBFCs continue to take a lead in providing business loans in comparison to banks. Not only the weaker sections but offering long term funds to trade and commerce, growth of large infrastructure projects across the country, the sector continues to create growth and development at the macro level.

Additionally, factors like latent credit demand, digital disruption for SMEs, increased consumption, and their distribution reach presents a strategic opportunity for the NBFCs to ensure a sustainable long-term growth.

COVID 19 OUTBREAK

There has been a major impact on the liquidity position and asset quality of the NBFC sector. Just before the outbreak, the RBI took various measures to contemplate the NBFCs especially after the default by a leading Infrastructure Finance Company. The industry was hoping to be at improved liquidity levels during FY 20.

Unfortunately, NBFCs have been bearing the brunt of the pandemic which would absolutely last longer than expected. The immediate lockdown imposed by the government has severely impacted the incomes of borrowers further affecting the revenue streams due to the drop in transactions and loan repayments.

The central bank took measures like providing a 3month moratorium for banks and NBFCs which the NBFCs have likely offered to their borrowers. According to a rating agency report, "the immediate implication for NBFCs is the lack of clarity on their debt servicing ability in the near term. "With collections coming to a standstill, the primary cash flows of the NBFCs have been completely disrupted."

Post the lifting of the nationwide lockdown, the NBFCs would clearly have cash flow and operational issues during the second half of FY 21. The sector needs to be well versed with their contingency plan which can be implemented post the business restarts and the economy will definitely bounce back and would rise above the crisis.

COMPANY OVERVIEW

Arka Fincap Limited (erstwhile Kirloskar Capital Limited), 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 lending and loans to Micro, Small and Medium Enterprise (MSME) borrowers.

Arka commenced into the corporate and real estate lending segment in FY 19-20 and is geared up to expand further into the SME / MSME lending business in FY 20-21. The Company is driven by a highly experienced management team and is focussed on building a respected NBFC in the years to come.

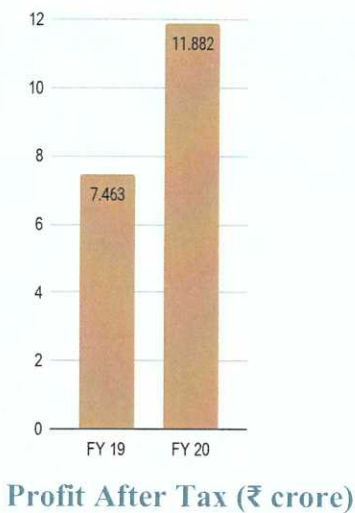
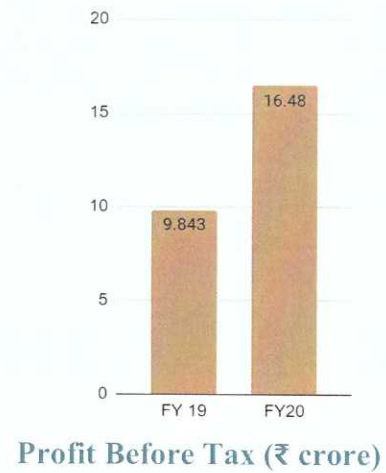
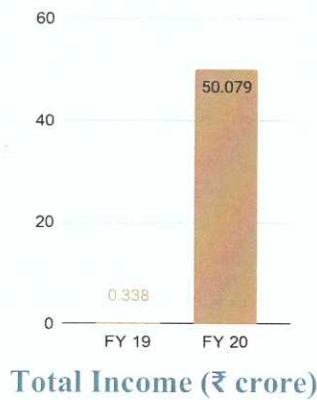
Arka also rebranded its operations from its previous avatar of Kirloskar Capital Limited with a new philosophy of enabling and anchoring flights of growth for the clients and the Company. The Company considers technology as the key enabler to drive the business growth which is also in line with the newly constructed mission ‘to provide technology enabled, innovative and customized financial solutions for an enhanced customer experience’. Arka’s vision is ‘to enable growth and fulfill the aspirations of our customers through empathy and agility’

As on 31st March 2020, Arka stands at an AUM of INR 447.55 crore with a net worth of INR 530.91 crore. 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 in the first year of operation indicates 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 provided comfort and confidence to the rating agency.

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 various lenders and got sanctions of INR 280 crore. The liquidity position of the Company is very comfortable. As on 31 March 2020, considering the liquidity policy and market volatility profit for the year stands at INR 14.8 crore.

KEY PERFORMANCE HIGHLIGHTS





STRONG CREDIT RATING - CRISIL

AA- (LONG TERM)

A1+ (SHORT TERM)

VERTICAL OVERVIEW

CORPORATE LENDING

During the year under review, bank funding remained inadequate in addressing credit demand of corporates on account of existing asset quality challenges leading to risk aversion, regulatory restrictions and time delays in sanctioning limits. Debt mutual funds also faced several challenges on account of asset quality and lack of new inflows coupled with redemption pressures.

NBFCs continued to face liquidity constraints owing to lack of bank and capital market funding. Consequently, the repayment of maturing liabilities was predicated on portfolio sales, given the

inherent asset liability mismatches on their balance sheet. Given the relatively illiquid nature of a large part of the asset portfolio, sale of these loans was also challenging. As a result, NBFCs now want to run minimal asset liability mismatches and consequently focus on borrowers wherein the repayment of their loans is predicated on adequate cash flow of the borrower.

REAL ESTATE FINANCING

In spite of a challenging environment and impact from economic, socio-political and digital forces, Indian real estate story remains resilient, proven from the fact that the past year has seen some of the best growth ever witnessed for the commercial, industrial and retail sectors.

According to a JLL report, residential launches have remained low, decreasing by 14% in the year 2019 over 2018. However, the sales have increased marginally by 6% during 2019, showcasing a steady demand for the right category of product at the right pricing point.

The liquidity crunch triggered by IL&FS crisis exacerbated during the year and consequently, funding dried up for the developers. Due to various government initiatives including the recently launched SWAMIH fund, the sector is able to smoothly ride over the troubled times. The commercial sector has shown tremendous resilience during last year, including launch of the first REIT in India and record leasing activities across the top 7 cities in India.

However, the sector continued to be in a challenging state, more so after the onset of COVID 19 pandemic. The situation had created an opportunity for the larger and better-run NBFCs, considering their easier access to the limited available capital pool.

In view of the market conditions, the government has taken a series of measures to generate demand and ease the liquidity by ensuring public sector banks lend further to NBFCs including increasing supervision, partial credit guarantee schemes, relaxing minimum holding period requirements and implementing liquidity risk framework mechanism. As a result of the crisis, several NBFCs have already been facing issues like need of improvement in balance sheet via capital raising (or de-growth), lower leverage and alignment of asset-liability maturities.

SME / MSME LENDING

MSME lending has been the mainstay in the portfolio of NBFCs that has shown a steady growth over the last decade, and has now started showing signs of slowing down in the past few quarters. Similarly, private banks and NBFCs have successfully managed to gain market share from public sector banks on MSME front, and saw their share decline for the first time starting quarter ending Jun'19. NBFCs witnessed an increase in their NPAs in the quarter ending Sep'19 primarily due to increased MSME lending to low vintage, high risk borrowers by more smaller sized NBFCs.

The government announced various initiatives for the MSME sector in the recent budget, the turnover threshold for audit has been raised from the existing Rs. 1 crore to Rs. 5 crore, the corporate tax rate for new companies in the manufacturing sector has been reduced to 15% and brought down to 22% for existing companies.

Additionally, the Reserve Bank of India (RBI) launched Trade Receivable Discounting systems (TReDS) to facilitate financing of invoices / bills of MSMEs drawn on corporate and other buyers, including the government departments and PSUs, by way of discounting by financiers.

MSME sector is one of the worst hit through the impact of COVID 19 and is already seeing an exodus of their workforce which has severely impacted their operations. Most of them are unlikely to survive the extended lockdown period if it goes beyond a couple of months and are looking up to the government for some relief. RBI has extended a lifeline to the MSME sector by extending a moratorium of 90 days on payment of their monthly EMI obligation, which is likely to be extended in case the lockdown extends.

DRIVERS OF GROWTH

Arka intends to successfully accelerate its growth in FY 20-21 through the below mentioned growth drivers.

CORPORATE LENDING BUSINESS

Corporate Lending was the first business vertical started by Arka during its initial months of operations with a focus of initiating relationships and building a quality portfolio.

Arka offers long term working capital loans for mid large sized corporates across sectors and caters to corporates with turnover of INR 500 crores and above. Additionally, the Company also offers debt top up, acquisition financing, loan against shares, PE buyouts and secondary market trades. The Company follows a rigorous credit appraisal process to maintain the highest level of lending compliances.

The strategy for the first year of operations was to initiate a lending relationship with pedigreed business groups, while simultaneously developing robust internal systems, procedures and guidelines for the business.

An added business focus was, opportunistically buying existing seasoned Loans / NCDs of targeted borrower clientele from its existing lenders. This facilitated building quick credit positions with targeted borrowers, which would have been taken time to create directly with the borrower. This strategy also enabled the Company to establish relationships with reputed and well-established business groups.

BUSINESS PERFORMANCE

As on 31st March 2020, the overall disbursements for the corporate lending business aggregated at INR 627 crore with the portfolio of INR 293 crore. The total income of the business stood at INR 25.46 crore with interest and fee income counted at INR 23.8 crore and INR 1.66 crore.

REAL ESTATE LENDING BUSINESS

Real Estate Lending business at Arka aims to counter the headwinds amidst the challenges being faced by the real estate sector. The Company offers corporate loans, project financing and structured debt across sectors. In corporate loans and structured debt, Arka focuses on strong corporates to finance their overall working capital requirements, expansion plans and opportunistic financing solutions, backed by strong collateral and sponsor support.

The Company caters to pedigreed real estate developers across commercial, residential, industrial (warehousing), retail, affordable & mid income housing and hospitality in tier I cities with a ticket size of less than 50 crores.

BUSINESS PERFORMANCE

As on 31st March 2020, the gross disbursements for the RE lending business aggregated at INR 159.9 crore with an asset book of INR 153.8 crore. The net interest income of the business stood at INR 7.57 crore with fee income of INR 1 crore. The total revenue earned for the vertical stood at INR 8.57 crore.

SME / MSME LENDING

MSME & retail business at Arka has started laying the foundation of its team and distribution network. The Company managed to hire key senior talent from reputed institutions in the NBFC space and has successfully opened the first branch office in New Delhi.

The recent events due to the spread of COVID 19 and resultant disruption in the business activities has rejig the business plans which demands a cautious approach on how to target certain segments, which are likely to bounce back once the country starts to recover from the current situation. The Company is focussed to explore the possibility of partnerships with leading fintech players and companies lending with reputed financial institutions.

Portfolio quality and right customer selection would continue to be the key criteria for growth in the initial phase of business. Use of technology to reduce costs and implement some new age appraisal and customer onboarding techniques would be tested and embraced to be able to quickly leverage them once the market returns to normalcy. This would allow Arka to expand faster with minimum investment and training.

OPERATIONS & TECHNOLOGY

The Company successfully executed various strategic initiatives:

Arka made significant advancements by implementing the LOS (Loan Origination Systems) whose flexibility and speed differentiates the same from other lending institutions. Further, the Company has implemented various other systems like HR management system, G-Suite collaboration tools, Board Management App, API gateway, Website and the Intranet which are supported and collaborated on SAAS (Software as a service) model. The Company has adopted IT policies which are implemented as per the direction of RBI. Additionally, a LMS (Loan Management System) has been developed to have a stable and efficient bookkeeping system where all the loans are hosted.

All core applications like Loan Origination System and Loan Management System, while taken as a licensed product, are hosted on cloud using Infrastructure as a service.

BUSINESS OUTLOOK

Arka is confident on the growth outlook from each of the three verticals especially by the SME / MSME lending as the business is all geared up to take off in the coming months. Arka aims to create a footprint in the major metros by FY 21-22.

Through the efforts of the experienced management and the strong internal processes, the growth drivers of Arka would maximise both profits and leverage of the Company.

CORPORATE LENDING

The strategy for the coming year will be 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.

This would be supplemented by developing robust internal systems and procedures for managing the risk of the existing asset book. An aligned business objective would be to leverage relationships with corporates, market intermediaries and co-lenders to initiate the rollout of a robust syndication / advisory franchisee.

REAL ESTATE LENDING

A focused approach to lending helped the Company to establish a strong foothold into the business. Going forward, the target strategy would be to have a well-diversified asset portfolio, focus shall be on logistics and warehousing sector along with some of the fast-growing alternative asset classes such as co-living and student housing.

For FY 2020-21, the target shall be to continue the business in a clear and purposeful manner, looking mainly at focus on risks at the forefront of decision making. The primary focus shall be to increase the business with tight control over cost. Additionally, the group would look to start its focus on advisory & syndication business.

SME / MSME LENDING (Same as mentioned in the growth drivers)

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company is taking steps for 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 transactions 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.

OPPORTUNITY & THREATS

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 continues to remain subdued, on the back of slowing demand, low capacity utilizations and lack of confidence for significant capital outlay amongst larger industrial houses.

REAL ESTATE LENDING

Opportunity - The market share of well-placed and capitalized lenders including NBFCs would continue to expand due to the restricted number of participants in the current financing scenario. In the NBFC space, expansion would support its ability to customize products, price the risk and manage credit costs. Inherent demand for credit remains robust, primarily due to continued government thrust on housing and the various schemes being promulgated for better access of liquidity to NBFCs. Under these circumstances of tightening liquidity, it is highly imperative for NBFCs to maintain a matched asset-liability profile.

Threat - Unfavourable events such as the current COVID 19 crisis can affect consumer sentiment and in turn impact consumer decisions to purchase housing assets. As a result, many businesses would modify or delay their business expansion plans till there is clarity on resumption of operations. Economic environment and changes in government policies/ regulatory framework could impact the Company's operations. There is a robust demand and hence, competition is likely to intensify in certain segments of housing finance, inventory based financing and loan against property. Thus, risk-adjusted pricing may come under pressure. Further, as the transition to formalisation gains momentum, many NBFC borrowers may turn poachable and creditworthy to banks.

SME / MSME LENDING

Opportunity - The segment continues to present a challenging opportunity for lending to financiers who are able to underwrite using the latest tools for underwriting backed by analytics and follow a conservative and watchful approach. Arka, as a Company which is backed by the reputed Kirloskar Oil Engines Limited (KOEL), has a tremendous opportunity for an instant connect and MSMEs trust the name and its pedigree. In light of the recent events in the NBFC space which started with the fall of IL&FS and has continued to impact the sector, several NBFCs have either weakend or have vacated the space for MSME financing. Similarly, banks continue to be very cautious in their approach for financing this segment. All this presents a great landscape and opportunity to be a frontrunner in this segment and allows us to choose the customer and markets when we can reach them.

Threat - It will take a while for the MSME segment to recover from the COVID 19 impact and there would be little clarity on their ability to service debt unless the country moves back to normalcy and also the moratorium period gets over which was extended to them by the RBI. It would thus be a prudent approach to follow a wait and watch strategy and look out for customer segments which 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.

OPERATIONS & TECHNOLOGY

Arka believes that technology is not just a business enabler but a core process to the business model of any organisation and the Company plans to embrace the new digital trends to transform the business process and deliver an enriching customer experience.

Arka made significant advancements by implementing the LOS (Loan Origination Systems) whose flexibility and speed differentiates the same from other lending institutions. Further, the Company has implemented various other systems like HR management system, G-Suite collaboration tools, Board management app, API gateway, Website and the Intranet which are supported and collaborated on SAAS (Software as a service) model. The Company has adopted IT policies which are implemented as per the direction of RBI. Additionally, a LMS (Loan Management System) has been developed to have a stable and efficient bookkeeping system where all the loans are hosted.

All core applications like Loan Origination System and Loan Management System, while taken as a licensed product, are hosted on cloud using Infrastructure as a service.

Since its inception, the Company chose to implement cloud based systems which eventually helped the team to fight the extraordinary challenges posed by the COVID 19 crisis where a quick and efficient work from home setup was provided without any changes in the infrastructure.

Going forward, the Company intends to implement various other digital platforms like mobile apps for the upcoming SME business and also implement various security solutions to ensure confidentiality of the information systems.

HUMAN RESOURCES

FY 20 being the first year of operations at Arka, allowing the HR department to build and implement the key processes such as recruitment, training and development, payroll systems, performance management systems and other necessary executions.

For the year ended 31st March 2020, the headcount of the Company stands at 31 employees.

The Company successfully rolled out HR policies, salary benchmarking, employee handbook, HRMS and payroll system, biometric system, tie-ups with specific banks for salary account opening.

As a part of building the organisation culture, the core values along with organisational behaviours were co-created for the employees to live the values and practice the behaviours with a view of making them 'A way of life' at Arka. The HR department also continues to create a light and fun environment thereby engaging employees in various activities like fun at work, festivals and birthday celebrations, employee health and wellbeing practices.

With the rapid increase in employee base, the HR department plans to create a uniform and transparent culture across the network through employee engagement activities and other practices. Also, simplify the HR process through various technological additions in the system for the entire Arka family.

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 Arka which helps in maintaining 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 7 Directors including 1 Executive, 3 Non-Executive and 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, legal 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:

Seven Meetings of the Board of Director of the Company were held during the period under review. The Meetings were held on April 24, 2019, July 31, 2019, October 09, 2019, November 20, 2019, January 17, 2020, February 03, 2020 and March 16, 2020. The attendance status at the Board Meetings is:

Name of the Director (DIN)	Number of Board Meetings Attended	Attendance at last AGM*
Mr Vimal Bhandari (00001318)	7	Yes

Name of the Director (DIN)	Number of Board Meetings Attended	Attendance at last AGM*
Mr Mahesh Chhabria (00166049)	7	Yes
Mr Nihal Kulkarni (01139147)	4	Yes
Ms Gauri Kirloskar (03366274) <i>(Appointed w.e.f. June 14, 2019)</i>	5	Yes
Mr D Sivanandhan (03607203) <i>(Appointed w.e.f. April 24, 2019)</i>	7	Yes
Mr Vijay Chugh (07112794) <i>(Appointed w.e.f. April 24, 2019)</i>	5	Yes
Mr Harish Engineer (01843009) <i>(Appointed w.e.f. June 14, 2019)</i>	4	No

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 rules made thereunder, as amended from time to time (hereinafter referred to as 'the Act'). The Committee comprised of Chairman, Mr Mahesh Chhabria, Chairman, Mr Nihal Kulkarni, Mr Vijay Chugh, Harish Engineer and Mr D Sivanandhan as a Members of the Committee.

During the year three (3) Meetings of the Audit Committee of the Company were held on July 31, 2019, October 09, 2019 and January 17, 2020. 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	3	2
2	Mr Nihal Kulkarni	3	2
3	Mr Harish Engineer	2	2
4	Mr D Sivanandhan	3	3
5	Mr Vijay Chugh	3	2

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 Sec.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 auditor's report thereon.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

NRC is constituted in terms of Section 178 of the Act and was reconstituted on July 31, 2019. The Committee is Comprised of Mr D Sivanandhan, 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.

One meeting of NRC was held during the year on April 24, 2019, which was attended by all NRC members then.

The responsibilities of the NRC, inter-alia, include:

- 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, and
- 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.

RISK MANAGEMENT COMMITTEE (RMC)

The Board of Directors have duly constituted a Risk Management Committee (RMC) and the Committee was subsequently reconstituted 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 four (4) Meetings of the RMC were held viz: July 31, 2019, October 09, 2019, November 20, 2019 and March 16, 2020.

Sr. No	Name of members	No. of Meetings held during tenure	Meetings attended
1	Mr Vijay Chugh, Chairman	4	2

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

The role and responsibility of the RMC inter-alia, include 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 proactively 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.

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

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

CSR Committee comprising Mr Vimal Bhandari, Chairman, Ms Gauri Kirloskar and Mr Vijay Chugh as a Members of the Committee.

The responsibilities of CSR Committee include to:

- (a) 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;
- (b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.”

Since, Section 135 of the Act was not applicable to the Company during the year under consideration, no meeting of the CSR Committee was held.

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 and Mr Vimal Bhandari Directors of the Company.

IT STRATEGY COMMITTEE

Recognizing the growth of the NBFC Sector in size and complexity and with the objective of benchmarking to the best practices, Reserve Bank of India issued Master Direction dated June 08, 2017, for Information Technology Framework for the NBFC Sector. The directions are categorized into two parts, Section A is for all NBFCs with asset size above ₹ 500 crore (Considered Systemically Important, whereas Section B is for NBFCs with asset size below ₹ 500 crore. Pursuant to the master directions, your Company being Systemically Important NBFCs was required to form an IT Strategy Committee.

Accordingly, on April 24, 2019 your Company had constituted IT Steering Committee comprising of Mr Pravir Vohra –Chairman, and Messrs. Mahesh Chhabria, Vimal Bhandari, Nihal Kulkarni and Rahul Kirloskar as Members. Mr Pravir Vohra is a Technology Consultant.

Subsequently, in terms of the RBI Circular, at the Board Meeting held on November 20, 2019, the name of the Committee changed from IT Steering Committee to ‘IT Strategy Committee’ and the Committee was reconstituted as 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: June 27, 2019 and September 13, 2019.

Sr. No	Name of members	No. of Meetings held during tenure	Meetings attended
1	Mr D Sivanandhan, Chairman	0	0
2	Mr Mahesh Chhabria	2	2
3	Mr Nihal Kulkarni	2	0

Sr. No	Name of members	No. of Meetings held during tenure	Meetings attended
4	Mr Pravir Vohra	2	2
5	Mr Rahul Kirloskar	2	2
6	Mr Vimal Bhandari	2	2
7	Mr Mridul Sharma	0	0

The terms of reference of the Committee include:

- Reviewing and recommending to the Board, management's strategies relating to technology and their alignment with the strategy and objectives of the Company.
- Reviewing and monitoring Management's strategies for developing or implementing new technologies and systems.
- Increasing awareness of key technology changes and innovations in the marketplace.
- 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
- Reviewing and monitoring the effectiveness of the IT Risk Management and Security plan (including advising the Board Risk Committee on matters of Technology Risk and Cyber Security); and
- 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

In addition to the above, 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.

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	@
● Nature of action taken by the District Officer	Nil

@ The Human Resource Department of the Company had circulated presentation on awareness about the prevention of sexual harassment at work place to the employees of the Company vide email dated March 17, 2020.

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

- 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
- Justification for entering into such contracts or arrangements or transactions
- date(s) of approval by the Board
- Amount paid as advances, if any
- 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	April 2019	Issue price per equity share Rs 10 (face value Rs 10). Total Equity capital Rs 499.50 Cr.		Nil

For and on behalf of the Board of Directors



Vimal Bhandari
Executive Vice Chairman & CEO
DIN: 00001318



Mahesh Chhabria
Director
DIN: 00166049

Date : May 28, 2020
Place : Mumbai

SECRETARIAL AUDIT REPORT**FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2020**

[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 Indiabulls Centre, 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 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on **31st March, 2020** 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; *(Not Applicable to the Company during audit period)*
- (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 *(Not Applicable to the Company during audit period)*;

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,

1. the Company has approved Employee Stock Option Plan 2019 vide Special Resolution passed at the Extra-ordinary General Meeting held on May 02, 2019
2. the name of the Company has changed from Kirloskar Capital Limited to Arka Fincap Limited vide special resolution passed at the Extra-ordinary General Meeting held on June 04, 2019.
3. the Members of Company in their First Annual General meeting held on July 31, 2019 has given the power to borrow money and power to mortgage or creation of security for borrowing of Company to the Board of Directors upto INR 1000 Crore 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

Sd/-

Anil Vasant Mayekar
Partner
FCS – 2071, COP – 2427

Date: May 28, 2020

Place: Mumbai

U.D.I.N – F002071B000286300

Note: This report is to be read with our letter of even date which is annexed as Annexure 'A' and forms an integral part of this report.

To,
The Members,
ARKA FINCAP LIMITED
(CIN - U65993MH2018PLC308329)
One Indiabulls Centre, 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

Sd/-

Anil Vasant Mayekar
Partner
FCS – 2071, COP – 2427

Date: May 28, 2020

Annexure- V

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, 2019

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) (Rs.)
1	Vimal Bhandari	61	CA; 31.6	01 Nov 2018	Executive Vice Chairman & CEO	IndoStar Capital Limited	29397644 + 721810
2	Mridul Sharma	46	MBA; 23.4	23 Jan 2019	Chief Operating Officer	IndusInd Bank	24202508 + 94264
3	Manish Nagarsekar	46	CA; 23.3	01 Mar 2019	Head - Operations & Business Solutions Group	IndusInd Bank	15803014
4	Nachiket Naik	48	MBA; 24.4	02 Jan 2019	Head - Corporate Lending	Irep Credit Capital Limited	12549744
5	Sonit Singh	41	PGDM; 16.9	08 Jul 2019	Head - Real Estate Financing & Advisory Services	JLL India	12154224
6	Amit Kumar Gupta	40	CA; 19.3	18 Feb 2019	Head - Resources & Corporate Finance	IndoStar Capital Limited	11618800
7	Suman Saurav	41	B IT; 19.3	01 Mar 2019	Head - Information Technology	IndusInd Bank	6590522
8	Ritesh Jhanwar	36	CA; 11.2	29 Mar 2019	Financial Controller	Staragri Finance	4698439
9	Bhupesh Mahajan	48	CA; 21	08 Nov 2019	Head - Risk	Reliance Commercial Finance	3349089
10	Lakshmanan Pattani	56	BA; 40.5	01 Oct 2018	Head - Administration	IndoStar Capital Finance	2586280

Part A - Employed throughout the Financial year under review and were in receipt of remuneration in aggregate of not less than Rs. 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) (Rs.)
1	Vimal Bhandari	61	CA; 31.6	01 Nov 2018	Executive Vice Chairman & CEO	IndoStar Capital Limited	29397644 + 721810
2	Mridul Sharma	46	MBA; 23.4	23 Jan 2019	Chief Operating Officer	IndusInd Bank	24202508 + 94264
3	Manish Nagarsekar	46	CA; 23.3	01 Mar 2019	Head - Operations & Business Solutions Group	IndusInd Bank	15803014
4	Nachiket Naik	48	MBA; 24.4	02 Jan 2019	Head - Corporate Lending	Irep Credit Capital Limited	12549744
5	Sonit Singh*	41	PGDM; 16.9	08 Jul 2019	Head - Real Estate Financing & Advisory Services	JLL India	12154224
6	Amit Kumar Gupta	40	CA; 19.3	18 Feb 2019	Head - Resources & Corporate Finance	IndoStar Capital Limited	11618800

(*) – D.O.J. – 8-July-2019; Mid Year Joinee

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

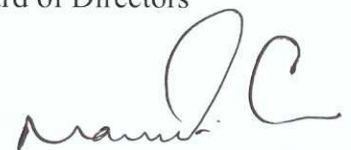
Gross Remuneration includes salary, taxable allowances, value of perquisites as per Income Tax Rules, 1962 but excludes contribution to Gratuity Fund. The nature of employment in all cases is contractual & are as per Company's Rules.

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 : May 28, 2020
Place : Mumbai

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
 As on the Financial Year ended on March 31, 2018

[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 Indiabulls Centre, 1202B, Tower 2B, Floor 12B Jupiter Mills Compound, Senapati Bapat Marg Mumbai Mumbai City MH 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

(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	%	
A Promoters									
(1) Indian									
- Individual / HUF	-	-	-	-	-	-	-	-	-
- Central Government	-	-	-	-	-	-	-	-	-
- State Government	-	-	-	-	-	-	-	-	-
- Bodies Corporate	1,80,00,000	89,99,994	2,69,99,994	100	51,75,00,000	89,99,994	52,64,99,994	100	-
- Banks/ FIs	-	-	-	-	-	-	-	-	-
- Any Other (Individuals)	-	-	-	-	-	-	-	-	-
Sub Total (A)(1)	1,80,00,000	89,99,994	2,69,99,994	100	51,75,00,000	89,99,994	52,64,99,994	100	-
(2) Foreign									
- NRIs/ Individual	-	-	-	-	-	-	-	-	-
- Others – Individuals	-	-	-	-	-	-	-	-	-
- Bodies Corporate	-	-	-	-	-	-	-	-	-
- Banks/ FIs	-	-	-	-	-	-	-	-	-
- Any Other	-	-	-	-	-	-	-	-	-
Sub Total (A)(2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoters (A)= (A)(1) + (A)(2)	1,80,00,000	89,99,994	2,69,99,994	100	51,75,00,000	89,99,994	52,64,99,994	100	-
B Public Shareholding									
(1) Institutions									
- Mutual Funds	-	-	-	-	-	-	-	-	-
- Banks / FIs	-	-	-	-	-	-	-	-	-
- Central Government	-	-	-	-	-	-	-	-	-
- State Government	-	-	-	-	-	-	-	-	-
- Venture Capital Funds	-	-	-	-	-	-	-	-	-

- Insurance Companies	-	-	-	-	-	-	-	-	-
- FII's	-	-	-	-	-	-	-	-	-
- Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-	-
Sub Total (B)(1)	-	-	-	-	-	-	-	-	-
(2) Non-Institutions	-	-	-	-	-	-	-	-	-
es Corporate	-	-	-	-	-	-	-	-	-
- Indian	-	-	-	-	-	-	-	-	-
- Overseas	-	-	-	-	-	-	-	-	-
iduals	-	-	-	-	-	-	-	-	-
- Individual Shareholders holding nominal share capital upto Rs 1 lakh	-	6	6	-	-	6	6	-	-
- Individual Shareholders holding nominal share capital in excess of Rs 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)	1,80,00,000	90,00,000	2,70,00,000	100	51,75,00,000	90,00,000	52,65,00,000	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	2,69,99,994	100	-	52,64,99,994	100	-	-
	Total	2,69,99,994	100	-	52,64,99,994	100	-	-

(iii) Change in Promoters' Shareholding:

SIN o	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	2,69,99,994	100	2,69,99,994	100
	Allotment of Rights Shares on April 11, 2019	49,95,00,000	100	49,95,00,000	100
	At the end of the year	52,64,99,994	100	52,64,99,994	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. Atul Kirloskar				
	At the Beginning of the year	1	0.00	1	0.00
	Transfer of Shares on July 31, 2019 to Mr Vimal Bhandari	1	0.00	1	0.00
	At the end of the year (or on the date of separation, if separated during the year)	0	0.00	0	0.00
(2)	Mr. Rajendra R. Deshpande				
	At the Beginning of the year	1	0.00	1	0.00
	Transfer of Shares on July 31, 2019 to Mr Mridul Sharma	1	0.00	1	0.00

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
	At the end of the year (or on the date of separation, if separated during the year)	0	0.00	0	0.00
(3)	Mr. Antony Cherukara				
	At the Beginning of the year	1	0.00	1	0.00
	Transfer of Shares on April 24, 2019 to Mr Mr. Sanjeev Nimkar	1	0.00	1	0.00
	At the end of the year (or on the date of separation, if separated during the year)	0	0.00	0	0.00
(4)	Mr. Sanjeev Nimkar				
	At the Beginning of the year	0	0.00	0	0.00
	Transfer of Shares on April 24, 2019 from Mr. Antony Cherukara	1	0.00	1	0.00
	Transfer of Shares on July 31, 2019 to Mr Amit Bondre	1	0.00	1	0.00
	At the end of the year (or on the date of separation, if separated during the year)	0	0.00	0	0.00
(5)	Mr. Nachiket Naik				
	At the Beginning of the year	0	0.00	0	0.00
	Transfer of Shares on April July 31, 2019 from Mr Nihal Kulkarni	1	0.00	1	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

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
(6)	Mr. Mridul Sharma				
	At the Beginning of the year	0	0.00	0	0.00
	Transfer of Shares on April July 31, 2019 from Mr Rajendra R. Deshpande	1	0.00	1	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
(7)	Mr. Manish Nagarsekar				
	At the Beginning of the year	0	0.00	0	0.00
	Transfer of Shares on April July 31, 2019 from Ms Gauri Kirloskar	1	0.00	1	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. Nihal Kulkarni				
	At the Beginning of the year	1	0.00	1	0.00
	Transfer of Shares on April July 31, 2019 from Mr Nachiket Naik	1	0.00	1	0.00
	At the end of the year	0	0.00	0	0.00
(2)	Mr Mahesh Chhabria				

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
	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)	-	-	-	-
	At the end of the year	1	0.00	1	0.00
(3)	Mr. Vimal Bhandrai (Director as well as Key Managerial Personal)				
	At the Beginning of the year	0	0.00	0	0.00
	Transfer of Shares on April July 31, 2019 from Mr Rahul Kirloskar	1	0.00	1	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
(4)	Ms. Gauri Kirloskar				
	At the Beginning of the year	1	0.00	1	0.00
	Transfer of Shares on July 31, 2019 to Mr Manish Nagarsekar	1	0.00	1	0.00
	At the end of the year (or on the date of separation, if separated during the year)	0	0.00	0	0.00
(5)	Mr. Amit Bondre (Key Managerial Personal)				
	At the Beginning of the year	0	0.00	0	0.00

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
	Transfer of Shares on July 31, 2019 from Mr Sanjeev Nimkar	1	0.00	1	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

	(Rs in Mn)			
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Changes in indebtedness during the financial year:				
Additions (Term Loan from IndusInd)	750	-	-	750
Reductions	-	-	-	-
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	750	-	-	750
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	750	-	-	750

(VI) REMUNERATION OF DIRECTORS & KEY MANAGERIAL PERSONNEL

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

Sl No	Particulars of Remuneration	Name of MD/WTD/ Manager	Total
		Mr Vimal Bhandari (Executive Vice Chairman)	
(1)	Gross Salary		
	(i) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	29.40	29.40
	(ii) Value of perquisites u/s 17(2) of Income Tax Act, 1961	0.78	0.78
	(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)*	30.17	30.17
	Ceiling as per the Act	-	-

* During the Financial company had made a profit of Rs 118.82 mn, 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:

(Rs in Mn)

Sl No	Particulars of Remuneration	Name of the Directors						Total
(1)	Independent Directors	Mr Mahesh Chhabria	Mr Nihal Kulkarni	Ms Gauri Kirloskar	Mr D Sivanandhan	Mr Vijay Chugh	Mr Harish Engineer	
	• Fee for attending board committee meetings (Sitting fees paid)	-	-	-	0.49	0.30	0.32	1.11
	• Commission	-	-	-	-	-	-	
	• Others	-	-	-	-	-	-	
	Total (1)	-	-	-	0.49	0.30	0.32	1.11

SI No	Particulars of Remuneration	Name of the Directors						Total
(2)	Other Non – Executive Directors	-	-	-	-	-	-	
	• Fee for attending board committee meetings	-	-	-	-	-	-	
	• Commission	-	-	-	-	-	-	
	• Others	-	-	-	-	-	-	
	Total (2)	-	-	-	-	-	-	
	Total (B) = (1+2)	-	-	-	0.49	0.30	0.32	1.11
	Total Managerial Remuneration				0.49	0.30	0.32	1.11
	Overall Ceiling as per the Act	-	-					-

* During the Financial Company had made a profit of Rs 118.82 mn, 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:

SI 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	4.79	1.38	6.17
	• 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	4.79	1.38	6.17

(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 : May 28, 2020

Place : Mumbai

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
Fax +91 (22) 4345 5399

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arka Fincap Limited (formerly known as Kirloskar Capital Limited) (the "Company"), which comprise the balance sheet as at 31 March 2020, the statement of profit and loss 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 2020, and profit 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.

Emphasis of matter

As more fully described in Note 2.36 to the financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's financial performance is dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter.

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.

BSR & Co (a partnership firm with
Registration No. BA61223) converted into
BSR & Co. LLP (a Limited Liability Partnership
with LLP Registration No. AAB-8181)
with effect from October 14, 2013

Registered Office:
5th Floor, Lodha Excelus
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011, India

Information Other than the Financial Statements and Auditor's Report Thereon (Continued)

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 cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' 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, and 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 Accounting Standards specified under section 133 of the Act.

Report on Other Legal and Regulatory Requirements (continued)

- e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 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 explanation given to us, during the current year, the remuneration paid by the Company to its directors 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: 20117377AAAABK2581

Mumbai
28 May 2020

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

- (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. As this is the second year of operations of the Company, 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 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 2020 for a period of more than six months from the date they became payable.

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

- 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 banks. The Company has not raised any money through loans or borrowings from financial institutions, Government or debenture holders.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer, follow public offer during the year ended 31 March 2020. The money raised by way of term loans were applied for the purpose for which they were raised.
- (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.

15

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

- (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: 20117377AAAABK2581

Mumbai
28 May 2020

Annexure B to the Independent Auditor's report on the financial statements of Arka Fincap Limited (formerly known as Kirloskar Capital Limited) for the year ended 31 March 2020

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

(Referred to in paragraph 1 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 known as Kirloskar Capital Limited) ("the Company") as of 31 March 2020 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 2020, 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.

Annexure B to the Independent Auditor's report on the financial statements of Arka Fincap Limited for the year ended 31 March 2020 (continued)

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: 20117377AAAABK2581

Mumbai
28 May 2020

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Financial statements

together with Independent Auditors'
Report for the year ended 31 March
2020

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Financial statements together with Independent Auditors' Report *for the year ended 31 March 2020*

Contents

Independent Auditors' Report

Balance Sheet

Statement of Profit and Loss

Cash Flow Statement

Notes to the financial statements

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Balance Sheet

(Currency : Indian rupees)

	Note	As at 31 March 2020	As at 31 March 2019
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2.1	5,26,50,00,000	27,00,00,000
(b) Reserves and surplus	2.2	4,41,90,230	(7,46,28,144)
		<u>5,30,91,90,230</u>	<u>19,53,71,856</u>
2 Non-current liabilities			
(a) Long-term borrowings	2.3	52,50,00,000	-
(b) Other long-term liabilities	2.4	28,276	-
(c) Long-term provisions	2.5	98,95,252	6,97,705
		<u>53,49,23,528</u>	<u>6,97,705</u>
3 Current liabilities			
(a) Trade payables	2.6	21,78,022	16,86,823
(b) Other current liabilities	2.7	29,43,33,807	59,66,569
(c) Short-term provisions	2.8	76,25,842	49,720
		<u>30,41,37,671</u>	<u>77,03,112</u>
TOTAL - EQUITY AND LIABILITIES (1+2+3)		<u><u>6,14,82,51,429</u></u>	<u><u>20,37,72,673</u></u>
II ASSETS			
4 Non-current assets			
(a) Property, plant and equipment	2.9		
(i) Tangible assets		3,39,11,029	4,12,62,063
(ii) Intangible assets		8,91,867	2,09,769
(iii) Intangible assets under development		2,18,55,500	-
(b) Non-current investments	2.10	71,92,15,000	-
(c) Deferred tax assets (net)	2.11	71,66,869	2,38,00,902
(d) Long-term loans and advances	2.12	1,84,75,17,742	2,93,50,124
		<u>2,63,05,58,008</u>	<u>9,46,22,858</u>
5 Current assets			
(a) Current investments	2.13	38,05,32,800	-
(b) Cash and bank balances	2.14	1,23,26,68,097	10,23,06,960
(c) Short-term loans and advances	2.15	1,78,69,97,062	61,69,704
(d) Other current assets	2.16	11,74,95,463	6,73,151
		<u>3,51,76,93,422</u>	<u>10,91,49,815</u>
TOTAL ASSETS (4+5)		<u><u>6,14,82,51,429</u></u>	<u><u>20,37,72,673</u></u>

Significant accounting policies and notes to the financial statements

1 & 2

As per our report of even date attached.

For BSR & Co. LLP

Chartered Accountants

Firm's Registration No.: 101248W/W-100022



Vaibhav Shah

Partner

Membership No: 117377

UDIN: 20117377AAAABK2581

Mumbai

28-May-2020

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

DIN: 00001318

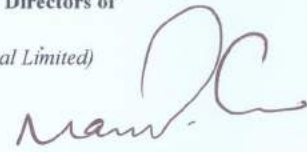


Ritesh Jhanwar

Financial Controller

Mumbai

28-May-2020



Mahesh Chhabria

Non Executive Director

DIN: 00166049



Amit Bondre

Deputy Company Secretary

Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)***Statement of Profit and Loss**

(Currency : Indian rupees)

	Note	For the year ended 31 March 2020	For the period ended 31 March 2019
I Income			
Revenue from operations			
(a) Fee income	2.17	2,79,94,146	-
(b) Interest income	2.18	39,44,30,986	33,78,572
(c) Income from treasury	2.19	7,83,65,561	-
Net Revenue from operations		<u>50,07,90,693</u>	<u>33,78,572</u>
Total income		<u>50,07,90,693</u>	<u>33,78,572</u>
II Expenditure			
(a) Employee benefits expense	2.20	21,23,79,906	2,59,75,626
(b) Finance costs	2.21	2,04,18,403	1,736
(c) Depreciation and amortisation expenses	2.9	89,82,679	23,59,518
(d) Other expenses	2.22	9,42,10,057	7,34,70,738
Total expenditure		<u>33,59,91,045</u>	<u>10,18,07,618</u>
III Profit / (Loss) before tax (I-II)		16,47,99,648	(9,84,29,046)
IV Tax expense			
(a) Current tax		2,93,47,241	-
(b) Deferred tax charge/ (benefit)		1,66,34,033	(2,38,00,902)
		<u>4,59,81,274</u>	<u>(2,38,00,902)</u>
V Profit / (Loss) for the year (III-IV)		<u>11,88,18,374</u>	<u>(7,46,28,144)</u>
VI Earnings per equity share: (refer note 2.23)			
(a) Basic		0.23	(7.12)
(b) Diluted		0.23	(7.12)

Significant accounting policies and notes to the financial statements

1 & 2

As per our report of even date attached.

For BSR & Co. LLP

Chartered Accountants

Firm's Registration No.: 101248W/W-100022


**Vaibhav Shah***Partner*

Membership No: 117377

UDIN: 20117377AAAABK2581

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*

DIN: 00001318

**Ritesh Jhanwar***Financial Controller***Mahesh Chhabria***Non Executive Director*

DIN: 00166049

**Amit Bondre***Deputy Company Secretary*

Mumbai

28-May-2020

Mumbai

28-May-2020

Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)***Cash Flow Statement**

(Currency : Indian rupees)

	For the year ended 31 March 2020	For the period ended 31 March 2019
A Cash flow from operating activities		
Profit / (Loss) before tax	16,47,99,648	(9,84,29,046)
<i>Adjustments for</i>		
Depreciation	89,82,679	23,59,518
Provision for gratuity	15,12,048	3,04,857
Provision for lease encashment	9,98,404	4,42,568
Provision for standard assets	1,42,63,217	-
Provision for bonus	6,10,00,000	-
Lease equalisation reserve	28,276	-
Finance cost	2,04,18,403	1,736
Stamp Duty Expenses	53,34,014	54,50,424
Processing fee income on CP	(16,69,146)	-
Profit on sale of investments	(7,83,65,561)	-
Interest income on fixed deposit with bank	(6,96,60,375)	(33,32,231)
Amortised discount income on commercial paper	(7,25,14,500)	-
Interest income on debt instruments	(5,52,22,456)	-
Operating cash flow before working capital changes	(95,349)	(9,32,02,174)
<i>Add / (Less): Adjustments for working capital changes</i>		
Increase in trade payables	4,91,199	16,86,823
Increase in other current liabilities	23,67,239	59,66,568
Increase in receivables from financing business (net)	(3,56,58,04,314)	-
Increase in other loans and advances	(3,17,89,909)	(3,51,79,970)
Increase in other current asset	(8,36,73,758)	(6,73,151)
Cash used in operations	(3,67,85,04,892)	(12,14,01,903)
Income taxes paid	(3,07,47,994)	(3,39,858)
Net cash used in operating activities - A	(3,70,92,52,886)	(12,17,41,761)
B Cash flow from investing activities		
Purchase of fixed assets	(2,41,69,244)	(4,38,31,350)
Fixed deposit placed with banks (except fixed deposits where original maturity less than 3 months which are covered in cash & cash equivalents)	(2,99,00,00,000)	-
Redemption of fixed deposits (except fixed deposits where original maturity less than 3 months which are covered in cash & cash equivalents)	2,99,00,00,000	-
Interest received on fixed deposit with bank	6,96,93,643	33,32,231
Interest received on debt instrument	5,23,95,686	-
Processing fee received on commercial papers	16,69,146	-
Purchase of investments	(35,28,05,04,305)	-
Sale of investments	34,30,12,81,514	-
Net cash used in investing activities - B	(87,96,33,560)	(4,04,99,119)



Cash Flow Statement (Continued)

(Currency : Indian rupees)

	For the year ended 31 March 2020	For the period ended 31 March 2019
C Cash flow from financing activities		
Proceeds from issue of equity share capital	4,99,50,00,000	27,00,00,000
Stamp Duty Expenses	(53,34,014)	(54,50,424)
Proceeds from bank loan (net)	75,00,00,000	-
Finance cost paid during the year	(2,04,18,403)	(1,736)
Net cash generated from financing activities - C	5,71,92,47,583	26,45,47,840
Net increase in cash and cash equivalents (A+B+C)	1,13,03,61,137	10,23,06,960
Cash and cash equivalent as at the beginning of the year	10,23,06,960	-
Cash and cash equivalent as at the end of the year (Refer note 2.14)	1,23,26,68,097	10,23,06,960

As per our report of even date attached.

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022



Vaibhav Shah
Partner
Membership No: 117377
UDIN: 20117377AAAABK2581

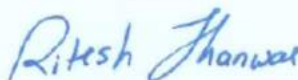
For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)



Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318



Mahesh Chhabria
Non Executive Director
DIN: 00166049



Ritesh Jhanwar
Financial Controller



Amit Bondre
Deputy Company
Secretary

Mumbai
28-May-2020

Mumbai
28-May-2020

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements

Company overview:

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.

1 Significant accounting policies

1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented under the historical cost convention in accordance with the generally accepted accounting principles (GAAP) in India, on the accrual basis of accounting, unless otherwise stated, and comply with the accounting standards specified under section 133 of Companies Act 2013, read with rule 7 of Companies (Accounts) Rules, 2014, Schedule III to the Companies Act, 2013. Further, the Company follows prudential norms for income recognition, assets classification and provisioning for non-performing assets as well as contingency provision for standard assets in accordance with the 'Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016' dated September 01, 2016 ('RBI Master Directions, 2016').

1.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the financial statement are based on management evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from the estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

1.3 Current-non-current classification

All assets and liabilities are classified into current and non-current

Assets

An Asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- b. It is held primary for the purpose of being traded;
- c. It is expected to be realized within 12 months after the reporting date; or



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

1.3 Current-non-current classification (Continued)

- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current Assets include the current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. It is expected to be settled in the company's normal operating cycle.
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within 12 months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current

1.4 Revenue recognition

- a. Interest income from financing and investing activities are recognised on accrual basis, except in case of non-performing assets, which is recognised on receipt basis in line with RBI guidelines.
- b. Interest income on fixed income debt instruments such as non-convertible debentures and commercial papers are recognised on a time proportion basis taking into account the amount outstanding and the effective rate applicable. Discount, if any, is recognised on a time proportion basis over the tenure of the securities.
- c. Interest income on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- d. Interest income on loan portfolio buyout is recognised on accrual basis at the agreed rate of interest on the diminishing balance of outstanding loan.
- e. Origination fees or Processing fees is recognised as income on signing of the binding term sheet by the client.
- f. Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

1.5 Provisioning on receivables from financing business

Provision for non-performing assets (NPA) and provision for standard assets are made as per the 'Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016' dated September 01, 2016 ('RBI Master Directions, 2016'). Pursuant to the RBI Master Directions, 2016, the Company is following the policy for recognising NPA from 90 days and Company is providing standard assets provisioning at 0.40% of standard loan outstanding.



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

1.6 Property, Plant and Equipment and Depreciation/Amortisation

Tangible assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and / or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Residual values of all fixed assets are considered as nil.

Depreciation on Property, Plant and Equipment

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life of the respective assets. The estimated useful life used to provide depreciation are as follows:

Particular	Estimated useful life by the Company	Useful life as prescribed by Schedule II of the Companies Act, 2013
Office Equipment	5 Years	5 Years
Office Equipment – Mobiles	2 Years	5 Years
Furniture and fixtures	10 Years	10 Years
Motor vehicles	8 Years	8 Years
Servers and networks	6 Years	6 Years
Computers	3 Years	3 Years

Useful life of assets different from prescribed in Schedule II has been estimated by management and supported by technical assessment.

Leasehold improvements are amortised over the useful life of the assets or the primary lease tenor whichever is lower, on a straight-line basis.

Intangible assets/Amortisation

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Amortisation is provided on SLM basis, which reflect management's estimate of the useful life of the intangible asset.

Class of asset	Useful Life
Software	5 Years



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

1.7 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

1.8 Investments

Investments are classified into Non-current investments and current investments. Investments which are intended to be held for one year or more from balance sheet date are classified as Non-current investments and investments which are intended to be held for less than one year from balance sheet date are classified as current investments.

Non-current investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost or market value. The comparison of cost and market value is done separately in respect of each category of investment. In case of investments in mutual funds, the net asset value of units declared by the mutual fund is considered as the market value.

1.9 Employee benefits

The accounting policy followed by the Company in respect of its employee benefit scheme in accordance with Accounting Standard 15 (Revised 2005), is set out below:

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.

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that the employees will earn in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

1.9 Employee benefits (Continued)

Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the statement of profit and loss.

Compensated Absences

The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge in the statement of profit and loss and corresponding liability on of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

1.10 Taxation

Tax expense comprises income tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

Income tax

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred tax

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

1.11 Operating leases

Lease payment for asset taken on operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

1.12 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed under section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding for the period.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the period. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year ended 31 March 2020.



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

1.13 Finance costs

Finance cost includes interest and are charged to the Statement of Profit & Loss in the year/period in which they are incurred. Ancillary and other borrowing costs are amortised over the tenure of the underlying loan on straight line basis.

1.14 Employee stock option plans (ESOPs)

The Company is accounting and making disclosure of the employee share-based payment plans in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. The Company share-based payment plans are under 'Equity-settled' category. Under Equity-settled category employees shall receive equity shares of the Company on exercise of vested options. The Company has adopted intrinsic value method for accounting of its share-based payment plan.

As per para 40 of Guidance Note, Intrinsic value, in the case of a listed company, is the amount by which the quoted market price of the underlying share exceeds the exercise price of an option. If the quoted market price is not available on the grant date then the share price nearest to that date is taken. In the case of a non-listed company, since the shares are not quoted on a stock exchange, value of its shares is determined on the basis of a valuation report from an independent valuer.

1.15 Provisions and contingences

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

1.16 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash on hand, cash at bank including deposits with original maturity of less than three months, cheques on hand and remittances in transit.



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency : Indian rupees)

	As at 31 March 2020	As at 31 March 2019
2.1 Share capital		
Authorised :		
1,00,00,00,000 (Previous year: 1,00,00,00,000) equity shares of Re.10 each	10,00,00,00,000	10,00,00,00,000
	<u>10,00,00,00,000</u>	<u>10,00,00,00,000</u>
Issued, subscribed and paid up:		
52,65,00,000 (Previous year: 2,70,00,000) equity shares of Rs.10 each, fully paid-up	5,26,50,00,000	27,00,00,000
(Of the above 52,65,00,000 (Previous year: 2,70,00,000) fully paid-up equity shares of Rs.10 each, are held by Kirloskar Oil Engines Limited, the holding company along with its Nominees.)		
	<u>5,26,50,00,000</u>	<u>27,00,00,000</u>

a. Reconciliation of share capital :

	31 March 2020		31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Outstanding at the beginning of the year	2,70,00,000	27,00,00,000	-	-
Shares issued during the year	49,95,00,000	4,99,50,00,000	2,70,00,000	27,00,00,000
Outstanding at the end of the year	<u>52,65,00,000</u>	<u>5,26,50,00,000</u>	<u>2,70,00,000</u>	<u>27,00,00,000</u>

b. Terms/rights attached to equity shares :

The Company has only one class of equity shares having a par value of Rs 10/-. Each holder of equity shares is entitled to one vote per share held. 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 number of equity shares held by the shareholders.

c. Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Equity shares of Rs 10 each, fully paid-up, held by	31 March 2020		31 March 2019	
	Number of shares	Percentage shareholding	Number of shares	Percentage shareholding
Kirloskar Oil Engines Limited	52,65,00,000	100%	2,70,00,000	100%
	<u>52,65,00,000</u>	<u>100%</u>	<u>2,70,00,000</u>	<u>100%</u>



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency : Indian rupees)

	As at 31 March 2020	As at 31 March 2019
2.2 Reserves and surplus		
Statutory reserve u/s 45-IC of The Reserve Bank of India Act, 1934*		
Opening balance	-	-
Add : Additions during the year*	2,37,63,675	-
	<u>2,37,63,675</u>	<u>-</u>
Surplus in Statement of Profit and loss		
Opening balance	(7,46,28,144)	-
Add: Profit for the year	11,88,18,374	(7,46,28,144)
Amount available for appropriation	<u>4,41,90,230</u>	<u>(7,46,28,144)</u>
Appropriations:		
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934*	2,37,63,675	-
	<u>2,04,26,555</u>	<u>(7,46,28,144)</u>
	<u>4,41,90,230</u>	<u>(7,46,28,144)</u>
<p>* Represents reserve created @ 20% of the profit after tax for the year as per the provisions of section 45-IC of the Reserve Bank of India Act, 1934</p>		
2.3 Long-term borrowings		
Secured		
Term loan from Banks	52,50,00,000	-
[Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments]		
	<u>52,50,00,000</u>	<u>-</u>
2.4 Other long term liabilities		
Lease equalisation reserve	28,276	-
	<u>28,276</u>	<u>-</u>
2.5 Long-term provisions		
Provision for employee benefits (Refer note 2.27)		
Gratuity	18,13,013	3,02,565
Compensated leave absences	8,59,613	3,95,140
Others		
Contingent provision against standard assets [Refer note 2.34 (q)]	72,22,626	-
	<u>98,95,252</u>	<u>6,97,705</u>



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	As at 31 March 2020	As at 31 March 2019
2.6 Trade payables		
Total outstanding dues to micro enterprises and small enterprises <i>(Refer note 2.30)</i>	-	-
Total outstanding dues to creditors other than micro enterprises and small enterprises	21,78,022	16,86,823
	<u>21,78,022</u>	<u>16,86,823</u>
2.7 Other current liabilities		
Current maturities of long term debt		
Term loan from Banks	22,50,00,000	-
[Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments]		
Accrued salaries and benefits	6,11,07,219	-
Withholding taxes and other taxes payable	82,26,588	59,66,569
	<u>29,43,33,807</u>	<u>59,66,569</u>
2.8 Short-term provisions		
Provision for employee benefits <i>(Refer note 2.27)</i>		
Gratuity	3,892	2,292
Compensated absences	5,81,359	47,428
Others		
Contingent provision against standard assets [Refer note 2.34 (q)]	70,40,591	-
	<u>76,25,842</u>	<u>49,720</u>



Arka Fincap Limited
(Formerly known as Kirtoskar Capital Limited)

Notes to the financial statements (Continued)

(Currency : Indian rupees)

2.9 Property, plant and equipment

Particulars	Gross Block			Acc. Depreciation			Net Block		
	As at 1 April 2019	Additions during the year	Deductions during the year	As at 31 Mar 2020	As at 1 April 2019	Charge for the year	Deductio ns during 31 Mar 2020	As at 31 Mar 2020	As at 31 March 2019
a) Tangibles									
Office equipments	7,58,594	3,65,001	-	11,23,595	14,214	2,18,560	-	2,32,774	8,90,821
Furniture and fixtures	2,77,549	11,100	-	2,88,649	7,710	27,935	-	35,645	2,53,004
Motor vehicles	70,02,798	-	-	70,02,798	5,01,228	8,77,751	-	13,78,979	56,23,819
Computers	11,08,815	10,93,792	-	22,02,607	69,752	5,46,354	-	6,16,106	15,86,501
Leasehold improvements	3,44,65,488	-	-	3,44,65,488	17,58,277	71,50,327	-	89,08,604	2,55,56,884
Total (A)	4,36,13,244	14,69,894	-	4,50,83,137	23,51,181	88,20,927	-	1,11,72,108	3,39,11,029
b) Intangibles									
Software	2,18,106	8,43,850	-	10,61,956	8,337	1,61,752	-	1,70,089	8,91,867
Total (B)	2,18,106	8,43,850	-	10,61,956	8,337	1,61,752	-	1,70,089	8,91,867
Total (A+B)	4,38,31,350	23,13,744	-	4,61,45,093	23,59,518	89,82,679	-	1,13,42,197	3,48,02,896

c) Intangible assets under development

Particulars	As at 31 Mar 2020	As at 31 Mar 2019
(i) Loan Origination System (LOS)	1,38,57,084	-
(ii) Loan Management System (LMS)	79,98,416	-
	2,18,55,500	-



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency : Indian rupees)

2.9 Property, plant and equipment (Previous Year)

Particulars	Gross Block			Acc. Depreciation			Net Block	
	As at 1 April 2018	Additions during the period	Deductions during the period	As at 1 April 2018	Charge for the period during the period	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
a) Tangibles								
Office equipments	-	7,58,594	-	-	14,214	-	7,44,380	-
Furniture and fixtures	-	2,77,549	-	-	7,710	-	2,69,839	-
Motor vehicles	-	70,02,798	-	-	5,01,228	-	65,01,570	-
Computers	-	11,08,815	-	-	69,752	-	10,39,063	-
Leasehold improvements	-	3,44,65,488	-	-	17,58,277	-	3,27,07,211	-
Total (A)	-	4,36,13,244	-	-	23,51,181	-	4,12,62,063	-
b) Intangibles								
Software	-	2,18,106	-	-	8,337	-	2,09,769	-
Total (B)	-	2,18,106	-	-	8,337	-	2,09,769	-
Total (A+B)	-	4,38,31,350	-	-	23,59,518	-	4,14,71,832	-



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	Face Value	Quantity	As at 31 March 2020	As at 31 March 2019
2.10 Non-current investments				
Investments (At cost):				
Investments in debentures or bonds (quoted)				
12.50% Sterlite Power Transmission Limited	10,00,000	500	49,50,00,000	-
9.45% ECL Finance Limited	1,000	2,50,000	22,42,15,000	-
			<u>2,50,500</u>	<u>71,92,15,000</u>
Aggregate market value of listed and quoted investments				
Investments in debentures or bonds			72,42,50,000	-
2.11 Deferred tax assets (net)				
Deferred tax assets				
Provision for gratuity			4,57,279	88,774
Provision for compensated leave absences			3,62,664	1,28,876
Lease equilisation reserve			7,117	-
Preliminary Expenses u/s 35D of Income tax Act, 1961			20,38,608	31,44,960
Provision for standard assets			35,89,766	-
Business losses carried forward			-	2,06,56,789
			<u>64,55,434</u>	<u>2,40,19,399</u>
Deferred tax liabilities				
Difference between book and tax depreciation			(7,11,435)	2,18,497
			<u>(7,11,435)</u>	<u>2,18,497</u>
			<u>71,66,869</u>	<u>2,38,00,902</u>



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	As at 31 March 2020	As at 31 March 2019
2.12 Long-term loans and advances		
<u>Secured</u>		
Receivable from financing business		
- considered good *	1,80,56,56,514	-
- considered non performing asset	-	-
	1,80,56,56,514	-
<i>* Includes unquoted debentures of Rs. 44.43 Crore.</i>		
Other loans and advances: (Unsecured, considered good)		
Security deposits	2,62,57,193	2,54,62,193
Prepaid expenses	1,31,67,731	-
Loans and advances to employees	24,36,304	38,87,931
	1,84,75,17,742	2,93,50,124



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	As at 31 March 2020			As at 31 March 2019		
	Face Value	Quantity	Amount	Face Value	Quantity	Amount
2.13 Current investments						
(At cost or market value, whichever is lower)						
Investments in debentures or bonds (quoted)						
8.65% Avanse Financial Services Limited	10,00,000	200	19,05,32,800	-	-	-
Investments in mutual funds (unquoted)						
ICICI Prudential Liquid Fund-Direct Plan-Growth		2,73,383	8,00,00,000	-	-	-
Franklin India Liquid Fund - Super inst. Plan - Direct		26,935	8,00,00,000	-	-	-
BNP Paribas Liquid Fund Direct Growth		9,851	3,00,00,000	-	-	-
			<u>38,05,32,800</u>			<u>-</u>
Aggregate value of unquoted investments						
1) Debentures or bonds						
- Cost of acquisition			19,05,32,800			-
- Market value			20,00,00,000			-
2) Mutual funds						
- Cost of acquisition			19,00,00,000			-
- Market value (net asset value)			19,07,93,715			-



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	As at 31 March 2020	As at 31 March 2019
2.14 Cash and bank balances		
Cash and Cash equivalents		
Balances with banks		
- in current accounts	73,26,68,097	1,23,06,960
- in fixed deposits with original maturity less than 3 months	50,00,00,000	9,00,00,000
	<u>1,23,26,68,097</u>	<u>10,23,06,960</u>
2.15 Short-term loans and advances		
<u>Secured</u>		
Receivable from financing business		
- considered good *	1,76,01,47,799	-
- considered non performing asset	-	-
	<u>1,76,01,47,799</u>	<u>-</u>
<i>* Includes unquoted debentures of Rs. 25 Crore.</i>		
Other loans and advances: (Unsecured, considered good)		
Prepaid expenses	1,44,26,740	20,94,943
Loans and advances to employees	23,99,384	-
Vendor advances	94,883	1,01,487
Input credit on Goods and Service tax	81,87,645	36,32,615
Advance income taxes (net of provision for taxes Rs 2,94,15,723 ; Previous year Rs Nil)	17,40,611	3,39,858
Advances recoverable in cash or in kind or for value to be received	-	801
	<u>1,78,69,97,062</u>	<u>61,69,704</u>
2.16 Other current assets		
Accrued interest on fixed deposits	6,39,883	6,73,151
Accrued interest on debt instruments	3,31,81,822	-
Accrued interest on loans given	8,36,73,758	-
	<u>11,74,95,463</u>	<u>6,73,151</u>



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	For the year ended 31 March 2020	For the period ended 31 March 2019
Revenue from operations		
2.17 Fee income		
Processing fees income	2,79,94,146	-
	<u>2,79,94,146</u>	<u>-</u>
2.18 Interest income		
Interest income on loans		
Employee loan	3,36,138	46,341
Others	19,66,79,632	-
Interest income on debt instruments	5,52,22,456	-
Interest income on fixed deposits	6,96,60,375	33,32,231
Amortised discount income on commercial paper	7,25,14,500	-
On others	17,885	-
	<u>39,44,30,986</u>	<u>33,78,572</u>
2.19 Income from treasury		
Net profit on sale of current investments	7,83,65,561	-
	<u>7,83,65,561</u>	<u>-</u>



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	For the year ended 31 March 2020	For the period ended 31 March 2019
2.20 Employee benefits expense		
Salaries, wages and bonus	20,67,80,668	2,50,46,866
Contribution to provident and other funds <i>(Refer note 2.27)</i>	24,55,133	-
Leave encashment expense <i>(Refer note 2.27)</i>	9,98,404	4,42,568
Gratuity expenses <i>(Refer note 2.27)</i>	15,12,048	3,04,857
Staff welfare expenses	6,33,653	1,81,335
	<u>21,23,79,906</u>	<u>2,59,75,626</u>
2.21 Finance costs		
Interest on term loan from banks	1,52,68,835	-
Interest on cash credit and overdraft facility from banks	25,92,650	-
Processing fees and bank charges	24,88,436	1,736
Interest on shortfall in payment of advance income tax	68,482	-
	<u>2,04,18,403</u>	<u>1,736</u>



Arka Fincap Limited*(Formerly known as Kirloskar Capital Limited)*Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	For the year ended 31 March 2020	For the period ended 31 March 2019
2.22 Other expenses		
Auditors' remuneration *	16,74,000	4,26,600
Communication	6,96,567	1,72,419
Computer expenses	8,79,647	54,627
Directors' sitting fees	11,10,000	-
Electricity charges	7,69,512	1,36,608
Insurance	12,21,905	1,44,246
Legal and professional fees	3,09,70,171	3,16,72,149
Membership and subscription	14,37,638	-
Office expenses	15,05,756	2,51,407
Postage and courier	41,750	10,644
Printing and stationery	3,54,867	1,33,211
Provision for standard assets	1,42,63,217	-
Rates and taxes	79,798	23,280
Rent <i>(Refer note 2.28)</i>	1,71,74,391	43,32,199
Repairs and maintenance	18,63,038	4,50,023
ROC Expenses	44,885	2,50,32,900
GST expenses	99,40,537	36,52,991
Stamp duty	53,34,014	54,50,424
Travelling and conveyance	26,08,945	6,52,447
Housekeeping and security charges	22,39,419	8,74,563
	<u>9,42,10,057</u>	<u>7,34,70,738</u>
*Auditors' remuneration:		
As Auditor:		
Statutory audit	7,00,000	2,00,000
Audit of special purpose financial statement	8,00,000	1,00,000
Reimbursement of expenses	74,000	26,600
In other capacity:		
Other services	1,00,000	1,00,000
	<u>16,74,000</u>	<u>4,26,600</u>



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.23 Earnings per share

In accordance with Accounting Standard 20 on Earnings per share prescribed under section 133 of the Companies Act, 2013, the computation of earnings per share is set out below.

Particulars	2019-20	2018-19
a) Profit after tax attributable to equity shareholders	11,88,18,374	(7,46,28,144)
b) Calculation of weighted average number of equity shares of Rs 10 each:		
– Number of equity shares outstanding at the beginning of the year	2,70,00,000	-
– Number of equity shares issued during the year	49,95,00,000	2,70,00,000
Total number of equity shares outstanding at the end of the year	52,65,00,000	2,70,00,000
Weighted average number of equity shares outstanding during the year	51,28,52,459	1,04,82,659
Basic and diluted earnings per share (in Rupees) (a/b)	0.23	(7.12)

The basic and diluted earnings per share are the same as there are no dilutive/ potential equity shares issued or outstanding as at the year ended 31 March 2020.

2.24 Segment reporting

The Company is a non-banking financial institution and is in the business of financing. Further the Company does not have any separate geographical segment in India. As such there are no separate reportable segment as per AS 17 "Segment Reporting".

2.25 Related parties

Name of related parties identified in accordance with AS-18 "Related Party Disclosure" with whom transaction have taken place during the year ended 31 March 2020.

(A) Names of related parties by whom control is exercised

Kirloskar Oil Engines Limited - Holding company (w.e.f. 20 April 2018)

(B) Key management personnel with whom transactions have taken place

Vimal Bhandari (Executive Vice Chairman and CEO) (appointed w.e.f. 1 November 2018)



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.25 Related parties

Name of related parties identified in accordance with AS-18 "Related Party Disclosure" with whom transaction have taken place during the year ended 31 March 2020. (Continued)

(C) Transactions with related parties

Particulars	Holding Company	Key management personnel
(I) Current account transactions		
Equity share capital received from		
Kirloskar Oil Engines Limited	4,99,50,00,000	
	(26,99,99,940)	
Reimbursement paid to		
Kirloskar Oil Engines Limited	-	
	(8,08,28,698)	
Remuneration paid to		
Vimal Bhandari*		3,01,73,690
		(1,24,93,747)
(II) Balances with related parties		
Employee benefits payable		
Vimal Bhandari		1,28,848
		(-)
<i>Amount in brackets represent previous year numbers.</i>		
<i>* The above figure does not include provision for gratuity payable to Key management personnel. Gratuity is actuarially determined for the Company as a whole and separate figure for the Key management personnel are not available.</i>		



Arka Fincap Limited

(Formerly Kirloskar Capital Limited)

Notes to the financial statements (Continued)

for the year ended 31st March 2020

(Currency : Indian rupees)

2.26 Employee stock option plans

During the current year the Company has rolled out new Employee Stock Option Plan (ESOP - 2019). The Plan provides that the Company's employees are granted an option to acquire equity shares of the Company that vest in a graded manner. 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 Rs. 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.

The Company follows the intrinsic value method to account for its stock based compensation plans. In case of unlisted Company intrinsic value means excess of the value of the underlying share as determined by an independent valuer over the exercise price of the option. Value of the underlying share as per valuation report is Rs 10 which is equal to exercise price. Therefore, compensation cost for the current year ended 31 March 2020 is Rs. Nil.

Details of ESOP Plan and its scheme are stated below:

As on 31 March 2020:

ESOP Plan/ ESOP Scheme	ESOP - 2019	ESOP - 2019
Date of Grant	06 May 2019	01 November 2019
Exercise Price	Rs 10	Rs 10
Option outstanding at the beginning of the year.	-	-
Add: Granted	2,06,50,000	13,00,000
Less: Exercised	-	-
Less: Lapsed	-	-
Option outstanding, end of the period	2,06,50,000	13,00,000
Exercisable at the end of the period	-	-

The Key terms of the Employee Stock Option Plan/ (ESOP - 2019) are summarised below:

ESOP Plan/ Scheme	ESOP - 2019	ESOP - 2019
Date of Grants	06 May 2019	01 November 2019
Date of board approval	24 April 2019	24 April 2019
Date of shareholders' approval	02 May 2019	02 May 2019
Number of options outstanding as on 31 March 2020	2,06,50,000	13,00,000
Method of settlement	Equity	Equity
Vesting period	1) Vesting period of option vary from employee to employee or class of employees. 2) Options granted under ESOP 2019 would vest subject to maximum period of 5 (five) years from the date of respective grant/s of such options.	1) Vesting period of option vary from employee to employee or class of employees. 2) Options granted under ESOP 2019 would vest subject to maximum period of 5 (five) years from the date of respective grant/s of such options.
Vesting pattern	The vesting of total outstanding options will take place as follows:	
	Vesting Date	No of options
	06 May 2020	83,65,000
	01 November 2020	37,50,000
	02 January 2021	1,00,000
	23 January 2021	9,00,000
	18 February 2021	1,00,000
	01 March 2021	3,20,000
	03 April 2021	10,000
	01 November 2021	37,50,000
	02 January 2022	1,50,000
	23 January 2022	15,00,000
	18 February 2022	1,50,000
	01 March 2022	4,80,000
	03 April 2022	15,000
	02 January 2023	2,00,000
18 February 2023	2,00,000	
01 March 2023	6,40,000	
03 April 2023	20,000	
Total	2,06,50,000	Total
		13,00,000



(Formerly Kirloskar Capital Limited)

Notes to the financial statements (Continued)

for the year ended 31st March 2020

(Currency : Indian rupees)

2.26 Employee stock option plans

Weighted average remaining contractual life of outstanding options (in years):		
Granted but not vested (in years)	0.85	2.32
Vested but not exercised (in years)	NA	NA
Weighted average share price at the date of exercise for stock options exercised during the period	NA	NA
Exercise period	6 years	6 years
Vesting conditions	Options shall be vested subject to continued employment of the participant.	Options shall be vested subject to continued employment of the participant.

Fair Value Methodology:

The fair value of options have been estimated on the date of each grant using Black-Scholes model are as under:

Weighted average fair value of options as on grant date	₹ 3.59	₹ 3.70
---	--------	--------

The key assumptions used in Black-Scholes model for calculating fair value of options under each grants are as

As on 31 March 2020:

ESOP Plan/ Scheme	ESOP - 2019	ESOP - 2019
Date of Grants	06 May 2019	01 November 2019
Risk-free interest rate	7.40%	6.60%
Expected volatility of share price	1%	1%
The weighted average price of equity share as on grant date	10	10

Impact of fair value method on net profit and earning per share:

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earning per share would have reduced to the pro-forma amounts as indicated below:

Particulars	For the year	For the year
	31 March 2020	31 March 2019
Net Profit (as reported)	11,88,18,374	(7,46,28,144)
Add: Stock-based compensation expenses determined under intrinsic value method	-	-
Less: Stock-based compensation expenses determined under fair value method (Net of tax)	(4,72,04,651)	-
Net Profit considered for computing EPS (pro-forma)	7,16,13,723	(7,46,28,144)
Basic earnings per share (as reported)	0.23	(7.12)
Basic earnings per share (pro-forma)	0.14	(7.12)
Diluted earnings per share (as reported)	0.23	(7.12)
Diluted earnings per share (pro-forma)	0.14	(7.12)



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.27 Disclosure pursuant to Accounting Standard 15 (Revised)-Employee benefits

A) 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.

Amount of Rs. 24,55,133 (previous year: Rs. nil) is recognised as expenses and included in Employee benefit expenses.

B) Defined benefit plan (Gratuity):

The following tables summarize the components of the net employee benefit expenses recognized in the Statement of Profit and Loss and amounts recognized in the balance sheet for the Gratuity benefit plan.

Statement of profit and loss

Net employee benefit expenses (recognized in employee cost)

	2019-20	2018-19
Current service cost	12,09,203	3,28,331
Interest on defined benefit obligation	23,474	-
Expected return on plan assets	-	-
Past service cost	-	-
Actuarial (gains)/losses	2,79,371	(23,474)
Total included in Employee benefit expenses	15,12,048	3,04,857

Balance Sheet

Changes in the present value of the defined benefit obligation are as follows:

	2019-20	2018-19
Liability at the beginning of the period	3,04,857	-
Interest cost	23,474	-
Current service cost	12,09,203	3,28,331
Employee Transfer in adjustment	-	-
Past service cost	-	-
Benefit paid	-	-
Actuarial (gain)/loss	2,79,371	(23,474)
Liability at the end of the period	18,16,905	3,04,857

Amount Recognised in the Balance Sheet:

Particulars	2019-20	2018-19
Liability at the end of the period	18,16,905	3,04,857
Fair value of plan assets at the end of the period	-	-
Amount recognized in Balance Sheet - Assets/(Liability)	(18,16,905)	(3,04,857)
Net Liability is bifurcated as follows:		
Current	3,892	2,292
Non-Current	18,13,013	3,02,565



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.27 Disclosure pursuant to AS 15 (Revised)-Employee benefits (Continued)

Experience adjustment:

	2019-20	2018-19
Defined benefit obligation	18,16,905	3,04,857
Fair value of plan assets	-	-
Surplus/ (Deficit)	(18,16,905)	(3,04,857)
Experience adjustment on plan liabilities: (Gain)/Loss	1,78,046	(23,474)
Experience adjustment on plan assets: Gain/(Loss)	NA	NA

C) Defined benefit plan (Compensated Absences):

The following tables summarize the components of the net employee benefit expenses recognized in the Statement of Profit and Loss and amounts recognized in the balance sheet for the Compensated Absences benefit plan.

Particulars	2019-20	2018-19
Amount included in Employee benefit expenses	9,98,404	4,42,568
Liability at the end of the period	14,40,972	4,42,568
Fair value of plan assets at the end of the period	-	-
Amount recognized in Balance Sheet - Assets/(Liability)	(14,40,972)	(4,42,568)
Net Liability is bifurcated as follows:		
Current	5,81,359	47,428
Non-Current	8,59,613	3,95,140

Principal actuarial assumptions at the balance sheet date:

	2019-20	2018-19
Discount rate	6.4%	7.7%
Salary escalation	8%	8%
Employees attrition rate (based on categories)	15%	5%
Mortality table	IALM(2012-14) ult	IALM(201214)ult
Expected average remaining working lives	5.59 years	11.88 years



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.28 Operating leases

The Company has taken premises on operating lease. Rental expenses for the year ended 31 March 2020 aggregated to Rs. 1,71,74,391 (Previous year: Rs 43,32,199) which has been included under the head other expenses – Rent in the Statement of Profit and Loss.

Details of future minimum lease payments for the non-cancellable operating lease are as follows:

	2019-20	2018-19
Minimum lease payments for non-cancellable lease		
- not later than one year	1,85,19,792	1,69,44,792
- later than one year and not later than five years	4,53,22,439	6,07,18,838
- later than five years	-	-
Total	6,38,42,231	7,76,63,630

2.29 Repayment terms of loan taken from banks are as follows:

Following are the repayment terms of loans outstanding at the year-end:

Current Year ended 31 March 2020:

(Rs. In Lakhs)

Loan taken from bank (Secured)			
Maturities	0-3 years	3-5 years	TOTAL
Rate of interest			
9 – 10%	7,500	-	7,500
TOTAL	7,500	-	7,500

Previous year ended 31 March 2019 borrowing outstanding was nil.

2.30 Details of dues to micro, small and medium enterprises:

Under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'), the following disclosure is made based on the information and records available with the Company in respect of the Micro, Small and Medium Enterprises who have registered with the competent authorities:

Particulars	31 March 2020	31 March 2019
Principal amount remaining unpaid to any supplier as at the year end	Nil	Nil
Interest due thereon	Nil	Nil
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	NA	NA
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.31 Income and expenditure in foreign currency

The Company does not have any foreign currency transaction during the year (previous year: Rs. Nil).

2.32 Unhedged foreign currency exposure

The Company does not have any unhedged foreign currency exposure at the year ended 31 March 2020 (previous year: Rs. Nil).

2.33 Commitments and Contingent liabilities

Commitments

a) Estimated amounts of Contracts remaining to be executed on capital account:

Particulars	31 March 2020	31 March 2019
Loan Origination System	1,13,50,000	-
Loan Management System	68,00,000	-
Total	1,81,50,000	-

Contingent liabilities:

- b) Contingent liabilities Rs. Nil as at balance sheet date.
- c) Company does not have any pending litigations which will have impact on its financial position.
- d) Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

- 2.34 Disclosures as required by the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India ("RBI") vide their Notification No. RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016 ('RBI Master Directions, 2016'), as updated from time to time.**

Note: Company classification changed from Non-systemically Important NBFC to Systemically Important NBFC during the current financial year 2019-20 therefore disclosure for previous year not applicable.

a) Capital:

Particulars		(Amount in ₹ crore)
		31 March 2020
i)	CRAR (%)	108.55%
ii)	CRAR - Tier I Capital (%)	108.26%
iii)	CRAR - Tier II Capital (%)	0.29%
iv)	Amount of subordinated debt raised as Tier-II capital	-
v)	Amount raised by issue of Perpetual Debt Instruments	-

b) Investments:

Particulars			(Amount in ₹ crore)
			31 March 2020
(1)	1. Value of Investments		
	(i)	Gross Value of Investments	
		(a) In India	109.97
		(b) Outside India,	-
	(ii)	Provisions for Depreciation	
		(a) In India	-
		(b) Outside India,	-
	(iii)	Net Value of Investments	
		(a) In India	109.97
		(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 provisions during the year	-
	(iv)	Closing balance	-

c) 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.



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

d) Disclosure 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.

e) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities (Amount in ₹ crore)

Particulars	1 to 7 days	8 to 14 days	15 to 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-	-	-
Advances	-	-	25.00	-	7.50	108.92	34.59	156.16	24.41	-	356.58
Investments	-	9.50	9.50	-	10.71	-	29.77	50.49	-	-	109.97
Borrowings	-	-	-	-	-	7.50	15.00	52.50	-	-	75.00
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-

Note: this disclosure is prepared basis three months moratorium period and none of the clients have availed the moratorium for six months as on the date of financial statement.



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

f) Exposure to Real Estate Sector

		(Amount in ₹ crore)
Category		As at 31 March 2020
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	-
	(ii) Commercial Real Estate -	
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure shall also include non-fund based limits	153.72
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	
	a. Residential	-
	b. Commercial Real Estate	-
Total Exposure to Real Estate Sector		153.72

g) Exposure to Capital Market

		(Amount in ₹ crore)
Particulars		As at 31 March 2020
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-
(ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	25.00
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds 'does not fully cover the advances;	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-
(vi)	loans sanctioned to corporates against the security of shares/bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-
(vii)	bridge loans to companies against expected equity flows / issues;	-
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)	-
Total Exposure to Capital Market		25.00



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

h) Details of financing of parent company products

There are no parent company products which are financed by the Company during the current and previous year.

i) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company

Particulars	As at 31 March 2020
Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company	-

j) Unsecured Advances

Details of unsecured advances the rights, licenses, authorisations, etc., charged to the applicable NBFCs as collateral in respect of projects (including infrastructure projects) financed by the Company.

Particulars	As at 31 March 2020
Advances against Securities of Intangible Assets	-

k) Registration obtained from other financial sector regulators

The Company has not obtained registration from any other financial sector regulator during the current and previous year.

l) Related Party Transactions

Details of all material transactions with related parties has been given in Notes No 2.25 of the financial statements.

m) Rating assigned by credit rating agencies and migration of rating during the year/period

Sr. no.	Instruments	Credit Rating Agency	As at 31 March 2020
1.	Bank Loan Facilities	CRISIL	CRISIL AA-
2.	Commercial Paper	CRISIL	CRISIL A1+

n) Remuneration of Directors

(Amount in ₹ crore)

Particulars	As at 31 March 2020
Transactions with the Non-Executive Directors:	
Payment of Director Sitting fees	0.11

o) During the year there is no changes in the accounting policies and no prior period items.



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

p) Revenue Recognition

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

q) Provisions and Contingencies (Amount in ₹ crore)

Particulars	As at 31 March 2020
Provisions for depreciation on Investment	-
Provision towards NPA	-
Provision made towards Income tax	2.93
Other Provision and Contingencies	-
Provision for Standard Assets	1.43

r) Draw Down from Reserves

During the year, the Company has not drawn down any amount from Reserves.

s) Concentration of Advances

(Amount in ₹ crore)	
Particulars	As at 31 March 2020
Total Advances to twenty largest borrowers	356.58
Percentage of Advances to twenty largest borrowers to Total Advances of the Company	100%

t) Concentration of Exposures

(Amount in ₹ crore)	
Particulars	As at 31 March 2020
Total Exposures to twenty largest borrowers	356.58
Percentage of Exposures to twenty largest borrowers to Total Exposures of the Company	100%

u) Concentration of NPA

(Amount in ₹ crore)	
Particulars	As at 31 March 2020
Total Exposures to top four NPA accounts	-



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

v) Sector-wise NPAs

Sr. no.	Sector	Percentage of NPA to Total Advances in that
		As at 31 March 2020
1	Agriculture & allied activities	-
2	MSME	-
3	Corporate borrowers	-
4	Services	-
5	Unsecured personal loans	-
6	Auto loans	-
7	Other personal loans	-

w) Movement of NPAs

Sr. no.	Particulars	Percentage of NPA to Total Advances in that
		As at 31 March 2020
(i)	Net NPAs to Net Advances (%)	-
(ii)	Movement of NPAs (Gross)	
	(a) Opening balance	-
	(b) Additions during the year	-
	(c) Reductions during the year	-
	(d) Closing balance	-
(iii)	Movement of Net NPAs	
	(a) Opening balance	-
	(b) Additions during the year	-
	(c) Reductions during the year	-
	(d) Closing balance	-
(iv)	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	-

x) Overseas Assets (for those with joint ventures and Subsidiaries abroad)

There are no Overseas Assets.

y) 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.

z) Customer Complaints

Sr. no.	Particulars	As at 31 March 2020
(a)	No. of complaints pending at the beginning of the year	Nil
(b)	No. of complaints received during the year	Nil
(c)	No. of complaints redressed during the year	Nil
(d)	No. of complaints pending at the end of the year	Nil



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

- 2.35 Disclosures as required in terms of Paragraph 19 of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India ("RBI") vide their Notification No. RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016 ('RBI Master Directions, 2016'), as updated from time to time.**

Schedule to the Balance Sheet of a NBFC			
(Amount in ₹ crore)			
Particulars		As at 31 March 2020	
Liabilities side		Amount outstanding	Amount overdue
(1)	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
(a)	Debtures: Secured	-	-
	: Unsecured (other than falling within the meaning of public deposits*)	-	-
(b)	Deferred Credits	-	-
(c)	Term Loans	75.00	-
(d)	Inter-corporate loans and borrowing	-	-
(e)	Commercial Paper	-	-
(f)	Public Deposits*	-	-
(g)	Other Loans (specify nature)	-	-
	* Please see Note 1 below		
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :		
(a)	In the form of Unsecured debtures	-	-
(b)	In the form of partly secured debtures i.e. debtures where there is a shortfall in the value of security	-	-
(c)	Other public deposits	-	-
	* Please see Note 1 below		
Assets side		As at 31 March 2020	
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
(a)	Secured		356.58
(b)	Unsecured		-
(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:		



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

	(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	19.05
	(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	19.00
	(iv)	Government Securities	-
	(v)	Others (please specify)	-
			-
	Long Term investments		
1.	Quoted		
	(i)	Share	
		(a) Equity	-
		(b) Preference	-
	(ii)	Debentures and Bonds	71.92
	(iii)	Units of mutual funds	-
	(iv)	Government Securities	-



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

	(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 (please specify)		-
(6)	Borrower group-wise classification of assets financed as in (3) and (4) above: Please see Note 2 below			As at 31 March 2020
	Category		Amount net of provisions	
			Secured	Unsecured
1.	Related Parties **			
	(a)	Subsidiaries	-	-
	(b)	Companies in the same group	-	-
	(c)	Other related parties	-	-
2.	Other than related parties		356.58	-
	Total			
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below			
	Category		As at 31 March 2020	
			Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1.	Related Parties **			
	(a)	Subsidiaries	-	-
	(b)	Companies in the same group	-	-
	(c)	Other related parties	-	-
2.	Other than related parties		111.50	109.97
	Total			
	** As per Accounting Standard of ICAI (Please see Note 3)			
(8)	Other information			
	Particulars		As at 31 March 2020	
	(i)	Gross Non-Performing Assets		



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

	(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	-	-
Notes:				
1.	As defined in point xxvii of paragraph 3 of Chapter -II of these Directions.			
2.	Provisioning norms shall be applicable as prescribed in these Directions.			
3.	All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (5) above.			



Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.36 Coronavirus (COVID-19) impact on financial reporting:

COVID-19 was first reported to the World Health Organisation (WHO) in December 2019 and it has rapidly spread to many other countries. On 11 March 2020, WHO has declared it as global pandemic.

The adverse impact of this global pandemic can vary from nation to nation, industry to industry and above all entity to entity.

Impact of COVID-19 on Company as on 31 March 2020 is as follows:

1) Impact on Liquidity/ALM:

- (i) **Cash and bank balances:** As at year end Company has Cash and bank balance including short term fixed deposits with banks Rs. 123.27 Crore.
- (ii) **Undrawn credit lines:** As at year end Company has undrawn credit lines of Rs 25 Crore in form of cash credit facility and working capital demand loan from a bank.
- (iii) **Repayment due from Clients:** As per repayment schedule repayment due from financing clients within 1 year from end of financial year is Rs 176.01 Crore.
- (iv) **Inflow on account of maturity due of investments:** inflow on account of maturity due of investments in next 1 year from end of financial year is Rs 59.48 Crore.
- (v) **Repayment of borrowing taken:** Outflow on account of repayment due on borrowing in next 1 year from end of financial year is Rs. 22.50 Crore.
- (vi) **Net Liquidity surplus on account of positive ALM in next 1 years is Rs 336.26 Crore.**

2) Asset quality of loan portfolio:

- (i) **Delinquencies of loan portfolio:** As at year ended 31 March 2020 the Company has Loan outstanding of Rs 356.58 Crore with nil delinquencies. The Company has nil overdue.
- (ii) In line with recent RBI guideline on moratorium, the Company has framed a 'Grant of Moratorium Policy' to provide to its clients the benefits of repayment moratorium on term loans and working capital facilities. five clients have taken the benefit of this three months moratorium period, however all clients including the clients who have taken the moratorium benefits, whose interest or instalments were due on or before year end i.e. 31 March 2020 have repaid its interest or instalment on time.

3) Operations and controls:

- (i) The Company has made a reasonably smooth transition to working remotely, 'work-from-home'. Processing its essential payments, like taxes, repayment dues on borrowings, salaries etc through digital channels, online net-banking.



Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)

Notes to the financial statements (Continued)

(Currency: Indian rupees)

2.36 Coronavirus (COVID-19) impact on financial reporting: (Continued)

- (ii) Loan management system and general ledger accounting system were accessible through digital channel or remote access.
- (iii) Storage pattern moved from individual laptop/system to cloud/ G-suite which help the user/employees to access their respective files through use of official login credentials from their home during this lock-down period.

2.37 Comparative figures

The previous year figures have been regrouped / rearranged wherever necessary to make them comparable to current year.

As per our report of even date attached.

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

For and on behalf of the Board of Directors of
Arka Fincap Limited
(Formerly known as Kirloskar Capital Limited)



Vaibhav Shah
Partner
Membership No: 117377



Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318



Mahesh Chhabria
Non-Executive Director
DIN: 01140768

UDIN: 20117377AAAABK2581



Ritesh Jhanwar
Financial Controller



Amit Bondre
Deputy Company Secretary

Mumbai
28 May 2020