

Independent Auditor's Review Report on unaudited financial results of Arka Fincap Limited for the quarter ended June 30, 2024 pursuant to Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (as amended)

To,
The Board of Directors
Arka Fincap Limited

1. We have reviewed the accompanying statement of unaudited financial results of **Arka Fincap Limited** (the 'Company') for the quarter ended June 30, 2024 (the 'Statement'). This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial results based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 52 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

Other Matter

4. As described in Note 4 of financial results, the figures of the quarter ended March 31, 2024 is the balancing figures between the audited figures in respect of the full financial year and the reviewed year to date figures up to the third quarter of the respective financial year.



5. The comparative financial results of the Company as stated in statement for the quarter ended June 30, 2023, March 31, 2024 and for the year ended March 31, 2024 were reviewed / audited by the predecessor auditor who expressed an unmodified conclusion / opinion on those financial results on July 25, 2023 and April 30, 2024 respectively. Accordingly, we, do not express any conclusion/opinion, as the case may be, on the figures reported in the financial results for the quarter ended June 30, 2023, March 31, 2024 and the year ended March 31, 2024.

Our conclusion is not modified in respect of these matters.

Place: Mumbai
Date: July 23, 2024
UDIN: 24414420BKASMH7203

For Singhi & Co.
Chartered Accountants
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Shweta Singhal
Partner
Membership No: 414420

Arka Fincap Limited

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Tel: +91 22 40471000 CIN: U65993MH2018PLC308329

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

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2024

(₹ in Lakhs)

Sr. No.	Particulars	Quarter Ended		Year Ended	
		30 June 2024	31 March 2024	30 June 2023	31 March 2024
		Unaudited	Audited ⁽⁴⁾	Unaudited	Audited
1	Revenue from operations				
	(a) Interest income	14,841.71	13,376.75	11,560.11	49,043.60
	(b) Fees and commission income	463.54	361.17	285.34	1,211.55
	(c) Gain on derecognition of financial assets measured at amortised cost	606.35	1,747.97	409.96	4,017.89
	(d) Net gain on sale of investments	303.32	488.02	520.10	2,095.79
	(e) Net gain on fair value changes of investments	-	(3.98)	80.04	-
	Total revenue from operations	16,214.92	15,969.93	12,855.55	56,368.83
2	Other income	305.43	241.56	40.13	709.90
3	Total income (1+2)	16,520.35	16,211.49	12,895.68	57,078.73
4	Expenses				
	(a) Finance costs	9,623.75	9,260.63	7,356.77	31,534.19
	(b) Net loss on fair value changes	-	2.67	-	2.67
	(c) Impairment on financial instruments	850.39	535.65	1,157.09	2,561.19
	(d) Employee benefit expenses	2,799.79	2,435.72	1,343.02	7,864.18
	(e) Depreciation and amortisation expenses	196.25	181.09	197.98	772.12
	(f) Other expenses	938.37	1,411.41	613.00	3,436.67
	Total expenses	14,408.55	13,827.17	10,667.86	46,171.02
5	Profit before exceptional items and tax (3-4)	2,111.80	2,384.32	2,227.82	10,907.71
	Exceptional items - Expenses / (Income) (refer note 7)	(742.10)	(1,560.59)	-	1,528.50
6	Profit before tax	2,853.90	3,944.91	2,227.82	9,379.21
7	Tax expense				
	(a) Current tax	599.32	565.11	168.14	2,049.53
	(b) (Excess)/Short provision related to earlier years	-	-	-	-
	(c) Deferred tax	123.62	458.09	413.23	406.60
	Total tax expenses	722.94	1,023.20	581.37	2,456.13
8	Profit after tax (6-7)	2,130.96	2,921.71	1,646.45	6,923.08
9	Other comprehensive income, net of tax				
	(a) Items that will not be reclassified to profit and loss	-	(20.34)	-	(20.34)
	(b) Items that will be reclassified to profit and loss	-	-	-	-
	Total other comprehensive income, net of tax	-	(20.34)	-	(20.34)
10	Total comprehensive income (8+9)	2,130.96	2,901.37	1,646.45	6,902.74
11	Paid-up equity share capital (Face value of ₹ 10/- each)	92,872.81	92,872.81	92,872.81	92,872.81
12	Other equity	26,964.80	24,795.63	19,375.44	24,795.63
13	Earning per share (In ₹) (Face value of ₹ 10/- each)				
	(a) Basic (Not Annualised)	0.23	0.31	0.18	0.75
	(b) Diluted (Not Annualised)	0.23	0.31	0.18	0.74

Notes

- Arka Fincap Limited ("the Company") is Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India and is categorised as a 'Middle-layer' NBFC in accordance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.
- The financial results of the Company have been prepared in accordance with the Indian Accounting Standard ("Ind AS") notified under section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time.
- This financial results have been prepared in compliance with Regulation 52 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") and SEBI Operational Circular no. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated 29 July 2022, inter alia, applicable to listed Companies whose non-convertible securities are listed on recognised stock exchanges.
- The figures for the last quarter of the previous financial year are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of third quarter of the previous financial year, which were subjected to limited review as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- The Company is primarily engaged in the business of financing and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating segment.



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- 6 The Secured Non-Convertible Debentures of the Company as on 30 June 2024 are secured by first pari-passu charge over the receivables, including cash and cash equivalent and liquid investments of the Company. The security cover to the minimum extent of 100% or such higher cover as per the offer documents read with Debenture Trust Deeds executed for each of the series/tranches has been maintained by the Company.
- 7 The Company had made provision of ₹ 1,528.50 lakh against its investments in Alternate Investment Funds (AIFs) during the previous year ended 31 March 2024 as per RBI circular RBI/2023-24/90 DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023 and RBI/2023-24/140 DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024. During the current quarter ended 30 June 2024, the Company has reversed the provision to the extent of ₹ 742.10 lakh in compliance with the above-mentioned RBI circulars.
- 8 Details of loans transferred / acquired during the quarter ended 30 June 2024 under the Master Directions - RBI (Transfer of Loan Exposures) Directions, 2021 vide circular RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021 are given below:

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

Aggregate amount of loans acquired (in Lakhs)	2,965.01
Weighted average residual maturity (in years)	1.29
Weighted average holding period by originator (in years)	0.99
Retention of beneficial economic interest by the originator	10%
Coverage Tangible security coverage	0%
Rating-wise distribution of loans	NA

(ii) During the quarter ended 30 June 2024, the company has not transferred any loans which are not in default by way of Novation.

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

Number of loans	234
Aggregate amount of loans transferred (in Lakhs)	7,496.09
Sale consideration (in Lakhs)	7,496.09
Weighted average remaining maturity (in years)	8.19
Weighted average holding period after origination (in years)	0.65
Retention of beneficial economic interest	21%
Coverage Tangible security coverage	73%
Rating-wise distribution of loans	NA
Number of transactions where transferor has agreed to replace the transferred loans	Nil
Number of transferred loans replaced	Nil

(iv) During the quarter ended 30 June 2024, the company has not transferred / acquired loans in default or stressed loans.

- 9 In terms of the requirements as per para 2.2 of Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023, as amended from time to time, on Implementation of Indian Accounting Standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income Recognition, Asset Classification and Provisioning ('IRACP') norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including standard asset provisioning), as at June 30, 2024 and accordingly, amount required to be transferred to impairment reserve if any, will be assessed at year end.
- 10 The above financial results of the Company for the quarter ended 30 June 2024 have been reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors, at their respective meeting held on 23 July 2024.
- 11 The figures for the previous periods have been reviewed / audited by the erstwhile auditor.
- 12 Figures for the previous period/year have been regrouped and / or reclassified wherever considered necessary to conform to current period presentation.
- 13 The Disclosures as required under Regulation 52(4) have been given in Annexure A.
- 14 The Disclosures as required under Regulation 54(3) have been given in Annexure B.



Place: Mumbai
Date: 23 July 2024

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

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Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Annexure A

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

Sr no.	Particulars	(₹ in Lakhs)			
		Quarter Ended 30 June 2024	31 March 2024	30 June 2023	Year Ended 31 March 2024
		Unaudited	Audited	Unaudited	Audited
(a)	Debt-equity ratio ¹	3.53 : 1	3.28 : 1	2.59 : 1	3.28 : 1
(b)	Debt service coverage ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(c)	Interest service coverage ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(d)	Outstanding redeemable preference shares (quantity and value)	Nil	Nil	Nil	Nil
(e)	Capital redemption reserve	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(f)	Debenture redemption reserve ³	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(g)	Net worth ⁴	1,19,637.70	1,17,489.03	1,12,005.67	1,17,489.03
(h)	Net profit after tax	2,130.96	2,921.71	1,646.45	6,923.08
(i)	Earning per share (In ₹)				
	(a) Basic (Not Annualised)	0.23	0.31	0.18	0.75
	(b) Diluted (Not Annualised)	0.23	0.31	0.18	0.74
(j)	Current ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(k)	Long term debt to working capital ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(l)	Bad debts to Account receivable ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(m)	Current liability ratio ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(n)	Total debts to total assets ⁵	0.79 : 1	0.78 : 1	0.73 : 1	0.78 : 1
(o)	Debtors turnover ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(p)	Inventory turnover ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(q)	Operating margin (%) ²	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(r)	Net profit margin (%) ⁶	12.90%	18.02%	12.77%	12.13%
(s)	Gross NPA (%)	0.33%	0.23%	0.02%	0.23%
(t)	Net NPA (%)	0.12%	0.06%	Nil	0.06%
(u)	Capital adequacy ratio (CRAR)	22.86%	25.09%	28.94%	25.09%
(v)	Liquidity coverage ratio (LCR)	101%	219%	NA	219%
(vi)	There is no material deviation in the use of proceeds from the issue of Non-Convertible Debentures.				

Notes:

- (1) Debt = Debt Securities + Borrowings (other than debt securities) + Subordinated Debt.
- (2) The Company being a Non-Banking Financial Company registered with the Reserve Bank of India, these ratios are not applicable
- (3) The Company being a Non-Banking Financial Company is not required to create Debenture Redemption Reserve in terms of Rule 18 of Companies (Share Capital and Debenture) Rules, 2014.
- (4) Net worth is calculated as defined under Sec. 2(57) of the Companies Act, 2013
- (5) Total debts to total assets = Total Liabilities (other than Equity) / Total Assets
- (6) Net profit margin = Profit After Tax / Total Income



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

Rs. in Lakhs

Column A	Column B	Column C i	Column D ii	Column E iii	Column F iv	Column G v	Column H vi	Column I vii	Column J	Column K	Column L	Column M	Column N	Column O
Particulars	Description of asset for which this certificate relate	Exclusive Charge	Exclusive Charge	Pari-Passu Charge	Pari-Passu Charge	Pari-Passu Charge	Assets not offered as security	Elimination (Amount in Negative)	(Total C to H)	Market value for assets charged on exclusive basis	Carrying/book value for exclusive charge assets where market value is not ascertainable or applicable(For eg. Bank Balance, DSRA market value is not applicable)	Market value for pari-passu charge assets viii	Carrying/book value for pari-passu charge assets where market value is not ascertainable or applicable(For eg. Bank Balance, DSRA market value is not applicable)	Total Value=(K+L+M+N)
		Debt for which this certificate is being used	Other secured debt	Debt for which this certificate is being used	Assets shared by Pari Passu debt holder (includes debt for which this certificate is issued & other debt with pari passu charge)	Other debt on which there is pari-passu charge (excluding items covered in column F)		debt amount considered more than once (due to exclusive plus pari passu charge)						
ASSETS														
Property, Plant & Equipment							1,034.76		1,034.76					
Capital Work-in-progress							-		-					
Right of Use assets							694.16		694.16					
Goodwill							-		-					
Intangible Assets							223.37		223.37					
Intangible Assets Under Development							-		-					
Investments							804.39		804.39					
Loans (refer note 1)						1,19,889.95	4,08,168.17		5,28,060.66				1,19,889.95	1,19,889.95
Inventories							2.54		-					
Trade Receivables							72.90		72.90					
Cash & Cash Equivalents							-		24,797.92					
Bank Balances other than Cash & Cash Equivalents									24,797.92					-
Others (refer note 2)							-		-					-
TOTAL						1,19,889.95	4,32,966.09		5,64,686.57			-	1,19,889.95	1,19,889.95

LIABILITIES															
Debt securities to which this certificate pertains (refer note 3)															
Other debt sharing pari-passu charge with above debt															
Other debt															
Subordinated debt															
Borrowings								14,131.50		14,131.50					
Bank															
Debt securities								20,659.83		20,659.83					
Others								934.80		934.80					
Trade Payables								895.23		895.23					
Lease liabilities								522.55		522.55					
Provisions								19,961.63		19,961.63					
Others								57,105.54		4,44,848.95				1,05,166.62	1,05,166.62
TOTAL															
Cover on Book Value															
Cover on Market Value ix															

Notes to Annexure:															
1) Loans amount is considered net of ECL provision and includes investments in NCDs, CPs and PTCs															
2) Other Assets (Column H) include Other Financial Assets, Other Non-financial Assets, Current tax assets and Deferred tax (assets)															
3) Debt securities for which this certificate is given includes interest accrued but not due and Ind AS impact															
4) Other Debt - Debt securities (Column H) includes unsecured commercial papers															
5) The above stated security cover of 1.14x has been arrived on the simple average basis (security basis the cover stipulated for individual NCDs vis - a - vis NCD liability amount), and meets the stipulated cover at individual ISIN level															
6) The numbers filled in the annexure are extracted from the Financial Information provided by the management and have not been reviewed by the Statutory Auditor															
7) Security Cover Ratio pertains to Listed Secured Non Convertible Debentures (NCDs) and Listed Secured Market Linked Debentures (MLDs) only, (collectively referred as NCDs)															

