

**Issuer Overview:**

- Arka Fincap Ltd ('Arka') is a non-deposit taking, non-banking financial company (Middle Layer) headquartered in Mumbai.
- It was incorporated as Kirloskar Capital Limited on 20th April, 2018 as a Public Limited company under the Companies Act, 2013. It changed its name to Arka Fincap Limited as on 28th June, 2019.
- The company is a professionally managed organization part of the Kirloskar Group, primarily engaged in providing structured term financing solutions to corporates, real estate & urban infra financing, loans to MSME and personal finance loans to borrowers in India.
- Arka's distribution network included approximately 150 personnel in its in-house sales team, and approximately 700 third-party direct sales associates and other third-party intermediaries who are empaneled with Arka. It also has tie-ups with 4 fintech companies and 2 NBFCs for co-lending. It is present in 11 states i.e. Maharashtra, Karnataka, Delhi, Tamil Nadu, Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Andhra Pradesh Telangana and Gujarat and operate out of 26 branch offices.
- Its total loan book as of Sep'23, Mar'23, Mar'22 and Mar'21 was ₹ 4,03,318.83 lakhs, ₹ 3,96,027.04 lakhs, ₹ 2,37,987.91 lakhs and ₹ 1,12,433.35 lakhs, respectively.
- Arka's total revenues from operations have grown to ₹ 37,066.31 lakhs for the FY23 from ₹ 10,188.51 lakhs for FY21 at a CAGR of 90.74% and net profit has grown to ₹ 6,136.46 lakhs for the FY23 from ₹ 1,688.34 lakh for FY21 at a CAGR of 90.65%. Its total revenue and net profit for the quarter and half year ended Sept'23 (unaudited) was ₹ 25,472.63 lakhs and ₹ 3,531.67 lakhs, respectively.
- As of Sep'23 and Mar'23, its GNPA's accounted for 0.19% and 0.01% of Gross Advances, respectively. There was no GNPA in FY22 and FY21. Further, as of Sep'23 and Mar'23, NNPA's accounted for 0.05% and 0.00% respectively, of Gross Advances. There was no NNPA's in FY22 and FY21. Its average cost of borrowings as on Sep'23, Mar'23, Mar'22 and Mar'21 was 9.60%, 9.35%, 8.70% and 9.27%, respectively.

**Promoter Profile:**

- Kirloskar Oil Engines Limited ('KOEL') is the ultimate holding company & promoter of Arka. Incorporated in 2009, KOEL is the flagship company of the Kirloskar group. It is listed on NSE & BSE & has a market capitalization of ~₹. 7,829 Cr. as at September 30, 2023. KOEL has achieved a long-term debt rating of CRISIL AA/Positive and short-term rating of CRISIL A1+.
- Kirloskar group is involved in business across industries as diverse as construction, agriculture, automotive engineering and the commercial marine. KOEL is the flagship company of Kirloskar group and is into the business of manufacturing diesel gensets. KOEL develops and offers indigenous engines for agriculture, genset and industrial off highway equipment segments.
- KOEL has a strong presence in industrial engines where it powers earth moving construction, mining, fluid handling, material handling equipment and marine applications and it has manufacturing units in India at Pune, Nashik, Kolhapur and Rajkot.

**Issue Structure:**

Series	I	II	III	IV*	V	VI
Frequency of Interest Payment	Quarterly	Annual	Quarterly	Annual	Quarterly	Annual
Minimum Application	₹ 10,000 (10 NCDs) across all series					
In multiples of thereafter	₹ 1,000 (1 NCD)					
Face Value/ Issue Price of NCDs (₹/ NCD)	₹ 1,000					
Tenor	24 Months	24 Months	36 Months	36 Months	60 Months	60 Months
Coupon (% per annum) for NCD Holders in all Categories	9.00%	9.30%	9.30%	9.65%	9.65%	10.00%
Effective Yield (% per annum) for NCD Holders in all Categories	9.29%	9.29%	9.62%	9.64%	9.99%	9.99%
Mode of Interest Payment	Through various modes available					
Redemption Amount (₹ / NCD) on Maturity for NCD Holders in all Categories	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000
Maturity / Redemption Date (from the Deemed Date of Allotment)	24 Months	24 Months	36 Months	36 Months	60 Months	60 Months
Put and Call Option	Not Applicable					

\*The company shall allocate and allot Series IV NCDs wherein the Applicants have not indicated the choice of the relevant NCD Series

**Issue Details**

Public issue of Secured, rated, listed, redeemable, non-convertible debentures for an amount of up to ₹ 15,000 Lakhs ("Base Issue Size") with an option to retain oversubscription up to ₹ 15,000 lakh ("Green Shoe Option") aggregating up to ₹ 30,000 lakh ("Tranche I Issue Size").

**Credit Rating:**

CRISIL AA-/Positive

**Face Value:**

₹ 1,000 per NCD

**Bid Lot:**

10 NCD and in multiples of 1 NCD thereafter

**Lead Managers:**

JM Financial Limited & Others

**Registrar:**

Link Intime India Private Limited

**Debenture Trustee:**

Catalyst Trusteeship Limited

**Credit Rating Agency:**

CRISIL Ratings Limited

**Statutory Auditor:**

PG Bhagwat LLP

**Indicative Timetable**

Activity	On or about
Issue Opens	07 December, 2023
Issue Closes	20 December, 2023

**Listing: BSE**

### Competitive Strengths:

**Strategic importance to, and expectation of strong support from KOEL:** Arka derives strong support from its ultimate parent, KOEL, in the form of high strategic importance and strong moral obligations, being its step-down subsidiary. The financial services entity has been identified as a focus area for the parent's overall diversification plans. KOEL has already infused around ₹ 1,000 Cr. till date (₹ 125 Cr. and ₹ 130 Cr. were infused in FY21 and FY22 respectively; ₹ 149 Cr. were infused in FY23), depicting strong financial support towards its subsidiary. KOEL wholly owns Arka and is expected to remain the majority shareholder over the medium term.

**Adequate capitalization for initial stages of operations:** Arka benefits from funding support from the ultimate parent and has adequate capitalization for initial stages of operations. KOEL has already infused around ₹ 1,000 Cr. till date. Capital support from the parent, is expected to keep capitalization of Arka adequate (Net worth of ₹ 1,049 Cr. and Capital Adequacy ratio of 25.5% as on Mar'23, and ₹ 837 Cr. and 30.9% as on Mar'22), with low gearing of 3x as on Mar'23 (2.1 times as on Mar'22) in the initial stages of operation. Net worth and gearing were Rs. 1,131 Cr. and 2.8x, respectively, as on Sep'23.

**Customer-Centric business model resulting in high customer retention:** Arka considers customers to be the most significant stakeholders at the core of operations. As of Sep'23, it had served approximately 30,000 active customers. It believes that our customer-centric business model allows us to retain a high proportion of our existing customers and to attract new customers. During the past 3 FY, its focus has been on retaining existing borrowers, whilst consciously adding new borrowers. It followed a multi-pronged approach to customer engagement, which comprises the following key elements: Product offerings across the entire customer life-cycle, tailor made product offerings providing flexibility to customers & focus on customer engagement.

**High Asset quality achieved through Robust credit assessment and risk management framework:** Arka has been able to maintain a high-quality loan portfolio through robust credit assessment and risk management framework. Till date, it has no NPAs in corporate lending and real estate & urban infra businesses. As of Sep'23, GNPA's and NNPA's accounted for 0.19% and 0.05% of Gross Advances, respectively and as of Mar'23 its GNPA's and NNPA's accounted for 0.01% and 0.00% of Gross Advances, respectively. It has a robust and comprehensive credit assessment and risk management framework to identify, monitor and manage risks inherent in corporate and retail lending operations.

**Well diversified funding profile:** Arka has continued to secure cost-effective funding through a variety of sources, including banks, MFs and other financial institutions. Diversification of sources of funding has contributed to an overall reduction in average cost of borrowings in recent Fiscals. The average cost of borrowings as on Sep'23, Mar'23, Mar'22 and Mar'21 was 9.60%, 9.35%, 8.70% and 9.27%, respectively. It achieved a long-term debt rating of CRISIL AA-/Stable and short-term rating of CRISIL A1+ from CRISIL within the first year of the inception of our business. It maintained a capital adequacy ratio of 27.59%, 25.48%, 30.92% and 57.85%, for quarter and half year ended Sept'23, FY3, FY22 and FY21, respectively. As a means to further strengthen liquidity management system, it also maintained adequate cash and liquid investments of 36.29% of Net worth as of Sep'23 as reserves, where ₹ 41,035.39 lakhs is kept in cash or cash equivalents, to meet any potential liquidity requirements in the short-term.

**Highly Motivated, professional and experienced management team:** Arka's management team has extensive experience in the financial services and banking industries in India. Each member of senior management has close to two decades of experience in the finance and/or banking industry and possesses an in-depth understanding of the specific industry, products and geographic regions they cover, which enables them to support and provide guidance to employees and grow the business. Through a highly motivated, professional and experienced management team, they have led through a changing regulatory and economic environment and consistently grown business since commencement of operations in FY19.

### Financials

Particulars	As of and For half year ended September 30, 2023	As of and for FY ended Mar'23	As of and for FY ended Mar'22	As of and for FY ended Mar'21
Loan Book (₹ lakh)	4,03,318.83	3,96,027.04	2,37,987.91	1,12,433.35
Net-Worth (₹ lakh)	1,13,083.30	1,03,303.99	82,692.78	66,688.14
Borrowings (₹ lakh)	3,15,368.49	3,11,581.85	1,73,350.56	66,568.79
Interest Income (₹ lakh)	23,034.41	35,074.05	19,210.33	9,788.32
Profit after tax for the year (₹ lakh)	3,531.67	6,136.46	3,251.67	1,688.34
% Net Stage 3 Loans on Loans	0.05%	0.00%	0.00%	0.00%
CRAR	27.59%	25.48%	30.92%	57.85%

For further details, please refer to the [Shelf Prospectus](#) & [Tranche I Prospectus](#) both dated 28<sup>th</sup> November, 2023

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