

ARKA

ARKA FINCAP LIMITED

(CIN: U65993MH2018PLC308329)

(the "Company" or the "Issuer") was incorporated under the Companies Act, 2013

Registered & Corporate Office: One World Center, Tower 2B, Floor 12B,

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ADDENDUM TO THE SHELF DISCLOSURE DOCUMENT DATED 21st June 2021

ISSUE OF UPTO 750 Units SENIOR, SECURED, REDEEMABLE, RATED, LISTED, TAXABLE, PRINCIPAL PROTECTED – MARKET LINKED (PP-MLD) NON-CONVERTIBLE DEBENTURES (SECURED NCDs) OF FACE VALUE OF INR 10,00,000 PER DEBENTURE AGGREGATING TO INR 75 CRORES ON PRIVATE PLACEMENT BASIS

This Addendum to Shelf Disclosure Document is issued in terms of and pursuant to the Shelf Disclosure Document dated 21 June 2021. All the terms, conditions and information as stipulated in the Shelf Disclosure Document are incorporated herein by reference as if the same were set out herein. Investors are advised to refer to the same. This Addendum to the Shelf Disclosure Document must be read in conjunction with the Shelf Disclosure Document.

This Issue Addendum is dated August 03, 2021

Broad Terms of the Issue

Security Name	Senior, Secured, Redeemable, Rated, Listed, Principal Protected – Market Linked Non-Convertible Debentures (Secured NCDs)
Series	AFL MLD Series I - Aug 2023
Issuer	Arka Fincap Limited
Type of Instrument	Senior, Secured, Redeemable, Rated, Listed, Principal Protected – Market Linked Non-Convertible Debentures (Secured NCDs)
Nature of Instrument	Secured, Principal Protected & Market Linked
Seniority	Senior
Mode of Issue	Private Placement
Principal Protection	Principal is protected at maturity
Eligible Investors	Subject to applicable law, the categories of investors eligible to subscribe to the NCDs in this Issue, when addressed directly, are: 1. Scheduled Commercial Banks; 2. Financial Institutions; 3. Qualified Institutional Buyer; 4. Primary/ State/ District/ Central Co-operative Banks (subject to permission from RBI); 5. Regional Rural Banks; 6. Mutual Funds;



	<p>7. Companies, Bodies Corporate authorized to invest in Debentures;</p> <p>8. Provident Funds, Gratuity, Superannuation, subject to their investment guidelines.</p> <p>9. High Net Worth Individuals</p> <p>10. Foreign Portfolio Investors</p>
Listing	<p>Proposed to be listed on the Wholesale Debt Market Segment and Capital Market Segment of BSE Limited by T+4 days from the Deemed Date of Allotment.</p> <p>In accordance with the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 read together with the SEBI circular no. SEBI/HO/DDHS/CIR/P/2020/198 dated October 5, 2020 on "Standardization of timeline for listing of securities issued on a private placement basis", the Company confirms that in the event there is any delay in listing of the Debentures beyond 4 (four) Business Days from the date of closure of the issue for the Debentures, the Company (i) will pay to the Debenture Holders, penal interest of 1% (one percent) per annum over the Coupon Rate for the period of delay from the Deemed Date of Allotment until the listing of the Debentures is completed, and (ii) shall be permitted to utilise the issue proceeds of its 2 (two) subsequent privately placed issuances of securities only after receiving final listing approval from the stock exchange(s).</p>
Rating	CRISIL PP-MLD AA- r/Stable
Issue Size (Rs.)	75.00 crores
Option to retain oversubscription (Rs.)	Not Applicable
Objects of the Issue	Financing activities and business operations of the Issuer; repayment of the existing debt, general corporate purposes of the Issuer
Details of the utilization of the proceeds	Financing activities and business operations of the Issuer; repayment of the existing debt, general corporate purposes of the Issuer



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Debenture Trustee	Catalyst Trusteeship Limited		
Underlying / Reference Index	Price of 10 Year Government Security: 6.10 G-Sec 2031 ISIN: IN0020210095 and Maturity on 12-07-2031 as published by FBIL on www.fbil.org.in If FBIL is not available, then any other publishing agency as stipulated by Regulator. If the said index is discontinued or ceases to be available (for any reason whatsoever), then such index as may be stipulated by the Debenture Trustee (acting on the instructions of all the Debenture Holders).		
Coupon Rate	Coupon linked to performance of Underlying / Reference Index		
	Scenario	If the Final Fixing Level	Coupon
	1	Greater than or equal to [75]% of Initial Fixing Level	8.00% (Annualized yield)
	2	Greater than or equal to [25]% but less than [75]% of Initial Fixing Level	7.95% (Annualized yield)
	3	Less than [25]% of Initial Fixing Level	0 %
Initial level	Price Last Traded (closing) of Reference Index as on Initial Fixing Date, as determined in accordance with the Digital Level.		
Initial Fixing Date	3rd August 2021		
Final Fixing Level	Price Last Traded (closing) of Reference Index as on Final Fixing Date, as determined in accordance with the Digital Level.		
Final Fixing Date	3 (three) months prior to Maturity Date		
Step Up Coupon Rate	Coupon Rate to be increased by 25 bps for each downgrade of rating from the current level		
Coupon Payment Frequency	Coupon (if any) Payable at Maturity On redemption date on XIRR basis		
Coupon Payment dates	Redemption Date		



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Coupon Type	Coupon linked to performance of Underlying/Reference Index
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc)	Not Applicable
Day Count Basis	Actual/ Actual
Bid Opening Date	Not Applicable
Bid Closing Date	Not Applicable
Mode of Bidding	Not Applicable
Manner of Allotment	Not Applicable
Interest on Application Money	At coupon rate from the date of realization of cheque (s)/ demand draft(s)/RTGS upto one day prior to the date of allotment of Debentures.
Default Interest Rate	2% p.a. over and above the Coupon Rate on defaulted amounts for the defaulting period
Tenor	24 Months
Redemption Date	August 4, 2023
Redemption Amount	Entire outstanding amount on the Debentures (including the outstanding face value of the Debentures of INR 10,00,000 per Debenture) along with payment of Coupon accrued thereon (as per the performance of benchmark) and default interest (if any) on the Maturity Date
Issue Price	INR 10 Lakhs per Debenture (Face value)
Discount at which security is issued and the effective yield as a result of such discount	Not Applicable
Put Option Date	Not Applicable
Put Option Price	Not Applicable
Call Option Date	Not Applicable
Call Option Price	Not Applicable
Put Notification Time	Not Applicable
Call Notification Time	Not Applicable
Face Value	INR 10 Lakhs per Debenture
Minimum Subscription	10 (Ten) Debentures and in multiples of 1 (One) thereafter
Issue Opening Date	August 4, 2021
Issue Closing Date	August 4, 2021
Pay-in Date	August 4, 2021
Deemed Date of Allotment	August 4, 2021
Issuance Mode	Demat only



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Trading Mode	Demat only
Settlement Mode	RTGS/NEFT/Fund Transfer
Depositories	National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)
Business Day Convention	<p>Other than the Deemed Date of Allotment and Coupon Payment Date, should any of the other date(s) fall on a day that is not a Business Day, then immediately preceding Business Day shall be considered as the effective Business Day.</p> <p>Should the Deemed Date of Allotment or any Coupon Payment Date fall on a day that is not a Business Day, then immediately succeeding Business Day shall be considered as the effective Business Day. However the calculation of the said coupon payment would be as per the schedule originally stipulated at the time of issuing the security. Thus, the subsequent coupon schedule would not be disturbed.</p> <p>"Business Day" shall be a day on which Money Market is functioning in Mumbai, however shall exclude Saturday, Sunday or any other day on which banks are closed in Mumbai.</p>
Transaction Documents	<ol style="list-style-type: none"> 1. Debenture Trustee Agreement; 2. Information Memorandum; 3. PAS-4 4. Debenture Trust Deed, 5. Security Document, if any 6. Such other documents as agreed between the Issuer and the Debenture Trustee.
Manner of Settlement	RTGS/NEFT/Fund Transfer
Conditions Precedent to Disbursement	<ol style="list-style-type: none"> 1. All corporate approvals from the Board of Directors and shareholders of the Issuer, if applicable, shall have been received for the issuance of NCDs, and the execution, delivery and performance by the Issuer of the Transaction Documents in accordance with the Companies Act 2013, the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 and other rules prescribed 2. Due diligence certificate from Debenture Trustee confirming "Issuer has obtained the permissions / consents necessary for creating security on the said property(ies)"



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	<p>3. Receipt of Rating Rationale / Letter from Credit Rating Agency in relation to NCD issuance</p> <p>4. Copy of R&T agent agreement</p> <p>5. Copy of DTA</p> <p>6. Receipt of In principle approval from stock exchange</p>
Other Terms (if any)	Not Applicable
Default of Payment	In case of default in payment of interest and/or principal redemption on the due dates, additional interest at 2% (Two Percent) p.a over and above the applicable Coupon Rate will be payable by the Company from the date of the occurrence of the default until the default is cured or the debentures are redeemed pursuant to such default on the defaulted amount, as applicable.
Delay in Listing	<p>The Debentures are to be listed on the Proposed to be listed on the Wholesale Debt Market Segment and Capital Market Segment of BSE Limited. ("BSE")</p> <p>The Debentures are proposed to be listed on BSE within a maximum period of 4 (Four) trading days, from the Deemed Date of Allotment.</p> <p>In case of delay in listing of the debt securities beyond 4 (Four) trading days from the Deemed Date of Allotment, the Company will pay penal interest of at least 1% (One Percent) over the Coupon Rate from the Deemed Date of Allotment till the listing of such Debentures and the Company shall be permitted to utilise the issue proceeds of its subsequent two privately placed issuances of securities only after receiving final listing approval from BSE.</p>
Conditions Subsequent to Disbursement	<p>1. All applicable filings in the ROC (PAS 5, PAS 3)</p> <p>2. Final listing approval within 4 working days from date of allotment</p> <p>3. Credit of debentures in demat account</p> <p>4. Creation and Perfection of security</p>
Mandatory Compliance Clause	<p>1) Company reserves right to make multiple issuances under the same ISIN at terms and conditions it deems fit in line with SEBI Circular CIR/IMD/DF-1/67/2017 dtd June 30, 2017</p> <p>2) Issue can be made either by way of creation of fresh ISIN or by way of issuance under the existing ISIN at premium/par/discount, as the case may be, at terms and conditions it deems fit in line with SEBI circular CIR/IMD/DF-1/67/2017 dtd June 30, 2017</p>



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All covenants of the issue (including side letters, accelerated payment clause, etc.)

- Kirloskar Oil Engines Limited (KOEL) to maintain minimum 76% shareholding (directly/indirectly) in Arka Fincap Limited during the tenor of the facilities.
- Promoter Group (Mr. Atul Kirloskar & family, Mr. Rahul Kirloskar & family and Mr. Nihal Kulkarni & family) to maintain at least 51% shareholding (directly/indirectly) of KOEL during the tenor of the facilities
- Gearing (TOL/TNW) not to exceed 5 times
- NNPA (as applicable) not to exceed 3%
- Rating downgrade of three notches in external credit rating (currently rated as CRISIL AA-)

To be more particularly set out in the Debenture Trust Deed.

Please refer indicative list of representations and warranties of the Issuer, financial covenants, reporting covenants, affirmative covenants, and negative covenants, trigger events and consequences and events of default and consequences.

Events of Default (including manner of voting /conditions of joining Inter Creditor

Events of default as stated in the Debenture Documentation, including but not limited to the following:

- Failure to pay amounts due under the Issue on the relevant due date by the Issuer;
- Insolvency, reorganization, liquidation, suspension of payment of debts, winding up, illegality, cessation of business by the Issuer;
- Illegality, cessation of business of the Issuer;
- Security in jeopardy;
- Bankruptcy, CDR proceedings filed with respect to the Issuer;
- Breach of any of the terms of the Transaction Documents by the Issuer;
- Breach of any covenants;
- Breach of any Representations and Warranties;
- Nationalization or expropriation of any of a substantial part of the assets of the Issuer;
- Unlawfulness or moratorium



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	<p>The manner of voting shall be more particularly set out in the Debenture Trust Deed.</p> <p>In accordance with the SEBI Defaults (Procedure) Circular, the Debenture Trustee shall send a notice to the Debenture Holders within 3 (three) days of the occurrence of an Event of Default, in accordance with the mode of delivery of notice mentioned therein, convening a meeting within 30 (thirty) days of the occurrence of an Event of Default. PROVIDED THAT if the Event of Default is cured or rectified within the intervening period between the date of the aforementioned notice from the Debenture Trustee to the date the aforementioned meeting is convened, no such meeting of the Debenture Holders shall be required. The Debenture Trustee shall maintain the details of the providing and receipt of such notice in accordance with the SEBI Defaults (Procedure) Circular.</p>
<p>Consequences of Event of Default</p>	<p>The consequences of default will, include but not be limited to the following:</p> <ul style="list-style-type: none"> • Acceleration of all outstanding dues, cancellation of total Issue and enforcement of Security; • To transfer assets of the Issuer comprised within the Security created in favor of Debenture Trustee or such other person by way of lease, leave and license, sale or otherwise. Any surplus realized from the transfer of assets after fulfilment of all the obligations of the Issuer under the Issue shall be paid to the Issuer; • Enforce its right under the Transaction Documents; • Appropriate any amount in the Accounts and utilize it for payment/repayment of any amount outstanding under the Issue; • Charge Default Interest. It is clarified that the default interest shall be charged from the date of occurrence of event of default irrespective of the same being declared by the Investor(s) till such date the default subsists; Any cost incurred on any of the above shall be borne by the Issuer.
<p>Creation of Recovery expense fund</p>	<p>Details and purpose of the recovery expense fund</p>



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	<p>(a) The Company shall create and maintain the Recovery Expense Fund up to the amounts prescribed under the SEBI Circular, in accordance with and within the timelines prescribed in the SEBI REF Circular.</p> <p>(b) The Recovery Expense Fund shall be created to enable the Debenture Trustee to take prompt action in relation to the enforcement of the Security in accordance with the Transaction Documents.</p> <p>(c) The amounts in the Recovery Expense Fund shall be utilised in the manner as may be prescribed by the Debenture Holders by a Special Resolution duly passed at the meeting of the Debenture Holders held in accordance with the provisions set out in the Transaction Documents.</p> <p>(d) On the occurrence of an Event of Default, if the Security is proposed to be enforced, the Debenture Trustee shall follow the procedure set out in the SEBI Circular for utilisation of the Recovery Expense Fund.</p>
Conditions for breach of covenants (as specified in the Debenture Trust Deed)	To be more particularly set out in the Debenture Trust Deed.
Provisions related to Cross Default Clause	As per Debenture Trust Deed
Terms and conditions of debenture trustee agreement including fees charged by debenture trustees(s), details of security to be created and process of due diligence carried out by the debenture trustee	<p>Terms and conditions of debenture trustee agreement including fees charged by debenture trustees(s):</p> <p>Debenture Trustee Agreement (DTA) is executed on 16th June 2021 as per required regulations before opening of Issue. Services charges of DT are mentioned in the consent letter dated 15th June 2021</p> <p>Details of security to be created: The NCDs being issued shall be secured through a first</p>



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Pari passu charge by way of deed of hypothecation over the receivables, including cash, cash equivalents and liquid investments of the Company

The Company shall maintain security cover of at least 1.1 times of the entire redemption amount throughout the tenure of the NCDs.

And process of due diligence carried out by the debenture trustee:

Due Diligence (DD) will be carried out as per DT regulations and circulars issued by SEBI from time to time, which broadly includes following:

- Chartered Accountant (CA) appointed by DT will be doing independent DD as per scope provided, regarding Security given for the issue by the company.
- CA will verify and ensure that the asset provided by the issuer for creation of security are free from any encumbrances or necessary permission or consent h CA will be doing independent DD as per information provided by the Issuer company.
- Periodical DD will be carried out as per SEBI circulars from time to time as per nature of security provided.
- Necessary DD certificate will be issued and will be available on Stock Exchanges from time to time for information of DIs.
- As mentioned in this IM even though debt securities are secured to the extent of 100% of the principal and interest amount or as per the terms of offer document/ information Memorandum, in favor of Debenture Trustee, however, the recovery of 100% of the amount shall depend on the market scenario



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	valuation of these Debentures/NCDs, the Issuer shall provide them with the latest valuation.
Valuation Agency Fees	Fees paid to Valuation Agent by the Issuer shall not exceed 0.03% p.a. of Issue size and shall be borne by the Issuer.
Disclaimer on Valuation	The Valuation reflects the independent views of the Valuation Agent. It is expressly stated that the valuation is not the view of the Client or its affiliates. The Client has not reviewed the Valuation and is not responsible for the accuracy of the Valuations. The Valuations provided by the Valuation Agent and made available on the website of the Valuation Agent do not represent the actual price that may be received upon sale or redemption of the Debentures. They merely represent the Valuation Agent's computation of the valuation which may in turn be based on several assumptions. The Valuations provided by the Valuation Agent may include the use of proprietary models (that could be different from the proprietary models used by the Client and / or the calculation agent) and consequently, valuations provided by other parties (including the Client and / or the calculation agent) may be significantly different."
Disclaimer by the Valuation Agent	"Market Linked Debenture Valuation provided by the Valuation Agent reflects the Valuation Agent's opinion on the value of the Market Linked Debenture on the valuation date and does not constitute an audit of the Issuer by the Valuation Agent. The Valuation is based on the information sought from the Issuer or obtained by the Valuation Agent from sources it considers reliable. The Valuation Agent does not guarantee the completeness or accuracy of the information on which the Valuation is based. The Valuation Agent specifically states that the Valuation is an indicative value of the Debenture on the valuation date and can be different from the actual realizable value of the Debenture. The Valuation does not comment on the market price of the Market Linked Debentures or suitability for a particular investor. In the event of early redemption/buy back/ any other premature exit, investors may choose to



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	contact the Client directly or through their intermediaries (through whom investments in the Specified MLDs were made) or, in the alternative, follow the procedure as set out in the relevant Offer Document."
Taxation	All the taxes as per law excluding Income tax, as and when applicable on the instrument from time to time shall be borne by the Company.
Record Date/Shut Period	15 days prior to each Coupon Payment / Redemption Date
Security (where applicable) (including description, type of security, type of charge, likely date of creation of security, minimum security cover, revaluation, replacement of security interest to the debenture holder over and above the coupon rate as specified in the Debenture Trust Deed and disclosed in the Shelf Disclosure Document).	<p>The NCDs being issued shall be secured through a first <i>Par</i> passu charge by way of deed of hypothecation over the receivables, including cash, cash equivalents and liquid investments of the Company</p> <p>The Company shall maintain security cover of at least 1.1 time of the entire redemption amount throughout the tenure of the NCDs.</p>
Security Creation	The Issuer shall be bound to create the Security on or prior to the Listing of debentures
Risk factors pertaining to the Issue	<p>The securities are created based on complex mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behavior of the securities selected for hedging may significantly differ from the returns predicted by the mathematical models.</p> <p>The principal amount is subject to the credit risk of the Issuer whereby the investor may or may not recover all or part of the funds in case of default by the Issuer.</p> <p>Please refer Risk Factors stated in Information memorandum for details of other risk factors.</p>
Governing Law and Jurisdiction	Indian Law and Mumbai
Calculation Agent	Issuer
Escrow Account	<p>In the event rating is downgraded to A+, company agrees to fund NCD redemption in the Escrow account 45 calendar days prior to maturity</p> <p>This escrow account to be opened only after one notch rating</p>



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	downgrade
Scenario Analysis	Refer note 2 below

Note 1:

Illustration of Bond Cash Flows per Debenture

Cash Flows	Date	No of Days in coupon period/Principal Period	Amount (in Rupees)
Principal + Coupon (on XIRR Basis), on Redemption, if any	Maturity Date – August 4, 2023	730 days from the Deemed Date of Allotment	Principal + Coupon linked to performance of Underlying / Reference Index as per Scenario Analysis Table

Manner of payment of Coupon and Redemption proceeds

Manner of payment of Coupon and Redemption proceeds	By RTGS / ECS / Direct Credit / NEFT / Cheques / Warrants
Company	Arka Fincap Limited
Face Value (per security)	INR 10,00,000/-

Note 2:

Scenario Analysis

The following table shows the value of the Debenture at maturity under different market conditions

Underlying Performance	Issue Price per Debenture	Annualized Pre-Tax Return IRR	Maturity Value per Debenture
140.00%	10,00,000	8.00%	11,66,400
120.00%	10,00,000	8.00%	11,66,400
100.00%	10,00,000	8.00%	11,66,400
80.00%	10,00,000	8.00%	11,66,400
75.00%	10,00,000	8.00%	11,66,400
65.00%	10,00,000	7.95%	11,65,320
50.00%	10,00,000	7.95%	11,65,320
30.00%	10,00,000	7.95%	11,65,320
25.00%	10,00,000	7.95%	11,65,320
20.00%	10,00,000	0%	0

* The return on debenture (annualized) is calculated on the basis of Issue price of the debenture

Note : Principal amount = (Face value per debenture) * (No. of debentures subscribed)



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Scenario	Particulars	Price of 10 year G-Sec at Initial Level [#]	YTM at Initial Level [#]	Assumed price of 10 year G-Sec at final fixing date [#]	Annualized Coupon / Effective Yield (on XIRR basis)	Investment (Rs.) per Debenture	Maturity (Rs.) per Debenture
Moderately falling to rising	If Underlying Performance $\geq 75\%$ of the Initial Fixing level	99.30	6.1906%	≥ 74.4750	8.00% XIRR	10,00,000	11,66,400
Substantially falling	If Underlying Performance $< 75\%$ but $\geq 25\%$ of the Initial Fixing level	99.30	6.1906%	< 74.4750 73.02 but ≥ 24.8250	7.95% XIRR	10,00,000	11,65,320
Extreme falling	If Underlying Performance $< 25\%$ of the Initial Fixing level	97.30	6.1906%	< 24.8250	0% XIRR	10,00,000	10,00,000

Note : Principal amount = (Face value per debenture) * (No. of debentures subscribed)
Annualised Coupon is calculated on the basis of face value of the debenture.

Initial Fixing Date

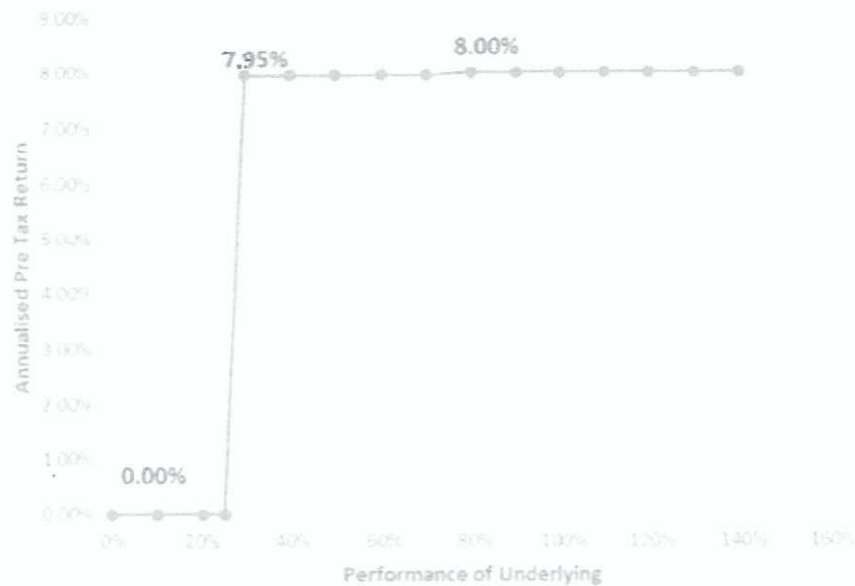
* NCD Coupon / Effective yield is Annualized calculated on face value of the debenture (on XIRR basis)

This scenario analysis is provided for illustrative purposes only and does not represent actual termination or unwind prices, nor does it present all possible outcomes or describe all factors that may affect the value of your investment.



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Graphical Presentation



* Coupon / Effective yield is Annualized calculated on face value of the debenture (on XIRR basis)

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For Arka Fincap Limited

Agreed and Accepted

[Signature]
Authorised Signatories

[Signature]
Bimal Bhandari



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