



KERALA FINANCIAL CORPORATION
(Incorporated under the State Financial Corporations Act No. LXIII of 1951)

Kerala Financial Corporation (the “Corporation” or “Issuer”) is a public sector undertaking owned by the Government of Kerala and has been constituted under the State Financial Corporations Act, 1951. For more information about the Corporation, please refer “General Information” on page number 54.

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INFORMATION MEMORANDUM AND PRIVATE PLACEMENT OFFER LETTER BY WAY OF PRIVATE PLACEMENT (THE “ISSUE”) BY (KERALA FINANCIAL CORPORATION) FOR ISSUE OF SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES OF 5 FIVE DETACHABLE STRPP OF A FACE VALUE OF INR 1,00,000/- (INDIAN RUPEES ONE LAKH ONLY) EACH STRPP OF 6 YEARS TO 10 YEARS MATURITY TOTTALLING TO FACE VALUE OF INR 5,00,000 (INDIAN RUPEES FIVE LAKHS ONLY) WITH BASE ISSUE SIZE OF INR 250,00,00,000/- (INDIAN RUPEES TWO HUNDRED AND FIFTY CRORES ONLY) PLUS GREEN SHOE OF INR 500,00,00,000/- (INDIAN RUPEES FIVE HUNDRED CRORES ONLY) AGGREGATING TO INR 750,00,00,000/- (INDIAN RUPEES SEVEN HUNDRED AND FIFTY CRORES ONLY) (“DEBENTURES”/ “NCDs”) OUT OF WHICH THE ISSUER HAS ACCEPTED BIDS FOR SUBSCRIPTION TO BONDS OF INR 476.50 CRORES COMPRISING OF BASE ISSUE OF INR 250 CRORES AND GREEN SHOE OPTION OF INR 226.50 CRORES. THIS ISSUANCE WOULD BE UNDER THE ELECTRONIC BOOK MECHANISM FOR ISSUANCE OF DEBT SECURITIES ON PRIVATE PLACEMENT BASIS AS PER SEBI CIRCULAR SEBI/HO/DDHS/P/CIR/2021/613 DATED 10 AUGUST 2021 (“OPERATIONAL GUIDELINES”) ISSUED BY SEBI UNDER SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021. THE CORPORATION INTENDS TO USE [BSE'S ELECTRONIC BIDDING PLATFORM (“BSE-BOND EBP”)] FOR THIS ISSUE. THIS INFORMATION MEMORANDUM IS BEING UPLOADED ON THE [BSE BOND- EBP] TO COMPLY WITH THE SEBI OPERATIONAL CIRCULAR READ WITH THE OPERATIONAL GUIDELINES FOR ISSUANCE OF SECURITIES ON PRIVATE PLACEMENT BASIS THROUGH THE ELECTRONIC BOOK MECHANISM ISSUED BY BSE LIMITED (“BSE”) VIDE THEIR NOTICE 20180928-24 DATED 28 SEPTEMBER 2018 AND AN OFFER WILL BE MADE BY ISSUE OF THE SIGNED PRIVATE PLACEMENT OFFER CUM APPLICATION LETTER AFTER COMPLETION OF THE BIDDING PROCESS ON ISSUE/BID CLOSING DATE, TO SUCCESFUL BIDDER IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT, 2013 AND RELATED RULES.

THIS INFORMATION MEMORANDUM DATED 20.03.2023 (“INFORMATION MEMORANDUM”) IS PREPARED IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021 ISSUED VIDE NOTIFICATION NO. SEBI/LAD-NRO/GN/2021/39 DATED 9 AUGUST 2021 AS AMENDED FROM TIME TO TIME.

NEITHER THE ISSUER NOR ANY OF ITS PROMOTERS OR DIRECTORS HAS BEEN DECLARED AS A WILFUL DEFAULTER.

This Information Memorandum contains relevant information and disclosures required for issue of the Debentures. The issue of the Debentures comprised in the Issue and described under this Information Memorandum has been authorised by the Issuer through resolutions passed by the board of directors of the Issuer on 10.11.2022 and the Asset-Liability Management Committee of the Issuer on 30.08.2022.

GENERAL RISKS

Investment in non-convertible securities involve a degree of risk and investors should not invest any funds in such securities unless they can afford to take the risk attached to such investments. Investors are advised to take an informed decision and to read the risk factors carefully before investing in this offering. For taking an investment decision, investors must rely on their examination of the issue including the risks involved in it. Specific attention of investors is invited to “Risk Factors” contained under Page.55 of this Placement Memorandum. These risks are not, and are not intended to be, a complete list of all risks and considerations relevant to the non-convertible securities or investor’s decision to purchase such securities

CREDIT RATING

The Debentures have been rated ‘[AA (CE)]’ with [Stable outlook] by Infomermics Valuation and Rating Private Limited for INR 750,00,00,000 (Indian Rupees Seven Hundred and Fifty Crores), vide its letter dated Feb 21, 2023, and ‘[ACUTE AA’ with Stable outlook] for INR 750,00,00,000 (Indian Rupees Seven Hundred and Fifty Crores) by Acuité Ratings & Research Limited, vide its letter dated January 06, 2023. Instruments with this rating are considered to have a high degree of safety regarding timely service of financial obligations. Such instruments carry low credit risk. The above rating is not a recommendation to buy, sell or hold securities and investors should take their own decisions. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and the rating should be evaluated independently of any other rating. The rating agency has the right to suspend, withdraw the rating at any time on the basis of new information etc. Please refer to Annexure 2 of this Information Memorandum for rationale for the above rating, the press release can be accessed at the following link: <https://www.infomermics.com/admin/uploads/pr-Kerala-Financial-21feb23.pdf> , [28090-RR-20230106.pdf](https://www.infomermics.com/admin/uploads/pr-Kerala-Financial-21feb23.pdf) (acute.in)

LISTING

The Debentures offered through this Information Memorandum are initially proposed to be listed on the Wholesale Debt Market (“WDM”) Segment of the BSE Limited (“BSE”) (the “Stock Exchange”). The Issuer shall comply with the requirements of the listing agreement to the extent applicable to it on a continuous basis. The Issuer intends to use electronic book mechanism as available on the website of the BSE.

ISSUE PROGRAMME

ISSUE OPENING DATE	ISSUE CLOSING DATE	PAY-IN DATE
March 23, 2023	March 23, 2023	March 24, 2023

DETAILS ABOUT ELIGIBLE INVESTORS

The Eligible Investors are: (a) resident individuals; (b) Hindu Undivided Family; (c) trust; (d) limited liability partnerships; (e) partnership firm(s); (f) portfolio managers registered with SEBI; (g) association of persons; (h) companies and bodies corporate including public sector undertakings; (i) scheduled commercial banks; (j) regional rural banks; (k) financial institutions; (l) insurance companies; (m) mutual funds; (n) foreign portfolio investors; and (n) any other investor eligible to invest in these Debentures in accordance with applicable law. The present issue of debentures is not underwritten.

COUPON	COUPON PAYMENT FREQUENCY	REDEMPTION DATE	REDEMPTION AMOUNT
8.90%	Quarterly, beginning June 30, 2023	March 24, 2033	INR 1,00,000





The Issue shall be subject to the [State Financial Corporation Act, 1951, the Charter Documents] “”of the Issuer, the terms and conditions of this Information Memorandum filed with the BSE and any other material stock exchanges, as applicable, the Application Form, and other terms and conditions as may be incorporated in the Debenture Trust Deed and other documents in relation to each such Issue.

THESE DEBENTURES TO BE ISSUED DO NOT FORM PART OF NON-EQUITY REGULATORY CAPITAL MENTIONED UNDER CHAPTER V OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021, AS AMENDED.

DETAILS OF KMP

COMPLIANCE OFFICER		CHIEF FINANCIAL OFFICER	
Name:	Shri Premnath Ravindranath	Name:	Smt. Soya K
Tel No.:	04712737777	Tel No.:	0471-2737620
Email:	premnathravindranath@kfc.org	Email:	soyak@kfc.org

DETAILS OF KEY INTERMEDIARIES

DEBENTURE TRUSTEE TO THE ISSUE		REGISTRAR TO THE ISSUE		CREDIT RATING AGENCY			
 CATALYST TRUSTEESHIP LIMITED	 CAMEO CORPORATE SERVICES LIMITED	 INFOMERICS VALUATION AND RATING PVT. LTD.	 ACUITE RATINGS & RESEARCH LIMITED				
Address: GDA House, First Floor, Plot No. 85, S. No. 94 & 95, Bhusari Colony (Right), Kothrud, Pune - 411038 Tel No.: 9102066807200 Website: https://catalysttrustee.com Email: dt@ctltrustee.com Contact Person: Rakhi Kulkarni	Address: Subramanian Building, No. 1 Club House Road, Chennai - 600002 Tel No.: 044 40020752/741 Website: www.cameoindia.com Email: investor1@cameoindia.com Contact Person: R. D. Ramasamy	Address: 1105, B Wing, Kanakia Wallstreet, Off. Andheri Kurla Road, Andheri (East), Mumbai - 400093 Tel No.: +91-22-43471920 Website: www.infomeric.com Email: vma@infomeric.com Contact Person: Bhavesh Gupta	Address: 708, Lodha Supremus, Lodha iThink Techno Campus, Kanjurmarg (East), Mumbai - 400042, +91-22-49294000 Tel No.: Website: www.acuite.in Email: info@acuite.in Contact Person: Parth Pandit	SEBI Registration Number: IND000000034 CIN: U74999PN1997PL C110262	SEBI Registration Number: INR000003753 CIN: U67120TN1998PL C041613	SEBI Registration Number: IN/CRA/007/2015 CIN: U32202DL1986PTC0 24575	SEBI Registration Number: IN/CRA/006/2011 CIN: U74999MH2005P LC155683

I. DISCLAIMER CLAUSE:

THIS INFORMATION MEMORANDUM OF PRIVATE PLACEMENT (HEREINAFTER REFERRED TO AS THE “**INFORMATION MEMORANDUM**” IS NEITHER A PROSPECTUS NOR A STATEMENT IN LIEU OF PROSPECTUS. THE ISSUE OF LISTED, RATED, SENIOR, SECURED, REDEEMABLE NON-CONVERTIBLE DEBENTURES (HEREINAFTER REFERRED TO AS “**DEBENTURES**”) TO BE ISSUED IS BEING MADE STRICTLY ON A PRIVATE PLACEMENT BASIS. IT IS NOT INTENDED TO BE CIRCULATED TO MORE THAN 200 (TWO HUNDRED) INVESTORS IN ANY FINANCIAL YEAR, AS ELIGIBLE UNDER THE LAWS OF INDIA TO INVEST IN THESE DEBENTURES (“**ELIGIBLE INVESTORS**”). MULTIPLE COPIES HEREOF GIVEN TO THE SAME ENTITY SHALL BE DEEMED TO BE GIVEN TO THE SAME PERSON AND SHALL BE TREATED AS SUCH. IT DOES NOT CONSTITUTE AND SHALL NOT BE DEEMED TO CONSTITUTE AN OFFER OR AN INVITATION TO SUBSCRIBE TO THE DEBENTURES ISSUED TO THE PUBLIC IN GENERAL. APART FROM THIS INFORMATION MEMORANDUM, NO OFFER DOCUMENT OR PROSPECTUS HAS BEEN PREPARED IN CONNECTION WITH THE OFFERING OF THIS ISSUE OR IN RELATION TO THE ISSUER NOR IS SUCH A PROSPECTUS REQUIRED TO BE REGISTERED UNDER THE APPLICABLE LAWS. ACCORDINGLY, THIS INFORMATION MEMORANDUM HAS NEITHER BEEN DELIVERED FOR REGISTRATION NOR IS IT INTENDED TO BE REGISTERED.

THIS INFORMATION MEMORANDUM HAS BEEN PREPARED TO PROVIDE GENERAL INFORMATION ABOUT THE ISSUER TO POTENTIAL INVESTORS TO WHOM IT IS ADDRESSED AND WHO ARE WILLING AND ELIGIBLE TO SUBSCRIBE TO THE DEBENTURES. THIS INFORMATION MEMORANDUM DOES NOT PURPORT TO CONTAIN ALL THE INFORMATION THAT ANY POTENTIAL INVESTOR MAY REQUIRE. NEITHER THIS INFORMATION MEMORANDUM NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE DEBENTURES IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR SHOULD ANY RECIPIENT OF THIS INFORMATION MEMORANDUM CONSIDER SUCH RECEIPT A RECOMMENDATION TO PURCHASE ANY DEBENTURES. EACH INVESTOR CONTEMPLATING THE PURCHASE OF ANY DEBENTURES SHOULD MAKE HIS OWN INDEPENDENT INVESTIGATION OF THE FINANCIAL CONDITION AND AFFAIRS OF THE ISSUER, AND HIS OWN APPRAISAL OF THE CREDITWORTHINESS OF THE ISSUER. POTENTIAL INVESTORS SHOULD CONSULT THEIR OWN FINANCIAL, LEGAL, TAX AND OTHER PROFESSIONAL ADVISORS AS TO THE RISKS AND INVESTMENT CONSIDERATIONS ARISING FROM AN INVESTMENT IN THE DEBENTURES AND SHOULD POSSESS THE APPROPRIATE RESOURCES TO ANALYSE SUCH INVESTMENT AND THE SUITABILITY OF SUCH INVESTMENT TO SUCH INVESTOR’S PARTICULAR CIRCUMSTANCES. IT IS THE RESPONSIBILITY OF INVESTORS TO ALSO ENSURE THAT THEY WILL SELL THESE DEBENTURES IN STRICT ACCORDANCE WITH THIS INFORMATION MEMORANDUM AND OTHER APPLICABLE LAWS, SO THAT THE SALE DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ACT, 1956 OR THE COMPANIES ACT, 2013. NONE OF THE INTERMEDIARIES OR THEIR AGENTS OR ADVISORS ASSOCIATED WITH THIS ISSUE UNDERTAKE TO REVIEW THE FINANCIAL CONDITION OR AFFAIRS OF THE ISSUER DURING THE LIFE OF THE ARRANGEMENTS CONTEMPLATED BY THIS INFORMATION MEMORANDUM OR HAVE ANY RESPONSIBILITY TO ADVISE ANY INVESTOR OR POTENTIAL INVESTOR IN THE DEBENTURES OF ANY INFORMATION AVAILABLE WITH OR SUBSEQUENTLY COMING TO THE ATTENTION OF THE INTERMEDIARIES, AGENTS OR ADVISORS.

THE ISSUER CONFIRMS THAT, AS OF THE DATE HEREOF, THIS INFORMATION MEMORANDUM CONTAINS INFORMATION THAT IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT, OR OMITTS TO STATE ANY MATERIAL FACT, NECESSARY TO MAKE THE STATEMENTS HEREIN, THAT WOULD BE, IN THE LIGHT OF CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS INFORMATION MEMORANDUM OR IN ANY MATERIAL MADE AVAILABLE BY THE ISSUER TO ANY POTENTIAL INVESTOR PURSUANT HERETO AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER. THE INTERMEDIARIES AND THEIR AGENTS OR ADVISORS ASSOCIATED

WITH THIS ISSUE HAVE NOT SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY IS ACCEPTED BY ANY SUCH INTERMEDIARY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM OR ANY OTHER INFORMATION PROVIDED BY THE ISSUER. ACCORDINGLY, ALL SUCH INTERMEDIARIES ASSOCIATED WITH THIS ISSUE SHALL HAVE NO LIABILITY IN RELATION TO THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM OR ANY OTHER INFORMATION PROVIDED BY THE ISSUER IN CONNECTION WITH THE ISSUE.

THE CONTENTS OF THIS INFORMATION MEMORANDUM ARE INTENDED TO BE USED ONLY BY THOSE INVESTORS TO WHOM IT IS ISSUED. IT IS NOT INTENDED FOR DISTRIBUTION TO ANY OTHER PERSON AND SHOULD NOT BE REPRODUCED BY THE RECIPIENT.

EACH COPY OF THIS INFORMATION MEMORANDUM IS SERIALLY NUMBERED AND THE PERSON, TO WHOM A COPY OF THE INFORMATION MEMORANDUM IS SENT, IS ALONE ENTITLED TO APPLY FOR THE DEBENTURES. NO INVITATION IS BEING MADE TO ANY PERSONS OTHER THAN THOSE TO WHOM APPLICATION FORMS ALONG WITH THIS INFORMATION MEMORANDUM HAVE BEEN SENT. ANY APPLICATION BY A PERSON TO WHOM THE INFORMATION MEMORANDUM AND/OR THE APPLICATION FORM HAS NOT BEEN SENT BY THE ISSUER SHALL BE REJECTED WITHOUT ASSIGNING ANY REASON.

THE PERSON WHO IS IN RECEIPT OF THIS INFORMATION MEMORANDUM SHALL MAINTAIN UTMOST CONFIDENTIALITY REGARDING THE CONTENTS OF THIS INFORMATION MEMORANDUM AND SHALL NOT REPRODUCE OR DISTRIBUTE IN WHOLE OR PART OR MAKE ANY ANNOUNCEMENT IN PUBLIC OR TO A THIRD PARTY REGARDING ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER.

EACH PERSON RECEIVING THIS INFORMATION MEMORANDUM ACKNOWLEDGES THAT:

- SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW AND HAS RECEIVED ALL ADDITIONAL INFORMATION CONSIDERED BY AN INDIVIDUAL TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN; AND
- SUCH PERSON HAS NOT RELIED ON ANY INTERMEDIARY THAT MAY BE ASSOCIATED WITH ISSUANCE OF THE DEBENTURES IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION.

THE ISSUER DOES NOT UNDERTAKE TO UPDATE THE INFORMATION MEMORANDUM TO REFLECT SUBSEQUENT EVENTS AFTER THE DATE OF THE INFORMATION MEMORANDUM AND THUS IT SHOULD NOT BE RELIED UPON WITH RESPECT TO SUCH SUBSEQUENT EVENTS WITHOUT FIRST CONFIRMING ITS ACCURACY WITH THE ISSUER. NEITHER THE DELIVERY OF THIS INFORMATION MEMORANDUM NOR ANY SALE OF DEBENTURES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CONSTITUTE A REPRESENTATION OR CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE HEREOF.

THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE, NOR MAY IT BE USED FOR OR IN CONNECTION WITH, AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. NO ACTION IS BEING TAKEN TO PERMIT AN OFFERING OF THE DEBENTURES OR THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM IN ANY JURISDICTION WHERE SUCH ACTION IS REQUIRED. THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING AND SALE OF THE DEBENTURES MAY BE RESTRICTED BY LAW IN CERTAIN JURISDICTIONS. PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM

COMES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS. THE INFORMATION MEMORANDUM IS MADE AVAILABLE TO POTENTIAL INVESTORS IN THE ISSUE ON THE STRICT UNDERSTANDING THAT IT IS CONFIDENTIAL.

DISCLAIMER OF THE ARRANGER:

KERALA FINANCIAL CORPORATION (THE “ISSUER”/ “CORPORATION”) HAS AUTHORIZED THE ARRANGER TO DISTRIBUTE THIS INFORMATION MEMORANDUM IN CONNECTION WITH THE PROPOSED TRANSACTION OUTLINED IN IT (THE “TRANSACTION”) AND THE DEBENTURES PROPOSED TO BE ISSUED IN THE TRANSACTION (THE “DEBENTURES”).

NOTHING IN THIS INFORMATION MEMORANDUM CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY OTHER JURISDICTION WHERE SUCH OFFER OR PLACEMENT WOULD BE IN VIOLATION OF ANY LAW, RULE OR REGULATION.

THE ISSUER HAS PREPARED THIS INFORMATION MEMORANDUM AND THE ISSUER IS SOLELY RESPONSIBLE FOR ITS CONTENTS. THE ISSUER WILL COMPLY WITH ALL LAWS, RULES AND REGULATIONS AND HAS OBTAINED ALL REGULATORY, GOVERNMENTAL AND CORPORATE APPROVALS FOR THE ISSUANCE OF THE DEBENTURES. ALL THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM HAS BEEN PROVIDED BY THE ISSUER OR IS PUBLICLY AVAILABLE INFORMATION, AND SUCH INFORMATION HAS NOT BEEN INDEPENDENTLY VERIFIED BY THE ARRANGER. NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, IS OR WILL BE MADE, AND NO RESPONSIBILITY OR LIABILITY IS OR WILL BE ACCEPTED, BY THE ARRANGER OR ITS AFFILIATES FOR THE ACCURACY, COMPLETENESS, RELIABILITY, CORRECTNESS OR FAIRNESS OF THIS INFORMATION MEMORANDUM OR ANY OF THE INFORMATION OR OPINIONS CONTAINED THEREIN, AND THE ARRANGER HEREBY EXPRESSLY DISCLAIMS, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM AND ANY LIABILITY, WHETHER ARISING IN TORT OR CONTRACT OR OTHERWISE, RELATING TO OR RESULTING FROM THIS INFORMATION MEMORANDUM OR ANY INFORMATION OR ERRORS CONTAINED THEREIN OR ANY OMISSIONS THEREFROM. BY ACCEPTING THIS INFORMATION MEMORANDUM, YOU AGREE THAT THE ARRANGER WILL NOT HAVE ANY SUCH LIABILITY.

YOU SHOULD CAREFULLY READ AND RETAIN THIS INFORMATION MEMORANDUM. HOWEVER, YOU ARE NOT TO CONSTRUE THE CONTENTS OF THIS INFORMATION MEMORANDUM AS INVESTMENT, LEGAL, ACCOUNTING, REGULATORY OR TAX ADVICE, AND YOU SHOULD CONSULT WITH YOUR OWN ADVISORS AS TO ALL LEGAL, ACCOUNTING, REGULATORY, TAX, FINANCIAL AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE DEBENTURES.

STOCK EXCHANGE DISCLAIMER CLAUSE¹:

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THIS INFORMATION MEMORANDUM WITH THE STOCK EXCHANGE SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE STOCK EXCHANGE. THE STOCK EXCHANGE DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS INFORMATION MEMORANDUM.

LISTING

¹ **CAM Note:** To be updated upon receipt of in principle approval.

The Debentures to be issued under this Information Memorandum will be listed on the Wholesale Debt Market Segment of the Bombay Stock Exchange (the “**Stock Exchange**”). The Issuer shall make an application for listing prior to the Deemed Date of Allotment of the Debentures and shall have obtained the in-principle approval of the Stock Exchange for the listing of the Debentures.

INVESTORS ARE ADVISED TO READ THE ‘RISK FACTORS’ CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS ISSUE. FOR TAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE OFFER INCLUDING THE RISKS INVOLVED. THE DEBENTURES HAVE NOT BEEN RECOMMENDED OR APPROVED BY THE ANY REGULATORY AUTHORITY IN INDIA, INCLUDING THE SEBI NOR DOES SEBI GUARANTEE THE ACCURACY OR ADEQUACY OF THIS INFORMATION MEMORANDUM. SPECIFIC ATTENTION OF INVESTORS IS INVITED TO THE STATEMENT OF ‘RISK FACTORS’ GIVEN ON PAGE NUMBER 50 THIS INFORMATION MEMORANDUM.

THE ISSUER, HAVING MADE ALL REASONABLE INQUIRIES, ACCEPTS RESPONSIBILITY FOR, AND CONFIRMS THAT THIS OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE, THAT THE INFORMATION CONTAINED IN THE OFFER DOCUMENT IS TRUE AND CORRECT IN ALL MATERIAL ASPECTS AND IS NOT MISLEADING, THAT THE OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY STATED AND THAT THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THIS DOCUMENT AS A WHOLE OR ANY OF SUCH INFORMATION OR THE EXPRESSION OF ANY SUCH OPINIONS OR INTENTIONS MISLEADING.

THE ISSUER HAS NO SIDE LETTER WITH ANY DEBT SECURITIES HOLDER EXCEPT THE ONE(S) DISCLOSED IN THE OFFER DOCUMENT/PLACEMENT MEMORANDUM. ANY COVENANTS LATER ADDED SHALL BE DISCLOSED ON THE STOCK EXCHANGE WEBSITE WHERE THE DEBT IS LISTED.

THE ISSUER, HAVING MADE ALL REASONABLE INQUIRIES, ACCEPTS RESPONSIBILITY FOR AND CONFIRMS THAT THIS PLACEMENT MEMORANDUM CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE, THAT THE INFORMATION CONTAINED IN THE PLACEMENT MEMORANDUM IS TRUE AND CORRECT IN ALL MATERIAL ASPECTS AND IS NOT MISLEADING, THAT THE OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY STATED AND THAT THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKE THIS DOCUMENT AS A WHOLE OR ANY OF SUCH INFORMATION OR THE EXPRESSION OF ANY SUCH OPINIONS OR INTENTIONS MISLEADING

INVESTMENT IN NON-CONVERTIBLE SECURITIES INVOLVE A DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN SUCH SECURITIES UNLESS THEY CAN AFFORD TO TAKE THE RISK ATTACHED TO SUCH INVESTMENTS. INVESTORS ARE ADVISED TO TAKE AN INFORMED DECISION AND TO READ THE RISK FACTORS CAREFULLY BEFORE INVESTING IN THIS OFFERING. FOR TAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR EXAMINATION OF THE ISSUE INCLUDING THE RISKS INVOLVED IN IT. SPECIFIC ATTENTION OF INVESTORS IS INVITED TO STATEMENT OF RISK FACTORS CONTAINED UNDER SECTION 1 OF THIS INFORMATION MEMORANDUM. THESE RISKS ARE NOT, AND ARE NOT INTENDED TO BE, A COMPLETE LIST OF ALL RISKS AND CONSIDERATIONS RELEVANT TO THE NON-CONVERTIBLE SECURITIES OR INVESTOR’S DECISION TO PURCHASE SUCH SECURITIES

DEBENTURE TRUSTEE DISCLAIMER: THE DEBENTURE TRUSTEE, “IPSO FACTO” DOES NOT HAVE THE OBLIGATIONS OF A BORROWER OR A PRINCIPAL DEBTOR OR A GUARANTOR AS TO THE MONIES PAID/INVESTED BY INVESTORS FOR THE DEBENTURES/BONDS. WHILE THE DEBT SECURITIES ARE SECURED TO THE TUNE OF 100% OF THE PRINCIPAL AND INTEREST AMOUNT OR AS PER THE TERMS OF HEREUNDER, IN FAVOUR OF DEBENTURE TRUSTEE, THE RECOVERY OF 100% OF THE AMOUNT SHALL DEPEND ON THE MARKET SCENARIO PREVALENT AT THE TIME OF ENFORCEMENT OF THE

SECURITY. THE DEBENTURE TRUSTEE DOES NOT MAKE NOR DEEMS TO HAVE MADE ANY REPRESENTATION ON THE ISSUER, ITS OPERATIONS, THE DETAILS AND PROJECTIONS ABOUT THE ISSUER OR THE DEBENTURES UNDER OFFER MADE IN THIS INFORMATION MEMORANDUM. APPLICANTS / INVESTORS ARE ADVISED TO READ CAREFULLY THIS INFORMATION MEMORANDUM AND MAKE THEIR OWN ENQUIRY, CARRY OUT DUE DILIGENCE AND ANALYSIS ABOUT THE ISSUER, ITS PERFORMANCE AND PROFITABILITY AND DETAILS IN THIS INFORMATION MEMORANDUM BEFORE TAKING THEIR INVESTMENT DECISION. THE DEBENTURE TRUSTEE SHALL NOT BE RESPONSIBLE FOR THE INVESTMENT DECISION AND ITS CONSEQUENCES.

II. DEFINITIONS AND ABBREVIATIONS²

Debenture Trust Deed	The debenture trust deed, as amended from time to time, to be entered into by the Issuer with the Debenture Trustee, setting out the terms of the issuance of the debt securities.
Debenture Trustee	Catalyst Trusteeship Limited
Debt Listing Agreement	The debt listing agreement, as amended from time to time, entered into by the Issuer with the Bombay Stock Exchange for the listing of the Debentures and any other recognised stock exchange to which the Issuer may apply for the listing of the Debentures subsequently after giving prior notice to the Debenture Trustee.
SEBI Electronic Book Mechanism Guidelines	The guidelines issued by SEBI and pertaining to the Electronic Book Mechanism set out in the terms specified by the SEBI in its Circular dated January 05, 2018 (bearing reference number SEBI/HO/DDHS/CIR/P/2018/05) titled 'Electronic book mechanism for issuance of securities on private placement basis, read along with the related clarifications dated August 16, 2018 (bearing reference number SEBI/HO/DDHS/CIR/P/2018/122), and the related operational guidelines issued by the concerned Electronic Book Provider, as may be amended, clarified or updated from time to time.
SEBI REF Circular	SEBI circular on 'Contribution by Issuers of listed or proposed to be listed debt securities towards creation of Recovery Expense Fund' dated 22 October 2020 bearing reference no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/207.

III. LIST OF DOCUMENTS TO BE FILED WITH THE STOCK EXCHANGE

List of disclosures to be filed along with the listing application to the stock exchange:

² **CAM Note:** Definitions of all the capitalized terms used here and the details of all the abbreviations used in this Information Memorandum, to be inserted.

- A. the draft Information Memorandum
- B. charter/ constitutional documents and necessary resolution(s) of the Issuer for the allotment of the debt securities;
- C. copy of the board/ committee resolution authorizing the borrowing and list of authorized signatories;
- D. copy of last three years annual reports of the Issuer;
- E. statement containing particulars of, dates of, and parties to all material contracts and agreements;
- F. an undertaking from the Issuer stating that the necessary documents for the creation of the charge, where applicable, including the debenture trust deed would be executed within the time frame prescribed in the relevant regulations/ act/ rules, etc., and the same would be uploaded on the website of the designated stock exchange, where the debt securities have been listed, within 5 (five) working days of execution of the same;
- G. any other particulars or documents that the recognized stock exchange may call for as it deems fit.

IV. DETAILS OF PROMOTERS OF THE ISSUER:

Details of Promoter Holding in Issuer as on the latest quarter end, i.e. December 31, 2022:

S . N o .	Name of Shareholders	Total no. of Equity Shares	No. of shares in demat form	Total Shareholding as a percentage of total no. of equity shares	No. of Shares Pledged	Percentage of Shares pledged with respect to shares owned
1.	Government of Kerala	4,20,26,937	2,00,00,000	98.538	Nil	Nil
2.	SIDBI	6,13,327	6,13,327	1.438	Nil	Nil
3.	LIC	7,103	7,103	0.017	Nil	Nil
4.	SBI	2,099	2,099	0.005	Nil	Nil
5.	Others	962	4	0.002	Nil	Nil

*ISIN for the equity shares has been generated and demat of shares is in progress.

A declaration confirming that the Permanent Account Number, Aadhaar Number, Driving License Number, Bank Account Number(s) and Passport Number of the promoters and Permanent Account Number of directors have been submitted to the stock exchanges on which the non- convertible securities are proposed to be listed, at the time of filing the draft offer document:

We confirm that the requisite details for directors have been submitted to stock exchange at the time of seeking in-principle approval.

V. DETAILS OF CREDIT RATING ALONG WITH THE LATEST PRESS RELEASE OF THE CREDIT RATING AGENCY IN RELATION TO THE ISSUE AND DECLARATION THAT THE RATING IS VALID AS ON THE DATE OF ISSUANCE AND LISTING.

Infomerics Valuation and Rating Private Limited has assigned a rating of “[AA (CE)]” (pronounced as “[Double A (Credit Enhancement)]”) with [Stable] outlook for INR 750,00,00,000 (Indian Rupees Seven Hundred and Fifty Crores), vide its letter dated Feb 21, 2023 , and Acuité Ratings & Research Limited has assigned a rating of “[ACUITE AA]” (pronounced as “[Acuité Double A]”) for INR 750,00,00,000 (Indian Rupees Seven Hundred and Fifty Crores), vide its letter dated Jan 6,2023. Instruments with this rating are considered to have a high degree of safety regarding timely service of financial obligations. Such instruments carry low credit risk. The rating letter from the Rating Agency is provided in Annexure 1 of this Information Memorandum. The Rating Agencies have issued a press release of the credit rating in respect of the Debentures on <https://www.infomerics.com/admin/uploads/pr-Kerala-Financial-21feb23.pdf> , [28090-RR-20230106.pdf \(acuute.in\)](https://www.acuite.in/28090-RR-20230106.pdf)

. The copies of the press release and the rating rationale (not older than one year on the date of opening of the Issue) in respect of the rating for the Debentures is provided in Annexure C to this Information Memorandum.

VI. NAME(S) OF THE STOCK EXCHANGE(S) WHERE THE NON-CONVERTIBLE SECURITIES ARE PROPOSED TO BE LISTED AND THE DETAILS OF THEIR IN-PRINCIPLE APPROVAL FOR LISTING OBTAINED FROM THESE STOCK EXCHANGE(S).

The Debentures are proposed to be listed on the Wholesale Debt Market Segment of the Bombay Stock Exchange. The Issuer shall comply with the requirements of the Debt Listing Agreement to the extent applicable to it on a continuous basis. The Issuer has obtained the in-principle approval for the listing of the Debentures on the Wholesale Debt Market Segment of the Bombay Stock Exchange. Please refer to **Annexure 5** to this Information Memorandum for a copy of the in-principle approval letter dated 17.03.2023 issued by the Bombay Stock Exchange.


The Debentures are not proposed to be listed on more than one stock exchange.

The Issuer has created the Recovery Expense Fund for a maximum limit of INR 25,00,000 (Indian Rupees Twenty-Five Lakh) in accordance with the SEBI REF Circular with the SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated October 22, 2020 . In this regard, please also refer to the section on “Creation of recovery expense fund” under SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated October 22, 2020 .




VII. ISSUE SCHEDULE

Particulars	Date
Issue opening date	March 23, 2023
Issue closing date	March 23, 2023
Pay-in Date	March 24, 2023
Deemed Date of Allotment	March 24, 2023

VIII. KEY INTERMEDIARIES TO THE ISSUE:

<p>Debenture Trustee</p>	 CATALYST CATALYST TRUSTEESHIP LIMITED
	<p>Address: GDA House, First Floor, Plot No. 85, S. No. 94 & 95, Bhusari Colony (Right), Kothrud, Pune - 411038</p>

	<p>Tel No.: 9102066807200</p> <p>Website https://catalysttrustee.com</p> <p>Email: dt@ctltrustee.com</p> <p>Contact Person: Rakhi Kulkarni</p> <p>SEBI Registration Number IND000000034</p> <p>CIN: U74999PN1997PLC110262</p>
Credit Rating Agency	<div data-bbox="954 520 1216 632" data-label="Image"> </div> <p style="text-align: center;">INFOMERICS VALUATION AND RATING PVT. LTD.</p> <p>Address: 1105, B Wing, Kanakia Wallstreet, Off. Andheri Kurla Road, Andheri (East), Mumbai - 400093</p> <p>Tel No.: +91-22-43471920</p> <p>Website www.infomerics.com</p> <p>Email: vma@infomerics.com</p> <p>Contact Person: Bhavesh Gupta</p> <p>SEBI Registration Number IN/CRA/007/2015</p> <p>CIN: U32202DL1986PTC024575</p> <div data-bbox="984 1220 1187 1289" data-label="Image"> </div> <p style="text-align: center;">ACUITE RATINGS & RESEARCH LIMITED</p> <p>Address: 708, Lodha Supremus, Lodha iThink Techno Campus, Kanjurmarg (East), Mumbai - 400042.</p> <p>Tel No.: +91-22-49294000</p> <p>Website www.acuite.in</p> <p>Email: info@acuite.in</p> <p>Contact Person: Parth Pandit</p> <p>SEBI Registration Number IN/CRA/006/2011</p> <p>CIN: U74999MH2005PLC155683</p>

Registrar to the Issue	<div style="text-align: center;">  <p>CAMEO</p> <p>CAMEO CORPORATE SERVICES LIMITED</p> </div> <p>Address: Subramanian Building, No. 1 Club House Road, Chennai - 600002</p> <p>Tel No.: 044 40020752/741</p> <p>Website: www.cameoindia.com</p> <p>Email: investor1@cameoindia.com</p> <p>Contact Person: R. D. Ramasamy</p> <p>SEBI Registration Number: INR000003753</p> <p>CIN: U67120TN1998PLC041613</p>
Statutory Auditors	<div style="text-align: center;">  <p>J A K S & ASSOCIATES, CHARTERED ACCOUNTANTS</p> </div> <p>Address: TC 9/2763(12), Kulangara, 288, CSM Nagar, Edappazhinji, Thiruvananthapuram-695010, Kerala</p> <p>Tel No.: +91 471 2723338</p> <p>Website: www.jakslp.com</p> <p>Email: selastin@jakslp.com</p> <p>Contact Person: CA Selastin A</p>
Legal Counsel	<div style="text-align: center;">  <p>cyril amarchand mangaldas ahead of the curve</p> <p>CYRIL AMARCHAND MANGALDAS</p> </div> <p>Address: Peninsula Chambers, Peninsula Corporate Park, G. K. Marg, Lower Parel, Mumbai - 400013</p> <p>Tel No.: +91-2224964455</p> <p>Website: https://www.cyrilshroff.com/</p> <p>Email: leena.chacko@cyrilshroff.com</p>

Contact Person:

Leena Chacko

Advisors to the Issue



TRUST INVESTMENT ADVISORS PRIVATE LIMITED

Address: 1101, Naman Centre, BKC,
Bandra (East), Mumbai – 400
051

Tel No.: 022-40845000

Website: www.trustgroup.in

Email: a.sen@trustgroup.in

Contact Person: Mr. Anindya Sen



PRP Professional Edge Associates Private Limited

Address: 508, 5th Floor, Eros City
Square, Rosewood City,
Sector 49-50, Gurugram -
122018, Haryana, India

Tel No.: 0124-4249000

Website: <https://www.prpedge.com>

Email: info@prpedge.com

Contact Person: Gaurav Kute

Arranger to the Issue



TRUST INVESTMENT ADVISORS PRIVATE LIMITED

Address: 1101, Naman Centre,
BKC, Bandra (East),
Mumbai – 400 051

Tel No.: 022-40845000

Website: www.trustgroup.in

Email: a.sen@trustgroup.in

Contact Person: Mr. Anindya Sen

ARRANGERS TO THE ISSUE

A.K. Capital Services Limited	Tipsons Consultancy Services Private Limited	Real Growth Securities Pvt. Ltd.	Genev Capital Pvt. Ltd.	Sunrise Gilts & Securities Private Limited
<p>Address: Unit No. 603, 6th Floor, Windsor, off CST Road, Kalina, Santacruz - (East), Mumbai – 400098 Tel: 022-67546500 E-mail: vaibhav.jain@akgroup.co.in Website: www.akgroup.co.in Contact Person: Mr. Vaibhav Jain SEBI Registration No. : INM000010411</p>	<p>Address: 401, Sheraton House, Opp. Ketav Petrol Pump, Polytechnic Road, Ahmedabad – 380015 Tel: 079-66828120 / 9099933611 E-mail: sandeep.bhansali@tipsons.com Website: www.tipsons.com Contact Person: Mr Sandeep Bhansali SEBI Registration No. : INM000011849</p>	<p>Address: 112-A, 1st Floor, Jyoti Shikhar Building, District Centre, Janak Puri, New Delhi - 110058. Phone: 011 - 25513114/15, 25532213 Fax : 011 - 25532212 Mr. Rajesh Gupta E-mail: rajesh.gupta@realgrowth.org.in SEBI Registration No. : INM000011492</p>	<p>Address: 9/10F, Eucharistic Congress Ill, 5 Convent Rd, Colaba, Mumbai -400 039 Tel/ Mobile: 011-41013471/9880753084 Contact Person: Pankhuri Aggarwal E-mail: pankhuri.aggarwal@genevcap.com SEBI Registration: INZ000284737</p>	<p>317, 3rd Floor, Pratibha Plus, Narol Gam Char Rasta, N.H. 8, Narol Aslali Highway, Narol-Aslali Road, Ahmedabad-382405. Gujarat-India. Tel/ Mobile: tel:+919377093465 E-mail: info@sunrisegilts.com SEBI Registration : INZ000025734</p>

IX. A BRIEF SUMMARY OF THE BUSINESS/ ACTIVITIES OF THE ISSUER AND ITS SUBSIDIARIES WITH THE DETAILS OF THE BRANCHES OR UNITS IF ANY AND ITS LINE OF BUSINESS.

i. General Information

Name	:	Kerala Financial Corporation
Registered Office of Issuer	:	Vellayambalam, Thiruvananthapuram, Kerala – 695033
Corporate Office of Issuer	:	Vellayambalam, Thiruvananthapuram, Kerala – 695033
Corporate Identification Number	:	Not Applicable
Phone No.	:	0471- 2737500, 2311750
Contact Person	:	Sri Premnath Ravindranath
Email	:	premnathravindranath@kfc.org

ii. A brief summary of the business/ activities of the Issuer and its subsidiaries with the details of the branches or units if any and its line of business.

(a) Overview

KFC incorporated under the State Financial Corporations Act of 1951, plays a major role in the development and industrialization of Kerala extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Corporation has been among the top SFCs in the country and has remodelled itself to become an institution that offers a bouquet of financial products and services to entrepreneurs at competitive terms with a customer friendly approach.

KFC has 16 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Kollam

The provisions of SFCs Act 1951 as amended in 2000 control and guide the functions of Corporation. The main objective of KFC is the rapid industrialization of the state by extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. SFCs Act empowers KFC to formulate suitable loan schemes for achieving the above said objectives. Corporation can give financial assistance for setting up of new units and for the expansion / modernization / diversification of existing units in both manufacturing and service sectors. Since inception KFC has disbursed over Rs. 50000 Crores to more than 50,000 projects, spread over the length and breadth of the State.

The main loan schemes are

- Sanction of term loans to new micro, small and medium enterprises in the manufacturing and services sector.
- Sanction of term loans to existing industrial concerns and services sector units for expansion/modernization/ diversification.

- Sanction of working capital loans to meet working capital requirements of industrial/ service enterprises under special schemes.
- Special scheme for financial assistance to civil contractors.
- Special scheme for purchase of lab equipment/ waste management.
- Interest subvention scheme for innovative projects.
- Scheme for funding private enterprises set up for defibering of coir husk.
- Letters of Credit only for Government Bill Discounting System.
- Providing guarantees.
- Loans to startups and new MSME units.

(b) Corporate Structure of the Issuer

Kerala Financial Corporation (KFC) was incorporated under the State Financial Corporations Act of 1951, with an objective of development and industrialization of Kerala, extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Govt of Kerala (GoK) holds majority shareholding of 98.54%, followed by Small Industries Development Bank of India (SIDBI) at 1.44%, and Life Insurance Corporation (LIC) and State Bank of India (SBI) at 0.017% and 0.005%, respectively. By virtue of the ownership of GoK and as KFC also acts as a nodal agency for several policy initiatives of the State Govt and is responsible for implementing the state's policy initiatives announced in the annual state budget.

(c) Project cost and means of financing, in case of funding of new projects

Collection from Loans, Borrowings from Banks/ Financial Institutions and Debt Market

(d) Key Business Initiatives

The Corporation has centralized and streamlined various operations and procedures with a view to focus and garner more business improving the top line as well as the bottom line performance. The standardization of processes and procedures has helped in scalability in line with business expansion in compliance with the regulatory and statutory requirements, enforcement of internal controls besides expeditious service to the customers. During the year, the Corporation has launched new products and services and also fine-tuned the existing loan schemes, services and processes to remain competitive. The key initiatives taken up during FY 2021-22 are given below:

- Reduced Interest Rates.
- 20% additional COVID-19 Relief Loan to MSME, Healthcare and Hospitality Sector.
- Resolution of COVID-19 related stress of MSMEs.
- Assistance to MSMEs in Healthcare to Fight COVID-19.
- Introduced External Valuation.
 - 'Support MSMEs' - Special Scheme for Assisting MSMEs located at Industrial Estates.
- 'Startup Kerala' - Comprehensive Scheme by KFC for Financing Startups.

- COVID Special Loan Settlement Adalath 2021.
- Business Review Committees.
- Issuing Guarantees to execute Sub-Contract Works.
- LoC Scheme for MSMEs.
- Chief Minister's Entrepreneurship Development Programme (CMEDP) Edition II.
 - Revision of Asset Coverage Ratio Norms.
 - Including Corporates as Work Issuing Authorities for LoC Schemes.
- Limit of accommodation.
- Loan Schemes for the Revival of potentially Viable Sick Units and revitalizing MSMEs.
- Renovation of Head Office.
- Awards and Recognitions 2021-22
- SKOTCH National Award 2022 for CMEDP
- FACT MKK Nayar Memorial Best Productivity Performance Award for Service Industries
- Metro Food Best Financial Service Provider Award for Hospitality Sector

IT Initiatives.

- Electronic payment system.
- e-Procurement.
- Loan Origination System.
- New Core Banking Software.
- Working Capital arrangements with City Union Bank.
 - Digital Document Execution.
 - Digital Meetings.
 - Kerala MSME Bill Discounting Platform.
 - KFC Mobile App.
 - Case Management System.

The Corporation is committed to achieve its goals by focusing on the major areas like asset quality, profitability, resilient loan book, appropriate organizational structure, responsible corporate governance framework and robust and latest digital technology. The Corporation has set a target for FY 2022-23 to cross Rs.650000 Lakh mark in the Loan and Advances portfolio. The policies and systems are being constantly reviewed to focus on consolidating the existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts. The brief action plans and strategies to be implemented are as follows.

- Chief Minister's Entrepreneurship Development Programme (CMEDP).
- Kerala MSME Bill Discounting Platform (KMBDP).
 - Working Capital loans by KFC.
 - Loans to Agriculture Sector.
- New Branches.

FINANCIAL INFORMATION:

- i. A columnar representation of the audited financial statements (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement) both on a standalone and consolidated basis for a period of three completed years which shall not be more than six months old from the date of the placement memorandum or issue opening date, as applicable.³

Refer Annexure 6 (*Financial Statements*).⁴

- ii. **Key Operational and Financial Parameters on a consolidated and standalone basis (for financial sector entities):**

S r · N o ·	Particulars	<u>AS ON 31- 12-2022</u>	<u>FY 2021- 22</u>	<u>FY 2020-21</u>	<u>FY 2019-20</u>
Balance Sheet					
1.	Net Fixed assets	728.10	734.37	894.23	1,027.31
2.	Current assets	3,76,600.44	2,17,823.15	1,93,055.72	1,35,963.39
3.	Non-current assets	4,50,629.5	3,47,851.13	3,40,229.02	2,49,049.67
4.	Total assets	8,27,958.04	5,66,408.65	5,34,178.97	3,86,040.37
5.	Non-Current Liabilities (including maturities of long-term borrowings and short-term borrowings)				
	Financial (borrowings, trade payables, and other financial liabilities)	4,13,829.56	3,06,138.34	3,38,610.22	2,51,155.42
	Provisions Deferred tax liabilities (net)				
	Other non-current liabilities				

³ Listed issuers (whose debt securities or specified securities are listed on recognised stock exchange(s)) in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, may disclose unaudited financial information for the stub period in the format as prescribed therein with limited review report in the placement memorandum, as filed with the stock exchanges instead of audited financial statements for stub period, subject to making necessary disclosures in this regard in placement memorandum including risk factors

⁴ The above financial statements shall be accompanied with the Auditor's Report along with the requisite schedules, footnotes, summary etc.

6.	Current Liabilities (including maturities of long-term borrowings) Financial (borrowings, trade payables, and other financial liabilities) Provisions Current tax liabilities (net) Other current liabilities	3,31,892.95	1,91,226.06	1,27,733.99	76,410.45
7.	Equity (equity and other equity)	82,235.53	69,044.25	67,834.76	58,474.50
8.	Total equity and liabilities	8,27,958.04	5,66,408.65	5,34,178.97	3,86,040.37
Profit and Loss					
9.	Total revenue From operations Other income	47,587.04	51,816.81	49,094.30	41,091.83
10.	Total Expenses	32,473.76	42,634.65	46,193.18	36,565.17
11.	Total comprehensive income Profit/ loss Other comprehensive income	15113.28	3501.06	1282.99	3006.66
12.	Profit/ loss after tax	13,738.28	1,319.80	657.93	1,836.64
13.	Earnings per equity share: (a) basic; and (b) diluted Continuing operations Discontinued operations Total Continuing and discontinued operations	a) 32.25 b) 32.25	a) 3.26 b) 3.26	a) 2.04 b) 1.54	a) 7.65 b) 7.64

Cash flow					
14.	Net cash generated from operating activities	27,560.46	26,356.62	19,678.27	711.82
15.	Net cash used in/ generated from investing activities	-158.42	-53.90	-151.06	-644.66
16.	Net cash used in financing activities	-26,788.82	-26,215.09	-26,826.30	16,818.82
17.	Cash and cash equivalents	10,777.96	10,164.19	10,076.58	17,375.67
18.	Balance as per statement of cash flows	10,777.96	10,164.19	10,076.58	17,375.67
Additional information					
19.	Net worth	82,235.53	69,044.25	67,834.76	58,474.50
20.	Cash and Cash Equivalents	10,777.96	10,164.19	10,076.58	17,375.67
21.	Current Investments	27854.31	23,970.22	26,822.07	14,570.53
22.	Assets Under Management	632454.95	4,75,071.41	4,62,112.51	3,35,190.04
23.	Off Balance Sheet Assets	-	-	-	-
24.	Total Debts to Total assets	0.70	0.76	0.80	0.78
25.	Debt Service Coverage Ratios	NA	NA	NA	NA
26.	Interest Income	39177.60	39,264.66	40,387.39	30853.26
27.	Interest Expense	29,502.49	28,627.64	29,713.02	21,786.18
28.	Interest service coverage ratio	NA	NA	NA	NA
29.	Provisioning & Write-offs	84.01	10,138.99	12,384.67	10,715.22
30.	Bad debts to Account receivable ratio	-	-	-	-

31.	Gross NPA (%)	4.58	3.27	3.58	4.74
32.	Net NPA (%)	2.44	1.28	1.48	1.45
33.	Tier I Capital Adequacy Ratio (%)	23.13%	22.41%	22.85%	22.40%
34.	Tier II Capital Adequacy Ratio (%)	23.13%	22.41%	22.85%	22.40%

iii. **Debt: Equity Ratio of the Issuer:**

Before the issue of debt securities	7.00
After the issue of debt securities	7.90*

*Assuming full INR 750,00,00,000 (Indian Rupees Seven Hundred and Fifty Crores) is raised in this tranche.

Columnar Representation of Audited Consolidated and Standalone Financial Information (like Profit and Loss statement, Balance Sheet and Cash Flow statement) for at least last 3 (Three) years and auditor qualifications and for quarter ended December 31, 2022.

Balance sheet: -Rs. In Lakhs

Particulars		As at 31.12.202 2	As at 31.03.20 22	As at 31.03.20 21	As at 31.03.20 20
A	EQUITY AND LIABILITIES				
1	Shareholders' funds				
	(a) Share capital	42650.43	42650.43	42650.43	22650.43
	(b) Reserves and surplus	39585.10	26393.82	25184.33	24824.08
	(c) Money received against share capital		-	-	11000.00
3	Non-current liabilities				
	(a) Long-term borrowings	395922.55	287855.50	323732.31	236182.00
	(b) Deferred tax liabilities (net)	587.32	963.16	1008.85	323.00
	(c) Long-term provisions	17319.69	17319.68	13869.06	13770.93
4	Current liabilities				
	(a) Short-term borrowings	186032.04	143031.22	103185.71	66616.37
	(b) Other current liabilities	142213.50	45815.80	19082.74	6247.20
	(d) Short-term provisions	3647.41	2379.04	5465.54	4426.37
	TOTAL	827958.04	566408.65	534178.97	386040.37
B	ASSETS				
1	Non-current assets				
	(a) Fixed Assets	728.10	734.37	894.23	1027.31
	(b) Non-current investments	8451.14	6045.11	8376.72	51.04
	(c) Other non-current assets	441996.10	341623.76	331761.19	248998.63

	(d) Deferred Tax Assets (Net)	182.26	182.26	91.11	
2	Current assets				
	(a) Current investments	27854.31	23970.22	26822.07	14570.53
	(b) Cash and cash equivalents	10777.97	10164.19	10076.58	17375.67
	(c) Other current assets	337968.16	183688.74	156157.07	104017.19
3	Significant Accounting policies and Notes to Accounts				
	TOTAL	827958.04	566408.65	534178.97	386040.37

Profit and loss: -

Rs. In Lakh

Particulars		9 month ended 31.12.2022	Year ended 31.03.202 2	Year ended 31.03.202 1	Year Ended 31.03.2020
A	CONTINUING OPERATIONS				
1	Revenue from operations	44,585.90	49265.99	46645.68	39364.34
2	Other income	3,001.14	2550.82	2448.62	1727.49
3	Total revenue	47,587.04	51816.81	49094.30	41091.83
4	Operating Expenses				
	(a) Interest expenses	29,502.49	28627.64	29713.02	21786.17
	(b) Employee benefits expense	2,200.53	3199.90	3418.09	3151.99
	(c) Administrative Expenses	522.04	454.36	394.28	712.70
	(d) Depreciation and amortisation expense	154.68	213.76	283.12	199.08
	(e) Bad debts written off	84.01	10138.99	12384.67	10715.22
	Total expenses	32,473.76	42634.65	46193.18	36565.16
5	Operating Profit before exceptional and extraordinary items and tax	15,113.28	9182.16	2901.12	4526.67
6	Add/Less Extra ordinary items	-	-	-	-
7	Operating Profit After exceptional and extraordinary items and tax	15,113.28	9182.16	2901.12	4526.67
8	Less: Provision for Bad and Doubtful debts / Other assets	-	5681.10	1618.13	1520.00
	(b) Provision for diminution in the value of Fixed assets	-	-	-	-
9	Profit before tax	15,113.28	3501.06	1282.99	3006.67
10	Tax expense:				
	Less: Current tax expense - (a) Provision for Income Tax	1,375.00	2272.41	1039.17	1127.86
	(b) Provision for Deferred Tax	-	(91.15)	(414.11)	42.16
B	Discontinuing operations				
11	Net Profit after tax for the period	13,738.28	1319.80	657.93	1836.65
12	Earnings per share (Equity shares of Rs 100/- each):				
	(a) Basic	32.25	3.26	2.04	7.65
	(b) Diluted	32.25	3.26	1.54	764
C	Profit and loss appropriation				
	Balance in Profit & Loss A/c b/f		13127.07	12669.62	11226.625
	Net Profit for the year		1319.80	657.93	1836.651
	Total profit available for appropriation		14446.87	13327.54	13063.276

	Add: Prior Period Income				
	Less: Income tax short provision				103.485
	Add: Income tax refund				
	Total				12959.791
	Less: Appropriations				
	Proposed dividend		106.63		
	Provision for dividend distribution tax				
	Transfer to Reserve u/s 36 (1) (viii)		505.39	200.47	290.174
	Balance Profit after appropriations		13906.10	13127.07	12669.617
	Balance Profit carried to Balance sheet		13906.10	13127.07	12669.617

Cash flow statement: -
Lakhs

Rs. In

Particulars	9 months ended 31.12.2022	Year ended 31.03.20 22	Year ended 31.03.2021	Year ended 31.03.2 020
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before taxes	15113.28	3501.07	1282.98	3006.67
Prior Period Income	15.05			-
Dividend Received	-			-
Interest received on Fixed Deposits	-1771.66	-1923.10	-2083.65	-1110.68
Depreciation on fixed assets	164.68	213.76	283.12	199.08
Provision for Non-Performing Assets	-	5681.10	1618.13	
Share issue expenses	-	-	1.02	-
Premium on forward contract	-562.58	-74.93	-297.67	-
Profit/Loss on sale of fixed assets				
Interest and other costs of Non-SLR Bond	4432.48	7174.07	9690.24	9405.33
Adjustment for changes in operating assets and liabilities				
Increase in Loans and advances	-157383.55	-9732.78	-126922.46	- 23382.10
Increase in borrowings from banks and SIDBI	162805.38	21998.68	134802.16	56549.21
Increase in other non-current assets				- 41936.37
Decrease in other non-current assets	63004.95	5863.95	39599.90	
Decrease in other current assets	-153329.43	-25797.65	-51439.88	-681.25
Increase in current liabilities	96397.70	21470.94	13715.03	776.91
Increase in other non-current liabilities	-375.84	-284.49	129.35	
Less: Income tax paid	-950	-1734	-700	-2115.00
Net cash from operating activities	27560.46	26356.62	19678.27	711.82
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	-158.42	-54.62	-154.20	-644.66
Sale of fixed assets	-	0.72	4.16	
Investment in KIFM Ltd	-		-1.02	
Net cash used in investing activities	-158.42	-53.90	-151.06	-644.66
CASH FLOW FROM FINANCING ACTIVITIES				
Money Received against Share Capital	-	0.00	9000.00	11000.00
Share issue expenses	-	0.00	-1.02	
Issue of Non SLR Bond	-	0.00	25000.00	25000.00
Redemption of Non-SLR Bond	-11737.50	-18030.00	-35682.50	-5150.00
Interest and other costs of Non-SLR Bond	-4432.48	-7174.07	-9690.24	-9405.33
Interest Received on Fixed Deposits	1771.66	1923.10	2083.65	1110.68
Net investment in NCD	-8399.78	-5993.74	-5993.74	

Proceeds from NCD	-	101.14	709.09	
Short Term Deposit with Banks	-3884.09	2851.85	-12251.54	-5600.00
Dividend and Dividend Tax Paid	-106.63	106.63	-	-136.53
Net cash used in financing activities	-26788.82	-26215.09	-26826.30	16818.82
Net increase in cash and cash equivalents	613.77	87.61	-7299.09	16885.97
Cash and cash equivalents at the beginning of the year	10164.19	10076.58	17375.67	489.70
Cash and cash equivalents at the end of the year	10777.96	10164.19	10076.58	17375.67

X. ADDITIONAL DISCLOSURES FOR NON-BANKING FINANCIAL COMPANIES ON ASSET LIABILITY MANAGEMENT

Sr. No.	Particulars of disclosure	Details
1.	Details with regard to lending done out of the issue proceeds of earlier issuances of debt securities (whether public issue or private placement) by the NBFC	<ul style="list-style-type: none"> • [Lending Policy Classification of Loans given to associate entities, or entities related to the board of directors of the NBFC, senior management, promoters, etc. • Classification of loans into several maturity profile denomination. • Aggregated exposure to top 20 borrowers Details of loans, overdue and classified as an NPA.]
2.	Details of borrowings made by the NBFC	<ul style="list-style-type: none"> • [Portfolio Summary of borrowings made by the NBFC. • Quantum and percentage of Secured vs. unsecured borrowings.]
3.	Details of change in shareholding	[Any change in promoters holding in the NBFC during last financial year beyond the threshold prescribed by the Reserve Bank of India]
4.	Disclosure of assets under management	[Segment wise break up and type of loans]
5.	Details of borrowers	[Geographical location wise]

6.	Details of Gross NPA	[Segment wise]
7.	Details of assets and liabilities	[Residual maturity profile wise into several buckets]
8.	Disclosure of latest ALM statements to stock exchange	

XI. DETAILS OF ANY OTHER CONTINGENT LIABILITIES OF THE ISSUER BASED ON THE LAST AUDITED FINANCIAL STATEMENTS INCLUDING AMOUNT AND NATURE OF LIABILITY:

NIL

XII. BRIEF HISTORY OF THE ISSUER SINCE ITS INCORPORATION GIVING DETAILS OF ITS FOLLOWING ACTIVITIES:

(a) Details of Share Capital as on last quarter end i.e. on December 31,2022:

Share Capital	Amount (Rs)
Authorized Share Capital	INR 500,00,00,000.00
Issued, Subscribed and Paid-up Share Capital	INR 426,50,42,800.00

(b) Changes in its capital structure as on last quarter end i.e. on December 31,2022, for the last three years:

Date of Change (AGM/EGM)	Rs.	Particulars
As on 31.03.2012	2,119,730,300	-
As on 31.03.2013	2,119,730,300	-
As on 31.03.2014	2,119,730,300	-
As on 31.03.2015	2,218,642,800	Ordinary shares issued during the year: 989,125 shares of Rs.100 each
As on 31.03.2016	2,218,642,800	-

As on 31.03.2017	2,218,642,800	-
As on 31.03.2018	2,265,042,800	Ordinary shares issued during the year: 464,000 shares of Rs.100 each
As on 31.03.2019	2,265,042,800	-
As on 31.03.2020 (*including share capital advance of Rs.110,00,00,000)	3,365,042,800*	Ordinary shares will be issued during the FY 20-21 - 1,10,00,000 shares of Rs.100 each
As on 31.03.2021	4,265,042,800	Ordinary shares issued during the FY 20-21 - 2,00,00,000 shares of Rs.100 each
As on 31.03.2022	4,265,042,800	-
As on 31.12.2022	4,265,042,800	-

- (c) Equity Share Capital History of the Issuer as on last quarter end i.e. on December 31,2022, for the last three years:

Date of Allotment	No. of Equity Shares	Face Value (Rs)	Issue Price (Rs)	Consideration (Cash, other than cash, etc.)	Nature of Allotment	Cumulative			Remarks
						No of Equity shares	Equity Share Capital (Rs)	Equity Share Premium (in Rs)	
28.10.2014	989125	100	100	Cash	Fresh issue	22186428	2218642800	NIL	2014-15
NA	NIL	100	100	Cash	Fresh issue	22186428	2218642800	NIL	2015-16
NA	NIL	100	100	Cash	Fresh issue	22186428	2218642800	NIL	2016-17
NA	NIL	100	100	Cash	Fresh issue	22186428	2218642800	NIL	2017-18
11.05.2018	464000	100	100	Cash	Fresh issue	22650428	2265042800	NIL	2018-19
20.05.2020	20000000	100	100	Cash	Fresh issue	42650428	4265042800	NIL	2020-21
						42650428	4265042800	NIL	2021-22

Notes: (If any)

- (d) Details of any Acquisition or Amalgamation in the last one year:

Nil.

- (e) Details of any Reorganization or Reconstruction in the last one year:

Nil.

- (f) Details of the Shareholding of the Issuer as at the last quarter end, i.e. December 31, 2022, as per the format specified under the listing regulations:

Shareholders	INR (in crore)	Percentage of Shareholding (%)
Government of Kerala	420.27	98.538
SIDBI	6.13	1.438
LIC	0.07	0.017
SBI	0.02	0.005
Others	0.01	0.002
Total	426.50	100.00

Notes: Shares pledged or encumbered by the promoters - Nil.

- (g) List of top 10 holders of equity shares of the Issuer as on the latest quarter end i.e. December 31, 2022:

Sr. No.	Name of the shareholders	Total No. of Equity Shares	No. of shares in demat form	Total Shareholding as a percentage of total no of equity shares (%)
1.	Government of Kerala	42026937	20000000	98.538
2.	SIDBI	613327	613327	1.438
3.	LIC	7103	7103	0.017
4.	SBI	2099	2099	0.005
5.	Kerala State Cooperative Agricultural & Rural Development Bank Ltd.	207	-	0.00
6.	C. Chandramohan	124	-	0.00
7.	N Rajkumar	46	-	0.00
8.	K Mytheenkunju sons pltd	41	-	0.00
9.	Kuttanad Agricultural Cooperative Society Ltd.	41	-	0.00
10.	N Jayakrishnan	41	-	0.00

XIII. FOLLOWING DETAILS REGARDING THE DIRECTORS OF THE ISSUER:

- i. Details of the current directors of the Issuer

Name, Designation and DIN	Age	Address	Date of Appointment	Details of other directorship	Whether willful defaulter (Yes/No)
Sanjay Kaul, IAS Director DIN: 01260911	49	Secretary (Finance Expenditure), Finance Department, Government of Kerala, Thiruvananthapuram	01.06.2021	<ol style="list-style-type: none"> 1. KERALA STATE INDUSTRIAL DEVELOPMENT CORPN LTD 2. KERALA TOURISM INFRASTRUCTURE LIMITED 3. VIZHINJAM INTERNATIONAL SEAPORT LIMITED 4. TAJ KERALA HOTELS AND RESORTS LTD 5. KERALA HIGH SPEED RAIL CORPORATION LIMITED 6. KERALA SHIPPING AND INLAND NAVIGATION CORPORATION LIMITED 7. COCHIN SMART MISSION LIMITED 8. SMART CITY THIRUVANANTHAPURAM LIMITED 9. KERALA ACADEMY FOR SKILLS EXCELLENCE 	No
S Harikishore IAS		Director of Industries & Commerce	08.09.2021	<ol style="list-style-type: none"> 1. KERALA RUBBER LIMITED 	No

DIN: 066223 04				2. KERALA ACADEMY FOR SKILLS EXCELLENCE 3. ADDITIONAL SKILL ACQUISITIO N PROGRAMME KERALA	
EK Harikum ar	64	Elakkode House, ManaliMungo de, Peyad PO, Thiruvanantha pura m- 695573	11.09.201 7	Nil	No
Anilkuma r Parames waran, Director DIN – 079188 80	54	TC2/219(1), SNRA-5, Safalya Nagar, Kesavadasapu ram, Pattom P.O., Thiruvanantha puram - 695004	11.09.201 7	Nil	No
Seethar aman V DIN – Nil	52	General Manager, Network1, State Bank of India, Local Head Office, Poojappura, Thiruvanantha puram	08.09.20 21	Nil	No
Premku mar S DIN - Nil		Senior Divisional Manager, Life Insurance Corporation of India, Pattom, Thiruvanantha puram	10.08.20 22	Nil	No
K.V. Karthike yan DIN – Nil		Deputy General Manager, Small Industries Development Bank of India, Finance	04.05.20 22	Nil	No

		Towers, 2nd Floor, Kaloor, Kochi – 682017			
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ii. Details of change in directors since last three years:

The details of Board of Directors and their attendance in meetings during the FY 2019-20 are as given below:

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjeev Kaushik IAS,	Chairman and Managing Director	24.01.2018-19.12.2019	04	04
Shri.Sanjay Kaul IAS	Chairman and Managing Director	20.12.2019 to till date	01	01
Shri.K Biju IAS	Director, Industries and Commerce	13.08.2018 to 19.05.2020	05	03
Shri.Partha Sarathi Patra	General Manager, SBI	15.07.2018 to till date	05	03
Shri.TS Ajith	Deputy General Manager, SIDBI	07.05.2018 to 16.07.2019	02	01
Shri.T Balaji,AGM, SIDBI	Assistant General Manager, SIDBI	17.07.2019 to till date	03	01
Smt. Santha Varkey, SDM, LIC	Senior Divisional Manager, LIC	25.06.2016 to 05.06.2019	02	01
Smt.Deepa Sivadasan SDM, LIC	Senior Divisional Manager, LIC	06.06.2019 to till date	03	02
Shri.E.K. Harikumar	Chief General Manager (Rtd), SBT	11.09.2017 to till date	05	05
Shri.Anilkumar Parameswaran	Chartered Accountant	11.09.2017 to till date	05	05

The details of the Board of directors and their attendance in meetings during the year 2020-21 are given below.

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman and Managing Director	20.12.2019 to 06.09.2020	02	02
Shri.Tomin J Thachankary IPS, CMD	Chairman and Managing Director	07.09.2020 to 31.05.2021	04	04
Sri.K Biju IAS, Director	Director, Industries and Commerce	13.08.2018 to 19.05.2020	Nil	Nil
Shri.VR Premkumar IAS, Director	Director, Industries and Commerce	20.05.2020 to 25.11.2020	03	Nil
Shri.MG Rajamanickam IAS, Director	Director, Industries and Commerce	26.11.2020 to 15.06.2021	03	01
Shri.Sanjay Kaul IAS, Director	Secretary (Finance Expenditure)	20.05.2020 to till date	06	03
Sri.Partha Sarathi Patra, Director	Chief General Manager, SBI	15.07.2018 to till date	06	05
Shri.T Balaji, AGM, SIDBI, Director	Assistant General Manager, SIDBI	17.07.2019 to till date	06	01
Smt.Deepa Sivadasan SDM, LIC, Director	Senior Divisional Manager, LIC	06.06.2019 to till date	06	03
Shri.E.K. Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	06	06
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	06	06

The details of the Board of Directors and their attendance in meetings during the year 2021-22 are given below

Name	Designation	Tenure	Meetings in FY 2021-22	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman & Managing Director	01.06.2021 to till date	6	6
Shri.Tomin J Thachankary IPS, CMD	Chairman & Managing Director	07.09.2020 to 31.05.2021	0	0
Shri.Sanjay Kaul IAS, Director	Secretary, Finance (Expenditure)	20.05.2020 to till date	6	6
Shri.MG Rajamanickam IAS, Director	Director, Industries & Commerce	26.11.2020 to 14.06.21	0	0
Smt.Bhandari Swagat Ranveerchand, Director	Director, Industries & Commerce	15.06.2021 to 11.08.21	1	1
Shri.Harikishore IAS, Director	Director, Industries & Commerce	12.08.2021 to till date	5	1
Shri.EK Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	6	4
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	6	6
Shri.Partha Sarathi Patra, Director	Chief General Manager, SBI	15.07.2018 to 06.08.2021	1	1
Shri.Seetharaman V, Director	General Manager, SBI	07.08.2021 to till date	5	5
Shri.T Balaji, Director	Assistant General Manager, SIDBI	17.07.2019 to 28.09.2021	3	2
Shri.Satyaki Rastogi, Director	General Manager, SIDBI	29.09.2021 to till date	3	2
Smt.Deepa Sivadasan, Director	Senior Divisional Manager, LIC	06.06.2019 to till date	6	4

The details of the Board of Directors and their attendance in meetings during the year 2022-23 are given below:

Name	Designation	Tenure	Meetings in FY 2022-23	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman & Managing Director	01.06.2021 to till date	5	5
Shri.Sanjay Kaul IAS, Director	Secretary, Finance (Expenditure)	20.05.2020 to till date	5	5
Shri.Harikishore IAS, Director	Director, Industries & Commerce	12.08.2021 to till date	5	0
Shri.EK Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	5	5
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	5	5
Shri.Seetharaman V, Director	Chief General Manager, SBI	07.08.2021 to till date	5	5
Shri.Satyaki Rastogi, Director	General Manager, SIDBI	29.09.2021 to till date	5	4
Smt.Deepa Sivadasan, Director	Senior Divisional Manager, LIC	06.06.2019 to 10.08.2022	1	0
Shri.K V Karthikeyan, Director	Deputy General Manager, SIDBI	04.05.2022 to till date	5	5
Shri.Premkumar S, Director	Senior Divisional Manager, LIC	11.08.2022 to till date	4	4

XIV. FOLLOWING DETAILS REGARDING THE AUDITORS OF THE ISSUER:

i. Details of the auditor of the Issuer:

Name	Address	Auditor since
M/s. J A K S & ASSOCIATES Chartered Accountants	TC 9/2763(12), Kulangara, 288, CSM Nagar, Edappazhinji, Thiruvananthapuram-695010, Kerala	20.06.2022 (for the FY 2022-23)

ii. Details of change in auditor for last three years:

Name of the Auditor	Address	Date of Appointment	Date of cessation, if applicable	Date of resignation, if applicable
M/s. Krishnan Retna & Associates, Chartered Accountants	TC 37/1510 – 133, 201, Nandini Garden Fort P.O., Thiruvananthapuram – 695023	31.08.2021	31.08.2022	NA

XV. DETAILS OF FOLLOWING LIABILITIES OF THE ISSUER AS THE END OF THE LAST QUARTER i.e. December 31, 2022 :-

i. Details of outstanding secured loan facilities:

Name of the Lender	Type of Facility	Amount Sanctioned (INR) (in Lakhs)	Principal Amount Outstanding (INR) (in Lakhs)	Repayment Date/ Schedule	Security
Federal Bank	OD/ WCDL	25000	25000.00	Yearly renewal	Hypothecation of certain identified receivables
Canara Bank	Term Loan	120000	76251.61	Quarterly repayment in 5 years with 6 Months moratorium	Hypothecation of certain identified receivables
Union Bank	Term Loan	40000	30416.64	Quarterly repayment in 6 years with 1-year moratorium	Hypothecation of certain identified receivables
Union Bank	OD/ WCDL Loan	10000	10000.00	Yearly renewal	Hypothecation of certain identified receivables

IndianBank	Term Loan	59000	48800.00	Quarterly repayment in 5 years	Hypothecation of certain identified receivables
South Indian Bank	OD/WCDL	10000	10000.00	Yearly renewal	Hypothecation of certain identified receivables
South Indian Bank	Term Loan	20000	20000.00	Quarterly repayment in 6 years with 1-year moratorium	Hypothecation of certain identified receivables
Bank of Maharashtra	Term Loan	100000	100000.00	Quarterly repayment in 6 years with 1-year moratorium	Hypothecation of certain identified receivables
Bank of Baroda	Term Loan	47500	21220.91	Quarterly repayment in 6 years with 6 months moratorium	Hypothecation of certain identified receivables
IIFCL	Term Loan	40000	15208.33	Monthly repayment in 2 years with 1 Year moratorium for 1 st loan and Monthly repayment in 3 years for 2 nd Loan	Hypothecation of certain identified receivables
State Bank of India	Term Loan	170000	116756.07	Half yearly repayment in 7 years	Hypothecation of certain identified receivables
State Bank of India	OD/WCDL	50000	49103.90	Yearly renewal	Hypothecation of certain identified Receivables

HDFC Bank	OD against FD	100	82.62	Yearly renewal	Underlying Fixed Deposit
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- ii. Details of outstanding unsecured loan facilities: Nil.
- iii. Details of outstanding non-convertible securities as on the latest quarter end (i.e., December 31, 2022):

Series of NCS	Tenor/ Period of Maturity	Coupon	Amount	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured/ unsecured	Security
1/2016	7 Yrs	8.90%	62,50,00,000	09/05/2016	09/05/2023	AA	Secured	Hypothecation of certain identified receivables
1/2013	10 Yrs	8.72%	50,00,00,000	06/06/2013	06/06/2023	A	Unsecured	With State Government Guarantee
1/2018	7 Yrs	8.69%	31,50,00,000	04/04/2018	04/04/2025	AA	Secured	Hypothecation of certain identified receivables
1/2019	7yrs	8.99%	250,00,00,000	09/07/2019	09/07/2026	AA	Secured	Hypothecation of certain identified receivables
1/2020	6yrs	7.70%	50,00,00,000	14/09/2020	14/09/2026	AA	Secured	Hypothecation of certain identified receivables
2/2020	7yrs	7.70%	50,00,00,000	14/09/2020	14/09/2027	AA	Secured	Hypothecation of certain identified receivables
3/2020	8yrs	7.70%	50,00,00,000	14/09/2020	14/09/2028	AA	Secured	Hypothecation of certain identified receivables
4/2020	9yrs	7.70%	50,00,00,000	14/09/2020	14/09/2029	AA	Secured	Hypothecation of certain identified receivables

5/2020	10yrs	7.70%	50,00,00,000	14/09/2020	14/09/2030	AA	Secured	Hypothecation of certain identified receivables
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- iv. List of Top 10 holders of non-convertible securities in terms of value (in cumulative basis), as on December 31, 2022:

S r · N o .	Name of Debenture Holders	Amount	Percentage of total NCS outstanding
1	TRUSTEES GEB'S C P FUND	72,45,00,000.00	11.25
2	HINDUSTAN PETROLEUM CORPN LTD EMPLOYEES POST RETIREMENT MED BENEFIT FUND	69,30,00,000.00	10.76
3	Hindustan Steel Limited Contributory Provident Fund Rourkela	40,50,00,000.00	6.29
4	DURGAPUR STEEL PLANT PROVIDENT FUND TRUST	33,75,00,000.00	5.24
5	The Provident Fund Trust For The Employees Of Indian Oil Corporation Ltd (MD)	33,08,00,000.00	5.14
6	BOARD OF TRUSTEES FOR BOKARO STEEL EMPLOYEES PROVIDENT FUND	33,00,00,000.00	5.12
7	HAL (BC) PROVIDENT FUND TRUST	30,00,00,000.00	4.66
8	HINDUSTAN AERONAUTICS LIMITED NASIK DIVISION PROVIDENT FUND	22,20,00,000.00	3.45
9	HINDUSTAN PETROLEUM CORPORATION LIMITED PROVIDENT FUND	20,00,00,000.00	3.11
10	JADAVPUR UNIVERSITY PROVIDENT FUND	20,00,00,000.00	3.11
11	SECRETARY BOARD OF TRUSTEES MPEB EMPLOYEES PROVIDENT FUND	20,00,00,000.00	3.11

Note: Top 10 holders' (in value terms, on cumulative basis for all outstanding debentures issues)

- v. Details of Commercial Paper as at the end of the last quarter (i.e., December 31, 2022) in the following format:

Nil.

- vi. Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on December 31, 2022:

Nil.

XVI. DETAILS OF ANY OUTSTANDING BORROWINGS TAKEN/ DEBT SECURITIES ISSUED FOR CONSIDERATION OTHER THAN CASH, WHETHER: (I) IN WHOLE OR PART, (II) AT A PREMIUM OR DISCOUNT, OR (III) IN PURSUANCE OF AN OPTION OR NOT.

Nil.

XVII. DETAILS OF ALL DEFAULT/S AND/OR DELAY IN PAYMENTS OF INTEREST AND PRINCIPAL OF ANY KIND OF TERM LOANS, DEBT SECURITIES AND OTHER FINANCIAL INDEBTEDNESS INCLUDING CORPORATE GUARANTEE ISSUED BY THE CORPORATION, IN THE PAST 3 YEARS INCLUDING THE CURRENT FINANCIAL YEAR.

Nil.

XVIII. ANY MATERIAL EVENT/ DEVELOPMENT OR CHANGE HAVING IMPLICATIONS ON THE FINANCIALS/CREDIT QUALITY (E.G. ANY MATERIAL REGULATORY PROCEEDINGS AGAINST THE ISSUER/PROMOTERS, LITIGATIONS RESULTING IN MATERIAL LIABILITIES, CORPORATE RESTRUCTURING EVENT ETC.) AT THE TIME OF ISSUE WHICH MAY AFFECT THE ISSUE OR THE INVESTOR'S DECISION TO INVEST / CONTINUE TO INVEST IN THE NON-CONVERTIBLE SECURITIES:

Nil

XIX. ANY LITIGATION OR LEGAL ACTION PENDING OR TAKEN BY A GOVERNMENT DEPARTMENT OR A STATUTORY BODY DURING THE LAST THREE YEARS IMMEDIATELY PRECEDING THE YEAR OF THE ISSUE OF PROSPECTUS AGAINST THE PROMOTER OF THE ISSUER:

Nil

XX. DETAILS OF DEFAULT AND NON-PAYMENT OF STATUTORY DUES:

Nil

XXI. DEBENTURE TRUSTEE:

Catalyst Trusteeship Limited has agreed to act as the trustee for and on behalf of the Debenture holder(s) *vide* their letter dated 24.02.2023 under regulation 4(4) and has consented to the inclusion of its name in the form and context in which it appears in this Information Memorandum, Transaction Documents and in all the subsequent periodical communications sent to the Debenture holders. The consent letter of the trustee has been provided in Annexure [1].⁵

XXII. DISCLOSURE OF CASH FLOW WITH DATE OF INTEREST/DIVIDEND/ REDEMPTION PAYMENT AS PER DAY COUNT CONVENTION:

- i. The day count convention for dates on which the payment in relation to non-convertible securities which need to be made:
- ii. Procedure and time schedule for allotment and issuance of securities:

Issue opening date	March 23, 2023
Issue closing date	March 23, 2023
Pay-in Date	March 24, 2023
Deemed Date of Allotment	March 24, 2023

- iii. **Cash flow emanating from the non-convertible securities by way of illustration:**

Assumption	INR					
Aggregate Amount						
STRPP Amount	1,00,000					
Rate of Interest (Assumed) papq	8.90%					
Dates	A	B	C	D	E	Total
Issue Price per Bond	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	5,00,000
Friday, 24 March, 2023						
Friday, 24 March, 2023	-1,00,000	-1,00,000	-1,00,000	-1,00,000	-1,00,000	-5,00,000
Friday, 24 March, 2023	0	0	0	0	0	0
Friday, 30 June, 2023	2,383.06	2,383.06	2,383.06	2,383.06	2,383.06	11,915.30
Friday, 29 September, 2023	2,212.84	2,212.84	2,212.84	2,212.84	2,212.84	11,064.21
Friday, 29 December, 2023	2,212.84	2,212.84	2,212.84	2,212.84	2,212.84	11,064.21
Friday, 29 March, 2024	2,212.84	2,212.84	2,212.84	2,212.84	2,212.84	11,064.21
Friday, 28 June, 2024	2,218.90	2,218.90	2,218.90	2,218.90	2,218.90	11,094.52
Monday, 30 September, 2024	2,292.05	2,292.05	2,292.05	2,292.05	2,292.05	11,460.27
Tuesday, 31 December, 2024	2,243.29	2,243.29	2,243.29	2,243.29	2,243.29	11,216.44
Monday, 31 March, 2025	2,194.52	2,194.52	2,194.52	2,194.52	2,194.52	10,972.60
Monday, 30 June, 2025	2,218.90	2,218.90	2,218.90	2,218.90	2,218.90	11,094.52
Tuesday, 30 September, 2025	2,243.29	2,243.29	2,243.29	2,243.29	2,243.29	11,216.44
Wednesday, 31 December, 2025	2,243.29	2,243.29	2,243.29	2,243.29	2,243.29	11,216.44

⁵ **CAM Note:** Please provide us a copy of the signed trustee consent letter.

Tuesday, 31 March, 2026	2,194.52	2,194.52	2,194.52	2,194.52	2,194.52	10,972.60
Tuesday, 30 June, 2026	2,218.90	2,218.90	2,218.90	2,218.90	2,218.90	11,094.52
Wednesday, 30 September, 2026	2,243.29	2,243.29	2,243.29	2,243.29	2,243.29	11,216.44
Thursday, 31 December, 2026	2,243.29	2,243.29	2,243.29	2,243.29	2,243.29	11,216.44
Wednesday, 31 March, 2027	2,194.52	2,194.52	2,194.52	2,194.52	2,194.52	10,972.60
Wednesday, 30 June, 2027	2,212.84	2,212.84	2,212.84	2,212.84	2,212.84	11,064.21
Thursday, 30 September, 2027	2,237.16	2,237.16	2,237.16	2,237.16	2,237.16	11,185.79
Friday, 31 December, 2027	2,237.16	2,237.16	2,237.16	2,237.16	2,237.16	11,185.79
Friday, 31 March, 2028	2,212.84	2,212.84	2,212.84	2,212.84	2,212.84	11,064.21
Friday, 30 June, 2028	27,218.90	2,218.90	2,218.90	2,218.90	2,218.90	36,094.52
Friday, 29 September, 2028	26,664.18	2,218.90	2,218.90	2,218.90	2,218.90	35,539.79
Friday, 29 December, 2028	26,109.45	2,218.90	2,218.90	2,218.90	2,218.90	34,985.07
Friday, 30 March, 2029	25,554.73	2,218.90	2,218.90	2,218.90	2,218.90	34,430.34
Friday, 29 June, 2029		27,218.90	2,218.90	2,218.90	2,218.90	33,875.62
Friday, 28 September, 2029		26,664.18	2,218.90	2,218.90	2,218.90	33,320.89
Monday, 31 December, 2029		26,146.03	2,292.05	2,292.05	2,292.05	33,022.19
Friday, 29 March, 2030		25,536.44	2,145.75	2,145.75	2,145.75	31,973.70
Friday, 28 June, 2030			27,218.90	2,218.90	2,218.90	31,656.71
Monday, 30 September, 2030			26,719.04	2,292.05	2,292.05	31,303.15
Tuesday, 31 December, 2030			26,121.64	2,243.29	2,243.29	30,608.22
Monday, 31 March, 2031			25,548.63	2,194.52	2,194.52	29,937.67
Monday, 30 June, 2031				27,212.84	2,212.84	29,425.68
Tuesday, 30 September, 2031				26,677.87	2,237.16	28,915.03
Wednesday, 31 December, 2031				26,118.58	2,237.16	28,355.74
Wednesday, 31 March, 2032				25,553.21	2,212.84	27,766.05
Wednesday, 30 June, 2032					27,218.90	27,218.90
Thursday, 30 September, 2032					26,682.47	26,682.47
Friday, 31 December, 2032					26,121.64	26,121.64
Thursday, 24 March, 2033					25,505.96	25,505.96
TOTAL	1,50,217.61	1,59,111.52	1,68,029.80	1,76,932.85	1,85,799.32	8,40,091.11

XXIII. DISCLOSURES PERTAINING TO WILFUL DEFAULT

In case of listing of debt securities made on private placement, the following disclosures shall be made:

- i. Name of the bank declaring the entity as a wilful defaulter: NA
- ii. The year in which the entity is declared as a wilful defaulter: NA
- iii. Outstanding amount when the entity is declared as a wilful defaulter: NA

- iv. Name of the entity declared as a wilful defaulter: NA
- v. Steps taken, if any, for the removal from the list of wilful defaulters: NA
- vi. Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions: NA
- vii. Any other disclosure as specified by SEBI: NA

XXIV. IF THE SECURITY IS BACKED BY A GUARANTEE OR LETTER OF COMFORT OR ANY OTHER DOCUMENT / LETTER WITH SIMILAR INTENT, A COPY OF THE SAME SHALL BE DISCLOSED. IN CASE SUCH DOCUMENT DOES NOT CONTAIN DETAILED PAYMENT STRUCTURE (PROCEDURE OF INVOCATION OF GUARANTEE AND RECEIPT OF PAYMENT BY THE INVESTOR ALONG WITH TIMELINES), THE SAME SHALL BE DISCLOSED IN THE OFFER DOCUMENT.

Not applicable.

XXV. SECURITY

The Debentures are secured in nature.

XXVI. LISTING

The Issuer shall list the Debentures on the WDM segment of the Bombay Stock Exchange within 3 (three) days from the Deemed Date of Allotment failing which the Issuer shall be required to redeem or buy back the Debentures issued along with all interest accrued till such redemption or buy back and the Issuer shall also maintain continuous listing till the term of the Debentures. The Issuer shall comply with all the listing requirements including payment of listing fee to ensure continued listing of the Debentures during the tenor of the Debentures.

[In principle approval from the stock exchange for listing of the Debentures has to be obtained.]

XXVII. Other details

- i. Creation of Debenture Redemption Reserve - relevant legislations and applicability.

The Issuer, being constituted under the State Financial Corporations Act, 1951 is not required to maintain debenture redemption reserve for the Debentures.

- ii. Issue/ instrument specific regulations - relevant details (Companies Act, RBI guidelines, etc).
 - (a) Securities Contracts (Regulation) Act, 1956;
 - (b) Securities and Exchange Board of India Act, 1992;
 - (c) The Depositories Act, 1996;
 - (d) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as amended from time to time;

- (e) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time;
- (f) the Securities and Exchange Board of India (Debtenture Trustees) Regulations, 1993, as amended from time to time; and
- (g) all other relevant laws (including rules, regulations, clarifications, notifications, directives, circulars as may be issued by the Securities Exchange Board of India, the Reserve Bank of India and any statutory, regulatory, judicial, quasi-judicial authority).

iii. Default in Payment:

Please refer to the section on “Default Interest Rate” as provided under the Details of the Issue of this Information Memorandum.

iv. Delay in Listing:

In case of delay in listing of the Debentures beyond 3 (three) trading days from the Issue Closing Date, the Issuer shall pay penal interest of 1% (one percent) per annum over and above the Coupon Rate for the period of delay (i.e. from the date of allotment to the date of listing), to the Debenture Holders Delay in allotment of securities:

[If the Issuer fails to allot the Debentures to the Applicants within 60 (sixty) calendar days from the date of receipt of the application money, it shall repay the application money to the applicants within 15 (fifteen) calendar days from the expiry of the 60 (sixty) calendar days.

If the Issuer fails to repay the application money within the aforesaid period, then Issuer shall be liable to repay the application money along with interest at 12% (twelve percent) per annum from the expiry of the 60th day. The allotment of securities shall take place only in accordance with applicable law.]

v. Issue Details

Name of Issuer	Kerala Financial Corporation
Security Name	Kerala Financial Corporation Bonds Series I 2023
Face Value of the Bonds	5 detachable STRPP of Bonds under each Sub-Series would have a face value of INR 1 Lakh each
Deemed Date of Allotment	March 23 rd , 2023

Redemption/ Maturity Date	The issue of INR 250 crore (plus green-shoe option for an aggregate amount of upto INR 750 crores) out of which the Issuer has accepted bids for subscription to Bonds of INR 476.50 Crores comprising of base issue of INR 250 Crores and green shoe option of INR 226.50 Crores would comprise of 5 detachable STRPPs of Sub-Series (A to E) as mentioned above of sequentially, redeemable bonds in equal quarterly amount. Each of the Sub-Series 'A' to Sub-Series 'E' would be redeemable in 4 equal quarterly instalments of 5% (INR 12.50 crore considering the base issue size) of the aggregate issue size, with redemption of Sub-Series 'A' commencing from the end of 21st quarter, Sub-Series 'B' commencing from the end of 25th quarter and so on.
Put & Call Option	Not Applicable
Coupon rate	8.90%
Frequency of Coupon/ Interest Payment	Quarterly (First coupon would be paid on 30th June, 2023 & thereafter as on dates stipulated in the Placement Memorandum)
Day Count Convention	Actual/Actual

vi. Application process.

Please refer to [●] of this Information Memorandum.

vii. Project Details: gestation period of the project; extent of progress made in the project; deadlines for completion of the project; the summary of the project appraisal report (if any), schedule of implementation of the project:

Not Applicable.

XXVIII. UNDERTAKING OF THE ISSUER

The Issuer hereby undertakes that the assets on which charge is created are free from any encumbrances

XXIX. DUE DILIGENCE BY THE DEBENTURE TRUSTEE

1. The Debentures shall be considered as secured only if the charged asset is registered with the sub-registrar, registrar of companies, CERSAI or depository, as applicable, or is independently verifiable by the Debenture Trustee.
2. Terms and conditions of the debenture trustee agreement including fees charged by the Debenture Trustee, details of the security to be created and the process of due diligence carried out by the Debenture Trustee:

The Issuer has entered into a Debenture Trustee Agreement with Catalyst Trusteeship Limited on March 16, 2023 for appointing Catalyst Trusteeship Limited as the Debenture Trustee for the Issue on such terms as contained therein. The details of agreed fees in this regard has been stated elsewhere in this Placement Memorandum.

Process of due diligence carried out by the Debenture Trustee:

The Debenture Trustee, either through itself or its agents /advisors/consultants, has/ shall carry out requisite diligence to verify the status of encumbrance and valuation of the assets and whether all permissions or consents (if any) as may be required to create the security as stipulated in the Placement Memorandum and the Applicable Laws, has been obtained.

The Issuer shall provide all assistance to the Debenture Trustee to enable verification from the Registrar of Companies, Sub-registrar of Assurances (as applicable), CERSAI, depositories, information utility or any other authority, as may be relevant, where the assets and/or encumbrances in relation to the assets of the Issuer or any third party security provider are registered / disclosed.

3. Due diligence certificate issued by the Debenture Trustee has been provided in Annexure 3.

XXX. DETAILS OF THE ISSUE

Security Name	Kerala Financial Corporation Bonds Series I 2023
Issuer	Kerala Financial Corporation
Type of Instrument	Secured, Rated, Listed, Redeemable, Taxable, Non-Convertible Bonds / Debentures.
Nature of Instrument (Secured or Unsecured)	Secured
Seniority (Senior or Subordinated)	Senior
Mode of Issue	Private Placement
Eligible Investors	The Eligible Investors are: (a) individuals; (b) Hindu Undivided Family; (c) trust; (d) limited liability partnerships; (e) partnership firm(s); (f) portfolio managers registered with SEBI; (g) association of persons; (h) companies and bodies corporate including public sector undertakings; (i) scheduled commercial banks; (j) regional rural banks; (k) financial institutions; (l) insurance companies; (m) mutual funds; (n) foreign portfolio investors; and (n) any other investor eligible to invest in these Bonds in accordance with applicable law.
Listing	Proposed on the Wholesale Debt Market (WDM) Segment of BSE
Rating of the Instrument	AA with Stable outlook by Acuite Ratings – 06.01.2023 AA with Stable outlook by Infomerics - 21.02.2023
Issue Size	INR 250 crores plus green shoe option to retain over-subscription upto INR 500 crores i.e. for an aggregate

	issue size of INR 750 crores out of which the Issuer has accepted bids for subscription to Bonds of INR 476.50 Crores comprising of base issue of INR 250 Crores and green shoe option of INR 226.50 Crores.
Minimum Subscription	5 detachable STRPP of INR 5 lakhs (5 bonds comprising 1 bond of INR 1 lakhs Face Value in each Sub-Series A to E) and in multiples thereof.
Option to retain oversubscription amount (Amount)	Green shoe option to retain over-subscription upto INR 500 crores i.e. for an aggregate issue size of INR 750 crores out of which the Issuer has accepted bids for subscription to Bonds of INR 476.50 Crores comprising of base issue of INR 250 Crores and green shoe option of INR 226.50 Crores.
Objects of the issue / purpose for which there is requirement of funds	The net proceeds out of the issue after deduction of issue related expenses would be used by issuer for working capital requirements.
Details of the utilization of the Proceeds	As mentioned above
Coupon Rate / Dividend Rate	8.90% (per annum payable quarterly)
Coupon/ Dividend Payment Frequency	Quarterly
Coupon/Dividend payment dates (Cumulative / non-cumulative, in case of dividend)	First coupon would be paid on 30th June, 2023. & thereafter as on dates stipulated in the Placement Memorandum
Coupon Type (Fixed, floating or other structure)	Fixed
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc.)	Not applicable
Day Count Basis	Actual / Actual
Interest on Application Money	Not applicable
Default Interest Rate	<p>Including but not restricted to the following:</p> <ul style="list-style-type: none"> In case of default in payment of interest and/or principal redemption on the due dates, additional interest of @ 2% p.a. over the Coupon Rate will be payable by the issuer for the defaulting period on defaulted amount. In the event the security stipulated is not created and perfected within the timelines as stipulated in the column titled 'Security', additional interest of 1% (one percent) per annum or such higher rate as may be prescribed by

	<p>law, shall be payable on the principal amount of the Debt Securities till the date of perfection of the security interest.</p> <ul style="list-style-type: none"> In case of delay in listing beyond 3 (three) Business Days from the Issue Closing Date, the Company will pay additional interest of 1% p.a. over the Coupon Rate to the Bond Holders from the deemed date of allotment till the listing of Bonds. 																																	
Tenor	<p>Series A to E, for tenor 6 years to 10 years, with equal quarterly redemption in each Series, with the first redemption scheduled in the 21st quarter</p> <table border="1"> <thead> <tr> <th>STRPP / Sub-Series</th> <th>As %age of Issue</th> <th>Amount as per base issue size <i>INR in crore</i></th> </tr> </thead> <tbody> <tr> <td>A</td> <td>20%</td> <td>50</td> </tr> <tr> <td>B</td> <td>20%</td> <td>50</td> </tr> <tr> <td>C</td> <td>20%</td> <td>50</td> </tr> <tr> <td>D</td> <td>20%</td> <td>50</td> </tr> <tr> <td>E</td> <td>20%</td> <td>50</td> </tr> <tr> <td>Total</td> <td>100%</td> <td>250</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>Redemption Date</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>30-03-2029</td> </tr> <tr> <td>B</td> <td>29-03-2030</td> </tr> <tr> <td>C</td> <td>31-03-2031</td> </tr> <tr> <td>D</td> <td>31-03-2032</td> </tr> <tr> <td>E</td> <td>24-03-2033</td> </tr> </tbody> </table>	STRPP / Sub-Series	As %age of Issue	Amount as per base issue size <i>INR in crore</i>	A	20%	50	B	20%	50	C	20%	50	D	20%	50	E	20%	50	Total	100%	250		Redemption Date	A	30-03-2029	B	29-03-2030	C	31-03-2031	D	31-03-2032	E	24-03-2033
STRPP / Sub-Series	As %age of Issue	Amount as per base issue size <i>INR in crore</i>																																
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Redemption Date	<p>The issue of INR 250 crore (plus green-shoe option for an aggregate amount of upto INR 750 crores) out of which the Issuer has accepted bids for subscription to Bonds of INR 476.50 Crores comprising of base issue of INR 250 Crores and green shoe option of INR 226.50 Crores would comprise of 5 detachable STRPPs of Sub-Series (A to E) as mentioned above of sequentially, redeemable bonds in equal quarterly amount.</p> <p>Each of the STRPP Sub-Series 'A' to Sub-Series 'E' would be redeemable in 4 equal quarterly instalments of 5% (INR 12.50 crore considering the base issue size) of the aggregate issue size, with redemption of Sub-Series 'A' commencing from the end of 21st quarter, Sub-Series 'B' commencing from the end of 25th quarter and so on.</p>																																	
Redemption Amount	At par (INR 1 Lakh) per bond under each Sub-Series																																	
Redemption Premium/Discount	At par (INR 1 Lakh) per bond under each Sub-Series																																	
Issue Price	At par (INR 1 Lakh) per bond under each Sub-Series																																	

Discount at which such security is offered and the effective yield as a result of such discount.	Not applicable
Step Up/Step Down Coupon Rate	<p>25 basis points for downgrade of every notch subject to minimum rating of AA-. Any rating downgrade below AA- (i.e. A+ or below) will give put option rights to investors / bond holders for premature redemption.</p> <p>Please note: such higher rates would be effective only from the date of downgrade.</p> <p>On exercise of this right by any investor, issuer needs to repay within 30 days from the date of issue such notice.</p> <p>In case post downgrade of rating, any upgrade in future will have rates reversed effective from the date of such upgrade, subject to minimum initial coupon rate.</p>
Put Date	N.A. (except rating downgrade clause as mentioned above)
Call Date	N.A.
Face Value	Bonds under each Sub-Series would have a face value of INR 1 Lakh each
Issue Opening Date	March 23rd, 2023.
Issue Closing Date	March 23rd, 2023.
Pay-in Date	March 24th, 2023.
Deemed date of allotment	March 24th, 2023.
Settlement mode of the Instrument	Demat only
Allocation Option	Uniform
Bid Book Type	Closed
Settlement Mechanism	Through BSE EBP
Minimum Application	1 Debenture and in multiple of 1 Debenture thereafter
Depository	National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)
Disclosure of Interest /dividend/redemption dates	As mentioned in cash flow
Record date	<p>10 days prior to each Coupon Payment Date and Redemption Date.</p> <p>In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.</p>
Description regarding Security (where applicable) including type of security (movable/ immovable/ tangible etc.), type of charge (pledge/ hypothecation/	<p>The bonds would be secured by way of</p> <ol style="list-style-type: none"> 1. Exclusive Charge on the KFC BOND SERVICING ACCOUNT SERIES I 2023 and on the amount transferred therein to be utilized only for servicing of the bonds on quarterly servicing dates. 2. Exclusive Charge on the KFC DSRA BOND SERIES I 2023 and the funds lying there-in.

<p>mortgage etc.), date of creation of security/ 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 Placement Memorandum</p>	<p>3. Exclusive Charge on Cash Collateral Permitted Investment available equivalent to 10% of face value of principal amount outstanding at all times.</p> <p>4. Exclusive charge on specific current assets including book debts and receivables of the company from identified borrowers. The book value of such assets would provide 100% security cover on the outstanding bonds and interest accrued thereon throughout its entire tenure.</p>
<p>Creation of recovery expense fund</p>	<p>The Issuer has created the Recovery Expense Fund for a maximum limit of INR 25,00,000 (Indian Rupees Twenty-Five Lakh) in accordance with the SEBI REF Circular with the BSE Limited.</p>
<p>Conditions for breach of covenants (as specified in Debenture Trust Deed)</p>	<p>Breach of any covenants other than those in respect of payment default and maintenance of security cover would have a cure period of 30 days beyond which it would be construed as an event of default (EOD).</p>
<p>Governing Law and Jurisdiction</p>	<p>The Bonds are governed by and shall be construed in accordance with the Indian laws. Any dispute arising thereof will be subject to the exclusive jurisdiction of Kerala (unless otherwise specified in the respective Transaction documents)</p>
<p>Business Day Convention</p>	<p>If the coupon payment date falls on a Sunday or a holiday, the coupon payment shall be made on the next working day. However, the dates of the future payments would continue to be as per the schedule originally stipulated in the offer document.</p> <p>If the maturity date of the debentures, falls on a Sunday or a holiday, the redemption proceeds shall be paid on the previous working day.</p> <p>If a leap year (i.e. February 29) falls during the tenor of the debentures, then the number of days shall be reckoned as 366 days (actual/ actual day count convention) for the entire year, irrespective of whether the interest/ dividend is payable annually, half yearly, quarterly or monthly.</p>
<p>KFC Bond Servicing Account</p>	<p>The Issuer would be required to open a designated escrow account - "KFC BOND SERVICING ACCOUNT SERIES I 2023" exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders of this Series). In case of further series of issuances, the Issuer shall open similar accounts (Series II, Series III, etc.).</p>

	<p>This is a Regular Escrow Account and all funds in this account would be solely utilized for bond servicing throughout the tenor of the bonds.</p>
<p>Debt Service Reserve Account (DSRA)</p>	<p>The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series I 2023" exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series II, Series III, etc.)</p> <p>An amount equivalent to the total servicing obligation (Principal & Interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in.</p> <p>Prior to commencement of principal redemption (from the end of 21st and 22nd quarter), the DSRA would need to be suitably augmented within 15 days after the expiry of the 19th and 20th quarter to take care of this enhanced servicing liability.</p> <p>Further, as the servicing liability would progressively come down after the peak, the Issuer would be permitted to take out the excess amount from DSRA progressively under intimation to the Debenture Trustee, subject to no unresolved breach of any covenant.</p> <p>The DSRA would be in the form of cash or cash equivalent (investment in Permitted Instruments and would remain escrowed in favour of the Debenture Trustee).</p>
<p>Cash Collateral</p>	<p>The Issuer shall, prior to the Pay-in Date, create permitted investments in terms of the Transaction Documents ("Cash Collateral Permitted Investments") for an amount equivalent to 10% (Ten percent) of the outstanding principal amount of the Debentures ("Cash Collateral Amount"). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount as permitted investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents.</p> <p>In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds / investments to the DSRA.</p> <p>The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60).</p>

<p style="text-align: center;">Permitted Investment</p>	<p>The funds in this Escrow Account and DSRA till such time being utilized would be allowed to be invested in permitted investments i.e. (i) fixed deposits with scheduled commercial banks having a rating of A1+ or higher for short term deposits and AA rating or higher for long term deposits; and/ or (ii) Central/ State government securities (including treasury bills and state development loans securities); (iii) Corporate bonds and debentures issued by PSUs, Financial institutions, Insurance Companies, scheduled commercial banks, Govt owned NBFCs having a rating of AA or higher assigned by atleast 2 (Two) rating agencies registered with the Securities & Exchange Board of India under the SEBI (Credit Rating Agencies) Regulations, 1999; These investments are to be pledged in favour of the Debenture Trustee.</p> <p>These investments would be made & liquidated by the Debenture Trustee as per the instruction of the issuer from time to time. However, any investment of funds of Bond Servicing Account other than in Bank FDs would be compulsorily liquidated by the Trustee on T-3 days if not liquidated earlier. The investment in Bank FDs, out of funds lying in KFC BOND SERVICING ACCOUNT SERIES I 2023 should have a maturity date at least 1 day prior to the next bond servicing date.</p> <p>Similarly, in case of any shortfall persisting in the KFC BOND SERVICING ACCOUNT SERIES I 2023 on T-9 days, the trustee should ensure availability of adequate funds to meet such shortfall in cash form in the DSRA, if required, through need-based liquidation of investments.</p>
<p style="text-align: center;">Structured Payment Mechanism</p>	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series I 2023. Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis. The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series I 2023.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES I 2023 on T-15th day and inform KFC through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies.</p> <p>In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES I 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee</p>

	<p>would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES I 2023 and make the necessary payments to the Bond Holders on the due date.</p> <p>However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received subsequently, the same shall be transferred to KFC DSRA BOND SERIES I 2023 to make good the impairment.</p> <p>Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES I 2023 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day.</p> <p>In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted Investment within next 7 days. Failing which would lead to an Event of Default (EOD).</p> <p>If any of the milestone days mentioned in the T-structure above happens to be a holiday/ bank's closing day, the immediate preceding bank working day would be the deemed date for execution of the relevant action.</p>
<p>Events of Default</p>	<p>As is set out in the Debenture Trust Deed and shall include, without limitation, the following events:</p> <ul style="list-style-type: none"> (a) Any payments due in respect of the Debentures have not been paid on the relevant Due date; (b) Failure of the issuer to replenish the erosion in DSRA and Cash Collateral Permitted Investment within 7 days of receipt of final notice from Debenture Trustee (c) The breach by the Issuer of any covenant, obligation, and/or any other obligations provided for under the Transaction Documents if not cured within 30 days; (d) Material Adverse Effect; (e) Non-Creation, invalidity and unenforceability of Security including non-creation of Security within stipulated timelines. (f) Withdrawal or suspension of Credit Rating or credit rating downgraded to A+ or below by any of the rating agencies; (g) Application for initiation of any insolvency proceedings against the Issuer under any applicable bankruptcy / insolvency / winding up or other similar law (including the IBC) filed any time during the tenure of the NCDs and not stayed or dismissed within 7 (seven) days from the date of such filing. (h) Any of the representations or warranties provided by the Issuer under the Transaction Documents are found to be

	<p>untrue, misleading or incorrect, when made or deemed to be made if not cured in 30 days;</p> <ul style="list-style-type: none"> (i) Erosion in the value of security below 100% of the aggregate outstanding liabilities of debentures at any point (j) The State Government of Kerala ceasing to own 51% (Fifty One percent) of the Issuer or ceasing to Control the Issuer without obtaining the prior written consent of the Debenture Trustee. (k) Cross default.
<p>Remedies</p>	<p>In the event of occurrence of the EOD mentioned above, each of the Bond Holders and Debenture Trustee shall have the following rights without requiring to give any notice:</p> <ol style="list-style-type: none"> 1. To accelerate the payments under and in relation to the Debentures and make them immediately due and payable; 2. Enforce the Security 3. Take any other recourse available to the Investor/Debenture Trustee under law and/or in equity 4. Any other consequence as may be customary to transactions of such nature and/or as advised by the consultants of the Issuer <p>The escrowing rights on the KFC BOND SERVICING ACCOUNT SERIES I 2023 would continue to remain active and operational till all the outstanding liabilities get settled.</p>
<p>Provisions related to Cross Default Clause</p>	<p>If the Issuer fails to make payment of any financial indebtedness when due or otherwise commits any breach of the provisions of any agreement entered into in respect of any financial indebtedness availed of by it (in respect of which breach either no cure period is available or where a cure period is available fails to cure such breach within the available cure period).</p>
<p>Undertakings of the Issuer</p>	<ul style="list-style-type: none"> (a) The complaints received in respect of the Issue shall be attended expeditiously and satisfactorily. (b) That KFC shall forward the details of utilization of the funds raised through the Debentures duly certified by the statutory auditors of KFC, to the Debenture Trustees at the end of each half-year. (c) KFC shall disclose the complete name and address of the Debenture Trustee in the annual report. (d) KFC shall provide a compliance certificate to the Debenture Holders (on yearly basis) in respect of compliance with the terms and conditions of issue of Information Memorandum as contained in the Information Memorandum, duly certified by the Debenture Trustee. (e) At all times until the Final Settlement Date, the State Government of Kerala shall not cease to own 51% (Fifty

	<p>One percent) of the Issuer or cease to Control the Issuer without the prior written consent of the Debenture Trustee (acting upon the instructions of each of the Debenture Holders);</p> <p>(f) All revenue collections of the Issuer shall be deposited solely in the current account held by the Issuer with the Revenue Bank bearing account no. 10300200051862 ("Collection Account");</p> <p>(g) On the occurrence of an event of default, the Issuer shall not effect any withdrawals from the Collection Account, without the prior written consent of the Debenture Trustee.</p>
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Notes:

1. *If there is any change in Coupon Rate pursuant to any event including elapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.*
2. *The list of documents which has been executed or will be executed in connection with the issue and subscription of debt securities shall be annexed.*
3. *While the debt securities are secured to the tune of 100% of the principal and interest amount or as per the terms of Placement Memorandum, in favour of Debenture Trustee, it is the duty of the Debenture Trustee to monitor that the security is maintained.*
4. *The issuer shall provide granular disclosures in their placement memorandum, with regards to the "Object of the Issue" including the percentage of the issue proceeds earmarked for each of the "object of the issue"*

XXXI. ADDITIONAL DISCLOSURE REQUIREMENTS UNDER FORM PAS-4

1. GENERAL INFORMATION

- i. Name, address, website and other contact details of the Corporation, indicating both registered office and the corporate office- The Registered office and Corporate Office are the same . Address is
Kerala Financial Corporation,
Head Office , Vellayambalam-695033,
Trivandrum.
- ii. Date & Place of incorporation of the Corporation- 23.11.1953, Trivandrum
- iii. Business carried on by the Issuer and its subsidiaries with the details of branches or units, if any:
(A) Details of subsidiaries or branches or units of the Issuer:

The Corporation has 16 branches across Kerala at Trivandrum, Kollam, Alappuzha, Pathanamthitta, Kottayam, Kattappana, Ernakulam, Thodupuzha, Perumbavur, Trissur, Palakkad, Kozhikode, Malappuram, Wayanad, Kannur and Kasargod.

iv. Brief particulars of the management of the Issuer: [●]

Kerala Financial Corporation (KFC) was incorporated under the State Financial Corporations Act of 1951, with an objective of development and industrialization of Kerala, extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Govt of Kerala (GoK) holds majority shareholding of 98.54%, followed by Small Industries Development Bank of India (SIDBI) at 1.44%, and Life Insurance Corporation (LIC) and State Bank of India (SBI) at 0.017% and 0.005%, respectively.

Shri Sanjay Kaul, IAS is the current Chairman and Managing Director of KFC. The board of KFC includes representation from Government of Kerala. The Board of Directors comprise 3 bureaucrats appointed by the Government of Kerala and the other directors representing SIDBI, LIC of India, and State Bank of India (erstwhile State bank of Travancore).

A. **Name, address, DIN and occupations of the directors:**

[●]

B. **Risk Factors:**

The following are the risks envisaged by the management of the Corporation relating to the Corporation, the Debentures and the market in general.

I. **General Risk**

Potential investors should carefully consider all the risk factors in this Information Memorandum for evaluating the Corporation and its business and the Debentures before making any investment decision relating to the Debentures. The Corporation believes that the factors described below represent the principal risks inherent in investing in the Debentures but does not represent that the statements below regarding the risks of holding the Debentures are exhaustive. The order of the risk factors is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another. Investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

If any one of the following stated risks actually occurs, the Corporation's business, financial conditions and results of operations could suffer and, therefore, the value of the Corporation's Debentures could decline and/or the Corporation's ability to meet its obligations in respect of the Debentures could be affected. More than one risk factor may have simultaneous effect with regard to the Debentures such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No prediction can be made as to the effect that any combination of risk factors may have on the value of the Debentures and/or the Corporation's ability to meet its obligations in respect of the Debentures. Potential investors should perform their own independent investigation of the financial condition and affairs of the

Corporation, and their own appraisal of the creditworthiness of the Corporation. Potential investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations with respect to the Debentures. Potential investors should thereafter reach their own views prior to making any investment decision.

These risks and uncertainties are not the only issues that the Corporation faces. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also have a material adverse effect on its financial condition or business. Unless specified or quantified in the relevant risk factors, the Corporation is not in a position to quantify the financial or other implications of any risk mentioned herein below.

The Corporation believes that the factors described below represent the principal risks inherent in investing in the Debentures, but the inability of the Corporation, as the case may be, to pay principal or other amounts on or in connection with any Debentures may occur for other reasons and the Corporation does not represent that the statements below regarding the risks of holding any Debentures are exhaustive.

Please note that unless specified or quantified in the relevant risk factors, the Corporation is not in a position to quantify the financial or other implications of any risk mentioned herein below:

II. Risks in relation to the non-convertible securities

a. Repayment of principal is subject to the credit risk of the Corporation

Potential investors should be aware that receipt of the amounts payable by the Corporation in respect of the Debentures is subject to the credit risk of the Corporation and the potential investors assume the risk that the Corporation may not be able to satisfy their obligations under the Debentures. In the event that bankruptcy/ insolvency proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy/ insolvency are instituted by or against the Corporation, the payment of sums due on the Debentures may be substantially reduced or delayed. The Debentures represent an obligation of the Corporation alone and do not impose any obligation on the state government or any other person other than the Corporation whatsoever. No financial recourse is available to the Debenture Holders against the state government or any person other than the Corporation. The payment of the interest and principal due under the Debentures is subject to the ability of the promoters to bring in funds into the Issuer or the ability of the Issuer to refinance the amount due under the Debentures.

b. Rating Downgrade Risk

The Rating Agency has assigned the credit ratings to the Debentures. In the event of deterioration in the financial health of the Corporation, there is a possibility that the Rating Agency may downgrade the rating of the Debentures. In such cases, potential investors may incur losses on re-

valuation of their investment or make provisions towards sub-standard/ non-performing investment as per their usual norms. The rating is not a recommendation to purchase, hold or sell the Debentures in as much as the ratings do not comment on the market price of the Debentures or its suitability to a particular investor. There is no assurance either that the rating will remain at the same level for any given period of time or that the rating will not be lowered or withdrawn entirely by the Rating Agency. In the event of deterioration in the rating of the Debentures, the investors may have to take loss on revaluation of their investment.

c. Changes in Interest Rates may affect the price of the Debentures

All securities where a fixed rate of interest is offered, such as this Issue, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the pricing of the Debentures.

III. Tax Considerations and Legal Considerations

During the tenure of the Debentures, all such imposts, duties and taxes which may be levied on the Debentures for a period after the Deemed Date of Allotment may have to be borne by the investors. Any expenses or taxes arising on account of change in tax or regulatory framework in relation to the Debentures may be to the account of the investors unless the said expenses or taxes are to be borne by the Issuer. Special tax considerations and legal considerations may apply to certain types of potential investors. Potential investors are urged to consult with their own financial, legal, tax and other professional advisors to determine any financial, legal, tax and other implications of this investment.

IV. Corporation's indebtedness and covenants imposed by its financing arrangements may restrict its ability to conduct its business or operations

The Corporation's financing arrangements have been entered into on the basis of certain covenants. Should there be any breach of such covenants of any financing arrangements and such breach continues beyond the stipulated cure period (if any), the Corporation may be subjected to various consequences as a result of such default including forced repayment of such borrowings. Further, under some of the financing arrangements, the Corporation may be required to inform/ obtain prior approval of the lenders/ debenture holders/ debenture trustee for various actions. This may restrict/ delay some of the actions/ initiatives of the Corporation from time to time.

V. Accounting Considerations

Special accounting considerations may apply to certain types of taxpayers. Potential investors are urged to consult with their own accounting advisors to determine implications of this investment.

VI. Material changes in regulations to which the Corporation are subject could impair the Corporation's ability to meet payments or other obligations.

The Corporation is subject generally to changes in applicable law, as well as to changes in government regulations and policies and accounting principles. Any changes in the regulatory framework could adversely affect the profitability of the Corporation or its future financial performance, by requiring a restructuring of its activities, increasing costs or otherwise.

VII. Limited or sporadic trading of non-convertible securities of the issuer on the stock exchanges

The Debentures may be very illiquid and no secondary market may develop in respect thereof. Even if there is a secondary market for the Debentures, it is not likely to provide significant liquidity. This could limit the ability of the Investor to resell them. This leads to liquidity and price risk on the Debentures.

VIII. Legality of Purchase

Potential investors of the Debentures will be responsible for the lawfulness of the acquisition of the Debentures, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates or for compliance by that potential investor with any law, regulation or regulatory policy applicable to it.

IX. Political and Economic Risk in India

The Issuer operates only within India. As a result, it is highly dependent on prevailing economic conditions in India and is significantly affected by factors influencing the Indian economy. An uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and consumption. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults.

X. Inherent Risk in Portfolio

The Corporation had an AUM of Rs 4750 Cr as on 31.03.2022 and Rs.6324 crore as on 31.12.2022 fully concentrated in Kerala, with the top three district exposures contributing to 66% of the portfolio (Trivandrum (~52%), Kasargod (~8%) and Ernakulam (~6%) as on 31.12.2022, thereby displaying high geographic concentration risk. Given the socio-economic objective of the corporation, where it provides financial assistance to MSME sector, majorly in manufacturing and service sector and given the impact of demonetization and COVID 19 on the MSME sector, the asset quality of the company was impacted. Despite the stress witnessed, the corporation was able to improve its asset quality due to its recovery efforts

and persistent monitoring. GNPA and NNPA of the corporation reduced to 3.27% and 1.28% respectively in FY22 from 3.58% and 1.48% respectively in FY21. However, the company has maintained comfortable levels of provision coverage ratio of ~77%. As per the business model of the corporation and its exposure to MSME sector, the asset quality continues to be under pressure.

XI.

Moderate asset quality

KFC has moderate asset quality as the GNPA as on Dec, 2022 stood at 4.58% from 3.27% as on March 31, 2022. KFC also has high borrower concentration as the top three borrowers, all Kerala state PSUs, amounted to ~Rs. 2680 Cr. as on Dec 31, 2022. Moving forward KFC's ability to reduce the concentration of top borrowers and its ability to maintain NPA and restructured accounts below 5% will be key monitorables.

XII. **Other risks**

- The investments do not represent deposits or other liabilities of the Issuer or the Debenture Trustee and that they are not insured; and
- The investments can be subject to investment risk, including possible delays in repayment and loss of income and principal invested.

XIII. **Refusal of listing of any security of the issuer during last three years by any of the stock exchanges in India or abroad.**

Not Applicable

XIV. **In case of outstanding debt instruments or deposits or borrowings, any default in compliance with the material covenants such as creation of security as per terms agreed, default in payment of interest, default in redemption or repayment, non-creation of debenture redemption reserve, default in payment of penal interest wherever applicable.**

Not Applicable

v. Details of defaults, if any, including therein the amount involved, duration of default, and present status, in repayment of:

- | | | |
|----|---------------------------------------------------------------------|----|
| A. | Statutory Dues: | NA |
| B. | Debentures and interest thereon: | NA |
| C. | Deposits and interest thereon: | NA |
| D. | Loans from any banks or financial institution and interest thereon: | NA |

vi. Name, designation, address and phone number, email ID of the nodal / compliance officer of the Corporation, if any, for the Issue:

COMPLIANCE OFFICER	
Name:	Shri Premnath Ravindranath
Tel No.:	04712737777
Email:	premnathravindranath@kfc.org

2. **PARTICULARS OF OFFER**

Financial position of the Corporation for the last 3 financial years	Please refer Annexure 6
Date of passing of Board Resolution	10.11.2022
Date of passing of resolution in general meeting, authorizing the offer of securities	Not Applicable
Kind of securities offered (i.e. whether share or debentures) and class of security; the total number of shares or other securities to be issued.	Secured, Rated, Listed, Redeemable, Taxable, Non-Convertible Bonds / Debentures.
Price at which the security is being offered, including premium if any, along with justification of the price	Face Value: INR 1,00,000 Discount: NA Premium: NA Bonds are issued at par value of INR 1,00,000
Name and address of the valuer who performed valuation of the security offered, and basis on which the price has been arrived at along with report of the registered valuer;	Not Applicable
Relevant date with reference to which the price has been arrived at [Relevant Date means a date at least 30 days prior to the date on which the general meeting of the Corporation is scheduled to be held]	Not Applicable
The class or classes of persons to whom the allotment is proposed to be made	Please refer Term Sheet as provided in the placement memorandum.
Intention of promoters, directors or key managerial personnel to subscribe to the offer (applicable in case they intend to subscribe to the offer)	Not Applicable

The proposed time within which the allotment shall be completed	Issue Opening Date: 23 rd March, 2023 Issue Closing Date: 23 rd March, 2023 Pay-In Date: 24 th March, 2023 Allotment Date: 24 th March, 2023
The names of the proposed allottees and the percentage of post private placement capital that may be held by them	Since the issue is through EBP bidding platform, the allottees will be finalized through Bidding Mechanism
The change in control, if any, in the Corporation that would occur consequent to the private placement	No
The number of persons to whom allotment on preferential basis/ private placement/ rights issue has already been made during the year, in terms of securities as well as price	Nil
The justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer	Not Applicable
Amount, which the Corporation intends to raise by way of proposed offer of securities	INR 250 crores plus green shoe option to retain over-subscription upto INR 500 crores i.e. for an aggregate issue size of INR 750 crores out of which the Issuer has accepted bids for subscription to Bonds of INR 476.50 Crores comprising of base issue of INR 250 Crores and green shoe option of INR 226.50 Crores.
Terms of raising of securities: duration, if applicable, rate of dividend or rate of interest, mode of payment and repayment	Please refer Term Sheet as provided in the placement memorandum.
Proposed time schedule for which the Issue is valid	Till Pay-In Date and deemed date of allotment i.e. 23 rd March, 2023

Purpose and objects of the Issue	The net proceeds out of the issue after deduction of issue related expenses would be used by issuer for working capital requirements.
Contribution being made by the Promoters or directors either as part of the offer or separately in furtherance of the object	Not Applicable
Principal terms of assets charged as security	<p>The bonds would be secured by way of</p> <ol style="list-style-type: none"> 1. Exclusive Charge on the KFC BOND SERVICING ACCOUNT SERIES I 2023 and on the amount transferred therein to be utilized only for servicing of the bonds on quarterly servicing dates. 2. Exclusive Charge on the KFC DSRA BOND SERIES I 2023 and the funds lying there-in. 3. Exclusive Charge on Cash Collateral Permitted Investment available equivalent to 10% of face value of principal amount outstanding at all times. 4 Exclusive charge on specific current assets including book debts and receivables of the company from identified borrowers. The book value of such assets would provide 100% security cover on the outstanding bonds and interest accrued thereon throughout its entire tenure.
The details of significant and material orders passed by the Regulators, Courts and Tribunals impacting the going concern status of the Corporation and its future operations	Not Applicable

i. The pre-issue and post-issue shareholding pattern of the Issuer is mentioned

below:

SI • No.	Category	Pre-issue		Post-issue	
		No. of shar es held	% of share holdin g	No. of shar es held	% of share holdin g
A	Promoters' holding	[•]		[•]	
1	Indian	[•]		[•]	
	Individual	[•]		[•]	
	State Government	98.54%		98.54%	
	Bodies corporate	1.06%		1.06%	
	Sub-total	[•]		[•]	
2	Foreign promoters	[•]		[•]	
	sub-total (A)	[•]		[•]	
B	Non promoters' holding	[•]		[•]	
1	Institutional investors	[•]		[•]	
2	Non institutional Investors	[•]		[•]	
	Private corporate bodies	[•]		[•]	
	Directors and relatives	[•]		[•]	
	Indian public	[•]		[•]	
	others [including Non-resident Indians (NRIs)]	[•]		[•]	
	Sub-total (B)	[•]		[•]	
	GRAND TOTAL	100%		100%	

5. MODE OF PAYMENT FOR SUBSCRIPTION

All payments must be made through NEFT, RTGS, electronic fund transfer to the Indian Clearing Corporation Limited. The details for RTGS payments are mentioned herein below:

Name of Bank	HDFC BANK
IFSC Code	HDFC0000060
Account number	ICCLEB
Name of beneficiary	INDIAN CLEARING CORPORATION LIMITED

Name of Bank	ICICI Bank Ltd.
IFSC Code	ICIC0000106
Account number	ICCLEB
Name of beneficiary	INDIAN CLEARING CORPORATION LTD

Name of Bank	YES BANK
IFSC Code	YESB0CMSNOC
Account number	ICCLEB
Name of beneficiary	INDIAN CLEARING CORPORATION LTD

4. DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION, ETC.

Any financial or other material interest of the directors, promoters or key managerial personnel in the Issue and the effect of such interest in so far as it is different from the interests of other persons.

Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any Promoter of the Corporation during the last 3 (three) years immediately preceding the year of the issue of this Information Memorandum and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed

Remuneration of directors (during the current year and last 3 (three) financial years)

Related party transactions entered during the last 3 (three) financial years immediately preceding the year of issue of this Information Memorandum including with regard to loans made or, guarantees given or securities provided

Summary of reservations or qualifications or adverse remarks of auditors in the last 5 (five) financial years immediately preceding the year of issue of this Information Memorandum and of their impact on the financial statements and financial position of the Corporation and the corrective steps taken and proposed to be taken by the Corporation for each of the said reservations or qualifications or adverse remark

Details of any inquiry, inspections or investigations initiated or conducted under the Act or any related law in the last 3 (three) years immediately preceding the year of circulation of this Information Memorandum in the case of the Corporation and all of its subsidiaries, and if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last 3 (three) years immediately preceding the year of this Information Memorandum and if so, section-wise details thereof for the Corporation and all of its subsidiaries

5. FINANCIAL POSITION OF THE ISSUER:

i. The capital structure of the Issuer:

The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value)	Authorised- 50,000.00 Lakh Paid up- 42,650.43 Lakh
Size of the Present Issue	NA
Paid-up Capital: After the offer:	42,650.43 Lakh
B. After the conversion of convertible instruments (if applicable)	NA
Share Premium Account: Before the offer:	NA
B. After the offer:	NA

Details of the existing share capital of the Issuer:

i) Equity Share Capital:

Sl No	Date of Allotment	Number of Shares	Face Value of Shares (Rs)	Price (Rs)	Details the form of Consideration	Cumulative			Remarks
						No of Equity shares	Equity Share Capital (Rs)	Equity Share Premium (in Rs)	
	28.10.2014	989125	100	100	Cash	22186428	2218642800	NIL	2014-15
	NA	NIL	100	100	Cash	22186428	2218642800	NIL	2015-16
	NA	NIL	100	100	Cash	22186428	2218642800	NIL	2016-17
	NA	NIL	100	100	Cash	22186428	2218642800	NIL	2017-18
	11.05.2018	464000	100	100	Cash	22650428	2265042800	NIL	2018-19
	20.05.2020	20000000	100	100	Cash	42650428	4265042800	NIL	2020-21

Details of allotments (number and price) made by the Issuer for consideration other than cash in the last one year preceding the date of this offer letter along with the details of consideration in each case.

NA

Profits of the Issuer, before and after making provision for tax, for the 3 (three) financial years immediately preceding the date of circulation of this offer letter	Rs in lakh		
	Year	PBT	PAT
	2021-22	3501.06	1319.80
	2020-21	1282.99	657.93
	2019-20	3006.66	1836.64
Dividends declared by the Issuer in respect of the said 3 (three) financial years; interest coverage ratio for last three years (cash profit after tax plus interest paid/interest paid)	Rs in lakh		
	Year	Dividend	Interest coverage Ratio
	2021-22	106.63	NA
	2020-21	0.00	NA
	2019-20	0.00	NA
A summary of the financial position of the Issuer as in the 3 (three) audited balance sheets immediately preceding the date of circulation of this offer letter	Refer Annexure 6		
Audited cash flow statement for the 3 (three) years immediately preceding the date of circulation of this offer letter	Refer Annexure 6		
Any change in accounting policies during the last 3 (three) years and their effect on the profits and the reserves of the Issuer	No		

Summary of the financial position of the Issuer as in the 3 (three) audited balance sheets immediately preceding the date of circulation of this offer letter

Key Parameters	2021-22	2020-21	2019-20
Portfolio Size	4,75,071.41	4,62,112.51	335190.04
Sanctions	2,87,678.86	4,14,648.56	165788.00
Disbursements	2,17,520.16	3,70,921.22	144615.00
Recovery	2,43,046.80	2,85,128.94	108209.00
Interest Income	39,264.66	40,387.39	30853.26
Total Income	51,816.81	49,094.29	41091.83
Total Expenditure	42,634.65	46,193.18	36565.16
Op. Profit before technical write off of bad debts	19,321.16	15,285.79	15241.89
Op. Profit after technical write off of bad debts	9,182.16	2,901.12	4526.67
Net Profit before Tax	3,501.07	1,282.98	3006.67
Net profit after tax	1,319.80	657.93	1836.65
Basic EPS (in Rs.) [face value Rs.100/-]	3.26	2.04	7.65
Diluted EPS (in Rs.) [face value Rs.100/-]	3.26	1.62	7.64
Net worth	69,403.17	68118.22	58474.50
Capital Adequacy Ratio %	22.41	22.85	22.40
Gross NPA as % of Gross Advances	3.27	3.58	4.74
Net NPA as % of Net Advances	1.28	1.48	1.45

Audited cash flow statement for the 3 (three) years immediately preceding the date of circulation of this offer letter

Cash Flow Statement

Rs in lakhs

FOR THE PERIOD	For the year ended 31.03.2022	For the Year ended 31.03.2021	For the Year ended 31.03.2020
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes	3,501.07	1,282.98	3,006.67
Interest received on Fixed Deposits	(1,923.10)	(2,083.65)	(1,110.68)
Depreciation on fixed assets	213.76	283.12	199.08
Provision for Non Performing Assets/Other Assets	5,681.10	1,618.13	-
Share Issue Expenses	-	1.02	-
Premium on Forward Contract	(74.93)	(297.67)	-
Interest and other costs of Non-SLR Bond	7,174.07	9,690.24	9,405.33
Adjustment for changes in operating assets and liabilities			
Increase in Loans and Advances	(9,732.78)	(126,922.46)	(23,382.10)
Increase in borrowings from Banks	21,998.68	134,802.16	56,549.21
Decrease in Other Non-Current assets	5,863.95	39,599.90	(41,936.37)
Decrease in Other Current assets	(25,797.65)	(51,439.88)	(681.25)
Increase in Current liabilities	21,470.94	13,715.03	841.65
Increase in Other Non Current Liabilities	(284.49)	129.35	(64.74)
	-	-	-
Less: Income tax paid	(1,734.00)	(700.00)	(2,115.00)
	-	-	-
Net cash from operating activities	26,356.62	19,678.27	711.80
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(54.62)	(154.20)	(644.66)
Sale of Fixed Assets	0.72	4.16	-
Investment in KIFM Ltd	-	(1.02)	-
	-	-	-
Net cash used in investing activities	(53.90)	(151.06)	(644.66)
CASH FLOW FROM FINANCING ACTIVITIES			
Money received against Share Capital	0.00	9,000.00	11,000.00
Share Issue Expenses	0.00	(1.02)	-
Issue of Non SLR Bond	0.00	25,000.00	25,000.00
Redemption of Non-SLR Bond	(18,030.00)	(35,682.50)	(5,150.00)
Interest and other costs of Non-SLR Bond	(7,174.07)	(9,690.24)	(9,405.33)
Interest Received on Fixed Deposits	1,923.10	2,083.65	1,110.68
Net Investment in NCD	(5,993.74)	(5,993.74)	-
Proceeds from NCD	101.14	709.09	-
Net Deposit with Banks	2,851.85	(12,251.54)	(5,600.00)
Dividend	106.63	-	(136.53)
	-	-	-

Net cash used in financing activities	(26,215.09)	(26,826.30)	16,818.82
Net increase in cash and cash equivalents	87.61	(7,299.09)	16,885.97
Cash and cash equivalents at the beginning of the year	10,076.58	17,375.67	489.70
Cash and cash equivalents at the end of the year	10,164.19	10,076.58	17,375.67

XXXII. DETAILS

(To be filed by the Applicant)

Name: Soya K

Father's name: E Ambadi

Complete Address including Flat/ House Number, Street, Locality, Pin Code: TC 41/1091(1),
Advaitham

Surabhi Gardens, Thittamangalam, Vattiyurkavu
Trivandrum- 6951013

Phone number, if any:9496030174

Email ID, if any: soyak@kfc.org

PAN Number: BIHPS9059M

Bank Account Details:State Bank of India, Althara Branch

Signature

(initial of the officer of the Corporation designated to keep the record)

6. DECLARATION BY THE DIRECTORS THAT:

- a. the Issuer has complied with the provisions of the Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992 and the rules and regulations made thereunder;
- b. the compliance with the statutes and the rules does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government;
- c. the monies received under the Issue pursuant to this offer letter shall be used only for the purposes and objects indicated in the private placement offer cum application letter;

I am authorised by the ALCO vide resolution 30.08.2022 to sign this form and declare that all the requirements of the aforementioned statutes and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with.

Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the Corporation. It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

For **Kerala Financial Corporation Limited**

[*signed*]

Soya K

Financial Controller

Date: 23RD March 2023

Place: Trivandrum

Attachments:

Annexure 1 - Rating Letter

Annexure 2 - Rating Rationale

Annexure 3 - Bond Trustee Consent Letter

Annexure 4 - R&T Agent Consent Letter

Annexure 5 - Copy of Audited Annual Report for Financial Years 2016-17, 2017-18, 2018-19, Financial Statements for Financial Years 2019-20, 2020-21 and 2021-22 and for the 3 months' period ended on June 30, 2022, along with Respective Audit Reports Thereon, issued by CAG Appointed Statutory Auditors

Annexure 6 - Board Resolution

Annexure 7 – Due Diligence Certificate

Annexure 8 - In-Principle Listing Approval Letter- BSE Limited

[To be inserted]

ANNEXURE [●]

Rating Letter - Intimation of Rating Action

Letter Issued on: January 06, 2023
 Letter Expires on: **October 28, 2023**
 Annual Fee valid till: **October 28, 2023**

Scan this QR Code to verify
 authenticity of this rating



Kerala Financial Corporation

Vellayambalam, Thiruvananthapuram, Kerala,
 Pin Code – 695033

Kind Attn.: Mr. Sanjay Kaul, Director (Tel. No. 9496030174)

Dear Mr. Kaul,

Sub.: Rating(s) Assigned - Non Convertible Debentures of Kerala Financial Corporation

Please note that the current rating(s) and outlook, instrument details, and latest rating action for the aforementioned instrument are as under:

	Long Term Instruments	Short Term Instruments
Total Rated Quantum (Rs. Cr.)	750.00 Cr	Not applicable
Quantum of Enhancement (Rs. Cr.)	Not applicable	Not applicable
Rating	ACUITE AA	Not applicable
Outlook	Stable	Not applicable
Most recent Rating Action	Assigned	Not applicable
Date of most recent Rating Action	January 06, 2023	Not applicable
Rating Watch	Not applicable	Not applicable

Acuite reserves the right to revise the ratings, along with the outlook, at any time, on the basis of new information, or other circumstances which Acuite believes may have an impact on the ratings. Such revisions, if any, would be appropriately disseminated by Acuite as required under prevailing SEBI guidelines and Acuite 's policies.

This letter will expire on **October 28, 2023** or on the day when Acuite takes the next rating action, whichever is earlier. It may be noted that the rating is subject to change anytime even before the expiry date of this letter. Hence lenders / investors are advised to visit <https://www.acuite.in/> OR scan the QR code given above to confirm the current outstanding rating.

Acuite will re-issue this rating letter on **October 29, 2023** subject to receipt of surveillance fee as applicable. If the rating is reviewed before **October 28, 2023**, Acuite will issue a new rating letter.



Suman Chowdhury
 Chief Analytical Officer

Annexures: A. Details of the Rated Instrument
 B. Details of the rating prior to the above rating action

Acuite Ratings & Research Limited

SEBI Registered | RBI Accredited
 708, Lodha Supremus, Lodha iThink Techno Campus, Kanjurmarg (East), Mumbai - 400042 | +91 22 49294000
 SMS: +91 9969898000 | www.acuite.in | CIN: U74999MH2005PLC155683

Annexure A. Details of the rated instrument

Bank	Facilities	Scale	Previous Amount (Rs. Crore)	Current Amount (Rs. Crore)	Ratings	Rating Action
Fund Based Facilities						
	Proposed Non- Convertible Debentures	Long Term	-	750.00	ACUITE AA/ Stable	Assigned
Total Fund Based Facilities			-	750.00		
Total Facilities						
			-	750.00		

Annexure B. Details of the rating prior to the above rating action

	Long Term Instruments	Short Term Instruments
Previous Rated Quantum	Not applicable	Not applicable
Rating	Not applicable	Not applicable
Outlook	Not applicable	Not applicable

DISCLAIMER

An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite, Acuite's rating scale and its definitions.



INFOMERICS VALUATION AND RATING PVT. LTD.
Integrated Financial Omnibus Metrics Research of International Corporate Systems

21 February 2023

Sri Sanjay Kaul, IAS

Chairman and Managing Director

Kerala Financial Corporation

25/4021, 4022, Aswathy, Vellayambalam

Thiruvananthapuram - 685033

Dear Sir,

Assignment of rating to the Non-Convertible Debentures (NCDs) of Kerala Financial Corporation.

Please refer to the Mandate contract dated **November 15, 2022** on the captioned subject and your E-Mail dated **February 17, 2023** accepting our rating & use thereof.

1. Our Rating Committee has assigned the following ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Non-Convertible Debentures (NCDs)	50.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned
Non-Convertible Debentures (NCDs)	594.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned
Proposed Non-Convertible Debentures (NCDs)	750.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned
Total		1394.00 (Rupees Two Hundred Crores Only)	

2. Details of the credit facilities are attached in **Annexure I**. Our rating symbols for long-term and short-term ratings and explanatory notes thereon are attached in **Annexure II**.

3. The press release for the rating(s) will be communicated to you shortly.

Registered & Head Office : Flat No. 104/108, 1st Floor, Golf Apartment, Sujan Singh Park, New Delhi-110003, (INDIA)
Phone : +91 11 24611910, 24649428, 41410244 Fax : +91-11-24627549 E-mail : vma@infomerics.com

Branch Office : 1001, 10th Floor, Prestige Meridian - Tower II, 29, M G Road, Bangalore - 560001, Karnataka
Phone : +91-80-41216812 E-mail : Info@infomerics.com URL : www.infomerics.com

CIN : U32202DL1986PTC024575



4. If the proposed long term / short term facility (if any) is not availed within a period of six months / three months respectively from the date of this letter, then the rating may please be revalidated from us before availing the facility.
5. The above rating is normally valid for a period of one year from the date of our **initial communication** of rating to you (that is. **February 20, 2024**).
6. A formal surveillance/review of the rating is normally conducted within 12 months from the date of initial rating/last review of the rating. However, INFOMERICS reserves the right to undertake a surveillance/review of the rating more than once a year if in the opinion of INFOMERICS, circumstances warrant such surveillance/review.
7. Further in terms of the mandate executed with us, you have undertaken to comply with the following: -
 - a) Inform INFOMERICS before availing any new bank facility/ies and/or of any changes in the terms, conditions and/or size of the facilities rated.
 - b) Furnish all material information and any other information in a timely manner as may be required by INFOMERICS, for monitoring the Rating assigned during the tenure of the bank facilities rated by INFOMERICS.
 - c) Co-operate with and enable INFOMERICS to arrive at and maintain a true and fair rating and in particular, provide INFOMERICS with true, adequate, accurate, fair, and timely information for the purpose.
 - d) Inform INFOMERICS, in writing and in a timely manner, of any other developments which may have a direct or indirect impact on the CLIENT's debt servicing capability including any proposal for re-schedulement or postponement of the repayment programs of the dues/ debts of the CLIENT with any lender (s)/ investor (s) within seven days from the date of such developments/ proposal.
8. **You shall provide us a No Default Statement as at the last date of the month on the first date of succeeding month without fail.** The NDS shall be mailed every month to nds@Infomerics.com and to the mail id of the undersigned.
9. **You shall provide the quarterly performance results/quarterly operational data (being submitted to Banks) to us within 6 weeks from the close of each calendar quarter for our review/monitoring.**
10. You shall furnish all material information and any other information called for by INFOMERICS in a timely manner, for monitoring the rating assigned by INFOMERICS. In



the event of failure on your part in furnishing such information, to carry out continuous monitoring of the rating of the bank facilities.

11. INFOMERICS shall carry out the review/annual surveillance on the basis of best available information throughout the lifetime of such bank facilities as per the policy of INFOMERICS.

12. INFOMERICS reserves the right to withdraw/revise/reaffirm the rating assigned on the basis of new information. INFOMERICS is also entitled to publicise/disseminate such withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.

13. Please note that INFOMERICS ratings are not recommendations to buy, sell or hold any security or to sanction, renew, disburse or recall the bank facilities. INFOMERICS do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

14. In case you require any clarification, you are welcome to communicate with us in this regard.

Thanking you,

With Regards,


Sree Harsha
Senior Manager
Email: sree.harsha@infomerics.com


Amit Bhuwania
Director - Ratings
Email: abhuwania@infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

ANNEXURE I

1. Details of NCDs

Name of Facility/ Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCDs	INE818F08029	9 Aug 2019	8.72%	9 Aug 2029	50.00	IVR AA/Stable
NCDs	INE818F07013	9 June 2016	8.90%	9 May 2023	62.50	IVR AA/Stable
NCDs	INE818F07039	4 April 2018	8.69%	4 April 2023	16.30	IVR AA/Stable
NCDs	INE818F07047	4 April 2018	8.69%	4 April 2024	10.45	IVR AA/Stable
NCDs	INE818F07054	4 April 2018	8.69%	4 April 2025	4.75	IVR AA/Stable
NCDs	INE818F07096	9 July 2019	8.99%	9 July 2023	62.50	IVR AA/Stable
NCDs	INE818F07070	9 July 2019	8.99%	9 July 2024	62.50	IVR AA/Stable
NCDs	INE818F07062	9 July 2019	8.99%	9 July 2025	62.50	IVR AA/Stable
NCDs	INE818F07088	9 July 2019	8.99%	9 July 2026	62.50	IVR AA/Stable
NCDs	INE818F07104	14 Sep 2020	7.70%	14 Sep 2026	50.00	IVR AA/Stable
NCDs	INE818F07112	14 Sep 2020	7.70%	14 Sep 2027	50.00	IVR AA/Stable
NCDs	INE818F07120	14 Sep 2020	7.70%	14 Sep 2028	50.00	IVR AA/Stable

NCDs	INE818F07138	14 Sep 2020	7.70%	14 Sep 2029	50.00	IVR AA/Stable
NCDs	INE818F07146	14 Sep 2020	7.70%	14 Sep 2030	50.00	IVR AA/Stable
Proposed NCDs	-	-	-	-	750.00	IVR AA/Stable

Key Terms for the NCD issue of Rs 50.00 Crores - (INE818F08029)

Instrument name	8.72% UNSECURED NON-CONVERTIBLE NON SLR BONDS SERIES 1/2013
Issuer	Kerala Financial Corporation
Issue size	Rs 50.00 Crores
Issue date	06/06/2013
Maturity date	06/06/2023
Coupon (Fixed)	8.72%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Guarantee	Government of Kerala has provided guarantee for timely payment of coupon and principal amount
Key Covenants	<p>As per the terms of the issuances, KFC will, thirty days (T-30) before the forthcoming due date 'T', credit the requisite funds in the Trust and Retention Account ("TRA") for servicing the bondholders or put them in a Fixed Deposit with any scheduled bank and ensure that the lien of the Trustees is noted by the Bank. KFC shall ensure that the Govt of Kerala and the trustees are informed about the clear funds in the TRA / opening of Fixed Deposit.</p> <p>In case of Fixed Deposit, at least 1 working day prior to the due date (T-1), KFC shall, with due intimation to the Trustees, ensure that proceeds from maturity of FDs are transferred to the TRA for payment to the Bondholders on due date (T).</p> <p>In case the TRA Account is not funded or put in FD with any scheduled bank by KFC to the requisite extent at least 25 days (T-25) before the due date for payment of interest / principal,</p>



	<p>the Trustee shall forthwith invoke the guarantee of Govt of Kerala.</p> <p>Govt of Kerala shall, at least 5 (T-5) days before the due date, deposit / transfer the principal / interest amount in the TRA.</p>
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Key Terms for the NCD Issue of Rs 62.50 Crores - INE818F07013

Instrument name	8.90% SECURED REDEEMABLE NON-CONVERTIBLE BONDS. SERIES 1/2016
Issuer	Kerala Financial Corporation
Issue size	Rs 62.50 Crores
Issue date	9/06/2016
Maturity date	9/05/2023
Coupon (Fixed)	8.90%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of</p>



	the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.
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Key Terms for the NCD issue of Rs 31.50 Crores - INE818F07039 for Rs 16.30 Crores, INE818F07047 for Rs 10.45 Crores and INE818F07054 for Rs 4.75 Crores

Instrument name	8.69% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
Issuer	Kerala Financial Corporation
Issue size	Rs 31.50 Crores (INE818F07039 for Rs 16.30 Crores, INE818F07047 for Rs 10.45 Crores and INE818F07054 for Rs 4.75 Crores)
Issue date	04/04/2018
Maturity date	04/04/2023, 04/04/2024 and 04/04/2025 respectively
Coupon (Fixed)	8.69%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted</p>

	<p>investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>
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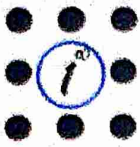
Key Terms for the NCD issue of Rs 250.00 Crores - INE818F07096, INE818F07070, INE818F07062 and INE818F07088 for Rs 62.50 Crores each

Instrument name	8.99% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
Issuer	Kerala Financial Corporation
Issue size	Rs 250 Crores (INE818F07096, INE818F07070, INE818F07062 and INE818F07088 for Rs 62.50 Crores each)
Issue date	09/07/2019
Maturity date	09/07/2023, 09/07/2024, 09/07/2025 and 09/07/2026 respectively
Coupon (Fixed)	8.99%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	The Corporation shall, prior to the pay-in date, deposit into the

	<p>DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>
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Key Terms for the NCD issue of Rs 250.00 Crores - INE818F07104, INE818F07112, INE818F07120, INE818F07138, INE818F07146 for Rs 50.00 Crores each

Instrument name	7.70% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
Issuer	Kerala Financial Corporation
Issue size	Rs 250 Crores (INE818F07104, INE818F07112, INE818F07120, INE818F07138, INE818F07146 for Rs 50.00 Crores each)
Issue date	14/09/2020
Maturity date	14/09/2026, 14/09/2027, 14/09/2028, 14/09/2029 and 14/09/2030 respectively



Infomerics
Ratings

Coupon (Fixed)	7.70%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>

Draft term sheet for the proposed NCDs of Rs 750.00 Crores

Instrument	Kerala Financial Corporation Bonds Series I 2023
Issuer	Kerala Financial Corporation
Issue Size	Rs 250 Crore with green shoe option of Rs 500 Crores aggregating to Rs 750 Crores
Nature of Instrument	Secured
Coupon rate (Fixed)	TBD
Coupon payment frequency	TBD
Tenor	Series A to E (Each for Rs 50 Crores), for tenor of 6 years to 10 years, with quarterly redemption in each series, with 1 st redemption scheduled at 21 st quarter.
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Objects of the issue	Working capital requirements
Security	<p>The bonds would be secured by way off:</p> <ol style="list-style-type: none"> 1. Exclusive charge on the KFC Bond Servicing Account series I 2023 and on the amount transferred therein to be utilised only for servicing of the bonds on quarterly servicing dates 2. Exclusive charge on the KFC DSRA Bond Series I 2023 and funds lying therein. 3. Exclusive charge on Cash collateral permitted investment available equivalent to 10% of face value of principal amount outstanding at all times 4. Exclusive charge on specific current assets including book debts and receivables of the company from identified borrowers. The book value of such assets would provide 100% security cover on the outstanding bonds throughout its entire tenure.
DSRA	The issuer would be required to open a designated escrow account – “KFC DSRA Bond Series I 2023” exclusively charged to Debenture trustee. An amount equivalent to the total servicing obligation (Principal + Interest) for an amount equivalent to next 2 quarters needs to be maintained at all times in the form of cash and cash equivalents. Any erosion of funds in the DSRA accounts to be replenished with in

	T+30 days
KFC Bond Servicing account	The issuer would be required to open a designated escrow account – “KFC Bond Servicing Account series I 2023” exclusively charged to Debenture trustee.
Cash Collateral	The issuer shall, prior to the pay-in-date, create permitted investments in terms of the transaction documents for an amount equivalent to 10% of the outstanding principal amount of the debentures

ANNEXURE II

INFOMERICS Rating Scale for Long Term Instruments & Borrowing Programmes

Long Term: Original Maturity exceeding one year.

Rating Scale	Definition
IVR AAA	Securities with this rating are considered to offer the highest degree of safety regarding timely servicing of financial obligations. Such issuers carry lowest credit risk.
IVR AA	Securities with this rating are considered to offer high degree of safety regarding timely servicing of financial obligations. Such issuers carry very low credit risk.
IVR A	Securities with this rating are considered to offer adequate degree of safety regarding timely servicing of financial obligations. Such issuers carry low credit risk.
IVR BBB	Securities with this rating are considered to offer moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.
IVR BB	Securities with this rating are considered to offer moderate risk of default regarding timely servicing of financial obligations.
IVR B	Securities with this rating are considered to offer high risk of default regarding timely servicing of financial obligations.
IVR C	Securities with this rating are considered to offer very high risk of default regarding timely servicing of financial obligations.
IVR D	Securities with this rating are in default or are expected to be in default soon in servicing of debt obligations.

INFOMERICS may apply '+' (plus) or '-' (minus) signs for ratings assigned 'IVR AA' to 'IVR C' to indicate their relative standing within the category.

INFOMERICS may assign rating outlooks for ratings from IVR 'AAA' to IVR 'B'.

INFOMERICS Rating Scale for Short Term Instruments & Borrowing Programmes

Short Term: Original maturity of up to one year

Rating Scale	Definition
IVR A1	Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
IVR A2	Securities with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.
IVR A3	Securities with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
IVR A4	Securities with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.
IVR D	Securities with this rating are in default or expected to be in default on maturity in servicing of debt obligations.

INFOMERICS may apply '+' (plus) signs for ratings assigned from 'IVR A1' to 'IVR A4' to indicate their relative standing within the category.



Press Release
Kerala Financial Corporation
January 06, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5050.00	ACUITE A+ Stable Reaffirmed	-
Non Convertible Debentures (NCD)	750.00	ACUITE AA Stable Assigned	-
Non Convertible Debentures (NCD)	1000.00	ACUITE AA Stable Reaffirmed	-
Bank Loan Ratings	950.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	7750.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE AA**' (read as **ACUITE double A**) on the Rs. 750.00 Cr Non-convertible Debentures of Kerala Financial Corporation (KFC). The outlook is '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE AA**' (read as **ACUITE double A**) on the Rs. 1000.00 Cr Non-convertible Debentures of Kerala Financial Corporation (KFC). The outlook remains '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) on the Rs. 5050.00 Cr Long Term Bank Loan Facilities of Kerala Financial Corporation (KFC). The outlook remains '**Stable**'.

Acuite has reaffirmed the Short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 950.00 Cr Short Term Bank Loan Facilities of Kerala Financial Corporation (KFC).

Rationale for the rating

The rating factors in the majority ownership of the Government of Kerala (98.54 percent) in KFC and its strategic importance as a financial institution for assistance of Micro, Small and Medium Enterprises (MSME) sector in the state. The rating takes into account the regular support from Government of Kerala and its experienced management. The rating also takes in to consideration the fiscal constraints faced by the Government of Kerala. KFC's capitalization levels remained moderate at 22.41 percent as on March 31, 2022. The rating also takes into account KFC's portfolio growth (Rs 4750.71 Cr. as on March 31, 2022 as against Rs 4621.13 Cr. as on March 31, 2021) driven by disbursements of Rs 2175.20 Cr during FY2022. By virtue of state government ownership and support, the corporation enjoys strong resource raising ability at a competitive cost and maintains comfortable liquidity buffers. Also for NCD, the rating takes the additional support from the Debt Service Reserve Account (DSRA) and

the Structured Payment Mechanism.

The rating is however constrained on account of KFC's portfolio concentration in MSME Sector comprising of 93.74 percent as on March 31, 2022, and moderate profitability. While ontime

portfolio has improved to 84.78 percent as on June 2022 as against 68.70 percent on June 2021, KFC reported GNPA (90+DPD) at 3.27 percent as on March 2022 as against 3.58 percent as on March 2021.

Going forward, apart from the fiscal profile of Kerala state and KFC's systematic importance, KFC's ability to maintain asset quality and profitability would be the key rating monitorables.

About the company

Kerala Financial Corporation was incorporated in 1953, under the State Finance Corporations Act, 1951 by Government of Kerala, with an objective of rapid industrialization of the state by extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector.

The corporation was originally established as the Travancore Cochin Financial Corporation in 1953 and consequent to reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation.

Government of Kerala is the majority stakeholder with 98.54 percent holding and the balance is headed by domestic banks and other institutions. As on March 31, 2022, the corporation operates in 14 districts of Kerala with a network of 16 branches. Shri Sanjay Kaul IAS is the current Chairman and Managing Director of KFC.

Standalone (Unsupported) Rating

ACUITE A+

Analytical Approach

Acuité has considered the standalone approach while assessing the business and financial risk profile of KFC and has factored in the financial, operational and managerial support it receives from Kerala Government by virtue of being a State Financial Corporation. The rating factors in the high degree of Government holding in KFC along with the systematically important role played by the corporation in implementing the key financial and developmental objectives of the state. Further for NCD, the rating also takes the support of the presence of internal credit enhancement proposed in the form of Debt Service Reserve Account (DSRA) and the Structured Payment Mechanism.

Key Rating Drivers

Strength

Ownership and Support from Government of Kerala (GoK):

KFC is a State finance corporation established under the SFC Act, 1951. The board of KFC includes representation from Government of Kerala. The Board of Directors comprise 3 bureaucrats appointed by the Government of Kerala and the others representing SIDBI, LIC of India, Bank of India and State Bank of India (erstwhile State bank of Travancore).

The Government of Kerala is the 98.54 percent stakeholder in the corporation and is expected to support the corporation given its systemic importance to the state. KFC's capitalization levels remained adequate at 22.41 percent as on March 31, 2022 as against 22.85 percent as on March 31, 2021.

By virtue of state government ownership and support, the corporation enjoys strong resourcing raising ability at lower cost of funds thereby maintaining comfortable liquidity buffers to meet its funding requirements. KFC's funding profile is supported by the State Government's moral obligation to support the capitalization levels both on an ongoing basis and in the event of distress. KFC's funding mix comprises equity contribution from its shareholders primarily GoK, NCDs and borrowings from banks. Of the overall outstanding borrowings of Rs 4308.87 Cr. as on March 31, 2022, NCDs comprise ~16.98 percent and

remaining ~77 percent is bank borrowings and foreign currency loans.

KFC is a Nodal Agency for several policy initiatives by the State Government of Kerala and is responsible to implement the states policy initiatives announced in the annual state budget. The corporation in the past has operationalized various policy initiatives by GoK such as Kerala State Entrepreneur Development Mission and Interest Subvention for Innovative Projects. The corporation is presently promoting schemes such as Startup Support Scheme, receivable financing scheme to support various business while extending working capital loans and term loans as its own products. KFC reported loan portfolio of Rs. 4750.71Cr as on March 31, 2022 as against Rs. 4621.12 Cr. as on March 31, 2021.

Since the support from GoK is critical to the rating, the credit profile of Kerala state is of key importance. The state's fiscal headroom has been further impacted by the recent COVID outbreak. While this is expected to put some pressure on Kerala's fiscal metrics over the near term, the overall fiscal health of the state over the medium term is expected to stay satisfactory. Movement in the state's key fiscal metrics i.e. fiscal deficit to GSDP and Debt to GSDP will remain key monitorable.

Acuité believes that the corporation will continue to benefit from strong financial and managerial support from the State Government on an ongoing basis over the medium term.

Maintenance of principal cash collateral, DSRA along with presence of Structured Payment Mechanism (SPM) for NCD:

The rating factors in the Structured Payment Mechanism (SPM) put in place by KFC to ensure timely availability of funds for servicing of debt obligations.

The rating on the Rs. 1000.00 Cr. NCDs considers the presence of Structured Payment Mechanism wherein amount equivalent to principal repayment of respective year shall be brought in by T-7 (T is the due date) and the said amount will be invested in permitted investments. The maturity proceeds of the said investment will be credited directly to the designated escrow account and will be utilized for principal redemption process.

In case the principal amount is not invested and made sufficient, the principal servicing is additionally secured by way of cash collateral of 20 percent of outstanding principal being maintained at any point of time.

The SPM is also in place for semi-annual servicing of interest obligations wherein semi-annual interest will be divided into two portions and each interest portion at the beginning of the third and fifth month will be invested in permitted investments and both will mature on the T-1 day of the coupon payment date and the proceeds will be credited directly to the designated escrow account from where the coupon amount will be paid.

In case the interest amount is not invested and made sufficient, the interest servicing is additionally secured by way of DSRA wherein amount equivalent to one semi-annual interest obligation of the outstanding bonds will be maintained by the issuer on rolling basis.

The cash collateral and DSRA will be lien marked to the debenture trustee and in the event of principal or interest is not invested and made sufficient, the trustee will mandatorily liquidate the principal cash collateral and DSRA in order to make the proceeds available for the principal payment and interest payment respectively.

The cash collateral, DSRA, investment as per structured payment mechanism, and funds in the escrow account till such time being utilized would be permitted to remain invested in Fixed deposits with Scheduled commercial banks with preferably AAA rating or AA rating, Central or State Government securities (G Sec/T- Bills /SDL) or AAA/AA paper rated by two SEBI/RBI approved rating agency. These investments will be pledged in favour of debenture trustee.

The rating on the Rs. 750.00 Cr. NCDs considers the presence of Structured Payment Mechanism wherein starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle to the bond servicing account. The Debenture Trustee shall monitor the same on T-15 day (T is the due date) and any shortfall persisting on T-9th day shall be met through transfer of requisite funds from the DSRA.

The SPM is also stipulates that KFC would be required to maintain in DSRA an amount equivalent to total servicing obligation (principal plus interest) for the next two quarters on a rolling basis. KFC would also be required to maintain a cash collateral for an amount equivalent to 10% of the outstanding amount of debentures. Both, the Cash Collateral and DSRA would be in the form of cash and cash equivalent, invested in permitted instruments and would remain charged in favour of the debenture trustee.

In case of any erosion from the DSRA due to transfer of funds in bond servicing account, the same shall be required to be cured within 30 days (T+30). If not the same shall be made good by transferring necessary amount of funds / investment to the DSRA from cash collateral and the Debenture Trustee should immediately inform the issuer to replenish the cash collateral amount to the stipulated level within the next 30 days (T+60).

The cash collateral, DSRA, investment as per structured payment mechanism, and funds in the escrow account till such time being utilized would be permitted to remain invested in Fixed deposits with Scheduled commercial banks with preferably A1+ rating or AA or higher rating, Central or State Government securities (G Sec/T- Bills /SDL) or AAA/AA paper rated by two SEBI/RBI approved rating agency. These investments will be pledged in favour of debenture trustee.

The rating centrally assumes complete adherence to the SPM by the debenture trustee and KFC on an ongoing basis.

Weakness

Moderate profitability; albeit improving.

The profitability in FY2022 stood at Rs. 13.20 Cr. (Rs 6.58 Cr for FY2021 as against Rs 18.37 Cr for FY2020). The corporation reported Net Interest margin of 4.74 percent in FY2022 as against 3.01 percent in FY2021 and 3.24 percent in FY2019. The profitability continues to be supported by lower operating expenses to earning assets of 1.04 percent for FY2022 as against 0.82 percent in FY2021 along with low average cost of borrowing of 6.67 percent in FY2022. The corporation's return on average assets stands at 0.24 percent as on March 31, 2022 (0.14 percent for FY 2021).

Acuité believes, given the challenges, the company's ability to manage the additional slippages while maintaining the profitability will be crucial

Moderate asset quality

KFC has moderate asset quality as the GNPA as on September, 2022 stood at 4.41% from 3.27% as on March 31, 2022. Further the company also has restructured accounts amounting to Rs.~394.84 Cr which reduced from ~Rs. 734 Cr. as on March 31, 2022. KFC also has high borrower concentration as the top three borrowers, all Kerala state PSUs, amounted to ~Rs. 2374 Cr. as on June 30, 2022.

Moving forward KFC's ability to reduce the concentration of top borrowers and its ability to maintain NPA and restructured accounts below 5% will be key monitirables

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivity

- Credit Profile of Kerala Government and timely support to KFC.
- Movement in Asset Quality and NPA + restructured assets <5 %
- Sustained improvement in AUM and Profitability metrics.
- Movement in gearing and further capital infusion; Gearing <8 %

Material Covenants

None

Liquidity Position

Adequate

KFC's overall liquidity profile remains well matched with no negative cumulative mis-matches

in near to medium term as per ALM dated March 31, 2022. The company is in talks with various lenders to raise long term debt. The company's liquidity position is supported by unencumbered Cash and Bank Balance of Rs 240 Cr as on March 31, 2022. The support from GoK should help KFC for any refinancing, if needed.

Outlook: Stable

Acuité believes that KFC will maintain a 'Stable' outlook over the medium term mainly supported by presence of SPM along with continued support from the GoK. The outlook may be revised to positive in case of significant improvement in the operating performance of KFC backed by improved asset quality. The outlook may be revised to negative in case of nonadherence to the SPM or in case of events which may impinge on GoK's ability to provide financial and operational support to KFC.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	5662.26	5340.88
Total Income*	Rs. Cr.	231.89	137.75
PAT	Rs. Cr.	13.20	6.58
Net Worth	Rs. Cr.	690.45	678.35
Return on Average Assets (RoAA)	(%)	0.24	0.14
Return on Average Net Worth (RoNW)	(%)	1.93	1.04
Total Debt/Tangible Net worth (Gearing)	Times	6.24	6.29
Gross NPA	(%)	3.27	3.58
Net NPA	(%)	1.28	1.48

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of

the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2022	Term Loan	Long Term	841.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	900.00	ACUITE A+ Stable (Assigned)
	Proposed Long Term Loan	Long Term	1075.00	ACUITE A+ Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	406.00	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	31.50	ACUITE AA Stable (Reaffirmed)
	Proposed Short Term Loan	Short Term	174.00	ACUITE A1 (Assigned)
	Short Term Loan	Short Term	491.00	ACUITE A1 (Assigned)
	Short Term Loan	Short Term	175.00	ACUITE A1 (Assigned)
	Short Term Loan	Short Term	60.00	ACUITE A1 (Assigned)
	Short Term Loan	Short Term	50.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	212.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	200.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	489.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	200.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	829.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	304.00	ACUITE A+ Stable (Assigned)
	06 Oct 2021	Non Convertible Debentures	Long Term	250.00
Non Convertible Debentures		Long Term	250.00	ACUITE AA Stable (Reaffirmed)
Non Convertible Debentures		Long Term	250.00	ACUITE AA Stable (Reaffirmed)
Non Convertible Debentures		Long Term	250.00	ACUITE AA Stable (Reaffirmed)
01 Oct 2020	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Assigned)
	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
		Long		

	Non Convertible Debentures	Term	250.00	ACUITE AA Stable (Reaffirmed)
18 Aug 2020	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	250.00	ACUITE AA Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE Provisional AA Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE818F07104	Non-Convertible Debentures (NCD)	Sep 14 2020 12:00AM	7.70	Sep 14 2026 12:00AM	Simple / Complex	50.00	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07112	Non-Convertible Debentures (NCD)	Sep 14 2020 12:00AM	7.70	Sep 14 2027 12:00AM	Simple / Complex	50.00	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07120	Non-Convertible Debentures (NCD)	Sep 14 2020 12:00AM	7.70	Sep 14 2028 12:00AM	Simple / Complex	50.00	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07138	Non-Convertible Debentures (NCD)	Sep 14 2020 12:00AM	7.70	Sep 14 2029 12:00AM	Simple / Complex	50.00	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07146	Non-Convertible Debentures (NCD)	Sep 14 2020 12:00AM	7.70	Sep 14 2030 12:00AM	Simple / Complex	50.00	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07096	Non-Convertible Debentures (NCD)	Jul 9 2019 12:00AM	8.99	Jun 9 2023 12:00AM	Simple / Complex	62.50	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07070	Non-Convertible Debentures (NCD)	Jul 9 2019 12:00AM	8.99	Jun 9 2024 12:00AM	Simple / Complex	62.50	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07062	Non-Convertible Debentures (NCD)	Jul 9 2019 12:00AM	8.99	Jun 9 2025 12:00AM	Simple / Complex	62.50	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07088	Non-Convertible Debentures (NCD)	Jul 9 2019 12:00AM	8.99	Jun 9 2026 12:00AM	Simple / Complex	62.50	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07039	Non-Convertible Debentures (NCD)	Apr 9 2018 12:00AM	8.69	Apr 4 2023 12:00AM	Simple / Complex	16.30	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07047	Non-Convertible Debentures (NCD)	Apr 9 2018 12:00AM	8.69	Apr 4 2024 12:00AM	Simple / Complex	10.45	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07054	Non-Convertible Debentures (NCD)	Apr 9 2018 12:00AM	8.69	Apr 4 2025 12:00AM	Simple / Complex	4.75	ACUITE AA Stable Reaffirmed
Not Applicable	INE818F07013	Non-Convertible Debentures (NCD)	May 9 2016 12:00AM	8.90	May 9 2023 12:00AM	Simple / Complex	62.50	ACUITE AA Stable Reaffirmed

Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	618.00	ACUITE A+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	406.00	ACUITE AA Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	750.00	ACUITE AA Stable Assigned
Federal Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	250.00	ACUITE A1 Reaffirmed
Union Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A1 Reaffirmed
State Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	500.00	ACUITE A1 Reaffirmed
South Indian Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A1 Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	763.00	ACUITE A+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	304.00	ACUITE A+ Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1292.00	ACUITE A+ Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1000.00	ACUITE A+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	212.00	ACUITE A+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	488.00	ACUITE A+ Stable Reaffirmed
India Infrastructure Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	173.00	ACUITE A+ Stable Reaffirmed
South Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	200.00	ACUITE A+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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Press Release

Kerala Financial Corporation (KFC)

February 21, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures	50.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned	Simple
Non-Convertible Debentures	594.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned	Simple
Proposed Non-Convertible Debentures	750.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned	Simple
Total		1394.00 (Rupees One Thousand Three Hundred Ninety-Four Crores only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of ratings to the Non-Convertible Debentures (NCDs) of Kerala Financial Corporation (KFC or the "Corporation") has taken into consideration, the ownership of Government of Kerala and strategic importance of KFC in achieving the socio-economic objectives of the government, comfortable capitalisation, consistent growth in loan portfolio and structured payment mechanism for the NCDs. However, the ratings are constrained by moderate financial profile of Government of Kerala, average, albeit improving asset quality and moderate profitability coupled with high gearing.

Key Rating Sensitivities:

Upward Factors



Press Release

- Substantial scaling up its operations, improving its profitability, while maintaining healthy asset quality, capital position and liquidity.
- Substantial improvement in the fiscal position of Government of Kerala

Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost and impacts the profitability for the Company.
- Substantial deterioration in the fiscal position of Government of Kerala

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Ownership of Government of Kerala and strategic importance of the corporation

Kerala Financial Corporation (KFC) was incorporated under the State Financial Corporations Act of 1951, with an objective of development and industrialization of Kerala, extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Govt of Kerala (GoK) holds majority shareholding of 98.54%, followed by Small Industries Development Bank of India (SIDBI) at 1.44%, and Life Insurance Corporation (LIC) and State Bank of India (SBI) at 0.017% and 0.005%, respectively. By virtue of the ownership of GoK and as KFC also acts as a nodal agency for several policy initiatives of the State Govt and is responsible for implementing the state's policy initiatives announced in the annual state budget. The role of KFC in the overall growth of the state, implementation of its schemes/policies of the state government and achieving the socio-economic objectives becomes very important and hence GOK is morally obliged to provide financial support required by KFC. The corporation receives regular financial support from the state government in the form of budgetary allocations and subsidies.

Given the financial and operational synergies support between GoK and KFC, the credit profile of GoK and the overall fiscal health of the GoK is crucial to the growth of the corporation.



Press Release

Comfortable Capitalisation

The corporation is comfortably capitalised with total CRAR of 22.41% as against the minimum regulatory requirement of 15%. The same has further improved to 23.13% as on 31 Dec 2022. The corporation has a tangible networth of Rs 691 Crores as on 31 March 2022.

Consistent growth in loan portfolio

Given its objective to provide financial assistance to the MSME and Service sector which results in overall growth of economy of the state, the loan portfolio has consistently grown over the years on the back of increased sanctions and disbursements. Sanctions have increased from Rs 724.00 Crores in FY18 to Rs 2877.00 Crores in FY22. Disbursement have also increased from Rs 600.00 Crores in FY18 to Rs 2175.00 Crores in FY22. The loan portfolio of the corporation has increased from Rs 2452.00 Crores in FY18 to Rs 4751.00 Crores in FY22. Further, it has grown to Rs 6324.55 Crores in 9MFY23.

Structured payment mechanism

The bonds issued by corporation have a strong structure and inbuilt payment mechanism apart from the charge on receivables which helps them to raise bonds at competitive rates. Outstanding bonds of Rs 594.00 Crores raised by the corporation are secured by “Debt Service Reserve Account” where an amount equivalent to 2 quarters debt repayment (Principal and Interest) is maintained throughout the tenure of the bonds, cash collateral in the form of fixed deposit equivalent to 20% of the outstanding principal and amount equivalent to principal repayment of respective year shall be brought in by T-7 (T is the due date) and the said amount will be invested in permitted investments. The maturity proceeds of the said investment will be credited directly to the designated escrow account and will be utilized for principal redemption process.

For the outstanding NCDs of Rs 50.00 Crores, the Government of Kerala has provided unconditional and irrevocable guarantee for timely payment of principal and interest and



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presence of structured payment mechanism wherein, thirty days (T-30) before the forthcoming due date 'T', KFC shall credit the requisite funds in the Trust and Retention Account ("TRA") for servicing the bondholders or put them in a Fixed Deposit with any scheduled bank and ensure that the lien of the Trustees is noted by the Bank. In case the TRA Account is not funded or put in FD with any scheduled bank by KFC to the requisite extent at least 25 days (T-25) before the due date for payment of interest / principal, the Trustee shall forthwith invoke the guarantee of Govt of Kerala. Govt of Kerala shall, at least 5 (T-5) days before the due date, deposit / transfer the principal / interest amount in the TRA.

For the proposed NCDs of Rs 750 Crores, are secured by "Debt Service Reserve Account" where an amount equivalent to 2 quarters debt repayment (Principal and Interest) is maintained throughout the tenure of the bonds, cash collateral in the form of fixed deposit equivalent to 10% of the outstanding principal and the presence of Structured Payment Mechanism wherein starting from the 1st day of each quarterly servicing cycle, KFC should remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle to the bond servicing account. The Debenture Trustee shall monitor the same on T-15 day (T is the due date) and any shortfall persisting on T-9th day shall be met through transfer of requisite funds from the DSRA.

Key Rating Weaknesses

Moderate financial profile of Government of Kerala

The Gross State Domestic Product (GSDP) of the state for 2022-23 (at current prices) is projected to be Rs 9,99,643 crore. This is a growth of 10.8% over the revised estimate of GSDP for 2021-22 (Rs 9,01,998 crore). In 2021-22, GSDP is estimated to grow at 12% over the previous year (at current prices). Fiscal deficit for 2022-23 is targeted at Rs 39,117 crore (3.91% of GSDP). In 2021-22, as per the revised estimates, fiscal deficit is expected to be 4.17% of GSDP, higher than the budget estimate of 3.50% of GSDP. Revenue deficit for 2022-23 is estimated to be Rs 22,968 crore, which is 2.30% of the GSDP. In 2021-22, the state is estimated to observe a revenue deficit of 2.57% of GSDP, as compared to a revenue deficit of 1.93% of GSDP estimated at the budget stage.



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Average, albeit improving asset quality

Given the socio-economic objective of the corporation, where it provides financial assistance to MSME sector, majorly in manufacturing and service sector and given the impact of demonetization and COVID 19 on the MSME sector, the asset quality of the company was impacted. Despite the stress witnessed, the corporation was able to improve its asset quality due to its recovery efforts and persistent monitoring. GNPA and NNPA of the corporation reduced to 3.27% and 1.28% respectively in FY22 from 3.58% and 1.48% respectively in FY21. However, the company has maintained comfortable levels of provision coverage ratio of ~60%. Infomerics believes that given the business model of the corporation and its exposure to MSME sector, the asset quality continues to be under pressure. In 9MFY23, the asset quality moderated with GNPA and NNPA increasing to 4.58% and 2.44% respectively.

Moderate profitability coupled with high gearing.

As the corporation provides loans at subsidised costs, the NIMs of the corporation remain low in the range of 2-3% and given the high impairment cost (Rs 158.00 Crores for FY22 and Rs 140 Crores in FY21), the profitability remains low with ROTA of 0.26%, RONW of 1.79% and PAT margin of 2.55% for FY22. Also, since the majority of the loan portfolio growth is funded by external debt and hence the gearing of the corporation remains high at 6.24x in FY22. Going forward, the ability of the corporation to infuse more capital and bring down the gearing levels will be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Non-Banking Finance companies](#)

[Criteria of assigning rating outlook](#)

[Criteria for Government support](#)



Press Release

Liquidity –Adequate

The company is adequately capitalized with a total CAR (%) of 23.31% as on 31 December 2022, and Networth of Rs 790.71 Crores. Also, it has adequately matched asset liability profile as on 30 Sep 2022. The company has cash and bank balances of Rs 240.00 Crores and unutilised bank limits of Rs 40.00 Crores as on 30 Sep 2022.

About the Company

Kerala Financial Corporation (KFC) was incorporated under the State Financial Corporations Act of 1951 with an objective of rapid industrialization of the state by extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed, and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. KFC has 16 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Thiruvananthapuram. Shri Sanjay Kaul, IAS is the current Chairman and Managing Director of KFC. KFC also acts as a state Nodal Agency for several policy initiatives by the State Government of Kerala (GoK) and is responsible to implement the states policy initiatives announced in the annual state budget. The board of KFC includes representation from Government of Kerala. The Board of Directors comprise 3 bureaucrats appointed by the Government of Kerala and the other directors representing SIDBI, LIC of India, Bank of India and State Bank of India (erstwhile State bank of Travancore). The Government of Kerala holds 98.54% stake in the corporation and is expected to support the corporation as and when required, given its systemic importance to the state.



Press Release

Financials (Standalone)*:

Rs in Crores

For the year ended As on	31-03-2021	31-03-2022
	Audited	Audited
Total Income	490.94	518.17
PAT	6.58	13.20
Tangible Net Worth	678.49	690.58
Total Debt	4,269.17	4,308.87
Total Loan Assets	4,621.12	4,750.72
ROTA (%)	0.15	0.26
Total CAR (%)	22.85	22.41
Gross NPA (%)	3.58	3.27
Net NPA (%)	1.48	1.28
Overall Gearing (Times)	6.29	6.24

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	NCDs	Long Term	50.00	IVR AA/ Stable	-	-	-
2.	NCDs	Long Term	594.00	IVR AA/ Stable	-	-	-
3.	Proposed NCDs	Long Term	750.00	IVR AA/ Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Sree Harsha	Name: Mr. Amit Bhuwania
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Press Release

Tel: (022) 62396023 Email: sree.harsha@infomercis.com	Tel: (022) 62396023 Email: abhuwania@infomercis.com
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

Name of Facility/ Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCDs	INE818F08029	9 Aug 2019	8.72%	9 aug 2029	50.00	IVR AA/Stable
NCDs	INE818F07013	9 June 2016	8.90%	9 May 2023	62.50	IVR AA/Stable



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NCDs	INE818F07039	4 April 2018	8.69%	4 April 2023	16.30	IVR AA/Stable
NCDs	INE818F07047	4 April 2018	8.69%	4 April 2024	10.45	IVR AA/Stable
NCDs	INE818F07054	4 April 2018	8.69%	4 April 2025	4.75	IVR AA/Stable
NCDs	INE818F07096	9 July 2019	8.99%	9 July 2023	62.50	IVR AA/Stable
NCDs	INE818F07070	9 July 2019	8.99%	9 July 2024	62.50	IVR AA/Stable
NCDs	INE818F07062	9 July 2019	8.99%	9 July 2025	62.50	IVR AA/Stable
NCDs	INE818F07088	9 July 2019	8.99%	9 July 2026	62.50	IVR AA/Stable
NCDs	INE818F07104	14 Sep 2020	7.70%	14 Sep 2026	50.00	IVR AA/Stable
NCDs	INE818F07112	14 Sep 2020	7.70%	14 Sep 2027	50.00	IVR AA/Stable
NCDs	INE818F07120	14 Sep 2020	7.70%	14 Sep 2028	50.00	IVR AA/Stable
NCDs	INE818F07138	14 Sep 2020	7.70%	14 Sep 2029	50.00	IVR AA/Stable
NCDs	INE818F07146	14 Sep 2020	7.70%	14 Sep 2030	50.00	IVR AA/Stable
Proposed NCDs	-	-	-	-	750.00	IVR AA/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details – Not applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:



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Key Terms for the NCD issue of Rs 50.00 Crores - (INE818F08029)

Instrument name	8.72% UNSECURED NON-CONVERTIBLE NON SLR BONDS SERIES 1/2013
Issuer	Kerala Financial Corporation
Issue size	Rs 50.00 Crores
Issue date	06/06/2013
Maturity date	06/06/2023
Coupon (Fixed)	8.72%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Guarantee	Government of Kerala has provided guarantee for timely payment of coupon and principal amount
Key Covenants	<p>As per the terms of the issuances, KFC will, thirty days (T-30) before the forthcoming due date 'T', credit the requisite funds in the Trust and Retention Account ("TRA") for servicing the bondholders or put them in a Fixed Deposit with any scheduled bank and ensure that the lien of the Trustees is noted by the Bank. KFC shall ensure that the Govt of Kerala and the trustees are informed about the clear funds in the TRA / opening of Fixed Deposit.</p> <p>In case of Fixed Deposit, at least 1 working day prior to the due date (T-1), KFC shall, with due intimation to the Trustees, ensure that proceeds from maturity of FDs are transferred to the TRA for payment to the Bondholders on due date (T).</p> <p>In case the TRA Account is not funded or put in FD with any scheduled bank by KFC to the requisite extent at least 25 days (T-25) before the due date for payment of interest / principal, the Trustee shall forthwith invoke the guarantee of Govt of Kerala.</p> <p>Govt of Kerala shall, at least 5 (T-5) days before the due date, deposit / transfer the principal / interest amount in the TRA.</p>

Key Terms for the NCD issue of Rs 62.50 Crores - INE818F07013

Instrument name	8.90% SECURED REDEEMABLE NON-CONVERTIBLE BONDS. SERIES 1/2016
Issuer	Kerala Financial Corporation
Issue size	Rs 62.50 Crores
Issue date	9/06/2016
Maturity date	9/05/2023
Coupon (Fixed)	8.90%
Coupon payment	Half yearly



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frequency	
Objects of the issue	Working capital requirements
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>

Key Terms for the NCD issue of Rs 31.50 Crores - INE818F07039 for Rs 16.30 Crores, INE818F07047 for Rs 10.45 Crores and INE818F07054 for Rs 4.75 Crores

Instrument name	8.69% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
Issuer	Kerala Financial Corporation
Issue size	Rs 31.50 Crores (INE818F07039 for Rs 16.30 Crores, INE818F07047 for Rs 10.45 Crores and INE818F07054 for Rs 4.75 Crores)
Issue date	04/04/2018
Maturity date	04/04/2023, 04/04/2024 and 04/04/2025 respectively
Coupon (Fixed)	8.69%
Coupon payment	Half yearly



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frequency	
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>

Key Terms for the NCD issue of Rs 250.00 Crores - INE818F07096, INE818F07070, INE818F07062 and INE818F07088 for Rs 62.50 Crores each

Instrument name	8.99% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
Issuer	Kerala Financial Corporation
Issue size	Rs 250 Crores (INE818F07096, INE818F07070, INE818F07062 and INE818F07088 for Rs 62.50 Crores each)
Issue date	09/07/2019



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Maturity date	09/07/2023, 09/07/2024, 09/07/2025 and 09/07/2026 respectively
Coupon (Fixed)	8.99%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>

Key Terms for the NCD issue of Rs 250.00 Crores - INE818F07104, INE818F07112, INE818F07120, INE818F07138, INE818F07146 for Rs 50.00 Crores each

Instrument name	7.70% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
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Issuer	Kerala Financial Corporation
Issue size	Rs 250 Crores (INE818F07104, INE818F07112, INE818F07120, INE818F07138, INE818F07146 for Rs 50.00 Crores each)
Issue date	14/09/2020
Maturity date	14/09/2026, 14/09/2027, 14/09/2028, 14/09/2029 and 14/09/2030 respectively
Coupon (Fixed)	7.70%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>



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Draft term sheet for the proposed NCDs of Rs 750.00 Crores

Instrument	Kerala Financial Corporation Bonds Series I 2023
Issuer	Kerala Financial Corporation
Issue Size	Rs 250 Crore with green shoe option of Rs 500 Crores aggregating to Rs 750 Crores
Nature of Instrument	Secured
Coupon rate (Fixed)	TBD
Coupon payment frequency	TBD
Tenor	Series A to E (Each for Rs 50 Crores), for tenor of 6 years to 10 years, with quarterly redemption in each series, with 1 st redemption scheduled at 21 st quarter.
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Objects of the issue	Working capital requirements
Security	The bonds would be secured by way off: <ol style="list-style-type: none">1. Exclusive charge on the KFC Bond Servicing Account series I 2023 and on the amount transferred therein to be utilised only for servicing of the bonds on quarterly servicing dates2. Exclusive charge on the KFC DSRA Bond Series I 2023 and funds lying therein.3. Exclusive charge on Cash collateral permitted investment available equivalent to 10% of face value of principal amount outstanding at all times4. Exclusive charge on specific current assets including book debts and receivables of the company from identified borrowers. The book value of such assets would provide 100% security cover on the outstanding bonds throughout its entire tenure.
DSRA	The issuer would be required to open a designated escrow account – “KFC DSRA Bond Series I 2023” exclusively charged to Debenture trustee. An amount equivalent to the total servicing obligation (Principal + Interest) for an amount equivalent to next 2 quarters needs to be maintained at all times in the form of cash and cash equivalents. Any erosion of funds in the DSRA accounts to be replenished with in T+30 days
KFC Bond Servicing account	The issuer would be required to open a designated escrow account – “KFC Bond Servicing Account series I 2023” exclusively charged to Debenture trustee.
Cash Collateral	The issuer shall, prior to the pay-in-date, create permitted



Press Release

	investments in terms of the transaction documents for an amount equivalent to 10% of the outstanding principal amount of the debentures
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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



CL/DEB/22-23/1591

Date: 24-Feb-2023

To,
Soya K,
Kerala Financial Corporation,
Vellayambalam, Thiruvananthapuram,
Kerala, India 695033

Dear Sir/ Madam,

Re: Consent to act as a Debenture Trustee for Private Placement of Secured, Rated, Listed, Redeemable, Taxable, Non-Convertible Debentures of ₹ 750.00 Crores

We refer to your letter dated 23.02.2023, requesting us to convey our consent to act as the Debenture Trustee for captioned issue of Debentures.

We hereby convey our acceptance to act as Debenture Trustees for the said issue Debentures, subject to execution of Debenture Trustee Agreement as per Regulation 13 of SEBI (Debenture Trustee) Regulations, 1993, thereby agreeing to execute Debenture Trust Deed and to create the security if applicable within the timeline as per relevant Laws / Regulations and in the Offer Document / Information Memorandum / Disclosure Document / Placement Memorandum and company agreeing / undertaking to comply with the provisions of SEBI (Debenture Trustee) Regulations, 1993, SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021, SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015, Companies Act, 2013 and Rules thereunder and other applicable laws as amended from time to time.

Fee Structure for the proposed transaction will be as per Annexure A.

Assuring you of the best professional services.

Thanking you.

Yours faithfully,




Name: Pankaj Kumar Rohilla

Designation: Manager

Annexure A

Fee Structure for transaction CL/DEB/22-23/1591

PARTICULARS	AMOUNT
Acceptance fees (one-time, non-refundable, payable on our appointment)	₹ 100000.00
Annual Trusteeship Fees	₹ 50000.00

Annual Trusteeship Fees are payable in advance each year from date of execution till termination of the transaction. Pro-rata charges would apply for the first year till FY end, as applicable.

The taxes on above fee structure are payable at applicable rates from time to time.

All out of pocket expenses incurred towards legal fees, travelling, inspection charges, etc shall be levied and reimbursed on actual basis.

Please return the second copy this letter duly signed by Authorized Officer from your company.

Yours Faithfully,

We accept the above terms.

For Catalyst Trusteeship Limited

For Kerala Financial Corporation

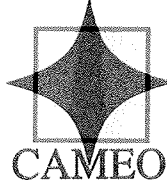


Name: Pankaj Rohilla

Name:

Designation: Manager

Designation:



CAMEO CORPORATE SERVICES LIMITED

Ref: CAM/DIR/KFC/Bond/2022-23

16th March 2023

TO WHOMSOEVER IT MAY CONCERN

We understand that our client Kerala Financial Corporation had appointed us as Registrar and Transfer Agent for their proposed issue of Secured Bond issue to the extent of Rs.750 Cr.

We have no objection for the company including our name as Registrar and Transfer Agents in the information Memorandum.

For Cameo Corporate Services Ltd

Sreepriya.K
VP & Company Secretary



ANNUAL REPORT

2019-20



Demarc Steel, Thrissur



Indcarb, Palakkad



Palar Greens, Kattappana



**Pionniercrete India Pvt. Ltd.,
Kasaragode**



Cladis Pvt. Ltd. Kozhikode



Seens Wood, Wayanad

Hailstone, Palakkad



ANNUAL REPORT 2019-20



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MESSAGE



Pinarayi Vijayan
Chief Minister
Government of Kerala

It is noteworthy that Kerala Financial Corporation continues to be the best performing State Financial Corporations of the Country. Its role in the industrial and economic development of the State is highly significant, particularly amidst the COVID 19 pandemic.

Through 'Chief Minister's Entrepreneurship Development Programme and special schemes for Startup, I hope that KFC would continue its role in supporting MSMEs and Startups, who will in turn provide employment and keep the Kerala economy growing.

I extend my good wishes to KFC and its customers.



Pinarayi Vijayan

MESSAGE



Dr. T.M. Thomas Isaac
Minister for Finance & Coir
Government of Kerala

I am happy to note that the Kerala Financial Corporation has made considerable improvement in all key performance areas with an industry leading performance. With capital infusion of ₹ 200 crore by the State Government this year, the CRAR of the Corporation improved to 22.40% as against the statutory requirement of 9%. Being an AA rated PSU in the state, I am confident that the Corporation will be able to mobilize low cost funds from the debt market. I look forward to the Corporation to double its loan portfolio and lend at competitive rates, benefitting MSME customers to channelize the funds for the economic development of the State.

The economy is facing the most serious challenge due to the COVID-19 outbreak now and the role of KFC will be to handhold and nurture the units which it supports. By implementing the 'Chief Minister's Entrepreneurship Development Programme' and 'Special Start-up loan schemes', I am hopeful that KFC will be able to perform its role of crediting 5000 new MSME/ Start-up units in the State in the next five years.

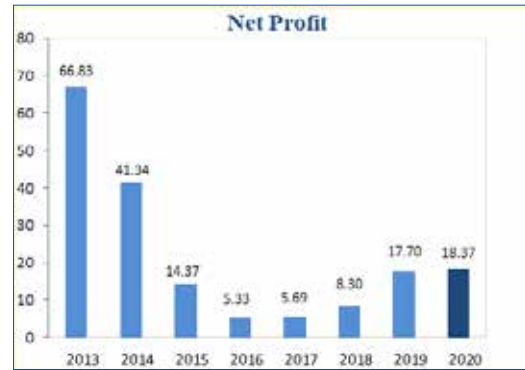
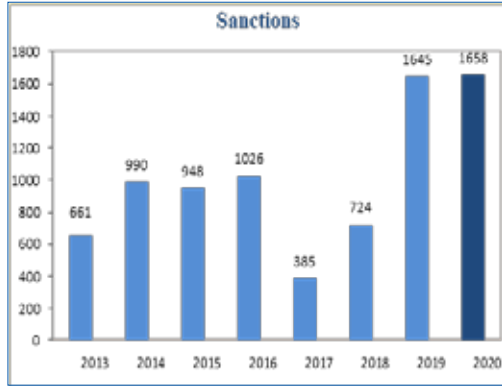
I wish the employees, customers and stakeholders of KFC all success and progress.

A handwritten signature in black ink, appearing to be 'T.M. Thomas Isaac', written in a cursive style.

Dr. T. M. Thomas Isaac

FINANCIAL HIGHLIGHTS

₹ in Crore



BOARD OF DIRECTORS



Sri. Sanjay Kaul IAS
Chairman & Managing Director
(Since 20.12.2019)



Sri. Sanjeev Kaushik IAS
Chairman & Managing Director
(till 19.12.2019)



Sri. K Biju IAS
Director (Industries & Commerce,
Govt. of Kerala)



Sri. E.K Harikumar
Chief General Manager
SBT (Rtd.)



Sri. Anilkumar Parameswaran
Chartered Accountant



Sri. Partha Sarathi Patra
General Manager, SBI



Sri. T S Ajith
Deputy General Manager, SIDBI
(till 16.07.2019)



Smt. Santha Varkey
Senior Divisional Manager, LIC
(till 05.06.2019)



Smt. Deepa Sivadasan
Senior Divisional Manager, LIC
(Since 06.06.2019)



Sri. T Balaji
Asst. General Manager, SIDBI
(Since 17.07.2019)



PRINCIPAL OFFICERS (AS ON 31.03.2020)

Executive Director

Sri. Premnath Ravindranath

General Managers

Sri. Renjithkumar E R

Sri. P B Sreekumar

Deputy General Managers

Sri. K S Rajeev

Sri. Ajithkumar K

Sri. K G Ajithkumar

Sri. Adarsh R

Sri. Rajesh R

Sri. M Manisankar

Smt. Annamma M

Financial Controller

Smt. Soya K

Statutory Auditors

Krishnan Retna & Associates, Chartered Accountants

Thiruvananthapuram

KERALA FINANCIAL CORPORATION

(Incorporated under the State Financial Corporations Act No. LXIII Of 1951

H.O: Vellayambalam, Thiruvananthapuram - 695 033.

Phone: 0471-2737500 / 2737576 /2737566. Fax: 2311750

Email: info@kfc.org Website: www.kfc.org

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 67th Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held on Thursday, July 30, 2020 at 11.00 AM through Video conferencing (VC) to transact the following businesses:

1. To consider and adopt the Balance Sheet as at March 31, 2020 and the Profit & Loss account for the year ended March 31, 2020 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2019-20 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2020-21 under Section 37 (1) of the SFC Act 1951.

By Order of the Board


Executive Director

Place : Thiruvananthapuram,

Date : 03.07.2020

NOTES:

1. In view of the continuing COVID-19 pandemic, the holding of the Annual General Meeting ("AGM") through video conferencing (VC), without the physical presence of the shareholders is permitted and AGM will be held through VC.
2. The attendance of the shareholders attending the AGM through VC will be counted for the purpose of reckoning the quorum .
3. Since this AGM is held through VC , physical attendance of shareholders has been dispensed with. Accordingly, the facility for appointment of proxies by the shareholders will not be available for the AGM and hence the Proxy Form is not annexed to this Notice.
4. A shareholder being a body Corporate including Small Industries Bank, Public Sector Banks, Co-operative Banks, Co-operative Societies and LIC may, by a resolution of its Directors, authorise any of its officials or any other person (not being an officer or employee of the Corporation) to act as its representative to attend the AGM through VC , participate and cast their votes at the meeting. The certified true copy of the resolution appointing him as a duly authorised representative by the Chairman of the meeting at which it was passed shall be sent to the email id: accounts@kfc.org not less than 48 hours before the time fixed for the meeting.
5. The State Government may, by order in writing, authorise any of its officers, whether a Director of the Corporation or not, to act as its representative to attend the AGM through VC , participate and cast their votes at the meeting. The copy of the order shall be sent to the email id: accounts@kfc.org not less than 48 hours before the time fixed for the meeting.
6. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 23.07.2020 to 30.07.2020 (both days inclusive).
7. Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the SFC Act, 1951.
8. The meeting shall be held, conducted, and the business there at shall be transacted in adherence to the provisions of the SFC Act, 1951 (As amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.
9. Shareholders who have not yet registered their email addresses are requested to register the same with their DPs in case the shares are held by them in electronic form and with the Corporation in case the shares are held by them in physical form.

DIRECTORS' REPORT

To

The Members,

The Board of Directors is pleased to place before you, the 67th Annual Report of Kerala Financial Corporation (KFC) along with the Audited Balance Sheet as at March 31, 2020, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2020. Details of the achievements and initiatives taken by the Corporation are provided in the enclosed Annual Report for the year 2019-20.

KFC is one of the premier financial institutions in Kerala extending long standing contributions towards the economic, industrial and social development of the state. The Corporation is offering loans at competitive terms with a customer friendly approach to benefit the existing and new age entrepreneurs. Since inception KFC has nurtured more than 65,000 projects, spread across the length and breadth of the State. The vision is to transform the Corporation as a major developmental financing institution of the State there by hand-holding industrial units and new entrepreneurs in addition to extending low cost finance and better service delivery.

The Micro, Small and Medium Enterprises (MSME) sector has often been hailed as the engine of economic growth as it provides large-scale employment opportunities at a lower cost of capital, boosts exports and contributes to the overall socio-economic development. Government of Kerala is trying to bolster MSME growth in the state and currently Kerala has the 12th largest numbers of MSMEs in India. Kerala retained the top rank for Sustainable Development Goals index conducted by Niti Aayog in association with United Nations for the significant investments made in the Health and Education sectors. Leveraging this strong social and intellectual infrastructure, Kerala economy has broad-based its activities to set up new knowledge and skill based industries. Kerala presently has approximately 2300 startups with a vibrant start up ecosystem which focuses on innovation-led technology entrepreneurship.

The State government has initiated a number of steps to ensure that this desirable change in the development paradigm takes place. The first step is the unparalleled investment by the KIIFB (Kerala Infrastructure Investment Fund Board) in infrastructure. The second step is the measures taken towards building investors' confidence and improving ease of doing business in Kerala. The initiatives such as K-SWIFT (Kerala's online Single Window Clearance Mechanism) provide a significant boost to the entrepreneurial activities. Through the recently passed MSME Facilitation Act of Kerala, units with investments of up to Rs.1000 Lakh can commence operations without obtaining any licenses from the government. The third step is to encourage entrepreneurship by playing a more proactive role in promoting the state as an emerging hub for investments and MSME growth by providing resources and linkages directly or through governmental agencies like KFC.

The State Government on 10.06.2019 accorded sanction to enhance the Authorized share capital of the Corporation from Rs.35000 Lakh to Rs.50000 Lakh without diluting Government shares below 74%. FY 2019-20 was a landmark year for KFC, with the Hon'ble Minister for Finance announcing a capital infusion of Rs.20000 Lakh to KFC in his Budget speech on 6th February 2020. Although the business activity picked pace from the beginning of the financial year, the growth moderated in the second quarter when floods hit Kerala severely and caused great degree of turmoil in the State. The outbreak of COVID-19 pandemic in the last quarter caused significant disturbance globally as well as in India which slowed down economic activities. The Corporation took up the crisis as a challenge to rebuild Kerala and resurrect the economy to its earlier trajectory. The Corporation supported various State PSUs involved in fighting COVID-19 by discounting Promissory Notes issued by the Government. The Corporation has announced new loan schemes as well as extended moratorium to existing loanees to tide over the stress faced on account of economic fallout caused by flood as well as the pandemic. The Corporation also extended the Bill Discounting Facility to contractors, whose bills are pending with the Government.

The Corporation was able to improve its bottom-line even in adverse circumstances and delivered a resilient performance, in terms of robust loan portfolio growth, higher sanctions, disbursements and recovery. The Corporation also was able

to significantly curb the NPA levels. The metric that best captures performance is the loan portfolio growth which improved by about 24.88% compared to last year. The other key performance indicators are Disbursements (up 77.27%), Recovery (up 20.23%) and Gross NPA (down 17.85%). The results were achieved in spite of the constraints imposed by SFCs Act 1951 and adverse economic conditions caused by floods and pandemic. The performance is a reflection of the reforms taken in leveraging the business through reduction in interest rate, digitization to improve customer experience, productivity, revenue and quality of loan portfolio thereby establishing itself as State's leading Financial Institution with wide product range and innovative schemes for various sectors.

Improved overall performance, networth and profitability, reduction in NPA levels, higher provision coverage available, healthy capital adequacy etc. reflect the financial discipline of the Corporation. The Corporation has sufficient infrastructure and resources to tackle the temporary disruptions and is fully geared up to meet the challenges with the strong support of the State Government. The Corporation expects to maintain the performance during FY 2020-21 also. The change in the definition of MSME w.e.f 01.07.2020 by which all units with up to Rs.25000 Lakh turnover and up to Rs.5000 Lakh investment in Plant and Machinery will come under MSME will be a game changer. Going ahead, in the COVID-19 scenario, we see more potential in the Health and Manufacturing sector where KFC will be playing a major role by providing the necessary financial support.

PERFORMANCE OF THE CORPORATION

The performance highlights of the Corporation for the last three FYs are as given below:

(Rs.in Lakh)

Financial Year	2019-20	2018-19	2017-18
Portfolio Size	335190.04	268401.01	245179.49
Sanctions	165788.00	164495.00	72392.63
Disbursements	144615.00	81578.96	60022.99
Recovery	108209.00	89974.53	94466.72
Interest Income	30853.26	29219.72	31950.06
Total Income	41091.83	42826.33	37688.37
Total Expenditure	36565.16	39726.57	35669.24
Op. Profit before technical write off of bad debts	15159.90	19803.37	14463.02
Op. Profit after technical write off of bad debts	4526.67	3099.75	2019.13
Net Profit before Tax	3006.67	2664.99	1503.79
Net profit after tax	1836.65	1769.53	830.32
Basic EPS (in Rs.) [face value Rs.100/-]	7.65	7.81	2.54
Diluted EPS (in Rs.) [face value Rs.100/-]	7.64	7.81	2.49
Net worth	58474.50	45741.34	44108.34
Capital Adequacy Ratio %-Basel III	22.40	19.24	17.26
Gross NPA as % of Gross Advances	4.74	5.77	6.37
Net NPA as % of Net Advances	1.45	1.82	2.03
Return on Average Assets	1.39	1.10	0.76

BUSINESS ACHIEVEMENTS

Sanctions and Disbursements

The Corporation sanctioned financial assistance of Rs.1,65,788 Lakh during the FY 2019-20 when compared to Rs.1,64,495.00 Lakh during the previous FY. An amount of Rs.1,44,615 Lakh was disbursed during the FY 2019-20 as against Rs.81,578.96 Lakh during the previous FY thus recording a growth of 77.27%.

Recovery

The Corporation has a well-built monitoring mechanism for recovery. With persistent and continued efforts, recovery during the year touched an all time high of Rs.1,08,209 Lakh, despite the slowdown due to floods and the disruptions caused due to COVID-19. Out of the total recovery, Rs.7841.19 Lakh was by way of compromise settlement and recovery from written off loans. The Corporation also conducted a Mini Adalath in Feb 2020 for settling NPA accounts on liberal terms. On the recovery front, the interest income during the year was Rs.30,853.26 Lakh as compared to Rs.29,219.72 Lakh during the previous year. Despite the increase in disbursements, the decline in interest income is mainly due to the shift of interest rate regime from Prime Lending rate (14.50%) to Base Rate regime. Majority of the customers have been benefitted with lower rate of interest.

Portfolio

During the year, the gross advances of the Corporation registered a remarkable growth of 24.88%, to touch Rs.3,35,190.04 Lakh as against Rs.2,68,401.01 Lakh during the previous year in spite of the subdued general economic scenario. The Corporation is however moving steadily ahead in its strategy of derisking the Balance Sheet.

The Corporation has implemented complete revamping of Credit Policy and appraisal process to streamline the process of sanctions and disbursement within a time bound manner and to ensure high credit quality through a centralized Business Review Committee mechanism. Loan Appraisal system was strengthened by centralizing the process at Zonal Hubs in order to ensure that asset quality is maintained and proposals are sanctioned in a time bound manner. All proposals above Rs.500 Lakh are vetted by the Risk Management Committee setup for the purpose. Thus, the Corporation has taken various steps to achieve the projected growth without compromising on credit quality and pursuing stringent credit administration standards.

The sector wise classification of Loans & Advances as on March 31,2020 is furnished below:

(Rs. in Lakh)

	Sector	As on 31.03.2020			As on 31.03.2019		
		No	Amount	%	No	Amount	%
1	Manufacturing	1204	63885.93	19.06	1546	75149.85	28.00
2	Service	3465	233364.74	69.62	2420	150128.87	55.93
3	CRE	215	37939.36	11.32	265	43122.29	16.07
	Total	4884	335190.03		4231	268401.01	

FINANCIAL PERFORMANCE

Profit

The operating profit for the year under review increased by 46.03% to Rs.4,526.67 Lakh as compared to Rs.3,099.75 Lakh during the previous year. The Net profit for the year grew by 3.79 % to Rs.1,836.65 Lakh as compared to Rs.1,769.53 Lakh during the previous year.

Dividend

Based on the RBI directions to conserve the capital and to absorb losses due to the uncertainty caused by COVID-19, it is proposed not to make any dividend payments from the profits pertaining to FY 2019-20.

Capital & Reserves

The Corporation's issued and paid up capital as on March 31, 2020 is Rs.22,650.43 Lakh. The capital plus reserves of the Corporation has moved up by 27.84% from Rs.45,741.34 Lakh to Rs.58,474.50 Lakh (comprising of paid-up equity capital of Rs.22,650.43 Lakh and reserves of Rs.24,824.07 Lakh) on account of plough back of profits during the current financial year. Government vide GO(Ms) No.39/2020/fin dated 16.03.2020 accorded sanction for enhancing the paid up capital of KFC by Rs. 20000 Lakh and the Corporation received Rs.11000 Lakh of share capital being 1st tranche, on 31.03.2020 which is shown separately as Money received against Share Capital under Shareholder's Funds.

Shareholding pattern

The composition of shareholders as on March 31, 2020 is furnished below:

(Rs. in Lakh)

Shareholders	Amount	% of Shareholding
Government of Kerala	33026.94	98.147
SIDBI	613.33	1.823
LIC	7.10	0.021
SBI	2.1	0.006
Others	.96	0.003
Total	33650.43	100.00

The Capital to Risk Weighted Assets Ratio (CRAR)

The Capital to Risk Weighted Assets Ratio (CRAR) of the Corporation as on March 31, 2020 according to Basel III guidelines is 22.40% (19.24 % as on March 31, 2019) as against the statutory requirement of 9%.

Asset Quality

While the Gross NPA of the Corporation fell to 4.74 % in March 2020 from 5.77% the previous year, the net NPA also declined to 1.45% in March 2020 from 1.82% the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 70%.

Key Business Initiatives

Taking into consideration the emerging customer needs and trend, the Corporation has launched new products and services and also fine-tuned the existing array of products, services and processes to remain competitive. The strategy adopted was to transform the organisation that remains relevant to the growth of industrialization and promotion of entrepreneurship in the State through focused interventions. As part of this initiative, the focus was on (i) Strengthening Credit Mechanism (ii) Reducing Cost of Funds and (iii) Clean up the Balance Sheet. This has helped the Corporation to secure better credit rating, thereby lowering the cost of funds, lend at competitive rates and increase its loan portfolio further.

The Corporation has also been working towards realignment of its business mix in favour of high rated customers while limiting the exposure to low-rated customers, CRE sector, unclassified hotels, other risky sectors, etc. This strategy was adopted as it would facilitate in improving the quality, strength and size of the balance sheet. Simultaneously, the Corporation has adopted a comprehensive action plan and road map for reduction of NPAs, which involves structured review, case-specific and strategy-based recovery action for high value accounts and persistent, timely action based approach for other accounts. To support these overarching strategies, the Corporation has ensured that the credit appraisal, credit monitoring and recovery teams are adequately trained. Additionally, the Corporation has been leveraging its core strengths, that is, strong brand name in the State, efficient and excellent customer service, robust IT platform, among others, to achieve its business objectives. As a result of these reforms, the Corporation could double its lending business in the last two FYs and has acquired a new image among entrepreneurs as the partner of choice.

The key initiatives taken up during the year are given below:

Reduced the Base Rate to 9%. The Corporation had moved to 9.50% Base Rate interest regime w.e.f 01.06.2018 and the Base Rate has been further reduced to 9% w.e.f 01.01.2020, benefitting MSME customers of the State to channelize funds for development of the enterprises and job creation in Kerala.

Legal Policy. The Corporation has introduced a comprehensive legal framework for advancing loans aimed at effective security documentation and smooth recovery of the loans advanced.

Strengthening the Credit Delivery System. The proposals canvassed through the Marketing Vertical are scrutinized by a Centralized Business Review Committee (BRC) and quality proposals are given in-principal clearance within 7 days.

Hence it is ensured that only quality of proposals are processed in a time bound manner. The three Appraisal Hubs set up in each Zone, with a team of well trained project officers, ensures that the cleared proposals are sanctioned within the time lines specified and necessary hand holding is given to entrepreneurs.

Strengthening Risk Management Department. The risks associated with proposals are assessed through scientific rating rationale by the centralized Risk Management Department (RMD). The Department is engaged in the process of identification, analysis and mitigation of various risks involved in financial decisions. A centralized internal Credit Rating/ Risk Assessment procedure has been implemented for various segments of borrowers. Risk Management Committee constituted at the Head Office analyse all loan proposals above Rs.500 Lakh prior to placing before the appropriate sanction committees.

Centralized Pricing of Loans. The pricing of all loans are done through a centralized Internal Risk Assessment process wherein all borrowers, irrespective of the loan amount are priced based on the score obtained in the credit rating process.

Settlement Adalath. As an integral part of the recovery strategy, the Corporation has put in all its efforts for reducing gross NPAs and cleaning up the balance sheet. A one-time liberalized settlement drive (Mini Adalath 2020) under the guidance of a Retired Judge was conducted in February 2020 to settle long pending defaulted accounts, in which settlement was given to 179 cases for Rs. 15,336 Lakh. But due to the disruptions and financial instability caused by COVID-19, only 28 cases were settled and in 65 cases partial remittances were made. Hence extension of time is given for settling these Adalath cases. The total amount received in the Adalath scheme as on 31.03.2020 amounts to Rs.2,020 Lakh.

KFC Conclave. The annual conclave of the Corporation was held on 29.05.2019 at Thiruvananthapuram. The Hon'ble Chief Minister of Kerala, inaugurated the Conclave and presented the best Entrepreneur awards and also released the Annual Report for FY 2019-20. The Hon'ble Finance Minister of Kerala, declared the financial results of the Corporation and handed over the gold card to 57 KFC customers and gave away the best Branch office and Best Employee awards.

Consolidated Business Plan for SFCs. The SFC Act 1951, was last amended in the year 2000. The efforts to amend the Act in tune with the current economic and market conditions have not been materialized so far. Reserve Bank of India (RBI) had constituted an Expert Committee on MSMEs under the Chairmanship of Shri.UK Sinha, to suggest long term solutions for the growth of the MSME sector. The UK Sinha Committee had suggested submitting a Consolidated Business Plan for SFCs to NITI Aayog. Pricewaterhouse Coopers (PwC) was entrusted by NITI Aayog with the task of examining the factors affecting MSME sector with special focus on revitalizing SFCs. The Corporation hosted the COSIDICI National Level meeting, on 09.07.2019, at Thiruvananthapuram, to finalize the business plan of State Financial Corporations (SFCs) of the country for amending the SFC Act 1951, restructuring and revitalizing the SFCs. The consolidated business plan finalized in the meeting was given to NITI Aayog for submitting it to the UK Sinha Committee.

(a) New Loan Schemes.

- (i) **Scheme for Funding Private Enterprises set up for Defibering of Coir Husk.** Government of Kerala had initiated measures to restructure the traditional coir sector of the State by setting up defibering units across the State in the private sector with an investment subsidy up to 50%. The Corporation has formulated a special scheme for assisting such units in association with Directorate of Coir Development.
- (ii) **LoC only for GBDS.** State Government vide GO (Rt)No.1429/2020/Fin dated 20.02.2020 appointed Kerala Financial Corporation as an agent of State Government under Section 25 of State Financial Corporation's(SFC) Act 1951 to discount Promissory Notes issued by Government and for such discounting, a special Scheme 'LoC only for GBDS' was introduced. KFC has assisted various State PSUs involved in fighting COVID-19, such as Kerala State Medical Supplies Corporation, Kerala State Drugs and Pharmaceuticals Ltd, Supply Co, etc through this scheme.
- (iii) **Human Resource Development:** The Corporation recognizes that key resources for achieving high levels of excellence are its people who need to be motivated and developed. The reforms could be taken forward only by qualified resources for which qualified professionals from banks were recruited in various cadres in all areas, for

quality appraisal, Risk Management, IT etc and they were given quality induction training. The Corporation has been admitted as an Institutional Member of Indian Institute of Banking and Finance (IIBF). The Corporation introduced reimbursement of course fee and monthly allowance for employees clearing JAIIB/ CAIIB/ Other Courses conducted by IIBF. KFC Staff Regulations, 1966 was amended to make JAIIB as the qualifying exam for the promotion to the cadre of Assistant Manager and CAIIB as the qualifying exam for the promotion to the cadre of Manager. During the FY 2019-20, training was imparted to 110 employees through different training programmes and promotion was given to 19 officers. As on 31.03.2020 the total staff strength was 205. During the FY 2019-20, 12 employees retired from service on attaining superannuation.

- (iv) **Performance Based Variable Incentive System.** The present circumstances demand to motivate the employees of the Corporation and also to reward the employees based on their performance for which a performance based variable incentive system has been put in place, which is first of its kind in any Public Sector Undertaking of the State. Instead of handing out equal incentive to all employees, irrespective of performance, now employees are given annual performance linked incentive. These rewards recognize hard working employees who contribute to KFC's performance and also serve to motivate excellence, meritocracy and business growth.
- (v) **Digitization of Disbursement and Expenses.** In continuation to the centralized collection of funds via Virtual Account System, the Corporation has centralized the disbursement process to speed up the disbursement process. Now the loan disbursements to customers are directly transferred to their bank account through NEFT/ RTGS from the Corporation's central account at HO. Similarly, the Corporation has also centralized the payment of expenditure which will help the Corporation to monitor the expenses centrally and take necessary measures to reduce it.
- (vi) **Engineered Server Hardware.** The Corporation has installed the Oracle Engineered Hardware for improved performance and the Core System was migrated to Oracle 12c database from the existing 10g database. Now two integrated servers act as a cluster to handle data efficiently. The servers are installed on a Smart Rack with a fully automated system for temperature control, fireproof, emergency alerts via email and SMS etc. With the deployment of Oracle 12c, the Corporation is able to achieve a huge increase in performance of the Core Business Application Software, Customer portal, Payment Gateway System, Contractor Loan Management System etc. The Corporation has also implemented Oracle's Autonomous Data Warehouse (ADW) which automatically optimizes performance while the database is running.
- (vii) **Cloud Disaster Recovery.** The Corporation had implemented the Disaster Recovery on Oracle Cloud at their Mumbai Data Center. KFC is the first institution in Government vertical to move to Oracle Indian cloud. This has helped the Corporation to set up a reliable Business Continuity Plan and also to overcome the disruptions caused due to COVID-19. The employees could access applications and data from a remote offsite server and work from home or from offices other than their base offices.
- (viii) **BI & Analytics.** The Corporation has implemented the BI and Analytics tool on Oracle cloud with an aim for more accurate reporting, analysis, planning, better business decisions, improved data quality and operational efficiency. Now BI solutions are readily available for top management on Business Operations, Performances, Targets, NPA movement, SMA portfolio etc.
- (ix) **Contractor Loan Monitoring Software.** The Corporation has developed a Contractor Loan Management System (CLMS) which has automated all the activities like Line of Credit (LOC), Performance Guarantee (PG), Bill discounting System (BDS), etc. The CLMS has helped the Corporation to handle the requirements of the contractors effectively and administer the same efficiently. KFC also established a separate Cell to monitor the CLMS.
- (x) **e-Office.** KFC has implemented the e-Office System developed by NIC. By the implementation of the e-Office system the file handling is digitized and decision making is faster. During the Pandemic period it helps the Corporation to manage file movement without any hassles or any delay.

Resource mobilisation

- (a) **LOC from Commercial Banks.** The Corporation availed Rs.164599.80 Lakh as Term loan/ Working Capital Demand Loan from various Commercial Banks/ Financial Institutions at their MCLR linked rates and repaid Rs.1,08,050.97 Lakh during the FY 2019-20. The aggregate outstanding LOC from Banks and other Financial Institutions at the yearend was Rs.1,97,948.36 Lakh. The Corporation got a rating affirmation for Bank borrowings of BWR A during the year, signifying a stable outlook for the Corporation.
- (b) **Non SLR Bonds.** The Corporation issued 8.99% Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Debentures of Rs.25,000 Lakh in July 2019 with credit enhancement mechanism without government guarantee. These bonds as well as existing NCDs without Government guarantee were rated AA (SO) by two RBI/ SEBI approved rating agencies with stable outlook for investment. The Corporation remains the only PSU in the State, raising funds from the debt market, without Government guarantee.

An amount of Rs.285.86 Lakh was paid to the State Government as Guarantee Commission for the guarantees extended by them.

Listing

The NCDs issued by the Corporation are listed in the Bombay Stock Exchange and the annual listing fees have been paid. The total outstanding bonds of KFC as on 31.03.2020 aggregate to Rs.104850 Lakh. The Bond details are given below:

(Rs. in Lakh)

SI No.	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
1	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26
2	04-Apr-18	8.69%	25000.00	25000.00	04-Apr-25
3	09-May-16	8.90%	25000.00	25000.00	09-May-23
4	30-Oct-14	9.15%*	20000.00	9850.00 **	30-Oct-21
5	06-Jun-13	8.72%*	20000.00	20000.00	06-Jun-23

* Issued with Government guarantee

** Call option exercised on 30.10.2018 and Rs.10,150 Lakh partially redeemed.

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to Rs.50 Lakh. As on 31st March, 2020, 66 accounts amounting to Rs.317.88 Lakh have been covered under the scheme.

Asset Liability Management (ALM)

The Corporation's business operations, sources of funds and risk factors have widened, necessitating appropriate steps to effectively deal with fund management and resources planning. The Asset Liability Management Committee (ALCO) continuously monitor, measure and manage the risks confronting the Corporation. The Corporation's Asset Liability Management (ALM) is aimed at strategic planning, implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken. The ALCO met 27 times during the year.

ISO Certification

The Quality Management Certificate was changed over to the new version IS/ ISO 9001-2015 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license is valid till 21st June, 2022. All the offices of the Corporation continue to hold the Quality Management System Certificate.

Other Financial Service Activities

IRDA has approved the Corporation for acting as Corporate Agent for procuring or soliciting insurance business (Licence No. NIA 9664897). The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 13th July 2022. The Corporation mobilised substantial premium in

general insurance activity by marketing the insurance products. A Board approved Policy on soliciting and servicing insurance products is in place. The Policy includes the approach to be followed by the Corporate Agent in having single or multiple tie-ups, the partners in the tie-ups, the business mix, the type of products sold, grievance redressal mechanism and reporting requirements.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Concurrent Audit of branch operations is also now in place through reputed firms of Chartered Accountants on a monthly basis. Further audit of compromise settlement sanctions of above Rs.25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 Lakh is also in place. The internal control and auditing procedure in KFC is at par with prescribed industry standards. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2018-19 giving a clean report.

Statutory Auditors

The shareholders at its 66th Annual General Meeting held on June 17, 2019, appointed M/s. Krishnan Retna & Associates, Chartered Accountants (ICAI Firm Registration No. 301003E/E300005), as Statutory Central Auditors of the Corporation for the audit of the Corporation's accounts for the year 2019-20.

M/s Krishnan Retna & Associates, Chartered Accountants, vacates the office at the ensuing Annual General Meeting and are eligible for reappointment subject to the approval of the shareholders of the Corporation.

Internal Financial Controls and its adequacy

The Corporation has put in place adequate internal control measures and processes with respect to its financial record keeping procedure to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These controls and processes are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically and strengthened wherever considered necessary. The Corporation also ensures that internal controls are operating effectively, through the robust internal inspection and vigilance system.

Corporate Social Responsibility (CSR)

The Corporation believes that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility. The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members.

Participative Management

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by increasing their participation in the decision making process. Realising this, extensive delegation has been given at different levels across the state at the Branch and Zonal levels. At the Head Office/ Zonal Office/ Branch Office, the committee concept is widely used and decision making has been transparent and consultative.

Future Plans

MSMEs are expected to face 15-20% fall in revenue for the FY 2020-21 due to the disruptions attributed to COVID-19. They could face problems in servicing debt and working capital shortage. The economy is going through a critical phase which will affect the stability and flexibility of the financial system. The policy changes by the State government will be crucial to overcome this situation. Hence, the primary focus of the Corporation during FY 2020-21 will be to come out with new loan schemes to help MSMEs and existing units to tide over the stress faced by them on account of the economic fallout caused by the pandemic. Considering the extent of credit revival and recoveries in the first quarter of FY 2020-21 the Corporation is confident of achieving the target set for FY 2020-21 and to cross Rs.400000 Lakh mark in the Loan and Advances portfolio.

Focus will be given on IT infrastructure, technology upgradation and to make the entire appraisal process, right from loan enquiry to sanction online through the software for transparency and quick delivery of services. For this IT Department will develop an online Loan Management System (OLMS).

The Corporation will be formulating necessary strategies to overcome the present economic scenario by diversifying its portfolio and will be concentrating more on MSMEs, other performing sectors and Startups. The focus would be to consolidate its existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts. In addition to this, Webinars are planned for skill development and capacity building of its employees to equip them to deal with challenges ahead in the evolving business scenario. The policies and systems are being constantly reviewed to focus on these areas. The major action plans proposed are as follows:

- a. COVID Relief Loans. Three COVID Relief loans have been introduced. The first scheme is for units engaged in manufacturing products or those are providing services in fighting COVID-19 against the work order received by them. Second scheme is to provide top up loans to existing customers of KFC to tide over the crisis, without providing any additional security. Units in commercial operation and in Standard category as on 31st March 2020, can benefit from this scheme. Through the third scheme KFC will support new MSME units with a loan of up to Rs.50 Lakh, including those units marketing MSME products. KFC has also granted moratorium for loan repayments to existing customers as part of the relief package.
- b. Loan Monitoring Cell. In order to have an effective follow up of loans, Loan Monitoring Cell (LMC) has been set up at Head Office under the Credit Department to deal with loan files soon after the Sanction Communications are issued. In order to monitor Special Mention Accounts in an effective way, a SMA Monitoring Vertical (SMV) has been established under LMC.
- c. Working Capital Solutions. The major restriction of the Corporation to fund MSME units is its inability to provide Working Capital (WC) facilities. During FY 2020-21 KFC plans to tie up with Banks to provide CC/ OD facilities to its customers, integrating KFC Core Financial Solution with Bank's Core Banking System.
- d. Loans to Startups and new MSME units. The Corporation will launch special schemes to assist MSME units and Startups this year. The first one will be a loan up to Rs.50 Lakh for supporting new MSME units. The target is to support 1,000 MSME units per year. It is also proposed to have three comprehensive loan schemes for Start-ups as follows:
 - i. Loan Scheme up to Rs.1,000 Lakh for Financing Working Capital Requirements of Start-ups for Executing Purchase Orders
 - ii. Seed Loan Assistance up to Rs.1,000 Lakh to Start-ups for developing socially relevant products prescribed by UNO and required by Government department
 - iii. Venture Debt Funding scheme up to Rs.1,000 Lakh for IT Hardware & Software Enterprises

The Corporation will have a tie up with Kerala Startup Mission (KSUM). The Startups need to register with KSUM for availing loans under the startup scheme.
- e. KFC Connect. In order to encourage and handhold the young entrepreneurs, the Corporation shall start mentoring services, where they can get various services free of cost under the brand name, 'KFC Connect'.
- f. Letter of Guarantees to MSME Units. Government vide GO(P)No.168/2018/Fin dated 02.11.2018 have already accorded sanction to accept the Performance Guarantee of the Corporation issued to Contractors. This facility is being extended to MSME units for availing Letter of Credit (LC) from the Bank, for import of machinery, raw materials, bidding process, obtaining advance payment, release of retention money, procurement of raw materials, etc.
- g. IT initiatives. The Core Financial Solution (CFS), the centralized ERP solution is successfully handling all the day-to-day activities of the corporation for the last 6 years. Keeping in mind that the technology will be leading the Corporation in future, IT department will work towards upgrading the present application software (CFS) and

its database to latest technologies for better MIS and supervisory controls. The Corporation will be migrating to Oracle 18c database from existing 12c server and redesigning the system to the latest Microservice architecture. The existing monolithic application will be made modular, as a suite of small services, each running in its own process and independently deployable. By doing the same the CFS operations will become independent, faster, reliable and secure.

Corporate Governance

The Corporation is committed to adopting best corporate governance practices by ensuring integrity in financial reporting, disclosure of material information, improvement of internal controls. We believe that effective corporate governance is not just a requirement for regulatory compliance, but also a facilitator for enhancement of stakeholders' value. The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Its Credit Policy, Loan Compromise Settlement Policy, Loan Monitoring and NPA Management Policy, Valuation Policy, Legal Guidelines, Internal Audit policy and Concurrent Audit Manual, Interest and Rating Policy, IT Policy, Staff welfare Policy, Staff Accountability Policy, Performance linked variable Incentive Policy, Business Continuity Policy, Investment Policy, Fixed Asset Policy etc. were all reviewed by the Board during the year and wherever required necessary amendments are being done. ISO procedures are scrupulously complied with.

The Corporation has designated State Public information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for giving reply under RTI. Time bound reply is given for all the petitions received under RTI. 38 applications were received during the financial year.

The Corporation has complied with provisions relating to the constitution of internal Complaints Committee under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. The Corporation received one complaint during the financial year which was disposed off and no complaints are pending as at the end of the financial year.

During FY19-20, no frauds were reported and there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

Board of Directors

The Board comprises seven Directors as on March 31, 2020, with rich experience and specialized knowledge in various areas. The Board functions either as a full Board or through various Committees constituted to oversee specific areas, to formulate Policies, to set up targets, to evaluate performance and control functions.

The details of Board of Directors and their attendance in meetings during the FY 2019-20 are as given below:

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjeev Kaushik IAS	Chairman and Managing Director	24.01.2018- 19.12.2019	04	04
Shri.Sanjay Kaul IAS	Chairman and Managing Director	20.12.2019 to till date	01	01
Shri.K Biju IAS	Director, Industries and Commerce	13.08.2018 to 19.05.2020	05	03
Shri.Partha Sarathi Patra	General Manager, SBI	15.07.2018 to till date	05	03
Shri.TS Ajith	Deputy General Manager, SIDBI	07.05.2018 to 16.07.2019	02	01
Shri.T Balaji,AGM, SIDBI	Assistant General Manager, SIDBI	17.07.2019 to till date	03	01

Smt. Santha Varkey, SDM, LIC	Senior Divisional Manager, LIC	25.06.2016 to 05.06.2019	02	01
Smt. Deepa Sivadasan SDM, LIC	Senior Divisional Manager, LIC	06.06.2019 to till date	03	02
Shri.E.K. Harikumar	Chief General Manager (Rtd), SBT	11.09.2017 to till date	05	05
Shri.Anilkumar Parameswaran	Chartered Accountant	11.09.2017 to till date	05	05

Apex Committees

The Board of the Corporation met five times during the year on 29.04.2019, 23.05.2019, 30.07.2019, 17.10.2019 and 23.01.2020. The Board has seven Sub-Committees to oversee various functional aspects of business and operations of the Corporation. The Committees are Executive Committee, Audit Committee, HR Sub-Committee, Remuneration & Nomination Committee, Advisory Committee, Sub-Committee for Policy Revision and Default Review Committee.

The Executive Committee met seven times during the year on 17.07.2019, 06.09.2019, 04.12.2019, 28.01.2020, 29.01.2020, 29.02.2020 and 07.03.2020.

The Audit Committee met four times during the year on 22.05.2019, 16.12.2019, 29.02.2020 and 24.03.2020.

The HR Sub-Committee met two times during the year on 12.04.2019 and 04.05.2019.

The Remuneration & Nomination Committee met two times during the year on 31.05.2019 and 29.01.2020.

The Advisory Committee met once during the year on 20.08.2019.

The Sub-Committee for Policy Revision met three times during the year on 02.05.2019, 17.07.2019 and 24.03.2020.

The Default Review Committee met two times during the year on 09.08.2019 and 10.08.2019.

Remuneration paid to Chairman & Managing Director

The total remuneration paid to Shri.Sanjeev Kaushik IAS during the financial year 2019-20 is Rs.26.14 Lakh.

Directors' Responsibility Statement

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements that:

- in the preparation of the annual accounts for the financial year ended March 31, 2020, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- such accounting policies as mentioned in the Notes to the Financial Statements, have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at March 31,2020 and of the profit of the Corporation for the period;
- the applicable guidelines prescribed for SFCs have been followed and there has been no material departure. Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;
- proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI/RBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;

- e. the annual accounts for the financial year ended on March 31, 2020 have been prepared on a going concern basis;
- f. proper internal financial controls had been laid down and that such financial controls were adequate and were operating effectively;
- g. that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;

Acknowledgements

The Corporation is committed to capitalize growth opportunities and enhance customer experience by developing a responsible corporate governance framework by adhering to the highest ethical standards and regulatory compliance. Our achievement as the number one State Financial Corporation of the country would not have been possible without the support and trust of our employees, customers, regulators and the Government and we look forward for their unflinching support in all our future endeavours. The Board of Directors is sincerely grateful to Government of Kerala, Other Governmental Agencies and Departments, Reserve Bank of India and all other statutory/ regulatory authorities for the continued cooperation, guidance and support. The Board also acknowledges, with gratitude, the co-operation and support received from various Banks/ Financial Institutions. The Board takes this opportunity to put on record its deep sense of gratitude to its shareholders for their continued faith in our strength and capabilities, our customers and vendors for their valuable support and trust, vendors and customers for their patronage and support extended during the year, and looks forward to their continued association in the years ahead.

The Board also put on record its deep appreciation and gratitude for the excellent services rendered by Shri.Sanjeev Kaushik IAS, former CMD, who was instrumental in reforming and transforming the Corporation as a market leader within a short span of two years. The Board appreciates the sincere and devoted services displayed by its entire staff and highly values their commitment towards the Corporation which enabled the Corporation to record growth despite the economic challenges and consolidates its position as one of the premier financial institutions in the country.

For and on behalf of the Board



Chairman and Managing Director

Thiruvananthapuram
03.07.2020

Independent Auditor's Report

To

The Members

Kerala Financial Corporation

Opinion

We have audited the financial statements of Kerala Financial Corporation (herein referred to as KFC), which comprise the Balance Sheet at March 31st 2020, and the Profit and Loss Account and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the entity as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our emphasis of matter.

Emphasis of Matter

1. As regards the amount receivable from Government of Kerala (Rs. 11,55,24,466.98) towards interest and expense borne by KFC on loans under KSEDM scheme there is no confirmation of balance.
2. We have come across instances where valuation of immovable property given as security have not been done every three years and property value is not updated in the system.
3. We have come across instances where entire details of Insurance Policy such as Insurance Declared Value, Expiry Date, Lien clause etc. are not updated in the system and hence not available for complete verification.
4. For the period under audit, KFC has changed the practice of accounting Guarantee commission from cash basis to accrual basis. The change in accounting treatment has resulted in lower booking of commission by Rs. 89,48,391.87
5. Ref Point No.2.2 of Note No. 19. Though minimum provisioning norms have been made, there has been change in the Asset provisioning norms for Standard category followed by KFC during the year under audit resulting in reduction of overall provision by Rs. 20,14,26,177/-
6. Ref Point No.2.2 of Note No. 19 : KFC has reclassified the Substandard assets amounting to Rs. 18,97,99,436/- which turned doubtful during April- May 2020 as doubtful assets, thereby making the entire amount technically written off.
7. Attention is drawn to point No 2.14 of Note No 19 regarding asset acquired in satisfaction of a claim. The corporation recovered a Non Performing Asset by acquiring immovable property mortgaged by the borrower to the tune of Rs. 4 crore in the year 2008 – 09. The Corporation had put the property for e sale, but could not sell the property. In this situation, we are not able to assess the extent of recoverability of this asset.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the aforesaid Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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 per our Report of even date
For M/s Krishnan Retna& Associates



Nikhil R Kumar
Partner, M No: 231162

Balance Sheet as at 31st March, 2020

₹ in Lakhs

	Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
			Rs in Lakhs	Rs in Lakhs
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	22,650.43	22,650.43
	(b) Reserves and surplus	2	24,824.07	23,090.91
	(c) Money received against share capital		11,000.00	-
2	Non-current liabilities			
	(a) Long-term borrowings	3	2,36,182.00	1,76,399.00
	(b) Deferred tax liabilities (net)		323.00	280.84
	(c) Long-term provisions	4	13,770.93	13,770.93
3	Current liabilities			
	(a) Short-term borrowings	5	66,616.37	50,000.15
	(b) Other current liabilities	6	6,247.20	5,456.28
	(c) Short-term provisions	7	4,426.37	3,345.57
	TOTAL		3,86,040.37	2,94,994.11
B	ASSETS			
1	Non-current assets			
	(a) Tangible Assets	8	1,027.31	581.74
	(b) Non-current investments	9	51.04	49.50
	(c) Other non-current assets	10	2,48,998.63	2,05,543.79
2	Current assets			
	(a) Current investments	11	14,570.53	8,970.53
	(b) Cash and cash equivalents	12	17,375.67	489.70
	(c) Other current assets	13	1,04,017.19	79,358.85
3	Significant Accounting policies and Notes to Accounts	19		
	TOTAL		3,86,040.37	2,94,994.11

For and on behalf of the Board Directors


Soya K
 Financial Controller


Premnath Ravindranath
 Executive Director


Anil Kumar Parameswaran
 Director


Sanjay Kaul
 Chairman & Managing Director

As per our report of even date
 For M/s. Krishnan Retna & Associates, Chartered Accountants
 Firm Reg No:001536S

Thiruvananthapuram
 03.07.2020


Nikhil R. Kumar
 Partner, M No: 231162

Statement of Profit and Loss for the Year ended 31st March, 2020

₹ in Lakhs

	Particulars	Note No.	for the year ended 31.03.2020	for the year ended 31.03.2019
A	Continuing Operations			
1	Revenue from operations	14	39,364.34	41,167.57
2	Other income	15	1,727.49	1,658.76
3	Total revenue		41,091.83	42,826.33
4	Operating Expenses			
	(a) Interest expenses	16	21,786.18	18,594.46
	(b) Employee benefits expenses	17	3,151.99	3,609.60
	(c) Administrative Expenses	18	712.70	671.06
	(d) Depreciation and amortisation expense		199.08	84.07
	(e) Bad debts written off		10,715.22	16,767.38
	Total expenses		36,565.17	39,726.57
5	Operating Profit before exceptional and extraordinary items and tax		4,526.67	3,099.75
6	Operating Profit After exceptional and extraordinary items		4,526.67	3,099.75
7	Less: Provision for Bad and Doubtful debts / Other assets		1,520.00	434.77
8	Profit before tax		3,006.67	2,664.98
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		1,127.86	1,393.41
	(b) Provision for Deferred Tax		42.16	(497.95)
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		1,836.65	1,769.52
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		7.65	7.81
	(b) Diluted		7.64	7.81
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		11,226.63	9,856.68
	Net Profit for the year		1,836.65	1,769.53
	Total profit available for appropriation		13,063.28	11,626.21
	Less: Income Tax Short Provision		103.48	-
	Total		12,959.80	11,626.21
	Less: Appropriations			
	Proposed Dividend		-	113.25
	Provision for Dividend Distribution tax		-	23.28
	Transfer to Reserve u/s 36 (1) (viii)		290.17	263.05
	Balance Profit after appropriations		12,669.63	11,226.63
	Balance Profit carried to Balance sheet		12,669.62	11,226.63

For and on behalf of the Board Directors


Soya K
 Financial Controller


Premnath Ravindranath
 Executive Director


Anil Kumar Parameswaran
 Director


Sanjay Kaul
 Chairman & Managing Director

As per our report of even date
 For M/s. Krishnan Retna & Associates, Chartered Accountants
 Firm Reg No:001536S

Thiruvananthapuram
 03.07.2020


Nikhil R Kumar
 Partner, M No: 231162

Notes Forming Part of Balance Sheet as at 31st March, 2020

₹ in Lakhs

NOTE : 1	As at 31.03.2020	As at 31.03.2019
SHARE CAPITAL		
AUTHORISED CAPITAL		
5,00,00,000 Equity shares of Rs.100/- each	50,000.00	35,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
22210678 Equity shares of Rs.100/- each	22,210.68	22,210.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
TOTAL	22,650.43	22,650.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	11,600.07	11,337.03
Added during the year	290.17	263.04
Total of (a)	11,890.24	11,600.07
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Profit & Loss Account	12,669.62	11,226.63
TOTAL {(a)+(b)+(c)+(d)}	24,824.07	23,090.91
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	-	9,165.92
LoC from State Bank of India	43,249.97	16,250.00
LoC from Canara Bank	43,750.00	39,800.00
LoC from Andhra Bank	52,082.03	23,683.28
LoC from Vijaya Bank	0.00	7,499.80
LoC from Indian Bank	8,500.00	0.00
Non-SLR Bond	68,750.00	50,000.00
UNSECURED	0.00	0.00
Non-SLR Bond (Guaranteed by Government of Kerala)	19,850.00	30,000.00
TOTAL	2,36,182.00	1,76,399.00
NOTE:4		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	13,770.93	13,352.30
Add: Provision made during the year	0.00	418.63
Total of (a)	13,770.93	13,770.93
NOTE : 5		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
Short term loan from Federal Bank	10,000.00	10,000.00
Short term loan from South Indian Bank	10,000.00	-
LOC FROM BANKS (Current maturity)	0.00	0.00
Loc from Andhra Bank	5,833.37	7,083.39
Loc from Canara Bank	4,375.00	13,750.00
Loc from Indian Bank	1,500.00	0.00
Loc from State Bank of India	9,500.00	2,500.00
Loc from Vijaya Bank	0.00	1,666.68
Refinance from IIFCL	9,158.00	10,000.08
UNSECURED BORROWINGS	0.00	0.00
Non-SLR Bond (Current maturity)	16,250.00	5,000.00
TOTAL	66,616.37	50,000.15

NOTE : 6		
OTHER CURRENT LIABILITIES		
State Subsidy	414.68	3.49
Other Subsidy	101.84	20.00
Central Subsidy	11.01	11.00
RR Commission Payable	0.48	-
Coconut Devp. Board Subsidy	766.65	913.23
Earnest Money Deposit	7.81	7.70
Suspense Account	159.35	356.70
Tax Deducted at Source	7.60	29.57
Other Salary Deductions	0.68	0.73
Other Sundry Deposits	264.50	32.98
Gratuity Payable	3.46	3.46
Outstanding Expenses	840.59	709.90
Salary Payable	0.00	0.78
Accrued Interest on SLR Bonds & Non SLR Bonds	3,352.72	3,046.12
Accrued Interest on LOC from banks	29.20	214.62
Audit Fee Payable	2.61	2.50
Concurrent Audit Fee payable	4.70	2.08
Staff Dues Retained	56.88	64.70
Unclaimed Dividend	0.12	0.12
Commission Received in Advance	89.48	-
NPS Payable	0.00	0.17
CGST Payable	13.32	17.70
SGST Payable	13.32	18.53
IGST Payable	0.48	-
CGST & SGST TDS Payable	0.23	0.05
IGST TDS Payable	-	0.15
Excess Payable	105.49	-
TOTAL	6,247.20	5,456.28
NOTE : 7		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	3,209.04	1,815.63
Add: Provision made for the current year	1,127.86	1,393.41
: Short Provision for the A.Y 2015-16	183.81	0.00
Less: : Excess Provision for the A.Y 2013-14	94.34	0.00
Total of (a)	4,426.37	3,209.04
(b) Proposed Dividend for the year	-	113.25
(c) Provision for Dividend Distribution Tax	-	23.28
TOTAL	4,426.37	3,345.57

₹ in Lakhs

NOTE : 8 FIXED ASSETS										
Particulars	Rate	Gross value as on 31-03-2019	Additions During the Year	Deletions during the year	Gross value as on 31.03.2020	Depreciation upto 31-03-2019	Depreciation for the year	Depreciation upto 31-03.2020	WDV as on 31.03.2020	WDV as on 31-03-2019
	2	3	4	5	6	7	8	9	7	8
Land	0%	11.62	-0.00	-	11.62	-0.00	-0.00	-0.00	11.62	11.62
Building	10%	664.26	21.23	-	685.49	403.82	27.49	431.31	254.18	260.44
Motor Vehicle	15%	182.06	-0.00	-	182.06	140.30	6.26	146.57	35.49	41.76
Electrical Fittings	10%	211.27	3.95	-	215.22	91.92	12.15	104.07	111.15	119.36
Air Conditioner	15%	46.90	2.88	-	49.78	34.84	2.14	36.99	12.79	12.05
Photocopier	15%	22.35	-0.00	-	22.35	20.29	0.31	20.60	1.75	2.06
Computer	40%	566.77	606.94	-	1,173.71	525.75	137.80	663.55	510.17	41.02
Other office Equipments	15%	67.61	7.20	-	74.81	47.49	3.66	51.16	23.65	20.11
Lift	15%	9.73	-0.00	-	9.73	7.83	0.29	8.11	1.62	1.91
Furniture	10%	194.26	2.46	-	196.72	128.38	6.77	135.16	61.57	65.88
Solar Power Generator	40%	76.85	-0.00	-	76.85	71.32	2.21	73.53	3.32	5.53
Total		2,053.68	644.66	-0.00	2,698.34	1,471.94	199.08	1,671.05	1,027.31	581.74
Total (Previous year)		1959.52	123.30	29.15	2053.68	1387.87	84.07	1471.94	581.74	571.65

NOTE : 9		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Kerala Infrastructure Fund Management Ltd	1.54	-
Sub Total	125.42	123.88
Less : Provision for diminution in value of investments	74.38	74.38
TOTAL	51.04	49.50
NOTE : 10		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,114.36	1,107.94
Conveyance Loan to Employees	79.95	88.59
Computer Loan to Employees	3.07	3.77
Personal Loan to Employees	29.53	41.70
Advance to Employees	16.09	19.44
Deposit with P&T	0.09	0.09
Other Deposits	69.24	31.33
Deposit with KSEB	13.17	7.02
Deposit against Staff Dues Retained	56.88	64.70
Interest Accrued on Staff Loans	639.00	607.93
GTI Advance	2.29	2.26
Other Advances	85.90	82.52
Advance for Fixed Assets	-	4.38
Loans and Advances (Principal due above 1 year)	2,41,928.72	1,97,001.78
Investment in NCD	6,080.00	6,080.00
Sub Total	2,50,518.63	2,05,543.79
Less : Provision for diminution in value	1,520.00	0.00
TOTAL	2,48,998.63	2,05,543.79
NOTE : 11		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	14,570.53	8,970.53
TOTAL	14,570.53	8,970.53
NOTE : 12		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.77	15.65
Bank Accounts	17,374.90	474.05
TOTAL	17,375.67	489.70

NOTE : 13		
OTHER CURRENT ASSETS		
Advance Income Tax	5,630.50	3,514.31
Input Tax Credit	4.42	0.01
Income Tax Deducted at source	161.58	97.67
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	6.48	5.06
Processing Fee Receivable	29.00	0.00
Prepaid Expenses	3.92	12.93
CGTMSE Fee	1.75	0.00
Subsidy Receivable from Govt	13.80	0.00
KSEDM Interest Receivable	1,155.24	1,524.25
Interest Accrued on Loans & Advances	3,231.13	2,613.74
Interest Accrued on STD with Banks	518.05	191.65
Loans & Advances (Principal Due within one year)	93,261.32	71,399.23
TOTAL	1,04,017.19	79,358.85
NOTE : 14		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	32,069.24	31,872.08
Less : Interest rebate allowed on Loans	1,215.99	2,652.36
Net Interest Received On Loans & Advances	30,853.26	29,219.72
Loan Processing Fees	606.85	587.94
Recovery from written off loans	7,841.19	11,255.40
Switch over interest	9.09	41.25
Premium on pre-closure	53.95	63.26
TOTAL	39,364.34	41,167.57
NOTE : 15		
OTHER INCOME		
Interest on Staff Loans	100.40	95.91
Interest on Bank Deposits	1,110.68	1,266.16
Dividend from Shares	0.00	2.18
Other Income	18.64	165.09
Rent Received	100.74	69.90
Income from Insurance Agency	7.41	10.80
RTI Application Fee Received	0.01	0.01
Consultancy Service Division Receipts	0.00	0.04
Commision exchange and brokerage	29.61	48.67
Reimbursement of Guarantee Commisssion	360.00	0.00
TOTAL	1,727.49	1,658.76
NOTE : 16		
INTEREST AND FUND EXPENSES		
Interest on Bonds	8,950.46	8,129.40
Interest on Coconut Dev Board Subsidy	82.80	77.29
Interest on Line Of Credit from Banks	12,298.05	9,936.76
Guarantee Commission	311.60	401.18
Bond Issue Expenses	136.25	46.37
LOC Administrative Expenses	7.02	3.46
TOTAL	21,786.18	18,594.46

NOTE : 17		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,639.94	2,815.26
Contribution to Employees' P.F	192.03	267.49
Contribution to NPS	57.20	9.53
Group Gratuity Insurance	10.00	237.46
Group E/L Encashment Insurance	148.08	187.93
Group Term Insurance	2.06	2.36
Other Staff Expenses	102.68	89.57
TOTAL	3,151.99	3,609.60
NOTE : 18		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	154.65	121.41
Postage, courier and Telephone	28.67	14.43
Printing & Stationery	14.73	18.35
Vehicle Running & Maintenance	41.38	40.29
Repairs & Maintenance	63.06	48.96
Revenue Recovery expenses	128.81	159.49
Bank Charges and Commission	1.59	0.54
Audit Fees	2.61	2.50
Consultancy Charges	24.99	12.35
Legal Expenses	7.72	5.94
Books & Periodicals	4.48	1.82
Other Expenses	124.38	131.77
Travelling Expenses	24.25	18.45
Board / E.C. Meeting Expenses	1.40	1.08
Other Meeting Expenses	3.23	7.57
Concurrent Audit Fee	36.21	22.42
Advertisement and publicity	34.04	47.21
Business Development Expenses	16.50	16.48
TOTAL	712.70	671.06

For and on behalf of the Board Directors



Soya K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For M/s. Krishnan Retna & Associates, Chartered Accountants
Firm Reg No:001536S

Thiruvananthapuram
03.07.2020



Nikhil R. Kumar
Partner, M No: 231162

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Corporate Information

The Kerala Financial Corporation is a State Financial Corporation having its area of operations in the state of Kerala and incorporated under the provisions of the State Financial Corporation Act, 1951. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. The Corporation is engaged in extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector in the state.

Basis of Preparation

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking and financial sector in India. The Corporation has adopted the format of Schedule III to the Companies Act and Accounting standards issued by the Institute of Chartered Accountants of India, for better presentation of the financial statements.

The accounting policies adopted in the preparation of financial statements are in consistence with those of previous year except for the change in accounting policy, explained hereunder.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 . Uses of Estimates

The preparation of the Financial Statements, in conformity with Indian GAAP requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures relating to contingent assets and liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in material or immaterial adjustments to the carrying amounts of assets or liabilities in future periods. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

1.2. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. All the revenue items are accounted on accrual basis. Income is recognised on accrual basis on performing assets and on realisation basis in respect of non-performing assets as per the prudential norms on income recognition, asset classification and provisioning prescribed by RBI/SIDBI. The Corporation debits the monthly interest in all the loan accounts on the first day of the subsequent month. Interest due is calculated and charged to the party on gross basis and the eligible rebate is credited to the party on payment of dues in time subject to their rating and other factors determining the rate of rebate. The rebate for prompt payment is deducted from interest income for reporting in the financial statements. Interest accrued on standard loans is recognized as interest income in the financials at the end of the financial year and is reversed on the first day of the next financial year.

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee will be reversed at the end of the financial year. In case of completion/closure of facility before the specified tenure, corporation will reimburse the commission for the balance period, provided the commission for a minimum period of one year will be retained.

Recovery of loans and advances is appropriated first towards recovery of expenses, then towards interest and the balance, if any, towards principal. However, in the case of Compromise Settlement and sale of units taken over under the SFCs Act, 1951 and Revenue Recovery proceedings, the proceeds are apportioned first towards recovery of expenses and then towards principal amount and lastly towards interest, on satisfaction of the stipulated conditions. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss as revenue on receipt basis.

1.3. Investments

The classification and valuation of the securities and investments are done as per the Treasury & Investment Policy in compliance with the Indian Accounting Standards and as per applicable regulatory and statutory norms laid down from time to time. Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as Non-current investments.

Investments classified under Long term investments need not be marked to market and will be carried at acquisition cost on individual investment basis, unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity. Investments classified under Current Investments will be valued at lower of cost and fair value either on individual investment basis or by category of investment. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. The provision for diminution is made to recognise a decline, other than temporary, in the value of investments determined for each investment individually. Reduction in the carrying amount and reversals of such reductions are charged or credited to the profit and loss statement.

On disposal of an investment, the difference between carrying amount and net disposal proceeds are charged or credited to the profit and loss statement. Any amount received in future in respect of these investments will be credited to profit and loss statement. Interest, dividend or other receivables in connection with the investments are considered as income.

1.4. Loans and Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The Current maturity of Loans & advances is classified as Other Current Assets (Note No.13) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.10) under the head Non Current Assets. The Current maturity of Long term borrowings is classified as Short term borrowings (Note No.5) under the head Current Liabilities and the non current portion is classified as Long term borrowings (Note No.3) under the head Non Current Liabilities.

1.5. Provision

A provision is recognised when the Corporation has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and should be determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provision for standard advances are made at such rates subject to the minimum provisioning prescribed by the RBI / SIDBI guidelines for standard advances. Provisions for bad and doubtful debts are made in respect of non-performing advances based on overall portfolio quality, asset growth, economic conditions, Management's assessment and other risk factors subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management,

is necessary. Advances that are in Doubtful category are technically written off and charged to revenue to maintain asset quality. Amount recovered against the bad debts written off in earlier years are recognised in the Profit and Loss Account as income of the year in which such amounts are received.

The Corporation provides Fund based and Non fund based facilities to the customers. In case a non fund based limit becomes NPA, its fund based limit also will be considered as NPA. In the reverse scenario, where fund based limit becomes NPA then its non fund based limit is also categorised as NPA. However the non fund based limit will be live till the time it is invoked or cancelled.

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector (1% for all the standard advances in FY 2018-19) and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. A judicious provision of 70% (70% in FY 2018-19) is made for all Substandard advances including secured portion of CGTMSE loans. For CGTMSE loans, 100% provision is made for the unsecured portion.

During the year , all the doubtful advances are technically written off and charged to revenue to maintain asset quality. Further the corporation has reclassified the Substandard accounts which will turn to Doubtful during the months of April and May 2020 as a matter of prudence and technically written off.

1.6. Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS). The tax rates and tax Laws used to compute the amounts will be those that are prescribed, at the reporting date. Deferred Taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws prescribed at the reporting date.

Deferred tax assets including the unrecognized deferred tax assets, if any, at each reporting date, are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized. Deferred tax liabilities are recognized for all taxable timing differences. No provision for Deferred Tax Liabilities on Special Reserve created as per Section 36(1) (viii) of the Income Tax Act, 1961 since the reserve created is of having no reasonable certainty that the same would be adjusted / withdrawn in foreseeable future years and the period of time for the difference to be evened out is also not ascertainable.

1.7. Employee Payments and Retirement Benefits

Short-term employee benefits are recognized as expense in the profit and loss account of the year in which the related service is rendered. Terminal benefits to employees include Provident Fund (PF) payments, leave encashment, and gratuity .

Defined contribution plan: Retirement benefit in the form of provident fund is a defined contribution plan wherein the contributions are charged to the Profit and Loss Account every year when the contributions to the fund are due and when services are rendered by the employees. The Corporation contributes 12% of Basic Pay+DA+Personal Pay to the Provident Fund which is administered by a duly constituted and approved independent trust by name KFC Employees Provident Fund Trust. The employees will be paid the balance outstanding in their PF account along with interest accumulated thereon at the date of superannuation. The Corporation has no obligation other than the contribution payable to the provident fund in this regard. The employees who joined after 01.04.2018 are not members of this Trust.

Defined Benefit Plan: The Corporation contributes towards gratuity fund administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. The gratuity limit is fixed as per the Payment of Gratuity (Amendment) Act, 2018. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with

the Corporation. Liability with regard to gratuity fund is accrued based on the actuarial valuation and demand raised by LIC. The premium is paid to LIC as demanded by them at the time of renewal of the scheme. The Corporation contributes towards the terminal encashment of earned leave to the employees under the Group Leave Encashment Scheme of LIC. The contribution to the fund is paid as per the actuarial valuation and demand raised by LIC. Under both these schemes, the settlement obligations remain with the Corporation, although LIC administers the schemes and determine the contribution premium required to be paid by the Corporation as per the valuation done by LIC. The Corporation take an independent external actuarial valuation as on 31st March every year to ascertain the position of funds vis a vis liability. The shortfall if any in the funds shall be paid on the basis of actuarial report of LIC / external valuation whichever is less based on the fund position of the Corporation. The amounts paid to the funds are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2019-20 have been settled by LIC.

National Pension Scheme: This is a defined contribution scheme and is applicable to employees who joined the Corporation on or after 01.04.2018. 10% of Basic + DA + Personal Pay will be deducted from the employee's salary and an equivalent amount being the Corporation contribution will be credited to the NPS account of the employee on a monthly basis. They will not be eligible for employer PF contribution. The employees who joined before 01.04.2018 are also given an option to contribute to NPS in three proportions. The Corporation contributes an amount equal to the contribution of employees and such contribution is charged to Profit and Loss Account.

1.8. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets'. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

Individual assets costing up to Rs.5000 and assets in the nature of electronic items up to the value of Rs.10,000 are charged to revenue in full in the year of purchase. Depreciation on fixed assets shall be provided for on written down value (WDV) method and at the rates prescribed under the IT Act, 1961. Computer includes computer software for reporting under the block Plant & machinery as per the IT Act, 1961. Hence Computer software is not shown separately under intangible assets. Depreciation on fixed assets added/disposed of during the year/period is provided on pro-rata basis (that is full depreciation for assets used for more than six months and half depreciation for others) with reference to the date of addition/disposal.

1.9. Contingent Liabilities and Assets

A disclosure of contingent liability on Balance sheet date is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or nonoccurrence of one or more uncertain future events not within the control of the Corporation; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Provisions and contingent liabilities are reviewed on each balance Sheet date. Contingent assets are neither recognized nor disclosed in the Balance Sheet.

1.10. Grants and subsidies

Grants and subsidies from Government and other agencies are accounted as per terms of respective agreements. The undisposed portion of subsidies to loanees (State subsidy, Development board subsidies etc.) are kept as other current

liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries. For back ended subsidies with 'block in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates.

1.11. Leases

Operating lease rent payments and receipts are recognized as expense and income respectively in the statement of profit and loss every month as and when accrued or paid/received. Actual lease payments made during the year, unexpired portion of contracted lease (future expected lease payments) and provision for contingent rent if any recognized in P&L are disclosed where the Corporation is a lessee. Actual lease rent receipts recognized during the year and unexpired portion of contracted lease (future expected lease receipts) if any are disclosed. As a matter of prudence, no contingent rent is recognized in the P&L where the Corporation is a lessor.

1.12 Prior Period Items

Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The nature and amount of prior period items are separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.

1.13. Extraordinary Items

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Extraordinary items are disclosed in the statement of profit and loss as a part of net profit or loss for the period in a manner that its impact on current profit or loss can be perceived.

1.14. Special Reserve Fund

As per Section 35A of the SFC Act 1951, the SFC is required to establish a Special Reserve Fund to which shall be transferred such portion of the dividends accruing to State Government and the SIDBI on the shares of the SFC as may be fixed by agreement between State Government and SIDBI for being used for such purposes as are approved by the State Government and SIDBI. Accordingly a rate of 0.50% of the dividend accruing to State Government and SIDBI will be transferred to Special reserve fund under Section 35A of SFC Act 1951.

1.15. Dividend

Dividend is the share of profits that is payable to each shareholder of the Corporation. The dividend is paid out of current year profits only on the paid up capital. The Board recommend the percentage of dividend payable on the equity shares and the shareholders at the Annual general meeting pass a resolution adopting the recommendation or may lower the percentage recommended. The dividend proposed by the Board is provided for in the financial statements of the Corporation and is paid only after it has been passed at the Annual general meeting of the shareholders.

1.16. Resource Mobilization

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft. The loans from Banks and other financial institutions are secured by charge on receivables as primary security for the loan. There are no other charges created on any of the assets of the Corporation on account of borrowings. The Corporation mobilizes funds from debt market also by issuing Rated, Listed, Redeemable, Taxable, Non Convertible Bonds with government guarantee or with credit enhancement mechanism without government guarantee.

These are accounted as Long Term Borrowings from Banks/ FIs and Non SLR Bond Issues. The Current maturity of Long term borrowings is classified as Short term borrowings under the head Current Liabilities and the noncurrent portion is classified as Long term borrowings under the head Non Current Liabilities.

1.17. Cash flow Statement

Cash Flow statement is prepared on indirect basis as per AS 3 issued by ICAI and is part of the Annual accounts.

The cash flow statement report cash flows during the period classified by operating, investing and financing activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

1.18. Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its equity shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to equity shareholders and the weighted average number of equity shares outstanding adjusted for the effect of all dilutive potential equity shares, including advance for share capital.

2. NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The State Government vide GO(Ms) No.215/2019/Fin dated 10.06.2019 accorded sanction to enhance the Authorized share capital of the Corporation from Rs.35,000 Lakh to Rs.50000 Lakh without diluting Government shares below 74%. The Hon'ble Minister for Finance had announced a capital infusion of Rs.20,000 Lakh to the Corporation in his Budget speech on 06th Feb 2020.

Accordingly Government has issued the GO (Ms) No.39/2020/Fin dt 16.03.2020 enhancing the paid up capital of Kerala Financial Corporation by Rs.20000 Lakh. Consequently now the Authorized capital of the Corporation is Rs.50000 Lakh and the paid up capital is Rs.22,650.43 Lakh. Out of Rs.20,000 Lakh announced, Rs.11,000 Lakh was released as share capital by government vide GO(Ms.)No.47/2020/Fin dated 30.03.2020 and credited on 31.03.2020 and is shown as advance towards share capital. The concurrence of SIDBI to issue 200 Lakh shares of Rs.100/- each amounting to Rs.20,000 Lakh to Govt of Kerala has been received and shares will be issued to government after passing the necessary resolution in the ensuing Annual General meeting. The balance share capital amount of Rs.9,000 Lakh has been released vide GO(Ms.)No.67/2020/Fin dated 18.06.2020.

The details of shareholders holding more than 5% shares as on 31.03.2020 are as under:

(₹ in Lakh)

Name of the Shareholders	As at 31.03.2020		As at 31.03.2019	
	No. of shares	% to total shares	No. of shares	% to total shares
Government of Kerala	3,30,26,937	98.15	2,20,26,937	97.25

Earnings per share

(₹ in Lakh)

Calculation of EPS	2019-20	2018-19
a. Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	1733.17	1769.53
b. Number of Equity Shares outstanding (face value of Rs.100/- each)	2,26,50,428	2,26,50,428
Basic earnings per share (a) / (b)	7.65	7.81
c. Average number of weighted equity shares (22650428 existing +11000000 on account of amount received on 31.03.2020 and pending allotment) (face value of Rs.100/- each)	2,26,50,428	2,26,50,428
Diluted Earnings per share (a) / (c)	7.64	7.81

2.2 Asset Classification and provisioning

Classification of Loans and Advances & Long Term Borrowings

The bifurcation of Loans & Advances and Long term Borrowings due within 1 year and above 1 year is given below.

(₹ In Lakh)

Classification	Due within 1 year	Above 1 year	Total
Loans & Advances	93,261.32	2,41,928.72	3,35,190.04
Long term borrowings	66,616.37	2,36,182.01	3,02,798.38

The asset category wise classification of loans and advances and provisioning is as below.

(₹ in Lakh)

Asset category	2019-20			2018-19		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	4573	319287.75	2510.83	3904	252910.13	2925.13
Sub Standard	311	15902.29	11253.10	327	15490.88	10845.80
Total	4884	335190.04	13763.93	4231	2,68401.01	13770.93
Gross NPA		15902.29	4.74%		15490.88	5.77%
Net NPA		4649.20	1.45%		4645.08	1.82%

2) Loans and Advances restructured

The general recessionary trends coupled with flood in Kerala and the Covid-19 pandemic outbreak affected the debt servicing of the customers of the Corporation. Sectors like Tourism, Commercial Real Estate etc were affected badly. As a result the Corporation as a measure to contain NPA have extended relief measures like rehabilitation / reschedulement/ restructuring to eligible borrowers. Other than loans restructured on account of relief measures announced by RBI/ SLBC, the corporation has restructured 23 loan accounts amounting to Rs.3,425.33 Lakh and are classified under Substandard category. Provisioning has been made @70% amounting to Rs.2,397.73 Lakh on these loan accounts. During the year the Corporation has not noticed any diminution in the fair value of restructured advances.

3) Bad debts Written Off

During the year the corporation has written off 268 loan accounts amounting to Rs.10,633.22 Lakh as Bad Debts (technical write off to maintain asset quality) (203 accounts amounting to Rs.16,703.61 Lakh written off during FY 2018-19). Constructive steps have been initiated for the recovery of these accounts and the amounts will be included in revenue as and when recovered. Rs.7,841.19 Lakh have been received as recovery from loans technically written off in earlier years (Rs.11,255.40 Lakh during FY 2018-19).

4) Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector (1% for all the standard advances in FY 2018-19) and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non performing assets , a judicious provision of 70% (70% in FY 2018-19) is made for all Substandard advances including secured portion of CGTMSE loans. Further 100% provision is made for the unsecured portion of CGTMSE loans. The Corporation has provided Rs.7 Lakh (70%) in respect of the non fund based limits amounting to Rs.10 Lakh considering that their fund based limits are in Sub standard category.

If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.4,912.93 Lakh, where as the Corporation has provided an additional provision of Rs.8,858 Lakh over and above the minimum RBI stipulated norms. The corporation has provided Rs.1,062.69 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.

The Corporation has prudently made additional provision of 5% (minimum norms) amounting to Rs.1,448.15 Lakh in respect of 307 loan accounts which are restructured as per RBI guidelines and classified under Standard category as follows.

- 12 loan accounts amounting to Rs.3,237.95 Lakh have been restructured on account of extension of DCCO and classified as Standard and have been given additional provision of 5% (minimum norms) amounting to Rs.161.90 Lakh.
- In compliance with RBI/SLBC notifications issued in connection with GST implementation / Flood relief, the Corporation has restructured 110 loan accounts amounting to Rs.14,561.65 Lakh and classified as Standard. However as a prudent measure, additional provision of 5% amounting to Rs.728.08 Lakh has been made on these loans.
- In accordance with the Covid-19 Regulatory Package announced by RBI the Corporation has offered an optional moratorium on repayments falling due between March 1, 2020 and 31st August 2020 in respect of accounts classified as standard on February 29, 2020. As permitted by the RBI guidelines, the Corporation has considered these concessions for the purpose of asset classification, income recognition and provisioning as at 31st March 2020. The Corporation has thus provided additional provision of 5% amounting to Rs.558.17 Lakh for the quarter ended March 2020 in respect of 185 loan accounts in SMA 2 category with balance outstanding of Rs.11,163.34 Lakh which would have been classified as non-performing as at 31st March 2020.

The provision made in respect of Sub standard category advances is Rs.11,260.10 Lakh. During the year, all the doubtful advances amounting to Rs.8,735.23 Lakh are technically written off. Further the corporation has reclassified Substandard accounts amounting to Rs.1,897.99 Lakh which will turn to doubtful during April- May 2020, as doubtful assets as a matter of prudence and technically written off. Thus during this FY advances amounting to Rs.10,633.22 Lakh are technically written off and charged to revenue to maintain asset quality. If the same classification and provision as made during the FY 2018-19 is made, the Net profit will decrease by Rs.2,014.26 Lakh to Net loss of Rs.177.61 Lakh.

The total provision available during the FY was Rs.13770.93 Lakh and no additional provision is made during this FY. The Operating profit before technical write off is Rs.15159.90 Lakh (Rs.19803.37 Lakh during PY). The Operating profit after write off is Rs.4526.67 Lakh (Rs.3099.75 Lakh during PY) and Net profit is Rs.1836.65 Lakh (Rs.1769.53 Lakh during PY). The Gross NPA accordingly will be 4.74% as against 5.77% as on 31.03.2019 and Net NPA will be 1.45% as against 1.82% as on 31.03.2019.

In accordance with the guidelines of RBI/SIDBI on asset classification, all loans and advances have been classified into Standard, Sub Standard and Doubtful Assets and provisioning is made as under.

(₹ in Lakh)

Sl No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 18-19		During FY 19-20	
		%	Amount	%	Amount	%	Amount
1	Standard Assets- Micro & Small	0.25	701.63	1	2080.73	0.25	701.63
	Standard Assets- Medium	0.40	16.86	1	52.95	0.40	16.86
	Standard Assets- CRE	1	344.19	1	395.42	1	344.19
2	Additional provision for loans restructured on account of extension of DCCO / Flood relief/ GST implementation	5	889.98	5	396.03	5	889.98
3	Additional provision for SMA2 for the quarter ended March 2020 as part of Covid-19 Regulatory Package	5	558.17	0	0	5	558.17

4	Sub Standard Assets- FB limits - NFB limits	15	2374.22	70	10823.21	70	11195.63
		15	1.00			70	7.00
	Sub Standard Assets- CGTMSE (Secured portion)	15	8.34	70	15.30	70	38.93
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	18.54	100	7.29	100	18.54
5	Doubtful Assets (up to 1 year)	25%	NA	NA	NA	NA	NA
	Total Provision made		4912.93		13770.93		13770.93

5. Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2018-19 is given below.

(₹ in Lakh)

Sl No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2019 as reported by the Corporation	15490.88
2.	Gross NPAs as on March 31, 2019 as assessed by RBI/ SIDBI	15490.88
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2019 as reported by the Corporation	4645.08
5.	Net NPAs as on March 31, 2019 as assessed by RBI/ SIDBI	4645.08
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2019 as reported by Corporation	13770.93
8.	Provisions for NPAs as on March 31, 2019 as assessed by RBI/ SIDBI	13770.93
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2019	1769.53
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2019 after taking into account the divergence in provisioning	1769.53

6) Assets taken over under Section 29

During the year, 10 units having principal outstanding of Rs.4198.37 Lakh were taken over u/S 29. Subsequently 2 units were released to the promoters under custodial agreement.

7) Recovery Mini Adalath

As an integral part of the recovery strategy, the Corporation has put in all its efforts for reducing gross NPAs and cleaning up the balance sheet. A one-time liberalized settlement drive under the guidance of a Retired Judge was conducted in order to settle long pending defaulted accounts, in which settlement was given to 179 cases for an amount of Rs.15,343 Lakh. Out of 179 cases, 28 cases were settled and in 65 cases partial remittances were made. The total amount received in the Spot Loan Settlement Mini Adalath scheme as on 31.03.2020 amounts to Rs.2,020 Lakh. Other than through the Mini Adalath during FY 19-20, 23 cases were settled (PY 253 cases) and the total amount received amounts to Rs.2,983 Lakh (PY Rs.7,995 Lakh) .

2.3 KSEDM project

KSEDM scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was Rs.20 Lakh without any interest with a repayment period of 5years. The scheme was in operation from 2011 till 2017. The Corporation had received Rs.4,942.50 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 19-20. Rs.6097.74 Lakh has been spent till 31.03.2020 for the KSEDM project. As on 31.03.2020, Rs.1,155.24 Lakh is receivable from the government and is shown under the head KSEDM Interest & Expenses receivable under Other Current assets. An amount of Rs.360 Lakh being guarantee commission paid to Government on guarantee issued for raising funds for KSEDM was received from Govt during the FY 19-20 which is accounted as income of current year. The corporation has taken up with Government for providing the funds to meet the interest and expenses receivable and it is expected that the funds will be received during the FY 2020-21.

2.4 Investments

The Corporation has invested Rs.1.54 lakh (15,405 shares of Rs.10 each) in Kerala Infrastructure Fund Management Limited (KIFML, promoted by KIIFB) during the FY 19-20. Out of the total investments of Rs. 125.42 Lakh, provision for diminution in value of investments of Rs.74.38 Lakh have been provided for investments other than KITCO and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. For KITCO and India SME Asset Reconstruction Co., we have valued the shares on the basis of latest available financial statements and found that the values are above book value.

2.5 Non Current Assets

The Corporation had invested Rs.6,080 Lakh in April 2018 in Secured Redeemable NCDs as part of compliance of Non SLR Bond Issue Series 2018 which will be redeemed 25% each in 4 years from April 2022 onwards. However due to the crisis in NBFC sector, the corporation has not received the interest due in NCD on 30th March 2020. Hence as a prudent measure the Corporation has made a provision of 25% of the value of Investment in NCD amounting to Rs.1,520 Lakh for diminution in its value.

2.6 Income Tax Assessments

Income tax return filed up to Assessment year 2019-20. Assessments have been completed up to Assessment year 2017-18. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2012-13, 2013-14, 2014-15 & 2016-17. Appeals filed by the Department for the Assessment years 1999-00 and 2002-03 before Income tax Appellate Tribunal has been remanded to Commissioner (Appeals).

2.7 Deferred Tax Liabilities

The break-up of deferred Tax Liabilities / Assets in to major components of the respective balances is as given below:-

(₹ in Lakh)

Particulars	As on 31.03.2019	For 2019-20	As on 31.03.2020
On Depreciation	-58.16	9.20	-48.96
On income not received	1715.02	-85.28	1629.74
On outstanding expenses	-1376.02	118.24	-1257.78
Total	280.84	42.16	323.00

2.8 Goods and Service Tax

Service tax

Service Tax was replaced by GST wef 01.07.2017. The Appeals filed by the Corporation, in respect of Order in Appeal 392 to 394-14-15 dated 19.02.2015 in respect of Ernakulam Branch Office and 27 & 28-16-17 dated 06.05.2016 in respect of Kollam Branch Office have been settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS). The entire demand is settled for 30% of Tax demand and entire penalty was waived off. In respect of Order in Original No.26 & 27/2016-17 (OIA No.95 & 96-2019 dated 13.03.2019), an

appeal was filed before the Central Excise and Service Tax Appellate Tribunal, Bangalore on 11.06.2019. This is also settled under SVLDRS at 30% of Tax demand after waiving off penalty. The total amount of tax paid for settlement is Rs.23.87 Lakh out of which Rs.7.95 Lakh was settled from the pre deposit amount.

Order in Original No.03/2018-19 and SCN 08/2019/ST in respect of taxability and availment of ITC of Guarantee Commission paid to Government are received for which appeal is filed before Commissioner (Appeals) and reply filed to Addl Commissioner respectively. Further orders are awaited from the Department in respect of above.

Goods and Service Tax

Goods and Service Tax – GST was implemented all over the country w.e.f 01.07.2017. All the indirect tax registrations of Branch offices and Head Office are brought under one common registration under GST and is managed centrally from Head Office. M/s. Clear Sharp Technology Private Limited (erstwhile M/s.Karvy Management Services Limited) is the GST Suvidha Provider of the Corporation . The Annual Returns for the period July 2017 to March 2018 under GST regime, GSTR 9 and GSTR 9C were filed on 31.01.2020.

2.9 Related Party Disclosures as per AS 18

A. List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri. Sanjeev Kaushik IAS, Chairman and Managing Director (from 24.01.2018 till 19.12.2019) and Sri Sanjay Kaul IAS , Chairman and Managing Director (from 19.12.2019)

B. Related party Transactions

The total remuneration paid to Sri Sanjeev Kaushik IAS during the financial year 2019-20 is Rs.26.14 Lakh (Rs.32.32 Lakh during FY 2018-19).

2.10 Impairment of Assets

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2020, as to whether there is any indication that an asset or a class of assets is ‘impaired’ and since there were no incidences of such impairment indicators, no provision has been made.

2.11 Segment Reporting

The Corporation operates as a single unit with a single profit center and has concentrated its activity on term lending only as a single product.

A. Primary Segment (The Business Segment)

The Corporation operates mainly in the business segment of providing financial assistance to MSME and other sectors. All other activities revolve around the main business. Further, all activities are carried out within Kerala. As such, there are no separate reportable segments as per the provisions of AS 17 on ‘Segment Reporting’ issued by the Institute of Chartered Accountants of India.

B. Secondary Segment (The Geographical Segment)

The area of operation of the Corporation is confined within the state of Kerala. As a result separate segment information for different geographical segments is not required.

2.12 Contingent liabilities

The contingent liabilities as on 31.03.2020 are estimated as under

- On account of Income Tax Rs.849.88 Lakh
- On account of suits filed against the Corporation Rs. 149.32 Lakh
- On account of Service Tax Rs. NIL
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.2,571.59 Lakh

2.13 Accounting for Leases

Financial Leases:

Leases in which the company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. The Corporation has not undertaken any contracts under this category during the reporting period.

Operating Leases:

Where the Corporation is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. The Corporation has taken buildings in various districts for the functioning of its branch offices, under this category and all the contracts are for a period of more than one year with fixed provision for periodical increase in rent amount. Operating lease rent payments are recognized as an expense in the statement of profit and loss every month as and when accrued or paid. During the current reporting period Rs.105.29 Lakh (Rs.64.06 Lakh during FY 2018-19) has been charged to profit and loss account in this regard. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is less than actual rent paid. Further there is no contingent element involved in the lease agreements. Hence no additional provision is required in this regard.

Where the Corporation is lessor

Leases in which the Corporation does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. A portion of the Corporation's own building let out for rent is reportable in this category. The assets subject to operating lease are included in the fixed assets and charged depreciation as per AS-10 (Revised). The total amount of Lease income on an operating lease received during the year is Rs.100.74 Lakh (Rs.69.90 Lakh during FY 2018-19) and the same is recognised in the statement of profit and loss in line with the existing revenue recognition policy. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is higher than actual rent received during the year. Further there is no contingent element involved in the lease agreements. As a matter of prudence provision for additional revenue is not made in the financial statements.

2.14 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs. 400.34 Lakh relate to M/s. Jayalakshmi Builders, Thiruvananthapuram and is retained as such. The acquisition was done in the financial year 2008-09 and accounted as recovery from NPA account in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value as per latest valuation is Rs.6.92 Lakh which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims. Steps taken to sell the property under e-auction during FY 19-20 did not materialize and efforts are going on to sell the property again.

2.15 Suspense Account.

The amount outstanding in Suspense Account amounting to Rs.159.35 Lakh comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, court orders, and amount received from LIC towards maturity amount of policies of the employees. The balance amount lying in Suspense account as on date is being rectified.

2.16 Secured / Un-secured Loans.

The Corporation has availed Loans from Banks amounting to Rs.1,64,599.80 Lakh and repaid Rs.1,08,050.97 Lakh during the FY 19-20 . The loan outstanding as on 31.03.2020 is Rs.1,97,948.36 Lakh. The loans are secured by charge on receivables.

2.17 Non SLR Bonds

The Corporation issued Secured, Rated , Listed, Redeemable, Taxable, Non Convertible Bonds of Rs.25,000 Lakh in July 2019 @ 8.99% with credit enhancement mechanism without government guarantee. The bonds were rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee.

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fee has been paid. The total outstanding bonds of KFC as on 31.03.2020 aggregate to ₹ 1,04,850 Lakh as given below.

(₹ in Lakh)

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
1	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26
2	04-Apr-18	8.69%	25000.00	25000.00	04-Apr-25
3	09-May-16	8.90%	25000.00	25000.00	09-May-23
4	30-Oct-14	9.15%*	20000.00**	9850.00	30-Oct-21
5	06-Jun-13	8.72%*	20000.00	20000.00	06-Jun-23

* Issued with Government guarantee

** Call option exercised on 30.10.2018 and ₹ 10,150 Lakh partially redeemed .

2.18 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.3,151.99 Lakh (₹ 3,609.60 Lakh during FY 18-19). This includes Employee Pay & Allowances for the year of Rs.2,639.94 Lakh (₹ 2,815.26 Lakh during FY 2018-19).

2.19 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of Rs.699.24 Lakh has been made for the payment due from FY 2014-15 to FY 2018-19 as on 31.03.2019. The demand for FY 2019-20 was received from the department for ₹ 128.81 Lakh which has been provided for this year. Hence as on 31.03.2020 the total amount provided is Rs.828.05 Lakh, break up is as below.

FY 2014-15- ₹ 99.98 Lakh

FY 2015-16- ₹ 110.47 Lakh

FY 2016-17- ₹ 162.80 Lakh

FY 2017-18- ₹ 166.50 Lakh

FY 2018-19- ₹ 159.40 Lakh

FY 2019-20- ₹ 128.81 Lakh

The establishment charges have not been paid as the calculations made by the Corporation is ₹ .757.24 Lakh as against the demand of Rs.828.05 Lakh provided by the Revenue Department.

2.20 Provision for Income Tax

The income tax comprises of current and deferred tax. The provision for income tax is made as per the income tax rules and previous income tax assessments. The tax is calculated on income on receipt basis which is consistently followed by the corporation for the past years and the Income tax department also accepted the same for assessment purpose. The deferred tax assets and liabilities are recognised, for the expected tax consequences of temporary / timing differences between the depreciation, accrued income and expenditure. Current year provision for tax is calculated as below.

Taxable income calculated as per IT Act	-	₹ 3908.00 Lakh
Income tax thereon	-	₹ 1138.01 Lakh
MAT credit available for set off	-	₹ 10.15 Lakh
Tax Charged to Profit & Loss A/c	-	₹ 1127.86 Lakh
Balance available as MAT Credit	-	NIL

2.21 Commission on Performance guarantees issued

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee is reversed at the year end. During the FY, total commission collected upfront from Performance guarantees issued during the year amounts

to Rs.118.72 Lakh (Rs.48.66 Lakh during the FY 18-19) , out of which Rs.29.24 Lakh pertains to this FY and Rs.89.48 Lakh (Rs.35.13 Lakh during the FY 18-19) pertains to future FYs. During the FY 18-19, the commission in respect of the unexpired portion of the guarantee was not reversed at the year end.

2.22 Dividend

The Corporation has decided not to make any dividend payout during the year from profits pertaining to the FY ended March 31, 2020 in compliance with the RBI notification dated 17.04.2020 to conserve capital in an environment of heightened uncertainty caused by Covid Pandemic (Previous year Dividend payout @0.50%).

2.23 Grants and Subsidies

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees (State subsidy, Development board subsidies etc.) are kept as other current liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries.

2.24 Interest Income and rebate

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during FY 19-20 are Rs.32,069.24 Lakh and Rs.1,215.99 Lakh and during FY 18-19 were Rs.31,872.08 Lakh and Rs.2,652.36 Lakh respectively.

2.25 Prior period items

There are no prior period adjustment made during this year .

2.26 Previous Year's Figures

Previous year's figures have been regrouped and reclassified for better presentation wherever found necessary.

For and on behalf of the Board Directors



Soya K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For M/s. Krishnan Retna & Associates, Chartered Accountants
Firm Reg No:001536S

Thiruvananthapuram
03.07.2020



Nikhil R Kumar
Partner, M No: 231162

Note: 20			(₹ in lakh)
DISCLOSURE REQUIREMENTS:			
A. Capital	2019-20		2018-19
a) CRAR (%)	22.40		19.24
b) Risk Weighted Assets			
1) On Balance Sheet items	229383.25		222942.76
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	33026.94	98.15	97.25
2. SIDBI	613.33	1.82	2.71
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.03	0.04
TOTAL	33650.43	100	100.00
d) Net worth	58474.50		45741.34
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	15902.29	4.74	5.77
b) Net NPAs under the prescribed asset classification categories	4649.20	1.45	1.82
c) Provisions:			
	2019-20		2018-19
1. Provision for Standard Assets	2510.83		2925.13
2. Provision for NPA	11260.10		10845.80
3. Provision for Investments	74.38		74.38
4. Provision for Income Tax	1127.86		1393.41
5. Provision for Deferred Tax Liability	42.16		-497.95
6. Provision for Other Assets	1520.00		16.13
7. Proposed Dividend	-		113.25
8. Provision for Dividend Distribution Tax	-		23.28
	2019-20	2018-19	Variance
d) Movement in Net NPA (%)	1.45	1.82	-0.37

C. Liquidity:						(₹ in lakh)
a) Maturity pattern of Rupee assets.						
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total
Total assets	93261.32	114059.68	90644.62	35889.29	1335.13	335190.04
Total Liabilities	66616.37	112641.73	89458.29	34081.97	0.00	302798.36
					2019-20	2018-19
D. Operating Results:						(₹ in lakh)
a) Interest income as a percentage to average working funds-					9.74	10.97
Interest Income					30,853.26	29,219.72
Average Working Funds					3,16,706.68	2,66,437.54
b) Non-interest income as a percentage to Average Working Funds-					3.23	5.11
Non-interest income					10,238.57	13,606.61
Average Working Funds					3,16,706.68	2,66,437.54
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-					1.43	1.16
Operating Profit (+) / Loss (-)					4,526.67	3,099.75
Average Working Funds					3,16,706.68	2,66,437.54
d) Return on Average Assets-					1.39	1.10
Returns (operating profit + depreciation)					4,725.75	3,183.82
Average Assets					3,40,517.24	2,88,243.51
e) Net profit (+) / Loss (-) per employee					8.96	8.67
No. of employees					205	204
Net profit (+) / Loss (-)					1,836.65	1,769.53

CASH FLOW STATEMENT

(₹ in lakh)

FOR THE PERIOD	For the year ended 31.03.2020	For the Year ended 31.03.2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	3,006.67	2,664.99
Dividend Received	-	(2.18)
Interest received on Fixed Deposits	(1,110.68)	(1,266.17)
Depreciation on fixed assets	199.08	84.07
Provision for Non Performing Assets / Other Assets	-	434.77
Interest and other costs of Non-SLR Bond	9,405.33	8,580.41
Adjustment for changes in operating assets and liabilities	-	-
Increase in Loans and advances	(23,382.09)	(23,221.52)
Increase in borrowings from banks and SIDBI	56,549.21	(14,461.38)
Decrease in other non-current assets	(41,936.37)	4,880.08
Decrease in other current assets	(681.25)	(1,805.43)
Increase in current liabilities	776.91	9,878.97
Less: Income tax paid	(2,115.00)	(1,332.00)
Net cash from operating activities	711.81	(15,565.39)
CASH FLOW FROM INVESTING ACTIVITIES	-	-
Purchase of fixed assets	(644.66)	(110.29)
Dividend Received	-	2.18
Net cash used in investing activities	(644.66)	(108.11)
CASH FLOW FROM FINANCING ACTIVITIES	-	-
Money received against Share Capital	11,000.00	-
Issue of Non SLR Bond	25,000.00	25,000.00
Redemption of Non-SLR Bond	(5,150.00)	(10,000.00)
Interest and other costs of Non-SLR Bond	(9,405.33)	(8,580.41)
Interest Received on Fixed Deposits	1,110.68	1,266.17
Investment in NCD	-	(6,080.00)
Deposit with Banks	(5,600.00)	(1,948.53)
Dividend and Dividend Tax paid	(136.53)	-
Net cash used in financing activities	16,818.82	(342.77)
Net increase in cash and cash equivalents	16,885.97	(16,016.29)
Cash and cash equivalents at the beginning of the year	489.70	16,505.99
Cash and cash equivalents at the end of the year	17,375.67	489.70

PROFORMA-I

SECTOR WISE LOANS OUTSTANDING AS ON 31.03. 2020

(₹ in lakh)

Particulars	Number		Standard		Number		Standard		Total	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
CRE	191	34419.07	24	3520.29	215	37939.36				
MANUFACTURING	1082	61075.56	122	2810.37	1204	63885.93				
SERVICE	3300	223793.11	165	9571.63	3465	233364.74				
TOTAL	4573	319287.74	311	15902.29	4884	335190.03				

PROFORMA-II

SUMMARY OF LOAN OPERATIONS FOR FY 2019-20

(₹ in lakh)

Sl No	Particulars	Micro		Small		Medium		Total	
		No	Amount	No	Amount	No	Amount	No	Amount
1	Applications pending as on 01.04.2019	4	830	5	3566	3	3800	12	8196
2	Applications received during 2019-20	860	70297	964	77372	549	36786	2374	184456
3	Total application for consideration	864	71127	969	80938	552	40586	2386	192652
4	Application withdrawn/rejected or otherwise	68	5900	59	6063	74	6583	201	18546
5	Application sanctioned(Gross)	792	65143	899	71743	473	33007	2165	169892
6	A. Application cancelled/reduced out of Current year's sanction	22	1534	21	1969	11	601	54	4104
	B. Application cancelled/reduced out of Previous year's sanction	2	28	1	70	0	0	3	98
	C. Total cancellation/reduction(6A+6B)	24	1562	22	2039	11	601	57	4202
7	Application sanctioned effectively(5-6A)	770	63608	879	69774	462	32406	2111	165788
8	Amount disbursed along with number of newly assisted units	1554	55821	2990	86268	116	2526	4660	144615
9	Application pending sanction as at the end of the period	4	85	11	3133	5	996	20	4214

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2019-20

Branch Name	Applications received						Gross sanction									
	Micro		Small		Medium		Total		Micro		Small		Medium		Total	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Alappuzha	84	8765	42	4655	23	2155	149	15575	79	8708	40	4354	18	2032	137	15094
Ernakulam	70	6998	60	6105	47	4573	176	17676	67	6373	57	5438	42	3994	166	15805
Kannur	37	1660	65	2905	26	1120	128	5685	36	1530	62	2677	24	1032	122	5239
Kasaragode	77	4860	113	7255	72	4290	262	16405	74	4387	108	6395	67	3964	248	14747
Kattappana	31	887	29	840	35	1214	95	2941	27	854	26	802	31	984	84	2640
Kollam	59	3108	73	3988	42	2148	174	9244	55	2716	69	3405	39	1940	163	8061
Kottayam	18	2454	17	2457	11	963	45	5874	17	2340	16	2217	5	739	39	5295
Kozhikode	48	2650	105	4110	66	2650	219	9410	45	1839	98	3998	59	2399	202	8236
Malappuram	70	3754	53	2853	43	2303	166	8910	62	3141	47	2387	38	1927	147	7455
Palakkad	19	1440	39	3056	23	2046	81	6542	16	1362	34	2860	20	1702	71	5924
Pathanamthitta	59	3228	33	1793	29	1178	120	6199	55	3189	30	1771	20	1164	105	6124
Perumbavoor	24	1045	39	1688	27	1165	90	3898	21	657	34	1061	24	733	79	2450
Thiruvananthapuram	165	23371	209	30098	70	9368	444	62837	158	22651	203	29064	62	8869	423	60584
Thodupuzha	15	362	12	294	9	226	36	883	10	355	8	288	6	222	24	865
Thrissur	45	3728	56	4317	19	1145	119	9190	43	3362	54	4203	14	1121	111	8686
Wayanad	42	1988	20	958	7	241	69	3187	28	1681	13	822	3	187	44	2689
Grand Total	860	70297	964	77372	549	36786	2374	184456	792	65143	899	71743	473	33007	2165	169892

PROFORMA-IV

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2019-20

(₹ in lakhs)

Branch Name	Effective Sanction						Loan Disbursed									
	Micro		Small		Medium		Total		Micro		Small		Medium		Total	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Alappuzha	78	8708	39	4354	18	2032	135	15094	127	6084	71	3401	11	527	209	10012
Ernakulam	66	6373	56	5438	41	3994	163	15805	71	1627	119	2728	2	46	192	4401
Kannur	35	1530	62	2677	24	1032	121	5239	98	3887	162	6426	0	0	260	10313
Kasaragode	73	4387	107	6395	66	3964	246	14747	248	459	792	1467	3	6	1043	1931
Kattappana	26	854	25	802	30	984	81	2640	76	671	89	786	0	0	165	1456
Kollam	55	2716	68	3405	39	1940	162	8061	91	4432	171	8329	7	341	269	13102
Kottayam	16	2340	15	2217	5	739	37	5295	67	5697	42	3571	0	0	109	9268
Kozhikode	44	1839	97	3998	58	2399	199	8236	101	789	249	1944	12	94	362	2827
Malappuram	59	3141	45	2387	36	1927	141	7455	138	1758	224	2854	6	76	368	4689
Palakkad	15	1362	32	2860	19	1702	66	5924	41	2422	91	5375	0	0	132	7797
Pathanamthitta	51	3189	28	1771	19	1164	98	6124	86	4808	70	3913	7	391	163	9112
Perumbavoor	21	657	33	1061	23	733	77	2450	51	16504	88	28477	2	647	141	45628
Thiruvananthapuram	155	21116	199	27095	61	8268	414	56480	207	1399	411	2778	37	250	655	4426
Thodupuzha	10	355	8	288	6	222	24	865	24	4227	68	11976	0	0	92	16203
Thrissur	43	3362	54	4203	14	1121	111	8686	47	198	218	918	25	105	290	1222
Wayanad	23	1681	11	822	3	187	36	2689	81	859	125	1325	4	42	210	2227
Grand Total	770	63608	879	69774	462	32406	2111	165788	1554	55821	2990	86268	116	2526	4660	144615

HIGHLIGHTS OF PERFORMANCE

(₹ in lakhs)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	1	2	3	4	5	6	7	8	9	10
Applications Received No	702	694	721	1147	1364	1383	689	749	957	2458
Applications Received Amount	59699	64294	77271	98962	148269	112049	50424	78491	174054	316541
Applications Sanctioned No	742	634	639	1111	1311	1328	634	669	885	2111
Applications Sanctioned Amount	50706	53901	66139	101173	94745	102599	38531	72393	164495	165788
Disbursement Amount	44344	46457	47594	75473	65709	83836	65527	60023	81579	144615
Recovery Amount	35473	46717	54022	56513	68427	75820	87428	94467	90000	108209
Number of Loan accounts	6049	5985	6114	4196	4498	5264	5497	4439	4231	4884
Balance Outstanding Amount	112481	123984	140143	180037	203818	240019	247411	245179	268401	335190
Authorised Capital	35000	35000	35000	35000	35000	35000	35000	35000	35000	50000
PAID UP CAPITAL										
State Government	20574	20574	20574	20574	21563	21563	21563	21563	22027	33027
SIDBI	613	613	613	613	613	613	613	613	613	613
Others	10	10	10	10	10	10	10	10	10	10
Total	21197	21197	21197	21197	22186	22186	22186	22186	22650	33650
INCOME										
Interest on Loans	12064	15730	25294	26312	30915	29976	35195	36557	40475	38694
Other Income	4534	5695	476	307	167	872	1277	1131	2351	2351
Total	16598	21425	25770	26619	31082	30847	36473	37688	42826	41046
EXPENDITURE										
Interest on Bonds	759	1043	2111	3419	4675	5454	6917	6677	8129	8950
Interest on Refinance & other borrowings	5071	7166	6590	7078	9278	10921	12599	11847	10014	12381
Fund Raising expenses	1166	244	241	370	417	526	558	521	451	455
Employee benefit expenses	2463	1792	2317	2356	2595	2701	2864	3407	3610	3152
Administrative Expenses	410	402	438	574	527	523	503	640	671	713
TOTAL	9869	10647	11697	13797	17492	20125	23440	23092	22875	25651
Profit/Loss before depreciation	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Write off/Provisions	6729	10778	14073	12822	13590	10722	13032	14596	19951	15441
Depreciation	64	58	57	65	53	129	184.37	96	84	199
Bad debts Written off	495	3078	2566	4139	4280	5867	12061.13	12481	16767	10715
Provision for Bad & Doubtful debts/other assets	1419	482	1626	1311	3811	2692	0	515	419	1520
Net Profit/Loss	3640	4565	6683	4134	1437	533	787	1504	2665	3007
Net Worth	29736	32585	38376	41484	42392	42917	43545	44108	45741	58475
Gross NPA(%)	8.20	3.60	3.51	3.45	7.85	10.57	8.51	6.37	5.77	4.74
Net NPA(%)	1.88	1.30	0.36	0.35	3.71	5.93	4.25	2.03	1.82	1.45
Share Capital issued	791	0	0	214	989	0	0	0	464	0
Bonds issued	0	20000	0	20000	20000	0	25000	0	25000	25000
Borrowings from Banks & Fls	42200	19400	25900	30210	32799	56201	35000	67000	60900	197955
Repayment of Bonds	3641	3655	2453	0	0	5000	5000	5000	10000	5150
Repayment of Borrowings from Banks & Fls	19241	18020	28274	22211	24751	23216.7	28753	48037	66054	108044
Cumulative Sanction up to 31.03.2020									No	Amount
Cumulative Disbursement up to 31.03.2020									50549	1306072
									55287	1041286

Events





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Thiruvananthapuram 695033, Kerala, India
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Fax : 0471 2311 750
www.kfc.org | kfc@kfc.org





ANNUAL REPORT 2020-21





Upstrike Arena, Thiruvananthapuram



Tea Harvester, Munnar



Sha Convention Centre, Kollam



Amrit Regency, Kollam



Hard Leaf Hardening Nursery, Thrissur



Colonial Hardwood Pvt Ltd, Kannur



Malampuzha Hotels, Palakkad

ANNUAL REPORT 2020-21



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GOVERNMENT OF KERALA



Pinarayi Vijayan
CHIEF MINISTER

I am happy to note that the Kerala Financial Corporation continues to perform well even though our economy is under severe stress due to the COVID-19 pandemic.

It is noteworthy that through special schemes like the Chief Minister's Entrepreneurship Development Programme and schemes for Startups, KFC continues to reach out to a larger section of the people.

I hope that KFC will continue its role in supporting MSMEs and Startups and identify new areas in which it can assist entrepreneurs as Kerala moves closer to its goal of becoming a knowledge economy and an innovation society. This will in turn push Kerala's economy to greater heights.

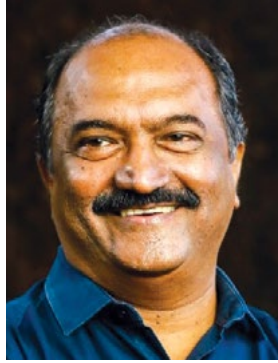
I extend my warm wishes to KFC and its customers.

A handwritten signature in black ink, appearing to read 'Pinarayi Vijayan'.

Pinarayi Vijayan



GOVERNMENT OF KERALA



K N Balagopal
Minister for Finance

KFC is a trendsetter in the field of long-term finance, playing a major role in the development and industrialization of Kerala. The Corporation has now emerged as a financial supermarket giving its customers a wide range of products and services.

In spite of the stress due to COVID-19, the Corporation could improve its performance, during the FY 2020-21, in terms of portfolio growth, sanctions, disbursements, recovery etc. The Corporation could curb its NPA levels also.

I am happy to see that KFC has revamped its policies and procedures and also reduced interest rates further to support MSMEs during its pandemic time. As part of COVID-19 Relief package, the Corporation has recently announced three new loan schemes. 'Startup Kerala Scheme', Special scheme for units in Industrial Estates and the revamped Chief Minister's Entrepreneurship Scheme (CMEDP) for MSMEs.

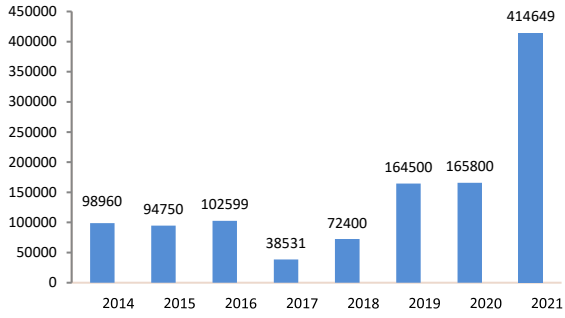
We are passing through a very difficult time in human history, collectively we will face and tide over this crisis period. I hope all the employees, customers and stakeholders of KFC, will strive for the developmental needs of our state.

K N Balagopal

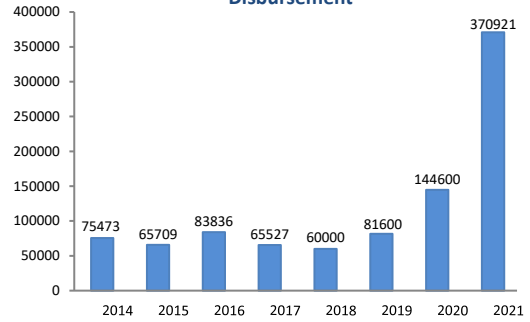
FINANCIAL HIGHLIGHTS

₹ in lakh

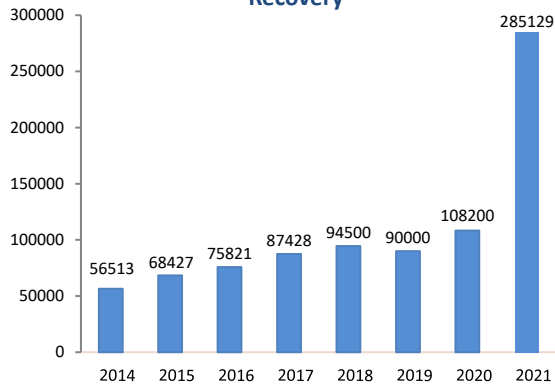
Sanctions



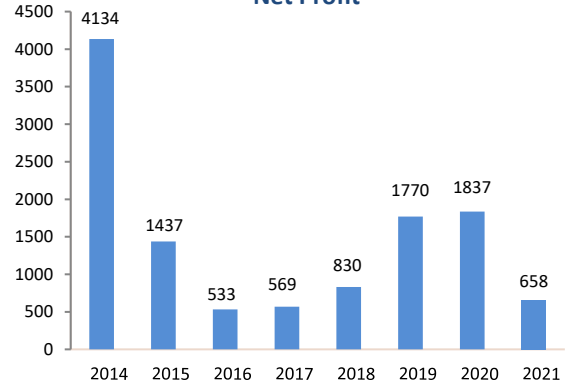
Disbursement



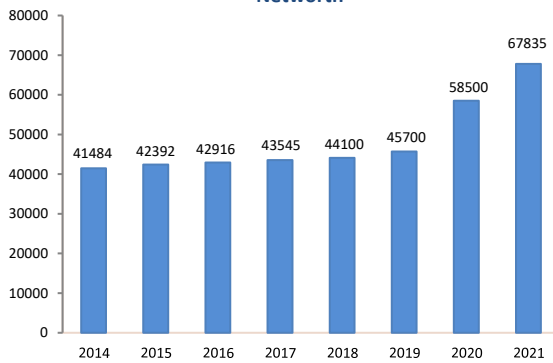
Recovery



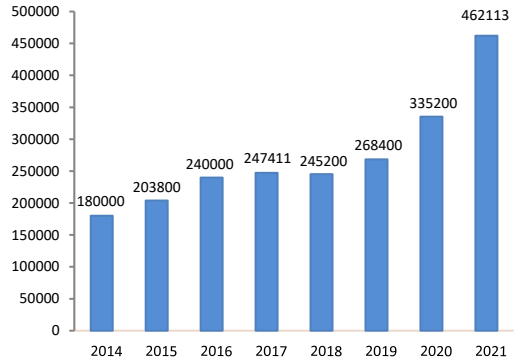
Net Profit



Network



Portfolio



BOARD OF DIRECTORS



Sri. Sanjay Kaul IAS
Chairman & Managing Director



Sri.S Harikishore IAS
Directorate of Industries &
Commerce, Govt. of Kerala



Sri. E.K Harikumar
Chief General Manager
SBT (Rtd.)



Sri. Anilkumar Parameswaran
Chartered Accountant



Shri.Seetharaman V
General Manager, SBI



Smt. Deepa Sivadasan
Senior Divisional Manager, LIC



Sri. T.Balaji
Asst. General Manager, SIDBI



PRINCIPAL OFFICERS

Executive Director

Sri. Premnath Ravindranath

General Managers

Sri. Ranjithkumar E R

Sri. Ajithkumar K

Deputy General Managers

Sri. Adarsh R

Sri. M Manisankar

Sri. Rajesh R

Financial Controller

Smt. Soya K

Statutory Auditor

Krishnan Retna & Associates, Chartered Accountants

Thiruvananthapuram

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 68th Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held on Tuesday, Aug 31, 2021 at 11.00 AM through Video conferencing (VC) to transact the following businesses:

1. To consider and adopt the Balance Sheet as at March 31, 2021 and the Profit & Loss account for the year ended March 31, 2021 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2020-21 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2021-22 under Section 37 (1) of the SFC Act 1951.



By Order of the Board
Executive Director

Place : Thiruvananthapuram,
Date : 12.08.2021

NOTES:

1. In view of the continuing COVID-19 pandemic, the holding of the Annual General Meeting ("AGM") through video conferencing (VC), without the physical presence of the shareholders is permitted and AGM will be held through VC.
2. The attendance of the shareholders attending the AGM through VC will be counted for the purpose of reckoning the quorum .
3. Since this AGM is held through VC , physical attendance of shareholders has been dispensed with. Accordingly, the facility for appointment of proxies by the shareholders will not be available for the AGM and hence the Proxy Form is not annexed to this Notice.
4. A shareholder being a body Corporate including Small Industries Bank, Public Sector Banks, Co-operative Banks, Co-operative Societies and LIC may, by a resolution of its Directors, authorise any of its officials or any other person (not being an officer or employee of the Corporation) to act as its representative to attend the AGM through VC , participate and cast their votes at the meeting. The certified true copy of the resolution appointing him as a duly authorised representative by the Chairman of the meeting at which it was passed shall be sent to the email id: accounts@kfc.org not less than 48 hours before the time fixed for the meeting.
5. The State Government may, by order in writing, authorise any of its officers, whether a Director of the Corporation or not, to act as its representative to attend the AGM through VC, participate and cast their votes at the meeting. The copy of the order shall be sent to the email id: accounts@kfc.org not less than 48 hours before the time fixed for the meeting.
6. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 23.08.2021 to 31.08.2021 (both days inclusive).
7. Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the SFC Act, 1951.
8. The meeting shall be held, conducted, and the business there at shall be transacted in adherence to the provisions of the SFC Act, 1951 (As amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.
9. Shareholders who have not yet registered their email addresses are requested to register the same with their DPs in case the shares are held by them in electronic form and with the Corporation in case the shares are held by them in physical form.

DIRECTORS' REPORT

To
The Stakeholders,

The Board of Directors takes immense pleasure in presenting the 68th Annual Report of Kerala Financial Corporation (KFC) along with the Audited Balance Sheet as at March 31, 2021, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2021. The success stories and initiatives taken along with performance highlights are also given in the Annual Report for the year 2020-21.

As the COVID-19 pandemic looms over the world, utmost priority is given for the health and wellbeing of people. We take this opportunity to bow our heads for COVID-19 combatants and express sympathies for those who lost their lives, including some of the staff of the Corporation.

As a State Financial Corporation incorporated under the State Financial Corporations Act of 1951, KFC is a strategically important financial institution in the State of Kerala, contributing towards the economic, industrial and social development of the state, by extending financial assistance to micro, small and medium enterprises in the manufacturing and service sectors. The Corporation is one of the best performing State Financial Corporations in the country with a competent tech savvy team of professionals at the core of services. KFC with constant endeavour has remodelled itself to become an institution that offers a bouquet of financial products and services to various business sectors at competitive terms with a customer friendly approach. Since inception, KFC has nurtured more than 65000 projects, spread across the length and breadth of the State.

The unprecedented crisis owing to COVID-19 pandemic has triggered a massive economic loss, severely impacting human and economic activity. India's GDP contracted by 7.3 per cent during FY 2021 due to the sudden outbreak of the COVID-19 pandemic which resulted in shutdown of major industries and nationwide lockdowns. The economic slowdown triggered by the pandemic has majorly impacted retail low-income borrower segments, self-employed professionals and MSME businesses. Government of India and RBI took several initiatives to combat the economic turbulence due to lockdown restrictions. The Monetary Policy Committee (MPC) of the RBI has kept key policy rates unchanged since May 2020, after having brought them down to a record low of 4% from 5.15% through two rate cuts (75 bps in March 2020 and 40 bps in May 2020), to assuage the economic consequences of the Covid-19 pandemic. Moreover, the MPC has continued with the accommodative policy stance after changing it from neutral to accommodative in June 2019. In addition, to enable the smooth functioning of financial markets, the RBI announced additional liquidity boosting measures such as OMOs, G-saps, forex swaps, TLTROs and sector-specific measures. The Government of India announced a fiscal stimulus package through collateral free debt, guarantee to subordinate debt through fund of funds and through interest subvention schemes, Productivity Linked Incentives (PLI) Schemes etc.

The State of Kerala has taken several steps to revive the economy affected by the adverse effects of the COVID-19 induced slowdown. Kerala's performance in containing the first wave of the COVID-19 pandemic was satisfactory, being the first state to unveil a ₹ 20000 crore financial package in March 2020 to tide over the pandemic crisis. Measures to improve the infrastructure and ease of doing business have built the investors' confidence. Encouraging entrepreneurship and providing resources for MSME growth are the other major steps in this direction.

The Kerala government has now come out with a supplementary package of ₹ 5,650 crore for helping out small traders, industries and farmers to tide over the crisis caused by the second wave of COVID-19. A ₹ 2,000 crore interest subsidy scheme for loans taken from Central and State financial institutions, cooperative sector institutions and commercial Banks form the major component of the package. Further, the rent on government space let out to shops has been waived till December 31, 2021. For providing a breather to MSMEs, the Government has also waived building tax, rent and the fixed charge on electricity connection for the period from July to December. As part of COVID-19 Relief package, the Government of Kerala has also announced three new schemes through KFC. 'Startup Kerala Scheme', Special scheme for units in Industrial Estates and the revamped Chief Minister's Entrepreneurship Scheme (CMEDP) for MSME units.

The Authorized share capital of the Corporation was increased from ₹ 35000 Lakh to ₹ 50000 Lakh and the present Paid up share capital is ₹ 42650.43 Lakh. The Government of Kerala has supported the Corporation through consistent capital infusions, including the recent equity infusion of ₹ 20000 Lakh in March and June 2020. The continued capital support from the Government of Kerala on an ongoing basis shows the Corporation's strategic importance to the State.

The Corporation took up the crisis caused by the pandemic as a challenge to support the State Government and revive the economy of the State to its earlier trajectory. As the economy is looking forward to the tremendous opportunities that would arise post pandemic condition, the Corporation has extended financial assistance to various State PSUs involved in fighting COVID-19 by discounting Promissory Notes issued by the Government and contractors bill discounting schemes. Further, new loan schemes were announced and moratorium was extended to various sectors that experienced potential stress. Moreover, KFC is the nodal and implementing agency for several policy initiatives by the Government of Kerala.

Even though the economy is under severe stress, the Corporation positioned itself well and was able to improve its bottom-line through resilient performance, in terms of ever time high loan portfolio growth, higher sanctions, disbursements and recovery. The Corporation also was able to significantly curb the NPA levels. The metric that best captures performance is the loan portfolio growth which improved by about 37.87% compared to the preceding year. The other key performance indicators are Sanctions (up 150.11%) , Disbursements (up 156.49%), Recovery (up 163.50%) and Gross NPA (down 24.47%). The performance is a reflection of the various reforms taken as a means of leveraging the business through reduction in interest rate, digitization for improved customer experience, productivity, revenue and quality of loan portfolio through continuous effort thereby establishing the corporation as one of the State’s leading Financial Institution and country’s number one State Financial Corporation with a wide range of products and services and innovative schemes.

Overall improved performance, comfortable capital adequacy, improved net worth, adequate liquidity position, reduction in NPA levels, higher provision coverage, etc. echo the financial discipline of the Corporation. Though the economic activity is gaining steam, considerable uncertainty surrounds the outlook owing to the renewed surge in COVID-19 cases. The Corporation benefits from the strong support received from the Government of Kerala. Moreover the Corporation has sufficient infrastructure and resources to gear up and tackle the temporary disruptions. Considering the continuing disturbances due to the second wave of COVID-19, KFC will be providing financial assistance through more attractive packages especially to the Health, Hospitality, Manufacturing sectors and Startups.

PERFORMANCE OF THE CORPORATION

The performance highlights of the Corporation for the last two FYs are as given below:

₹ in Lakh

Financial Year	2019-20	2020-21	Growth (%)
Portfolio Size	335190.04	462112.51	37.87
Sanctions	165788.00	414648.56	150.11
Disbursements	144615.00	370921.22	156.49
Recovery	108209.00	285128.94	163.50
Interest Income	30853.26	40387.39	30.90
Total Income	41091.83	49094.29	19.47
Total Expenditure	36565.16	46193.18	26.33
Op. Profit before technical write off of bad debts	15241.89	15285.79	0.29
Op. Profit after technical write off of bad debts	4526.67	2901.12	-35.91
Net Profit before Tax	3006.67	1282.98	-57.33
Net profit after tax	1836.65	657.93	-64.18
Basic EPS (in ₹) [face value ₹ 100/-]	7.65	2.04	-73.33
Diluted EPS (in ₹) [face value ₹ 100/-]	7.64	1.62	-78.80
Net worth	58474.50	67834.76	16.01
Capital Adequacy Ratio %	22.40	22.85	2.55
Gross NPA as % of Gross Advances	4.74	3.58	-24.47
Net NPA as % of Net Advances	1.45	1.48	2.07

BUSINESS ACHIEVEMENTS

Sanctions and Disbursements

The Corporation sanctioned financial assistance of ₹ 414648.56 Lakh during the FY 2020-21 when compared to ₹ 165788.00 Lakh during the previous FY thus recording a growth of 150.11%. An amount of ₹ 370921.22 Lakh was disbursed during the FY 2020-21 as against ₹ 144615 Lakh during the previous FY thus recording a growth of 156.49%.

Recovery

The Corporation has a well-built monitoring mechanism for recovery. The Corporation has taken a soft stand towards the customers who are struggling due to the pandemic. However, strict action has been taken against those who have deliberately defaulted on their repayments much before the pandemic started. SARFAESI procedures have been expedited. Units acquired by KFC under section 29 of SFCs Act 1951 were put up for sale through e-auction.

As a result of tightening recovery measures especially in the second half of the FY, recovery during the year touched an all time high of ₹ 285128.94 Lakh, despite the economic slowdown and the disruptions caused by the COVID-19 pandemic. Out of the total recovery, ₹ 5600.93 Lakh was by way of compromise settlement and recovery from written off loans. For defaulters who could not settle their dues due to the outbreak of the COVID-19 pandemic, the settlements sanctioned under the Adalath 2018 scheme and Mini Adalath 2020 scheme were extended till 31st March 2021 as a one time relief measure. Out of 179 cases in Mini Adalath 2020 scheme, 64 cases have been settled, including 36 cases settled during the FY 2020-21 (PY 28 cases). The total amount received in the Mini Adalath scheme for the year ending 31.03.2021 amounts to ₹ 1787.21 Lakh (PY Rs 2019.94 Lakh). Under Adalath 2018 Scheme, out of 447 cases, 290 cases have been settled, including 14 cases settled in 2020-21 (PY 23 cases). The total amount received under Adalath 2018 scheme for the year ended 31.03.2021 amounts to ₹ 2155.38 Lakh. (PY ₹ 2983.57 Lakh).

The interest income grew by 30.90% during the year to ₹ 40387.39 Lakh as compared to ₹ 30853.25 Lakh during the previous year. Despite the huge increase in disbursements, the interest income has not proportionately increased mainly because of the reduction in interest rates. Majority of the customers have been benefitted with lower rate of interest.

Portfolio

During the year, the Corporation reported a year on year portfolio growth rate of 37.81%, to touch ₹ 462112.51 Lakh as against ₹ 335190.04 Lakh during the previous year in spite of the subdued general economic scenario. The Corporation has taken various steps to achieve the projected growth without compromising on credit quality and pursuing stringent credit administration standards. The sector wise classification of Loans & Advances as on March 31, 2021 is furnished below.

₹ in Lakh

	Sector	As on 31.03.2021			As on 31.03.2020		
		No	Amount	%	No	Amount	%
1	Manufacturing	2051	164640.17	35.63	1,204	63885.98	19.06
2	Service	3734	261879.07	56.67	3,465	233364.91	69.62
3	CRE	200	35593.27	7.70	215	37939.15	11.32
	Total	5985	462112.51		4884	335190.04	

FINANCIAL PERFORMANCE

Profit

The Corporation reported a total income of ₹ 49094.29 Lakh during the year as against ₹ 41091.83 Lakh during the FY 2019-20. The operating profit for the year under review decreased by 35.91% to ₹ 2901.12 Lakh as compared to ₹ 4526.67 Lakh during the previous year mainly due to higher technical write off of doubtful assets. The Corporation has registered a Net profit of ₹ 657.93 Lakh as compared to ₹ 1836.65 Lakh during the previous year.

Dividend

Based on the RBI directions to conserve the capital and to absorb losses due to the uncertainty caused by COVID-19, it is proposed not to make any dividend payments from the profits pertaining to FY 2020-21.

Capital & Reserves

The Corporation's paid up capital as on March 31, 2021 is ₹ 42650.43 Lakh. The capital plus reserves of the Corporation has moved up by 16.01% from ₹ 58474.50 Lakh to ₹ 67834.76 Lakh (comprising of paid-up equity capital of ₹ 42650.43 Lakh and reserves of ₹ 25184.33 Lakh).

Shareholding pattern

The composition of shareholders as on March 31, 2021 is furnished below:

Shareholders	Amount (₹ in Lakh)	% of Shareholding
Government of Kerala	42026.94	98.538
SIDBI	613.33	1.438
LIC	7.10	0.017
SBI	2.10	0.005
Others	0.96	0.002
Total	42650.43	100.00

The Capital to Risk Weighted Assets Ratio (CRAR)

The Capital to Risk Weighted Assets Ratio (CRAR) of the Corporation as on March 31, 2021 according to Basel III guidelines is 22.85% (22.40 % as on March 31, 2020) as against the statutory requirement of 9%.

Asset Quality

The Corporation gives utmost priority in maintaining the asset quality of the loan portfolio. As on 31.03.2021, the Standard assets stood at 96.42% of the loan portfolio. Despite the stress witnessed in the banking scenario on account of growing NPAs, the Corporation by strenuous recovery efforts and persistent monitoring has been successful in maintaining the Standard assets portfolio and reducing the Gross NPA to 3.58 % in March 2021 from 4.74% in the previous year. The net NPA stands at 1.48% in March 2021 as compared to 1.45% in the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 76.93%.

Key Business Initiatives

The Corporation is committed to capitalise growth opportunities and enhance customer experience by developing a responsible corporate governance framework in adherence to the highest ethical standards and without compromising on the regulatory compliance. During the year, the Corporation has launched new products and services and also fine-tuned the existing loan schemes, services and processes to remain competitive. As a result, the Corporation could grow the lending business largely and has acquired a new image among entrepreneurs as the partner of choice. The key initiatives taken up during the year are given below:

a) Special Loan Schemes

- i) **Special Bill discounting scheme** has been extended to Government Contractors to discount their final bills accepted by Government . Department/ Agencies without any collateral.
- ii) **COVID Relief Loans.** Three COVID Relief loans were introduced. The first scheme is for units engaged in manufacturing products or those providing services in fighting COVID-19 against the work order received by them. The second scheme is to provide top up loans to existing customers of KFC to tide over the crisis, without providing any additional security. Through the third scheme, KFC supported new MSME units with a loan of up to ₹ 50 lakh, including those units marketing MSME products. KFC has also granted moratorium for loan repayments to existing customers as part of the relief package. Loans amounting to ₹ 25221.17 Lakh were sanctioned to 419 existing and new ventures. In addition, 6 months moratorium was given to units during the lockdown period.
- iii) **Chief Ministers Entrepreneurship Development Programme (CMEDP)** - 1937 new ventures were assisted under the CMEDP scheme. Loans up to Rs 1 lakh were given with CGTMSE coverage. Special preference was

given to women and persons with disabilities. Loans up to Rs 50 lakh were offered at a net effective rate of interest of 7% under liberal terms and conditions with 3% subsidy from Government of Kerala. For the returning NRKs who have lost their jobs abroad due to COVID-19, the scheme was offered at an interest rate of 4% with subsidy from NORKA under “NORKA Department Project for Rehabilitation of Return Emigrants” (NDPREM). The MOU between Corporation and NORKA has been extended for a further period of 3 years and is valid till 31.03.2024.

iv) Schemes for Startups – Sanctions were given to ten new Startups during the year without any collateral security. Three comprehensive loan schemes were launched for start-ups recommended by Kerala Startup Mission (KSUM) as follows:

- a) Loan Scheme up to ₹ 1,000 lakh for Financing Working Capital Requirements of Startups for Executing Purchase Order
- b) Seed Loan Assistance up to ₹ 1,000 lakhs to Startups for developing socially relevant products prescribed by UNO and required by Government Department.
- c) Venture Debt Funding scheme up to ₹ 1,000 lakh for IT Hardware & Software Enterprises

b) Green Initiatives

i) The Corporation also launched a special scheme to finance e-vehicles. The loan was made available at 7% interest as part of the existing CMEDP scheme. Eligible entrepreneurs can avail loans up to a maximum of Rs 50 lakh, capped at 80 per cent of the vehicle’s ‘on the road cost’. The loan will have a repayment period of 5 years and no collateral is required other than the hypothecation of the vehicle.

ii) KFC is also providing loans for converting buses to CNG. According to the new Motor Vehicle Act, buses in the cities of Thiruvananthapuram, Ernakulam and Kozhikode, which are more than 15 years old, must be converted to CNG to get permit beyond this period. Loans up to ₹ 5 lakh are being sanctioned for such buses under the scheme.

- a) Reduced the Base Rate to 8%.** The Corporation w.e.f. 01.01.2021, reduced its base rate from 9% to 8%. It was facilitated by the lower cost of funds. In this way, the concessions received by the Corporation were passed on to its customers.
- b) Strengthening the Credit Delivery System.** The proposals canvassed through the Marketing Vertical are scrutinized by a Centralized Business Review Committee (BRC) and quality proposals are given in-principal clearance within 7 days. Hence it is ensured that only quality proposals are processed in a time bound manner.
- c) Loan Monitoring Cell.** In order to have an effective follow up of loans, Loan Monitoring Cell (LMC) has been set up at Head Office to deal with loan files soon after the Sanction Communications are issued. In order to monitor Special Mention Accounts (SMA) in an effective way, a SMA Monitoring Vertical (SMV) has been established under LMC.
- d) Centralized Pricing of Loans.** The pricing of all loans are done through a centralized Internal Risk Assessment process wherein all borrowers, irrespective of the loan amount are priced based on the score obtained in the credit rating process.
- f) Sharing of defaulter’s information with Credit Information Bureaus.** There has been a significant increase in repayment, since the information on defaulters was shared with CIBIL and other credit information bureaus like Equifax, Experian and CRIF Highmark.
- g) Technological Enhancements.** KFC’s website was revamped and all the loan applications are accepted in the online mode only. High speed one-to-one internet and video conferencing system has been implemented in the branches of the corporation. This expedited the procedures and communication between the branches and the Head Office. More than eight years old computers were replaced with new ones. CCTV Surveillance has been implemented at all the offices. Moreover, repayments to special schemes are now being made on weekly basis for convenience. Digital transactions are promoted and payment platforms, like POS and Google Pay have been utilised.
- h) Austerity measures.** As a measure to keep the Administrative expenditures under control all payments

are now made directly from the Head office. Additional telephone and internet connections, which were incurring high costs, were cut off. Older vehicles were auctioned, and vehicles were rented for office use.

- i) **Operational Changes.** Agencies were empanelled for project report preparation, technical valuation, due diligence of customers, etc. to expedite the credit delivery process.
- j) **Employee Welfare.** Appointments were made to the posts of Assistant and Assistant Manager through KPSC. More women were appointed to key positions with the aim of women empowerment. The Corporation has also launched a platform for its employees to interact with business leaders to improve their industry knowledge. Global business leaders such as Shri.MA Yusuf Ali, Shri.Ravi Pillai, Shri.Azad Moopan and Shri.Kochouseph Chittilappilly interacted with KFC employees and shared their rich experience and valuable insights.
- k) **Increasing the Other Income of the Corporation.** IRDA has approved the Corporation for acting as Corporate Agent for procuring or soliciting insurance business (Licence No. NIA 9664897). The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 13th July 2022. The Corporation mobilised substantial premium in general insurance activity by marketing the insurance products. A Board approved Policy on soliciting and servicing insurance products is in place. The Corporation has corporate agency tie ups with The New India Assurance Company Limited, SBI General Insurance Company Limited and HDFC ERGO General Insurance Company Limited in General Insurance Segment and Life Insurance Corporation of India, SBI Life Insurance Company Limited and HDFC Life Insurance Company Limited in Life Insurance Segment to increase commission from the insurance business.
- l) **Fast Track processing of loan proposals.** KFC revised the Delegation of Powers by delegating Branch Level Committee to sanction loans up to ₹ 200 lakh to ensure speedy clearing of proposals. The appraisal process is also revamped by introducing Head office level Appraisal Hubs for sanction of loans above ₹ 200 lakh.
- m) **Letter of Guarantees to MSME Units.** Government vide GO(P)No.168/2018/Fin dated 02.11.2018 have accorded sanction to accept the Performance Guarantee of the Corporation issued to Contractors. This facility is extended to MSME units for availing Letter of Credit (LC) from the Bank, for import of machinery, raw materials, bidding process, obtaining advance payment, release of retention money, procurement of raw materials, etc.
- n) **Renovation of Head Office.** The renovation of the Head Office building of the Corporation to a modern style building is being undertaken. One time effort has been taken to preserve important manual files. Destruction of old files was carried out as per the 'Policy on Preservation of Documents' approved by the Board.

Resource mobilisation

- a) **LOC from Commercial Banks.** The Corporation availed ₹ 323554.46 Lakh as Term loan/ Working Capital Demand Loan/ Foreign currency loan from various Commercial Banks/ Financial Institutions and repaid ₹ 188752.30 Lakh during the FY 2020-21. The aggregate outstanding LOC from Banks and other Financial Institutions at the year end was ₹ 332750.52 Lakh. The Corporation got a rating affirmation for Bank borrowings of BWR A during the year, signifying a stable outlook.
- b) **Non SLR Bonds.** The Corporation issued 7.70% Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Debentures of ₹ 250 crore in Sep 2020 with credit enhancement mechanism without Government guarantee. The issue was done at an all-time best rate any state financial institution across the country has managed so far. The Corporation's strong financial base helped in getting even better rates than the major public sector banks. The Bonds with 'AA' rating has tenure of 10 years and listed in BSE. The Corporation remains the only PSU in the State, raising funds from the debt market, without the Government guarantee.

An amount of ₹ 242.90 Lakh was paid to the State Government as Guarantee Commission for the guarantees extended by them.

Listing

The NCDs issued by the Corporation are listed in the Bombay Stock Exchange and the annual listing fees have been

paid. The total outstanding bonds of KFC as on 31.03.2021 aggregate to ₹ 94167.50 Lakh as given below.

₹ in Lakh

SI No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Asset Cover ⁺	Maturity Date
1	14-Sep-20	7.70%	25000.00	25000.00	110%	14-Sep-30
2	09-Jul-19	8.99%	25000.00	25000.00	125%	09-Jul-26
3	04-Apr-18	8.69%	25000.00#	5497.50	125%	04-Apr-25
4	09-May-16	8.90%	25000.00#	18750.00	125%	09-May-23
5	30-Oct-14	9.15%*	20000.00#	4920.00	–	30-Oct-21
6	06-Jun-13	8.72%*	20000.00#	15000.00	–	06-Jun-23
		TOTAL	140000.00	94167.50		

* Issued with the Government guarantee

Partial redemption done

+ Asset cover maintained as per issue terms (secured by receivables)

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund' (REF) of ₹ 11.37 lakh equal to 0.01% of the issue size was created w.e.f. 22.02.2021 as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020. As on 31st March 2021, the REF required is only ₹ 9.42 Lakh being 0.01% of ₹ 94167.50 Lakh.

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to ₹ 50 Lakh. As on 31st March, 2021, 1300 accounts amounting to ₹ 1184.95 Lakh have been covered under the scheme.

Asset Liability Management (ALM)

The Corporation's business operations, sources of funds and risk factors have widened, necessitating appropriate steps to effectively deal with fund management and resources planning. The Asset Liability Management Committee (ALCO) continuously monitor, measure and manage the risks confronting the Corporation. The Corporation's Asset Liability Management (ALM) is aimed at strategic planning, implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken. The ALCO met 25 times during the year.

ISO Certification

The Quality Management Certificate was changed over to the new version IS/ ISO 9001-2015 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license is valid till 21st June, 2022. All the offices of the Corporation continue to hold the Quality Management System Certificate.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Apart from internal audit, Concurrent Audit of branch operations is also done through reputed firms of Chartered Accountants on a monthly basis. Further, audit of compromise settlement sanctions of above ₹ 25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above ₹ 100 Lakh is also in place. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2019-20 giving a clean report.

Statutory Auditors

The shareholders at its 67th Annual General Meeting held on July 30th 2020, appointed M/s. Krishnan Retna & Associates, Chartered Accountants (ICAI Firm Registration No. 301003E/E300005), as Statutory Central Auditors of the Corporation for the audit of the Corporation's accounts for the year 2020-21.

M/s Krishnan Retna & Associates, Chartered Accountants, vacates the office at the ensuing Annual General Meeting and are eligible for reappointment subject to the approval of the shareholders of the Corporation.

Internal Financial Controls and its adequacy

The Corporation has put in place adequate internal control measures and processes with respect to its financial record keeping procedure to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These controls and processes are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically and strengthened wherever considered necessary. The Corporation also ensures that internal controls are operating effectively, through the robust internal inspection and vigilance system.

Corporate Social Responsibility (CSR)

The Corporation believes that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility. The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members.

Participative Management

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by increasing their participation in the decision making process. Realising this, extensive delegation has been given at different levels across the state at the Branch and Zonal levels. At the Head Office/ Zonal Office/ Branch Office, the committee concept is widely used and decision making has been transparent and consultative.

Future Plans

The primary focus of the Corporation during FY 2021-22 will be to come out with new loan schemes to help MSMEs, Startups and existing units to tide over the stress faced by them on account of the economic fallout caused by the pandemic. The Corporation has set a target for FY 2021-22 to cross ₹ 500000 Lakh mark in the Loan and Advances portfolio.

The focus will be given on upgrading the IT infrastructure, moving to the Finacle platform, technology upgradation and to digitize all processes for quick delivery of services. The policies and systems are being constantly reviewed to focus on consolidating the existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts. The major action plans proposed are as follows:

New Initiatives.

- a) **Digital Meetings.** As part of Good Governance, Corporation shall digitalise its Board Meetings and Sub-Committee meetings in the first phase and all other committee meetings in the second phase.
- b) **Loan Origination System.** KFC will digitalise the entire loan journey by implementing Loan Origination System, where customers would need to upload minimum details online and their full details will be gathered and verified from public domains through APIs, without manual intervention.
- c) **New Core Banking Software.** KFC will move to Finacle, one of the leading Core Banking Solutions (CBS) of Infosys, in view of its growing business requirements. KFC will be the first State Financial Corporation in the country to use Finacle as its CBS. Corporation has executed the MOU and the implementation process is in progress.
- d) **Introducing Prepaid Debit Cards.** KFC will introduce debit cards in collaboration with SBI. KFC debit cards can be used to make all transactions like regular debit cards, including ATMs, POS machines and online transactions. In addition, the cards can be linked to KFC's mobile app.
- e) **To fight the second wave of COVID-19.** KFC has decided to take the following measures to support MSMEs/ Healthcare/ Hospitality sector units:
 - To provide moratorium for the principal repayment of MSME loans as per RBI guidelines.
 - Restructuring of existing loans without downgrading the asset classification as per RBI guidelines and without charging any additional interest.

- 20% additional loans to Healthcare, Hospitality, Travel, Tourism and MSME sector units assisted by the Corporation without insisting further collateral security, at lower interest rates.
 - Special Scheme for Assistance to MSMEs in Healthcare to Fight COVID-19, at lower interest rates.
 - Reduced interest rates of MSMEs/ Healthcare/ Hospitality sectors for existing and new customers wef. 01.07.2021.
- f) Chief Minister’s Entrepreneurship Scheme (CMEDP).** The existing CMEDP scheme will be modified with Government approval. The proposal is to enhance the loan limit to ₹ 1 crore at 5% interest, with an aim to provide loans to 2,500 MSME units in the next 5 years.
- g) Special scheme for units in Industrial Estates.** KFC will come up with a Special scheme for units located at Industrial Estates. Loans up to ₹ 20 crore will be sanctioned for a unit under the scheme. The Corporation plans to target ₹ 500 crore under the Scheme.
- h) KFC Startup Kerala Scheme.** KFC will launch a new Scheme named ‘Startup Kerala’. The Scheme will fund Startups during Productisation/ Commercialization/ Scaling Up stage. The maximum assistance for each stage shall be up to ₹ 25 lakh for productisation, up to ₹ 50 lakh for commercialization and up to ₹ 100 lakh for Scaling up, subject to 90% of the project cost in each stage. Loans shall be covered under CMEDP scheme at 7% rate of interest. The KFC will earmark ₹ 50 crore for this initiative.
- i) Working Capital arrangements with Banks.** KFC in collaboration with Banks will start working capital facilities to its customers.
- j) Empanelment of ‘Direct Selling Agents (DSA) – Connector’.** In order to reach out to the market to source more numbers of MSME proposals, KFC will engage Direct Selling Agents (DSAs).
- k) Submission of Financial Information to Information Utilities.** KFC will join NeSL IU as a member for Submitting Financial Information
- l) Digital Document Execution (DDE).** KFC will start Digital Document Execution (DDE) once Kerala State Government approves e-stamping.
- m) Increasing authorized share capital.** The authorized share capital of KFC will be increased to ₹ 100000 Lakh with permission of SIDBI and Government of Kerala.
- n) API Integration with Banks for Centralised Disbursement/ Payment of Expenses.** KFC will integrate its Core Banking Solution with the IT platform of Banks to automate disbursement, expenses, working capital loans, etc.

Corporate Governance

The Corporation is a Public Sector Undertaking under the State of Kerala committed to adopting best corporate governance practices by ensuring integrity in financial reporting, disclosure of material information, improvement of internal controls. We believe that effective corporate governance is not just a requirement for regulatory compliance, but also a facilitator for the enhancement of stakeholders’ value. The Corporation follows the regulations laid down by SIDBI and State Government. The Corporation keeps adequate focus on Corporate governance to meet the requirements of different stakeholders and compliance with regulatory requirements and integrate them into its functioning. To facilitate this, the Corporation has a professional Board of Directors which plays a supervisory and advisory role.

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Its Credit Policy, Loan Compromise Settlement Policy, Loan Monitoring and NPA Management Policy, Valuation Policy, Accounting Policy, Legal Guidelines, Internal Audit policy and Concurrent Audit Manual, Interest and Rating Policy, IT Policy, Staff Welfare Policy, Staff Accountability Policy, Performance linked variable Incentive Policy, Business Continuity Policy, Investment Policy, Fixed Asset Policy etc. were all reviewed by the Board during the year and wherever required necessary amendments are being done. ISO procedures are scrupulously complied with.

The Corporation has designated State Public Information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for giving reply under RTI. Time bound reply is given for all the petitions received under RTI. 85 applications were received during the financial year.

The Corporation has complied with provisions relating to the constitution of internal Complaints Committee under

Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women at the workplace and for prevention and redressal of such complaints. The Corporation did not receive any complaint during the financial year.

During FY20-21, a fraud was reported and FIR has been filed and the case is being investigated. The internal enquiry is also going on. During the year there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

Board of Directors:

The details of the Board of directors and their attendance in meetings during the year 2020-21 are given below.

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman and Managing Director	20.12.2019 to 06.09.2020	02	02
Shri.Tomin J Thachankary IPS, CMD	Chairman and Managing Director	07.09.2020 to 31.05.2021	04	04
Sri.K Biju IAS, Director	Director, Industries and Commerce	13.08.2018 to 19.05.2020	Nil	Nil
Shri.VR Premkumar IAS, Director	Director, Industries and Commerce	20.05.2020 to 25.11.2020	03	Nil
Shri.MG Rajamanickam IAS, Director	Director, Industries and Commerce	26.11.2020 to 15.06.2021	03	01
Shri.Sanjay Kaul IAS, Director	Secretary (Finance Expenditure)	20.05.2020 to till date	06	03
Sri.Partha Sarathi Patra, Director	Chief General Manager, SBI	15.07.2018 to till date	06	05
Shri.T Balaji, AGM, SIDBI, Director	Assistant General Manager, SIDBI	17.07.2019 to till date	06	01
Smt.Deepa Sivadasan SDM, LIC, Director	Senior Divisional Manager, LIC	06.06.2019 to till date	06	03
Shri.E.K. Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	06	06
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	06	06

Apex Committees

The Board of the Corporation met six times during the year on 20.05.2020, 17.08.2020, 24.09.2020, 26.11.2020, 10.02.2021 and 26.02.2021. The Board has Sub-Committees to oversee various functional aspects of business and operations of the Corporation. The Committees are Executive Committee, Audit Committee and Sub-Committee for Policy Revision.

The Executive Committee met five times during the year on 30.06.2020, 30.07.2020, 24.09.2020, 30.09.2020 and 26.02.2021.

The Audit Committee met three times during the year on 30.06.2020, 22.08.2020, and 19.01.2021.

The Sub-Committee for Policy Revision met eight times during the year on 02.04.2020, 15.04.2020, 16.04.2020, 18.04.2020, 20.04.2020, 23.04.2020, 13.05.2020 and 13.06.2020

Remuneration paid to Chairman & Managing Director

The total remuneration paid to Shri. Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2020-21 is ₹ 22.13 Lakh.

Directors' Responsibility Statement

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements that:

- a) in the preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- b) such accounting policies as mentioned in the Notes to the Financial Statements, have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at March 31, 2021 and of the profit of the Corporation for the period;
- c) the applicable guidelines prescribed for SFCs have been followed and there has been no material departure. Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;
- d) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI/ RBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
- e) the annual accounts for the financial year ended on March 31, 2021 have been prepared on a going concern basis;
- f) proper internal financial controls had been laid down and that such financial controls were adequate and were operating effectively;
- g) that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;

Acknowledgements

The Board of Directors take the opportunity to thank Government of Kerala, SIDBI, Other Governmental Agencies and Departments, Reserve Bank of India and all other statutory/ regulatory authorities for the continued and valuable support, guidance and assistance. The Board also wishes to express gratitude to the Banks/ Financial Institutions, Rating agencies, Trustees and Stock Exchange for the co-operation and support received. The Board takes this opportunity to put on record its deep sense of gratitude to its shareholders for their continued faith in the strength and capabilities of the Corporation, to its customers and vendors for their patronage and support extended during the year and looks forward to their continued association in the years ahead.

The Board takes great pleasure in recording its appreciation of the dedicated services rendered by the erstwhile Directors on the Board and the Officers and Staff of the Corporation.

For and on behalf of the Board



Sanjay Kaul
Chairman & Managing Director

Thiruvananthapuram
12.08.2021

INDEPENDENT AUDITOR'S REPORT

To

The Members
Kerala Financial Corporation
Thiruvananthapuram

Opinion

We have audited the financial statements of Kerala Financial Corporation (herein referred to as KFC), which comprise the Balance Sheet at March 31st 2021, and the Profit and Loss Account and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the entity as at March 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the directives of SIDBI, State Financial Corporation Act and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

1. As regards the amount receivable from Government of Kerala (₹ 113.28 lakh) towards interest and expense borne by KFC on loans under KSEDMD scheme there is no confirmation of balance.
2. We have come across instances where valuation of immovable property given as security have not been done every three years and property value is not updated in the system.
3. We have come across instances where entire details of Insurance Policy such as Insurance Declared Value, Expiry Date, Lien clause etc. are not updated in the system and hence not available for complete verification.
4. Ref Point No.2.2 Clause 4 of Note No. 20. Though minimum provisioning norms have been made, there has been change in the Asset provisioning norms for Sub Standard category followed by KFC during the year under audit resulting in reduction of overall provision by ₹ 1654.90 lakh
5. Ref Point No.2.2 Clause 4 of Note No. 20 : KFC has reclassified the Substandard assets amounting to ₹ 4515.91 lakh which turned doubtful during April - June 2021 as doubtful assets, thereby making the entire amount technically written off.
6. Attention is drawn to point No 2.13 of Note No 20 regarding asset acquired in satisfaction of a claim. The corporation recovered a Non Performing Asset by acquiring immovable property mortgaged by the borrower to the tune of ₹ 4 crore in the year 2008 – 09. The Corporation had put the property for sale on 07.01.2021 and has received 150 lakh, being 25% of sale amount, but could not sell the property and sale has been cancelled. In this situation, we are not able to assess the extent of recoverability of this asset. ₹ 150 Lakh is now kept in Suspense Account.
7. Ref Point No.2.2 Clause 8 of Note No. 20 : The Hon. Supreme Court of India, vide judgment in Writ Petition (C) No.476/2020 dated 23.03.2021, had pronounced that all lending institutions should refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period. However, KFC has not adjusted or refunded the interest on interest levy, being ₹ 550 lakhs, during the said moratorium period.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the aforesaid Accounting Standards, and for such internal control as management determines is necessary to enable

the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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 per our Report of even date
For M/s. Krishnan Retna & Associates



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

Ref : K-57/21-22/62
UDIN : 21231162AAAACT9424

BALANCE SHEET AS AT 31.03.2021

₹ in Lakh

Particulars		Note No.	As at 31.03.2021	As at 31.03.2020
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	42,650.43	22,650.43
	(b) Reserves and surplus	2	25,184.33	24,824.07
	(c) Money received against share capital		–	11,000.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	3,23,732.31	2,36,182.00
	(b) Deferred tax liabilities (net)		–	323.00
	(c) Other non current liabilities	4	1,008.85	879.49
	(d) Long-term provisions	5	13,869.06	13,770.93
3	Current liabilities			
	(a) Short-term borrowings	6	1,03,185.71	66,616.37
	(b) Other current liabilities	7	19,082.74	5,367.71
	(c) Short-term provisions	8	5,465.54	4,426.37
	TOTAL		5,34,178.97	3,86,040.37
B	ASSETS			
1	Non-current assets			
	(a) Tangible Assets	9	894.23	1,027.31
	(b) Non-current investments	10	8,376.72	4,611.04
	(c) Other non-current assets	11	3,31,761.19	2,44,438.63
	(d) Deferred Tax Assets (net)		91.11	–
2	Current assets			
	(a) Current investments	12	26,822.07	14,570.53
	(b) Cash and cash equivalents	13	10,076.58	17,375.67
	(c) Other current assets	14	1,56,157.07	1,04,017.19
3	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		5,34,178.97	3,86,040.37

For and on behalf of the Board of Directors



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2021

₹ in Lakh

Particulars		Note No.	for the year ended	
			31.03.2021	31.03.2020
A	Continuing Operations			
1	Revenue from operations	15	46,645.68	39,364.34
2	Other income	16	2,448.62	1,727.49
3	Total revenue		49,094.30	41,091.83
4	Operating Expenses			
	(a) Interest expenses	17	29,713.02	21,786.18
	(b) Employee benefits expenses	18	3,418.09	3,151.99
	(c) Administrative Expenses	19	394.28	712.70
	(d) Depreciation and amortisation expense		283.12	199.08
	(e) Bad debts written off		12,384.67	10,715.22
	Total expenses		46,193.18	36,565.17
5	Operating Profit before exceptional and extraordinary items and tax		2,901.12	4,526.66
	Add: Prior Period Income		-	-
6	Operating Profit After exceptional and extraordinary items		2,901.12	4,526.66
7	Less: Provision for Bad and Doubtful debts / Other assets		1,618.13	1,520.00
8	Profit before tax		1,282.99	3,006.66
9	Tax expense:			
	Less: Current tax expense- (a) Provision for Income Tax		1,039.17	1,127.86
	(b) Provision for Deferred Tax		(414.11)	42.16
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		657.93	1,836.64
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		2.04	7.65
	(b) Diluted		1.62	7.64
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		12,669.62	11,226.63
	Net Profit for the year		657.93	1,836.64
	Total profit available for appropriation		13,327.55	13,063.27
	Less: Income Tax Short Provision		-	103.48
	Total		13,327.55	12,959.79
	Less: Appropriations			
	Transfer to Reserve u/s 36 (1) (viiia)		-	-
	Transfer to Reserve u/s 36 (1) (viii)		200.47	290.17
	Balance Profit after appropriations		13,127.08	12,669.62
	Less: Prior Period Adjustment		-	-
	Balance Profit carried to Balance sheet		13,127.08	12,669.62

For and on behalf of the Board of Directors


Soya.K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director


Sanjay Kaul
Chairman & Managing Director
As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365

Place: Thiruvananthapuram
Date: 12.08.2021


Nikhil R Kumar
Partner, M No: 231162

NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2021

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
5,00,00,000 Equity shares of ₹ 100/- each	50,000.00	50,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
42210678 Equity shares of ₹ 100/- each	42,210.68	22,210.68
Special Shares		
4,39,750 Equity shares of ₹ 100/- each	439.75	439.75
TOTAL	42,650.43	22,650.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	11,890.25	11,600.07
Added during the year	200.47	290.17
Total of (a)	12,090.72	11,890.24
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Deferred Premium on Forward Contract	-297.67	-
(e) Profit & Loss Account	13,127.07	12,669.62
TOTAL {(a)+(b)+(c)+(d)+(e)}	25,184.33	24,824.07
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	29,366.31	-
LoC from State Bank of India	55,951.50	43,249.97
LoC from Canara Bank	31,605.00	43,750.00
LoC from Union Bank of India	53,664.26	52,082.03
LoC from Bank of Maharashtra	4,750.00	-
LoC from Indian Bank	42,500.00	8,500.00
LoC from Bank of Baroda	27,897.75	-
Non-SLR Bond	67,997.49	68,750.00
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	10,000.00	19,850.00
TOTAL	3,23,732.31	2,36,182.00

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE: 4		
OTHER NON CURRENT LIABILITIES		
Coconut Devp. Board Subsidy	803.15	766.65
Other Subsidy	139.13	101.84
Central Subsidy	11.00	11.00
Norka Subsidy	55.57	–
TOTAL	1,008.85	879.49
NOTE: 5		
LONG TERM PROVISIONS		
Provision for Bad and Doubtful debts		
As per last Balance Sheet	13,770.93	13,770.93
Add: Provision made during the year	98.13	–
TOTAL	13,869.06	13,770.93
NOTE : 6		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
Foreign Currency loan from State Bank of India	13,452.24	–
Overdraft from State Bank of India	0.69	–
Short term loan from Union Bank of India	10,000.00	–
Short term loan from HDFC Bank	93.83	–
Short term loan from Federal Bank	15,000.00	10,000.00
Short term loan from South Indian Bank	–	10,000.00
Non-SLR Bond (Current maturity)	6,250.00	6,250.00
LOC FROM BANKS (Current maturity)		
Loc from Union Bank of India	6,250.03	5,833.37
Loc from Canara Bank	8,400.00	4,375.00
Loc from Indian Bank	7,500.00	1,500.00
Loc from State Bank of India	7,550.00	9,500.00
Loc from Bank of Baroda	7,310.59	–
Loc from Bank of Maharashtra	1,250.00	–
Refinance from IIFCL	10,208.33	9,158.00
UNSECURED BORROWINGS		
Non-SLR Bond- Guaranteed by Government of Kerala (Current maturity)	9,920.00	10,000.00
TOTAL	1,03,185.71	66,616.37

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 7		
OTHER CURRENT LIABILITIES		
State Subsidy	79.77	414.68
RR Commission Payable	4.37	0.48
Earnest Money Deposit	8.60	7.81
Suspense Account	552.76	159.35
Tax Deducted at Source	2.85	7.61
Other Salary Deductions	–	0.68
Other Sundry Deposits	254.81	264.51
Gratuity Payable	23.46	3.46
Outstanding Expenses	866.38	840.59
Salary Payable	7.83	–
Accrued Interest on SLR Bonds & Non SLR Bonds	2,092.32	3,352.73
Accrued Interest on LOC from banks	929.23	29.20
Audit Fee Payable	2.61	2.61
Concurrent Audit Fee payable	5.90	4.70
Staff Dues Retained	52.64	56.88
Unclaimed Dividend	0.12	0.12
Commission Received in Advance	129.45	89.48
Leave encashment payable	3.86	–
Foreign Currency Payable	13,853.82	–
CGST Payable	16.48	13.32
SGST Payable	17.39	13.32
IGST Payable	–	0.47
KF Cess, CGST & SGST TDS Payable	0.47	0.22
Excess Payable	177.62	105.49
TOTAL	19,082.74	5,367.71
NOTE : 8		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	4,426.37	3,209.04
Add: Provision made for the current year	1,039.17	1,127.85
Short Provision for the A.Y 2015-16	–	183.81
Less: : Excess Provision for the A.Y 2013-14	–	94.33
TOTAL	5,465.54	4,426.37

NOTE : 9 FIXED ASSETS

₹ in Lakh

Particulars	Rate	Gross value as on 31-03-2020	Additions During the Year	Deletions during the year	Gross value as on 31.03.2021	Depreciation upto 31-03-2020	Depreciation for the year	Depreciation upto 31-03.2021	WDV as on 31.03.2021
1	2	3	4	5	6	7	8	9	10
Land	0%	11.62	-	-	11.62	-	-	-	11.62
Building	10%	685.49	10.90	-	696.39	431.31	25.96	457.27	239.12
Motor Vehicle	15%	182.06	-	4.16	177.90	146.57	4.70	151.27	26.63
Electrical Fittings	10%	215.22	0.75	-	215.97	104.07	11.17	115.23	100.74
Air Conditioner	15%	49.77	2.46	-	52.23	36.99	2.20	39.18	13.05
Photocopier	15%	22.35	-	-	22.35	20.60	0.26	20.86	1.49
Computer	40%	1,173.71	87.01	-	1,260.72	663.54	223.02	886.56	374.16
Other office Equipments	15%	74.81	51.62	-	126.43	51.16	7.99	59.15	67.28
Lift	15%	9.73	-	-	9.73	8.11	0.24	8.36	1.37
Furniture	10%	196.72	1.46	-	198.19	135.15	6.25	141.40	56.79
Solar Power Generator	40%	76.85	-	-	76.85	73.53	1.33	74.86	1.99
Total		2,698.33	154.20	4.16	2,848.38	1,671.03	283.12	1,954.14	894.24
Total (Previous Year)		2,053.68	644.66	-	2,698.34	1,471.94	199.08	1,671.02	1,027.31

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 10		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Kerala Infrastructure Fund Management Ltd	2.56	1.54
Investment in NCD- RCFL	5,370.91	6,080.00
Investment in NCD- 7.74% SBI	2,301.79	–
Investment in NCD- 8.25% BOB	1,491.64	–
Investment in NCD- 8.80% Oriental Insurance	2,200.32	–
Sub Total	11,491.10	6,205.42
Less : Provision for diminution in value of investments	3,114.38	1,594.38
TOTAL	8,376.72	4,611.04
NOTE : 11		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,066.39	1,114.35
Conveyance Loan to Employees	113.86	79.95
Computer Loan to Employees	4.16	3.07
Personal Loan to Employees	94.09	29.54
Advance to Employees	19.22	16.09
Deposit with P&T	0.09	0.09
Other Deposits	86.36	69.24
Deposit with KSEB	13.17	13.17
Deposit against Staff Dues Retained	52.64	56.89
Interest Accrued on Staff Loans	682.83	639.00
GTI Advance	2.27	2.29
Other Advances	2.96	85.90
Loans and Advances (Principal due above 1 year)	3,29,222.81	2,41,928.71
TOTAL	3,31,761.19	2,44,438.63
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	26,822.07	14,570.53
TOTAL	26,822.07	14,570.53
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.48	0.77
Bank Accounts	10,076.10	17,374.90
TOTAL	10,076.58	17,375.67

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	6,295.94	5,630.51
Input Tax Credit	30.74	4.42
Income Tax Deducted at source	238.80	161.58
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	4.88	6.48
Processing Fee Receivable	–	29.00
Prepaid Expenses	1.80	3.90
CGTMSE Fee	3.59	1.75
Subsidy Receivable from Govt	17.28	13.80
KSEDM Interest Receivable	113.29	1,155.25
Foreign Currency Receivable	13,497.78	–
Interest Accrued on Loans & Advances	1,998.75	3,231.13
Interest Accrued on STD with Banks	1,052.64	518.05
CMEDP & NORKA Interest Receivable	11.89	–
Loans & Advances (Principal Due within one year)	1,32,889.69	93,261.32
TOTAL	1,56,157.07	1,04,017.19
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	41,047.50	32,069.25
Less : Interest rebate allowed on Loans	660.11	1,215.99
Net Interest Received On Loans & Advances	40,387.39	30,853.26
Loan Processing Fees	563.94	606.85
Recovery from written off loans	5,600.94	7,841.19
Switch over interest	7.35	9.09
Premium on pre-closure	86.06	53.95
TOTAL	46,645.68	39,364.34
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	97.15	100.40
Interest on Bank Deposits	2,083.65	1,110.68
Exchange gain on Forex	45.54	–
Other Income	91.11	18.64
Rent Received	64.75	100.74
Income from Insurance Agency	7.66	7.41
RTI Application Fee Received	0.01	0.01
Commission exchange and brokerage	58.75	29.61
Reimbursement of Guarantee Commission	–	360.00
TOTAL	2,448.62	1,727.49
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	9,165.15	8,950.46
Interest on Coconut Dev Board Subsidy	98.31	82.80
Interest on Line Of Credit from Banks	19,865.09	12,298.05
Guarantee Commission	264.76	311.61
Premium on Forward Contract	58.36	–
Bond Issue Expenses	163.89	136.24
Share Issue Expenses	1.02	–
LOC Administrative Expenses	96.44	7.02
TOTAL	29,713.02	21,786.18

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,908.56	2,639.94
Contribution to Employees' P.F	199.06	192.03
Contribution to NPS	74.54	57.20
Group Gratuity Insurance	180.00	10.00
Group E/L Encashment Insurance	–	148.08
Group Term Insurance	1.73	2.06
Other Staff Expenses	54.20	102.68
TOTAL	3,418.09	3,151.99
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	130.64	154.65
Postage, courier and Telephone	24.14	28.67
Printing & Stationery	11.83	14.73
Vehicle Running & Maintenance	22.55	41.39
Repairs & Maintenance	30.61	63.06
Revenue Recovery expenses	18.36	128.81
Bank Charges and Commission	5.30	1.59
Audit Fees	2.61	2.60
Consultancy Charges	12.17	24.99
Legal Expenses	3.02	7.72
Books & Periodicals	1.88	4.48
Other Expenses	68.80	124.38
Travelling Expenses	4.43	24.25
Board / E.C. Meeting Expenses	2.61	1.40
Other Meeting Expenses	1.39	3.23
Concurrent Audit Fee	34.38	36.21
Advertisement and publicity	13.73	34.04
CMEDP Expenses	4.37	–
Business Development Expenses	1.46	16.50
TOTAL	394.28	712.70

For and on behalf of the Board of Directors



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 001536S



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

CORPORATE INFORMATION

The Kerala Financial Corporation is a State Financial Corporation having its area of operations in the state of Kerala and incorporated under the provisions of the State Financial Corporation Act, 1951. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. The Corporation is engaged in extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector in the state.

BASIS OF PREPARATION

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking and financial sector in India. The Corporation has adopted the format of Schedule III to the Companies Act and Accounting standards issued by the Institute of Chartered Accountants of India, for better presentation of the financial statements.

The accounting policies adopted in the preparation of financial statements are in consistence with those of previous year except for the change in accounting policy, explained hereunder.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 . Uses of Estimates

The preparation of the Financial Statements, in conformity with Indian GAAP requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures relating to contingent assets and liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in material or immaterial adjustments to the carrying amounts of assets or liabilities in future periods. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

1.2. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. All the revenue items are accounted on accrual basis. Income is recognised on accrual basis on performing assets and on realisation basis in respect of non-performing assets as per the prudential norms on income recognition, asset classification and provisioning prescribed by RBI/SIDBI. The Corporation debits the monthly interest in all the loan accounts on the first day of the subsequent month. Interest due is calculated and charged to the party on gross basis and the eligible rebate is credited to the party on payment of dues in time subject to their rating and other factors determining the rate of rebate. The rebate for prompt payment is deducted from interest income for reporting in the financial statements. Interest accrued on standard loans is recognized as interest income in the financials at the end of the financial year and is reversed on the first day of the next financial year.

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee will be reversed at the end of the financial year. In case of completion/closure of facility before the specified tenure, corporation will reimburse the commission for the balance period, provided the commission for a minimum period of one year will be retained.

Recovery of loans and advances is appropriated first towards recovery of expenses, then towards interest and the balance, if any, towards principal. However, in the case of Compromise Settlement and sale of units taken over under the SFCs Act, 1951 and Revenue Recovery proceedings, the proceeds are apportioned first towards recovery of expenses and then towards principal amount and lastly towards interest, on satisfaction of the stipulated conditions. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss as revenue on receipt basis.

1.3. Investments

The classification and valuation of the securities and investments are done as per the Treasury & Investment Policy in compliance with the Indian Accounting Standards and as per applicable regulatory and statutory norms laid down from time to time. Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as Non-current investments.

Investments classified under Long term investments need not be marked to market and will be carried at acquisition cost on individual investment basis, unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity. Investments classified under Current Investments will be valued at lower of cost and fair value either on individual investment basis or by category of investment. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. The provision for diminution is made to recognise a decline, other than temporary, in the value of investments determined for each investment individually. Reduction in the carrying amount and reversals of such reductions are charged or credited to the profit and loss statement.

On disposal of an investment, the difference between carrying amount and net disposal proceeds are charged or credited to the profit and loss statement. Any amount received in future in respect of these investments will be credited to profit and loss statement. Interest, dividend or other receivables in connection with the investments are considered as income.

1.4. Loans and Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The Current maturity of Loans & advances is classified as Other Current Assets (Note No.14) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.11) under the head Non Current Assets. The Current maturity of Long term borrowings is classified as Short term borrowings (Note No.5) under the head Current Liabilities and the non current portion is classified as Long term borrowings (Note No.3) under the head Non Current Liabilities.

The Corporation provides Fund based and Non fund based facilities to the customers. In case a non fund based limit becomes NPA, its fund based limit also will be considered as NPA. In the reverse scenario, where fund based limit becomes NPA then its non fund based limit is also categorised as NPA. However the non fund based limit will be live till the time it is invoked or cancelled.

Advances that are in Doubtful category are technically written off and charged to revenue to maintain asset quality. During the year, all the doubtful advances are technically written off and charged to revenue to maintain asset quality. Further the corporation has reclassified the Substandard accounts which will turn to Doubtful during the months of April to June 2021 as a matter of prudence and technically written off. Amount recovered against the bad debts written off in earlier years are recognised in the Profit and Loss Account as income of the year in which such amounts are received.

1.5. Provision

A provision is recognised when the Corporation has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and should be determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

1.6 Provisioning Norms and Provision Coverage Ratio (PCR)

In conformity with the prudential norms, provisions are given on the basis of classification of assets as prescribed by RBI. The Corporation follows the policy of building up provisioning when the profits are good, which can be used for absorbing losses in a downturn. The provisions are made at such rates as recommended by ALCO with the approval of the Board.

General provisions are the minimum regulatory provisions as prescribed by RBI. Specific provisions are additional provisioning at rates higher than the rates prescribed by RBI. Floating provisions are provisions kept in addition to the Specific provisions and not used for making specific provisions or general provisions as per the extant prudential guidelines. It is used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts.

Provisioning Coverage Ratio (PCR) is the ratio of provisioning to gross non-performing assets and indicates the extent of funds the Corporation has kept aside to cover loan losses. PCR is calculated as per the guidelines given vide RBI circular DBOD.No.BP.BC.64/21.04.048/2009-10 dated December 1,2009 and circular no. DBOD.No.BP.BC.87/21.04.048/2010-11 dated April 21, 2011.

The Corporation has the provisioning cushions consisting of general provisions, specific provisions as well as floating provisions, and are maintaining a total PCR including floating provisions, which is not less than 70 per cent.

Provision for standard advances are made at such rates subject to the minimum provisioning prescribed by the RBI / SIDBI guidelines for standard advances. Provisions for bad and doubtful debts are made in respect of non-performing advances based on overall portfolio quality, asset growth, economic conditions, Management's assessment and other risk factors subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, is necessary. In case the specific provision available during a year is more than the required minimum or the ALCO recommended rates, the excess provision can be either written back or can be considered for that year as decided by ALCO. Floating provisions cannot be reversed by credit to the profit and loss account.

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium /Other sector and 1% for CRE sector for all standard advances and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines. A judicious provision of 60% (70% in FY 2019-20) is made for all Substandard advances including secured portion of CGTMSE loans. For CGTMSE loans, 100% provision is made for the unsecured portion. The total PCR is maintained above 70% at 76.93% as on 31st March 2021.

1.7. Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS). The tax rates and tax Laws used to compute the amounts will be those that are prescribed, at the reporting date. Deferred Taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws prescribed at the reporting date.

Deferred tax assets including the unrecognized deferred tax assets, if any, at each reporting date, are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized. Deferred tax liabilities are recognized for all taxable timing differences. No provision for Deferred Tax Liabilities on Special Reserve created as per Section 36(1) (viii) of the Income Tax Act, 1961 since the reserve created is of having no reasonable certainty that the same would be adjusted / withdrawn in foreseeable future years and the period of time for the difference to be evened out is also not ascertainable.

1.8. Employee Payments and Retirement Benefits

Short-term employee benefits are recognized as expense in the profit and loss account of the year in which the related service is rendered. Terminal benefits to employees include Provident Fund (PF) payments, leave encashment, and gratuity.

Defined contribution plan: Retirement benefit in the form of provident fund is a defined contribution plan wherein the contributions are charged to the Profit and Loss Account every year when the contributions to the fund are due and when services are rendered by the employees. The Corporation contributes 12% of Basic Pay+DA+Personal Pay to the Provident Fund which is administered by a duly constituted and approved independent trust by name KFC Employees Provident Fund Trust. The employees will be paid the balance outstanding in their PF account along with interest accumulated thereon at the date of superannuation. The Corporation has no obligation other than the contribution payable to the provident fund in this regard. The employees who joined after 01.04.2018 are not members of this Trust.

Defined Benefit Plan: The Corporation contributes towards gratuity fund administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. The gratuity limit is fixed as per the Payment of Gratuity (Amendment) Act, 2018. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Corporation. Liability with regard to gratuity fund is accrued based on the actuarial valuation and demand raised by LIC. The premium is paid to LIC as demanded by them at the time of renewal of the scheme. The Corporation contributes towards the terminal encashment of earned leave to the employees under the Group Leave Encashment Scheme of LIC. The contribution to the fund is paid as per the actuarial valuation and demand raised by LIC. Under both these schemes, the settlement obligations remain with the Corporation, although LIC administers the schemes

and determine the contribution premium required to be paid by the Corporation as per the valuation done by LIC. The Corporation take an independent external actuarial valuation as on 31st March every year to ascertain the position of funds vis a vis liability. The shortfall if any in the funds shall be paid on the basis of actuarial report of LIC / external valuation whichever is less based on the fund position of the Corporation. The amounts paid to the funds are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2020-21 have been settled by LIC.

National Pension Scheme: This is a defined contribution scheme and is applicable to employees who joined the Corporation on or after 01.04.2018. 10% of Basic +DA + Personal Pay will be deducted from the employee's salary and an equivalent amount being the Corporation contribution will be credited to the NPS account of the employee on a monthly basis. They will not be eligible for employer PF contribution. The employees who joined before 01.04.2018 are given an option to contribute to NPS in three proportions. The Corporation contributes an amount equal to the contribution of employees and such contribution is charged to Profit and Loss Account.

1.9. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets'. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

Individual assets costing up to ₹ 5000 and assets in the nature of electronic items up to the value of ₹ 10,000 are charged to revenue in full in the year of purchase. Depreciation on fixed assets shall be provided for on written down value (WDV) method and at the rates prescribed under the IT Act, 1961. Computer includes computer software for reporting under the block Plant & machinery as per the IT Act, 1961. Hence Computer software is not shown separately under intangible assets. Depreciation on fixed assets added/disposed of during the year/period is provided on pro-rata basis (that is full depreciation for assets used for more than six months and half depreciation for others) with reference to the date of addition/disposal.

1.9. Contingent Liabilities and Assets

A disclosure of contingent liability on Balance sheet date is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or nonoccurrence of one or more uncertain future events not within the control of the Corporation; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Provisions and contingent liabilities are reviewed on each balance Sheet date. Contingent assets are neither recognized nor disclosed in the Balance Sheet.

1.10. Grants and subsidies

Grants and subsidies from Government and other agencies are accounted as per terms of respective agreements. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates.

1.11. Leases

Operating lease rent payments and receipts are recognized as expense and income respectively in the statement of profit and loss every month as and when accrued or paid/received. Actual lease payments made during the year, unexpired portion of contracted lease (future expected lease payments) and provision for contingent rent if any recognized in P&L are disclosed where the Corporation is a lessee. Actual lease rent receipts recognized during the year and unexpired portion of contracted lease (future expected lease receipts) if any are disclosed. As a matter of prudence, no contingent rent is recognized in the P&L where the Corporation is a lessor.

1.12. Prior Period Items

Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The nature and amount of prior period items are separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.

1.13. Extraordinary Items

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Extraordinary items are disclosed in the statement of profit and loss as a part of net profit or loss for the period in a manner that its impact on current profit or loss can be perceived.

1.14. Special Reserve Fund

As per Section 35A of the SFC Act 1951, the SFC is required to establish a Special Reserve Fund to which shall be transferred such portion of the dividends accruing to State Government and the SIDBI on the shares of the SFC as may be fixed by agreement between State Government and SIDBI for being used for such purposes as are approved by the State Government and SIDBI. Accordingly a rate of 0.50% of the dividend accruing to State Government and SIDBI will be transferred to Special reserve fund under Section 35A of SFC Act 1951. However the dividends from FY 1991-92 till FY 2018-19 were declared and paid without transferring 0.5% of dividend accruing to State Government and SIDBI to Special Reserve U/s 35A .

1.15. Dividend

Dividend is the share of profits that is payable to each shareholder of the Corporation. The dividend is paid out of current year profits only on the paid up capital. The Board recommend the percentage of dividend payable on the equity shares and the shareholders at the Annual general meeting pass a resolution adopting the recommendation or may lower the percentage recommended. The dividend proposed by the Board is provided for in the financial statements of the Corporation and is paid only after it has been passed at the Annual general meeting of the shareholders.

1.16. Resource Mobilization

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. The loans from Banks and other financial institutions are secured by charge on receivables as primary security for the loan. There are no other charges created on any of the assets of the Corporation on account of borrowings. The Corporation mobilizes funds from debt market also by issuing Rated, Listed, Redeemable, Taxable, Non Convertible Bonds with government guarantee or with credit enhancement mechanism without government guarantee.

These are accounted as Long Term Borrowings from Banks/ FIs and Non SLR Bond Issues. The Current maturity of Long term borrowings is classified as Short term borrowings under the head Current Liabilities and the noncurrent portion is classified as Long term borrowings under the head Non Current Liabilities.

1.17. Cash flow Statement

Cash Flow statement is prepared on indirect basis as per AS 3 issued by ICAI and is part of the Annual accounts. The cash flow statement report cash flows during the period classified by operating, investing and financing activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

1.18. Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its equity shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to equity shareholders and the weighted average number of equity shares outstanding adjusted for the effect of all dilutive potential equity shares, including advance for share capital.

2. NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The State Government vide GO(Ms) No.215/2019/Fin dated 10.06.2019 accorded sanction to enhance the Authorized share capital of the Corporation from ₹ 35000 Lakh to ₹ 50000 Lakh without diluting Government shares below 74%. Accordingly Government issued the GO (Ms) No.39/2020/Fin dt 16.03.2020 enhancing the paid up capital

of Kerala Financial Corporation by ₹ 20000 Lakh. Out of ₹ 20000 Lakh sanctioned, ₹ 11000 Lakh was released by government on 31.03.2020 vide GO(Ms.)No.47/2020/Fin dated 30.03.2020 and balance ₹ 9000 Lakh was released on 26.06.2020 vide GO(Ms.) No.67/2020/Fin dated 18.06.2020. The shares were issued to government in demat form on 08.10.2020. Consequently the Authorized capital of the Corporation is ₹ 50000 Lakh and the paid up capital is ₹ 42650.43 Lakh.

The details of shareholders holding more than 5% shares as on 31.03.2021 are as under:

Name of the Shareholders	As at 31.03.2021		As at 31.03.2020	
	No. of shares in Lakh	% to total shares	No. of shares in Lakh	% to total shares
Government of Kerala	420.27	98.54	330.27	97.25

Earnings per share

₹ in Lakh

Calculation of EPS	2020-21	2019-20
a) Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	657.93	1733.17
b) Number of Equity Shares outstanding (face value of ₹ 100/- each)	322.39	226.50
Basic earnings per share (a) / (b)	2.04	7.65
c) Average number of weighted equity shares (22650428 existing +20000000 on account of amount received on 31.03.2020 and 26.06.2020) (face value of ₹ 100/- each)	405.30	226.50
Diluted Earnings per share (a) / (c)	1.62	7.64

2.2 Asset Classification and provisioning

a) Classification of Loans and Advances & Long Term Borrowings

The bifurcation of Loans & Advances and Long term Borrowings due within 1 year and above 1 year is given below.

₹ in Lakh

Classification	Due within 1 year	Above 1 year	Total
Loans & Advances	132889.70	329222.81	462112.51
Long term borrowings	103185.71	323732.31	426918.02

The asset category wise classification of loans and advances and provisioning is as below.

₹ in Lakh

Asset category	2020-21			2019-20		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	5819	445560.46	3936.65	4573	319287.75	2510.83
Sub Standard	166	16552.05	9,932.42	311	15902.29	11260.10
Total	5985	462112.51	13,869.07	4884	335190.04	13770.93
Gross NPA		16,552.05	3.58%		15,902.29	4.74%
Net NPA		6,619.64	1.48%		4649.20	1.45%

b) Loans and Advances restructured

The general recessionary trends coupled with frequent lockdowns during the Covid-19 pandemic period affected the income generation and debt servicing of the customers of the Corporation. Sectors like Tourism, Commercial Real Estate etc were affected badly. The Corporation has extended relief measures like rehabilitation / reschedulement/ restructuring to borrowers eligible as per the Loan Monitoring Guidance Note (LMGN) approved by the Board. As per LMGN all loan assets in Standard, Substandard and Doubtful category are eligible for restructuring. Only Loss assets / No asset cases are not eligible.

The Corporation restructured 365 loan accounts as per RBI guidelines and classified under Standard category as follows. Additional provision of 5%/10% (minimum norms) amounting to ₹ 2438.89 Lakh is kept in respect of these accounts as below.

In accordance with the COVID 19 pandemic resolution framework prescribed by RBI for Micro, Small and Medium (MSME) sector vide Circular no. DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020, the Corporation has restructured 180 loan accounts amounting to ₹ 26451.13 Lakh and classified as Standard. Additional provision of 5% amounting to ₹ 1322.56 Lakh has been made on these loans.

In accordance with the Covid-19 Regulatory Package announced by RBI on 27th March 2020, 17th April 2020 and 23rd May 2020, the Corporation had offered an optional moratorium on repayments falling due between March 1, 2020 and 31st August 2020 in respect of accounts classified as standard on February 29, 2020. As permitted by the RBI guidelines, the Corporation has considered these concessions for the purpose of asset classification, income recognition and provisioning as on 31st March 2020. The Corporation has thus provided additional provision of 5% each during the quarter ended 31st March 2020 and 30th June 2020 amounting to ₹ 1116.33 Lakh in respect of 185 loan accounts in SMA 2 category with balance outstanding of ₹ 11163.34 Lakh which would have been classified as non-performing as at 31st March 2020.

Other than loans restructured on account of relief measures announced by RBI, the corporation has restructured 44 loan accounts amounting to ₹ 4474.31 Lakh and are classified under Substandard category. Provisioning has been made at 60% amounting to ₹ 2684.58 Lakh on these loan accounts. During the year there was no diminution in the fair value of restructured advances.

c) Bad debts Written Off

During the year the corporation has written off 262 loan accounts amounting to ₹ 12139.55 Lakh as Bad Debts (technical write off to maintain asset quality) (268 accounts amounting to ₹ 10633.22 Lakh written off during FY 2019-20). Further ₹ 245.12 Lakh (₹ 82 Lakh during FY 19-20) were also written off and included in the Bad debts written off amount stated in the P&L Account out of which ₹ 104.34 Lakh is on account of expenses related to loans written off in earlier years and ₹ 140.79 Lakh is on account of a loan closed under compromise settlement during the year. Thus the total write off during the year is ₹ 12384.67 Lakh (₹ 10715.22 Lakh in FY19-20). Constructive steps have been initiated for the recovery of these accounts and the amounts as and when recovered will be treated as revenue. ₹ 5600.93 Lakh have been received as recovery from loans technically written off in earlier years (₹ 7841.19 Lakh during FY 2019-20).

d) Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non performing assets, a judicious provision of 60% (70% in FY 2019-20) is made for all Substandard advances including secured portion of CGTMSE loans. Further 100% provision is made for the unsecured portion of CGTMSE loans. The total PCR works out to 76.93% as on 31st March 2021 as per the RBI circular DBOD.No.BP.BC. 64 /21.04.048/2009-10 dated December 1, 2009 and Circular no. DBOD.No.BP.BC. 87 /21.04.048 /2010-11 dated April 21, 2011.

TABLE - 1

₹ in Lakh

Provisioning Coverage Ratio (PCR) as on Mar 31, 2021					
1	2		3	4	5
Sl No	Particulars		Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)
1	Sub-Standard Advances		16552.05	2485.33	15.02
2	Doubtful Advances (a+b+c)		12139.55	12139.55	100.00
	a	< 1 year	12139.55	12139.55	100.00
	b	1-3 Years	0.00	0.00	
	c	>3 years	0.00	0.00	
3	Advances classified as Loss Assets		0.00	0.00	
4	Total		28691.60	14624.87	50.97

₹ in Lakh

Provisioning Coverage Ratio (PCR) as on Mar 31, 2021				
1	2	3	4	5
SI No	Particulars	Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)			7447.09
6	DICGC / ECGC claims received and held pending adjustment			0
7	Part payment received and kept in Suspense Account or any other similar account			0
8	Total (Sum of column 4 of Row 4+ Row 5 + Row 6+ Row 7)			22071.96
9	Provision Coverage Ratio {(Row 8/Total of Column 3 of Row 4)*100}			76.93

If the minimum provision required as per the RBI norms is made, the provision needed is only ₹ 6421.97 Lakh, whereas the Corporation has provided an additional provision of ₹ 7447.09 Lakh over and above the minimum RBI stipulated norms amounting to ₹ 13869.06 Lakh.

- The corporation has provided ₹ 1497.76 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.
- The Corporation has prudently made additional provision of 5%/10% (minimum norms) amounting to ₹ 2438.89 Lakh in respect of 365 loan accounts which are restructured as per RBI guidelines and classified under Standard category as mentioned in Note 2.2 (2) above.
- The provision made in respect of Sub standard category advances is ₹ 9932.42 Lakh. During the year, all the doubtful advances amounting to ₹ 7624.36 Lakh are technically written off and charged to revenue to maintain asset quality. Further the corporation has reclassified Substandard accounts amounting to ₹ 4515.91 Lakh which will turn to doubtful during April – June 2021, as doubtful assets as a matter of prudence and technically written off. Thus during this FY advances amounting to ₹ 12139.55 Lakh. If the same provision as made during the FY 2019-20 is made, the Net profit will decrease by ₹ 1654.91 Lakh to Net loss of ₹ 996.98 Lakh.

The total provision available during the FY was ₹ 13770.93 Lakh and additional provision of ₹ 98.13 Lakh is made during this FY. The Operating profit before technical write off is ₹ 15285.79 Lakh (₹ 15159.90 Lakh during PY). The Operating profit after write off is ₹ 2901.12 Lakh (₹ 4526.67 Lakh during PY) and Net profit is ₹ 657.93 Lakh (₹ 1836.65 Lakh during PY). The Gross NPA accordingly will be 3.58% as against 4.74% as on 31.03.2020 and Net NPA will be 1.48% as against 1.45% as on 31.03.2020.

In accordance with the guidelines of RBI/SIDBI on asset classification, all loans and advances have been classified into Standard, Sub Standard and Doubtful Assets and provisioning is made as under.

TABLE -2

SI No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
		%	Amount ₹ in Lakh	During FY 20-21		During FY 19-20	
				%	Amount ₹ in Lakh	%	Amount ₹ in Lakh
1	Standard Assets- Micro & Small	0.25	788.35	0.25	788.35	0.25	701.63
	Standard Assets- Medium	0.40	395.20	0.40	395.20	0.40	16.86
	Standard Assets- CRE	1	314.21	1	314.21	1	344.19

SI No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 20-21		During FY 19-20	
		%	Amount ₹ in Lakh	%	Amount ₹ in Lakh	%	Amount ₹ in Lakh
2	Additional provision for loans restructured on account of extension of DCCO / Flood relief/ GST implementation	5	1322.56	5	1322.56	5	889.98
3	Additional provision for SMA2 for the quarter ended March 2020 as part of Covid-19 Regulatory Package	10	1116.33	10	1116.33	5	558.17
4	Sub Standard Assets- FB limits	15	2481.32	60	9925.31	70	11195.63
	Sub Standard Assets- NFB limits	15	0.00		0.00	70	7.00
	Sub Standard Assets- CGTMSE (Secured portion)	15	1.04	60	4.14	70	38.93
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	2.96	100	2.96	100	18.54
5	Doubtful Assets (up to 1 year)	25%	NA	NA	NA	NA	NA
Total Provision made			6421.97		13869.06		13770.93

e) Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2019-20 is given below.

₹ in Lakh

SI No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2020 as reported by the Corporation	15902.29
2.	Gross NPAs as on March 31, 2020 as assessed by RBI/ SIDBI	15902.29
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2020 as reported by the Corporation	4649.20
5.	Net NPAs as on March 31, 2020 as assessed by RBI/ SIDBI	4649.20
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2020 as reported by Corporation	13770.93
8.	Provisions for NPAs as on March 31, 2020 as assessed by RBI/ SIDBI	13770.93
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2020	1836.65
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2020 after taking into account the divergence in provisioning	1836.65

f) Assets taken over under Section 29

During the year, 15 units having principal outstanding of ₹ 5482.99 Lakh were taken over u/S 29 of SFC Act, 1951. Subsequently 3 units were released to the promoters under custodial agreement and another one unit settled during the year 2020-21.

g) Recovery under Adalath Schemes

Two adalaths were conducted in 2018 and 2020 for One time Settlement of bad and doubtful assets. As per the Board decision dated 26.11.2020, Adalath 2018 scheme and Mini Adalath 2020 scheme were extended till 31st March 2021. Out of 179 cases in Mini Adalath 2020 scheme, 64 cases have been settled, including 36 cases settled during the FY 20-21 (PY 28 cases). The total amount received in the Mini Adalath scheme for the year ending 31.03.2021 amounts to ₹ 1787.21 Lakh (PY Rs 2019.94 Lakh)

Under Adalath 2018 Scheme, out of 447 cases, 290 cases have been settled, including 14 cases settled in 2020-21

(PY 23 cases) The total amount received under Adalath 2018 scheme for the year ended 31.03.2021 amounts to ₹ 2155.38 Lakh. (PY ₹ 2983.57 Lakh)

h) Refund of Interest on Interest levied during moratorium

The Hon. Supreme Court of India, vide judgment in Writ Petition (C) No.476/2020 dated 23.03.2021, had pronounced that all lending institutions should refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period allowed from 01.03.2020 to 31.08.2020 due to COVID-19 pandemic. Further RBI, vide No.DOR.STR.Rec.4/21.04.048/2021-22 dated 07.04.2021 has directed all Banks/ FIs to adhere to the directions of Hon. Supreme Court. Accordingly, all Banks/ other FIs are in the process of refunding the amount as they are eligible to get this amount as reimbursement from GOI vide letter No.F.No.2/12/2020-BOA. I dated 23.10.2020 under the scheme for grant of ex-gratia payment. But SIDBI has informed that SFCs are not eligible for the ex-gratia scheme of the Central Government. In this regard, though the matter was taken up with Government of India to include SFCs also in the scheme, it was not considered. The 'interest on interest' charged in the loan accounts by the Corporation and to be refunded comes to ₹ 550 Lakh.

Under the above Circumstances, the Corporation has requested State Government to provide a grant of ₹ 550 Lakh to refund 'interest on interest' charged to the borrowers, during the moratorium period allowed from 01.03.2020 to 31.08.2020. The Corporation has decided to pay the amount to the borrowers only if the amount is received from State Government or Govt of India. If the provision for ₹ 550 Lakh to be refunded is made, the Net Profit will come down to ₹ 107.93 Lakh.

2.3 PROJECTS WITH SUBSIDIES

a) KSEDM

KSEDM scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was ₹ 20 Lakh without any interest with a repayment period of 5 years. The scheme was in operation from 2011 till 2017. The Corporation had received ₹ 6097.74 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 20-21. ₹ 6211.03 Lakh has been spent till 31.03.2021 for the KSEDM project. As on 31.03.2021, ₹ 113.29 Lakh is receivable from the government and is shown under the head KSEDM Interest & Expenses receivable under Other Current assets. The Corporation has taken up with Government for providing the funds to meet the interest and expenses receivable and it is expected that the funds will be received during the FY 2021-22.

b) Chief Minister's Entrepreneurship Development Programme (CMEDP)

The COVID-19 pandemic situation has created multifold challenges to the economy of Kerala. Large number of existing units have closed down. NRKs who have been the major pillars of the Kerala Economy have become jobless and are returning to Kerala from foreign countries and other Indian states. The scarcity of capital and inadequate availability of credit facilities are the major problems confronted by small entrepreneurs. Under the above backdrop, the State Govt has launched a special scheme called Chief Minister's Entrepreneurship Development Programme (CMEDP) that targets 2000 potential entrepreneurs and 1000 new enterprises every year and intending to support 5000 units in the next 5 years. The Corporation is made the implementing agency for the scheme. The scheme envisages a maximum loan amount of ₹ 50 Lakh with a repayment period of 3 to 5 years at an interest rate of 10% for which the Govt will provide 3% interest subvention. During the year, the Corporation has sanctioned assistance worth ₹ 4485 Lakh to 1811 units and disbursed ₹ 2027 Lakh to 1562 units under this scheme. The interest subvention provided as on 31.03.2021 is ₹ 10.66 Lakh and is shown under the head Interest rebate allowed on loans.

c) NORKA (NDPREM) scheme

NORKA ROOTS has developed 'Norka Department Project for Rehabilitation of Return Emigrants' (NDPREM) Scheme'. The scheme is envisaged for returned immigrants to start small and medium enterprises in the manufacturing sector. They will be eligible for Capital subsidy of 15% of project cost and interest subvention of 3% given by NORKA Roots. During the year, the Corporation disbursed ₹ 241.43 Lakh to 42 units under this scheme. The interest subvention provided as on 31.03.2021 is ₹ 1.23 Lakh and is shown under the head Interest rebate allowed on loans. The Corporation has received capital subsidy of Rs 55.56 lakh through this scheme during the year.

2.4 INVESTMENTS

The Corporation has invested ₹ 1.02 Lakh (10,194 shares of ₹ 10 each) in Kerala Infrastructure Fund Management Limited (KIFML), promoted by KIIFB during the FY 20-21 thus making the total investment of ₹ 2.56 Lakh (25,599 shares of ₹ 10 each). Out of the total investments of ₹ 125.42 Lakh, provision for diminution in value of investments of ₹ 74.38 Lakh have been provided for investments other than KITCO and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. For KITCO and India SME Asset Reconstruction

Co., Corporation have valued the shares on the basis of latest available financial statements and found that the values are above book value.

The Corporation had invested ₹ 6080 Lakh in April 2018 in Secured Redeemable NCDs as part of compliance of Non SLR Bond Issue Series 2018 with redemption @25% each in 4 years from April 2022 onwards. However due to the crisis in NBFC sector, the corporation has not received the interest due in NCD after 30th March 2020. Hence as a prudent measure the Corporation decided to make a provision of 25% of the value of Investment in NCD amounting to ₹ 1520 Lakh each in 4 years from FY 2019-20 onwards for diminution in its value. The Corporation received ₹ 709.09 Lakh during the FY as part of prorata distribution of funds by the Company which has been reduced from the invested amount. The investment balance as on 31st March 2021 is ₹ 5370.91 Lakh.

During the year the Corporation invested ₹ 5993.74 Lakh in 3 NCDs as part of compliance of Non SLR Bond Issue Series 2020.

2.5 INCOME TAX ASSESSMENTS

Income tax return is filed up to Assessment year 2020-21. Assessments have been completed up to Assessment year 2018-19. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2012-13, 2013-14, 2014-15, 2016-17 and 2018-19. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal has been remanded to Commissioner (Appeals).

2.6 DEFERRED TAX LIABILITIES

The break-up of deferred Tax Liabilities / Assets in to major components of the respective balances is as given below:-

₹ in Lakh

Particulars	As on 31.03.2020	For the FY 2020-21	As on 31.03.2021
On Depreciation	48.96	0.11	49.07
On income not received	-1629.74	640.92	-988.82
On outstanding expenses	1257.78	-226.91	1030.87
Total	-323.00	414.11	91.11

2.7 GOODS AND SERVICE TAX

Service tax

Service Tax was replaced by GST from July 2017. Litigations under Service Tax regime was settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS) except for Order in Original No.03/2018-19 dated 22.05.2018 with a demand of ₹ 129.69 Lakh in the matter of taxability and availment of Input tax credit of Guarantee Commission paid to Government. The matter is pending for decision with Commissioner(Appeals) for further orders.

Goods and Service Tax

Goods and Service Tax – GST was implemented all over the country w.e.f 01.07.2017. All the indirect tax registrations of Branch offices and Head Office are brought under one common registration under GST and is managed centrally from Head Office. The Annual Returns under GST regime, GSTR 9 and GSTR 9C are filed till FY 2019-20.

2.8 RELATED PARTY DISCLOSURES AS PER AS 18

a) List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri Sanjay Kaul IAS, Chairman and Managing Director (from 19.12.2019 to 06.09.2020), Sri Tomin J Thachankary IPS, Chairman and Managing Director (from 07.09.2020 to 31.03.2021)

B) Related Party Transactions

The total remuneration paid to Sri Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2020-21 is ₹ 22.13 Lakh.

2.10 IMPAIRMENT OF ASSETS

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2021, as to whether there is any indication that an asset or a class of assets is 'impaired' and since there were no incidences of such impairment indicators, no provision has been made.

2.11 SEGMENT REPORTING

The Corporation operates as a single unit with a single profit center and has concentrated its activity on term lending only as a single product.

a) Primary Segment (The Business Segment)

The Corporation operates mainly in the business segment of providing financial assistance to MSME and other sectors. All other activities revolve around the main business. Further, all activities are carried out within Kerala. As such, there are no separate reportable segments as per the provisions of AS 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

b) Secondary Segment (The Geographical Segment)

The area of operation of the Corporation is confined within the state of Kerala. As a result separate segment information for different geographical segments is not required.

2.12 CONTINGENT LIABILITIES

The contingent liabilities as on 31.03.2021 are estimated as under

- On account of Income Tax ₹ 891.51 Lakh
- On account of suits filed against the Corporation ₹ 102.46 Lakh
- On account of Service Tax ₹ 129.69 Lakh
- On account of guarantees issued on behalf of Government contractors in Kerala- ₹ 3179.60 Lakh

2.13 ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

Assets acquired in satisfaction of claims amounting to ₹ 400.34 Lakh relates to M/s.Jayalakshmi Builders, Thiruvananthapuram and is retained as such. The acquisition was done in the financial year 2008-09 and accounted as recovery from NPA account in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value is ₹ 588.20 Lakh which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims.

The Corporation posted the unit for e-sale in the official web portal on 07.01.2021 and sale was confirmed to the highest bidder for ₹ 599.99 Lakh. The last date for the sale remittance was 24.03.2021. Though the bidder remitted 25% of sale amount being ₹ 150 Lakh, he did not remit any further amount and the sale was cancelled. As per the sale terms, if the amount is not remitted before the last date, the amount already remitted will be forfeited. ₹ 150 Lakh is now kept in Suspense Account pending confirmation from the Board.

2.14 SUSPENSE ACCOUNT

The amount outstanding in Suspense Account amounting to ₹ 552.76 Lakh as on 31.03.2021 comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, as per court orders, amount benefits to employees held back for want of details and amount to be refunded in respect of contractor loans. Further ₹ 150 Lakh pertain to amount forfeited from the cancellation of e-sale of M/s. Jayalakshmi Builders. The balance amount lying in Suspense account as on date is being rectified.

2.15 SECURED / UN-SECURED LOANS.

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. During the year the Corporation availed loans amounting to ₹ 323554.46 Lakh and repaid ₹ 188752.30 Lakh. The loan outstanding as on 31.03.2021 is ₹ 332750.52 Lakh out of which ₹ 13452.24 Lakh is a foreign currency loan from SBI.

The Corporation availed ₹ 13497.78 Lakh as Foreign currency loan from SBI for a period of 6 months by converting a portion of the unavailed TL/ OD limit of ₹ 13500 Lakh. All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. The principal loan portion is hedged under forward contract and the deferred premium of ₹ 356.04 Lakh will be amortised in 6 months. The premium amortised during the year is ₹ 58.37 Lakh and the deferred premium as on 31st March 2021 is ₹ 297.67 Lakh. The balance as on 31st March 2021 is reinstated at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India (FEDAI) as on 31st March 2021 as ₹ 13452.24 Lakh after adjusting the forex gain of ₹ 45.54 Lakh. The interest accrued of ₹ 14.70 Lakh is provided on actual basis.

2.16 NON SLR BONDS

The Corporation issued Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Bonds of ₹ 25000 Lakh in Sep 2020 @ 7.70% with credit enhancement mechanism with out government guarantee. The bonds were rated AA(SO)

by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee.

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The total outstanding bonds of KFC as on 31.03.2021 aggregate to ₹ 94167.50 lakh as given below.

₹ in Lakh

SI No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
1	14-Sep-20	7.70%	25000.00	25000.00	14-Sep-30
2	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26
3	04-Apr-18	8.69%	25000.00#	5497.50	04-Apr-25
4	09-May-16	8.90%	25000.00#	18750.00	09-May-23
5	30-Oct-14	9.15%*	20000.00#	4920.00	30-Oct-21
6	06-Jun-13	8.72%*	20000.00#	15000.00	06-Jun-23
		TOTAL	140000.00	94167.50	

* Issued with Government guarantee, # Partial Redemption done

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund'(REF) equal to 0.01% of the issue size subject to maximum of ₹ 25 Lakh shall be created, as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020 which shall be utilized in a manner decided by holders of securities in case of default. The provisions of this circular were made applicable w.e.f. January 2021 and accordingly the Corporation has deposited ₹ 11.37 Lakh towards REF with BSE on 22nd February 2021. As on 31st March 2021, the REF required is only ₹ 9.42 Lakh being 0.01% of ₹ 94167.50 Lakh.

2.17 EMPLOYEE EXPENSES

The total Employee benefits and expenses for the year amount to ₹ 3418.29 Lakh (₹ 3151.99 Lakh during FY 19-20). This includes Employee Pay & Allowances for the year of ₹ 2908.56 Lakh (₹ 2639.94 Lakh during FY 2019-20).

2.18 EMPLOYEE PAYMENTS AND RETIREMENT BENEFITS

The Corporation contributes towards Group gratuity Scheme and Group Leave Encashment Scheme administered by Life Insurance Corporation of India (LIC) for eligible employees as per the actuarial valuation and demand raised by LIC and are reckoned as expenditure for the concerned period. The Fair value of the Plan assets and the Present value of obligations as at 31st March 2021 for both the schemes is as below.

₹ in Lakh

Particulars	Group gratuity Scheme	Group Leave Encashment Scheme
Present value of Obligations	1308.45	622.12
Fund value	1368.38	670.95

2.19 RR CHARGES PAYABLE

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of ₹ 828.05 Lakh has been made for the payment due from FY 2014-15 to FY 2019-20 as on 31.03.2020. The demand for FY 2020-21 was received from the department for ₹ 49.86 Lakh this year. Further, an amount of ₹ 31.50 Lakh is reduced in the demand for the period 2014-15 to 2019-20, which is deducted from the provision for this year which make the net provision for FY 2020-21, ₹ 18.36 Lakh. Hence as on 31.03.2021 the total amount provided is ₹ 846.41 Lakh, break up is as below.

FY 2014-15- ₹ 94.54 Lakh
 FY 2015-16- ₹ 100.46 Lakh
 FY 2016-17- ₹ 150.76 Lakh
 FY 2017-18- ₹ 157.92 Lakh
 FY 2018-19- ₹ 157.00 Lakh
 FY 2019-20- ₹ 135.86 Lakh
 FY 2020-21- ₹ 49.86 Lakh

The establishment charges have not been paid as the calculations made by the Corporation is ₹ 775.59 Lakh as against the demand of ₹ 846.41 Lakh provided by the Revenue Department.

2.20 INTEREST INCOME AND REBATE

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during FY 20-21 are ₹ 41047.50 Lakh and ₹ 660.11 Lakh and during FY 19-20 were ₹ 32069.24 Lakh and ₹ 1215.99 Lakh respectively.

2.21 COMMISSION ON PERFORMANCE GUARANTEES ISSUED

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee is reversed at the year end. During the FY, total commission collected upfront from Performance guarantees issued (including extension of Performance guarantees issued in previous FYs amounts to Rs 98.72 Lakh (₹ 118.72 Lakh during the FY 19-20), out of which Rs 25.37 Lakh pertains to this FY (₹ 29.24 Lakh during the FY 19-20) and Rs 73.35 Lakh (₹ 89.48 Lakh during the FY 19-20) pertains to future FYs. Out of the unexpired portion of Commission accounted during FY 2019-20 (₹ 89.48 Lakh), ₹ 33.38 Lakh is recognized as income during this year. Thus the total income recognised during the year is ₹ 58.75 Lakh.

2.22 PROVISION FOR INCOME TAX

The income tax comprises of current and deferred tax. The provision for income tax is made as per the income tax rules and previous income tax assessments. The tax is calculated on income on receipt basis which is consistently followed by the corporation for the past years and the Income tax department also accepted the same for assessment purpose. The deferred tax assets and liabilities are recognised, for the expected tax consequences of temporary / timing differences between the depreciation, accrued income and expenditure.

Taxable income calculated as per IT Act	₹ 4128.92 Lakh
Income tax thereon	₹ 1039.16 Lakh

2.23 DIVIDEND

The Corporation has decided not to make any dividend payout during the year from profits pertaining to the FY ended March 31, 2021 in compliance with the RBI notification dated 17.04.2020 to conserve capital in an environment of heightened uncertainty caused by Covid Pandemic (Previous year Dividend payout- Nil).

2.24 GRANTS AND SUBSIDIES

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as

Non Current Liabilities. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates. The interest on Coconut Development Board Subsidy of ₹ 98.31 Lakh is shown under the head Interest and Fund expenses.

2.25 PRIOR PERIOD ITEMS

There are no prior period adjustment made during this year .

2.26 PREVIOUS YEAR'S FIGURES

Previous year's figures have been regrouped and reclassified for better presentation wherever found necessary.

For and on behalf of the Board of Directors

 Soya.K Financial Controller	 Premnath Ravindranath Executive Director	 Anil Kumar Parameswaran Director	 Sanjay Kaul Chairman & Managing Director
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As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 001536S

Place: Thiruvananthapuram
Date:12.08.2021


Nikhil R Kumar
 Partner, M No: 231162

NOTE: 21 DISCLOSURE REQUIREMENTS:

	(Amount ₹ in lakh)		
A. Capital	2020-2021		2019-2020
a) CRAR (%)	22.85		22.40
b) Risk Weighted Assets			
1) On Balance Sheet items		304658.57	265812.97
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	42026.94	98.54	98.15
2. SIDBI	613.33	1.44	1.82
3. Commercial Banks, Insurance Cos. Pvt Shareholders etc.	10.16	0.02	0.03
TOTAL	42650.43	100	100.00
d) Net worth	67834.76		58474.50
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	16552.05	3.58	4.74
b) Net NPAs under the prescribed asset classification categories	6619.64	1.48	1.45
c) Provisions:	2020-21		2019-20
1. Provision for Standard Assets	3936.65		2510.83
2. Provision for NPA	9932.42		11260.10
3. Provision for Investments	3114.38		74.38
4. Provision for Income Tax	1039.17		1127.86
5. Provision for Deferred Tax Liability	-414.11		42.16
6. Provision for Other Assets	3540.00		1520.00
	2020-21	2019-20	Variance
d) Movement in Net NPA (%)	1.48	1.45	0.03

C. Liquidity:						(₹ in lakh)
a) Maturity pattern of Rupee assets.						
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total
Total assets	132889.69	182036.40	97079.61	34194.13	15912.68	462112.51
Total Liabilities	103185.71	179304.79	95802.83	33624.69	15000.00	426918.02
D. Operating Results:					2020-21	2019-20
					(₹ in lakh)	
a) Interest income as a percentage to average working funds-					9.44	9.74
Interest Income					40,387.39	30,853.26
Average Working Funds					4,28,012.83	3,16,706.68
b) Non-interest income as a percentage to Average Working Funds-					2.03	3.23
Non-interest income					8,706.90	10,238.57
Average Working Funds					4,28,012.83	3,16,706.68
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-					0.68	1.43
Operating Profit (+) / Loss (-)					2,901.12	4,526.67
Average Working Funds					4,28,012.83	3,16,706.68
d) Return on Average Assets-					0.69	1.39
Returns (operating profit + depreciation)					3,184.24	4,725.75
Average Assets					4,60,109.67	3,40,517.24
e) Net profit (+) / Loss (-) per employee					3.43	8.96
No. of employees					192	205
Net profit (+) / Loss (-)					657.93	1,836.65

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2021

₹ in Lakh

FOR THE PERIOD	For the year ended 31.03.2021	For the Year ended 31.03.2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	1,282.98	3,006.67
Interest received on Fixed Deposits	(2,083.65)	(1,110.68)
Depreciation on fixed assets	283.12	199.08
Provision for Non Performing Assets/Other Assets	1,618.13	–
Share Issue Expenses	1.02	–
Premium on Forward Contract	(297.67)	–
Interest and other costs of Non-SLR Bond	9,690.24	9,405.33
Adjustment for changes in operating assets and liabilities		
Increase in Loans and Advances	(1,26,922.46)	(23,382.10)
Increase in borrowings from Banks	1,34,802.16	56,549.21
Decrease in Other Non-Current assets	39,599.90	(41,936.37)
Decrease in Other Current assets	(51,439.88)	(681.25)
Increase in Current liabilities	13,715.03	841.65
Increase in Other Non Current Liabilities	129.35	(64.74)
Less: Income tax paid	(700.00)	(2,115.00)
Net cash from operating activities	19,678.27	711.80
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(154.20)	(644.66)
Sale of Fixed Assets	4.16	–
Investment in KIFM Ltd	(1.02)	–
Net cash used in investing activities	(151.06)	(644.66)
CASH FLOW FROM FINANCING ACTIVITIES		
Money received against Share Capital	9,000.00	11,000.00
Share Issue Expenses	(1.02)	–
Issue of Non SLR Bond	25,000.00	25,000.00
Redemption of Non-SLR Bond	(35,682.50)	(5,150.00)
Interest and other costs of Non-SLR Bond	(0.10)	(9,405.33)
Interest Received on Fixed Deposits	2,083.65	1,110.68
Net Investment in NCD	(5,993.74)	–
Proceeds from NCD	709.09	–
Net Deposit with Banks	(12,251.54)	(5,600.00)
Dividend and Dividend Tax paid	–	(136.53)
Net cash used in financing activities	(17,136.16)	16,818.82
Net increase in cash and cash equivalents	(7,299.09)	16,885.97
Cash and cash equivalents at the beginning of the year	17,375.67	489.70
Cash and cash equivalents at the end of the year	10,076.58	17,375.67

PROFORMA - I
SECTOR WISE LOAN OUTSTANDING AS ON 31.03.2021

(₹ in Lakh)

Particulars	Standard		Sub-Standard		Total	
	Number	Amount	Number	Amount	Number	Amount
MANUFACTURING	1994	1,58,743	57	5,897	2051	164640
SERVICE	3630	2,52,499	104	9,380	3734	261879
CRE	194	34,318	6	1,275	200	35593
TOTAL	5819	4,45,560	166	16,552	5985	462113

Proforma - II
SUMMARY OF LOAN OPERATIONS FOR FY 2020-21

(₹ in Lakh)

Sl no	Particulars	Micro		Small		Medium		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	Applications pending as on 01.04.2021	4	85	11	3133	5	996	20	4214
2	Applications received during 2020-21	1583	199074	1775	211576	1033	121553	4391	532203
3	Total application for consideration	1587	199159	1786	214709	1038	122549	4411	536417
4	Application withdrawn/rejected or otherwise	36	17767	42	17266	20	18660	97	53693
5	Application sanctioned(Gross)	1551	181392	1744	197443	1012	101789	4308	480624
6	A. Application cancelled/reduced out of Current year's sanction	5	21604	18	33859	92	10514	116	65977
	B. Application cancelled/reduced out of Previous year's sanction	0	0	2	28	7	130	9	158
	C. Total cancellation/reduction(6A+6B)	5	21604	20	33887	99	10644	125	66135
7	Application sanctioned effectively(5-6A)	1546	159790	1726	163584	920	91275	4192	414649
8	Amount disbursed along with number of newly assisted units	2068	127155	3961	233261	146	10505	6175	370921
9	Application pending sanction as at the end of the period	0	0	0	0	6	2100	6	2100

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2020-21

(₹ in Lakh)

Branch Name	Applications received												Gross sanction											
	Micro		Small		Medium		Total		Micro		Small		Medium		Total									
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount								
Alappuzha	134	2197	66	1099	37	604	237	3900	131	6962	65	3480	36	1625	232	12066								
Ernakulam	141	91501	121	78081	95	61655	357	231237	138	62361	119	53215	93	39080	350	154656								
Kannur	71	3424	125	5992	50	2393	246	11809	70	2774	123	4855	49	1873	241	9501								
Kasaragode	129	10784	189	15721	121	10058	439	36563	126	11846	185	17270	119	10705	430	39821								
Kattappana	59	965	55	907	68	1112	182	2984	58	1177	54	1106	67	1355	178	3639								
Kollam	86	3948	108	4951	61	2820	255	11719	84	6533	106	8193	60	4667	250	19392								
Kottayam	65	1707	62	1617	41	1063	168	4387	64	1624	61	1538	40	513	165	3675								
Kozhikode	97	3461	212	7571	134	4759	443	15791	95	5170	208	11241	131	6746	434	23156								
Malappuram	157	5929	119	4506	96	3637	372	14072	154	7809	117	5936	94	4790	365	18535								
Palakkad	43	1629	89	3421	53	2036	185	7086	42	1832	87	3846	52	2289	181	7966								
Pathanamthitta	76	3478	42	1932	38	1721	156	7131	74	5178	41	2876	37	1890	153	9944								
Perumbavoor	45	1099	74	1775	51	1226	170	4100	44	1274	73	2057	50	1420	167	4751								
Thiruvananthapuram	255	61043	323	77321	108	25897	686	164261	250	56123	317	72014	106	21975	672	150112								
Thodupuzha	43	847	35	688	27	529	105	2064	42	806	34	654	26	503	103	1963								
Thrissur	87	3339	108	4174	37	1421	232	8934	85	5662	106	7077	36	1886	227	14625								
Wayanad	95	3723	47	1820	16	622	158	6165	93	4264	50	2085	16	473	159	6823								
Grand Total	1583	199074	1775	211576	1033	121553	4991	532203	1551	181392	1744	197443	1012	101789	4308	480624								

PROFORMA - IV

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2020-21

(₹ in Lakh)

Branch Name	Effective Sanction										Loan Disbursed									
	Micro		Small		Medium		Total		Micro		Small		Medium		Total					
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount				
Alappuzha	135	1223	67	611	32	285	234	2119	157	2257	87	1262	14	195	258	3714				
Ernakulam	134	92899	114	79274	84	58216	332	230389	130	58058	218	97308	4	1635	352	157001				
Kannur	69	1361	121	2381	47	918	237	4660	114	1770	188	2925	0	0	302	4695				
Kasaragode	120	5726	174	8348	108	5174	402	19248	328	5295	1049	16908	4	64	1381	22267				
Kattappana	57	502	53	472	65	579	175	1553	98	1112	114	1302	0	0	213	2414				
Kollam	83	1624	105	2036	60	1159	248	4819	167	3272	314	6149	13	252	494	9673				
Kottayam	69	1241	66	1175	22	392	157	2808	100	1156	63	724	0	0	163	1880				
Kozhikode	94	1840	204	4001	123	2400	421	8241	145	3044	358	7503	18	362	520	10909				
Malappuram	147	2783	111	2115	90	1707	348	6605	194	4248	316	6894	9	184	519	11326				
Palakkad	40	839	84	1761	50	1048	174	3648	55	1362	122	3024	0	0	178	4386				
Pathanamthitta	83	1068	47	593	31	390	161	2051	97	3068	79	2497	8	249	184	5814				
Perumbavoor	43	702	69	1134	47	783	159	2619	78	1064	133	1836	3	42	214	2942				
Thiruvananthapuram	247	42906	316	55051	96	16800	659	114757	251	38098	499	75645	45	6809	795	120552				
Thodupuzha	40	553	33	450	25	346	98	1349	26	372	74	1054	0	0	99	1426				
Thrissur	91	2589	115	3237	30	863	236	6689	48	1174	223	5445	26	624	297	7243				
Wayanad	94	1934	47	945	10	215	151	3094	80	1805	123	2785	4	89	207	4679				
Grand Total	1546	159790	1726	163584	920	91275	4192	414649	2068	127155	3961	233261	146	10505	6175	370921				

HIGHLIGHTS OF PERFORMANCE

(₹ in Lakhs)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Applications Received No	694	721	1147	1364	1383	689	749	957	2458	4391
Applications Received Amount	64294	77271	98962	148269	112049	50424	78491	174054	316541	532203
Applications Sanctioned No	634	639	1111	1311	1328	634	669	885	2111	4192
Applications Sanctioned Amount	53901	66139	101173	94745	102599	38531	72393	164495	165788	414649
Disbursement Amount	46457	47594	75473	65709	83836	65527	60023	81579	144615	370921
Recovery Amount	46717	54022	56513	68427	75820	87428	94467	90000	108209	285129
Number of Loan accounts	5985	6114	4196	4498	5264	5497	4439	4231	4884	5985
Balance Outstanding Amount	123984	140143	180037	203818	240019	247411	245179	268401	335190	462113
Authorised Capital	35000	35000	35000	35000	35000	35000	35000	35000	50000	50000
PAID UP CAPITAL										
State Government	20574	20574	20574	21563	21563	21563	21563	22027	33027	42027
SIDBI	613	613	613	613	613	613	613	613	613	613
Others	10	10	10	10	10	10	10	10	10	10
Total	21197	21197	21197	22186	22186	22186	22186	22650	33650	42650
INCOME										
Interest on Loans	15730	25294	26312	30915	29976	35195	36557	40475	38694	45988
Other Income	5695	476	307	167	872	1277	1131	2351	2351	3106
Total	21425	25770	26619	31082	30847	36473	37688	42826	41046	49094
EXPENDITURE										
Interest on Bonds	1043	2111	3419	4675	5454	6917	6677	8129	8950	9165
Interest on Refinance & other borrowings	7166	6590	7078	9278	10921	12599	11847	10014	12381	19963
Fund Raising expenses	244	241	370	417	526	558	521	451	455	584
Employee benefit expenses	1792	2317	2356	2595	2701	2864	3407	3610	3152	3418
Administrative Expenses	402	438	574	527	523	503	640	671	713	394
Total	10647	11697	13797	17492	20125	23440	23092	22875	25651	33524
Profit/Loss before depreciation	10778	14073	12822	13590	10722	13032	14596	19951	15441	15569
Write off/Provisions										
Depreciation	58	57	65	53	129	184.37	96	84	199	283
Bad debts Written off	3078	2566	4139	4280	5867	12061.13	12481	16767	10715	12385
Provision for Bad & Doubtful debts/other assets	482	1626	1311	3811	2692	0	515	419	1520	1618
Net Profit/Loss	4565	6683	4134	1437	533	787	1504	2665	3007	1283
Net Worth	32585	38376	41484	42392	42917	43545	44108	45741	58475	67834.8
Gross NPA(%)	3.60	3.51	3.45	7.85	10.57	8.51	6.37	5.77	4.74	3.58
Net NPA(%)	1.30	0.36	0.35	3.71	5.93	4.25	2.03	1.82	1.45	1.48
Share Capital issued	0	0	214	989	0	0	0	464	11000	9000
Bonds issued	20000	0	20000	20000	0	25000	0	25000	25000	25000
Borrowings from Banks & FIs	19400	25900	30210	32799	56201	35000	67000	60900	197955	332751
Repayment of Bonds	3655	2453	0	0	5000	5000	5000	10000	5150	35683
Repayment of Borrowings from Banks & FIs	18020	28274	22211	24751	23216.7	28753	48037	66054	108044	188752
Cumulative Sanction up to 31.03.2021								No	Amount	
Cumulative Disbursement up to 31.03.2021									54741	1720721
									55287	1412207



Star Polymers, Thrissur



Payyappilly Natural Extracts, Perumbavoor



Coco Wayn Coconut Oil Mill, Wayanad



Ammas Industrial Machinery, Kasaragode



Genrobotic Innovations,
Thiruvananthapuram



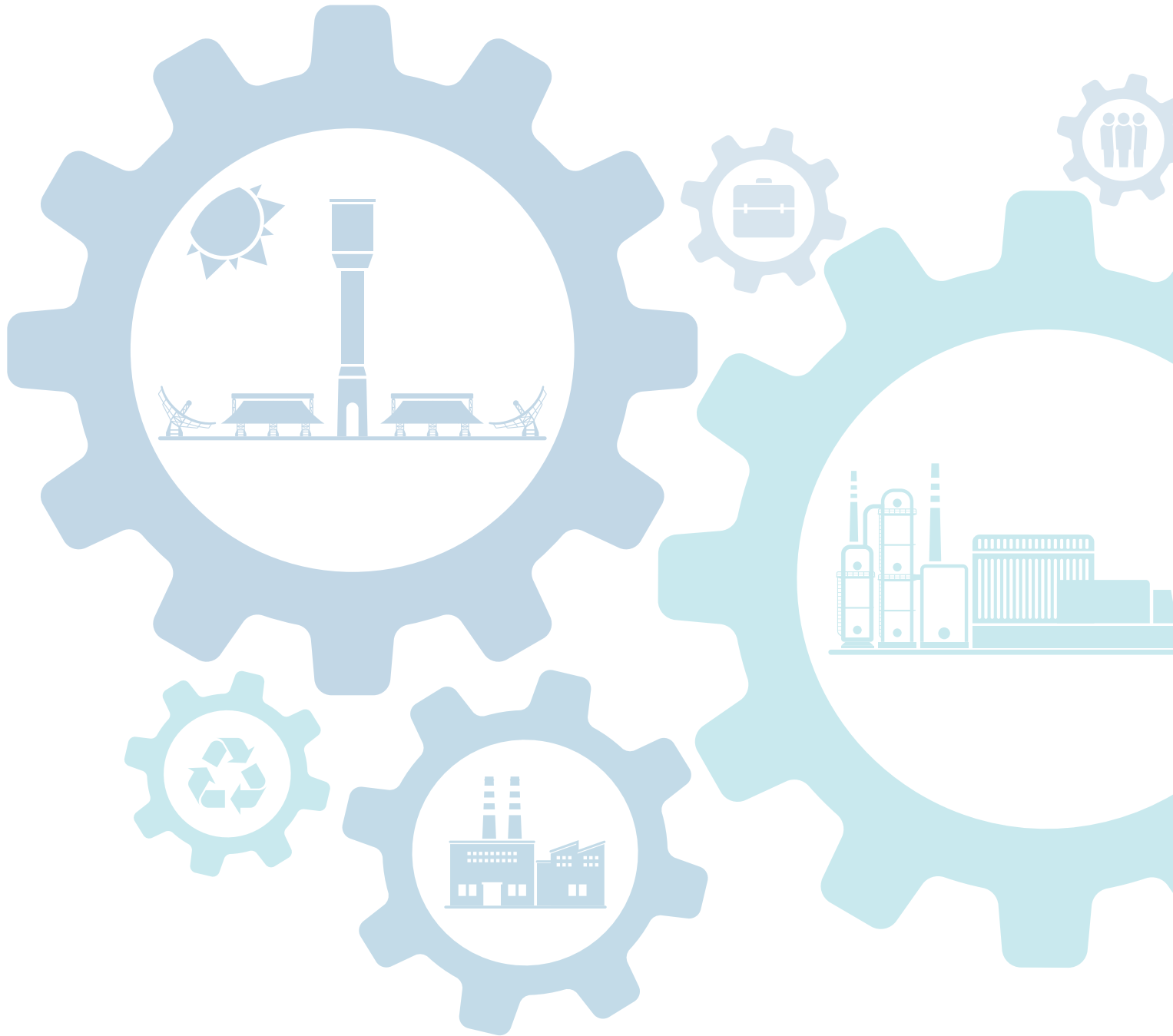
Astra Bioscience Ltd, Ernakulam



TC-One Properties, Kozhikode



Silver Residency, Thrissur

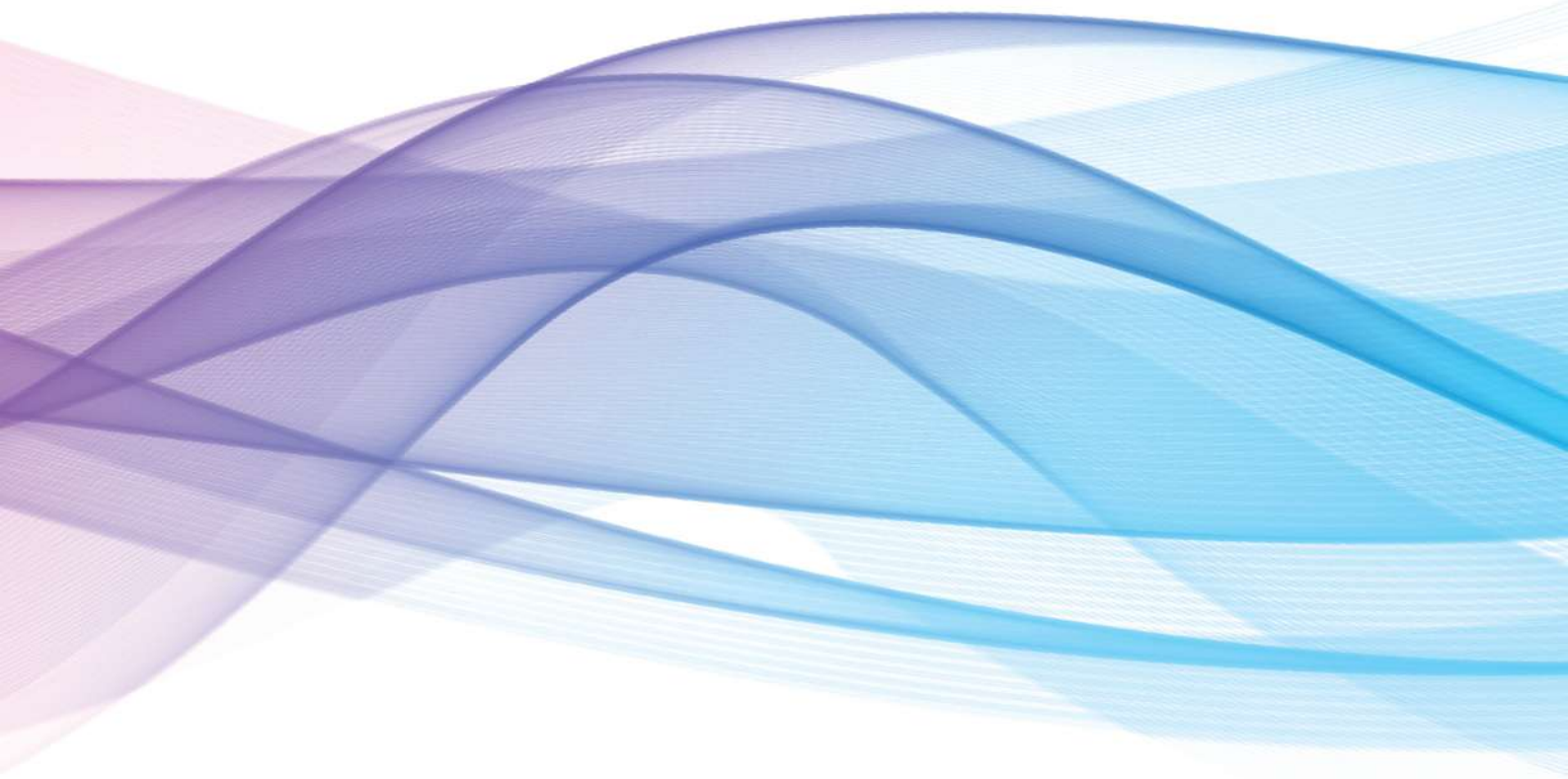


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ANNUAL REPORT **2021-22**





La Mirage Convention Centre, Thrissur



Signora Fabrics, Kattappana



Farmers Freshzone Pvt. Ltd., Ernakulam (Startup)



Genrobotic Innovations Pvt. Ltd., Thiruvananthapuram (Startup)



Ailbi Global Pvt. Ltd., Thiruvananthapuram (Startup)



Chemilite Coatings Pvt. Ltd, Kollam



Bio Ingredia Natural Pvt. Ltd, Palakkad



Vagamom Breeze Valley, Kottayam



ANNUAL REPORT 2021-22



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GOVERNMENT OF KERALA



Pinarayi Vijayan
CHIEF MINISTER

I am happy to note that the Kerala Financial Corporation continues to perform well even though our economy is under severe stress due to the COVID-19 pandemic.

It is noteworthy that through special schemes like the Chief Minister's Entrepreneurship Development Programme and schemes for Startups, KFC continues to reach out to a larger section of the people.

I hope that KFC will continue its role in supporting MSMEs and Startups and identify new areas in which it can assist entrepreneurs as Kerala moves closer to its goal of becoming a knowledge economy and an innovation society. This will in turn push Kerala's economy to greater heights.

I extend my warm wishes to KFC and its customers.

A handwritten signature in black ink, appearing to be 'Pinarayi Vijayan'.

Pinarayi Vijayan



SKOCH AWARD

STATE-OWNED ENTERPRISE

SILVER

KERALA FINANCIAL CORPORATION

FOR

**CHIEF MINISTER'S ENTREPRENEURSHIP
DEVELOPMENT PROGRAMME**

CONFERRED THIS HONEST INDEPENDENT HONOUR IN INDIA ON 12TH APRIL 2022 AT NEW DELHI

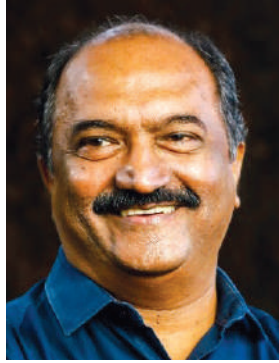


Sameer Kochhar
SAMEER KOCHHAR
CHAIRMAN, SKOCH GROUP

WWW.SKOC.H.IN



GOVERNMENT OF KERALA



K N Balagopal
Minister for Finance

KFC is a trendsetter in the field of long-term finance, playing a major role in the development and industrialization of Kerala. The Corporation has now emerged as a financial supermarket giving its customers a wide range of products and services.

In spite of the stress due to COVID-19, the Corporation could improve its performance, during the FY 2020-21, in terms of portfolio growth, sanctions, disbursements, recovery etc. The Corporation could curb its NPA levels also.

I am happy to see that KFC has revamped its policies and procedures and also reduced interest rates further to support MSMEs during its pandemic time. As part of COVID-19 Relief package, the Corporation has recently announced three new loan schemes. 'Startup Kerala Scheme', Special scheme for units in Industrial Estates and the revamped Chief Minister's Entrepreneurship Scheme (CMEDP) for MSMEs.

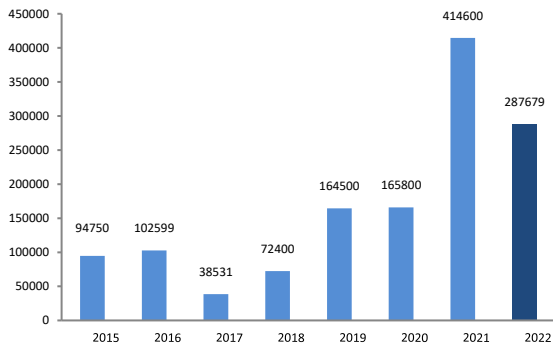
We are passing through a very difficult time in human history, collectively we will face and tide over this crisis period. I hope all the employees, customers and stakeholders of KFC, will strive for the developmental needs of our state.

K N Balagopal

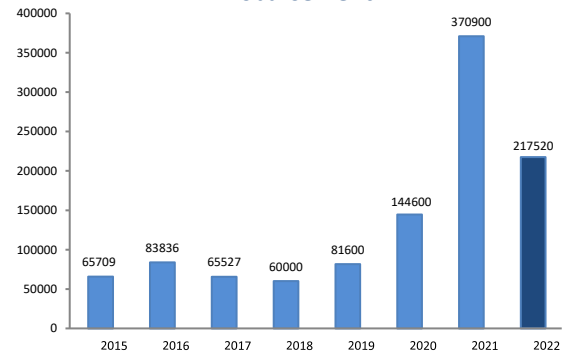
FINANCIAL HIGHLIGHTS

₹ in Lakh

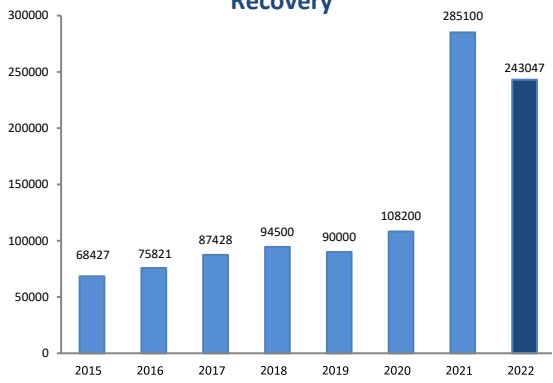
Sanctions



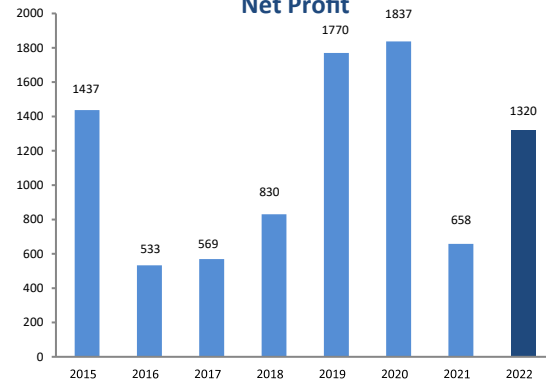
Disbursement



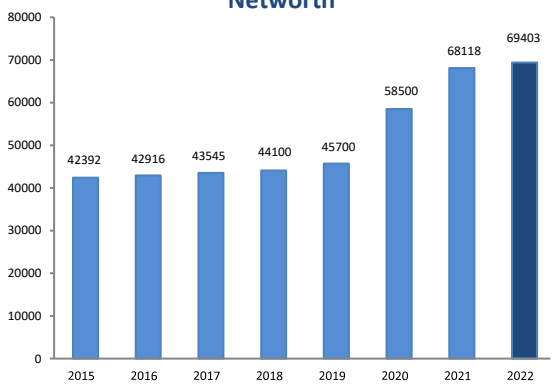
Recovery



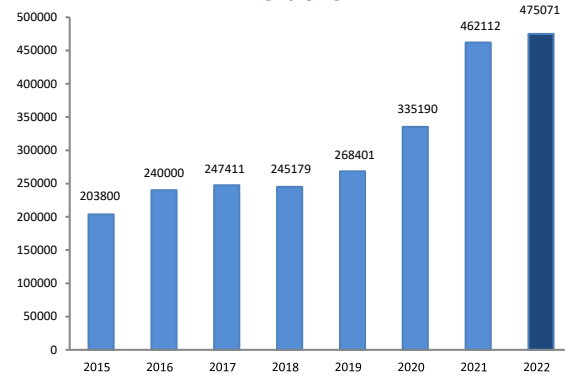
Net Profit



Networth



Portfolio



BOARD OF DIRECTORS



Sri. Sanjay Kaul IAS
Chairman & Managing Director



Sri.S Harikishore IAS
Director of Industries &
Commerce, Govt. of Kerala



Sri. E.K Harikumar
Chief General Manager
SBT (Rtd.)



Sri. Anilkumar Parameswaran
Chartered Accountant



Shri.Seetharaman V
General Manager, SBI



Smt. Deepa Sivadasan
Senior Divisional Manager, LIC



Sri. T.Balaji
Asst. General Manager, SIDBI
(Till 28.09.2021)



Shri. Satyaki Rasotgi
GM, SIDBI
(Since 29.09.2021)



PRINCIPAL OFFICERS

Executive Director

Sri. Premnath Ravindranath

General Managers

Sri. Ranjithkumar E R

Sri. Ajithkumar K

Deputy General Managers

Sri. Adarsh R

Sri. Rajesh R

Sri. M Manisankar

Sri. Anil John Abraham

Sri. Prasad V

Sri. Radhakrishnan Nair M

Financial Controller

Smt. Soya K

Statutory Auditor

Krishnan Retna & Associates, Chartered Accountants

Thiruvananthapuram

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 69th Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held at the Head Office of the Corporation, Vellayambalam, Thiruvananthapuram on Monday, June 20, 2022 at 11.00 AM to transact the following businesses:

1. To consider and adopt the Balance Sheet as at March 31, 2022 and the Profit & Loss account for the year ended March 31, 2022 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2021-22 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2022-23 under Section 37 (1) of the SFC Act 1951.
3. To declare dividend



By Order of the Board
PREMNATH RAVINDRANATH
Executive Director

Place : Thiruvananthapuram,
Date : 27.05.2022

NOTES:

1. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 13.06.2022 to 20.06.2022 (both days inclusive).
2. The form of proxy is enclosed.
3. Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the State Financial Corporations Act, 1951.
4. Any shareholder entitled to attend and vote at the meeting shall be entitled to appoint another person (whether a shareholder or not but not being an officer or employee of the Corporation) as his proxy to attend and vote instead of himself. No proxy shall be valid unless it is duly stamped and unless it, together with the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority certified by a notary public or a magistrate, is deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
5. A shareholder being a Company including Small Industries Bank, Public Sector Banks, Co-operative Banks, Co-operative Societies and LIC may, by a resolution of its Directors, authorise any of its officials or any other person (not being an officer or employee of the Corporation) to act as its representative at the meeting. The copy of the resolution appointing him as a duly authorised representative certified to be true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
6. The State Government may, by order in writing, authorise any of its officers, whether a Director of the Corporation or not, to act as its representative at the meeting. The copy of the order shall be deposited at the Head Office of the Corporation before the time fixed for the meeting.
7. The meeting shall be held, conducted, and the business thereat shall be transacted in adherence to the provisions of the State Financial Corporations Act 1951 (As amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.



KERALA FINANCIAL CORPORATION

(Incorporated under the State Financial Corporations Act No. LXIII OF 1951 H.O: Aswathy, Vellayambalam, Thiruvananthapuram-695 033. Phone: 0471-2737500 Email: kfc@kfc.org Website: www.kfc.org

PROXY

I, We..... (folio No.) of..... being a share holder of the Kerala Financial Corporation holding shares Nos hereby appoint Shri/Smt of (or failing him Shri/Smt of) as my/our proxy to vote for me/us and on my/our behalf at a meeting of the shareholders of the Corporation to be held at on the day of and at any adjournment thereof.

Signed this day of

Signature
of Rs.1/-
Revenue
Stamp

DIRECTORS' REPORT

To

The Stakeholders

The Board of Directors is pleased to place before you the 69th Annual Report of Kerala Financial Corporation (KFC) along with the Audited Balance Sheet as at March 31, 2022, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2022. The performance highlights are also given in the Annual Report for the year 2021-22.

KFC incorporated under the State Financial Corporations Act of 1951, plays a major role in the development and industrialization of Kerala extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Corporation has been among the top SFCs in the country and has remodelled itself to become an institution that offers a bouquet of financial products and services to entrepreneurs at competitive terms with a customer friendly approach.

Though FY 2021-22 began with optimism in the context of the development of vaccines against Covid-19 pandemic, economic activity remained more or less subdued due to surge in infections in between resulting in localised and regional lockdowns. To avoid further financial distress and to ensure continued economic activity, Govt. of India and RBI took several initiatives like ECLGS, rejuvenation package for travel and tourism sector, PM SVANidhi Scheme, PMFME Scheme etc.

The Directorate of Economics and statistics projected a decline of almost 4% in Gross State Domestic Product (GSDP) of Kerala State for 2021. To mitigate this Govt. of Kerala announced various stimulus packages for economical revival including the Vyavasaya Bhadratha Scheme to revive MSMEs in the State. The State Govt. also announced the establishment of one lakh MSMEs in the year 2022 and has decided to transform the State to complete digitally administered State by 15th August 2022.

Despite the multiple challenges that the Corporation had to confront on account of the pandemic, the Corporation has established itself as a partner of choice for entrepreneurs. There have been sweeping changes in the policies and processes with renewed thrust to support MSME industry. The Corporation announced new loan schemes and extended relief measures to various sectors. The Corporation is also the nodal and implementing agency for several policy initiatives by the Government of Kerala. Despite the subdued general economic scenario, the Corporation has recorded a buoyant performance in terms of growth in loan portfolio, profitability and reduced NPA levels. The key performance indicators are Portfolio (up 2.80%) Profit (up 100.60%) and Gross NPA (down 8.66%). The performance is a reflection of the various reforms taken as a means of leveraging the business through reduction in interest rate, digitization for improved customer experience, productivity, revenue and quality of loan portfolio through continuous effort to come out with a wide range of products and services and innovative schemes.

Overall improved performance, comfortable capital adequacy, improved net worth, adequate liquidity position, reduction in NPA levels, higher provision coverage, etc. echo the financial discipline of the Corporation. Well Planned actions have helped in these achievements. The Corporation benefits from the strong support received from the Government of Kerala. Moreover the Corporation has sufficient infrastructure and resources to gear up and tackle the temporary disruptions. KFC will be providing financial assistance through more attractive packages especially to the tourism sector, MSME sector and Startups.

PERFORMANCE OF THE CORPORATION

The performance highlights of the Corporation for the last two FYs are as given below:

₹ in Lakh

Key Parameters	2021-22	2020-21
Portfolio Size	4,75,071.41	4,62,112.51
Sanctions	2,87,678.86	4,14,648.56
Disbursements	2,17,520.16	3,70,921.22
Recovery	2,43,046.80	2,85,128.94
Interest Income	39,264.66	40,387.39
Total Income	51,816.81	49,094.29
Total Expenditure	42,634.65	46,193.18
Op. Profit before technical write off of bad debts	19,321.16	15,285.79
Op. Profit after technical write off of bad debts	9,182.16	2,901.12
Net Profit before Tax	3,501.07	1,282.98
Net profit after tax	1,319.80	657.93
Basic EPS (in Rs.) [face value Rs.100/-]	3.26	2.04
Diluted EPS (in Rs.) [face value Rs.100/-]	3.26	1.62
Net worth	69,403.17	68,118.22
Capital Adequacy Ratio %	22.41	22.85
Gross NPA as % of Gross Advances	3.27	3.58
Net NPA as % of Net Advances	1.28	1.48

BUSINESS ACHIEVEMENTS

Sanctions and Disbursements

During the year the Corporation took a conscious decision to rejig the existing portfolios to increase the support to MSMEs in the State without compromising on credit quality and pursuing stringent credit administration standards. The Corporation sanctioned financial assistance of Rs. 287678.86 Lakh during the FY 2021-22 as against Rs. 414648.56 Lakh during the previous FY. An amount of Rs. 217520.16 Lakh was disbursed during the FY 2021-22 as against Rs.370921.22 Lakh during the previous FY.

Recovery

The Corporation has a well-built monitoring mechanism for recovery. However, on account of the resurgence of Covid 3rd wave during May 2021, the Corporation took a liberal stand towards the customers who were struggling due to the pandemic and did not proceed with any coercive action including taking over of units under Sec 29 of SFC Act, and SARFAESI action. The Board of the Corporation in its meeting held on 12.08.2021 decided to conduct Covid Special Loan Settlement Adalat 2021 in order to reduce NPA and also to get maximum recovery from written off accounts. Out of 300 applications received, the Task Force Committee approved 275 cases and out of these approved cases, 130 cases were settled and total amount received for the year ending 31.03.2022 was Rs 8412.53 Lakh. The total recovery during the FY was Rs. 243046.80 Lakh as against Rs.285128.94 Lakh during the previous year. Out of the total recovery, 9243.54 Lakh (Rs.5600.93 Lakh in Previous year) was by way of compromise settlement and recovery from written off loans.

Portfolio

The portfolio of the Corporation as on 31.03.2021 was Rs.462112.51 Lakh and reached Rs.475071.41Lakh as on 31.03.2022 thus registering a growth of 2.80% in spite of the unprecedented fall in economic activities due to the Covid-19 pandemic and consequent lock downs. The sector wise classification of Loans & Advances as on March 31, 2022 is furnished below.

₹ in Lakh

	Sector	As on 31.03.2022			As on 31.03.2021		
		No	Amount	%	No	Amount	%
1	Manufacturing	2120	158451.23	33.35	2051	164640.17	35.63
2	Service	3957	286900.17	60.39	3734	261879.07	56.67
3	CRE	163	29720.01	6.26	200	35593.27	7.70
	Total	6240	475071.41		5985	462112.51	

FINANCIAL PERFORMANCE

Profit

The Corporation reported a total income of Rs.51816.81 Lakh during the year as against Rs.49094.29 Lakh during the FY 2020-21. The operating profit for the year under review increased by 216.50% to Rs.9182.16 Lakh as compared to Rs. 2901.12 Lakh during the previous year mainly due to higher recovery from technical write off assets. The Corporation has registered a Net profit of Rs.1319.80 Lakh as compared to Rs. 657.93 Lakh during the previous year.

Dividend

The Board of Directors has proposed a dividend of Rs.0.25 per Equity share (0.25%) [(Previous year- Nil) for the year ended March 31, 2022, subject to the approval of the shareholders at the ensuing Annual General Meeting. As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs.0.53 Lakh will be transferred to Special reserve fund.

Capital & Reserves

The Corporation's paid up capital as on March 31, 2022 is Rs.42650.43 Lakh. The capital plus reserves of the Corporation has moved up by 2.31% from Rs.67834.76 Lakh to Rs.69403.17 Lakh (comprising of paid-up equity capital of Rs.42650.43 Lakh and reserves of Rs.26752.74 Lakh).

Shareholding pattern

The composition of shareholders as on March 31, 2022 is furnished below:

Shareholders	Amount (₹ in Lakh)	% of Shareholding
Government of Kerala	42026.94	98.538
SIDBI	613.33	1.438
LIC	7.10	0.017
SBI	2.10	0.005
Others	0.96	0.002
Total	42650.43	100.00

The Capital to Risk Weighted Assets Ratio (CRAR)

The Capital to Risk Weighted Assets Ratio (CRAR) of the Corporation as on March 31, 2022 according to Basel III guidelines is 22.41% (22.85 % as on March 31, 2021). The Capital adequacy ratio after considering the impact of proposed dividend will be 22.38% as at March 31, 2022.

Asset Quality

The Corporation gives utmost priority in maintaining the asset quality of the loan portfolio. As on 31.03.2022, the Standard assets stood at 96.73% of the loan portfolio. Despite the stress witnessed in the banking scenario on account of growing NPAs, the Corporation by strenuous recovery efforts and persistent monitoring has been successful in maintaining the Standard assets portfolio and reducing the Gross NPA to 3.27 % in March 2022 from 3.58% in the previous year. The net NPA stands at 1.28% in March 2022 as compared to 1.48% in the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 76.94%.

Key Business Initiatives

The Corporation has centralized and streamlined various operations and procedures with a view to focus and garner more business improving the top line as well as the bottom line performance. The standardization of processes and procedures has helped in scalability in line with business expansion in compliance with the regulatory and statutory requirements, enforcement of internal controls besides expeditious service to the customers. During the year, the Corporation has launched new products and services and also fine-tuned the existing loan schemes, services and processes to remain competitive. The key initiatives taken up during FY 2021-22 are given below:

- **Reduced Interest Rates.** The Corporation has reduced the rate of interest across all sectors w.e.f. 01.07.2021, in view of the stress faced by MSMEs due to COVID-19 pandemic, and the benefit has been passed on to all customers irrespective of their reset date. Where additional interest rates were charged due to the fair value-based earlier valuation policy/ restructuring done, the additional interests so charged were also credited in their concerned loan accounts.
- **20% additional COVID-19 Relief Loan to MSME, Healthcare and Hospitality Sector.** To meet the liquidity issues due to the second wave of COVID-19, 20% additional loans were provided to existing customers of the Corporation in the Hospitality, Travel & Tourism sectors.
- **Resolution of COVID-19 related stress of MSMEs.** Because of the uncertainties created by the second wave of the COVID-19 pandemic, the Corporation had extended the restructuring facility to existing loans in line with RBI guidelines.
- **Assistance to MSMEs in Healthcare to Fight COVID-19.** The second wave of the COVID-19 pandemic has created a shortage of lifesaving and personal protective equipment in the market. To encourage local production, a special loan scheme, 'KFC Assistance to MSMEs in Healthcare to Fight COVID-19' at a net interest rate of 7% pa was introduced.
- **Introduced External Valuation.** The Corporation has revamped its credit policies emphasizing viability-based funding and as a part of the same, the Corporation has empanelled qualified external technical valuers across Kerala for assessing the value of security properties as followed by Banks.
- **'Support MSMEs' Special Scheme for Assisting MSMEs located at Industrial Estates.** The main objective of the Corporation is to assist MSME units in the State. Since most of the good MSMEs are being established at Industrial Estates, a special loan product was introduced for assisting MSMEs located at Industrial Estates.
- **'Startup Kerala' - Comprehensive Scheme by KFC for Financing Startups.** The Corporation started a new scheme named 'Startup Kerala' to assist Startups during all stages of their growth starting from Productization/ Commercialization/ Scaling Up to Venture Debt. The maximum assistance is Rs.25 lakh for productization, up to Rs.50 lakh for commercialization and up to Rs.100 lakh for Scaling up, subject to 90% of the project cost in each stage. The Loans are provided at the lowest interest rate of 5.6%. Further, there are provisions for easy finance for executing Purchase Orders, discounting Bills and also for availing Venture Debt up to Rs.1000 lakh. KFC assisted 26 Startups with Rs.2760.40 Lakh during the FY.
- **COVID Special Loan Settlement Adalath 2021.** The disruptions due to the COVID-19 pandemic had affected the recovery of the Corporation in general. To improve recovery, the Corporation conducted 'COVID Special Loan Settlement Adalath 2021' in the month of October-November 2021. A total of 300 applications were received under the Adalath. The Task Force Committee for Adalath (TFC) approved 275 cases amounting to Rs.26684.53 lakh. Out of the approved cases, 130 cases were settled as of 31.03.2022. The total amount collected as of 31.03.2022 is Rs.8412.53 Lakh.

- **Business Review Committees.** To fasten the credit delivery, Branch Office Level Committees were empowered to take credit decisions up to Rs.200 lakh. Appraisal hubs were set up at the Head Office level for speedy processing of large proposals. The loan documents and formalities for processing loans were simplified. All loan enquiries are accepted online and in-principle clearances are accorded within seven days.
- **Issuing Guarantees to execute Sub-Contract Works.** Considering the fact that most of the major contract works happening in Kerala are bagged by non-Kerala based large contracting firms and they sub-contract the works to Kerala based contractors, the Corporation decided to assist sub-contract works also including them in 'LoC only for Government Contractors' scheme.
- **LoC Scheme for MSMEs.** Even though a lot of funding opportunities are available now, MSMEs are still facing constraints in obtaining adequate finance, particularly in terms of finding funds to execute the work orders and also to convert their bill receivables into liquid funds. To ease the liquidity position of MSMEs, MSMEs are included in the LoC Scheme to assist them in executing the Work Orders, Discounting pending Bills, etc.
- **Chief Minister's Entrepreneurship Development Programme (CMEDP) Edition II.** The existing 'CM's Entrepreneurship Development Programme' was revised and the loan amount increased to Rs.100 lakh from Rs.50 lakh and the interest rate was reduced to 5% from 7%. During the year, the Corporation has sanctioned assistance worth Rs. 11308 Lakh to 224 units and disbursed Rs. 3996.66 Lakh under this scheme.
- **Revision of Asset Coverage Ratio Norms.** To attract good entrepreneurs, by switching over to viability and cash flow-based funding, the minimum Asset Coverage Ratio (ACR) norms for MSME sectors were revised. The ACR for MSMEs in the manufacturing sector was reduced to 1 (from 1.40 times) and service sector to 1.50 times (from 1.75 times). It was also decided to fix the minimum collateral security requirements for non-fund-based limits to external credit rating, starting at 25% collateral for external Credit Rating above CRISIL 'A'/'SME3' or its equivalent.
- **Including Corporates as Work Issuing Authorities for LoC Schemes.** The Corporation was providing facilities to Contractors and MSMEs for executing Government works and discounting Government bills only so far. Considering the changing business scenario, it was decided to include 'Corporates' also as Work Issuing Authorities for LoC schemes.
- **Limit of accommodation.** The State Government, vide GO (MS) No.23/2022/Fin dated 03.02.2022, have appointed KFC as an agent of the State Government, under Section 25 1(e) of State Financial Corporation's (SFCs) Act 1951, for providing financial assistance up to Rs.50 crore to Industrial Concerns, MSMEs and State PSUs. The upper cap for Bill Discounting for all entities was increased to Rs.5000 lakh and the Bills Discounted are shown separately in the financial statements of the Corporation.
- **Loan Schemes for the Revival of potentially Viable Sick Units and revitalizing MSMEs.** MSMEs suffer the most in situations, especially from discontinuity of business, which they normally are not in a position to bear and become sick immediately. Revival of potentially viable MSME units which have already become sick is of the utmost importance from the point of view of the State economy, in view of the sector's contribution to the overall industrial production, exports and employment generation. Under this background, the Corporation launched two schemes, one for the revival of the sick, but potentially viable SME units and Asset-Backed Scheme to revitalize MSMEs.
- **Renovation of Head Office.** The renovation of the Head Office building of the Corporation to a modern style building is being undertaken. Destruction of old files was carried out as per the 'Policy on Preservation of Documents' approved by the Board.
- **Awards and Recognitions 2021-22**
 - SKOTCH National Award 2022 for CMEDP
 - FACT MKK Nayar Memorial Best Productivity Performance Award for Service Industries
 - Metro Food Best Financial Service Provider Award for Hospitality Sector

IT Initiatives.

- **Electronic payment system.** KFC has enabled the electronic payment system for all its customers. 95% of the repayments are currently through online payment systems like Virtual accounts, Google pay, POS, etc.

- **e-Procurement.** The procurement of KFC is done through Govt e-Procurement portal, CPCRS Portal and GeM.
- **Loan Origination System.** The digitalization process of the entire loan journey by implementing the Loan Origination System (LOS) is in progress and will be completed by June 2022.
- **New Core Banking Software.** KFC has decided to move to Finacle, one of the leading Core Banking Solutions (CBS) of Infosys and the implementation will be completed by September 2022. KFC will be the first State Financial Corporation in the country to use Finacle as its CBS.
- **Working Capital arrangements with City Union Bank.** KFC entered MOU with City Union Bank (CUB) for Virtual Working Capital arrangements, by integrating the Core Banking Solution of KFC and CUB.
- **Digital Document Execution.** The process of Digital Document Execution (DDE) in KFC is going on and is expected to go live by September 2022. Customers can execute loan documents through NeSL platform where the loan documents will be sent to them through email and they can approve the same through Aadhaar based OTP
- **Digital Meetings.** KFC has digitalized Board Meetings and Sub-Committee meetings. All other committee meetings will be digitalized through the software this year. Agenda and minutes will be circulated digitally, making meetings entirely paperless.
- **Kerala MSME Bill Discounting Platform.** Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. An online software connecting KFC, Government Departments, PSUs and MSMEs under the brand 'Kerala MSME Bill Discounting Platform (KMBDP)' to automate the entire operations is being developed.
- **KFC Mobile App.** KFC has developed a mobile App for customers. The App is available at the play store. The App will be launched in June 2022.
- **Case Management System.** Implemented Case Management System developed by NIC.

Resource mobilisation

- **LOC from Commercial Banks.** The Corporation availed Rs.129700 Lakh as Term loan/ Working Capital Demand Loan/ Foreign currency loan from various Commercial Banks/ Financial Institutions and repaid Rs.108289.99 Lakh during the FY 2021-22. The aggregate outstanding LOC from Banks and other Financial Institutions at the year end was Rs.354206.06 Lakh. The Corporation got a rating affirmation for Bank borrowings of BWR A during the year, signifying a stable outlook.
- **Non SLR Bonds.** The Corporation did not raise funds through bond issue during the FY 21-22. The aggregate outstanding Bonds at the year end was Rs.76137.50 Lakh. An amount of Rs.177.22 Lakh was paid to the State Government as Guarantee Commission for the outstanding bonds guaranteed by the State Government.

Listing

The NCDs issued by the Corporation are listed in the Bombay Stock Exchange and the annual listing fees have been paid. The bonds issued without Government guarantee are rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee. The total outstanding bonds of KFC as on 31.03.2022 aggregate to Rs.76137.50 Lakh as given below.

₹ in Lakh

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Asset Cover+	Maturity Date
1	14-Sep-20	7.70%	25000.00	25000.00	110%	14-Sep-30
2	09-Jul-19	8.99%	25000.00	25000.00	125%	09-Jul-26
3	04-Apr-18	8.69%	25000.00#	3637.50	125%	04-Apr-25
4	09-May-16	8.90%	25000.00#	12500.00	125%	09-May-23
5	06-Jun-13	8.72%*	20000.00#	10000.00	-	06-Jun-23
		TOTAL	120000.00	76137.50		

* Issued with the Government guarantee

Partial redemption done

+ Asset cover maintained as per issue terms (secured by receivables)

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund' (REF) of Rs.11.37 lakh equal to 0.01% of the issue size was created w.e.f. 22.02.2021 as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020. As on 31st March 2022, the REF required is only Rs.7.62Lakh being 0.01% of Rs.76137.50 Lakh.

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to Rs.50 Lakh. As on 31st March, 2022, 1455 accounts amounting to Rs.925.24 Lakh have been covered under the scheme.

Asset Liability Management (ALM)

The Corporation's business operations, sources of funds and risk factors have widened, necessitating appropriate steps to effectively deal with fund management and resources planning. The Asset Liability Management Committee (ALCO) actively manage the liquidity and continuously monitor, measure and manage the risks confronting the Corporation. The Corporation's Asset Liability Management (ALM) is aimed at strategic planning, implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken. The ALCO met 10 times during the year.

Risk Management

Risk is an integral part of financial institutions. The Corporation has applied focused efforts in creating risk awareness culture and building a comprehensive framework for identification, measurement and management of all material risks and is continuing to do so to strengthen the risk governance framework.

ISO Certification

The Quality Management Certificate was changed over to the new version IS/ ISO 9001-2015 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license is valid till 21st June, 2022. All the offices of the Corporation continue to hold the Quality Management System Certificate.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Apart from internal audit, Concurrent Audit of branch operations is also done through reputed firms of Chartered Accountants on a monthly basis. Further, audit of compromise settlement sanctions of above Rs.25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 Lakh is also in place. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2020-21.

Statutory Auditors

The shareholders at its 68th Annual General Meeting held on Aug 31st 2021, appointed M/s. Krishnan Retna & Associates, Chartered Accountants (ICAI Firm Registration No. 301003E/E300005), as Statutory Auditors of the Corporation for the audit of the Corporation's accounts for the year 2021-22. M/s Krishnan Retna & Associates, Chartered Accountants, vacates the office at the ensuing Annual General Meeting after completing 4 years.

Secretarial Audit and Secretarial Audit Report:

As per Regulation 24A of SEBI (LODR), Regulations, 2015, SEBI Circular dated Feb 8th, 2019 & SEBI (LODR) (Fifth Amendment) Regulations, 2021 every listed entity shall undertake Secretarial Audit and the report has to be submitted within 60 days from the end of the financial year which shall be annexed to the Annual Report. As per the Fifth Amendment, KFC would be covered under High Value Debt Listed Entities (HVDLEs), and has time till 31st March 2023 to comply with the regulations fully. Hence it was decided to partially comply with the same for the year ended 31st March 2022.

Internal Financial Controls and its adequacy

The Corporation has put in place extensive internal control measures and processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These

controls and processes are driven through various policies, procedures and certifications which are continuously reviewed, evaluated, and benchmarked against the best practices followed in the industry. Through continuous refinement and improvement of the internal inspection and vigilance system, the Corporation also ensures that internal controls are operating effectively.

Corporate Social Responsibility (CSR)

The Corporation believes that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility. The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members.

Participative Management

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by increasing their participation in the decision making process. Realising this, extensive delegation has been given at different levels across the State at the Branch and Zonal levels. At the Head Office/ Zonal Office/ Branch Office, the committee concept is widely used and decision making has been transparent and consultative.

Future Plans

The Corporation is committed to achieve its goals by focusing on the major areas like asset quality, profitability, resilient loan book, appropriate organizational structure, responsible corporate governance framework and robust and latest digital technology. The Corporation has set a target for FY 2022-23 to cross Rs.650000 Lakh mark in the Loan and Advances portfolio. The policies and systems are being constantly reviewed to focus on consolidating the existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts.

The brief action plans and strategies to be implemented are as follows.

- **Chief Minister's Entrepreneurship Development Programme (CMEDP).** The Government have implemented the 'Chief Ministers Entrepreneurship Development Programme (CMEDP)' through KFC targeting 500 MSME units every year, each generating at least ten direct and ten indirect employments, in addition to the promoters. Each of these enterprises is given financial assistance up to Rs.100 lakh at present at 5% annual interest including a 3% interest subvention from the Government. The upper loan limit of this subsidized loan will be enhanced to Rs.200 lakh.
- **Kerala MSME Bill Discounting Platform (KMBDP).** Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. KFC is nominated as the nodal agency for discounting the MSME bills pending with State Government Departments and PSUs. A comprehensive online software connecting KFC, Government Departments, PSUs and MSMEs will be developed under the brand 'Kerala MSME Bill Discounting Platform (KMBDP)' to automate the entire operations. Bills will be discounted on liberal terms and lower interest rates with a maximum credit period of 180 days.
- **Working Capital loans by KFC.** Scarcity of the working capital finance is one of the major problems confronting MSMEs of the State. Union Ministry of Micro, Small and Medium Enterprises have decided to include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending and they are allowed to be registered on Udyam Registration. Hence, traders of the State having MSME Udyam registration will also be assisted under the Working Capital loan scheme of KFC.
- **Loans to Agriculture Sector.** KFC will formulate a special scheme to provide loans up to Rs.1000 lakh with an interest rate of 5% to encourage agri industries, agri-start-ups, processing/ marketing/ trading of agri-products, food processing units, Warehouse, godown, cold storage, logistics support, etc.
- **New Branches.** The loan portfolio of KFC will be doubled to Rs.10000 crore in the next two years. KFC has 16 branch offices across the State at present. With KFC getting into more products and sectors, the presence of KFC will have to be expanded to more places. The number of branch offices of KFC will be increased in a phased manner and KFC will open five new branch offices across the State this year.

Corporate Governance

The Corporation is a Public Sector Undertaking under the State of Kerala committed to adopt best corporate governance practices by ensuring integrity in financial reporting, disclosure of material information, improvement of internal controls. We believe that effective corporate governance is not just a requirement for regulatory compliance, but also a facilitator for the enhancement of stakeholder's value. The Corporation follows the regulations laid down by SIDBI and State Government. The Corporation keeps adequate focus on Corporate governance to meet the requirements of different stakeholders and compliance with regulatory requirements and integrate them into its functioning. To facilitate this, the Corporation has a professional Board of Directors which plays a supervisory and advisory role.

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Its Credit Policy, Loan Compromise Settlement Policy, Loan Monitoring and NPA Management Policy, Valuation Policy, Accounting Policy, Legal Guidelines, Internal Audit Policy and Concurrent Audit Manual, Interest and Rating Policy, IT Policy, Staff Welfare Policy, Staff Accountability Policy, Performance linked variable Incentive Policy, Business Continuity Policy, Investment Policy, Fixed Asset Policy etc. were all reviewed by the Board during the year and wherever required necessary amendments are being done. ISO procedures are scrupulously complied with.

The Corporation has designated State Public Information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for giving reply under RTI. Time bound reply is given for all the petitions received under RTI. 85 applications were received during the financial year.

The Corporation has complied with provisions relating to the constitution of internal Complaints Committee under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women at the workplace and for prevention and redressal of such complaints. The Corporation received one complaint during the financial year. During FY 21-22, no frauds were reported. During the year there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

Board of Directors:

The details of the Board of Directors and their attendance in meetings during the year 2021-22 are given below:

Name	Designation	Tenure	Meetings in FY 2021-22	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman & Managing Director	01.06.2021 to till date	6	6
Shri.Tomin J Thachankary IPS, CMD	Chairman & Managing Director	07.09.2020 to 31.05.2021	0	0
Shri.Sanjay Kaul IAS, Director	Secretary, Finance (Expenditure)	20.05.2020 to till date	6	6
Shri.MG Rajamanickam IAS, Director	Director, Industries & Commerce	26.11.2020 to 14.06.2021	0	0
Smt.Bhandari Swagat Ranveerchand, Director	Director, Industries & Commerce	15.06.2021 to 11.08.2021	1	1
Shri.Harikishore IAS, Director	Director, Industries & Commerce	12.08.2021 to till date	5	1

Name	Designation	Tenure	Meetings in FY 2021-22	
			Held during their tenure	Attended
Shri.EK Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	6	4
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	6	6
Shri.Partha Sarathi Patra, Director	General Manager, SBI	15.07.2018 to 06.08.2021	1	1
Shri.Seetharaman V, Director	General Manager, SBI	07.08.2021 to till date	5	5
Shri.T Balaji, Director	Assistant General Manager, SIDBI	17.07.2019 to 28.09.2021	3	2
Shri.Satyaki Rastogi, Director	General Manager, SIDBI	29.09.2021 to till date	3	2
Smt.Deepa Sivadasan, Director	Senior Divisional Manager, LIC	06.06.2019 to till date	6	4

Apex Committees

The Board of the Corporation met six times during the year on 15.06.2021, 12.08.2021, 23.09.2021, 11.11.2021, 29.12.2021 and 11.02.2022. The Board has Sub-Committees to oversee various functional aspects of business and operations of the Corporation. The Committees are Executive Committee, Audit Committee and Sub-Committee for Policy Revision etc.

The Executive Committee met thirteen times during the year on 31.05.2021, 03.06.2021, 02.08.2021, 12.08.2021, 16.09.2021, 19.11.2021, 02.12.2021, 30.12.2021, 22.02.2022, 03.03.2022, 16.03.2022, 24.03.2022 and 26.03.2022.

The Audit Committee met four times during the year on 02.08.2021, 11.11.2021, 08.02.2022 and 24.03.2022.

Remuneration paid to Chairman & Managing Director

The total remuneration paid to Shri. Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2021-22 (01.04.2021 till 31.05.2021) was Rs.6.63 Lakh (Rs.22.13 Lakh in FY 20-21). No remuneration is paid to Shri. Sanjay Kaul, IAS, the present Chairman and Managing Director.

Directors' Responsibility Statement

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements that:

- in the preparation of the annual accounts for the financial year ended March 31, 2022, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- such accounting policies as mentioned in the Notes to the Financial Statements, have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at March 31, 2022 and of the profit of the Corporation for the period;
- the applicable guidelines prescribed for SFCs have been followed and there has been no material departure.

Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;

- d) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI/ RBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
- e) the annual accounts for the financial year ended on March 31, 2022 have been prepared on a going concern basis;
- f) proper internal financial controls had been laid down and that such financial controls were adequate and were operating effectively;
- g) that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;

Acknowledgements

The Board of Directors places on record its gratitude to Government of Kerala, SIDBI, Other Governmental Agencies and Departments, Reserve Bank of India, SEBI and all other statutory/ regulatory authorities for the strong support and guidance during the year. The Board also wishes to express gratitude to the Banks/ Financial Institutions, Rating agencies, Trustees and Stock Exchange for the continued support received. The Board takes this opportunity to put on record its deep sense of gratitude for the continued support, patronage and goodwill to its shareholders, customers and vendors and looks forward to their continued association in the years ahead. The Board takes great pleasure in recording its appreciation of the dedicated services rendered by the erstwhile Directors on the Board and the Officers and Staff of the Corporation.

For and on behalf of the Board

Sd/-

Chairman and Managing Director

Thiruvananthapuram
26.05.2022

INDEPENDENT AUDITOR'S REPORT

To

The Members
Kerala Financial Corporation
Thiruvananthapuram

Opinion

We have audited the financial statements of Kerala Financial Corporation (herein referred to as KFC), which comprises of the Balance Sheet as at March 31, 2022, and the Profit and Loss Account and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the entity as at March 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the directives of SIDBI, State Financial Corporation Act and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

1. We have come across instances where valuation of immovable property given as security have not been done every three years and property value is not updated in the system.
2. We have come across instances where entire details of Insurance Policy such as Insurance Declared Value, Expiry Date, Lien clause etc. are not updated in the system and hence not available for complete verification.
3. The Corporation is in the practice of taking consolidated Trial balance for the preparation of financial statements. The operations and accounts of the Corporation are centralized with no branch level financials generated.
4. Attention is drawn to sub point 2 to point no 2.2 of Note no.20. Restructuring as per Resolution Framework 2.0 for the resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) has been given by way of multiple restructuring measures.
5. Refer Sub Point.4 of Point No.2.2 of Note No. 20. Though minimum provisioning norms have been made, there has been change in the Asset provisioning norms for Sub Standard category followed by KFC during the year under audit resulting in enhancement of overall provision by Rs. 309.32 lakh.
6. Accounting and reporting process of the Corporation is highly depended on Information system controls. We have observed data cleansing issues during the period of audit. We are of the opinion that there is an inherent risk that any control lapses, incorrect input data, ineffective data migration procedures and wrong extraction of data may result in the financial accounting and reporting records being misstated

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the aforesaid Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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 per our Report of even date
For M/s. Krishnan Retna & Associates



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date: 26.05.2022

Ref : K-57/21-22/22
UDIN : 22231162AJRSNA6187

BALANCE SHEET AS AT 31.03.2022

₹ in Lakh

Particulars		Note No.	As at 31.03.2022	As at 31.03.2021
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	42,650.43	42,650.43
	(b) Reserves and surplus	2	26,393.82	25,184.33
2	Non-current liabilities			
	(a) Long-term borrowings	3	2,87,855.50	3,23,732.31
	(b) Other non current liabilities	4	963.16	1,008.85
	(c) Long-term provisions	5	17,319.68	13,869.06
3	Current liabilities			
	(a) Short-term borrowings	6	1,43,031.22	1,03,185.71
	(b) Other current liabilities	7	45,815.80	19,082.74
	(c) Short-term provisions	8	2,379.04	5,465.54
	TOTAL		5,66,408.65	5,34,178.97
B	ASSETS			
1	Non-current assets			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) Property, Plant and Equipment	9	577.33	634.14
	(ii) Intangible Assets	9	157.04	260.09
	(b) Non-current investments	10	6,045.11	8,376.72
	(c) Other non-current assets	11	3,41,623.76	3,31,761.19
	(d) Deferred Tax Assets (net)		182.26	91.11
2	Current assets			
	(a) Current investments	12	23,970.22	26,822.07
	(b) Cash and cash equivalents	13	10,164.19	10,076.58
	(c) Other current assets	14	1,83,688.74	1,56,157.07
3	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		5,66,408.65	5,34,178.97

For and on behalf of the Board of Directors



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 001536S



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date: 26.05.2022

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2022

₹ in Lakh

	Particulars	Note No.	for the year ended 31.03.2022	for the year ended 31.03.2021
A	Continuing Operations			
1	Revenue from operations	15	49,265.99	46,645.68
2	Other income	16	2,550.82	2,448.62
3	Total revenue		51,816.81	49,094.30
4	Operating Expenses			
	(a) Interest expenses	17	28,627.64	29,713.02
	(b) Employee benefits expenses	18	3,199.90	3,418.09
	(c) Administrative Expenses	19	454.36	394.28
	(d) Depreciation and amortisation expense		213.76	283.12
	(e) Bad debts written off		10,138.99	12,384.67
	Total expenditure		42,634.65	46,193.18
5	Operating Profit before exceptional and extraordinary items and tax		9,182.16	2,901.12
6	Operating Profit After exceptional and extraordinary items		9,182.16	2,901.12
7	Less: Provision for Bad and Doubtful debts / Other assets		5,681.10	1,618.13
8	Profit before tax		3,501.06	1,282.99
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		2,272.41	1,039.17
	(b) Provision for Deferred Tax		(91.15)	(414.11)
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		1,319.80	657.93
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		3.26	2.04
	(b) Diluted		3.26	1.54
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		13,127.07	12,669.62
	Net Profit for the year		1,319.80	657.93
	Total profit available for appropriation		14,446.87	13,327.54
	Less: TDS of previous years adjusted		238.81	
	Add: Income Tax provision written back		310.05	
	Total		14,518.11	13,327.54
	Less: Appropriations : Proposed Dividend		106.63	
	Transfer to Reserve u/s 36 (1) (viii)		505.39	200.47
	Balance Profit after appropriations		13,906.10	13,127.07
	Balance Profit carried to Balance sheet		13,906.10	13,127.07

For and on behalf of the Board of Directors


Soya.K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director


Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365

Place: Thiruvananthapuram
Date: 26.05.2022


Nikhil R Kumar
Partner, M No: 231162

NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2022

	As at 31.03.2022	As at 31.03.2021
₹ in Lakh		
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
5,00,00,000 Equity shares of Rs.100/- each	50,000.00	50,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
42210678 Equity shares of Rs.100/- each	42,210.68	42,210.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
TOTAL	42,650.43	42,650.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	12,090.72	11,890.25
Added during the year	505.39	200.47
Total of (a)	12,596.11	12,090.72
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Deferred Premium on Forward Contract	(372.60)	(297.67)
(e) Profit & Loss Account	13,906.10	13,127.07
TOTAL {(a)+(b)+(c)+(d)+(e)}	26,393.82	25,184.33
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	11,250.00	29,366.31
LoC from State Bank of India	55,951.68	55,951.50
LoC from Canara Bank	41,149.26	31,605.00
LoC from Union Bank of India	44,166.56	53,664.26
LoC from Bank of Maharashtra	32,410.00	4,750.00
LoC from Indian Bank	18,850.00	42,500.00
LoC from Bank of Baroda	19,678.00	27,897.75
Non-SLR Bond	59,400.00	67,997.50
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	5,000.00	10,000.00
TOTAL	2,87,855.50	3,23,732.32

	As at 31.03.2022	As at 31.03.2021
		₹ in Lakh
NOTE: 4		
OTHER NON CURRENT LIABILITIES		
Coconut Devp. Board Subsidy	662.55	803.15
Other Subsidy	152.60	139.13
Central Subsidy	11.00	11.00
Norka Subsidy	137.01	55.57
TOTAL	963.16	1,008.85
NOTE: 5		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	13,869.06	13,770.93
Add: Provision made during the year	3,450.62	98.13
Total of (a)	17,319.68	13,869.06
NOTE : 6		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
Foreign Currency loan from State Bank of India	41,029.13	13,452.24
Short term loan from State Bank of India	24,999.97	0.69
Short term loan from Union Bank of India	6,000.00	10,000.00
Short term loan from HDFC Bank	92.77	93.83
Short term loan from Federal Bank	17,500.00	15,000.00
Short term loan from South Indian Bank	10,000.00	-
Non-SLR Bond (Current maturity)	6,737.50	6,250.00
LOC FROM BANKS (Current maturity)		
Loc from Union Bank of India	2,500.01	6,250.03
Loc from Canara Bank	5,555.56	8,400.00
Loc from Indian Bank	4,201.29	7,500.00
Loc from State Bank of India	0.00	7,550.00
Loc from Bank of Baroda	2,291.66	7,310.59
Loc from Bank of Maharashtra	40.00	1,250.00
Refinance from IIFCL	17,083.33	10,208.33
UNSECURED BORROWINGS		
Non-SLR Bond- Guaranteed by Government of Kerala (Current maturity)	5,000.00	9,920.00
TOTAL	1,43,031.22	1,03,185.71

	₹ in Lakh	
	As at 31.03.2022	As at 31.03.2021
NOTE : 7		
OTHER CURRENT LIABILITIES		
State Subsidy	98.42	79.77
RR Commission Payable	0.96	4.37
Earnest Money Deposit	4.10	8.60
Suspense Account	560.28	552.76
Tax Deducted at Source	0.49	2.85
Other Salary Deductions	0.17	0.00
Other Sundry Deposits	255.46	254.81
Gratuity Payable	2.10	23.46
Outstanding Expenses	938.64	866.38
Salary Payable	-	7.83
Accrued Interest on Non SLR Bonds	1,467.85	2,092.32
Accrued Interest on LOC from banks	633.30	929.23
Audit Fee Payable	2.61	2.61
Concurrent Audit Fee payable	8.54	5.90
Staff Dues Retained	0.00	52.64
Unclaimed Dividend	0.12	0.12
Commission Received in Advance	166.95	129.45
Leave encashment payable	0.00	3.86
Foreign Currency Payable	41,457.67	13,853.82
CGST Payable	33.22	16.47
SGST Payable	33.22	17.39
KF Cess, CGST & SGST TDS Payable	0.03	0.47
Excess Payable	151.67	177.62
TOTAL	45,815.80	19,082.73
NOTE : 8		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	5,465.54	4,426.37
Add : Provision made for the current year	2,272.41	1,039.17
Less : Adjusted against Advance Income Tax	5,155.49	0.00
: Excess Provision of earlier years written back	310.05	0.00
Total	2,272.41	5,465.54
(b) Proposed Dividend for the year	106.63	0.00
TOTAL	2,379.04	5,465.54

NOTE : 9 FIXED ASSETS

₹ in Lakh

Particulars	Rate	Gross value as on 31-03-2021	Additions During First Half	Additions During Second Half	Additions During the Year	Deletions during the year	Gross value as on 31.03.2022	Depreciation upto 31-03-2021	Depreciation for the year	Depreciation upto 31.03.2022	WDV as on 31.03.2022
1	2	3	4	5	6	7	8	9	10	11	12
Land	0%	11.62	-	-	-	-	11.62	-	-	-	11.62
Building	10%	696.39	14.68	0.45	15.13	-	711.52	457.27	25.40	482.67	228.84
Motor Vehicle	15%	177.90	-	-	-	0.72	177.18	151.27	3.89	155.15	22.02
Electrical Fittings	10%	215.97	-	-	-	-	215.97	115.23	10.07	125.31	90.67
Air Conditioner	15%	52.23	4.28	1.26	5.54	-	57.77	39.18	2.69	41.88	15.89
Photocopier	15%	22.35	-	-	-	-	22.35	20.86	0.22	21.09	1.26
Computer	40%	505.75	1.69	1.65	3.34	-	509.08	391.68	46.63	438.31	70.77
Intangibles	40%	754.98	0.06	1.18	1.24	-	756.22	494.88	104.30	599.18	157.04
Other office Equipments	15%	126.43	20.08	0.61	20.69	-	147.12	59.15	13.15	72.30	74.82
Lift	15%	9.73	-	-	-	-	9.73	8.36	0.21	8.56	1.17
Furniture	10%	198.19	5.69	2.99	8.68	-	206.87	141.40	6.40	147.80	59.07
Solar Power Generator	40%	76.85	-	-	-	-	76.85	74.86	0.80	75.66	1.20
Total		2,848.37	46.48	8.14	54.62	0.72	2,902.28	1,954.14	213.76	2,167.91	734.37
<i>Total (Previous Year)</i>		<i>2,698.34</i>	<i>644.66</i>	<i>-</i>	<i>644.66</i>	<i>4.16</i>	<i>2,848.37</i>	<i>1,671.02</i>	<i>283.12</i>	<i>1,954.14</i>	<i>894.23</i>

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
NOTE : 10		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Kerala Infrastructure Fund Management Ltd	2.56	2.56
Investment in NCD- RCFL	5,269.77	5,370.91
Investment in NCD- 7.74% SBI	2,301.79	2,301.79
Investment in NCD- 8.25% BOB	1,491.63	1,491.63
Investment in NCD- 8.80% Oriental Insurance	2,200.32	2,200.32
Sub Total	11,389.96	11,491.10
Less : Provision for diminution in value of investments	5,344.85	3,114.38
TOTAL	6,045.11	8,376.72
NOTE : 11		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,130.99	1,066.39
Conveyance Loan to Employees	136.28	113.85
Computer Loan to Employees	5.48	4.16
Personal Loan to Employees	111.13	94.09
Advance to Employees	15.44	22.18
Deposit with P&T	0.01	0.09
Other Deposits	82.97	86.36
Deposit with KSEB	11.53	13.17
Deposit against Staff Dues Retained	0.00	52.64
Interest Accrued on Staff Loans	724.35	682.83
GTI Advance	2.23	2.27
Advance for Fixed Assets	47.42	0.00
Loans and Advances (Principal due above 1 year)	3,38,955.59	3,29,222.81
TOTAL	3,41,623.76	3,31,761.18
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	23,970.22	26,822.07
TOTAL	23,970.22	26,822.07
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.41	0.48
Bank Accounts	10,163.78	10,076.10
TOTAL	10,164.19	10,076.58
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	3,173.45	6,295.94
Input Tax Credit	13.78	30.73
Income Tax Deducted at source	75.83	238.81

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	9.45	4.88
Prepaid Expenses	1.84	1.80
CGTMSE Fee	4.40	3.59
Subsidy Receivable from Govt	28.28	17.28
KSEDM Interest Receivable	17.88	113.29
Foreign Currency Receivable	40,485.99	13,497.78
Interest Accrued on Loans & Advances	2,611.51	1,998.75
Interest Accrued on STD with Banks	1,071.98	1,052.64
CMEDP & NORKA & KSUM Interest Receivable	78.54	11.89
Loans & Advances (Principal Due within one year)		
a) Bills purchased and discounted	10,648.15	61,211.57
b) Term Loans	1,25,467.66	71,678.12
TOTAL	1,83,688.74	1,56,157.07
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	39,957.62	41,047.50
Less : Interest rebate allowed on Loans	692.96	660.11
Net Interest Received On Loans & Advances	39,264.66	40,387.39
Loan Processing Fees	731.61	563.94
Recovery from written off loans	9,243.54	5,600.93
Switch over interest	3.50	7.35
Premium on pre-closure	22.68	86.06
TOTAL	49,265.99	46,645.67
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	105.64	97.13
Interest on Bank Deposits	1,923.10	2,083.65
Exchange gain on Forex	0.00	45.54
Other Income	360.22	91.12
Rent Received	83.90	64.75
Income from Insurance Agency	8.06	7.66
RTI Application Fee Received	0.01	0.01
Commission exchange and brokerage	69.90	58.75
TOTAL	2,550.83	2,448.61
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	6,943.10	9,165.15
Interest on Coconut Dev Board Subsidy	63.90	98.31
Interest on Line Of Credit from Banks	19,553.38	19,865.09
Guarantee Commission	177.22	264.76
Premium on Forward Contract	1,247.60	58.37
Exchange loss on Forex	588.68	0.00
Bond Issue Expenses	33.19	163.89
Share Issue Expenses	0.00	1.02
LOC Administrative Expenses	20.56	96.44
TOTAL	28,627.63	29,713.02

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,570.32	2,908.56
Contribution to Employees' P.F	166.41	199.06
Contribution to NPS	78.61	74.53
Group Gratuity Insurance	5.00	180.00
Group E/L Encashment Insurance	301.16	0.00
Group Term Insurance	1.53	1.73
Other Staff Expenses	76.87	54.20
TOTAL	3,199.90	3,418.08
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	115.85	130.63
Postage, courier and Telephone	30.40	24.14
Printing & Stationery	12.32	11.83
Vehicle Running & Maintenance	13.11	22.55
Repairs & Maintenance	35.60	30.61
Revenue Recovery expenses	60.80	18.36
Bank Charges and Commission	3.70	5.30
Audit Fees	2.61	2.61
Consultancy Charges	40.34	12.17
Legal Expenses	3.95	3.02
Books & Periodicals	1.31	1.88
Other Expenses	68.59	68.80
Travelling Expenses	3.10	4.43
Board / E.C. Meeting Expenses	0.53	2.61
Other Meeting Expenses	5.97	1.39
Concurrent Audit Fee	36.49	34.38
Advertisement and publicity	14.14	13.73
CMEDP Expenses	3.42	4.37
Business Development Expenses	2.12	1.46
TOTAL	454.35	394.27

For and on behalf of the Board of Directors



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:26.05.2022

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

CORPORATE INFORMATION

The Kerala Financial Corporation is a State Financial Corporation having its area of operations in the state of Kerala and incorporated under the provisions of the State Financial Corporation Act, 1951. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. The Corporation is engaged in extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector in the state.

BASIS OF PREPARATION

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking and financial sector in India. The Corporation has adopted the format of Schedule III to the Companies Act as amended by Notification G.S.R. 207(E), dated 24th March, 2021 to the extent applicable and Accounting standards issued by the Institute of Chartered Accountants of India, for better presentation of the financial statements.

The accounting policies adopted in the preparation of financial statements are in consistence with those of previous year except for the change in accounting policy, explained hereunder.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 . Uses of Estimates

The preparation of the Financial Statements, in conformity with Indian GAAP requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures relating to contingent assets and liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in material or immaterial adjustments to the carrying amounts of assets or liabilities in future periods. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

1.2. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. All the revenue items are accounted on accrual basis. Income is recognised on accrual basis on performing assets and on realisation basis in respect of non-performing assets as per the prudential norms on income recognition, asset classification and provisioning prescribed by RBI/SIDBI. The Corporation debits the monthly interest in all the loan accounts on the first day of the subsequent month. Interest due is calculated and charged to the party on gross basis and the eligible rebate is credited to the party on payment of dues in time subject to their rating and other factors determining the rate of rebate. The rebate for prompt payment is deducted from interest income for reporting in the financial statements. Interest accrued on standard loans is recognized as interest income in the financials at the end of the financial year and is reversed on the first day of the next financial year.

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee will be reversed at the end of the financial year. In case of completion/closure of facility before the specified tenure, corporation will reimburse the commission for the balance period, provided the commission for a minimum period of one year will be retained.

Recovery of loans and advances is appropriated first towards recovery of expenses, then towards interest and the balance, if any, towards principal. However, in the case of Compromise Settlement and sale of units taken over under the SFCs Act, 1951 and Revenue Recovery proceedings, the proceeds are apportioned first towards recovery of expenses and then towards principal amount and lastly towards interest, on satisfaction of the stipulated conditions. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss as revenue on receipt basis.

1.3. Investments

The classification and valuation of the securities and investments are done as per the Treasury & Investment Policy in compliance with the Indian Accounting Standards and as per applicable regulatory and statutory norms laid down from time to time. Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as Non-current investments.

Investments classified under Long term investments need not be marked to market and will be carried at acquisition cost on individual investment basis, unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity. Investments classified under Current Investments will be valued at lower of cost and fair value either on individual investment basis or by category of investment. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. The provision for diminution is made to recognise a decline, other than temporary, in the value of investments determined for each investment individually. Reduction in the carrying amount and reversals of such reductions are charged or credited to the profit and loss statement.

On disposal of an investment, the difference between carrying amount and net disposal proceeds are charged or credited to the profit and loss statement. Any amount received in future in respect of these investments will be credited to profit and loss statement. Interest, dividend or other receivables in connection with the investments are considered as income.

1.4. Loans and Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The Current maturity of Loans & advances is classified as Other Current Assets (Note No.14) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.11) under the head Non Current Assets. The Current maturity of Long term borrowings is classified as Short term borrowings (Note No.6) under the head Current Liabilities and the non current portion is classified as Long term borrowings (Note No.3) under the head Non Current Liabilities.

The Corporation provides Fund based and Non fund based facilities to the customers. In case a non fund based limit becomes NPA, its fund based limit also will be considered as NPA. In the reverse scenario, where fund based limit becomes NPA then its non fund based limit is also categorised as NPA. However the non fund based limit will be live till the time it is invoked or cancelled.

Advances that are in Doubtful category are technically written off and charged to revenue to maintain asset quality. During the year, all the doubtful advances are technically written off and charged to revenue to maintain asset quality. Amount recovered against the bad debts written off in earlier years are recognised in the Profit and Loss Account as income of the year in which such amounts are received.

1.5. Provision

A provision is recognised when the Corporation has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and should be determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

1.6. Provisioning Norms and Provision Coverage Ratio (PCR)

In conformity with the prudential norms, provisions are given on the basis of classification of assets as prescribed by RBI / SIDBI . The Corporation follows the policy of building up provisioning when the profits are good, which can be used for absorbing losses in a downturn. The provisions are made at such rates as recommended by ALCO with the approval of the Board.

General provisions are the minimum regulatory provisions as prescribed by RBI. Specific provisions are additional provisioning at rates higher than the rates prescribed by RBI. Floating provisions are provisions kept in addition to the Specific provisions and not used for making specific provisions or general provisions as per the extant prudential guidelines. It is used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts .

Provisioning Coverage Ratio (PCR) is the ratio of provisioning to gross non-performing assets and indicates the extent of funds the Corporation has kept aside to cover loan losses. PCR is calculated as per the guidelines given vide RBI circular DBOD.No.BP.BC.64/21.04.048/2009-10 dated December 1,2009 and circular no. DBOD.No.BP.BC.87/21.04.048/2010-11 dated April 21,2011.

The Corporation has the provisioning cushions consisting of general provisions, specific provisions as well as floating provisions, and are maintaining a total PCR including floating provisions, which is not less than 70 per cent.

Provision for standard advances are made at such rates subject to the minimum provisioning prescribed by the RBI / SIDBI guidelines for standard advances. Provisions for bad and doubtful debts are made in respect of non-performing advances based on overall portfolio quality, asset growth, economic conditions, Management's assessment and other risk factors subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, is necessary. In case the specific provision available during a year is more than the required minimum or the ALCO recommended rates, the excess provision can be either written back or can be considered for that year as decided by ALCO. Floating provisions cannot be reversed by credit to the profit and loss account.

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium /Other sector and 1% for CRE sector for all standard advances and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines. A judicious provision of 62% (60% in FY 2020-21) is made for all Substandard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made. The total PCR is maintained above 70% at 76.94% as on 31st March 2022.

1.7. Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS). The tax rates and tax Laws used to compute the amounts will be those that are prescribed, at the reporting date. Deferred Taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws prescribed at the reporting date.

Deferred tax assets including the unrecognized deferred tax assets, if any, at each reporting date, are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized. Deferred tax liabilities are recognized for all taxable timing differences. No provision for Deferred Tax Liabilities on Special Reserve created as per Section 36(1) (viii) of the Income Tax Act, 1961 since the reserve created is of having no reasonable certainty that the same would be adjusted / withdrawn in foreseeable future years and the period of time for the difference to be evened out is also not ascertainable.

1.8. Employee Payments and Retirement Benefits

Short-term employee benefits are recognized as expense in the profit and loss account of the year in which the related service is rendered. Terminal benefits to employees include Provident Fund (PF) payments, leave encashment, and gratuity .

Defined contribution plan: Retirement benefit in the form of provident fund is a defined contribution plan wherein the contributions are charged to the Profit and Loss Account every year when the contributions to the fund are due and when services are rendered by the employees. The Corporation contributes 12% of Basic Pay+DA+Personal Pay to the Provident Fund which is administered by a duly constituted and approved independent trust by name KFC Employees Provident Fund Trust. The employees will be paid the balance outstanding in their PF account along with interest accumulated thereon at the date of superannuation. The Corporation has no obligation other than the contribution payable to the provident fund in this regard. The employees who joined after 01.04.2018 are not members of this Trust.

Defined Benefit Plan: The Corporation contributes towards gratuity fund administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. The gratuity limit is fixed as per the Payment of Gratuity (Amendment) Act, 2018. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Corporation. Liability with regard to gratuity fund is accrued based on the actuarial valuation and demand raised by LIC .The premium is paid to LIC as demanded by them at the time of renewal of the scheme. The Corporation contributes towards the terminal encashment of earned leave to the employees under the Group Leave Encashment Scheme of LIC . The contribution to the fund is paid as per the actuarial valuation and demand raised by LIC. Under

both these schemes, the settlement obligations remain with the Corporation, although LIC administers the schemes and determine the contribution premium required to be paid by the Corporation as per the valuation done by LIC. The Corporation take an independent external actuarial valuation as on 31st March every year to ascertain the position of funds vis a vis liability. The shortfall if any in the funds shall be paid on the basis of actuarial report of LIC / external valuation whichever is less based on the fund position of the Corporation. The amounts paid to the funds are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2021-22 have been settled by LIC.

National Pension Scheme: This is a defined contribution scheme and is applicable to employees who joined the Corporation on or after 01.04.2018. 10% of Basic +DA + Personal Pay will be deducted from the employee's salary and an equivalent amount being the Corporation contribution will be credited to the NPS account of the employee on a monthly basis. They will not be eligible for employer PF contribution. The employees who joined before 01.04.2018 are given an option to contribute to NPS in three proportions. The Corporation contributes an amount equal to the contribution of employees and such contribution is charged to Profit and Loss Account.

1.9. Property, Plant & Equipment and Intangibles

In compliance with amended Schedule III requirements, Fixed Assets are renamed as 'Property plant and equipment and Intangibles'. The gross value of Intangibles, accumulated depreciation and depreciation till date are separately calculated and disclosed in 'Note 9 – Property Plant & Equipment and Intangibles'. The Land value of Rs.11.62 Lakh comprises of properties in the name of the Corporation. Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

Individual assets costing up to Rs.5000 and assets in the nature of electronic items up to the value of Rs.10,000 are charged to revenue in full in the year of purchase. Depreciation on fixed assets shall be provided for on written down value (WDV) method and at the rates prescribed under the IT Act, 1961. Computer includes computer software for reporting under the block Plant & machinery as per the IT Act, 1961. Hence Computer software is not shown separately under intangible assets. Depreciation on fixed assets added/disposed of during the year/period is provided on pro-rata basis (that is full depreciation for assets used for more than six months and half depreciation for others) with reference to the date of addition/disposal.

1.10. Contingent Liabilities and Assets

A disclosure of contingent liability on Balance sheet date is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or nonoccurrence of one or more uncertain future events not within the control of the Corporation; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Provisions and contingent liabilities are reviewed on each balance Sheet date. Contingent assets are neither recognized nor disclosed in the Balance Sheet.

1.11. Grants and subsidies

Grants and subsidies from Government and other agencies are accounted as per terms of respective agreements. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates.

1.12. Leases

Operating lease rent payments and receipts are recognized as expense and income respectively in the statement of profit and loss every month as and when accrued or paid/received. Actual lease payments made during the year, unexpired portion of contracted lease (future expected lease payments) and provision for contingent rent if any recognized in P&L are disclosed where the Corporation is a lessee. Actual lease rent receipts recognized during the year and unexpired portion of contracted lease (future expected lease receipts) if any are disclosed. As a matter of prudence, no contingent rent is recognized in the P&L where the Corporation is a lessor.

1.13. Prior Period Items

Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The nature and amount of prior period items are separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.

1.14. Extraordinary Items

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Extraordinary items are disclosed in the statement of profit and loss as a part of net profit or loss for the period in a manner that its impact on current profit or loss can be perceived.

1.15. Special Reserve Fund

As per Section 35A of the SFC Act 1951, the SFC is required to establish a Special Reserve Fund to which shall be transferred such portion of the dividends accruing to State Government and the SIDBI on the shares of the SFC as may be fixed by agreement between State Government and SIDBI for being used for such purposes as are approved by the State Government and SIDBI. Accordingly a rate of 0.50% of the dividend accruing to State Government and SIDBI will be transferred to Special reserve fund under Section 35A of SFC Act 1951. However the dividends from FY 1991-1992 till FY 2018-19 were declared and paid without transferring 0.5% of dividend accruing to State Government and SIDBI to Special Reserve U/s 35A .

1.16. Dividend

Dividend is the share of profits that is payable to each shareholder of the Corporation. The dividend is paid out of current year profits only on the paid up capital. The Board recommend the percentage of dividend payable on the equity shares and the shareholders at the Annual general meeting pass a resolution adopting the recommendation or may lower the percentage recommended. The dividend proposed by the Board is provided for in the financial statements of the Corporation and is paid only after it has been passed at the Annual general meeting of the shareholders.

1.17. Resource Mobilization

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. The loans from Banks and other financial institutions are secured by charge on receivables as primary security for the loan. There are no other charges created on any of the assets of the Corporation on account of borrowings. The Corporation mobilizes funds from debt market also by issuing Rated, Listed, Redeemable, Taxable, Non Convertible Bonds with government guarantee or with credit enhancement mechanism without government guarantee.

These are accounted as Short Term Borrowings and Long Term Borrowings from Banks/ FIs and Non SLR Bond Issues. The Current maturity of Long term borrowings is classified as Short term borrowings under the head Current Liabilities and the noncurrent portion is classified as Long term borrowings under the head Non Current Liabilities.

1.18. Cash flow Statement

Cash Flow statement is prepared on indirect basis as per AS 3 issued by ICAI and is part of the Annual accounts. The cash flow statement report cash flows during the period classified by operating, investing and financing activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

1.19. Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its equity shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to equity shareholders and the weighted average number of equity shares outstanding adjusted for the effect of all dilutive potential equity shares, including advance for share capital.

2. NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The State Government vide GO(Ms) No.215/2019/Fin dated 10.06.2019 accorded sanction to enhance the Authorized share capital of the Corporation from Rs.35000 Lakh to Rs.50000 Lakh without diluting Government shares below 74%. Consequently the Authorized capital of the Corporation is Rs.50000 Lakh and the paid up capital is Rs.42650.43 Lakh.

1. The details of shareholders holding more than 5% shares as on 31.03.2022 are as under:

Name of the Shareholders	As at 31.03.2022		As at 31.03.2021	
	No. of shares in Lakh	% to total shares	No. of shares in Lakh	% to total shares
Government of Kerala	420.27	98.54	420.27	98.54

2. The shares held by the promoters as on 31.03.2022 is given below in compliance with Schedule III requirements.

Shares held by promoters at the end of the year				% Change during the year
Sl.No	Name of Promoter	No. of shares in Lakh	% of total shares	
1	Government of Kerala	420.27	98.538	Nil
2	SIDBI	6.13	1.438	Nil
3	LIC	0.07	0.017	Nil
4	SBI	0.02	0.005	Nil
5	Others	0.01	0.002	Nil
	Total	426.50		

3. Earnings per share

₹ in Lakh

Calculation of EPS		31.03.2022	31.03.2021
a.	Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	1,391.04	657.93
b.	Number of Equity Shares outstanding (face value of Rs.100/- each)	426.50	426.50
Basic earnings per share (a) / (b)		3.26	1.54
c.	Number of Equity Shares outstanding (face value of Rs.100/- each)	426.50	426.50
Diluted Earnings per share (a) / (c)		3.26	1.54

2.2 Asset Classification and provisioning

1. Classification of Loans and Advances & Borrowings

The bifurcation of Loans & Advances and Borrowings due within 1 year and above 1year is given below.

₹ in Lakh

Classification	Due within 1 year	Above 1 year	Total
Loans & Advances	136115.82	338955.59	475071.41
a) Bills purchased and discounted	10648.16	-	10648.16
b) Term Loans	125467.66	338955.59	464423.25
Borrowings	122602.08	308284.63	430886.71

The asset category wise classification of loans and advances and provisioning is as below.

₹ in Lakh

Asset category	2021-22			2020-21		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	5596	459539.96	7665.37	5819	445560.5	3936.65
Sub Standard	644	15531.44	9654.32	166	16552.05	9,932.42
Total	6240	475071.40	17319.69	5985	462112.5	13,869.07
Gross NPA		15531.44	3.27%		16,552.05	3.58%
Net NPA		5877.12	1.28%		6,619.64	1.48%

2. Loans and Advances restructured

The general recessionary trends coupled with frequent lockdowns during the Covid-19 pandemic period affected the income generation and debt servicing of the customers of the Corporation. Sectors like Tourism, Commercial Real Estate etc were affected badly. The Corporation has extended relief measures like rehabilitation / reschedulement/ restructuring to borrowers eligible as per the Loan Monitoring Guidance Note (LMGN) approved by the Board. As per LMGN all loan assets in Standard, Substandard and Doubtful category are eligible for restructuring. Only Loss assets / No asset cases are not eligible.

Consequent to the outbreak of the COVID-19 pandemic, including the 'second wave' and third wave, lock down measures were enforced by the authorities at various levels from time to time which has affected the economic activity in the State and consequently, the operations of the Corporation as well.

The Corporation restructured 824 loan accounts as per RBI guidelines and classified under Standard category as follows. Additional provision of 5%/10% (minimum norms) amounting to Rs.6049.86 Lakh is kept in respect of these accounts as below.

The Board of the Corporation at its meeting held on June 15,2021 decided to implement the resolution plan under Resolution framework for Covid-19 related stress as per RBI Circular dated May 5, 2021 (Resolution framework 2.0) for eligible units. Accordingly 694 loan accounts amounting to Rs.51235.53 Lakh have been restructured as per RBI guidelines and classified under Standard category. Additional provision of 10% (minimum norms) amounting to Rs.5123.55Lakh has been made on these loans.

Further in accordance with the COVID 19 pandemic resolution framework prescribed by RBI for Micro, Small and Medium (MSME) sector vide Circular no. DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020, the Corporation had restructured 130 loan accounts amounting to Rs.18526.19Lakh and classified under Standard category. Additional provision of 5% amounting to Rs.926.31 Lakh has been made on these loans.

Other than loans restructured on account of relief measures announced by RBI, the corporation has restructured 51 loan accounts amounting to Rs.4101.19 Lakh and are classified under Substandard category. Provisioning has been made at 62% amounting to Rs.2542.74 Lakh on these loan accounts. During the year there was no diminution in the fair value of restructured advances.

3. Bad debts Written Off

During the year the corporation has written off 72 loan accounts amounting to Rs.9959.09 Lakh as Bad Debts (technical write off to maintain asset quality) (262 accounts amounting to Rs.12139.55 Lakh written off during FY 2020-21). Further Rs.179.90 Lakh (Rs.245.12 Lakh during FY 20-21) were also written off and included in the Bad debts written off amount stated in the P&L Account. Thus the total write off during the year is Rs.10138.99 Lakh (Rs. 12384.67 Lakh in FY20-21). Constructive steps have been initiated for the recovery of these accounts and the amounts as and when recovered will be treated as revenue. Rs.9243.54 Lakh have been received as recovery from loans technically written off in earlier years (Rs.5600.93 Lakh during FY 2020-21).

4. Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non performing assets, a judicious provision of 62% (60% in FY 2020-21) is made for all Substandard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made. The total PCR works out to 76.94% as on 31st March 2022 (76.93% as on 31st March 2021) as per the RBI circular DBOD.No.BP.BC. 64 /21.04.048/2009-10 dated December 1, 2009 and Circular no. DBOD.No.BP. BC. 87/21.04.048 /2010-11 dated April 21, 2011.

Provisioning Coverage Ratio (PCR) as on Mar 31, 2022

₹ in Lakh

1	2	3	4	5
Sl No	Particulars	Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)
1	Sub-Standard Advances	15531.44	2385.24	15.36
2	Doubtful Advances (a+b+c)	9959.09	9959.09	100.00
	a < 1 year	9959.09	9959.09	100.00
	b 1-3 Years	0.00	0.00	0.00
	c >3 years	0.00	0.00	0.00

3	Advances classified as Loss Assets	0.00	0.00	0.00
4	Total	25490.53	12344.34	48.43
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)			7269.07
6	DICGC / ECGC claims received and held pending adjustment			0
7	Part payment received and kept in Suspense Account or any other similar account			0
8	Total (Sum of column 4 of Row 4+ Row 5+Row 6+ Row 7)			19613.41
9	Provision Coverage Ratio {(Row 8/ Total of Column 3 of Row 4)*100}			76.94

If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.10050.61 Lakh, whereas the Corporation has provided an additional provision of Rs.7269.07 Lakh over and above the minimum RBI stipulated norms amounting to Rs.17319.69 Lakh.

- The corporation has provided Rs.1615.51 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.
- The Corporation has prudently made additional provision of 5%/10% (minimum norms) amounting to Rs.6049.86Lakh in respect of 824 loan accounts which are restructured as per RBI guidelines and classified under Standard category as mentioned in Note 2.2 (2) above.
- The provision made in respect of Sub standard category advances is Rs.9654.32 Lakh. During the year, all the doubtful advances amounting to Rs.9959.09 Lakh are technically written off and charged to revenue to maintain asset quality.

The total provision available during the FY was Rs.13869.06 Lakh and additional provision of Rs.3450.62 Lakh is made during this FY. The Operating profit before technical write off is Rs.19321.16 Lakh (Rs. 15285.79 Lakh during PY). The Operating profit after write off is Rs.9182.16 Lakh (Rs. 2901.12 Lakh during PY) and Net profit is Rs.1319.80 Lakh (Rs. 657.93 Lakh during PY). The Gross NPA and Net NPA as on March 31,2022 are 3.27% and 1.28% respectively as against 3.58% and 1.48% as on March 31,2021.

In accordance with the guidelines of RBI/SIDBI on asset classification, all loans and advances have been classified into Standard, Sub Standard and Doubtful Assets and provisioning is made as under.

Sl No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 21-22		During FY 20-21	
		%	Amount (₹. In Lakh)	%	Amount (₹. In Lakh)	%	Amount (₹. In Lakh)
1	Standard Assets- Micro & Small	0.25	710.10	0.25	710.10	0.25	788.35
	Standard Assets- Medium	0.40	566.40	0.40	566.40	0.40	395.20
	Standard Assets- CRE	1	339.01	1	339.01	1	314.21
2	Additional provision for loans restructured as per RBI resolution framework for MSME sector vide Circular no. DOR.No.BP. BC /4/21.04.048/2020-21 dated August 6, 2020	5	926.31	5	926.31	5	1322.56

3	Additional provision for loans restructured as per RBI resolution framework 2.0 for Covid-19 related stress as per RBI Circular dated May 5, 2021	10	5123.55	10	5123.55	10	1116.33
4	Sub Standard Assets- FB limits	15	2290.52	62	9467.48	60	9925.31
	- NFB limits	15	0.00		0.00		0.00
	Sub Standard Assets- CGTMSE (Secured portion)	15	29.40	62	121.51	60	4.14
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	65.33	100	65.33	100	2.96
5	Doubtful Assets (up to 1 year)	25	NA	NA	NA	NA	NA
Total Provision made			10050.61		17319.69		13869.06

5. Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2020-21 is given below.

₹ in Lakh

Sl No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2021 as reported by the Corporation	16552.05
2.	Gross NPAs as on March 31, 2021 as assessed by RBI/ SIDBI	16552.05
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2021 as reported by the Corporation	6619.64
5.	Net NPAs as on March 31, 2021 as assessed by RBI/ SIDBI	6619.64
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2021 as reported by Corporation	13869.06
8.	Provisions for NPAs as on March 31, 2021 as assessed by RBI/ SIDBI	13869.06
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2021	657.93
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2021 after taking into account the divergence in provisioning	657.93

6) Assets taken over under Section 29

During the year, 9 units having principal outstanding of Rs. 2110.36 Lakh were taken over u/S 29 of SFC Act, 1951. Subsequently 4 units were released to the promoters under custodial agreement and 6 units settled (including 2 units released) during the year 2021-22.

7) Recovery under Adalath Schemes

The outbreak of Covid-19 pandemic had adversely affected the recovery of the Corporation. The Board of the Corporation at its meeting held on 12.08.2021 decided to conduct Covid Special Loan Settlement Adalat 2021 during September 2021 in order to reduce NPA and also to get maximum recovery from written off accounts. Total 300 applications were received. The Task Force Committee approved 275 cases and rejected 25 cases which were below norms. Out of 275 approved cases, 130 cases were settled and the total amount received for the year ending 31.03.2022 was Rs 8412.53 Lakh.

2.3 Projects with Subsidies

a) KSEDM

KSEDM scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was Rs.20 Lakh without any interest with a repayment period of 5years. The scheme was in operation from 2011 to 2017. The Corporation had received Rs.6211.03 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 21-22. Rs.6228.91 Lakh has been spent till 31.03.2022 for the KSEDM project. As on 31.03.2022, Rs.17.88 Lakh

is receivable from the government and is shown under the head KSEDM Interest receivable under Other Current assets. The Corporation has taken up with Government for providing the funds to meet the interest receivable and it is expected that the funds will be received during the FY 2022-23.

b) Chief Minister's Entrepreneurship Development Programme (CMEDP)

i. CMEDP – Edition I

The scarcity of capital and inadequate availability of credit facilities are the major problems confronted by small entrepreneurs. Under the above backdrop, Govt. of Kerala has launched a special scheme called Chief Minister's Entrepreneurship Development Programme (CMEDP). The Corporation is the nodal agency for the scheme. The scheme envisages a maximum loan amount of Rs. 50 Lakh with a repayment period upto 5 years at an interest rate of 7%, where 3% interest subvention is provided by Govt. of Kerala. During the year, the Corporation sanctioned assistance worth Rs. 1020.19 Lakh to 67 units and disbursed Rs. 734.12 Lakh to 58 units under this scheme. The CMEDP Edition I was withdrawn from November 2021 with the introduction of CMEDP Edition II.

ii. CMEDP – Edition II

The existing 'CM's Entrepreneurship Development Programme' was revised to assist 500 MSME units every year and the loan amount was increased from Rs.50 lakh to Rs.100 lakh and the interest rate was reduced from 7% to 5%. During the year, the Corporation has sanctioned assistance worth Rs. 11308 Lakh to 224 units and disbursed Rs. 3996.66 Lakh under this scheme.

c) NORKA (NDPREM) scheme

NORKA ROOTS has formulated 'Norka Department Project for Rehabilitation of Return Emigrants' (NDPREM) Scheme' for returned immigrants. They will be eligible for Capital subsidy of 15% of project cost and interest subvention of 3% by NORKA Roots. During the year, the Corporation disbursed Rs.266.82 Lakh to 54 units under this scheme. The Corporation has received a capital subsidy of Rs 137.01 lakh from NORKA Roots during the year.

d) Start up loans – Comprehensive Scheme for financing Start ups

The Corporation started a new scheme named 'Startup Kerala' to assist Startups during all stages of their growth starting from Productization/ Commercialization/ Scaling Up to Venture Debt. The maximum assistance is Rs.25 lakh for productization, up to Rs.50 lakh for commercialization and up to Rs.100 lakh for Scaling up, subject to 90% of the project cost at each stage. The Loans are provided at an interest rate of 5.6%. Further, there are provisions for easy finance for executing Purchase Orders, discounting Bills and also for availing Venture Debt funding up to Rs.1000 lakh. During the year, the Corporation sanctioned Rs. 2760.40 lakhs to 26 startups.

2.4 Investments

Out of the investments of Rs. 126.44 Lakh, provision for diminution in value of investments of Rs.74.38 Lakh have been provided for investments other than KITCO, Kerala Infrastructure Fund Management Ltd and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. The Corporation has decided to divest the stake in India SME Asset Reconstruction Co at Rs.9.80 per share to Dhansamridhi Finance Pvt Ltd as per the divestment proposal put forth by SIDBI. Hence provision of Rs.0.70 Lakh is made for the investment in India SME Asset Reconstruction Co. For KITCO and Kerala Infrastructure Fund Management Ltd, the Corporation have valued the shares on the basis of latest available financial statements and found that the values are above book value.

The Corporation had invested Rs.6080 Lakh in April 2018 in Secured Redeemable NCDs as part of compliance of Non SLR Bond Issue Series 2018. However due to the crisis in NBFC sector, the corporation has not received the interest due in NCD after 30th March 2020. Hence as a prudent measure the Corporation had made a provision of 25% of the value of Investment from FY 2019-20 onwards. The Corporation received Rs.101.14 Lakh during the FY as part of prorata distribution of funds by the Company which has been reduced from the invested amount and 100% provision is made for the balance principal amount since the principal is due from April 2022 onwards.

2.5 Income Tax Assessments

Income tax return is filed up to Assessment year 2021-22. Assessment have been completed up to Assessment year 2019-20. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment

years 2009-10, 2012-13, 2013-14, 2014-15, 2016-17, 2018-19 and 2019-20. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal have been remanded to Commissioner (Appeals).

2.6 Deferred Tax Liabilities

The break-up of deferred Tax Liabilities / Assets in to major components of the respective balances is as given below:-

₹ in Lakh

Particulars	As on 31.03.2021	For the FY 2021-22	As on 31.03.2022
On Depreciation	49.07	4.74	53.81
On income not received	-988.82	-154.77	-1143.59
On outstanding expenses	1030.87	241.17	1272.04
	91.12	91.14	182.26

2.7 Goods and Service Tax

Service tax -

Service Tax was replaced by GST from July 2017. Litigations under Service Tax regime was settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS) except for OIO No.03/2018-19 dated 22.05.2018 and OIO No.09/ST(DC)/DIV/2021-22 dated 28.07.2021 with a demand of Rs.129.69 Lakh and Rs.61.06 Lakh respectively in the matter of taxability and availment of Input tax credit of Guarantee Commission paid to Government and taxability of reimbursement of salary and establishment cost to RR staff deputed to the Corporation. The matter is pending for decision with Commissioner (Appeals) for further orders.

Goods and Service Tax (GST)

GST was implemented all over the country w.e.f 01.07.2017. All the indirect tax registrations of Branch offices and Head Office are brought under one common registration under GST and is managed centrally from Head Office. The Annual Returns under GST regime, GSTR 9 and GSTR 9C are filed till FY 2020-21.

2.8 Related Party Disclosures as per AS 18

A. List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri Sanjay Kaul IAS, Chairman and Managing Director (from 01.06.2021 till date), Sri Tomin J Thachankary IPS, Chairman and Managing Director (from 07.09.2020 to 31.05.2021)

B. Related party Transactions

The total remuneration paid to Sri Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2021-22 (for the period 01.04.2021 to 31.05.2021) is Rs.5.67 Lakh.

2.9 Impairment of Assets

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2022, as to whether there is any indication that an asset or a class of assets is 'impaired' and since there were no incidences of such impairment indicators, no provision has been made.

2.10 Segment Reporting

The Corporation operates as a single unit with a single profit center and has concentrated its activity on term lending only as a single product.

A) Primary Segment (The Business Segment)

The Corporation operates mainly in the business segment of providing financial assistance to MSME and other sectors. All other activities revolve around the main business. Further, all activities are carried out within Kerala. As such, there are no separate reportable segments as per the provisions of AS 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

B) Secondary Segment (The Geographical Segment)

The area of operation of the Corporation is confined within the state of Kerala. As a result separate segment information for different geographical segments is not required.

2.11 Contingent liabilities

The contingent liabilities as on 31.03.2022 are estimated as under

- On account of Income Tax Rs.290.21 Lakh
- On account of suits filed against the Corporation Rs. 106.09 Lakh
- On account of Service Tax Rs.190.74 Lakh
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.5248.77 Lakh

2.12 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs. 400.34 Lakh relates to M/s.Jayalakshmi Builders, Thiruvananthapuram and is retained as such. The acquisition was done in the financial year 2008-09 and accounted as recovery from NPA account in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value is Rs.525.21 Lakh which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims.

The Corporation posted the unit for e-sale in the official web portal on 07.01.2021 and sale was confirmed to the highest bidder for Rs.599.99 Lakh. The last date for the sale remittance was 24.03.2021. Though the bidder remitted 25% of sale amount being Rs.155 Lakh, he did not remit any further amount and the sale was cancelled. As per the sale terms, if the amount is not remitted before the last date, the amount already remitted will be forfeited. The amount of Rs.155 Lakh so forfeited has been recognised as income of the current year.

2.13 Suspense Account

The amount outstanding in Suspense Account amounting to Rs.560.28 Lakh as on 31.03.2022 comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, as per court orders, benefits to employees held back for want of details and amount to be refunded in respect of contractor loans. The balance amount lying in Suspense account as on date is being rectified.

2.14 Secured / Un-secured Loans.

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. During the year the Corporation availed loans amounting to Rs.129700 Lakh and repaid Rs.108289.99 Lakh. The loan outstanding as on 31.03.2022 is Rs.354206.06 Lakh out of which Rs.41029.13 Lakh is a foreign currency loan from SBI.

The Corporation availed Rs.40485.99 Lakh as Foreign currency loan from SBI for tenors ranging from of 6-7 months on a fully hedged basis. All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. The premium amortised during the year ended March 31, 2022 is Rs 1247.60 Lakh (Rs.949.93 Lakh pertaining to the financial year ended March 31, 2022 and the unamortized premium of Rs.297.67 Lakh as on Mar 31,2021). The deferred premium as on March 31, 2022 is Rs.372.60 Lakh. The balance outstanding of Foreign Currency Loan as on 31st March 2022 reinstated at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India (FEDAI) as on 31st March 2022 is Rs. 41029.13 Lakh after adjusting the notional forex Loss of Rs.543.14 Lakh.

2.15 Non SLR Bonds

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The bonds issued without Government guarantee are rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee. The total outstanding bonds of KFC as on 31.03.2022 aggregate to Rs.76137.50 as given below.

₹ in Lakh

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date	Credit Rating	Asset Cover ⁺
1	14-Sep-20	7.70%	25000.00	25000.00	14-Sep 30	AA	110%
2	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26	AA	125%
3	04-Apr-18	8.69%	25000.00	3637.50	04-Apr-25	AA	125%
4	09-May-16	8.90%	25000.00	12500.00	09-May-23	AA	125%
5	06-Jun-13	8.72%*	20000.00	10000.00	06-Jun-23	A	-
		TOTAL	120000.00	76137.50			

* Issued with Government guarantee

Partial Redemption done

+ Asset cover maintained as per issue terms (secured by receivables)

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund'(REF) equal to 0.01% of the issue size subject to maximum of Rs.25 Lakh shall be created, as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020 which shall be utilized in a manner decided by holders of securities in case of default. The provisions of this circular were made applicable w.e.f. January 2021 and accordingly the Corporation has deposited Rs.11.37 Lakh towards REF with BSE on 22nd February 2021. As on 31st March 2022, the REF required is only Rs.7.61 Lakh being 0.01% of Rs.76137.50 Lakh.

As per SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144 dated 26th November 2018, Corporation would be considered as "Large Corporate" and shall raise not less than 25% of its incremental borrowings by way of issuance of debt securities over contiguous block of two years from FY 2022.

2.16 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.3199.90 Lakh (Rs.3418.09 Lakh during FY 20-21). This includes Employee Pay & Allowances for the year of Rs.2570.32 Lakh (Rs.2908.56 Lakh during FY 2020-21).

2.17 Employee Payments and Retirement Benefits

The Corporation contributes towards Group gratuity Scheme and Group Leave Encashment Scheme administered by Life Insurance Corporation of India (LIC) for eligible employees as per the actuarial valuation and demand raised by LIC and are reckoned as expenditure for the concerned period. The Fair value of the Plan assets and the Present value of obligations as at 31st March 2022 for both the schemes is as below.

₹ in Lakh

Particulars	PV of obligation	Fund value
Group gratuity Scheme	1196.17	1283.91
Group Leave Encashment Scheme	772.09	907.74

2.18 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of Rs.846.40 Lakh has been made for the payment due from FY 2014-15 to FY 2020-21 as on 31.03.2021. The provision for the year 2021-22 is kept as Rs.60.80 Lakhs based on the calculations for last year. Hence as on 31.03.2022 the total amount provided is Rs.907.21 Lakh, break up is as below.

Year	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
₹ in Lakh	94.54	100.47	150.76	157.92	157	135.86	49.86	60.8	907.21

The establishment charges have not been paid as there is dispute in the calculations made by the Corporation and demand given by the Revenue Department.

2.19 Interest Income and rebate

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during FY 21-22 are Rs.40029.36 Lakh and Rs.696.87 Lakh and during FY 20-21 were Rs.41047.50 Lakh and Rs.660.11 Lakh respectively.

2.20 Commission on Performance guarantees issued

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However, the commission in respect of the unexpired portion of the guarantee is reversed at the year end. During the FY, total commission collected upfront from Performance guarantees issued (including extension of Performance guarantees issued in previous FYs) amounts to Rs 107.40 Lakh (Rs.98.72 Lakh during the FY 20-21), out of which Rs 18.44 Lakh pertains to this FY (Rs.25.37 Lakh during the FY 20-21) and Rs 88.96 Lakh (Rs. 73.35 Lakh during the FY 20-21) pertains to future FYs.

Out of the unexpired portion of Commission accounted during FY 2020-21 (Rs. 73.35 Lakh), Rs.28.86 Lakh is recognized as income during this year and out of the unexpired portion of Commission accounted during FY 2019-20 (Rs.89.48 Lakh), Rs. 22.60 Lakh is recognized as income during this year. Thus, the total income recognised during the year is Rs.69.90 Lakh.

2.21 Ageing of trade payables and trade receivables

The Ageing of trade payables and trade receivables in compliance with amended Schedule III is NIL.

2.22 Provision for Income Tax

The income tax comprises of current and deferred tax. The provision for income tax is made as per the income tax rules and previous income tax assessments. The tax is calculated on income on receipt basis which is consistently followed by the corporation for the past years and the Income tax department also accepted the same for assessment purpose. The deferred tax assets and liabilities are recognised, for the expected tax consequences of temporary / timing differences between the depreciation, accrued income and expenditure.

Taxable income calculated as per IT Act	-	Rs. 9028.98 Lakh
Income tax thereon	-	Rs. 2272.41 Lakh

2.23 Dividend and Special Reserve Fund

The Board of Directors has proposed a dividend of Rs.0.25 per Equity share (0.25%) [(Previous year-Nil) for the year ended March 31, 2022, subject to the approval of the shareholders at the ensuing Annual General Meeting. The Capital adequacy ratio after considering the impact of proposed dividend is 22.38% as at March 31, 2022.

As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs.0.53 Lakh will be transferred to Special reserve fund.

2.24 Grants and Subsidies

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates. The interest on Coconut Development Board Subsidy of Rs. 63.90 Lakh (Rs.98.31 Lakh during FY 20-21) is shown under the head Interest and fundexpenses.

The Corporation allowed Compromise Settlement to M/s. DER Peoples Empowerment Company P Ltd, Kannur under the Loan Settlement Adalath dated 20.02.2020 for Rs.31.21 lakh. The promoters remitted Rs.20.21 lakh and the balance amount of Rs.11 Lakh will be received from the Government as State subsidy vide GO(MS)No.35/2022/Ind dated 28.04.2022 and is shown under the head Subsidy Receivable from Govt.

The Corporation had reduced the rate of interest of units in MSME, Hospitality and Health care sector by 1.50% during FY 2021-22 in view of the COVID-19 situation, in anticipation of interest subvention from the Government. The revenue loss on account of this reduction of interest rate during FY 2021-22 is Rs.1786 Lakh. The Government vide letter No.1829802/PU-A1/95/2021/Fin have requested to submit the proposal for considering release of interest subvention in the FY 2022-23. Accordingly, the Corporation has submitted the proposal and it is under the consideration of the Government.

2.25 Prior period items

There are no prior period adjustment made during this year .

2.26 Previous Year's Figures


Previous year's figures have been regrouped and reclassified for better presentation wherever found necessary.

For and on behalf of the Board of Directors

			
Soya.K Financial Controller	Premnath Ravindranath Executive Director	Anil Kumar Parameswaran Director	Sanjay Kaul Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 001536S

Place: Thiruvananthapuram
Date:26.05.2022


Nikhil R Kumar
Partner, M No: 231162

NOTE: 21 DISCLOSURE REQUIREMENTS:

	(Amount ₹ in lakh)		
A. Capital	2021-2022		2020-2021
a) CRAR (%)	22.41		22.85
b) Risk Weighted Assets			
1) On Balance Sheet items	317396.67		304658.57
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	42026.94	98.54	98.54
2. SIDBI	613.33	1.44	1.44
3. Commercial Banks, Insurance Cos. Pvt Shareholders etc.	10.16	0.02	0.02
TOTAL	42650.43	100	100
d) Net worth	69402.63		68118.22
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	15531.44	3.27	3.58
b) Net NPAs under the prescribed asset classification categories	5877.12	1.28	1.48
c) Provisions:	2021-22		2020-21
1. Provision for Standard Assets	7665.37		3936.65
2. Provision for NPA	9654.32		9932.42
3. Provision for Investments	5344.85		3114.38
4. Provision for Income Tax	2272.41		1039.17
5. Provision for Deferred Tax Liability	-91.15		-414.11
	2021-22	2020-21	Variance
d) Movement in Net NPA (%)	1.28	1.48	0.20

C. Liquidity:						(₹ in lakh)
a) Maturity pattern of Rupee assets.						
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total
Total assets	136115.82	180832.52	111283.46	34486.50	12352.10	475071.40
Total Liabilities	122602.08	169432.51	103690.81	24618.17	10000.00	430343.56
D. Operating Results:					2021-22	2020-21
					(₹ in lakh)	
a) Interest income as a percentage to average working funds-					7.89	9.44
Interest Income					39,264.66	40,387.39
Average Working Funds					4,97,662.80	4,28,012.83
b) Non-interest income as a percentage to Average Working Funds-					2.52	2.03
Non-interest income					12,552.15	8,706.90
Average Working Funds					4,97,662.80	4,28,012.83
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-					1.85	0.68
Operating Profit (+) / Loss (-)					9,182.16	2,901.12
Average Working Funds					4,97,662.80	4,28,012.83
d) Return on Average Assets-					1.71	0.69
Returns (operating profit + depreciation)					9,395.92	3,184.24
Average Assets					5,50,293.80	4,60,109.67
e) Net profit (+) / Loss (-) per employee					6.70	3.43
No. of employees					197	192
Net profit (+) / Loss (-)					1,319.80	657.93

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2022

₹ in Lakh

FOR THE PERIOD	For the year ended 31.03.2022	For the Year ended 31.03.2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	3,501.07	1,282.98
Interest received on Fixed Deposits	(1,923.10)	(2,083.65)
Depreciation on fixed assets	213.76	283.12
Provision for Non Performing Assets/Other Assets	5,681.10	1,618.13
Share Issue Expenses	-	1.02
Premium on Forward Contract	(74.93)	(297.67)
Interest and other costs of Non-SLR Bond	7,174.07	9,690.24
Adjustment for changes in operating assets and liabilities		
Increase in Loans and Advances	(9,732.78)	(1,26,922.46)
Increase in borrowings from Banks	21,998.68	1,34,802.16
Decrease in Other Non-Current assets	5,863.95	39,599.90
Decrease in Other Current assets	(25,797.65)	(51,439.88)
Increase in Current liabilities	21,470.94	13,715.03
Increase in Other Non Current Liabilities	(284.49)	129.35
Less: Income tax paid	(1,734.00)	(700.00)
Net cash from operating activities	26,356.62	19,678.27
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(54.62)	(154.20)
Sale of Fixed Assets	0.72	4.16
Investment in KIFM Ltd		(1.02)
Net cash used in investing activities	(53.90)	(151.06)
CASH FLOW FROM FINANCING ACTIVITIES		
Money received against Share Capital	0.00	9,000.00
Share Issue Expenses	0.00	(1.02)
Issue of Non SLR Bond	0.00	25,000.00
Redemption of Non-SLR Bond	(18,030.00)	(35,682.50)
Interest and other costs of Non-SLR Bond	(7,174.07)	(9,690.24)
Interest Received on Fixed Deposits	1,923.10	2,083.65
Net Investment in NCD	(5,993.74)	(5,993.74)
Proceeds from NCD	101.14	709.09
Net Deposit with Banks	2,851.85	(12,251.54)
Dividend	106.63	-
Net cash used in financing activities	(26,215.09)	(26,826.30)
Net increase in cash and cash equivalents	87.61	(7,299.09)
Cash and cash equivalents at the beginning of the year	10,076.58	17,375.67
Cash and cash equivalents at the end of the year	10,164.19	10,076.58

For and on behalf of the Board of Directors


Soya.K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director


Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365

Place: Thiruvananthapuram
Date: 26.05.2022


Nikhil R Kumar
Partner, M No: 231162

PROFORMA - I

SECTOR WISE LOAN OUTSTANDING AS ON 31.03.2022

₹ in Lakh

PARTICULARS	STANDARD		SUB STANDARD		TOTAL	
	NO OF LOANS	AMOUNT	NO OF LOANS	AMOUNT	NO OF LOANS	AMOUNT
CRE	145	25,697.96	18	4,022.06	163	29,720.01
MANUFACTURING	1763	1,57,041.19	357	1,410.04	2120	1,58,451.23
SERVICE	3688	2,76,800.82	269	10,099.35	3957	2,86,900.17
Grand Total	5596	4,59,539.96	644	15,531.44	6240	4,75,071.41

PROFORMA - II

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2021-22

(₹ in Lakh)

Branch Name	Sactioned	Disbursed	Recovery	Portfolio
Alappuzha	3,819.20	4,955.09	4,002.42	9,755.19
Ernakulam	28,094.25	18,340.52	70,823.21	34,404.18
Kannur	10,864.94	7,338.64	7,757.21	15,780.75
Kasaragode	18,818.00	21,817.38	21,787.78	42,559.88
Kattappana	6,628.00	3,005.64	2,708.31	7,596.51
Kollam	19,116.65	12,109.36	12,028.38	26,181.57
Kottayam	2,531.00	3,767.40	4,630.99	8,950.12
Kozhikode	15,927.43	16,999.95	14,775.10	32,550.27
Malappuram	15,286.91	13,276.67	13,313.57	21,836.63
Palakkad	4,694.66	4,453.49	6,191.33	12,584.50
Pathanamthitta	3,974.00	3,847.49	5,680.77	11,479.65
Perumbavoor	7,265.40	3,846.54	4,904.29	10,708.05
Thiruvananthapuram	1,30,350.01	83,827.94	52,234.47	1,92,710.49
Thodupuzha	4,851.34	1,739.00	2,291.92	5,278.43
Thrissur	11,940.79	10,790.71	8,932.19	31,750.48
Wayanad	3,516.28	7,404.34	10,984.86	10,944.72
GrandTotal	2,87,678.86	2,17,520.16	2,43,046.80	4,75,071.41

HIGHLIGHTS OF PERFORMANCE

(₹ in Lakh)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	1	2	3	4	5	6	7	8	9	10
Applications Sanctioned Amount	66139	101173	94745	102599	38531	72393	164495	165788	414649	2,87,679
Disbursement Amount	47594	75473	65709	83836	65527	60023	81579	144615	370921	2,17,520
Recovery Amount	54022	56513	68427	75820	87428	94467	90000	108209	285129	2,43,047
Number of Loan accounts	6114	4196	4498	5264	5497	4439	4231	4884	5985	6240
Balance Outstanding Amount	140143	180037	203818	240019	247411	245179	268401	335190	462113	475071
Authorised Capital	35000	35000	35000	35000	35000	35000	35000	50000	50000	50000
PAID UP CAPITAL										
State Government	20574	20574	21563	21563	21563	21563	22027	33027	42027	42027
SIDBI	613	613	613	613	613	613	613	613	613	613
Others	10	10	10	10	10	10	10	10	10	10
Total	21197	21197	22186	22186	22186	22186	22650	33650	42650	42650
INCOME										
Interest on Loans	25294	26312	30915	29976	35195	36557	40475	38694	45988	48508
Other Income	476	307	167	872	1277	1131	2351	2351	3106	3309
Total	25770	26619	31082	30847	36473	37688	42826	41046	49094	51817
EXPENDITURE										
Interest on Bonds	2111	3419	4675	5454	6917	6677	8129	8950	9165	6943
Interest on Refinance & other borrowings	6590	7078	9278	10921	12599	11847	10014	12381	19963	19617
Fund Raising expenses	241	370	417	526	558	521	451	455	584	2067
Employee benefit expenses	2317	2356	2595	2701	2864	3407	3610	3152	3418	3200
Administrative Expenses	438	574	527	523	503	640	671	713	394	454
TOTAL	11697	13797	17492	20125	23440	23092	22875	25651	33524	32280.89
Profit / Loss before depreciation	14073	12822	13590	10722	13032	14596	19951	15441	15569	19535
Write off/Provisions										
Depreciation	57	65	53	129	184.37	96	84	199	283	214
Bad debts Written off	2566	4139	4280	5867	12061.13	12481	16767	10715	12385	10139

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	1	2	3	4	5	6	7	8	9	10
Provision for Bad & Doubtful debts/ other assets	1626	1311	3811	2692	0	515	419	1520	1618	5681
Net Profit/Loss (Before Tax)	6683	4134	1437	533	787	1504	2665	3007	1283	3501
Net Worth	38376	41484	42392	42917	43545	44108	45741	58475	68118	69403
Gross NPA (%)	3.51	3.45	7.85	10.57	8.51	6.37	5.77	4.74	3.58	3.27
Net NPA (%)	0.36	0.35	3.71	5.93	4.25	2.03	1.82	1.45	1.48	1.28
Share Capital issued	0	214	989	0	0	0	464	0	0	0
Bonds issued	0	20000	20000	0	25000	0	25000	25000	25000	0
Borrowings from Banks & Fis	25900	30210	32799	56201	35000	67000	60900	197955	332751	354749
Repayment of Bonds	2453	0	0	5000	5000	5000	10000	5150	35683	18030
Repayment of Borrowings from Banks & Fis	28274	22211	24751	23216.7	28753	48037	66054	108044	188752	107701
									Number	Amount
Cumulative Sanction up to 31.03.2022									57525	20,08,399.86
Cumulative Disbursement up to 31.03.2022									58890	16,29,727.16



Handing over of dividend cheque of Rs. 1.05 crore By Shri Sanjay Kaul IAS, CMD to Shri K N Balagopal, Hon. Finance Minister, Govt. of Kerala



KFC receiving Fact MKK Nayar Memorial Productivity Award from Kerala State Productivity Council



Inauguration of CMEDP Edition II Scheme by Shri K N Balagopal, Hon. Finance Minister, Govt. of Kerala



Corporate agency with HDFC Life Insurance Co.



Corporate agency with Life Insurance Corporation of India



KFC Annual General Meeting



KFC receiving Metro Food Awards under category 'Best Financial Service Provider for Hospitality Sector'



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Vellayambalam, Thiruvananthapuram- 695033, Kerala, India
Call Us : +91 471 2737576 / 566 / 500
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Review report to
The Board of Directors
Kerala Financial Corporation
Kanaka Nagar Vellayambalam
Thiruvananthapuram -695033

We have reviewed the accompanying statement of unaudited financial results of Kerala Financial Corporation for the nine-month period ended 31.12.2022. This statement is the responsibility of the Corporation's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain the 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.

In the conduct of our Review, we have relayed on the review reports received from concurrent auditors of the Head office and branches specifically appointed for this purpose. 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 SEBI (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.

Emphasis Paragraph:

1. We refer to Note No.7 regarding the recognition of unrealized foreign exchange fluctuation loss or gain as on 31.12.2022.



2. The calculation of Deferred tax Asset/ Liability is done on a yearly basis hence no impact of the same had been affected in the financials for the period ended 31.12.2022. (Reference to Note No.8).
3. We refer to Note No.5. KFC generally creates minimum provision for Standard Assets and for Non-Performing Assets provision is made in excess of RBI requirements at the end of the Financial Year. However, KFC has kept the current provision as on 31.12.2022 without any changes as it is more than the minimum provision required by RBI.
4. The suspense account classified under the "Current Liabilities" has a balance of Rs. 10,53,58,611.06/- which is yet to be analyzed and transferred to the right accounts.
5. The corporation has not written off any technical bad debts or made any provision for the same as on 31.12.2022, which is only done at the year-end. The profit shown for the nine-month period ended 31.12.2022 is subject to this adjustment.

For J A K S & Associates
Chartered Accountants
FRN.001360S



Selastin A, F.C.A.
Partner, M.No.202874

UDIN: 23202874BGSQTQ6373

Place : Trivandrum

Date : 09-02-2023



KERALA FINANCIAL CORPORATION					
Balance Sheet as at 31.12.2022					
	Particulars	As at 31.12.2022	As at 31.12.2021	As at 30.09.2022	As at 31.03.2022
		Unaudited	Unaudited	Unaudited	Audited
		Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
A	EQUITY AND LIABILITIES				
1	Shareholders' funds				
	(a) Share capital	42,650.43	42,650.43	42,650.43	42,650.43
	(b) Reserves and surplus	39,585.10	34,673.46	35,693.89	26,393.81
2	Share application money pending allotment				
2	Non-current liabilities				
	(a) Long-term borrowings	3,95,922.55	2,94,500.81	3,92,091.85	2,87,855.50
	(b) Other non current liabilities	587.32	934.23	643.76	963.16
	(c) Long-term provisions	17,319.69	13,869.06	17,319.69	17,319.69
3	Current liabilities				
	(a) Short-term borrowings	1,86,032.04	63,151.02	1,76,042.69	1,43,031.21
	(b) Other current liabilities	1,42,213.50	47,880.57	1,19,561.34	45,815.80
	(c) Short-term provisions	3,647.41	1,050.00	3,222.41	2,379.04
	TOTAL	8,27,958.04	4,98,709.58	7,87,226.05	5,66,408.64
B	ASSETS				
1	Non-current assets				
	(a) Property, Plant and Equipment and Intangible Assets				
	(i) Property, Plant and Equipment	633.88	706.43	607.05	577.33
	(ii) Intangible Assets	94.22	0.00	97.24	157.04
	(b) Non-current investments	8,451.14	6,755.58	8,451.14	6,045.10
	(c) Other non-current assets	4,41,996.10	2,80,083.98	4,18,949.55	3,41,623.77
	(d) Deferred Tax Assets (net)	182.26	91.11	182.26	182.26
2	Current assets				
	(a) Current investments	27,854.31	29,649.58	30,057.35	23,970.22
	(b) Cash and cash equivalents	10,777.97	13,519.17	13,691.58	10,164.19
	(c) Other current assets	3,37,968.16	1,67,903.73	3,15,189.87	1,83,688.73
3	Significant Accounting policies and Notes to Accounts				
	TOTAL	8,27,958.04	4,98,709.58	7,87,226.05	5,66,408.64


Soya.K
Financial Controller


Premnath Ravindranath
Executive Director


Sanjay Kaul IAS
Chairman & Managing Director

UDIN: 2320 2874 BGSATQ 6373
Place: Thiruvananthapuram
Date: 09-02-2023



For JAKS & Associates
CHARTERED ACCOUNTANTS
FRN : 001360 S


SELASTIN A. FCA
PARTNER-M. NO. 202874

KERALA FINANCIAL CORPORATION					
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31.12.2022					
	Particulars	31.12.2022	31.12.2021	30.09.2022	31.03.2022
		Unaudited Amt in Lakh	Unaudited Amt in Lakh	Unaudited Amt in Lakh	Audited Amt in Lakh
A	Continuing Operations				
1	Revenue from Operations	44,585.90	35,240.37	29,029.45	49,265.99
2	Other Income	3,001.14	1,633.29	2,063.29	2,550.82
3	Total revenue	47,587.04	36,873.66	31,092.74	51,816.81
4	Operating Expenses				
	(a) Interest expenses	29,502.49	21,928.16	18,536.98	28,627.64
	(b) Employee benefits expenses	2,200.53	2,188.97	1,395.90	3,199.90
	(c) Administrative Expenses	522.04	260.77	296.07	454.36
	(d) Depreciation and amortisation expense	164.68	208.97	162.18	213.76
	(e) Bad debts written off	84.01	8.94	84.01	10,138.99
	Total expenditure	32,473.75	24,595.81	20,475.14	42,634.65
5	Operating Profit before exceptional and extraordinary	15,113.28	12,277.85	10,617.60	9,182.16
6	Add: Prior Period Income	-	-	-	-
6	Operating Profit After exceptional and extraordinary	15,113.28	12,277.85	10,617.60	9,182.16
7	Less: Provision for Bad and Doubtful debts / Other assets	-	1,520.00	-	5,681.10
8	Profit before tax	15,113.28	10,757.85	10,617.60	3,501.06
9	Tax expense:				
	Less: Current tax expense - (a) Provision for Income Tax	1,375.00	1,050.00	950.00	2,272.41
	(b) Provision for Deferred Tax	-	-	-	-91.15
B	Discontinuing operations	-	-	-	-
10	Net Profit after tax for the period	13,738.28	9,707.85	9,667.60	1,319.80
11	Earnings per share (Equity shares of Rs 100/- each):				
	(a) Basic	32.25	22.91	22.67	3.26
	(b) Diluted	32.25	22.91	22.67	3.26
C	Profit and loss appropriation				
	Balance in Profit & Loss A/c b/f	13,906.10	13,127.07	13,906.10	13,127.07
	Net Profit for the year	13,738.28	9,707.85	9,667.60	1,319.80
	Total profit available for appropriation	27,644.38	22,834.92	23,573.70	14,446.87
	Add: Prior Period Income	15.05			
	Less: TDS of previous years adjusted	-	247.99	-	-
	Add: Income Tax provision written back	-	310.05	-	-
	Total	27,659.43	22,896.98	23,573.70	14,518.11
	Less: Appropriations				
	Proposed Dividend	-	-	-	106.63
	Transfer to Reserve u/s 36 (1) (viii)	-	-	-	505.39
	Balance Profit after appropriations	27,659.43	22,896.98	23,573.70	13,906.10
	Balance Profit carried to Balance sheet	27,659.43	22,896.98	23,573.70	13,906.10


Soya K
Financial Controller


Premnath Ravindranath
Executive Director



Sanjay Kaul IAS
Chairman & Managing Director

UDIN: 23202874BCSGTQ6373


Place: Thiruvananthapuram
Date: 09-02-2023



For JAKS & Associates
CHARTERED ACCOUNTANTS
FRN : 001360 S


SELASTIN A. FCA
PARTNER - M. NO. 202874

KERALA FINANCIAL CORPORATION				
CASH FLOW STATEMENT				
FOR THE PERIOD	For the year ended 31.12.2022	For the year ended 31.12.2021	For the year ended 30.09.2022	For the Year ended 31.03.2022
	Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
	Unaudited	Unaudited	Unaudited	Audited
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before taxes and prior period adjustments	15,113.28	10,757.85	10,617.60	3,501.07
Interest received on Fixed Deposits	(1,771.66)	(1,205.47)	(1,004.27)	(1,923.10)
Depreciation on fixed assets	164.68	208.97	162.18	213.76
Provision for Non Performing Assets/Other Assets	-	1,520.00	-	5,681.10
Premium on Forward Contract	(562.58)	(578.45)	(368.06)	(74.93)
Interest and other costs of Non-SLR Bond	4,432.48	5,577.84	2,960.60	7,174.07
Prior period Income	15.05			
Adjustment for changes in operating assets and liabilities				
Increase in Loans and Advances	(1,57,383.55)	(3,95,794.77)	(1,34,292.20)	(9,732.78)
Increase in borrowings from Banks	1,62,805.38	(51,236.19)	1,48,985.34	21,998.68
Decrease in Other Non-Current assets	63,004.95	(8,646.78)	62,960.16	5,863.95
Decrease in Other Current assets	(1,53,329.43)	(10,696.66)	(1,30,551.16)	(25,797.65)
Increase in Current liabilities	96,397.70	23,642.33	73,745.53	21,470.94
Increase in Other Non Current Liabilities	(375.84)	(322.61)	(319.41)	(284.49)
Less: Income tax paid	(950.00)	(1,050.00)	(950.00)	(1,734.00)
Net cash from operating activities	27,560.46	(4,27,823.94)	31,946.32	26,356.61
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(158.42)	(21.16)	(132.09)	(54.62)
Sale of Fixed Assets	-	-	-	0.72
Net cash used in investing activities	(158.42)	(21.16)	(132.09)	(53.90)
CASH FLOW FROM FINANCING ACTIVITIES				
Redemption of Non-SLR Bond	(11,737.50)	(18,030.00)	(11,737.50)	(18,030.00)
Interest and other costs of Non-SLR Bond	(4,432.48)	(5,577.84)	(2,960.60)	(7,174.07)
Interest Received on Fixed Deposits	1,771.66	1,205.47	1,004.27	1,923.10
Net Investment in NCD	(8,399.78)	(5,993.74)	(8,399.78)	(5,993.74)
Proceeds from NCD	-	101.14	-	101.14
Net Deposit with Banks	(3,884.09)	(2,827.52)	(6,087.13)	2,851.85
Dividend	(106.63)	-	(106.63)	106.63
Net cash used in financing activities	(26,788.82)	(31,122.49)	(28,287.38)	(26,215.10)
Net increase in cash and cash equivalents	613.77	3,442.59	3,527.39	87.61
Cash and cash equivalents at the beginning of the year	10,164.19	10,076.58	10,164.19	10,076.58
Cash and cash equivalents at the end of the year	10,777.96	13,519.17	13,691.58	10,164.19


Soya.K
Financial Controller


Premnath Ravindranath
Executive Director


Sanjay Kaul IAS
Chairman & Managing Director

Place: Thiruvananthapuram
Date:09.02.2023

UDIN: 23202874 BGS ATQ 6373.



For J A K S & Associates
CHARTERED ACCOUNTANTS
FRN : 001360 S


SELASTIN A. FCA
PARTNER-M. NO. 202874

KERALA FINANCIAL CORPORATION
NOTES FORMING PART OF BALANCE SHEET AS AT 31.12.2022

	As at 31.12.2022	As at 31.12.2021	As at 30.09.2022	As at 31.03.2022
	Unaudited	Unaudited	Unaudited	Audited
	Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
NOTE : 1				
SHARE CAPITAL				
AUTHORISED CAPITAL				
5,00,00,000 Equity shares of Rs.100/- each	50,000.00	50,000.00	50,000.00	50,000.00
Issued, Subscribed and Fully Paid up Capital				
Ordinary Shares				
42210678 Equity shares of Rs.100/- each	42,210.6780	42,210.68	42,210.68	42,210.68
Special Shares				
4,39,750 Equity shares of Rs.100/- each	439.75	439.75	439.75	439.75
TOTAL	42,650.4280	42,650.4300	42,650.43	42,650.43
NOTE : 2				
RESERVES AND SURPLUS				
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961				
As per last Balance Sheet	12,596.11	12,090.72	12,596.11	12,090.72
Added during the year	0.00	0.00	0.00	505.39
Total of (a)	12,596.11	12,090.72	12,596.11	12,596.11
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.53	250.00	250.53	250.00
(c) Revaluation Reserve	14.21	14.21	14.21	14.21
(d) Deferred Premium on Forward Contract	-935.18	-578.45	-740.66	-372.60
(e) Profit & Loss Account	27,659.43	22,896.98	23,573.70	13,906.10
TOTAL {(a)+(b)+(c)+(d)+(e)}	39,585.10	34,673.46	35,693.89	26,393.82
NOTE : 3				
LONG TERM BORROWINGS				
SECURED (Hypothecation of receivables)				
Refinance from IIFCL	1,250.00	28,741.31	2,500.00	11,250.00
LoC from State Bank of India	31,400.36	55,951.68	33,300.96	55,951.68
Foreign Currency Loan from SBI (Term Loan conversion)	56,605.70	0.00	0.00	0.00
LoC from Canara Bank	64,584.94	31,604.79	68,473.90	41,149.26
LoC from Union Bank of India	25,416.63	46,166.57	28,749.97	44,166.56
LoC from Bank of Maharashtra	91,664.00	4,950.00	95,832.00	32,410.00
Foreign Currency Loan from South Indian Bank (Term Loan conversion)	18,000.00	0.00	19,000.00	0.00
LoC from Indian Bank	39,925.00	23,051.29	42,875.00	18,850.00
LoC from Bank of Baroda	21,220.91	27,897.68	21,221.58	19,678.00
Non-SLR Bond	45,855.00	66,137.50	45,855.00	59,400.00
UNSECURED				
Non-SLR Bond (Guaranteed by Government of Kerala)	0.00	0.00	0.00	5,000.00
TOTAL	3,95,922.55	2,84,500.82	3,92,091.85	2,87,855.50
NOTE: 4				
OTHER NON CURRENT LIABILITIES				
Coconut Devp. Board Subsidy	303.14	682.55	343.14	662.55
Other Subsidy	152.60	152.60	152.60	152.60
Central Subsidy	11.00	11.00	11.00	11.00
Norka Subsidy	120.58	88.08	137.01	137.01
TOTAL	587.32	934.23	643.76	963.16
NOTE: 5				
LONG TERM PROVISIONS				
(a) Provision for Bad and Doubtful debts				
As per last Balance Sheet	17,319.69	13,869.06	17,319.69	13,869.06
Add: Provision made during the year	0.00	0.00	0.00	3,450.62
Total of (a)	17,319.69	13,869.06	17,319.69	17,319.68



	As at 31.12.2022	As at 31.12.2021	As at 30.09.2022	As at 31.03.2022
	Unaudited	Unaudited	Unaudited	Audited
	Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
NOTE : 6				
SHORT TERM BORROWINGS				
SECURED BORROWINGS (Hypothecation of receivables)				
Foreign Currency Loan from State Bank of India (WCDL conversion)	48,403.92	42,599.79	48,397.57	41,029.13
Foreign Currency loan from South Indian Bank	0.00	0.00	0.00	24,999.97
Short term loan from State Bank of India	699.99	0.00	699.99	6,000.00
Short term loan from Union Bank of India	10,000.00	0.00	10,000.00	92.77
Short term loan from HDFC Bank	82.62	92.90	87.69	17,500.00
Short term loan from Federal Bank	25,000.00	16,500.00	25,000.00	10,000.00
Foreign Currency Loan from South Indian Bank (WCDL conversion)	10,000.00	0.00	10,000.00	6,737.50
Non-SLR Bond (Current maturity)	13,545.00	0.00	13,545.00	0.00
Overdraft from City Union Bank	(35.49)	0.00	0.00	0.00
LOC FROM BANKS (Current maturity)				
Loc from Union Bank of India	5,000.01	0.00	1,666.67	2,500.01
Loc from Federal Bank	0.00	0.00	0.00	5,555.56
Loc from Canara Bank	11,666.67	0.00	14,444.44	4,201.29
Loc from Indian Bank	8,875.00	0.00	5,950.00	0.00
Loc from State Bank of India	23,500.00	0.00	19,000.00	2,291.66
Loc from Bank of Baroda	0.00	0.00	0.00	40.00
Loc from Bank of Maharashtra	8,336.00	0.00	4,168.00	17,083.33
Refinance from IIFCL	13,958.33	3,958.33	17,083.33	0.00
Foreign Currency Loan from South Indian Bank	2,000.00	0.00	1,000.00	0.00
UNSECURED BORROWINGS				
Non-SLR Bond - Guaranteed by Government of Kerala (Current maturity)	5,000.00	0.00	5,000.00	5,000.00
	1,86,032.04	63,151.02	1,76,042.69	1,43,031.22
NOTE : 7				
OTHER CURRENT LIABILITIES				
State Subsidy	13.49	30.55	33.49	98.42
RR Commission Payable	2.79	1.25	2.79	0.96
Earnest Money Deposit	2.10	3.60	2.10	4.10
Suspense Account	1,053.59	205.81	785.17	560.28
Tax Deducted at Source	31.35	28.57	27.37	0.49
Other Salary Deductions	6.56	22.00	21.88	0.17
Other Sundry Deposits	54.96	254.18	254.96	255.46
Gratuity Payable	2.10	2.10	2.10	2.10
Outstanding Expenses	956.72	878.09	954.26	938.65
Salary Payable	0.04	2.91	0.42	0.00
Accrued Interest on Non SLR Bonds	1,837.16	1,959.32	1,102.62	1,467.85
Accrued Interest on LOC from banks	1,182.35	634.33	1,119.92	633.30
Audit Fee Payable	0.00	0.00	0.00	2.61
Concurrent Audit Fee payable	11.45	8.40	12.20	8.54
Staff Dues Retained	0.00	33.63	0.12	0.00
Unclaimed Dividend	0.12	0.12	34.28	0.12
PF Contribution Payable	0.22	0.17	253.12	0.00
Commission Received in Advance	333.46	134.23	15.08	166.95
NPS Payable	15.84	14.14	0.00	0.00
Foreign Currency Payable	1,36,573.11	43,568.96	1,14,828.12	41,457.67
CGST Payable	13.89	6.87	14.01	33.22
SGST Payable	13.92	6.87	14.48	33.22
Professional Tax Payable	0.00	0.74	-0.01	0.00
IGST Payable	0.19	0.00	0.03	0.00
KF Cess, CGST & SGST TDS Payable	0.02	0.33	0.03	0.03
IGST TDS Payable	0.16	0.23	0.21	0.00
Excess Payable	107.92	83.16	82.59	151.67
TOTAL	1,42,213.51	47,880.56	1,19,561.34	45,815.81

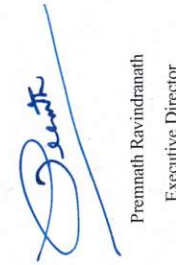


	As at 31.12.2022	As at 31.12.2021	As at 30.09.2022	As at 31.03.2022
	Unaudited	Unaudited	Unaudited	Audited
	Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
NOTE : 8				
SHORT TERM PROVISIONS				
(a) Provision for Taxation:				
As per last Balance Sheet	2,272.41	5,465.54	2,272.41	5,465.54
Add: Provision made for the current year	1,375.00	1,050.00	950.00	2,272.41
Less : Adjusted against Advance Income Tax	0.00	5,155.49	0.00	5,155.49
: Excess Provision of earlier years written back	0.00	310.05	0.00	310.05
Total	3,647.41	1,050.00	3,222.41	2,272.41
(b) Proposed Dividend for the year	0.00	0.00	0.00	106.63
TOTAL	3,647.41	1,050.00	3,222.41	2,379.04
NOTE : 10				
NON CURRENT INVESTMENTS				
Keltron Counters Ltd.	1.47	1.47	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91	4.91	4.91
KITCO	14.50	14.50	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00	66.00	66.00
Kerala Infrastructure Fund Management Ltd	2.56	2.56	2.56	2.56
Investment in NCD - RCFL	5,269.77	5,269.77	5,269.77	5,269.77
Investment in NCD - 7.74% SBI	2,301.79	2,301.79	2,301.79	2,301.79
Investment in NCD - 8.25% BOB	1,491.63	1,491.63	1,491.63	1,491.63
Investment in NCD - 8.80% Oriental Insurance	2,200.32	2,200.32	2,200.32	2,200.32
Investment in NCD -5.23% NABARD 31/01/2025	2,406.04	0.00	0.00	0.00
Sub Total	13,796.00	11,389.96	11,389.95	11,389.96
Less : Provision for diminution in value of investments	5,344.85	4,634.38	5,344.85	5,344.85
TOTAL	8,451.14	6,755.58	8,451.14	6,045.11
NOTE : 11				
OTHER NON CURRENT ASSETS				
Property Acquired in Satisfaction of Claims	400.34	400.34	400.34	400.34
House Loans to Employees	1,055.83	1,138.06	1,088.47	1,130.99
Conveyance Loan to Employees	179.19	128.36	183.07	136.28
Computer Loan to Employees	4.96	5.53	4.92	5.48
Personal Loan to Employees	83.98	113.53	103.88	111.13
Advance to Employees	30.54	31.89	40.90	15.44
Deposit with P&T	0.01	0.09	0.01	0.01
Other Deposits	83.96	86.36	83.96	82.97
Deposit with KSEB	11.98	13.17	11.53	11.53
Deposit against Staff Dues Retained	0.00	54.70	0.00	0.00
Interest Accrued on Staff Loans	755.24	706.34	737.06	724.35
GTI Advance	3.32	2.27	1.71	2.23
Advance for Fixed Assets	57.37	73.82	55.65	47.42
Loans and Advances (Principal due above 1 year)	4,39,329.38	2,77,329.52	4,16,238.04	3,38,955.59
TOTAL	4,41,996.10	2,80,083.98	4,18,949.55	3,41,623.76
NOTE : 12				
CURRENT INVESTMENTS				
Short Term Deposits with Banks	27,854.31	29,649.58	30,057.35	23,970.22
TOTAL	27,854.31	29,649.58	30,057.35	23,970.22
NOTE : 13				
CASH AND CASH EQUIVALENTS				
Cash in hand	0.57	0.47	0.40	0.41
Bank Accounts	10,777.40	13,518.70	13,691.18	10,163.78
TOTAL	10,777.97	13,519.17	13,691.58	10,164.19



NOTE : 9 FIXED ASSETS		Gross value as on 31-03-2022	Additions During First Half	Additions During II Half	Additions During the Year	Deletions during the year	Gross value as on 31-12-22	Depreciation upto 03-2022	Depreciation for the year	Depreciation upto 31-12-2022	(Rs in Lakh)
Particulars	Rate	3	4	During II Half	Year	5	6	7	8	9	10
Land	0%	11.62	-	-	-	-	11.62	-	-	-	11.62
Building	10%	711.52	91.36	10.47	101.83	-	813.34	482.67	32.54	515.21	298.13
Motor Vehicle	15%	177.18	-	-	-	-	177.18	155.15	3.30	158.46	18.72
Electrical Fittings	10%	215.97	-	-	-	-	215.97	125.31	9.07	134.37	81.60
Air Conditioner	15%	57.77	10.06	0.31	10.37	-	68.14	41.88	3.92	45.79	22.35
Photocopier	15%	22.35	-	-	-	-	22.35	21.09	0.19	21.28	1.07
Computer	40%	509.08	5.17	6.64	11.80	-	520.89	438.31	31.70	470.01	50.87
Intangibles	40%	756.22	-	-	-	-	756.22	599.18	62.82	662.00	94.22
Other office Equipments	15%	147.12	3.58	6.66	10.24	-	157.36	72.30	12.26	84.56	72.80
Lift	15%	9.73	-	-	-	-	9.73	8.56	0.18	8.74	0.99
Furniture	10%	206.87	22.34	1.83	24.18	-	231.04	147.80	8.23	156.03	75.01
Solar Power Generator	40%	76.85	-	-	-	-	76.85	75.66	0.48	76.13	0.72
Total		2,905.28	132.51	25.91	158.42	-00	3,060.69	2,167.91	164.69	2,332.58	728.10
Total (Previous Year)		2,848.37	46.48	8.14	54.62	0.72	2,902.27	1,934.14	213.76	2,167.90	734.37


Siva K
Financial Controller


Premmath Ravindranath
Executive Director


Sanjay Kaul IAS
Chairman & Managing Director

Place: Thiruvananthapuram

Date: 09-02-2023

UDIN: 23202874BGSAT6373.



For JAKS & Associates
CHARTERED ACCOUNTANTS
FRN : 001360 S


SELASTIN A. FCA
PARTNER - M. NO. 202874

	As at 31.12.2022	As at 31.12.2021	As at 30.09.2022	As at 31.03.2022
	Unaudited	Unaudited	Unaudited	Audited
	Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
NOTE : 14				
OTHER CURRENT ASSETS				
Advance Income Tax	4,836.07	2,489.45	4,463.83	3,173.45
Input Tax Credit	17.14	25.47	18.91	13.76
Income Tax Deducted at source	141.98	52.88	116.19	75.83
Rent Receivable	10.44	8.12	9.44	9.45
Prepaid Expenses	7.27	2.55	1.84	1.84
CGTMSE Fee	0.95	4.15	1.99	4.40
Subsidy Receivable from Govt	28.28	17.28	28.28	28.28
KSEDM Interest Receivable	20.51	16.13	20.48	17.88
Foreign Currency Receivable	1,35,009.62	42,599.79	1,12,681.01	40,485.99
Interest Accrued on Loans & Advances	2,729.67	3,378.50	3,385.44	2,611.51
Interest Accrued on STD with Banks	1,799.96	782.72	1,199.51	1,071.98
CMEDP & NORKA & KSUM Interest Receivable	240.70	61.44	137.38	78.54
Loans & Advances (Principal Due within one year)				
a) Bills purchased and discounted	11,785.60	0.00	17,814.91	10,648.15
b) Term Loans	1,81,339.97	1,18,465.25	1,75,310.66	1,25,467.66
TOTAL	3,37,968.16	1,67,903.73	3,15,189.87	1,83,688.72
NOTE : 15				
REVENUE FROM OPERATIONS				
Interest Received On Loans & Advances	39,957.71	29,606.08	25,694.17	39,957.62
Less : Interest rebate allowed on Loans	780.12	474.09	513.46	692.96
Net Interest Received On Loans & Advances	39,177.60	29,131.99	25,180.71	39,264.66
Loan Processing Fees	651.42	325.79	476.61	731.61
Recovery from written off loans	4,676.87	5,764.79	3,302.66	9,243.54
Switch over interest	2.50	1.80	1.80	3.50
Premium on pre-closure	77.51	15.99	67.66	22.68
TOTAL	44,585.90	35,240.37	29,029.45	49,265.99
NOTE : 16				
OTHER INCOME				
Interest on Staff Loans	76.26	80.67	64.36	105.64
Interest on Bank Deposits	1,771.66	1,205.47	1,004.27	1,923.10
Interest received on IT refund	0.00	-45.54	0.92	0.00
Other Income	987.89	276.25	889.27	360.22
Rent Received	63.30	62.22	41.87	83.90
Income from Insurance Agency	2.30	3.82	2.37	8.06
RTI Application Fee Received	0.01	0.01	0.00	0.01
Consultancy Service Division Receipts	0.00	-0.21	0.00	0.00
Commission exchange and brokerage	99.71	50.60	60.23	69.90
Reimbursement of Guarantee Commission	-	-	-	-
TOTAL	3,001.14	1,633.29	2,063.29	2,550.83
NOTE : 17				
INTEREST AND FUND EXPENSES				
Interest on Bonds	4,236.70	5,346.99	2,866.50	6,943.10
Interest on Coconut Dev Board Subsidy	37.78	45.06	33.57	63.90
Interest on Line Of Credit from Banks	22,238.58	15,528.58	13,755.43	19,553.38
Guarantee Commission	88.88	191.85	40.77	177.22
Premium on Forward Contract	2,793.66	776.68	1,787.38	1,247.60
Exchange loss on Forex	0.00	0.00	0.00	588.68
Bond Issue Expenses	65.72	28.55	17.45	33.19
LOC Administrative Expenses	41.18	10.45	35.88	20.56
TOTAL	29,502.49	21,928.16	18,536.98	28,627.64



	As at 31.12.2022	As at 31.12.2021	As at 30.09.2022	As at 31.03.2022
	Unaudited	Unaudited	Unaudited	Audited
	Amt in Lakh	Amt in Lakh	Amt in Lakh	Amt in Lakh
NOTE : 18				
EMPLOYEE BENEFITS AND EXPENSES				
Pay & Allowances	1,936.59	1,926.90	1,216.42	2,570.32
Contribution to Employees' P.F	118.28	125.31	78.86	166.41
Contribution to NPS	65.59	57.79	42.65	78.61
Group Gratuity Insurance	2.92	5.00	2.92	5.00
Group E/L Encashment Insurance	0.00	5.00	0.00	0.00
Group Term Insurance	0.48	4.62	0.00	1.53
Other Staff Expenses	76.67	64.35	55.06	76.87
TOTAL	2,200.53	2,188.97	1,395.90	2,898.74
NOTE : 19				
ADMINISTRATIVE EXPENSES				
Rent, Rates, Taxes & Insurance	164.58	79.76	72.20	115.85
Postage, courier and Telephone	24.07	12.85	12.38	30.40
Printing & Stationery	10.89	6.66	6.86	12.32
Vehicle Running & Maintenance	9.33	9.76	4.07	13.11
Repairs & Maintenance	42.89	27.31	25.46	35.60
Revenue Recovery expenses	30.00	25.00	30.00	60.80
Bank Charges and Commission	9.20	2.02	5.04	3.70
Audit Fees	0.27	0.00	0.25	2.61
Consultancy Charges	47.64	13.48	20.92	40.34
Legal Expenses	6.32	2.35	2.41	3.95
Books & Periodicals	1.20	0.89	0.78	1.31
Other Expenses	90.09	34.06	59.78	68.59
Travelling Expenses	6.51	1.98	3.36	3.10
Board / E.C. Meeting Expenses	1.40	0.26	0.80	0.53
Other Meeting Expenses	3.90	4.20	2.74	5.97
Concurrent Audit Fee	32.98	26.55	20.82	36.49
Advertisement and publicity	35.04	12.67	24.24	14.14
CMEDP Expenses	0.17	0.61	0.07	3.42
Business Development Expenses	5.55	0.38	3.90	2.12
TOTAL	522.04	260.77	296.07	454.35


Sanjay Kaul
Financial Controller


Premnath Ravindranath
Executive Director


Sanjay Kaul IAS
Chairman & Managing Director

Place: Thiruvananthapuram

Date: 09-02-2023

UDIN: 23202874 BGSCATQ6373.



For J A K S & Associates
CHARTERED ACCOUNTANTS
FRN : 001360 S


SELASTIN A. FCA
PARTNER-M. NO. 202874



Notes to Financial Statements

1. The financial results for the nine months ended Dec 31, 2022 have been subjected to review by the Statutory Auditors M/s. JAKS Associates Chartered Accountants. The previous period (for the year ended March 31,2022) results were audited by M/s Krishnan Retna & Associates, Chartered Accountants. The financials result as on Dec 31, 2021 were also reviewed by M/s Krishnan Retna & Associates, Chartered Accountants.
2. The Corporation has consistently applied its significant accounting policies in the preparation of quarterly financial results ended Dec 31, 2022 as compared to those followed for the year ended March 31, 2022.
3. The Portfolio of the Corporation as on Dec 31, 2022 is Rs.632454.95 Lakh comprising of Standard Advances of Rs.603460.14 Lakh, Substandard Advances of Rs.25666.27 Lakh and Doubtful Advances of Rs.3328.54 Lakh.
4. The Corporation follows the policy of technical write off of advances in Doubtful category to maintain asset quality which is done at the end of the financial year. Hence no advances have been technically written off as on Dec 31, 2022. The advances in doubtful category as on Dec 31, 2022 amounts to Rs.3328.54 Lakh.
5. In conformity with the prudential norms, provisions are given on the basis of classification of assets as prescribed by RBI. Provision for standard advances are made at such rates subject to the minimum provisioning prescribed by the RBI / SIDBI guidelines for standard advances. Provisions for bad and doubtful debts are made in respect of non-performing advances based on overall portfolio quality, asset growth, economic conditions, Management's assessment and other risk factors subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines.

During the period the corporation has kept minimum provisions as prescribed by RBI for all advances. i.e. 0.25% for SME sector, 0.40% for Medium /Other sector and 1% for CRE sector for all standard advances (same provisioning as on March 31,2022), 15% for substandard advances (62% on March 31, 2022) and 25% for doubtful advances (Technically written off as on March 31,2022).

Additional provision of 10% (minimum norms) amounting to Rs.5,123.55 Lakh is kept in respect of 694 loan accounts amounting to Rs. 51,235.53 Lakh restructured under RBI Circular dated May 5, 2021 (Resolution framework 2.0). Additional provision of 5% (minimum norms) amounting to Rs.926.31 Lakh is kept in respect of 130 loan accounts amounting to Rs. 18,526.19 Lakh restructured under RBI Circular dated Aug 6, 2020 (Resolution framework 1.0). The Gross NPA and Net NPA as on Dec 31, 2022 is 4.58% and 2.44% respectively against 3.27% & 1.28% of March 31, 2022.



6. The minimum provision needed as on Dec 31, 2022 is Rs.12979.02 Lakh and the total provision available for Bad and Doubtful debts / Other assets as on Dec 31, 2022 is Rs. 17,319.69 Lakh and hence no additional provision is made for the nine months' ended Dec 31,2022.
7. The Corporation availed a total of Rs.1,35,009.62 Lakh as Foreign currency loan from SBI & South Indian Bank for tenors not exceeding 183 days on a fully hedged basis. All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. The premium amortised during the period ended December 31, 2022 is Rs.2,793.66 Lakh and the deferred premium as on December 31, 2022 is Rs.935.18 Lakh. The notional forex-gain /Loss during the nine months' ended December 31, 2022 are not recognized and will be done on a yearly basis as per the policy of the Corporation.
8. The calculation of Deferred tax Asset/ Liability will be done on a yearly basis as per the policy of the Corporation.
9. Previous period / year figures have been regrouped, wherever necessary to confirm the classification of the current period.



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Sanjay Kaul IAS
Chairman & Managing Director

UDIN: 23202874BC5C1Q6373.

Place : Thiruvananthapuram

Date : 09-02-2023



For J A K S & Associates
CHARTERED ACCOUNTANTS
FRN : 001360 S



SELASTIN A. FCA
PARTNER - M. NO. 202874



KERALA FINANCIAL CORPORATION

HO: VELLAYAMBALAM, THIRUVANANTHAPURAM - 695 033

Phone : 0471- 2315891, 2737566

e-mail : mdoffice@kfc.org website : www.kfc.org



Extract of Minutes of the 615th Board Meeting held at Head Office
Kerala Financial Corporation, Vellayambalam
Thiruvananthapuram, at 11 AM on 10.11.2022

3.2 Item No.57 Resource Mobilization.

The Board also passed the following resolutions:

"Resolved to complete the rating process and raise funds through fresh bond issue of up to Rs.750 crore in the FY 2022-23."

-True Copy-

Executive Director



CTL/22-23/7703

(Annexure A)

**DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE AT THE TIME OF FILING THE DRAFT OFFER DOCUMENT OR PRIVATE PLACEMENT MEMORANDUM/ INFORMATION MEMORANDUM
(Applicable for Secured and Unsecured Issuances)**

To,

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai- 400001.

Dear Sir / Madam,

SUB.: ISSUE OF SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES OF A FACE VALUE OF INR 1,00,000/- (INDIAN RUPEES ONE LAKH ONLY) EACH AGGREGATING TO INR 750,00,00,000/- (INDIAN RUPEES SEVEN HUNDRED AND FIFTY CRORES ONLY) BY KERALA FINANCIAL CORPORATION ON PRIVATE PLACEMENT BASIS.

We, the debenture trustee(s) to the above-mentioned forthcoming issue state as follows:

- 1) We have examined documents pertaining to the said issue and other such relevant documents, reports and certifications.
- 2) On the basis of such examination and of the discussions with the Issuer, its directors and other officers, other agencies and on independent verification of the various relevant documents, reports and certifications:

We confirm that:

- a) The Issuer has made adequate provisions for and/or has taken steps to provide for adequate security for the debt securities to be issued.
- b) The Issuer has obtained the permissions / consents necessary for creating security on the said property(ies).
- c) The Issuer has made all the relevant disclosures about the security and its continued obligations towards the holders of debt securities.
- d) Issuer has adequately disclosed all consents/ permissions required for creation of further charge on assets in offer document or private placement memorandum/ information memorandum and all disclosures made in the offer document or private placement memorandum/ information memorandum with respect to creation of security are in confirmation with the clauses of debenture trustee agreement.
- e) Issuer has given an undertaking that charge shall be created in favour of debenture trustee as per terms of issue before filing of listing application.



- f) Issuer has disclosed all covenants proposed to be included in debenture trust deed (including any side letter, accelerated payment clause etc.), offer document or private placement memorandum/ information memorandum and given an undertaking that debenture trust deed would be executed before filing of listing application.

- g) All disclosures made in the draft offer document or private placement memorandum/ information memorandum with respect to the debt securities are true, fair and adequate to enable the investors to make a well-informed decision as to the investment in the proposed issue.

We have satisfied ourselves about the ability of the Issuer to service the debt securities.

Place: Mumbai

Date: March 17, 2023



For Catalyst Trustee Limited

For CATALYST TRUSTEE SHIP LIMITED

K. Pandey
Authorised Signatory

Ms. Kalyani Pandey
Compliance Head



DCS/COMP/MJ/IP-PPDI/698/22-23

March 17, 2023

KERALA FINANCIAL CORPORATION

Vellayambalam, Thiruvananthapuram, Kerala-695033,

Dear Sir/Madam

Re: Private Placement of 5 Five Detachable Strpp of a face value of Rs. 1,00,000 each Strpp of 6 Years To 10 Years Maturity totalling to face value of Rs. 5,00,000 aggregating With Base Issue Size up to Rs. 250,00,00,000/- Plus Green Shoe Of Inr 500,00,00,000/- (Indian Rupees Five Hundred Crores Only) aggregating to Rs. 750,00,00,000/- (Indian Rupees Seven Hundred And Fifty Crores Only) ("The Issue").

We acknowledge receipt of your application on the online portal on March 16, 2023 seeking In-principle approval for issue of captioned security. In this regard, the Exchange is pleased to grant in-principle approval for listing of captioned security subject to fulfilling the following conditions at the time of seeking listing:

1. Filing of listing application.
2. Payment of fees as may be prescribed from time to time.
3. Compliance with SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and circulars issued thereunder and also Compliance with provisions of Companies Act 2013.
4. Receipt of Statutory & other approvals & compliance of guidelines issued by the statutory authorities including SEBI, RBI, DCA etc. as may be applicable.
5. Compliance with change in the guidelines, regulations, directions, circulars of the Exchange, SEBI or any other statutory authorities, documentary requirements from time to time.
6. Compliance with below mentioned circular dated June 10, 2020 issued by BSE before opening of the issue to the investors.:
<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20200610-31>
7. Issuers, for whom use of EBP is not mandatory, specific attention is drawn towards compliance with Chapter XV of SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and BSE Circular No 20210519-29 dated May 19, 2021. Accordingly, Issuers of privately placed debt securities in terms of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 or ILDM Regulations for whom accessing the electronic book platform (EBP) is not mandatory shall upload details of the issue with any one of the EBPs within one working day of such issuance. The details can be uploaded using the following links [Electronic Issuance - Bombay Stock Exchange Limited \(bseindia.com\)](#).

8. It is advised that Face Value of NCDs issue through private placement basis should be kept as per Chapter V of SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021

9. Issuers are hereby advised to comply with signing of agreements with both the depositories as per Regulation 7 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021.

This In-Principle Approval is valid for a period of 1 year from the date of issue of this letter or period of 1 year from the date of opening of the first offer of debt securities under the shelf placement memorandum, whichever ever applicable. The Exchange reserves its right to withdraw its in-principle approval at any later stage if the information submitted to the Exchange is found to be incomplete/incorrect/misleading/false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and circulars issued thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Guidelines/Regulations issued by the statutory authorities etc. Further, it is subject to payment of all applicable charges levied by the Exchange for usage of any system, software or similar such facilities provided by BSE which the Company shall avail to process the application of securities for which approval is given vide this letter.

Yours faithfully,
For BSE Limited



Mangesh Tayde
Assistant General Manager



Akshay Arolkar
Deputy Manager