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 13.

Permanent Account Number: AABCK1316M
Head Office: Vellayambalam, Thiruvananthapuram, Kerala-695033;
Tel: 0471- 2737500, 2311750, 2318319 ; **E-mail**: kfcbondissue@gmail.com; **Website**: www.kfc.org;

GENERAL INFORMATION DOCUMENT DATED MARCH 04, 2024 ("**OFFER DOCUMENT**"), FOR ISSUE OF SENIOR, RATED, LISTED, SECURED, TAXABLE, REDEEMABLE, NON-CONVERTIBLE DEBENTURES AND DENOMINATED IN INDIAN RUPEES OF A FACE VALUE OF INR 1,00,000 EACH ("**DEBENTURES**") BY KERALA FINANCIAL CORPORATION (THE "**ISSUER**") ON A PRIVATE PLACEMENT BASIS ("**ISSUE**")", IN ONE OR MULTIPLE TRANCHES, AS THE CASE MAY BE,TO BE ISSUED UNDER SEPARATE KEY INFORMATION DOCUMENT(S) FROM TIME TO TIME.

THIS ISSUANCE WOULD BE UNDER THE ELECTRONIC BOOK MECHANISM FOR ISSUANCE OF DEBT SECURITIES ON A PRIVATE PLACEMENT BASIS AS PER THE SECURITIES AND EXCHANGE BOARD OF INDIA ("**SEBI**") CIRCULAR SEBI/HO/DDHS/PoD1/P/CIR/2023/119 DATED 10 AUGUST 2021, UPDATED AS ON JULY 07, 2023, AND THE AMENDMENTS THERETO ("**SEBI NCS MASTER CIRCULAR**") READ WITH "UPDATED 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 ANY AMENDMENTS ("**BSE EBP GUIDELINES**") (THE SEBI OPERATIONAL CIRCULAR AND THE BSE EBP GUIDELINES ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "**OPERATIONAL GUIDELINES**"). THE COMPANY INTENDS TO USE THE BSE - BOND EBP PLATFORM FOR THE ISSUE.

THIS OFFER DOCUMENT IS BEING UPLOADED ON THE BSE BOND-EBP PLATFORM TO COMPLY WITH THE OPERATIONAL GUIDELINES AND AN OFFER WILL BE MADE BY ISSUE OF THIS OFFER DOCUMENT AFTER COMPLETION OF THE BIDDING PROCESS FOR THE ISSUE ON ISSUE/BID CLOSING DATE, TO THE SUCCESSFUL BIDDER IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT, 2013 AND RELATED RULES.

THE ELIGIBLE INVESTORS ARE ALL QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN REGULATION 2(SS) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED FROM TIME TO TIME) INCLUDING BUT NOT LIMITED TO: (A) ELIGIBLE FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES; (B) COMPANIES AND BODIES CORPORATE INCLUDING PUBLIC SECTOR UNDERTAKINGS; (C) BANKS, NON-BANKING FINANCE COMPANIES (NBFCS) AND RESIDUARY NBFCS; (D) MUTUAL FUNDS; (E) FOREIGN PORTFOLIO INVESTORS AS PERMITTED UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (FOREIGN PORTFOLIO INVESTORS) REGULATIONS, 2014; (F) ALTERNATIVE INVESTMENT FUNDS; (G) PROVIDENT FUNDS, GRATUITY, SUPERANNUATION AND PENSION FUNDS, SUBJECT TO THEIR INVESTMENT GUIDELINES; AND (K) ANY OTHER INVESTOR ELIGIBLE TO INVEST IN THESE DEBENTURES/ NON-CONVERTIBLE SECURITIES.

THE PRESENT ISSUE OF DEBENTURES IS NOT UNDERWRITTEN.

PROMOTER(s)

GOVERNMENT OF KERALA, SIDBI, LIC, SBI AND OTHERS AS MORE PARTICULARLY DESCRIBED IN CLAUSE 2.1 (DETAILS OF PROMOTERS).

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.

PRIVATE & CONFIDENTIAL

THIS GENERAL INFORMATION DOCUMENT DATED MARCH 04, 2024 IS PREPARED IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021 AS AMENDED FROM TIME TO TIME, AND THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014 AS AMENDED FROM TIME TO TIME (AS MAY BE APPLICABLE).

TYPE OF GENERAL INFORMATION DOCUMENT: PRIVATE PLACEMENT.

GENERAL RISK

INVESTMENTS IN NON-CONVERTIBLE SECURITIES INVOLVES A DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN SUCH SECURITIES UNLESS THEY CAN AFFORD TO TAKE RISKS 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 ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR EXAMINATION OF THE ISSUE INCLUDING RISKS INVOLVED IN IT. SPECIFIC ATTENTION OF INVESTORS IS INVITED TO STATEMENT OF RISK FACTORS CONTAINED UNDER **ANNEXURE 1** (*RISK FACTORS*) OF THIS OFFER DOCUMENT. THESE RISKS ARE NOT AND ARE NOT INTEDTENDED 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 WITH STABLE OUTLOOK BY INFOMERICS VIDE ITS LETTER DATED DECEMBER 08, 2023 AND ACUITE AA' WITH STABLE OUTLOOK BY ACUITÉ RATINGS & RESEARCH LIMITED, VIDE ITS LETTER DATED AUGUST 09, 2023. 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** (*RATING LETTER AND RATIONALE*) OF THIS OFFER DOCUMENT FOR RATIONALE FOR THE ABOVE RATING. THE PRESS RELEASE CAN BE ACCESSED AT THE FOLLOWING LINK:
https://www.infomerics.com/admin/uploads/pr-Kerala-Financial-Corporation-13dec23.pdf , https://www.acuite.in/documents/ratings/revised/28090-RR-20230809.pdf

LISTING

THE DEBENTURES ARE PROPOSED TO BE LISTED ON THE WHOLE SALE DEBT MARKET ("**WDM**") SEGMENT OF BSE ("**STOCK EXCHANGE**"). THE ISSUER SHALL COMPLY WITH THE REQUIREMENTS OF THE SEBI LODR REGULATIONS (AS DEFINED HEREINAFTER) TO THE EXTENT APPLICABLE TO IT ON A CONTINUOUS BASIS. PLEASE REFER TO **ANNEXURE 6** TO THIS OFFER DOCUMENT FOR THE 'IN-PRINCIPLE' LISTING APPROVAL FROM THE STOCK EXCHANGE.

DETAILS OF KMPS

COMPLIANCE OFFICER	COMPANY SECRETARY	CHIEF FINANCIAL OFFICER
Name: Shri Ram Ganesh R **Telephone Number:** 04712737711 **Email ID: ramganesh/r@kfc.org**@kfc.org	**Name:** Ram Ganesh R **Telephone Number**: 04712737711 **Email ID:** ramganesh.r@kfc.org	**Name:** Smt. Soya K **Telephone Number:** 0471-2737620 **Email ID:** soyak@kfc.org

DEBENTURE TRUSTEE	REGISTRAR TO THE ISSUE	CREDIT RATING AGENCY	
BEACON TRUSTEESHIP LIMITED **Address:** 7A & B, Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Bandra East,Mumbai – 400 051) **Tel:** 022-46060278 **Email:** compliance@beacontrustee.co.in **Website:** www.beacontrustee.co.in **Fax:** N.A. **Contact Person:** Kaustubh Kulkarni **CIN:** U74999MH2015PLC271288	**CAMEO CORPORATE SERVICES LIMITED** **Address:** Subramanian Building, No. 1 Club House Road, Chennai - 600002 **Tel:** 044 40020752/741 **Email:**investor1@cameoindia.com **Website:** www.cameoindia.com **Fax:** N.A. **Contact Person:** R. D. Ramasamy **SEBI Registration Number:** INR000003753 **CIN**: U67120TN1998PLC041613	**INFOMERICS VALUATION AND RATING PRIVATE LIMITED** **Address:** 1105, B Wing, Kanakia Wallstreet, Off. Andheri Kurla Road, Andheri (East), Mumbai – 400093 **Tel:** +91-22-43471920 **Email:** vma@infomerics.com **Website:** www.infomerics.com **Fax:** N.A. **Contact Person:** Bhavesh Gupta **SEBI Registration Number**: IN/CRA/007/2015 **CIN**: U32202DL1986PTC024575	**ACUITE RATINGS & RESEARCH LIMITED** **Address**: 708, Lodha Supremus, Lodha iThink Techno Campus, Kanjurmarg (East), Mumbai - 400042. **Tel:** +91-22-49294000 **Email**: info@acuite.in **Website**: www.acuite.in **Fax**: N.A. **Contact Person:** Parth Pandit **SEBI Registration Number:** IN/CRA/006/2011 **CIN:** U74999MH2005PLC155683U32202DL1986PTC024575
ARRANGER	**ARRANGER**	**STATUTORY AUDITORS**	
TIPSONS CONSULTANCY SERVICES PRIVATE LIMITED **Address:** 401 Sheraton House, Opposite ketav Petrol Pump, polytechnic Road, Ambawadi, Ahmedabad 380015 **Tel:** 079 66828047/66828000 **Email:** neha.jain@tipsons.com/sandeep.bhansali@tipsons.com **Website:www.tipsons.com** **Fax: 079 66828001** **Contact Person:** Mr Sandeep Bhansali/Ms Neha Jain	**REAL GROWTH SECURITIES PVT. LTD.** **Address:** 112-A, Jyoti Shikhar Building,, District Centre, Janakpuri, New Delhi, National Capital Territory Of Delhi, 110058 **Tel:** +91 011 25512602 / 25513114-15 **Email:** poonam.jodha@realgrowth.org.in **Website:** http://www.realgrowth.org.in/ **Fax: NA** **Contact Person:** Ms. Poonam Jodha	**Address:** TC 9/2763(12), Kulangara, 288, CSM Nagar, Edappazhinji, Thiruvananthapuram–695010, Kerala **Tel:** +91 471 2723338 **Email:** selastin@jaksllp.com **Website:** www.jaksllp.com **Fax:** N.A. **Contact Person:** CA Selastin A **Peer review number**-015382	

ISSUE SCHEDULE

ISSUE / BID OPENING DATE	ISSUE / BID CLOSING DATE	DATE OF EARLIEST CLOSING OF ISSUE	PAY-IN DATE	DEEMED DATE OF ALLOTMENT
AS MORE PARTICULARLY MENTIONED UNDER THE KEY INFORMATION DOCUMENT FOR EACH TRANCHE TO BE ISSUED FROM TIME TO TIME.				
THE ISSUER RESERVES THE RIGHT TO CHANGE THE ISSUE PROGRAMME INCLUDING THE DEEMED DATE OF ALLOTMENT (AS DEFINED HEREINAFTER) AT ITS SOLE DISCRETION IN ACCORDANCE WITH THE TIMELINES SPECIFIED IN THE OPERATIONAL GUIDELINES, WITHOUT GIVING ANY REASONS OR PRIOR NOTICE. THE ISSUE WILL BE OPEN FOR BIDDING AS PER BIDDING WINDOW THAT WOULD BE COMMUNICATED THROUGH BSE BOND-EBP PLATFORM.				

COUPON	COUPON PAYMENT FREQUENCY	REDEMPTION DATE	REDEMPTION AMOUNT
AS MORE PARTICULARLY MENTIONED UNDER THE KEY INFORMATION DOCUMENT FOR EACH TRANCHE TO BE ISSUED FROM TIME TO TIME.			
THE ISSUE OF DEBENTURES / OTHER NON-CONVERTIBLE SECURITIES ISSUED BY THE ISSUER UNDER THIS GENERAL INFORMATION DOCUMENT SHALL BE SUBJECT TO THE PROVISIONS OF THE COMPANIES ACT, 2013, AS AMENDED (**THE** "**COMPANIES ACT**"), THE RULES NOTIFIED THEREUNDER, THE MEMORANDUM AND ARTICLES OF ASSOCIATION/ CONSTITUTIONAL DOCUMENTS OF THE ISSUER (AS MAY BE APPLICABLE), SEBI NCS REGULATIONS, SEBI LODR REGULATIONS, OPERATIONAL GUIDELINES, THE TERMS AND CONDITIONS OF THIS OFFER DOCUMENT FILED WITH THE WDM SEGMENT OF THE STOCK EXCHANGE, THE APPLICATION FORM, THE DEBENTURE TRUST DEED AND OTHER DOCUMENTS IN RELATION TO SUCH ISSUE. CAPITALIZED TERMS USED HERE HAVE THE MEANING ASCRIBED TO THEM IN THIS OFFER DOCUMENT.			

PART A

GENERAL INFORMATION DOCUMENT

DISCLAIMERS

This Offer Document ("**Document**") is neither a prospectus nor a statement in lieu of a prospectus under the SEBI Regulations and other statutes as mentioned herein. This Offer Document is prepared in conformity with the SEBI Regulations and the rules thereunder. The distribution of this Offer Document and issue of Debentures/ other non-convertible securities (as defined under the applicable SEBI Regulations) of the Issuer ("Non-convertible Securities"), to be listed on the WDM segment of BSE is being made strictly on a private placement basis. This Offer Document is not intended to be circulated to more than 200 (two hundred) persons in the aggregate in a Financial Year and to any person other than an 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. This Offer Document does not constitute and shall not be deemed to constitute an offer or an invitation to subscribe to the Debentures / Non-Convertible Securities to be issued by the Issuer to the public in general. This Offer Document is uploaded on the BSE Bond-EBP Platform to comply with the Operational Guidelines and offer will be made of the Debentures/ Non-Convertible Securities by issue of this Offer Document after completion of the bidding, to successful bidders. This Offer Document discloses information pursuant to the SEBI NCS Regulations as amended from time to time and shall be uploaded on the BSE BOND-EBP Platform to facilitate invitation of bids. This Offer Document shall be available on the wholesale debt market segment of the BSE after the final listing of the Debentures/ Non-Convertible Securities. Upon Issue/Bid Closing Date, the Issuer shall issue this Offer Document to the successful bidders who shall be eligible to make an offer by submission of the completed signed Application Form.

This Offer Document has been prepared solely to provide general information about the Issuer to Eligible Investors to whom it is specifically addressed and who are willing and eligible to subscribe to the Debentures/ Non-Convertible Securities. This Offer Document does not purport to contain all the information that any Eligible Investor may require. Further, this Offer Document has been prepared for informational purposes relating to this transaction only and upon the express understanding that it will be used only for the purposes set forth herein.

Neither this General Information and Key Information Document (including any such subsequent Key Information Document) nor any other information supplied in connection with the Debentures/ Non-Convertible Securities is intended to provide the basis of any credit or other evaluation and any recipient of this General Information and Key Information Document(including any such subsequent Key Information Document) should not consider such receipt a recommendation to purchase any Debentures/ Non-Convertible Securities. Each Eligible Investor contemplating purchasing any Debentures / Non-Convertible Securities should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the creditworthiness of the Issuer as well as the structure of the Issue. Potential Eligible 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/ Non-Convertible Securities and should possess the appropriate resources to analyse such investment and the suitability of such investment to such Eligible Investor's particular circumstances. It is the responsibility of potential Eligible Investors to also ensure that they will sell these Debentures/ Non-Convertible Securities in strict accordance with this General Information and Key Information Document and Applicable Laws, so that the sale does not constitute an offer to the public, within the meaning of the Companies Act, 2013. Neither the intermediaries nor their agents nor advisors associated with the Issue undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this General Information and Key Information Document or have any responsibility to advise any Eligible Investor or potential Eligible Investor in the Debentures / Non-Convertible Securities of any information coming to the attention of any other intermediary. By subscribing to the Issue, Eligible Investors shall be deemed to have acknowledged that the Issuer does not owe them a duty of care in this respect. Accordingly, none

of the Issuer's officers (including principal officer and/or its Directors) or employees shall be held responsible for any direct or consequential losses suffered or incurred by any recipient of this General Information and Key Information Document as a result of or arising from anything expressly or implicitly contained in or referred to in this General Information and Key Information Document or any information received by the recipient in connection with this Issue.

The Issuer confirms that, as of the date hereof, this General Information and Key Information Document (including the documents incorporated by reference herein, if any) contains all information that is material in the context of the Issue, is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, and is not misleading. No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this General Information and Key Information Document or in any material made available by the Issuer to any potential Eligible 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 Issuer certifies that the disclosures made in this General Information and Key Information Document are adequate and in conformity with the SEBI Regulations. Further, the Issuer accepts no responsibility for statements made otherwise than in the General Information and Key Information Document or any other material issued by or at the instance of the Issuer and anyone placing reliance on any source of information other than this General Information and Key Information Document for investment in the Issue would be doing so at his own risk. No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this General Information and Key Information Document or in any material made available by the Issuer to any potential Eligible 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 legal advisors to the Issuer and any other intermediaries and their agents or advisors associated with the Issue of Debentures/ Non-Convertible Securities 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 the legal advisor to the Eligible Investor or any such intermediary as to the accuracy or completeness of the information contained in this General Information and Key Information Document or any other information provided by the Issuer. Accordingly, the legal advisors to the Issuer and other intermediaries associated with the Issue shall have no liability in relation to the information contained in this General Information and Key Information Document or any other information provided by the Issuer in connection with the Issue.

The Issuer does not undertake to update the General Information and Key Information Document to reflect subsequent events after the date of the General Information and Key Information Document 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 General Information and Key Information Document nor any Issue 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 General Information and Key Information Document and the contents hereof are restricted providing information under the SEBI NCS Regulations for the purpose of inviting bids on the BSE BOND-EBP Platform only for the Eligible Investors. An offer of private placement shall be made by the Issuer by way of issue of the signed General Information and Key Information Document to the successful bidders who have been addressed through a communication by the Issuer, and only such recipients are eligible to comply with the relevant regulations/guidelines applicable to them, including but not limited to Operational Guidelines for investing in this Issue. The contents of this General Information and Key Information Document and any other information supplied in connection with this General Information and Key Information Document, or the Debentures/ Non-Convertible Securities are intended to be used only by those Eligible Investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced or disseminated by the

recipient.

The issue of the Debentures / Non-Convertible Securities will be under the electronic book mechanism as required in terms of the SEBI Operational Circular.

No invitation is being made to any persons other than the Eligible Investors to who this signed General Information and Key Information Document have been sent. Any application by a person to whom the General Information and Key Information Document has not been sent by the Issuer shall be rejected without assigning any reason.

Invitations offers, and allotment of the Debentures/ Non-Convertible Securities shall only be made pursuant to this General Information and Key Information Document and Application Form. You may not be and are not authorized to (1) deliver this General Information and Key Information Document or any other information supplied in connection with this General Information and Key Information Document or the Debentures/ Non-Convertible Securities to any other person; or (2) reproduce in part or full, this General Information and Key Information Document or any other information supplied in connection with this General Information and Key Information Document or the Debentures/ Non-Convertible Securities in any manner whatsoever. Any distribution or reproduction of this General Information and Key Information Document in whole or in part or any public announcement or any announcement to third parties regarding the contents of this General Information and Key Information Document or any other information supplied in connection with this General Information and Key Information Document, or the Debentures/ Non-Convertible Securities is unauthorized. Failure to comply with this instruction may result in a violation of the Companies Act, the SEBI Regulations or other Applicable Laws of India and other jurisdictions. This General Information and Key Information Document has been prepared by the Issuer for providing information in connection with the proposed Issue described in this General Information and Key Information Document.

Any person who is in receipt of this General Information and Key Information Document, including the Eligible Investors, shall not reproduce or distribute in whole or part or make any announcement in public or to a third party regarding the contents without the consent of the Issuer. The recipient agrees to keep confidential all of such information provided (or made available hereafter), including, without limitation, the existence and terms of such transaction, any specific pricing information related to the transaction or the amount or terms of any fees payable to us or other parties in connection with such transaction. This General Information and Key Information Document may not be photocopied, reproduced, or distributed to others (other than the advisors of the Eligible Investors) at any time without the prior written consent of the Issuer.

This General Information and relevant Key Information Document 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 / Non-Convertible Securities or the distribution of this General Information and Key Information Document in any jurisdiction where such action is not permitted. Persons into whose possession this General Information and relevant Key Information Document comes are required to inform themselves about and to observe any such restrictions. The General Information and relevant Key Information Document is made available to the Eligible Investors in the Issue on the strict understanding that it is confidential.

Each person receiving the General Information and Key Information Document acknowledges that:

Such person has been afforded an opportunity to request and to review and has received all additional information considered by it 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 Debentures/ Non-Convertible Securities in connection with its investigation of the

accuracy of such information or its investment decision. Each such person in possession of this General Information and Key Information Document should carefully read and retain this General Information and Key Information Document. However, each such person in possession of this General Information and Key Information Document is not to construe the contents of this General Information and Key Information Document as investment, legal, accounting, regulatory or tax advice, and such persons in possession of this General Information and Key Information Document should consult their own advisors as to all legal, accounting, regulatory, tax, financial and related matters concerning an investment in the Debentures/ Non-Convertible Securities. Each person receiving this General Information and Key Information Document acknowledges and confirms that he is not an arranger for the Debentures/ Non-Convertible Securities.

Neither the delivery of this General Information and Key Information Document nor any Issue of Debentures/ Non-Convertible Securities made thereunder 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 General Information and Key Information Document does not constitute, nor may it be used for or in connection with, an offer or solicitation by anyone in any jurisdiction other than in India in which such offer or solicitation is not authorised 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/ Non-Convertible Securities or the distribution of this General Information and Key Information Document in any jurisdiction where such action is required. The distribution of this General Information and Key Information Document and the offer, sale, transfer, pledge or disposal of the Debentures / Non-Convertible Securities may be restricted by law in certain jurisdictions. Persons who have possession of this General Information and Key Information Document are required to inform themselves about any such restrictions. No action is being taken to permit an offering of the Debentures/ Non-Convertible Securities or the distribution of this General Information and Key Information Document in any jurisdiction other than India.

DISCLAIMER OF BSE

As required, a copy of this General Information and the relevant Key Information Document has been submitted to BSE. It is to be distinctly understood that the aforesaid submission or in-principle approval given by BSE vide its letter Ref.:DCS/COMP/PG/IP-PPDI/504/23-24 dated March 06,2024 or hosting the same on the website of BSE in terms of SEBI NCS Regulations as amended from time to time, should not in any way be deemed or construed that the offer document has been cleared or approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the BSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.
Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE ISSUE DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI 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 THE ISSUE DOCUMENT. THE LEAD MANAGER(S), HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE ISSUE DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

DISCLAIMER IN RESPECT OF JURISDICTION

This General Information and relevant Key Information Document does not constitute an offer to sell or an invitation to subscribe to the Debentures/ Non-Convertible Securities herein, in any other jurisdiction and to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any disputes arising out of this Issue will be subject to the jurisdiction of the courts in Thiruvananthapuram, Kerala, India.

DISCLAIMER WITH RESPECT TO RESERVE BANK OF INDIA

The Debentures/ Non-Convertible Securities have not been recommended or approved by the Reserve Bank of India nor does Reserve Bank of India guarantee the accuracy or adequacy of this document. It is to be distinctly understood that this document should not, in any way, be deemed or construed that the Debentures / Non-Convertible Securities have been recommended for investment by the Reserve Bank of India. Reserve Bank of India does not take any responsibility either for the financial soundness of the Issuer, or the Debentures / Non-Convertible Securities being issued by the Issuer or for the correctness of the statements made or opinions expressed in this General Information and Key Information Document. Potential investors may make investment decision in the Debentures / Non-Convertible Securities offered in terms of this General Information and Key Information Document solely on the basis of their own analysis and Reserve Bank of India does not accept any responsibility about servicing/repayment of such investment.

Reserve Bank of India does not accept any responsibility or guarantee about the present position as to the financial soundness of the Issuer or for the correctness of any of the statements or representations made or opinions expressed by the Issuer and for discharge of liability by the Issuer.

Neither is there any provision in law to keep, nor does the Issuer keep any part of the deposits with the Reserve Bank of India and by issuing the certificate of registration to the Issuer, the Reserve Bank of India neither accepts any responsibility nor guarantee for the payment of the deposit amount to any depositor.

DISCLAIMER OF THE DEBENTURE TRUSTEE

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/ Non-Convertible Securities. 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 / Non-Convertible Securities under offer made in the General Information and the relevant Key Information Document. Applicants / Investors are advised to read carefully the General Information and the relevant Key Information Document and make their own enquiry, carry out due diligence and analysis about the Issuer, its performance and profitability and details in the General Information and the relevant Key Information Document before taking their investment decision. The Debenture Trustee shall not be responsible for the investment decision and its consequences.

DISCLAIMER OF ARRANGER

The Issuer has authorized Tipsons Consultancy Services Private Limited and Real Growth Securities Private Limited (“**Series I 2024 Arrangers**”) to distribute, in accordance with Applicable Law, this General Information and the relevant Key Information Document in connection with the issue and the

Debentures/ Non-Convertible Securities.

Tipsons Consultancy Services Private Limited and Real Growth Securities Private Limited means Arrangers and any group company, subsidiary, affiliate, representative or branch Office of Arrangers and their respective directors, officers, employees, agents, representatives and/or any persons connected with them. Nothing in this General Information and the relevant Key Information Document constitutes an offer of securities for sale in any other jurisdiction other than India where such Offer or Placement would be in violation of any Law, Rule, or Regulation.

The Issuer has prepared this General Information and the relevant Key Information Document and the Issuer is solely responsible for its contents. The Issuer will comply with all laws, rules and regulations and has obtained all governmental, regulatory and corporate approvals for the Issuance of the Debentures/ Non-Convertible Securities. All the Information contained in this General Information and the relevant Key Information Document has been provided by the Issuer or is from publicly available information, and such information has not been independently verified by the Series I 2024 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 Series I 2024 Arranger or its affiliates for the accuracy, completeness, reliability, correctness, or fairness of this General Information and the relevant Key Information Document.

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The ratings by the Credit Rating Agency's should not be treated as a recommendation to buy, sell or hold the rated Debentures/ Non-Convertible Securities. The Credit Rating Agency's ratings are subject to a process of surveillance which may lead to a revision in ratings. Please visit Credit Rating Agency's website www.infomerics.com / www.acuite.in or contact the Credit Rating Agency's office for the latest information on their rating. All information contained herein has been obtained by the Credit Rating Agency from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and the Credit Rating Agency in particular, make no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion and the Credit Rating Agency shall not be liable for any losses incurred by users from any use of this publication or its contents. Most entities whose bank facilities / instruments are rated by the Credit

Rating Agency have paid a credit rating fee, based on the amount and type of bank facilities / instruments.

The rating / outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in in addition to the financial performance and other relevant factors. Please refer to **Annexure 2** (*Rating Letter and Rationale*) of this General Information Key Information Document for the credit rating rationale and further details.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this General Information and the relevant Key Information 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 General Information and the relevant Key Information 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 make this document as a whole or any of such information or the expression of any such opinion or intentions misleading

FORCE MAJEURE

The Issuer reserves the right to withdraw the bid prior to the Issue / Bid Closing Date in accordance with the Operational Guidelines, in the event of any unforeseen development adversely affecting the economic and regulatory environment or otherwise.

CONFIDENTIALITY

By accepting a copy of this General Information and the relevant Key Information Document or any other information supplied in connection with this General Information and the relevant Key Information Document or the Debentures/ Non-Convertible Securities, each recipient agrees that neither it nor any of its employees or advisors will use the information contained herein for any purpose other than evaluating the transaction described herein or will divulge to any other party any such information. This General Information and the relevant Key Information Document or any other information supplied in connection with this General Information and the relevant Key Information Document, or the Debentures/ Non-Convertible Securities must not be photocopied, reproduced, extracted, or distributed in full or in part to any person other than the recipient without the prior written consent of the Issuer.

CAUTIONARY NOTE

By bidding for the Debentures/ Non-Convertible Securities and when investing in the Debentures/ Non-Convertible Securities, the Eligible Investors acknowledge that they: (i) are knowledgeable and experienced in financial and business matters, have expertise in assessing credit, market and all other relevant risk and are capable of evaluating, and have evaluated, independently the merits, risks and suitability of purchasing the Debentures/ Non-Convertible Securities, (ii) have not requested the Issuer to provide it with any further material or other information, (iii) have not relied on any investigation that any person acting on their behalf may have conducted with respect to the Debentures/ Non-Convertible Securities, (iv) have made their own investment decision regarding the Debentures/ Non-Convertible Securities based on their own knowledge (and information they have or which is publicly available) with respect to the Debentures / Non-Convertible Securities or the Issuer, (v) have had access to such information as deemed necessary or appropriate in connection with

purchase of the Debentures/ Non-Convertible Securities, (vi) are not relying upon, and have not relied upon, any statement, representation or warranty made by any person, including, without limitation, the Issuer, and (vii) understand that, by purchase or holding of the Debentures/ Non-Convertible Securities, they are assuming and are capable of bearing the risk of loss that may occur with respect to the Debentures/ Non-Convertible Securities, including the possibility that they may lose all or a substantial portion of their investment in the Debentures/ Non-Convertible Securities, and they will not look to the Debenture Trustee appointed for the Debentures/ Non-Convertible Securities for all or part of any such loss or losses that they may suffer.

FORWARD LOOKING STATEMENTS

Certain statements in this General Information and the relevant Key Information Document are not historical facts but are "forward-looking" in nature. Forward-looking statements appear throughout this General Information and the relevant Key Information Document. Forward-looking statements include statements concerning the Issuer's plans, financial performance etc., if any, the Issuer's competitive strengths and weaknesses, and the trends the Issuer anticipates in the industry, along with the political and legal environment, and geographical locations, in which the Issuer operates, and other information that is not historical information.

Words such as "aims", "anticipate", "believe", "could", "continue", "estimate", "expect", "future", "goal", "intend", "is likely to", "may", "plan", "predict", "project", "seek", "should", "targets", "would" and similar expressions, or variations of such expressions, are intended to identify and may be deemed to be forward looking statements but are not the exclusive means of identifying such statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and assumptions about the Issuer, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

Eligible Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited, to:

a. compliance with laws and regulations, and any further changes in laws and regulations applicable to India;

b. availability of adequate debt and equity financing at reasonable terms;

c. ability to effectively manage financial expenses and fluctuations in interest rates;

d. ability to successfully implement our business strategy;

e. ability to manage operating expenses;

f. performance of the Indian debt and equity markets; and

g. general, political, economic, social, business conditions in Indian and other global markets.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. Although the Issuer believes that the expectations reflected in such forward-looking statements are reasonable at this time, the Issuer cannot assure Eligible Investors that such expectations will prove to be correct. Given these uncertainties, Eligible Investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks

and uncertainties materialize, or if any of the Issuer's underlying assumptions prove to be incorrect, the Issuer's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated, or expected. All subsequent forward-looking statements attributable to the Issuer are expressly qualified in their entirety by reference to these cautionary statements. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date hereof.

Forward looking statements speak only as of the date of this General Information and the relevant Key Information Document. None of the Issuer, its Directors, its officers or any of their respective affiliates or associates has any obligation to update or otherwise revise any statement reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

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1 ABBREVIATIONS

&	And
ALCo.	Asset-Liability Committee of the Corporation
BSE	BSE Limited
BSE or Stock Exchange	Bombay Stock Exchange
CDSL	Central Depository Services Limited
Constitutional Documents	Official Gazette of Kerala Government
Corporation or Issuer	Kerala Financial Corporation
Cr.	Crore
DD	Demand Draft
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	Beacon 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.
DP-ID	An identification number allocated to Depository Participant by the Depository
DRR	Debenture Redemption Reserve
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBP	Electronic Book Provider
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FY	Financial Year
GoK	Government of Kerala
H1	First half (six months) of the FY
ICCL	Indian Clearing Corporation Limited
Ind AS	Indian Accounting Standards
INR	Indian Rupees
ISIN	International Securities Identification Number
LIC	Life Insurance Corporation of India
NA	Not Applicable
NCLT	National Company Law Tribunal
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate(s)
NSDL	National Securities Depository Limited
Offer Document	General Information Document and the relevant key information Document
p.a.	per annum
PAN	Permanent Account Number
RTGS	Real Time Gross Settlement
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
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 August 10,2021 Updated on July 07,2021 (bearing reference number SEBI/HO/DDHS/POD1/P/ CIR/2023/119) titled 'Master Circular for issue and

	Listing of Non Convertible Securities,Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper' , as may be amended, clarified or updated from time to time.
SEBI Master Circular	Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper, as issued by SEBI, dated August 10, 2021 and bearing reference number SEBI/HO/DDHS/PoD1/ P/CIR/2023/119.
SEBI REF Circular	SEBI Circular bearing reference no. SEBI/HO/DDHS-PoD1/P/ CIR/2023/109 dated March 31, 2023 (updated as on July 06, 2023) under the title " Master Circular for Debenture Trustees "
SFC(s)	State Financial Corporation(s)
SIDBI	Small Industries Development Bank of India
TDS	Tax Deducted at Source
WDM	Wholesale Debt Market

2 DISCLOSURES AND OTHER INFORMATION

DETAILS OF PROMOTERS OF THE ISSUER AS ON DECEMBER 31, 2023

Sr. No.	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#	6,20,26,937	4,00,00,000	99.005	Nil	Nil
2.	SIDBI	6,13,327	6,13,327	0.979	Nil	Nil
3.	LIC	7,103	7,103	0.011	Nil	Nil
4.	SBI	2,099	2,099	0.003	Nil	Nil
5.	Others	962	4	0.002	Nil	Nil

Declaration: The Issuer hereby confirms that the Permanent Account Number, Aadhaar number, driving license number, passport number and bank account number of the Promoter and Permanent Account Number of the Directors of the Issuer have been submitted to the Stock Exchange on which the Debentures are proposed to be listed, at the time of filing the draft Offer Document.

ABOUT THE ISSUER

General Information

Name:	Kerala Financial Corporation

Registered Office of Issuer:	Vellayambalam Thiruvananthapuram, Kerala - 695033
Corporate Office of Issuer:	Vellayambalam Thiruvananthapuram, Kerala - 695033
Phone No.:	0471- 2737500, 2311750
Contact Person:	Shri Ram Ganesh R
Email:	ramganeh.r@kfc.org

A brief summary of the business/activities of the Issuer and its subsidiarieswith the details of the branches or units if any and its line of business:

a. <u>Overview of the Issuer</u>

Kerala Finance Corporation (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 21 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Thiruvananthapuram.

Kerala Financial Corporation continues to be the most efficient State Financial Institution in the country. KFC is currently celebrating its 70th year of its incorporation. The loan asset of KFC, which was Rs.4700 crore in 2021, has reached Rs.7150 crore now.

i. **Increasing Loan Asset to Rs.10000 crore.** The Corporation revamped its policy and procedures to increase the credit flow to MSMEs and the Infrastructure sector to build the loan portfolio to Rs.10000 crore. The focus has been given to asset quality through cash flow-based lending. To achieve the declared target of Rs.10,000 crore loan portfolio, the capital base of KFC will be increased. The Government will infuse a share capital of Rs.100 crore to KFC to enable KFC to mobilize more funds from the market and make available more funds for lending.

ii. **Chief Ministers Entrepreneurship Development Program**. KFC, under the Chief Ministers Entrepreneurship Development Program (CMEDP), has assisted 2635 MSMEs so far at 5% interest with 3% Government subvention. 400 more MSME units will be assisted this year under this scheme.

iii. **Startup Kerala**. 61 Technology-based Startups have been assisted by KFC so far under the loans to startups with a total loan of Rs. 69 crore. 100 more startup units will be assisted this year under this scheme.

iv. **KFC Agro-based industries**. Under the scheme for providing loans to Agro-based industries (**KAMS**), KFC has provided Rs 63 crore to 34 agro-based units. This scheme provides funding up to Rs.10 crore loans to Agro-based industries at 6% interest with 3% Government subvention.

v. **Expanding presence to new areas**. With more products and sectors, the presence of KFC will be expanded to more places. Three Special Asset Recovery Branches (SARBs) have been started to have focussed recovery. Existing branches will upgraded as exclusive **MSME** Credit Branches to focus on small and mid-sized enterprises. Two Large Credit branches (LCB) are set up for servicing large loans.

vi. **Kerala MSME Bill Discounting Platform (KMBDP).** Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. **Comprehensive** online software connecting KFC, Government Departments, PSUs and MSMEs has been developed in association with RXIL under the brand 'Kerala MSME Bill Discounting Platform (KMBDP)' to automate the entire operations.

vii. **Digital Document Execution**. KFC has implemented Digital Document Execution (DDE) with NeSL.

viii. **Revision of Interest Rate.** KFC has revised its base rate from 8% to 9% wef. 01.08.**2023**.

ix. **Revised Other Income**. KFC has revised the Other Income fee wef.01.02.2023.

x. **Life Insurance Business.** KFC started focussing insurance business through selling Life Insurance products.

xi. **Special Recovery Drive**. KFC started aggressive recovery through Special Recovery Drives.

The main loan schemes are:

- LoC Scheme for MSMEs
- Loans to Tourism Sector
- Infrastructure Development Loans
- Asset-Backed MSME Revitalizing Loans
- KAMS - KFC Agro-based MSME Loan Scheme
- Kerala Vikas – Loans to Government Contractors
- Loans for Modernization of Existing Industrial Units
- Scheme for procuring Mechanized Deep Sea Fishing Vessels
- Startup Kerala - Comprehensive Scheme for Financing Startups
- CMEDP - Chief Ministers Entrepreneurship Development Programme
- Support MSMEs - Scheme for Assisting MSMEs located at Industrial Estates

b. <u>Key Business Initiatives</u>

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 23-24 are given below:

- Chief Minister's Entrepreneurship Development Programme (CMEDP). The upper loan limit of CMEDP, where loans are given at 5% interest with 3% State Government subvention, has been enhanced from R100 lakh to R200 lakh
- KFC Working Capital Loan Scheme. Launched KFC Working Capital Loan Scheme using the banking infrastructure of CUB
- Loans for procuring Deep-Sea Fishing Vessels. A new loan scheme to assist Traditional Fishermen to procure Deep Sea Fishing Vessels, where the maximum loan is 90% of the project cost @5% annual interest, has been started.
- KFC Agro-based MSME Loan Scheme. A new loan scheme for assisting Agro-based MSMEs has been started where loans up to R1000 lakh are given at 5% annual interest with 3% State Government subvention.
- Streamlined Loan Processing System. The loan processing system has been streamlined to ensure quality credit delivery in an eŒective and time-bound manner. In principle clearance is given within 7 days of online registration.
- Stressed Assets Recovery Branches. Set up a SARB at Ernakulam to have a focused recovery from NPAs.
- Special Recovery Drive for Doubtful Loans. A special recovery drive was conducted by providing a one-time window to settle doubtful category loan accounts and a total of R59.49 crore has been collected.

- awards and recognitions 2023-24:
  - SKOTCH National Award 2022 for CMEDP;
  - FACT MKK Nayar Memorial Best Productivity Performance Award for Service Industries; and
  - 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 and case management system

Corporate Structure of the Issuer

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 Government 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.

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 to cross Rs.1000000 Lakh mark in the Loan and Advances portfolio by 31st March 2025. 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.

• Increasing Loan Asset to Rs.10000 crore. The Corporation will revamp its policy and procedures to increase the credit flow to MSMEs and the Infrastructure sector so as to build the loan portfolio to Rs.10000 crore in the next two years. The focus will be on asset quality through cash flow-based lending.

• Expanding presence to new areas. With more products and sectors, the presence of KFC will be expanded to more places. The number of branch offices will be increased in a phased manner. Three Special Asset Recovery Branches (SARBs) will be started to have focussed recovery. Existing branches will upgraded as exclusive MSME Credit Branches to focus on small and mid-sized enterprises. Two Large Credit branches (LCB) will be set up for servicing large loans.

(a) ***Details of the Holding Company / Subsidiaries as on December 31,2023***

I	Holding Company	Line of Business
	Nil	Nil
II	**Subsidiary Companies**	
	Nil	Nil

(b) ***Details of Branches and Units***

I	Branches	Line of Business
	The Corporation has 21 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Thiruvananthapuram.	The Issuer is in the business of extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector.
II	**Units**	
	Nil	Nil

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

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

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FINANCIAL INFORMATION

Columnar Representation of the Audited Financial Statement (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement) for the last three financial years

Columnar Representation of Audited 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 Limited Review Financial for period ended December 31, 2023.

Balance sheet: -*Rs. In Lakhs*

Particulars		As at 31.12.2023	As at 31.03.2023	As at31.03.2022	As at31.03.2021
A	**EQUITY AND LIABILITIES**				
1	Shareholders' funds				
	(a) Share capital	62,650.43	42,650.43	42650.43	42650.43
	(b) Reserves and surplus	43,364.21	29,152.63	26393.82	25184.33
	(c) Share application money pending allotment		20,000.00	-	-
2	Non-current liabilities				
	(a) Long-term borrowings	5,31,037.55	4,45,520.66	287855.50	323732.31
	(b) Deferred tax liabilities (net)	551.88	596.03	963.16	1008.85
	(c) Long-term provisions	22,318.44	22,318.44	17319.68	13869.06
3	Current liabilities				
	(a) Short-term borrowings	1,63,930.07	1,73,171.68	143031.22	103185.71
	(b) Other current liabilities	6,978.86	5,642.08	5,329.81	19082.74
	(d) Short-term provisions	6,504.70	5,802.22	2379.04	5465.54
	TOTAL	**8,37,336.14**	**7,44,854.17**	**5,25,922.65**	**534178.97**
B	**ASSETS**				
1	Non-current assets				
	(a) Fixed Assets	783.67	741.30	734.37	894.23
	(b) Non-current investments	8,451.14	8,451.14	6045.11	8376.72
	(c) Other non-current assets	5,45,213.67	4,62,636.42	341623.76	331761.19
	(d) Deferred Tax Assets (Net)	267.65	267.65	182.26	91.11
2	Current assets				
	(a) Current investments	66,793.84	44,603.63	23970.22	26822.07
	(b) Cash and cash equivalents	30,166.61	6,585.36	10164.19	10076.58
	(c) Other current assets	1,85,659.55	2,21,568.67	1,43,202.74	156157.07
3 Significant Accounting policies and Notes toAccounts					
	TOTAL	**8,37,336.13**	**7,44,854.17**	**5,25,922.65**	**534178.97**

Profit and loss: - ***Rs. In Lakh***

Particulars		9 month ended 31.12.2023	Year ended 31.03.2023	Year ended 31.03.2022	Year Ended 31.03.2021
A	**CONTINUING OPERATIONS**				
1	Revenue from operations	57,316.84	65,486.28	49265.99	46645.68
2	Other income	4,632.81	3,951.23	2550.82	2448.62
3	Total revenue	61,949.65	69,437.51	51816.81	49094.30
4	Operating Expenses				
	(a) Interest expenses	41,927.66	41,159.07	28627.64	29713.02
	(b) Employee benefits expense	2,589.38	3,083.01	3199.90	3418.09
	(c) Administrative Expenses	537.98	886.03	454.36	394.28
	(d) Depreciation and amortisation expense	139.28	166.80	213.76	283.12
	(e) Bad debts written off		10,540.90	10138.99	12384.67
	Total expenses	45,194.30	55,835.81	42634.65	46193.18
5	Operating Profit before exceptional and extraordinary items and tax	16,755.33	13,601.70	9182.16	2901.12
6	Add/Less Extra ordinary items			-	-
7	Operating Profit After exceptional and extraordinary items and tax	16,755.33	13,601.70	9182.16	2901.12
8	Less: Provision for Bad and Doubtful debts / Other assets		4,998.75	5681.10	1618.13
	(b) Provision for diminution in the value ofFixed assets			-	-
9	Profit before tax	16,755.33	8,602.95	3501.06	1282.99
10	Tax expense:				
	Less: Current tax expense - (a) Provision for Income Tax	2,835.00	3,669.70	2272.41	1039.17
	(b) Provision for Deferred Tax		(85.39)	(91.15)	(414.11)
B	Discontinuing operations				
11	Net Profit after tax for the period	13,920.33	5,018.64	1319.80	657.93
12	Earnings per share (Equity shares of Rs 100/- each):				
	(a) Basic	22.22*	12.43	3.26	2.04
	(b) Diluted	22.22*	12.41	3.26	1.54
C	Profit and loss appropriation				
	Balance in Profit & Loss A/c b/f	15,572.17	13,906.10	13127.07	12669.62
	Net Profit for the year	13,920.33	5,018.64	1319.80	657.93
	Total profit available for appropriation	29,492.50	18,924.74	14446.87	13327.54
	Add: Prior Period Income				
	Less: Income tax short provision				
	Add: Income tax refund				
	Total	29,492.50	19205.69	14518.11	13327.54
	Less: Appropriations				
	Proposed dividend		2132.52	106.63	
	Provision for dividend distribution tax				
	Transfer to Reserve u/s 36 (1) (viii)		1501.01	505.39	200.47
	Balance Profit after appropriations	29,492.50	15572.17	13906.10	13127.07
	Balance Profit carried to Balance sheet	**29,492.50**	**15572.17**	**13906.10**	**13127.07**

Cash Flow

Rs. In Lakhs

Particulars	9 months ended 31.12.2023	Year ended 31.03.2023	Year ended 31.03.2022	Year ended 31.03.2021
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before taxes	16755.33	8,602.95	3501.07	1282.98
Prior Period Income				-
Dividend Received				-
Interest received on Fixed Deposits	-3968.35	-2421.53	-1923.10	-2083.65
Depreciation on fixed assets	139.28	166.80	213.76	283.12
Provision for Non-Performing Assets		4998.75	5681.10	1618.13
Share issue expenses	1.04		-	1.02
Premium on forward contract	280.59	-408.80	-74.93	-297.67
Profit/Loss on sale of fixed assets				
Interest and other costs of Non-SLR Bond	8,198.24	6117.81	7174.07	9690.24
Adjustment for changes in operating assets and liabilities				
Increase in Loans and advances	-60176.05	-177868.90	-9732.78	-126922.46
Increase in borrowings from banks and SIDBI	68055.28	151893.13	21998.68	134802.16
Increase in other non-current assets	-14001.42			
Decrease in other non-current assets	38744.10	62849.98	5863.95	39599.90
Decrease in other current assets		-75490.92	-25797.65	-51439.88
Increase in current liabilities	1336.79	-3811.71	21470.94	13715.03
Increase in other non-current liabilities	-44.16	-367.13	-284.49	129.35
Less: Income tax paid	-2835	-2875	-1734	-700
Net cash from operating activities	52485.67	-28614.57	26356.62	19678.27
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	-181.64	-173.74	-54.62	-154.20
Sale of fixed assets			0.72	4.16
Investment in KIFM Ltd				-1.02
Net cash used in investing activities	-181.64	-173.74	-53.90	-151.06
CASH FLOW FROM FINANCING ACTIVITIES				
Money Received against Share Capital		20000	0.00	9000.00
Share issue expenses	-1.04		0.00	-1.02
Issue of Non SLR Bond	27350	47650	0.00	25000.00
Redemption of Non-SLR Bond	-19130	-11737.50	-18030.00	-35682.50
Interest and other costs of Non-SLR Bond	-8198.24	-6117.81	-7174.07	-9690.24
Interest Received on Fixed Deposits	3968.35	2421.53	1923.10	2083.65
Net investment in NCD	-8399.78	-8399.78	-5993.74	-5993.74
Proceeds from NCD			101.14	709.09
Short Term Deposit with Banks	-22190.21	-20633.41	2851.85	-12251.54
Dividend and Dividend Tax Paid	-2132.52	2025.90	106.63	-
Addition to special reserve	10.66	0.53		
Net cash used in financing activities	-28722.78	25209.46	-26215.09	-26826.30
Net increase in cash and cash equivalents	23581.25	-3578.83	87.61	-7299.09
Cash and cash equivalents at the beginning of the year	**6585.36**	**10164.19**	**10076.58**	**17375.67**
Cash and cash equivalents at the end of the year	**30166.61**	**6585.36**	**10164.19**	**10076.58**

The Audited Financial Statements with Auditor's Report for the last three financial years and Limited Reviewed financials for period ended December 31,2023

Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto 31st Decembers, 2023)* of this Offer Document.

Key Operational and Financial Parameters

***Standalone** (*Amount in INR Lakhs*)

Sr. No.	Particulars	As on 31-12-2023	FY 2022-23	FY 2021-22	FY 2020-21
Balance Sheet					
1.	Net Fixed assets	783.67	741.30	734.37	894.23
2.	Current assets	282620	272757.66	177336.93	1,93,055.72
3.	Non-current assets	554716.13	471355.21	348585.5	3,40,229.02
4.	Total assets	837336.13	744854.17	525922.65	5,34,178.97
5.	Non-Current Liabilities (including maturities of long-term borrowings and short-term borrowings) Financial (borrowings, trade payables, and other financial liabilities) Provisions Deferred tax liabilities (net) Other non-current liabilities	553907.86	468435.13	3,06,138.34	3,38,610.22
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	177413.63	184615.98	150740.06	1,27,733.99
7.	Equity (equity and other equity)	106014.64	91803.06	69,044.25	67,834.76
8.	Total equity and liabilities	837336.13	744854.17	525922.65	5,34,178.97
	Profit and Loss				
9.	Total revenue From operations Other income	61949.65	69437.51	51,816.81	49,094.30
10.	Total Expenses	45194.30	55835.81	42,634.65	46,193.18
11.	Total comprehensive income Profit/ loss Other comprehensive income	16755.33	8602.95	3501.06	1282.99
12.	Profit/ loss after tax	13920.33	5018.64	1,319.80	657.93
13.	Earnings per equity share: (a) basic; and (b) diluted Continuing operations Discontinued operations Total Continuing and discontinued operations	a) 22.22 b) 22.22	a) 12.43 b) 12.41	a) 3.26 b) 3.26	a) 2.04 b) 1.54
Cash flow					
14.	Net cash generated from operating activities	52485.67	-28614.57	26,356.62	19,678.27
15.	Net cash used in/ generated from investing activities	-181.64	-173.74	-53.90	-151.06
16.	Net cash used in financing activities	-28722.78	25209.46	-26,215.09	-26,826.30
17.	Cash and cash equivalents	30166.61	6585.36	10,164.19	10,076.58
18.	Balance as per statement of cash flows	30166.61	6585.36	10,164.19	10,076.58
Additional information					
19.	Net worth	106501.23	92570	69,044.25	67,834.76
20.	Cash and Cash Equivalents	30166.61	6585.36	10,164.19	10,076.58
21.	Current Investments	66793.84	44603.63	23,970.22	26,822.07
22.	Assets Under Management	713116.34	652940.30	4,75,071.41	4,62,112.51
23.	Off Balance Sheet Assets	-	-	-	-
24.	Total Debts to Total assets	0.83	0.83	0.76	0.80

25.	Debt Service Coverage Ratios	NA	NA	NA	NA
26.	Interest Income	49585.20	54364.41	39,264.66	40,387.39
27.	Interest Expense	41927.68	41159.07	28,627.64	29,713.02
28.	Interest service coverage ratio	NA	NA	NA	NA
29.	Provisioning & Write- offs		10541	10,138.99	12,384.67
30.	Bad debts to Account receivable ratio			-	
31.	Gross NPA (%)	5.61	3.11	3.27	3.58
32.	Net NPA (%)	3.54	0.74	1.28	1.48
33.	Tier I Capital Adequacy Ratio (%)	23.00	25.58%	22.41%	22.85%
34.	TierII Capital Adequacy Ratio (%)	23.00	25.58%	22.41%	22.85%

Note: Kerala Financial Corporation is a State Financial Corporation incorporated under State Financial Corporation Act 1951. IND AS is not made applicable to us and we follow the same format for adoption of accounts, as we have shown in GID- KID, which is also certified by our Statutory Auditors.

Debt: Equity Ratio of the Issuer (based on numbers as of December 31,2023

Before the Issue	**6.53**
After the Issue	***6.99**

*****Assuming full INR 500,00,00,000 (Indian Rupees Five Hundred Crores) is raised in this tranche.

Before the Issue	**6.53**
After the Issue	***7.46**

*****Assuming full INR 10,00,00,00,000 (Indian Rupees One Thousand Crores) is raised in this tranche.

Details of any other contingent liabilities of the Issuer based on the last quarter end financial statements including amount and nature of liability

(*amounts in INR lakhs*)

Particulars	31 December2023
Contracts remaining to be executed on capital account	Nil
Loans sanctioned not yet disbursed	Nil
Direct Taxation	290.21

ISSUER INFORMATION

Brief history of the Issuer since its incorporation

The Registered office of the issuer is Vellayambalam, Thiruvananthapuram, Kerala-695033 and there is no change in the resgistered office of the Issuer

Details of share capital as at last quarter ended December 31, 2023

Share Capital	Amount (INR)
Authorized Share Capital	INR 1,000,00,00,000.00
Issued, Subscribed and Paid-up Share Capital	INR 626,50,42,800.00

Changes in its capital structure as at last quarter ended December 31,2023 (for the last three years)

Date of Change (AGM/EGM)	Rs.	Particulars
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 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 31.12.2023 (including share capital advance of Rs. 200,00,00,000)	6,265,042,800	Ordinary shares issued during the FY 23-24 2,00,00,000 shares of Rs. 100 each

Equity Share Capital History of the Issuer as on Last Quarter ended on December 31,2023 and for the last three year

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)	
11.05.2018	464000	100	100	Cash	Fresh issue	22650428	2265042800	NIL	2018-19
NA	NIL	100	100	Cash	Fresh issue	22650428	2265042800	NIL	2019-20
20.05.2020	20000000	100	100	Cash	Fresh issue	42650428	4265042800	NIL	2020-21
NA	NIL	100	100	Cash	Fresh issue	42650428	4265042800	NIL	2021-22
31.03.2023	20000000	100	100	Cash	Fresh issue	62650428	6265042800	NIL	2022-23

Details of any Acquisition of or Amalgamation with any entity in the last 1 (one) year

Nil

Details of any Reorganization or Reconstruction in the last 1 (one) year

Nil

Details of the shareholding of the Issuer as at the latest quarter end i.e., December 31, 2023 (as per the format specified under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

Shareholders	INR (in crore)	Percentage of shareholding (%)
Government of Kerala	620.27	99.005
SIDBI	6.13	0.979
LIC	0.07	0.011
SBI	0.02	0.003
Others	0.01	0.002
Total	**626.50**	**100.00**

List of top 10 holders of equity shares of the Issuer as at the latest quarter end i.e., December 31, 2023

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	62026937	40000000	99.005
2.	SIDBI	613327	613327	0.979
3.	LIC	7103	7103	0.011
4.	SBI	2099	2099	0.003

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

DETAILS OF THE DIRECTORS OF THE ISSUER

Details of the current directors of the Issuer

Name, Designation and DIN	Age (in years)	Address	Date of Appointment	Details of other directorships	Whether wilful defaulter (Yes / No)
Mr. Sanjay Kaul, IAS Designation: Chairman and Manging Director DIN: 01260911	49	Secretary (Finance Expenditure), Finance Department, Government of Kerala, Thiruvananthapuram	01.06.2021	1. KERALA INDUSTRIAL CORRIDOR DEVELOPMENT CORPN LTD 2. KERALA TOURISM INFRASTRUCTURE LIMITED 3. TAJ KERALA HOTELS AND RESORTS LTD 4. KERALA HIGH SPEED RAIL CORPORATION LIMITED 5. THIRUVANANTHA PURAM INTERNATIONAL AIRPORT LTD 6. SMART CITY THIRUVANANTHA PURAM LIMITED 7. CHAMPS BOAT LEAGUE LTD 8. KERALA SOCIAL SECURITY PENSION LIMITED 9. KERALA FINANCIAL CORPORATION.	No
Mr. S Harikishore, IAS Designation: Nominee Director DIN: 06622304	43	Director of Industies & Commerce	08.09.2021	1. KERALA RUBBER LIMITED 2. KERALA ACADEMY FOR SKILLS EXCELLENCE 3. KERALA LIFESCIENCES INDUSTRIES PARKS PRIVATE LIMITED 4. MARINE PRODUCTS INFRASTRUCTURE DEVELOPMENT CORPORATION PRIVATE LIMITED 5. KERALA STATE INDUSTRIAL DEVELOPMENT	No

Name, Designation and DIN	Age (in years)	Address	Date of Appointment	Details of other directorships	Whether wilful defaulter (Yes / No)
				CORPN LTD 6. BRAHMOS AEROSPACE THIRUVANANTHAPURAM LIMITED 7. MALABAR CEMENTS LTD 8. THE KERALA MINERALS AND METALS LIMITED 9. GEOJIT FINANCIAL SERVICES LIMITED 10. NITTA GELATIN INDIA LIMITED 11. KERALA FINANCIAL CORPORATION	
Mr. Premkumar S Designation: Nominee Director DIN - NA	67	Senior Divisional Manager, Life Insurance Corporation of India, Pattom, Thiruvananthapuram	10.08.2022	Nil	No
Mr.Satyaki Rastogi Designation: Nominee Director DIN - 02189494	55	General Manager, SIDBI Small Industries Development Bank of India, Platform Road, Seshadripuram, Bengaluru- 560020.	29.09.2021	Nil	No
Mr.SeshuBabu Palle Designation: Nominee Director DIN - NA	54	General Manager, SBI, Network 3,State Bank of India Local Head Office,Poojappura, Thiruvananthapuram	17.06.2023	Nil	No
K.V. Karthikeyan Designation: Nominee Director DIN – NA	54	Deputy General Manager, Small Industries Development Bank of India, Finance Towers, 2nd Floor, Kaloor, Kochi - 682017	04.05.2022	Nil	No

Details of change in Directors since last three years

Name, Designation and DIN	Date of Appointment	Date of Cessation, if applicable	Date of Resignation, if applicable	Remarks
Shri.Tomin J Thachankary IPS, Designation: CMD DIN – NA	07.09.2020	31.05.2021	-	-

Shri.MG Rajamanickam IAS, Designation: Director DIN –NA	26.11.2020	14.06.2021	-	-
Smt.Bhandari Swagat Ranveerchand, Designation: Director DIN – NA	15.06.2021	11.08.2021	-	-
Shri.Partha Sarathi Patra, Designation: Director DIN – NA	15.07.2018	06.08.2021	-	-
Shri.T Balaji, Designation: Director DIN – NA	17.07.2019	28.09.2021	-	-
Smt.Deepa Sivadasan, Designation: Director DIN – NA	06.06.2019	10.08.2022	-	-
Shri.Seetharaman V, Designation: Director DIN – NA	07.08.2021	16.06.2023	-	-
Shri. EK Harikumar, Designation: Director DIN –NA	11.09.2017	09.09.2023	-	-
Shri.Anilkumar Parameswaran, Designation: Director DIN – 07918880	11.09.2017	09.09.2023	-	-

DETAILS OF THE AUDITORS OF THE ISSUER

Details of the Auditors of the Issuer

NAME OF THE AUDITORS	ADDRESS	AUDITORS 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)

Details of change in Auditors of the Issuer (for last three years):

Name of the Auditor	Address	Date of Appointment	Date of Cessation, if	Date of Resignation, if

			applicable	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

DETAILS OF LIABILITIES OF THE ISSUER AS AT THE END OF THE LAST QUARTER DECEMBER 31, 2023

Details of Outstanding Secured Loan Facilities as on the end of the last quarter i.e. December 31, 2023

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	45000.00	45000.00	Yearly renewal	Hypothecation of certain identified receivables
Canara Bank	Term Loan	150000.00	93473.62	Quarterly repayment in 5 years with 6 Months moratorium	Hypothecation of certain identified receivables
Union Bank	Term Loan	40000.00	6000.00	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
Indian Bank	Term Loan	89000.00	60925.00	Quarterly repayment in5 years	Hypothecation of certain identified receivables
South Indian Bank	OD/WCDL	10000.00	5000.00	Yearly renewal	Hypothecation of certain identified receivables
South Indian Bank	Term Loan	20000.00	20000.00	Quarterly repayment in6 years with 1-year moratorium	Hypothecation of certain identified receivables
Bank of Maharashtra	Term Loan	100000.00	85419.45	Quarterly repayment in6 years with 1-year moratorium	Hypothecation of certain identified receivables
Bank of Baroda	Term Loan	47500.00	20309.62	Quarterly repayment in6 years with 6 months moratorium	Hypothecation of certain identified receivables
IIFCL	Term Loan	40000.00	833.33	Monthly repayment in 2 years with 1 Year moratorium for 1st loan and Monthly repayment in 3 years for 2nd Loan	Hypothecation of certain identified receivables
State Bank of India	Term Loan	220000.00	152164.814	Half yearly repayment in7 years	Hypothecation of certain identified receivables
State Bank of India	OD/WCDL	14500.00	3305.61	Yearly renewal	Hypothecation of certain identified Receivables
HDFC Bank	OD against FD	100	83.15	Yearly renewal	Underlying Fixed Deposit
Indian Overseas Bank	Term Loan	50000.00	49969.27	Quarterly repayment in 6 years with 6 months moratorium	Hypothecation of certain identified Receivables

Details of Outstanding Unsecured Loan Facilities as on the Latest quarter ended on December 31,2023

NIL

Details of Outstanding Non-Convertible Securities as on the Latest quarter ended on December 31,2023

Series of NCS	Tenor/ Period of Maturity	Coupon	Amount	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured/ unsecured	Security
1/2018	7 Yrs	8.69%	15,20,00,000	04/04/2018	04/04/2025	AA	Secured	Hypothecation of certain identified receivables
1/2019	7yrs	8.99%	1,87,50,00,000	09/07/2019	09/07/2026	AA	Secured	Hypothecation of certain identified receivables
1/2020	10yrs	7.70%	2,50,00,00,000	14/09/2020	14/09/2030	AA	Secured	Hypothecation ofcertain identified receivables
I/2023	10yrs	8.90%	4,76,50,00,000	24/03/2023	24/03/2033	AA	Secured	Hypothecation of identified receivables
II/2023	10yrs	8.63%	2,73,50,00,000	02/05/2023	24/03/2033	AA	Secured	Hypothecation of identified receivables

List of top 10 holders of non-convertible securities in terms of value (on a cumulative basis) as on December 31,2023

Sr. No	Name of Debenture Holders	Amount (in Rs)	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

Details of outstanding Commercial Paper as at the end of the last quarter (i.e., December 31, 2023) in the following format:

Nil

Details of rest of the borrowing (if any, including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on December 31,2023

Nil

Details of any outstanding borrowings taken / debt securities issued for consideration other than cash (i) in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option or not

Nil

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 Issuer, in the past 3 years including the current financial year.

No Default.

Any material event / development or change having implications on the financials / credit quality (e.g., any material regulatory proceedings against the Company / 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.

No.

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

Details of default and non-payment of statutory dues for the preceding three financial years and current financial year

No Default

DETAILS OF ANY GUARANTEE OR LETTER OF COMFORT OR ANY OTHER DOCUMENT / LETTER WITH SIMILAR INTENT FOR THE DEBENTURES

Not Applicable

This Offer Document does not include a statement purporting to be made by an expert unless the expert is a person who is not, and has not been, engaged or interested in the formation or promotion or management, of the Issuer and has given his written consent to the issue of the Offer Document and has not withdrawn such consent before the delivery of a copy of the Offer Document to the Registrar of the Issue for registration.

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

The day count convention for dates on which the payments in relation to the non-convertible securities which need to be made

Actual/ Actual

Procedure and time schedule for allotment and Issue of securities

Please refer to the Sections on "**Issue Details**" and "**Application / Bidding Process**" for details on procedure and time schedule for allotment and Issue of Debentures.

DISCLOSURE PERTAINING TO WILFUL DEFAULT

The following disclosures shall be made if the Issuer or its promoters or directoris declared wilful defaulter:

(a) Name of the bank declaring as a wilful defaulter

Not Applicable

(b) The year in which it was declared as a wilful defaulter

Not Applicable

(c) Outstanding amount when declared as a wilful defaulter

Not Applicable

(d) Name of the entity declared as a wilful defaulter

Not Applicable

(e) Steps taken, if any, for the removal from the list of wilful defaulter

Not Applicable

(f) Other disclosures, as deemed fit by the Issuer in order to enable investors to make informed decisions

Not Applicable

(g) Any other disclosures as specified by SEBI

Not Applicable

The fact that the Issuer or any of its promoters or Directors is a wilful defaulter shall be disclosed prominently on the cover page with suitable cross referencing to the pages.

Not Applicable

3 SUMMARY OF TERMS

Security Name (Name of the non-convertible securities which includes (Coupon/dividend, Issuer Name and maturity year) e.g. 8.70% XXX 2015.	Kerala Financial Corporation Series I 2024
Issuer	Kerala Financial Corporation
Type of Instrument	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Nature of Instrument (Securedor Unsecured)	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Seniority (Senior orSubordinated)	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Mode of Issue	Private Placement
Eligible Investors	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Listing (name of stock Exchange(s) where it will be listed and timeline for listing)	On Wholesale Debt Market segment of BSE. Listing application shall be filed with the Stock Exchange within 3 (three) trading days from the Issue Closing Date. The Issuer shall seek listingpermission from Stock Exchange within 3 (three) trading days from the Issue Closing Date. In case of delay in listing beyond 3 (three) Business Days from the Issue Closing Date, the Corporation 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.
Rating of the Instrument	AA with Stable outlook by Acuite Ratings dated 09.08.2023 AA with Stable outlook by Infomerics dated 08.12.2023
Issue Size	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Minimum Subscription	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Option to retainoversubscription (Amount)	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Objects of the Issue / Purpose for which there is requirement of funds	The net proceeds out of the issue after deduction of issue related expenseswould be used by issuer for working capital requirements.
In case the issuer is a NBFC and the objects of the issue entail loan to any entity who is a 'group company' then disclosures shall be made in the following format:	Not Applicable
Details of the utilisation of theProceeds	As set out in the relevant Key Information Document for the relevant issuance of Debentures.

Coupon/Dividend Rate	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Step Up / Step Down CouponRate	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Coupon/Dividend PaymentFrequency	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Coupon/Dividend PaymentDate(s)	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Cumulative /Non-cumulative,in case of dividend	Not Applicable
Coupon Type (fixed, floatingor other structure)	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Coupon Reset Process (including rates, spread, effective date, interest rate capand floor etc).	Not Applicable
Day Count Basis	Actual/Actual Basis
Interest on Application Money	Not Applicable
Default Interest Rate	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Tenor	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Redemption Date	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Redemption Amount	At par (INR 1 Lakh) per bond under each Sub-Series
Redemption Premium / Discount	At par (INR 1,00,000) per bond under each sub-series.
Issue Price	At par (INR 1,00,000) per bond under each sub-series.
Discount at which security is issued and the effective yield as a result of such discount	Not Applicable.
Premium/Discount at which security is redeemed and the effective yield as a result of such premium/discount	Not Applicable.
Put Date	N.A. (except rating downgrade clause as mentionedabove)
Put Price	Not Applicable.
Call Date	Not Applicable.
Call Price	Not Applicable.
Put Notification Time (Timelines by which the investor need to intimate Issuer before exercising the put)	Not Applicable.

Call Notification Time (Timelines by which the Issuer need to intimate investor before exercising the call)	Not Applicable.
Face Value	Debentures under each sub-series would have a face value of INR 1,00,000(Indian Rupees One Lakh) each.
Minimum Application and inmultiples thereafter	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Issue Timing	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Issue / Bid Opening Date	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Issue / Bid Closing Date	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Pay – in Date	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Deemed Date of Allotment	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Manner of allotment	The allotment will be done on [uniform yield basis / multiple yield basis] in line with Securities and Exchange Board of India Master Circular No. SEBI/ HO/DDHS/PoD1/P/CIR/2023/119 dated 10 August 2021(updated as on July 07, 2023) issued under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and any amendments thereto read with updated operational guidelines for issuance of securities on private placement basis through the electronic book mechanism" issued by BSE vide their notice 20180928-24 dated 28 September 2018 and any amendments thereto.
Settlement mode of the Instrument	ICCL. Settlement of the Issue will be done through Indian Clearing Corporation Limited. Please refer to the section 11.4.17 (Payment Mechanism) in this Offer Document for further information.
Allocation Option	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Bid Book Type	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Settlement Mechanism	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Depository	NSDL and/or CDSL.
Disclosure of interest /Redemption Dates	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Record Date	As set out in the relevant Key Information Document for the relevant issuance of Debentures
All covenants of the Issue(including side letters, accelerated payment clause etc.)	As set out in the relevant Key Information Document for the relevant issuance of Debentures

Description regarding Security (where applicable) including type of security (movable / immovable / tangible etc.), type of charge (pledge/ hypothecation/ 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 Trust Deed and disclosed in the Disclosure Document	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Transaction Documents	1. the Debenture Trust Deed; 2. the Debenture Trustee Agreement; 3. the Deed of Hypothecation; 4. Accounts Agreement 5. the General Information Document and Key Information Document; 6. Tripartite Agreements; 7. Listing Agreement; 8. the Registrar and Transfer Agent Consent; 9. Letter dated December 08, 2023 setting out the Credit Rating for theDebentures from Infomerics Valuation and Rating Private Limited 10. Letter dated August 09, 2023 setting out the Credit Rating for theDebentures from Acuite Ratings and Research Limited 11. Application made to Stock Exchange for seeking in-principleapproval for listing of Debentures; and 12. any other document that may be mutually agreed as a TransactionDocument by the Debenture Trustee and the Issuer.
Conditions Precedent toDisbursement	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Conditions Subsequent toDisbursement	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Event of Default (including manner of voting /conditions of joining Inter Creditor Agreement (“ICA”)	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Remedies	As set out in the relevant Key Information Document for the relevant issuance of Debentures

Undertakings of theIssuer	(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 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); (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"); (g) On the occurrence of an event of default, the Issuer shall not effect any withdrawals from the Collection Account, without the priorwritten consent of the Debenture Trustee.
Creation of recovery expensefund	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.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Provisions related to CrossDefault Clause	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Debenture Trustee	Beacon Trusteeship Limited
Role and Responsibilities ofDebenture Trustee	The roles and responsibilities of the Debenture Trustee shall be as per theDebenture Trust Deed.
Risk factors pertaining to theissue	Please refer to Annexure 1 (Risk Factors) of this Offer Document.
Governing Law andJurisdiction	The Debentures are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof will be subject to the exclusive jurisdiction of the courts at Kerala in India. However, nothing in the provisions shall limit any right of the Debenture Trustee/ Debenture Holders from initiating any proceedings in any other court or tribunal of competent jurisdiction.
Business Day Convention	As set out in the relevant Key Information Document for the relevant issuance of Debentures
Structured PaymentMechanism	As set out in the relevant Key Information Document for the relevant issuance of Debentures

Note:

1. If there is any change in Coupon Rate pursuant to any event including lapse 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 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 General Information Document, in favour of Debenture Trustee, it is the duty of the Debenture Trustee to monitor that the security is maintained.

4 UNDERTAKING BY THE ISSUER

(i) `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 securities have not been recommended or approved by the any regulatory authority in India, including the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of Investors is invited to the statement of 'Risk factors' provided under **Annexure 1** (*Risk Factors*) of this Offer Document.

(ii) 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, that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held 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 in any material respect.

(iii) The Issuer has no side letter with any debt securities holder except the one(s) disclosed in the Offer Document. Any covenants later added shall be disclosed on the Stock Exchange website where the debt is listed.

5 RISK FACTORS

Please refer to **Annexure 1** (*Risk Factors*) of the Offer Document for details on "**Risk Factors**".

6 GENERAL RISKS

Investment in non-convertible securities is risky, 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 Annexure 1 of this Offer Document. 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.

7 DISCLOSURES IN TERMS OF SEBI DT MASTER CIRCULAR NO. SEBI/HO/DDHS-PoD1/P/CIR/2023/109 DATED MARCH 31, 2023, UPDATED AS ON JULY 06, 2023

1. Terms and conditions of the Debenture Trustee Appointment Agreement

6.1.1 Fees charged by Debenture Trustee

The Issuer shall pay to the Debenture Trustees so long as they hold the office of the Debenture Trustee, remuneration for their services as Debenture Trustee in addition to all legal, traveling and other costs, charges and expenses which the Debenture Trustee

or their officers, employees or agents may incur in relation to execution of the Debenture Trust Deed and such any other expenses like advertisement, notices, letters to Debenture Holders, and additional professional fees/expenses that would be incurred in case of default. The remuneration of the Debenture Trustee shall be as may be agreed between the Issuer and the Debenture Trustee, from time to time. Arrears of instalments of annual service charges, if any, shall carry interest at the rate as applicable under the Micro, Small and Medium Enterprises Development Act, 2006, as amended from time to time.

2. Terms of carrying out due diligence

The Debenture Trustee, either through itself or its agents /advisors/consultants, shall carry out requisite diligence to verify valuation of the assets and whether all permissions or consents (if any) as may be required as stipulated in the Offer Document and the Relevant Laws, has been obtained. For the purpose of carrying out the due diligence as required in terms of the Relevant Laws, the Debenture Trustee, either through itself or its agents/advisors/consultants, shall after giving [2 Business Days] prior written notice have the power to examine the books of account of the Issuer inspected by its officers and/or external auditors/valuers/consultants/lawyers/ technical experts/management consultants appointed by the Debenture Trustee.

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 required, where the assets and/or prior encumbrances in relation to the assets of the Issuer or any third-party security provider for securing the Debentures, are registered
/ disclosed.

Without prejudice to the aforesaid, the Issuer shall ensure that it provides and procures all information, representations, confirmations and disclosures as may be required in the sole discretion of the Debenture Trustee to carry out the requisite diligence in connection with the issuance and allotment of the Debentures, in accordance with the Relevant Laws.

The Debenture Trustee shall have the power to either independently appoint or direct the Issuer to (after consultation with the Debenture Trustee) appoint intermediaries, valuers, chartered accountant firms, practicing company secretaries, consultants, lawyers and other entities in order to assist in the diligence by the Debenture Trustee. All costs, charges, fees and expenses that are associated with and incurred in relation to the diligence as well as preparation of the reports/certificates/documentation, including all out of pocket expenses towards legal or inspection costs, travelling and other costs, shall be borne by the Issuer.

Other confirmations

The Debenture Trustee confirms that they have undertaken the necessary due diligence in accordance with Applicable Law including the SEBI (Debenture Trustees) Regulations, 1993, read with the SEBI circular titled "Creation of Security in issuance of listed debt securities and 'due diligence' by debenture trustee(s)" dated March 03,2024. The due diligence certificate in this regard is enclosed as **Annexure 4** *(Due Diligence Certificate issued by the Debenture Trustee)*.

8 EXPENSES OF THE ISSUE

S.NO	PARTICULARS	FEE/EXPENSE AMOUNT	% OF TOTAL ISSUE EXPENSES	% OF TOTAL ISSUE SIZE
1.	Lead Manager(s) fees	N. A	N. A	N. A
2.	Underwriting commission	N. A	N. A	N. A
3.	Brokerage, selling commission and upload fees	N. A	N. A	N. A
4.	Fees payable to the registrars to the issue	N.A +	N.A +	N.A +
5.	Fees payable to the legal advisors	N. A	N. A	N. A
6.	Advertising and marketing expenses	N. A *	N. A *	N. A *
7.	Fees payable to the regulators including stock exchanges	N.A +	N.A +	N.A +
8.	Expenses incurred on printing and distribution of issue stationary	N. A **	N. A **	N. A **
9.	Any other fees, commission and payments under whatever nomenclature	N. A ***	N. A ***	N. A ***

+ To be set out in the relevant Key Information Document for the relevant issuance of Debentures

***** As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no specific advertising and marketing expenses are envisaged to be payable in respect of such issue of Debentures.

****** As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no specific expenses are envisaged to be incurred on printing and distribution of issue stationary in respect of such issue of Debentures.

******* As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no specific fees, commission and payments under whatever nomenclature are envisaged to be incurred in respect of such issue of Debentures.

9 CONSENT OF DIRECTORS, AUDITORS, BANKERS TO ISSUE, TRUSTEES, SOLICITORS OR ADVOCATES TO THE ISSUE, LEGAL ADVISORS TO THE ISSUE, LEAD MANAGERS TO THE ISSUE, REGISTRAR TO THE ISSUE, AND LENDERS (IF REQUIRED, AS PER THE TERMS OF THE AGREEMENT) AND EXPERTS.

PARTICULARS	REFERENCING
Directors	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Auditors	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, and as no auditor's report is being obtained in respect of this issue of Debentures, the Issuer believes that no specific consent from the auditor is required.
Bankers to issue	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no bankers have been appointed in respect of such issue of Debentures.
Trustees	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Solicitors /Advocates	N. A
Legal Advisors	N. A
Lead Manager	Not applicable.
Registrar	As set out in the relevant Key Information Document for the relevant issuance of Debentures.
Lenders of the Issuer	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, and as no statements or confirmations from any lenders are being obtained in respect of this issue of Debentures, the Issuer believes that no specific consent from the lenders of the Issuer is required.
Experts	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, and as no statements or confirmations from any experts are being obtained in respect of this issue of Debentures, the Issuer believes that no specific consent from the lenders of the Issuer is required.

10 DECLARATION BY THE ISSUER

The Issuer hereby declares that this Offer Document contains full disclosure in accordance with SEBI NCS Regulations, the Companies Act and the operational guidelines issued by SEBI.

The Issuer also confirms that this Offer Document does not omit disclosure of any material fact which may make the statements made therein, in the light of the circumstances under which they are made, misleading. The Offer Document also does not contain any false or misleading statement.

The Issuer accepts no responsibility for the statements made otherwise than in this Offer Document or in any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information would be doing so at his own risk.

The Issuer declares that all the relevant provisions of the relevant regulations or guidelines issued by SEBI and other Applicable Laws have been complied with and no statement made in this Offer Document is contrary to the provisions of the regulations or guidelines issued by SEBI and other Applicable Law, as the case may be.

For Kerala Financial Corporation

Name: Ram Ganesh

Compliance Officer

Dated: March 03, 2024

Place: Thiruvananthapuram

11 DECLARATION BY THE DIRECTORS

The Directors of the Issuer hereby declare that:

1. 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;

2. the compliance with the statutes and the rules does not imply that payment of dividend or interest or repayment of Debentures, if applicable, is guaranteed by the Central Government; and

3. the monies received under the offer shall be used only for the purposes and objects indicated in this Offer Document.

I am authorized by the Directors vide resolution dated February 09,2024 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 promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this Offer Document.

For Kerala Financial Corporation

Signature : _____

Name: Ram Ganesh

Compliance Officer

Dated: March 03, 2024

Place: Thiruvananthapuram

PART B

KEY INFORMATION DOCUMENT

KEY INFORMATION DOCUMENT DATED MARCH 04, 2024, FOR ISSUE OF FIRST TRANCHE OF SENIOR, RATED, LISTED, SECURED, TAXABLE, REDEEMABLE NON-CONVERTIBLE DEBENTURES, COMPRISING OF 5 SUB-SERIES "A" TO 'E'), WITH A BASE ISSUE OF INR 300,00,00,000 (INDIAN RUPEES THREE HUNDRED CRORES ONLY) ALONG WITH A GREEN SHOE OPTION OF INR 200,00,00,000 (INDIAN RUPEES TWO HUNDRED CRORES ONLY), AGGREGATING UP TO AN AMOUNT OF INR 500,00,00,000, AND DENOMINATED IN INDIAN RUPEES WITH A FACE VALUE OF INR 1,00,000 EACH, ("**DEBENTURES**") BY KERALA FINANCIAL CORPORATION (THE "**ISSUER**") ON A PRIVATE PLACEMENT BASIS ("**ISSUE**")".

THIS ISSUANCE WOULD BE UNDER THE ELECTRONIC BOOK MECHANISM FOR ISSUANCE OF DEBT SECURITIES ON A PRIVATE PLACEMENT BASIS AS PER THE SECURITIES AND EXCHANGE BOARD OF INDIA ("**SEBI**") CIRCULAR SEBI/HO/DDHS/PoD1/P/CIR/2023/119 DATED 10 AUGUST 2021, UPDATED AS ON JULY 07, 2023, AND THE AMENDMENTS THERETO ("**SEBI NCS MASTER CIRCULAR**") READ WITH "UPDATED 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 ANY AMENDMENTS ("**BSE EBP GUIDELINES**") (THE SEBI OPERATIONAL CIRCULAR AND THE BSE EBP GUIDELINES ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "**OPERATIONAL GUIDELINES**"). THE ISSUER INTENDS TO USE THE BSE - BOND EBP PLATFORM FOR THE ISSUE.

THIS OFFER DOCUMENT IS BEING UPLOADED ON THE BSE BOND-EBP PLATFORM TO COMPLY WITH THE OPERATIONAL GUIDELINES AND AN OFFER WILL BE MADE BY ISSUE OF THIS OFFER DOCUMENT AFTER COMPLETION OF THE BIDDING PROCESS FOR THE ISSUE ON ISSUE/BID CLOSING DATE, TO THE SUCCESSFUL BIDDER IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT, 2013 AND RELATED RULES.

THE ELIGIBLE INVESTORS ARE ALL QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN REGULATION 2(SS) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED FROM TIME TO TIME) INCLUDING BUT NOT LIMITED TO: (A) ELIGIBLE FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES; (B) COMPANIES AND BODIES CORPORATE INCLUDING PUBLIC SECTOR UNDERTAKINGS; (C) BANKS, NON-BANKING FINANCE COMPANIES (NBFCS) AND RESIDUARY NBFCS; (D) MUTUAL FUNDS; (E) FOREIGN PORTFOLIO INVESTORS AS PERMITTED UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (FOREIGN PORTFOLIO INVESTORS) REGULATIONS, 2014; (F) ALTERNATIVE INVESTMENT FUNDS; (G) PROVIDENT FUNDS, GRATUITY, SUPERANNUATION AND PENSION FUNDS, SUBJECT TO THEIR INVESTMENT GUIDELINES; AND (K) ANY OTHER INVESTOR ELIGIBLE TO INVEST IN THESE DEBENTURES.

THE PRESENT ISSUE OF DEBENTURES IS NOT UNDERWRITTEN.

PROMOTER(s)

GOVERNMENT OF KERALA, SIDBI, LIC, SBI AND OTHERS AS MORE PARTICULARLY DESCRIBED IN CLAUSE 2.1 (DETAILS OF PROMOTERS).
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.

PRIVATE & CONFIDENTIAL

KEY INFORMATION DOCUMENT DATED MARCH 04, 2024 ("**OFFER DOCUMENT**") IS PREPARED IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021 AS AMENDED FROM TIME TO TIME, AND THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014 AS AMENDED FROM TIME TO TIME.

TYPE OF OFFER DOCUMENT: PRIVATE PLACEMENT.

GENERAL RISK

INVESTMENTS IN NON-CONVERTIBLE SECURITIES INVOLVES A DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN SUCH SECURITIES UNLESS THEY CAN AFFORD TO TAKE RISKS 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 ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR EXAMINATION OF THE ISSUE INCLUDING RISKS INVOLVED IN IT. SPECIFIC ATTENTION OF INVESTORS IS INVITED TO STATEMENT OF RISK FACTORS CONTAINED UNDER **ANNEXURE 1** (*RISK FACTORS*) OF THIS OFFER DOCUMENT. THESE RISKS ARE NOT AND ARE NOT INTEDTENDED 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 WITH STABLE OUTLOOK BY INFOMERICS VIDE ITS LETTER DATED DECEMBER 08, 2023 AND ACUITE AA' WITH STABLE OUTLOOK BY ACUITÉ RATINGS & RESEARCH LIMITED, VIDE ITS LETTER DATED AUGUST 09, 2023. 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** (*RATING LETTER AND RATIONALE*) OF THIS OFFER DOCUMENT FOR RATIONALE FOR THE ABOVE RATING. THE PRESS RELEASE CAN BE ACCESSED AT THE FOLLOWING LINK:
https://www.infomerics.com/admin/uploads/pr-Kerala-Financial-Corporation-13dec23.pdf , https://www.acuite.in/documents/ratings/revised/28090-RR-20230809.pdf

LISTING

THE DEBENTURES ARE PROPOSED TO BE LISTED ON THE WHOLE SALE DEBT MARKET ("**WDM**") SEGMENT OF BSE ("**STOCK EXCHANGE**"). THE ISSUER SHALL COMPLY WITH THE REQUIREMENTS OF THE SEBI LODR REGULATIONS (AS DEFINED HEREINAFTER) TO THE EXTENT APPLICABLE TO IT ON A CONTINUOUS BASIS. PLEASE REFER TO **ANNEXURE 6** TO THIS OFFER DOCUMENT FOR THE 'IN-PRINCIPLE' LISTING APPROVAL FROM THE STOCK EXCHANGE.

DETAILS OF KMPS

COMPLIANCE OFFICER	COMPANY SECRETARY	CHIEF FINANCIAL OFFICER
Name: Shri Ram Ganesh R **Telephone Number:** 04712737711 **Email ID:** ramganeshr@kfc.org	**Name:** Shri Ram Ganesh R **Telephone Number**: 04712737711 **Email ID:**ramganeshr@kfc.org	**Name:** Smt. Soya K **Telephone Number:** 0471-2737620 **Email ID:** soyak@kfc.org

DEBENTURE TRUSTEE	REGISTRAR TO THE ISSUE	CREDIT RATING AGENCY	
BEACON TRUSTEESHIP LIMITED **Address:** 7 A& B, Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Bandra East,Mumbai – 400 051 **Tel:** 022-46060278 **Email:** compliance@beacontrustee.co.in **Website:** www.beacontrustee.co.in **Fax:** N.A.	**CAMEO CORPORATE SERVICES LIMITED** **Address:** Subramanian Building, No. 1 Club House Road, Chennai – 600002 **Tel:** 044 40020752/741	**INFOMERICS VALUATION AND RATING PRIVATE LIMITED** **Address:** 1105, B Wing,	**ACUITE RATINGS & RESEARCH LIMITED** **Address:** 708, Lodha Supremus, Lodha iThink Techno Campus, Kanjurmarg

Contact Person: Kaustubh Kulkarni **CIN**: U74999MH2015PLC271288	**Email:** investor1@cameoindia.com **Website:** www.cameoindia.com **Fax:** N.A. **Contact Person:** R. D. Ramasamy **SEBI Registration Number:** INR000003753 **CIN**: U67120TN1998PLC041613	Kanakia Wallstreet, Off. Andheri Kurla Road, Andheri (East), Mumbai – 400093 **Tel:** +91-22-43471920 **Email:** vma@infomerics.com **Website:** www.infomerics.com **Fax:** N.A. **Contact Person:** Bhavesh Gupta **SEBI Registration Number**: IN/CRA/007/2015 **CIN**: U32202DL1986PTC024575	(East), Mumbai - 400042. **Tel:** +91-22-49294000 **Email:** info@acuite.in **Website:** www.acuite.in **Fax:** N.A. **Contact Person:** Parth Pandit **SEBI Registration Number**: IN/CRA/006/2011

ARRANGER	ARRANGER	STATUTORY AUDITORS
TIPSONS CONSULTANCY SERVICES PRIVATE LIMITED **Address:** 401 Sheraton House, Opposite ketav Petrol Pump, polytechnic Road, Ambawadi, Ahmedabad 380015 **Tel:** 079 66828047/66828000 **Email:** neha.jain@tipsons.com/sandeep.bhansali@tipsons.com **Website:www.tipsons.com** **Fax: 079 66828001** **Contact Person:** Mr Sandeep Bhansali/Ms Neha Jain	**REAL GROWTH SECURITIES PVT. LTD.** **Address:** 112-A, Jyoti Shikhar Building,, District Centre, Janakpuri, New Delhi, National Capital Territory Of Delhi, 110058 **Tel:** +91 011 25512602 / 25513114- **Email:** poonam.jodha@realgrowth.org.in **Website:** http://www.realgrowth.org.in/ **Fax: NA** **Contact Person:** Ms. Poonam Jodha	**J A K S & Associates, Chartered Accountants** **Address:** TC 9/2763(12), Kulangara, 288, CSM Nagar, Edappazhinji, Thiruvananthapuram–695010, Kerala **Tel:** +91 471 2723338 **Email:** selastin@jaksllp.com **Website:** www.jaksllp.com **Fax:** N.A. **Contact Person:** CA Selastin A

ISSUE SCHEDULE

ISSUE / BID OPENING DATE	ISSUE / BID CLOSING DATE	DATE OF EARLIEST CLOSING OF ISSUE	PAY-IN DATE	DEEMED DATE OF ALLOTMENT
March 12,2024	March 12,2024	March 12,2024	March 13,2024	March 13,2024

THE ISSUER RESERVES THE RIGHT TO CHANGE THE ISSUE PROGRAMME INCLUDING THE DEEMED DATE OF ALLOTMENT (AS DEFINED HEREINAFTER) AT ITS SOLE DISCRETION IN ACCORDANCE WITH THE TIMELINES SPECIFIED IN THE OPERATIONAL GUIDELINES, WITHOUT GIVING ANY REASONS OR PRIOR NOTICE. THE ISSUE WILL BE OPEN FOR BIDDING AS PER BIDDING WINDOW THAT WOULD BE COMMUNICATED THROUGH BSE BOND-EBP PLATFORM.

COUPON	COUPON PAYMENT FREQUENCY	REDEMPTION DATE	REDEMPTION AMOUNT
8.89 % PER ANNUM PAYABLE QUARTERLY	COUPON SHALL BE PAYABLE QUARTERLY	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 on March 13, 2030 Sub-Series 'B' commencing from the end of 25th quarter and so on	At par (INR 1 Lakh) per bond under each Sub-Series

THE ISSUE OF DEBENTURES SHALL BE SUBJECT TO THE PROVISIONS OF THE COMPANIES ACT, 2013, AS AMENDED (**THE "COMPANIES ACT"**), THE RULES NOTIFIED THEREUNDER, THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE ISSUER, SEBI NCS REGULATIONS, SEBI LODR REGULATIONS, OPERATIONAL GUIDELINES, THE TERMS AND CONDITIONS OF THIS OFFER DOCUMENT FILED WITH THE WDM SEGMENT OF THE STOCK EXCHANGE, THE APPLICATION FORM, THE DEBENTURE TRUST DEED AND OTHER DOCUMENTS IN RELATION TO SUCH ISSUE. CAPITALIZED TERMS USED HERE HAVE THE MEANING ASCRIBED TO THEM IN THIS OFFER DOCUMENT.

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1 DEFINITIONS

In this Offer Document, unless the context otherwise requires, the terms defined, and abbreviations expanded below shall have the same meaning as stated in this section. References to statutes, rules, regulations, guidelines, and policies will be deemed to include all amendments and modifications notified thereto.

Further, unless otherwise indicated or the context otherwise requires, all references to "the Company", "our Company "Issuer", "we", "us" or "our" is to Kerala Financial Corporation and references to "you" are to the Eligible Investors in the Debentures.

Applicable Law	Means any statute, national, state, provincial, local, municipal, foreign, international, multinational or other law, treaty, code, regulation, ordinance, rule, judgment, order, decree, bye-law, approval of any governmental authority, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of or determination by, or any interpretation or administration having the force of law of any of the foregoing by any Governmental Authority having jurisdiction over the matter in question, whether in effect as of the date of the Debenture Trust Deed or at any time thereafter.
Application Form	Mean the application form forming part of Annexure 11 (Application form) of this Offer Document for subscription to the Debentures, to be submitted by the Debenture Holders
Approved Instructions	Means the instructions issued by Majority Debenture Holders.
Auditors or Statutory Auditors	Means, J A K S & ASSOCIATES, CHARTERED ACCOUNTANTS
Beneficial Owners	Means the Initial Debenture Holder(s) or such subsequent transferees who will be the beneficial owner(s) of the Debentures in electronic (dematerialised) form and whose names will be listed in the list of beneficial owner(s) by the NSDL or CDSL, as the case may be.
Board or Board of Directors	the board of directors of the Issuer.
BSE Bond- EBP Platform	means the platform for issuance of debt securities on private placement basis required and established in accordance with Chapter VI of the SEBI Operational Circular and any further amendments thereto, with the Stock Exchange.
Business Day	Means any day of the week (excluding Saturdays, Sundays, and any other day which is a public holiday for the purpose of Section 25 of the Negotiable Instruments Act, 1881 (26 of 1881)) on which banks and money markets are open for general business in Mumbai.
Coupon	Means the interest rate payable on the Debentures, as specified in Section 12 of this Offer Document.
Coupon Payment Date(s)	Means the dates on which the Coupon for the Debentures payable as specified in this Offer Document
Credit Rating Agency	Infomerics Valuation and Rating Private Limited and/or Acuite Ratings and research Limited, or any accredited credit rating agencies as may

	be notified by the Debenture Trustee (acting for and behalf of the Debenture Holders).
Date of Subscription/ Deemed Date of Allotment	Means the date on which Debentures are deemed to be allotted to the Debenture Holder
Debenture or Debentures	upto 50,000 senior, rated, listed, secured, redeemable, taxable, non-convertible debentures denominated in Indian Rupees of a Face Value of INR 1,00,000 (Indian Rupees One Lakh only) each, of the aggregate nominal value of upto INR 500,00,00,000 inclusive Green Shoe option of 20,000 senior, rated, listed, secured, redeemable, taxable, non-convertible debentures denominated in Indian Rupees of a Face Value of INR 1,00,000 (Indian Rupees One Lakh only) each, of the aggregate nominal value of upto INR 200,00,00,000.
Debenture Holder(s)	Means, (a) the Initial Debenture Holders and the persons who are, for the time being and from time to time, the holders of the Debentures and whose names appear in the Register of Beneficial Owners of the Debentures; and (b) for any Debentures in respect of which the allotment has not occurred, wherever the context may require, the persons to whom the Issuer has issued the Offer Document for issuance of the Debentures
Debenture Redemption Reserve	The debenture redemption reserve in accordance with Rule 18(7) of the Companies (Share Capital and Debenture) Rules, 2014, as amended from time to time and other Applicable Law
Debenture Trustee	Means Beacon Trusteeship Limited
Debenture Trustee Agreement	means the debenture trustee agreement entered into between the Debenture Trustee and the Issuer dated March 02, 2023 for the appointment of the Debenture Trustee as trustee for the Debenture Holders
Deed of Hypothecation	Means the deed of hypothecation executed on or about the date of this Deed by the Issuer in favour of the Debenture Trustee, and shall include any amendments, modifications or supplements from time to time
Debenture Trust Deed	The trust deed to be entered into between the Issuer and the Debenture Trustee for the Debentures.
Depository	means National Securities Depository Limited and /or Central Depository Limited and/or such other depository registered with the SEBI, with whom the Issuer has entered into an agreement for keeping and dealing with the Debentures in a dematerialised form.
Depository Participant or DP	A depository participant as defined under Depositories Act, 1996, as amended from time to time.
Designated Bank Account	The account of Issuer where the Funds payment to the Issuer would be made by ICCL, more particularly set out in Section 11.4.17 (Payment Mechanism).
Directors	The directors of the Issuer.

Disclosure Document(s) or Offer Document or Issue Document	this Key Information Document dated March 04,2023 prepared by the Issuer in relation to the Debentures and containing disclosures under SEBI NCS Regulations and Form PAS-4 issued by Ministry of Corporate Affairs under the Companies Act and the rules made thereunder.
Due Date	means in respect of: Coupon, the Coupon Payment Dates; Redemption Amount, the Redemption Dates; any other amount payable under the Transaction Documents, the date when such amounts become payable as per terms of such document
Eligible Investors	(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 Debentures in accordance with applicable law.
Financial Year or FY	Means the accounting period commencing from April 1st of each year till March 31st of the next year.
Final Settlement Date	Means the date on which all the Secured Obligations of the Issuer payable to the Secured Parties have been irrevocably and unconditionally paid and discharged in full and final settlement, in accordance with this Deed.
Governmental Authority	Means the President of India, the Government of India, Governor or the Government of any state in India, any other national, state, provincial, local or similar government, governmental, regulatory or administrative authority, branch, agency, any statutory body or commission, any regulatory or administrative authority, body, any state or other political sub division thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or other organization to the extent that the rules, regulations and standards, requirements, procedures or orders of such authority, body or other organization have the force of Applicable Law or any court, tribunal, arbitral or judicial body in India or in any other country in which the Issuer has carried on or currently carries on the business.
Issue or Private Placement	Private Placement by the Issuer of upto 50,000 secured, listed rated, redeemable non-convertible Debentures of the face value of Rs 1,00,000 each, for cash, aggregating Rs 500,00,00,000 inclusive Green Shoe Option of 20,000 secured, listed rated, redeemable non-convertible Debentures of the face value of Rs 1,00,000 each, for cash, aggregating Rs 200,00,00,000.
Issue Size of tranche 1	Base issue size of INR 300,00,00,000 (Indian Rupees Three Hundred Crores only) along with a green shoe option of INR 200,00,00,000

	(Indian Rupees Two Hundred Crores only).
Actual allotment size pursuant to the allotment of the relevant Debentures on March 13,2024	INR 307.00 Crores (Indian Rupees Three Hundred and Seven Crores only).
Listing Agreement	mean the simplified listing agreement dated January 06,2012 executed between the Issuer and Stock Exchange.
Majority Debenture Holders	such number of Debenture Holders collectively holding 51% (fifty one percent) or more of the Outstanding Face Value of the Debentures.
Outstanding Amounts	Means all moneys, debts and liabilities due, owing or incurred from time to time by the Issuer in respect of the Debentures to any Debenture Holder or the Debenture Trustee under or in connection with the Transaction Documents, including but not limited to the payment of the Debentures, accrued but unpaid coupon, other charges, fees, costs and expenses incurred under or in connection with the Debenture Trust Deed or any other Transaction Document.
Outstanding Face Value	Means in relation to each outstanding Debenture, on any given date, such amounts of the face value of the Debenture that remains outstanding and has not been redeemed by the Issuer as on that date
Principal Amount	Means, the nominal value of that Debenture as reduced by any part of the nominal value already paid by the Issuer with respect to that Debenture.
Record Date	for the Debentures shall be [10 (ten) days] prior to each Due Date.
Redemption Amount	means for Debentures, such amounts payable as per the redemption schedule on each of the Redemption Date(s)as specified in this Offer Document.
Redemption Date	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 on March 13, 2030 Sub-Series 'B' commencing from the end of 25th quarter on March 13,2031 and so on
Registrar or Registrar and Transfer Agent	CAMEO CORPORATE SERVICES LIMITED
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI DT Regulations	The Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, as amended from time to time.
SEBI NCS Regulations	The SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 issued by SEBI, as amended from time to time.
SEBI LODR Regulations	The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by SEBI, as amended from time to time.

SEBI Regulations	collectively, SEBI Act, SEBI NCS Regulations, SEBI LODR Regulations and SEBI DT Regulations.

Secured Obligations	means the aggregate of the outstanding Principal Amount, Coupon, default interest, penal interest, remuneration of the Debenture Trustee, liquidated damages, if any, and all fees, costs, charges, expenses and other monies payable to the Debenture Holders or the Debenture Trustee under the Transaction Documents.
Stock Exchange or Designated Stock Exchange	Means BSE Limited
Subsidiary	a 'subsidiary' as defined under the provisions of the Companies Act.
Tax	means all forms of present and future taxation (including but not limited to indirect taxes such as goods and service tax, value added tax or other similar taxes), deductions, withholdings, duties, imposts, stamp duties, levies, fees, charges and rates imposed, levied, collected, withheld or assessed by any Governmental Authority in India and any interest, additional taxation penalty, surcharge or fine in connection therewith and "Taxes" shall be construed accordingly.
Transaction Documents	1. the Debenture Trust Deed; 2. the Debenture Trustee Agreement; 3. the Deed of Hypothecation; 4. Accounts Agreement 5. the General Infomration Document and Key Information Document 6. Tripartite Agreements; 7. Listing Agreement; 8. the Registrar and Transfer Agent Consent; 9. Letter dated December 08, 2023 setting out the Credit Rating for the Debentures from Infomerics Valuation and Rating Private Limited. 10. Letter dated August 09, 2023 setting out the Credit Rating for the Debentures from Acuite Ratings and Research Limited. 11. Application made to Stock Exchange for seeking in-principle approval for listing of Debentures; and 12. any other document that may be mutually agreed as a Transaction Document by the Debenture Trustee and the Issuer.
Tripartite Agreement	Collectively, (i) the Tripartite Agreement executed between NSDL, and Issuer and its Registrar and (ii) the Tripartite Agreement executed between the Issuer, Registrar and CDSL.

All other capitalised terms not defined above shall have the meaning assigned to them in the section "**Summary of Terms**" or separately defined in this Offer Document.

2 ISSUE SCHEDULE*

Issue / Bid Opening Date	March 12,2024
Issue / Bid Closing Date	March 12,2024
Pay-In Date	March 13,2024
Deemed Date of Allotment	March 13,2024

**The Issuer reserves the right to change the Issue Schedule at its sole discretion in accordance with the timelines specified in the Operational Guidelines, without giving any reasons or prior notice. The Issue will be open for bidding as per bidding window that would be communicated through the BSE Bond- EBP Platform.*

3 CREDIT RATING

The Debentures are rated as "AA" with Stable outlook by Infomerics Valuation and Rating Private Limited and "AA" with Stable outlook by Acuite Ratings and Research Limited.

The rating is not a recommendation to buy, sell or hold Debentures and investors should take their own decision. The rating may be subject to suspension, revision or withdrawal at any time by the assigning Credit Rating Agency. The Credit Rating Agency has a right to revise, suspend or withdraw the rating at any time on the basis of factors such as new information or unavailability of information or other circumstances which the Credit Rating Agency believe may have an impact on its rating. The rating is valid as o the date of issuance and listing.

Date of Rating Letters: December 08, 2023 by Infomerics Valuation and Rating Private Limited and August 09,2023 by Acuite Ratings and Research Limited .

Date of Press Release of Rating Letters: December 13, 2023 by by Infomerics Valuation and Rating Private Limited and August 09,2023 by Acuite Ratings and Research Limited

The rating letter(s) and rationale as released by Credit Rating Agency is attached as **Annexure 2** (*Rating Letter and Rationale*) of this Offer Document.

The rating mentioned above is valid as on the date of the issuance and listing of the Debentures. The press release is not older than one year from the date of the issue.

4 LISTING OF DEBENTURES

The Debentures are proposed to be listed on the WDM segment of BSE. The Issuer shall comply with the requirements of the SEBI LODR Regulations to the extent applicable to it on a continuous basis. BSE has given its in-principle listing approval for the Debentures proposed to be offered through this Offer Document *vide* its letter dated March 06,2024. Please refer to **Annexure 6** *(In-Principle Approval from BSE)* to this Offer Document for the in-principle listing approval.

The Issuer shall seek listing permission from Stock Exchange within 3 (three) trading days from the Issue Closing Date. In case of delay in listing of the Debentures beyond 3 (three) trading days from Issue Closing Date, the Issuer shall pay penal interest to the Debenture Holders, of 1 % (one percent) per annum over and above the Coupon rate from the Deemed Date of Allotment to the date of listing of Debentures.

A recovery expense fund will be created, in the manner specified by SEBI, which be utilized by the Debenture Trustee upon occurrence of an event of default, for taking appropriate legal actions.

5 DETAILS OF DEBENTURE TRUSTEE, CREDIT RATING AGENCIES, REGISTRAR, STATUTORY AUDITORS, ARRANGERS ETC

DEBENTURE TRUSTEE TO THE ISSUE

Beacon Trusteeship Limited having its office at 4C, Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Mumbai, India – 400 051 has been appointed as Debenture Trustee for the Issue. The Debenture Trustee has given its consent to the Issuer for its appointment (*Copy of consent letter from the Debenture Trustee is attached as* ***Annexure 3***). The Issuer has entered into a Debenture Trustee Appointment Agreement with the Debenture Trustee. The Issuer will enter into a Debenture Trust Deed, *inter-alia*, specifying the powers, authorities and obligations of the Issuer and the Debenture Trustee in respect of the Debentures.

The Debenture Holders shall, by subscribing to the Debentures or by purchasing the Debentures and without any further act or deed, be deemed to have irrevocably given their consent to and authorised the Debenture Trustee or any of their agents or authorised officials to undertake, inter-alia, all such acts, deeds and things necessary in terms of this Offer Document. All rights and remedies under the Debenture Trust Deed and Debenture Trustee Appointment Agreement shall rest in and be exercised by the Debenture Trustee in accordance with the terms thereof, acting on Approved Instructions. Any payment made by the Issuer to the Debenture Trustee on behalf of the Debenture Holder (s) shall discharge the Issuer *pro tanto* to the Debenture Holder (s). No Debenture Holder shall be entitled to proceed directly against the Issuer unless the Debenture Trustee, having become so bound to proceed, fails to do so.

The Debenture Trustee will protect the interest of the Debenture Holders in the event of default by the Issuer with regard to timely payment of Coupon and Redemption Amount and they will take necessary action at the cost of the Issuer. However, the Debenture Trustee, ipso facto does not have the obligations of a borrower or a principal debtor or a guarantor in relation to the monies paid / invested by investors for the Debentures.

A. DETAILS OF DEBENTURE TRUSTEE, CREDIT RATING AGENCIES, REGISTRAR, STATUTORY AUDITORS, ETC.

Debenture Trustee to the Issue	**Beacon Trusteeship Limited** BEACON **Address**: 7 A & B, Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Bandra East,Mumbai – 400 051 **Contact person**: Kaustubh Kulkarni **E-mail address**: compliance@beacontrustee.co.in **Tel**: 022-46060278 **Fax**: N.A.

	Website: www.beacontrustee.co.in
Credit Rating Agency to the Issue	**Infomerics Valuation and Rating Private Limited** **Address**: 1105, B Wing, Kanakia Wallstreet, Off. Andheri Kurla Road, Andheri (East), Mumbai – 400093 **Contact person**: Bhavesh Gupta **E-mail address**: vma@infomerics.com **Tel**: +91-22-43471920 **Fax**: N.A. **Website**: www.infomerics.com
	Acuite Ratings & Research Limited **Address:** 708, Lodha Supremus, Lodha iThink Techno Campus, Kanjurmarg (East), Mumbai - 400042. **Tel:** +91-22-49294000 **Email:** info@acuite.in **Website:** www.acuite.in
Registrar to the Issue	**Cameo Corporate Services Limited** **Address**: Subramanian Building, No. 1 Club House Road, Chennai – 600002 **Contact person**: R. D. Ramasamy **E-mail address**: investor1@cameoindia.com **Tel**: 044 40020752/741 **Fax**: N.A.

	Website: www.cameoindia.com
Statutory Auditors	**J A K S & Associates, Chartered Accountants** **Address:** TC 9/2763(12), Kulangara, 288, CSM Nagar, Edappazhinji, Thiruvananthapuram–695010, Kerala **Contact person**: CA Selastin A **E-mail address**: selastin@jaksllp.com **Tel**: +91 471 2723338 **Fax**: N.A. **Website**: www.jaksllp.com **Peer review number**-015382
Legal Counsel to the Issue	**Cyril Amarchand Mangaldas** **Address**: Peninsula Chambers, Peninsula Corporate Park, G.K. Marg, Lower Parel, Mumbai, Maharashtra 400 013 **Contact person**: Leena Chacko **E-mail address**: leena.chacko@cyrilshroff.com **Tel**: +91 22 249 64455 **Fax**: +91 22 249 63666 **Website**: www.cyrilshroff.com
Guarantor	**Not Applicable**
Arrangers	**Name**: **TIPSONS CONSULTANCY SERVICES PRIVATE LIMITED** **Address**: 401 Sheraton House, Opposite ketav Petrol Pump, polytechnic Road, Ambawadi, Ahmedabad 380015 **Contact** 079 66828047/66828000

	Phone: +91 9099933611 **Website**: www.tipsons.com **E-mail**: neha.jain@tipsons.com
	Name: **REAL GROWTH SECURITIES PRIVATE LIMITED** **Address**: 112-A, Jyoti Shikhar Building,, District Centre, Janakpuri, New Delhi, National Capital Territory of Delhi, 110058 **Contac**t : 01125513114 **Phone**: 01125513114 **Website**: http://www.realgrowth.org.in/ **E-mail**: rajesh.gupta@realgrowth.org.in

6 EXPENSES OF THE ISSUE

S.NO	PARTICULARS	FEE/EXPENSE AMOUNT (IN LAKHS)	% OF TOTAL ISSUE EXPENSES	% OF TOTAL ISSUE SIZE
1.	Lead Manager(s) fees	N. A	N. A	N. A
2.	Underwriting commission	N. A	N. A	N. A
3.	Brokerage, selling commission and upload fees	N. A	N. A	N. A
4.	Fees payable to the registrars to the issue	0.50	0.30%	0.00%
5.	Fees payable to the legal advisors	10.00	5.94%	0.03%
6.	Advertising and marketing expenses	N. A *	N. A *	N. A *
7.	Fees payable to the regulators including stock exchanges	7.79	4.63%	0.03%
8.	Expenses incurred on printing and distribution of issue stationary	N. A **	N. A **	N. A **
9.	Any other fees, commission and payments under whatever nomenclature	150.09	89.14%	0.49%

***** As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no specific advertising and marketing expenses are envisaged to be payable in respect of such issue of Debentures.

****** As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no specific expenses are envisaged to be incurred on printing and distribution of issue stationary in respect of such issue of Debentures.

******* As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no specific fees, commission and payments under whatever nomenclature are envisaged to be incurred in respect of such issue of Debentures.

7 CONSENT OF DIRECTORS, AUDITORS, BANKERS TO ISSUE, TRUSTEES, SOLICITORS OR ADVOCATES TO THE ISSUE, LEGAL ADVISORS TO THE ISSUE, LEAD MANAGERS TO THE ISSUE, REGISTRAR TO THE ISSUE, AND LENDERS (IF REQUIRED, AS PER THE TERMS OF THE AGREEMENT) AND EXPERTS.

PARTICULARS	REFERENCING
Directors	Please refer Annexure 10 in respect of the resolution passed at the meeting of the Board of Directors of the Issuer and at the meeting of ALCo Committee of the Board of Directors of the Issuer.
Auditors	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, and as no auditor's report is being obtained in respect of this issue of Debentures, the Issuer believes that no specific consent from the auditor is required.
Bankers to issue	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, no bankers have been appointed in respect of such issue of Debentures.
Trustees	Refer to Annexure 3 of this Key Information document
Solicitors /Advocates	N. A
Legal Advisors	N. A
Lead Manager	Not applicable.
Registrar	Refer to Annexure 5 of this Key Information document
Lenders of the Issuers	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, and as no statements or confirmations from any lenders are being obtained in respect of this issue of Debentures, the Issuer believes that no specific consent from the lenders of the Issuer is required.

Experts	As the Debentures will be issued by way of private placement to identified investors in accordance with the process prescribed by SEBI, and as no statements or confirmations from any experts are being obtained in respect of this issue of Debentures, the Issuer believes that no specific consent from the lenders of the Issuer is required.

8 Cash flows emanating from the non-convertible securities shall be mentioned in the offer document, by way of an illustration

The illustrative cash flows per Debenture (bearing face value of INR 1,00,000 (Indian Rupees One Lakh) is as under:

<table>
<tr><th>Particulars</th><th>Details</th></tr>
<tr><td>Name of Issuer</td><td>Kerala Financial Corporation</td></tr>
<tr><td>Face Value (per security)</td><td>INR 1,00,000</td></tr>
<tr><td>Tranche Issue Date / Date of Allotment</td><td>March 13,2024</td></tr>
<tr><td>Date of Redemption</td><td>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 on March 13, 2030 Sub-Series ‘B’ commencing from the end of 25th quarter on March 13,2031 and so on</td></tr>
<tr><td>Tenure and Coupon Rate</td><td>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
<table>
<tr><th>Sub-series</th><th>As % of Issue</th><th>Amount as per base issue size (in crores)</th><th>Redemption Date</th></tr>
<tr><td>A</td><td>20%</td><td>60</td><td>March 13, 2030</td></tr>
<tr><td>B</td><td>20%</td><td>60</td><td>March 13, 2031</td></tr>
<tr><td>C</td><td>20%</td><td>60</td><td>March 13, 2032</td></tr>
<tr><td>D</td><td>20%</td><td>60</td><td>March 13, 2033</td></tr>
<tr><td>E</td><td>20%</td><td>60</td><td>March 13, 2034</td></tr>
<tr><td>Total</td><td>100%</td><td>300</td><td></td></tr>
</table></td></tr>
<tr><td>Frequency of the interest/ dividend payment (with specified dates)</td><td>Interest will be payable Quarterly

First coupon would be paid on 13.06.2024 & thereafter as mentioned in the detailed cashflow below.</td></tr>
<tr><td>Day Count Convention</td><td>Actual / Actual</td></tr>
</table>

Cash Flow

Assumption			INR					
Aggregate Amount			5000000000					
STRPP Amount			100,000					
Rate of Interest (Assumed)			**8.89%**					
Effective Interest Rate			9.19%					
XIRR			9.19%	9.19%	9.19%	9.19%	9.19%	9.19%
Days in Year	**Days**	**Dates**	**A**	**B**	**C**	**D**	**E**	**Total**
		Issue Price per Bond	100,000	100,000	100,000	100,000	100,000	500,000
		Assumed STRPP Yield	9.19%	9.19%	9.19%	9.19%	9.19%	
		Price on Value Date	100000.00	100000.00	100000.00	100000.00	100000.00	500000.00
Issue Date		Wednesday, 13 March, 2024						
Value Date		Wednesday, 13 March, 2024	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Acc. Int.	0	Wednesday, 13 March, 2024	0	0	0	0	0	0
365	92	Thursday, 13 June, 2024	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	92	Friday, 13 September, 2024	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	91	Friday, 13 December, 2024	2216.41	2216.41	2216.41	2216.41	2216.41	11082.05
365	90	Thursday, 13 March, 2025	2192.05	2192.05	2192.05	2192.05	2192.05	10960.27
365	92	Friday, 13 June, 2025	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	92	Saturday, 13 September, 2025	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	91	Saturday, 13 December, 2025	2216.41	2216.41	2216.41	2216.41	2216.41	11082.05
365	90	Friday, 13 March, 2026	2192.05	2192.05	2192.05	2192.05	2192.05	10960.27
365	92	Saturday, 13 June, 2026	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	92	Sunday, 13 September, 2026	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	91	Sunday, 13 December, 2026	2216.41	2216.41	2216.41	2216.41	2216.41	11082.05
365	90	Saturday, 13 March, 2027	2192.05	2192.05	2192.05	2192.05	2192.05	10960.27
365	92	Sunday, 13 June, 2027	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	92	Monday, 13 September, 2027	2240.77	2240.77	2240.77	2240.77	2240.77	11203.84
365	91	Monday, 13 December, 2027	2216.41	2216.41	2216.41	2216.41	2216.41	11082.05
366	91	Monday, 13 March, 2028	2210.36	2210.36	2210.36	2210.36	2210.36	11051.78
366	92	Tuesday, 13 June, 2028	2234.64	2234.64	2234.64	2234.64	2234.64	11173.22
366	92	Wednesday, 13 September, 2028	2234.64	2234.64	2234.64	2234.64	2234.64	11173.22
366	91	Wednesday, 13 December, 2028	2210.36	2210.36	2210.36	2210.36	2210.36	11051.78
365	90	Tuesday, 13 March, 2029	2192.05	2192.05	2192.05	2192.05	2192.05	10960.27
365	92	Wednesday, 13 June, 2029	27240.77	2240.77	2240.77	2240.77	2240.77	36203.84
365	92	Thursday, 13 September, 2029	26680.58	2240.77	2240.77	2240.77	2240.77	35643.64
365	91	Thursday, 13 December, 2029	26108.21	2216.41	2216.41	2216.41	2216.41	34973.85
365	90	Wednesday, 13 March, 2030	25548.01	2192.05	2192.05	2192.05	2192.05	34316.23
365	92	Thursday, 13 June, 2030		27240.77	2240.77	2240.77	2240.77	33963.07
365	92	Friday, 13 September, 2030		26680.58	2240.77	2240.77	2240.77	33402.88
365	91	Friday, 13 December, 2030		26108.21	2216.41	2216.41	2216.41	32757.44
365	90	Thursday, 13 March, 2031		25548.01	2192.05	2192.05	2192.05	32124.18
365	92	Friday, 13 June, 2031			27240.77	2240.77	2240.77	31722.30
365	92	Saturday, 13 September, 2031			26680.58	2240.77	2240.77	31162.11
365	91	Saturday, 13 December, 2031			26108.21	2216.41	2216.41	30541.03
366	91	Saturday, 13 March, 2032			25552.59	2210.36	2210.36	29973.30
366	92	Sunday, 13 June, 2032				27234.64	2234.64	29469.29
366	92	Monday, 13 September, 2032				26675.98	2234.64	28910.63
366	91	Monday, 13 December, 2032				26105.18	2210.36	28315.53
365	90	Sunday, 13 March, 2033				25548.01	2192.05	27740.07
365	92	Monday, 13 June, 2033					27240.77	27240.77
365	92	Tuesday, 13 September, 2033					26680.58	26680.58
365	91	Tuesday, 13 December, 2033					26108.21	26108.21
365	90	Monday, 13 March, 2034					25548.01	25548.01
		TOTAL	**150027.56**	**158917.56**	**167812.14**	**176702.12**	**185587.56**	**839046.94**

9 OTHER DETAILS

1. 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.

2. Issue / Instrument specific regulations – relevant details (Companies Act, Reserve Bank of India guidelines, etc.)

The Debentures offered are subject to provisions of SEBI NCS Regulations, SEBI LODR Regulations, (j)(f)the SEBI (Debenture Trustees) Regulations, 1993 Securities Contracts (Regulation) Act, 1956, as amended, Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996, Reserve Bank of India guidelines, as amended and rules and regulations made under these enactments.

3. Default in Payment

Please refer to the section "**Default Interest Rate**" in the Summary of Terms in this Offer Document.

4. Delay in Listing

In accordance with Chapter VII of the Operational Master Circular, 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 and the Issuer shall be permitted to utilise the issue proceeds of its two subsequent privately placed issuances of securities only after receiving final listing approval from stock exchanges.

5. Delay in allotment of securities

In accordance with Chapter VII of the Master Circular, the allotment shall happen in accordance with applicable laws within 1 (one) or 2 (two) business days from the Issue Closing Date (as per the settlement cycle chosen by the Issuer). In the event of failure to do so, the Issuer shall pay interest for the delayed period as per the provision specified by regulatory authority from time to time.

6. Issue Details

Please refer to the '**Summary of Terms'** in this Offer Document.

7. Application Process

Please refer to the section '**Application / Bidding Process**' in this Offer Document.

8. 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

10 OTHER TERMS PERTAINING TO THE ISSUE

1. Issue size and Nature of Instrument

The Issuer proposes to issue up to INR 300,00,00,000 (Indian Rupees Three Hundred Crores only) along with a green shoe option of INR 200,00,00,000 (Indian Rupees Two Hundred Crores only). For details of the Issue, please refer to **Section 12** (*Summary of Terms*) of this Offer Document.

Actual allotment size pursuant to the allotment of the relevant Debentures on March 13,2024

INR 307.00 Crores (Indian Rupees Three Hundred and Seven Crores).

2. Objects of the Issue / Details of Utilisation of Issue Proceeds

Please refer to **Section 12** (*Summary of Terms*) of this Offer Document.

3. Face Value, Issue Price, Effective Yield for Investor

Each Debenture has a face value of INR 1,00,000 (Indian Rupees One Lakh) and is issued at face value i.e., for INR 1,00,000. Since there is no premium or discount on either issue price or on redemption value of the Debenture, the effective yield for the investors held to maturity shall be the same as the Coupon Rate on the Debentures.

4. Minimum Bid Lot

The minimum bid lot shall be 5 Debentures having face value of INR 1,00,000 (Indian Rupees One Lakh only) aggregating to INR 5,00,000 (Indian Rupees Five Lakhs only).

5. 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.

6. Deemed Date of Allotment

All benefits related to the Debentures will be available to the allottees from the Deemed Date of Allotment. The actual allotment of the Debentures may take place on a date other than the Deemed Date of Allotment. The Issuer reserves the right to keep multiple allotment date(s)/Deemed date(s) of Allotment at its sole and absolute discretion without any notice to the Debenture Holders. In case the Issue Closing Date is revised, the Deemed Date of Allotment may also be revised by the Issuer at its sole and absolute discretion.

7. Credit of Debentures

The Issuer shall credit the Debentures in no later than 2 (two) Business Days from the Issue Closing Date. The Issuer shall give the instruction to the Registrar for crediting the Debentures by 12:00 noon on the Pay-In Date. The Registrar shall provide corporate action file along with all requisite documents to Depositories by 12:00 noon on the Pay-In Date. The Issuer shall allot the Debentures and Issue and credit the Debentures in the beneficiary account of the investor(s) ("**Beneficiary Account**") with NSDL and CDSL.

8. Depository Arrangements

The Issuer has appointed Cameo Corporate Services Limited, as the Registrar for the Issue. A copy of the consent letter from the Registrar is attached in this Offer Document as **Annexure**

5 (*Consent Letter from the Registrar to the Issue*). The Issuer has made necessary Depository arrangements with NSDL and CDSL for the Issue and holding of Debentures in dematerialised form by investors. In this context, the Issuer has signed Tripartite Agreement between the Issuer, the Registrar and NSDL for offering Depository option to the investors; and

The Debenture Holders can hold the Debentures only in dematerialized form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

9. Listing

The Debentures are proposed to be listed on the WDM segment of BSE. The Issuer shall comply with the requirements of the simplified listing agreement read with SEBI LODR Regulations, to the extent applicable to it, on a continuous basis.

BSE has given its in-principle listing approval for the Debentures proposed to be offered through this Offer Document *vide* its letter dated March 06,2024. Please refer to **Annexure 6** (*In-Principle Approval from BSE*) to this Offer Document for the in-principle listing approval. The Issuer shall seek listing permission from Stock Exchange within 3 (three) trading days from the Issue Closing Date. In case of delay in listing of the Debentures beyond 3 (three) trading days from Issue Closing Date, the Issuer (i) shall pay penal interest to the Debenture Holders, of 1% (one percent) per annum over and above the Coupon Rate from the Deemed Date of Allotment to the date of listing of Debentures.

10. Coupon Rate

Please refer to **Section 12** (*Summary of Terms*) of this Offer Document.

11. Security

First ranking *exclusive* charge over the book debts and receivables of the Issuer with a minimum security cover being at least 100% (One Hundred percent) of the outstanding Redemption Amounts and Coupon due and payable thereon at any point of time (the "Security Cover"), in terms of the Deed of Hypothecation to executed the Issuer in favour of the Debenture Trustee.

12. Permission from the Prior Creditors for Creation of Pari Passu Charge

The Issuer has obtained the permission from the prior creditors for creation of *exclusive* charge.

13. Interest on Application Money

Please refer to **Section 12** (*Summary of Terms*) of this Offer Document.

14. Debentures in Dematerialised Form

The Issuer is issuing the Debentures only in dematerialized form and hence no Debentures are being issued in physical form in terms of the Offer Document. The Issuer has entered into arrangements with NSDL and CDSL for dematerialization of the Debentures.

Applicants have to mention their Depository Participant's name, DP-ID and Beneficiary Account Number/Client ID in the appropriate place in the Application Form. Debentures of successful allottee(s) having Depository account shall be credited to their Beneficiary Account.

The Principal Amount, Coupon or other benefits with respect to the Debentures would be paid to those Debenture Holders whose names appear on the list of Beneficial Owners given by the Depository to the Issuer at the close of the Record Date.

15. Undertaking – Common form of Transfer

The Debentures shall be transferred subject to and in accordance with the rules and procedures as prescribed by the NSDL / CDSL / Depository Participant of the transferor / transferee and any other Applicable Laws and rules notified in respect thereof.

The normal procedure followed for transfer of securities held in the dematerialized form shall be followed for transfer of the Debentures issued in terms of the Offer Document and held in electronic form. The seller should give delivery instructions containing details of the buyer's Beneficiary Account to his Depository Participant.

The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid / redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Issuer.

The Issuer is issuing the Debentures only in the dematerialized form and hence there is no physical holding of the Debentures being issued in terms of the Offer Document. The Issuer undertakes that it shall use a common form / procedure for transfer of the Debentures issued under the terms of the Offer Document, if at a later stage there is some holding in the physical form due to the Depository giving re-materialisation option to any investor.

16. Joint Holders

Where two or more persons are holders of any Debenture(s), they shall be deemed to hold the same as joint tenants with benefits of survivorship in the same manner and to the same extent and be subject to the same restrictions and limitations as in the case of the existing equity shares of the Issuer, subject to other provisions contained in the Constitutional Documents of the Issuer.

17. Mode of Transfer

The Debentures shall be transferable and transmittable in the same manner and to the same extent and be subject to the same restrictions and limitations as in the case of the existing equity shares of the Issuer. The provisions relating to transfer and transmission, nomination and other related matters in respect of equity shares of the Issuer, contained in the Constitutional Documents of the Issuer, shall apply mutatis mutandis to the transfer and transmission of the Debentures and nomination in this respect.

18. Succession

In the event of demise of the sole holder of the Debentures, the Issuer will recognize the executor or administrator of the deceased Debenture Holder, or the holder of succession certificate or other legal representative as having title to the Debentures. The Issuer shall not be bound to recognize such executor, administrator or holder of the succession certificate, unless such executor or administrator obtains probate or letter of administration or such holder is the holder of succession certificate or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter. The Directors of the Issuer may, in their absolute discretion, where they think fit, dispense with production of probate or letter of administration or succession certificate or other legal representation, in order to recognize

such holder as being entitled to the Debentures standing in the name of the deceased Debenture Holder on production of sufficient documentary proof or indemnity.

19. Record Date

The Record Date for the Debentures shall be [10 (ten) days] prior to the date of each of the Coupon Payment Date and/or the Redemption Date, as the case may be.

The Coupon and/or Redemption Amount shall be paid to the person whose name appears as sole / first holder in the register of Debenture Holders / beneficiaries at the close of the Record Date.

In the event Issuer does not receiving any notice of transfer at least [15 (fifteen) days] before the Coupon Payment Date and/or Redemption Date, as applicable and at least [15 (fifteen) days] prior to the Redemption Date, as the case may be, the transferees of such Debentures shall not have any claim against the Issuer in respect of Coupon and/or Redemption Amount so paid to the registered Debenture Holders.

In case of those Debentures for which the beneficial owner is not identified by the Depository at the close of the Record Date, the Issuer would keep in abeyance the payment of Coupon, Redemption Amount or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to the Issuer, whereupon the Coupon, Redemption Amount or benefits will be paid to the beneficiaries, as identified, within a period of [30 (thirty) days] from the date of such notification by the Depository.

20. List of Debenture Holders / Beneficiaries

The Issuer shall request the Registrar / Depository to provide a list of Debenture Holder(s)/Beneficial Owner(s) at the close of the Record Date. This shall be the list, which shall be considered for payment of interest or Redemption Amount, as the case may be.

21. Interest on Debentures

The Debentures shall carry interest at Coupon Rate (subject to deduction of tax at source as per the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof). The Coupon shall be payable on Coupon Payment Date.

The Coupon on the Debentures will be paid to the Debenture Holder(s) / Beneficial Owner(s) as per the beneficiary list provided by the Registrar / Depository at the close of the Record Date.

The payment will be made by way of Cheque / DD / RTGS / NEFT / electronic mode and any other prevailing mode of payment from time to time in the name of Debenture Holder(s) whose names appear on the list of Beneficial Owners as on Record Date given by the Depository/Registrar to the Issuer at the close of the Record Date. Cheque / DD will be dispatched to the Debenture Holder(s) by courier / registered post / hand delivery, in accordance with the existing rules / laws at the sole risk of the Debenture Holder(s) to the sole holder(s) / first named holder(s) at the address registered with the Issuer.

Coupon in all cases shall be payable on the amount of outstanding Debentures on an Actual/Actual basis, i.e., actual number of days elapsed divided by the actual number of days in the year and rounded off to the nearest Rupee.

22. Deduction of Tax at Source (TDS) The Debenture Holders should consult their own independent tax advisers to understand their positions. In addition, the Debenture Holders should be aware that the tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Therefore, the Debenture Holders are advised to consider the tax implications in respect of subscription to the Debentures in consultation with their tax advisors.

The TDS as per the applicable provisions of the Income Tax Act, 1961 or any other statutory modification or re-enactment thereof will be deducted on payments/ credits (whichever is earlier) of interest or any other sums payable in respect of the Debentures. For seeking TDS exemption/lower rate of TDS, relevant certificate(s)/ order(s) /declaration(s)/ document(s) must be lodged at least [15 (fifteen) days] before the Coupon Payment Date (s) with the Registrar or to such other person(s) at such other address(es) as the Issuer may specify from time to time through suitable communication. Tax exemption certificate/ order/ declaration/ document of non-deduction of tax at source on Interest on Application Money, should be submitted along with the Application Form.

Necessary TDS certificates in respect of tax deducted by the Issuer shall be issued to the Debenture Holders in accordance with the provisions of the Income Tax Act, 1961 and the Income Tax Rules, 1962.

Regarding TDS and the requisite certificate(s) / order(s) / declaration(s) / document(s) forms to be submitted, prospective investors are advised to consult their own tax consultant(s).

With effect from 1 June 2008 under Section 193 of the Income Tax Act, 1961, no tax is deductible at source from the amount of interest payable on any security issued by a company in dematerialized form and listed on a recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder, held by a person resident in India. Since the Debentures shall be issued in dematerialized mode and are proposed to be listed on BSE, no tax will be deductible at source on the payments or credits of interest on the Debentures held by any person resident in India in accordance with above Section 193 of the Income Tax Act, 1961.

In respect of non-resident Debenture Holders, the TDS or withholding tax will be applicable as per Section 194LD of the Income Tax Act, 1961.

Above provisions of the Income Tax Act, 1961 may get amended during the tenor of the Debentures and the Issuer shall comply with such amended laws and regulations and deduct TDS / withholding tax as required.

23. Payment on Redemption

The Debentures shall be redeemed at par on the Redemption Dates as mentioned in the "**Summary of Terms**" i.e., at **Section** 12 of this Offer Document.

The Debentures will not carry any obligation, for Coupon or otherwise, after the payment are made on the Redemption Date. The Debentures held in the dematerialised form shall be taken as discharged on payment of the Redemption Amount by the Issuer on Redemption Date to the registered Debenture Holders whose name appear in the Register of Debenture Holders/list of Beneficial Owners as per the list provided by the Depository(ies), on the Record Date. Such payment will be a legal discharge of the liability of the Issuer towards the Debenture Holders.

Payment of Redemption Amount will be made by way of Cheque / DD / RTGS / NEFT / Electronic mode and any other prevailing mode of payment in the name of Debenture Holder(s) / Beneficial Owner(s) whose name appears on the list of Beneficial Owners given by the Depository /Registrar to the Issuer as on the Record Date. Cheque / DD will be dispatched to the Debenture Holder(s) by courier / registered post / hand delivery, in accordance with the existing rules / laws at the sole risk of the Debenture Holder(s) to the sole holder(s) / first named holder(s) at the address registered with the Depository.

In respect of any Debentures held physically under a consolidated debenture certificate, payments will be made by way of cheque or DD or electronically. However, if the Issuer so requires, payments on maturity may be made upon the surrender of the consolidated debenture certificate(s). Dispatch of cheque or DD in respect of payments with respect to redemptions will be made within a period of [30 (thirty) days] from the date of receipt of the duly discharged consolidated debenture certificate. No interest will accrue after the Redemption Date, irrespective of the fact whether consolidated debenture certificate is surrendered or not.

24. Future Borrowings

The Issuer shall be entitled to borrow/raise loans or avail of financial assistance in whatever form as also issue debentures / notes / other securities in any manner and to change its capital structure including issue of shares of any class or redemption or reduction of any class of paid up capital, on such terms and conditions as the Issuer may think appropriate, without the consent of, or intimation to, Debenture Holders/Debenture Trustee in this connection subject to the adherence to the Financial Covenants and ownership and control related covenants in terms of the Transaction Documents.

25. Business Day Convention / Effect of Holidays

If any of the Coupon Payment Date(s), other than the ones falling on the Redemption Date, falls on a day that is not a Business Day, the payment shall be made by the Issuer on the immediately succeeding Business Day, which becomes the Coupon Payment Date for that Coupon. However, the future Coupon Payment Date(s) would be as per the schedule originally stipulated at the time of issuing the Debentures.

If the Redemption Date of the Debentures falls on a day that is not a Business Day, the Redemption Amount shall be paid by the Issuer (along with Coupon accrued on the Debentures until but excluding the date of such payment) on the immediately preceding Business Day.

26. Right of Consolidation and Reissuance

The Board of Directors of the Issuer shall have the power to consolidate and reissue its debt securities including the Debentures on such terms and conditions as they may deem fit.

27. Tax Implications to The Debenture Holders

The holder(s) of the Debentures are advised to consider in their own case, the Tax implications in respect of subscription to the Debentures after consulting their own Tax advisor/ counsel.

28. Consents

The consent in writing of Registrar to the Issue and the Debenture Trustee to act in their respective capacities have been obtained (refer **Annexure 5** *(Consent Letter from the*

Registrar to the Issue) and **Annexure 3** (*Consent Letter from the Debenture Trustee)* respectively).

29. Sharing of Information

The Issuer may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Debenture Holders available with the Issuer, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Issuer nor its subsidiaries and affiliates or their agents shall be liable for use of the aforesaid information.

30. Debenture Holder not a Shareholder

The Debenture Holders will not be entitled to any of the rights and privileges available to the Shareholders of the Issuer.

31. Modification of Rights

The rights, privileges, terms and conditions attached to the Debentures may be varied, modified or abrogated by the Issuer, with the consent, in writing, of those Debenture Holders who hold at least three fourth of the outstanding amount of the Debentures or with the sanction accorded pursuant to a resolution passed at a meeting of the Debenture Holders, provided that nothing in such consent or resolution shall be operative against the Issuer where such consent or resolution modifies or varies the terms and conditions of the Debentures, if the same are not acceptable to the Issuer.

32. Notice(s)

All notices to the Debenture Holder(s) required to be given by the Issuer or the Debenture Trustee from time to time, shall be deemed to have been given if sent by registered post / by courier/email to the sole / first holder or the sole / first Beneficial Owner of the Debentures or registered e-mail id of such holder, as the case may be, or if published in one English and one regional language daily newspaper in Thiruvananthapuram,Kerala.

All notice(s) to be given by the Debenture Holder(s) shall be sent by registered post or by hand delivery or courier to the Issuer or to such persons at such address as may be notified by the Issuer from time to time through suitable communication.

33. Disputes and Governing Law

The Debentures are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof will be subject to the exclusive jurisdiction of the courts at Thiruvananthapuram,Kerala in India.

34. Particulars of the dates of, and parties to all Material Contracts, Agreements involving Financial Obligations of the Issuer

Material Contracts – By very nature and volume of its business, the Issuer is involved in a large number of transactions involving financial obligations and therefore it may not be possible to furnish details of all material contracts and agreements involving financial obligations of the Issuer. However, the contracts referred to in Para A below (not being contracts entered into in the ordinary course of the business carried on by the Issuer) which are or may be deemed to be material for this Issue have been entered into by the Issuer. Copies of these contracts together with the copies of documents referred to in Para B may be

inspected at the Head Office of the Issuer between 10:00 a.m. and 12:00 noon on any working day until the Issue Closing Date.

Para A:

Letter appointing M/s Cameo Corporate Services Limited as Registrars to the Issue.

Letter appointing M/s Beacon Trusteeship Limited as trustee for the benefit of the Debenture Holders.

Debenture Trustee Appointment Agreement dated March 02, 2024.

Debenture Trust Deed.

Para B:

Board resolution dated May 27, 2023 for giving powers to ALCo Committee forraising of Non SLR Bonds up to Rs 1000 Crores.

Board resolution dated February 09, 2024 for giving powers to ALCo Committee forraising of Non SLR Bonds up to Rs 500 Crores before March 31, 2024.

ALCo Committee resolution dated February 02, 2024 for raising of Non SLR Bondsup to Rs 500 Crores before March 31, 2024.

Shareholder resolution dated June 26, 2023 for approving the proposal of raisingfunds not exceeding Rs 1000 Crores by way of Non-Convertible Securities.

Consent letter from M/s Beacon Trusteeship Limited for acting as Debenture Trusteefor and on behalf of the Debenture Holders dated March 02, 2024.

Due diligence certificate issued by Debenture Trustee dated March 04, 2024.

Consent letter from M/s Cameo Corporate Services Limited for acting as Registrarsto the Issue dated March 04, 2024.

Letter from BSE dated March 06,2023 conveying its in-principle approval for listing of Debentures.

Letters from Infomerics Valuation and Rating Private Limited dated December 08, 2023 and Letters from Acuite Ratings and Research Limited dated August 09,2023 conveying the credit rating for the Debentures of the Issuer.

Tripartite Agreement between the Issuer, NSDL and the Registrar for the Issue of Debentures in dematerialised form.

Tripartite Agreement between the Issuer, CDSL and the Registrar for the Issue of Debentures in dematerialised form.

Annual Reports of the Issuer for last three years.

Unaudited financial statement of the Issuer along with the limited review report forthe period ended on December 31,2023.

11 APPLICATION / BIDDING PROCESS

1. Bidding Process

This section applies to all Eligible Investors. Please note that all Eligible Investors are required to make payment of the full application amount in accordance with the Operational Guidelines.

Pursuant to a resolution of the board of directors dated February 09, 2024 and Shareholder resolution dated June 26,2023 the Issuer has been authorised to issue the debentures upto INR 500,00,00,000 (Indian Rupees Five Hundred Crores only) in one or more tranches, on private placement basis to, *inter-alia*, invite bids in relation to the issue of Debentures pursuant to this Offer Document.

2. Who can bid?

All Eligible Investors comprising of (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 the Debentures in accordance with applicable law., are eligible to bid for this Issue .

All applicants are required to comply with the relevant regulations/ guidelines applicable to them for investing in the Issue as per the norms approved by Government of India, RBI or any other statutory body from time to time, including but not limited to BSE EBP Guidelines as published by BSE on its website and SEBI for investing in this Issue. The contents of this Offer Document and any other information supplied in connection with this Offer Document or the Debentures are intended to be used only by those investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced or disseminated by the recipient.

The Issue will be under the electronic book mechanism as required in terms of the Operational Guidelines.

However, out of the aforesaid class of investors eligible to invest, this Offer Document is intended solely for the use of the person to whom it has been sent by the Issuer for the purpose of evaluating a possible investment opportunity by the recipient(s) in respect of the securities offered herein, and it is not to be reproduced or distributed to any other persons (other than professional advisors of the prospective investor receiving this Offer Document from the Issuer.

3. Right to Accept or Reject Bids

The Issuer reserves its full, unqualified and absolute right to accept or reject any application for bid, in part or in full, without assigning any reason thereof, in accordance with the Operational Guidelines**.**

4. How to Bid?

All Eligible Investors will have to register themselves as a one-time exercise (if not already registered) with BSE Bond-EBP Platform offered by BSE for participating in electronic book building mechanism. Eligible Investors should refer the Operational Guidelines for issuance of debt securities on private placement basis through an electronic book mechanism as available on web site of BSE. Eligible Investors will

also have to complete the mandatory KYC verification process. Eligible Investors should refer to the BSE EBP Guidelines.

The details of the Issue shall be entered on the BSE Bond- EBP Platform by the Issuer at least 2 (two) working days prior to the Issue / Bid Opening Date, in accordance with the Operational Guidelines.

The Issue will be open for bidding for the duration of the bidding window that would be communicated through the Issuer's bidding announcement on the BSE Bond-EBP Platform, at least 1 (one) working day before the start of the Issue / Bid Opening Date.

A bidder will enter the bid amount while placing their bids in the BSE Bond-EBP Platform.

Some of the key guidelines in terms of the Operational Guidelines on issuance of securities on private placement basis through an electronic book mechanism, are as follows:

Modification of Bid

Eligible Investors may note that modification of bid is allowed during the bidding period / window. However, in the last 10 (ten) minutes of the bidding period / window, revision of bid is only allowed for upward revision of the bid size/ value/ quantum (in INR crores) or downward revision of coupon / spread or upward modification of price, placed by the Eligible Investor.

Cancellation of Bid

Eligible Investors may note that cancellation of bid is allowed during the bidding period / window. However, in the last 10 (ten) minutes of the bidding period / window, no cancellation of bids is permitted.

Multiple Bids

Investors may place multiple bids.

Manner of Bidding

The issue will be through close bidding on the BSE Bond-EBP Platform in line with the Operational Guidelines.

Manner of Allotment

The allotment will be done on [uniform yield allotment/multiple yield allotment] basis in line with the Operational Guidelines

Manner of Settlement

Settlement of the Issue will be done through Indian Clearing Corporation Limited. Please refer to Section 11.4.17 (*Payment Mechanism*) of this Offer Document for moreinformation.

Settlement Cycle

The process of pay-in of funds by Eligible Investors and pay-out to Issuer will be done on T+1 day, where T is the Issue / Bid Closing Day.

Withdrawal of Issue

The Issuer may, at its discretion, withdraw the issue process on the following conditions:

(i) non-receipt of bids upto the Issue Size;

(ii) bidder has defaulted on payment towards the allotment, within the stipulated time frame, due to which the Issuer is unable to fulfil the Issue Size.

Provided that the Issuer shall accept or withdraw the Issue on the BSE Bond-EBP Platform within 1 (one) hour of the closing of the bidding window, and not later than 6 pm on the Issue/Bidding Closing Date.

However, Eligible Investors should refer to the Operational Guidelines as prevailing on the date of the bid.

Payment of Issue price and pay-in-date:

Face Value of Debenture i.e., INR 1,00,000 (Indian Rupees One Lakh) per Debenture on the Pay-In Date.

Application / Bid Size

Applications / Bids for the Debentures are required to be for a minimum of 100 (one hundred) Debenture and multiples of 1 (one) Debenture thereafter. All Eligible Investors under the Operational Guidelines and subsequent Debenture Holders (who shall purchase the Debentures in the secondary market) are required to consult their own advisors in investing in the Debentures and comply with the relevant rules, regulations, guidelines or notifications applicable to them for investing in the Debentures.

Allocation and Basis of Allotment

Provisional / Final Allocation

Allocation shall be made on *pro rata* basis for a minimum amount of INR 5,00,000 (Indian Rupees Five Lakhs only) by a single investor and in multiples of the bidding lot size, i.e., in multiples of INR 5,00,000 (Indian Rupees Five Lakhs only)

Post completion of bidding process, the Issuer will upload the provisional allocation on the BSE Bond-EBP Platform. Post receipt of investor details, the Issuer will upload the final allocation file on the BSE Bond-EBP Platform applications by successful bidders.

Bids needs to be submitted by Issue closing time or such extended time as decided by the Issuer on BSE Bond-EBP Platform. Post that the original Applications Forms (along with all necessary documents as detailed in this Offer Document), payment details and other necessary documents should be sent to the Corporate Office of the Issuer on the same day.

Payment Mechanism

Successful bidders shall make remittance of application money by way of electronic transfer of funds through RTGS/electronic fund mechanism for credit by the pay-in time in the bank account of ICCL appearing on the BSE Bond- EBP Platform in accordance with the timelines set out in the BSE EBP Guidelines and the relevant rules and regulations specified by SEBI in this regard. All payments must be made through RTGS as per the bank details mentioned in the Application Form / BSE Bond- EBP Platform.

The entire amount of Rs 100000 per Debenture is payable on application.

Successful bidders must do the subscription amount payment to the Designated Bank Account on or before 10.30 am on the Pay-In Date ("**Pay-in Time**"). Successful bidders should ensure to make payment of the subscription amount for the Debentures from their same bank account which is updated by them in the BSE Platform while placing the bids. In case of mismatch in the bank account details BSE Bond-EBP Platform and the bank account from which payment is done by the successful bidder, the payment would be returned.

Note: In case of failure of any successful bidder to complete the funds pay-in by the Pay-in Time or the funds are not received in the Designated Bank Account by the Pay-in Time for any reason whatsoever, the bid will be liable to be rejected and the Issuer shall not be liable to the successful bidder.

Funds payment to the Issuer would be made by ICCL to the following bank account of the Issuer:

Bank	: HDFC Bank
Branch	: Thiruvananthpuram
Account Number	: 50200093433309
Account name	: M/s KFC NON SLR BOND ISSUE SERIES 1/2024
IFSC Code	: HDFC0001596

Cheque(s), demand draft(s), money orders, postal orders will not be accepted. The Issuer assumes no responsibility for any applications lost in mail. The entire amount of Rs 1,00,000 per Debenture is payable on application.

Applications should be for the number of Debentures applied by the successful bidders. Applications not completed in the said manner are liable to be rejected. The name of the successful bidder's bank, type of account and account number must be filled in the Application Form. This is required for the successful bidder's own safety and these details will be printed on the refund orders and interest/ redemption warrants.

The successful bidder or in the case of an application in joint names, each of the successful bidder, should mention his/her Permanent Account Number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income Tax Circle/Ward/District. As per the provision of Section 139A (5A) of the IT Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the successful bidder should mention his PAN/GIR No. In case neither the PAN nor the GIR Number has been allotted, the successful bidder shall mention "Applied for" nor in case the successful bidder is not assessed to income tax, the

successful bidder shall mention 'Not Applicable' (stating reasons for non-applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

All successful bidders are requested to tick the relevant column "Category of Investor" in the Application Form. Public/ Private/ Religious/ Charitable Trusts, Provident Funds and Other Superannuation Trusts and other investors requiring "approved security" status for making investments.

For further instructions about how to make an application for applying for the Debentures and procedure for remittance of application money, please refer to the Issue Details and the Application Form.

Basis of Allotment

Notwithstanding anything stated elsewhere, Issuer reserves the right to accept or reject any application, in part or in full, without assigning any reason. Subject to the aforesaid, in case of over subscription, the allotment and settlement amount of the bidders shall be based on the following:

(a) All bids shall be arranged as per 'price time priority';

(b) In case of 'uniform yield allotment', allotment and settlement value shall be based on the cut-off price determined in the bidding process;

(c) In case of 'multiple yield allotment', allotment and settlement value shall be based on the price quoted by each bidder/ allottee in the bidding process.

The investors will be required to remit the funds as well as submit the duly completed Application Form along with other necessary documents to Issuer by the Deemed Date of Allotment.

Depository Arrangement

The Issuer shall make necessary arrangement with CDSL and NSDL for issue and holding of Debenture in dematerialised form.

List of Beneficiaries

The Issuer shall request the Registrar to provide a list of beneficiaries as at the end of each Record Date. This shall be the list, which will be used for payment or repayment of redemption monies.

Application by Scheduled Commercial Banks

The application must be accompanied by certified true copies of (i) board resolution authorising investments; (ii) letter of authorization or power of attorney and (iii) specimen signatures of authorised signatories.

Application by Co-operative Banks

The application must be accompanied by certified true copies of: (i) resolution authorizing investment along with operating instructions/power of attorney; and (ii) specimen signatures of authorised signatories.

Applications by Companies/Financial Institutions

The applications must be accompanied by certified true copies of (i) memorandum and articles of association/constitution /bye-laws (ii) resolution authorising investment and containing operating instructions and (iii) specimen signatures of authorised signatories.

Applications Under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the Tax exemption certificate/document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Issuer or to the Registrars or to such other person(s) at such other address(es) as may be specified by the Issuer from time to time through a suitable communication.

Application by Mutual Funds

(i) A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. (ii) Applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made. The applications must be accompanied by certified true copies of (i) SEBI Registration Certificate and Trust Deed (iii) resolution authorising investment and containing operating instructions and (iii) specimen signatures of authorised signatories.

Application by Insurance Companies

the applications must be accompanied by certified copies of (i) memorandum and articles of association (ii) power of attorney (iii) resolution authorising investment and containing operating instructions (iv) specimen signatures of authorised signatories.

Application by Provident Funds, Superannuation Funds and Gratuity Funds

The applications must be accompanied by certified true copies of

1. Debenture Trust Deed / bye laws /resolutions
2. Resolution authorizing investment
3. Specimen signatures of the authorized signatories

Those desirous of claiming Tax exemptions on interest on application money are compulsorily required to submit a certificate issued by the Income Tax officer along with the Application Form. For subsequent interest payments, such certificates have to be submitted periodically.

Terms of Payment

The full-face value of the Debentures applied for is to be transferred to the Designated Bank Account simultaneously with the submission the Application Form with the Issuer. Successful bidders need to send in the Application Form and the details of RTGS for the full value of Debentures applied for.

Date of Subscription

The date of subscription shall be the date of realisation of proceeds of subscription money in the Designated Bank Account.

Settlement Process

Successful bidders shall be required to transfer funds from bank account(s) registered with BSE Bond-EBP Platform to the bank account of ICCL i.e., to the Designated Bank Account to the extent of funds pay-in obligation on or before 10.30 a.m. on the Pay-In Date. The Issuer shall accordingly inform BSE Bond-EBP Platform about the final decision of the Issuer to go-ahead with allotment for the Issue by 12.00 pm. Depositories on the instruction of Issuer or through its Registrar, will credit the Debentures to the demat account of the investors, in accordance with the Operational Guidelines.

Post-Allocation Disclosures by the EBP

Upon final allocation by the Issuer, the Issuer shall disclose the Issue Size, Coupon Rate, Redemption Premium, ISIN, number of successful bidders, category of the successful bidder(s), etc., in accordance with the SEBI EBP Circular. The EBP shall upload such data, as provided by the Issuer, on its website to make it available to the public.

12 SUMMARY OF TERMS

Security Name (Name of the non-convertible securities which includes (Coupon/dividend, Issuer Name and maturity year) e.g. 8.70% XXX 2015.	Kerala Financial Corporation Series I 2024
Issuer	Kerala Financial Corporation
Type of Instrument	Senior Rated, Listed, Secured, Taxable, Redeemable Non-Convertible Debentures
Nature of Instrument (Secured or Unsecured)	Secured
Seniority (Senior or Subordinated)	Senior
Mode of Issue	Private Placement
Eligible Investors	(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 Debentures in accordance with applicable law.
Listing (name of stock Exchange(s) where it will be listed and timeline for listing)	On Wholesale Debt Market segment of BSE. Listing application shall be filed with the Stock Exchange within 3 (three) trading days from the Issue Closing Date. The Issuer shall seek listing permission from Stock Exchange within 3 (three) trading days from the Issue

	Closing Date. In case of delay in listing beyond 3 (three) Business Days from the Issue Closing Date, the Corporation 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.
Rating of the Instrument	AA with Stable outlook by Acuite Ratings dated 09.08.2023 AA with Stable outlook by Infomerics dated 08.12.2023
Issue Size	Base issue size of INR 300,00,00,000 (Indian Rupees Three Hundred Crores only) along with a green shoe option of INR 200,00,00,000 (Indian Rupees Two Hundred Crores only).
Actual allotment size pursuant to the allotment of the relevant Debentures on March 13,2024	INR 307.00 Crores (Indian Rupees Three Hundred and Seven 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)	Green shoe option of INR 200,00,00,000 (Indian Rupees Two Hundred Crores only).
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.
In case the issuer is a NBFC and the objects of the issue entail loan to any entity who is a 'group company' then disclosures shall be made in the following format:	Not Applicable
Details of the utilisation of the Proceeds	As mentioned in Objects of the Issue / Purpose for which there is requirement of funds above
Coupon/Dividend Rate	8.89 per annum Payable Quarterly
Step Up / Step Down Coupon Rate	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/ Debenture holders for premature redemption. Such higher rates would be effective only from the date of downgrade. On exercise of this right by any investor, the Issuer needs to repay within 30 (thirty) days from the date of notice of exercise of such right by such investor. In case of such downgrade of rating being upgraded in future, the coupon rate(s) will be reversed, effective from the date of such upgrade, and subject to minimum initial coupon rate.
Coupon/Dividend Payment Frequency	Quarterly
Coupon/Dividend Payment Date(s)	First coupon would be paid on June 13,2024 and thereafter as on dates stipulated in the Offer Document
Cumulative /Non-cumulative, in case of dividend	Not Applicable

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 Basis
Interest on Application Money	Not Applicable
Default Interest Rate	**Delay in Listing:** In case of delay in listing beyond 3 (three) Business Days from the Issue Closing Date, the Corporation 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. Further, the Corporation shall be permitted to utilise proceeds of its subsequent two privately placed issues, only after receiving final listing approval from the Stock Exchange. **Payment Default** 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. **Delay in creation and perfection of security** 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 law, shall be payable on the principal amount of the Debt Securities till the date of perfection of the security interest.
Tenor	6 years to 10 years, with equal quarterly redemption in each Series, with the first redemption scheduled in the 21st quarter.

Sub-series	As percentage of Issue	Amount as per base issue size (in crores)	Redemption Date
A	20%	60	March 13.2030
B	20%	60	March 13.2031
C	20%	60	March 13.2032
D	20%	60	March 13.2033
E	20%	60	March 13.2034
Total	100%	300	

Redemption Date	The issue of INR 500 crore 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 STRPP Sub-Series 'A' to Sub-Series 'E' would be redeemable in 4 equal quarterly instalments of 5% of the aggregate issue size, with redemption of Sub-Series 'A' commencing from the end of 21st quarter, Sub-Series 'B' commencing fromthe end of 25th quarter and so on.

Redemption Amount	At par (INR 1 Lakh) per bond under each Sub-Series
Redemption Premium / Discount	At par (INR 1,00,000) per bond under each sub-series.
Issue Price	At par (INR 1,00,000) per bond under each sub-series.
Discount at which security is issued and the effective yield as a result of such discount	Not Applicable.
Premium/Discount at which security is redeemed and the effective yield as a result of such premium/discount	Not Applicable.
Put Date	N.A. (except rating downgrade clause as mentionedabove)
Put Price	Not Applicable.
Call Date	Not Applicable.
Call Price	Not Applicable.
Put Notification Time (Timelines by which the investor need to intimate Issuer before exercising the put)	Not Applicable.
Call Notification Time (Timelines by which the Issuer need to intimate investor before exercising the call)	Not Applicable.
Face Value	Debentures under each sub-series would have a face value of INR 1,00,000 (Indian Rupees One Lakh) each.
Minimum Application and in multiples thereafter	1 Debenture and in multiple of 1 thereafter for each STRPP A to E
Issue Timing	11 AM to 1:00 PM
Issue / Bid Opening Date	March 12,2024
Issue / Bid Closing Date	March 12,2024
Pay – in Date	March 13,2024
Deemed Date of Allotment	March 13,2024
Manner of allotment	The allotment will be done on uniform yield basis / multiple yield basis] in line with Securities and Exchange Board of India Master Circular No. SEBI/ HO/DDHS/PoD1/P/CIR/2023/119 dated 10 August 2021(updated as on July 07, 2023) issued under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and any amendments thereto read with updated operational guidelines for issuance of securities on private placement basis through the electronic book mechanism" issued by BSE vide their notice 20180928-24 dated 28 September 2018 and any amendments thereto.
Settlement mode of the	ICCL.

Instrument	Settlement of the Issue will be done through Indian Clearing Corporation Limited. Please refer to the section 11.4.17 (Payment Mechanism) in this Offer Document for further information.
Allocation Option	Uniform
Bid Book Type	Closed
Settlement Mechanism	Through BSE EBP
Depository	NSDL and/or CDSL.
Disclosure of interest / Redemption Dates	As mentioned in cash flow.
Record Date	10 days prior to each Coupon Payment Date and Redemption Date.
All covenants of the Issue (including side letters, accelerated payment clause etc.)	**COVENANTS RELATED TO THE ACCOUNTS** **PART A – OPERATION OF THE ACCOUNTS IN ORDINARY COURSE** Subject to the terms of the Accounts Agreement, until the Final Settlement Date, the Accounts shall be governed as per the mechanism stipulated below. In the event that the Due Amounts and/or Debt Service Reserve Amount or any shortfall thereof or in any other amounts payable in any of the Account(s) are not transferred to such Account(s) due to such day not being a Business Day, or otherwise, such shortfall shall be cumulated on a rolling basis and be carried forward and aggregated with the amounts payable on the immediately following Business Day. **1.** Deposits into and Withdrawals from the Debenture Servicing Account **(a)** Deposits into the Debenture Servicing Account **(i)** On and from the 1st (first) day of each Servicing Quarter, Receivables equivalent to 2% (two percent) of the outstanding Secured Obligations payable on the immediate Due Date (T), shall be remitted from the Revenue Account on each Business Day and credited to the Debenture Servicing Account, such that the funding of an amount equivalent to the Due Amount is available in the Debenture Servicing Account within 15 (fifteen) days prior to the Due Date (T-15 days) ("Funding Date"). Upon an amount equivalent to the Due Amount for the relevant Servicing Quarter being credited to the Debenture Servicing Account, the Issuer shall be entitled to make a request to the Revenue Bank to stop the remittance to the Debenture Servicing Account on each Business day, as set out in this Paragraph 1 (a) (i), till the end of such Servicing Quarter. **(ii)** If the Debenture Servicing Account is not funded with an amount equivalent to the Due Amount within the Funding Date in accordancewith Paragraph 1 **(a)** (i) above, the Debenture Trustee shall issue a notice to the Issuer in the form set out in the Accounts Agreement ("Shortfall Notice"), calling upon the Issuer to fund the shortfall within the

	next 5 (five) days (T-10 days) from the date such notice ("Shortfall Funding Date"). **(iii)** In the event an amount equivalent to the Due Amount is not funded by the Issuer in the Debenture Servicing Account within the Shortfall Funding Date in accordance with Paragraph 1 (a) (ii) above, the Debenture Trustee shall transfer an amount equivalent to such shortfall from the DSRA to the Debenture Servicing Account on the day immediately succeeding the Shortfall Funding Date (T-9 days) to meet such shortfall in the Due Amount ("Final Funding Date"). **(iv)** Upon utilisation of the Debt Service Reserve Amount in accordance with Paragraph 1 (a) (iii) above, the DSRA shall first be fully replenished in accordance with Paragraph 2 (a) (ii), upon notice issued by the Debenture Trustee to the Revenue Bank, in the form set out in the Accounts Agreement, pursuant thereto the Receivables available in the Revenue Account shall be transferred by the Revenue Bank to the Debenture Servicing Account on an ongoing basis until the Due Amount payable on the immediate Due Date is available in the Debenture Servicing Account. Thereinafter, the Receivables equivalent to 2% (two per cent) of the outstanding Secured Obligations payable on the immediate Due Date shall continue to be remitted on each Business Day from the Revenue Account into the Debenture Servicing Account in accordance with Paragraph 1 (a) (i) above. **(v)** In the event an amount equivalent to the Due Amount is not available in the Debenture Servicing Account pursuant to utilisation of the amounts in the DSRA in accordance with Paragraph 1 (a) (iii) above, and continues to remain overdue for the next 30 (thirty) days from the Due Date (T+30 days), then the Debenture Trustee shall transfer such shortfall from the Cash Collateral Account into the Debenture Servicing Account to meet the shortfall in the Due Amount and issue a Shortfall Notice to the Issuer to replenish the Cash Collateral Account within the next 30 (thirty) days from the date of issuance ofShortfall Notice (T+60 days). **(vi)** Notwithstanding the terms of this Agreement that provide for the appropriation the Receivables from the Revenue Account or the transfer the funds from the other Accounts to the Debenture Servicing Account, the obligation of the Issuer to fund the Debenture Servicing Account to the extent of the Due Amount, within the timelines specified in this Paragraph 1 **(a)** (Deposits into the Debenture Servicing Account), shall continue until the Final Settlement Date. The Revenue Bank shall remit the amounts from the Revenue Account to the Debenture Servicing Account in accordance with the standing instructions from the Issuer (in the form as more particularly setout in the Accounts Agreement) on or before 3.30 PM on the respective Business Day. The Revenue Bank shall have no obligation to ensure the receipt of the amount in the Debenture Service Account. **(b)** Withdrawals from the Debenture Servicing Account **(i)** Until the Debenture Trustee issues an EOD Intimation Notice, the amounts lying to the credit of the Debenture Servicing Account shall be permitted to be withdrawn in accordance with

this Agreement, in the following order of priority until the Final Settlement Date:

(A) in the event the Cash Collateral Amount is utilized to fund the Debenture Servicing Account in accordance with Paragraph 1 (a) (v) for payment of Due Amounts on the Due Date, pursuant thereto, all amounts available in the Debenture Servicing Account after such Due Date, shall be remitted from the Debenture Servicing Account to the Cash Collateral Account on an ongoing basis, until the Cash Collateral Account is replenished to the extent of theCash Collateral Amount;

(B) all the amounts credited to the Debenture Servicing Account shall be utilised for the purposes of payment of the Secured Obligations, and, in the interim period of their utilisation, the same may be used for making Permitted Investments, in the mannermore particularly set out in theAccounts Agreement.

(ii) Subject to the terms of the Accounts Agreement, and pending utilization of the amounts lying to the credit of the Debenture Servicing Account for the purposes mentioned above, the Account Bank may utilise the credit balance in the Debenture Servicing Account towards Permitted Investments, in accordance with prior written instructions of the Debenture Trustee. Provided that any such Permitted Investments shall be redeemed by the Account Bank at any time for the payment of any amounts specified above, either upon receipt of a written request by the Debenture Trustee for the same or in accordance with the terms of the Accounts Agreement.

(iii) The amounts specified in this clause shall constitute "Permitted Withdrawals from Debenture Servicing Account". It is clarified that the Account Bank shall not be liable to check the priority of the payment and will act based on written instruction from the Debenture Trustee.

2. <u>Deposits into and Withdrawals from the DSRA</u>

(a) Deposits into the DSRA

(i) At least 1 (one) day prior to the Deemed Date of Allotment, an amount equivalent to the aggregate of the outstanding Principal Amount and Coupon payable in the next two Quarters ("Debt Service Reserve Amount") shall be deposited by the Issuer into the DSRA, which shall be maintained by the Issuer till the Final Settlement Date.

Provided that in the event the amounts maintained in the DSRA exceed the Debt Service Reserve Amount, then the difference between the amounts lying to the credit of the DSRA and the Debt Service Reserve Amount shall be transferred by the Account Bank to the Issuer, only if the Debenture Trustee requests the Account Bank to do so, and subject to there being no unresolved breach by the Issuer of any terms of the Transaction Documents.

(ii) In the event of a shortfall in the DSRA, all the Receivables shall be remitted from the Revenue Account to the DSRA on an ongoing basis until the DSRA is replenished to the extent of the Debt Service Reserve Amount, pursuant to which the Receivables shall be remitted from the Revenue Account to the to the Debenture Servicing Account in terms of Paragraph 1 (a) (iv).

(iii) In the event that the Debt Service Reserve Amount is utilised towards meeting the shortfall in the Debenture Servicing Account in

terms of Paragraph 1 (a) (iii) above, and the resulting shortfall in the DSRA is not cured by the Issuer within 30 (thirty) days from such Due Date, the Debenture Trustee shall transfer the amounts lying to the credit of the Cash Collateral Account to the DSRA until the DSRA is replenished up to an amount equivalent to the Debt Service Reserve Amount.

(iv) Notwithstanding the terms of this Agreement that provide for the appropriation of the Receivables from the Revenue Account or the amounts from the Cash Collateral Account to the DSRA (as stated hereinabove), the obligation of the Issuer to fund the DSRA to the extent of the Debt Service Reserve Amount, within the timelines specified in this Paragraph 2 (a) (Deposits into the DSRA) shall continue until the Final Settlement Date.

(b) Withdrawals from the DSRA

(i) In the event that the Debenture Servicing Account is not funded to the extent of the Due Amount in accordance with Paragraph 1 (a) (i) above, the Debenture Trustee shall transfer funds from the DSRA to the Debenture Servicing Account in accordance with Paragraph 1 (a) (iii) to meet the shortfall in theDue Amount.

(ii) Subject to the terms of the Accounts Agreement, and pending utilization of the amounts lying to the credit of the DSRA for the purposes mentioned above, the Account Bank may utilise the credit balance in the DSRA towards Permitted Investments, in accordance with prior written instructions of the Debenture Trustee. Provided that any such Permitted Investments shall be redeemed by the Account Bank at any time for the payment of any amounts specified above, either upon receipt of a written request by the Debenture Trustee for the same or in accordance the terms of theAccounts Agreement.

(iii) The amounts specified in this Paragraph 2 (b) (Withdrawals from the DSRA) shall constitute "Permitted Withdrawals from DSRA". It is clarified that the Account Bank shall not be liable to check the priority of the payment and will act based on written instruction from the Debenture Trustee.

3. Deposits into and Withdrawals from the Cash CollateralAccount

(a) Deposits into the Cash Collateral Account

(i) At least 1 (one) day prior to the Deemed Date of Allotment, an amount equivalent to the Cash Collateral Amount shall be deposited by the Issuer into the Cash Collateral Account, which shall be maintained by the Issuer till theFinal Settlement Date.

(ii) In the event the Cash Collateral Amount is utilised from the Cash Collateral Account in terms of Paragraph 1 (a) (v) and Paragraph 2 (a) (iii) above, all amounts available in the Debenture Servicing Account, shall be remitted from the Debenture Servicing Account to the Cash Collateral Account on an ongoing basis until the Cash Collateral Account is replenished to the extent of the Cash Collateral Amount inaccordance with Paragraph 1 (b) (i) (A) above.

(iii) In the event, the Issuer fails to replenish the shortfall in Cash Collateral Account in accordance with Paragraph 3 (a) (i) above, the Debenture Trustee shall issue a Shortfall Notice calling upon the Issuer to replenish the Cash Collateral Account for an amount equivalent to the Cash Collateral Amount within the 7 (seven) days from the date of issuance of such notice, failing which such an event will be construed as an Event of Default under the Transaction Documents.

(b) Withdrawals from the Cash Collateral Account

(i) In the event the Debenture Servicing Account and/or the DSRA are not funded to the extent of the Due Amount and/or Debt Service Reserve Amount as per Paragraph 1 (a) (i) and Paragraph 2 (a) (i) above respectively, the Debenture Trustee shall transfer funds from the Cash Collateral Account to the Debenture Servicing Account in accordance with Paragraph 1 (a) (v) and/or the DSRA in accordance with Paragraph 2 (a) (iii).

(ii) Subject to the terms of the Accounts Agreement, and pending utilization of the amounts lying to the credit of the Cash Collateral Account for the purposes mentioned above, the Account Bank may utilise the credit balance in the Cash Collateral Account towards Permitted Investments, in accordance with prior written instructions of the Debenture Trustee. Provided that any such Permitted Investments shall be redeemed by the Account Bank at any time for the payment of any amounts specified above, either upon receipt of a written request by the Debenture Trustee for the same or in accordance with the terms of the Accounts Agreement.

(iii) The amounts specified in this Paragraph 3 (b) (Withdrawals from the Cash Collateral Account) shall constitute "Permitted Withdrawals from Cash Collateral Account". It is clarified that the Account Bank shall not be liable to check the priority of the payment and will act based on written instruction from the Debenture Trustee.

(iv) The terms Permitted Withdrawals from Debenture Servicing Account, Permitted Withdrawals from DSRA and Permitted Withdrawals from Cash Collateral Account are collectively referred to as "Permitted Withdrawals".

It is hereby clarified by the Parties that the Permitted Withdrawals shall be made by the Account Bank from the Debenture Servicing Account, the DSRA and/or the Cash Collateral Account (as the case may be) pursuant to the Debenture Trustee requesting the same to the Account Bank from time to time in the format set forth in the Accounts Agreement, without any instruction from the Issuer to the AccountBank.

PART B INFORMATION COVENANTS

The Account Bank shall provide the following information to the Debenture Trustee, in accordance with the timelines prescribed hereunder:

The Issuer/ Account Bank shall inform the Debenture Trustee as follows:

(i) At least 1 (one) Business Day prior to the Funding Date (T-15) and Shortfall Funding Date (T-10), the balance in the Debenture Servicing Account;

(ii) At least 1 (one) Business Day prior to the Funding Date (T-15), Shortfall Funding Date (T- 10) and Final Funding Date (T-9), the monthly statement of the Debenture Servicing Account, the DSRA, the Cash Collateral Account and the Demat Account;

(iii) At least 3 (three) Business Days prior to the Shortfall Funding Date (T-10), the intention to redeem a Permitted Investment made from the Debenture Servicing Account;

(iv) At least 3 (three) Business Days prior to the Final Funding Date (T- 9), the intention to redeem a Permitted Investment;

(v) At least 1 (one) Business Day prior to the Final Funding Date (T-9), the requirement for withdrawal of funds from the DSRA for credit to the Debenture Servicing Account;

(vi) on each Due Date, the balance maintained in the DSRA;

(vii) immediately pursuant to transfer of funds to the DSRA towards maintenance of Debt Service Reserve Amount, the balance maintained in the DSRA;

	(viii) on each Due Date, the balance maintained in the Cash Collateral Account; (ix) at least 7 (seven) Business Days prior to a Due Date, the balance maintained in the Cash Collateral Account; and (x) immediately pursuant to transfer of funds from the Cash Collateral Account to the Debenture Servicing Account and/or DSRA, the balance maintained in the Cash Collateral Account.
Description regarding Security (where applicable) including type of security (movable / immovable / tangible etc.), type of charge (pledge/ hypothecation/ 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 Trust Deed and disclosed in the Disclosure Document	The Debentures would be secured by way of 1. Exclusive charge on the 'KFC DEBENTURE SERVICING ACCOUNT 2024' 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 DEBT SERVICING RESERVE ACCOUNT 2024' and the funds lying there-in; 3. Exclusive charge on Cash Collateral Permitted Investment available equivalent to 10% (ten percent) of face value of principal amount outstanding at all times; and 4. Exclusive charge on specific current assets including book debts and receivables of the Corporation from identified borrowers. **5. The book value of such assets would provide 100% (one hundred percent) security cover on the outstanding bonds and interest accrued throughout its entire tenure.**
Transaction Documents	13. the Debenture Trust Deed; 14. the Debenture Trustee Agreement; 15. the Deed of Hypothecation; 16. Accounts Agreement 17. the General Information Document and Key Information Document; 18. Tripartite Agreements; 19. Listing Agreement; 20. the Registrar and Transfer Agent Consent; 21. Letter dated December 08, 2023 setting out the Credit Rating for the Debentures from Infomerics Valuation and Rating Private Limited 22. Letter dated August 09, 2023 setting out the Credit Rating for the Debentures from Acuite Ratings and Research Limited 23. Application made to Stock Exchange for seeking in-principle approval for listing of Debentures; and 24. any other document that may be mutually agreed as a Transaction Document by the Debenture Trustee and the Issuer.
Conditions Precedent to Disbursement	Please refer to Annexure 12 (Conditions Precedent and Conditions Subsequent) of this Offer Document.
Conditions Subsequent to Disbursement	Please refer to Annexure 12 (Conditions Precedent and Conditions Subsequent) of this Offer Document.
Event of Default (including	As is set out in the Debenture Trust Deed and shall include, without

manner of voting /conditions of joining Inter Creditor Agreement ("ICA")	limitation, the following events: (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 ofsuch filing. (h) Any of the representations or warranties provided by the Issuer under the Transaction Documents are found to be untrue, misleading or incorrect, when made or deemed tobe made if not cured in 30 days; (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.
Remedies	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: 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 The escrowing rights on the KFC BOND SERVICING ACCOUNT SERIES I 2024 would continue to remain active and operational till all the outstanding liabilities getsettled.
Undertakings of the Issuer	(g) The complaints received in respect of the Issue shall be attended expeditiously and satisfactorily. (h) 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. (i) KFC shall disclose the complete name and address of the Debenture Trustee in the annual report. (j) 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. (k) At all times until the Final Settlement Date, the State Government of Kerala shall not cease to own 51% (Fifty 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); (l) 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"); (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.
Creation of recovery expense fund	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.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	Please refer to rows in the Summary of Terms: 1. "Event of Defaults" 2. "Consequences to Events of Default" 3. "Default Interest Rate"
Provisions related to Cross Default Clause	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 theavailable cure period).
Debenture Trustee	Beacon Trusteeship Limited
Role and Responsibilities of Debenture Trustee	The roles and responsibilities of the Debenture Trustee shall be as per the Debenture Trust Deed.
Risk factors pertaining to the issue	Please refer to Annexure 1 (Risk Factors) of this Offer Document.
Governing Law and Jurisdiction	The Debentures are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof will be subject to the exclusive jurisdiction of the courts at Kerala in India. However, nothing in the provisions shall limit any right of the Debenture Trustee/ Debenture Holders from initiating any proceedings in any other court or tribunal of competent jurisdiction.
Business Day Convention	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. If the maturity date of the debentures, falls on a Sunday or a holiday, the redemption proceeds shall be paid on theprevious working day. 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.
KFC Bond Servicing Account	The Issuer would be required to open a designated escrow account - "KFC BOND SERVICING ACCOUNT SERIES I 2024" 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 IV, Series V, etc.). 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.
Debt Service Reserve Account (DSRA)	The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series I 2024" 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 IV, Series V, etc.) 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. 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. 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).
Cash Collateral	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. 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. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30days (T+60).
Permitted Investment	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. 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 2024 should have a maturity date at least 1 day prior tothe next bond servicing date. Similarly, in case of any shortfall persisting in the KFC BOND SERVICING

	ACCOUNT SERIES I 2024 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.
Structured Payment Mechanism	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 2024. 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 transfersduring 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 2024. The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES I 2024 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. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES I 2024 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES I 2024 and make the necessary payments to the Bond Holders on thedue date. 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 2024 to make good the impairment. Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES I 2024 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. 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). 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.

Note:

4. If there is any change in Coupon Rate pursuant to any event including lapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.
5. The list of documents which has been executed in connection with the issue and subscription of debt securities shall be annexed.
6. While the debt securities are secured to the tune of 100% of the principal and interest amount or as per the terms of General Information Document, in favour of Debenture Trustee, it is the duty of the Debenture Trustee to monitor that the security is maintained.

13 ADDITIONAL DISCLOSURES

S. No.	Particulars	Disclosures
A	Name, address, website, and contact details of the Issuer indicating both registered office and corporate office	Please refer to the front page of this Offer Document
B	Date of incorporation of the Issuer	November 23,1953
C	Business carried on by the Issuer and its subsidiaries with the details of branches or units, if any	Please refer to **Clause 2.2.3** *(Corporate Structure of the Issuer)* of this Offer Document
D	Brief particulars about the Management	Please refer to **Annexure 8** *(Brief Particulars of the Management of the Issuer)* of this Offer Document
E	Name, addresses, director identification number and occupations of the Directors	Please refer to **Annexure 8** *(Brief Particulars of the Management of the Issuer)* of this Offer Document
F	Management's perception of risk factors	Please refer to **Annexure 1** (*Risk Factors)* of this Offer Document
G	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of	
i)	statutory dues;	NIL
ii)	debentures and interest thereon;	NIL
iii)	deposits and interest thereon; and	NIL
iv)	loan from any bank or financial institution and interest thereon.	NIL
H	Details of the nodal/compliance officer of the Issuer, if any, for private placement offer process	Name: Shri Ram Ganesh R Designation: Compliance Officer Address: Vellayambalam, Thiruvananthapuram, Kerala-695033 Phone Number: 04712737711 Email ID: ramganeshr@kfc.org
I	Details of default in annual filing of the Issuer, if any, under the Companies Act, 2013 and the rules made thereunder	Nil

S. No.	Particulars	Disclosures
J	Financial position of the Issuer for the last 3 (three) financial years	Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto December 31,2023)* of this Offer Document
K	Date of passing of the Board resolution	Date of Board Resolution: February 09,2024 and May 27,2023; Date of Asset Liability Management Committee Resolution: February 02,2024 Please refer to **Annexure 10** (*Copy of Board Resolution and Borrowing Committee Resolution*)
L	Date of passing of resolution in the general meeting, authorising the offer of securities	Shareholder resolution dated June 26, 2023 for approving the proposal of raising funds not exceeding Rs 1000 Crores by way of Non-Convertible Securities. Please refer to **Annexure 13** (*Copy of Shareholder Resolution*)
M	Kind of securities offered	Senior, Rated, Listed, Secured, Taxable, Redeemable, Non-Convertible Debentures
N	Price at which the security is being offered including the premium, if any, along with justification of the price	**Face Value**: INR 1,00,000 (Indian Rupees One Lakh) per Debenture **Issue Price:** INR 1,00,000 per Debenture **Justification**: Issuing at par
O	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 as the Debentures are issued at par
P	Relevant date with reference to which the price has been arrived at	Not Applicable as the Debentures are issued at par
Q	The class or classes of persons to whom the allotment is proposed to be made	Eligible Investors
R	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

S	The Proposed time within which the allotment shall be completed	No later than 1 (one) day from the Issue Opening Date.

S. No.	Particulars	Disclosures	
T	The change in control, if any, in the Issuer, that would occur consequent to the private placement	Not Applicable	
U	The number of persons to whom allotment on preferential basis / private placement / rights issue has already been made during the year, in terms of number of securities as well as price	Not Applicable	
V	The justification for the allotment proposed to be made for consideration other than cash together with valuation repost of the registered valuer	Not Applicable	
W	Amount which the Issuer intends to raise by way of the proposed offer of Debentures	INR 500,00,00,000	
X	Terms for issuance of the Debentures	Duration, if applicable:	The issue of INR 500 crore 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 STRPP Sub-Series 'A' to Sub-Series 'E' would be redeemable in 4 equal quarterly instalments of 5% 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
		Rate of Interest	8.89 % Per annum Payable Quarterly
		Mode of Payment	Successful bidders shall make remittance of application money by way of electronic transfer of funds through RTGS/electronic fund mechanism for credit by the pay-in time in the bank account of ICCL appearing on the BSE Bond- EBP Platform as more specifically mentioned in Section 11.4.17.
		Repayment	Payment on redemption will be made in the name of the Debenture Holders whose names appear in the list of beneficial owners given by the Depository to the Issuer as on the Record date.
(i)	Tenor	6 years to 10 years, with equal quarterly redemption in each Series, with the first	

S. No.	Particulars	Disclosures
		redemption scheduled in the 21st quarter.

Sub-series	As percentage of Issue	Amount as per base issue size (in crores)	Redemption Date
A	20%	60	March 13,2030
B	20%	60	March 13,2031
C	20%	60	March 13,2032
D	20%	60	March 13,2033
E	20%	60	March 13,2034
Total	100%	300	

(ii)	Coupon rate	8.89% per annum payable Quarterly.
(iii)	Mode of payment	Please refer to the **Section 11 .4** of this Offer Document.
(iv)	Mode of repayment	Please refer to **Section 13** (*Additional Disclosures*) of this Offer Document.
Y	Proposed time schedule for which the private placement offer cum application letter is valid	No later than 1 (one) day from the Issue Opening Date.
Z	Purpose and objects of the offer	Please refer to **Section 12** *(Summary of Terms)* of this Offer Document.
AA	Contribution being made by the promoters or Directors either as part of the offer or separately in furtherance of such objects	The Issuer is issuing secured, listed, rated, redeemable non-convertible debentures on private placement basis hence the contribution by the promoters or Directors is not applicable.
BB	Principle terms of the assets charges as security	Please refer to **Section 12** (*Summary of terms*) of this Offer Document.
CC	The details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status	Nil

S. No.	Particulars	Disclosures
	of the Issuer and its future operations.	
DD	The pre-issue and post-issue shareholding pattern of the Issuer	Please refer to **Annexure 9** *(Pre and Post-Issue Shareholding Pattern of the Issuer)* of this Offer Document.
EE	Mode of payment for subscription	Indian Clearing Corporation Limited (bank transfer) 1. Cheque 2. Demand Draft 3. Other banking channels:
FF	Any financial or other material interest of the Directors, promoters or key managerial personnel in the offer / issue and the effect of such interest in so far as it is different from the interests of other persons.	Not Applicable
GG	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 Issuer during the last three years immediately preceding the year of the circulation of this Offer Document and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action.	Nil
HH	Remuneration of Directors (during the current year and last three financial years)	**Sr. No** / **Financial Years** / **Remuneration (Rs in lakhs)** 1 / 2023-2024 / Nil 2 / 2022-2023 / Nil 3 / 2021-2022 / 6.63
II	Related party transactions entered during the last three financial years immediately preceding the year of circulation of this Offer Document including with regard to loans made or, guarantees given or securities provided.	Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto* December 31,2023*)* of the Offer Document

S. No.	Particulars	Disclosures
JJ	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of this Offer Document and of their impact on the financial statements and financial position of the Issuer and the corrective steps taken and proposed to be taken by the Issuer for each of the said reservations or qualifications or adverse remark.	Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto* December 31,2023*)* of the Offer Document
KK	Details of any inquiry, inspections or investigations initiated or conducted under the Act or any previous Issuer law in the last three years immediately preceding the year of circulation of this Offer Document in the case of Issuer and all of its subsidiaries. Also, if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of this Offer Document and if so, section-wise details thereof for the Issuer and all of its subsidiaries.	Nil
LL	Details of acts of material frauds committed against the Issuer in the last three years, if any, and if so, the action taken by the Issuer.	Nil
MM	Capital structure of the Issuer	
(i)	Authorised capital	INR 1,000,00,00,000.00
(ii)	Issued capital	INR 626,50,42,800.00
(iii)	Subscribed capital	INR 626,50,42,800.00
(iv)	Paid up capital	INR 626,50,42,800.00
NN	Size of the present offer	INR 500,00,00,000

S. No.	Particulars	Disclosures	
OO	Paid up capital	After the issue of Debentures	6,26,50,42,800.00
		After conversion of convertible Debentures (if applicable)	6,26,50,42,800.00
PP	The securities premium account before and after the Issue	Before the issue of Debentures	NA
		After the issue of Debentures	

QQ Details of the existing share capital of the Issuer in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration

Number and price at which each of the allotments were made in the last one year preceding the date of this Offer Document separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.

Share Capital	Amount (INR)
Authorized Share Capital	INR 1,000,00,00,000.00
Issued, Subscribed and Paid-up Share Capital	INR 626,50,42,800.00

Shareholders	INR (in crore)	Percentage of shareholding (%)
Government of Kerala	620.27	99.005
SIDBI	6.13	0.979
LIC	0.07	0.011
SBI	0.02	0.003
Others	0.01	0.002
Total	**626.50**	**100.00**

RR	Profits of the Issuer, before and after making provision for tax, for the 3 (three) financial years immediately preceding the date of issue of private placement offer cum application letter	Please refer **Annexure 7** (*Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto* December 31,2023

SS Dividends declared by the Issuer in respect of the said 3 (three) financial years

Sr. No	Years	Dividend Declared (Rs in crores)
1	2022-23	21.32
2	2021-22	1.06
3	2020-21	Nil

TT	A summary of the financial position of the Issuer as in the 3 (three) audited balance sheets immediately preceding the date of	Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto* December

S. No.	Particulars	Disclosures
	issue of private placement offer cum application letter	31,2023*)* of the Offer Document
UU	Audited cash flow statement for the 3 (three) years immediately preceding the date of issue of private placement cum application letter	Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto* December 31,2023*)* of the Offer Document
VV	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the Issuer.	Please refer to **Annexure 7** *(Audited Standalone Financial Statements with Auditors Report for the Last Three Financial Years and upto* December 31,2023*)* of the Offer Document

14 DECLARATION BY THE ISSUER

The Issuer hereby declares that this Offer Document contains full disclosure in accordance with SEBI NCS Regulations, the Companies Act and the operational guidelines issued by SEBI.

The Issuer also confirms that this Offer Document does not omit disclosure of any material fact which may make the statements made therein, in the light of the circumstances under which they are made, misleading. The Offer Document also does not contain any false or misleading statement.

The Issuer accepts no responsibility for the statements made otherwise than in this Offer Document or in any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information would be doing so at his own risk.

The Issuer declares that all the relevant provisions of the relevant regulations or guidelines issued by SEBI and other Applicable Laws have been complied with and no statement made in this Offer Document is contrary to the provisions of the regulations or guidelines issued by SEBI and other Applicable Law, as the case may be.

For Kerala Financial Corporation

Name: Ram Ganesh

Compliance Officer

Dated: March 03, 2024

Place: Thiruvananthapuram

15 DECLARATION BY THE DIRECTORS

The Directors of the Issuer hereby declare that:

4. 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;

5. the compliance with the statutes and the rules does not imply that payment of dividend or interest or repayment of Debentures, if applicable, is guaranteed by the Central Government; and

6. the monies received under the offer shall be used only for the purposes and objects indicated in this Offer Document.

I am authorized by the Directors vide resolution dated February 09,2024 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 promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this Offer Document.

For Kerala Financial Corporation

Signature : _____

Name: Ram Ganesh

Compliance Officer

Dated: March 03, 2024

Place: Thiruvananthapuram

ANNEXURE 1: 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 GoK or any other person other than the Corporation whatsoever. No financial recourse is available to the Debenture Holders against the GoK 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 Issuer had an AUM of Rs 6529 Cr as on 31.03.2023 and Rs.7131 crores as on 31.12.2023 fully concentrated in Kerala. 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 m onitoring. GNPA and NNPA of the corporation reduced to 3.11% and 0.74% respectively in F Y23 from 3.27% and 1.28% respectively in FY22.

XI. Moderate Asset Quality

KFC has moderate asset quality as the GNPA as on Dec, 2023 stood at 5.61% from 3.11% as on March 31, 2023. KFC also has high borrower concentration as the top three borrowers, all Kerala state PSUs, amounted to Rs. 2355 Cr. as on Dec 31, 2023.

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.

Rating Letter - Intimation of Rating Action

Scan this QR Code to verify authenticity of this rating

Letter Issued on : August 09, 2023
Letter Expires on : June 21, 2024
Annual Fee valid till : June 21, 2024

KERALA FINANCIAL CORPORATION
25/4021, 4022,
Aswathy, Vellayambalam
Trivandrum 695033
KERALA

Kind Attn.: Mrs. SOYA K, FINANCIAL CONTROLLER (Tel. No.9496030174)

Sir / Madam,

Sub.: Rating(s) Assigned - Debt Instruments 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.)	1000.00	0.00
Quantum of Enhancement (Rs. Cr.)	0.00	0.00
Rating(s)	ACUITE AA	Not Applicable
Outlook	Stable	Not Applicable
Most recent Rating Action(s)	Assigned	Not Applicable
Date of most recent Rating Action(s)	August 09, 2023	Not Applicable
Rating Watch	Not Applicable	Not Applicable

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

This letter will expire on **June 21, 2024** or on the day when Acuit¶ takes the next rating action, whichever is earlier. It may be noted that the rating(s) 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(s).

Acuit¶ will re-issue this rating letter on **June 22, 2024** subject to receipt of surveillance fee as applicable. If the rating(s) is reviewed before **June 21, 2024**, Acuit¶ will issue a new rating letter.

Sd/-
Chief Rating Officer

This is a system generated document. No signature is required.

Annexures: A. Details of the Rated Instrument

Annexure A. Details of the rated instrument			
Instruments	Scale	Amt. (Rs. Cr)	Rating Assigned (Outlook) | Rating Action
Proposed Bond	Long-term	1000.00	ACUITE AA (Stable) | Assigned
Total Quantum Rated		**1000.00**	-

DISCLAIMER

An Acuit¶ 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. Acuit¶ 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, Acuit¶ , in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuit¶ 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.Acuit¶ 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 Acuit¶ , Acuit¶ s̆ rating scale and its definitions.

Any inadvertent omission or error in the rating letter which is discovered or brought to the notice of Acuite shall be rectified as soon as reasonably practicable not later than 48 hours of such discovery or notice. Such error or omission shall not render Acuite liable to any person for any kind of loss or damage including, but not limited to, any special, incidental, indirect or consequential damages caused by errors or omissions, provided such omission or error is rectified as soon as possible after discovery/notice.

Press Release
KERALA FINANCIAL CORPORATION
August 09, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5299.01	ACUITE A+ | Stable | Reaffirmed	-
BOND	1000.00	ACUITE AA | Stable | Assigned	-
Non Convertible Debentures (NCD)	1750.00	ACUITE AA | Stable | Reaffirmed	-
Bank Loan Ratings	700.99	-	ACUITE A1 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	8750.00	-	-

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE AA'** (read as ACUITE double A) on the Rs. 1000.00 Cr Bonds of Kerala Financial Corporation (KFC). The outlook is **'Stable'.**

Acuité has reaffirmed the long term rating of **'ACUITE AA'** (read as ACUI TE double A) on the Rs. 1750.00 Cr Non-convertible Debentures of Kerala Financial Corporation (KFC). The outlook remains **'Stable'.**

Acuité has reaffirmed the long term rating of **'ACUITE A+'** (read as ACUI TE A plus) on the Rs. 5299.01 Cr Long Term Bank Loan Facilities of Kerala Financial Corporation (KFC). The outlook remains **'Stable'.**

Acuité has reaffirmed the Short term rating of **'ACUITE A1'** (read as ACUI TE A one) on the Rs. 700.99 Cr Short Term Bank Loan Facilities of Kerala Financial Corporation (KFC).

Rating Rationale

The rating factors in majority ownership of the Government of Kerala (99 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. KFC's capitalization levels remained moderate at 25.58 percent as on March 31, 2023. The rating also takes into account KFC's portfolio growth (Rs 6529.4 Cr. as on March 31, 2023 as against 4750.71 Cr. as on March 31, 2022) driven by disbursements of Rs 3555.94 Cr during FY2023. By virtue of state government ownership and support, the corporation enjoys strong resource raising ability at a competitive rates 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 and State government entities, its moderate profitability levels and fiscal constraints faced by Government of Kerala.

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.

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 Gov ernment 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 and State Bank of India (erstwhile State bank of Travancore). The Government of Kerala is the 99 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 25.58 percent as on March 31, 2023 as against 22.41 percent as on March 31, 2022. By virtue of state government ownership and support, the corporation enjoys strong resource 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. KFCs funding mix comprises equity contribution from its shareholders primarily GoK, NCDs and borrowings from banks. Of the overall outstanding borrowings of Rs 6186.93 Cr. as on March 31, 2023, NCDs comprise ~18 percent and remaining ~82 percent is bank borrowings including 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. 6529.4 Cr as on March 31, 2023 as against Rs. 4750.71Cr as on March 31, 2022. 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.

Maint enance of principal cash collat eral, DSRA along wit h presence of St ruct ured Payment Mechanism 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. Bonds 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 FY2023 stood at Rs. 50.19 Cr. (Rs 13.2 Cr for FY2022). The corporation reported Net Interest margin of 2.5 percent in FY2023 as against 4.74 percent in FY2022 and 3.01 percent in FY2021. The profitability continues to be supported by lower operating expenses to earning assets of 0.58 percent for FY2023 as against 0.79 percent in FY2022 along with low average cost of borrowing of 7.84 percent in FY2023. The corporation's return on average assets stands at 0.79 percent as on March 31, 2023 (0.25 percent for FY 2022).
Acuité believes, given the challenges, the company's ability to manage the additional slippages while maintaining the profitability will be key rating sensitivity

Moderate asset quality and Concentrtion towards Kerala state PSUs.

KFC has moderate asset quality as the GNPA as on Mar, 2023 stood at 3.11% from 3.27% as on March 31, 2022. While ontime portfolio has improved to 90.61 percent as on Mar 2023 as against 81.63 percent on Mar 2022. Further the company also has restructured accounts amounting to Rs.~545.09 Cr which reduced from ~Rs. 734 Cr. as on March 31, 2022. KFC also has high borrower concentration in the top

three borrowers, all Kerala state PSUs, amounted to ~Rs. 2630 Cr. as on Mar 31, 2023.
Moving forward KFC's ability to reduce the concentration of top borrowers and its ability to maintain NPA and restructured accounts will be key monitorables

ESG Factors Relevant for Rating
Not Applicable

Rating Sensitivity
- Credit Profile of Kerala Government and timely support to KFC.
- Movement in Asset Quality, NPA and Restructured assets
- Collection efficiency in Restructured Assets
- Sustained improvement in AUM and Profitability metrics.
- Movement in gearing and further capital infusion; Gearing < 7 times

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, 2023. The company is in talks with various lenders to raise long term debt. The company's liquidity position is supported by Cash and Bank Balance of Rs 65.85 Cr as on March 31, 2023. The liquidity also factors support from GoK for any refinancing requirements, 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	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	7445.86	5257.40
Total Income*	Rs. Cr.	182.43	139.42
PAT	Rs. Cr.	50.19	13.20
Net Worth	Rs. Cr.	918.03	690.45
Return on Average Assets (RoAA)	(%)	0.79	0.25
Return on Average Net Worth (RoNW)	(%)	6.24	1.93
Total Debt/Tangible Net worth (Gearing)	Times	6.74	6.24
Gross NPA	(%)	3.11	3.27
Net NPA	(%)	0.74	1.28

**Total income equals to Net Interest 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. Acuite' 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
04 Aug 2023	Non Convertible Debentures	Long Term	95.30	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Long Term	200.00	ACUITE A1 (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Long Term	100.00	ACUITE A1 (Reaffirmed)
	Non Convertible Debentures	Long Term	16.30	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	10.45	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Long Term	50.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	984.72	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	1647.50	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	200.00	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	270.83	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	916.64	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	399.25	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	212.19	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Long Term	10.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	95.30	ACUITE AA | Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	406.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	95.30	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Long Term	250.00	ACUITE A1 (Reaffirmed)
	Non Convertible Debentures	Long Term	4.75	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	95.30	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	273.50	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	54.17	ACUITE AA | Stable (Reaffirmed)

	Non Convertible Debentures	Long Term	95.30	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Long Term	100.00	ACUITE A1 (Reaffirmed)
	Proposed Long Term Loan	Long Term	504.70	ACUITE A+ | Stable (Reaffirmed)
06 Jan 2023	Short Term Loan	Short Term	250.00	ACUITE A1 (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	10.45	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	750.00	ACUITE AA | Stable (Assigned)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	763.00	ACUITE A+ | Stable (Reaffirmed)
	Short Term Loan	Short Term	100.00	ACUITE A1 (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Short Term Loan	Short Term	100.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	173.00	ACUITE A+ | Stable (Reaffirmed)
	Term Loan	Long Term	212.00	ACUITE A+ | Stable (Reaffirmed)
	Term Loan	Long Term	1000.00	ACUITE A+ | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	16.30	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	4.75	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	618.00	ACUITE A+ | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	304.00	ACUITE A+ | Stable (Reaffirmed)
	Term Loan	Long Term	1292.00	ACUITE A+ | Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	406.00	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	200.00	ACUITE A+ | Stable (Reaffirmed)
	Short Term Loan	Short Term	500.00	ACUITE A1 (Reaffirmed)
	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Term Loan	Long Term	488.00	ACUITE A+ | Stable (Reaffirmed)
07 Sep 2022	Term Loan	Long Term	841.00	ACUITE A+ | Stable (Assigned)
	Proposed Short Term Loan	Short Term	174.00	ACUITE A1 (Assigned)
	Short Term Loan	Short Term	491.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	900.00	ACUITE A+ | Stable (Assigned)
	Short Term Loan	Short Term	175.00	ACUITE A1 (Assigned)

	Non Convertible Debentures	Long Term	62.50	ACUITE AA | Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1075.00	ACUITE A+ | Stable (Assigned)
	Term Loan	Long Term	212.00	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)
	Short Term Loan	Short Term	60.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	829.00	ACUITE A+ | Stable (Assigned)
	Term Loan	Long Term	304.00	ACUITE A+ | Stable (Assigned)
	Short Term Loan	Short Term	50.00	ACUITE A1 (Assigned)
	Non Convertible Debentures	Long Term	31.50	ACUITE AA | Stable (Reaffirmed)
	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)
06 Oct 2021	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)
	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)
	Non Convertible Debentures	Long 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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE818F07104	Non-Convertible Debentures (NCD)	14 Sep 2020	7.70	14 Sep 2026	50.00	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07112	Non-Convertible Debentures (NCD)	14 Sep 2020	7.70	14 Sep 2027	50.00	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07120	Non-Convertible Debentures (NCD)	14 Sep 2020	7.70	14 Sep 2028	50.00	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07138	Non-Convertible Debentures (NCD)	14 Sep 2020	7.70	14 Sep 2029	50.00	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07146	Non-Convertible Debentures (NCD)	14 Sep 2020	7.70	14 Sep 2030	50.00	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07096	Non-Convertible Debentures (NCD)	09 Jul 2019	8.99	09 Jul 2023	62.50	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07070	Non-Convertible Debentures (NCD)	09 Jul 2019	8.99	09 Jun 2024	62.50	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07062	Non-Convertible Debentures (NCD)	09 Jul 2019	8.99	09 Jun 2025	62.50	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07088	Non-Convertible Debentures (NCD)	09 Jul 2019	8.99	09 Jun 2026	62.50	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07039	Non-Convertible Debentures (NCD)	09 Apr 2018	8.69	04 Apr 2023	16.30	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07047	Non-Convertible Debentures (NCD)	09 Apr 2018	8.69	04 Apr 2024	10.45	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07054	Non-Convertible Debentures (NCD)	09 Apr 2018	8.69	04 Apr 2025	4.75	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07013	Non-Convertible Debentures (NCD)	09 May 2016	8.90	09 May 2023	62.50	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07153	Non-Convertible Debentures (NCD)	24 Mar 2023	8.9	30 Sep 2029	95.30	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07161	Non-Convertible Debentures (NCD)	24 Mar 2023	8.9	29 Mar 2030	95.30	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07179	Non-Convertible Debentures (NCD)	24 Mar 2023	8.9	31 Mar 2031	95.30	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07187	Non-Convertible	24 Mar 2023	8.9	31 Mar 2032	95.30	Simple	ACUITE AA | Stable |

		Debentures (NCD)						Reaffirmed
Not Applicable	INE818F07195	Non-Convertible Debentures (NCD)	24 Mar 2023	8.9	24 Mar 2033	95.30	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07229	Non-Convertible Debentures (NCD)	02 May 2023	8.63	30 Mar 2029	54.70	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07237	Non-Convertible Debentures (NCD)	02 May 2023	8.63	29 Mar 2030	54.70	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07211	Non-Convertible Debentures (NCD)	02 May 2023	8.63	31 Mar 2031	54.70	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07245	Non-Convertible Debentures (NCD)	02 May 2023	8.63	31 Mar 2032	54.70	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	INE818F07203	Non-Convertible Debentures (NCD)	02 May 2023	8.63	24 Mar 2033	54.70	Simple	ACUITE AA | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Bond	Not Applicable	Not Applicable	Not Applicable	1000.00	Simple	ACUITE AA | Stable | Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	28.35	Simple	ACUITE A+ | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	406.00	Simple	ACUITE AA | Stable | Reaffirmed
City Union Bank Ltd	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	Simple	ACUITE A1 | Reaffirmed
Federal Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	200.00	Simple	ACUITE A1 | Reaffirmed
Federal Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	250.00	Simple	ACUITE A1 | Reaffirmed
Union Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	Simple	ACUITE A1 | Reaffirmed
State Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	40.99	Simple	ACUITE A1 | Reaffirmed
South Indian Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	Simple	ACUITE A1 | Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	500.00	Simple	ACUITE A+ | Stable | Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	984.72	Simple	ACUITE A+ | Stable | Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	270.83	Simple	ACUITE A+ | Stable | Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1647.45	Simple	ACUITE A+ | Stable | Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	916.64	Simple	ACUITE A+ | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	212.19	Simple	ACUITE A+ | Stable | Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	399.25	Simple	ACUITE A+ | Stable | Reaffirmed
India Infrastructure	Not Applicable	Term Loan	Not available	Not available	Not available	39.58	Simple	ACUITE A+ | Stable |

Finance Company Ltd.								Reaffirmed
South Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	200.00	Simple	ACUITE A+ | Stable | Reaffirmed
Dhanlaxmi Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	100.00	Simple	ACUITE A+ | Stable | Reaffirmed

Contacts

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About Acuité Ratings & Research

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08 December 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.

1. After taking into account all the relevant recent developments including operational and financial performance of your company.
2. Our Rating Committee has reviewed the following ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Non-Convertible Debentures (NCDs)	0.00 (Decreased from 50.00)	-	Withdrawn*
Non-Convertible Debentures (NCDs)	1202.70 (Increased from 594.00)	IVR AA/ Stable (IVR Double A with Stable Outlook)	Reaffirmed
Proposed Non-Convertible Debentures (NCDs)	1000.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned
Total	**2202.70.00 (Rupees Two Thousand Two Hundred and Two Crore and Seventy Lakh Only)**		

*As fully redeemed

3. 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.**

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

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5. 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.

6. 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. **December 07, 2024).**

7. 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.

8. 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.

9. **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.

10. **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.**

11. 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

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

12. 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.

13. 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.

14. 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.

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

Thanking you,

With Regards,

K SAI MAHESH
Rating Analyst
Email: kuruba.mahesh@infomerics.com

Devanshu Jain
Rating Analyst
Email: devanshu.jain@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.

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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
NCDs	INE818F07104	14/09/2020	7.70	14/09/2026	50.00	IVR AA/Stable
NCDs	INE818F07112	14/09/202	7.70	14/09/2027	50.00	IVR AA/Stable
NCDs	INE818F07120	14/09/202	7.70	14/09/2028	50.00	IVR AA/Stable
NCDs	INE818F07138	14/09/202	7.70	14/09/2029	50.00	IVR AA/Stable
NCDs	INE818F07146	14/09/202	7.70	14/09/2030	50.00	IVR AA/Stable
NCDs	INE818FO7070	09/07/2019	8.99	06/09/2024	62.50	IVR AA/Stable
NCDs	INE818FO7062	09/07/2019	8.99	06/09/2025	62.50	IVR AA/Stable
NCDs	INE818FO7088	09/07/2019	8.99	06/09/2026	62.50	IVR AA/Stable
NCDs	INE818F07047	04/04/2018	8.69	04/04/2024	10.45	IVR AA/Stable
NCDs	INE818F07054	04/04/2018	8.69	04/04/2025	4.75	IVR AA/Stable
NCDs	INE818F07153	24/03/2023	8.90	30/03/2029	95.30	IVR AA/Stable
NCDs	INE818F07161	24/03/2023	8.90	29/03/2030	95.30	IVR AA/Stable
NCDs	INE818F07179	24/03/2023	8.90	31/03/2031	95.30	IVR AA/Stable
NCDs	INE818F07187	24/03/2023	8.90	31/03/2032	95.30	IVR AA/Stable
NCDs	INE818F07195	24/03/2023	8.90	24/03/2033	95.30	IVR AA/Stable

Continuation Sheet No.

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NCDs	INE818F07229	24/03/2023	8.63	30/03/2029	54.70	IVR AA/Stable
NCDs	INE818F07237	24/03/2023	8.63	29/03/2030	54.70	IVR AA/Stable
NCDs	INE818F07211	24/03/2023	8.63	31/03/2031	54.70	IVR AA/Stable
NCDs	INE818F07245	24/03/2023	8.63	31/03/2032	54.70	IVR AA/Stable
NCDs	INE818F07203	24/03/2023	8.63	24/03/2033	54.70	IVR AA/Stable
Proposed NCDs Total					1000.00	IVR AA/Stable

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	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.
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 21st quarter, Series B starting from end of 25th quarter and so on.
Key Covenants	The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment

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	required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis. 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. 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. 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. 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.

***Redeemed as per the schedule**

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

Instrument name	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.
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 21st quarter, Series B starting from end of 25th quarter and so on.
Key Covenants	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. 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. 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. 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. 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.

***Redeemed as per the schedule**

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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	RATED, LISTED, SECURED, REDEEMABLE, NON-CONVERTIBLE DEBENTURES.
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 21st quarter, Series B starting from end of 25th quarter and so on.
Key Covenants	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. 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. 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. 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. 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.

Key Terms for the NCD issue of Rs 273.50 Crores - INE818F07229, INE818F07237, INE818F07211, INE818F07245, INE818F07203 for Rs 54.70 Crores each

Instrument name	SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES
Issuer	Kerala Financial Corporation
Issue size	Rs 273.50 Crores (INE818F07229, INE818F07237, INE818F07211, INE818F07245, INE818F07203 for Rs 54.70 Crores each)
Issue date	02/05/2023
Maturity date	30/03/2029, 29/03/2030, 31/03/2031, 31/03/2032 and 24/03/2033 respectively
Coupon (Fixed)	8.63%
Coupon payment frequency	Quarterly
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 21st quarter, Series B starting from end of 25th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	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)
Cash Collateral	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

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	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. 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. 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)
Debt Service Reserve Account (DSRA)	The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series II 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 III, Series IV, etc.) 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.
Structured Payment Mechanism	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 II 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 II 2023. 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. The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING

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	ACCOUNT SERIES II 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. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES II 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES II 2023 and make the necessary payments to the Bond Holders on the due date. 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 II 2023 to make good the impairment. Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES II 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. 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). 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.

Key Terms for the NCD issue of Rs 250.00 Crores and green shoe option of INR 226.50 Crores - INE818F07153, INE818F07161, INE818F07179, INE818F07187, INE818F07195 for Rs 95.30 Crores each

Instrument name	SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.

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Issuer	Kerala Financial Corporation
Issue size	Rs 250.00 Crores s and green shoe option of INR 226.50 Crores - INE818F07153, INE818F07161, INE818F07179, INE818F07187, INE818F07195 for Rs 95.30 Crores each
Issue date	24/03/2023
Maturity date	30/03/2029, 29/03/2030, 31/03/2031, 31/03/2032 and 24/03/2033 respectively
Coupon (Fixed)	8.90%
Coupon payment frequency	Quarterly
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 21st quarter, Series B starting from end of 25th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	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)
Cash Collateral	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. 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. 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)

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Debt Service Reserve Account (DSRA)	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.) 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. 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.
Structured Payment Mechanism	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. 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. 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. 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 would

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	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. 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. Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES II 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. 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). 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.

Draft Term Sheet for Proposed Rs. 1000.00 Cr NCDs.

Instrument	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES / BONDS
Issuer	Kerala Financial Corporation
Issue Size	Rs 1000.00 Crore
Nature of Instrument	Secured
Coupon rate (Fixed)	TBD
Coupon payment frequency	TBD

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Tenor	Series A to E (Each for Rs 200 Crores), for tenor of 6 years to 10 years, with quarterly redemption in each series, with 1st redemption scheduled at 21st 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 21st quarter, Series B starting from end of 25th quarter and so on.
Objects of the issue	Working capital requirements
Security	The bonds would be secured by way off: 1. Exclusive charge on the KFC Bond Servicing Account series III 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 III 2023 and funds lying therein. 3. Exclusive charge on Cash collateral always permitted investment available equivalent to 10% of face value of principal amount outstanding.
KFC Bond Servicing account	The issuer would be required to open a designated escrow account – "KFC Bond Servicing Account series III 2023" exclusively charged to Debenture trustee.

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Key Covenants	The Issuer would be required to open a designated escrow account "KFC DSRA Account Series III 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 IV. Series V, etc.) 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. 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. 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. 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).
Cash Collateral	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. 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. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the

Infomerics Ratings

	Cash Collateral Permitted Investment within the next 30 days (T+60)
Debt Service Reserve Account (DSRA)	The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series III 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 III, Series IV, etc.) 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.
Structured Payment Mechanism	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 III 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 III 2023. 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. The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES III 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. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES III 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by

	transferring funds from the KFC DSRA BOND SERIES III 2023 and make the necessary payments to the Bond Holders on the due date. 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 II 2023 to make good the impairment. Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES III 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. 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).

Infomerics Ratings

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 Ratings

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 (KFC)

December 13, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures	0.00 (Decreased from 50.00)	-	Withdrawn	Simple
Non-Convertible Debentures	1202.70 (Increased from 594.00)	IVR AA/ Stable (IVR Double A with Stable Outlook)	Reaffirmed	Simple
Proposed Non-Convertible Debentures	1000.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned	Simple
Total	**2202.70.00 (Rupees Two Thousand Two Hundred and Two Crore and Seventy Lakh Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment/reaffirmation 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.

The rating for Rs.50.00 crore NCDs has been withdrawn based on the client request and receiving of 'No Due Certificate' post redemption as per the due date. The rating is withdrawn in line with Infomerics' policy on withdrawal.

Key Rating Sensitivities:

Upward Factors

- 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 holds majority shareholding of 99.00%, followed by Small Industries Development Bank of India (SIDBI) (0.97%), Life Insurance Corporation (LIC) (0.01%) and State Bank of India (SBI) at (0.003%). 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. Given the strategic importance of the corporation in overall growth of the state and implementation of its schemes/policies of the state government, the corporation receives regular financial support from the state government.

Given the support from GoK is critical to the corporation, the credit profile of Kerala state is of key importance. The state's fiscal headroom was impacted by the COVID outbreak as the state highly depends on tourism. However, the same starts to rebound from FY23., the overall fiscal health of the state over the medium term is expected to stay satisfactory.

Comfortable Capitalisation

The corporation is comfortably capitalised with total CRAR of 25.58% as against the minimum regulatory requirement of 15% as on 31 March 2023 as against 22.41% as on 31 March 2022. The corporation has a tangible net worth of Rs 917.04 Crores as on 31 March 2023 as against Rs. 688.87 Crores as on 31 March 2022. As on Sept 30, FY24 CAR and Tangible Net worth stood at 25.00% and Rs. 917.04 Crores respectively.

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 2877.00 Crores in FY22 to Rs 3207.22 Crores in FY23. Disbursement also increased from Rs 2175.00 Crores in FY22 to Rs 3555.95, Loan Portfolio increased from Rs.4750.71 crores to 6529.40 Crores in FY23. Further, it has grown to Rs 7000.34 Crores in H1FY24.

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 which are raised till FY22 of Rs. 452.70 Crores and Rs. 750.00 Crores which are raised in FY23 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% (for Bonds raised till FY22) & 20% (for bonds raised in FY23) 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 proposed NCDs of Rs 1000.00 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-10th day shall be met through transfer of requisite funds from the DSRA. 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).

Key Rating Weaknesses

Moderate financial profile of Government of Kerala

The Gross State Domestic Product (GSDP) of the state for 2023-24 (at current prices) is projected to be Rs 11.30 lakh crore amounting to growth of 11.20% over 2022-23. Fiscal deficit for 2023-24 is targeted at 3.5% of GSDP (Rs 39,662 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 3.6% of GSDP, lower than the budget estimate of 3.9% of GSDP. Revenue deficit in 2023-24 is estimated to be 2.1% of GSDP (Rs 23,942 crore), marginally higher than the revised estimates for 2022-23 (2% of GSDP). In 2022-23, the revenue deficit is expected to be lower than the budget estimate (2.3% of GSDP).

Average, albeit improving asset quality

Given the socio-economic objective of the corporation, where it provides financial assistance to MSME 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 3.11% and 0.74% respectively in FY23 from 3.27% and 1.28% respectively in FY22. However, the company has maintained comfortable levels of provision coverage ratio of ~84.89% for FY23. 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 H1FY24, the asset quality moderated with GNPA and NNPA increasing to 5.10% and 3.20% 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 155.40 Crores for FY23 and Rs 156.97 Crores in FY22), the profitability remains comfortable with ROTA of 0.80%, RONW of 6.14% , PAT margin have been improved to 12.39% for FY23 from 6.76% in FY22. Also, the majority of the loan portfolio growth is funded by external debt and hence the gearing of the corporation remains high at 6.75x in FY23. 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

Policy on withdrawal of ratings

Liquidity –Adequate

The company is adequately capitalized with a CAR (%) of 25.58% as on 31 March 2023, and Net worth of Rs 917.04 Crores. Also, it has adequately matched asset liability profile as on 31 July 2023. As on 31 March 2023, the company has cash and bank balances of Rs 65.85 Crores the same has increased to Rs. 200.00 Crores for H1FY24.

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 21 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, and State Bank of India (erstwhile State bank of Travancore). The Government of Kerala holds 99.00% stake in the corporation and is expected to support the corporation as and when required, given its systemic importance to the state.

Financials (Standalone)*: **Rs in Crores**

For the year ended As on	31-03-2022	31-03-2023
	Audited	Audited
Total Income	518.17	694.38
PAT	13.20	50.19
Tangible Net Worth	690.58	917.04
Total Debt	4,308.87	6,186.92
Total Loan Assets	4,750.72	6,529.40
ROTA (%)	0.26	0.80
Total CAR (%)	22.41	25.58
Gross NPA (%)	3.27	3.11
Net NPA (%)	1.28	0.74
Overall Gearing (Times)	6.24	6.75

***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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Feb 21, 2023	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	NCDs	Long Term	0.00	-	IVR AA/ Stable	-	-
2.	NCDs	Long Term	1202.70	IVR AA/ Stable	IVR AA/ Stable	-	-
3.	Proposed NCDs	Long Term	1000.00	IVR AA/ Stable	IVR AA/ Stable	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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
NCDs	INE818F07104	14/09/2020	7.70	14/09/2026	50.00	IVR AA/Stable
NCDs	INE818F07112	14/09/2020	7.70	14/09/2027	50.00	IVR AA/Stable
NCDs	INE818F07120	14/09/2020	7.70	14/09/2028	50.00	IVR AA/Stable
NCDs	INE818F07138	14/09/2020	7.70	14/09/2029	50.00	IVR AA/Stable
NCDs	INE818F07146	14/09/2020	7.70	14/09/2030	50.00	IVR AA/Stable
NCDs	INE818FO7070	09/07/2019	8.99	09/07/2024	62.50	IVR AA/Stable
NCDs	INE818FO7062	09/07/2019	8.99	09/07/2025	62.50	IVR AA/Stable
NCDs	INE818FO7088	09/07/2019	8.99	09/07/2026	62.50	IVR AA/Stable
NCDs	INE818F07047	04/04/2018	8.69	04/04/2024	10.45	IVR AA/Stable
NCDs	INE818F07054	04/04/2018	8.69	04/04/2025	4.75	IVR AA/Stable

NCDs	INE818F07153	24/03/2023	8.90	30/03/2029	95.30	IVR AA/Stable
NCDs	INE818F07161	24/03/2023	8.90	29/03/2030	95.30	IVR AA/Stable
NCDs	INE818F07179	24/03/2023	8.90	31/03/2031	95.30	IVR AA/Stable
NCDs	INE818F07187	24/03/2023	8.90	31/03/2032	95.30	IVR AA/Stable
NCDs	INE818F07195	24/03/2023	8.90	24/03/2033	95.30	IVR AA/Stable
NCDs	INE818F07229	24/03/2023	8.63	30/03/2029	54.70	IVR AA/Stable
NCDs	INE818F07237	24/03/2023	8.63	29/03/2030	54.70	IVR AA/Stable
NCDs	INE818F07211	24/03/2023	8.63	31/03/2031	54.70	IVR AA/Stable
NCDs	INE818F07245	24/03/2023	8.63	31/03/2032	54.70	IVR AA/Stable
NCDs	INE818F07203	24/03/2023	8.63	24/03/2033	54.70	IVR AA/Stable
Proposed NCDs					1000.00	IVR AA/Stable
Total					**2202.70**	

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:

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	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.
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 21st quarter, Series B starting from end of 25th quarter and so on.
Key Covenants	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. 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. 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. 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. 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.

***Redeemed as per the schedule**

<u>Key Terms for the NCD issue of Rs 250.00 Crores - INE818F07096*, INE818F07070, INE818F07062 and INE818F07088 for Rs 62.50 Crores each</u>

Instrument name	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.
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 21st quarter, Series B starting from end of 25th quarter and so on.
Key Covenants	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. 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. 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. 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. 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.

***Redeemed as per the schedule**

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

Instrument name	RATED, LISTED, SECURED, REDEEMABLE, NON-CONVERTIBLE DEBENTURES.
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 21st quarter, Series B starting from end of 25th quarter and so on.
Key Covenants	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. 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. 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. 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. 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.

Key Terms for the NCD issue of Rs 273.50 Crores - INE818F07229, INE818F07237, INE818F07211, INE818F07245, INE818F07203 for Rs 54.70 Crores each

Instrument name	SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES
Issuer	Kerala Financial Corporation
Issue size	Rs 273.50 Crores (INE818F07229, INE818F07237, INE818F07211, INE818F07245, INE818F07203 for Rs 54.70 Crores each)
Issue date	02/05/2023
Maturity date	30/03/2029, 29/03/2030, 31/03/2031, 31/03/2032 and 24/03/2033 respectively
Coupon (Fixed)	8.63%
Coupon payment frequency	Quarterly
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 21st quarter, Series B starting from end of 25th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	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)
Cash Collateral	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. 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. 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)
Debt Service Reserve Account (DSRA)	The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series II 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 III, Series IV, etc.)

	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.
Structured Payment Mechanism	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 II 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 II 2023. 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. The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES II 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. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES II 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES II 2023 and make the necessary payments to the Bond Holders on the due date. 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 II 2023 to make good the impairment. Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES II 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. 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). 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.

Key Terms for the NCD issue of Rs 250.00 Crores and green shoe option of INR 226.50 Crores - INE818F07153, INE818F07161, INE818F07179, INE818F07187, INE818F07195 for Rs 95.30 Crores each

Instrument name	SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.
Issuer	Kerala Financial Corporation
Issue size	Rs 250.00 Crores s and green shoe option of INR 226.50 Crores - INE818F07153, INE818F07161, INE818F07179, INE818F07187, INE818F07195 for Rs 95.30 Crores each
Issue date	24/03/2023
Maturity date	30/03/2029, 29/03/2030, 31/03/2031, 31/03/2032 and 24/03/2033 respectively
Coupon (Fixed)	8.90%
Coupon payment frequency	Quarterly
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 21st quarter, Series B starting from end of 25th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	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)
Cash Collateral	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. 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. 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)
Debt Service Reserve Account (DSRA)	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.) 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. 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.
Structured Payment Mechanism	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. 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. 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. 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 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. 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. Further, If any overdue on account of past servicing from KFC DSRA BOND SERIES II 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. 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). 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.

Draft Term Sheet for Proposed Rs. 1000.00 Cr NCDs.

Instrument	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES / BONDS
Issuer	Kerala Financial Corporation
Issue Size	Rs 1000.00 Crore
Nature of Instrument	Secured
Coupon rate (Fixed)	TBD
Coupon payment frequency	TBD
Tenor	Series A to E (Each for Rs 200 Crores), for tenor of 6 years to 10 years, with quarterly redemption in each series, with 1st redemption scheduled at 21st 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 21st quarter, Series B starting from end of 25th quarter and so on.
Objects of the issue	Working capital requirements
Security	The bonds would be secured by way off: 1. Exclusive charge on the KFC Bond Servicing Account series III 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 III 2023 and funds lying therein. 3. Exclusive charge on Cash collateral always permitted investment available equivalent to 10% of face value of principal amount outstanding.
KFC Bond Servicing account	The issuer would be required to open a designated escrow account – "KFC Bond Servicing Account series III 2023" exclusively charged to Debenture trustee.
Key Covenants	The Issuer would be required to open a designated escrow account "KFC DSRA Account Series III 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 IV. Series V, etc.) 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. 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. 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. 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).
Cash Collateral	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. 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. 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)
Debt Service Reserve Account (DSRA)	The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series III 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 III, Series IV, etc.) 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.
Structured Payment Mechanism	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 III 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 III 2023. 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. The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES III 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. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES III 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES III 2023 and make the necessary payments to the Bond Holders on the due date. 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 II 2023 to make good the impairment. Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES III 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. 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).

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.

ANNEXURE 3: CONSENT LETTER FROM THE DEBENTURE TRUSTEE

BEACON
TRUSTEESHIP

47100/CL/MUM/23-24/DEB/483
Date: March 02,2024

Kerela Financial Corporation
Vellayambalam,
Thiruvananthapuram-695033, Kerala
India

Kind Attn: Ms. Soya K (Financial Controller)

Sub: Consent Letter to act as Debenture Trustee for Secured Listed Non-Convertible Debentures aggregating upto Rs. 1000.00 Crores

Dear Mam,

This is with reference to our discussion regarding appointment of Beacon Trusteeship Limited as Debenture Trustee for Secured Listed Non-Convertible Debentures aggregating to Rs. 1000.00 Crores

In this regards it would indeed be our pleasure to be associated with your esteemed organization as Debenture Trustee. In this connection, we confirm our acceptance to act as Debenture Trustee for the same.

We are also agreeable for inclusion of our name as trustees in the Company's offer document/disclosure document/ listing application/any other document to be filed with the Stock Exchange(s) or any other authority as required.

Looking forward to a long and fruitful association with your esteemed organization.

Yours faithfully
For Beacon Trusteeship Limited

Veena Nautiyal
Associate Director
Mumbai, March 02,2024
Authorised Signatory

Accepted
For Kerela Financial Corporation

Authorised Signatory

CA SOYA K
Financial Controller
Kerala Financial Corporation
Thiruvananthapuram

BEACON TRUSTEESHIP

Great Place To Work. Certified

DUE DILIGENCE CERTIFICATE – ANNEXURE A

(Pursuant to SEBI Master Circular SEBI/HO/DDHS-PoD1/P/CIR/2023/109 dated March 31, 2023)

Ref No: BTL/DEB/23-24/47834 **Date: March 04, 2024**

To,
BSE Limited
25th Floor, P. J. Towers,
Dalal Street,
Mumbai -400001

Dear Sir /Madam,

SUB.: ISSUE OF SENIOR, RATED, LISTED, SECURED, TAXABLE, REDEEMABLE, NON-CONVERTIBLE DEBENTURES OF A FACE VALUE OF INR 1,00,000 EACH AGGREGATING UPTO INR 500,00,00,000/- (RUPEES FIVE HUNDRED CRORES ONLY) BY WAY OF A PRIVATE PLACEMENT BY KERALA FINANCIAL CORPORATION.

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 and listed.
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/ placement memorandum and all disclosures made in the offer document/ placement memorandum with respect to creation of security are in confirmation with the clauses of debenture trustee agreement.
e) Issuer has disclosed all covenants proposed to be included in debenture trust deed (including any side letter, accelerated payment clause etc.), offer document/ private placement memorandum.
f) 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.

Beacon Trusteeship Limited

g) All disclosures made in the offer document 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.

For Beacon Trusteeship Limited

Kaustubh Kulkarni
Director

Place: Mumbai

BEACON TRUSTEESHIP

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DUE DILIGENCE CERTIFICATE – ANNEXURE A

(Pursuant to Regulation 44(3)(a) of Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021)

Ref No: BTL/DEB/23-24/47833 **Date: March 04, 2024**

To,
BSE Limited
25th Floor, P. J. Towers,
Dalal Street,
Mumbai -400001

Dear Sir / Madam,

SUB.: ISSUE OF SENIOR, RATED, LISTED, SECURED, TAXABLE, REDEEMABLE, NON-CONVERTIBLE DEBENTURES OF A FACE VALUE OF INR 1,00,000 EACH AGGREGATING UPTO INR 500,00,00,000/- (RUPEES FIVE HUNDRED CRORES ONLY) BY WAY OF A PRIVATE PLACEMENT BY KERALA FINANCIAL CORPORATION.

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.
2) On the basis of such examination and of the discussions with the Issuer, its directorsand other officers, other agencies and on independent verification of the various relevant documents,

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 also its continued obligations towards the holders of debt securities.
d) All disclosures made in the offer document 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.

For Beacon Trusteeship Limited

Beacon Trusteeship Limited

Kaustubh Kulkarni
Director

Place: Mumbai

ANNEXURE 5: CONSENT LETTER FROM THE REGISTRAR TO THE ISSUE

CAMEO

CAMEO CORPORATE SERVICES LIMITED

Ref: CAM/DIR/KFC/Bond/2023-24

04th March 2024

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.1000 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

"Subramanian Building", 1, Club House Road, Chennai - 600 002.
Ph : 28460390 (5 Lines), 40020700, E-mail : investor@cameoindia.com Website : www.cameoindia.com
CIN No. : U67120TN1998PLC041613

ANNEXURE 6 IN PRINICIPLE APPROVAL

BSE
The Power of Vibrance

DCS/COMP/PG/IP-PPDI/504/23-24

March 06, 2024

Kerala Financial Corporation
Vellayambalam, Thiruvananthapuram
Kerala-695033

Dear Sir/Madam

Re: Private Placement For Issue Of Senior, Rated, Listed, Secured, Taxable, Redeemable, Non-Convertible Debentures Of A Face Value Of Rs.1 Lakh Each ("Debentures" (The "Issue") under GID No. 2023-2024-01 Dated March 04, 2024

We acknowledge receipt of your application on the online portal on March 04, 2024 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.***

10. Company is further requested to comply with SEBI Circular SEBI/HO/DDHS/DDHS-RACPOD1/CIR/P/2023/56 dated April 13, 2023, (if applicable) read along with BSE Circular https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20230428-18 and ensure compliance of the same.

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 General Information Document, which 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

Rupal Khandelwal

Rupal Khandelwal
Deputy General Manager

Akshay Arolkar
Deputy Manager

ANNEXURE 7: AUDITED STANDALONE FINANCIAL STATEMENTS WITH AUDITORS REPORT FOR THE LAST THREE FINANCIAL YEARS AND UPTO DECEMBER 31,2023

KERALA FINANCIAL CORPORATION

HO: VELLAYAMBALAM, THIRUVANANTHAPURAM – 695 033
Phone : 0471 – 2315891, 2737565
e-mail : mdoffice@kfc.org website : www.kfc.org

KFC/F&A/BOND/2023-24 09.02.2024

The Manager
BSE Limited
P J Towers,
Dalal Street,
Mumbai -400001

Dear Sir,

Sub: Outcome of Board Meeting held on 09.02.2024

In compliance with Regulation 52 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we hereby inform that the Board of Directors at their meeting held on February 09, 2024 Friday has inter-alia considered and approved Unaudited Financial Results of the Corporation for the quarter ended December 31, 2023. The figures were also recommend for approval by the Audit Committee at their meeting held on February 08, 2024.

The Board meeting commenced at 11.30 A.M. and concluded at 3.45 P.M. approved the following:

1. Unaudited Financial Results for the quarter ended on December 31, 2023 (financial results) together with the disclosures in accordance with Regulation 52(4) of the Listing Regulations and the Limited Review report of the statutory auditor issued thereon by M/s. J A K S & Associates, Chartered Accountants.
2. Extract of unaudited financial results for the quarter ended on December 31, 2023 being published in Newspaper.

Kindly take the same on record.

Thanking You,

Yours Faithfully,

Company Secretary

RAM GANESH R
Company Secretary
Kerala Financial Corporation

JAKS & Associates
Chartered Accountants

T.C. 9/2763(12), Kulangara, 288, CSM Nagar
Edappazhinji, Thiruvananthapuram - 695 010
T : +91-471-2723338 / M : +91-75580 33338
E : selastin@jaksllp.com W : www.jaksllp.com
GSTIN: 32AACFJ0207A1ZH

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 three-month period ended 31.12.2023. 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.

JAKS & ASSOCIATES T.V.M.

Emphasis Paragraph:

1. We refer to Note No.7 regarding the recognition of unrealized foreign exchange fluctuation loss or gain as on 31.12.2023.

2. The calculation of Deferred tax Asset/ Liability is done on a yearly basis hence no impact of the same has been effected in the financials for the period ended 31.12.2023. (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 31.03.2023 without any changes as it is more than the minimum provision required by RBI.

4. The corporation has not written off any technical bad debts or made any provision for the same as on 31.12.2023, which is only done at the year-end. The profit shown for the nine-month period ended 31.12.2023 is subject to this adjustment. (Reference to Note-4).

5. The balance in suspense account as on 31.12.2023 amounting to Rs. 7.17 Cr comprises of mainly repayment from contractor term loans and recovery made through the newly opened SARBs. As it is kept in the suspense account, we are not able to assess the impact on the Profit & Loss A/c of the Corporation. However, from the said balance in suspense account, Rs.5.49 Cr has been cleared in January,2024.

6. The Corporation had restructured loan accounts during the COVID period and classified the same as standard assets and the balance outstanding of such loans as on 31.03.2023 was Rs.545.10 Cr. The Corporation had provided additional provision of 5-10%on these assets and has classified them as standard assets. The balance outstanding of such loans as on 31.12.2023 is Rs.372.52 Cr.

7. The Corporation has a property acquired against a defaulted loan with a value of Rs.400.34 Lakh shown as an asset in its Balance Sheet. This has been there for a very long time and there are no adequate records available to substantiate the recoverability of this asset.

8. The Corporation does not have a full-fledged system to verify whether the collateral securities are revalued once in every three years and updated in the loan database and accounting records with the revalued figures.

J A K S & ASSOCIATES C.As.

9. The corporation has outstanding loan with the following Public Sector Undertakings as on 31.12.2023

a) Kerala Infrastructure Investment Fund Board (KIIFB) – Rs. 875.01 Crores
b) Kerala Social Security Pension Ltd (KSSP) – Rs. 499.99 Crores
c) Vizhinjam International Seaport Ltd (VISL) – Rs. 428.76 Crores
d) Kerala State Electricity Board (KSEB) – Rs. 980.52 Crores

These loans are secured only by the sovereign guarantee of Govt. of Kerala and do not have any other security.

For J A K S & Associates
Chartered Accountants
FRN.001360S

Selastin A, F.C.A.
Partner, M.No.202874

UDIN: 24202874BKCZEF5308
Place : Trivandrum
Date : 09-02-2024

J.A.K.S. & ASSOCIATES C.As.

	KERALA FINANCIAL CORPORATION			
	STATEMENT OF ASSETS AND LIABILITIES			
	Particulars	As at 31.12.2023	As at 31.12.2022	As at 31.03.2023
		Unaudited	Unaudited	Audited
		Amt in Lakh	Amt in Lakh	Amt in Lakh
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	62,650.43	42,650.43	42,650.43
	(b) Reserves and surplus	43,364.21	39,595.10	29,152.63
	(C) Share application money pending allotment			20,000.00
2	Non-current liabilities			
	(a) Long-term borrowings	5,31,037.51	3,95,922.55	4,43,520.16
	(b) Other non current liabilities	551.87	187.32	506.80
	(c) Long-term provisions	22,318.44	17,319.69	22,318.44
3	Current liabilities			
	(a) Short-term borrowings	1,63,930.07	1,66,052.04	1,75,171.68
	(b) Other current liabilities	6,976.36	1,42,213.50	5,642.06
	(c) Short-term provisions	6,504.70	3,647.41	3,902.22
	TOTAL	8,37,336.13	8,27,958.04	7,44,854.17
B	ASSETS			
1	Non-current assets			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) Property, Plant and Equipment	723.22	633.88	642.85
	(ii) Intangible Assets	60.45	44.22	98.47
	(b) Non-current investments	8,451.14	8,451.14	8,451.14
	(c) Other non-current assets	3,45,213.87	4,41,998.10	4,62,636.42
	(d) Deferred Tax Assets (net)	267.65	182.26	267.65
2	Current assets			
	(a) Current investments	66,793.84	27,884.31	44,603.63
	(b) Cash and cash equivalents	30,166.84	10,777.97	6,585.36
	(c) Other current assets	1,85,659.55	5,37,868.16	2,21,568.67
	TOTAL	8,37,336.13	8,27,958.04	7,44,854.17

Soya K
Financial Controller

Premnath Ravindranath
Executive Director

Seshu Babu Palle
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg No: 001360S

Selastar A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date:09-02-2024

KERALA FINANCIAL CORPORATION

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2023

(Rs. In Lakh)

Sl No	Particulars	Quarter ended		Nine months ended		Year ended
		31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.03.2023
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Revenue					
1	Interest Income	20,868.55	15,556.45	57,316.83	44,585.50	65,486.28
2	Other Income	3,610.37	937.85	4,612.81	3,001.54	3,991.23
3	**Total revenue**	**24,478.69**	**16,494.29**	**61,929.65**	**47,587.04**	**69,477.51**
	Expenses					
	(a) Interest expenses	14,109.16	10,955.51	41,027.68	30,502.40	41,190.07
	(b) Employee benefits expenses	809.73	804.63	2,589.38	2,200.03	3,083.01
	(c) Administrative Expenses	180.16	275.97	537.98	525.04	886.65
	(d) Depreciation and amortization expense	9.18	2.51	139.28	164.00	186.80
	(e) Bad debts written off	-0.29	-	-	84.01	10,540.00
4	**Total expenditure**	15,105.77	11,998.61	45,194.32	32,475.76	55,835.51
5	**Operating Profit before exceptional and extraordinary items and tax**	**9,372.92**	**4,495.68**	**16,755.33**	**15,113.28**	**13,641.70**
6	**Operating Profit After exceptional and extraordinary items**	**9,372.92**	**4,495.68**	**16,755.33**	**15,113.28**	**13,641.70**
7	Less: Provision for Bad and Doubtful debts / Other assets	-	-	-	-	4,998.75
8	**Profit before tax**	**9,372.92**	**4,495.68**	**16,755.33**	**15,113.28**	**8,642.95**
9	**Tax expense:**					
	Less: Current tax expense - (a) Provision for Income Tax	1,135.91	425.00	2,855.00	1,375.00	3,669.70
	(b) Provision for Deferred Tax	-	-	-	-	-85.39
10	**Net Profit after tax for the period**	**8,237.92**	**4,070.68**	**13,920.33**	**13,738.28**	**5,018.64**
11	**Paid up Equity share capital (Face value of Rs. 100/- per share)**	**62,650.43**	**62,650.43**	**62,650.43**	**62,650.43**	**62,650.43**
12	**Share Application money received pending allotment**					**20,000.00**
13	Reserves excluding Revaluation reserves					92,578.39
14	**Earnings per share** (Equity shares of Rs 100/- each):					
	(a) Basic	13.15*	6.50*	22.22*	32.51*	12.41
	(b) Diluted	13.15*	6.50*	22.22*	32.51*	12.41

* Not Annualised

Previous figures are regrouped and rearranged wherever necessary to conform to current year's requirements.

Chief F.A.C.
Financial Controller

Hrishikesh Ravindranath
Executive Director

Sasha Babu Pillai
Director

Sanjay Kaul IAS
Chairman & Managing Director

Place: Thiruvananthapuram
Date: 09-02-2024

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg. No: 003905S

Selamit A. FCA
Partner M. No: 207871

KERALA FINANCIAL CORPORATION

CASH FLOW STATEMENT

FOR THE PERIOD	For the half year ended 31-12-2023	For the quarter ended 31-12-2022	For the Year ended 31-03-2023
	Amt in Lakh	Amt in Lakh	Amt in Lakh
	Unaudited	Unaudited	Audited
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes and prior period adjustments	16,755.33	15,113.28	8,602.95
Interest received on Fixed Deposits	(3,968.35)	(1,771.66)	(2,421.53)
Depreciation on fixed assets	139.28	164.68	166.80
Provision for Non Performing Assets/Other Assets	-	-	4,998.75
Share Issue Expenses	1.04	-	-
Premium on Forward Contract	280.59	(562.58)	(408.79)
Interest and other costs of Non-SLR Bond	8,198.24	4,432.48	6,117.81
Prior period Income	-	15.05	
Adjustment for changes in operating assets and liabilities			
Increase in Loans and Advances	(60,176.05)	(1,57,393.54)	(1,77,868.69)
Increase in borrowings from Banks	68,055.28	1,62,805.38	1,51,893.13
Decrease in Other Non-Current assets	(14,001.42)	63,064.95	62,849.98
Decrease in Other Current assets	38,244.10	(1,53,329.42)	(75,490.92)
Increase in Current liabilities	1,336.79	96,397.70	(3,811.71)
Increase in Other Non Current Liabilities	(44.16)	(275.83)	(367.13)
Less: Income tax paid	(2,835.00)	(950.00)	(2,575.00)
Net cash from operating activities	**52,485.67**	**27,560.49**	**(28,614.55)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(181.64)	(158.42)	(173.74)
Net cash used in investing activities	**(181.64)**	**(158.42)**	**(173.74)**
CASH FLOW FROM FINANCING ACTIVITIES			
Money received against Share Capital	-	-	20,000.00
Share Issue Expenses	(1.04)	-	-
Issue of Non SLR Bond	27,350.00	-	47,650.00
Redemption of Non-SLR Bond	(19,130.00)	(11,737.50)	(11,737.50)
Interest and other costs of Non-SLR Bond	(8,198.24)	(4,432.48)	(6,117.81)
Interest Received on Fixed Deposits	3,968.35	1,771.66	2,421.53
Net Investment in NCD	(8,399.78)	(8,399.78)	(8,399.78)
Proceeds from NCD	-	-	-
Net Deposit with Banks	(22,193.21)	(3,884.09)	(20,633.41)
Dividend	(2,122.52)	(106.63)	2,025.93
Addition to Special Reserve	10.66	0.53	0.53
Net cash used in financing activities	**(28,722.78)**	**(26,788.29)**	**25,209.46**
Net increase in cash and cash equivalents	23,581.25	613.78	(3,578.83)
Cash and cash equivalents at the beginning of the year	6,585.36	10,164.19	10,164.19
Cash and cash equivalents at the end of the year	**30,166.61**	**10,777.97**	**6,585.36**

For and on behalf of the Board of Directors

Sujith K
Financial Controller

Prasanth Ravindranath
Executive Director

Sobha Baba Palle
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg. No: 001360S

Sajeesh A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date: 09-02-2024

Notes to Financial Statements

1. The financial results for the Nine months' ended December 31, 2023 have been subjected to review by the Statutory Auditors M/s. JAKS Associates Chartered Accountants. The financials result as on December 31, 2022 were also reviewed by M/s. JAKS Associates Chartered Accountants.

2. The Corporation has consistently applied its significant accounting policies in the preparation of quarterly financial results ended December 31, 2023 as compared to those followed for the year ended March 31, 2023.

3. The Portfolio of the Corporation as on December 31, 2023 is Rs. 7,13,116.34 Lakh comprising Standard Advances of Rs. 6,73,141.89 Lakh, Substandard Advances of Rs. 29,136.12 Lakh and Doubtful Advances of Rs. 10,838.33 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 December 31, 2023. The advances in doubtful category as on December 31, 2023 amounts to Rs. 10,838.33 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 provided 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 31,2023), 15% for substandard advances (77% on March 31, 2023) and 25% for doubtful advances (Technically written off as on March 31,2023).

   The Corporation has kept additional provision of 5%/10% (minimum norms) amounting to Rs.4415.03 Lakh in respect of 553 loan accounts restructured as per RBI guidelines and classified under Standard category as on 31.03.2023. Additional provision of 10% (minimum norms) amounting to Rs.3379.08 Lakh is kept in respect of 428 loan accounts amounting to Rs. 33790.79 Lakh restructured under RBI Circular dated May 5, 2021 (Resolution framework 2.0). Additional provision of 5% (minimum norms) amounting to Rs. 725.82 Lakh is kept in respect of 84 loan accounts amounting to Rs.14516.36 Lakh restructured under RBI Circular dated Aug 6, 2020 (Resolution framework 1.0). Additional

provision of 5% (minimum norms) amounting to Rs.310.13 Lakh is kept in respect of 41 loan accounts amounting to Rs.6202.58 Lakh which have been restructured on account of extension of DCCO. The Gross NPA as on 31.12.2023 is 5.61% as against 3.11% and Net NPA will be 3.54% as against 0.74% as on March 31, 2023.

6. The minimum provision needed as on December 31, 2023 is Rs. 13871.53 Lakh and the total provision available for Bad and Doubtful debts / Other assets as on December 31, 2023 is Rs. 22318.44 Lakh and hence no additional provision is made for the Nine months' ended December 31, 2023.

7. The Corporation availed a total of Rs. 1,59,227.24 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 Nine months' ended December 31, 2023 is Rs 766.02 Lakh and the deferred premium as on December 31, 2023 is Rs. 500.81 Lakh. The notional forex-gain/Loss during the Nine months' ended December 31, 2023 is 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.

For and on behalf of the Board of Directors

Soya.K Financial Controller	Premnath Ravindranath Executive Director	Seshu Babu Palle Director	Sanjay Kaul IAS Chairman & Managing Director

For J A K S & Associates
Chartered Accountants
Firm Reg No:001360S

Selastin A. FCA
Partner, M No: 202874

Thiruvananthapuram

Date: 09.02.2024

Annexure-A

Disclosure required as per Regulation 52(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the quarter ended December 31, 2023

Sl No	Particulars	Quarter ended December 31, 2023
A	Debt-Equity Ratio	6.53
B	Debt Service Coverage Ratio	NA
C	Interest Service Coverage Ratio	NA
D	Capital Redemption Reserve	NA
E	Debenture Redemption Reserve	NA
F	Net Worth	Rs. 1,065.01Cr.
G	Net Profit after Tax	Rs. 139.20 Cr.
H	Earnings per Share 1) Basic (Rs.) 2) Diluted (Rs.)	 22.22 22.22
I	Current Ratio	NA
J	Long term debt to Working capital	NA
K	Bad debts to Accounts receivable	NA
L	Current Liability Ratio	NA
M	Total Debts to total Assets	0.83
N	Debtors turnover	NA
O	Inventory Turnover	NA
P	Operating Margin	NA
Q	Net profit Margin	NA
R	Sector specific equivalent Ratios • CRAR • Gross NPA • Net NPA	 23.90 5.61 3.54

Soya R
Financial Controller

Premnath Ravindranath
Executive Director

Seshu Babu Palle
Director

Sanjay Kaul IAS
Chairman & Managing Director

For J A K S & Associates
Chartered Accountants
Firm Reg No:001360S

Selastin A. FCA
Partner, M No: 202874

Thiruvananthapuram
Date: 09.02.2024

KERALA FINANCIAL CORPORATION

HO: VELLAYAMBALAM, THIRUVANANTHAPURAM – 695 033
Phone : 0471 – 2315891, 2737566
e-mail : mdoffice@kfc.org website : www.kfc.org

KFC/F&A/BOND/BSE/2023-24 09.02.2024

The Manager
Listing Compliance
BSE Limited
P.J Tower, Dalal Street
Fort, Mumbai - 400 001

Dear Sir/Madam,

Sub:- Compliance under Regulation 52(7), 52 (7A) of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015.

Pursuant to Regulation 52(7) of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 and in compliance with SEBI operational Circular SEBI/HO/DDHS_ Div1/P/CIR/2022/0000000103 dated July 29, 2022 we are furnishing herewith Utilization of issue proceeds of non-convertible securities and Statement of deviation/variation for the quarter ended December31, 2023.

Request you to kindly take the same on your record.

Thanking you.

Yours Faithfully,
For Kerala Financial Corporation

Ram Ganesh R
Company Secretary

RAM GANESH R
Company Secretary
Kerala Financial Corporation

A. Statement of utilization of issue proceeds:

Name of the Issuer	ISIN	Mode of Fund Raising (Public issues/ Private placement)	Type of instrument	Date of raising funds	Amount Raised	Funds utilized	Any deviation (Yes / No)	If 8 is Yes, then specify the purpose of for which the funds were utilized	Remarks, if any
1	2	3	4	5	6	7	8	9	10
Kerala Financial Corporation	INE818F07229 INE818F07237 INE818F07211 INE818F07245 INE818F07203	Private Placement	Non-Convertible Debentures	02-05-2023	273.50 crore	273.50 crore	No	NA	Nil

RAM GANESH R
Company Secretary
Kerala Financial Corporation

B. Statement of deviation/ variation in use of Issue proceeds:

Particulars	Remarks
Name of listed entity	Kerala Financial Corporation
Mode of fund raising	Private Placement
Type of instrument	Non-Convertible Securities
Date of raising funds	02-05-2023
Amount raised	273.50 crore
Report filed for quarter ended	31-12-2023
Is there a deviation/ variation in use of funds raised?	No
Whether any approval is required to vary the objects of the issue stated in the prospectus/ offer document?	NA The Proceeds raised from the issue used solely for the purpose.
If yes, details of the approval so required?	NA
Date of approval	NA
Explanation for the deviation/ variation	NA
Comments of the audit committee after review	NA
Comments of the auditors, if any	Nil

Objects for which funds have been raised and where there has been a deviation/ variation, in the following table:

Original Object	Modification Object, if any	Original Allocation	Modification allocation, if any	Funds Utilised	Amount of deviation/variation for the quarter according to applicable object (in Rs. crore and in %)	Remarks, if any
Nil	NA	NA	NA	NA	Nil	Nil

Deviation could mean:
a. Deviation in the objects or purposes for which the funds have been raised.
b. Deviation in the amount of funds actually utilized as against what was originally disclosed.

Name of signatory: Ram Ganesh R

Designation: Company Secretary

RAM GANESH R
Company Secretary
Kerala Financial Corporation

ANNUAL REPORT

2022-23

Kerala Financial Corporation

we finance your dream

KERALA FINANCIAL CORPORATION
(INCORPORATED UNDER THE STATE FINANCIAL CORPORATIONS ACT No. LXII OF 1951)
H.O. VELLAYAMBALAM, THIRUVANANTHAPURAM - 695033
Phone: 0471 - 2737500 (30 Lines) Fax : 2311750, 2318541, 2722090, 2313813
e-mail: kfc@kfc.org website : www.kfc.org

KFC/ F&A / 302 / 2023 **02.06.2023**

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 70th 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 26, 2023 at 11.00 AM to transact the following businesses:

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2023 and the Profit & Loss account for the year ended March 31, 2023 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2022-23 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2023-24 under Section 37 (1) of the SFC Act 1951.
3. To declare dividend

Special Business

4. Issue of shares to State Government in Demat form.

   The Corporation's authorized and paid up capital as on March 31, 2022 was 50000.00 Lakh and Rs.42650.43 Lakh respectively. Government of Kerala vide GO(Ms) No.59/2023/fin dated 30.03.2023 have enhanced the Authorized share capital of Kerala Financial Corporation (KFC), from existing Rs. 50000.00 Lakh to Rs. 100000.00 Lakh on the recommendations of the Board of Directors of KFC dated 26.11.2020, KFC Annual General Meeting held on 31.08.2021 and SIDBI letter no. IFV:10960/KFC dated 05.08.2021. Further Government of Kerala vide GO(Ms) No.62/2023/fin dated 31.03.2023 infused Rs. 20000.00 Lakh to the paid up capital which is shown separately as Advance received against Share Capital under Shareholder's Funds as on 31.03.2023. Approval of Shareholders is sought to issue 2,00,00,000 shares at face value of Rs. 100/- per share amounting to Rs. 20000.00 Lakh to Government of Kerala by crediting the same to the Demat account of the Government of Kerala with Stock Holding Corporation of India Ltd (SHCIL). The consent of the shareholders be and is hereby accorded to the authorize Financial Controller, KFC to do all such acts, deeds, matters and things as they may deem necessary and/or expedient to give effect to the above Resolution.

5. To approve the proposal to raise funds not exceeding Rs. 100000.00 Lakh by way of issuance of non-convertible debentures on private placement basis.

By Order of the Board

Executive Director

Place : Thiruvananthapuram,
Date : 02-06-2023

KERALA FINANCIAL CORPORATION
(INCORPORATED UNDER THE STATE FINANCIAL CORPORATIONS ACT No. LXIII OF 1951)
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Phone: 0471 - 2737500 (30 Lines) Fax : 2311750, 2318541, 2722000, 2313813
e-mail: kfc@kfc.org website : www.kfc.org

NOTES:

1. *The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 19.06.2023 to 26.06.2023 (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. 1,300 OF 1951)
H.O. VELLAYAMBALAM, THIRUVANANTHAPURAM - 695033
Phone: 0471 - 2737500 (30 Lines) Fax : 2311750, 2314541, 2722090, 2713813
e-mail: kfc@kfc.org website : www.kfc.org

IS / ISO 9001
DNV

KERALA FINANCIAL CORPORATION

H.O. – 'Aswathy', Vellayambalam,
Thiruvananthapuram – 695 033.

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 on Rs.1/-
Revenue Stamp

DIRECTORS' REPORT

To
The Stakeholders

The Board of Directors is pleased to place before you the 70th Annual Report of Kerala Financial Corporation (KFC) along with the Audited Balance Sheet as at March 31, 2023, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2023. The performance highlights are also given in the Annual Report for the year 2022-23.

KFC incorporated under the State Financial Corporations Act of 1951, has now become the best State Financial Corporation in India, playing a vital role in the industrialization of the State by providing financial assistance to Micro, Small and Medium Enterprises in the manufacturing and service sector. All along our constant endeavour has been to bring a sharper focus on the requirements of our customers and to provide the highest levels of service.

The Indian economy have moved on after its encounter with the pandemic, staging a full recovery ahead of many nations and have positioned itself to the pre-pandemic growth path during FY 2022-23. Resilient domestic macroeconomic and financial conditions and new growth opportunities from global geo-economics shifts has placed India at a advantageous position. Prompt and adequate measures by the RBI have reined in the rise in inflation and brought it within the Central Bank's tolerance limit.

The Government of Kerala had declared the Financial Year 2022-23 as the "Year of Enterprises". The objective of the initiative was to encourage and promote Micro, Small, and Medium level entrepreneurs in the State by creating one lakh new enterprises in Kerala during the FY 2022-23. The Government has achieved this ambitious target within a remarkable period of 250 days and 1.39 lakh enterprises started in the state during the FY. As part of this achievement, a sizeable amount of investment and new employment opportunities were created in the State. The State Government continues its policy of promoting growth and development of the economy, and ensures social protection and job creation despite the constraints imposed by the pandemic, natural calamities, and economic slowdown. The Government has come out with 'Kerala Industrial Policy 2023' which aims to reorient existing industries to adopt Fourth Industrial Revolution (4IR) technologies, enhancing their efficiency and competitiveness. Special emphasis is placed on achieving an Industry 4.0-ready industrial ecosystem by 2028 through responsible investments and fostering innovation.

In this "Year of Enterprises", KFC has stood behind the State Government, fulfilling the financial requirements of the budding as well as existing enterprises with a handholding & customer friendly approach. The loan portfolio of the Corporation surpassed Rs.5000 crore mark for the first time in a FY and reached Rs.6529.40 crore. Even though the repo rate was increased by 250 bps during

the FY 2022-23 which ultimately affected the funding cost of the Corporation, the interest rates were not hiked by KFC even a single time during this period, and that too, when all the Banks were passing on the additional interest burden to their customers. With the support of the State Government, KFC continued to offer loans at attractive rates to the entrepreneurs. With the infusion of share capital of Rs.200 crore by the State Government, the Corporation could improve the Capital Adequacy Ratio (CRAR) to 25.58%. The Corporation announced new loan schemes and extended revival packages to various sectors. Corporation also conducted a special recovery drive for the settlement of doubtful assets and mobilised Rs.100.27 crore from the written off portfolio. Despite the diverse challenges, the Corporation remains resilient and has delivered a robust financial and operating performance with significant growth across various parameters. The key performance indicators are Sanction (up 11.49%), Disbursements (up 63.48%), Portfolio (up 37.44%), Profit (up 280.26%) and Gross NPA (down 4.89%), Net NPA (down 42.19%).

These encouraging figures reflecting an all-round balanced growth are the outcome of deliberate strategic efforts of a highly committed Professional Team of the Corporation who pursued the path of excellence, notwithstanding challenges. In addition to the excellent performance, an exceptional focus on credit quality, seamless processes and systems, ethical practices, and disclosures are the hallmarks of the Corporation with a strong regard for compliance. With a solid market reputation, credit quality and a well-capitalized position, Kerala Financial Corporation is positioned to accelerate growth and withstand any disruptions that may come, with innovative products and excellent customer service.

PERFORMANCE OF THE CORPORATION

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

Rs in Lakh

Key Parameters	**2022-23**	**2021-22**
Portfolio Size	6,52,940.30	4,75,071.41
Sanctions	3,20,722.18	2,87,678.86
Disbursements	3,55,594.61	2,17,520.16
Recovery	2,33,241.69	2,43,046.80
Interest Income	54,364.41	39,264.66
Total Income	69,437.51	51,816.81
Total Expenditure	55,835.81	42,634.65
Op. Profit before technical write off of bad debts	24,142.60	19,197.91
Op. Profit after technical write off of bad debts	13,601.70	9,182.16
Net Profit before Tax	8,602.95	3,501.07
Net profit after tax	5,018.64	1,319.80
Basic EPS (in Rs.) [face value Rs.100/-]	12.43	3.26
Diluted EPS (in Rs.) [face value Rs.100/-]	12.41	3.26
Net worth	92,570.25	69,402.63

Capital Adequacy Ratio %	25.58	22.41
Gross NPA as % of Gross Advances	3.11	3.27
Net NPA as % of Net Advances	0.74	1.28

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. 320722.18 Lakh during the FY 2022-23 as against Rs. 287678.86 Lakh during the previous FY. An amount of Rs. 355594.61 Lakh was disbursed during the FY 2022-23 as against Rs. 217520.16 Lakh during the previous FY .

Recovery

The Corporation has a well-built monitoring mechanism for recovery. The Board of the Corporation at its meeting held on 10.11.2022 decided to provide a one-time window to settle doubtful loans under Special Recovery Drive (SRD) for Doubtful loans. A total of 71 cases were sanctioned under the scheme amounting to Rs.8362.24 lakh and 40 cases were settled amounting to Rs.3454.66 lakh as of 31.03.2023. The total collection including advance is Rs.5542.00 lakh. During the year the Corporation has initiated Revenue Recovery action against 25 units having principal outstanding of Rs.7478.46 Lakh. The Corporation has taken physical possession of units with outstanding balance of Rs.325.86 Lakh. The Corporation has filed an Insolvency Petition under The Insolvency and Bankruptcy Code, 2016 against an unit for a claim of Rs.2739.35 lakh. There are 4 other units that are financed by the Corporation and undergoing the process of CIRP/Liquidation on the basis of petitions filed by other Financial Creditors. The total claim admitted in favour of the Corporation in such cases are Rs. 14838.72 Lakh.

The total recovery during the FY was Rs.233241.69 Lakh as against Rs. 243046.80 Lakh during the previous year. Out of the total recovery, 10027.28 Lakh (Rs. 9243.54 Lakh in Previous year) was by way of compromise settlement and recovery from written off loans.

Portfolio

The portfolio of the Corporation as on 31.03.2023 is Rs.652940.30 Lakh viz-a – viz Rs.475071.41 Lakh of 31.03.2022 registering a growth of 37.44%. The sector wise classification of Loans & Advances as on March 31, 2023 is furnished below.

Rs in Lakh

		As on 31.03.2023			As on 31.03.2022		
	Sector before woff	**No**	**Amount**	**%**	**No**	**Amount**	**%**
1	Manufacturing	2058	198580.44	30.41	2120	158451.23	33.35

2	Service	4189	423241.48	64.82	3957	286900.17	60.39
3	CRE	144	31118.38	4.77	163	29720.01	6.26
	Total	6391	652940.3	100.00	6240	475071.41	100.00

FINANCIAL PERFORMANCE

Profit

The Corporation reported a total income of Rs.69437.51 Lakh during the year as against Rs. 51816.81 Lakh during the FY 2021-22. The operating profit for the year under review increased by 48.13% to Rs.13601.70 Lakh as compared to Rs. 9182.16 Lakh during the previous year mainly due to higher recovery from technically written off assets of previous years. The Corporation has registered a Net profit of Rs.5018.64 Lakh as compared to Rs. 1319.80 Lakh during the previous year.

Dividend

The Board of Directors has proposed a dividend of 5% for the year ended March 31, 2023 (0.25% 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.10.66 Lakh will be transferred to Special reserve fund.

Capital & Reserves

The Corporation's paid up capital as on March 31, 2023 is Rs.42650.43 Lakh. The capital plus reserves of the Corporation has moved up by 33.38% from Rs. 69403.17 Lakh Lakh to Rs. 92,570.25 Lakh (comprising of paid-up equity capital of Rs.42650.43 Lakh and Advance received for share capital of Rs. 20000.00 Lakh and reserves of Rs. 29,919.82 Lakh). Government vide GO(Ms) No.62/2023/fin dated 31.03.2023 accorded sanction for enhancing the paid up capital of KFC by Rs. 20000 Lakh and the Corporation received Rs.20000 Lakh of share capital on 31.03.2023 which is shown separately as Advance received against Share Capital under Shareholder's Funds.

Shareholding pattern

The composition of shareholders as on March 31, 2023 is furnished below:

Shareholders	Amount(Rs in Lakh)	% of Shareholding
Government of Kerala	62026.94	99.005
SIDBI	613.33	0.979
LIC	7.1	0.011
SBI	2.1	0.003
Others	0.96	0.002
Total	62650.43	100.000

The Capital to Risk Weighted Assets Ratio (CRAR)

The Capital to Risk Weighted Assets Ratio (CRAR) of the Corporation as on March 31, 2023 according to Basel III guidelines is 25.58% (22.41 % as on March 31, 2022). The Capital adequacy ratio after considering the impact of proposed dividend will be 25.02% as at March 31, 2023.

Asset Quality

The Corporation gives utmost priority in maintaining the asset quality of the loan portfolio. As on 31.03.2023, the Standard assets stood at 96.89% 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 3.11 % in March 2023 from 3.27% in the previous year. The net NPA stands at 0.74% in March 2023 as compared to 0.74% in the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 84.89%.

Key Business Initiatives taken during the year

During the FY 2022-23, the Corporation has launched new loan schemes and products and also fine-tuned the existing processes to remain competitive. The key initiatives taken up are given below:

- **Enhancement of Loan Limit of CMEDP Edition-II.** The State Government vide GO(MS) No.101/2022/Fin dated 13.06.2022 accorded sanction to enhance the loan limit under the Chief Minister's Entrepreneurship Development Programme (CMEDP Edition-II) scheme from the existing Rs.100 lakh to Rs.200 lakh.

- **Launched KFC Agro-based MSME Loan Scheme (KAMS).** A special loan scheme named 'KAMS was launched with the aim of assisting MSMEs in the Agriculture sector. The maximum term loan is 90% of the project cost and the minimum loan amount is Rs.5 lakh. The gross interest rate is 10%. For loans up to Rs.1000 lakh, the State Government is bearing 3% interest subvention and KFC is bearing 2% rebate for prompt repayment, taking the net effective interest rate at 5%.

- **Launched KFC Working Capital Loan Scheme in association with City Union Bank.** KFC Working Capital Loan Scheme was launched by the Corporation under an arrangement with City Union Bank. In this scheme, WC facilities are provided to the borrowers by KFC. The entire WC facilities sanctioned by KFC to the borrower are provided by using the banking infrastructure of CUB. The WC facilities are operated through a designated Working Capital Transaction Account (WCTA) opened by the borrower with CUB. The operating limits, Drawing Power, rate of interest, etc. are set up in the WCTAS by KFC.

- **Streamlining of Loan Processing & Sanction.** The existing system of loan processing and sanction was revised such as to ensure quality credit delivery in an effective and time-bound manner by clearly defining the delegation for loan processing and the delegation of power for various Sanction Committees. For the timely management of loan processing, the delegation of Business Review Committees (BRC) for according in-principle clearance was partially decentralized by creating Branch Office Level and Zonal Level BRCs.

- **Special Campaign for Business Development.** During June & July 2022, a special business development campaign was conducted with attractive offers including 50% processing fee waiver for new MSME applications, 0.25% interest discount for new MSME clients, etc.

- **Including GST in the Agreed Contract Value for arriving at the Eligibility of Work Execution Facility for Contractors.** The maximum loan eligibility of contractors under the Work Execution Facility was amended as 75% of the cost of work awarded including GST (excluding the cost of materials supplied or advance paid by the Work Issuing Authority).

- **Monitoring of Loans above Rs.2000 lakh.** It was decided to have an additional monitoring mechanism for loans above Rs.2000 lakh sanctioned by the Corporation. Monitoring of change in management/ auditor, tracking of repayment in loans availed by the entity & promoters from Banks, quarterly analysis of GST returns, Probe 42 report, etc. are being done.

- **Assistance to Infrastructure Projects.** As the Corporation has been appointed as the agent of the Government to assist large projects, to facilitate the projects coming under the Infrastructure category as per RBI guidelines, scheme-level amendments were done by adding the Infrastructure sector to the sector classification. The sector exposure was set without any upper cap as applicable to the Manufacturing sector.

- **Scheme for Assisting Procurement of Deep-Sea Fishing Vessels.** The Corporation implemented the scheme for assisting Traditional Fishermen through their primary fishermen co-operative societies to procure Deep-Sea Fishing Vessels to equip them to venture into the deep sea to exploit the under-tapped resources. The maximum loan amount is 90% of the project cost subject to an upper cap of Rs.70 lakh per society per vessel. The rate of interest is the rate applicable to the CMEDP scheme. The State Level Committee, with the Director of Fisheries as the Chairman, approves and finalizes the list of beneficiaries.

- **Creating a Guarantee Pool through Bank for KFC Customers.** The Corporation started a guarantee limit (KFC Guarantee Pool) with Federal Bank by keeping an FD as 100% cash margin, so that KFC customers can avail of guarantee facility from the KFC Guarantee Pool of the Bank, wherever the guarantees issued by KFC are not accepted, especially in the case of large projects awarded by Central Government/ outside the State agencies.

- **Implementation of e-NACH Facility for Collection.** To streamline the monthly repayment in the loan accounts, the NACH facility was already implemented in the Corporation. During the FY 2022-23, an improved version of this facility, viz., e-NACH, was implemented and thereby the requirement of manually signed forms from the customer and the issues with regard to mandate rejections were avoided. Customers can get registered to e-NACH using their internet banking/ debit cards by authenticating the OTP received in their registered mobile numbers.

- **Special Recovery Drive for Doubtful Loans.** With the aim of increasing the profitability of the Corporation, the income from assets under doubtful category was targeted and a special recovery drive was conducted during FY 2022-23, providing a one-time window to settle doubtful category loan accounts at liberal terms.

- **Setting up Stressed Assets Recovery Branch.** In order to have a focused recovery mechanism, the Corporation decided to have Stressed Assets Recovery Branches (SARB) and the first of such branches was set up at Ernakulam. The main function of the SARB is the resolution of bad loans through the Insolvency & Bankruptcy Code (IBC) 2016 for companies and other recovery measures for non-companies.

Resource mobilisation

- **LOC from Commercial Banks.** The Corporation availed Rs.271006.42 Lakh as Term loan/ Working Capital Demand Loan/ Foreign currency loan from various Commercial Banks/ Financial Institutions and repaid Rs.118381.57 Lakh during the FY 2022-23. The aggregate outstanding LOC from Banks and other Financial Institutions at the year end was Rs.506830.70 Lakh. The Corporation is rated A+ for Bank borrowings from Acuite Rating Agency during the year, signifying a stable outlook.

- **Non SLR Bonds.** The Corporation raised Rs.47650 Lakh through bond issue during the FY 22-23. The aggregate outstanding Bonds at the year end was Rs.112050 Lakh. An amount of Rs.88.88 Lakh was paid to the State Government as Guarantee Commission for the outstanding bonds guaranteed by the State Government.

  The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The NCDs 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 31.03.2023 aggregate to Rs.112050.00 Lakh as given below.

Rs in Lakh

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date	Credit Rating	Asset Cover+ %
1	24-Mar-23	8.90%	47650.00	47650.00	24-Mar-33	AA	100
2	14-Sep-20	7.70%	25000.00	25000.00	14-Sep 30	AA	110
3	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26	AA	125
4	04-Apr-18	8.69%	25000.00#	3150.00	04-Apr-25	AA	125
5	09-May-16	8.90%	25000.00#	6250.00	09-May-23	AA	125
6	06-Jun-13	8.72%*	20000.00#	5000.00	06-Jun-23	A	-
		TOTAL	**167650.00**	**112050.00**			

* 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 amount deposited by Corporation towards REF with BSE as on March 31, 2023 is Rs.12.77 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, 2023, 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 ...33... 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 System Certificate in respect of the products and/or services, IS/ ISO 9001-2015, was renewed by the Bureau of Indian Standards (BIS) after conducting a surveillance/ renewal audit. The current license is valid till 21st June, 2025. 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 2021-22.

Statutory Auditors

The shareholders at its 69th Annual General Meeting held on 2022, appointed M/s. JAKS 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 2022-23 .

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 SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144 dated 26th November 2018 for fund raising by issuance of Debt Securities by Large Entities and disclosures and compliances thereof by Large Corporate, the Corporation had submitted necessary disclosures with Stock exchange from FY 2020 onwards. However, upon verification of the applicability of the above Circular, it is confirmed that even though the Corporation satisfy the first two conditions specified for being Large Corporate (ie. Securities listed on recognized stock

exchanges and Long term borrowings outstanding for Rs.100 crores and above), the corporation is having a standalone rating of A+ only and rating of AA is assigned as part of a credit enhancement structure, hence not satisfying the third condition. Accordingly, the Corporation does not fall under Large Corporate category as per the framework mentioned in the aforesaid circular.

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 to cross Rs.1000000 Lakh mark in the Loan and Advances portfolio by 31st March 2025. 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.

Increasing Loan Asset to Rs.10000 crore. The Corporation will revamp its policy and procedures to increase the credit flow to MSMEs and the Infrastructure sector so as to build the loan portfolio to Rs.10000 crore in the next two years. The focus will be on asset quality through cash flow-based lending.

Expanding presence to new areas. With more products and sectors, the presence of KFC will be expanded to more places. The number of branch offices will be increased in a phased manner. Three Special Asset Recovery Branches (SARBs) will be started to have focussed recovery. Existing branches will upgraded as exclusive MSME Credit Branches to focus on small and mid-sized enterprises. Two Large Credit branches (LCB) will be set up for servicing large loans.

Funding Infrastructure Projects. The Corporation will enter into a consortium arrangement with Nationalized/ Scheduled Banks, other Government agencies and Financial Institutions for providing financial assistance to the basic infrastructure development projects of the State.

Loan Scheme for Ex-servicemen. A new loan scheme will be launched for ex-servicemen in the State to start new MSME units. Loans up to the amount of Rs.200 lakh will be provided by including under 'Chief Minister's Entrepreneurship Development Programme' (CMEDP) with 3% State Government subsidy.

Loans to Agriculture Sector. With State Government support, KFC will provide loans up to Rs.1000 lakh at an interest rate of 6% to encourage agri-industries, agri-start-ups, processing/ marketing/ trading of agri-products, food processing units, Warehouse, godown, cold storage, logistics support, etc.

Chief Minister's Entrepreneurship Development Programme (CMEDP). KFC will target assisting 500 MSMEs this year under the 'Chief Ministers Entrepreneurship Development Programme (CMEDP)'. Each of these enterprises is given financial assistance up to Rs.200 lakh at 6% annual interest including a 3% interest subvention from the Government.

KFC Startup Kerala Scheme. Under Startup Kerala Scheme, the Corporation supports Startups during Productisation/ Commercialization/ Scaling Up stage. The maximum assistance is Rs.25 lakh for productisation, Rs.50 lakh for commercialization and Rs.100 lakh for Scaling up, subject to 90% of the project cost in each stage. Loans up to Rs.1000 lakh are given for executing purchase orders and as venture debt without collateral. KFC will support 50 Startups this year under the scheme.

Kerala MSME Bill Discounting Platform (KMBDP). Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. 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.

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.

Digital Document Execution (DDE) and E-Bank Guarantee. KFC will start Digital Document Execution (DDE) and e-Bank Guarantee in association with NeSL.

Corporate Governance

The Corporation is committed to adopting best corporate governance practices and believes that effective Corporate Governance is not just a requirement for regulatory compliance, but also a facilitator for the enhancement of stakeholders' value. The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. The Corporation reiterates its commitment to pursue the highest standards of corporate governance such as empowerment and integrity of its employees, transparency in the decision-making process, fair & ethical dealings, and accountability to all the stakeholders. The various internal policies of the Corporation were 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 replies under RTI. Prompt action is taken for replying to the petitions received under RTI in a time-bound manner. 124 applications were received during the financial year. All applications have been disposed of within the time stipulated under RTI Act.

The Corporation has complied with provisions relating to the constitution of the 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 in the workplace and prevention and redressal of such complaints. The Corporation received one complaint during the financial year. During FY 22-23, no frauds were reported. During the year the Corporation has received few notices from BSE on various dates directing to pay fines/penalty for delay in intimation of record dates of Interest payments/Principal redemptions of Debentures and certain other regulations. The Corporation has submitted before BSE for waiver of fine/penalty and the matter is pending. Other than that mentioned above, there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

The Corporation is having a three-tier Corporate Governance structure, viz:

a) The Board of Directors: The primary role of the Board is to protect the interest and enhance value for all the stakeholders. It conducts overall strategic supervision and control by setting the goals & targets, policies, reporting mechanism & accountability and decision-making process to be followed. The Board of the Corporation is responsible for the implementation and maintenance of adequate internal financial controls and has adopted the necessary policies and procedures for ensuring the orderly and efficient conduct of its business, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information and disclosures, as required under the various statutes.

(b) Apex Committees of the Board of Directors: The Board has Sub-Committees to oversee various functional aspects of the business and operations of the Corporation. The Committees are Executive Committee, Audit Committee, Sub-Committee for Policy Revision, Risk Management Committee, Stakeholder's Committee and the Nomination and Remuneration Committee. These committees focus on financial reporting, audit & internal controls, loan sanctions with exposure above Rs.2000 lakh, identification & resolution of various risks aspects in the business, compliance issues, sustainable development, various policy revisions, etc.

(c) Executive Management: The entire business and operations of the Corporation are managed by the Executive Management comprising of the Executive Director, General Managers, Financial Controller, HODs and Zonal Managers with clearly demarcated & well-defined responsibilities and delegations at different levels.

Board of Directors:

The details of the Board of Directors are given below:

Name	Designation	Tenure
Shri.Sanjay Kaul IAS, CMD	Chairman & Managing Director	01.06.2021 to till date
Shri.Sanjay Kaul IAS, Director	Secretary, Finance (Expenditure)	20.05.2020 to till date
Shri.Harikishore IAS, Director	Director, Industries & Commerce	12.08.2021 to till date
Shri.EK Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date

Shri.Seetharaman V, Director	General Manager, SBI	07.08.2021 to 31.05.2023
Shri.Satyaki Rastogi, Director	General Manager, SIDBI	29.09.2021 to till date
Smt.Deepa Sivadasan, Director	Senior Divisional Manager, LIC	06.06.2019 to 10.08.2022
Shri.K V Karthikeyan, Director	Deputy General Manager, SIDBI	04.05.2022 to till date
Shri. Premkumar S, Director	Senior Divisional Manager, LIC	11.08.2022 to till date

Apex Committees:

The Board of the Corporation met six times during the year on 26.05.2022, 11.08.2022, 29.08.2022, 10.11.2022, 09.02.2023 and 31.03.2023.

The Executive Committee met seventeen times during the year on 25.04.2022, 17.05.2022, 07.06.2022, 16.06.2022, 28.06.2022, 05.07.2022, 01.08.2022, 29.08.2022, 19.10.2022, 03.11.2022, 10.11.2022, 17.12.2022, 12.01.2023, 27.01.2023, 04.02.2023, 23.03.2023 and 28.03.2023.

The Audit Committee met five times during the year on 25.05.2022, 01.06.2022, 11.08.2022, 09.11.2022 and 06.02.2023.

The Sub-Committee for Policy Revision met eight times during the year on 07.05.2022, 12.05.2022, 19.05.2022, 04.06.2022, 06.06.2022, 07.06.2022, 18.10.2022 and 06.02.2023.

The Risk Management Committee (RMC) met once during the year on 23.03.2023.

The Stakeholder's Committee (SHC) met once during the year on 23.03.2023.

The Nomination and Remuneration Committee (NRC) met once during the year on 23.03.2023.

Attendance of the Members in the Board and Apex Committee Meetings during FY 2022-23:

Type of Meeting	No. of Meetings held	Shri. Sanjay Kaul IAS	Shri. Harikishore IAS	Shri. EK Harikumar	Shri. Anilkumar Parameswaran	Shri. Seetharaman V	Shri. Satyaki Rastogi	Smt. Deepa Sivadasan	Shri. K V Karthikeyan	Shri. Premkumar S
Board	6	6	0	6	6	6	4	0	5	5
Audit	5	NA	NA	5	5	NA	NA	0	NA	0

Com.										
Exec. Com	17	17	NA	17	17	NA	NA	0	NA	7
Sub Com.	8	NA	NA	8	8	NA	NA	NA	NA	NA
RMC	1	NA	NA	1	1	NA	NA	NA	NA	NA
SHC	1	NA	NA	1	1	NA	NA	NA	NA	1
NRC	1	NA	NA	1	1	NA	NA	NA	NA	0

Remuneration paid to Chairman & Managing Director

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:

(a) in the preparation of the annual accounts for the financial year ended March 31, 2023, 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 31,2023 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, 2023 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

Chairman and Managing Director

Thiruvananthapuram
01.06.2023

JAKS & Associates
Chartered Accountants

T.C. 9/2763(12), Kulangara, 288, CSM Nagar
Edappazhinji, Thiruvananthapuram - 695 010
T : +91-471-2723338 / M : +91-75580 33338
E : selastin@jakslip.com W : www.jakslip.com
GSTIN: 32AACFJ0207A1ZH

INDEPENDENT AUDITOR'S REPORT

To

The Members
Kerala Financial Corporation
Thiruvananthapuram

Report on the Audit of the Financial Statements,

We have audited the Financial Statements of Kerala Financial Corporation (herein referred to as KFC), which comprise the Balance Sheet at March 31st 2023, and the Profit and Loss account and the statement of Cash Flows for the Year Ended, and the Notes to the Financial Statements, including a summary of Significant Accounting Policies.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accompanying Financial Statements give a true and Fair of the Financial Position of the entity as at 31st March 2023 and of its Financial Performance and its cash flows for the year the 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 of 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 for our report. We are independent of the entity according to 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 the opinion.

Emphasis of Matter

1. The corporation has restructured loan accounts amounting to Rs.54509.73 Lakh and classified as Standard assets, and accrued interest on these assets is about Rs.800 Lakh. The corporation has made additional provision of 5% -10% on these assets and is included in the provision for bad debts.

2. The corporation applies a higher percentage of provision for bad debts on sub-standard assets than prescribed in the RBI Norms. Though the corporation does it on a conservative basis, the correct application of RBI Norms will have a material impact on the Profit and Loss account of the corporation.

3. The corporation has a portfolio of Bills Purchased and Discounted to the tune of Rs. 14192.57 Lakh as on 31/03/2023 and classified as standard assets. However, an aging analysis by due date for settlement of these assets is not available to ascertain the requirement for any additional provision to be taken.

4. The corporation has a property acquired against a defaulted loan with a value of Rs.400.34 Lakh shown as an asset in its Balance Sheet. This has been there for a very long time and there are no adequate records available to substantiate the recoverability of this asset.

5. The corporation does not have a full-fledged system to verify whether the collateral securities are revalued once in every three years and updated in the loan database and accounting records with the revalued figures.

6. Govt of Kerala infused Rs.20000 Lakh on 31/03/2023 as share capital to the corporation. However, the same amount was resumed on the same day and reallocated it on 04/04/2023. We understand from the management that the amount was resumed on 31/03/2023 due to a technical issue of Govt of Kerala's year end closing process of its treasury activities. The corporation has showed the same as advance received for share capital as on 31/03/2023.

7. The corporation had provided the following loans to Public Sector Undertaking (PSU) of Govt of Kerala during the year 2022-23:
   i. Kerala Infrastructure Investment Fund Board (KIIFB) – Rs. 100000 Lakh
   ii. Kerala Social Security Pension Ltd (KSSP) – Rs. 50000 Lakh
   iii. Vizhinjam International Seaport Ltd (VISL) – Rs. 50000 Lakh
   iv. Kerala State Electricity Board (KSEB) – Rs.50000 Lakh

   We have found that the corporation has waived off processing fees on all these loans, and these loans are secured only by the sovereign guarantee of the Govt of Kerala and does not have any other security

   Our opinion is not modified in respect of these matters.

Other Matters

1. Though the corporation has a policy of carrying out physical verification of fixed assets once in a year, the corporation has not done the same for its branches during the year 2022-23.

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. Accounting and Reporting Process of the Corporation is highly dependent 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,

JAKS & ASSOCIATES CA

incorrect input data, ineffective data migration procedures and wrong extraction of data may result in the financial accounting and Reporting records being misstated.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation and the Fair Presentation of the Financial Statements in accordance with the aforesaid Accounting Standards, and for such internal controls as management determines is necessary to enable the preparation of Financial Statement 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 going concern as the 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 Frauds or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For JAKS and Associates
Chartered Accountants
FRN No:001360S

Place: Thiruvananthapuram
Date: 27/05/2023

JAKS & ASSOCIATES C.A.

CA Sebastin Anthoniappan
M. No:.202874

UDIN: 23202874BGSGVN5609

KERALA FINANCIAL CORPORATION				
Balance Sheet as at 31.03.2023				
	Particulars	Note No.	As at 31.03.2023	As at 31.03.2022
			Audited	Audited
			Amt in Lakh	Amt in Lakh
A	**EQUITY AND LIABILITIES**			
1	**Shareholders' funds**			
	(a) Share capital	1	42,650.43	42,650.43
	(b) Reserves and surplus	2	29,152.63	26,393.61
	(c) Share application money pending allotment		20,000.00	0.00
2	**Non-current liabilities**			
	(a) Long-term borrowings	3	445,520.61	287,855.50
	(b) Other non current liabilities	4	596.03	963.16
	(c) Long-term provisions	5	22,318.44	17,310.60
3	**Current liabilities**			
	(a) Short-term borrowings	6	133,171.68	143,031.21
	(b) Other current liabilities	7	5,642.08	5,329.87
	(c) Short-term provisions	8	5,802.22	2,379.04
	TOTAL		**744,854.17**	**525,922.65**
B	**ASSETS**			
1	**Non-current assets**			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) Property, Plant and Equipment	8	642.83	577.33
	(ii) Intangible Assets	9	98.47	157.04
	(b) Non current investments	10	8,451.14	6,045.10
	(c) Other non current assets	11	462,636.42	341,623.77
	(d) Deferred Tax Assets (net)		267.63	182.26
2	**Current assets**			
	(a) Current investments	12	44,003.63	23,970.22
	(b) Cash and cash equivalents	13	6,585.36	16,164.19
	(c) Other current assets	14	221,568.67	143,202.74
3	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		**744,854.17**	**525,922.65**

For and on behalf of the Board of Directors

[illegible]
Financial Controller

Prasanth Ravindranath
Executive Director

Anil Kumar Parameswaran
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg. No: 001368S

Sebastian W. FCA
Partner M No: 202874

Place: Thiruvananthapuram
Date: 25.05.2023

	KERALA FINANCIAL CORPORATION			
	STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31.03.2023			
	Particulars	Note No.	31.03.2023	31.03.2022
			Audited	Audited
			Amt in Lakh	Amt in Lakh
A	**Continuing Operations**			
1	Revenue from Operations	15	65,486.28	49,265.99
2	Other Income	16	3,951.23	2,550.82
3	**Total revenue**		**69,437.51**	**51,816.81**
4	**Operating Expenses**			
	(a) Interest expenses	17	41,159.07	28,627.64
	(b) Employee benefits expenses	18	3,083.01	3,199.90
	(c) Administrative Expenses	19	886.03	577.61
	(d) Depreciation and amortisation expense		166.80	213.76
	(e) Bad debts written off		10,540.90	10,015.75
	Total expenditure		**55,835.81**	**42,634.66**
5	**Operating Profit before exceptional and extraordinary items and tax**		**13,601.70**	**9,182.15**
6	**Operating Profit After exceptional and extraordinary items**		**13,601.70**	**9,182.15**
7	Less: Provision for Bad and Doubtful debts / Other assets		4,998.75	5,681.10
8	**Profit before tax**		**8,602.95**	**3,501.05**
9	**Tax expense:**			
	Less: **Current tax expense** - (a) Provision for Income Tax		3,669.70	2,272.41
	(b) Provision for Deferred Tax		(85.39)	-91.15
B	**Discontinuing operations**		-	-
10	**Net Profit after tax for the period**		**5,018.64**	**1,319.79**
11	**Earnings per share (Equity shares of Rs 100/- each):**			
	(a) Basic		12.43	3.26
	(b) Diluted		12.41	3.26
C	**Profit and loss appropriation**			
	Balance in Profit & Loss A/c b/f		13,906.10	13,127.07
	Net Profit for the year		5,018.64	1,319.80
	Total profit available for appropriation		18,924.74	14,446.87
	Add: Income Tax provision written back		280.95	-
	Total		19,205.69	14,518.11
	Less:Appropriations			
	Proposed Dividend		2,132.52	106.63
	Transfer to Reserve u/s 36 (1) (viii)		1,501.01	505.39
	Balance Profit after appropriations		15,572.17	13,906.10
	Balance Profit carried to Balance sheet		**15,572.17**	**13,906.10**

For and on behalf of the Board of Directors

Suja K
Financial Controller

Premnath Ravindranath
Executive Director

Anil Kumar Parameswaran
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg No: 003366S

Sebastian A. FCA
Partner M No: 202874

Place: Thiruvananthapuram
Date: 27.05.2023

KERALA FINANCIAL CORPORATION		
CASH FLOW STATEMENT		
FOR THE PERIOD	For the year ended 31.03.2023	For the Year ended 31.03.2022
	Amt in Lakh	Amt in Lakh
	Audited	Audited
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes and prior period adjustments	8,602.95	3,501.07
Interest received on Fixed Deposits	(2,421.53)	(1,923.10)
Depreciation on fixed assets	166.80	213.76
Provision for Non Performing Assets/Other Assets	4,998.75	5,681.30
Premium on Forward Contract	(408.10)	(74.93)
Interest and other costs of Non-SLR Bond	6,117.81	7,174.07
Adjustment for changes in operating assets and liabilities		
Increase in Loans and Advances	(177,868.59)	(9,732.78)
Increase in borrowings from Banks	151,393.13	21,993.68
Decrease in Other Non-Current assets	62,840.98	5,863.95
Decrease in Other Current assets	(75,490.52)	(25,797.05)
Increase in Current liabilities	(3,811.71)	21,470.94
Increase in Other Non Current Liabilities	(367.13)	(284.49)
Less: Income tax paid	(2,875.00)	(1,734.00)
Net cash from operating activities	**(28,614.57)**	**26,356.61**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(173.74)	(54.62)
Sale of Fixed Assets	-	0.72
Net cash used in investing activities	**(173.74)**	**(53.90)**
CASH FLOW FROM FINANCING ACTIVITIES		
Money received against Share Capital	20,000.00	-
Issue of Non SLR Bond	47,690.00	-
Redemption of Non-SLR Bond	(11,737.50)	(18,030.00)
Interest and other costs of Non SLR Bond	(6,117.81)	(7,174.07)
Interest Received on Fixed Deposits	2,421.53	1,923.10
Net Investment in NCD	(8,399.78)	(5,993.74)
Proceeds from NCD	-	191.14
Net Deposit with Banks	(20,633.41)	2,851.85
Dividend	2,025.90	106.63
Addition to Special Reserve	0.53	-
Net cash used in financing activities	**25,201.46**	**(26,215.10)**
Net increase in cash and cash equivalents	(3,578.13)	87.61
Cash and cash equivalents at the beginning of the year	10,164.19	10,076.58
Cash and cash equivalents at the end of the year	**6,585.36**	**10,164.19**

For and on behalf of the Board of Directors

Sd/- K.
Financial Controller

Premnath Ravindranath
Executive Director

Anil Kumar Parameswaran
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg. No: 001360S

Sd/-
Sekhar A. FCA
Partner, M.No. 202874

Place: Thiruvananthapuram
Date: 27.05.2023

KERALA FINANCIAL CORPORATION
NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2023

	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
10,00,00,000 Equity shares of Rs.100/- each	**1,00,000.00**	**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
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
Advance for share capital	20,000.00	
TOTAL	**62,650.43**	**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
Added during the year	1,501.01	505.39
Total of (a)	**14,097.12**	**12,596.11**
(b) Spl. Reserve u/s 33(A) of SFC's Act, 1951	250.53	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Deferred Premium on Forward Contract	-781.40	-272.60
(e) Profit & Loss Account	15,572.17	13,906.10
TOTAL [(a)+(b)+(c)+(d)+(e)]	**29,152.63**	**26,393.82**
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	0.00	11,250.00
LoC from State Bank of India	46,246.40	55,951.88
Foreign Currency Loan from SBI (Term Loan conversion)	52,211.63	0.00
LoC from Canara Bank	60,696.05	41,149.26
LoC from Union Bank of India	23,749.96	44,166.56
LoC from Bank of Maharashtra	85,412.00	32,410.00
Foreign Currency Loan from South Indian Bank (Term Loan conversion)	17,000.00	0.00
LoC from Indian Bank	36,975.00	18,850.00
Loc from Bank of Baroda	20,309.62	19,678.00
LOC from Dhanalaxmi Bank	10,000.00	0.00
Non-SLR Bond	92,920.00	59,400.00
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	0.00	5,000.00
TOTAL	**4,45,520.66**	**2,87,855.50**
NOTE: 4		
OTHER NON CURRENT LIABILITIES		
Coconut Devp. Board Subsidy	292.73	662.55
Other Subsidy	152.60	152.60
Central Subsidy	11.00	11.00
Norka Subsidy	139.70	137.01
TOTAL	**596.03**	**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
Add: Provision made during the year	4,998.75	3,450.62
Total of (a)	**22,318.44**	**17,319.68**

	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	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 convention)	4,100.00	4,100.00
Short term loan from State Bank of India	19,999.99	24,999.97
Short term loan from Union Bank of India	10,000.00	6,000.00
Short term loan from HDFC Bank	82.62	92.77
Short term loan from Federal Bank	25,000.00	17,500.00
Short term loan from South Indian Bank	7,000.00	10,000.00
Non-SLR Bond (Current maturity)	14,130.00	6,737.50
Overdraft from City Union Bank	1,000.22	0.00
LOC FROM BANKS (Current maturity)	-	0.00
Loc from Union Bank of India	6,666.68	2,500.01
Loc from Federal Bank	-	0.00
Loc from Canara Bank	15,555.56	5,555.56
Loc from Indian Bank	11,800.00	4,201.29
Loc from State Bank of India	23,500.00	36,929.13
Loc from Bank of Baroda	909.09	2,291.66
Loc from Bank of Maharashtra	14,594.20	40.00
Refinance from IIFCL	10,833.33	17,083.33
Foreign Currency Loan from South Indian Bank	3,000.00	0.00
UNSECURED BORROWINGS		
Non-SLR Bond - Guaranteed by Government of Kerala (Current maturity)	5,000.00	5,000.00
	173,171.09	**143,031.22**
NOTE : 7		
OTHER CURRENT LIABILITIES		
State Subsidy	13.49	98.42
RR Commission Payable	43.42	0.96
Earnest Money Deposit	2.10	4.10
Suspense Account	318.95	560.28
Tax Deducted at Source	100.58	0.49
Other Salary Deductions	6.72	0.17
Other Sundry Deposits	110.25	255.46
Gratuity Payable	2.10	2.10
Outstanding Expenses	1,027.28	938.65
Salary Payable	0.11	0.09
Accrued Interest on Non SLR Bonds	1,183.53	1,467.85
Accrued Interest on LOC from banks	1,208.10	653.39
Audit Fee Payable	2.61	2.61
Concurrent Audit Fee payable	7.30	8.54
Unclaimed Dividend	0.12	0.12
PF Contribution Payable	0.56	0.09
Commission Received in Advance	412.91	166.95
Foreign Currency Payable	945.99	971.69
CGST Payable	26.37	33.22
SGST Payable	26.37	33.22
KF Cess, CGST & SGST TDS Payable	0.02	0.03
IGST TDS Payable	4.72	0.09
Excess Payable	198.48	151.67
TOTAL	**5,642.08**	**5,329.83**

	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	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
Add: Provision made for the current year	3,669.70	2,272.41
Less : Adjusted against Advance Income Tax	1,991.46	5,155.49
: Excess Provision of earlier years written back	280.95	380.05
Total	3,669.70	2,272.41
(b) Proposed Dividend for the year	2,132.52	106.63
TOTAL	**5,802.22**	**2,379.04**
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	5,269.77
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
Investment in NCD -5.25% NABARD 31/01/2025	2,406.04	0.00
Sub Total	**13,795.99**	**11,389.95**
Less : Provision for diminution in value of investments	5,344.85	5,344.85
TOTAL	**8,451.14**	**6,045.10**
NOTE : 11		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,104.17	1,130.99
Conveyance Loan to Employees	191.56	136.28
Computer Loan to Employees	5.52	5.48
Personal Loan to Employees	89.69	111.13
Advance to Employees	23.67	15.44
Deposit with P&T	0.01	0.01
Other Deposits	91.43	82.97
Deposit with KSEB	11.98	11.53
Interest Accrued on Staff Loans	777.35	724.35
GTI Advance	2.29	2.23
Advance for Fixed Assets	123.67	47.42
Loans and Advances (Principal due above 1 year)	459,814.73	338,955.59
TOTAL	**462,636.41**	**341,623.76**
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	44,603.63	23,870.22
TOTAL	**44,603.63**	**23,870.22**
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.43	0.41
Bank Accounts	6,584.93	10,163.78
TOTAL	**6,585.36**	**10,164.19**

NOTE : 9 FIXED ASSETS											(Rs in Lakhs)
Particulars	Rate	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 31-03-23	Depreciation upto 31-03-2022	Depreciation for the year	Depreciation upto 31-03-2023	WDV as on 31-03-2023
1	2	3	4		4	5	6	7	8	9	10
Land	0%	11.62	-	-	-	-	11.62	-	-	-	11.62
Building	10%	711.52	94.16	10.47	104.63	-	816.15	482.67	32.82	515.50	300.65
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	0.14	6.64	6.78	-	515.86	438.31	29.69	468.00	47.86
Intangibles	40%	756.22	6.97	0.09	7.06	-	763.28	599.18	65.62	664.80	98.47
Other office Equipment	15%	147.12	2.33	13.16	20.59	-	167.61	72.30	13.31	85.61	82.00
Lift	15%	9.73	-	-	-	-	9.73	8.56	0.18	8.74	0.99
Furniture	10%	206.87	21.92	2.48	24.40	-	231.27	147.80	8.22	156.02	75.25
Solar Power Generator	40%	76.85	-	-	-	-	76.85	75.66	0.48	76.13	0.72
Total		**2,505.28**	**140.58**	**33.15**	**173.74**	-	**3,076.01**	**2,167.91**	**166.80**	**2,334.70**	**741.30**
Total (Previous Year)		*2,848.37*	*46.48*	*8.14*	*54.62*	*0.72*	*2,902.27*	*1,954.14*	*212.76*	*2,167.90*	*734.37*

For and on behalf of the Board of Directors

Sanjay K
Financial Controller

Premnath Ravindranath
Executive Director

Anil Kumar Parameswaran
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg. No: 001210S

Sebastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date: 27.05.2023

	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	3,165.21	3,173.45
Input Tax Credit	60.79	13.76
Income Tax Deducted at source	59.04	75.83
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	16.11	9.45
Prepaid Expenses	6.25	1.84
CGTMSE Fee	6.71	4.40
Subsidy Receivable from Govt	17.41	28.28
KSFDM Interest Receivable	4.29	17.88
Kerala Innovation fund expenses Receivable	0.15	0.00
Share capital contribution receivable from Govt	20,000.00	0.00
Interest Accrued on Loans & Advances	2,683.25	2,611.51
Interest Accrued on STD with Banks	2,024.56	1,071.98
CMEDP & NORKA & KSUM Interest Receivable	389.30	78.54
Loans & Advances (Principal Due within one year)		
a) Bills purchased and discounted	14,192.57	10,648.15
b) Term Loans	178,935.00	125,467.66
TOTAL	**221,568.64**	**143,202.73**
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	55,443.83	39,957.62
Less : Interest rebate allowed on Loans	1,079.42	692.96
Net Interest Received On Loans & Advances	54,364.41	39,264.66
Loan Processing Fees	947.75	731.61
Recovery from written off loans	10,027.78	9,243.54
Switch over interest	3.30	3.50
Premium on pre-closure	143.04	22.68
TOTAL	**65,486.28**	**49,265.99**
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	110.49	105.64
Interest on Bank Deposits	2,421.53	1,923.10
Interest received on IT refund	126.99	0.00
Other Income	308.32	360.22
Exchange gain on Forex	731.51	0.00
Rent Received	84.99	83.90
Income from Insurance Agency	5.09	8.06
RTI Application Fee Received	0.02	0.01
Consultancy Service Division Receipts	0.05	0.00
Commission exchange and brokerage	162.24	69.90
TOTAL	**3,951.23**	**2,550.83**
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	5,670.65	6,943.10
Interest on Coconut Dev Board Subsidy	48.57	63.90
Interest on Line Of Credit from Banks	31,324.54	19,553.38
Guarantee Commission	88.88	177.22
Premium on Forward Contract	3,668.15	1,247.60
Exchange loss on Forex	0.00	588.68
Bond Issue Expenses	313.37	33.19
LOC Administrative Expenses	44.91	20.56
TOTAL	**41,159.07**	**28,627.63**

	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,737.00	2,570.32
Contribution to Employees' P.F	157.78	366.41
Contribution to NPS	88.75	78.61
Group Gratuity Insurance	2.92	5.00
Group E.L Encashment Insurance	5.00	0.00
Group Term Insurance	1.93	1.53
Other Staff Expenses	89.63	76.87
TOTAL	**3,083.01**	**2,898.74**
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	163.07	115.85
Postage, courier and Telephone	37.65	30.40
Printing & Stationery	16.29	12.32
Vehicle Running & Maintenance	13.67	13.11
Repairs & Maintenance	47.46	35.60
Revenue Recovery expenses	45.00	60.80
Loan Recovery Expenses	191.45	123.25
Bank Charges and Commission	7.61	3.70
Audit Fees	2.61	2.61
Consultancy Charges	74.55	40.34
Legal Expenses	13.40	2.95
Books & Periodicals	2.14	1.31
Other Expenses	156.73	68.59
Travelling Expenses	11.07	3.10
Board / E.C. Meeting Expenses	2.34	0.53
Other Meeting Expenses	6.75	5.97
Concurrent Audit Fee	43.23	36.49
Advertisement and publicity	43.96	14.14
CMEDP Expenses	0.17	3.42
Business Development Expenses	6.99	2.12
TOTAL	**886.04**	**577.60**

For and on behalf of the Board of Directors

Suja K
Financial Controller

Premnath Ravindranath
Executive Director

Anil Kumar Parameswaran
Director

Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg. No: 001360S

Sebastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date:27.05.2023

KERALA FINANCIAL CORPORATION			
Note: 21			
DISCLOSURE REQUIREMENTS:			
	(Amount Rs. in lacs)		
A. Capital		2022-2023	2021-2022
a) CRAR (%)		25.56	22.41
b) Risk Weighted Assets			
1) On Balance Sheet items		382012.00	317396.87
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	62026.94	99.00	98.54
2. SIDBI	613.33	0.98	1.44
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.02	0.02
TOTAL	62650.43	100	100.00
d) Net worth	0.00	62570.24	69402.63
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	20335.90 -	3.11	3.27
b) Net NPAs under the prescribed asset classification categories	4659.21	0.74	1.28
c) Provisions			
		2022-23	2021-22
1. Provision for Standard Assets		6641.76	5665.37
2. Provision for NPA		15676.88	9834.32
3. Provision for Investments		5344.85	5344.85
4. Provision for Income Tax		3660.70	2272.41
5. Provision for Deferred Tax Liability		-85.39	-91.15
	2022-22	2021-22	Variance
d) Movement in Net NPA (%)	0.74	1.28	-0.54

C. Liquidity:
(Rs. in lacs)

(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	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	2022-23	2021-22
D. Operating Results		
		(Rs. in lacs)
(a) Interest income as a percentage to average working funds	8.97	7.19
Interest Income	54,264.41	29,213.98
Average Working Funds	605,779.81	407,662.10
(b) Non-interest income as a percentage to Average Working Funds	7.49	3.97
Non-interest income	45,071.31	12,172.11
Average Working Funds	605,779.81	407,662.10
(c) Operating Profit (+) / Loss (-) as a % to Average Working Funds	2.25	4.45
Operating Profit (+) / Loss (-)	13,601.51	9,132.16
Average Working Funds	605,779.81	407,662.10
(d) Return on Average Assets	2.31	4.71
Returns (operating profit - depreciation)	13,701.51	9,591.92
Average Assets	595,631.41	385,293.10
(e) Net profit (+) / Loss (-) per employee	29.74	6.30
No. of Employees	168	197
Net profit (+) / Loss (-)	5,014.64	1,239.98

Ratio	Formula	Components	Result
Current Ratio	Current Assets/ Current Liabilities	Current Assets=Short Term Deposits with Banks+Cash & cash equivalents+Other current assets Current Liabilities=Short term Borrowings+Other current liabilities	1.75
Debt - Equity Ratio	Total Debt/ Shareholder's Equity	Total debt=Long term borrowings+Short term borrowings Shareholder's Equity=Equity+Equity Reserves u/s 36(1)(xii) of IT Act, 1961+Equity Reserves u/s 70(4) of SFCs Act, 1951+Balance in Profit & Loss A/c+Share capital	4.48
Debt Service Coverage Ratio (DSCR)	Earnings available for debt service / Debt Service	Earnings for Debt Service = Net Profit before taxes + Non-cash operating expenses (such as depreciation etc.) + other non-cash items + Interest Debt service = Interest & Lease Payments + Principal Repayments	1.50
Return on Equity (ROE)	Net Profits after taxes - Preference Dividend (if any) / Average Shareholder's Equity	Average Shareholder's Equity=Opening SC+Preference Capital SC+Closing SC+Closing SC)/2	[illegible]
Net Profit Ratio	Net Profit / Net Sales	Net Profit = Profit after tax	7.28%
Return on capital employed (ROCE)	Earning before interest and taxes / Capital Employed	Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability	[illegible]
Return on investment (ROI)	[illegible]	Net Income on Investment=Net profit after tax	[illegible]

For and on behalf of the Board of Directors

Sd/-
Financial Controller

Sd/-
Parameswar Ravindranath
Executive Director

Sd/-
Anil Kumar Pattanayak
Director

Sd/-
Sanjay Baid
Chairman & Managing Director

As per our report of even date
As per our report of even date

For J.A.K.S.B. Associates
Chartered Accountants
Firm Reg. No. 001505

Sd/-
Jolando A. PEA
Partner, M.No. 242174

Place: Thiruvananthapuram
Date: 23.08.2023

NOTE: 20

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 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 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 account 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 77% (62% in FY 2021-22) 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 84.89% as on March 31, 2023.

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. 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 contribution made to the fund every year is accounted as expenses and hence the excess / shortfall amount in the fund if any is not recognised as asset / liability in the Balance Sheet. The Corporation neither recognizes the actuarial gain/loss in the P&L A/c, nor shows the liability/asset of fund in the Balance sheet. 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 2022-23 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 0.50% 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.59/2023/Fin dated 30.03.2023 accorded sanction to enhance the Authorized share capital of the Corporation from Rs.50000 Lakh to Rs.100000 Lakh without diluting Government shares below 74%. Further the State Government vide GO(Ms) No.62/2023/Fin dated 31.03.2023 enhanced the paid up capital of Kerala Financial Corporation by Rs.20000 Lakh and released Rs.20000 Lakh as share capital contribution on 31.03.2023 itself to our STSB Account. However, the amount so credited was resumed to the consolidated fund of the State by way of a debit to the STSB account on the same day as part of the resumption process of funds lying in STSB accounts of various Departments, State owned PSUs, Autonomous institutions under the Govt of Kerala vide G.O.(Ms)No.22/2023/Fin dated 11.03.2023 and G.O.(Ms)No. 26/2023/Fin dated 23.03.2023. The balance has been confirmed by State Treasury Directorate.

The amount of Rs.20000 Lakh is shown as advance towards share capital pending allotment. Consequently, the Authorized capital of the Corporation is Rs.100000 Lakh and the paid up capital is Rs.62650.43 Lakh.

1. The details of shareholders holding more than 5% shares as on 31.03.2023 are as under:

Name of the Shareholders	As at 31.03.2023		As at 31.03.2022	
	No. of shares in Lakh	% to total shares	No. of shares in Lakh	% to total shares
Government of Kerala	620.27*	99.01	420.27	98.54

* Shares for Rs.20000 Lakh is pending allotment.

2. The shares held by the promoters as on 31.03.2023 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	620.27	99.006	0.467
2	SIDBI	6.13	0.978	-0.459
3	LIC	0.07	0.011	-0.006
4	SBI	0.02	0.003	-0.002
5	Others	0.01	0.002	0.000
	Total	626.50	100.000	

3. Earnings per share

Calculation of EPS	31.03.2023	31.03.2022
a. Net profit including prior period items and extraordinary items after deducting current tax expenses	5,299.60	1,391.04

b. Number of Equity Shares outstanding (face value of Rs.100/- each)	426.50	426.50
Basic earnings per share (a) / (b)	12.43	3.26
c. Average number of weighted equity shares (42650428 existing +20000000 on account of amount received on 31.03.2023 and pending allotment) (face value of Rs.100/- each)	427.05	426.50
Diluted Earnings per share (a) / (c)	12.41	3.26

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.

(Rs in Lakh)

Classification	Due within 1 year	Above 1 year	Total
Loans & Advances	193125.57	459814.73	652940.30
a) Bills purchased and discounted	14192.57	0.00	14192.57
b) Term Loans	178933.00	459814.73	638747.73
Borrowings	173171.68	445709.02	618880.70

2) Loans and Advances restructured

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 has 553 loan accounts restructured as per RBI guidelines and classified under Standard category as follows. Additional provision of 5%/10% (minimum norms) amounting to Rs.4415.03 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 had restructured 84 loan accounts amounting to Rs.14516.36 Lakh and classified under Standard category. Additional provision of 5% (minimum norms) amounting to Rs.725.82 Lakh has been made on these loans. Under Resolution framework for Covid-19 related stress as per RBI Circular dated May 5, 2021 (Resolution framework 2.0) the Corporation had restructured 428 loan accounts amounting to Rs.33790.79 Lakh have been restructured and classified under Standard category. Additional provision of 10% (minimum norms) amounting to Rs.3379.08 Lakh has been made on these loans. Further during the year 41 loan accounts amounting to Rs.6202.58 Lakh which have been restructured on account of extension of DCCO have been given additional provision of 5% (minimum norms) amounting to Rs.310.13 Lakh.

Other than loans restructured on account of relief measures announced by RBI, the corporation has restructured 56 loan accounts amounting to Rs.4477.36 Lakh and are classified under Substandard category. Provisioning has been made at 77% amounting to Rs.3447.57 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 508 loan accounts amounting to Rs.10494.61 Lakh as bad Debts (technical write off to maintain asset quality) (72 accounts amounting to Rs.9959.09 Lakh written off during FY 2021-22). Further the Corporation has actually written off Rs.46.30 Lakh during the year (Rs.56.66 Lakh during FY 2021-22). Thus the total bad debts written off amounts to Rs.10540.90 Lakh during the year (Rs.10015.75 Lakh during FY 2021-22). Constructive steps have been initiated for the recovery of these accounts and the amounts as and when recovered are treated as revenue. Rs.10027.78 Lakh have been received as recovery from loans technically written off in earlier years (Rs.9243.54 Lakh during FY 2021-22). As on 31.03.2023, the balance outstanding of technically written off bad debts pending to be recovered amount to Rs.79214.87 Lakh.

4) Loan Recovery expenses

Rs.191.45 Lakh (Rs.123.25 Lakh during FY 21-22) are also written off and is shown under Loan Recovery expenses under Notes 17. This pertains to the amounts charged in the loan accounts on account of expenses related to loans written off in earlier years.

5) 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 77% (62% in FY 2021-22) 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 84.89% as on 31st March 2023 (76.94% as on 31st March 2022) 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.

Amount in Rs. in Lakhs				
Provisioning Coverage Ratio (PCR) as on Mar 31, 2023				
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	Ratio of (4) to (3)

				classified as NPAs plus Technical write off	
1	Sub-Standard Advances		20335.90	3117.07	15.33
2	Doubtful Advances (a+b+c)		10494.61	10494.61	100.00
	a	< 1 year	10494.61	10494.61	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**		30830.51	13611.67	44.15
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)				12559.62
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)				26171.29
9	**Provision Coverage Ratio** {(Row 8/Total of Column 3 of Row 4)*100}				**84.89**

If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.9758.82 Lakh, whereas the Corporation has provided an additional provision of Rs.7560.87 Lakh over and above the minimum RBI stipulated norms amounting to Rs.22318.44 Lakh.

a) The corporation has provided Rs.2226.73 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.

b) The Corporation has prudently maintained additional provision of 5%/10% (minimum norms) amounting to Rs.4415.03Lakh in respect of 553 loan accounts which are restructured as per RBI guidelines and classified under Standard category as mentioned in Note 2.2 (2) above.

c) The provision made in respect of Sub-standard category advances is Rs.15676.68Lakh. During the year, all the doubtful advances amounting to Rs.10494.61 Lakh are technically written off and charged to revenue account to maintain asset quality.

The total provision available during the FY was Rs.17319.69 Lakh and additional provision of Rs.4998.75 Lakh is made during this FY. The Operating profit before write off is Rs.24142.61 Lakh (Rs.19197.91 Lakh during PY). The Operating profit after write off is Rs.13601.70 Lakh (Rs.9182.16 Lakh during PY) and Net profit is Rs.5018.64 Lakh (Rs. 1319.80 Lakh during PY). The Gross NPA and Net NPA as on March 31,2023 are 3.11% and 0.74% respectively as against 3.27% and 1.28% as on March 31,2022.

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 22-23		During FY 21-22	
		%	Amount (Rs. In Lakhs)	%	Amount (Rs. In Lakhs)	%	Amount (Rs. In Lakhs)
1	Standard Assets- Micro & Small	0.25	817.33	0.25	817.33	0.25	710.10
	Standard Assets- Medium	0.40	1098.22	0.40	1098.22	0.40	566.40
	Standard Assets- CRE	1	311.18	1	311.18	1	339.01
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	725.82	5	725.82	5	926.31
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	3379.08	10	3379.08	10	5123.55
3	Additional provision for loans restructured as per RBI guidelines on account of extension of DCCO during the FY 22-23	5	310.13	5	310.13	5	0.00
4	Sub Standard Assets- FB limits	15	3003.32	80	15417.02	62	9467.48
	Sub Standard Assets- CGTMSE (Secured portion)	15	35.30	80	181.22	62	121.51
	Sub Standard Assets- CGTMSE (Un Secured portion)	100	78.45	100	78.45	100	65.33
5	Doubtful Assets (up to 1 year)	25	NA	NA	NA	NA	NA
	Total Provision made		**9758.82**		**22318.44**		**17319.69**

6) 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 NPA s for FY 2021-22 is given below.

(Rs in Lakh)

Sl No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2022 as reported by the Corporation	15531.44
2.	Gross NPAs as on March 31, 2022 as assessed by RBI/ SIDBI	15531.44
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2022 as reported by the Corporation	5877.12

5.	Net NPAs as on March 31, 2022 as assessed by RBI/ SIDBI	5877.12
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2022 as reported by Corporation	17319.69
8.	Provisions for NPAs as on March 31, 2022 as assessed by RBI/ SIDBI	17319.69
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2022	1319.80
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2022 after taking into account the divergence in provisioning	1319.80

7) Assets taken over under Section 29

During the year no assets were taken over under section 29.

8) Recovery under Adalath Schemes

The Board of the Corporation at its meeting held on 10.11.2022 decided to provide a one-time window to settle doubtful loans under Special Recovery Drive (SRD) for Doubtful loans. A total of 71 cases were sanctioned under the scheme amounting to Rs.8362.24 lakh and 40 cases were settled amounting to Rs.3454.66 lakh as of 31.03.2023. The total collection including advance is Rs.5542.00 lakh.

9) Units under IBC ,2016

The Corporation has filed an Insolvency Petition under The Insolvency and Bankruptcy Code, 2016 against M/s.Sree Sankara Community for Ayurveda Consciousness Limited for a claim of Rs.2739.35 lakh. There are 4 other units financed by the Corporation and undergoing the process of CIRP/Liquidation on the basis of petitions filed by other Financial Creditors. The total claim admitted in favour of the Corporation in such cases are Rs. 14838.72 Lakh.

10) Physical possession under SARFAESI Act 2002

The Corporation has taken physical possession of M/s Oasis Packaged Drinking Water on February 2023. The total loan outstanding is Rs.325.86 Lakhs as on the date of possession.

11) Revenue Recovery

During the year the Corporation has initiated Revenue Recovery action against 25 units having principal outstanding of Rs.7478.46 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.6228.91 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 22-23. Rs.6231.58 Lakh has been spent till 31.03.2023 for the KSEDM project. As on 31.03.2 023, Rs.4.29 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 2023-24.

b) Chief Minister's Entrepreneurship Development Programme (CMEDP)

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 scheme envisaged 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 2021-22, the Corporation sanctioned assistance worth Rs.1020.19 Lakh to 67 units and disbursed Rs.734.12 Lakh to 58 units under this scheme.

In November 2021, the scheme was revised to assist 500 MSME units every year and the loan amount was increased from Rs.50 lakh to Rs.200 lakh and the interest rate was reduced from 7% to 5%. The Govt of Kerala provides 3% as interest subvention under the scheme. During the FY 2022-23, the Corporation has sanctioned assistance worth Rs.30,704.82 Lakh to 383 units and disbursed Rs.14,456.76 Lakh under this scheme.

b) 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 (Maximum Rs.3 Lakh) and interest subvention of 3% by NORKA Roots. During the year, the Corporation disbursed Rs.302.13 Lakh to 23 units under this scheme. The Corporation has received a capital subsidy of Rs 139.70 lakh from NORKA Roots as on 31.03.2023.

c) Start up loans – Comprehensive Scheme for financing Start ups

The Corporation started a Comprehensive Scheme for Financing Startups named 'Startup Kerala' to assist Startups during all stages of their growth starting from Productization/ Commercialization/ Scaling Up, Financing Working Capital Requirements of Startups for Executing Purchase/ Work Orders, Seed Loan Assistance to Startups for developing socially relevant products, Venture Debt etc. A pool of Rs.50 Crore was set aside for this purpose. 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. 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. 2028.00 lakhs to 21 startups and disbursed Rs.723.03 Lakhs.

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 had 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 putforth by SIDBI, however the divestment process has been cancelled as RBI did not approve the proposal. 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 issued by M/s. RCFL as part of compliance of Non SLR Bond Issue Series 2018. However due to the crisis in NBFC sector, the Company defaulted and the resolution process was initiated by RBI. The Corporation received Rs.810.23 Lakh till now 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 as a matter of prudence.

During the year Corporation has invested Rs.2406.04 Lakh in NCDs in compliance with the covenant requirements of Non SLR Bond Issue Series 2019. The Corporation also hold investment in NCDs amounting to Rs.5993.75 Lakh in compliance with the covenant requirements of KFC Non SLR Bond Issue Series 2020.

2.5 Income Tax Assessments

Income tax return is filed up to Assessment year 2022-23. Assessment have been completed up to Assessment year 2022-23. 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 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). The Appeal filed for AY 2018-19 is pending for disposal with Commissioner (Appeals).

During the year, Corporation has received a total Income Tax refund of Rs.1561.67 Lakhs pertaining to AY 2018-19, 2020-21 and 2022-23. The advance income tax and provision for tax has been adjusted to retain the demands pending for the above years and current year. Hence an amount of Rs.1991.46 Lakhs advance tax is set off against provision for tax and excess provision of Rs.280.95 Lakhs is written back.

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:-

Rs. in Lakh

Particulars	As on 31.03.2022	For the FY 2022-23	As on 31.03.2023
On Depreciation	53.81	-4.24	49.57
On income not received	-1143.59	-528.59	-1,672.18
On outstanding expenses	1272.04	618.22	1,890.26
	182.26	**85.39**	**267.65**

2.7 Indirect taxes

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 with a demand of Rs.64.82 Lakhs, pending with CESTAT, Bangalore and OIO No.09/ST(DC)/DIV/2021-22 dated 28.07.2021 with a demand of Rs.30.53 Lakh pending for disposal with Commissioner (Appeals). SCN 08/2019/ST dated 11.04.2019 is pending with the Jurisdictional Assessing Officer for disposal.

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 2021-22.

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),

B. Related party Transactions

No remuneration is paid to Sri.Sanjay Kaul IAS during the year.

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 31.03.2023, 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 Advance for fixed assets.

The Advance for Fixed assets of Rs.123.67 Lakh represents those amounts spent on fixed assets but is not ready for use as on 31.03.2023. This include Rs.24.53 lakhs paid to M/s Saraswat Infotech Pvt Ltd, towards advance payment for the implementation of Finacle Core Banking Solution in the Corporation. Since Saraswat Infotech Pvt Ltd (SIL) was not able to deliver the Finacle CBS on 10.10.2022 as committed, the contract was terminated as per the decision of the Board dated 10.11.2022 and SIL has been asked to refund the amount with interest and delay compensation.

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 31.03.2023 are estimated as under

- On account of Income Tax Rs.290.21 Lakh
- On account of suits filed against the Corporation Rs. 96.07 Lakh
- On account of Service Tax Rs.95.35 Lakh
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.12534.94 Lakh

2.13 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.566.54 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.

2.14 Suspense Account

The amount outstanding in Suspense Account amounting to Rs.318.95 Lakh as on 31.03.2023 comprises of 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.

2.15 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 Rs. 2,71,006.42 Lakh and repaid Rs. 1,18,381.57 Lakh. The loan outstanding as on 31.03.2023 is Rs. 5,06,830.70 Lakh out of which Rs. 76,499.99 Lakh is foreign currency loans taken from State Bank of India & 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 year ended March 31, 2023 is Rs 3668.15 Lakh and the deferred premium as on March 31, 2023 is 781.40 Lakh. The balance outstanding of Foreign Currency Loan as on March 31, 2023 reinstated at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of

India (FEDAI) as on March 31, 2023 is Rs. 76,311.63 Lakh after adjusting the notional forex gain of Rs.188.36 Lakh.

2.16 Non SLR Bonds

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The NCDs 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 31.03.2023 aggregate to Rs.112050.00 Lakh as given below.

Rs in Lakh

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date	Credit Rating	Asset Cover+
1	24-Mar-23	8.90%	47650.00	47650.00	24-Mar-33	AA	100%
2	14-Sep-20	7.70%	25000.00	25000.00	14-Sep 30	AA	110%
3	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26	AA	125%
4	04-Apr-18	8.69%	25000.00#	3150.00	04-Apr-25	AA	125%
5	09-May-16	8.90%	25000.00#	6250.00	09-May-23	AA	125%
6	06-Jun-13	8.72%*	20000.00#	5000.00	06-Jun-23	A	-
		TOTAL	**167650.00**	**112050.00**			

* 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 amount deposited by Corporation towards REF with BSE as on March 31, 2023 is Rs.12.77 Lakh.

As per SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144 dated 26th November 2018 for fund raising by issuance of Debt Securities by Large Entities and disclosures and compliances thereof by Large Corporate, the Corporation had submitted necessary disclosures with Stock exchange from FY 2020 onwards. However, upon verification of the applicability of the above Circular, it is confirmed that even though the Corporation satisfy the first two conditions specified for being Large Corporate (ie. Securities listed on recognized stock exchanges and Long term borrowings outstanding for Rs.100 crores and above), the corporation is having a standalone rating of A+ only and rating of AA is assigned as part of a credit enhancement structure, hence not satisfying the third condition. Accordingly, the Corporation does not fall under Large Corporate category as per the framework mentioned in the aforesaid circular.

2.17 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.3083.01 Lakh (Rs.3199.90 Lakh during FY 21-22). This includes Employee Pay & Allowances for the year of Rs. 2737.00 Lakh (Rs. 2570.32 Lakh during FY 2021-22).

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 Summary of actuarial assumptions used in valuation is as below.

- Discount rate 7.180%
- Salary escalation rate 5.00%
- Employee turnover rates - 2%
- Mortality rates - IALM 2012-14

The Fair value of the Plan assets and the Present value of obligations as at March 31, 2023 for both the schemes is as below.

Rs in Lakh

Particulars	PV of obligation	Fund value
Group gratuity Scheme	1137.92	1283.33
Group Leave Encashment Scheme	682.40	899.83

The Calculation of Liability/(asset) for both the schemes is as below.

Sl No	Particulars	Gratuity	Leave encashment
1	Defined Benefit Obligation	1137.92	682.40
2	Fair value of plan assets	1283.33	899.83
3	Funded status -(surplus)/deficit	(145.41)	(217.43)
4	Unrecognised past service (cost)/credit	-	-
5	Liability/(asset)	(145.41)	(217.43)

The Calculation of actuarial gain/loss for both the schemes is as below.

Sl No	Particulars	Gratuity	Leave encashment
1	Current service cost	56.32	147.86
2	Interest cost	74.98	47.46
3	Expected return on plan assets	(92.87)	(62.59)
4	Actuarial loss/(gains)	9.85	(136.85)

The contribution made to the fund is accounted as expenses and the excess amount in the fund is not recognised as asset in the Balance Sheet as per the accounting practice followed.

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.907.22 Lakh has been made for the payment due from FY 2014-15 to FY 2021-22 as on 31.03.2022. The provision for the year 2022-23 is kept as Rs.45 Lakhs based on the calculations for last year. Hence as on 31.03.2023 the total amount provided is Rs.952.22 Lakh, break up is as below.

Year	Amount in Lakh
FY 2014-15	94.54
FY 2015-16	100.47
FY 2016-17	150.76
FY 2017-18	157.92
FY 2018-19	157.00
FY 2019-20	135.86
FY 2020-21	49.86
FY 2021-22	60.80
FY 2022-23	45.00
Total	**952.22**

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.

2.20 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 22-23 are Rs.55443.83 Lakh and Rs.1079.42 Lakh (Rs.39957.62 Lakh and Rs.692.96 Lakh during FY 21-22) 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 408.19 Lakh (Rs. 107.40 Lakh during the FY 21-22), out of which Rs 93.13 Lakh pertains to this FY (Rs. 18.44 Lakh during the FY 21-22)mand Rs 315.06 Lakh (Rs. 88.96 Lakh during the FY 21-22) pertains to future FYs.

Out of the unexpired portion of Commission accounted during FY 2021-22 (Rs.88.96 Lakh), Rs.35.84 Lakh is recognized as income during this year and out of the unexpired portion of Commission accounted during FY 2020-21 (Rs.73.35 Lakh), Rs.15.66 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. 17.61 Lakh is recognized as income during this year. Thus, the total income recognised during the year is Rs.162.24 Lakh.

2.22 Ageing of trade payables and trade receivables

The Ageing of trade payables and trade receivables in compliance with amended Schedule III is NIL.

2.23 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 WDV of assets, accrued income and expenditure.

Taxable income calculated as per IT Act	-	Rs. 14262.35 Lakh
Income tax thereon	-	Rs. 3589.55 Lakh

2.24 Dividend and Special Reserve Fund

The Board of Directors has proposed a dividend of 5% (Previous year -0.25%) for the year ended March 31, 2023, 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 25.02% as at March 31, 2023.

As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs 10.66 Lakh will be transferred to Special reserve fund.

2.25 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. 48.57 Lakh (Rs.63.90 Lakh during FY 21-22) is shown under the head Interest and fund-expenses.

2.26 Prior period items

There are no prior period adjustment made during this year .

2.27 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

Sajith.K Financial Controller	Preminath Ravindranath Executive Director	Anil Kumar Parameswaran Director	Sanjay Kaul IAS Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg No:001360 S

Selestin A. FCA
Partner, M No: 202874

Thiruvananthapuram

Date: 27.05.2023

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La Mirage Convention Centre, Thrissur

Signora Fabrics, Kattappana

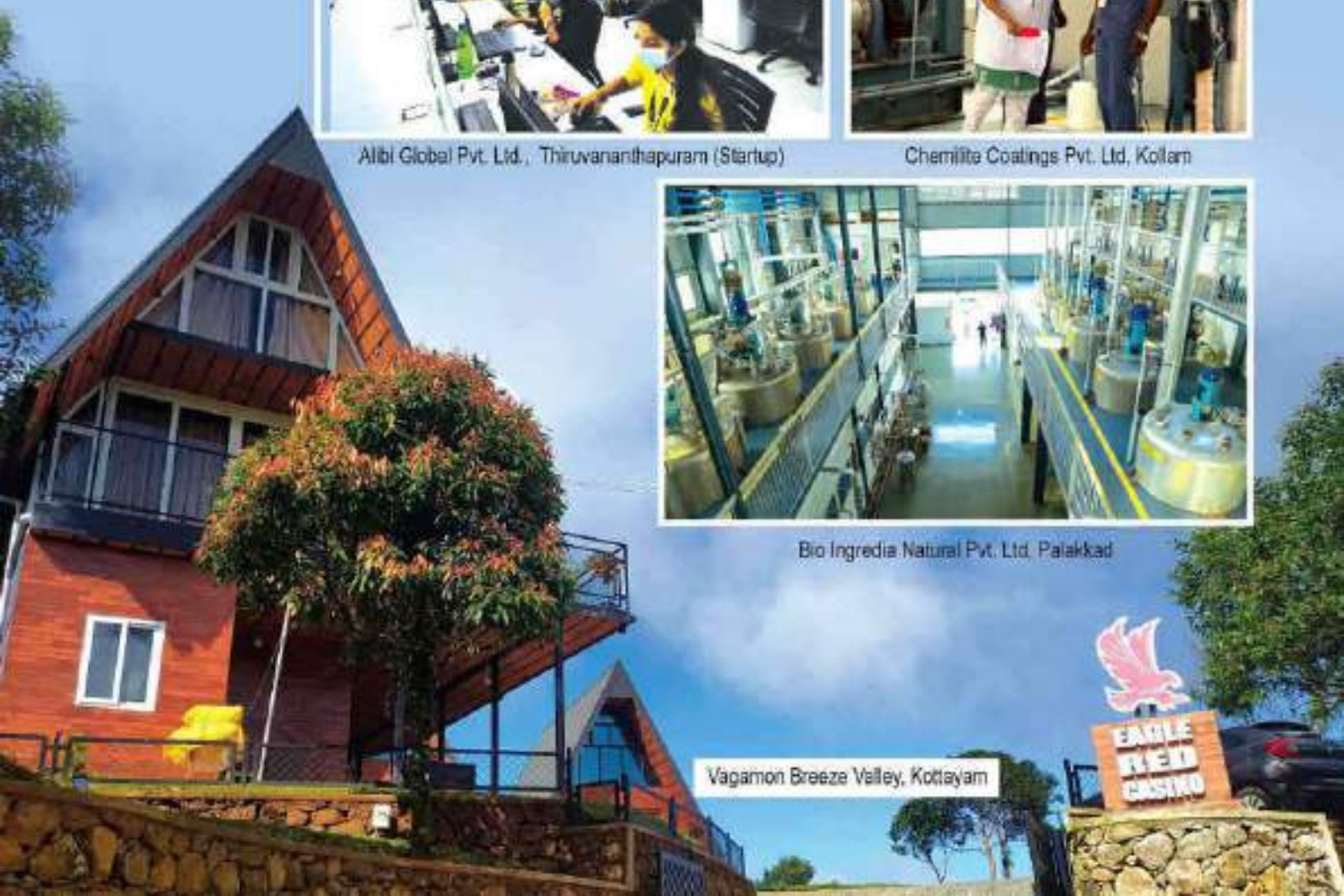
Farmers Freshzone Pvt. Ltd., Ernakulam (Startup)

Genrobotic Innovations Pvt. Ltd., Thiruvananthapuram (Startup)

Alibi Global Pvt. Ltd., Thiruvananthapuram (Startup)

Chemilite Coatings Pvt. Ltd, Kollam

Bio Ingredia Natural Pvt. Ltd, Palakkad



Vagamon Breeze Valley, Kottayam

ANNUAL REPORT 2021-22

KFC Kerala Financial Corporation

we finance your dream

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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.

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

WWW.SKOCH.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.

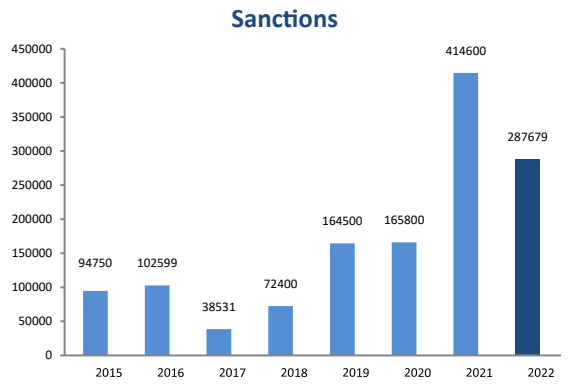
I am happy to see that KFC has revamped its policies and procedures and also reduced interest rates further to support MSMEs during its pandemic time. As part of COVID-19 Relief package, the Corporation has recently announced three new loan schemes. 'Startup Kerala Scheme', Special scheme for units in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

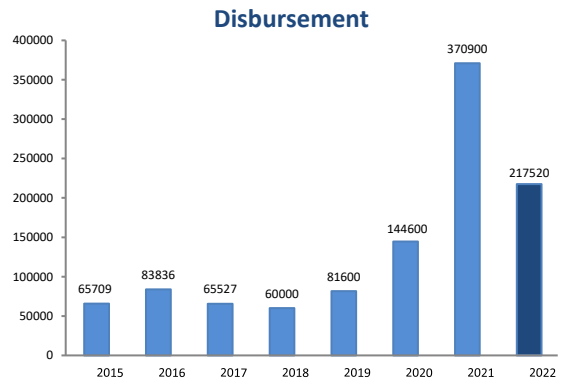
We are passing through a very difficult time in human history, collectively we will face and tide over this crisis period. I hope all the employees, customers and stakeholders of KFC, will strive for the developmental needs of our state.

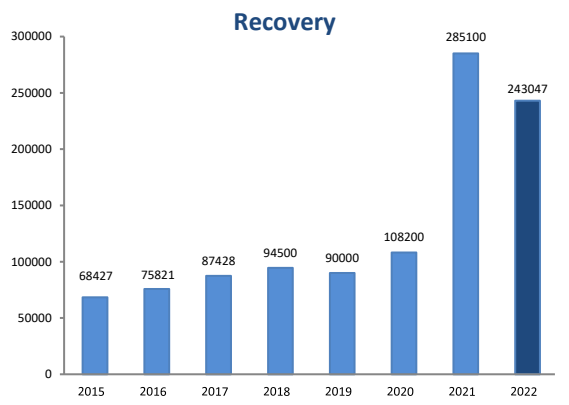
K N Balagopal

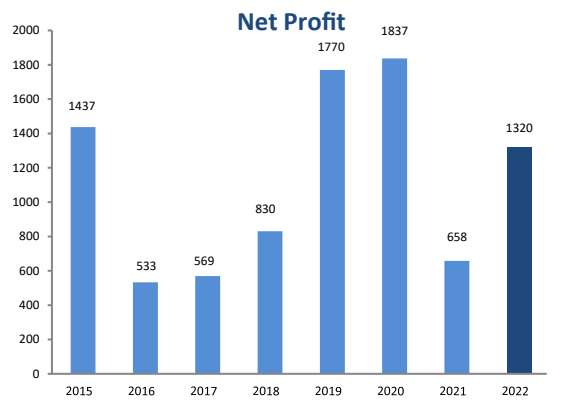
FINANCIAL HIGHLIGHTS

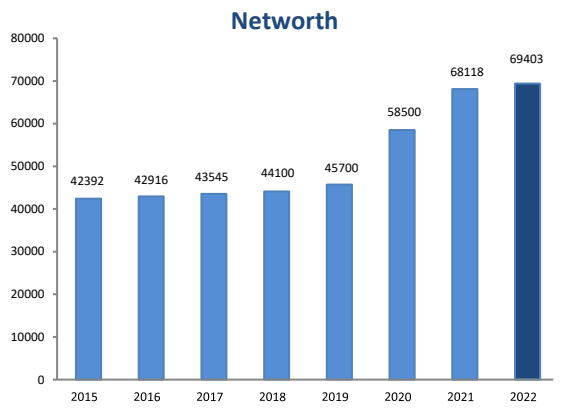
₹ in Lakh

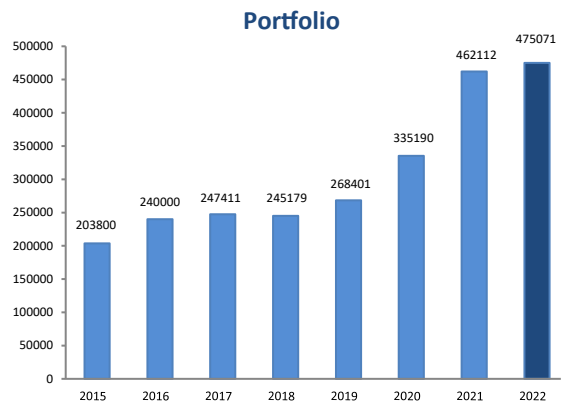












BOARD OF DIRECTORS

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)

Kerala Financial Corporation
we finance your dream

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

Place : Thiruvananthapuram,
Date : 27.05.2022

PREMNATH RAVINDRANATH
Executive Director

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.

₹ inLakh

	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:

a) 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;

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 31,2022 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, 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

Place: Thiruvananthapuram
Date:26.05.2022

Nikhil R Kumar
Partner, M No: 231162

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	**Premnath Ravindranath**	**Anil Kumar Parameswaran**	**Sanjay Kaul**
Financial Controller	Executive Director	Director	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	13327.54
	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: 001536S

Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:26.05.2022

NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2022

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
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**

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
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
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**
Total (Previous Year)		*2,698.34*	*644.66*	*-*	*644.66*	*4.16*	*2,848.37*	*1,671.02*	*283.12*	*1,954.14*	*894.23*

₹ 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
Commision 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: 001536S

Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:26.05.2022

NOTE : 20

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.

a) The corporation has provided Rs.1615.51 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.

b) 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.

c) 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 NPA s 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 putforth 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: 001536S

Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:26.05.2022

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
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
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'

Kerala Financial Corporation
we finance your dream

Registered Office : T.C.-25/4021, Aswathy,
Vellayambalam, Thiruvananthapuram- 695033, Kerala, India
Call Us : +91 471 2737576 / 566 / 500
Fax : +91 471 2311750, Email : info@kfc.org

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ANNUAL REPORT 2020-21

KFC Kerala Financial Corporation

we finance your dream

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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.

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.

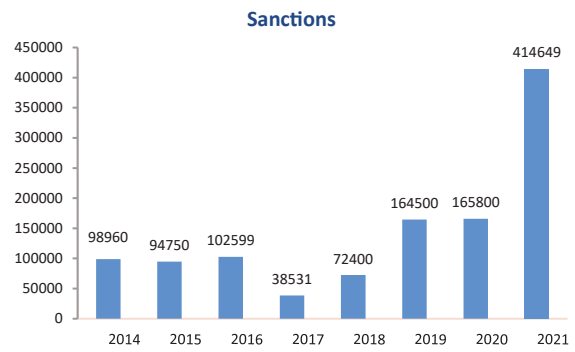
I am happy to see that KFC has revamped its policies and procedures and also reduced interest rates further to support MSMEs during its pandemic time. As part of COVID-19 Relief package, the Corporation has recently announced three new loan schemes. 'Startup Kerala Scheme', Special scheme for units in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

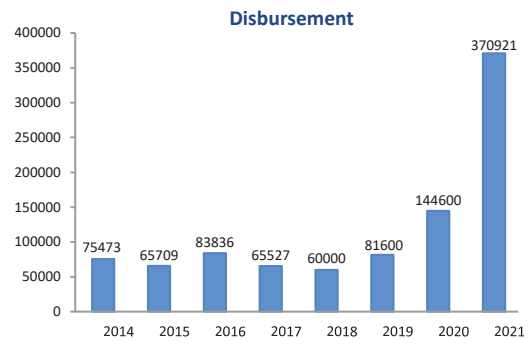
We are passing through a very difficult time in human history, collectively we will face and tide over this crisis period. I hope all the employees, customers and stakeholders of KFC, will strive for the developmental needs of our state.

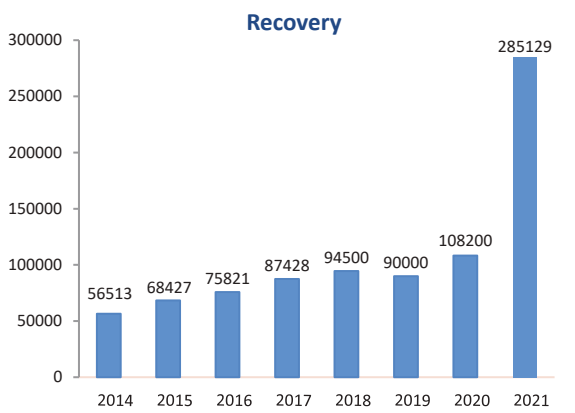
K N Balagopal

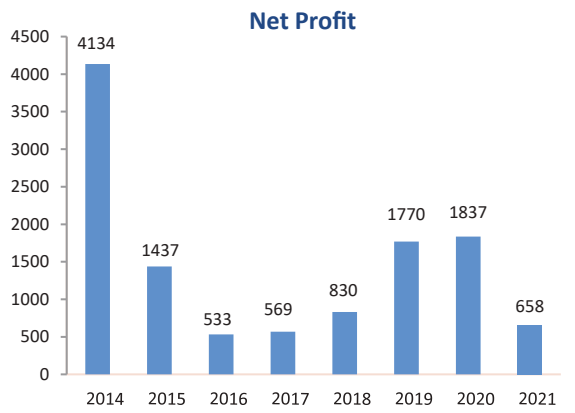
FINANCIAL HIGHLIGHTS

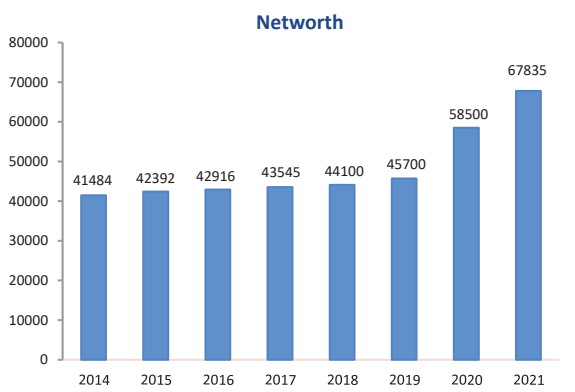
₹ in lakh











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

Kerala Financial Corporation

we finance your dream

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

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#	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 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. 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 e 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

Place: Thiruvananthapuram
Date:12.08.2021

Nikhil R Kumar
Partner, M No: 231162

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: 001536S

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) (viia)		–	–
	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: 001536S

Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

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
Excchange 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
Commision exchange and brokerage	58.75	29.61
Reimbursement of Guarantee Commisssion	–	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

NOTE: 20

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 1year 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
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)
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.

a) The corporation has provided ₹ 1497.76 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.

b) 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.

c) 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

Sl 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
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

Sl 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 NPA s for FY 2019-20 is given below.

₹ in Lakh

Sl 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 5years. 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 Enterpreneurship 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 Enterpreneurship 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

Sl 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

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

PROFORMA - III

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**	**4391**	**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 Lakh)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	1	2	3	4	5	6	7	8	9	10
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
									No	Amount
Cumulative Sanction up to 31.03.2021									54741	1720721
Cumulative Disbursement up to 31.03.2021									55287	1412207

ANNEXURE 8: BRIEF PARTICULARS OF THE MANAGEMENT OF THE COMPANY

Name, Designation and DIN	Age (in years)	Address	Date of Appointment	Details of other directorships
Mr. Sanjay Kaul, IAS Designation: Chairman and Manging Director DIN: 01260911	49	Secretary (Finance Expenditure), Finance Department, Government of Kerala, Thiruvananthapuram	01.06.2021	1. KERALA INDUSTRIAL CORRIDOR DEVELOPMENT CORPN LTD 2. KERALA TOURISM INFRASTRUCTURE LIMITED 3. TAJ KERALA HOTELS AND RESORTS LTD 4. KERALA HIGH SPEED RAIL CORPORATION LIMITED 5. THIRUVANANTHAPURAM INTERNATIONAL AIRPORT LTD 6. SMART CITY THIRUVANANTHAPURAM LIMITED 7. CHAMPS BOAT LEAGUE LTD 8. KERALA SOCIAL SECURITY PENSION LIMITED 9. KERALA FINANCIAL CORPORATION.
Mr. S Harikishore, IAS Designation: Nominee Director DIN: 06622304	43	Director of Industries & Commerce	08.09.2021	1. KERALA RUBBER LIMITED 2. KERALA ACADEMY FOR SKILLS EXCELLENCE 3. KERALA LIFESCIENCES INDUSTRIES PARKS PRIVATE LIMITED 4. MARINE PRODUCTS INFRASTRUCTURE DEVELOPMENT CORPORATION PRIVATE LIMITED 5. KERALA STATE INDUSTRIAL DEVELOPMENT CORPN LTD 6. BRAHMOS AEROSPACE THIRUVANANTHAPURAM LIMITED 7. MALABAR CEMENTS LTD 8. THE KERALA MINERALS AND METALS LIMITED 9. GEOJIT FINANCIAL SERVICES LIMITED 10. NITTA GELATIN INDIA LIMITED 11. KERALA FINANCIAL CORPORATION
Mr. Premkumar S Designation: Nominee Director DIN - NA	67	Senior Divisional Manager, Life Insurance Corporation of India, Pattom, Thiruvananthapuram	10.08.2022	Nil
Mr.Satyaki Rastogi Designation: Nominee Director DIN - 02189494	55	General Manager, SIDBI Small Industries Development Bank of India, Platform Road, Seshadripuram, Bengaluru- 560020.	29.09.2021	Nil
Mr.SeshuBabu Palle Designation: Nominee Director DIN - NA	54	General Manager, SBI, Network 3,State Bank of India Local Head Office,Poojappura, Thiruvananthapuram	17.06.2023	Nil

Name, Designation and DIN	Age (in years)	Address	Date of Appointment	Details of other directorships
K.V. Karthikeyan Designation: Nominee Director DIN – NA	54	Deputy General Manager, Small Industries Development Bank of India, Finance Towers, 2nd Floor, Kaloor, Kochi - 682017	04.05.2022	Nil

ANNEXURE 9: PRE AND POST-ISSUE SHAREHOLDING PATTERN OF THE ISSUER

Sl. No	Category	Pre-Issue		Post-issue	
		No of shares held	% of shareholding	No of shares held	% of shareholding
A	**Promoters' holding**				
1	Indian				
	Individual	-	-	-	-
	Bodies corporate	-	-	-	-
	Others				
	Government of Kerala	6,20,26,937	99.005	6,20,26,937	99.005
	SIDBI	6,13,327	0.979	6,13,327	0.979
	LIC	7,103	0.011	7,103	0.011
	SBI	2,099	0.003	2,099	0.003
	Others	962	0.002	962	0.002
	Sub-total	**6,26,50,428**	**100.00**	**6,26,50,428**	**100.00**
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)	-	-	-	-
	Sub-total (B)	-	-	-	-
	GRAND TOTAL (A+B)	**6,26,50,428**	**100.00**	**6,26,50,428**	**100.00**

ANNEXURE 10- COPY OF THE BOARD RESOLUTION AND RESOLUTION OF ALCO

Extract of the Minutes of the 618th Board Meeting held at Head Office Kerala Financial Corporation, Vellayambalam Thiruvananthapuram, at 11 AM on 27.05.2023

1.2 Item No.2 Note on action taken on the decisions of the Board Meetings held on 09.02.2023 and 31.03.2023.

The Board directed as follows:

Item No.77 & 92 Resource Mobilization, Investments and Other matters. The Board resolved as follows:

"Resolved to approve raising Rs.1000 crore by issue of Non-SLR Bonds in FY 2023-24 and authorised ALCO to take necessary action in this regard"

Board Secretary

PRAKASH V S
Board Secretary
Kerala Financial Corporation
Thiruvananthapuram

-Extract of Minutes-

Extract of the Minutes of the 624th Board Meeting held at Head Office Kerala Financial Corporation, Vellayambalam Thiruvananthapuram, at 11.30 AM on 09.02.2024

3.6 Item No.98 Resource Mobilization, Investments and Other Matters.

Non-SLR Bond issues. The Board noted the balance outstanding of Non-SLR bonds issued by the Corporation. The Board noted that ALCO was authorised to take all decisions with respect to raising Non-SLR Bonds up to Rs.1000 crore during the FY 2023-24 at the Board meeting held on 27.05.2023. The Board noted the ratings of AA issued for the proposed issue by Acuite Ratings and Research Limited and Infomerics Valuation and Rating Pvt Ltd. The Board took note of the ALCO decisions on the indicative timelines of the proposed issue and to mobilise the amount in one or multiple tranches considering the fund position, financial ratios and the prevailing interest rates in the debt market. The Board passed the following resolution:

> "Resolved to raise Non-SLR Bonds up to Rs.500 crore before 31.03.2024 and balance Rs.500 crore in FY 2024-25".

Board Secretary

PRAKASH V S
Board Secretary
Kerala Financial Corporation
Thiruvananthapuram

-Extract of the Minutes-

EXTRACT OF MINUTES OF THE ASSET LIABILITY MANAGEMENT COMMITTEE MEETING HELD ON 02.02.2024

Fresh Non SLR Bond Issue:

The Committee on 20.01.2024 discussed the indicative timelines of the proposed issue and decided to launch the issue of Rs.1000 crore in the third/ fourth week of Feb 2024 in one or multiple tranches. Considering the fund position, financial ratios and the prevailing interest rates in the debt market, the Committee decided to mobilise Rs.500 crore before 31.03.2024 and balance Rs.500 crore in FY 24-25.

-True Copy-

CA SOYA. K
Financial Controller
Kerala Financial Corporation
Thiruvananthapuram

KERALA FINANCIAL CORPORATION
THIRUVANANTHAPURAM - 695 033

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

ANNEXURE 11 – APPLICATION FORM

SUBSCRIPTION APPLICATION FORM KERALA FINANCIAL CORPORATION

SERIAL NO: __(2023-2024)

INVESTOR NAME: _____

SUBSCRIPTION APPLICATION FORM RATED, LISTED, SECURED, REDEEMABLE, NON-CONVERTIBLE DEBENTURES

Date of Application:

Dear Sirs,

We have received, read, reviewed, and understood all the contents, terms and conditions and disclosures in this private placement offer letter cum application form (the **"Offer Document"**), issued by Kerala Financial Corporation (the **"Issuer"**). We have also done all the required due diligence (legal or otherwise) without relying upon the information contained in the Offer Document. Now, therefore, we hereby agree to accept the Debentures mentioned hereunder, or such smaller number as may be allocated to us, subject to the terms of the Offer Document, this Subscription Application Form. We undertake that we will sign all such other documents and do all such other acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Debentures which may be allotted to us. The amount payable on application as shown below is remitted herewith. We have attached a filled in Part B of the Subscription Application Form and confirm that all the information provided therein is accurate, true and complete. The bank account details set out by us in Part B is the account from which we are making payment for subscribing to the Issue. We note that the Issuer is entitled in its absolute discretion to accept or reject this application in whole or in part without assigning any reason whatsoever.

Yours faithfully,

For *(Name of the Applicant)*

(Name and Signature of Authorized Signatory)

PART A OF THE SUBSCRIPTION APPLICATION FORM The details of the application are as follows: **SUBSCRIPTION APPLICATION FORM FOR DEBENTURES (CONT.)**

DEBENTURES APPLIED FOR:

No. of Debentures (in figures and in words)	**Issue Price per Debenture** (INR)	**Amount** (INR)
Total		

Tax status of the Applicant (please tick one)

1.Non-Exempt:

2.Exempt under:

Please furnish exemption certificate, if applicable.

We apply as (tick whichever is applicable)

( ) Financial Institution ( ) Company ( ) Non-Banking Finance Company ( ) Insurance Company

( ) Commercial Bank/RRB/Co-op. Bank/UCB ( ) Body Corporate ( ) Mutual Fund

( ) Others: _____

PAYMENT PREFERENCE

APPLICANT'S NAME IN FULL:

Taxpayer's PAN										IT Circle/ Ward/ District									

MAILING ADDRESS IN FULL (Do not repeat name) (Post Box No. alone is not sufficient)

Pin							Tel							Fax					

CONTACT PERSON

NAME
DESIGNATION
TEL. NO.
FAX NO
Email

I / We, the undersigned, want delivery of the Debentures in Electronic Form. Details of my / our Beneficiary (Electronic) account are given below:

Depository Name	NSDL					CDSL		
Depository Participant Name								
DP ID								
Beneficiary Account Number								
Name of Applicant								

We understand that in case of allocation of Debentures to us, our Beneficiary Account as mentioned above would get credited to the extent of allocated Debentures. (Applicants must ensure that the sequence of names as mentioned in the Subscription Application Form matches that of the Account held with the DP).

Name of the Authorized Signatory(ies)	**Designation**	**Signature**

FOR OFFICE USE ONLY

No. of Debentures (in words and figures)	
Amount for Debentures (INR) (in words and	

Date of receipt of application						
Date of clearance of cheque						

figures)					
RTGS/Cheque/Fund Transfer/ Demand Draft drawn on (Name of Bank and Branch)	Cheque/Demand Draft No./UTR No. in case of RTGS/ A/c no in case of FT	RTGS/Cheque/ Demand Draft/ fund transfer Date		DP ID No.	
				Client ID No.	

_ _ _ __ _ _ _ _ _ _ _**Tear Here** _____ _____

PART B OF THE SUBSCRIPTION APPLICATION FORM

Investor Details (To be filled by Investor)

SERIAL NO : _____

INVESTOR NAME: _____

(i) Name

(ii) Father's Name

(iii) Complete Address including Flat/House Number, Street, Locality, Pin Code

(iv) Phone Number, if any

(v) Email id, if any

(vi) PAN Number

(vii) Bank Account Details

Name of Investor: _____

Signature of Investor: _____

Initial of the officer of the Company designated to keep the record

Instructions to fill Subscription Application Form

- Application must be completed in full BLOCK LETTER IN ENGLISH except in case of signature.
- Applications, which are not complete in every respect, are liable to be rejected.
- Payments must be made by RTGS as per the following details to the designated virtual account provided by Indian Corporation Clearing Limited (ICCL) bank account (the "**Designated Bank Account**"). The details of the virtual account shall be shared via email by BSE-EBP.

- The Subscription Application Form along with relevant documents should be forwarded to the corporate office of Kerala Financial Corporation, to the attention of Company Secretary, authorised person along on the same day the application money is deposited in the Bank or with the clearing corporation.
- Copy of PAN Card must be attached to the application. In the event of Debentures offered being over-subscribed, the same will be allotted in such manner and proportion as may be decided by the Issuer.
- The Debentures shall be issued in Demat form only and subscribers may carefully fill in the details of Client ID/ DP ID.
- In the case of application made under Power of Attorney or by limited companies, corporate bodies, registered societies, trusts etc., following documents (attested by Company Secretary /Directors) must be lodged along with the application or sent directly to the Issuer at its Corporate office to the attention of Mr. Company Secretary, authorised person along with a copy of the Subscription Application Form. Memorandum and articles of association / documents governing constitution/ certificate of incorporation. Board resolution of the investor authorising investment. Certified true copy of the Power of Attorney.
- Specimen signatures of the authorised signatories duly certified by an appropriate authority. PAN (otherwise exemption certificate by IT authorities). Specimen signatures of authorised persons. SEBI registration certificate, if applicable.
- Any person who: Makes or abets making of an application in a fictitious name to an Issuer for acquiring, or subscribing for, for its securities; or makes or abets making of multiple applications to an Issuer in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or otherwise induces directly or indirectly an Issuer to allot or register any transfer of securities to him or any other person in a fictitious name, shall be punishable with imprisonment for a term which shall not be less than 6 months, but which may extend to 10 years and shall also be liable to fine which shall not be less than the amount involved which may extend to 3 times the amount involved.
- The applicant represents and confirms that it has understood the terms and conditions of the Debentures and is authorised and eligible to invest in the same and perform any obligations related to such investment.
- Any Application Form received from a person other than an Eligible Investor will be invalid. Further, any incomplete Application Form not accompanied by the filled in Eligible Investor Details in Part B of the Subscription Application Form will also be treated as invalid.

ANNEXURE 12

CONDITIONS PRECEDENT TO EACH TRANCHE OF THE DEBENTURES

1. The Issuer shall provide to the Debenture Trustee, a copy of its Constitutional Documents, certified as a true copy by its director or company secretary.

2. Receipt by the Debenture Trustee of a certified true copy of the extract of the resolution of the Board, authorising the Issuer to raise funds through the issuance of debentures.

3. Receipt by the Debenture Trustee of a certified true copy of the extract of the resolution of the Asset Liability Management Committee of the Issuer, authorising the Issuer to raise funds through the issuance of debentures.

4. Receipt by the Debenture Trustee of a specimen of the signature of each person authorised by the resolution referred to in paragraph 1.2 and 1.3 above.

5. Receipt by the Debenture Trustee of a certificate from a Director/ the company secretary/ an authorised signatory of the Issuer, certifying that the borrowing or collateralizing of the Debentures (as applicable) and other related amounts under the Transaction Documents would not cause any borrowing, collateralizing, guaranteeing or similar limit (as applicable) binding on it to be exceeded.

6. The Issuer shall file the Disclosure Documents, in a form agreed between the Parties, to the satisfaction of the Debenture Trustee.

7. Execution, by the Issuer, of the relevant Transaction Documents (other than those required to be executed as a Condition Subsequent), and such other documentation as may be required by the Debenture Trustee.

8. Receipt by the Debenture Trustee of the rating letters and respective rating rationales from each of the Identified Rating Agencies, in respect of the Debentures.

9. Receipt of the consent letter from the Debenture Trustee by the Issuer.

10. Receipt of the consent letter from the Registrar and Transfer Agent, and execution of the tripartite agreement by the Issuer with the Registrar and Transfer Agent and the Depository.

11. Receipt by the Issuer of in-principle approval from the Designated Stock Exchange.

12. The Issuer shall have submitted to the prospective Debenture Holders/ Debenture Trustee, all required documents for the purpose of satisfying its respective ‘know your client’ requirements (including specimen signatures of the authorized signatories).

13. Receipt by the Debenture Trustee of evidence that the fees, costs and expenses then due from the Issuer or required for the Issue or execution of the relevant Transaction Documents (including stamp duty for dematerialization of the debentures) pursuant to this Deed have been paid.

14. Evidence of receipt of ISINs for the Debentures.

15. Receipt by the Debenture Trustee of evidence of the Issuer having opened the Debenture Proceeds Account.

16. Receipt by the Debenture Trustee of evidence of the Issuer having opened the Accounts (other than the Revenue Account and the Demat Account).

17. The deposit of the Debt Service Reserve Amount in the Debt Service Reserve Account, at least 1 (one) day prior to the Deemed Date of Allotment, and provision of documentary evidence by way of a copy of the Debt Service Reserve Account statement certified by the Account Bank, confirming that the requisite Debt Service Reserve Amount has been credited to the Debt Service Reserve Account, at least 1 (one) day prior to the Deemed Date of Allotment.

18. Receipt by the Debenture Trustee of a certificate duly certified by the statutory auditors/independent chartered accountant of the Company OR a letter from the Designated Stock Exchange, certifying creation and the form of the Recovery Expense Fund by the Issuer for an amount of INR 25,00,00,000/- (Indian Rupees Twenty-Five Lakh only).

19. Receipt by the Debenture Trustee of a certificate of an authorised signatory of the Issuer, inter alia including references to the following, in a form and manner satisfactory to the Debenture Trustee:

    (a) no Event of Default or potential event of default has occurred and is continuing, and no such event or circumstance will result as a consequence of the Issuer performing any obligation contemplated under the Transaction Documents;

    (b) The Use of Proceeds shall be in accordance with the Purpose and the terms of the Transaction Documents;

    (c) the Issuer is and will be, after issuance of the Debentures, in full compliance with all provisions of the Transaction Documents, its charter, any document to which it is a party or by which it is bound, and any laws applicable to it;

    (d) there are no undisputed Tax dues or liabilities of the Issuer;

    (e) no proceedings have been initiated or are pending against the Issuer under the Income Tax Act, 1961, which will have Material Adverse Effect on the Issuer;

    (f) no notice has been served on the Issuer in terms of Rule 2 of the Second Schedule to the Income Tax Act, 1961;

    (g) no material claims have been received in respect of any tax or any other sum payable by the Issuer as a result of completion of any proceedings under the Income Tax Act, 1961; and

    (h) the properties to be hypothecated by the Issuer to secure the Debentures do not qualify as "assets" as per the explanation provided in Section 281 of the Income Tax Act, 1961, and accordingly Section 281 of the Income Tax Act, 1961 is not applicable to the Issuer in respect of such hypothecation.

20. Receipt by the Debenture Trustee of the letter from the Issuer specifying the details of the Receivables being charged to secure the Debentures (in the form and manner specified in Schedule 1 of the Deed of Hypothecation).

21. Receipt by the Debenture Trustee of any and all other authorisations, documents/ certificates as may be required by the Debenture Trustee (including the consent letter for appointment of the Debenture Trustee).

22. Copy of standing instruction given by the Issuer to the Revenue Bank to debit the Revenue Account and make deposits into the Debenture Servicing Account, in accordance with the terms of the Accounts Agreement.

23. The Debenture Trustee shall provide a copy of the due diligence certificate issued by the Debenture Trustee, submitted to the Designated Stock Exchange in the prescribed format set out in the applicable SEBI Regulations (as amended from time to time).

CONDITIONS SUBSEQUENT TO EACH TRANCHE OF THE DEBENTURES

1. Execution of this Deed within 3 (three) Business Days from the Issue Closing Date, and in any event, prior to filing the listing application before the Designated Stock Exchange for obtaining the final listing approval in relation to the listing of Debentures.

2. Execution of the Deed of Hypothecation and creation of charge over the Secured Properties in favour of the Debenture Trustee (for the benefit of the Debenture Holders) within 3 (three) Business Days from the Issue Closing Date, and in any event, prior to filing the listing application before the Designated Stock Exchange for obtaining the final listing approval in relation to the listing of Debentures.

3. Within 30 (thirty) calendar days from the Deemed Date of Allotment of the Debentures or from the date of execution of the Deed of Hypothecation (whichever is earlier):

   (a) Filing / modification of Form CHG-9 with the registrar of companies by the Company, pursuant to Section 77 of the Companies Act, as may be applicable;

   (b) delivery to the Debenture Trustee by the Company of the certified true copy of the Forms CHG-9 filed by the Company along with an acknowledgement and challan of the same by the relevant registrar of companies, as may be applicable;

   (c) delivery to the Debenture Trustee by the Company of certified true copy of the certificates of registration of charge issued to the Company by the relevant registrar of companies, as may be applicable;

   (d) authenticating or causing to authenticate, disclosing or submitting the 'financial information' in respect of the Security Interest created/ to be created under the Transaction Documents to any Information Utility; and

   (e) filing by the Debenture Trustee of the details of the Deed of Hypothecation with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India, as may be applicable.

4. No later than the Deemed Date of Allotment, the Issuer shall submit evidence of the credit of the Debentures in the specified dematerialized account(s) of each of the Debenture Holders.

5. Within 30 (thirty) days of the Deemed Date of Allotment, the Issuer shall provide an end use certificate in relation to the utilization of the Subscription Amounts, certified by an independent chartered accountant.

6. Within 45 (forty-five) days of the Deemed Date of Allotment, the Issuer shall provide a compliance certificate to the Debenture Trustee certifying its compliance with the terms and conditions of the Disclosure Documents.

7. Within 3 (three) Business Days of the Issue Closing Date, providing the final listing approval from the Designated Stock Exchange in respect of listing of the Debentures on the wholesale debt market segment of the Designated Stock Exchange.

8. Within 3 (three) Business Days of the Deemed Date of Allotment, the Issuer shall provide certified copy of the letter of allotment from the Depository.

9. Within 15 (fifteen) days of Deemed Date of Allotment, the Issuer shall provide certified copy of all corporate actions approving and allotting the Debentures.

10. Within 15 (fifteen) days of Deemed Date of Allotment, the Issuer shall enter the name of the Debenture Holders in the Register of Debenture Holders, if required under Applicable Law.

11. Within 30 (thirty) days from the Deemed Date of Allotment, the Issuer shall provide evidence of filing of a return of allotment on the issue of the Debentures in Form PAS-3 specified pursuant to Rule 12 and 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, (as amended from time to time) by the Issuer, if required under Applicable Law.

12. Within 30 (thirty) days from the Deemed Date of Allotment, the Issuer shall provide evidence of maintenance of a complete record of the private placement offers in Form PAS-5 maintained by the Issuer in accordance with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, (as amended from time to time), if required under Applicable Law.

13. Within 15 (fifteen) days from the Deemed Date of Allotment, the Issuer shall have paid all fees, costs, charges and expenses (to the extent such costs, charges and expenses have been incurred in accordance with the relevant agreement) payable to or incurred by the Debenture Trustee, arranger or advisors and any solicitors, advocates, company secretaries or consultants used by any of them in connection with the issuance and placement of the Debentures, creation and registration of the security interest created pursuant to any Transaction Documents with the relevant registrar(s) of companies, compilation of search/ status reports and other similar matters.

14. Receipt by the Debenture Trustee of the final rating letters in respect of the Debentures from each of the Identified Rating Agencies.

15. Receipt by the Debenture Trustee of the legal opinion in agreed form, to be issued by the legal counsel to the Debenture Trustee.

ANNEXURE 13-COPY OF SHAREHOLDER RESOLUTION

KERALA FINANCIAL CORPORATION

EXTRACT FROM THE MINUTES OF 70TH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT THE HEAD OFFICE OF THE CORPORATION ON 26TH JUNE 2023 AT 11.00 A.M

Item No. 5: ISSUANCE OF NON-CONVERTIBLE DEBENTURES

"RESOLVED to approve the proposal to raise funds not exceeding Rs. 100000.00 Lakh by way of issuance of non-convertible debentures on private placement basis during FY 23-24"

-True Copy-

Authorized Signatory

RAM GANESH R
Company Secretary
Kerala Financial Corporation