



ANNUAL REPORT

2025-26



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



NOTICE TO SHAREHOLDERS

Notice is hereby given that the 73rd Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held at Head Office, Aswathy, Vellayambalam, Thiruvananthapuram - 695033 on, Friday, 26 June 2026 at 10.30 AM to transact the following businesses:

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2026 and the Profit & Loss account for the year ended March 31, 2026 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2025-26 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2026-27 under Section 37 (1) of the SFC Act 1951.

RESOLVED THAT pursuant to the provisions of Section 37(1) of the State Financial Corporations Act, 1951, M/s. Krishnan Retna & Associates, Chartered Accountants (ICAI Firm Registration No.001536S), be and is hereby appointed as the Statutory Auditors of the Corporation to hold office from the conclusion of this Annual General Meeting until the conclusion of the 74th Annual General Meeting of the Corporation, at a remuneration of Rs. 4,59,200/- (Rupees Four Lakhs Fifty-Nine Thousand Two Hundred only), as per the revised fee structure stipulated by the Reserve Bank of India vide their Circular No.CO.DOS.RPD.No.S7223/08:91:038/2023-24 dated 12th December 2023.

RESOLVED FURTHER THAT the services of the said Statutory Auditors may also be utilized for certification and other permissible professional work, and a separate remuneration of Rs. 50,000/- (Rupees Fifty Thousand only) plus applicable taxes and reimbursement of actual out-of-pocket expenses may be paid for such additional assignments, as may be mutually agreed upon."



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Special Business

3. To approve the proposal to raise funds not exceeding Rs. 1000.00 Crore by way of issuance of non-convertible debentures on private placement basis. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 7 and other applicable provisions, if any, of the State Financial Corporations Act, 1951, approval of the shareholders be and is hereby accorded to the Board of Directors of the Corporation to raise funds by way of issuance of Non-Convertible Debentures (NCDs)/Bonds, in one or more series or tranches, on private placement basis, for an aggregate amount not exceeding Rs.1,000 crore (Rupees One Thousand Crore only), during a period of one year from the date of passing of this Resolution, on such terms and conditions as may be determined by the Board of Directors.

RESOLVED FURTHER THAT the Managing Director and Financial Controller of the Corporation be and is hereby authorised to determine and finalise the terms and conditions of the issue(s), including but not limited to the amount, timing, tenure, rate of interest, listing, execution of agreements/documents and all other matters connected therewith, and to do all such acts, deeds, matters and things as may be necessary, proper or expedient for giving effect to this Resolution."

4. To approve enhancement of the Authorized Share Capital of the Corporation To consider and, if thought fit, to pass the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the State Financial Corporations Act, 1951 and subject to such approvals, permissions, sanctions, recommendations, notifications and statutory modifications as may be required from the State Government, Small Industries Development Bank of India (SIDBI) and/or other competent authorities, approval of the shareholders be and is hereby accorded for undertaking necessary steps for enhancement of the Authorized Share Capital of the Corporation beyond the existing statutory limit of Rs.1,000 crore, in such manner and to such extent as may be permitted under applicable laws and statutory provisions from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Corporation be and is hereby authorised to take all necessary actions in this regard, including but



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not limited to seeking recommendations/approvals from SIDBI, obtaining approvals and sanctions from the State Government and other competent authorities, pursuing amendment/modification of applicable statutory provisions, issuance of notifications, and to do all such acts, deeds, matters and things as may be deemed necessary, proper or expedient for giving effect to this Resolution."

By Order of the Board


Nandhini Vijayaraghavan
Company Secretary

Place : Thiruvananthapuram,
Date : 25.05.2026

Registered Office:
'Aswathy',
Vellayambalam,
Thiruvananthapuram-695033

NOTES:

1. *The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") setting out the material facts relating to the proposed resolution and the reasons thereof is annexed hereto and forms part of this Notice.*
2. *The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 20.06.2026 to 26.06.2026 (both days inclusive).*
3. *The form of proxy is enclosed.*
4. *Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the State Financial Corporations Act, 1951.*
5. *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*



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- 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. Shareholders may also send a scanned copy of the duly completed, signed, and stamped proxy form via email to cs@kfc.org within the stipulated timeframe of 48 hours before the meeting.*
- 6. 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, authorize 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 authorized 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.*
 - 7. The State Government may, by order in writing, authorize 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.*
 - 8. The meeting shall be held, conducted, and the business there at 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.*
 - 9. Submission of Proxies via Email: Shareholders choosing to submit their proxy forms digitally are requested to send the scanned, signed, and duly stamped proxy form to cs@kfc.org at least 48 hours prior to the time scheduled for the meeting.*



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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 H.O. - 'Aswathy', Vellayambalam, Thiruvananthapuram on the 26th day of June 2026 and at any adjournment thereof.

Signed this.....day of.....

Signature on
Rs.1/-
Revenue Stamp



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EXPLANATORY STATEMENT

Item No.3

Section 7 of the State Financial Corporations Act, 1951 empowers the Corporation to issue and sell bonds and debentures for the purpose of increasing its working capital.

The Corporation, in the ordinary course of its business, mobilises resources through issuance of Non-Convertible Debentures (NCDs)/Bonds for meeting its lending, refinancing and operational requirements.

In order to ensure adequate availability of funds for business operations, disbursements, repayment obligations and resource mobilisation requirements, approval of the shareholders is being sought for raising funds through issuance of Non-Convertible Debentures (NCDs) on private placement basis, in one or more tranches, up to an aggregate amount not exceeding Rs:1000 crore during a period of one year from the date of passing of the Resolution.

The Board recommends the Resolution for approval of the shareholders.

None of the Directors, Key Managerial Personnel of the Corporation, or their respective relatives, is in any way concerned or interested, financially or otherwise, in the Resolution.

Item No.4

The Authorised Share Capital of the Corporation presently stands at Rs.1,000 crore, which is the maximum limit presently permitted under Section 4(1) of the State Financial Corporations Act, 1951.

The paid-up share capital of the Corporation stood at Rs.926.50 crore prior to the equity contribution approved by the Government of Kerala. Subsequently, vide GO(Ms) No.46/2026/FIN dated 17.03.2026, the Government of Kerala approved additional share capital contribution of Rs.73.49 crore to the Corporation, resulting in the paid-up share capital reaching the existing authorised share capital limit of Rs.1,000 crore during the current financial year.

In order to support future capital requirements, business growth, regulatory requirements and expansion of operations of the Corporation, it is considered necessary to undertake steps for enhancement of the authorised share capital beyond the present statutory limit.



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Since the existing provisions of the State Financial Corporations Act, 1951 presently permit increase in authorised share capital only up to Rs.1,000 crore, implementation of the proposed enhancement would be subject to such statutory amendments, approvals, recommendations, sanctions, notifications and permissions as may be required from the State Government, Small Industries Development Bank of India (SIDBI) and other competent authorities.

The Board recommends the Resolution for approval of the shareholders.

None of the Directors, Key Managerial Personnel of the Corporation, or their respective relatives, is in any way concerned or interested, financially or otherwise, in the Resolution.

By Order of the Board


Nandhini Vijayaraghavan
Company Secretary

Place : Thiruvananthapuram,

Date : 25.05.2026

DIRECTORS' REPORT

Dear Stakeholders,

The Board of Directors takes pleasure in presenting the 73rd Annual Report of Kerala Financial Corporation (KFC) for the financial year ended March 31, 2026. This report encapsulates a year of achievements, indicative of the strategic initiatives taken by the Corporation to foster entrepreneurship and contribute robustly to Kerala's economic growth amidst a complex global and national environment.

Established under the State Financial Corporations Act, 1951, KFC continues to uphold its legacy as a leading Public Sector Undertaking of the Government of Kerala. Over the decades, KFC has successfully evolved into a modern, customer-centric financial institution, offering a sophisticated suite of innovative, technology-driven financial products designed to support Micro, Small, and Medium Enterprises (MSMEs) in Kerala and drive sustainable industrial growth.

The financial year 2025-26 was marked by sharp global volatility, as intensifying geopolitical conflicts in West Asia triggered crude oil shocks and disrupted maritime trade routes, presenting severe inflationary pressures and supply chain bottlenecks for energy-sensitive nations. Despite these severe headwinds, the Indian economy demonstrated remarkable structural resilience, registering a robust real GDP growth of 7.6% for FY 2025-26. This national growth was anchored by strong domestic demand, high-quality public capital expenditure, and a highly proactive national policy push to turn MSMEs into global and domestic market champions. In alignment with this national momentum, the Government of Kerala exhibited exemplary fiscal resilience, posting strong growth and clocking a real GSDP expansion of 6.19% with nearly 10% nominal growth, proving its capacity to grow out of debt.

The State has successfully executed a revenue-led fiscal consolidation strategy while managing its finances prudently. The fiscal deficit stood at 3.87% of GSDP for FY 2024-25 (Provisional), while the revenue deficit was 2.49% of GSDP. Furthermore, the outstanding public debt-to-GSDP ratio continued its steady downward trajectory from its pandemic peak of 38.47% down to 34.87% in FY 2024-25 (Provisional), driven by robust growth in State's Own Tax Revenue (SOTR), which reached Rs.76,642 crore. Kerala met 60% of its revenue expenditure through its own receipts in FY 2024-25 (Provisional), with its own revenue accounting for 64% of total revenue receipts in FY 2023-24. By balancing strict fiscal discipline with development-oriented spending, Kerala effectively created the fiscal space required to safeguard capital expenditure in infrastructure, advanced digital technologies, and major industrial corridors

As a cornerstone of Kerala's inclusive industrial policy, the MSME sector received unprecedented institutional and financial support during FY 2025–26. Building on the momentum of the "Year of Enterprises," the state ecosystem has facilitated over 3.5 lakh new MSMEs since inception, with approximately one-third of these units being women led, showcasing a progressive leap in inclusive, gender-balanced entrepreneurship. Traditional and high-potential sectors including food processing, garments, wood based industries, information technology, and the emerging care economy were reinforced via MSME Clinics and Enterprise Help Desks.

Under the "Mission 1000" initiative, the State aggressively accelerated the formalization and scale of mid-sized MSMEs into fast-growing entities aiming for market prominence. Infrastructure support was further strengthened via the promotion of Private Industrial Estates and regional hubs, while the integration of MSMEs with institutional trade platforms like TReDS and GeM, backed by credit guarantees, significantly alleviated working capital bottlenecks and minimized credit risks. Reflecting modern industrial transitions, new budgetary focus areas emerged in Artificial Intelligence and Quantum Computing paving the way for advanced manufacturing MSMEs to plug into global supply chains.

Through these multi-layered measures, the Government of Kerala has struck a careful balance between subnational fiscal prudence and growth-driven public investment. Positioned within a volatile global order, Kerala stands out as a highly resilient, adaptive, and innovative economy. As the premier financial catalyst in the state, Kerala Financial Corporation remains uniquely positioned to translate these macroeconomic policies into real world business successes, ensuring that our MSMEs have the financial backing, digital tools, and institutional strength to thrive in the modern market landscape.

The Government of Kerala has consistently extended robust institutional and financial backing to Kerala Financial Corporation (KFC), underscoring its pivotal role in driving the State's industrialization and MSME development agenda. As the principal state-level development financial institution with the Government holding a commanding 99.33% equity stake KFC benefits from strategic guidance, policy alignment, and periodic capital infusions. These equity contributions have significantly bolstered the Corporation's capital base, improved its Capital to Risk-Weighted Assets Ratio (CRAR), and enhanced its leverage capacity to mobilize cost-effective resources from capital markets.

Demonstrating an unwavering fiscal commitment to the Corporation's long-term financial sustainability, the Government has infused a total of Rs.573.50 crore over the past five financial years, which includes a targeted capital allocation of Rs.73.50 crore in FY 2025–26 alone. This sustained capital support reinforces KFC's balance sheet strength, solidifies its creditworthiness among institutional investors, and expands its capacity to deploy credit to high priority sectors.

Further strengthening this mandate, the Government of Kerala has issued G.O.(Ms)No.17/2026/FIN, extending the appointment of the Kerala Financial Corporation (KFC) as an agent of the State Government under Section 25 I(e) of the State Financial Corporation's (SFCs) Act 1951 for another two years from 03.02.2026 to 02.02.2028 to provide financial assistance up to Rs.50 crore to Industrial Concerns, MSMEs, and State PSUs without any restrictions on paid-up share capital and free reserves limits. Consequently, this enables KFC to accelerate credit access for MSMEs thereby catalyzing inclusive economic growth across Kerala.

Supported by a robust capital structure, improved asset quality, and a diversified suite of targeted financial products, KFC has consolidated its position as the premier institutional catalyst for Kerala's industrial transformation. This strengthened capital base and fortified balance sheet equip the Corporation to significantly amplify its developmental impact within the MSME ecosystem during this fiscal year. Through the proactive expansion of flagship initiatives such as the Chief Minister's Entrepreneurship Development Programme (CMEDP), Startup Kerala, and the Kerala Agro-based MSME Loan Scheme (KAMS) alongside strategic collaborations in welfare financing and modern industrial infrastructure, KFC continues to elevate its institutional significance.

Moving forward into this financial year, KFC is strategically aligned with the State's vision of a transition toward a high-tech, sustainable knowledge economy. By expanding digital credit outreach, fostering grassroots innovation, and accelerating capital formation across emerging sectors; the Corporation is actively driving inclusive regional development. This balanced, forward-looking growth is a direct reflection of the strategic foresight and execution capability of KFC's professional team. Alongside its strong financial performance, KFC's operations remain anchored with focus on risk management, streamlined credit appraisal processes, Corporate governance, and compliance adherence. Backed by an impeccable market reputation and a fortified capital position, Kerala Financial Corporation stands poised to accelerate Kerala's economic growth sustainably, resiliently, and inclusively.

PERFORMANCE OF THE CORPORATION

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

Key Parameters	Rs in lakh	
	2025-26	2024-25
Portfolio Size	908,065.11	8,01,198.61
Sanctions	4,53,210.54	4,00,257.07
Disbursements	5,62,869.12	3,91,839.91
Recovery	5,38,937.32	3,98,075.93
Interest Income	81,583.90	71,745.29
Total Income	104,508.88	90,139.05

Total Expenditure	89,710.85	80,011.48
Op. Profit before technical write-off of bad debts	29625.99	23,815.28
Op. Profit after technical write-off of bad debts	14,798.03	10,127.58
Net profit after tax	11,073.46	9,815.91
Basic EPS (in Rs.) [face value Rs.100/-]	11.95	13.90
Diluted EPS (in Rs.) [face value Rs.100/-]	11.93	13.81
Net worth	151,312.84	1,32,834.64
Capital Adequacy Ratio %	30.70	28.65
Gross NPA as % of Gross Advances	2.32	2.67
Net NPA as % of Net Advances	0.43	0.61

The financial performance of Corporation over the last two FYs reflects a trajectory of steady growth, operational resilience, and financial prudence. The Corporation has demonstrated commendable progress across key business indicators, reinforcing its position as a robust and mission-driven development financial institution in the State of Kerala.

Sanction and Disbursement

The total sanctions rose significantly from Rs. 4,00,257.07 lakh in 2024-25 to Rs.4,53,210.54 lakh in 2025-26, registering a robust year-on-year growth of 13.23%. This notable increase in sanctioned loans underscores KFC's proactive business development initiatives and responsiveness to the rising credit demand in the State's entrepreneurial ecosystem. It also reflects the enhanced outreach of the Corporation's schemes such as CMEDP, Startup Kerala, and KAMS. Disbursements during FY 2025-26 stood at Rs. 5,62,869.12 lakh, showing a robust growth of 43.65% from Rs. 3,91,839.91 lakh in the previous year.

Recovery

The Corporation's recovery performance showed a significant improvement in FY 2025-26, with total recoveries increasing from Rs. 3,98,075.93 lakh in the previous year to Rs. 5,38,937.32 lakh, registering a 35.39% growth. This positive trend is indicative of the Corporation's robust follow-up systems, and effective recovery strategies, which have contributed to sustained liquidity and minimal slippages.

Corporation has instituted a strong monitoring framework for loan recovery. In this regard, the Board at its meeting held on 11.11.2025, approved the revisions to the Loan Compromise Settlement Policy (LCSP) aimed at facilitating the resolutions of non-performing accounts. Under this scheme, Compromise Settlements were sanctioned in 94 cases amounting to Rs.17449.73 lakh, of which 47 cases were successfully settled for Rs.6853.95 lakh as on 31.03.2026. During the year Corporation has recovered Rs.10983.31 Lakhs from loan accounts technically written off in earlier years as against Rs.8484.06 Lakh during FY 2024-25.

Portfolio

KFC's loan portfolio grew from Rs. 8,01,198.61 lakh in FY 2024-25 to Rs. 908,065.11 lakh in FY 2025-26, marking an increase of 13.34%. This growth in the outstanding portfolio indicates the Corporation's sustained efforts to expand credit deployment to priority sectors, especially MSMEs, start-ups, and women-led enterprises. The increase also reflects an improved credit absorption capacity among industrial units supported by an industrial friendly environment and targeted schemes offered by the Corporation.

The sector-wise classification of Loans & Advances as on March 31, 2026 is furnished below:

Rs in lakh							
		As on 31.03.2026			As on 31.03.2025		
	Sector	No	Amount	%	No	Amount	%
1	Manufacturing	1616	117142.18	12.90	1577	113131.35	14.12
2	Service	3836	748589.13	82.44	3867	653756.45	81.60
3	CRE	106	42333.80	4.66	110	34310.80	4.28
	Total	5558	908065.11	100.00	5554	801198.60	100.00

Profitability

The Corporation recorded a total income of Rs. 104,508.88 lakh in FY 2025-26, up from Rs. 90,139.05 lakh in the previous year. Net profit witnessed a rise of 12.81%, increasing from Rs.9815.91 lakh in 2024-25 to Rs.11073.46 lakh in 2025-26. This notable growth in profitability reflects the Corporation's efficient fund utilization, improved interest margin realization, and stringent control over operating expenses.

Dividend

For the financial year 2025-26, after considering the Corporation's present and future business requirements, capital adequacy position, and the need to strengthen its financial position for supporting future growth and expansion, the Board of Directors has not recommended any dividend. The Board is of the view that retention of profits will strengthen the Corporation's net worth, improve the debt-equity ratio, and enhance its capacity to support future business growth and expansion, considering that the Corporation's authorised share capital of Rs.1,000 crore has already been fully subscribed, including share application money pending allotment.

Capital & Reserves

As on March 31, 2026, the Corporation's paid-up share capital stood at Rs.92,650.43 lakh. During the year, an amount of Rs.7,349.57 lakh was received from the Government of Kerala on March 23, 2026 towards allotment of

73.49 lakh equity shares of Rs.100 each and the same is pending allotment as on the reporting date. Upon allotment of the aforesaid shares, the paid-up share capital of the Corporation will reach Rs.1,00,000 lakh, thereby fully utilising the authorised share capital of the Corporation.

Consequent to the proposed allotment and retention of profits, the Corporation's net worth is expected to register a growth of 13.91%, increasing from Rs.1,32,834.64 lakh to Rs.1,51,312.84 lakh. The enhanced net worth is expected to strengthen the Corporation's financial position, improve the debt-equity ratio, and augment its capacity to mobilise additional resources for supporting future business growth, expansion, and developmental initiatives.

Asset Quality

The Corporation accords highest priority to maintaining the quality of its loan portfolio. As on 31.03.2026, standard assets constituted 97.68% of the total portfolio, reflecting KFC's strong credit discipline and prudent lending practices. In an environment where the broader financial sector continues to grapple with rising NPAs, KFC has demonstrated exemplary asset quality management through focused recovery efforts and rigorous loan monitoring.

During the year Gross NPA ratio improved from 2.67% to 2.32%, registering a decline of 13.11%, while the Net NPA ratio reduced from 0.61% to 0.43%, reflecting a 29.51% decrease. These positive trends underscore the Corporation's prudent credit appraisal and robust risk management systems. Additionally, the Provision Coverage Ratio has been maintained at a healthy level of 89.30% thereby strengthening the Corporation's financial resilience.

Shareholding pattern

As on March 31, 2026, the Corporation's paid-up capital stood at Rs.92,650.43 lakh. An amount of Rs.7349.57 lakh was received from the Government of Kerala on 23.03.2026 towards the allotment of 73.49 lakh equity shares of Rs.100 each. Post allotment the composition of shareholders is furnished below:

Shareholders	Amount(Rs in lakh)	% of Shareholding
Government of Kerala	99376.51	99.376
SIDBI	613.33	0.613
LIC	7.1	0.007
SBI	2.1	0.002
Others	0.96	0.001
Total	100000.00	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, 2026 according to Basel III guidelines is 30.70% (28.65% as on March 31, 2025).

Key Business Initiatives Undertaken During the Year

Establishing New Stressed Assets Recovery Branches (SARBs). To enhance operational efficiency and ensure better geographic coverage, two additional Stressed Assets Recovery Branches (SARBs) were established at Kasaragod and Kottayam. Consequently, the total number of SARBs increased to five, and the total number of branches of the Corporation rose to 24.

Extension of Chief Minister's Entrepreneurship Development Programme (CMEDP). As per GO(Ms) No.96/2025/FIN dated 29.07.2025, sanction was accorded to extend the term of CMEDP Edition II for one more year, with effect from 27.07.2025.

Extension of KFC Agro-based MSME Loan Scheme (KAMS). As per GO(Ms) No.92/2025/FIN dated 16.07.2025, sanction was accorded to continue the State Government interest subvention of 3% to eligible units under the KFC Agro-based MSME Loan Scheme (KAMS) for the Financial Year 2025-26.

Startup Kerala Loan Scheme. The eligibility criteria for Startup loans have been revised, under the Startup Kerala Loan Scheme, in compliance with the Central Government Gazette Notification dated 4 February 2026. As per the revised criteria, Deep Tech Startups are now eligible for financial assistance for a period of up to twenty years from the date of their incorporation or registration.

Implementation of the Group Health Insurance Scheme for Employees. As an additional welfare measure for KFC employees, the Group Health Insurance (GHI) Scheme has been implemented through SBI General Insurance under the SBI Corporate Salary Package (CSP).

KFC Machinery Loan Scheme for MSMEs. Corporation also introduced a new loan scheme titled "KFC Machinery Loan Scheme for MSMEs" for need-based term loan assistance to MSMEs for the acquisition of new machinery/ equipment, without any collateral security.

KFC Tourism Development Loan (KTDL). As per GO(Ms) No.144/2025/Fin dated 07.11.2025 and GO(Ms) No.4/2026/Fin dated 15.01.2026, KFC Tourism Development Loan (KTDL) has been implemented through KFC.

'Expand Your Office' (EYO) Loan Scheme. As per GO(Ms) No.143/2025/FIN Dated 07.11.2025, 'Expand Your Office' (EYO) Loan Scheme has been implemented through KFC.

SANTHWANAM-One Time Settlement Drive. The Corporation has conducted 'SANTHWANAM-One Time Settlement Drive', during the period from 09.01.2026 to 31.03.2026, for cleaning NPAs.

Business Outreach Programme - 'Unarvu-2026'. A special Business Outreach Programme titled 'Unarvu-2026' was conducted during the period from 01.01.2026 to 28.02.2026 to improve sanctions, expedite disbursements, and support portfolio growth.

Interest Rate Reduction. The Base Rate and External Benchmark Lending Rate (EBLR) were reduced by 25 basis points from 9.50% to 9.25%, and the Repo Linked Lending Rate (RLLR) is reduced to 9.00%, with effect from 01.01.2026.

Additional Rebate. An enhanced rebate of 25 basis points was approved for the period from 01.01.2026 to 31.03.2026 for customers who made prompt repayments for three consecutive months, subject to the condition that the effective lending rate shall not fall below 9.25%.

Credit Guarantee Scheme for Startups (CGSS). The Corporation has registered as a Member Lending Institution under the revised CGSS by the National Credit Guarantee Trustee Company Ltd (NCGTC), enabling extension of collateral-free loans up to Rs.20 crore to eligible Startups.

Operationalised Kerala MSME Bill Discounting Platform (KMBDP). The Kerala MSME Bill Discounting Platform (KMBDP) has been activated by getting KFC boarded as a financier in the Receivables Exchange of India Ltd (RXIL) platform, an RBI-approved Trade Receivables Discounting System (TReDS) platform.

Awards and Recognitions 2025-26.

During the financial year 2025-26, Kerala Financial Corporation (KFC) received multiple accolades in recognition of its outstanding contributions to the financial services sector, particularly in supporting the MSME ecosystem.

KFC was honoured with the Exemplary Business & Leadership Award as the "Best MSME Loan Provider for Startups" at the 3rd MSME Conclave, organised by Hues of Life.

KFC was also conferred the "Financial Institution of the Year – Promoting Industrial Growth in Kerala" at the Metro MSME Awards 2025.

KFC received the "Power Brand & Business Excellence Award 2025" from Hues of Life, further reaffirming its strong brand presence and excellence in service delivery.

KFC also secured the MSME Excellence Award 2024 from Hues of Life, recognizing it as the Best Financial Service Provider to the MSME sector.

KFC was honoured with the "Metro Food Award 2025" as a Pioneer in Funding Culinary & Hospitality Ventures.

These recognitions underscore KFC's unwavering commitment to developmental finance and its impactful role in fostering entrepreneurship and driving industrial growth in Kerala.

Resource mobilisation

- LOC from Commercial Banks/FIs.** 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. 3,75,103.96 Lakh and repaid Rs. 2,95,224.76 Lakh. The loan outstanding as on 31.03.2026 is Rs. 7,17,186.08 Lakh. The Corporation is rated A+ for Bank borrowings from Acuite Rating Agency and Informerics Rating Agency during the year.
- 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. During the financial year 2025-26, the Corporation mobilized Rs.310 crore by issue of Non-Convertible Debentures (NCDs). The total outstanding bonds of KFC as on 31.03.2026 aggregate to Rs. 1,67,950.00 Lakh as given below.

Rs in Lakh							
SI No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date	Credit Rating	Asset Cover†
1	23-Jul-25	8.58%	31000.00	31000.00	23-Jul-35	AA	100%
2	13-Mar-24	8.89%	30700.00	30700.00	13-Mar-34	AA	100%
3	02-May-23	8.63%	27350.00	27350.00	24-Mar-33	AA	100%
4	24-Mar-23	8.90%	47650.00	47650.00	24-Mar-33	AA	100%
5	14-Sep-20	7.70%	25000.00	25000.00	14-Sep 30	AA	110%

6	09-Jul-19	8.99%	25000.00	6250.00	09-Jul-26	AA	125%
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+ 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, 2026 is Rs.21.67 Lakh.

Risk Management

The Corporation has developed a comprehensive risk management framework that systematically identifies, measures, and manages all material risks in line with regulatory guidelines from the Reserve Bank of India, SEBI, and other authorities, while adhering to industry best practices. Risk management is fully integrated into core functions making it central to decision-making. The framework establishes governance structures, defines risk appetite, and ensures consistent risk assessment across the Corporation. To oversee risk effectively, the Corporation has constituted key committees: the Risk Management Committee of the Board (RMCB), the Risk Management Committee of Executives (RMC) and the Asset Liability Management Committee (ALCO). Together, they uphold a robust risk governance framework supporting sustainable growth and value creation for stakeholders.

Asset Liability Management (ALM)

The Corporation's Asset Liability Management (ALM) framework is designed to support strategic planning, implementation, and control processes that influence the maturity, quality, and liquidity of its assets and liabilities, ensuring that returns are commensurate with the level of risk undertaken. This framework has become increasingly critical as the Corporation's business operations, funding sources, and risk exposures continue to expand. The Asset Liability Management Committee (ALCO) is tasked with actively managing liquidity and associated financial risks. It regularly reviews the Corporation's liquidity position, examines approved liquidity ratios, and ensures there are no breaches. ALCO also monitors cash flows to prevent negative mismatches that could lead to a liquidity shortfall or crisis. Through continuous oversight and timely interventions, ALCO ensures effective fund management and financial resilience. During the financial year, ALCO met 11 times, reflecting its proactive and vigilant approach to liquidity and risk management.

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 19th April 2029. All the offices of the Corporation continue to hold the Quality Management System Certificate.

Other Financial Service Activities

IRDA has approved the Corporation for acting as a Corporate Agent (composite) for procuring or soliciting insurance business. The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 4th September 2026. A Board approved Policy on the manner of soliciting and servicing insurance products is in place. The Policy includes the approach to be followed by the corporate agent in having single or multiple tie-ups, the partners in the tie-ups, the business mix, the type of products sold, the grievance redressal mechanism and reporting requirements.

Audits

Corporation adheres to a comprehensive multi-tiered audit framework comprising statutory, internal, and concurrent audits to uphold financial integrity and regulatory compliance. Statutory audits of the Corporation's accounts are conducted quarterly in accordance with Section 37 of the State Financial Corporations Act, 1951, and SEBI Listing Regulations, with annual audited results submitted to stock exchanges within sixty days of the financial year-end. Additionally, a Limited Review of accounts is performed each quarter, and financial results, audited or unaudited, are filed within forty-five days of the quarter's end (except for the last quarter), accompanied by a Limited Review Report from the Statutory Auditors. Internal audits are carried out quarterly by designated officers, covering all critical operational areas from loan sanction to recovery, while monthly concurrent audits of branch operations are undertaken by reputed Chartered Accountant firms. Pre-disbursement audits are mandated for loan disbursements exceeding Rs.100 lakh, conducted by independent teams not involved in the sanction or disbursement processes. Compromise settlements above Rs.25 lakh undergo audit as a prudent control and risk mitigation measure. Furthermore, an annual Line of Credit (LOC) audit for contractor loans is conducted during the first quarter of each financial year. These rigorous audit procedures collectively ensure strict adherence to policies, mitigate operational risks, and strengthen the Corporation's governance framework. The Comptroller & Auditor General of India has audited the Corporation's accounts up to the financial year 2024-25. Additionally, CAG conducted a subject-specific compliance audit on the sanction, disbursement, and recovery of loans by Kerala Financial Corporation, covering the period from FY 2021-22 to FY 2023-24.

Statutory Auditors

At the 72nd Annual General Meeting held on 30.06.2025, reappointed M/s. JAKS Associates, Chartered Accountants, Thiruvananthapuram (Firm Registration No. 001360S), as Statutory Auditors of the Corporation for the audit of the Corporation's accounts for the year 2025-26. Their scope includes quarterly audits and the annual audit of accounts under Section 37 of the State Financial Corporations Act, 1951. The Corporation continues to ensure full cooperation and transparency in all audit processes and places the auditors' reports before the Board and shareholders as per the regulatory timelines.

Secretarial Audit

In accordance with the provisions of Section 204 of the Companies Act, 2013 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board in its meeting held on 21.05.2025 subject to shareholders approval on 30.06.2025 has appointed M/s. K. Narayana Swamy & Co., Practicing Company Secretaries, Bengaluru (FCS 1838 / CP 9878 / Peer Review Cert. No. 1744/2022) to conduct the Secretarial Audit of the Corporation for the financial year ended 31st March, 2026. The Secretarial Audit Report is annexed to this Report and reflects the Corporation's continued commitment to sound corporate governance practices and full statutory compliance.

Internal Control System

The Corporation has implemented a robust internal control system aimed at ensuring the reliability of financial reporting, compliance with applicable laws and regulations, and the effectiveness and efficiency of operations. These internal controls are structured around clearly defined policies, standard operating procedures, and approval hierarchies. They are continuously reviewed, benchmarked against industry best practices, and updated to address emerging risks. The Corporation's internal control processes are supported by regular evaluations and certifications across business units. Through enhanced internal inspection mechanisms and vigilance measures, KFC ensures that internal controls are operating effectively. Additionally, Corporation periodically does an assessment of the Corporation's internal control mechanism and affirms its adequacy and operating effectiveness as required under applicable laws and regulations.

Human Resources and Capacity Building

The Corporation firmly believes that its human capital is the cornerstone of its sustained success and organizational excellence. Recognizing the importance of employee motivation and continuous professional development, several initiatives were undertaken during FY 2026-27 to strengthen workforce capabilities. A total of 131 employees were provided training through various in-

house and external programmes, and promotions were awarded to 10 employees, fostering a culture of growth and recognition. As on 31st March 2026, the Corporation had a total staff strength of 182. During the year, 3 employees retired on attaining superannuation.

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, Zone and Head Office. At the Head Office/ Zonal Office/ Branch Office, the committee concept is widely used and decision-making has been transparent and consultative.

Future Plans of the Corporation

The Corporation is committed to promoting sustainable growth, entrepreneurship, employment generation, and sectoral development across the State through the implementation of various strategic initiatives and developmental programmes during FY 2026-27.

Digital Transformation

The Corporation proposes to undertake comprehensive digital transformation initiatives aimed at enhancing operational efficiency, customer experience, and service delivery mechanisms through digitization of lending operations and strengthening technology-driven governance systems.

Business Diversification

As part of revenue diversification efforts, the Corporation proposes to explore fee-based financial services with the objective of augmenting non-interest income and expanding customer engagement opportunities.

Infrastructure Upgradation

The Corporation proposes to undertake office modernization and infrastructure enhancement initiatives across branches to improve customer service standards, operational efficiency, workplace functionality, and digital readiness.

Launch of Premium Card Products

The Corporation proposes to introduce KFC Platinum, Gold, and Silver Cards for high-performing customers. In addition, a dedicated "KFC Pink Card" for women entrepreneurs is proposed to encourage and support women-led enterprises and startups.

Startup Kerala Scheme Enhancement

The existing Startup Kerala Scheme is proposed to be strengthened by increasing the loan ceiling up to Rs.15 crore, particularly for purchase order

execution, working capital support, and bill discounting requirements of startup ventures.

Sustainable Footwear Cluster Scheme

The Corporation proposes to introduce a loan scheme for the footwear industry to support MSME units and footwear manufacturing clusters in the State. Financial assistance up to Rs.20 crore will be extended for establishment and expansion of footwear manufacturing units and allied infrastructure.

Senior Living & Geriatric Infrastructure Scheme

The Corporation proposes to launch a Senior Living & Geriatric Infrastructure Scheme for construction of community living clusters and retirement hubs for senior citizens in the State. Financial assistance up to Rs.20 crore will be provided under the scheme.

The above initiatives are expected to strengthen the Corporation's market position, improve operational capabilities, support MSME and startup ecosystems, generate employment opportunities, and ensure sustainable and inclusive growth during FY 2026-27.

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. No frauds were reported during the FY 2025-26.

The Corporation has designated State Public Information Officers, Assistant Public Information Officers, and Appellate Officers at both the Head Office and Branch Offices to ensure timely responses under the RTI Act. During the financial year, 80 RTI applications were received, all of which were disposed of within the prescribed time limits. A significant development was the integration with the Government of Kerala's RTI online portal (<https://rtiportal.kerala.gov.in/>), enabling the public to conveniently submit RTI applications to KFC through the online portal.

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. During FY 25-26, no complaints were reported.

Corporate Governance Framework

The Corporation operates under a robust three-tier Corporate Governance structure designed to ensure accountability, transparency, and effective oversight of its operations:

a) Board of Directors:

The Board serves as the apex decision-making body and is primarily responsible for safeguarding stakeholder interests and enhancing long-term value. It provides strategic supervision by setting corporate objectives, policies, performance benchmarks, accountability frameworks, and decision-making protocols. The Board also ensures the implementation and maintenance of adequate internal financial controls, supported by appropriate policies and procedures to facilitate orderly and efficient business conduct, asset protection, prevention of frauds, accurate financial reporting, and statutory compliance.

b) Apex Committees of the Board:

The Board has constituted several sub-committees, including the Executive Committee, Audit Committee, Risk Management Committee, Stakeholders Relationship Committee, and Nomination and Remuneration Committee. These committees focus on specific functional areas such as financial reporting and audit, risk identification and mitigation, compliance monitoring, sustainable development, policy formulation, and overall governance enhancement.

c) Executive Management:

The day-to-day management of the Corporation is entrusted to the Executive Management team, comprising the Executive Director, General Managers, Financial Controller, Heads of Departments, and Zonal Managers. Responsibilities are clearly defined and delegated across functional and operational levels, ensuring efficient execution, operational control, and alignment with the Corporation's strategic goals.

Board of Directors:

The details of the Board of Directors are given below:

Name	Designation	Tenure
Dr. A. Jayathilak IAS, Chairman	Chief Secretary, Government of Kerala	28.10.2024 – Present
Shri. Umesh NSK IAS Managing Director	Managing Director, KFC	13-08-2025 – 18-03-2026 06-05-2026- Present

Dr. Sriram V IAS Managing Director	Director, Agriculture Development & Farmers Welfare; MD, KFC	31.08.2024-28.11.2024 & 28.12.2024-07.08.2025
Smt. Anju K.S IAS Managing Director	Managing Director, KFC	19-03-2026 – 06-05-2026
Shri. S.Harikishore IAS Director	Director of Industries & Commerce	12-08-2021- 08-07-2025
Shri. Mir Muhammed Ali IAS	Managing Director, KSIDC	08-07-2025 - 09-10- 2025
Shri. Vishnuraj P IAS Director	Managing Director, KSIDC	09-10-2025– Present
Shri. Subbarao Sreepathy	Director General Manager, SIDBI	22.05.2024 – 14-10-2025
Shri. Prabhakaran Nair Suseela Manoj Director	General Manager, SIDBI	14-10-2025 - Present
Shri. Shaju Raphael Director	Deputy General Manager, SIDBI	22.05.2024 – Present
Shri. Premkumar S Director	Senior Divisional Manager, LIC	11.08.2022 – 18.05.2025
Shri. Ajish B Director	Senior Divisional Manager, LIC	19.05.2025 – Present
Shri. Manmohan Swain Director	General Manager, SBI	04-09-2024 - Present
Smt. N. Sreelatha Sukumaran Independent Director	Additional Secretary (Retired), Finance Department	19-02-2026 - Present
Shri. Premnath Ravindranath MD (In-charge)	Executive Director, KFC	18-03-2026 - 19-03-2026

Apex Committees:

The Board of the Corporation met Four times during the year on 21.05.2025, 07.08.2025, 11.11.2025 and 11.02.2026

The Executive Committee met Eleven times during the year on 16.04.2025, 26.04.2025, 24.06.2025, 19.07.2025, 21.08.2025, 24.09.2025, 29.10.2025, 19.11.2025, 14.01.2026, 06.02.2026 and 21.03.2026

The Audit Committee met four times during the year on 20-05-2025, 07-08-2025, 10-11-2025 and 11-02-2026

The Risk Management Committee (RMC) met twice during the year on 07-08-2025 and 11-02-2026

The Stakeholder Relationship Committee (SRC) met once during the year on 11-02-2026

The Nomination and Remuneration Committee (NRC) met once during the year on 11-02-2026

Attendance of the Members in the Board and Apex Committee Meetings during the FY 2025-26:

Name	Board (4)	AC (4)	EC (11)	RMC (2)	SRC (1)	NRC (1)
Dr. A Jayathilak IAS	4	NA	11	NA	NA	NA
Dr. Sriram V IAS	2	NA	4	NA	NA	NA
Shri. Umesh NSK IAS	2	NA	6	NA	NA	NA
Smt. Anju K.S IAS	0	NA	1	NA	NA	NA
Shri. Mir Muhammed Ali IAS	0	NA	NA	NA	NA	NA
Shri. Vishnuraj P IAS	0	NA	NA	NA	NA	NA
Shri. Subbarao Sreepathy	2	NA	NA	NA	NA	NA
Shri. Prabhakaran Nair Suseela Manoj	1	NA	NA	NA	NA	NA
Shri. Shaju Raphael	4	4	10	NA	1	1
Shri. Ajish B	4	4	9	2	1	1
Shri. Premkumar S Director	NA	NA	2	NA	NA	NA
Shri. Manmohan Swain	2	4	NA	2	1	1
Smt. N. Sreelatha Sukumaran	NA	NA	NA	NA	NA	NA

Remuneration to Key Managerial Personnel

No remuneration was paid to Dr. A. Jayathilak, IAS (Chairman), Shri. Umesh NSK IAS (Managing Director), Dr. Sriram Venkitaraman, IAS (Managing Director). The

details of salary and other perquisites paid to other Key Managerial Personnel (KMPs) during the financial year are as follows:

- Sri Premnath Ravindranath, Executive Director: Rs.49.73 lakh
- Smt. Soya K, Financial Controller & Chief Financial Officer: Rs.37.69 lakh
- Smt. Nandhini Vijayaraghavan, Company Secretary: Rs.13.68 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 their knowledge and belief, and based on the information and explanations received, the Board of Directors of the Corporation hereby confirms that:

- (a) In the preparation of the annual financial statements for the year ended March 31, 2026, the applicable accounting standards have been followed, along with appropriate disclosures and explanations for any material departures, if any;
- (b) The accounting policies described in the Notes to the Financial Statements have been consistently applied, and reasonable and prudent judgments and estimates have been made so as to present a true and fair view of the financial position of the Corporation as on March 31, 2026, and of the profit for the year ended on that date;
- (c) The applicable guidelines issued for State Financial Corporations have been duly followed, with no material deviations. The Corporation continues to follow the accrual basis of accounting for standard assets and cash basis for non-performing assets as adopted from the financial year 2005-06;
- (d) Proper and adequate care has been taken for the maintenance of accurate accounting records in accordance with the provisions of the State Financial Corporations Act, 1951, the Companies Act, 2013, and applicable guidelines issued by SIDBI/RBI, to safeguard the assets of the Corporation and to prevent and detect frauds and other irregularities;
- (e) The annual accounts have been prepared on a going concern basis;
- (f) The Corporation has established adequate internal financial controls and such controls have been operating effectively during the financial year;
- (g) The Corporation has devised and implemented proper systems to ensure compliance with applicable laws, and such systems are adequate and operating effectively.

Acknowledgements

The Board of Directors sincerely acknowledges and appreciates the support and guidance extended by the Government of Kerala, SIDBI, various Governmental Agencies and Departments, the Reserve Bank of India, SEBI, IRDA, The Bureau

of Indian Standards (BIS) and other statutory and regulatory authorities throughout the year. The Board also expresses its gratitude to Banks, Financial Institutions, Rating Agencies, Trustees, and the Stock Exchange for their continued cooperation and assistance. The Board further expresses its sincere gratitude to the shareholders, customers, and vendors for their continued trust, support, and goodwill, and anticipates their sustained collaboration in the future. The Board also takes this opportunity to commend and sincerely appreciate the dedicated services rendered by the outgoing Directors as well as the employees of the Corporation for their commitment and contribution.

For and on behalf of the Board



Chairman

Thiruvananthapuram
25.05.2026

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2026
[Pursuant to Regulation 24A (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

*The Members,
Kerala Financial Corporation.*

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **KERALA FINANCIAL CORPORATION** - Pan No. AABCK1316M (hereinafter called 'the Corporation/KFC'). The Secretarial Audit was conducted in a manner that provided us reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Corporation's books, papers, minute books, forms and returns filed and other records maintained by the Corporation and also the information provided by the Corporation, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that, in our opinion, the Corporation has during the audit period ended on 31st March, 2026 complied with the statutory provisions listed hereunder and also that the Corporation has proper Board-processes and Compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Corporation for the financial year ended on 31st March, 2026 according to the provisions of:

- I. The Companies Act, 2013 ('the Act') and the Rules made thereunder; (*Not directly Applicable*);

NOTE: *KFC is not a Company registered under the Companies Act, 1956/2013, but was established under the State Financial Corporations Act, 1951 and governed by the KFC General Regulations, 2003 approved by Government of Kerala and SIDBI.*

- II. The Securities Contracts (Regulation) Act, 1956 ("SCRA"), and the Rules made thereunder;
- III. The Depositories Act, 1996 and the Rules made thereunder;
- IV. Foreign Exchange Management Act, 1999 and the Rules made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (*Not Applicable*); and
- V. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), viz.,

K. Narayana Swamy & Co.
Company Secretaries



- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; *(Not Applicable)*
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; *(Not Applicable)*
- (e) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; *(Not Applicable)*
- (f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
- (g) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (h) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients;
- (i) Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009 to the extent applicable;
- (j) Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company) to the extent applicable; &
- (k) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 *(Not Applicable)*;

We have also examined the following Specific Laws and Regulations as applicable to the Corporation based on the information received and records maintained by the Corporation on test-check basis:

VI. Specific Laws –

- a. State Financial Corporations Act, 1951 &
- b. KFC General Regulations, 2003,

VII. General & Labour Laws -

- a. Payment of Wages Act, 1936
- b. Employees Provident Funds and Miscellaneous Provisions Act, 1952
- c. Employees State Insurance Act, 1948
- d. Payment of Gratuity Act, 1972
- e. Contract Labour (Regulation and Abolition) Act, 1970
- f. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- g. Trade Union Act, 1926 &
- h. Other applicable Labour Laws, Rules & Regulations thereof.

Note: Although the four new Labour Codes consolidating 29 laws into a unified framework covering all organized/unorganized, factory, etc., are effective from 21.11.2025, KFC is yet to implement the same.

The Management has also confirmed that all the laws, rules, regulations, orders, standards and guidelines as are specifically applicable to the Corporation have been complied with.

Apart from the above, we have also examined the compliance of applicable Secretarial Standards/ Guidelines issued by Institute of Company Secretaries of India (ICSI) with specific reference to meetings of the Board of Directors (SS-1) and General Meetings (SS-2).



Accordingly, we state that during the year under review, there were adequate systems and processes in place to monitor and ensure compliance with various applicable laws and that the Corporation has complied with the provisions of the Acts, Rules, Regulations, Orders, Standards, Guidelines, etc., mentioned above, subject to the following observations:

1. The Management has represented that the draft Policies on (a) Prohibition of Insider Trading (PIT) and (b) Related Party Transactions (RPT) have been framed and it is in the process of obtaining the approval of the Board, shortly.
2. The Management has represented that –
 - (a) it has issued notices to the shareholders to claim the unclaimed dividend amounts;
 - (b) it is in the process of opening a special account, viz., "Unpaid Dividend Account" in a scheduled bank for transferring the unclaimed dividend amounts as required under section 124(1) of the Companies Act, 2013;
 - (c) it will transfer the unclaimed dividend amounts remaining unpaid for a period of seven years and above to the Investor Protection and Education Fund (IPEF) established by the Central Government, as required under section 124(5) read with section 125 of the Companies Act, 2013, soon; and
 - (d) Henceforth, it will ensure opening of a separate account in a scheduled bank within five days from the date of declaration of dividend as per section 123(4) of the Companies Act, 2013.
3. KFC has not fully complied with the Secretarial Standards / Guidelines issued by Institute of Company Secretaries of India (ICSI) with specific reference to meetings of the Board of Directors (SS-1) and General Meetings (SS-2).

We have not examined the compliance by KFC of the applicable laws pertaining to finance, accounts, maintenance of financial records, etc., since the same are subject to review by statutory auditors, designated professionals and CAG.

We report that:

Adequate notices were given to all Directors to schedule the Board / Committee Meetings and the Agenda and detailed notes on Agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the Agenda items before the meeting and for meaningful participation at the Meeting.

As per the minutes of the Board / Committee Meetings, duly recorded and signed by the Chairman, the decisions at the Meetings were unanimous inasmuch as minutes of the Meetings are self-explanatory.

We also report that based on the information provided and representation made by the Corporation and upon review of compliance mechanism established by the Corporation, we are of the opinion that there were adequate systems and processes in the Corporation commensurate with the size and operations of the Corporation to monitor and ensure compliance with all applicable Laws.

In this connection, we report that:

1. SEBI vide Notification dated 27th March, 2025 had introduced a new Chapter, viz., Chapter VA to SEBI (LODR) Regulations, 2015 - "Corporate Governance norms for High Value Debt Listed Entities (HVDLEs)" and the same was made effective from 1st April, 2025. With the above SEBI Notification, KFC was required to strictly comply with SEBI (LODR) Regulations, 2015 and in particular, Chapter VA, in letter and spirit.



;

However, subsequently SEBI has, vide Official Gazette dt. 20th January, 2026 notified SEBI (LODR) (Amendment) Regulations, 2026 re-structuring the HVDLEs Framework and the revised threshold limit for HVDLEs from ₹1,000 crore to ₹5,000 crore.

Accordingly, the provisions of Regulations 16 to 27 of SEBI (LODR) Regulations, 2015 read with Chapter VA pertaining to Corporate Governance norms are applicable to a listed entity which has listed its non-convertible debt securities of the value of Rs.5,000 crore or more. In this connection, it may be noted that the aggregate outstanding bonds of KFC as on 31st March, 2026 was Rs. 1,679.50 crore.

2. There were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, etc., having a major bearing on the affairs of the Corporation.



For K. Narayana Swamy & Co.,
Company Secretaries

(K. Narayana Swamy)
FCS 1838 / CP 9878
Peer Review Cert. No.1744/2022

UDIN No. F001838H000456864

Place : Bengaluru
Date : 24th May, 2026

Note: This Report is to be read with our letter of even date which is annexed as 'Annexure - A' and forms an integral part of this Report.

'Annexure - A'

To,

*The Members,
Kerala Financial Corporation.*

Our Report of even date is to be read along with this letter.

Maintenance of secretarial records is the responsibility of the Management of the Corporation. Our responsibility is to express an opinion on these secretarial records based on our audit.

We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial records. The verification was done on test-check basis to ensure that correct facts are reflected in the secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.

We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Corporation like, Income Tax, GST, etc., as the same were dealt with under separate audit/s.

Wherever required, we have obtained the Management representations about the compliance of applicable Laws, Rules and Regulations and happening of events.

The compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, Standards and Guidelines is the responsibility of the Management in terms of Section 134 (5) (f) of the Companies Act, 2013. Our examination was limited to the verification of procedures on test-check basis.

The Secretarial Audit Report is neither an assurance as to the future viability of the Corporation nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Corporation.



For K. Narayana Swamy & Co.,
Company Secretaries

(K. Narayana Swamy)
FCS 1838 / CP 9878
Peer Review Cert. No.1744/2022

UDIN No. F001838H000456864

Place : Bengaluru
Date : 24th May, 2026

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 Corporation), which comprise the Balance Sheet as on March 31, 2026 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 view of the Financial Position of the entity as on March 31, 2026 and of its Financial Performance and its cash flows for the year 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 16 loan accounts aggregating to Rs.2,603.67 Lakhs, and classified as Standard Assets in accordance with the applicable regulatory guidelines. Interest accrued on these accounts amounts to Rs.34.21 Lakhs. Further, the Standard Asset portfolio also includes loan accounts restructured during FY 2020-21 and FY 2021-22 under the COVID-19 Resolution Framework issued by the Reserve Bank of India vide circulars dated August 6, 2020 and May 5, 2021, aggregating to Rs.1,6401.47 Lakhs covering 215 loan accounts and the interest accrued on these accounts to Rs.230.40 Lakhs. The Corporation has maintained the additional provision of 10% on such restructured accounts, which has been included under provisions for bad and doubtful 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 may have a material impact on the Profit and Loss account of the corporation..

3. 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 asset has been there in the books of accounts of the Corporation for a long time. The corporation has revalued the same on 01.11.2025 and the present realizable value of the asset is Rs.922.54 lakh . Though there are records available to substantiate the recoverability of the asset, the same has not been materialised for a long time which is a concern about the recoverability of the asset.
4. The corporation does not have a full-fledged system to verify whether the collateral securities are revalued once in every three years and the loan database and accounting records are updated with the revalued figures.
5. The Loan Portfolio of the Corporation as on 31.03.2026 includes the loans extended to the following Public Sector Undertaking (PSU) of Govt of Kerala.

(Rs. In Lakh)

SL no.	Name of Borrower	Balance outstanding as on 31-03-2026	Balance outstanding as on 31-03-2025
1	Kerala Infrastructure Investment Fund Board (KIIFB)	92,421.47	1,16,675.97
2	Kerala Social Security Pension Ltd (KSSPL)	1,99,999.90	99,999.80
3	Kerala State Electricity Board (KSEB)	-	68,015.67
	Total	2,92,421.37	2,84,691.44

It was noted that loans extended by the Corporation are primarily secured by sovereign guarantees from the Government of Kerala, without additional collateral. Regarding the loan of Rs.1,99,999.90 Lakh granted to Kerala Social Security Pension Ltd (KSSPL), it was observed that although the authorization Government orders for executing the guarantee on behalf of the Government of Kerala were issued , the finalized guarantee agreement itself was not available on record as of May 25, 2026.

While the Corporation's primary mandate is to drive credit growth within the Micro, Small, and Medium Enterprises (MSME) sector and support local manufacturing and service entities, there is a visible trend of substantial and frequent lending to Public Sector Undertakings (PSUs) .

6. The corporation has funded subsidy upfront to the tune of Rs.1985.687 Lakh to the borrowers on certain loan schemes on behalf of Government of Kerala before collecting the subsidy amount from Government. This amount is subject to confirmation from Government of Kerala and the corporation has not taken any provision against it.

7. The Corporation had invested Rs.6,080 lakh in NCDs of M/s. Reliance Commercial Finance Ltd. in April 2018. Following default by the issuer, RBI initiated a resolution plan which was approved in July 2021 providing for recovery of only 24.96% for KFC. The Corporation dissented and filed a writ petition before the Hon'ble High Court of Bombay, which is pending. Pursuant to the Hon'ble Supreme Court's order dated 30.08.2022, the resolution bidder gave a revised settlement offer of 52% plus 1% of future remittances which was approved by the Board in Nov 2022. Government concurrence was received in May 2024, but implementation is pending due to the ongoing writ petition. Full provision has been made for the unrecovered amount, and any future recovery will be recognized as income.

Our opinion is not modified in respect of these matter.

Other Matters

1. On our random verification, it is observed that the KYC updation of loan files for some loan documents pertaining to branches are not fully in order due to deficiency in documentation.
2. The Suspense Account showed a balance of Rs. 753.511 lakh as on 31.03.2026, including Rs. 354.477 lakh towards contractor loan remittances. Subsequently, the contractor suspense balance was reduced to Rs. 156.585 lakhs while the Suspense Account balance excluding contractor suspense was reduced to Rs. 221 lakhs as on 16-05-2026.
3. There are some liability accounts with subsidy received from various agencies but not yet released to the borrowers who have become NPA, . The corporation may adjust the subsidies against the loan account balance with the approval from the authorities concerned.
4. With reference to note no: 13 the Corporation has a mechanism to claim the secured portion under CGTMSE from the Central Government. While these claims qualify to be recognized as receivables once approved by the Government, the Corporation currently accounts for them on a cash basis rather than an accrual basis. Although this practice does not have a material impact on the current financial statements, it represents a departure from the Corporation's standard accrual basis of Accounting Policy.
5. We have noticed certain limitations in the software system in generating specific reports required for verifying MSME classification etc directly from the ERP.
6. The Corporation's financial accounting and reporting processes rely substantially on Information System controls. We have observed certain data cleansing issues during the period of Audit. To ensure the continuous integrity of financial reporting, it is important to reinforce data governance. Inconsistencies in input data, data migration procedures, or data extraction workflows could potentially affect the precision and completeness of the financial records.

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.

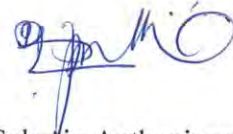
In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern as the basis of accounting unless management either intends to liquidate the entity or 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



CA Selastin Anthoniappan
M. No.:202874

Place: Thiruvananthapuram
Date: 25-05-2026

UDIN: 26202874UOULHS4180




KERALA FINANCIAL CORPORATION

Balance Sheet as at 31.03.2026

	Particulars	Note No.	As at 31.03.2026	As at 31.03.2025
			Audited	Audited
			Amount in Lakhs	Amount in Lakhs
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	92,650.43	72,650.43
	(b) Reserves and surplus	2	51,327.05	40,198.42
	(c) Share application money pending allotment		7,349.57	20,000.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	664,040.72	579,466.59
	(b) Other non current liabilities	4	415.13	420.91
	(c) Long-term provisions	5	22,453.53	22,453.53
3	Current liabilities			
	(a) Short-term borrowings	6	221,095.94	201,378.31
	(b) Other current liabilities	7	6,501.59	8,202.77
	(c) Short-term provisions	8	6,100.74	6,137.00
	TOTAL		1,071,934.70	950,907.96
B	ASSETS			
1	Non-current assets			
	(a) Property, Plant and Equipment and Intangible Assets	9		
	(i) Property, Plant and Equipment		878.97	887.40
	(ii) Intangible Assets		21.76	36.27
	(b) Non-current investments	10	2,317.06	3,810.49
	(c) Other non-current assets	11	681,223.42	592,520.90
	(d) Deferred Tax Assets (net)		1,742.91	1,871.21
2	Current assets			
	(a) Current investments	12	117,109.15	92,372.59
	(b) Cash and cash equivalents	13	19,973.62	33,451.28
	(c) Other current assets	14	248,667.81	225,957.82
3	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		1,071,934.70	950,907.96


Nandhini V
Company Secretary &
Compliance Officer


Soya K
Financial Controller &
Chief Financial Officer


Premnath Ravindranath
Executive Director



Umesh NSK IAS
Managing Director

For and on behalf of the Board of Directors



As per our report of even date

For JAKS & Associates
Chartered Accountants
Firm Reg No : 0013605


Selastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram

Date: 25.05.2026

UDIN : 262028J4U0ULHS4180

KERALA FINANCIAL CORPORATION

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31.03.2026

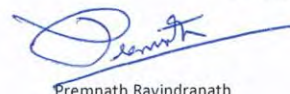
	Particulars	Note No.	31.03.2026	31.03.2025
			Audited	Audited
			Amount in Lakhs	Amount in Lakhs
A	Continuing Operations			
1	Revenue from Operations	15	93,943.73	81,350.02
2	Other Income	16	10,565.15	8,789.03
3	Total Income		104,508.88	90,139.05
4	Operating Expenses			
	(a) Interest expenses	17	68,270.56	60,692.16
	(b) Employee benefits expenses	18	5,249.42	4,214.86
	(c) Administrative Expenses	19	1,226.92	1,265.21
	(d) Depreciation and amortisation expense		135.99	151.54
	(e) Bad debts written off		14,827.96	13,687.70
	Total expenditure		89,710.85	80,011.47
5	Operating Profit before exceptional and extraordinary items and tax		14,798.03	10,127.58
6	Operating Profit After exceptional and extraordinary items		14,798.03	10,127.58
7	Less: Provision for Bad and Doubtful debts / Other assets		-	-
8	Profit before tax		14,798.03	10,127.58
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		3,596.26	2,504.48
	(b) Provision for Deferred Tax		128.30	(2,192.82)
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		11,073.47	9,815.91
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		11.95	13.90
	(b) Diluted		11.93	13.81
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		24713.29	18,527.79
	Net Profit for the year		11,073.47	9,815.91
	Total profit available for appropriation		35,786.76	28,343.70
	Add: Income Tax provision written back		-	280.31
	Total		35,786.76	28,624.01
	Less: Appropriations			
	Proposed Dividend		-	3,632.52
	Transfer to Reserve u/s 36 (1) (viii)		513.44	278.20
	Balance Profit after appropriations		35,273.32	24,713.29
	Balance Profit carried to Balance sheet		35,273.32	24,713.29


Nandhini V

Company Secretary &
Compliance Officer


Soysa K

Financial Controller &
Chief Financial Officer


Premnath Ravindranath

Executive Director

For and on behalf of the Board of Directors

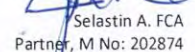

Umesh NSK IAS

Managing Director



As per our report of even date

For JAKS & Associates
Chartered Accountants
Firm Reg No : 001360S


Selastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram

Date: 25-05-2026

UDIN: 2620287400ULHSU180

KERALA FINANCIAL CORPORATION
NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2026

	As at 31.03.2026	As at 31.03.2025
	Audited	Audited
	Amount in Lakhs	Amount in Lakhs
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
10,00,00,000 Equity shares of Rs.100/- each	100,000.00	100,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
92210678 Equity shares of Rs.100/- each	92,210.68	72,210.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
Advance for share capital	7,349.57	20,000.00
TOTAL	100,000.00	92,650.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	15,191.57	14,913.37
Added during the year	513.44	278.20
Total of (a)	15,705.01	15,191.57
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	334.51	279.35
(c) Revaluation Reserve	14.21	14.21
(d) Profit & Loss Account	35,273.32	24,713.29
TOTAL {(a)+(b)+(c)+(d)}	51,327.05	40,198.42
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	43,981.48	50,000.00
LoC from State Bank of India	168,850.00	126,850.00
LOC from Federal Bank	2,998.75	4,000.00
LoC from Canara Bank	43,272.94	76,161.44
LoC from Union Bank of India	100,176.32	8,749.86
LoC from Bank of Maharashtra	33,483.66	52,066.82
LOC from South Indian Bank	10,415.00	9,000.00
LoC from Indian Bank	27,000.00	55,750.00
Loc from Bank of Baroda	8,229.17	10,818.34
LOC from Dhanalaxmi Bank	10,768.62	11,621.12
LOC from Indian Overseas Bank	54,165.00	37,499.00
LoC from Bandhan Bank	3,750.00	-
Loc from Bank of India	249.77	-
Non-SLR Bond	156,700.00	136,950.00
TOTAL	664,040.71	579,466.58
NOTE: 4		
OTHER NON CURRENT LIABILITIES		
Coconut Devp. Board Subsidy	247.49	247.49
Other Subsidy	71.16	71.46
Norka Subsidy	96.48	101.96
TOTAL	415.13	420.91
NOTE: 5		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	22,453.53	22,453.53
Add: Provision made during the year	-	-
Total of (a)	22,453.53	22,453.53



	As at 31.03.2026	As at 31.03.2025
	Audited	Audited
	Amount in Lakhs	Amount in Lakhs
NOTE : 6		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
WCDL from SBI	14,065.31	-
Overdraft from State Bank of India	-	5,014.02
Short term loan from State Bank of India	9,533.01	9,541.99
Short term loan from Federal Bank	45,000.00	45,000.00
Short term loan from South Indian Bank	5,000.00	5,000.00
Short term loan from Bandhan Bank	5,005.65	-
Short term loan from ICICI Bank	15,000.00	-
Non-SLR Bond (Current maturity)	11,250.00	6,587.50
Overdraft from City Union Bank	-	2,414.18
LOC FROM BANKS (Current maturity)		
Loc from Union Bank of India	8,571.43	6,666.68
Loc from Federal Bank	2,000.00	1000.00
Loc from Canara Bank	18,027.74	34,141.56
Loc from Indian Bank	5,250.00	22,925.00
Loc from State Bank of India	49,500.00	38,000.19
Loc from Bank of Baroda	2,083.33	1,666.67
Loc from Bank of Maharashtra	5,418.00	8,336.00
Refinance from IIFCL	5,555.56	-
LOC from Dhanalaxmi Bank	3,833.33	2,750.00
LOC from Indian Overseas Bank	8,334.00	8,334.00
LOC from South Indian Bank	5,668.00	4,000.00
LOC from Bank of India	750.00	-
LOC from Bandhan Bank	1,250.00	-
UNSECURED BORROWINGS	0.00	-
HDFC Bank Credit Card	0.58	0.52
TOTAL	221,095.94	201,378.31
NOTE : 7		
OTHER CURRENT LIABILITIES		
State Subsidy	3.49	52.64
RR Commission Payable	0.36	2.82
Earnest Money Deposit	1.85	7.10
Suspense Account	753.51	1,194.44
Tax Deducted at Source	84.41	1.54
Other Salary Deductions	0.11	0.28
Other Sundry Deposits	121.39	111.21
Gratuity Payable	0.84	3.44
Outstanding Expenses	987.95	1,108.31
Salary Payable	413.89	251.82
Accrued Interest on Non SLR Bonds	2,469.05	2,158.75
Accrued Interest on LOC from banks	797.84	2,033.81
Audit Fee Payable	5.09	5.09
Concurrent Audit Fee payable	12.60	10.40
Staff Dues Retained	13.66	8.28
Unclaimed Dividend	0.19	0.17
Commission Received in Advance	561.17	519.03
Leave encashment payable	0.00	0.07
CGST Payable	30.33	39.99
SGST Payable	30.33	39.99
IGST Payable	0.03	0.08
CGST & SGST TDS Payable	0.03	1.15
Excess Payable	213.46	652.38
TOTAL	6,501.58	8,202.79



	As at 31.03.2026	As at 31.03.2025
	Audited	Audited
	Amount in Lakhs	Amount in Lakhs
NOTE : 8		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	2,504.48	6,330.04
Add: Provision made for the current year	3,596.26	2,504.48
Less : Adjusted against Advance Income Tax	-	6,049.73
: Excess Provision of earlier years written back	-	280.31
Total	6,100.74	2,504.48
(b) Proposed Dividend for the year	-	3,632.52
TOTAL	6,100.74	6,137.00
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
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
Investment in NCD - 8.25% BOB	-	1,491.63
Investment in NCD -8.57% BANK OF INDIA PERPETUAL	2,300.00	-
Sub Total	7,661.21	9,154.63
Less : Provision for diminution in value of investments	5,344.15	5,344.15
TOTAL	2,317.06	3,810.48
NOTE : 11		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,787.42	1,708.55
Conveyance Loan to Employees	272.19	282.18
Computer Loan to Employees	3.11	3.76
Other Staff Loan	0.00	-
Personal Loan to Employees	287.29	343.07
Advance to Employees	25.86	33.45
Deposit with P&T	0.01	0.01
Other Deposits	117.42	119.30
Deposit with KSEB	13.32	11.94
Interest Accrued on Staff Loans	1,093.77	967.49
GTI Advance	7.02	7.09
Premium paid on Investment	34.66	-
Advance for Fixed Assets	159.88	86.71
Loans and Advances	677,021.12	588,557.01
TOTAL	681,223.41	592,520.90
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	117,109.15	92,372.59
TOTAL	117,109.15	92,372.59
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.85	0.57
Bank Accounts	19,972.77	33,450.71
TOTAL	19,973.62	33,451.28



	As at 31.03.2026	As at 31.03.2025
	Audited	Audited
	Amount in Lakhs	Amount in Lakhs
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	7,475.98	3,590.21
Input Tax Credit	21.52	28.61
Income Tax Deducted at source	1,061.68	928.67
Stock of Stationery	-	-
Library	-	-
Rent Receivable	32.90	9.28
Prepaid Expenses	17.05	14.21
CGTMSE Fee	0.89	1.67
Subsidy Receivable from Govt	17.28	17.28
KSEDM Interest Receivable	0.71	0.71
Kerala Innovation fund expenses Receivable	18.88	18.88
Interest Accrued on Loans & Advances	3,076.41	3,176.80
Interest Accrued on STD with Banks	3,827.90	2,712.63
Accrued interest on investment	86.95	-
CMEDP Interest Receivable	1,882.63	2,617.00
KAMS Interest subsidy	27.99	155.54
KSUM Interest Receivable	63.69	33.37
NORKA Interest Subvention	0.12	0.12
DSFV Interest Receivable	11.24	11.24
Loans & Advances (Principal Due within one year)		
a) Bills purchased and discounted	123,757.04	100,653.18
b) Term Loans	107,286.95	111,988.42
TOTAL	248,667.81	225,957.82
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	84,079.39	73,775.51
Less : Interest rebate allowed on Loans	2,495.48	2,030.22
Net Interest Received On Loans & Advances	81,583.91	71,745.29
Loan Processing Fees	1,018.38	964.52
Recovery from written off loans	10,983.31	8,484.06
Switch over interest	0.20	0.10
Premium on pre-closure	357.93	156.06
TOTAL	93,943.73	81,350.03
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	187.85	173.50
Interest on Bank Deposits	9,253.02	7,444.56
Interest received on IT refund	0.00	56.71
Other Income	570.11	450.67
Exchange gain on Forex	-	133.31
Rent Received	137.97	56.72
Income from Insurance Agency	7.17	10.85
RTI Application Fee Received	0.01	0.01
Consultancy Service Division Receipts	8.46	0.55
Commision exchange and brokerage	400.56	462.15
TOTAL	10,565.15	8,789.03
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	13,798.97	12,556.60
Interest on Coconut Dev Board Subsidy & Norka Capital subsidy	8.86	21.66
Interest on Line Of Credit from Banks	51,217.03	45,007.04
Premium on Forward Contract	2,895.50	2,976.73
Bond Issue Expenses	313.51	88.26
Share Issue Expenses	1.06	0.55
LOC Administrative Expenses	35.63	41.31
TOTAL	68,270.56	60,692.15



NOTE : 9 FIXED ASSETS											
Particulars	Rate	Gross value as on 31.03.2025	Additions During First Half	Additions During II Half	Additions During the Year	Deletions during the year	Gross value as on 31.03.2026	Depreciation upto 31.03.2025	Depreciation for the period	Depreciation upto 31.03.2026	WDV as on 31.03.2026
1	2	3	4	5	6	7	8	9	10		
Land	0%	11.62	-	-	-	-	11.62	-	-	-	11.62
Building	10%	1,148.49	52.86	17.07	69.93	-	1,218.42	611.55	59.83	671.38	547.04
Motor Vehicle	15%	177.18	-	-	-	-	177.18	163.65	2.03	165.68	11.50
Electrical Fittings	10%	216.04	-	-	-	-	216.04	149.88	6.62	156.50	59.54
Air Conditioner	15%	84.09	-	-	-	-	84.09	55.36	4.31	59.67	24.42
Photocopier	15%	22.35	-	-	-	-	22.35	21.57	0.12	21.69	0.66
Computer	40%	568.00	6.24	12.96	19.20	-	587.19	525.19	22.21	547.40	39.79
Intangibles	40%	765.55	-	-	-	-	765.55	729.28	14.51	743.79	21.76
Other office Equipments	15%	202.44	4.97	6.50	11.47	-	213.92	114.02	14.50	128.51	85.40
Lift	15%	9.73	-	-	-	-	9.73	9.01	0.11	9.12	0.61
Furniture	10%	269.01	4.21	8.24	12.45	-	281.46	175.18	10.21	185.39	96.06
Solar Power Generator	40%	82.52	-	-	-	-	82.52	78.65	1.55	80.20	2.32
Total		3,557.02	68.28	44.77	113.05	-	3,670.07	2,633.34	136.00	2,769.33	900.72
Total (Previous Year)		3,320.19	197.95	38.85	236.81	-	3,557.02	2,481.80	151.55	2,633.34	923.66

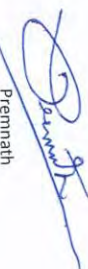
For and on behalf of the Board of Directors


Nandhini V
Company Secretary & Compliance Officer

Company Secretary & Compliance Officer


Soha K
Financial Controller & Chief Financial Officer

Financial Controller & Chief Financial Officer


Premnath Ravindranath
Executive Director


Executive Director


Umesh NSK IAS
Managing Director

Managing Director

As per our report of even date

For JAKS & Associates
Chartered Accountants
Firm Reg No : 0013605


Selatin A. FCA
Partner, M No: 202874



Place : Thiruvananthapuram

Date : 25.05.2026

UDIN: 26802874000LH54180

	As at 31.03.2026	As at 31.03.2025
	Audited	Audited
	Amount in Lakhs	Amount in Lakhs
NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	4,667.92	3,612.69
Contribution to Employees' P.F	153.74	179.68
Contribution to NPS	277.42	242.66
Group Gratuity Insurance	6.60	41.32
Group E/L Encashment Insurance	0.11	0.11
Group Term Insurance	21.55	13.30
Other Staff Expenses	122.07	125.10
TOTAL	5,249.41	4,214.86
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	195.66	161.98
Postage, courier and Telephone	33.23	26.68
Printing & Stationery	17.80	15.11
Vehicle Running & Maintenance	14.31	18.48
Repairs & Maintenance	57.24	56.66
Revenue Recovery expenses	60.00	60.00
Loan Recovery Expenses	311.46	302.23
Bank Charges and Commission	8.16	2.06
Audit Fees	5.55	7.32
Consultancy Charges	67.23	116.32
Legal Expenses	7.27	8.05
Books & Periodicals	3.60	2.65
Other Expenses	140.03	216.23
Travelling Expenses	116.02	103.16
Other Meeting Expenses	6.73	6.32
Concurrent Audit Fee	63.18	59.30
Advertisement and publicity	53.93	74.73
Business Development Expenses	65.52	27.92
TOTAL	1,226.92	1,265.20

For and on behalf of the Board of Directors



Nandhini V

Company Secretary &
Compliance Officer



Soya K

Financial Controller &
Chief Financial Officer



Premnath Ravindranath

Executive Director



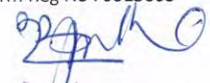
Umesh NSK IAS

Managing Director



As per our report of even date

For JAKS & Associates
Chartered Accountants
Firm Reg No : 001360S



Selastin A. FCA
Partner, M No: 202874


Place : Thiruvananthapuram


Date : 25-05-2026

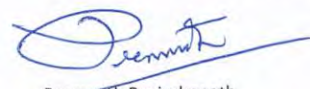
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KERALA FINANCIAL CORPORATION		
CASH FLOW STATEMENT		
Particulars	For the Year ended	For the Year ended
	31.03.2026	31.03.2025
	Amt in Lakhs	Amt in Lakhs
	Audited	Audited
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes and prior period adjustments	14,798.03	10,127.58
Interest received on Fixed Deposits	(9,253.02)	(7,444.56)
Depreciation on fixed assets	135.99	151.54
Provision for Non Performing Assets/Other Assets	-	-
Share Issue Expenses	1.06	0.55
Interest and other costs of Non-SLR Bond	14,148.11	12,686.18
Adjustment for changes in operating assets and liabilities		
Increase in Loans and Advances	(106,866.5)	(64,365.90)
Increase in borrowings from Banks	79,879.27	63,460.92
Decrease in Other Non-Current assets	(4,838.40)	42,283.53
Decrease in Other Current assets	(857.60)	(35,136.60)
Increase in Current liabilities	(1,701.19)	(5,258.82)
Increase in Other Non Current Liabilities	(5.78)	(88.21)
Less: Advance Income tax paid	(3,450.00)	(3,300.00)
Net cash from operating activities	(18,010.03)	13,116.21
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(113.05)	(236.80)
Sale of Investments	-	35.00
Interest Received on Fixed Deposits	9,253.02	7,444.56
Proceeds from NCD	3,793.42	2,406.04
Proceeds from Sale of Shares	-	-
Investments in NCD	2,300.00	-
Net Deposit with Banks	(24,736.56)	(33,340.17)
Net cash used in investing activities	(9,503.17)	(23,691.37)
CASH FLOW FROM FINANCING ACTIVITIES		
Money received against Share Capital	7,349.57	20,000.00
Share Issue Expenses	(1.06)	(0.55)
Issue of Non SLR Bond	31,000.00	-
Redemption of Non-SLR Bond	(6,587.50)	(7,432.50)
Interest and other costs of Non-SLR Bond	(14,148.11)	(12,686.18)
Dividend	(3,632.52)	(3,632.52)
Addition to Special Reserve	55.16	18.16
Net cash used in financing activities	14,035.54	(3,733.59)
Net increase in cash and cash equivalents	(13,477.66)	(14,308.75)
Cash and cash equivalents at the beginning of the year	33,451.28	47,760.03
Cash and cash equivalents at the end of the year	19,973.62	33,451.28

For and on behalf of the Board of Directors

 Nandhini V
 Company Secretary & Compliance Officer

 Soya K
 Financial Controller & Chief Financial Officer

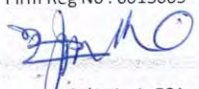
 Premnath Ravindranath
 Executive Director

 Umesh NSK IAS
 Managing Director



As per our report of even date

For JAKS & Associates
Chartered Accountants
Firm Reg No : 0013605


 Selastin A. FCA
 Partner, M No: 202874

Place : Thiruvananthapuram

Date : 25-05-2026

UDIN : 26202874UOULH34150

KERALA FINANCIAL CORPORATION

KERALA FINANCIAL CORPORATION				
Note: 21				
DISCLOSURE REQUIREMENTS:				
(Rs. in Lakh)				
A. Capital	2025-26		2024-25	
a) CRAR (%)		30.70		28.65
b) Risk Weighted Assets				
1) On Balance Sheet items		498168.16		466845.00
c) Share holding pattern as Balance Sheet date				
	Amount		Amount	
1. Government of Kerala	99,376.51	99.38	92026.94	99.33
2. SIDBI	613.33	0.01	613.33	0.01
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.				
	10.16	0.61	10.16	0.66
TOTAL	100000.00	100	92650.43	100
d) Net worth		151,312.84		132,834.64
B. Asset Quality and Credit Concentration:	Amount		Amount	
a) Gross NPA under the prescribed assets classification categories	21024.43	2.32	21356.69	2.67
b) Net NPAs under the prescribed asset classification categories	3835.75	0.43	4763.71	0.61
c) Provisions:				
		2025-26		2024-25
1. Provision for Standard Assets		5264.85		5860.55
2. Provision for NPA		17188.68		16592.98
3. Provision for Investments		5344.15		5344.85
4. Provision for Income Tax		3596.26		2504.48
5. Provision for Deferred Tax Liability		128.30		-2192.82
		2025-26		2024-25
d) Movement in Net NPA (%)		0.43		0.61



(Rs. in Lakhs)

C. Liquidity:									(Rs. in Lakhs)
a) Maturity pattern of Rupee assets:									
Items		Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 year upto 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total		
Total assets		231,043.99	293,191.34	203,490.38	122,428.49	57,910.91	908,065.11		
Total Liabilities		221,095.95	285,796.95	200,028.79	120,862.54	57,352.43	885,136.66		
		2025-26	2024-25						
D. Operating Results:									
		(Rs. in Lakhs)						(Rs. in Lakhs)	
a) Interest income as a percentage to average working funds -		8.37		8.22					
Interest Income		81,583.90	71,745.29						
Average Working Funds		975,064.52	872,424.40						
b) Non-interest income as a percentage to Average Working Funds -		2.35	2.11						
Non-interest income		22,924.97	18,393.76						
Average Working Funds		975,064.52	872,424.40						
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds -		1.52	1.16						
Operating Profit (+) / Loss (-)		14,798.03	10,127.58						
Average Working Funds		975,064.52	872,424.40						
d) Return on Average Assets -		1.48	1.13						
Returns (operating profit + depreciation)		14,934.02	10,279.12						
Average Assets		1,011,421.33	911,374.70						
e) Net profit (+) / Loss (-) per employee		61.86	53.06						
No. of employees		179	185						
Net profit (+) / Loss (-)		11,073.46	9,815.91						




Ratio	Formula	Components Current	Result
Current Ratio	Current Assets / Current Liabilities	Assets=Short Term Deposits with Banks+Cash & cash equivalents+Other current assets Liabilities=Short term	1.69
Debt - Equity Ratio	Total Debt/ Shareholder's Equity	Total debt=Long term borrowings+Short term borrowings Shareholder's Equity=Spl. Reserve u/s 36(1)(viii) of IT Act, 1961+Spl. Loaning for Debt	5.85
Debt Service Coverage Ratio (DSCR)	Earnings available for debt service / Debt Service	Service = Net Profit before taxes + Non-cash operating expenses like depreciation and other amortizations + Interest	0.32
Return on Equity (ROE)	Net Profit / Net Sales	Debt service = Interest & Lease Payments + Average	0.10
Return on capital employed (ROCE)	Net Profit / Net Sales and taxes / Capital Employed	Shareholder's Equity	10.60%
Return on investment (ROI)	Investment/ Cost of	Net Profit = Profit Capital Employed = Tangible Net Worth	0.08
		Net Return on	11.07%

For and on behalf of the Board of Directors


Premnath Ravindranath
Executive Director


Sova KT
Financial Controller &
Chief Financial Officer


Nandhini V
Company Secretary &
Compliance Officer


Umesh NSK IAS
Managing Director

As per our report of even date

For JAKS & Associates
Chartered Accountants
Firm Reg No : 0013605




Selastin A. FCA
Partner, M No: 202874





Sl No	Particulars	Year ended 31.03.2026
A	Debt-Equity Ratio (times)	5.85
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. In Lakhs)	NA
G	Net Profit after Tax (Rs in Lakhs)	151,312.84
H	Earnings per Share	11,073.46
	1) Basic (Rs.)	
	2) Diluted (Rs.)	
I	Current Ratio	11.95
J	Long term debt to Working capital	11.93
K	Bad debts to Accounts receivable	NA
L	Current Liability Ratio	NA
M	Total Debts to total Assets (times)	NA
N	Debtors turnover	NA
O	Inventory Turnover	0.83
P	Operating Margin	NA
Q	Net profit Margin	NA
R	Capital Redemption Reserve	14.16%
S	Debenture Redemption Reserve	10.60%
T		Nil
U	Sector specific equivalent Ratios	Nil
	CRAR	
	Gross NPA	30.70%
	Net NPA	2.32%
		0.43%


*Not Annualized

For and on behalf of the Board of Directors


 Nandhini V
 Company Secretary
 & Compliance Officer



 Soya K
 Financial Controller
 & Chief Financial officer


 Premnath Ravindranath
 Executive Director


 Umesh NSL IAS
 Managing Director



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


 Selastin A. FCA
 Partner, M No: 202874

Place: Thiruvananthapuram
 Date : 25.05.2026

UDIN: 26202874U0ULH54182

Note: 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Corporate Information

Kerala Financial Corporation is a State Financial Corporation incorporated under the provisions of the State Financial Corporations Act, 1951, with its area of operations extending across the State of Kerala. The Corporation was originally established as the Travancore Cochin Financial Corporation on December 1, 1953. Consequent to the reorganisation of states on linguistic basis in November 1956 and the formation of the State of Kerala, 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 (MSMEs) and other entities in the manufacturing and service sectors within the State.

Basis of Preparation

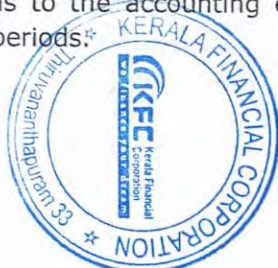
The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time, the Accounting Standards to the extent applicable and practices generally prevalent in the banking and financial sector in India and as per the Accounting Policy of the Corporation. 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 amortized 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 recognize 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 is 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.

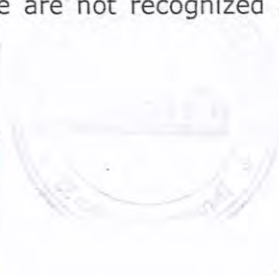
The Corporation extends both fund-based and non-fund-based credit facilities to its customers. Asset classification is carried out on a borrower-wise basis in accordance with applicable RBI IRAC norms. Accordingly, if any non-fund-based facility of a borrower becomes NPA upon invocation or devolvement, all associated fund-based facilities granted to the borrower shall also be classified as NPA. Similarly, where any fund-based facility becomes NPA, the related non-fund-based facilities shall also be categorized as NPA. However, non-fund-based facilities may continue to remain operative until they are invoked, devolved, or cancelled, notwithstanding their NPA classification status.

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 recognized in the Profit and Loss Account as income of the year in which such amounts are received.

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

Credit Guarantee Fund Trust for Micro and Small Enterprises is a trust established jointly by the Government of India and Small Industries Development Bank of India to provide credit guarantee cover for collateral-free loans extended by eligible lending institutions to Micro and Small Enterprises (MSEs). The scheme is intended to facilitate credit flow to MSEs by mitigating the credit risk of lending institutions. Under the scheme, guarantee cover ranging from 75% to 85% of the outstanding loan amount is provided by CGTMSE in the event of default, subject to the terms and conditions of the scheme. The maximum eligible credit facility given by the Corporation under the scheme is Rs.2 crore.

The Corporation accounts for credit guarantee claims under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme on a cash basis. Accordingly, claims lodged against defaulting loan accounts are recognized in the books of accounts only upon actual receipt of the claim settlement from the Trust. Outstanding claims lodged but pending settlement at the reporting date are not recognized as income or receivables following the principle of prudence.



1.6. Provision

A provision is recognized 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.

1.7 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.

Provisions in respect of Commercial Real Estate (CRE) project finance exposures are made in accordance with the applicable prudential norms and guidelines issued by the Reserve Bank of India (RBI) from time to time.

In respect of CRE project loans sanctioned/financially closed on or after the effective date of the Reserve Bank of India (Project Finance) Directions, 2025, general provisions on standard assets are maintained on the funded outstanding on a portfolio basis at the rates prescribed under the said Directions. During the construction phase, standard asset provision is maintained at 1.25% of the funded outstanding and, upon commencement of repayment of principal and interest during the operational phase, at 1.00% or such other rates as may be prescribed by RBI from time to time. Additional specific provisions are also maintained in respect of eligible accounts involving deferment of Date of Commencement of Commercial Operations (DCCO), in accordance with the extant RBI guidelines.

CRE project loans existing prior to the effective date of the Reserve Bank of India (Project Finance) Directions, 2025 continue to be governed by the earlier prudential guidelines applicable to project finance exposures, unless there is a fresh credit event and/or change in material terms and conditions subsequent to the effective date of the Directions.

Non-performing CRE project finance exposures are classified and provided for in accordance with the extant RBI Income Recognition, Asset Classification and Provisioning (IRAC) norms applicable to advances.

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 maintained general provisions on standard advances at 0.25% for SME sector advances, 0.40% for Medium/Other sector advances and 1.00% for Commercial Real Estate (CRE) sector advances in accordance with the extant RBI IRAC norms and SIDBI guidelines. In respect of CRE sector standard assets covered under the Reserve Bank of India (Project Finance) Directions, 2025, provision has been maintained at 1.25% during the construction phase as prescribed under the said Directions. Accordingly, the provisions held are in line with the minimum prudential requirements prescribed by RBI/SIDBI guidelines. The Corporation has maintained a prudent provision of 77% (Previous Year: 77%) on all Sub-standard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made.

1.8. Taxes on Income

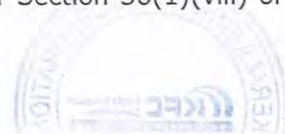
Income tax expense comprises current tax and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Income Tax Act, 1961, using the tax rates and laws that have been enacted or substantively enacted as of the reporting date.

Consequent to the alignment of both statutory financial reporting and income tax computation under the accrual method (Section 145 of the Income Tax Act, 1961) effective from AY 2024-25, the Corporation has continued to compute its taxable income on an accrual basis for the current financial year.

Deferred tax is recognized in accordance with the applicable Accounting Standards in respect of all identified timing differences. Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized only to the extent there is reasonable certainty of future taxable income to realize such assets. Deferred tax is measured using the tax rates and laws enacted or substantively enacted as at the reporting date.

In line with the accounting policy adopted in FY 2024-25—following the transition to the accrual basis of tax computation and the Expert Advisory Committee (EAC) opinion of the ICAI regarding the reversibility of the Special Reserve—the Corporation has consistently recognized Deferred Tax Asset on the Provision for Bad and Doubtful Debts, and Deferred Tax Liability on the Special Reserve created under Section 36(1)(viii) of the Income Tax Act, 1961.



The current year's movement in these deferred tax assets and liabilities has been recognized in the Statement of Profit and Loss.

1.9. 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 benefits in the form of a Provident Fund are classified as a Defined Contribution Plan, wherein the Corporation's contributions are charged to the Statement of Profit and Loss in the period during which the related services are rendered by the employees. The Corporation contributes a fixed rate of 12% of the aggregate of Basic Pay, Dearness Allowance (DA), and Personal Pay to the KFC Employees Provident Fund Trust, a duly constituted and approved independent trust that administers the fund. Accumulated balances, along with interest accrued thereon, are payable to eligible employees upon superannuation or cessation of employment. The Corporation has no further legal or constructive financial obligations beyond its specified monthly contributions to the Trust. Further, the employees who joined the services of the Corporation on or after April 1, 2018, are not members of this Trust.

Defined Benefit Plan: Retirement benefits in the form of Gratuity and Terminal Leave Encashment are classified as Defined Benefit Plans, which are administered through the Group Gratuity and Group Leave Encashment schemes of the Life Insurance Corporation of India (LIC). The gratuity liability is subject to the ceilings prescribed under the Payment of Gratuity (Amendment) Act, 2018, with both plans providing lump-sum payments to vested employees upon retirement, resignation, or termination based on their final salary and tenure of service. Although LIC administers the schemes and determines the premium contributions, the ultimate settlement obligations remain with the Corporation. The Corporation conducts an independent external actuarial valuation as of March 31st each year to ascertain the fund position vis-à-vis total liability. Any shortfall is funded based on the actuarial report of LIC or the external valuation, whichever is less, subject to the Corporation's fund position. Annual contributions paid into the fund are fully expensed as incurred; consequently, any net excess or shortfall in the fund is not recognized as an asset or liability in the Balance Sheet, nor are actuarial gains or losses recognized in the Statement of Profit and Loss. This practice has been consistently followed in past years, with LIC systematically meeting all obligations, including the successful settlement of all claims for the financial year.

National Pension Scheme: The National Pension Scheme (NPS) is a Defined Contribution Scheme applicable to all employees who joined the services of the Corporation on or after April 1, 2018, rendering them ineligible for the Corporation's Provident Fund contribution. For these employees, a monthly deduction of 10% of the aggregate of Basic Pay, Dearness Allowance (DA), and Personal Pay is made from their salary, which is matched by a 14% contribution from the Corporation and credited to their respective NPS accounts. Employees who joined the Corporation prior to April 1, 2018, are provided an option to voluntarily contribute to the NPS across three designated proportions. The Corporation contributes 14% for all participating employees and this is fully charged to the Statement of Profit and Loss in the period during which the related services are rendered.



1.10. 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.5,000/- 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.

1.11. 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.

1.12. 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.

1.13. 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.

1.14. 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.

1.15. 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.

1.16. Special Reserve Fund

As per Section 35A of the State Financial Corporations Act, 1951, the Corporation is required to establish a Special Reserve Fund to which such portion of the dividends accruing to the State Government and SIDBI on the shares of the Corporation, as may be fixed by agreement between the State Government and SIDBI, shall be transferred for being utilized for purposes approved by the State Government and SIDBI. Accordingly, an amount equivalent to 0.50% of the dividend accruing to the State Government and SIDBI is required to be transferred to the Special Reserve Fund under Section 35A of the State Financial Corporations Act, 1951.

However, in respect of dividends declared and paid during the period from FY 1991-92 to FY 2018-19, the aforesaid transfer to the Special Reserve Fund was not made. During the current year, the Corporation has adjusted the amount pertaining to earlier years together with the current year's requirement by deducting the same from the dividend payable to the State Government and SIDBI for the FY 24-25 and transferred the amount to the Special Reserve Fund under Section 35A of the State Financial Corporations Act, 1951.



1.17. 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.

1.18. 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 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.

1.19. Cash flow Statement

The Cash Flow Statement is prepared under the indirect method in accordance with the provisions of Accounting Standard 3 (AS 3) issued by the Institute of Chartered Accountants of India (ICAI) and forms an integral part of the Annual Accounts. The statement reports the cash flows during the period, classified systematically into operating, investing, and financing activities.

1.20. 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 Authorized share capital of the Corporation is Rs.100000 Lakh. To strengthen the capital base and streamline equity position and networth of the Corporation, the Government has released Rs.7349.57 Lakh on 23.03.2026 vide GO. (Ms)No.46/2026/FIN dated 17.03.2026. The share capital so received is shown as 'Share application money pending allotment' in the Balance Sheet. The paid up capital is therefore increased to Rs.100000 Lakhs.

1. The details of shareholders holding more than 5% shares as on 31.03.2026 are as under:

Name of the Shareholders	As at 31.03.2026		As at 31.03.2025	
	No. of shares in Lakh	% to total shares	No. of shares in Lakh	% to total shares
Government of Kerala	993.765	99.376	920.27	99.327

*includes 73.50 Lakh shares pending allotment

2. The shares held by the promoters as on 31.03.2026 are given below in compliance with Schedule III requirements.

Sl.No	Name of Promoter	Shares held by promoters at the end of the year		% Change during the year
		No. of shares in Lakh	% of total shares	
1	Government of Kerala	993.77	99.376	0.0494
2	SIDBI	6.13	0.613	-0.0487
3	LIC	0.07	0.007	-0.0006
4	SBI	0.02	0.002	-0.0001
5	Others	0.01	0.001	-0.0000
	Total	1000.00		

3. Earnings per share

Calculation of EPS	31.03.2026	31.03.2025
a. Net profit including prior period items and extraordinary items after deducting current tax expenses	11073.46	10096.23
b. Number of Equity Shares outstanding (face value of Rs.100/- each)	926.50	726.50
Basic earnings per share (a) / (b)	11.95	13.90



c. Average number of weighted equity shares (As the shares are pending allotment, share application money pending of Rs.7349.72 Lakh received on 23.03.2026 and Rs.20000 Lakh received on 24.03.2025 are considered for diluted EPS for the respective years)	928.12	730.89
Diluted Earnings per share (a) / (c)	11.93	13.81

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 1 year is given below.

Classification	Due within 1 year	Above 1 year	Total
Loans & Advances	231043.99	677021.12	908065.11
a) Bills purchased and discounted	123757.04	-	123757.04
b) Term Loans	107286.95	677021.12	784308.07
Borrowings	221095.95	664040.71	885136.66

2) Loans and Advances restructured:

The Corporation has restructured 114 loan accounts during the year amounting to Rs. 10324.97 Lakh of which (i) 16 loan accounts amounting to Rs.2603.67 Lakh are classified under standard category on account of extension of DCCO with additional provision of 10% (minimum norms is 5%) amounting to Rs.260.37 Lakh (ii) 98 loan accounts amounting to Rs. 7721.30 Lakh are classified under Substandard category with provisioning of 77% amounting to Rs. 5945.40 Lakh.

The Corporation had restructured loan accounts and classified under Standard category as per RBI guidelines in FY 20-21 and FY 21-22, of which 215 loan accounts amounting to Rs.16,401.47 Lakh is outstanding as on 31.03.2026. Additional provision of 10% (minimum norms 5%/10%) amounting to Rs. 1,640.15 Lakh is kept in respect of these accounts as below.

- (i) 33 loan accounts amounting to Rs.4040.90 Lakh 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. Additional provision of 10% (minimum norms is 5%) amounting to Rs.404.09 Lakh has been made on these loans.
- (ii) 182 loan accounts amounting to Rs. 12,360.57 Lakh under Resolution framework for Covid-19 related stress as per RBI Circular dated May 5, 2021 (Resolution framework 2.0). Additional provision of 10% (minimum norms) amounting to Rs. 1,236.06 Lakh has been made on these loans.

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 technically written off 193 loan accounts amounting to Rs. 14827.96 Lakh as bad debts for maintaining asset quality (Previous year 324 loan accounts amounting to Rs. 13687.70 Lakh). Constructive steps have been initiated for the recovery of these accounts and recoveries effected therefrom are recognized as revenue in the year of receipt. During the year Corporation has recovered Rs.10983.31 Lakhs from loan accounts technically written off in earlier years (Previous year: Rs. 8484.06 Lakh). As on 31.03.2026, the balance outstanding of technically written off bad debts pending to be recovered amounts to Rs.100459.44 Lakh (including Rs.14827.96 Lakh technically written off as on 31-03-2026).

4) Loan Recovery expenses

An amount of Rs.311.46 Lakh (Rs. 302.23 Lakh during FY 24-25) has been written off and disclosed under Loan Recovery expenses in Notes 19. The said amount represents expenses incurred in relation to the loan accounts technically written off in the earlier years.

5) Provisioning

During the year, the Corporation has maintained general provisions on standard advances at 0.25% for SME sector advances, 0.40% for Medium/Other sector advances and 1.00% for Commercial Real Estate (CRE) sector advances in accordance with the extant RBI IRAC norms and SIDBI guidelines. In respect of CRE sector standard assets covered under the Reserve Bank of India (Project Finance) Directions, 2025, provision has been maintained at 1.25% during the construction phase as prescribed under the said Directions. Accordingly, the provisions held are in line with the minimum prudential requirements prescribed by RBI/SIDBI guidelines. The Corporation has maintained a prudent provision of 77% (Previous Year: 77%) on all Sub-standard advances. Considering the excess provision available, the effective provision coverage on Sub-standard assets works out to 81.76%.

The total PCR works out to 89.30% as on 31st March 2026 (86.41% as on 31st March 2025) 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.

Rs. in Lakhs				
Provisioning Coverage Ratio (PCR) as on Mar 31, 2026				
1	2	3	4	5
SI No	Particulars	Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)



1	Sub-Standard Advances	21024.43	3153.66	15.00
2	Doubtful Advances (a+b+c)	14827.96	14827.96	100.00
	a < 1 year	14827.96	14827.96	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	35852.39	17981.62	50.15
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)			14035.02
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			32016.64
	(Sum of column 4 of Row 4+ Row 5 + Row 6+ Row 7)			
9	Provision Coverage Ratio			89.30
	{{(Row 8/Total of Column 3 of Row 4)*100}			

The minimum provision required to be maintained as per the RBI prudential norms works out to Rs.8,086.28 lakh. However, the Corporation has maintained total provisions aggregating to Rs.22,453.53 lakh, which includes an additional provision of Rs.14,367.24 lakh over and above the minimum provisioning requirement prescribed by RBI.

a) The corporation has provided Rs.3,364.34 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 10% (minimum norms is 5%/10%) amounting to Rs.1900.51 Lakh in respect of 231 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.17188.68 Lakh. During the year, all the doubtful advances amounting to Rs. 14827.96 Lakh are technically written off and charged to revenue account to maintain asset quality.

The total provision available during the year amounted to Rs.22453.53 Lakh as against the required provision of Rs.21,453.66. Accordingly, no additional provision was required to be made during the year. The Operating profit before technical write-off stood at Rs.29625.99 Lakh (Rs.23815.28 Lakh during PY). The Operating profit after write off is Rs.14798.03 (Rs. 10,127.58 Lakh during PY) and Net profit is Rs.11073.46 Lakh (Rs.9815.91 Lakh during PY). The Gross NPA and Net NPA as on March 31,2026 are and 2.32% and 0.43% respectively as against 2.67% and 0.61% as on March 31,2025.



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.

SI No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During		During	
				FY 25-26		FY 24-25	
		%	Amount (Rs. In Lakhs)	%	Amount (Rs. In Lakhs)	%	Amount (Rs. In Lakhs)
1	Standard Assets- Micro & Small	0.25	737.44	0.25	737.44	0.25	930.34
	Standard Assets- Medium	0.40	2203.52	0.40	2203.52	0.40	1498.68
	Standard Assets- CRE	1.00	365.75	1	365.75	1	330.38
	Standard Assets- CRE - (As per RBI (Project Finance) Directions 2025	1.25	57.63	1.25	57.63	NA	NA
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	202.05	10	404.09	10	621.03
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	1236.06	10	1236.06	10	1689.45
3	Additional provision for loans restructured as per RBI guidelines on account of extension of DCCO during the FY 25-26	5	130.18	10	260.37	10	790.67
4	Sub Standard Assets- FB limits	15	3153.66	77	17188.67	77	16264.09
	Sub Standard Assets- CGTMSE (Secured portion)	15	NA	NA	NA	77	229.52
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	NA	NA	NA	100	99.37
5	Doubtful Assets (up to 1 year)	25	NA	NA	NA	NA	NA
	Total Provision made		8086.29		22453.53		22453.53

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 NPAs for FY 2024-25 is given below.



(Rs in Lakh)

SI No.	Particulars	Amount
1	Gross NPAs as on March 31, 2025 as reported by the Corporation	21356.69
2	Gross NPAs as on March 31, 2025 as assessed by RBI/ SIDBI	21356.69
3	Divergence in Gross NPAs (2-1)	Nil
4	Net NPAs as on March 31, 2025 as reported by the Corporation	4763.71
5	Net NPAs as on March 31, 2025 as assessed by RBI/ SIDBI	4763.71
6	Divergence in Net NPAs (5-4)	Nil
7	Provisions for NPAs as on March 31, 2025 as reported by Corporation	22453.53
8	Provisions for NPAs as on March 31, 2025 as assessed by RBI/ SIDBI	22453.53
9	Divergence in provisioning (8-7)	Nil
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2025	9815.91
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2025 after taking into account the divergence in provisioning	9815.91

7) Disclosure under RBI (Project Finance) Directions, 2025

Pursuant to the "Reserve Bank of India (Project Finance) Directions, 2025" issued by the Reserve Bank of India vide Circular No. RBI/2025-26/59 dated June 19, 2025, effective from October 01, 2025, the Corporation has complied with the applicable prudential norms relating to eligible project finance exposures, including asset classification, provisioning, monitoring and resolution framework for projects under implementation.

In accordance with Paragraph 7 of the said Directions, the provisions of these Directions are applicable only to projects where financial closure is achieved on or after the effective date i.e., October 01, 2025. Accordingly, the following disclosure as per Annex 4 of the directions pertains only to project finance exposures covered under the aforesaid Directions and does not include existing projects governed by the earlier extant prudential guidelines.

Sl. No	Item Description	No.of accounts	Total Outstanding (In Lakhs)
1	Projects under implementation accounts at the beginning of the year.	-	-
2	Projects under implementation accounts sanctioned during the year. (From 01.10.2025 (effective date) to 31.03.2026)	6	4610.20
3	Projects under implementation accounts where DCCO has been achieved during the quarter	-	-
4	Projects under implementation accounts at the end of the year. (1+2-3)	6	4610.20
5	Out of '4' - accounts in respect of which resolution process involving extension in original/extended DCCO, as the case may be has been invoked.	-	-
5.1	Out of '5' - accounts in respect of which Resolution plan has been implemented.	-	-
5.2	Out of '5' - accounts in respect of which Resolution plan is under implementation.	-	-
5.3	Out of '5' - accounts in respect of which Resolution plan has failed.	-	-



6	Out of '5', accounts in respect of which resolution process involving extension in original/extended DCCO, as the case may be has been invoked due to change in scope and size of the project.	-	-
7	Out of '5', account in respect of which cost overrun associated with extension in original/extended DCCO, as the case may be, was funded	-	-
7.1	Out of '7', accounts where SBCF was sanctioned during financial closure and renewed continuously	-	-
7.2	Out of '7', accounts where SBCF was not pre-sanctioned or renewed continuously	-	-
8	Out of '4' - accounts in respect of which resolution process not involving extension in original/extended DCCO, as the case may be has been invoked.	-	-
8.1	Out of '8' - accounts in respect of which Resolution plan has been implemented.		
8.2	Out of '8' - accounts in respect of which Resolution plan is under implementation.		
8.3	Out of '8' - accounts in respect of which Resolution plan has failed.		

8) Assets taken over under Section 29

During the year ,10 units with principal outstanding of Rs.5592.92 Lakh were taken over under Section 29 of the SFC Act, 1951.

9) Recovery under Compromise Settlement Policy

During the year, the Board of the Corporation at its meeting held on 11.11.2025 revised the Loan Compromise Settlement Policy (LCSP) for FY-2025-2026. CS was sanctioned in 94 cases under the scheme amounting to Rs.17449.73 lakh, of which 47 cases were settled amounting to Rs.6853.95 Lakh as on 31.03.2026.

10) Units under IBC,2016

As on 31.03.2026, there are 4 units financed by the Corporation which are undergoing the process of CIRP/Liquidation on the basis of petitions filed by KFC and other financial creditors. The total claim admitted in favour of the Corporation in the 4 cases amounts to Rs.12187.65 lakh. During the year one unit which was under IBC 2016 was closed under the Compromise settlement scheme.

11) Physical possession under SARFAESI Act 2002

The Corporation has taken physical possession of 10 units with principal outstanding of Rs.5594.11 Lakh under SARFAESI ACT, 2002.

12) Revenue Recovery

During the year, the Corporation initiated Revenue Recovery proceedings against 89 units, for which demand notices aggregating to Rs. 25410.95 lakh were issued.



2.3 Loans to Government Public Sector Undertaking (PSU)

The Loan Portfolio of the Corporation as on 31.03.2026 includes the term loans extended to the following Public Sector Undertaking (PSU) of Govt of Kerala.

(Rs. In Lakh)

SL No.	Name of Borrower	Balance outstanding as on 31-03-26	Balance outstanding as on 31-03-25
1	Kerala Infrastructure Investment Fund Board (KIIFB)	92,421.47	1,16,675.97
2	Kerala Social Security Pension Ltd (KSSPL)	199,999.91	99999.80
3	Kerala State Electricity Board (KSEB)	-	68,015.67
	Total	292,421.38	2,84,691.44

2.4 Projects with subsidies

a) 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). Initially the scheme was envisaged with 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. 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. The scheme is valid till July 2026. During FY 2025-26, the Corporation sanctioned assistance worth Rs.42482.86 Lakh to 392 units and disbursed Rs.29194.27 Lakh to 507 units under this scheme. Rs.1882.63 Lakh is receivable from the Govt of Kerala as interest subsidy as on 31.03.2026.

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% from NORKA ROOTS. During the year, the Corporation has sanctioned Rs.65.74 lakh to 4 units and disbursed Rs.63.99 Lakh to 5 units under this scheme. Rs.12.92 Lakh is received as capital subsidy from NORKA Roots during the F.Y 2025-26.

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. The maximum assistance is Rs.25 lakh for productization, up to Rs.50 lakh for commercialization and up to Rs.200 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. They will be eligible for interest



subvention of 2% from KSUM. During the year, the Corporation sanctioned Rs.1743.00 Lakh to 16 units and disbursed Rs. 682.27 lakh to 14 units. Rs. 63.69 lakh is receivable as interest subsidy from Kerala Startup Mission as on 31.03.2026.

d) KFC Agro-based MSME Loan Scheme (KAMS)

Agro-based industries can play an important role in contributing to the overall development of the economy. The Hon. Finance Minister, in the Budget Speech 2022-23, had announced a Special Scheme for MSMEs in Agriculture Sector through KFC. The Government of Kerala has accorded administrative sanction for financing MSMEs in Agriculture Sector. Accordingly, the Corporation approved a special loan scheme for MSMEs in Agriculture Sector and the Scheme is named 'KFC Agro-based MSME Loan Scheme' (KAMS). The Government have extended the validity of the Scheme for the FY 2025-26. The rate of interest of the loans under the Scheme is 6% where 3% subsidy is given by the Govt of Kerala. During the FY 2025-26, the Corporation has sanctioned assistance worth Rs.345.00 Lakh to 3 units and disbursed Rs.638.41 Lakh to 8 units under this scheme. Rs.27.99 Lakhs is receivable as interest subsidy from Govt of Kerala as on 31.03.2026.

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

As on March 31, 2026, the Corporation has 1,802 CGTMSE-registered units with an aggregate principal outstanding of Rs.3,232.76 lakh. Claims aggregating to Rs.556.48 lakh have been lodged in respect of 891 loan accounts, out of which claims amounting to Rs.204.00 lakh have been received. Accordingly, claims receivable amounting to Rs.352.48 lakh remain outstanding as on March 31, 2026. In line with the Corporation's accounting policy, the outstanding claims receivable amounting to Rs. 352.48 lakh have not been recognized in the financial statements and will be accounted for in the period of actual receipt.

2.6 Investments

Out of the investments of Rs.91.44 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, being the value of investment in respect of companies under liquidation. 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 an amount of Rs.6,080 lakh in April 2018 in Secured Redeemable Non-Convertible Debentures (NCDs) issued by M/s. Reliance Commercial Finance Limited, in accordance with the terms and conditions governing the Non-SLR Bond Issue Series 2018. Subsequently, upon default by RCFL to its lenders and creditors, a resolution process was initiated under the directions of the Reserve Bank of India, culminating in July 2021 with the approval of a resolution plan in favour of Authum Investment and Infrastructure Limited (Authum), which contemplated a recovery of 24.96% for the debenture holders and other creditors. Being aggrieved by the resolution process, including concerns relating to the voting mechanism and treatment of dissenting creditors, the Corporation filed Writ Petition (L) No. 14895 of 2022 before the Hon'ble Bombay High Court in May 2022 challenging the said resolution framework. Thereafter,



pursuant to the order dated 30.08.2022 of the Hon'ble Supreme Court of India permitting direct negotiations between the parties, Authum submitted a revised settlement proposal offering recovery equivalent to 52% of the investment amount together with an additional entitlement of 1% of future recoveries arising from the mortgaged assets. Subsequent to the direction issued by the State Government in May 2024 leaving the matter to the discretion of the Board of the Corporation, further discussions were held with Authum with a view to exploring the possibility of improving the settlement proposal. However, Authum informed that, in view of the lapse of time and intervening developments, the matter is presently under internal re-examination and that a reaffirmed proposal, if any, would be communicated in due course. In the meanwhile, the aforesaid Writ Petition (L) No. 14895 of 2022 filed by the Corporation has been tagged by the Hon'ble Bombay High Court for joint consideration along with a connected writ petition filed by NABARD against RCFL, Bank of Baroda and the Reserve Bank of India, and the matter is presently pending adjudication. Pending final resolution of the matter, and as a measure of financial prudence and accounting conservatism, the Corporation continues to maintain 100% provision against the outstanding investment amount and any future recovery realized through judicial outcomes or a settlement will be recognized directly as income upon receipt.

The Corporation also hold investment in NCDs amounting to Rs.2300 Lakh in compliance with the covenant requirements of KFC Non SLR Bond Issue Series 2020.

2.7 Income Tax Assessments

Income-tax returns of the Corporation have been filed up to Assessment Year 2025-26 and assessments have been completed up to Assessment Year 2025-26. Appeals filed by the Corporation are pending before the Commissioner of Income Tax (Appeals) for Assessment Years 2009-10, 2012-13, 2013-14, 2014-15, 2016-17, 2018-19, 2020-21 and 2024-25.

Assessments for Assessment Years 2018-19 and 2020-21 were reopened under Section 147 of the Income-tax Act, 1961. The reassessment for AY 2018-19 was completed vide order dated 12.02.2026 raising an additional demand of Rs.9,290.45 lakhs. The Corporation has filed an appeal against the said order and, against the total demand, an amount of Rs.435.77 lakhs has been deposited. Stay has been granted for the balance demand of Rs.8,854.68 lakhs.

The reassessment for AY 2020-21 was also completed with an additional demand of Rs.17.02 lakhs. The Corporation has filed an appeal against the said order and deposited Rs.3.40 lakhs. Stay has been granted for the balance demand of ₹13.62 lakhs.

Further, writ petitions filed by the Corporation for Assessment Years 1993-94 and 1995-96 have been remanded to the Chief Commissioner/Additional Commissioner for fresh adjudication.

2.7 Deferred Tax Asset

The deferred tax assets and liabilities arising from timing differences between accounting income and taxable income has been recognised in accordance with Accounting Standard 22. The major components of deferred tax are as follows: -



(in Lakh)

Particulars	31.03.2026
Deferred Tax Assets (DTA)	
Provision for doubtful debts	5651.10
Difference on account of depreciation (WDV method)	44.45
Deferred Tax Liabilities (DTL)	
Special reserve created u/s 36(1)(viii)	3952.64
Net Deferred Tax Asset as on 31.03.2026	1742.91
Opening Balance of DTA/(DTL)	1871.21
DTA/(DTL) recognised for FY 2025-26	128.30

2.8 Indirect taxes

Service tax –

Prior to the introduction of GST w.e.f. 01.07.2017, the Corporation was covered under the Service Tax regime. Most of the disputes pertaining to the Service Tax period were resolved under the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 (SVLDRS). The following matters, however, continue under various stages of litigation/disposal: IO No.03/2018-19 dated 22.05.2018 involving a demand of Rs.64.82 lakh pending before the Hon'ble CESTAT, Bangalore; OIO No.09/ST(DC)/DIV/2021-22 dated 28.07.2021 involving a demand of Rs.30.53 lakh pending before the Commissioner (Appeals); and SCN No.08/2019/ST dated 11.04.2019 involving a demand of Rs.93.88 lakh pending adjudication before the Jurisdictional Assessing Officer.

Goods and Service Tax (GST)

GST was implemented across 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 are managed centrally from Head Office. During FY 2025-26, the total GST liability of the Corporation amounted to Rs 489.69 lakh, of which Rs.68.29 lakh was discharged through utilisation of eligible Input Tax Credit (ITC) after reversal of 50% of the credit in accordance with Section 17(4) of the CGST Act, and Rs.421.40 lakh through cash payment. The Annual Returns under GST regime, GSTR-9 and GSTR-9C, have been filed up to FY 2024-25.

SCN No.95/2022-23 (GST) dated 31.03.2023 was served on the Corporation with a demand of Rs.83.00 lakh in connection with the levy of GST under Reverse Charge Mechanism (RCM) on establishment charges of Revenue Recovery staff reimbursed to Government. Order-in-Appeal No. TVM-GST-APP-150-2024-25 confirming the demand was passed by the Commissioner (Appeals) on 12.11.2024. The GST Appellate Tribunal has now become functional and the last date for filing appeal in the matter is 30.06.2026. The Corporation intends to file appeal before the Hon'ble GST Appellate Tribunal within the prescribed timeline.



2.9 Related Party Disclosures as per AS 18

A. List of Related Parties

- Holding Company - NIL
- Subsidiary Companies - NIL
- Key Managerial Personnel –
 1. Dr. A. Jayathilak IAS, Chairman (28.10.2024-Present)
 2. Dr.Sriram Venkitaraman IAS - Managing Director (till 07.08.2025)
 3. Shri. Umesh NSK IAS- Managing Director (08-08-2025 to 18-03-2026 & 06.05.2026 to present)
 4. Sri Premnath Ravindranath - Managing Director (i/c) (18-03-2026- 19-03-2026)
 5. Smt. Anju K.S IAS (from 19-03-2026 – 06.05.2026)
 6. Smt.Soya K - Financial Controller & Chief Financial Officer
 7. Smt.Nandhini Vijayaraghavan - Company Secretary & Compliance Officer

B. Related party Transactions

No remuneration is paid to Dr. A. Jayathilak IAS , Dr Sriram Venitaraman IAS and Sri. Umesh NSK IAS during the year.

Salary and other perquisites:

Sri. Premnath Ravindranath – Rs. 49.73 Lakh

Smt. Soya K – Rs.37.69 Lakh

Sri. Nandhini Vijayaraghavan – Rs.13.68 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. An assessment of indicators of impairment of assets in accordance with Accounting Standard 28 – Impairment of Assets as at the balance sheet date and there has been no indication that an asset or a class of assets is 'impaired'. Accordingly, no impairment loss has been recognized in the books of account for the year ended 31.03.2026.

2.11 Advance for fixed assets.

Advance for Fixed Assets amounting to Rs.159.88 lakh represents expenditure incurred on fixed assets which were not ready for use as at 31.03.2026. This includes an advance of Rs.114.68 lakh paid to KADCO towards renovation of the Ernakulam Branch Office. Further, an advance of Rs.11.30 lakh paid to National Informatics Centre for development of the MISAGO application for the Case Management System and Rs.33.90 Lakh to Kone Elevators for supply and commissioning of two lifts at Ernakulam Branch Office.

2.12 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.

2.13 Contingent liabilities

The contingent liabilities as on 31.03.2026 are estimated as under

Particulars	Rs in Lakh
On account of :	
1.Income Tax	5392.62
2. Suits filed against the Corporation wrt borrowers	46.31
3. Suits filed against the Corporation wrt employee matters	949.19
4. Service Tax & GST	178.36
5. Guarantees issued on behalf of Government contractors in Kerala	25801.91

2.14 Assets acquired in satisfaction of claims (Title deeds of Immovable Property not held in name of the Company)

Assets acquired in satisfaction of claims amounting to Rs.400.34 lakh relate to M/s. Jayalakshmi Builders, Thiruvananthapuram, and continue to be retained as such. The acquisition was made during the financial year 2008-09 and was accounted for as recovery from the NPA account in that year. Accordingly, the said amount does not have any impact on the profits reported in the current or previous year financial statements. The asset has been tested for impairment and, as per the valuation dated 01.11.2025, the present realizable value of the asset is Rs.922.54 lakh, which is higher than its carrying value. Though e-sale notices were issued during the year, no bids were received. Pending settlement and considering the asset as additional support towards the claims, the Corporation has continued to retain the same under Non-Current Assets.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company
Other non current assets	Land	109.50	Sri.Rajendra Babu & Sri.Balakrishnan	No	26.10.2006	Possession of property taken over u/s 29 of SFC Act



Other non current assets	Building	290.84	-	No	26.10.2006	Possession of property taken over u/s 29 of SFC Act
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2.15 Suspense Account

The amount outstanding in Suspense Account amounting to Rs.753.51 Lakh as on 31.03.2026 comprises of remittance in contractor loans of Rs.354.48 Lakh, out of which Rs 197.89 Lakhs is refunded post year end. Balance amount of Rs.399.03 Lakhs pertains to unidentified credits received in loan accounts during year end and amount retained as per court orders etc. The balance amount lying in Suspense account as on date is being identified and rectified.

2.16 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. 3,75,103.96 Lakh and repaid Rs. 2,95,224.76 Lakh. The loan outstanding as on 31.03.2026 is Rs. 7,17,186.08 Lakh. The Corporation had converted Rupee Term Loans and WCDLs and availed as Foreign Currency Loans from State Bank of India & South Indian Bank for tenors not exceeding 183 days on a fully hedged basis. All transactions in foreign currency were recognized at the exchange rate prevailing on the date of the transaction. The premium paid during the year ended March 31, 2026 was Rs 2,895.50 Lakh. All the loans denominated in Foreign Currencies were converted back to Rupee Term Loans and WCDLs before 31.03.2026 and no loans denominated in Foreign currencies are outstanding as on 31.03.2026.

2.17 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 31.03.2026 aggregate to Rs. 1,67,950.00 Lakh as given below.

Rs in Lakh							
Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date	Credit Rating	Asset Cover ⁺
1	23-Jul-25	8.58%	31000.00	31000.00	23-Jul-35	AA	100%
2	13-Mar-24	8.89%	30700.00	30700.00	13-Mar-34	AA	100%
3	02-May-23	8.63%	27350.00	27350.00	24-Mar-33	AA	100%
4	24-Mar-23	8.90%	47650.00	47650.00	24-Mar-33	AA	100%
5	14-Sep-20	7.70%	25000.00	25000.00	14-Sep 30	AA	110%
6	09-Jul-19	8.99%	25000.00	6250.00	09-Jul-26	AA	125%

+ 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, 2026 is Rs.21.67 Lakh.

2.18 Employee Expenses

The total employee benefits and expenses for the financial year amount to Rs. 5,249.42 Lakh (FY 2024-25: Rs. 4,214.86 Lakh), which includes Employee Pay & Allowances of Rs. 4,667.92 Lakh (FY 2024-25: Rs. 3,612.69 Lakh). The Corporation follows the State Government pattern for Dearness Allowance (DA) revisions and meets the resulting financial liability from its own resources. In terms of G.O.(P) No. 15/2026/Fin dated 04.02.2026, the Government enhanced the DA from 22% to 25% effective from 01.07.2023, and the corresponding arrears were subsequently released on 25.02.2026. Further, noting the State Budget announcements for FY 2026-27 regarding the release of pending DA increments from 25% up to 35% across subsequent intervals between 01.01.2024 and 01.07.2025, a provision of Rs. 306.59 Lakh has been created and incorporated into the financial statements to account for a 10% increase in Dearness Allowance effective from 01.01.2024.

2.19 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 7.215%
- Salary escalation rate 2.00%
- 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, 2026 for both the schemes is as below.

Particulars	Rs in Lakh	
	PV of obligation	Fund value
Group gratuity Scheme	1200.43	1207.87
Group Leave Encashment Scheme	830.46	1078.08

The Calculation of Liability/(asset) for both the schemes is as below.

Sl No	Particulars	Gratuity	Leave encashment
1	Defined Benefit Obligation	1200.43	830.46
2	Fair value of plan assets	1207.87	1078.08
3	Funded status -(surplus)/deficit	(7.44)	(247.62)
4	Unrecognised past service (cost)/credit	-	-



5	Liability/(asset)	(7.44)	(247.62)
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The Calculation of actuarial gain/loss for both the schemes is as below.

Sl No	Particulars	Gratuity	Leave encashment
1	Current service cost	59.20	168.52
2	Interest cost	73.78	39.62
3	Expected return on plan assets	(85.35)	(65.68)
4	Actuarial loss/(gains)	(37.01)	80.59

The contribution made to the fund is accounted as expenses and the excess amount in the fund is not recognized as asset in the Balance Sheet as per the accounting practice followed.

2.20 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The payments had been paid for till FY 2013-14. Provision of Rs.1072.21 Lakh has been made towards the due payable from FY 2014-15 to FY 2024-25 as on 31.03.2025. Subsequently, vide Letter No.82/2008/Dy/C/RR dated 17.07.2025 the amount payable for the period from F.Y 2014-15 to F.Y 2024-25 was revised to Rs.882.43 lakh. Accordingly excess provision amounting to Rs.189.78 lakh was reversed during the year. Further a provision of Rs.60 Lakh is made for the F.Y 2025-26 based on the previous years' calculations. Consequently, the total provision outstanding as on 31.03.2026 amounts to Rs.942.43 Lakh, break up of which is as below.

Financial Year	Amount in Lakh
2014-15	94.54
2015-16	100.47
2016-17	150.76
2017-18	157.92
2018-19	157.00
2019-20	135.86
2020-21	49.86
2021-22	60.80
2022-23	45.00
2023-24	60.00
2024-25	60.00
Less: Excess Provision adjusted	-189.78
2025-26	60.00
Total	942.43

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.



2.21 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 25-26 are Rs.84,079.39 Lakh and Rs.2495.48 Lakh (Rs.73,775.51 Lakh and Rs.2030.22 Lakh during FY 2024-25) respectively.

2.22 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 442.69 Lakh (Rs. 357.12 Lakh during the FY 24-25), out of which Rs 139.38 Lakh pertains to this FY (Rs. 153.90 Lakh during the FY 24-25) and Rs 303.31 Lakh (Rs. 203.22 Lakh during the FY 24-25) pertains to future FYs.

Out of the unexpired portion of Commission accounted during:

- a) FY2024-25 (Rs.200.31 Lakh), Rs.108.48Lakh is recognized as income during this year
- b) FY2023-24 (Rs.209.34 Lakh), Rs.99.87 Lakh is recognized as income during this year
- c) FY 2022-23 (Rs.83.68 Lakh), Rs.37.99 Lakh is recognized as income during this year
- d) FY 2021-22 (Rs.16.85 Lakh), Rs.9.33 Lakh is recognized as income during this year
- e) FY 2020-21 (Rs.8.15 Lakh), Rs.4.43 Lakh is recognized as income during this year.
- f) FY 2019-20 (Rs.1.40 Lakh), Rs. 1.07 Lakh is recognized as income during this year.

Thus, the total income recognised during the year is Rs. 400.55 Lakh.

2.23 Ageing of trade payables and trade receivables

The Ageing of trade payables and trade receivables in compliance with amended Schedule III is NIL.

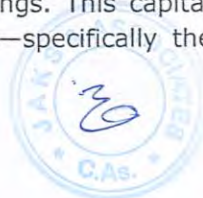
2.24 Provision for Income Tax

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 accrual basis. The deferred tax assets and liabilities are recognised, for the expected tax consequences of temporary / timing differences.

Taxable income calculated as per IT Act	-	Rs. 14289.04 Lakh
Income tax thereon	-	Rs. 3596.26 Lakh

2.25 Dividend and Special Reserve Fund

For the financial year ended March 31, 2026, the Board of Directors has recommended the conservation of profits and has not proposed any dividend (Previous Year: 5%). Consequent to the equity capital being fully paid up, the Corporation aims to augment its net worth through retained earnings. This capital conservation strategy is essential to maintain robust prudential ratios—specifically the Capital Adequacy Ratio (CRAR) and



Debt-Equity Ratio (DER)—thereby ensuring future leveraging capacity, borrowing headroom, and sustainable credit expansion.

As no dividend has been declared for the current financial year, no amount is required to be transferred to the Special Reserve Fund under Section 35A of the SFC Act, 1951 (Previous Year: Rs. 18.16 Lakh).

2.26 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 all back ended subsidies is Rs.8.86 Lakh (Rs.21.66 Lakh during FY 24-25) is shown under the head Interest and fund-expenses.

2.27 Prior period items

There are no prior period adjustment made during this year .


2.28 Previous Year's Figures

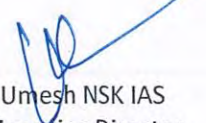
Previous year's figures have been regrouped and reclassified for better presentation wherever found necessary.

For and on behalf of the Board of Directors

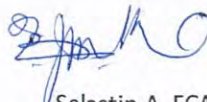

Nandhini V
Company Secretary
& Compliance
Officer


Soya K
Financial Controller &
Chief Financial Officer


Premnath Ravindranath
Executive Director


Umesh NSK IAS
Managing Director

As per our report of even date
For JAKS & Associates
Chartered Accountants
Firm Reg No : 0013605


Selastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date: 25.05.2026

UDIN: 26207840254180

