

ANNUAL REPORT

2022-23



Kerala Financial Corporation

we finance your dream



KERALA FINANCIAL CORPORATION

(INCORPORATED UNDER THE STATE FINANCIAL CORPORATIONS ACT No. LXIII 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

IS / ISO 9001



KFC/ F&A / 302 / 2023

02.06.2023

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 70th Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held at the Head Office of the Corporation, Vellayambalam, Thiruvananthapuram on Monday, June 26, 2023 at 11.00 AM to transact the following businesses:

Ordinary Business

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

Special Business

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

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

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

By Order of the Board

Executive Director

Place : Thiruvananthapuram,

Date : 02-06-2023



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NOTES:

1. *The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 19.06.2023 to 26.06.2023 (both days inclusive).*
2. *The form of proxy is enclosed.*
3. *Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the State Financial Corporations Act, 1951.*
4. *Any shareholder entitled to attend and vote at the meeting shall be entitled to appoint another person (whether a shareholder or not but not being an officer or employee of the Corporation) as his proxy to attend and vote instead of himself. No proxy shall be valid unless it is duly stamped and unless it, together with the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority certified by a notary public or a magistrate, is deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.*
5. *A shareholder being a Company including Small Industries Bank, Public Sector Banks, Co-operative Banks, Co-operative Societies and LIC may, by a resolution of its Directors, authorise any of its officials or any other person (not being an officer or employee of the Corporation) to act as its representative at the meeting. The copy of the resolution appointing him as a duly authorised representative certified to be true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.*
6. *The State Government may, by order in writing, authorise any of its officers, whether a Director of the Corporation or not, to act as its representative at the meeting. The copy of the order shall be deposited at the Head Office of the Corporation before the time fixed for the meeting.*
7. *The meeting shall be held, conducted, and the business thereat shall be transacted in adherence to the provisions of the State Financial Corporations Act 1951 (As amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.*



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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.....on the.....day of.....
and at any adjournment thereof.

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

Signature on Rs.1/-
Revenue Stamp

DIRECTORS' REPORT

To
The Stakeholders

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

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

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

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

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



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

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

PERFORMANCE OF THE CORPORATION

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

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



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

BUSINESS ACHIEVEMENTS

Sanctions and Disbursements

During the year the Corporation took a conscious decision to rejig the existing portfolios to increase the support to MSMEs in the State without compromising on credit quality and pursuing stringent credit administration standards. The Corporation sanctioned financial assistance of Rs. 320722.18 Lakh during the FY 2022-23 as against Rs. 287678.86 Lakh during the previous FY. An amount of Rs. 355594.61 Lakh was disbursed during the FY 2022-23 as against Rs. 217520.16 Lakh during the previous FY .

Recovery

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

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

Portfolio

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

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



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

FINANCIAL PERFORMANCE

Profit

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

Dividend

The Board of Directors has proposed a dividend of 5% for the year ended March 31, 2023 (0.25% for the year ended March 31, 2022), subject to the approval of the shareholders at the ensuing Annual General Meeting. As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs.10.66 Lakh will be transferred to Special reserve fund.

Capital & Reserves

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

Shareholding pattern

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

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

The Capital to Risk Weighted Assets Ratio (CRAR)



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

Asset Quality

The Corporation gives utmost priority in maintaining the asset quality of the loan portfolio. As on 31.03.2023, the Standard assets stood at 96.89% of the loan portfolio. Despite the stress witnessed in the banking scenario on account of growing NPAs, the Corporation by strenuous recovery efforts and persistent monitoring has been successful in maintaining the Standard assets portfolio and reducing the Gross NPA to 3.11 % in March 2023 from 3.27% in the previous year. The net NPA stands at 0.74% in March 2023 as compared to 0.74% in the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 84.89%.

Key Business Initiatives taken during the year

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

- **Enhancement of Loan Limit of CMEDP Edition-II.** The State Government vide GO(MS) No.101/2022/Fin dated 13.06.2022 accorded sanction to enhance the loan limit under the Chief Minister's Entrepreneurship Development Programme (CMEDP Edition-II) scheme from the existing Rs.100 lakh to Rs.200 lakh.
- **Launched KFC Agro-based MSME Loan Scheme (KAMS).** A special loan scheme named 'KAMS' was launched with the aim of assisting MSMEs in the Agriculture sector. The maximum term loan is 90% of the project cost and the minimum loan amount is Rs.5 lakh. The gross interest rate is 10%. For loans up to Rs.1000 lakh, the State Government is bearing 3% interest subvention and KFC is bearing 2% rebate for prompt repayment, taking the net effective interest rate at 5%.
- **Launched KFC Working Capital Loan Scheme in association with City Union Bank.** KFC Working Capital Loan Scheme was launched by the Corporation under an arrangement with City Union Bank. In this scheme, WC facilities are provided to the borrowers by KFC. The entire WC facilities sanctioned by KFC to the borrower are provided by using the banking infrastructure of CUB. The WC facilities are operated through a designated Working Capital Transaction Account (WCTA) opened by the borrower with CUB. The operating limits, Drawing Power, rate of interest, etc. are set up in the WCTAS by KFC.



- **Streamlining of Loan Processing & Sanction.** The existing system of loan processing and sanction was revised such as to ensure quality credit delivery in an effective and time-bound manner by clearly defining the delegation for loan processing and the delegation of power for various Sanction Committees. For the timely management of loan processing, the delegation of Business Review Committees (BRC) for according in-principle clearance was partially decentralized by creating Branch Office Level and Zonal Level BRCs.
- **Special Campaign for Business Development.** During June & July 2022, a special business development campaign was conducted with attractive offers including 50% processing fee waiver for new MSME applications, 0.25% interest discount for new MSME clients, etc.
- **Including GST in the Agreed Contract Value for arriving at the Eligibility of Work Execution Facility for Contractors.** The maximum loan eligibility of contractors under the Work Execution Facility was amended as 75% of the cost of work awarded including GST (excluding the cost of materials supplied or advance paid by the Work Issuing Authority).
- **Monitoring of Loans above Rs.2000 lakh.** It was decided to have an additional monitoring mechanism for loans above Rs.2000 lakh sanctioned by the Corporation. Monitoring of change in management/ auditor, tracking of repayment in loans availed by the entity & promoters from Banks, quarterly analysis of GST returns, Probe 42 report, etc. are being done.
- **Assistance to Infrastructure Projects.** As the Corporation has been appointed as the agent of the Government to assist large projects, to facilitate the projects coming under the Infrastructure category as per RBI guidelines, scheme-level amendments were done by adding the Infrastructure sector to the sector classification. The sector exposure was set without any upper cap as applicable to the Manufacturing sector.
- **Scheme for Assisting Procurement of Deep-Sea Fishing Vessels.** The Corporation implemented the scheme for assisting Traditional Fishermen through their primary fishermen co-operative societies to procure Deep-Sea Fishing Vessels to equip them to venture into the deep sea to exploit the under-tapped resources. The maximum loan amount is 90% of the project cost subject to an upper cap of Rs.70 lakh per society per vessel. The rate of interest is the rate applicable to the CMEDP scheme. The State Level Committee, with the Director of Fisheries as the Chairman, approves and finalizes the list of beneficiaries.



- **Creating a Guarantee Pool through Bank for KFC Customers.** The Corporation started a guarantee limit (KFC Guarantee Pool) with Federal Bank by keeping an FD as 100% cash margin, so that KFC customers can avail of guarantee facility from the KFC Guarantee Pool of the Bank, wherever the guarantees issued by KFC are not accepted, especially in the case of large projects awarded by Central Government/ outside the State agencies.
- **Implementation of e-NACH Facility for Collection.** To streamline the monthly repayment in the loan accounts, the NACH facility was already implemented in the Corporation. During the FY 2022-23, an improved version of this facility, viz., e-NACH, was implemented and thereby the requirement of manually signed forms from the customer and the issues with regard to mandate rejections were avoided. Customers can get registered to e-NACH using their internet banking/ debit cards by authenticating the OTP received in their registered mobile numbers.
- **Special Recovery Drive for Doubtful Loans.** With the aim of increasing the profitability of the Corporation, the income from assets under doubtful category was targeted and a special recovery drive was conducted during FY 2022-23, providing a one-time window to settle doubtful category loan accounts at liberal terms.
- **Setting up Stressed Assets Recovery Branch.** In order to have a focused recovery mechanism, the Corporation decided to have Stressed Assets Recovery Branches (SARB) and the first of such branches was set up at Ernakulam. The main function of the SARB is the resolution of bad loans through the Insolvency & Bankruptcy Code (IBC) 2016 for companies and other recovery measures for non-companies.

Resource mobilisation

- **LOC from Commercial Banks.** The Corporation availed Rs.271006.42 Lakh as Term loan/ Working Capital Demand Loan/ Foreign currency loan from various Commercial Banks/ Financial Institutions and repaid Rs.118381.57 Lakh during the FY 2022-23. The aggregate outstanding LOC from Banks and other Financial Institutions at the year end was Rs.506830.70 Lakh. The Corporation is rated A+ for Bank borrowings from Acuite Rating Agency during the year, signifying a stable outlook.
- **Non SLR Bonds.** The Corporation raised Rs.47650 Lakh through bond issue during the FY 22-23. The aggregate outstanding Bonds at the year end was Rs.112050 Lakh. An amount of Rs.88.88 Lakh was paid to the State Government as Guarantee Commission for the outstanding bonds guaranteed by the State Government.

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The NCDs issued



without Government guarantee are rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee. The total outstanding bonds of KFC as on 31.03.2023 aggregate to Rs.112050.00 Lakh as given below.

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

* Issued with Government guarantee

Partial Redemption done

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

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund'(REF) equal to 0.01% of the issue size subject to maximum of Rs.25 Lakh shall be created, as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020 which shall be utilized in a manner decided by holders of securities in case of default. The provisions of this circular were made applicable w.e.f. January 2021 and accordingly the amount deposited by Corporation towards REF with BSE as on March 31, 2023 is Rs.12.77 Lakh.

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

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to Rs.50 Lakh. As on 31st March, 2023, 1455 accounts amounting to Rs.925.24 Lakh have been covered under the scheme.

Asset Liability Management (ALM)

The Corporation's business operations, sources of funds and risk factors have widened, necessitating appropriate steps to effectively deal with fund management and resources planning. The Asset Liability Management Committee (ALCO) actively manage the liquidity and continuously monitor, measure and manage the risks confronting the Corporation. The Corporation's Asset Liability Management (ALM) is aimed at strategic planning,



implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken. The ALCO met **33** times during the year.

Risk Management

Risk is an integral part of financial institutions. The Corporation has applied focused efforts in creating risk awareness culture and building a comprehensive framework for identification, measurement and management of all material risks and is continuing to do so to strengthen the risk governance framework.

ISO Certification

The Quality Management System Certificate in respect of the products and/or services, IS/ ISO 9001-2015, was renewed by the Bureau of Indian Standards (BIS) after conducting a surveillance/ renewal audit. The current license is valid till 21st June, 2025. All the offices of the Corporation continue to hold the Quality Management System Certificate.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Apart from internal audit, Concurrent Audit of branch operations is also done through reputed firms of Chartered Accountants on a monthly basis. Further, audit of compromise settlement sanctions of above Rs.25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 Lakh is also in place. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2021-22.

Statutory Auditors

The shareholders at its 69th Annual General Meeting held on 2022, appointed M/s. JAKS Associates, Chartered Accountants (ICAI Firm Registration No. 301003E/E300005), as Statutory Auditors of the Corporation for the audit of the Corporation's accounts for the year 2022-23 .

Secretarial Audit and Secretarial Audit Report

As per Regulation 24A of SEBI (LODR), Regulations, 2015, SEBI Circular dated Feb 8th, 2019 & SEBI (LODR) (Fifth Amendment) Regulations, 2021 every listed entity shall undertake Secretarial Audit and the report has to be submitted within 60 days from the end of the financial year which shall be annexed to the Annual Report. As per SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144 dated 26th November 2018 for fund raising by issuance of Debt Securities by Large Entities and disclosures and compliances thereof by Large Corporate, the Corporation had submitted necessary disclosures with Stock exchange from FY 2020 onwards. However, upon verification of the applicability of the above Circular, it is confirmed that even though the Corporation satisfy the first two conditions specified for being Large Corporate (ie. Securities listed on recognized stock



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

Internal Financial Controls and its adequacy

The Corporation has put in place extensive internal control measures and processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These controls and processes are driven through various policies, procedures and certifications which are continuously reviewed, evaluated, and benchmarked against the best practices followed in the industry. Through continuous refinement and improvement of the internal inspection and vigilance system, the Corporation also ensures that internal controls are operating effectively.

Corporate Social Responsibility (CSR)

The Corporation believes that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility.

The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members.

Participative Management

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

Future Plans

The Corporation is committed to achieve its goals by focusing on the major areas like asset quality, profitability, resilient loan book, appropriate organizational structure, responsible corporate governance framework and robust and latest digital technology. The Corporation has set a target to cross Rs.1000000 Lakh mark in the Loan and Advances portfolio by 31st March 2025. The policies and systems are being constantly reviewed to focus on consolidating the existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts.

The brief action plans and strategies to be implemented are as follows.

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



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

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

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

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

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

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

Kerala MSME Bill Discounting Platform (KMBDP). Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. A comprehensive online software connecting KFC, Government Departments, PSUs and MSMEs will be developed under the brand 'Kerala MSME Bill Discounting Platform (KMBDP)' to automate the entire operations.



Loan Origination System. KFC will digitalise the entire loan journey by implementing Loan Origination System, where customers would need to upload minimum details online and their full details will be gathered and verified from public domains through APIs, without manual intervention.

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

Corporate Governance

The Corporation is committed to adopting best corporate governance practices and believes that effective Corporate Governance is not just a requirement for regulatory compliance, but also a facilitator for the enhancement of stakeholders' value. The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. The Corporation reiterates its commitment to pursue the highest standards of corporate governance such as empowerment and integrity of its employees, transparency in the decision-making process, fair & ethical dealings, and accountability to all the stakeholders. The various internal policies of the Corporation were reviewed by the Board during the year and wherever required necessary amendments are being done. ISO procedures are scrupulously complied with.

The Corporation has designated State Public Information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for giving replies under RTI. Prompt action is taken for replying to the petitions received under RTI in a time-bound manner. 124 applications were received during the financial year. All applications have been disposed of within the time stipulated under RTI Act.

The Corporation has complied with provisions relating to the constitution of the Internal Complaints Committee under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women in the workplace and prevention and redressal of such complaints. The Corporation received one complaint during the financial year. During FY 22-23, no frauds were reported. During the year the Corporation has received few notices from BSE on various dates directing to pay fines/penalty for delay in intimation of record dates of Interest payments/Principal redemptions of Debentures and certain other regulations. The Corporation has submitted before BSE for waiver of fine/penalty and the matter is pending. Other than that mentioned above, there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

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



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

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

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

Board of Directors:

The details of the Board of Directors are given below:

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



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

Apex Committees:

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

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

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

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

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

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

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

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

Type of Meeting	No. of Meetings held	Shri. Sanja Kaul IAS	Shri. Hari kishore IAS	Shri. EK Harikumar	Shri. Anilku mar Parameswaran	Shri. Seeth araman V	Shri. Satya ki Rastogi	Smt. Deep a Sivadasan	Shri. K V Kart hike yan	Shri. Prem kuma r S
Board	6	6	0	6	6	6	4	0	5	5
Audit	5	NA	NA	5	5	NA	NA	0	NA	0



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

Remuneration paid to Chairman & Managing Director

No remuneration is paid to Shri. Sanjay Kaul, IAS , the present Chairman and Managing Director.

Directors' Responsibility Statement

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

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

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2023, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (b) such accounting policies as mentioned in the Notes to the Financial Statements, have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at March 31, 2023 and of the profit of the Corporation for the period;
- (c) the applicable guidelines prescribed for SFCs have been followed and there has been no material departure. Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;
- (d) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI/ RBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
- (e) the annual accounts for the financial year ended on March 31, 2023 have been prepared on a going concern basis;
- (f) proper internal financial controls had been laid down and that such financial controls were adequate and were operating effectively;
- (g) that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;



Acknowledgements

The Board of Directors places on record its gratitude to Government of Kerala, SIDBI, Other Governmental Agencies and Departments, Reserve Bank of India, SEBI and all other statutory/ regulatory authorities for the strong support and guidance during the year. The Board also wishes to express gratitude to the Banks/ Financial Institutions, Rating agencies, Trustees and Stock Exchange for the continued support received. The Board takes this opportunity to put on record its deep sense of gratitude for the continued support, patronage and goodwill to its shareholders, customers and vendors and looks forward to their continued association in the years ahead. The Board takes great pleasure in recording its appreciation of the dedicated services rendered by the erstwhile Directors on the Board and the Officers and Staff of the Corporation.

For and on behalf of the Board



Chairman and Managing Director

Thiruvananthapuram
01.06.2023



INDEPENDENT AUDITOR'S REPORT

To

The Members
Kerala Financial Corporation
Thiruvananthapuram

Report on the Audit of the Financial Statements,

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accompanying Financial Statements give a true and Fair of the Financial Position of the entity as at 31st March 2023 and of its Financial Performance and its cash flows for the year the ended in accordance with the directives of SIDBI, State Financial Corporation Act and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

Basis of Opinion

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

Emphasis of Matter

1. The corporation has restructured loan accounts amounting to Rs.54509.73 Lakh and classified as Standard assets, and accrued interest on these assets is about Rs.800 Lakh. The corporation has made additional provision of 5% -10% on these assets and is included in the provision for bad debts.
2. The corporation applies a higher percentage of provision for bad debts on sub-standard assets than prescribed in the RBI Norms. Though the corporation does it on a conservative basis, the correct application of RBI Norms will have a material impact on the Profit and Loss account of the corporation.



3. The corporation has a portfolio of Bills Purchased and Discounted to the tune of Rs. 14192.57 Lakh as on 31/03/2023 and classified as standard assets. However, an aging analysis by due date for settlement of these assets is not available to ascertain the requirement for any additional provision to be taken.
4. The corporation has a property acquired against a defaulted loan with a value of Rs.400.34 Lakh shown as an asset in its Balance Sheet. This has been there for a very long time and there are no adequate records available to substantiate the recoverability of this asset.
5. The corporation does not have a full-fledged system to verify whether the collateral securities are revalued once in every three years and updated in the loan database and accounting records with the revalued figures.
6. Govt of Kerala infused Rs.20000 Lakh on 31/03/2023 as share capital to the corporation. However, the same amount was resumed on the same day and reallocated it on 04/04/2023. We understand from the management that the amount was resumed on 31/03/2023 due to a technical issue of Govt of Kerala's year end closing process of its treasury activities. The corporation has showed the same as advance received for share capital as on 31/03/2023.
7. The corporation had provided the following loans to Public Sector Undertaking (PSU) of Govt of Kerala during the year 2022-23:
 - i. Kerala Infrastructure Investment Fund Board (KIIFB) – Rs. 100000 Lakh
 - ii. Kerala Social Security Pension Ltd (KSSP) – Rs. 50000 Lakh
 - iii. Vizhinjam International Seaport Ltd (VISL) – Rs. 50000 Lakh
 - iv. Kerala State Electricity Board (KSEB) – Rs.50000 Lakh

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

Our opinion is not modified in respect of these matters.

Other Matters

1. Though the corporation has a policy of carrying out physical verification of fixed assets once in a year, the corporation has not done the same for its branches during the year 2022-23.
2. We have come across instances where entire details of Insurance Policy such as Insurance Declared Value, Expiry Date, Lien Clause etc. are not updated in the system and hence not available for complete verification.
3. Accounting and Reporting Process of the Corporation is highly dependent on Information System Controls. We have observed data cleansing issues during the period of Audit. We are of the opinion that there is an inherent risk that any control lapses,



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

Our opinion is not modified in respect of these matters.

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

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

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern as the basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to Fraud or error and to issue an Auditor's Report that includes our opinion. Reasonable Assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from Frauds or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Place: Thiruvananthapuram
Date: 27/05/2023



For JAKS and Associates
Chartered Accountants
FRN No:001360S

A handwritten signature in blue ink, appearing to read "Selastin Anthoniappan".

CA Selastin Anthoniappan
M. No.:202874

UDIN: 23202874BGSGVN5609

KERALA FINANCIAL CORPORATION				
Balance Sheet as at 31.03.2023				
	Particulars	Note No.	As at 31.03.2023	As at 31.03.2022
			Audited	Audited
			Amt in Lakh	Amt in Lakh
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	42,650.43	42,650.43
	(b) Reserves and surplus	2	29,152.63	26,393.81
	(c) Share application money pending allotment		20,000.00	0.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	445,520.66	287,855.50
	(b) Other non current liabilities	4	596.03	963.16
	(c) Long-term provisions	5	22,318.44	17,319.69
3	Current liabilities			
	(a) Short-term borrowings	6	173,171.68	143,031.21
	(b) Other current liabilities	7	5,642.08	5,329.81
	(c) Short-term provisions	8	5,802.22	2,379.04
	TOTAL		744,854.17	525,922.65
B	ASSETS			
1	Non-current assets			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) Property, Plant and Equipment	9	642.83	577.33
	(ii) Intangible Assets	9	98.47	157.04
	(b) Non-current investments	10	8,451.14	6,045.10
	(c) Other non-current assets	11	462,636.42	341,623.77
	(d) Deferred Tax Assets (net)		267.65	182.26
2	Current assets			
	(a) Current investments	12	44,603.63	23,970.22
	(b) Cash and cash equivalents	13	6,585.36	10,164.19
	(c) Other current assets	14	221,568.67	143,202.74
3	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		744,854.17	525,922.65

For and on behalf of the Board of Directors


Seva K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director


Sanjay Kaul IAS
Chairman & Managing Director

As per our report of even date
For J A K S & Associates
Chartered Accountants
Firm Reg No: 0013608


Selasini A. FCA
Partner / M No: 202874

Place: Thiruvananthapuram
Date: 27.05.2023



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


Soya K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director

For and on behalf of the Board of Directors


Sanjay Kaul IAS
Chairman & Managing Director

Place: Thiruvananthapuram
Date: 27.05.2023



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


Selasim A. FCA
Partner, M No: 202874

KERALA FINANCIAL CORPORATION		
CASH FLOW STATEMENT		
FOR THE PERIOD	For the year ended 31.03.2023	For the Year ended 31.03.2022
	Amt in Lakh	Amt in Lakh
	Audited	Audited
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes and prior period adjustments	8,602.95	3,501.07
Interest received on Fixed Deposits	(2,421.53)	(1,923.10)
Depreciation on fixed assets	166.80	213.76
Provision for Non Performing Assets/Other Assets	4,998.75	5,681.10
Premium on Forward Contract	(408.80)	(74.93)
Interest and other costs of Non-SLR Bond	6,117.81	7,174.07
Adjustment for changes in operating assets and liabilities		
Increase in Loans and Advances	(177,868.90)	(9,732.78)
Increase in borrowings from Banks	151,893.13	21,998.68
Decrease in Other Non-Current assets	62,849.98	5,863.95
Decrease in Other Current assets	(75,490.92)	(25,797.65)
Increase in Current liabilities	(3,811.71)	21,470.94
Increase in Other Non Current Liabilities	(367.13)	(284.49)
Less: Income tax paid	(2,875.00)	(1,734.00)
Net cash from operating activities	(28,614.57)	26,356.61
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(173.74)	(54.62)
Sale of Fixed Assets	-	0.72
Net cash used in investing activities	(173.74)	(53.90)
CASH FLOW FROM FINANCING ACTIVITIES		
Money received against Share Capital	20,000.00	-
Issue of Non SLR Bond	47,650.00	-
Redemption of Non-SLR Bond	(11,737.50)	(18,030.00)
Interest and other costs of Non-SLR Bond	(6,117.81)	(7,174.07)
Interest Received on Fixed Deposits	2,421.53	1,923.10
Net Investment in NCD	(8,399.78)	(5,993.74)
Proceeds from NCD	-	101.14
Net Deposit with Banks	(20,633.41)	2,851.85
Dividend	2,025.90	106.63
Addition to Special Reserve	0.53	-
Net cash used in financing activities	25,209.46	(26,215.10)
Net increase in cash and cash equivalents	(3,578.83)	87.61
Cash and cash equivalents at the beginning of the year	10,164.19	10,076.58
Cash and cash equivalents at the end of the year	6,585.36	10,164.19


Siva K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director

For and on behalf of the Board of Directors


Sanjay Kaul IAS
Chairman & Managing Director

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


Sastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date: 27.05.2023



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

	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
10,00,00,000 Equity shares of Rs.100/- each	1,00,000.00	50,000.00
Issued, Subscribed and Fully Paid up Capital		
<u>Ordinary Shares</u>		
42210678 Equity shares of Rs.100/- each	42,210.6780	42,210.68
<u>Special Shares</u>		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
Advance for share capital	20,000.00	
TOTAL	62,650.43	42,650.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	12,596.11	12,090.72
Added during the year	1,501.01	505.39
Total of (a)	14,097.12	12,596.11
(b) Spl. Reserve u/s 35(A) of SFC's Act, 1951	250.53	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Deferred Premium on Forward Contract	-781.40	-372.60
(e) Profit & Loss Account	15,572.17	13,906.10
TOTAL {(a)+(b)+(c)+(d)+(e)}	29,152.63	26,393.82
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	0.00	11,250.00
LoC from State Bank of India	46,246.40	55,951.68
Foreign Currency Loan from SBI (Term Loan conversion)	52,211.63	0.00
LoC from Canara Bank	60,696.05	41,149.26
LoC from Union Bank of India	23,749.96	44,166.56
LoC from Bank of Maharashtra	85,412.00	32,410.00
Foreign Currency Loan from South Indian Bank (Term Loan conversion)	17,000.00	0.00
LoC from Indian Bank	36,975.00	18,850.00
LoC from Bank of Baroda	20,309.62	19,678.00
LOC from Dhanalaxmi Bank	10,000.00	0.00
Non-SLR Bond	92,920.00	59,400.00
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	0.00	5,000.00
TOTAL	4,45,520.66	2,87,855.50
NOTE: 4		
OTHER NON CURRENT LIABILITIES		
Coconut Devp. Board Subsidy	292.73	662.55
Other Subsidy	152.60	152.60
Central Subsidy	11.00	11.00
Norka Subsidy	139.70	137.01
TOTAL	596.03	963.16
NOTE: 5		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	17,319.69	13,869.06
Add: Provision made during the year	4,998.75	3,450.62
Total of (a)	22,318.44	17,319.68



	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 6		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
Foreign Currency Loan from State Bank of India (WCDL conversion)	4,100.00	4,100.00
Short term loan from State Bank of India	19,999.99	24,999.97
Short term loan from Union Bank of India	10,000.00	6,000.00
Short term loan from HDFC Bank	82.62	92.77
Short term loan from Federal Bank	25,000.00	17,500.00
Short term loan from South Indian Bank	7,000.00	10,000.00
Non-SLR Bond (Current maturity)	14,130.00	6,737.50
Overdraft from City Union Bank	1,000.22	0.00
LOC FROM BANKS (Current maturity)	-	0.00
Loc from Union Bank of India	6,666.68	2,500.01
Loc from Federal Bank	-	0.00
Loc from Canara Bank	15,555.56	5,555.56
Loc from Indian Bank	11,800.00	4,201.29
Loc from State Bank of India	23,500.00	36,929.13
Loc from Bank of Baroda	909.09	2,291.66
Loc from Bank of Maharashtra	14,594.20	40.00
Refinance from IIFCL	10,833.33	17,083.33
Foreign Currency Loan from South Indian Bank	3,000.00	0.00
UNSECURED BORROWINGS		
Non-SLR Bond - Guaranteed by Government of Kerala (Current maturity)	5,000.00	5,000.00
	173,171.69	143,031.22
NOTE : 7		
OTHER CURRENT LIABILITIES		
State Subsidy	13.49	98.42
RR Commission Payable	43.42	0.96
Earnest Money Deposit	2.10	4.10
Suspense Account	318.95	560.28
Tax Deducted at Source	100.58	0.49
Other Salary Deductions	6.72	0.17
Other Sundry Deposits	110.25	255.46
Gratuity Payable	2.10	2.10
Outstanding Expenses	1,027.28	938.65
Salary Payable	0.11	0.00
Accrued Interest on Non SLR Bonds	1,183.53	1,467.85
Accrued Interest on LOC from banks	1,208.10	633.30
Audit Fee Payable	2.61	2.61
Concurrent Audit Fee payable	7.30	8.54
Unclaimed Dividend	0.12	0.12
PF Contribution Payable	0.56	0.00
Commission Received in Advance	412.91	166.95
Foreign Currency Payable	945.99	971.69
CGST Payable	26.37	33.22
SGST Payable	26.37	33.22
KF Cess, CGST & SGST TDS Payable	0.02	0.03
IGST TDS Payable	4.72	0.00
Excess Payable	198.48	151.67
TOTAL	5,642.08	5,329.83



	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 8		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	2,272.41	5,465.54
Add: Provision made for the current year	3,669.70	2,272.41
Less : Adjusted against Advance Income Tax	1,991.46	5,155.49
: Excess Provision of earlier years written back	280.95	310.05
Total	3,669.70	2,272.41
(b) Proposed Dividend for the year	2,132.52	106.63
TOTAL	5,802.22	2,379.04
NOTE : 10		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Kerala Infrastructure Fund Management Ltd	2.56	2.56
Investment in NCD - RCFL	5,269.77	5,269.77
Investment in NCD - 7.74% SBI	2,301.79	2,301.79
Investment in NCD - 8.25% BOB	1,491.63	1,491.63
Investment in NCD - 8.80% Oriental Insurance	2,200.32	2,200.32
Investment in NCD -5.23% NABARD 31/01/2025	2,406.04	0.00
Sub Total	13,795.99	11,389.95
Less : Provision for diminution in value of investments	5,344.85	5,344.85
TOTAL	8,451.14	6,045.10
NOTE : 11		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,104.17	1,130.99
Conveyance Loan to Employees	191.56	136.28
Computer Loan to Employees	5.52	5.48
Personal Loan to Employees	89.69	111.13
Advance to Employees	23.67	15.44
Deposit with P&T	0.01	0.01
Other Deposits	91.43	82.97
Deposit with KSEB	11.98	11.53
Interest Accrued on Staff Loans	777.35	724.35
GTI Advance	2.29	2.23
Advance for Fixed Assets	123.67	47.42
Loans and Advances (Principal due above 1 year)	459,814.73	338,955.59
TOTAL	462,636.41	341,623.76
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	44,603.63	23,970.22
TOTAL	44,603.63	23,970.22
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.43	0.41
Bank Accounts	6,584.93	10,163.78
TOTAL	6,585.36	10,164.19



	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	3,165.21	3,173.45
Input Tax Credit	60.79	13.76
Income Tax Deducted at source	59.04	75.83
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	16.11	9.45
Prepaid Expenses	6.25	1.84
CGTMSE Fee	6.71	4.40
Subsidy Receivable from Govt	17.41	28.28
KSEDM Interest Receivable	4.29	17.88
Kerala Innovation fund expenses Receivable	0.15	0.00
Share capital contribution receivable from Govt	20,000.00	0.00
Interest Accrued on Loans & Advances	2,693.25	2,611.51
Interest Accrued on STD with Banks	2,024.56	1,071.98
CMEDP & NORKA & KSUM Interest Receivable	389.30	78.54
Loans & Advances (Principal Due within one year)		
a) Bills purchased and discounted	14,192.57	10,648.15
b) Term Loans	178,933.00	125,467.66
TOTAL	221,568.64	143,202.73
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	55,443.83	39,957.62
Less : Interest rebate allowed on Loans	1,079.42	692.96
Net Interest Received On Loans & Advances	54,364.41	39,264.66
Loan Processing Fees	947.75	731.61
Recovery from written off loans	10,027.78	9,243.54
Switch over interest	3.30	3.50
Premium on pre-closure	143.04	22.68
TOTAL	65,486.28	49,265.99
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	110.49	105.64
Interest on Bank Deposits	2,421.53	1,923.10
Interest received on IT refund	126.99	0.00
Other Income	308.32	360.22
Exchange gain on Forex	731.51	0.00
Rent Received	84.99	83.90
Income from Insurance Agency	5.09	8.06
RTI Application Fee Received	0.02	0.01
Consultancy Service Division Receipts	0.05	0.00
Commission exchange and brokerage	162.24	69.90
TOTAL	3,951.23	2,550.83
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	5,670.65	6,943.10
Interest on Coconut Dev Board Subsidy	48.57	63.90
Interest on Line Of Credit from Banks	31,324.54	19,553.38
Guarantee Commission	88.88	177.22
Premium on Forward Contract	3,668.15	1,247.60
Exchange loss on Forex	0.00	588.68
Bond Issue Expenses	313.37	33.19
LOC Administrative Expenses	44.91	20.56
TOTAL	41,159.07	28,627.63



	As at 31.03.2023	As at 31.03.2022
	Audited	Audited
	Amt in Lakh	Amt in Lakh
NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,737.00	2,570.32
Contribution to Employees' P.F	157.78	166.41
Contribution to NPS	88.75	78.61
Group Gratuity Insurance	2.92	5.00
Group E/L Encashment Insurance	5.00	0.00
Group Term Insurance	1.93	1.53
Other Staff Expenses	89.63	76.87
TOTAL	3,083.01	2,898.74
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	163.07	115.85
Postage, courier and Telephone	37.65	30.40
Printing & Stationery	16.29	12.32
Vehicle Running & Maintenance	13.67	13.11
Repairs & Maintenance	47.46	35.60
Revenue Recovery expenses	45.00	60.80
Loan Recovery Expenses	191.45	123.25
Bank Charges and Commission	7.61	3.70
Audit Fees	2.61	2.61
Consultancy Charges	74.55	40.34
Legal Expenses	13.40	3.95
Books & Periodicals	2.14	1.31
Other Expenses	156.73	68.59
Travelling Expenses	11.07	3.10
Board / E.C. Meeting Expenses	2.34	0.53
Other Meeting Expenses	6.75	5.97
Concurrent Audit Fee	43.23	36.49
Advertisement and publicity	43.96	14.14
CMEDP Expenses	0.17	3.42
Business Development Expenses	6.89	2.12
TOTAL	886.04	577.60


Anil K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director

For and on behalf of the Board of Directors

Sanjay Kaul IAS
Chairman & Managing Director

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

Selastin A. FCA
Partner, M No: 202874

Place: Thiruvananthapuram
Date: 27.05.2023



KERALA FINANCIAL CORPORATION			
Note: 21			
DISCLOSURE REQUIREMENTS:			
(Amount Rs. in lacs)			
A. Capital		2022-2023	2021-2022
a) CRAR (%)		25.58	22.41
b) Risk Weighted Assets			
1) On Balance Sheet items		382012.00	317396.67
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	62026.94	99.00	98.54
2. SIDBI	613.33	0.98	1.44
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.02	0.02
TOTAL	62650.43	100	100.00
d) Net worth	0.00	92570.24	69402.63
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	20335.90	3.11	3.27
b) Net NPAs under the prescribed asset classification categories	4659.21	0.74	1.28
c) Provisions:			
		2022-23	2021-22
1. Provision for Standard Assets		6641.76	7665.37
2. Provision for NPA		15676.68	9654.32
3. Provision for Investments		5344.85	5344.85
4. Provision for Income Tax		3669.70	2272.41
5. Provision for Deferred Tax Liability		-85.39	-91.15
		2022-23	2021-22
d) Movement in Net NPA (%)	0.74	1.28	-0.54



C. Liquidity: (Rs. in lacs)						
a) Maturity pattern of Rupee assets.						
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total
Total assets	183387.96	213472.88	151225.64	67566.22	37287.59	652940.29
Total Liabilities	173171.68	203620.28	145715.61	62783.13	33590.00	618880.70
	2022-23	2021-22				
D. Operating Results:						
(Rs. in lacs)						
a) Interest income as a percentage to average working funds -	8.97	7.89				
Interest Income	54,364.41	39,264.66				
Average Working Funds	605,775.97	497,662.80				
b) Non-interest income as a percentage to Average Working Funds -	2.49	2.52				
Non-interest income	15,073.10	12,552.15				
Average Working Funds	605,775.97	497,662.80				
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds -	2.25	1.85				
Operating Profit (+) / Loss (-)	13,601.70	9,182.16				
Average Working Funds	605,775.97	497,662.80				
d) Return on Average Assets -	2.10	1.71				
Returns (operating profit + depreciation)	13,768.50	9,395.92				
Average Assets	655,631.40	550,293.80				
e) Net profit (+) / Loss (-) per employee	25.74	6.70				
No. of employees	195	197				
Net profit (+) / Loss (-)	5,018.64	1,319.80				

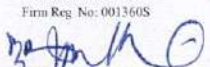
Ratio	Formula	Components	Result
Current Ratio	Current Assets / Current Liabilities	Current Assets=Short Term Deposits with Banks+Cash & cash equivalents+Other current assets Current Liabilities=Short term borrowings+Other current liabilities	1.53
Debt - Equity Ratio	Total Debt / Shareholder's Equity	Total debt=Long term borrowings+Short term borrowings Shareholder's Equity=Spl. Reserve u/s 36(1)(viii) of IT Act, 1961+Spl. Reserve u/s 35(A) of SFCs Act, 1951+Balance in Profit & Loss A/c+Share capital	6.68
Debt Service Coverage Ratio (DSCR)	Earnings available for debt service / Debt Service	Earning for Debt Service = Net Profit before taxes + Non-cash operating expenses like depreciation and other amortizations + Interest Debt service = Interest & Lease Payments + Principal Repayments.	0.30
Return on Equity (ROE)	Net Profits after taxes - Preference Dividend (if any) / Average Shareholder's Equity	Average Shareholder's Equity=(Opening SC+Free reserves+closing SC+free reserves)/2	0.06
Net Profit Ratio	Net Profit / Net Sales	Net Profit = Profit after tax	7.23%
Return on capital employed (ROCE)	Earning before interest and taxes / Capital Employed	Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability	0.06
Return on investment (ROI)	investment	Net Return on Investment=Net profit after taxes	8.01%

For and on behalf of the Board of Directors

 Sojan, Financial Controller
 Premnath Ravindranath, Executive Director
 Anil Kumar Parameswaran, Director
 Sanjay Kaul, Chairman & Managing Director

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

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


Sebastian A. FCA
Firm Reg. M No: 202874



Place: Thiruvananthapuram
Date: 27.05.2023



NOTE: 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Corporate Information

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

Basis of Preparation

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards to the extent applicable and practices generally prevalent in the banking and financial sector in India. The Corporation has adopted the format of Schedule III to the Companies Act as amended by Notification G.S.R.207(E), dated 24th March, 2021 to the extent applicable and Accounting standards issued by the Institute of Chartered Accountants of India, for better presentation of the financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 . Uses of Estimates

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



1.2. Revenue Recognition

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

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

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

1.3. Investments

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

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



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

1.4. Loans and Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The Current maturity of Loans & advances is classified as Other Current Assets (Note No.14) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.11) under the head Non Current Assets. The Current maturity of Long term borrowings is classified as Short term borrowings (Note No.6) under the head Current Liabilities and the non current portion is classified as Long term borrowings (Note No.3) under the head Non Current Liabilities.

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

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

1.5. Provision

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

1.6. Provisioning Norms and Provision Coverage Ratio (PCR)

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

General provisions are the minimum regulatory provisions as prescribed by RBI. Specific provisions are additional provisioning at rates higher than the rates prescribed by RBI. Floating provisions are provisions kept in addition to the Specific provisions and not used for making specific provisions or general provisions as per the extant



prudential guidelines. It is used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts.

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

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

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

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium /Other sector and 1% for CRE sector for all standard advances and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines. A judicious provision of 77% (62% in FY 2021-22) is made for all Substandard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made. The total PCR is maintained above 70% at 84.89% as on March 31, 2023.

1.7. Taxes on Income

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

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



1.8. Employee Payments and Retirement Benefits

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

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

Defined Benefit Plan: The Corporation contributes towards gratuity fund administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. The gratuity limit is fixed as per the Payment of Gratuity (Amendment) Act, 2018. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Corporation. Liability with regard to gratuity fund is accrued based on the actuarial valuation and demand raised by LIC. The premium is paid to LIC as demanded by them at the time of renewal of the scheme. The Corporation contributes towards the terminal encashment of earned leave to the employees under the Group Leave Encashment Scheme of LIC. The contribution to the fund is paid as per the actuarial valuation and demand raised by LIC. Under both these schemes, the settlement obligations remain with the Corporation, although LIC administers the schemes and determine the contribution premium required to be paid by the Corporation as per the valuation done by LIC. The Corporation take an independent external actuarial valuation as on 31st March every year to ascertain the position of funds vis a vis liability. The shortfall if any in the funds shall be paid on the basis of actuarial report of LIC / external valuation whichever is less based on the fund position of the Corporation. The contribution made to the fund every year is accounted as expenses and hence the excess / shortfall amount in the fund if any is not recognised as asset / liability in the Balance Sheet. The Corporation neither recognizes the actuarial gain/loss in the P&L A/c, nor shows the liability/asset of fund in the Balance sheet. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2022-23 have been settled by LIC.

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



1.9. Property, Plant & Equipment and Intangibles

In compliance with amended Schedule III requirements, Fixed Assets are renamed as 'Property plant and equipment and Intangibles'. The gross value of Intangibles, accumulated depreciation and depreciation till date are separately calculated and disclosed in 'Note 9 – Property Plant & Equipment and Intangibles'. The Land value of Rs.11.62 Lakh comprises of properties in the name of the Corporation. Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

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

1.10. Contingent Liabilities and Assets

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

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

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

1.11. Grants and subsidies

Grants and subsidies from Government and other agencies are accounted as per terms of respective agreements. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries. For back ended subsidies with 'lock in' period, interest credit



is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates.

1.12. Leases

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

1.13. Prior Period Items

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

1.14. Extraordinary Items

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

1.15. Special Reserve Fund

As per Section 35A of the SFC Act 1951, the SFC is required to establish a Special Reserve Fund to which shall be transferred such portion of the dividends accruing to State Government and the SIDBI on the shares of the SFC as may be fixed by agreement between State Government and SIDBI for being used for such purposes as are approved by the State Government and SIDBI. Accordingly a rate of 0.50% of the dividend accruing to State Government and SIDBI will be transferred to Special reserve fund under Section 35A of SFC Act 1951. However the dividends from FY 1991-1992 till FY 2018-19 were declared and paid without transferring 0.50% of dividend accruing to State Government and SIDBI to Special Reserve U/s 35A.

1.16. Dividend

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



1.17. Resource Mobilization

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

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

1.18. Cash flow Statement

Cash Flow statement is prepared on indirect basis as per AS 3 issued by ICAI and is part of the Annual accounts. The cash flow statement report cash flows during the period classified by operating, investing and financing activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

1.19. Earnings per share

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



2. NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The State Government vide GO(Ms) No.59/2023/Fin dated 30.03.2023 accorded sanction to enhance the Authorized share capital of the Corporation from Rs.50000 Lakh to Rs.100000 Lakh without diluting Government shares below 74%. Further the State Government vide GO(Ms) No.62/2023/Fin dated 31.03.2023 enhanced the paid up capital of Kerala Financial Corporation by Rs.20000 Lakh and released Rs.20000 Lakh as share capital contribution on 31.03.2023 itself to our STSB Account. However, the amount so credited was resumed to the consolidated fund of the State by way of a debit to the STSB account on the same day as part of the resumption process of funds lying in STSB accounts of various Departments, State owned PSUs, Autonomous institutions under the Govt of Kerala vide G.O.(Ms)No.22/2023/Fin dated 11.03.2023 and G.O.(Ms)No. 26/2023/Fin dated 23.03.2023. The balance has been confirmed by State Treasury Directorate.

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

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

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

* Shares for Rs.20000 Lakh is pending allotment.

2. The shares held by the promoters as on 31.03.2023 is given below in compliance with Schedule III requirements.

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	620.27	99.006	0.467
2	SIDBI	6.13	0.978	-0.459
3	LIC	0.07	0.011	-0.006
4	SBI	0.02	0.003	-0.002
5	Others	0.01	0.002	0.000
	Total	626.50	100.000	

3. Earnings per share

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



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

2.2 Asset Classification and provisioning

1) Classification of Loans and Advances & Borrowings

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

(Rs in Lakh)

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

2) Loans and Advances restructured

The Corporation has extended relief measures like rehabilitation / reschedulement/ restructuring to borrowers eligible as per the Loan Monitoring Guidance Note (LMGN) approved by the Board. As per LMGN all loan assets in Standard, Substandard and Doubtful category are eligible for restructuring. Only Loss assets / No asset cases are not eligible. The Corporation has 553 loan accounts restructured as per RBI guidelines and classified under Standard category as follows. Additional provision of 5%/10% (minimum norms) amounting to Rs.4415.03 Lakh is kept in respect of these accounts as below.

In accordance with the COVID 19 pandemic resolution framework prescribed by RBI for Micro, Small and Medium (MSME) sector vide Circular no. DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020, the Corporation had restructured 84 loan accounts amounting to Rs.14516.36 Lakh and classified under Standard category. Additional provision of 5% (minimum norms) amounting to Rs.725.82 Lakh has been made on these loans. Under Resolution framework for Covid-19 related stress as per RBI Circular dated May 5, 2021 (Resolution framework 2.0) the Corporation had restructured 428 loan accounts amounting to Rs.33790.79 Lakh have been restructured and classified under Standard category. Additional provision of 10% (minimum norms) amounting to Rs.3379.08 Lakh has been made on these loans. Further during the year 41 loan accounts amounting to Rs.6202.58 Lakh which have been restructured on account of extension of DCCO have been given additional provision of 5% (minimum norms) amounting to Rs.310.13 Lakh.



Other than loans restructured on account of relief measures announced by RBI, the corporation has restructured 56 loan accounts amounting to Rs.4477.36 Lakh and are classified under Substandard category. Provisioning has been made at 77% amounting to Rs.3447.57 Lakh on these loan accounts. During the year there was no diminution in the fair value of restructured advances.

3) Bad debts Written Off

During the year the corporation has written off 508 loan accounts amounting to Rs.10494.61 Lakh as bad Debts (technical write off to maintain asset quality) (72 accounts amounting to Rs.9959.09 Lakh written off during FY 2021-22). Further the Corporation has actually written off Rs.46.30 Lakh during the year (Rs.56.66 Lakh during FY 2021-22). Thus the total bad debts written off amounts to Rs.10540.90 Lakh during the year (Rs.10015.75 Lakh during FY 2021-22). Constructive steps have been initiated for the recovery of these accounts and the amounts as and when recovered are treated as revenue. Rs.10027.78 Lakh have been received as recovery from loans technically written off in earlier years (Rs.9243.54 Lakh during FY 2021-22). As on 31.03.2023, the balance outstanding of technically written off bad debts pending to be recovered amount to Rs.79214.87 Lakh.

4) Loan Recovery expenses

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

5) Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non-performing assets , a judicious provision of 77% (62% in FY 2021-22) is made for all Substandard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made. The total PCR works out to 84.89% as on 31st March 2023 (76.94% as on 31st March 2022) as per the RBI circular DBOD.No.BP.BC. 64 /21.04.048/2009-10 dated December 1, 2009 and Circular no. DBOD.No.BP.BC. 87 /21.04.048 /2010-11 dated April 21, 2011.

Amount in Rs. in Lakhs				
Provisioning Coverage Ratio (PCR) as on Mar 31, 2023				
1	2	3	4	5
Sl No	Particulars	Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts	Ratio of (4) to (3)



			classified as NPAs plus Technical write off	
1	Sub-Standard Advances	20335.90	3117.07	15.33
	Doubtful Advances (a+b+c)	10494.61	10494.61	100.00
2	a	< 1 year	10494.61	100.00
	b	1-3 Years	0.00	0.00
	c	>3 years	0.00	0.00
3	Advances classified as Loss Assets	0.00	0.00	
4	Total	30830.51	13611.67	44.15
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)			12559.62
6	DICGC / ECGC claims received and held pending adjustment			0
7	Part payment received and kept in Suspense Account or any other similar account			0
8	Total (Sum of column 4 of Row 4+ Row 5 + Row 6+ Row 7)			26171.29
9	Provision Coverage Ratio {(Row 8/Total of Column 3 of Row 4)*100}			84.89

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

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

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

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

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



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

SI No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 22-23		During FY 21-22	
		%	Amount (Rs. In Lakhs)	%	Amount (Rs. In Lakhs)	%	Amount (Rs. In Lakhs)
1	Standard Assets- Micro & Small	0.25	817.33	0.25	817.33	0.25	710.10
	Standard Assets- Medium	0.40	1098.22	0.40	1098.22	0.40	566.40
	Standard Assets- CRE	1	311.18	1	311.18	1	339.01
2	Additional provision for loans restructured as per RBI resolution framework for MSME sector vide Circular no. DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020	5	725.82	5	725.82	5	926.31
3	Additional provision for loans restructured as per RBI resolution framework 2.0 for Covid-19 related stress as per RBI Circular dated May 5, 2021	10	3379.08	10	3379.08	10	5123.55
3	Additional provision for loans restructured as per RBI guidelines on account of extension of DCCO during the FY 22-23	5	310.13	5	310.13	5	0.00
4	Sub Standard Assets- FB limits	15	3003.32	80	15417.02	62	9467.48
	Sub Standard Assets- CGTMSE (Secured portion)	15	35.30	80	181.22	62	121.51
	Sub Standard Assets- CGTMSE (Un Secured portion)	100	78.45	100	78.45	100	65.33
5	Doubtful Assets (up to 1 year)	25	NA	NA	NA	NA	NA
Total Provision made			9758.82		22318.44		17319.69

6) Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2021-22 is given below.

(Rs in Lakh)

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



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

7) Assets taken over under Section 29

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

8) Recovery under Adalath Schemes

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

9) Units under IBC ,2016

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

10) Physical possession under SARFAESI Act 2002

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

11) Revenue Recovery

During the year the Corporation has initiated Revenue Recovery action against 25 units having principal outstanding of Rs.7478.46 Lakh.

2.3 Projects with Subsidies

a) KSEDM

KSEDM scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was Rs.20 Lakh without any interest with a repayment period of 5years. The scheme was in operation from 2011 to 2017. The Corporation had received Rs.6228.91 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 22-23. Rs.6231.58 Lakh has been spent till 31.03.2023 for the KSEDM project. As on 31.03.2023, Rs.4.29 Lakh is receivable from the government and is shown under the head KSEDM Interest receivable under Other



Current assets. The Corporation has taken up with Government for providing the funds to meet the interest receivable and it is expected that the funds will be received during the FY 2023-24.

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

The scarcity of capital and inadequate availability of credit facilities are the major problems confronted by small entrepreneurs. Under the above backdrop, Govt. of Kerala has launched a special scheme called Chief Minister's Entrepreneurship Development Programme (CMEDP). The scheme envisaged a maximum loan amount of Rs. 50 Lakh with a repayment period upto 5 years at an interest rate of 7%, where 3% interest subvention is provided by Govt. of Kerala. During 2021-22, the Corporation sanctioned assistance worth Rs.1020.19 Lakh to 67 units and disbursed Rs.734.12 Lakh to 58 units under this scheme.

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

b) NORKA (NDPREM) scheme

NORKA ROOTS has formulated 'Norka Department Project for Rehabilitation of Return Emigrants' (NDPREM) Scheme' for returned immigrants. They will be eligible for Capital subsidy of 15% of project cost (Maximum Rs.3 Lakh) and interest subvention of 3% by NORKA Roots. During the year, the Corporation disbursed Rs.302.13 Lakh to 23 units under this scheme. The Corporation has received a capital subsidy of Rs 139.70 lakh from NORKA Roots as on 31.03.2023.

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

The Corporation started a Comprehensive Scheme for Financing Startups named 'Startup Kerala' to assist Startups during all stages of their growth starting from Productization/ Commercialization/ Scaling Up, Financing Working Capital Requirements of Startups for Executing Purchase/ Work Orders, Seed Loan Assistance to Startups for developing socially relevant products, Venture Debt etc. A pool of Rs.50 Crore was set aside for this purpose. The maximum assistance is Rs.25 lakh for productization, up to Rs.50 lakh for commercialization and up to Rs.100 lakh for Scaling up, subject to 90% of the project cost at each stage. Further, there are provisions for easy finance for executing Purchase Orders, discounting Bills and also for availing Venture Debt funding up to Rs.1000 lakh. During the year, the Corporation sanctioned Rs. 2028.00 lakhs to 21 startups and disbursed Rs.723.03 Lakhs.

2.4 Investments

Out of the investments of Rs. 126.44 Lakh, provision for diminution in value of investments of Rs.74.38 Lakh have been provided for investments other than KITCO, Kerala Infrastructure Fund Management Ltd and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. The



Corporation had decided to divest the stake in India SME Asset Reconstruction Co at Rs.9.80 per share to Dhansamridhi Finance Pvt Ltd as per the divestment proposal putforth by SIDBI, however the divestment process has been cancelled as RBI did not approve the proposal. For KITCO and Kerala Infrastructure Fund Management Ltd, the Corporation have valued the shares on the basis of latest available financial statements and found that the values are above book value.

The Corporation had invested Rs.6080 Lakh in April 2018 in Secured Redeemable NCDs issued by M/s. RCFL as part of compliance of Non SLR Bond Issue Series 2018. However due to the crisis in NBFC sector, the Company defaulted and the resolution process was initiated by RBI. The Corporation received Rs.810.23 Lakh till now as part of prorata distribution of funds by the Company which has been reduced from the invested amount and 100% provision is made for the balance principal amount as a matter of prudence.

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

2.5 Income Tax Assessments

Income tax return is filed up to Assessment year 2022-23. Assessment have been completed up to Assessment year 2022-23. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2012-13, 2013-14, 2014-15, 2016-17 and 2019-20. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal have been remanded to Commissioner (Appeals). The Appeal filed for AY 2018-19 is pending for disposal with Commissioner (Appeals).

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

2.6 Deferred Tax Liabilities

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

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



2.7 Indirect taxes

Service tax -

Service Tax was replaced by GST from July 2017. Litigations under Service Tax regime was settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS) except for OIO No.03/2018-19 dated 22.05.2018 with a demand of Rs.64.82 Lakhs, pending with CESTAT, Bangalore and OIO No.09/ST(DC)/DIV/2021-22 dated 28.07.2021 with a demand of Rs.30.53 Lakh pending for disposal with Commissioner (Appeals). SCN 08/2019/ST dated 11.04.2019 is pending with the Jurisdictional Assessing Officer for disposal.

Goods and Service Tax (GST)

GST was implemented all over the country w.e.f 01.07.2017. All the indirect tax registrations of Branch offices and Head Office are brought under one common registration under GST and is managed centrally from Head Office. The Annual Returns under GST regime, GSTR 9 and GSTR 9C are filed till FY 2021-22.

2.8 Related Party Disclosures as per AS 18

A. List of Related Parties

- Holding Company - NIL
- Subsidiary Companies - NIL
- Key Management Personnel – Sri Sanjay Kaul IAS , Chairman and Managing Director (from 01.06.2021 till date),

B. Related party Transactions

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

2.9 Impairment of Assets

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2023, as to whether there is any indication that an asset or a class of assets is 'impaired' and since there were no incidences of such impairment indicators, no provision has been made.

2.10 Advance for fixed assets.

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

2.11 Segment Reporting

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



A. Primary Segment (The Business Segment)

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

B. Secondary Segment (The Geographical Segment)

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

2.12 Contingent liabilities

The contingent liabilities as on 31.03.2023 are estimated as under

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

2.13 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs.400.34 Lakh relates to M/s.Jayalakshmi Builders, Thiruvananthapuram and is retained as such. The acquisition was done in the financial year 2008-09 and accounted as recovery from NPA account in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value is Rs.566.54 Lakh which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims.

2.14 Suspense Account

The amount outstanding in Suspense Account amounting to Rs.318.95 Lakh as on 31.03.2023 comprises of unidentified credits received in loan accounts during year end, as per court orders, benefits to employees held back for want of details and amount to be refunded in respect of contractor loans. The balance amount lying in Suspense account as on date is being rectified.

2.15 Secured / Un-secured Loans.

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. During the year the Corporation availed loans amounting to Rs. 2,71,006.42 Lakh and repaid Rs. 1,18,381.57 Lakh. The loan outstanding as on 31.03.2023 is Rs. 5,06,830.70 Lakh out of which Rs. 76,499.99 Lakh is foreign currency loans taken from State Bank of India & South Indian Bank for tenors not exceeding 183 days on a fully hedged basis. All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. The premium amortised during the year ended March 31, 2023 is Rs 3668.15 Lakh and the deferred premium as on March 31, 2023 is 781.40 Lakh. The balance outstanding of Foreign Currency Loan as on March 31, 2023 reinstated at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of



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

2.16 Non SLR Bonds

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The NCDs issued without Government guarantee are rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee. The total outstanding bonds of KFC as on 31.03.2023 aggregate to Rs.112050.00 Lakh as given below.

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

* Issued with Government guarantee

Partial Redemption done

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

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund'(REF) equal to 0.01% of the issue size subject to maximum of Rs.25 Lakh shall be created, as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020 which shall be utilized in a manner decided by holders of securities in case of default. The provisions of this circular were made applicable w.e.f. January 2021 and accordingly the amount deposited by Corporation towards REF with BSE as on March 31, 2023 is Rs.12.77 Lakh.

As per SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144 dated 26th November 2018 for fund raising by issuance of Debt Securities by Large Entities and disclosures and compliances thereof by Large Corporate, the Corporation had submitted necessary disclosures with Stock exchange from FY 2020 onwards. However, upon verification of the applicability of the above Circular, it is confirmed that even though the Corporation satisfy the first two conditions specified for being Large Corporate (ie. Securities listed on recognized stock exchanges and Long term borrowings outstanding for Rs.100 crores and above), the corporation is having a standalone rating of A+ only and rating of AA is assigned as part of a credit enhancement structure, hence not satisfying the third condition. Accordingly, the Corporation does not fall under Large Corporate category as per the framework mentioned in the aforesaid circular.

2.17 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.3083.01 Lakh (Rs.3199.90 Lakh during FY 21-22). This includes Employee Pay & Allowances for the year of Rs. 2737.00 Lakh (Rs. 2570.32 Lakh during FY 2021-22).



2.18 Employee Payments and Retirement Benefits

The Corporation contributes towards Group gratuity Scheme and Group Leave Encashment Scheme administered by Life Insurance Corporation of India (LIC) for eligible employees as per the actuarial valuation and demand raised by LIC and are reckoned as expenditure for the concerned period.

The Summary of actuarial assumptions used in valuation is as below.

- Discount rate 7.180%
- Salary escalation rate 5.00%
- Employee turnover rates - 2%
- Mortality rates - IALM 2012-14

The Fair value of the Plan assets and the Present value of obligations as at March 31, 2023 for both the schemes is as below.

Particulars	Rs in Lakh	
	PV of obligation	Fund value
Group gratuity Scheme	1137.92	1283.33
Group Leave Encashment Scheme	682.40	899.83

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

Sl No	Particulars	Gratuity	Leave encashment
1	Defined Benefit Obligation	1137.92	682.40
2	Fair value of plan assets	1283.33	899.83
3	Funded status -(surplus)/deficit	(145.41)	(217.43)
4	Unrecognised past service (cost)/credit	-	-
5	Liability/(asset)	(145.41)	(217.43)

The Calculation of actuarial gain/loss for both the schemes is as below.

Sl No	Particulars	Gratuity	Leave encashment
1	Current service cost	56.32	147.86
2	Interest cost	74.98	47.46
3	Expected return on plan assets	(92.87)	(62.59)
4	Actuarial loss/(gains)	9.85	(136.85)

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

2.19 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of Rs.907.22 Lakh has been made for the payment due from FY 2014-15 to FY 2021-22 as on 31.03.2022. The provision for the year 2022-23 is kept as Rs.45 Lakhs based on the calculations for last year. Hence as on 31.03.2023 the total amount provided is Rs.952.22 Lakh, break up is as below.



Year	Amount in Lakh
FY 2014-15	94.54
FY 2015-16	100.47
FY 2016-17	150.76
FY 2017-18	157.92
FY 2018-19	157.00
FY 2019-20	135.86
FY 2020-21	49.86
FY 2021-22	60.80
FY 2022-23	45.00
Total	952.22

The establishment charges have not been paid as there is dispute in the calculations made by the Corporation and demand given by the Revenue Department.

2.20 Interest Income and rebate

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during FY 22-23 are Rs.55443.83 Lakh and Rs.1079.42 Lakh (Rs.39957.62 Lakh and Rs.692.96 Lakh during FY 21-22) respectively.

2.21 Commission on Performance guarantees issued

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However, the commission in respect of the unexpired portion of the guarantee is reversed at the year end. During the FY, total commission collected upfront from Performance guarantees issued (including extension of Performance guarantees issued in previous FYs) amounts to Rs 408.19 Lakh (Rs. 107.40 Lakh during the FY 21-22), out of which Rs 93.13 Lakh pertains to this FY (Rs. 18.44 Lakh during the FY 21-22) and Rs 315.06 Lakh (Rs. 88.96 Lakh during the FY 21-22) pertains to future FYs.

Out of the unexpired portion of Commission accounted during FY 2021-22 (Rs.88.96 Lakh), Rs.35.84 Lakh is recognized as income during this year and out of the unexpired portion of Commission accounted during FY 2020-21 (Rs.73.35 Lakh), Rs.15.66 Lakh is recognized as income during this year and out of the unexpired portion of Commission accounted during FY 2019-20 (Rs.89.48 Lakh), Rs. 17.61 Lakh is recognized as income during this year. Thus, the total income recognised during the year is Rs.162.24 Lakh.

2.22 Ageing of trade payables and trade receivables

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

2.23 Provision for Income Tax

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



Taxable income calculated as per IT Act	-	Rs. 14262.35 Lakh
Income tax thereon	-	Rs. 3589.55 Lakh

2.24 Dividend and Special Reserve Fund

The Board of Directors has proposed a dividend of 5% (Previous year -0.25%) for the year ended March 31, 2023, subject to the approval of the shareholders at the ensuing Annual General Meeting. The Capital adequacy ratio after considering the impact of proposed dividend is 25.02% as at March 31, 2023.

As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs 10.66 Lakh will be transferred to Special reserve fund.

2.25 Grants and Subsidies

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates. The interest on Coconut Development Board Subsidy of Rs. 48.57 Lakh (Rs.63.90 Lakh during FY 21-22) is shown under the head Interest and fund-expenses.

2.26 Prior period items

There are no prior period adjustment made during this year .

2.27 Previous Year's Figures

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

For and on behalf of the Board of Directors


Seva.K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director


Sanjay Kaul IAS
Chairman & Managing Director

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

Thiruvananthapuram

Date: 27.05.2023


Selastin A. FCA

Partner, M No: 202874





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