

KERALA FINANCIAL CORPORATION

ANNUAL REPORT 2017-2018





Somatheeram Beach Resort, Trivandrum



Sidus Natural Products Pvt. Ltd., Pathanamthitta



Neotech Amusements & Resorts Pvt. Ltd.
(Fantasy Park), Palakkad



Golden Globe Industries, Kottayam



B3 Macbis Ltd., Ernakulam



Sahina Cinemas, Kannur



Camlot Convention Centre, Alappuzha

ANNUAL REPORT

2017-18



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MESSAGE



Pinarayi Vijayan
Chief Minister
Government of Kerala

I am happy to note that Kerala Financial Corporation has been energized with a strategy to double its business in next three years. KFC has also switched over to base rate interest structure with a minimum rate of 9.5% and more efficient credit system. The Corporation's role in the industrial development of the state is significant. I hope that KFC will continue its role of supporting startups and scale new heights in its endeavor.

I extend my good wishes to KFC and its customers.



Pinarayi Vijayan

MESSAGE



I am happy to note that KFC has put in strategies to double its business in next three years. Changeover of the interest rate regime to base rate structure is a key move in this regard. The Business Conclave conducted recently by the Corporation was a great success.

I am also happy to note that the net profit of the Corporation is increased to Rs.8.30 Cr during the FY 2017-18 and also the net NPA has come down to 2.03%, which is an industry leading performance. I am sure that these efforts would definitely enable KFC to secure a better credit rating, thereby lowering the cost of funds, lending at competitive rates and increasing its loan portfolio. The endeavor of the Corporation shall be to become the best SFC of the country.

I wish all the employees, customers and stakeholders of KFC all success and progress in achieving the aspirational target set for itself.

A handwritten signature in black ink, appearing to be "M. Thomas Isaac", with a long, sweeping flourish extending upwards and to the right.

M. Thomas Isaac

BOARD OF DIRECTORS



Sri. Sanjeev Kaushik IAS
Chairman & Managing Director



Sri. M.G Rajamanickam IAS
Managing Director (Till 18.11.2017)



Sri. K. N Satheesh IAS
Director (Industries & Commerce)
Govt. of Kerala



Smt. Sharmila Mary Joseph IAS
Secretary
(Finance & Expenditure)



Sri. Allada Sreenivas
Chief General Manager, SIDBI



Sri. A. Aravind
General Manager, SBI
(Till 07.03.2018)



Sri. Vatsakumar
Dy. General Manager, SIDBI



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



Sri. Alok Kumar Sharma
General Manager, SBI



Sri. Anilkumar Parameswaran
Chartered Accountant



Smt. Santha Varkey
(Senior Divisional Manager, LIC)



Smt. Premilla.V. Nair, FCA
Chartered Accountant
(Till 10.09.2017)



PRINCIPAL OFFICERS (AS ON 31.03.2018)

General Managers

Premnath Ravindranath
Mushtaq Ahammed M

Deputy General Managers

C Janardhanan
P B Sreekumar
K S Rajeev
Ajith Kumar K
K G Ajithkumar
Adarsh R
K G George

Assistant General Manager (Finance & Accounts)

Soya K

Statutory Auditors

JAKS & Associates, Chartered Accountants
Thiruvananthapuram

KERALA FINANCIAL CORPORATION

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

H.O: Vellayambalam, Thiruvananthapuram - 695 033.

Phone: 0471-2737500 (30 lines) Fax: 2311750,2318541, 2313813, 2722090

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

NOTICE TO SHARE HOLDERS

Notice is hereby given that the 65th Annual General Meeting of the shareholders of Kerala Financial Corporation will be held at the Head Office of the Corporation, Vellayambalam, Thiruvananthapuram on Wednesday, 18th of July, 2018 at 11.00 A.M. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March, 2018 and the Profit & Loss account for the year ended 31st March, 2018 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2017-18 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2018-19 under Section 37 (1) of the SFCs Act.

By Order of the Board



General Manager-I

Place : Thiruvananthapuram,

Date : 27.06.2018

NOTES:

1. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 10.07.2018 to 18.07.2018 (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.

DIRECTORS' REPORT

To

The Members,

It gives us immense pleasure to present before you the 65th Annual Report on the business and operations of the Corporation and the accounts for the Financial Year ended March 31, 2018. KFC is one of the premier financial institutions in Kerala extending long standing contributions towards the economic, industrial and social development of the state. The financial and operational performance during the year and prospects for 2019-20 are detailed in the report. The Corporation has been able to deliver greatly improved performance in FY 2017-18, inspite of many challenges it encountered. The year under review unfolds the exemplary performance of the Corporation measured in terms of higher sanctions and recovery, significantly reduced NPA levels and a robust loan portfolio.

KFC is offering loans at competitive terms with a customer friendly approach to benefit existing and new age entrepreneurs. The Corporation is striving to deliver even better performance in the coming years by repositioning itself as a partner of choice for MSME entrepreneurs through a focussed strategy. Our journey towards being one of the best Financial Corporations, if not best, in the country would not have been possible without the support and trust of our employees, customers, regulators and the Government and we look forward to their continued support in all our future endeavours.

Financial Highlights of the Corporation

Our present operational focus is to consolidate our business so that we improve the quality of our portfolio and strengthen our balance sheet. An analysis of the operational performance of the Corporation during the last three years would clearly demonstrate the visible results of this strategy:-

₹ in Crores			
Financial Year	2017-18	2016-17	2015-16
Portfolio Size	2451.79	2474.11	2400.19
Sanctions	723.93	385.31	1025.99
Disbursements	600.23	655.27	838.36
Recovery	944.67	874.28	758.26
Interest Income	319.50	305.16	272.06
Total Income	376.88	364.73	308.47
Total Expenditure	356.69	356.86	261.21
Operating Profit	20.19	7.87	47.27
Net Profit	8.30	5.69	5.33
Net worth	441.08	435.45	429.16
Capital Adequacy Ratio %	17.26	17.03	17.65
Gross NPA %	6.37	8.51	10.57
Net NPA %	2.03	4.25	5.93

The Corporation has achieved the highest ever recorded figures for recovery and interest income through stellar performance against the backdrop of difficult macroeconomic conditions faced through out the year. We continued to concentrate on the recovery front to improve collections so as to reduce NPAs and this has yielded positive results as can be seen in the abstract above. Effective recovery strategies were put in place and recovery has touched an all time high of Rs.944.67 crore. At the same time, through a cautious approach quality loans were sanctioned, thereby achieving a growth rate of 88% over the previous year. The Corporation has successfully raised low cost finance from Central

agencies and from the debt market which in turn has helped us to reduce the cost of funds. This benefit is being passed on to our valued customers in the MSME sector.

Our focus during the year ahead would be on expanding a high quality business portfolio by becoming more and more competitive with our peers in the sector. It is expected to be challenging as we endeavour to reduce our cost of borrowings in a rising interest rate scenario thereby reducing the cost of lending to reach out to our customers. This is envisaged to be done by moving to a base rate regime which will be pegged to our cost of borrowing. Our credit policy and appraisal process have also been revamped to streamline the process of sanctions and disbursement with in a time bound manner. Appraisal systems are being strengthened by centralising the process at Zonal offices in order to ensure that financial assistance is provided judiciously. Several steps are being taken to improve the quality of our loan portfolio by continuously reviewing and recovering non performing assets. The Corporations settlement policies have been made more objective and realistic to facilitate easy exit and settlement for chronic defaulters. A One time Settlement adalath and recovery drives are being undertaken during the year. With the strong support of State government, the Corporation will be able to accomplish much better performance with strong growth across all operational parameters .

Operating Results:

Revenue from Operations:

Net Profit

The operating profit increased by 156.54% to Rs. 20.19 crore and net profit grew by 45.87% to Rs.8.30 crore.

Sanctions and Disbursements

The Corporation sanctioned financial assistance of Rs.723.93 Crore during the FY 2017-18 when compared to Rs.385.31 crore during the previous FY, a growth of 87.88%. An amount of Rs.600.23 crore was disbursed during FY 2017-18 as against Rs.655.27 crore during the previous financial year. This was due to (a) time lag between sanction and disbursements and (b) very high sanction in previous years. We followed a deliberate strategy of focussing only on strong business.

₹ in Crores

Sanction	2017-18		2016-17	
Segment	No.	Amount	No.	Amount
Micro	659	717.33	610	372.08
Small	9	5.60	19	6.14
Medium	1	1.00	5	7.09
Total	669	723.93	634	385.31

Recovery

The Corporation has a well-built monitoring mechanism for recovery and with persistent and continued efforts, recovery during the year has exceeded targets and has touched an all time high. The total amount collected increased to Rs. 944.67 crore during the year compared to Rs.874.21 crore during FY 2016-17. Out of the total recovery, an amount of Rs.46.07 crore was by way of compromise settlement and recovery from written off loans. On the recovery front, the interest income increased to Rs.319.50 crore from Rs.305.16 crore during the previous year.

Asset Quality:

The challenging economic situation aggravated by the demonetization announcement and implementation of GST resulted in a difficult FY for all financial institutions. A macroeconomic recessionary trend coupled with policy changes in earlier years have affected many of our assisted units. The resultant spike in NPAs was one of the major areas of concern. However to contain NPAs, special efforts were made and relief measures like reduction in rate of interest, incentive for prompt repayment, compromise settlement etc were extended to eligible borrowers. Continuous monitoring of assets is being rigorously done in order to enhance the quality of our assets.

The Gross NPA level of the Corporation as on 31st March, 2018 stood at Rs.156.11 crore compared to Rs.210.61 crore as on 31st March 2017 and its percentage to Gross Advance stood at 6.37 % compared to 8.51 % as on 31st March, 2017. The Net NPA level as on 31st March, 2018 stood at Rs.47.09 crore compared to Rs.99.66 crore as on 31st March, 2017. The percentage of Net NPA to Net Advances was 2.03 % as on 31st March, 2018 compared to 4.25 % as at the end of the previous year. Our provision- coverage ratio is currently quite comfortable at a level of 70%.

Sector wise Classification of Loans & advances

As on 31.03.2018, the Sector wise Classification of Loans & advances is as below.

Sl No	Sector	As on 31.03.18			As on 31.03.17		
		No	Amt in Lakhs	%	No	Amt in Lakhs	%
1	CRE	342	47700.25	19.46	341	49124.23	19.85
2	Manufacturing	1559	69679.11	28.42	2790	77931.34	31.50
3	Services	2538	127800.13	52.12	2366	120355.86	48.65
	Total	4439	245179.49		5497	247411.45	

Capital Adequacy Ratio:

The Capital to Risk- weighted Assets Ratio (CRAR) has improved to 17.26% from 17.03% as against the minimum of 9 % prescribed.

Dividend:

During this year the corporation has not proposed any dividend as it consolidates its business, passes on the benefit of market aligned interest rates to customers and cleans up its portfolio.

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 Resource Mobilisation Committee was reconstituted with CMD as chairman and renamed as Asset Liability Management Committee (ALCO) to continuously monitor, measure and manage the risks confronting the Corporation and establish a formal and effective Asset Liability Management (ALM) system. 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.

ISO Certification:

The Quality Management Certificate was validated and changed over to new version IS/ISO 9001-2008 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license has been renewed by BIS till 21st June, 2019. At present, all the offices of the Corporation continue to hold the Quality Management System Certificate.

Other Financial Service Activities:

IRDA has approved the Corporation for acting as Corporate Agent for procuring or soliciting insurance business (Licence No. NIA 9664897). The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 13th July 2019. The Corporation mobilised substantial premium in general insurance activity by marketing the insurance products and earned a gross commission of Rs.13.16 Lacs. A Board approved Policy on the manner of soliciting and servicing insurance products is in place. The Policy include the approach to be followed by the corporate agent in having single or multiple tie-ups, the partners in the tie-ups, the business mix, the type of products sold, grievance redressal mechanism and reporting requirements.

Share Capital:

The paid up share capital of the Corporation as on March 31st 2018 is at Rs.221.86 crore. Rs.4.64 crore received from government for implementation of Interest Subvention scheme is shown as advance towards share capital pending

approval from SIDBI as on 31.03.2018. The concurrence of SIDBI and government for considering the same as share capital is now received and share certificate is issued to government on 11.05.2018.

Networth:

The Corporation's net worth improved to Rs.441.08 crore as on 31.03.2018 from Rs. 435.45 crore as on 31.03.2017.

Shareholder information:

The composition of shareholders as on March 31, 2018 is furnished below:

₹ in Crores		
Shareholders	Rs. in crore	% of Shareholding
Government of Kerala	215.629	97.19
SIDBI	6.133	2.76
LIC	0.071	0.03
SBI	0.021	0.01
Others	0.009	0.01
Total	221.864	100.00

Resource mobilisation

a) LOC from Commercial Banks / SIDBI

The Corporation availed Rs.670 crore as Term loan from various commercial banks / financial institutions at their base rates / MCLR linked rates during the FY 2017-18. The loan outstanding from SIDBI was closed during the year. The aggregate outstanding LOC from banks and other financial institutions at the year end was Rs.1266.26 crore at a weighted average cost of 8.66%.

b) Non SLR Bonds:

The Corporation issued Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Bonds of Rs.250 crore @ 8.69% with credit enhancement mechanism during the year without government guarantee. The pay in date and allotment date of the issue is 4th April 2018. The Corporation partially redeemed the fourth lot of KFC 9.99% Non-SLR Bond Series 1/2011 (ISIN: INE 818F08011) amounting to Rs. 50 crores on 28.12.2017 to reduce the cost of borrowing. The total outstanding bonds of KFC as on 31.03.2018 aggregate to Rs.700 crore. The Bond details are given below.

₹ in Crores					
ISIN	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
INE818F07013	9-May-16	8.90%	250	250	9-May-23
INE818F08037	30-Oct-14	9.15%	200*	200	30-Oct-24
INE818F08029	6-Jun-13	8.72%	200*	200	6-Jun-23
INE818F08011	28-Dec-11	9.99%	200*	50	28-Dec-18

* Issued with Government guarantee

An amount of Rs. 459.87 lakhs was paid to the State Government as commission for guarantees extended for the Bonds.

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 upto Rs.50 Lacs. As on 31st March, 2018, 177 accounts amounting to Rs.5.03 crore have been covered under the scheme.

Human Resources

Corporation recognizes that key resources for achieving high levels of excellence are its people who need to be motivated and developed. During FY 2017-18 training was imparted to 110 employees through different training programmes and promotion was given to 19 officers. As on 31.03.2018 the total staff strength was 203. During the FY 2017-18, 20 employees retired from service on attaining superannuation.

Corporate Governance:

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Its Loan Policy, Compromise Settlement Policy, Valuation Policy etc. were all reviewed by the Board during the year and wherever required necessary amendments were made. 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 providing reply under RTI. Prompt action is taken for replying the petitions received under RTI. 37 applications were received during the financial year. All applications have been disposed of within the time stipulated under RTI Act.

Internal Financial Controls

The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including safeguarding of assets, the prevention of and detection of frauds and errors, the accuracy and the completeness of accounting records and the timely preparation of reliable financial disclosures. The internal auditing, inspection and monitoring mechanisms are being strengthened and all employees are being equipped so that KFC has strong internal controls and presumptive corrective action is taken.

Board of Directors:

The details of Board of directors and their attendance in meetings during the year 2017-18 are given below.

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjeev Kaushik IAS	Chairman and Managing Director	24.01.2018 to till date	01	01
Shri.MG Rajamanickam IAS	Managing Director	18.08.2016 to 18.11.2017	02	02
Shri.Premnath Ravindranath	Managing Director i/c	18.11.2017 to 24.01.2018	01	01
Shri.Teeka Ram Meena IAS	Principal Secretary(Finance Expenditure)	24.03.2017 to 28.09.2017	01	Nil
Shri. P.M. Francis IAS	Director (Industries & Commerce)	21.08.2015 to 31.05.2017	04	Nil
Smt.Sharmila Mary Joseph IAS	Secretary(Finance Expenditure)	28.09.2017 to till date	03	01
Shri.K.N Satheesh IAS	Director(Industries & Commerce)	28.09.2017 to till date	03	01
Shri.Allada Sreenivas	Chief General Manager, SIDBI	25.07.2016 to till date	04	01
Shri.A. Aravind	General Manager, SBI	21.08.2015 to 07.03.2018	04	Nil
Shri.Alok Kumar Sharma	General Manager, SBI	07.03.2018 to till date	01	Nil
Shri.K Vatsakumar	Deputy General Manager, SIDBI	22.06.2015 to till date	04	01
Smt.Santha Varkey	Senior Divisional Manager, LIC	25.06.2016 to till date	04	03
Smt. Premilla V. Nair	Chartered Accountant	26.09.2011 to 10.09.2017	01	01
Shri.E.K. Harikumar	Chief General Manager(Rtd), SBT	11.09.2017 to till date	03	03
Shri.Anil Kumar Parameswaran	Chartered Accountant	11.09.2017 to till date	03	03

The Board of the Corporation met 04 times during the year on 03.07.2017, 28.09.2017, 21.12.2017 and 23.03.2018.

Board Committees:

The Board has two sub-committees- Executive Committee and Audit Committee. The Executive Committee met 04 times during the year on 29.05.2017, 28.09.2017, 11.01.2018 and 23.03.2018. Audit Committee met 03 times during the year on 03.07.2017, 12.12.2017 and 09.03.2018.

Advisory Committee:

An advisory committee has been nominated to advise and guide KFC in its future strategy and growth plans. It includes Prof Sushil Khanna, former chairman of KFC and Professor (Economics & Finance) at Indian institute of Management (IIMC) Calcutta and Sri S B Nayar, former CMD of India infrastructure Finance Company Ltd (IIFCL) and former DMD of state Bank of India as members.

Participative Management:

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by increasing their individual participation in the decision making process. Realising this, extensive delegation has been made at different levels across the state at the branch and zonal levels. At the head office also, the committee concept is widely used and decision making has been transparent and consultative. However in order to ensure objectivity and fairness, checks and balances, through various internal control and audit procedures are being followed rigorously. A new Internal Audit cell has been established to take pre-emptive control measures and prompt corrective action.

Annual General Meeting:

The last Annual General Meeting was held on 28.07.2017. M/s. JAKS & Associates , Chartered Accountants, were reappointed as Statutory Auditors of the Corporation for the financial year 2017-18 and they will hold the office till the conclusion of the Annual General Meeting to be held in FY 2018-19. Financial Statements for the year 2016-17 were approved in the Annual General Meeting.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Concurrent Audit of branch operations is also now in place through reputed Chartered Accountants on a monthly basis. Further compromise settlement sanction of above Rs.25 lakhs are also carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 lakhs is also in place. The internal control and auditing procedure in KFC is at par with prescribed industry standards.

The Comptroller & Auditor General of India has conducted audit of the accounts of the Corporation up to the FY 2016-17.

Corporate Social Responsibility (CSR)

Under Corporate Social Responsibility initiatives, the Corporation has conducted a wide range of social activities both in rural and urban areas to serve the community at large. 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. During FY 2017-18 an amount of Rs.4 Lakhs was spent for CSR activities.

IT Initiatives:

A. New web portal & Web site: A new webportal www.onlinekfc.org was launched on 13.04.2018. The responsive web portal is fully compatible with any devices. In the portal the Customers, Information seekers & employees can login and access their services offered such as KFC web portal, Online loan application, Link KYC, Customer Portal, Field Officer Diary, Social Media, KFC help line etc. All these applications are integrated with KFC's Core System for real-time information and with M-Governance for instant updates. The Online KFC is built on latest technologies which deliver head-to-head services offered by new generation financial institutions.

B. Online Loan Application: The advancements in technology have brought mobile and online services to the fore. KFC's Online Loan application portal development is over and its security audit is cleared by CERT-K/KSITM to go live. The customers can access the same through onlinekfc.org or through kfc.org website.

C. Customer Portal and Payment gateway system: KFC has now implemented the customer portal by which customers can login to the portal and know the details of transactions, due statement etc. The payment gateway is also being integrated with the system so that the customers can make repayment online. KFC has already signed the agreement with South Indian Bank in this regard. The portal can be accessed through www.onlinekfc.org and www.kfc.org website.

D. The Core Financial Solutions and integrated Administrative System(CFS&IAS), implemented by KFC with the support of TCS, connects all the branch, zonal and head offices and also automates all activities of KFC with centralised database under a secured environment .The system consists of an rich MIS system as a ready monitoring tool for the performance of the Corporation. The Corporation is now using Government's e-Procurement system for all tendering processes to make it transparent. KFC also has a detailed IT policy to support the effective usage of IT resources. The Corporation has excelled in e-governance through implementation of the Core Financial Solutions, Customer Portal & Payment gateway system, Online Loan application, centralised connectivity, dynamic website, m-governance, e-auction, etc thereby transforming KFC in to more customer friendly organization. The Corporation has also taken adequate security measures to take care of the disruptive cyber attacks targeting the IT system.

E. Up-gradation of Server hardware : The Core Financial Solution infrastructure up-gradation process is in progress with latest versions of Software and engineered hardware which integrates software, computer, storage, and network resources. Once the process is over, Corporation aims to improve system performance which will help to reshape the way services are offered to its customers. The technical evaluation of the requirements is in progress with the support of KSITM.

New initiatives

Several new schemes are initiated during the year in order to support start ups and MSME entrepreneurs. They include:

- Purchase Order finance scheme for start ups
- Venture Debt Scheme for entrepreneurs supported by Venture Capital equity.
- Start up Support Scheme for financing start ups working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology with interest moratorium during the first year of operation.
- Special thrust to manufacturing sector through the interest subvention scheme to support innovative projects.

Future Plans:

The year ahead in FY 2018-19 is expected to be challenging as we endeavour to reduce our cost of borrowings and there by reduce the cost of lending in order to target a high quality loan portfolio. To ensure professional services to our customers, new recruitments with professional qualifications from the banking sector are being done for building expertise in all operational areas. Separate Internal audit and Risk Management department is being set up. Internal auditing, inspection, and monitoring mechanisms will be strengthened. The credit policy and appraisal system are being revamped to focus on these endeavours. During the FY 2018-19, the Corporation targets sanctions of Rs.1200 Crore, an increase of 66%, so as to increase the book size to Rs.3000 crore. We plan to disburse around Rs. 1000 crore to the manufacturing, IT and other service sectors. Several steps are being taken to improve the quality of loan portfolio by reviewing and recovering non performing assets. Settlement and recovery drives will be undertaken during the coming year. The focus would be on expanding quality business portfolio by becoming more and more competitive in the financial sector for which business development efforts will be doubled and the profile of KFC would be enhanced to reach the widest possible client base. Our strategic objective is to build a sustainable organization that would go a long way in fulfilling the development goals of the state and remain a strong developmental partner in the economic development of Kerala.

a) Non SLR Bond issue

The corporation proposes to raise Rs.500 crore from the debt market by issuing Non SLR Bonds during financial year 2018-19 under credit enhancement mechanism without Government Guarantee. Of this Rs.250 crore has already been

issued in March 2018, the allotment and other listing formalities was completed in April 2018, to make optimum use of market conditions.

Directors' Responsibility Statement:

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the asset 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.

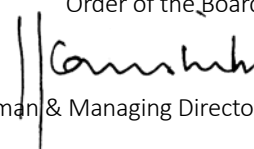
To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements that:

- a. in the preparation of the annual accounts for the financial year ended March 31, 2018, 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, 2018 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 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, 2018 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 thankfully acknowledge the valuable advice and support extended by Government of Kerala, Other Governmental Agencies and Departments and the Reserve Bank of India. The Board gratefully acknowledge the ongoing cooperation and support provided by the Corporation's shareholders, Vendors and Customers. The Board places on record their deep appreciation for the exemplary contribution made by the employees of the Corporation at all levels.

Thiruvananthapuram
18.06.2018

Order of the Board

 Chairman & Managing Director

Independent Auditor's Report

To,

The Members

Kerala Financial Corporation

Report on the Financial Statements

We have audited the accompanied financial statements of Kerala Financial Corporation ("the Corporation"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the provisions contained in the State Financial Corporation Act 1951 ("the Act"). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

Attention is drawn to point No. 2.12 of Note No. 20 regarding asset acquired in satisfaction of a claim. The Corporation recovered a NPA asset by acquiring the immovable property mortgaged by the borrower to the tune of Rs. 4 crore in the year 2008-09. However, the borrower filed a suit against the Corporation against acquiring the property hence the Corporation is not able to sell the property. In this situation, we are not able to assess the extent of recoverability of this asset.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of the matter described in the 'Basis for qualified opinion', the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Corporation as at 31st March, 2018;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Corporation for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Corporation for the year ended on that date.

Emphasis of Matter

1. The process of preparation of Fixed Asset Register and its reconciliation with books of account is not completed till date. Hence we are not in a position to verify the correctness of the value of Fixed Assets except for additions made during the year.
2. As regards the amount receivable from Government of Kerala (Rs.34.29 Crore) towards interest and expenses borne by KFC on loans under KSEDMD scheme, we have relied only on the scheme introduced by Government of Kerala as regards its recoverability.
3. We have come across many cases where valuation of immovable properties given as security have not been done every three years and property value is not updated in the system against outstanding loan amounts.
4. We have observed that there is no direct control by the Corporation on loans referred to Revenue Recovery Department (RRD). However, RRD does not have an adequate control system in the area of revenue recovery.
5. Though the provisioning done by the Management on Standard, Sub-Standard and D1 Loan Accounts is more than the rates prescribed by RBI and approved by the Board, the same has not been consistent.

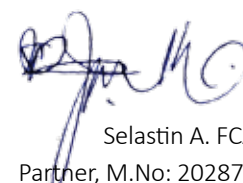
Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

As required by the Act, we report that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books.
- iii. The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and comply with the Accounting Standards referred to in Section 133 of the Companies Act ("Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent applicable.
- iv. In our opinion, the income recognition, asset classification and provisioning have been done as per the guidelines issued by the RBI/SIDBI from time to time.

For JAKS and Associates
Chartered Accountants
FRN: 001360 S



Selastin A. FCA
Partner, M.No: 202874

Thiruvananthapuram
18-Jun-2018

Balance Sheet as at 31st March, 2018

₹ in Lacs

	Particulars	Note No.	As at 31.03.2018	As at 31.03.2017
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	22,186.43	22,186.43
	(b) Reserves and surplus	2	21,457.92	20,894.10
	(c) Money received against share capital		464.00	464.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	1,75,860.38	1,61,146.10
	(b) Deferred tax liabilities (net)		778.79	535.76
	(c) Long-term provisions	4	13,352.30	12,836.96
3	Current liabilities			
	(a) Short-term borrowings	5	40,765.85	42,633.29
	(b) Other current liabilities	6	4,811.60	4,615.53
	(c) Short-term provisions	7	1,815.63	7,904.92
	TOTAL		2,81,492.90	2,73,217.09
B	ASSETS			
1	Non-current assets			
	(a) Tangible Assets	8	571.65	436.87
	(b) Non-current investments	9	49.50	49.50
	(c) Other non-current assets	10	1,99,120.31	2,00,660.87
2	Current assets			
	(a) Current investments	11	2,022.00	2,016.50
	(b) Cash and cash equivalents	12	16,505.99	1,166.91
	(c) Other current assets	13	63,223.45	68,886.44
3	Significant Accounting policies and Notes to Accounts	19		
	TOTAL		2,81,492.90	2,73,217.09

For and on behalf of the Board Directors



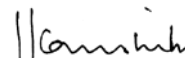
Soya K
Asst. General Manager



Premnath Ravindranath
General Manager(I)



Anil Kumar Parameswaran
Director



Sanjeev Kaushik
Chairman & Managing Director

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
18.06.2018

Statement of Profit and Loss for the Year ended 31st March 2018

₹ in Lacs

	Particulars	Note No.	For the year ended 31.03.18	For the year ended 31.03.2017
A	CONTINUING OPERATIONS			
1	Revenue from operations	14	37,054.44	35,606.98
2	Other income	15	633.93	865.52
3	Total revenue		37,688.37	36,472.50
4	Operating Expenses			
	(a) Interest expenses	16	19,044.84	20,073.91
	(b) Employee benefits expense	17	3,407.76	2,863.48
	(c) Administrative Expenses	18	639.78	502.80
	(d) Depreciation and amortisation expense		95.59	184.37
	(e) Bad debts written off		12,481.27	12,061.12
	Total expenses		35,669.24	35,685.68
5	Operating Profit before exceptional and extraordinary items and tax		2,019.13	786.82
6	Operating Profit After exceptional and extraordinary items and tax		2,019.13	786.82
7	Less: (a) Provision for Bad and Doubtful debts		515.34	-
8	Profit before tax		1,503.79	786.82
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		430.45	299.80
	(b) Provision for Deferred Tax		243.02	(82.45)
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		830.32	569.47
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		2.54	2.83
	(b) Diluted		2.49	2.77
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		9,343.50	8,778.59
	Net Profit for the year		830.32	569.47
	Total profit available for appropriation		10,173.82	9,348.06
	Add: Prior Period Income		-	58.56
	Less: Income Tax Short Provision		279.66	-
	Add: Income Tax Refund		13.16	
	Total		9,907.32	9,406.62
	Less: Appropriations			
	Transfer to Reserve u/s 36 (1) (viii)		50.64	63.12
	Balance Profit after appropriations		9,856.68	9,343.50
	Balance Profit carried to Balance sheet		9,856.68	9,343.50

For and on behalf of the Board Directors



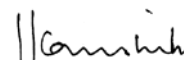
Soya K
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Director



Sanjeev Kaushik
Chairman & Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 001360S



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
18.06.2018

Notes Forming Part of Balance Sheet as at 31.03.2018

₹ in Lacs

	As at 31.03.2018	As at 31.03.2017
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
3,50,00,000 Equity shares of Rs.100 each	35,000.00	35,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
21746678 Equity shares of Rs.100/- each	21,746.68	21,746.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
TOTAL	22,186.43	22,186.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	11,286.39	11,223.27
Added during the year	50.64	63.12
Total of (a)	11,337.03	11,286.39
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(c) Profit & Loss Account	9,856.68	9,343.50
TOTAL {(a)+(b)+(c)}	21,457.92	20,894.10
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Borrowings from SIDBI	0.00	4,474.71
Refinance from IIFCL	20,000.00	0.00
LoC from Federal Bank	1,458.33	2,708.33
LoC from South Indian Bank	6,875.00	9,062.50
LoC from Indian Bank	3,500.00	10,000.32
LoC from State Bank of India	14,256.30	18,546.30
LoC from Canara Bank	28,437.50	32,187.50
LoC from Andhra Bank	27,166.58	14,166.44
LoC from Vijaya Bank	9,166.67	0.00
Non-SLR Bond	25,000.00	25,000.00
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	40,000.00	45,000.00
TOTAL	1,75,860.38	1,61,146.10
NOTE:4		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	12,836.96	12,836.96
Add: Provision made during the year	515.34	
Total of (a)	13,352.30	12,836.96

NOTE : 5		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
OD from Federal Bank	73.18	1,189.43
Short term loan from Federal Bank	5,000.00	0.00
Short term loan from South Indian Bank	10,000.00	10,000.00
LOC FROM BANKS (Current maturity)		
Loc from Andhra Bank	1,250.00	3,333.49
Loc from Federal Bank	1,145.83	1,875.00
Loc from Canara Bank	13,750.00	12,774.08
Loc from Indian Bank	500.00	3,332.90
Loc from State Bank of India	715.00	2,145.00
Loc from South Indian Bank	2,500.00	937.50
Loc from Vijaya Bank	831.84	0.00
Borrowings from SIDBI	0.00	2,045.89
UNSECURED BORROWINGS		
Non-SLR Bond (Current maturity)	5,000.00	5,000.00
TOTAL	40,765.85	42,633.29
NOTE : 6		
OTHER CURRENT LIABILITIES		
State Subsidy	6.54	0.00
Margin Money	0.00	0.23
Central Subsidy	0.00	27.80
Coconut Devp. Board Subsidy	972.46	826.96
Earnest Money Deposit	11.50	12.15
Suspense Account	118.35	309.12
Tax Deducted at Source	3.12	35.50
Other Salary Deductions	1.36	5.42
Other Sundry Deposits	24.98	28.95
Gratuity Payable	3.46	3.46
Outstanding Expenses	1,026.04	369.24
Salary Payable	0.30	0.92
Accrued Interest on Refinance from SIDBI	0.00	53.83
Accrued Interest on Non SLR Bonds	2,304.45	2,420.61
Accrued Interest on LOC from banks	199.96	422.81
Audit Fee Payable	2.50	2.50
Concurrent Audit Fee payable	2.63	3.31
Staff Dues Retained	98.39	92.60
Unclaimed Dividend	0.12	0.12
CGST Payable	17.19	0.00
SGST Payable	18.25	0.00
TOTAL	4,811.60	4,615.53
NOTE : 7		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	7,904.92	7,605.12
Add: Provision made for Short Provision	279.66	0.00
Provision made for the current year	430.45	299.80
Less: Adjusted against the Advance IT during the year	6,799.40	0.00
Total of (a)	1,815.63	7,904.92
TOTAL	1,815.63	7,904.92

NOTE : 8 FIXED ASSETS

Particulars	Rate	Gross value as on 31-03-2017	Additions during the year	Deletions during the year	Gross value as on 31.03.2018	Depreciation upto 31-03-2017	Depreciation for the year	Depreciation upto 31-03-2018	WDV as on 31.03.2018	WDV as on 31-03-2017
1	2	3	4	5	6	7	8	9	10	11
Land	0%	11.62	-	-	11.62	-	-	-	11.62	11.62
Building	10%	476.06	171.39	-	647.46	345.60	30.18	375.78	271.68	130.47
Motor Vehicle	15%	183.13	-	-	183.13	124.07	8.86	132.93	50.20	59.05
Electrical Fittings	10%	148.68	0.06	-	148.74	74.20	7.45	81.65	67.09	74.48
Air Conditioner	15%	39.49	2.04	-	41.53	31.32	1.53	32.85	8.68	8.18
Photocopier	15%	22.52	-	-	22.52	19.47	0.46	19.93	2.59	3.05
Computer	40%	543.43	6.22	-	549.65	475.83	28.44	504.27	45.38	67.60
Other office Equipments	15%	57.80	17.19	-	74.99	39.81	4.19	44.00	30.99	17.99
Lift	15%	9.75	-	-	9.75	7.09	0.40	7.49	2.26	2.66
Furniture	10%	159.81	33.47	-	193.28	113.41	7.93	121.34	71.94	46.40
Solar Power Generator	40%	76.85	-	-	76.85	61.48	6.15	67.63	9.22	15.37
Total		1,729.14	230.37	-	1,959.52	1,292.28	95.59	1,387.87	571.65	436.87
<i>Total (Previous year)</i>		<i>1,568.78</i>	<i>163.05</i>	<i>2.69</i>	<i>1,729.15</i>	<i>1,107.91</i>	<i>184.37</i>	<i>1,292.28</i>	<i>436.87</i>	<i>460.87</i>

NOTE : 9		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Sub Total	123.88	123.88
Less : Provision for diminution in value of investments	74.38	74.38
TOTAL	49.50	49.50
NOTE : 10		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	972.27	1,039.19
Conveyance Loan to Employees	89.55	113.42
Computer Loan to Employees	4.25	5.75
Personal Loan to Employees	52.89	51.75
Advance to Employees	10.62	16.15
Deposit with P&T	0.09	0.09
YBA Project Advance	0.00	176.14
Other Deposits	67.35	17.68
Deposit with KSEB	12.97	12.95
Deposit against Staff Dues Retained	98.39	92.60
Interest Accrued on Staff Loans	577.62	545.99
GTI Advance	2.14	2.28
Other Advances	0.56	1.15
Advance for Fixed Assets	53.05	21.38
Term Deposit with Banks	5,000.00	5,000.00
Loans and Advances	1,91,778.22	1,93,164.01
TOTAL	1,99,120.31	2,00,660.87
NOTE : 11		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	2,022.00	2,016.50
TOTAL	2,022.00	2,016.50

NOTE : 12		
CASH AND CASH EQUIVALENTS		
Cash in hand	26.44	92.09
Bank Accounts	16,479.55	1,074.82
TOTAL	16,505.99	1,166.91
NOTE : 13		
OTHER CURRENT ASSETS		
Advance Income Tax	3,633.66	9,563.48
Input Tax Credit	10.11	46.57
Income Tax Deducted at source	45.50	144.59
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	3.92	4.40
Prepaid Expenses	1.78	1.89
KSEDM Interest Receivable	2,820.08	1,751.68
KSEDM Expenses Receivable	299.19	299.08
Interest Accrued on Loans & Advances	2,727.97	2,522.38
Interest Accrued on STD with Banks	279.97	304.94
Loans & Advances (Principal Due within one year)	53,401.27	54,247.43
TOTAL	63,223.45	68,886.44
NOTE : 14		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	34,942.56	33,711.52
Less : Interest rebate allowed on Loans	2,992.50	3,195.29
Net Interest Received On Loans & Advances	31,950.06	30,516.23
Loan Processing Fees	389.03	340.72
Recovery from written off loans	4,607.08	4,678.99
Premium on pre-closure	108.27	71.04
TOTAL	37,054.44	35,606.98

NOTE : 15		
OTHER INCOME		
Interest on Staff Loans	92.11	98.53
Interest on Bank Deposits	410.05	399.41
Dividend From Shares	2.18	2.18
Other Income	6.86	227.85
Rent Received	90.81	97.16
Income from Insurance Agency	13.16	8.72
RTI Application Fee Received	0.02	0.02
Consultancy Service Division Receipts	0.36	15.63
Commision exchange and brokerage	18.38	16.02
TOTAL	633.93	865.52
NOTE : 16		
INTEREST AND FUND EXPENSES		
Interest on Bonds	6,676.83	6,917.15
Interest on Coconut Dev Board Subsidy	103.41	63.68
Interest on Refinance from SIDBI	157.65	837.44
Interest on Line Of Credit from Banks	11,585.47	11,761.60
Guarantee Commission	459.87	468.60
Bond Issue Expenses	55.41	25.31
LOC Administrative Expenses	6.20	0.13
TOTAL	19,044.84	20,073.91
NOTE : 17		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,295.70	2,373.87
Group Gratuity Insurance	633.93	126.50
Contribution to Employees' P.F	225.47	234.39
Group E/L Encashment Insurance	185.71	50.10
Group Term Insurance	2.91	4.41
Other Staff Expenses	64.04	74.21
TOTAL	3,407.76	2,863.48

NOTE : 18		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	93.50	99.58
Postage, courier and Telephone	25.72	30.04
Printing & Stationery	11.81	13.42
Vehicle Running & Maintenance	37.50	33.91
Repairs & Maintenance	99.75	65.62
Revenue Recovery expenses	176.99	99.98
Bank Charges and Commission	0.54	0.62
Audit Fees	2.50	2.57
Consultancy Charges	4.81	4.70
Legal Expenses	5.44	7.00
Books & Periodicals	2.23	2.16
Other Expenses	120.78	87.47
Loss on Sale of Fixed Asset	0.00	1.18
Travelling Expenses	15.77	15.78
Board / E.C. Meeting Expenses	3.67	3.46
Concurrent Audit Fee	23.38	22.56
Conference and Seminar Expenses	0.01	0.54
Advertisement and publicity	14.25	10.74
Business Development Expenses	1.13	1.47
TOTAL	639.78	502.80

For and on behalf of the Board Directors



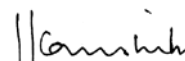
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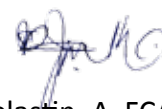
Anil Kumar Parameswaran
Director



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Chairman & Managing Director

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

Thiruvananthapuram
18.06.2018



Selastin. A FCA
Partner, M No: 202874

NOTE: 19

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 for providing medium and long term credit to industrial undertakings. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. The Corporation is engaged in extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector in the state.

Basis of Preparation

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

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

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. 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.

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.

The Corporation gives rebate to customers for prompt payment. The customers are eligible for rebate if the dues are paid within the prescribed period subject to their rating and other factors determining the rate of rebate. The 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. The rebate for prompt payment is deducted from interest income for reporting in the financial statements.

1.3. Cash flow Statement

Cash flow statement is prepared using indirect method. The Corporation is into financing as its core business activity and hence the changes in loans and advances are treated as changes in operating assets and considered for arriving cash flows from operating activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

1.4. Earnings per share

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

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 are 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.

Being into financing business, the corporation has made provisions for bad and doubtful debts in the financial statements. Specific bad debt provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of loans, subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines.

The corporation has provided 1% for all the standard advances and thus provision made is above the minimum prescribed by the RBI / SIDBI guidelines for standard advances. A judicious provision of 70% (50% in FY 2016-17) is made for Substandard advances other than CGTMSE loans. For CGTMSE loans, minimum provision of 15% as prescribed by the RBI / SIDBI guidelines is made with 100% provision for the unsecured portion. Till FY2015-16, the whole of Doubtful category was technically written off, whereas during the FY 2016-17, only about a portion (67%)of Doubtful category was technically written off and 60% provision was made for balance Doubtful category advances which was not technically written off. During this FY, all the doubtful advances are technically written off and charged to revenue to maintain asset quality.

1.6. Employee Payments and Retirement Benefits

Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Defined contribution plan: The Corporation contributes to the Provident Fund which is administered by duly constituted and approved independent trust by name KFC Employees Provident Fund Trust. Retirement benefit in the form of provident fund is a defined contribution plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Each employee contributes a certain percentage of his or her basic salary and DA and the Corporation contributes an equal amount for eligible employees. The employees will be paid the balance outstanding on 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.

Defined Benefit Plan: The Corporation contributes towards gratuity fund (defined benefit retirement plan) administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. Under

this scheme, the settlement obligations remain with the Corporation, although LIC administers the scheme and determine the contribution premium required to be paid by the Corporation. 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 actuarial valuation conducted and demand raised by LIC. The liability for terminal encashment of earned leave to the employees is also covered under the Group Leave Encashment Scheme of LIC and the contributions paid as per the valuation done by LIC. The amounts so paid are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2017-18 have been settled by LIC. The Corporation has provided Rs.4.72 crore during the year being the shortfall in gratuity fund due to increase in gratuity ceiling from Rs.10 Lakhs to Rs.20 Lakhs as per the notification dated 29th March 2018 in Payment of Gratuity Act, 1972.

1.7. 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 total loans and advances after technical write off amount to Rs.2451.79 crore. Advances amounting to Rs. 124.44 crore under Doubtful category have been written off as Bad Debts during this year. The recoveries from these written off cases are shown as Recovery from written off cases and are included in the Operating Income.

1.8. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and directly attributable to 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. Advance for fixed assets includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Fixed Assets are carried at cost of acquisition less depreciation. Depreciation on fixed assets has been provided for on written down value (WDV) method and at the rates prescribed under the IT Act, 1961. As per the IT Act, 1961 Computer includes computer software for reporting under the block Plant & machinery. Hence we have not shown Computer software 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. Based on Board approved policy, individual assets costing up to Rs. 5000 are charged to revenue in full in the year of purchase. Further the WDV of assets in the nature of electronic items up to the value of Rs. 10,000 and other assets up to the value of Rs. 5000 as on 31.03.2018 have been written off.

1.9. Investments

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.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Non-current investments are carried at cost. However 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.

1.10. Taxes on Income

Tax expense comprises 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 are those that are enacted, 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 enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. The Corporation has not made 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 the difference to be evened out is also not ascertainable. 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.

1.11 Contingent Liability

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 non-occurrence 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.

NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The paid up share capital of the Corporation as on March 31st 2018 is at Rs.221.86 crore. Rs.4.64 crore received from government for implementation of Interest Subvention scheme is shown as advance towards share capital pending approval from SIDBI as on 31.03.2018. The concurrence of SIDBI and government for considering the same as share capital is now received and share certificate is issued to government on 11.05.2018.

The details of shareholders holding more than 5% shares as on 31.03.2018 are as under:

Name of the Shareholders	As at 31.03.2018		As at 31.03.2017	
	No. of shares	% to total shares	No. of shares	% to total shares
Government of Kerala	21562937	97.19	21562937	97.19

Earnings per share

Calculation of EPS	2017-18	2016-17
a. Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	56381515	62802882
b. Number of Equity Shares outstanding (face value of Rs.100/- each)	22186428	22186428
Basic earnings per share (a) / (b)	2.54	2.83
c. Average number of weighted equity shares (22186428 existing + 214000 on account of amount received on 30.03.2014 and pending allotment+ 250000 on account of amount received on 31.03.2015 and pending allotment) (face value of Rs.100/- each)	22650428	22650428
Diluted Earnings per share (a) / (c)	2.49	2.77

2.2 Asset Classification and provisioning

1. Provisioning

The corporation has provided 1% for all the standard advances and thus provision made is above the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non performing assets, a judicious provision of 70% (50% in FY 2016-17) is made for Substandard advances other than CGTMSE loans. For CGTMSE loans, minimum provision of 15% as prescribed by the RBI / SIDBI guidelines is made with 100% provision for the unsecured portion.

If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.34.47 crore, where as the Corporation has provided an additional provision of Rs.93.90 crore over and above the minimum RBI stipulated norms. The corporation has provided Rs.22.96 crore for all standard advances which is above the minimum provision prescribed by the RBI / SIDBI guidelines. The Corporation has prudently made additional provision of 5% (minimum norms) amounting to Rs.1.54 crore in respect of 33 loans which are restructured as per RBI guidelines and classified under Standard category. The provision made in respect of Sub standard category advances is Rs.109.02 crore. Till FY2015-16, the whole of Doubtful category was technically written off, whereas during the FY 2016-17, only about a portion (67%)of Doubtful category was technically written off and 60% provision was made for balance Doubtful category advances which was not technically written off. During this FY, all the doubtful advances are technically written off and charged to revenue to maintain asset quality.

The total provision available during the FY was Rs.128.37 Crore and the provision needed during the FY is Rs.133.52 Crore. Hence additional provision of Rs.5.15 crore is made during this FY. Loans & Advances under Doubtful category have been written off (technical write off) to the tune of Rs.124.44 crore as bad debts. The Gross NPA accordingly will be 6.37% as against 8.51% as on 31.03.2017 and Net NPA will be 2.03 % as against 4.25% as on 31.03.2017.

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.

	Category of Assets	Minimum provision required (%) as per RBI norms	Provision actually made (%) and amount			
			During FY 16-17		During FY 17-18	
			%	Amount (Rs. In crore)	%	Amount (Rs. In crore)
1	Standard Assets- Micro & Small	0.25	0.25	4.06	1	17.79
	Standard Assets- Medium	0.4	0.4	0.19	1	0.45
	Standard Assets- CRE	1	1	5.92	1	4.72
	Additional provision for loans rescheduled on account of extension of DCCO					
	- If revised DCCO is within 2 / 1 year from original DCCO for infrastructure/ non infrastructure projects	0.4				
	- If revised DCCO is beyond 2 years and upto 4 or 3 years from original DCCO for infrastructure projects	5	5	3.66	5	1.54
	- If revised DCCO is beyond 1 years and upto 2 years from original DCCO for non infrastructure projects	5				
	Additional provision for loans not downgraded to Sub standard in compliance with RBI Circulars No. DBR.No.BP.BC.37/ 21.04.048/2016-17 dated 21.11.2016 and No. DBR.No.BP.BC.49/21.04.048/2016-17 dated 28.12.2016	Nil	15	2.95	NA	Nil
2	Sub Standard Assets	15	50	74.91	70	108.75
	Sub Standard Assets– CGTMSE (Secured portion)	15	15	0.21	15	0.09
	Sub Standard Assets–CGTMSE (Un Secured portion)	100	100	0.45	100	0.19
3	Doubtful Assets (up to 1 year)	25	60	36.02	NA	NA
	Total Provision made			128.37		133.52

2. 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 2016-17 is given below.

₹ in Crores

Sr.	Particulars	Amount
1.	Gross NPAs as on March 31, 2017 as reported by the Corporation	210.61
2.	Gross NPAs as on March 31, 2017 as assessed by RBI/ SIDBI	210.61
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2017 as reported by the Corporation	99.66
5.	Net NPAs as on March 31, 2017 as assessed by RBI/ SIDBI	99.66
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2017 as reported by Corporation	128.37
8.	Provisions for NPAs as on March 31, 2017 as assessed by RBI/ SIDBI	128.37
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	5.69
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning	5.69

3. Loans and Advances restructured

The general recessionary trends coupled with Government policy changes have affected the business of the Corporation considerably. As a result the Corporation as a measure to contain NPA have extended relief measures like rehabilitation/ reschedulement/ restructuring to eligible borrowers. Other than loans restructured on account of extension of DCCO, the corporation has restructured 21 loan accounts amounting to Rs. 33.80 crore and are classified under Sub standard category. Provisioning has been made @70% amounting to Rs.23.66 crore. During the year the Corporation has not noticed any diminution in the fair value of restructured advances.

4. Bad debts Written Off

During the year the corporation has written off 220 loan accounts as Bad Debts (technical write off to maintain asset quality) amounting to Rs.124.44 crore (143 D1 accounts amounting to Rs.119.81crore written off during FY 2016-17). Constructive steps have been initiated for the recovery of these accounts and the amounts will be included in revenue as and when recovered. Rs.46.07 crore have been received as recovery from loans technically written off in earlier years (Rs.46.79 crore during FY 2016-17).

5. Compromise settlements

During the year, CS was sanctioned for an amount of Rs.69.06 crore to 75 units having principal outstanding of Rs.47.12 crore.

6. Classification of Loans and Advances & Long Term Borrowings

The Current maturity of Loans & advances is classified under Other Current Assets (Note No.13) under Current Assets and the non current portion is classified under Other Non-current Assets (Note No.10) under Non Current Assets. The Current maturity of Long term borrowings is classified under Short term borrowings (Note No.5) under Current Liabilities and the non current portion is classified under Long term borrowings (Note No.3) under Non Current Liabilities .

A sum of Rs.55.11 lakhs being credit balances in certain closed loan accounts have been reduced from Loans & Advances. Necessary rectification of these credit balances will be done during FY 2018-19.

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

₹ in Crores

Particulars	Due within 1 year	Above 1 year	Total
Loans & Advances	534.01	1917.78	2451.79
Long term borrowings	407.66	1758.60	2166.26

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

₹ in Crores

Asset category	2017-18			2016-17		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	4145	2295.68	24.50	5239	2263.50	16.78
Sub Standard	294	156.11	109.02	221	151.64	75.57
Doubtful	-	-	-	37	58.97	36.02
Total	4439	2451.79	133.52	5497	2474.11	128.37
Gross NPA		156.11	6.37%		210.61	8.51%
Net NPA		47.09	2.03%		99.66	4.25%

2.3 Advances towards Share capital and KSEDMD project

KFC has implemented an interest subvention scheme for manufacturing sector to encourage innovative projects with the support of State Government. Rs.10.14 crore is earmarked as share capital contribution by Govt of Kerala and Rs. 4.64 Crore was released towards share capital contribution to the Corporation which is shown as share capital advance. Shares for the same was issued to Government on 11.05.2018 with the approval of SIDBI. The total amount of Rs. 4.64 crore is shown as money received against share capital and the same is treated as potential equity for the preparation of financial statements.

The Corporation had received Rs.16.05 crore from Govt. of Kerala for meeting the expenses in connection with KSEDMD till FY17-18. Rs.47.24Crore has been spent till 31.03.2018 for the KSEDMD project. As on 31.03.18, Rs.31.19 crore is receivable from the government and is shown as KSEDMD Interest & Expenses receivable under Other Current assets. Further an amount of Rs.3.10 crore on account of guarantee commission paid to Government on guarantee issued for raising funds for KSEDMD loans also is to be received from government. As a matter of prudence, this is not accounted in the books . Hence the total amount receivable from government is Rs.34.29 crore as on 31.03.18. The corporation has taken up with Government for providing the funds to meet the interest commitment. The Corporation has further commitments to pay interest under KSEDMD amounting Rs.27.92 Crore based on the loans sanctioned till 31.03.2018.

2.4 Investments

Investment with KITCO has been revalued at its face value of shares. The total investment in KITCO stands at 1450 shares (1450 shares of Rs.1000/- each). The Corporation has received an amount of Rs. 217500/- as dividend during the year.

Out of the total investments of Rs. 123.88 Lakhs, provision for diminution in value of investments of Rs. 74.38 Lakhs have been provided for investments other than KITCO and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. For KITCO and India SME Asset Reconstruction Co., we have valued the shares on the basis of latest available financial statements and found that the values are above book value.

2.5 Income Tax Assessments

Income tax return has been filed up to Assessment year 2017-18. Assessments have been completed up to Assessment year 2015-16. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2011-12, 2012-13, 2013-14 & 2014-15. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal has been remanded to Commissioner (Appeals).

2.6 Deferred Tax Liabilities

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

₹ in Lakhs

Particulars	As on 31.03.2017	For 2017-18	As on 31.03.2018
On Depreciation	-49.41	-2.91	-52.32
On income not received	1667.30	387.51	2054.81
On outstanding expenses	-1082.12	-141.58	-1223.70
Total	535.77		778.79

2.7 Goods and Service Tax

Service tax

Service Tax is replaced by GST w.e.f. 01.07.2017. Cenvat credit of Rs.40.95 Lakhs was transferred to GST as input credit. The Appeals filed by the Corporation, in respect of Order in Appeal 392 to 394-14-15 dated 19.02.2015 in respect of Ernakulam Branch Office and 27&28-16-17 dated 06.05.2016 in respect of Kollam Branch Office is pending for hearing before the Central Excise and Service Tax Appellate Tribunal, Bangalore. We have received Order in Original No.26&27/2016-17 in respect of reverse charge on guarantee commission paid by the Corporation for the years FY 2012-13 to 2014-15 for which appeal is filed before Commissioner (Appeals). Further orders are awaited from the Department in respect of the same.

Goods and Service Tax

Goods and Service Tax – GST was implemented all over the country from 01.07.2017. All the indirect tax registrations of Branch offices and Head Office were brought under one common registration under GST and is managed centrally from Head Office. We have appointed Karvy Management Services Limited as our GST Suvidha Provider, who is one of the GSPs authorized by the Government of India. As of 31st March 2018, two monthly returns GSTR 3B and GSTR 1 are notified by the Government to be uploaded in GST Network, which has been duly filed by the Corporation on a monthly basis.

2.8 Related Party Disclosures as per AS 18

A. List of Related Parties

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

B. Related party Transactions

The total remuneration paid to Sri M G Rajamanickam IAS during the financial year 2017-18 is Rs.7.70 Lakhs (Rs.9.25 Lakhs during FY 2016-17) which include incentive of Rs.0.40 Lakhs (Rs.0.035 Lakhs during FY 2016-17). No leave has been encashed by him. Rs.0.94 Lakhs have been paid as Employer's Contribution to NPS for him during the year.

The total remuneration paid to Sri Sanjeev Kaushik IAS during the financial year 2017-18 is Rs.5.73 Lakhs (Nil during FY 2016-17) . No incentive has been paid to him and no leave has been encashed by him. There are no payments on account of PF or Gratuity to him 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 31.03.2018, as to whether there is any indication that an asset or a class of assets is ‘impaired’ and since there were no incidences of such impairment indicators, no provision has been made.

2.10 Segment Reporting

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

A. Primary Segment (The Business Segment)

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

B. Secondary Segment (The Geographical Segment)

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

2.11 Contingent liabilities

- The contingent liabilities as on 31.03.2018 are estimated as under
- On account of Income Tax Rs. 619.82 Lakhs
- On account of suits filed against the Corporation Rs. 88.83 Lakhs
- On account of Service Tax Rs. 16.59 Lakhs
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.174.80 Lakhs
- On account of Lease rent payable to Government of Kerala – Rs.83.50 Lakhs

Head Office and Branch Office Thiruvananthapuram are functioning on the land measuring 29.44 Ares (73 cents) in Sy. No. 3647 of Kowdiar Village leased from Government of Kerala for a period of 30 years from April 2008. The lease rent to be paid by the Corporation as per GO (MS) No.401/2008/RD dated 25.11.2008 is Rs.1 Lakh per year and according to our calculation, Rs.6.82 Lakhs is paid in excess while revenue authorities have raised a demand of Rs.83.50 lakhs considering the lease rent proposal at 2% of market value of land based on GO(P) No.64/2016/RD dated 28.01.2016 . Hence the demand of Rs.83.50 Lakhs is shown as contingent liability which pertain to demand from FY 2013-14 onwards .

2.12 Accounting for Leases

Financial Leases:

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

Operating Leases:

Where the Corporation is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. The Corporation has taken buildings in various districts for the functioning of its branch offices, under this category and all the contracts are for a period of more than one year with fixed provision for periodical increase in rent amount. Operating lease rent payments are recognized as an expense in the statement of profit and loss every month as and when accrued or paid. During the current reporting period Rs.62.71Lakhs (Rs.70.51 Lakhs during FY 2016-17) has been charged to profit and loss account in this regard. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is less than actual rent paid. Further there is no contingent element involved in the lease agreements. Hence no additional provision is required in this regard.

Where the Corporation is lessor

Leases in which the Corporation does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. A portion of the Corporation's own building let out for rent is reportable in this category.

The assets subject to operating lease are included in the fixed assets and charged depreciation as per AS-10 (Revised). The total amount of Lease income on an operating lease received during the year is Rs.90.82 Lakhs (Rs.97.15 Lakhs during FY 2016-17) and the same is recognised in the statement of profit and loss in line with the existing revenue recognition policy. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is higher than actual rent received during the year. Further there is no contingent element involved in the lease agreements. As a matter of prudence provision for additional revenue is not made in the financial statements.

2.13 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs. 400.34 Lakhs relates to M/s. Jayalakshmi Builders, Trivandrum which is retained as such since the Hon. High Court of Kerala has ordered 'Status Quo' regarding possession. The acquisition was done in the financial year 2008-09 and accounted as NPA recovery in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value as per latest valuation is Rs.7.15 crore 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 in the prevailing litigations. The WPC is pending before the Hon'ble High Court .

2.14 Suspense Account.

The amount outstanding in Suspense Account amounting to Rs. 118.35 Lakhs comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, court orders, and amount received from LIC towards maturity amount of policies of the employees. The balance amount lying in Suspense account is being rectified.

2.15 Secured / Un-secured Loans.

Loans from Banks and other financial institutions are secured by creating hypothecation 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.

2.16 Non SLR Bonds

The Corporation issued Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Bonds of Rs.250 crore @ 8.69% with credit enhancement mechanism during the year without government guarantee. The pay in date and allotment date of the issue is 4th April 2018. The Corporation partially redeemed the fourth lot of KFC 9.99% Non-SLR Bond Series 1/2011 (ISIN: INE 818F08011) amounting to Rs. 50 crores on 28.12.2017 to reduce the cost of borrowing. The total bond outstanding as on 31.03.18 is Rs.700 crore.

The Bond details are given below.

ISIN	Issue Date	Coupon	Amount Issued Rs in Cr	Amount Outstanding Rs in Cr	Maturity Date
INE818F07013	9-May-16	8.90%	250	250	9-May-23
INE818F08037	30-Oct-14	9.15%	200*	200	30-Oct-24
INE818F08029	6-Jun-13	8.72%	200*	200	6-Jun-23
INE818F08011	28-Dec-11	9.99%	200*	50	28-Dec-18

* Issued with Government guarantee

2.17 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.34.08 crore (Rs.28.63 crore during FY 16-17). This includes Employee Pay & Allowances for the year of Rs.22.96 crore (Rs.23.74 crore during FY 2016-17). An amount of Rs.4.72 crore is provided during the year being the shortfall in gratuity fund due to increase in gratuity ceiling from Rs.10 Lakhs to Rs.20 Lakhs as per the notification dated 29th March 2018 in Payment of Gratuity Act, 1972.

2.18 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of Rs.362.76 Lakhs has been made for the payment due from FY 2014-15 to FY 2016-17 as on 31.03.17. The demand for FY 2017-18 was received from the department for Rs.166.50 Lakhs and we have provided it this year. We have also provided Rs.10.49 Lakhs being the

shortfall in respect of provision for FY 2015-16. Hence as on 31.03.18, the total amount provided is Rs.539.75 Lakhs, break up is as below.

FY 2014-15	- Rs.99.98 Lakhs
FY2015-16	- Rs.110.47 Lakhs
FY 2016-17	- Rs.162.80 Lakhs
FY 2017-18	- Rs.166.50 Lakhs
Total Provision made-	Rs.539.75 Lakhs

2.19 Provision for Income Tax

The income tax comprises of current and deferred tax. The provision for income tax is made as per the income tax rules and previous income tax assessments. The tax is calculated on income on receipt basis which is consistently followed by the corporation for the past years and the Income tax department also accepted the same for assessment purpose. The deferred tax assets and liabilities are recognised, for the expected tax consequences of temporary / timing differences between the depreciation, accrued income and expenditure. During the year, the tax payable on the total income as computed under the Income tax Act is less than the tax payable on book profit. Hence tax is payable under MAT provisions of Section 115JB of Income tax Act. Current year provision for tax is calculated as below.

Taxable income calculated as per IT Act	- Rs. 99780748.92
Income tax thereon	- Rs. 34532121.59
Tax Payable Under MAT Provisions	- Rs. 43045102.73
Tax Charged to Profit & Loss A/c	- Rs. 43045102.73
Balance available as MAT Credit	- Rs. 8512981.14

2.20. Prior period items

Income tax short provision of earlier years of Rs.2.80 crore is shown as prior period expense and Income tax refund of Rs.0.13 crore pertaining to AY 2013-14 is shown as prior period income.

2.21 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 loanes (State subsidy, Development board subsidies etc.) are kept as other current liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries.

2.22 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 2017-18 are Rs.349.43 crore and Rs.29.93 crore and during 2016-17 are Rs.337.12 crore and Rs.31.95 crore respectively.

2.23 Previous Year's Figures

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



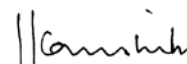
Soya K
Asst. General Manager



Premnath Ravindranath
General Manager(I)



Anil Kumar Parameswaran
Director



Sanjeev Kaushik
Chairman & Managing Director

For and on behalf of the Board Directors

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 001360S



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
18.06.2018

NOTE: 20

DISCLOSURE REQUIREMENTS:

₹ in Lacs

DISCLOSURE REQUIREMENTS:			
	2017-18		2016-17
A. Capital			
a) CRAR (%)	17.26		17.03
b) Risk Weighted Assets			
1) On Balance Sheet items	252935.04		256032.60
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala (including advance)	22026.94	97.25	97.25
2. SIDBI	613.33	2.71	2.71
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.04	0.04
TOTAL	22650.43	100.00	100.00
d) Net worth	44108.34		43544.53
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Net NPAs to Net Loans and Advances.	4709.11	2.03	4.25
b) Net NPAs under the prescribed asset classification categories			
Sub Standard Assets	4709.11	2.03	4.25
c) Provisions:			
	2017-18		2016-17
1. Provision for Standard Assets	2295.68		1677.53
2. Provision for NPA	11056.62		11095.26
3. Provision for Investments	74.38		74.38
4. Provision for Income Tax	430.45		299.80
5. Provision for Deferred Tax Liability	243.03		-82.45
d) Movement in Net NPA (%)			
	2017-18	2016-17	Variance
Sub Standard	2.03	4.25	-2.22
TOTAL	2.03	4.25	-2.22

₹ in Lacs

C. Liquidity:
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	53401.27	88313.41	64207.50	32036.87	7220.44	245179.49
Total Liabilities	40767.35	84798.20	62057.50	29003.23	0.00	216626.28
					2017-18	2016-17

D. Operating Results:

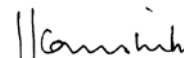
a) Interest income as a percentage to average working funds-	13.76	14.77
Interest Income	34,942.56	33,711.52
Average Working Funds	2,54,023.81	2,28,291.50
b) Non-interest income as a percentage to Average Working Funds-	2.26	2.61
Non-interest income	5,738.31	5956.27
Average Working Funds	2,54,023.81	2,28,291.50
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-	0.79	0.34
Operating Profit (+) / Loss (-)	2,019.13	786.82
Average Working Funds	2,54,023.81	2,28,291.50
d) Return on Average Assets-	0.76	0.37
Returns (operating profit + depreciation)	2,114.72	971.19
Average Assets	2,77,355.00	2,66,030.70
e) Net profit (+) / Loss (-) per employee	4.09	2.59
No. of employees	203	220
Net profit (+) / Loss (-)	830.32	569.47

For and on behalf of the Board Directors


Soya K
 Asst. General Manager


Premnath Ravindranath
 General Manager(I)


Anil Kumar Parameswaran
 Director


Sanjeev Kaushik
 Chairman & Managing Director

 As per our report of even date
 For JAKS Associates Chartered Accountants
 Firm Reg No: 001360S


Selastin. A FCA
 Partner, M No: 202874

 Thiruvananthapuram
 18.06.2018

CASH FLOW STATEMENT

₹ in Lacs

FOR THE PERIOD	For the year ended 31.03.2018	For the year ended 31.03.2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	1,503.79	786.82
Prior Period Income	(266.50)	58.56
Dividend Received	(2.18)	(2.18)
Interest received on Fixed Deposits	(410.05)	(399.41)
Depreciation on fixed assets	95.59	184.37
Provision for Non Performing Assets	515.34	-
Profit/Loss on sale of fixed assets		1.18
Interest and other costs of Non-SLR Bond	7,198.31	7,411.20
Adjustment for changes in operating assets and liabilities		-
Increase in Loans and advances	2,231.95	(7,392.24)
Increase in borrowings from banks and SIDBI	19,714.28	(7,476.79)
Increase in other non-current assets	154.77	(301.05)
Decrease in other current assets	5,541.83	242.40
Increase in current liabilities	(8,191.11)	1,004.21
Less: Income tax paid	(725.00)	(300.00)
Net cash from operating activities	27,361.01	(6,182.93)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(230.37)	(163.05)
Sale of fixed assets		1.51
Dividend Received	2.18	2.18
Net cash used in investing activities	(228.19)	(159.36)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Non SLR Bond		25,000.00
Redemption of Non-SLR Bond	(5,000.00)	(5,000.00)
Interest and other costs of Non-SLR Bond	(7,198.31)	(7,411.20)
Interest Received on Fixed Deposits	410.05	399.41
Term Deposit with Banks	-	(5,000.00)
Short Term Deposits with Banks	(5.50)	(1,091.50)
Net cash used in financing activities	(11,793.76)	6,896.71
Net increase in cash and cash equivalents	15,339.08	554.42
Cash and cash equivalents at the beginning of the year	1,166.91	612.49
Cash and cash equivalents at the end of the year	16,505.99	1,166.91

For and on behalf of the Board Directors



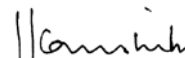
Soya K
Asst. General Manager



Premnath Ravindranath
General Manager(I)

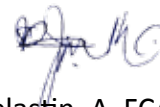


Anil Kumar Parameswaran
Director



Sanjeev Kaushik
Chairman & Managing Director

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
18.06.2018

PROFORMA-I
SUMMARY OF LOAN OPERATIONS FOR FY 2017-18

Rs. In Lakhs

	MICRO		SMALL		MEDIUM		TOTAL	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Application pending as on 01-04-2017	7	2,906.00	5	1,883.00	2	2,000.00	14	6,789.00
2. Application received during 2017-18	706	76,866.16	17	993.00	26	632.00	749	78,491.16
3. Total Application for consideration	713	79,772.16	22	2,876.00	28	2,632.00	763	85,280.16
4. Application withdrawn/rejected or otherwise	31	6,522.03	7	1,770.00	14	1,792.50	52	10,084.53
5. Application Sanctioned (Gross)	674	72,422.13	12	810.00	11	514.50	697	73,746.63
6. A. Application Cancelled or reduced out of Current Year 's Sanction	15	689.50	3	250	10	414.50	28	1,354.00
B. Application cancelled / reduced out of Previous Year Sanction	4	20.99	4	115.55	1	223.00	9	359.54
C. Total cancellation/reduction (6A+B)	19	710.49	7	365.55	11	637.50	37	1,713.54
7. Application Sanctioned Effectively (5-6A)	659	71,732.63	9	560.00	1	100.00	669	72,392.63
8. Amount Disbursed along with number of newly assisted units	1,044	58,787.22	26	870.59	8	365.18	1,078	60,022.99
9. Application pending sanction as on at the end of the period	8	828.00	3	296.00	3	325.00	14	1,449.00

PROFORMA-II

APPLICATION RECEIVED										GROSS SANCTION										
BRANCH NAME	MICRO			SMALL			MEDIUM		TOTAL		MICRO			SMALL		MEDIUM		TOTAL		
	NO	AMOUNT		NO	AMOUNT		NO	AMOUNT		NO	AMOUNT		NO	AMOUNT		NO	AMOUNT		NO	AMOUNT
Thiruvananthapuram	73	9276.37			3	170.00	76	9,446.37	76	9,179.02			1	81.00	77	9260.02				
Kollam	44	5,277.00					44	5,277.00	41	6,377.00					41	6377.00				
Pathanamthitta	24	1,882.00			2	75.00	26	1,957.00	24	1,578.00			1	10.00	25	1588.00				
Alapuzha	43	2,864.14					43	2,864.14	39	2,355.34					39	2355.34				
Kottayam	29	3,613.00					29	3,613.00	31	3,508.80					31	3508.80				
Kattappana	23	2,966.00	3	290.00	4	45.00	30	3,301.00	22	2,558.00	2	220.00	2	150.00	26	2928.00				
Thodupuzha	21	1596.90			3	21.00	24	1,617.90	16	1546.9			2	100.00	18	1646.90				
Ernakulam	56	9,160.15	4	275.00	2	6.00	62	9,441.15	53	8,593.15	3	250.00	1	3.50	57	8846.65				
Perumbavoor	31	1,800.60	2	98.00			33	1,898.60	30	1,679.10	1	68.00			31	1747.10				
Trissur	60	7,385.50					60	7,385.50	60	7,385.50					60	7385.50				
Palakkad	54	3893.10			3	55	57	3,948.10	54	3739.8			2	45	56	3784.80				
Malappuram	55	5489.30	4	120			59	5,609.30	45	4587.42	3	83			48	4670.42				
Kozhikode	51	5,839.60					51	5,839.60	49	5,339.60					49	5339.60				
Wayanad	48	2,933.00	4	210.00	3	150.00	55	3,293.00	48	2,933.00	3	189.00	1	100.00	52	3222.00				
Kannur	27	4338.50					27	4,338.50	29	4396.50					29	4396.50				
Kasaragode	67	8,551.00			6	110.00	73	8,661.00	57	6,665.00			1	25.00	58	6690.00				
Grand Total	706	76,866.16	17	993.00	26	632.00	749	78,491.16	674	72,422.13	12	810.00	11	514.50	697	73746.63				

PROFORMA-III
BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2017-18

₹ in Lacs

BRANCH NAME	Effective Sanction						Loan Disbursed					
	MICRO		SMALL		MEDIUM		TOTAL		MICRO		SMALL	
	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT
Thiruvananthapuram	74	9,179.02			74	9,179.02	114	7846.11			114	7846.11
Kollam	41	6,377.00			41	6,377.00	58	4213.23			58	4213.23
Pathanamthitta	24	1,578.00			24	1,578.00	37	1973.89			37	1973.89
Alapuzha	39	2,355.34			39	2,355.34	46	1651.81			46	1651.81
Kottayam	31	3,508.80			31	3,508.80	46	2741.62			46	2741.62
Kattappana	20	2,338.00	2	220.00			33	2,199.84	1	26.00	2	88.18
Thodupuzha	16	1,546.90			16	1,546.90	28	1462.60			1	50.00
Ernakulam	53	8,593.15			53	8,593.15	74	6,440.56	1	400.00	75	6840.56
Perumbavoor	29	1,611.10	1	68.00			46	1400.16			46	1400.16
Trissur	60	7,385.50			60	7,385.50	80	6315.31			80	6315.31
Palakkad	52	3,710.30			52	3,710.30	71	3800.02			71	3800.02
Malappuram	46	4504.42	3	83	49	4,587.42	82	3152.74	2	46.00	84	3198.74
Kozhikode	44	5,339.60			44	5,339.60	99	6356.22			99	6356.22
Wayanad	44	2,644.00	3	189.00	1	100.00	72	2,390.64	20	382.39	5	227.00
Kannur	29	4,396.50			29	4,396.50	49	1987.2	1	0.200	50	1987.4
Kasaragode	57	6,665.00			57	6,665.00	109	4,855.27	1	16.00	110	4871.27
Grand Total	659	71,732.63	9	560.00	1	100	669	72,392.63	1,044	58,787.22	26	870.59
											8	365.18
											1,078.00	60,022.99

PROFORMA – IV
**DISTRICT WISE BREAKUP OF LOAN APPLICATIONS RECEIVED, SANCTIONED
AND DISBURSED DURING FY 2017-18**

₹ in Lacs

BRANCH NAME	APPLICATION RECEIVED			LOAN SANCTIONED EFFECTIVELY			LOAN DISBURSED		
	No	% of Total	Amount	% of Total	No	% of Total	Amount	% of Total	% of Total
Thiruvananthapuram	76	10.15	9,446.37	12.03	74	11.06	9,179.02	12.68	13.07
Kollam	44	5.87	5,277.00	6.72	41	6.13	6,377.00	8.81	7.02
Pathanamthitta	26	3.47	1,957.00	2.49	24	3.59	1,578.00	2.18	3.29
Alapuzha	43	5.74	2,864.14	3.65	39	5.83	2,355.34	3.25	2.75
Kottayam	29	3.87	3,613.00	4.60	31	4.63	3,508.80	4.85	4.57
Kattappana	30	4.01	3,301.00	4.21	22	3.29	2,558.00	3.53	3.86
Thodupuzha	24	3.20	1,617.90	2.06	16	2.39	1,546.90	2.14	2.52
Ernakulam	62	8.28	9,441.15	12.03	53	7.92	8,593.15	11.87	11.40
Perumbavoor	33	4.41	1,898.60	2.42	30	4.48	1,679.10	2.32	2.33
Trissur	60	8.01	7,385.50	9.41	60	8.97	7,385.50	10.20	10.52
Palakkad	57	7.61	3,948.10	5.03	52	7.77	3,710.30	5.13	6.33
Malappuram	59	7.88	5,609.30	7.15	49	7.32	4,587.42	6.34	5.33
Kozhikode	51	6.81	5,839.60	7.44	44	6.58	5,339.60	7.38	10.59
Wayanad	55	7.34	3,293.00	4.20	48	7.17	2,933.00	4.05	5.00
Kannur	27	3.60	4,338.50	5.53	29	4.33	4,396.50	6.07	3.31
Kasaragode	73	9.75	8,661.00	11.03	57	8.52	6,665.00	9.21	8.12
Grand Total	749	100	78,491.16	100	669	100	72,392.63	100	100

PROFORMA -V

SECTOR WISE LOANS OUTSTANDING AS ON 31.03.2018

₹ in Lacs

PARTICULARS	NUMBER	STANDARD	NUMBER	SUB-STANDARD	NUMBER	TOTAL
CRE	312	42,970.49	30	4,729.76	342	47,700.25
MANUFACTURING	1,442	64,574.70	117	5,104.41	1,559	69,679.11
SERVICE	2,391	1,22,022.89	147	5,777.24	2,538	1,27,800.13
Total	4145	229568.08	294	15611.41	4439	245179.49

HIGHLIGHTS OF PERFORMANCE

₹ in Lacs

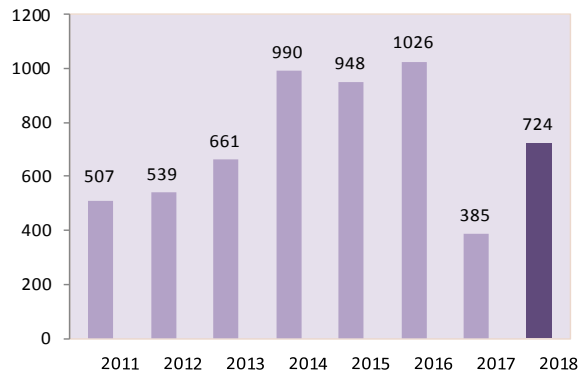
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	1	2	3	4	5	6	7	8	9	10
Applications Received No.	619	855	702	694	721	1,147	1,364	1383	689	749
Applications Received Amount	43,658	79,947	59,699	64,294	77,271	98,962	1,48,269	112049	50424	78491
Applications Sanctioned No	580	759	742	634	639	1,111	1,311	1328	634	669
Applications Sanctioned Amount	34,910	61,593	50,706	53,901	66,139	1,01,173	94,745	102599	38531	72,393
Disbursement Amount	29,394	41,953	44,344	46,457	47,594	75,473	65,709	83836	65527	60,023
Recovery Amount	26,925	29,954	35,473	46,717	54,022	56,513	68,427	75820	87428	94,467
Number of loan accounts	6,309	5,949	6,049	5,985	6,114	4,196	4,498	5264	5497	4,439
Balance Outstanding Amount	70,353	88,839	1,12,481	1,23,984	1,40,143	1,80,037	2,03,818	240019	247411.44	2,45,179
Authorised Capital	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35000	35000	35000
PAID-UP CAPITAL										
State Government	19,783	19,783	20,574	20,574	20,574	20,574	21,563	21563	21563	21563
SIDBI	613	613	613	613	613	613	613	613	613	613
Others	10	10	10	10	10	10	10	10	10	10
Total	20,406	20,406	21,197	21,197	21,197	21,197	22,186	22,186	22,186	22,186
INCOME										
Interest on Loans	10,192	9,196	12,064	15,730	25,294	26,312	30,915	29,976	35195	36,557
Other Income	734	6,599	4,534	5,695	476	307	167	871.90	1,277.29	1131
Total	10,926	15,795	16,598	21,425	25,770	26,619	31,082	30,847	36,473	37,688
EXPENDITURE										
Interest on Bonds	1,124	960	759	1,043	2,111	3,419	4,675	5,453.96	6,917.15	6677
Interest on Refinance	2,913	3,776	4,217	3,996	3,830	2,636	1,922	1,311.35	837.44	158
Interest on Other Borrowings	10	3	854	3,170	2,760	4,442	7,356	9,609.89	11,761.60	11689
Fund Raising Financial Expense	98	174	1,166	244	241	370	417	525.63	557.72	521
Pay & Allowances etc	2,408	1,978	2,463	1,792	2,317	2,355	2,595	2,701.37	2,863.48	3408
Establishment Expenses	211	138	410	402	438	574	527	522.82	502.80	640
TOTAL	6,764	7,029	9,869	10,647	11,697	13,797	17,492	20,125	23,440	23,092

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Profit /Loss before Depreciation/	4,162	8,766	6,729	10,778	14,073	12,822	13,590	10,722	13,032	14,596
Write off /Provisions										
Depreciation	33	36	64	58	57	65	53	129	184.37	96
Bad Debts Written Off	11,757	3,773	495	3,078	2,566	4,139	4,280	5867	12061.13	12481
Provision for Bad & Doubtful debts	-8,798	88	1,419	482	1,626	1,311	3,811	2692	0	515
Net Profit / Loss	1,170	2,114	3,640	4,565	6,683	4,134	1,437	533	787	1,504
Net Worth	24,932	26,996	29,736	32,585	38,376	41,484	42,392	42,917	43545	44108
Gross NPA (%)	21.00	9.04	8.20	3.60	3.51	3.45	7.85	10.57	8.51	6.37
Net NPA (%)	13.22	2.41	1.88	1.30	0.36	0.35	3.71	5.93	4.25	2.03
SOURCES OF FUNDS										
Share Capital	15,000	0	791	0	0	214	989	0	0	0
Bonds	0	0	0	20,000	0	20,000	20,000	0	25000	0
Refinance	16,000	20,989	16,000	7,900	5,900	2,710	0	0	0	0
Plough Back	14,155	10,162	6,192	21,565	15,394	20,267	43,646	27434	25354	11333
Advance from Govt of Kerala				1,989	0	500	0	0	0	0
Refinance from IIFCL	0	0	0	0	0	0	0	0	0	20000
LOC	0	0	26,200	11,500	20,000	27,500	32,799	56201	35000	47000
USES OF FUNDS										
Repayment of Bonds	1,592	977	3,641	3,655	2,453	0	0	5000	5000	5000
Repayment of Refinance	6,257	16,386	16,541	11,332	16,000	12,602	7,642	5743	3975	6521
Repayment of FD	12	0	0	0	0	0	0	0	0	0
Repayment of Adhoc Borrowings/LOC	0	0	2,700	6,688	12,274	9,609	17,109	17473.7	24778	41516
									No	Amount
*Cumulative Sanction up to 31.03.2018									47553	975789
*Cumulative disbursement up to 31.03.2018									47633	815092

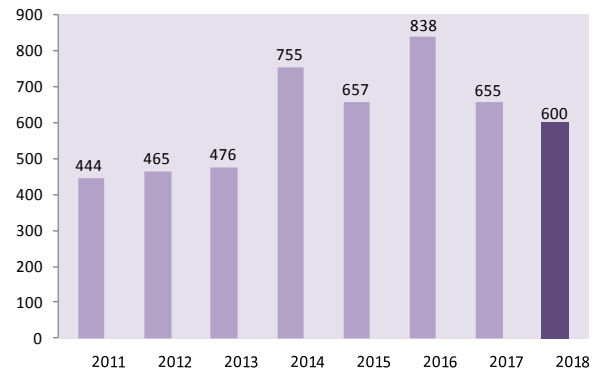
FINANCIAL HIGHLIGHTS

₹ in Crores

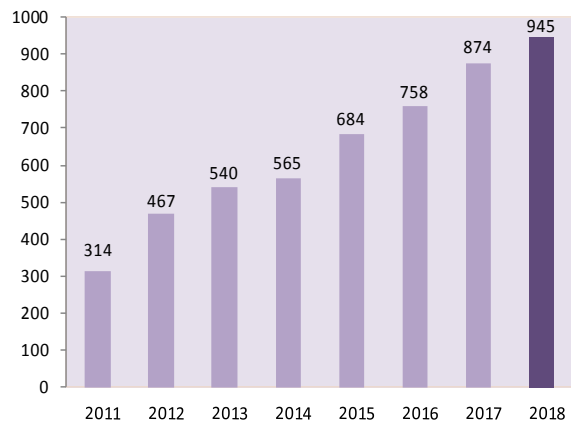
SANCTIONS



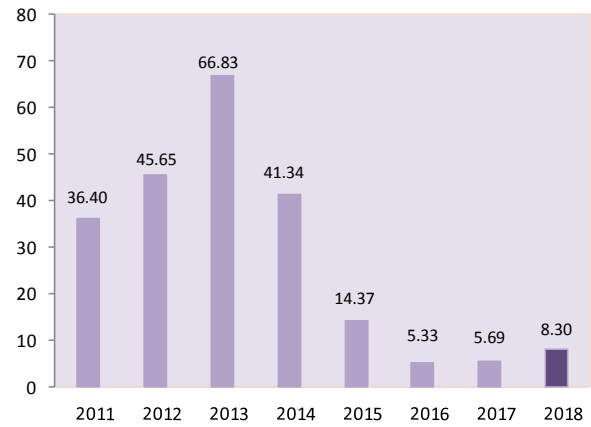
DISBURSEMENT



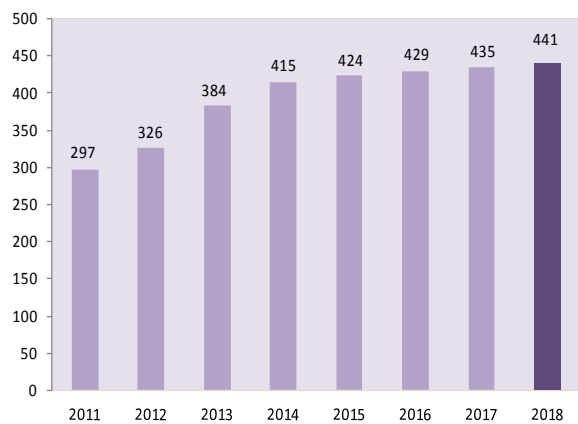
RECOVERY



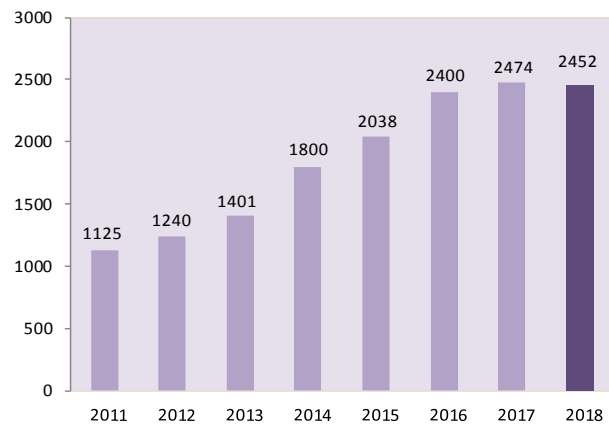
NET PROFIT



NET WORTH



PORTFOLIO



KERALA FINANCIAL CORPORATION

(INCORPORATED UNDER THE STATE FINANCIAL CORPORATIONS ACT No. LXIII OF 1951

H.O: ASWATHY, VELLAYAMBALAM, THIRUVANANTHAPURAM- 695 033.

Phone: 0471-2737500 (30 lines) Fax: 2311750,2318541, 2313813, 2722090

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

PROXY

I/We.....(folio No.)

of.....being a share holder of the Kerala Financial Corporation holding

shares Nos..... hereby appoint Shri/Smt.....

of..... (or failing him

Shri/Smt..... of.....) as my/our proxy to vote for

me/us and on my/our behalf at the meeting of the shareholders of the Corporation to be held at.....

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

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

Notes

1. The proxy need not be a member of the Corporation.
2. The proxy form signed across Re.1/- Revenue Stamp should reach the Corporation's Registered office at least 48 hours before the meeting.

Signature of
share holder on
Re.1 /-
Revenue Stamp

Memorable Events ...





Building Entrepreneurship in Kerala

For Fast, Efficient & Reliable Service



Head Office: Vellayambalam, Thiruvananthapuram, Kerala -695033, India
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