



# KERALA FINANCIAL CORPORATION

HO: VELLAYAMBALAM, THIRUVANANTHAPURAM - 695 033

Phone : 0471- 2315891, 2737566

e-mail : mdoffice@kfc.org website : www.kfc.org



KFC/CS/BOND/2025-26

07.11.2025

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

Dear Sir,

Sub: Submission of Audit Report of the Comptroller and Auditor General of India on the accounts of Kerala Financial Corporation for the year ended 31<sup>st</sup> March 2025.

In compliance with Regulation 52(2) (d) of SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, we submit herewith the audit report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2025.

Kindly take the same on record.

Thanking You,

Yours Faithfully,

Company Secretary

**NANDHINI VIJAYARAGHAVAN**  
Company Secretary  
Kerala Financial Corporation

PUA

प्रधान महालेखाकार (लेखापरीक्षा-II) का कार्यालय  
केरल, तिरुवनंतपुरम - 695 001



OFFICE OF THE PRINCIPAL  
ACCOUNTANT GENERAL (AUDIT-II)  
KERALA, THIRUVANANTHAPURAM - 695 001

Audit II/AMG-II (HQ- II)/ B (iii)/12-9309/113  
Dated: 23-10-2025

To

Secretary,  
Department of Finance,  
Government of Kerala,  
Thiruvananthapuram.

Sir,

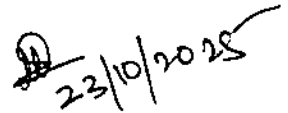
**Sub: Separate Audit Report of the Comptroller and Auditor General of India on the annual accounts of Kerala Financial Corporation for the year ended 31 March 2025.**

The Separate Audit Report of the Comptroller and Auditor General of India on the annual accounts of Kerala Financial Corporation for the year ended 31 March 2025 is forwarded herewith for placing before the State Legislature in terms of Section 37(7) of the State Financial Corporation Act, 1951.

*The date of placing the Audit Report before the Legislature may be intimated to this Office at an early date.*

Receipt of this letter may please be acknowledged.

Yours faithfully,

  
23/10/2025

P.H. SHEBA  
DEPUTY ACCOUNTANT

GENERAL

(AMG II)

दूरभाष / Telephone : 0471 - 2330899

ई-मेल / e-mail : ngaukerala2@cng.gov.in

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सत्यमेव जयते

## OFFICE OF THE ACCOUNTANT GENERAL (AUDIT II) KERALA, THIRUVANANTHAPURAM

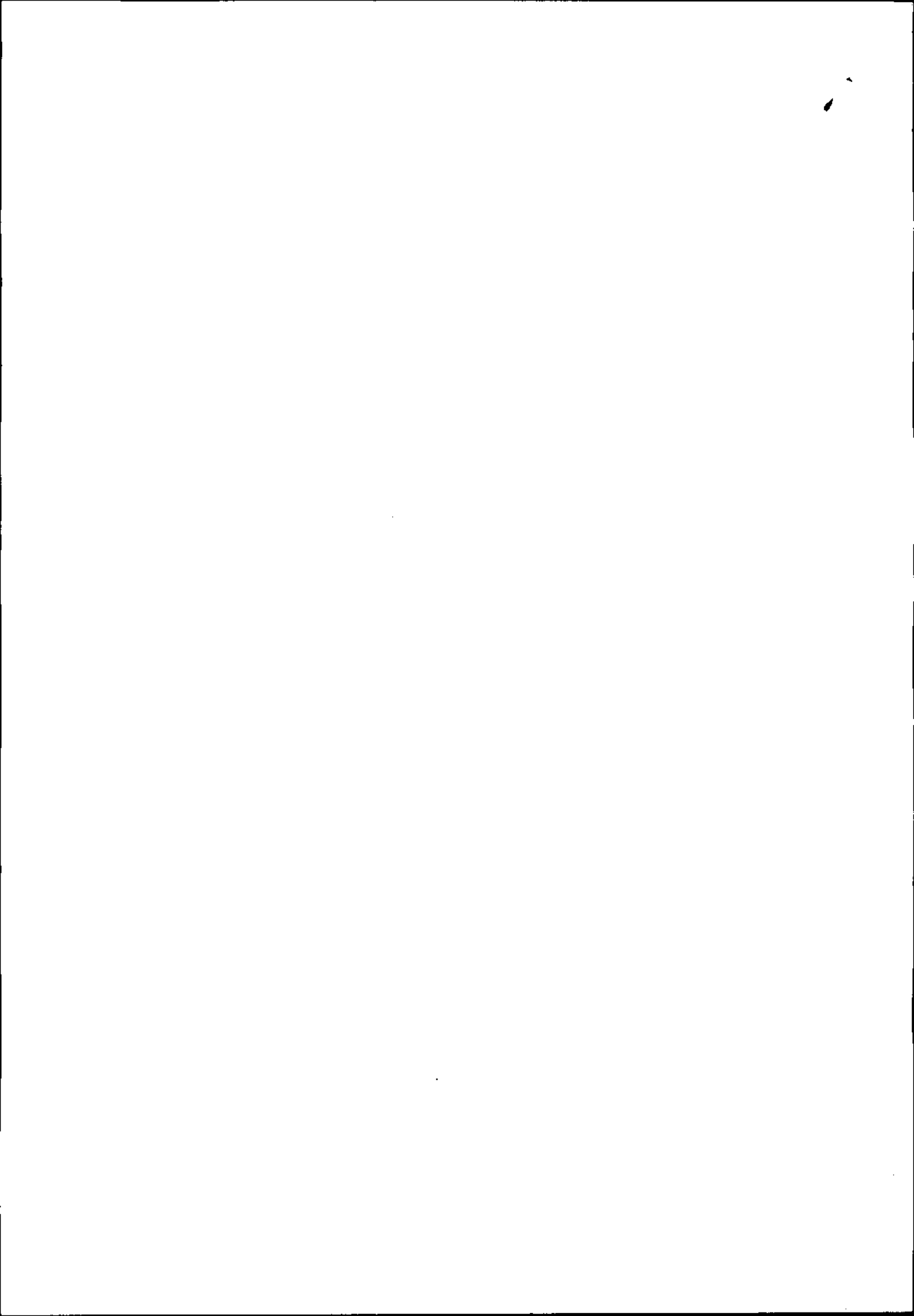
### SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF KERALA FINANCIAL CORPORATION FOR THE YEAR ENDED 31 MARCH 2025.

The preparation of the financial statements of **Kerala Financial Corporation** for the year ended **31 March 2025** in accordance with financial reporting framework prescribed under the State Financial Corporations Act, 1951 (SFC Act, 1951) and the generally accepted accounting principles is the responsibility of the management of the Corporation. The Statutory Auditors appointed by the shareholders out of the panel of Auditors approved by the Reserve Bank of India under Section 37 (1) of the State Financial Corporation's (Amendment) Act, 2000 are responsible to express an opinion on these financial statements based on independent audit in accordance with the accounting standards and Standards on Auditing prescribed by, the Institute of Chartered Accountants of India. This is stated to have been done by them *vide* their Audit Report dated **21 May 2025**.

This Separate Audit Report contains the comments of the Comptroller and Auditor General of India on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms *etc.* Audit observations on financial transactions with regard to compliance with the Law, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects *etc.*, if any, are reported through Inspection Reports/CAG's Audit Reports separately.

We, on behalf of the Comptroller and Auditor General of India, have conducted the audit of the financial statements of the above said Corporation for the year ended **31 March 2025** under Section 37 (6) of the SFC Act, 1951. This audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to enquiries to the Corporation's personnel and a selective examination of the accounting records.

Based on our audit, we would like to highlight the following significant matters under section 37 (6) of the SFC Act, 1951 which have come to our attention and which in our view are necessary for



enabling a better understanding of the financial statements and the related Audit Report issued by the Statutory Auditors.

**A. COMMENTS ON FINANCIAL POSITION**

**Statement of Assets and Liabilities**

**Assets**

**Non-Current Assets**

**(i) Property, Plant and Equipment: ₹887.40 lakh**

- (i) This does not include expenses incurred for the renovation work of building, amounting to ₹74.86 lakh which should have been classified as Capital Work in progress. This has also resulted in corresponding overstatement of Other non-current assets.

**B. COMMENTS ON CASH FLOW**

**CASH FLOW STATEMENT**

The net Cash outflow from Financing activities is overstated by ₹2706 lakh, net cash inflow from Operating activities is overstated by ₹5,112.04 lakh and net cash outflow from Investing activities is overstated by ₹2,406 lakh due to the following:

- (ii) Incorrect inclusion of interest cost of non-SLR bonds amounting to ₹12556.60 lakh under financing activities, which should have been classified under cash flow from operating activities, given that the Corporation is a financial enterprise. Consequently, this has led to corresponding overstatement of Cash flow from operating activities.
- (iii) Incorrect inclusion of interest received on fixed deposits amounting to ₹7444.56 lakh under financing activities which should have been classified under cash flow from operating activities, given that the Corporation is a financial enterprise. Consequently, this has led to corresponding understatement of Cash flow from operating activities.
- (iv) Incorrect inclusion of proceeds from the investment from Non-Convertible Debentures (NCDs) amounting to ₹2406.04 lakh under financing activities which should have been classified under investing activities. Consequently, this has led to corresponding understatement of Cash flow from investing activities.

*For and on behalf of the  
Comptroller and Auditor General of India*



**VISHNUKANTH P B  
ACCOUNTANT GENERAL (AUDIT-II) KERALA**

**Thiruvananthapuram  
Dated: 21-10-2025**

