

KERALA FINANCIAL CORPORATION Annual Report-2016





The Leaf Munnar -Kattappana



M-Star Hotels - Palakkad



Delta M Sand-Thiruvananthapuram



Positive Chip Board India Pvt. Ltd. Ernakulam



Plum Judy The Leisure Hotel-Perumbavoor



Somatheeram beach Resort -Thiruvananthapuram



ANNUAL REPORT 2015-16



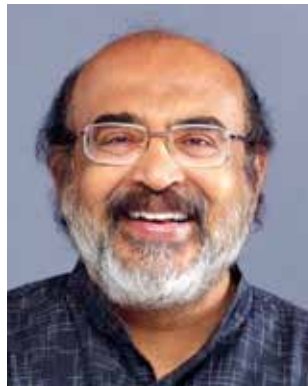
CONTENTS

- 03** | Message From Hon. Finance Minister
- 04** | Board Directors
- 05** | Principal Officers
- 06** | Notice to shareholders
- 07** | Directors' Report
- 16** | Auditors' Report
- 18** | Financial Statements
- 20** | Notes forming part of financial statements
- 26** | Significant Accounting Policies and Notes to Accounts
- 35** | Disclosure Requirements
- 37** | Cashflow Statement
- 38** | Summary of operations
- 43** | Highlights of performance
- 45** | Proxy form

Message



T.M. Thomas Isaac
Minister for Finance & Coir
Government of Kerala



KFC is one of the premier financial institutions in Kerala playing dominant role in the industrial development of Kerala. Corporation's social commitment and contributions towards economic and social development of the State are notable.

During my tenure as Finance Minister in 2006-11, the Corporation was rebuilt by way of recapitalisation support of Rs.150.00 Crores and efforts were taken to make Corporation as a strong developmental financial institution contributing to the economic development of the State.

I intend to make Corporation as one of the best public sector undertakings of Kerala offering loans on easy terms with competitive rates of interest. KFC will also focus on assisting startups and young entrepreneurs.

I wish all the employees, customers and stakeholders of KFC all success and progress.

A handwritten signature in black ink, appearing to read 'Thomas Isaac', with a long, sweeping flourish extending to the right.

Thomas Isaac

|| BOARD OF DIRECTORS ||



Sri. P. Joy Oommen
(Chairman & Managing Director)
(President, COSIDICI)



Sri. Rajesh Kumar Sinha, IAS
Secretary, Finance Department
Govt. of Kerala
(Till -21.08.15)



Sri. B. Srinivas, IAS
Secretary, Finance Department
Govt. of Kerala



Sri. K.S. Sreenivas, IAS
Special Secretary Industries
IPDept. Govt. of Kerala
(Till -21.08.15)



Sri. P.M. Francis, IAS
Director Industries & Commerce
Govt. of Kerala



Sri. Anadi Charan Sahu
Dy. General Manager, SIDBI
(Till -21.08.15)



Sri. Ramnath
(Chief General Manager, SIDBI)



Sri. S. Chandrasekharan
General Manager, SBT
(Till -21.08.2015)



Sri. A. Aravind
General Manager, Treasury, SBT



Sri. Vatsakumar
Dy. General Manager, SIDBI



Shri. M.S Shaji
(Senior Divisional Manager, LIC)



Smt. Premilla .V. Nair, FCA
Chartered Accountant



Adv. K. Ponnachan

PRINCIPAL OFFICERS (As on 31.03.2016)

General Managers

Premnath Ravindranath
A.G. Dinesh
R. Jayasankar

Deputy General Managers

Mushtaq Ahammed M
C. Janardhanan
P B Sreekumar
K. S. Rajeev
Mohanam.K. K
Ajith Kumar K.
K G Ajithkumar
Adarsh R
Girish Chandran

Assistant General Manager (Accounts) & Corporate Secretary

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 63rd Annual General Meeting of the shareholders of Kerala Financial Corporation will be held at the Head Office of the Corporation, Vellayambalam, Thiruvananthapuram on Friday, 29th of July, 2016 at 11.00 A.M. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March, 2016 and the Profit & Loss account for the year ended 31st March, 2016 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2015-2016 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To reappoint Statutory Auditors of the Corporation for the Financial Year 2016-2017 under Section 37 (1) of the SFCs Act.

By Order of the Board



Managing Director (i/C)

Place : Thiruvananthapuram,

Date : 04.07.2016

NOTES:

1. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 10.07.2016 to 29.07.2016 (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 is indeed a privilege to place before you the 63rd Annual Report on the business and operations of the Corporation and the accounts for the Financial Year ended March 31, 2016.

The Corporation has done a relatively better performance when viewed against the backdrop of macroeconomic challenges the financial institutions faced during the year under review. Though the economic environment remained challenging during the financial year 2015-16, Corporation was able to improve the customer base and business confidence. Detailed performance for the year 2015-16 and the initiatives contemplated for 2016-17 has been articulated in the report. The Corporation has been effectively leveraging technology to serve its clients better. The perception of risk management has already fundamentally changed the approach to business and it is further evolving with expanded scope and coverage. The Corporation has infused the philosophy of corporate governance into all of its activities. The Corporation has put in place appropriate plan, policies and strategies to achieve growth with quality and profitability. The support, encouragement and faith the customers have towards the Corporation have instilled in us the confidence required to pursue excellence in our journey forward.

Financial Highlights of the Corporation

An analysis of the operational performance of the Corporation during the last three years is given below:

₹ in Crores			
Financial Year	2015-16	2014-15	2013-14
Portfolio Size	2400.19	2038.18	1800.37
Sanctions	1025.99	947.45	989.62
Disbursements	838.36	657.09	754.73
Recovery	758.26	684.27	565.13
Interest Income	272.06	245.27	196.79
Total Income	308.47	287.06	247.73
Total Expenditure	261.21	218.26	180.00
Operating Profit	47.27	68.81	67.73
Net Profit	5.33	14.37	41.34
Capital Adequacy Ratio %	17.65	20.47	21.57
Gross NPA %	10.57	7.85	3.45
Net NPA %	5.93	3.71	0.35

The corporation has registered a good performance in all areas of operations exceeding the targets in all operational parameters. Recovery has touched an all time high registering growth of 10.81%. The considerable level of growth in these areas throws light on the effective functioning of the organization irrespective of the adverse market conditions prevailed during the financial year.

The stability and flexibility of the financial system have become essential to the macroeconomic stability as a whole. The sector has passed the financial crisis, which was mainly due to policy changes undertaken by the Government and the strong regulations prescribed by RBI. However, at present the corporation is undergoing a critical phase, with high level of NPAs, need for additional capital for expansion, etc. Despite this Corporation has managed to register a 17.76 % increase in its overall loan portfolio and adding new clients. However the Corporation had to make increased provisions which has adversely affected the profitability.

The corporation's main focus during the coming year will be to accomplish maximum growth on the recovery front keeping emphasis on the quality of its advances and to stop further slippage of accounts to sub standard category. Corporation will formulate necessary strategies to tackle the present situation by diversifying its portfolio and will be concentrating more on manufacturing and other performing sectors substantially reducing the exposure to hospitality and other sectors which are more likely to become NPA.

Operating Results:

Revenue from Operations:

Net Profit

The operating profit stands at Rs.47.27 crore and net profit at Rs.5.33 crore .

Sanctions:

Corporation sanctioned financial assistance of Rs.1025.99 Crore during the FY 2015-16 registering a growth of 8.29 % when compared with the previous FY.

₹ in Crores

Segment	2015-16		2014-15	
	No.	Amount	No.	Amount
Micro	1337	959.99	1099	741.78
Small	68	27.89	119	46.04
Medium	9	14.79	23	32.32
Others	6	23.32	70	127.31
Total	1420	1025.99	1311	947.45

Disbursements

An amount of Rs.838.36 crore was disbursed during FY 2015-16 as against Rs.657.09 crore during the previous financial year , thus registering a growth of 27.59%. The disbursement could have been even more, but for the several reasons including the unanticipated changes in government policies and other external factors affecting business in certain sectors like hospitality, tourism, mining, real estate etc, Corporation has been very vigilant in sanctioning and disbursing loans to new units. Corporation has formulated necessary strategies to tackle the present situation by diversifying its portfolio and will be concentrating more on manufacturing and other performing sectors substantially reducing the exposure to hospitality and other sectors which are more likely to become NPA.

Recovery

The Corporation had put in place a well-built monitoring mechanism for recovery during the year. The corporation's main focus during the year was to accomplish maximum growth on the recovery front and it has largely succeeded in this effort. Recovery has exceeded the targets and has touched an all time high with the total amount collected increasing by 10.81% and the total interest income by 10.92%. Total recovery during the year was Rs. 758.26 crore compared to

Rs.684.27 crore during FY 2014-15. Out of the total recovery, an amount of Rs.27.70 crore was by way of compromise settlement and recovery from written off loans. On the recovery front, the interest income increased to Rs.272.06 crore from Rs.245.27 crore during the previous year.

Asset Quality:

Corporation had a difficult FY due to general recessionary trends coupled with Government policy changes cancelling bar licenses to 3 star and 4 star category hotels. Closure of metal crushers due to environmental issues also affected the business of the Corporation considerably. As a result the Corporation faced delay in remittance of instalments of principal and interest from bar attached hotels, crushers etc. The major area of concern was the spike in NPA due to the adverse factors mentioned above. However to contain NPA special efforts were taken and Board of the Corporation had approved a liberal CS policy specifically for NPA accounts falling under hotels whose bar licenses were revoked and relief measures like rehabilitation / reschedulement, extra incentive for prompt repayment, waiver of Pre-payment/ foreclosure premium, funding of interest etc were given to eligible borrowers.

The Gross NPA level of the Corporation as on 31st March, 2016 stood at Rs.253.83 crore and its percentage to Gross Advance stood at 10.57 % compared to 7.85 % as on 31st March, 2015. The Net NPA level as on 31st March, 2016 stood at Rs.134.74 crore. The percentage of Net NPA to Net Advances was 5.93 % as on 31st March, 2016 compared to 3.71 % as at the end of the previous year.

Sector wise Classification of Loans & advances

As on 31.03.2016, the Sector wise Classification of Loans & advances is as below.

Sl. No	Sector	As on 31.03.16			As on 31.03.15		
		No	Amt in Lakhs	%	No	Amt in Lakhs	%
1	Manufacturing sector & others	3208	94681.47	39.45	2801	83248.93	40.84
2	Hotel	1006	75778.96	31.57	914	65918.46	32.34
3	Hospitals	322	11889.11	4.95	118	6975.39	3.42
4	CRE	728	57669.66	24.03	665	47675.54	23.39
	Total	5264	240019.20	100.00	4498	203818.32	100.00

Capital Adequacy Ratio:

The Capital to Risk- weighted Assets Ratio (CRAR) now stands at 17.65 % as against the minimum of 9 % prescribed.

Dividend:

During this year the corporation has not proposed any dividend .

Asset Liability Management (ALM)

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 for another 3

years 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 Corporation for acting as Corporate Agent for procuring or soliciting insurance business from 20.09.2013 to 19.09.2016 (Licence No. NIA 9664897). Corporation is now acting as the Corporate agent of New India Assurance Company under the agency code CA00002438. The Corporation has now reregistered under the New IRDAI (Registration of Corporate Agents) Regulations 2015. The Corporation mobilised substantial premium in general insurance activity by marketing the insurance products and earned a gross commission of Rs.8.01Lacs. 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 2016 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.

Networth:

The Corporation's net worth improved to Rs.429.16 crore as on 31.03.2016 from Rs. 423.92 crore as on 31.03.2015 .

Shareholder information:

The composition of shareholders as on March 31, 2016 is furnished below:

Shareholders	Rs. in crore	% of Shareholding
Government of Kerala	215.629	97.19
SIDBI	6.133	2.76
LIC	0.071	0.03
SBT	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. 562.01 crore as Term loan from various commercial banks at their base rates during the FY 2015-16. Aggregate outstanding LOC from banks and SIDBI at the year end was Rs.1362.57 crore.

b) Non SLR Bonds:

The Corporation did not issue Non SLR Bonds during the year. The Corporation partially redeemed KFC 9.99% Non-SLR Bond Series 1/2011 (ISIN: INE 818FO8011) by exercising 25% call option on 28.12.2015, amounting to Rs. 50 Crores, in compliance with the issue terms for reducing the cost of funds.

An amount of Rs. 491.79 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, 2016, 234 accounts have been covered under the scheme and for an amount of Rs.19.62 crore.

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 2015-16, training was imparted to 152 employees through different training programmes. Out of this internal training was given to 136 employees and external training was given to 16 employees. Promotion was given to 107 officers creating immense goodwill and motivation among employees. On 31.03.2016, the total staff strength was 224. During the financial year, 15 employees retired from service on attaining superannuation.

Corporate Governance:

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Loan Policy, Compromise Settlement Policy, Valuation Policy etc. were all reviewed by the Board and wherever required necessary amendments to policies 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. 71 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.

Board of Directors:

The details of Board of directors during the year 2015-16 and their attendance in meetings are given below.

Name of the director	Designation	Tenure	No. of meetings	
			Held during their tenure	attended
Shri. P. Joy Oommen	Chairman & MD	23.02.13-	4	4
Shri K.S.Srinivas IAS	Special Secretary (Industries & IP)	09.09.10 – 21.08.15	1	0
Shri R K Sinha, IAS	Secretary (Finance & Expenditure)	12.12.12 – 21.08.15	1	0
Shri B Srinivas, IAS	Secretary, Finance Department	21.08.15-	3	1
Shri P M Francis, IAS	Director (Industries & Commerce)	21.08.15-	3	3
Smt Premilla V Nair	Chartered Accountant	26.09.11-	4	4
Shri Ramnath	Chief General Manager, SIDBI, Mumbai	27.09.14 –	4	2
Shri Anadi Charan Sahu	Dy. General Manager, SIDBI, Ernakulam	06.09.13-21.08.15	1	1
Shri Vatsakumar	Dy. General Manager, SIDBI, Ernakulam	21.08.15	3	1
Shri.S.Chandrasekharan	General Manager, (Treasury), SBT	21.08.12- 21.08.15	1	1
Shri. A Aravind	General Manager, (Treasury), SBT	21.08.15-	3	1
Shri M S Shaji	Senior Divisional Manager, LIC	16.06.14 –	4	3
Shri K Ponnachan	Advocate	04.06.13 – 22.03.16	4	3

The Board of the Corporation met 4 times during the year on 26.05.15, 21.08.15, 09.12.15 and 29.03.16.

Board Committees:

Currently Board has two committees - Executive Committee and Audit Committee. Executive Committee met twice during the year on 07.10.2015 and 10.02.2016. Audit Committee met once during the year on 26.05.2015.

Participative Management:

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by participating them in the decision making process. Realising this, wide delegation has been given to different level of officers across the state at branch and zonal level. At head office also, the committee concept is used and the decision making has been transparent. However in order to ensure objectivity and fairness, checks and balances, through various internal control and audit procedure have been introduced.

Annual General Meeting:

Last Annual General Meeting was held on 29.07.2015. M/s. JAKS & Associates, Chartered Accountants, were reappointed as Statutory Auditors of the Corporation for the financial year 2015-16 and they will hold the office till the conclusion of the Annual General Meeting to be held in FY 2016-17. The financial statements for the year 2014-15 were approved and dividend @ 3% was also declared 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 are at par with prescribed industry standards.

The Comptroller & Auditor General of India conducted audit of the accounts of the Corporation up to the FY 2014-15.

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 believe 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 2015-16 an amount of Rs.2.60 Lakhs was spent for CSR activities.

KSEDM (Kerala State Entrepreneur Development Mission)

The scheme was officially launched in January 2012 by Government of Kerala with KFC as the nodal agency. The maximum eligible loan amount under this scheme is Rs.20 lakhs with a repayment period of 5years. The Mission aims at a radical social transformation through which young entrepreneurs will be supported in setting up new enterprises and thereby contributing to the development of the State as employment providers. Some of them have set up innovative projects in various sectors. The Mission has also enabled a number of women entrepreneurs to set up new businesses of their own. As on March 31, 2016, Rs 190.46 crore have been sanctioned and Rs.140.06 crore have been disbursed as financial assistance to 1714 units comprising of 3737 promoters.

Interest Subvention for Innovative Projects

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 to use equivalent amount towards subsidising interest to eligible units under the scheme. Out of Rs.10.14 crore a sum of Rs. 4.64 Crore was released towards share capital contribution to the Corporation. Corporation has utilised the subsidy for acquisition of plant and machinery by new units manufacturing Neera and other value added products developed

from coconut using the innovative technology provided by Coconut Development Board for sanctioning loans under the scheme.

IT Initiatives:

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 secured environment and replacing the 20 year old system run on COBOL. The system is up and running in all the branches and HO, which will handle all the day to day operations of the corporation. The system consist of rich MIS system as a ready monitoring tool for the performance of the Corporation. Corporation is now using the Government's e-Procurement system for all tendering process to make it transparent. KFC is also progressing the development of online loan application portal to make the loan application process simpler and faster. Corporation now aims at prioritizing itself as a technologically advanced customer centric institution. KFC is also a part of the m-Governance implemented by Govt. of Kerala through Kerala State IT Mission. Automated SMS are sent to customers on loan schemes, account details etc. The e-Auction system implemented by KFC ensures transparency in bidding with automatized e-mail/SMS System. KFC also have a detailed IT policy to support the effective usage of IT resources with in the corporation. Corporation has excelled in e-governance through implementation of the Core Financial Solutions, centralised connectivity, dynamic website, m-governance, e-auction, etc thereby transforming KFC in to more customer friendly organization.

New initiatives

- Special thrust to manufacturing sector through the interest subvention scheme by, teaming up with institutions such as the Coconut Development Board, Coir Board, Rubber Board etc to support innovative projects.
- Special scheme for Financial Assistance to Civil Contractors.
- Special scheme for Modernization, up gradation and expansion of existing cinema theatres and establishment of new multiplexes.
- Liberalised scheme for financing upto Rs 100 lakhs to well established units under KSEDM going through their next level of entrepreneurial journey.
- Promoting technology-intensive sectors such as IT and biotechnology.
- MoU signed between KFC and KITCO Ltd for promoting Innovation and Entrepreneurship development in the State
- KFC is implementing Online Loan Application for its customers to speed up the loan sanctioning process. The whole implementation will be done by M/s TCS, who is the developer of KFC's Core Financial Solutions(CFS)

Future Plans:

During the FY 2016-17, Corporation plans to sanction Rs.1200 Crore and to disburse around Rs. 1000 crore to manufacturing sector, IT and other service sectors. The corporation has unveiled plans to reach out to lines of business beyond tried and tested ones. The Corporation has been contemplating to achieve a portfolio size of over Rs.2800 crore by 2017. Special thrust will be given to women and young entrepreneurs, Food Processing sector renewable energy projects while exposure to hospitality and CRE sector will be reduced. Corporation will also work along with clusters.

a) Non SLR Bond issue

The corporation's proposes to raise Rs.500 crore from the debt market by issuing Non SLR Bonds during financial year 2016-17 with a credit enhancement structure and without Government Guarantee.

b) Establishing a venture capital fund

Corporation proposes to set up a venture capital fund in association with other State sector as well private sector agencies for providing need-based funding to startup firms with perceived long-term growth potential.

c) Strengthening the Consultancy Division

Board has approved a detailed road map for strengthening the Consultancy Division of the Corporation and Government of Kerala has approved KFC as an approved agency for rendering consultancy-management services to Public Service Undertakings. Corporation has also approved 5 consultants as consultancy partners according to their area of consultancy. Consultancy Division of the Corporation has successfully done an assignment for SIDBI by carrying out a detailed analysis of identifying the Financial Gaps of Rubber Industry in Kottayam with a view to ascertain their present status, extent of modernization required to make them competitive and their estimated credit requirement from the Banking Sector.

d) Upgradation of Hardware/Software

Steps for the upgradation of Hardware/Software for CFS for the smooth running of the current system are being done. The Corporation has requested KSITM for providing space in the State Data Centre II (SDC-II) cloud services with support/AMC charges whereby 24 x 7 support with backup facility will be made available. The existing KFC Data Centre (DC) will be setup as secondary DC for Data Recovery and production environment.

e) Implementation of e-Office

Corporation has also decided to implement e-office (version Lite) from NIC. The proposed e-Office package includes File management System (e-File), Knowledge Management System (KMS) and Collaboration and Messaging Service (CAMS) and purchase of Digital Signature Certificate (DSC) for all officers for signing electronic files.

f) Youth Business accelerator:

As continuation of supporting entrepreneurship developmental activities, Corporation has decided to create infrastructure and environment required for setting up a Business Accelerator for young entrepreneurs in the IT/ITeS domain. Corporation intends to offer affordable space to operate IT/ITeS enterprises going through the second phase of their entrepreneurial journey at its Ernakulam Office which will be developed and given to these young Entrepreneurs on a License basis.

g) Web site:

New initiative is taken to revamp KFC's website www.kfc.org as a responsive site with an advanced and comprehensive Content Management System to make the website more dynamic, a grievance portal to capture grievance from customers and public, online registration of loans, online customer portal, through which customers can access their account details etc. and Mobile application for public which is compatible for mobile phones & tablets in Android, iOS and Windows Platform.

h) Adoption of CFS by other SFC s:

After the successful implementation of CFS package at Corporation, many SFCs have approached the Corporation for the adoption of CFS at their end. Corporation has decided to extend the support for implementing CFS as a common software package across SFC s at a concessional rate. To start with, an agreement will be signed with APSFC for adopting CFS application by them. Corporation has also decided to document the implementation of CFS & IAS as a good governance practice so that it can be adopted by similar financial institutions / SFC s in the country with minor modifications.

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, 2016, 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, 2016 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, 2016 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 gratefully acknowledge the valuable advice and support extended by Government of Kerala, Other Governmental Agencies, Reserve Bank of India, Small Industries Development Bank of India (SIDBI), COSIDICI, other SFCs, Federal Bank, Indian Bank, South Indian Bank, Canara Bank, State Bank of Travancore, Tamilnadu Mercantile Bank, Andhra Bank, State Bank of India, HDFC Bank, Yes Bank, New India Assurance Company Ltd., LIC of India, BSE, Brickwork Rating Agency P Ltd, SMERA, Tata Consultancy Services, Kerala State IT Mission, Department of Income Tax, CAG, DIC, KITCO etc. The Board also places on record its gratitude to the Corporation's shareholders, customers, entrepreneurs and the business community of the State for reposing confidence in the Corporation and for their continued excellent support, patronage and goodwill. The Board further places on record its appreciation for the valuable services rendered by Statutory Auditors, all Concurrent Auditors and consultants during their tenure. The Board expresses its sincere appreciation for the dedicated services, contributions, support and co-operation extended by officers and employees of the Corporation at all levels. The Board would like to place on record its appreciation and gratitude to all the members of the Board of Directors existing as well as retired, who have ably guided the management of the Corporation during the period.

Thiruvananthapuram
02.07.2016

By Order of the Board



Premnath Ravindranath
Managing Director (i/C).

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, 2016, 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. 400.34 lacks in the year 2008-09. However, the Corporation has not been able to sell the property nor has it got the property valued by an approved external valuer. In the absence of such a valuation, we are not in a position to quantify if the asset is overstated or understated. Moreover, there is a suit filed by the borrower against the acquisition of the property by the Corporation.

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, 2016;
- (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


As regards the amount receivable from Government of Kerala (Rs. 8.81 Crore) towards interest and expenses borne by KFC on loans under KSEDM scheme, we have relied only on the scheme introduced by Government of Kerala as regards its recoverability.

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.
- 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.

Thiruvananthapuram
02-07-2016

For JAKS and Associates
Chartered Accountants
FRN: 001360 S

Selastin A. FCA
(Partner, M.No: 202874)

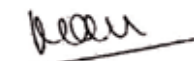
Balance Sheet as at 31st March, 2016

₹ in Lacs

	Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	22,186.43	22,186.43
	(b) Reserves and surplus	2	20,266.08	19,741.81
	(c) Money received against share capital		464.00	464.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	1,66,342.57	1,40,857.77
	(b) Deferred tax liabilities (net)		618.21	201.52
	(c) Long-term provisions	4	12,836.95	10,145.23
3	Current liabilities			
	(a) Short-term borrowings	5	24,913.62	15,963.74
	(b) Other current liabilities	6	3,611.32	3,204.35
	(c) Short-term provisions	7	7,605.12	7,312.38
	TOTAL		2,58,844.30	2,20,077.23
B	ASSETS			
1	Non-current assets			
	(a) Tangible Assets	8	460.87	339.50
	(b) Non-current investments	9	49.50	49.50
	(c) Other non-current assets	10	2,195.83	2,203.10
2	Loans and Advances	11	2,40,019.20	2,03,818.32
3	Current assets			
	(a) Current investments	12	925.00	1,000.00
	(b) Cash and cash equivalents	13	612.49	2,485.27
	(c) Other current assets	14	14,581.41	10,181.54
4	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		2,58,844.30	2,20,077.23



Soya K
Asst. General Manager



Premilla V Nair
Director

For and on behalf of the Board Directors



Premnath Ravindranath
Managing Director (i/C)

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
02.07.2016

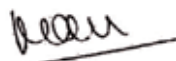
Statement of Profit and Loss for the Year ended 31st March 2016

₹ in Lacs

	Particulars	Note No.	for the year ended 31.03.2016	for year ended 31.03.2015
A	CONTINUING OPERATIONS			
1	Revenue from operations	15	30,526.14	28,455.63
2	Other income	16	321.28	250.61
3	Total revenue		30,847.42	28,706.24
4	Operating Expenses			
	(a) Interest expenses	17	16,900.83	14,370.90
	(b) Employee benefits expense	18	2,701.37	2,595.20
	(c) Administrative Expenses	19	522.82	526.98
	(d) Depreciation and amortisation expense		128.90	53.05
	(e) Bad debts written off		5,866.99	4,279.55
	Total expenses		26,120.91	21,825.68
5	Operating Profit before exceptional and extraordinary items and tax		4,726.51	6,880.56
6	Add/Less: Extraordinary Items		-	-
7	Operating Profit After exceptional and extraordinary items and tax		4,726.51	6,880.56
8	Less: (a) Provision for Bad and Doubtful debts		2,691.72	3,811.20
	(b) Provision for Diminution in value of Investment		-	66.00
9	Profit before tax		2,034.79	3,003.36
10	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		1,085.37	1,770.71
	(b) Provision for Deferred Tax		416.69	(204.23)
B	DISCONTINUING OPERATIONS		-	-
11	Net Profit after tax for the period		532.73	1,436.89
12	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		2.40	6.48
	(b) Diluted		2.35	6.41
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		8,575.73	9,196.86
	Net Profit for the year		532.73	1,436.88
	Total profit available for appropriation		9,108.46	10,633.74
	Less: Dividend Tax Short Provision		8.46	-
	Total		9,100.00	10,633.74
	Less: Appropriations			
	Proposed Dividend		-	665.59
	Provision for Dividend tax		-	127.04
	Transfer to Reserve u/s 36 (1) (viii)		321.40	1,265.38
	Balance Profit after appropriations		8,778.60	8,575.73
	Balance Profit carried to Balance sheet		8,778.60	8,575.73



Soya K
Asst. General Manager



Premilla V Nair
Director

For and on behalf of the Board Directors



Premnath Ravindranath
Managing Director (i/C)

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
02.07.2016

Notes Forming Part of Balance Sheet as at 31.03.2016

₹ in Lacs

	As at 31.03.2016	As at 31.03.2015
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
3,50,00,000 shares of Rs.100 each	35,000.00	35,000.00
Issued, Subscribed and Fully Paid up Capital		
<u>Ordinary Shares</u>		
21746678 shares of Rs.100/- each	21,746.68	20,757.55
Issued during the year 989125 shares of Rs.100/- each	-	989.13
<u>Special Shares</u>		
4,39,750 shares of Rs.100/- each as per last B/S	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	10,901.87	9,636.49
Added during the year	321.40	1,265.38
Total of (a)	11,223.27	10,901.87
(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	8,778.60	8,575.73
TOTAL {(a)+(b)+(c)}	20,266.08	19,741.81
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Borrowings from SIDBI	10,495.36	16,237.90
LoC from Federal Bank	6,875.00	3,750.00
LoC from South Indian Bank	312.50	2,062.50
LoC from Indian Bank	16,187.38	18,416.60
LoC from State Bank of Travancore	15,696.31	12,841.31
LoC from Canara Bank	39,276.02	23,700.03
LoC from Tamilnadu Mercantile bank	2,500.00	3,849.43
LoC from Andhra Bank	20,000.00	-
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	55,000.00	60,000.00
TOTAL	1,66,342.57	1,40,857.77
NOTE:4		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	10,145.23	6,757.26
Add: Provision made during the year	2,691.72	3,387.97
Total of (a)	12,836.95	10,145.23

NOTE : 5		
SHORT TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
OD from South Indian Bank	7,488.29	1,558.01
OD from Federal Bank	14,925.33	14,405.73
Short term loan from South Indian Bank	2,500.00	0.00
TOTAL	24,913.62	15,963.74
NOTE : 6		
OTHER CURRENT LIABILITIES		
State Subsidy	49.95	18.87
Margin Money	0.23	1.73
KSSEDM Advance from Govt. of Kerala	-	185.74
Interest subsidy	0.15	0.15
Coconut Devp. Board Subsidy	839.29	59.73
Earnest Money Deposit	12.60	12.00
Self Employment Venture fund	26.48	26.48
Suspense Account	62.00	167.86
Tax Deducted at Source	17.33	1.48
Other Salary Deductions	0.06	0.03
Other Sundry Deposits	26.54	25.89
Gratuity Payable	7.13	112.65
Service tax	0.00	0.49
Outstanding Expenses	276.90	113.14
Accrued Interest on Refinance from SIDBI	87.74	141.34
Accrued Interest on SLR Bonds & Non SLR Bonds	1,702.60	1,820.64
Accrued Interest on LOC from banks	395.95	414.76
Audit Fee Payable	1.25	1.00
Concurrent Audit Fee payable	3.91	0.67
Staff Dues Retained	80.54	80.54
Leave Encashment Payable	0.51	0.73
Unclaimed Dividend	0.12	0.11
CGTMSE Fees Collection	0.86	0.23
CGTMSE pending appropriation	19.18	18.09
TOTAL	3,611.32	3,204.35
NOTE : 7		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	6,519.75	4,749.04
Add: Provision made during the year	1,085.37	1,770.71
Total of (a)	7,605.12	6,519.75
(b) Proposed Dividend for the year	0.00	665.59
(c) Provision for Dividend Tax	0.00	127.04
TOTAL	7,605.12	7,312.38

NOTE : 8 TANGIBLE ASSETS

Particulars	Rate %	Gross value as on 31-03-2015	Additions during the year	Deletions during the year	Gross value as on 31-03-2016	Depreciation upto 31-03-2015	Depreciation for the year	Depreciation upto 31-03-2016	WDV as on 31-03-2016	WDV as on 31-03-2015
1	2	3	4	5	6	7	8	9	10	11
Land		11.62	0.00	0.00	11.62	0.00	0.00	0.00	11.62	11.62
Building	10%	411.76	64.31	0.00	476.07	318.57	12.53	331.10	144.97	93.19
Motor Vehicle	15%	159.54	0.45	0.00	159.99	107.56	7.86	115.42	44.57	51.97
Electrical Fittings	10%	146.10	13.73	14.76	145.07	57.25	8.70	65.95	79.12	88.85
Air Conditioner	15%	38.36	1.13	0.00	39.49	28.27	1.60	29.87	9.62	10.09
Photocopier	15%	22.52	0.00	0.00	22.52	18.30	0.63	18.93	3.59	4.22
Computer	60%	324.32	168.26	0.00	492.58	305.65	89.10	394.75	97.83	18.67
Other office Equipments	15%	47.10	5.77	0.00	52.87	34.45	2.56	37.01	15.86	12.65
Lift	15%	9.75	0.00	0.00	9.75	6.07	0.55	6.62	3.13	3.68
Other Furniture	10%	147.45	11.38	0.00	158.83	102.89	5.38	108.27	50.56	44.56
Total		1318.52	265.03	14.76	1568.79	979.01	128.91	1107.92	460.87	329.05
Total (Previous Year)		1257.59	72.02	11.09	1318.52	936.42	53.05	979.01	339.50	321.16

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	931.04	881.55
Conveyance Loan to Employees	106.93	100.77
Computer Loan to Employees	1.39	0.62
Other Staff Loan	0.15	0.15
Personal Loan to Employees	26.40	-
Advance to Employees	16.20	19.98
Deposit with P&T	0.09	0.09
YBA Project Advance	1.98	-
Other Deposits	17.58	13.35
Deposit with KSEB	14.83	14.47
Deposit against Staff Dues Retained	80.54	80.54
Interest Accrued on Staff Loans	499.50	483.22
GTI Advance	2.43	-
Other Advances	26.53	26.15
Advance for Fixed Assets	69.90	181.87
TOTAL	2,195.83	2,203.10
NOTE : 11		
LOANS & ADVANCES		
Loans and Advances	2,40,019.20	2,03,818.32
TOTAL	2,40,019.20	2,03,818.32
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	925.00	1,000.00
TOTAL	925.00	1,000.00
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	91.70	35.01
Bank Accounts	520.79	2,450.26
TOTAL	612.49	2,485.27

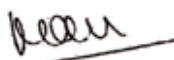
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	10,580.44	7,374.85
Cenvat Credit	6.31	0.00
Income Tax Deducted at source	99.33	90.94
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Interest Accrued on Loans & Advances	3,005.62	2,709.07
Interest Accrued on STD with Banks	0.51	0.58
Rent Receivable	4.52	6.10
Prepaid Expenses	3.44	0.00
KSEDM Interest & Expenses Receivable	881.24	0.00
TOTAL	14,581.41	10,181.54
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	30,104.83	26,902.95
Less : Interest rebate on Loans	2,899.26	2,376.06
Net Interest Received On Loans & Advances	27,205.57	24,526.89
Application Fees	0.03	0.11
Loan Processing Fees	510.44	453.61
Recovery from written off loans	2,769.95	3,424.94
Premium on pre-closure	40.15	50.08
TOTAL	30,526.14	28,455.63
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	71.35	83.12
Interest on Bank Deposits	24.87	58.33
Dividend From Shares	2.18	2.18
Miscellaneous Income	1.04	19.66
Gratuity Payment reimbursement from LIC	112.65	0.00
Other Income	6.42	3.75
Rent Received	79.62	76.53
Income from Insurance Agency	8.01	5.88
RTI Application Fee Received	0.08	0.03
Consultancy Service Division Receipts	2.60	0.46
Profit on sale of Fixed Assets	0.96	0.67
Commision exchange and brokerage	11.50	0
TOTAL	321.28	250.61
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	5,453.96	4,675.19
Interest on Coconut Dev Board Subsidy	19.64	0.73
Interest on Refinance from SIDBI	1,311.35	1,922.21
Interest on Line Of Credit from Banks	9,590.25	7,356.14
Guarantee Commission	491.79	316.48
Bond Issue Expenses	33.74	100.13
LOC Administrative Expenses	0.10	0.02
TOTAL	16,900.83	14,370.90

NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,149.95	2,076.61
Group Gratuity Insurance	51.00	175.04
Contribution to Employees' P.F	226.38	220.08
Group E/L Encashment Insurance	185.02	50.41
Group Term Insurance	1.78	0.00
Other Staff Expenses	87.24	73.06
TOTAL	2,701.37	2,595.20
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	87.97	87.49
Postage, courier and Telephone	27.43	33.80
Printing & Stationery	13.14	16.59
Vehicle Running & Maintenance	23.06	25.92
Repairs & Maintenance of Buildings & Equipments	15.94	70.66
Revenue Recovery expenses	162.80	96.69
Bank Charges and Commission	0.85	0.37
Audit Fees	2.46	1.60
Consultancy Charges	4.11	2.72
Legal Expenses	9.43	9.15
Books & Periodicals	2.29	2.37
Other Expenses	99.02	88.51
Travelling Expenses	23.00	22.01
Board / E.C. Meeting Expenses	1.48	3.17
Concurrent Audit Fee	24.89	17.84
Conference and Seminar Expenses	1.52	9.36
Advertisement and publicity	17.85	35.08
Business Development Expenses	5.58	3.65
TOTAL	522.82	526.98

For and on behalf of the Board Directors



Soya K
Asst. General Manager



Premilla V Nair
Director



Premnath Ravindranath
Managing Director (i/C)

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
02.07.2016

NOTE: 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Corporate Information

The Kerala Financial Corporation is a State Financial Corporation having its area of operations in the state of Kerala and incorporated under the provisions of the State Financial Corporation Act, 1951 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 accounting policies adopted in the preparation of financial statements are in consistence with those of previous year except for the change in accounting policy, if any 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 treated as upper Tier-II capital and 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.

Calculation of EPS	2015-16	2014-15
a. Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	5,32,72,941.52	14,36,87,912
b. Number of Equity Shares outstanding (face value of Rs.100/- each)	2,21,86,428	2,21,86,428
Basic earnings per share (a) / (b)	2.40	6.48
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)	2,26,50,428	2,24,01,113
Diluted Earnings per share (a) / (c)	2.35	6.41

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 total additional provision provided during the FY is Rs.26.92 crore. The corporation has provided the minimum provision prescribed by the RBI / SIDBI guidelines for all standard advances. For substandard assets, a judicious provision of 47% (55% in FY 2014-15) is made for advances other than CGTMSE loans (for CGTMSE loans minimum provision made as prescribed by the RBI / SIDBI guidelines with 100% provision for the unsecured portion). All the doubtful advances are written off (technical write off) and charged to revenue to maintain asset quality. During the current year the corporation has reclassified the S2 accounts which will turn to D1 during April to June 2016 as a prudent practice and thus loans to the tune of Rs.20.07 crore is reclassified as D1 and written off. Hence only a lesser provision of 47% has been made

for the FY 2015-16 in comparison to 55% during the previous year. If the same treatment on both write off of loan and provision was applied as that of last year on S2, the Net profit would have come down by Rs.17.69 crore.

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. The balance amount payable due to enhanced gratuity to all eligible retired employees for the period from 01.07.2001 to 31.07.2007 was paid as per orders of Lok Ayukta along with interest amounting to Rs. 11,264,656/-. The said amount was received from LIC on 31.10.2015 and same is shown under the head 'Gratuity payment reimbursed by LIC'.

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. 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 and hence has not made any additional provision. All the claims for the FY 2015-16 have been settled by LIC.

1.7. Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of provisions and 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. All advances which have become Non-performing for more than one year have been written off as Bad Debts and recoveries from these cases are shown as Recovery from written off cases which are included in the Operating Income.

1.8. Tangible 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. 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. 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 31.03.2016 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. 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.

NOTES FORMING PART OF ACCOUNTS

2.1 Asset Classification and provisioning

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 (%)	Provision actually made (%)	
		During FY 15-16	During FY 14-15
Standard Assets- Micro & Small	0.25	0.25	0.25
Standard Assets- Medium	0.40	0.40	0.40
Standard Assets- CRE	1	1	1
Sub Standard Assets	15	47	55
Sub Standard Assets– CGTMSE (Secured portion)	15	15	15
Sub Standard Assets–CGTMSE (Un Secured portion)	100	100	100

Loans & Advances under Doubtful I category have been fully written off (technical write off) as bad debts. Gross and Net NPA as on 31.03.2016 is 10.57% and 5.93% respectively whereas it was 7.85% and 3.71% as on 31.03.2015.

2.2 Advances towards Share capital and KSEDM project

The Corporation received Rs.2.14 crore during the year 2013-14 and Rs.2.50 crore during the year 2014-15 from Government of Kerala towards Share Capital Advance. Shares for the same are yet to be issued subject to 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.10 crore during the FY 2011-12 and Rs. 5 Crore during the FY 2013-14 from Govt. of Kerala for meeting the expenses in connection with KSEDM. Rs 23.81 Crore has been spent till 31.03.2016 for the KSEDM project. As on 31.03.16, Rs.8.81 crore is receivable from the govt and is shown as KSEDM Interest & Expenses receivable under Other Current assets. 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 KSEDM amounting Rs. 44.50 Crore based on the loans sanctioned till 31.03.2016.

2.3 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). We have 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.

2.4 Income Tax Assessments

Income Tax Returns have been filed up to Assessment Year 2015-16 and assessment has been completed up to the Assessment Year 2013-14. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment Years 2009-10, 2011-12, 2012-13 and 2013-14. 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).

2.5 Deferred Tax Liabilities

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

Particulars	As on 31.03.2015	For 2015-16	As on 31.03.2016
On Depreciation	1.69	(48.62)	(46.93)
On income not received	1085.26	434.14	1519.40
On outstanding expenses	(885.42)	31.17	(854.25)
Total	201.53	416.69	618.22

2.6 Service Tax

The Corporation being in the service sector is paying service tax as a service provider and under reverse charge mechanism as a service recipient as applicable to Banking and financial services industry. The Service tax department has served 3 orders vide No.96/2012/ST 30.04.2012, 34/2012/ST 30.04.2012 and 19/2014/ST 23.05.2014 in respect of the taxability of Court expenses recovered and miscellaneous expenses recovered from the loan customers. Appeal is filed in Tribunal (CESTAT – Bangalore) against these orders and is pending for hearing. Further, during the FY 2015-16, 2 show cause notices vide No. 270/2015-16-ST dated 11.01.2016 and 308/2016-ST dated 01.03.2016 have been served

demanding tax on guarantee commission paid for the period from 01.07.2012 to 31.03.2015. Reply to the notices has already been filed and the cases are pending for hearing before the Additional Commissioner, Service Tax, Trivandrum.

2.7. Related Party Disclosures as per AS 18

A. List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri. P. Joy Oommen, Chairman and Managing Director (Up to 31.05.16)

B. Related party Transactions

The total remuneration paid to Sri P. Joy Oommen during the financial year 2015-16 is Rs. 11.79 Lakhs (Rs.11.15 Lakhs during FY 2014-15) which include leave encashment of Rs.0.83 Lakhs (Rs.0.80 Lakhs during FY 2014-15)and incentive of Rs.0.45 Lakhs (Rs.0.50 Lakhs during FY 2014-15). There are no payments on account of PF or Gratuity to him during the year.

2.8 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 31.03.2016, 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.

2.9 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 fund based financing activity. 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.

2.10 Contingent liabilities

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. The contingent liabilities of such nature as on 31.03.2016 are estimated as under

- On account of Income Tax Rs. 617.54 Lakhs
- On account of suits filed against the Corporation Rs. 112.20 Lakhs
- On account of Service Tax Rs. 18.41 Lakhs
- Lease rent payable to Government of Kerala- Rs.13.28 Lakhs

2.11 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. 55.43 Lakhs (Rs.57.66 Lakhs during FY 2014-15) 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-6. The total amount of Lease income on an operating lease received during the year is Rs. 79.62 Lakhs (Rs.76.53 Lakhs during FY 2014-15) 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.

2.12 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.

2.13 Self Employment Venture Fund

Amount shown in Self Employment Venture Fund of Rs.26.48 Lakhs under the head Other Liabilities is unchanged from that of previous year.

2.14 Bad debts Written Off

During the year the corporation has written off Bad Debts (technical write off to maintain asset quality) amounting to Rs. 57.84 crore (Rs.42.80 crore during FY 2014-15). Constructive steps have been initiated for the recovery of these accounts and the amounts will be included in revenue as and when recovered.

2.15 Suspense Account.

The amount outstanding in Suspense Account amounting to Rs. 62 lakhs comprises of amount kept in suspense as per court orders, Inter Branch transactions, and amount received from LIC towards maturity amount of policies of the employees.

2.16 Secured / Un-secured Loans.

Loans from SIDBI and other Banks 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.

2.17 Employee Expenses.

Employee Pay & Allowances of Rs.21.50 crore (Rs.20.77 crore during FY 2014-15) includes an amount of Rs.0.69 crore (Rs.0.91 crore during FY 2014-15) for proportionate DA arrears declared by Government of Kerala during the year.

2.18 Office Building

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 at annual lease rent fixed by the State Government from time to time. The corporation has received revised lease rent proposal of 5% from the Revenue Department , of which 2% is provided in the books of accounts and balance 3% is under dispute which amounts to Rs. 13.28 Lakhs for the FY 2013-14 , FY 2014-15 and FY 2015-16.

2.19 MAT Credit as per Income Tax Act

The total amount of MAT credit available on account of the tax paid U/s 115JB of the Income Tax Act for the assessment years 2010-11 and 2011-12 was fully claimed U/s 115JA of the Income Tax Act for the assessment years 2012-13, 2013-14, 2014-15 and 2015-16.

2.20 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. Current year provision for tax is calculated as below.

Taxable income calculated as per IT Act	-	Rs.	31,36,19,218.00
Income tax thereon	-	Rs.	10,85,37,339.00
Less: MAT credit	-	Rs.	0.00
Balance Charged to Profit & Loss A/c	-	Rs.	10,85,37,339.00

2.21. Prior period items

There is no prior period adjustment made during this year .

2.22 Grants and Subsidies

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees (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.

2.23 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 2015-16 are Rs.30104.84 Lakhs and Rs.2899.26 Lakhs and during 2014-15 are Rs.26902.95 Lakhs and Rs.2376.06 Lakhs respectively.

2.24 Loans and advances to Employees

Presently the Corporation provides facilities like house loan, conveyance loan, computer loan, festival advance etc. to its employees. The disbursement and recovery in employee loans are effected through payroll system. On reconciliation

of the loan balances in payroll system with financial accounting system after migration of data from COBOL system to CFS system, there is an accumulated difference of Rs. 61 Lakhs . This will be rectified in the financial accounting system before 30.09.2016.

2.25 Classification of Loans & advances

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

	₹ in Lacs	
	Due within 1 year	Above 1 year
Loans & Advances	52521.36	187497.84
Long term borrowings	28304.26	138038.31

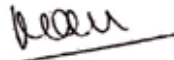
2.26 Previous Year's Figures

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

For and on behalf of the Board of Directors



Soya K
Asst. General Manager

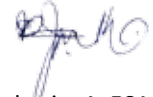


Premilla V Nair
Director



Premnath Ravindranath
Managing Director (i/C)

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
02.07.2016

Note: 21

DISCLOSURE REQUIREMENTS:

₹ in Lacs

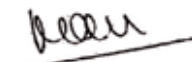
DISCLOSURE REQUIREMENTS:			
A. Capital	2015-16		2014-15
a) CRAR (%)	17.65		20.47
b) Risk Weighted Assets			
1) On Balance Sheet items	240019.20		203818.32
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala (including advance)	21562.94	97.19	97.19
2. SIDBI	613.33	2.76	2.76
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.05	0.05
TOTAL	22186.43	100	100.00
d) Net worth	42916.50		
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Net NPAs to Net Loans and Advances.	13350.05	5.93	3.71
b) Net NPAs under the prescribed asset classification categories			
Sub Standard Assets	13350.05	5.93	3.71
c) Provisions:			
	2015-16		2014-15
1. Provision for Standard Assets	998.23		1165.90
2. Provision for NPA	11838.73		8979.34
3. Provision for Investments	74.38		74.38
4. Provision for Income Tax	1085.37		1770.70
5. Provision for Deferred Tax Liability	416.69		-204.23
6. Proposed Dividend	0.00		665.59
d) Movement in Net NPA (%)			
	2015-16	2014-15	Variance
Sub Standard	5.93	3.71	2.22
	5.93	3.71	2.22
TOTAL			

₹ 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	More than 10 years	Total
Total assets	52521.36	86131.11	51004.08	30194.18	20168.47	0.00	240019.20
Total Liabilities	28304.26	58195.20	36076.40	28766.72	15000.00	0.00	166342.58
						2015-16	2014-15
D. Operating Results:							
a) Interest income as a percentage to average working funds-						14.74	14.24
Interest Income						30,104.84	26,902.95
Average Working Funds						2,04,236.40	1,88,987.24
b) Non-interest income as a percentage to Average Working Funds-						1.78	2.21
Non-interest income						3,641.85	4,179.35
Average Working Funds						2,04,236.40	1,88,987.24
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-						2.31	3.64
Operating Profit (+) / Loss (-)						4,726.51	6,880.56
Average Working Funds						2,04,236.40	1,88,987.24
d) Return on Average Assets-						2.03	3.35
Returns (operating profits + depreciation)						4,855.41	6,933.61
Average Assets						2,39,460.77	2,07,211.12
e) Net profit (+) / Loss (-) per employee						2.38	6.36
No. of employees						224	226
Net profit (+) / Loss (-)						532.73	1,436.88



Soya K
Asst. General Manager



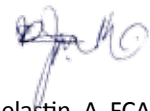
Premilla V Nair
Director

For and on behalf of the Board of Directors



Premnath Ravindranath
Managing Director (i/C)

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
02.07.2016

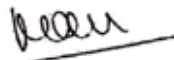
CASH FLOW STATEMENT

₹ in Lacs

FOR THE PERIOD	For the year ended 31.03.2016	For the year ended 31.03.2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	2,034.79	3,003.36
Depreciation on fixed assets	128.90	53.05
Provision for diminution in the value of investments	-	66.00
Provision for Non Performing Assets	2,691.72	3,387.97
Profit on sale of fixed assets	(0.96)	(0.67)
Interest and other costs of Non-SLR Bond	5,979.49	5,091.80
Adjustment for changes in operating assets and liabilities		
Increase in Loans and advances	(36,200.89)	(23,781.00)
Increase in borrowings from banks and SIDBI	39,434.69	(455.47)
Increase in other non-current assets	(102.72)	(213.46)
Increase in other current assets	(1,784.85)	594.72
Increase in current liabilities	406.96	748.38
Less: Income tax paid	(2,540.00)	(1,375.00)
Net cash from operating activities	10047.13	(12,880.31)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(153.06)	(72.02)
Sale of fixed assets	15.72	1.29
Capital expenditure on assets work in progress	(1.98)	(59.51)
Net cash used in investing activities	(139.32)	(130.23)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance to share capital from Govt. of Kerala	-	250.00
Issue of Non-SLR Bond	-	20,000.00
Redemption of Non-SLR Bond	(5,000.00)	-
Interest and other costs of Non-SLR Bond	(5,979.49)	(5,091.80)
Dividend paid	(674.06)	(1059.87)
Dividend tax paid	(127.04)	(180.12)
Net cash from financing activities	(11,780.59)	13,918.21
Net increase in cash and cash equivalents	(1,872.78)	907.67
Cash and cash equivalents at the beginning of the year	2,485.27	1,577.61
Cash and cash equivalents at the end of the year	612.49	2,485.27



Soya K
Asst. General Manager



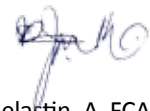
Premilla V Nair
Director

For and on behalf of the Board of Directors



Premnath Ravindranath
Managing Director (i/C)

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



Selastin. A FCA
Partner, M No: 202874

Thiruvananthapuram
02.07.2016

PROFORMA-I

SUMMARY OF LOAN OPERATIONS FOR FY 2015-16

₹ in Lacs

Particulars	MICRO		SMALL		MEDIUM		OTHERS		TOTAL	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1. Application pending as on 01.04.2015	8	84.00	4	975.00	1	400.00	1	300.00	14	1759.00
2. Application received during 2015-16	682	10767.42	317	44367.15	18	13550.00	366	43364.09	1383	112048.66
3. Total Application for consideration	690	10851.42	321	45342.15	19	13950.00	367	43664.09	1397	113807.66
4. Application withdrawn/rejected or otherwise disposed off	23	959.47	2	4684.76	2	534.00	14	829.51	41	7007.74
5. Application sanctioned (Gross)	657	9698.95	312	37537.39	16	13300.00	347	42301.58	1332	102837.92
6. (A) Application cancelled or reduced out of current year sanction	3	49.50	0	0.70	0	0.00	1	188.57	4	238.77
(B) Application cancelled or reduced out of previous year sanction	11	317.75	13	5358.80	1	45.00	5	2001.96	30	7723.51
(C) Total cancellation/reduction (6A+B)	14	367.25	13	5359.50	1	45.00	6	2190.53	34	7962.28
7. Application sanctioned effectively (5-6A)	654	9649.45	312	37536.69	16	13300.00	346	42113.01	1328	102599.15
8. Amount disbursed along with number of newly assisted units	826	9324.29	285	32258.99	15	7266.72	310	34986.05	1436	83836.05
9. Application pending sanction as on at the end of the period	10	193.00	7	3120.00	1	116.00	6	533.00	24	3962.00

PROFORMA-II

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2015-16

₹ in Lacs

BRANCH NAME	APPLICATION RECEIVED										GROSS SANCTION									
	MICRO		SMALL		MEDIUM		OTHERS		TOTAL		MICRO		SMALL		MEDIUM		OTHERS		TOTAL	
	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT
TVM	55	1042.14	39	5910.00	4	2925.00	6	3691	104	13568.14	47	1496.45	39	6010.00	2	2925.00	6	3791.00	94	14222.45
KLM	56	1599.63	23	5796.50	2	750.00	7	1935	88	10081.13	50	1019.15	20	2657.00	3	750.00	7	1796.00	80	6222.15
PTA	32	636.10	22	4465.00	3	2150.00	4	420	61	7671.10	27	627.20	20	2860.00	3	2700.00	4	329.00	54	6516.20
ALP	14	138.75	11	1666.00	1	500.00	51	4019.08	77	6323.83	11	135.75	10	1535.00	1	500.00	47	3237.90	69	5408.65
KTM	44	617.00	15	486.00	0	0.00	12	4461.2	71	5564.20	40	579.92	15	434.15	0	0.00	13	4245.95	68	5260.02
IDK	44	501.45	0	0.00	0	0.00	26	2374.85	70	2876.30	39	485.05	0	0.00	0	0.00	25	2212.15	64	2697.20
TDP	24	248.17	15	1832.30	2	1475.00	3	825	44	4380.47	18	205.47	15	1668.85	2	1365.00	3	825.00	38	4064.32
EKM	46	553.83	45	7669.25	0	0.00	3	3180	94	11403.08	46	561.83	45	7669.25	0	0.00	2	3005.17	93	11236.25
PMBR	33	430.00	30	3670.00	0	0.00	35	1001.53	98	5101.53	27	410.00	29	3470.00	0	0.00	35	1001.53	91	4881.53
TCR	34	396.45	11	1611.50	1	1000.00	23	4309.7	69	7317.65	29	365.19	11	1589.50	1	925.00	18	4309.70	59	7189.39
PKD	63	861.50	13	1476.00	1	1700.00	5	234	82	4271.50	65	748.50	14	1419.50	1	1700.00	5	233.20	85	4101.20
MLP	87	1305.61	28	3066.00	0	0.00	17	2795	132	7166.61	85	1108.27	26	2404.04	0	0.00	16	2760.50	127	6272.81
KKD	43	901.55	37	4560.00	2	1950.00	32	4366	114	11777.55	38	507.73	37	3795.25	1	1335.00	24	5377.20	100	11015.18
WYND	31	415.50	5	105.00	2	1100.00	71	2987.6	109	4608.10	30	401.50	5	105.00	2	1100.00	71	2992.60	108	4599.10
KNR	55	835.17	16	1547.60	0	0.00	7	1895	78	4277.77	86	793.49	19	1454.85	0	0.00	8	1844.76	113	4093.10
KGD	21	284.57	7	506.00	0	0.00	64	4869.13	92	5659.70	19	253.45	7	465.00	0	0.00	63	4339.92	89	5058.37
TOTAL	682	10767.42	317	44367.15	18	13550	366	43364.09	1383	112048.66	657	9698.95	312	37537.39	16	13300.00	347	42301.58	1332	102837.92

PROFORMA-III

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2015-16

₹ in Lacs

BRANCH NAME	EFFECTIVE SANCTION										LOAN DISBURSED									
	MICRO		SMALL		MEDIUM		OTHERS		TOTAL		MICRO		SMALL		MEDIUM		OTHERS		TOTAL	
	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT
TVM	47	1496.45	39	6009.30	2	2925.00	6	3791.00	94	14221.75	101	1113.53	57	5171.99	2	1822.66	15	3928.17	175	12036.35
KLM	50	1019.15	20	2657.00	3	750.00	7	1796.00	80	6222.15	51	523.51	11	1635.02	3	1039.24	7	268.34	72	3466.11
PTA	27	627.20	20	2860.00	3	2700.00	4	329.00	54	6516.20	24	1455.01	15	2152.86	0	0	4	1029.21	43	4637.08
ALP	11	135.75	10	1535.00	1	500.00	47	3237.90	69	5408.65	11	112.02	14	1151.26	1	200.00	37	2413.60	63	3876.88
KTM	39	559.92	15	434.15	0	0.00	13	4159.95	67	5154.02	37	362.98	17	2139.76	0	0	25	2332.43	79	4835.17
IDK	38	471.05	0	0.00	0	0.00	25	2211.20	63	2682.25	22	207.20	0	5.00	0	0	20	1285.87	42	1498.07
TDP	18	205.47	15	1668.85	2	1365.00	3	825.00	38	4064.32	21	225.79	13	2849.25	1	230.00	3	438.00	38	3743.04
EKM	46	558.66	45	7669.25	0	0.00	2	3005.17	93	11233.08	39	468.18	28	5403.41	0	0	2	2500.00	69	8371.59
PMBR	27	410.00	29	3470.00	0	0.00	35	1001.53	91	4881.53	196	594.73	36	3659.17	0	0	8	620.01	240	4873.91
TCR	28	359.69	11	1589.50	1	925.00	18	4309.70	58	7183.89	23	209.30	10	1354.29	1	885.53	17	3759.73	51	6208.85
PKD	65	748.50	14	1419.50	1	1700.00	5	233.20	85	4101.20	51	971.69	9	549.90	1	1550.00	3	509.30	64	3580.89
MLP	85	1108.27	26	2404.04	0	0.00	16	2760.50	127	6272.81	74	972.66	20	2449.59	1	258.50	11	1892.35	106	5573.10
KKD	38	507.73	37	3795.25	1	1335.00	24	5377.20	100	11015.18	60	700.48	23	1615.12	5	1247.25	21	4179.27	109	7742.12
WYND	30	401.50	5	105.00	2	1100.00	70	2969.60	107	4576.10	25	474.52	4	205.00	0	27.25	63	2866.97	92	3573.74
KNR	86	786.81	19	1454.85	0	0.00	8	1766.14	113	4007.08	80	775.91	18	1467.99	0	6.29	7	2282.07	105	4532.26
KGD	19	253.30	7	465.00	0	0.00	63	4339.92	89	5058.22	11	156.78	10	449.38	0	0	67	4680.73	88	5286.89
TOTAL	654	9649.45	312	37536.69	16	13300.00	346	42113.01	1328	102599.15	826	9324.29	285	32258.99	15	7266.72	310	34986.10	1436	83836.05

PROFORMA – IV

DISTRICT WISE BREAKUP OF LOAN APPLICATIONS RECEIVED, SANCTIONED AND DISBURSED DURING FY 2015-16

₹ in Lacs

BRANCH	APPLICATION RECEIVED			LOAN SANCTIONED EFFECTIVELY			LOAN DISBURSED			
	NO	% of Total	Amount	NO	% of Total	Amount	NO	% of Total	Amount	% of Total
TVM	104	7.52	13568.14	94	7.08	14221.75	175	12.19	12036.35	14.36
KLM	88	6.36	10081.13	80	6.02	6222.15	72	5.01	3466.11	4.13
PTA	61	4.41	7671.10	54	4.07	6516.20	43	2.99	4637.08	5.53
ALP	77	5.57	6323.83	69	5.20	5408.65	63	4.39	3876.88	4.62
KTM	71	5.13	5564.20	67	5.05	5154.02	79	5.50	4835.17	5.77
IDK	70	5.06	2876.30	63	4.74	2682.25	42	2.92	1498.07	1.79
TDP	44	3.18	4380.47	38	2.86	4064.32	38	2.65	3743.04	4.46
EKM	94	6.80	11403.08	93	7.00	11233.08	69	4.81	8371.59	9.99
PMBR	98	7.09	5101.53	91	6.85	4881.53	240	16.71	4873.91	5.81
TCR	69	4.99	7317.65	58	4.37	7183.89	51	3.55	6208.85	7.41
PKD	82	5.93	4271.50	85	6.40	4101.20	64	4.46	3580.89	4.27
MLP	132	9.54	7166.61	127	9.56	6272.81	106	7.38	5573.10	6.65
KKD	114	8.24	11777.55	100	7.53	11015.18	109	7.59	7742.12	9.23
WYND	109	7.88	4608.10	107	8.06	4576.10	92	6.41	3573.74	4.26
KNR	78	5.64	4277.77	113	8.51	4007.80	105	7.31	4532.26	5.41
KGD	92	6.65	5659.70	89	6.70	5058.22	88	6.13	5286.89	6.31
TOTAL	1383	100	112048.66	1328	100	102599.15	1436	100	83836.05	100

PROFORMA -V

SECTOR WISE LOANS OUTSTANDING AS ON 31.03.2016

₹ in Lacs

SECTOR	STANDARD		SUBSTANDARD		TOTAL LOAN OUTSTANDING	
	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT
CRE	666	50713.82	62	6955.84	728	57669.66
Hotel	913	67465.17	93	8313.79	1006	75778.96
Hospital	313	8628.43	9	3260.68	322	11889.11
Manufacturing & Others	3010	87829.25	198	6852.22	3208	94681.47
TOTAL	4902	214636.67	362	25382.53	5264	240019.20

HIGHLIGHTS OF PERFORMANCE

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	1	2	3	4	5	6	7	8	9	10
Applications Received No.	541	567	619	855	702	694	721	1,147	1,364	1383
Applications Received Amount	22,406	28,246	43,658	79,947	59,699	64,294	77,271	98,962	1,48,269	112049
Applications Sanctioned No	461	526	580	759	742	634	639	1,111	1,311	1328
Applications Sanctioned Amount	13,583	24,557	34,910	61,593	50,706	53,901	66,139	1,01,173	94,745	102599
Disbursement Amount	9,725	18,643	29,394	41,953	44,344	46,457	47,594	75,473	65,709	83836
Recovery Amount	19,908	21,844	26,925	29,954	35,473	46,717	54,022	56,513	68,427	75820
Arrears Amount	75,250	76,244	7,741	4,751	4,352	2,788	3,241	2,290	10,084	56,341
Number of loan accounts	10,345	7,797	6,309	5,949	6,049	5,985	6,114	4,196	4,498	5264
Balance Outstanding Amount	1,04,489	97,128	70,353	88,839	1,12,481	1,23,984	1,40,143	1,80,037	2,03,818	240019
Authorised Capital	20,000	20,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35000
PAID-UP CAPITAL										
State Government	14,399	14,399	19,783	19,783	20,574	20,574	20,574	20,574	21,563	21563
SIDBI	1,483	1,483	613	613	613	613	613	613	613	613
Others	24	24	10	10	10	10	10	10	10	10
Total	15,906	15,906	20,406	20,406	21,197	21,197	21,197	21,197	22,186	22,186
INCOME										
Interest on Loans	8,390	8,293	10,192	9,196	12,064	15,730	25,294	26,312	30,915	29,976
Other Income	570	540	734	6,599	4,534	5,695	476	307	167	871.90
Total	8,960	8,833	10,926	15,795	16,598	21,425	25,770	26,619	31,082	30,847
EXPENDITURE										
Interest on Bonds	1,682	1,371	1,124	960	759	1,043	2,111	3,419	4,675	5,453.96
Interest on Refinance	2,690	2,409	2,913	3,776	4,217	3,996	3,830	2,636	1,922	1,311.35
Interest on Other Borrowings	3	3	10	3	854	3,170	2,760	4,442	7,356	9,609.89
Fund Raising Financial Expense	134	118	98	174	1,166	244	241	370	417	525.63
Pay & Allowances etc	1,231	2,362	2,408	1,978	2,463	1,792	2,317	2,355	2,595	2,701.37
Establishment Expenses	243	244	211	138	410	402	438	574	527	522.82
TOTAL	5,953	6,507	6,764	7,029	9,869	10,647	11,697	13,797	17,492	20,125

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Profit /Loss before Depreciation/ Write off /Provisions	3,004	2,301	4,162	8,766	6,729	10,778	14,073	12,822	13,590	10,722
Depreciation	38	38	33	36	64	58	57	65	53	129
B ad Debts Written Off	1,713	3,291	11,757	3,773	495	3,078	2,566	4,139	4,280	5867
Provision for Bad & Doubtful debts	600	1,310	-8,798	88	1,419	482	1,626	1,311	3,811	2692
Net Profit / Loss	440	-2,815	1,170	2,114	3,640	4,555	6,683	4,134	1,437	533
Accumulated Loss	-7,685	-10,500	0	0	0	0	0	0	0	0
Net Worth	11,577	8,762	24,932	26,996	29,736	32,585	38,376	41,484	42,392	42,917
Gross NPA (%)	59.33	44.49	21.00	9.04	8.20	3.60	3.51	3.45	7.85	11
Net NPA (%)	48.52	28.68	13.22	2.41	1.88	1.30	0.36	0.35	3.71	6
SOURCES OF FUNDS										
Share Capital	0	0	15,000	0	791	0	0	214	989	0
Bonds	..	0	0	0	0	20,000	0	20,000	20,000	0
Refinance	6,333	7,500	16,000	20,989	16,000	7,900	5,900	2,710	0	0
Plough Back	-2,380		14,155	10,162	6,192	21,565	15,394	20,267	43,646	27434
Advance from Govt of Kerala						1,989	0	500	0	0
RBI Borrowings			0	0	0	0	0	0	0	0
LOC	550	0	0	0	26,200	11,500	20,000	27,500	32,799	56201
USES OF FUNDS										
Repayment of Bonds	4,331	2,044	1,592	977	3,641	3,655	2,453	0	0	5000
Repayment of Refinance	10,830	4,682	6,257	16,386	16,541	11,332	16,000	12,602	7,642	5743
Repayment of FD	31	9	12	0	0	0	0	0	0	0
Repayment of Adhoc Borrowings/ LOC	550	0	0	0	2,700	6,688	12,274	9,609	17,109	17473.65
ARREARS AT THE BEGINNING										
Principal	24,739	23,468	*7666	826	3,625	1,904	1,598	1,128	1,334	4961
Interest	44,822	51,566	*7976	6,215	1,126	2,448	1,190	2,113	956	5123
Current Demand - Principal	10,394	10,213	10,981	15,571	15,321	19,370	33,598	34,536	41,273	72081
Interest	15,203	12,962	8,043	4,323	13,066	14,548	19,971	25,219	34,559	50002
Total Demand - Principal	35,133	33,897	18,647	16,397	18,946	21,274	35,196	35,664	42,607	77042
Interest	60,025	64,528	16,019	10,538	14,192	16,996	21,161	27,332	35,515	55125
Recovery - Principal	11,449	13,715	17,821	16386	19645	27210	33,128	33,408	37,645	44928
Interest	8,459	8,466	9,104	9,412	11,744	15,806	20,894	23,106	30,782	30898
Arrears at the end of the year - Prl.	23,684	20,182	826	3,625	1,904	1,598	1,128	1,334	4,961	32114
Interest	51,566	56,062	6,915	1,126	2,448	1,190	2,113	956	5,123	24,227
SUB TOTAL	75,250	76,244	7,741	4,751	4,352	2,788	3,241	2,290	10,084	56,341
*Cumulative Sanction up to 31.03.2016										865376.15
*Cumulative disbursement up to 31.03.2016										689519.1

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.)

ofbeing 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 theday ofand at any adjournment thereof.

Signed this the..... day of

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

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.


For Fast, Efficient & Reliable Service




Vellayambalam, Thiruvananthapuram, Kerala-695033

Ph: +91 471 2737514/513/500

Fax: +91 471 2311750, www.kfc.org

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