

ANNUAL REPORT 2020-21



CONTENTS

- 03 | Message From Hon. Chief Minister
- 05 | Message From Hon. Finance Minister
- 06 | Financial Highlights
- 07 | Board Directors
- 08 | Principal Officers
- 09 | Notice to shareholders
- 10 | Directors' Report
- 21 | Auditors' Report
- 23 | Financial Statements
- 25 | Notes forming part of financial statements
- 32 | Significant Accounting Policies and Notes to Accounts
- 46 | Disclosure Requirements
- 48 | Cashflow Statement
- 49 | Summary of Operations
- 52 | Highlights of performance



GOVERNMENT OF KERALA



Pinarayi Vijayan
CHIEF MINISTER

I am happy to note that the Kerala Financial Corporation continues to perform well even though our economy is under severe stress due to the COVID-19 pandemic.

It is noteworthy that through special schemes like the Chief Minister's Entrepreneurship Development Programme and schemes for Startups, KFC continues to reach out to a larger section of the people.

I hope that KFC will continue its role in supporting MSMEs and Startups and identify new areas in which it can assist entrepreneurs as Kerala moves closer to its goal of becoming a knowledge economy and an innovation society. This will in turn push Kerala's economy to greater heights.

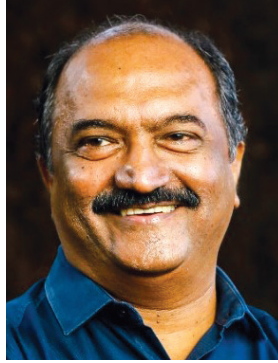
I extend my warm wishes to KFC and its customers.

A handwritten signature in black ink, appearing to read 'Pinarayi Vijayan'.

Pinarayi Vijayan



GOVERNMENT OF KERALA



K N Balagopal
Minister for Finance

KFC is a trendsetter in the field of long-term finance, playing a major role in the development and industrialization of Kerala. The Corporation has now emerged as a financial supermarket giving its customers a wide range of products and services.

In spite of the stress due to COVID-19, the Corporation could improve its performance, during the FY 2020-21, in terms of portfolio growth, sanctions, disbursements, recovery etc. The Corporation could curb its NPA levels also.

I am happy to see that KFC has revamped its policies and procedures and also reduced interest rates further to support MSMEs during its pandemic time. As part of COVID-19 Relief package, the Corporation has recently announced three new loan schemes. 'Startup Kerala Scheme', Special scheme for units in Industrial Estates and the revamped Chief Minister's Entrepreneurship Scheme (CMEDP) for MSMEs.

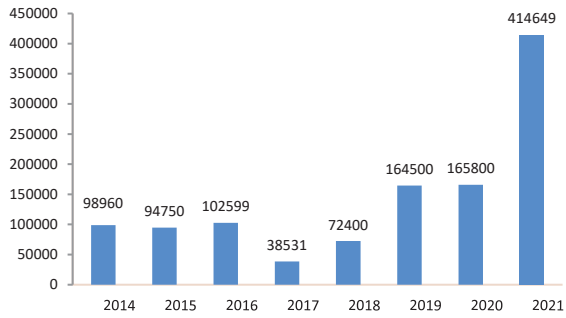
We are passing through a very difficult time in human history, collectively we will face and tide over this crisis period. I hope all the employees, customers and stakeholders of KFC, will strive for the developmental needs of our state.

K N Balagopal

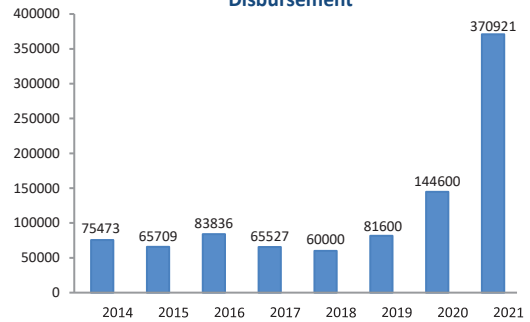
FINANCIAL HIGHLIGHTS

₹ in lakh

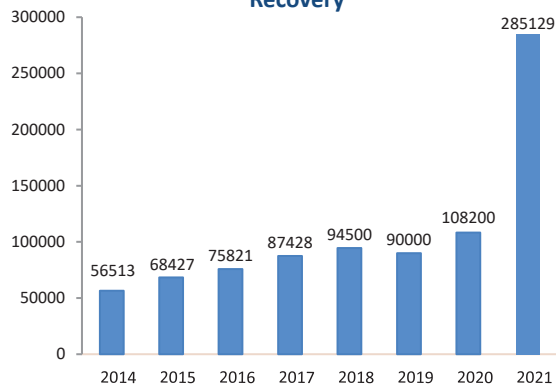
Sanctions



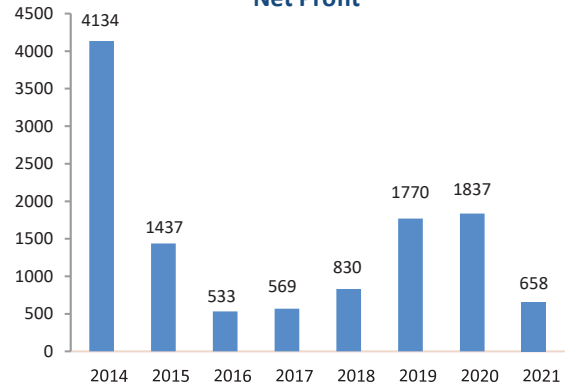
Disbursement



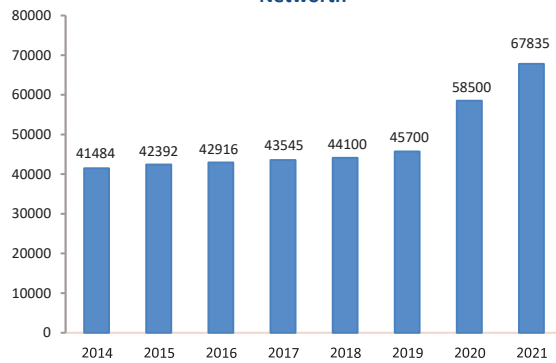
Recovery



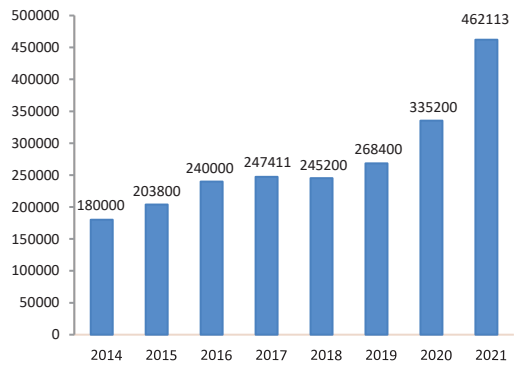
Net Profit



Network



Portfolio



BOARD OF DIRECTORS



Sri. Sanjay Kaul IAS
Chairman & Managing Director



Sri.S Harikishore IAS
Directorate of Industries &
Commerce, Govt. of Kerala



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



Sri. Anilkumar Parameswaran
Chartered Accountant



Shri.Seetharaman V
General Manager, SBI



Smt. Deepa Sivadasan
Senior Divisional Manager, LIC



Sri. T.Balaji
Asst. General Manager, SIDBI



PRINCIPAL OFFICERS

Executive Director

Sri. Premnath Ravindranath

General Managers

Sri. Ranjithkumar E R

Sri. Ajithkumar K

Deputy General Managers

Sri. Adarsh R

Sri. M Manisankar

Sri. Rajesh R

Financial Controller

Smt. Soya K

Statutory Auditor

Krishnan Retna & Associates, Chartered Accountants

Thiruvananthapuram

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 68th Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held on Tuesday, Aug 31, 2021 at 11.00 AM through Video conferencing (VC) to transact the following businesses:

1. To consider and adopt the Balance Sheet as at March 31, 2021 and the Profit & Loss account for the year ended March 31, 2021 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2020-21 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2021-22 under Section 37 (1) of the SFC Act 1951.



By Order of the Board
Executive Director

Place : Thiruvananthapuram,
Date : 12.08.2021

NOTES:

1. In view of the continuing COVID-19 pandemic, the holding of the Annual General Meeting ("AGM") through video conferencing (VC), without the physical presence of the shareholders is permitted and AGM will be held through VC.
2. The attendance of the shareholders attending the AGM through VC will be counted for the purpose of reckoning the quorum .
3. Since this AGM is held through VC , physical attendance of shareholders has been dispensed with. Accordingly, the facility for appointment of proxies by the shareholders will not be available for the AGM and hence the Proxy Form is not annexed to this Notice.
4. A shareholder being a body Corporate 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 to attend the AGM through VC , participate and cast their votes at the meeting. The certified true copy of the resolution appointing him as a duly authorised representative by the Chairman of the meeting at which it was passed shall be sent to the email id: accounts@kfc.org not less than 48 hours before the time fixed for the meeting.
5. 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 to attend the AGM through VC, participate and cast their votes at the meeting. The copy of the order shall be sent to the email id: accounts@kfc.org not less than 48 hours before the time fixed for the meeting.
6. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 23.08.2021 to 31.08.2021 (both days inclusive).
7. Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the SFC Act, 1951.
8. The meeting shall be held, conducted, and the business there at shall be transacted in adherence to the provisions of the SFC Act, 1951 (As amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.
9. Shareholders who have not yet registered their email addresses are requested to register the same with their DPs in case the shares are held by them in electronic form and with the Corporation in case the shares are held by them in physical form.

DIRECTORS' REPORT

To
The Stakeholders,

The Board of Directors takes immense pleasure in presenting the 68th Annual Report of Kerala Financial Corporation (KFC) along with the Audited Balance Sheet as at March 31, 2021, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2021. The success stories and initiatives taken along with performance highlights are also given in the Annual Report for the year 2020-21.

As the COVID-19 pandemic looms over the world, utmost priority is given for the health and wellbeing of people. We take this opportunity to bow our heads for COVID-19 combatants and express sympathies for those who lost their lives, including some of the staff of the Corporation.

As a State Financial Corporation incorporated under the State Financial Corporations Act of 1951, KFC is a strategically important financial institution in the State of Kerala, contributing towards the economic, industrial and social development of the state, by extending financial assistance to micro, small and medium enterprises in the manufacturing and service sectors. The Corporation is one of the best performing State Financial Corporations in the country with a competent tech savvy team of professionals at the core of services. KFC with constant endeavour has remodelled itself to become an institution that offers a bouquet of financial products and services to various business sectors at competitive terms with a customer friendly approach. Since inception, KFC has nurtured more than 65000 projects, spread across the length and breadth of the State.

The unprecedented crisis owing to COVID-19 pandemic has triggered a massive economic loss, severely impacting human and economic activity. India's GDP contracted by 7.3 per cent during FY 2021 due to the sudden outbreak of the COVID-19 pandemic which resulted in shutdown of major industries and nationwide lockdowns. The economic slowdown triggered by the pandemic has majorly impacted retail low-income borrower segments, self-employed professionals and MSME businesses. Government of India and RBI took several initiatives to combat the economic turbulence due to lockdown restrictions. The Monetary Policy Committee (MPC) of the RBI has kept key policy rates unchanged since May 2020, after having brought them down to a record low of 4% from 5.15% through two rate cuts (75 bps in March 2020 and 40 bps in May 2020), to assuage the economic consequences of the Covid-19 pandemic. Moreover, the MPC has continued with the accommodative policy stance after changing it from neutral to accommodative in June 2019. In addition, to enable the smooth functioning of financial markets, the RBI announced additional liquidity boosting measures such as OMOs, G-saps, forex swaps, TLTROs and sector-specific measures. The Government of India announced a fiscal stimulus package through collateral free debt, guarantee to subordinate debt through fund of funds and through interest subvention schemes, Productivity Linked Incentives (PLI) Schemes etc.

The State of Kerala has taken several steps to revive the economy affected by the adverse effects of the COVID-19 induced slowdown. Kerala's performance in containing the first wave of the COVID-19 pandemic was satisfactory, being the first state to unveil a ₹ 20000 crore financial package in March 2020 to tide over the pandemic crisis. Measures to improve the infrastructure and ease of doing business have built the investors' confidence. Encouraging entrepreneurship and providing resources for MSME growth are the other major steps in this direction.

The Kerala government has now come out with a supplementary package of ₹ 5,650 crore for helping out small traders, industries and farmers to tide over the crisis caused by the second wave of COVID-19. A ₹ 2,000 crore interest subsidy scheme for loans taken from Central and State financial institutions, cooperative sector institutions and commercial Banks form the major component of the package. Further, the rent on government space let out to shops has been waived till December 31, 2021. For providing a breather to MSMEs, the Government has also waived building tax, rent and the fixed charge on electricity connection for the period from July to December. As part of COVID-19 Relief package, the Government of Kerala has also announced three new schemes through KFC. 'Startup Kerala Scheme', Special scheme for units in Industrial Estates and the revamped Chief Minister's Entrepreneurship Scheme (CMEDP) for MSME units.

The Authorized share capital of the Corporation was increased from ₹ 35000 Lakh to ₹ 50000 Lakh and the present Paid up share capital is ₹ 42650.43 Lakh. The Government of Kerala has supported the Corporation through consistent capital infusions, including the recent equity infusion of ₹ 20000 Lakh in March and June 2020. The continued capital support from the Government of Kerala on an ongoing basis shows the Corporation's strategic importance to the State.

The Corporation took up the crisis caused by the pandemic as a challenge to support the State Government and revive the economy of the State to its earlier trajectory. As the economy is looking forward to the tremendous opportunities that would arise post pandemic condition, the Corporation has extended financial assistance to various State PSUs involved in fighting COVID-19 by discounting Promissory Notes issued by the Government and contractors bill discounting schemes. Further, new loan schemes were announced and moratorium was extended to various sectors that experienced potential stress. Moreover, KFC is the nodal and implementing agency for several policy initiatives by the Government of Kerala.

Even though the economy is under severe stress, the Corporation positioned itself well and was able to improve its bottom-line through resilient performance, in terms of ever time high loan portfolio growth, higher sanctions, disbursements and recovery. The Corporation also was able to significantly curb the NPA levels. The metric that best captures performance is the loan portfolio growth which improved by about 37.87% compared to the preceding year. The other key performance indicators are Sanctions (up 150.11%) , Disbursements (up 156.49%), Recovery (up 163.50%) and Gross NPA (down 24.47%). The performance is a reflection of the various reforms taken as a means of leveraging the business through reduction in interest rate, digitization for improved customer experience, productivity, revenue and quality of loan portfolio through continuous effort thereby establishing the corporation as one of the State’s leading Financial Institution and country’s number one State Financial Corporation with a wide range of products and services and innovative schemes.

Overall improved performance, comfortable capital adequacy, improved net worth, adequate liquidity position, reduction in NPA levels, higher provision coverage, etc. echo the financial discipline of the Corporation. Though the economic activity is gaining steam, considerable uncertainty surrounds the outlook owing to the renewed surge in COVID-19 cases. The Corporation benefits from the strong support received from the Government of Kerala. Moreover the Corporation has sufficient infrastructure and resources to gear up and tackle the temporary disruptions. Considering the continuing disturbances due to the second wave of COVID-19, KFC will be providing financial assistance through more attractive packages especially to the Health, Hospitality, Manufacturing sectors and Startups.

PERFORMANCE OF THE CORPORATION

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

₹ in Lakh

Financial Year	2019-20	2020-21	Growth (%)
Portfolio Size	335190.04	462112.51	37.87
Sanctions	165788.00	414648.56	150.11
Disbursements	144615.00	370921.22	156.49
Recovery	108209.00	285128.94	163.50
Interest Income	30853.26	40387.39	30.90
Total Income	41091.83	49094.29	19.47
Total Expenditure	36565.16	46193.18	26.33
Op. Profit before technical write off of bad debts	15241.89	15285.79	0.29
Op. Profit after technical write off of bad debts	4526.67	2901.12	-35.91
Net Profit before Tax	3006.67	1282.98	-57.33
Net profit after tax	1836.65	657.93	-64.18
Basic EPS (in ₹) [face value ₹ 100/-]	7.65	2.04	-73.33
Diluted EPS (in ₹) [face value ₹ 100/-]	7.64	1.62	-78.80
Net worth	58474.50	67834.76	16.01
Capital Adequacy Ratio %	22.40	22.85	2.55
Gross NPA as % of Gross Advances	4.74	3.58	-24.47
Net NPA as % of Net Advances	1.45	1.48	2.07

BUSINESS ACHIEVEMENTS

Sanctions and Disbursements

The Corporation sanctioned financial assistance of ₹ 414648.56 Lakh during the FY 2020-21 when compared to ₹ 165788.00 Lakh during the previous FY thus recording a growth of 150.11%. An amount of ₹ 370921.22 Lakh was disbursed during the FY 2020-21 as against ₹ 144615 Lakh during the previous FY thus recording a growth of 156.49%.

Recovery

The Corporation has a well-built monitoring mechanism for recovery. The Corporation has taken a soft stand towards the customers who are struggling due to the pandemic. However, strict action has been taken against those who have deliberately defaulted on their repayments much before the pandemic started. SARFAESI procedures have been expedited. Units acquired by KFC under section 29 of SFCs Act 1951 were put up for sale through e-auction.

As a result of tightening recovery measures especially in the second half of the FY, recovery during the year touched an all time high of ₹ 285128.94 Lakh, despite the economic slowdown and the disruptions caused by the COVID-19 pandemic. Out of the total recovery, ₹ 5600.93 Lakh was by way of compromise settlement and recovery from written off loans. For defaulters who could not settle their dues due to the outbreak of the COVID-19 pandemic, the settlements sanctioned under the Adalath 2018 scheme and Mini Adalath 2020 scheme were extended till 31st March 2021 as a one time relief measure. Out of 179 cases in Mini Adalath 2020 scheme, 64 cases have been settled, including 36 cases settled during the FY 2020-21 (PY 28 cases). The total amount received in the Mini Adalath scheme for the year ending 31.03.2021 amounts to ₹ 1787.21 Lakh (PY Rs 2019.94 Lakh). Under Adalath 2018 Scheme, out of 447 cases, 290 cases have been settled, including 14 cases settled in 2020-21 (PY 23 cases). The total amount received under Adalath 2018 scheme for the year ended 31.03.2021 amounts to ₹ 2155.38 Lakh. (PY ₹ 2983.57 Lakh).

The interest income grew by 30.90% during the year to ₹ 40387.39 Lakh as compared to ₹ 30853.25 Lakh during the previous year. Despite the huge increase in disbursements, the interest income has not proportionately increased mainly because of the reduction in interest rates. Majority of the customers have been benefitted with lower rate of interest.

Portfolio

During the year, the Corporation reported a year on year portfolio growth rate of 37.81%, to touch ₹ 462112.51 Lakh as against ₹ 335190.04 Lakh during the previous year in spite of the subdued general economic scenario. The Corporation has taken various steps to achieve the projected growth without compromising on credit quality and pursuing stringent credit administration standards. The sector wise classification of Loans & Advances as on March 31, 2021 is furnished below.

₹ in Lakh

	Sector	As on 31.03.2021			As on 31.03.2020		
		No	Amount	%	No	Amount	%
1	Manufacturing	2051	164640.17	35.63	1,204	63885.98	19.06
2	Service	3734	261879.07	56.67	3,465	233364.91	69.62
3	CRE	200	35593.27	7.70	215	37939.15	11.32
	Total	5985	462112.51		4884	335190.04	

FINANCIAL PERFORMANCE

Profit

The Corporation reported a total income of ₹ 49094.29 Lakh during the year as against ₹ 41091.83 Lakh during the FY 2019-20. The operating profit for the year under review decreased by 35.91% to ₹ 2901.12 Lakh as compared to ₹ 4526.67 Lakh during the previous year mainly due to higher technical write off of doubtful assets. The Corporation has registered a Net profit of ₹ 657.93 Lakh as compared to ₹ 1836.65 Lakh during the previous year.

Dividend

Based on the RBI directions to conserve the capital and to absorb losses due to the uncertainty caused by COVID-19, it is proposed not to make any dividend payments from the profits pertaining to FY 2020-21.

Capital & Reserves

The Corporation's paid up capital as on March 31, 2021 is ₹ 42650.43 Lakh. The capital plus reserves of the Corporation has moved up by 16.01% from ₹ 58474.50 Lakh to ₹ 67834.76 Lakh (comprising of paid-up equity capital of ₹ 42650.43 Lakh and reserves of ₹ 25184.33 Lakh).

Shareholding pattern

The composition of shareholders as on March 31, 2021 is furnished below:

Shareholders	Amount (₹ in Lakh)	% of Shareholding
Government of Kerala	42026.94	98.538
SIDBI	613.33	1.438
LIC	7.10	0.017
SBI	2.10	0.005
Others	0.96	0.002
Total	42650.43	100.00

The Capital to Risk Weighted Assets Ratio (CRAR)

The Capital to Risk Weighted Assets Ratio (CRAR) of the Corporation as on March 31, 2021 according to Basel III guidelines is 22.85% (22.40 % as on March 31, 2020) as against the statutory requirement of 9%.

Asset Quality

The Corporation gives utmost priority in maintaining the asset quality of the loan portfolio. As on 31.03.2021, the Standard assets stood at 96.42% of the loan portfolio. Despite the stress witnessed in the banking scenario on account of growing NPAs, the Corporation by strenuous recovery efforts and persistent monitoring has been successful in maintaining the Standard assets portfolio and reducing the Gross NPA to 3.58 % in March 2021 from 4.74% in the previous year. The net NPA stands at 1.48% in March 2021 as compared to 1.45% in the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 76.93%.

Key Business Initiatives

The Corporation is committed to capitalise growth opportunities and enhance customer experience by developing a responsible corporate governance framework in adherence to the highest ethical standards and without compromising on the regulatory compliance. During the year, the Corporation has launched new products and services and also fine-tuned the existing loan schemes, services and processes to remain competitive. As a result, the Corporation could grow the lending business largely and has acquired a new image among entrepreneurs as the partner of choice. The key initiatives taken up during the year are given below:

a) Special Loan Schemes

- i) **Special Bill discounting scheme** has been extended to Government Contractors to discount their final bills accepted by Government . Department/ Agencies without any collateral.
- ii) **COVID Relief Loans.** Three COVID Relief loans were introduced. The first scheme is for units engaged in manufacturing products or those providing services in fighting COVID-19 against the work order received by them. The second scheme is to provide top up loans to existing customers of KFC to tide over the crisis, without providing any additional security. Through the third scheme, KFC supported new MSME units with a loan of up to ₹ 50 lakh, including those units marketing MSME products. KFC has also granted moratorium for loan repayments to existing customers as part of the relief package. Loans amounting to ₹ 25221.17 Lakh were sanctioned to 419 existing and new ventures. In addition, 6 months moratorium was given to units during the lockdown period.
- iii) **Chief Ministers Entrepreneurship Development Programme (CMEDP)** - 1937 new ventures were assisted under the CMEDP scheme. Loans up to Rs 1 lakh were given with CGTMSE coverage. Special preference was

given to women and persons with disabilities. Loans up to Rs 50 lakh were offered at a net effective rate of interest of 7% under liberal terms and conditions with 3% subsidy from Government of Kerala. For the returning NRKs who have lost their jobs abroad due to COVID-19, the scheme was offered at an interest rate of 4% with subsidy from NORKA under “NORKA Department Project for Rehabilitation of Return Emigrants” (NDPREM). The MOU between Corporation and NORKA has been extended for a further period of 3 years and is valid till 31.03.2024.

iv) Schemes for Startups – Sanctions were given to ten new Startups during the year without any collateral security. Three comprehensive loan schemes were launched for start-ups recommended by Kerala Startup Mission (KSUM) as follows:

- a) Loan Scheme up to ₹ 1,000 lakh for Financing Working Capital Requirements of Startups for Executing Purchase Order
- b) Seed Loan Assistance up to ₹ 1,000 lakhs to Startups for developing socially relevant products prescribed by UNO and required by Government Department.
- c) Venture Debt Funding scheme up to ₹ 1,000 lakh for IT Hardware & Software Enterprises

b) Green Initiatives

i) The Corporation also launched a special scheme to finance e-vehicles. The loan was made available at 7% interest as part of the existing CMEDP scheme. Eligible entrepreneurs can avail loans up to a maximum of Rs 50 lakh, capped at 80 per cent of the vehicle’s ‘on the road cost’. The loan will have a repayment period of 5 years and no collateral is required other than the hypothecation of the vehicle.

ii) KFC is also providing loans for converting buses to CNG. According to the new Motor Vehicle Act, buses in the cities of Thiruvananthapuram, Ernakulam and Kozhikode, which are more than 15 years old, must be converted to CNG to get permit beyond this period. Loans up to ₹ 5 lakh are being sanctioned for such buses under the scheme.

- a) Reduced the Base Rate to 8%.** The Corporation w.e.f. 01.01.2021, reduced its base rate from 9% to 8%. It was facilitated by the lower cost of funds. In this way, the concessions received by the Corporation were passed on to its customers.
- b) Strengthening the Credit Delivery System.** The proposals canvassed through the Marketing Vertical are scrutinized by a Centralized Business Review Committee (BRC) and quality proposals are given in-principal clearance within 7 days. Hence it is ensured that only quality proposals are processed in a time bound manner.
- c) Loan Monitoring Cell.** In order to have an effective follow up of loans, Loan Monitoring Cell (LMC) has been set up at Head Office to deal with loan files soon after the Sanction Communications are issued. In order to monitor Special Mention Accounts (SMA) in an effective way, a SMA Monitoring Vertical (SMV) has been established under LMC.
- d) Centralized Pricing of Loans.** The pricing of all loans are done through a centralized Internal Risk Assessment process wherein all borrowers, irrespective of the loan amount are priced based on the score obtained in the credit rating process.
- f) Sharing of defaulter’s information with Credit Information Bureaus.** There has been a significant increase in repayment, since the information on defaulters was shared with CIBIL and other credit information bureaus like Equifax, Experian and CRIF Highmark.
- g) Technological Enhancements.** KFC’s website was revamped and all the loan applications are accepted in the online mode only. High speed one-to-one internet and video conferencing system has been implemented in the branches of the corporation. This expedited the procedures and communication between the branches and the Head Office. More than eight years old computers were replaced with new ones. CCTV Surveillance has been implemented at all the offices. Moreover, repayments to special schemes are now being made on weekly basis for convenience. Digital transactions are promoted and payment platforms, like POS and Google Pay have been utilised.
- h) Austerity measures.** As a measure to keep the Administrative expenditures under control all payments

are now made directly from the Head office. Additional telephone and internet connections, which were incurring high costs, were cut off. Older vehicles were auctioned, and vehicles were rented for office use.

- i) **Operational Changes.** Agencies were empanelled for project report preparation, technical valuation, due diligence of customers, etc. to expedite the credit delivery process.
- j) **Employee Welfare.** Appointments were made to the posts of Assistant and Assistant Manager through KPSC. More women were appointed to key positions with the aim of women empowerment. The Corporation has also launched a platform for its employees to interact with business leaders to improve their industry knowledge. Global business leaders such as Shri.MA Yusuf Ali, Shri.Ravi Pillai, Shri.Azad Moopan and Shri.Kochouseph Chittilappilly interacted with KFC employees and shared their rich experience and valuable insights.
- k) **Increasing the Other Income of the Corporation.** IRDA has approved the Corporation for acting as Corporate Agent for procuring or soliciting insurance business (Licence No. NIA 9664897). The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 13th July 2022. The Corporation mobilised substantial premium in general insurance activity by marketing the insurance products. A Board approved Policy on soliciting and servicing insurance products is in place. The Corporation has corporate agency tie ups with The New India Assurance Company Limited, SBI General Insurance Company Limited and HDFC ERGO General Insurance Company Limited in General Insurance Segment and Life Insurance Corporation of India, SBI Life Insurance Company Limited and HDFC Life Insurance Company Limited in Life Insurance Segment to increase commission from the insurance business.
- l) **Fast Track processing of loan proposals.** KFC revised the Delegation of Powers by delegating Branch Level Committee to sanction loans up to ₹ 200 lakh to ensure speedy clearing of proposals. The appraisal process is also revamped by introducing Head office level Appraisal Hubs for sanction of loans above ₹ 200 lakh.
- m) **Letter of Guarantees to MSME Units.** Government vide GO(P)No.168/2018/Fin dated 02.11.2018 have accorded sanction to accept the Performance Guarantee of the Corporation issued to Contractors. This facility is extended to MSME units for availing Letter of Credit (LC) from the Bank, for import of machinery, raw materials, bidding process, obtaining advance payment, release of retention money, procurement of raw materials, etc.
- n) **Renovation of Head Office.** The renovation of the Head Office building of the Corporation to a modern style building is being undertaken. One time effort has been taken to preserve important manual files. Destruction of old files was carried out as per the 'Policy on Preservation of Documents' approved by the Board.

Resource mobilisation

- a) **LOC from Commercial Banks.** The Corporation availed ₹ 323554.46 Lakh as Term loan/ Working Capital Demand Loan/ Foreign currency loan from various Commercial Banks/ Financial Institutions and repaid ₹ 188752.30 Lakh during the FY 2020-21. The aggregate outstanding LOC from Banks and other Financial Institutions at the year end was ₹ 332750.52 Lakh. The Corporation got a rating affirmation for Bank borrowings of BWR A during the year, signifying a stable outlook.
- b) **Non SLR Bonds.** The Corporation issued 7.70% Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Debentures of ₹ 250 crore in Sep 2020 with credit enhancement mechanism without Government guarantee. The issue was done at an all-time best rate any state financial institution across the country has managed so far. The Corporation's strong financial base helped in getting even better rates than the major public sector banks. The Bonds with 'AA' rating has tenure of 10 years and listed in BSE. The Corporation remains the only PSU in the State, raising funds from the debt market, without the Government guarantee.

An amount of ₹ 242.90 Lakh was paid to the State Government as Guarantee Commission for the guarantees extended by them.

Listing

The NCDs issued by the Corporation are listed in the Bombay Stock Exchange and the annual listing fees have been

paid. The total outstanding bonds of KFC as on 31.03.2021 aggregate to ₹ 94167.50 Lakh as given below.

₹ in Lakh

SI No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Asset Cover ⁺	Maturity Date
1	14-Sep-20	7.70%	25000.00	25000.00	110%	14-Sep-30
2	09-Jul-19	8.99%	25000.00	25000.00	125%	09-Jul-26
3	04-Apr-18	8.69%	25000.00#	5497.50	125%	04-Apr-25
4	09-May-16	8.90%	25000.00#	18750.00	125%	09-May-23
5	30-Oct-14	9.15%*	20000.00#	4920.00	–	30-Oct-21
6	06-Jun-13	8.72%*	20000.00#	15000.00	–	06-Jun-23
		TOTAL	140000.00	94167.50		

* Issued with the Government guarantee

Partial redemption done

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

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund' (REF) of ₹ 11.37 lakh equal to 0.01% of the issue size was created w.e.f. 22.02.2021 as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020. As on 31st March 2021, the REF required is only ₹ 9.42 Lakh being 0.01% of ₹ 94167.50 Lakh.

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

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to ₹ 50 Lakh. As on 31st March, 2021, 1300 accounts amounting to ₹ 1184.95 Lakh have been covered under the scheme.

Asset Liability Management (ALM)

The Corporation's business operations, sources of funds and risk factors have widened, necessitating appropriate steps to effectively deal with fund management and resources planning. The Asset Liability Management Committee (ALCO) continuously monitor, measure and manage the risks confronting the Corporation. The Corporation's Asset Liability Management (ALM) is aimed at strategic planning, implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken. The ALCO met 25 times during the year.

ISO Certification

The Quality Management Certificate was changed over to the new version IS/ ISO 9001-2015 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license is valid till 21st June, 2022. All the offices of the Corporation continue to hold the Quality Management System Certificate.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Apart from internal audit, Concurrent Audit of branch operations is also done through reputed firms of Chartered Accountants on a monthly basis. Further, audit of compromise settlement sanctions of above ₹ 25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above ₹ 100 Lakh is also in place. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2019-20 giving a clean report.

Statutory Auditors

The shareholders at its 67th Annual General Meeting held on July 30th 2020, appointed M/s. Krishnan Retna & Associates, Chartered Accountants (ICAI Firm Registration No. 301003E/E300005), as Statutory Central Auditors of the Corporation for the audit of the Corporation's accounts for the year 2020-21.

M/s Krishnan Retna & Associates, Chartered Accountants, vacates the office at the ensuing Annual General Meeting and are eligible for reappointment subject to the approval of the shareholders of the Corporation.

Internal Financial Controls and its adequacy

The Corporation has put in place adequate internal control measures and processes with respect to its financial record keeping procedure to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These controls and processes are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically and strengthened wherever considered necessary. The Corporation also ensures that internal controls are operating effectively, through the robust internal inspection and vigilance system.

Corporate Social Responsibility (CSR)

The Corporation believes that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility. The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members.

Participative Management

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

Future Plans

The primary focus of the Corporation during FY 2021-22 will be to come out with new loan schemes to help MSMEs, Startups and existing units to tide over the stress faced by them on account of the economic fallout caused by the pandemic. The Corporation has set a target for FY 2021-22 to cross ₹ 500000 Lakh mark in the Loan and Advances portfolio.

The focus will be given on upgrading the IT infrastructure, moving to the Finacle platform, technology upgradation and to digitize all processes for quick delivery of services. The policies and systems are being constantly reviewed to focus on consolidating the existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts. The major action plans proposed are as follows:

New Initiatives.

- a) **Digital Meetings.** As part of Good Governance, Corporation shall digitalise its Board Meetings and Sub-Committee meetings in the first phase and all other committee meetings in the second phase.
- b) **Loan Origination System.** KFC will digitalise the entire loan journey by implementing Loan Origination System, where customers would need to upload minimum details online and their full details will be gathered and verified from public domains through APIs, without manual intervention.
- c) **New Core Banking Software.** KFC will move to Finacle, one of the leading Core Banking Solutions (CBS) of Infosys, in view of its growing business requirements. KFC will be the first State Financial Corporation in the country to use Finacle as its CBS. Corporation has executed the MOU and the implementation process is in progress.
- d) **Introducing Prepaid Debit Cards.** KFC will introduce debit cards in collaboration with SBI. KFC debit cards can be used to make all transactions like regular debit cards, including ATMs, POS machines and online transactions. In addition, the cards can be linked to KFC's mobile app.
- e) **To fight the second wave of COVID-19.** KFC has decided to take the following measures to support MSMEs/ Healthcare/ Hospitality sector units:
 - To provide moratorium for the principal repayment of MSME loans as per RBI guidelines.
 - Restructuring of existing loans without downgrading the asset classification as per RBI guidelines and without charging any additional interest.

- 20% additional loans to Healthcare, Hospitality, Travel, Tourism and MSME sector units assisted by the Corporation without insisting further collateral security, at lower interest rates.
 - Special Scheme for Assistance to MSMEs in Healthcare to Fight COVID-19, at lower interest rates.
 - Reduced interest rates of MSMEs/ Healthcare/ Hospitality sectors for existing and new customers wef. 01.07.2021.
- f) Chief Minister’s Entrepreneurship Scheme (CMEDP).** The existing CMEDP scheme will be modified with Government approval. The proposal is to enhance the loan limit to ₹ 1 crore at 5% interest, with an aim to provide loans to 2,500 MSME units in the next 5 years.
- g) Special scheme for units in Industrial Estates.** KFC will come up with a Special scheme for units located at Industrial Estates. Loans up to ₹ 20 crore will be sanctioned for a unit under the scheme. The Corporation plans to target ₹ 500 crore under the Scheme.
- h) KFC Startup Kerala Scheme.** KFC will launch a new Scheme named ‘Startup Kerala’. The Scheme will fund Startups during Productisation/ Commercialization/ Scaling Up stage. The maximum assistance for each stage shall be up to ₹ 25 lakh for productisation, up to ₹ 50 lakh for commercialization and up to ₹ 100 lakh for Scaling up, subject to 90% of the project cost in each stage. Loans shall be covered under CMEDP scheme at 7% rate of interest. The KFC will earmark ₹ 50 crore for this initiative.
- i) Working Capital arrangements with Banks.** KFC in collaboration with Banks will start working capital facilities to its customers.
- j) Empanelment of ‘Direct Selling Agents (DSA) – Connector’.** In order to reach out to the market to source more numbers of MSME proposals, KFC will engage Direct Selling Agents (DSAs).
- k) Submission of Financial Information to Information Utilities.** KFC will join NeSL IU as a member for Submitting Financial Information
- l) Digital Document Execution (DDE).** KFC will start Digital Document Execution (DDE) once Kerala State Government approves e-stamping.
- m) Increasing authorized share capital.** The authorized share capital of KFC will be increased to ₹ 100000 Lakh with permission of SIDBI and Government of Kerala.
- n) API Integration with Banks for Centralised Disbursement/ Payment of Expenses.** KFC will integrate its Core Banking Solution with the IT platform of Banks to automate disbursement, expenses, working capital loans, etc.

Corporate Governance

The Corporation is a Public Sector Undertaking under the State of Kerala committed to adopting best corporate governance practices by ensuring integrity in financial reporting, disclosure of material information, improvement of internal controls. We believe that effective corporate governance is not just a requirement for regulatory compliance, but also a facilitator for the enhancement of stakeholders’ value. The Corporation follows the regulations laid down by SIDBI and State Government. The Corporation keeps adequate focus on Corporate governance to meet the requirements of different stakeholders and compliance with regulatory requirements and integrate them into its functioning. To facilitate this, the Corporation has a professional Board of Directors which plays a supervisory and advisory role.

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Its Credit Policy, Loan Compromise Settlement Policy, Loan Monitoring and NPA Management Policy, Valuation Policy, Accounting Policy, Legal Guidelines, Internal Audit policy and Concurrent Audit Manual, Interest and Rating Policy, IT Policy, Staff Welfare Policy, Staff Accountability Policy, Performance linked variable Incentive Policy, Business Continuity Policy, Investment Policy, Fixed Asset Policy etc. were all reviewed by the Board during the year and wherever required necessary amendments are being done. ISO procedures are scrupulously complied with.

The Corporation has designated State Public Information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for giving reply under RTI. Time bound reply is given for all the petitions received under RTI. 85 applications were received during the financial year.

The Corporation has complied with provisions relating to the constitution of internal Complaints Committee under

Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women at the workplace and for prevention and redressal of such complaints. The Corporation did not receive any complaint during the financial year.

During FY20-21, a fraud was reported and FIR has been filed and the case is being investigated. The internal enquiry is also going on. During the year there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

Board of Directors:

The details of the Board of directors and their attendance in meetings during the year 2020-21 are given below.

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman and Managing Director	20.12.2019 to 06.09.2020	02	02
Shri.Tomin J Thachankary IPS, CMD	Chairman and Managing Director	07.09.2020 to 31.05.2021	04	04
Sri.K Biju IAS, Director	Director, Industries and Commerce	13.08.2018 to 19.05.2020	Nil	Nil
Shri.VR Premkumar IAS, Director	Director, Industries and Commerce	20.05.2020 to 25.11.2020	03	Nil
Shri.MG Rajamanickam IAS, Director	Director, Industries and Commerce	26.11.2020 to 15.06.2021	03	01
Shri.Sanjay Kaul IAS, Director	Secretary (Finance Expenditure)	20.05.2020 to till date	06	03
Sri.Partha Sarathi Patra, Director	Chief General Manager, SBI	15.07.2018 to till date	06	05
Shri.T Balaji, AGM, SIDBI, Director	Assistant General Manager, SIDBI	17.07.2019 to till date	06	01
Smt.Deepa Sivadasan SDM, LIC, Director	Senior Divisional Manager, LIC	06.06.2019 to till date	06	03
Shri.E.K. Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	06	06
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	06	06

Apex Committees

The Board of the Corporation met six times during the year on 20.05.2020, 17.08.2020, 24.09.2020, 26.11.2020, 10.02.2021 and 26.02.2021. The Board has Sub-Committees to oversee various functional aspects of business and operations of the Corporation. The Committees are Executive Committee, Audit Committee and Sub-Committee for Policy Revision.

The Executive Committee met five times during the year on 30.06.2020, 30.07.2020, 24.09.2020, 30.09.2020 and 26.02.2021.

The Audit Committee met three times during the year on 30.06.2020, 22.08.2020, and 19.01.2021.

The Sub-Committee for Policy Revision met eight times during the year on 02.04.2020, 15.04.2020, 16.04.2020, 18.04.2020, 20.04.2020, 23.04.2020, 13.05.2020 and 13.06.2020

Remuneration paid to Chairman & Managing Director

The total remuneration paid to Shri. Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2020-21 is ₹ 22.13 Lakh.

Directors' Responsibility Statement

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

To the best of 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, 2021, 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, 2021 and of the profit of the Corporation for the period;
- c) the applicable guidelines prescribed for SFCs have been followed and there has been no material departure. Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;
- d) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI/ RBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
- e) the annual accounts for the financial year ended on March 31, 2021 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 take the opportunity to thank Government of Kerala, SIDBI, Other Governmental Agencies and Departments, Reserve Bank of India and all other statutory/ regulatory authorities for the continued and valuable support, guidance and assistance. The Board also wishes to express gratitude to the Banks/ Financial Institutions, Rating agencies, Trustees and Stock Exchange for the co-operation and support received. The Board takes this opportunity to put on record its deep sense of gratitude to its shareholders for their continued faith in the strength and capabilities of the Corporation, to its customers and vendors for their patronage and support extended during the year and looks forward to their continued association in the years ahead.

The Board takes great pleasure in recording its appreciation of the dedicated services rendered by the erstwhile Directors on the Board and the Officers and Staff of the Corporation.

For and on behalf of the Board



Sanjay Kaul
Chairman & Managing Director

Thiruvananthapuram
12.08.2021

INDEPENDENT AUDITOR'S REPORT

To

The Members
Kerala Financial Corporation
Thiruvananthapuram

Opinion

We have audited the financial statements of Kerala Financial Corporation (herein referred to as KFC), which comprise the Balance Sheet at March 31st 2021, and the Profit and Loss Account and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the entity as at March 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the directives of SIDBI, State Financial Corporation Act and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

Basis for Opinion

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

Emphasis of Matter

1. As regards the amount receivable from Government of Kerala (₹ 113.28 lakh) towards interest and expense borne by KFC on loans under KSEDMD scheme there is no confirmation of balance.
2. We have come across instances where valuation of immovable property given as security have not been done every three years and property value is not updated in the system.
3. We have come across instances where entire details of Insurance Policy such as Insurance Declared Value, Expiry Date, Lien clause etc. are not updated in the system and hence not available for complete verification.
4. Ref Point No.2.2 Clause 4 of Note No. 20. Though minimum provisioning norms have been made, there has been change in the Asset provisioning norms for Sub Standard category followed by KFC during the year under audit resulting in reduction of overall provision by ₹ 1654.90 lakh
5. Ref Point No.2.2 Clause 4 of Note No. 20 : KFC has reclassified the Substandard assets amounting to ₹ 4515.91 lakh which turned doubtful during April - June 2021 as doubtful assets, thereby making the entire amount technically written off.
6. Attention is drawn to point No 2.13 of Note No 20 regarding asset acquired in satisfaction of a claim. The corporation recovered a Non Performing Asset by acquiring immovable property mortgaged by the borrower to the tune of ₹ 4 crore in the year 2008 – 09. The Corporation had put the property for sale on 07.01.2021 and has received 150 lakh, being 25% of sale amount, but could not sell the property and sale has been cancelled. In this situation, we are not able to assess the extent of recoverability of this asset. ₹ 150 Lakh is now kept in Suspense Account.
7. Ref Point No.2.2 Clause 8 of Note No. 20 : The Hon. Supreme Court of India, vide judgment in Writ Petition (C) No.476/2020 dated 23.03.2021, had pronounced that all lending institutions should refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period. However, KFC has not adjusted or refunded the interest on interest levy, being ₹ 550 lakhs, during the said moratorium period.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the aforesaid Accounting Standards, and for such internal control as management determines is necessary to enable

the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As per our Report of even date
For M/s. Krishnan Retna & Associates



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

Ref : K-57/21-22/62
UDIN : 21231162AAAACT9424

BALANCE SHEET AS AT 31.03.2021

₹ in Lakh

Particulars		Note No.	As at 31.03.2021	As at 31.03.2020
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	42,650.43	22,650.43
	(b) Reserves and surplus	2	25,184.33	24,824.07
	(c) Money received against share capital		–	11,000.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	3,23,732.31	2,36,182.00
	(b) Deferred tax liabilities (net)		–	323.00
	(c) Other non current liabilities	4	1,008.85	879.49
	(d) Long-term provisions	5	13,869.06	13,770.93
3	Current liabilities			
	(a) Short-term borrowings	6	1,03,185.71	66,616.37
	(b) Other current liabilities	7	19,082.74	5,367.71
	(c) Short-term provisions	8	5,465.54	4,426.37
	TOTAL		5,34,178.97	3,86,040.37
B	ASSETS			
1	Non-current assets			
	(a) Tangible Assets	9	894.23	1,027.31
	(b) Non-current investments	10	8,376.72	4,611.04
	(c) Other non-current assets	11	3,31,761.19	2,44,438.63
	(d) Deferred Tax Assets (net)		91.11	–
2	Current assets			
	(a) Current investments	12	26,822.07	14,570.53
	(b) Cash and cash equivalents	13	10,076.58	17,375.67
	(c) Other current assets	14	1,56,157.07	1,04,017.19
3	Significant Accounting policies and Notes to Accounts	20		
	TOTAL		5,34,178.97	3,86,040.37

For and on behalf of the Board of Directors



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2021

₹ in Lakh

Particulars		Note No.	for the year ended	
			31.03.2021	31.03.2020
A	Continuing Operations			
1	Revenue from operations	15	46,645.68	39,364.34
2	Other income	16	2,448.62	1,727.49
3	Total revenue		49,094.30	41,091.83
4	Operating Expenses			
	(a) Interest expenses	17	29,713.02	21,786.18
	(b) Employee benefits expenses	18	3,418.09	3,151.99
	(c) Administrative Expenses	19	394.28	712.70
	(d) Depreciation and amortisation expense		283.12	199.08
	(e) Bad debts written off		12,384.67	10,715.22
	Total expenses		46,193.18	36,565.17
5	Operating Profit before exceptional and extraordinary items and tax		2,901.12	4,526.66
	Add: Prior Period Income		-	-
6	Operating Profit After exceptional and extraordinary items		2,901.12	4,526.66
7	Less: Provision for Bad and Doubtful debts / Other assets		1,618.13	1,520.00
8	Profit before tax		1,282.99	3,006.66
9	Tax expense:			
	Less: Current tax expense-			
	(a) Provision for Income Tax		1,039.17	1,127.86
	(b) Provision for Deferred Tax		(414.11)	42.16
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		657.93	1,836.64
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		2.04	7.65
	(b) Diluted		1.62	7.64
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		12,669.62	11,226.63
	Net Profit for the year		657.93	1,836.64
	Total profit available for appropriation		13,327.55	13,063.27
	Less: Income Tax Short Provision		-	103.48
	Total		13,327.55	12,959.79
	Less: Appropriations			
	Transfer to Reserve u/s 36 (1) (viiia)		-	-
	Transfer to Reserve u/s 36 (1) (viii)		200.47	290.17
	Balance Profit after appropriations		13,127.08	12,669.62
	Less: Prior Period Adjustment		-	-
	Balance Profit carried to Balance sheet		13,127.08	12,669.62

For and on behalf of the Board of Directors


Soya.K
Financial Controller


Premnath Ravindranath
Executive Director


Anil Kumar Parameswaran
Director


Sanjay Kaul
Chairman & Managing Director
As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 0015365

Place: Thiruvananthapuram
Date: 12.08.2021


Nikhil R Kumar
Partner, M No: 231162

NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2021

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
5,00,00,000 Equity shares of ₹ 100/- each	50,000.00	50,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
42210678 Equity shares of ₹ 100/- each	42,210.68	22,210.68
Special Shares		
4,39,750 Equity shares of ₹ 100/- each	439.75	439.75
TOTAL	42,650.43	22,650.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	11,890.25	11,600.07
Added during the year	200.47	290.17
Total of (a)	12,090.72	11,890.24
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Deferred Premium on Forward Contract	-297.67	-
(e) Profit & Loss Account	13,127.07	12,669.62
TOTAL {(a)+(b)+(c)+(d)+(e)}	25,184.33	24,824.07
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Refinance from IIFCL	29,366.31	-
LoC from State Bank of India	55,951.50	43,249.97
LoC from Canara Bank	31,605.00	43,750.00
LoC from Union Bank of India	53,664.26	52,082.03
LoC from Bank of Maharashtra	4,750.00	-
LoC from Indian Bank	42,500.00	8,500.00
LoC from Bank of Baroda	27,897.75	-
Non-SLR Bond	67,997.49	68,750.00
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	10,000.00	19,850.00
TOTAL	3,23,732.31	2,36,182.00

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE: 4		
OTHER NON CURRENT LIABILITIES		
Coconut Devp. Board Subsidy	803.15	766.65
Other Subsidy	139.13	101.84
Central Subsidy	11.00	11.00
Norka Subsidy	55.57	–
TOTAL	1,008.85	879.49
NOTE: 5		
LONG TERM PROVISIONS		
Provision for Bad and Doubtful debts		
As per last Balance Sheet	13,770.93	13,770.93
Add: Provision made during the year	98.13	–
TOTAL	13,869.06	13,770.93
NOTE : 6		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
Foreign Currency loan from State Bank of India	13,452.24	–
Overdraft from State Bank of India	0.69	–
Short term loan from Union Bank of India	10,000.00	–
Short term loan from HDFC Bank	93.83	–
Short term loan from Federal Bank	15,000.00	10,000.00
Short term loan from South Indian Bank	–	10,000.00
Non-SLR Bond (Current maturity)	6,250.00	6,250.00
LOC FROM BANKS (Current maturity)		
Loc from Union Bank of India	6,250.03	5,833.37
Loc from Canara Bank	8,400.00	4,375.00
Loc from Indian Bank	7,500.00	1,500.00
Loc from State Bank of India	7,550.00	9,500.00
Loc from Bank of Baroda	7,310.59	–
Loc from Bank of Maharashtra	1,250.00	–
Refinance from IIFCL	10,208.33	9,158.00
UNSECURED BORROWINGS		
Non-SLR Bond- Guaranteed by Government of Kerala (Current maturity)	9,920.00	10,000.00
TOTAL	1,03,185.71	66,616.37

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 7		
OTHER CURRENT LIABILITIES		
State Subsidy	79.77	414.68
RR Commission Payable	4.37	0.48
Earnest Money Deposit	8.60	7.81
Suspense Account	552.76	159.35
Tax Deducted at Source	2.85	7.61
Other Salary Deductions	–	0.68
Other Sundry Deposits	254.81	264.51
Gratuity Payable	23.46	3.46
Outstanding Expenses	866.38	840.59
Salary Payable	7.83	–
Accrued Interest on SLR Bonds & Non SLR Bonds	2,092.32	3,352.73
Accrued Interest on LOC from banks	929.23	29.20
Audit Fee Payable	2.61	2.61
Concurrent Audit Fee payable	5.90	4.70
Staff Dues Retained	52.64	56.88
Unclaimed Dividend	0.12	0.12
Commission Received in Advance	129.45	89.48
Leave encashment payable	3.86	–
Foreign Currency Payable	13,853.82	–
CGST Payable	16.48	13.32
SGST Payable	17.39	13.32
IGST Payable	–	0.47
KF Cess, CGST & SGST TDS Payable	0.47	0.22
Excess Payable	177.62	105.49
TOTAL	19,082.74	5,367.71
NOTE : 8		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	4,426.37	3,209.04
Add: Provision made for the current year	1,039.17	1,127.85
Short Provision for the A.Y 2015-16	–	183.81
Less: : Excess Provision for the A.Y 2013-14	–	94.33
TOTAL	5,465.54	4,426.37

NOTE : 9 FIXED ASSETS

₹ in Lakh

Particulars	Rate	Gross value as on 31-03-2020	Additions During the Year	Deletions during the year	Gross value as on 31.03.2021	Depreciation upto 31-03-2020	Depreciation for the year	Depreciation upto 31-03.2021	WDV as on 31.03.2021
1	2	3	4	5	6	7	8	9	10
Land	0%	11.62	-	-	11.62	-	-	-	11.62
Building	10%	685.49	10.90	-	696.39	431.31	25.96	457.27	239.12
Motor Vehicle	15%	182.06	-	4.16	177.90	146.57	4.70	151.27	26.63
Electrical Fittings	10%	215.22	0.75	-	215.97	104.07	11.17	115.23	100.74
Air Conditioner	15%	49.77	2.46	-	52.23	36.99	2.20	39.18	13.05
Photocopier	15%	22.35	-	-	22.35	20.60	0.26	20.86	1.49
Computer	40%	1,173.71	87.01	-	1,260.72	663.54	223.02	886.56	374.16
Other office Equipments	15%	74.81	51.62	-	126.43	51.16	7.99	59.15	67.28
Lift	15%	9.73	-	-	9.73	8.11	0.24	8.36	1.37
Furniture	10%	196.72	1.46	-	198.19	135.15	6.25	141.40	56.79
Solar Power Generator	40%	76.85	-	-	76.85	73.53	1.33	74.86	1.99
Total		2,698.33	154.20	4.16	2,848.38	1,671.03	283.12	1,954.14	894.24
Total (Previous Year)		2,053.68	644.66	-	2,698.34	1,471.94	199.08	1,671.02	1,027.31

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 10		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Kerala Infrastructure Fund Management Ltd	2.56	1.54
Investment in NCD- RCFL	5,370.91	6,080.00
Investment in NCD- 7.74% SBI	2,301.79	–
Investment in NCD- 8.25% BOB	1,491.64	–
Investment in NCD- 8.80% Oriental Insurance	2,200.32	–
Sub Total	11,491.10	6,205.42
Less : Provision for diminution in value of investments	3,114.38	1,594.38
TOTAL	8,376.72	4,611.04
NOTE : 11		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,066.39	1,114.35
Conveyance Loan to Employees	113.86	79.95
Computer Loan to Employees	4.16	3.07
Personal Loan to Employees	94.09	29.54
Advance to Employees	19.22	16.09
Deposit with P&T	0.09	0.09
Other Deposits	86.36	69.24
Deposit with KSEB	13.17	13.17
Deposit against Staff Dues Retained	52.64	56.89
Interest Accrued on Staff Loans	682.83	639.00
GTI Advance	2.27	2.29
Other Advances	2.96	85.90
Loans and Advances (Principal due above 1 year)	3,29,222.81	2,41,928.71
TOTAL	3,31,761.19	2,44,438.63
NOTE : 12		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	26,822.07	14,570.53
TOTAL	26,822.07	14,570.53
NOTE : 13		
CASH AND CASH EQUIVALENTS		
Cash in hand	0.48	0.77
Bank Accounts	10,076.10	17,374.90
TOTAL	10,076.58	17,375.67

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 14		
OTHER CURRENT ASSETS		
Advance Income Tax	6,295.94	5,630.51
Input Tax Credit	30.74	4.42
Income Tax Deducted at source	238.80	161.58
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	4.88	6.48
Processing Fee Receivable	–	29.00
Prepaid Expenses	1.80	3.90
CGTMSE Fee	3.59	1.75
Subsidy Receivable from Govt	17.28	13.80
KSEDM Interest Receivable	113.29	1,155.25
Foreign Currency Receivable	13,497.78	–
Interest Accrued on Loans & Advances	1,998.75	3,231.13
Interest Accrued on STD with Banks	1,052.64	518.05
CMEDP & NORKA Interest Receivable	11.89	–
Loans & Advances (Principal Due within one year)	1,32,889.69	93,261.32
TOTAL	1,56,157.07	1,04,017.19
NOTE : 15		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	41,047.50	32,069.25
Less : Interest rebate allowed on Loans	660.11	1,215.99
Net Interest Received On Loans & Advances	40,387.39	30,853.26
Loan Processing Fees	563.94	606.85
Recovery from written off loans	5,600.94	7,841.19
Switch over interest	7.35	9.09
Premium on pre-closure	86.06	53.95
TOTAL	46,645.68	39,364.34
NOTE : 16		
OTHER INCOME		
Interest on Staff Loans	97.15	100.40
Interest on Bank Deposits	2,083.65	1,110.68
Exchange gain on Forex	45.54	–
Other Income	91.11	18.64
Rent Received	64.75	100.74
Income from Insurance Agency	7.66	7.41
RTI Application Fee Received	0.01	0.01
Commission exchange and brokerage	58.75	29.61
Reimbursement of Guarantee Commission	–	360.00
TOTAL	2,448.62	1,727.49
NOTE : 17		
INTEREST AND FUND EXPENSES		
Interest on Bonds	9,165.15	8,950.46
Interest on Coconut Dev Board Subsidy	98.31	82.80
Interest on Line Of Credit from Banks	19,865.09	12,298.05
Guarantee Commission	264.76	311.61
Premium on Forward Contract	58.36	–
Bond Issue Expenses	163.89	136.24
Share Issue Expenses	1.02	–
LOC Administrative Expenses	96.44	7.02
TOTAL	29,713.02	21,786.18

₹ in Lakh

Particulars	As at 31.03.2021	As at 31.03.2020
NOTE : 18		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,908.56	2,639.94
Contribution to Employees' P.F	199.06	192.03
Contribution to NPS	74.54	57.20
Group Gratuity Insurance	180.00	10.00
Group E/L Encashment Insurance	–	148.08
Group Term Insurance	1.73	2.06
Other Staff Expenses	54.20	102.68
TOTAL	3,418.09	3,151.99
NOTE : 19		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	130.64	154.65
Postage, courier and Telephone	24.14	28.67
Printing & Stationery	11.83	14.73
Vehicle Running & Maintenance	22.55	41.39
Repairs & Maintenance	30.61	63.06
Revenue Recovery expenses	18.36	128.81
Bank Charges and Commission	5.30	1.59
Audit Fees	2.61	2.60
Consultancy Charges	12.17	24.99
Legal Expenses	3.02	7.72
Books & Periodicals	1.88	4.48
Other Expenses	68.80	124.38
Travelling Expenses	4.43	24.25
Board / E.C. Meeting Expenses	2.61	1.40
Other Meeting Expenses	1.39	3.23
Concurrent Audit Fee	34.38	36.21
Advertisement and publicity	13.73	34.04
CMEDP Expenses	4.37	–
Business Development Expenses	1.46	16.50
TOTAL	394.28	712.70

For and on behalf of the Board of Directors



Soya.K
Financial Controller



Premnath Ravindranath
Executive Director



Anil Kumar Parameswaran
Director



Sanjay Kaul
Chairman & Managing Director

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 001536S



Nikhil R Kumar
Partner, M No: 231162

Place: Thiruvananthapuram
Date:12.08.2021

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

CORPORATE INFORMATION

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

BASIS OF PREPARATION

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards 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 financial sector in India. The Corporation has adopted the format of Schedule III to the Companies Act and Accounting standards issued by the Institute of Chartered Accountants of India, for better presentation of the financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 . Uses of Estimates

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

1.2. Revenue Recognition

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

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

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

1.3. Investments

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

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

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

1.4. Loans and Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The Current maturity of Loans & advances is classified as Other Current Assets (Note No.14) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.11) under the head Non Current Assets. The Current maturity of Long term borrowings is classified as Short term borrowings (Note No.5) under the head Current Liabilities and the non current portion is classified as Long term borrowings (Note No.3) under the head Non Current Liabilities.

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

Advances that are in Doubtful category are technically written off and charged to revenue to maintain asset quality. During the year, all the doubtful advances are technically written off and charged to revenue to maintain asset quality. Further the corporation has reclassified the Substandard accounts which will turn to Doubtful during the months of April to June 2021 as a matter of prudence and technically written off. Amount recovered against the bad debts written off in earlier years are recognised in the Profit and Loss Account as income of the year in which such amounts are received.

1.5. Provision

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

1.6 Provisioning Norms and Provision Coverage Ratio (PCR)

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

General provisions are the minimum regulatory provisions as prescribed by RBI. Specific provisions are additional provisioning at rates higher than the rates prescribed by RBI. Floating provisions are provisions kept in addition to the Specific provisions and not used for making specific provisions or general provisions as per the extant prudential guidelines. It is used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts.

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

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

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

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium /Other sector and 1% for CRE sector for all standard advances and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines. A judicious provision of 60% (70% in FY 2019-20) is made for all Substandard advances including secured portion of CGTMSE loans. For CGTMSE loans, 100% provision is made for the unsecured portion. The total PCR is maintained above 70% at 76.93% as on 31st March 2021.

1.7. Taxes on Income

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

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

1.8. Employee Payments and Retirement Benefits

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

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

Defined Benefit Plan: The Corporation contributes towards gratuity fund administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. The gratuity limit is fixed as per the Payment of Gratuity (Amendment) Act, 2018. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Corporation. Liability with regard to gratuity fund is accrued based on the actuarial valuation and demand raised by LIC. The premium is paid to LIC as demanded by them at the time of renewal of the scheme. The Corporation contributes towards the terminal encashment of earned leave to the employees under the Group Leave Encashment Scheme of LIC. The contribution to the fund is paid as per the actuarial valuation and demand raised by LIC. Under both these schemes, the settlement obligations remain with the Corporation, although LIC administers the schemes

and determine the contribution premium required to be paid by the Corporation as per the valuation done by LIC. The Corporation take an independent external actuarial valuation as on 31st March every year to ascertain the position of funds vis a vis liability. The shortfall if any in the funds shall be paid on the basis of actuarial report of LIC / external valuation whichever is less based on the fund position of the Corporation. The amounts paid to the funds are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2020-21 have been settled by LIC.

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

1.9. 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 are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets'. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

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

1.9. Contingent Liabilities and Assets

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

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

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

1.10. Grants and subsidies

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

1.11. Leases

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

1.12. Prior Period Items

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

1.13. Extraordinary Items

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

1.14. Special Reserve Fund

As per Section 35A of the SFC Act 1951, the SFC is required to establish a Special Reserve Fund to which shall be transferred such portion of the dividends accruing to State Government and the SIDBI on the shares of the SFC as may be fixed by agreement between State Government and SIDBI for being used for such purposes as are approved by the State Government and SIDBI. Accordingly a rate of 0.50% of the dividend accruing to State Government and SIDBI will be transferred to Special reserve fund under Section 35A of SFC Act 1951. However the dividends from FY 1991-92 till FY 2018-19 were declared and paid without transferring 0.5% of dividend accruing to State Government and SIDBI to Special Reserve U/s 35A .

1.15. Dividend

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

1.16. Resource Mobilization

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

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

1.17. Cash flow Statement

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

1.18. Earnings per share

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

2. NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The State Government vide GO(Ms) No.215/2019/Fin dated 10.06.2019 accorded sanction to enhance the Authorized share capital of the Corporation from ₹ 35000 Lakh to ₹ 50000 Lakh without diluting Government shares below 74%. Accordingly Government issued the GO (Ms) No.39/2020/Fin dt 16.03.2020 enhancing the paid up capital

of Kerala Financial Corporation by ₹ 20000 Lakh. Out of ₹ 20000 Lakh sanctioned, ₹ 11000 Lakh was released by government on 31.03.2020 vide GO(Ms.)No.47/2020/Fin dated 30.03.2020 and balance ₹ 9000 Lakh was released on 26.06.2020 vide GO(Ms.) No.67/2020/Fin dated 18.06.2020. The shares were issued to government in demat form on 08.10.2020. Consequently the Authorized capital of the Corporation is ₹ 50000 Lakh and the paid up capital is ₹ 42650.43 Lakh.

The details of shareholders holding more than 5% shares as on 31.03.2021 are as under:

Name of the Shareholders	As at 31.03.2021		As at 31.03.2020	
	No. of shares in Lakh	% to total shares	No. of shares in Lakh	% to total shares
Government of Kerala	420.27	98.54	330.27	97.25

Earnings per share

₹ in Lakh

Calculation of EPS		2020-21	2019-20
a)	Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	657.93	1733.17
b)	Number of Equity Shares outstanding (face value of ₹ 100/- each)	322.39	226.50
Basic earnings per share (a) / (b)		2.04	7.65
c)	Average number of weighted equity shares (22650428 existing +20000000 on account of amount received on 31.03.2020 and 26.06.2020) (face value of ₹ 100/- each)	405.30	226.50
Diluted Earnings per share (a) / (c)		1.62	7.64

2.2 Asset Classification and provisioning

a) Classification of Loans and Advances & Long Term Borrowings

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

₹ in Lakh

Classification	Due within 1 year	Above 1 year	Total
Loans & Advances	132889.70	329222.81	462112.51
Long term borrowings	103185.71	323732.31	426918.02

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

₹ in Lakh

Asset category	2020-21			2019-20		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	5819	445560.46	3936.65	4573	319287.75	2510.83
Sub Standard	166	16552.05	9,932.42	311	15902.29	11260.10
Total	5985	462112.51	13,869.07	4884	335190.04	13770.93
Gross NPA		16,552.05	3.58%		15,902.29	4.74%
Net NPA		6,619.64	1.48%		4649.20	1.45%

b) Loans and Advances restructured

The general recessionary trends coupled with frequent lockdowns during the Covid-19 pandemic period affected the income generation and debt servicing of the customers of the Corporation. Sectors like Tourism, Commercial Real Estate etc were affected badly. The Corporation has extended relief measures like rehabilitation / reschedulement/ restructuring to borrowers eligible as per the Loan Monitoring Guidance Note (LMGN) approved by the Board. As per LMGN all loan assets in Standard, Substandard and Doubtful category are eligible for restructuring. Only Loss assets / No asset cases are not eligible.

The Corporation restructured 365 loan accounts as per RBI guidelines and classified under Standard category as follows. Additional provision of 5%/10% (minimum norms) amounting to ₹ 2438.89 Lakh is kept in respect of these accounts as below.

In accordance with the COVID 19 pandemic resolution framework prescribed by RBI for Micro, Small and Medium (MSME) sector vide Circular no. DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020, the Corporation has restructured 180 loan accounts amounting to ₹ 26451.13 Lakh and classified as Standard. Additional provision of 5% amounting to ₹ 1322.56 Lakh has been made on these loans.

In accordance with the Covid-19 Regulatory Package announced by RBI on 27th March 2020, 17th April 2020 and 23rd May 2020, the Corporation had offered an optional moratorium on repayments falling due between March 1, 2020 and 31st August 2020 in respect of accounts classified as standard on February 29, 2020. As permitted by the RBI guidelines, the Corporation has considered these concessions for the purpose of asset classification, income recognition and provisioning as on 31st March 2020. The Corporation has thus provided additional provision of 5% each during the quarter ended 31st March 2020 and 30th June 2020 amounting to ₹ 1116.33 Lakh in respect of 185 loan accounts in SMA 2 category with balance outstanding of ₹ 11163.34 Lakh which would have been classified as non-performing as at 31st March 2020.

Other than loans restructured on account of relief measures announced by RBI, the corporation has restructured 44 loan accounts amounting to ₹ 4474.31 Lakh and are classified under Substandard category. Provisioning has been made at 60% amounting to ₹ 2684.58 Lakh on these loan accounts. During the year there was no diminution in the fair value of restructured advances.

c) Bad debts Written Off

During the year the corporation has written off 262 loan accounts amounting to ₹ 12139.55 Lakh as Bad Debts (technical write off to maintain asset quality) (268 accounts amounting to ₹ 10633.22 Lakh written off during FY 2019-20). Further ₹ 245.12 Lakh (₹ 82 Lakh during FY 19-20) were also written off and included in the Bad debts written off amount stated in the P&L Account out of which ₹ 104.34 Lakh is on account of expenses related to loans written off in earlier years and ₹ 140.79 Lakh is on account of a loan closed under compromise settlement during the year. Thus the total write off during the year is ₹ 12384.67 Lakh (₹ 10715.22 Lakh in FY19-20). Constructive steps have been initiated for the recovery of these accounts and the amounts as and when recovered will be treated as revenue. ₹ 5600.93 Lakh have been received as recovery from loans technically written off in earlier years (₹ 7841.19 Lakh during FY 2019-20).

d) Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non performing assets , a judicious provision of 60% (70% in FY 2019-20) is made for all Substandard advances including secured portion of CGTMSE loans. Further 100% provision is made for the unsecured portion of CGTMSE loans. The total PCR works out to 76.93% as on 31st March 2021 as per the RBI circular DBOD.No.BP.BC. 64 /21.04.048/2009-10 dated December 1, 2009 and Circular no. DBOD.No.BP.BC. 87 /21.04.048 /2010-11 dated April 21, 2011.

TABLE - 1

₹ in Lakh

Provisioning Coverage Ratio (PCR) as on Mar 31, 2021					
1	2		3	4	5
SI No	Particulars		Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)
1	Sub-Standard Advances		16552.05	2485.33	15.02
2	Doubtful Advances (a+b+c)		12139.55	12139.55	100.00
	a	< 1 year	12139.55	12139.55	100.00
	b	1-3 Years	0.00	0.00	
	c	>3 years	0.00	0.00	
3	Advances classified as Loss Assets		0.00	0.00	
4	Total		28691.60	14624.87	50.97

₹ in Lakh

Provisioning Coverage Ratio (PCR) as on Mar 31, 2021				
1	2	3	4	5
SI No	Particulars	Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)			7447.09
6	DICGC / ECGC claims received and held pending adjustment			0
7	Part payment received and kept in Suspense Account or any other similar account			0
8	Total (Sum of column 4 of Row 4+ Row 5 + Row 6+ Row 7)			22071.96
9	Provision Coverage Ratio {(Row 8/Total of Column 3 of Row 4)*100}			76.93

If the minimum provision required as per the RBI norms is made, the provision needed is only ₹ 6421.97 Lakh, whereas the Corporation has provided an additional provision of ₹ 7447.09 Lakh over and above the minimum RBI stipulated norms amounting to ₹ 13869.06 Lakh.

- The corporation has provided ₹ 1497.76 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.
- The Corporation has prudently made additional provision of 5%/10% (minimum norms) amounting to ₹ 2438.89 Lakh in respect of 365 loan accounts which are restructured as per RBI guidelines and classified under Standard category as mentioned in Note 2.2 (2) above.
- The provision made in respect of Sub standard category advances is ₹ 9932.42 Lakh. During the year, all the doubtful advances amounting to ₹ 7624.36 Lakh are technically written off and charged to revenue to maintain asset quality. Further the corporation has reclassified Substandard accounts amounting to ₹ 4515.91 Lakh which will turn to doubtful during April – June 2021, as doubtful assets as a matter of prudence and technically written off. Thus during this FY advances amounting to ₹ 12139.55 Lakh. If the same provision as made during the FY 2019-20 is made, the Net profit will decrease by ₹ 1654.91 Lakh to Net loss of ₹ 996.98 Lakh.

The total provision available during the FY was ₹ 13770.93 Lakh and additional provision of ₹ 98.13 Lakh is made during this FY. The Operating profit before technical write off is ₹ 15285.79 Lakh (₹ 15159.90 Lakh during PY). The Operating profit after write off is ₹ 2901.12 Lakh (₹ 4526.67 Lakh during PY) and Net profit is ₹ 657.93 Lakh (₹ 1836.65 Lakh during PY). The Gross NPA accordingly will be 3.58% as against 4.74% as on 31.03.2020 and Net NPA will be 1.48% as against 1.45% as on 31.03.2020.

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.

TABLE -2

SI No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
		%	Amount ₹ in Lakh	During FY 20-21		During FY 19-20	
				%	Amount ₹ in Lakh	%	Amount ₹ in Lakh
1	Standard Assets- Micro & Small	0.25	788.35	0.25	788.35	0.25	701.63
	Standard Assets- Medium	0.40	395.20	0.40	395.20	0.40	16.86
	Standard Assets- CRE	1	314.21	1	314.21	1	344.19

SI No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 20-21		During FY 19-20	
		%	Amount ₹ in Lakh	%	Amount ₹ in Lakh	%	Amount ₹ in Lakh
2	Additional provision for loans restructured on account of extension of DCCO / Flood relief/ GST implementation	5	1322.56	5	1322.56	5	889.98
3	Additional provision for SMA2 for the quarter ended March 2020 as part of Covid-19 Regulatory Package	10	1116.33	10	1116.33	5	558.17
4	Sub Standard Assets- FB limits	15	2481.32	60	9925.31	70	11195.63
	Sub Standard Assets- NFB limits	15	0.00		0.00	70	7.00
	Sub Standard Assets- CGTMSE (Secured portion)	15	1.04	60	4.14	70	38.93
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	2.96	100	2.96	100	18.54
5	Doubtful Assets (up to 1 year)	25%	NA	NA	NA	NA	NA
Total Provision made			6421.97		13869.06		13770.93

e) Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2019-20 is given below.

₹ in Lakh

SI No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2020 as reported by the Corporation	15902.29
2.	Gross NPAs as on March 31, 2020 as assessed by RBI/ SIDBI	15902.29
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2020 as reported by the Corporation	4649.20
5.	Net NPAs as on March 31, 2020 as assessed by RBI/ SIDBI	4649.20
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2020 as reported by Corporation	13770.93
8.	Provisions for NPAs as on March 31, 2020 as assessed by RBI/ SIDBI	13770.93
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2020	1836.65
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2020 after taking into account the divergence in provisioning	1836.65

f) Assets taken over under Section 29

During the year, 15 units having principal outstanding of ₹ 5482.99 Lakh were taken over u/S 29 of SFC Act, 1951. Subsequently 3 units were released to the promoters under custodial agreement and another one unit settled during the year 2020-21.

g) Recovery under Adalath Schemes

Two adalaths were conducted in 2018 and 2020 for One time Settlement of bad and doubtful assets. As per the Board decision dated 26.11.2020, Adalath 2018 scheme and Mini Adalath 2020 scheme were extended till 31st March 2021. Out of 179 cases in Mini Adalath 2020 scheme, 64 cases have been settled, including 36 cases settled during the FY 20-21 (PY 28 cases).The total amount received in the Mini Adalath scheme for the year ending 31.03.2021 amounts to ₹ 1787.21 Lakh (PY Rs 2019.94 Lakh)

Under Adalath 2018 Scheme, out of 447 cases, 290 cases have been settled, including 14 cases settled in 2020-21

(PY 23 cases) The total amount received under Adalath 2018 scheme for the year ended 31.03.2021 amounts to ₹ 2155.38 Lakh. (PY ₹ 2983.57 Lakh)

h) Refund of Interest on Interest levied during moratorium

The Hon. Supreme Court of India, vide judgment in Writ Petition (C) No.476/2020 dated 23.03.2021, had pronounced that all lending institutions should refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period allowed from 01.03.2020 to 31.08.2020 due to COVID-19 pandemic. Further RBI, vide No.DOR.STR.Rec.4/21.04.048/2021-22 dated 07.04.2021 has directed all Banks/ FIs to adhere to the directions of Hon. Supreme Court. Accordingly, all Banks/ other FIs are in the process of refunding the amount as they are eligible to get this amount as reimbursement from GOI vide letter No.F.No.2/12/2020-BOA. I dated 23.10.2020 under the scheme for grant of ex-gratia payment. But SIDBI has informed that SFCs are not eligible for the ex-gratia scheme of the Central Government. In this regard, though the matter was taken up with Government of India to include SFCs also in the scheme, it was not considered. The 'interest on interest' charged in the loan accounts by the Corporation and to be refunded comes to ₹ 550 Lakh.

Under the above Circumstances, the Corporation has requested State Government to provide a grant of ₹ 550 Lakh to refund 'interest on interest' charged to the borrowers, during the moratorium period allowed from 01.03.2020 to 31.08.2020. The Corporation has decided to pay the amount to the borrowers only if the amount is received from State Government or Govt of India. If the provision for ₹ 550 Lakh to be refunded is made, the Net Profit will come down to ₹ 107.93 Lakh.

2.3 PROJECTS WITH SUBSIDIES

a) KSEDM

KSEDM scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was ₹ 20 Lakh without any interest with a repayment period of 5 years. The scheme was in operation from 2011 till 2017. The Corporation had received ₹ 6097.74 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 20-21. ₹ 6211.03 Lakh has been spent till 31.03.2021 for the KSEDM project. As on 31.03.2021, ₹ 113.29 Lakh is receivable from the government and is shown under the head KSEDM Interest & Expenses receivable under Other Current assets. The Corporation has taken up with Government for providing the funds to meet the interest and expenses receivable and it is expected that the funds will be received during the FY 2021-22.

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

The COVID-19 pandemic situation has created multifold challenges to the economy of Kerala. Large number of existing units have closed down. NRKs who have been the major pillars of the Kerala Economy have become jobless and are returning to Kerala from foreign countries and other Indian states. The scarcity of capital and inadequate availability of credit facilities are the major problems confronted by small entrepreneurs. Under the above backdrop, the State Govt has launched a special scheme called Chief Minister's Entrepreneurship Development Programme (CMEDP) that targets 2000 potential entrepreneurs and 1000 new enterprises every year and intending to support 5000 units in the next 5 years. The Corporation is made the implementing agency for the scheme. The scheme envisages a maximum loan amount of ₹ 50 Lakh with a repayment period of 3 to 5 years at an interest rate of 10% for which the Govt will provide 3% interest subvention. During the year, the Corporation has sanctioned assistance worth ₹ 4485 Lakh to 1811 units and disbursed ₹ 2027 Lakh to 1562 units under this scheme. The interest subvention provided as on 31.03.2021 is ₹ 10.66 Lakh and is shown under the head Interest rebate allowed on loans.

c) NORKA (NDPREM) scheme

NORKA ROOTS has developed 'Norka Department Project for Rehabilitation of Return Emigrants' (NDPREM) Scheme'. The scheme is envisaged for returned immigrants to start small and medium enterprises in the manufacturing sector. They will be eligible for Capital subsidy of 15% of project cost and interest subvention of 3% given by NORKA Roots. During the year, the Corporation disbursed ₹ 241.43 Lakh to 42 units under this scheme. The interest subvention provided as on 31.03.2021 is ₹ 1.23 Lakh and is shown under the head Interest rebate allowed on loans. The Corporation has received capital subsidy of Rs 55.56 lakh through this scheme during the year.

2.4 INVESTMENTS

The Corporation has invested ₹ 1.02 Lakh (10,194 shares of ₹ 10 each) in Kerala Infrastructure Fund Management Limited (KIFML), promoted by KIIFB during the FY 20-21 thus making the total investment of ₹ 2.56 Lakh (25,599 shares of ₹ 10 each). Out of the total investments of ₹ 125.42 Lakh, provision for diminution in value of investments of ₹ 74.38 Lakh 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., Corporation have valued the shares on the basis of latest available financial statements and found that the values are above book value.

The Corporation had invested ₹ 6080 Lakh in April 2018 in Secured Redeemable NCDs as part of compliance of Non SLR Bond Issue Series 2018 with redemption @25% each in 4 years from April 2022 onwards. However due to the crisis in NBFC sector, the corporation has not received the interest due in NCD after 30th March 2020. Hence as a prudent measure the Corporation decided to make a provision of 25% of the value of Investment in NCD amounting to ₹ 1520 Lakh each in 4 years from FY 2019-20 onwards for diminution in its value. The Corporation received ₹ 709.09 Lakh during the FY as part of prorata distribution of funds by the Company which has been reduced from the invested amount. The investment balance as on 31st March 2021 is ₹ 5370.91 Lakh.

During the year the Corporation invested ₹ 5993.74 Lakh in 3 NCDs as part of compliance of Non SLR Bond Issue Series 2020.

2.5 INCOME TAX ASSESSMENTS

Income tax return is filed up to Assessment year 2020-21. Assessments have been completed up to Assessment year 2018-19. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2012-13, 2013-14, 2014-15, 2016-17 and 2018-19. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal has been remanded to Commissioner (Appeals).

2.6 DEFERRED TAX LIABILITIES

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

₹ in Lakh

Particulars	As on 31.03.2020	For the FY 2020-21	As on 31.03.2021
On Depreciation	48.96	0.11	49.07
On income not received	-1629.74	640.92	-988.82
On outstanding expenses	1257.78	-226.91	1030.87
Total	-323.00	414.11	91.11

2.7 GOODS AND SERVICE TAX

Service tax

Service Tax was replaced by GST from July 2017. Litigations under Service Tax regime was settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS) except for Order in Original No.03/2018-19 dated 22.05.2018 with a demand of ₹ 129.69 Lakh in the matter of taxability and availment of Input tax credit of Guarantee Commission paid to Government. The matter is pending for decision with Commissioner(Appeals) for further orders.

Goods and Service Tax

Goods and Service Tax – GST was implemented all over the country w.e.f 01.07.2017. All the indirect tax registrations of Branch offices and Head Office are brought under one common registration under GST and is managed centrally from Head Office. The Annual Returns under GST regime, GSTR 9 and GSTR 9C are filed till FY 2019-20.

2.8 RELATED PARTY DISCLOSURES AS PER AS 18

a) List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri Sanjay Kaul IAS, Chairman and Managing Director (from 19.12.2019 to 06.09.2020), Sri Tomin J Thachankary IPS, Chairman and Managing Director (from 07.09.2020 to 31.03.2021)

B) Related Party Transactions

The total remuneration paid to Sri Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2020-21 is ₹ 22.13 Lakh.

2.10 IMPAIRMENT OF ASSETS

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2021, 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.

2.11 SEGMENT REPORTING

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

a) Primary Segment (The Business Segment)

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

b) Secondary Segment (The Geographical Segment)

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

2.12 CONTINGENT LIABILITIES

The contingent liabilities as on 31.03.2021 are estimated as under

- On account of Income Tax ₹ 891.51 Lakh
- On account of suits filed against the Corporation ₹ 102.46 Lakh
- On account of Service Tax ₹ 129.69 Lakh
- On account of guarantees issued on behalf of Government contractors in Kerala- ₹ 3179.60 Lakh

2.13 ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

Assets acquired in satisfaction of claims amounting to ₹ 400.34 Lakh relates to M/s.Jayalakshmi Builders, Thiruvananthapuram and is retained as such. The acquisition was done in the financial year 2008-09 and accounted as recovery from NPA account in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value is ₹ 588.20 Lakh which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims.

The Corporation posted the unit for e-sale in the official web portal on 07.01.2021 and sale was confirmed to the highest bidder for ₹ 599.99 Lakh. The last date for the sale remittance was 24.03.2021. Though the bidder remitted 25% of sale amount being ₹ 150 Lakh, he did not remit any further amount and the sale was cancelled. As per the sale terms, if the amount is not remitted before the last date, the amount already remitted will be forfeited. ₹ 150 Lakh is now kept in Suspense Account pending confirmation from the Board.

2.14 SUSPENSE ACCOUNT

The amount outstanding in Suspense Account amounting to ₹ 552.76 Lakh as on 31.03.2021 comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, as per court orders, amount benefits to employees held back for want of details and amount to be refunded in respect of contractor loans. Further ₹ 150 Lakh pertain to amount forfeited from the cancellation of e-sale of M/s. Jayalakshmi Builders. The balance amount lying in Suspense account as on date is being rectified.

2.15 SECURED / UN-SECURED LOANS.

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. During the year the Corporation availed loans amounting to ₹ 323554.46 Lakh and repaid ₹ 188752.30 Lakh. The loan outstanding as on 31.03.2021 is ₹ 332750.52 Lakh out of which ₹ 13452.24 Lakh is a foreign currency loan from SBI.

The Corporation availed ₹ 13497.78 Lakh as Foreign currency loan from SBI for a period of 6 months by converting a portion of the unavailed TL/ OD limit of ₹ 13500 Lakh. All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. The principal loan portion is hedged under forward contract and the deferred premium of ₹ 356.04 Lakh will be amortised in 6 months. The premium amortised during the year is ₹ 58.37 Lakh and the deferred premium as on 31st March 2021 is ₹ 297.67 Lakh. The balance as on 31st March 2021 is reinstated at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India (FEDAI) as on 31st March 2021 as ₹ 13452.24 Lakh after adjusting the forex gain of ₹ 45.54 Lakh. The interest accrued of ₹ 14.70 Lakh is provided on actual basis.

2.16 NON SLR BONDS

The Corporation issued Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Bonds of ₹ 25000 Lakh in Sep 2020 @ 7.70% with credit enhancement mechanism with out government guarantee. The bonds were rated AA(SO)

by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee.

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The total outstanding bonds of KFC as on 31.03.2021 aggregate to ₹ 94167.50 lakh as given below.

₹ in Lakh

SI No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
1	14-Sep-20	7.70%	25000.00	25000.00	14-Sep-30
2	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26
3	04-Apr-18	8.69%	25000.00#	5497.50	04-Apr-25
4	09-May-16	8.90%	25000.00#	18750.00	09-May-23
5	30-Oct-14	9.15%*	20000.00#	4920.00	30-Oct-21
6	06-Jun-13	8.72%*	20000.00#	15000.00	06-Jun-23
		TOTAL	140000.00	94167.50	

* Issued with Government guarantee, # Partial Redemption done

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund'(REF) equal to 0.01% of the issue size subject to maximum of ₹ 25 Lakh shall be created, as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22nd October 2020 which shall be utilized in a manner decided by holders of securities in case of default. The provisions of this circular were made applicable w.e.f. January 2021 and accordingly the Corporation has deposited ₹ 11.37 Lakh towards REF with BSE on 22nd February 2021. As on 31st March 2021, the REF required is only ₹ 9.42 Lakh being 0.01% of ₹ 94167.50 Lakh.

2.17 EMPLOYEE EXPENSES

The total Employee benefits and expenses for the year amount to ₹ 3418.29 Lakh (₹ 3151.99 Lakh during FY 19-20). This includes Employee Pay & Allowances for the year of ₹ 2908.56 Lakh (₹ 2639.94 Lakh during FY 2019-20).

2.18 EMPLOYEE PAYMENTS AND RETIREMENT BENEFITS

The Corporation contributes towards Group gratuity Scheme and Group Leave Encashment Scheme administered by Life Insurance Corporation of India (LIC) for eligible employees as per the actuarial valuation and demand raised by LIC and are reckoned as expenditure for the concerned period. The Fair value of the Plan assets and the Present value of obligations as at 31st March 2021 for both the schemes is as below.

₹ in Lakh

Particulars	Group gratuity Scheme	Group Leave Encashment Scheme
Present value of Obligations	1308.45	622.12
Fund value	1368.38	670.95

2.19 RR CHARGES PAYABLE

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of ₹ 828.05 Lakh has been made for the payment due from FY 2014-15 to FY 2019-20 as on 31.03.2020. The demand for FY 2020-21 was received from the department for ₹ 49.86 Lakh this year. Further, an amount of ₹ 31.50 Lakh is reduced in the demand for the period 2014-15 to 2019-20, which is deducted from the provision for this year which make the net provision for FY 2020-21, ₹ 18.36 Lakh. Hence as on 31.03.2021 the total amount provided is ₹ 846.41 Lakh, break up is as below.

FY 2014-15- ₹ 94.54 Lakh
 FY 2015-16- ₹ 100.46 Lakh
 FY 2016-17- ₹ 150.76 Lakh
 FY 2017-18- ₹ 157.92 Lakh
 FY 2018-19- ₹ 157.00 Lakh
 FY 2019-20- ₹ 135.86 Lakh
 FY 2020-21- ₹ 49.86 Lakh

The establishment charges have not been paid as the calculations made by the Corporation is ₹ 775.59 Lakh as against the demand of ₹ 846.41 Lakh provided by the Revenue Department.

2.20 INTEREST INCOME AND REBATE

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during FY 20-21 are ₹ 41047.50 Lakh and ₹ 660.11 Lakh and during FY 19-20 were ₹ 32069.24 Lakh and ₹ 1215.99 Lakh respectively.

2.21 COMMISSION ON PERFORMANCE GUARANTEES ISSUED

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee is reversed at the year end. During the FY, total commission collected upfront from Performance guarantees issued (including extension of Performance guarantees issued in previous FYs amounts to Rs 98.72 Lakh (₹ 118.72 Lakh during the FY 19-20), out of which Rs 25.37 Lakh pertains to this FY (₹ 29.24 Lakh during the FY 19-20) and Rs 73.35 Lakh (₹ 89.48 Lakh during the FY 19-20) pertains to future FYs. Out of the unexpired portion of Commission accounted during FY 2019-20 (₹ 89.48 Lakh), ₹ 33.38 Lakh is recognized as income during this year. Thus the total income recognised during the year is ₹ 58.75 Lakh.

2.22 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.

Taxable income calculated as per IT Act	₹ 4128.92 Lakh
Income tax thereon	₹ 1039.16 Lakh

2.23 DIVIDEND

The Corporation has decided not to make any dividend payout during the year from profits pertaining to the FY ended March 31, 2021 in compliance with the RBI notification dated 17.04.2020 to conserve capital in an environment of heightened uncertainty caused by Covid Pandemic (Previous year Dividend payout- Nil).

2.24 GRANTS AND SUBSIDIES

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as

Non Current Liabilities. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates. The interest on Coconut Development Board Subsidy of ₹ 98.31 Lakh is shown under the head Interest and Fund expenses.

2.25 PRIOR PERIOD ITEMS

There are no prior period adjustment made during this year .

2.26 PREVIOUS YEAR'S FIGURES


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

For and on behalf of the Board of Directors

 Soya.K Financial Controller	 Premnath Ravindranath Executive Director	 Anil Kumar Parameswaran Director	 Sanjay Kaul Chairman & Managing Director
--	---	---	---

As per our report of even date
For **M/s. Krishnan Retna & Associates**
Chartered Accountants, Firm Reg No: 001536S

Place: Thiruvananthapuram
Date:12.08.2021


Nikhil R Kumar
 Partner, M No: 231162

NOTE: 21 DISCLOSURE REQUIREMENTS:

	(Amount ₹ in lakh)		
A. Capital	2020-2021		2019-2020
a) CRAR (%)	22.85		22.40
b) Risk Weighted Assets			
1) On Balance Sheet items		304658.57	265812.97
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	42026.94	98.54	98.15
2. SIDBI	613.33	1.44	1.82
3. Commercial Banks, Insurance Cos. Pvt Shareholders etc.	10.16	0.02	0.03
TOTAL	42650.43	100	100.00
d) Net worth	67834.76		58474.50
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	16552.05	3.58	4.74
b) Net NPAs under the prescribed asset classification categories	6619.64	1.48	1.45
c) Provisions:	2020-21		2019-20
1. Provision for Standard Assets	3936.65		2510.83
2. Provision for NPA	9932.42		11260.10
3. Provision for Investments	3114.38		74.38
4. Provision for Income Tax	1039.17		1127.86
5. Provision for Deferred Tax Liability	-414.11		42.16
6. Provision for Other Assets	3540.00		1520.00
	2020-21	2019-20	Variance
d) Movement in Net NPA (%)	1.48	1.45	0.03

C. Liquidity:						(₹ in lakh)
a) Maturity pattern of Rupee assets.						
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total
Total assets	132889.69	182036.40	97079.61	34194.13	15912.68	462112.51
Total Liabilities	103185.71	179304.79	95802.83	33624.69	15000.00	426918.02
D. Operating Results:					2020-21	2019-20
					(₹ in lakh)	
a) Interest income as a percentage to average working funds-					9.44	9.74
Interest Income					40,387.39	30,853.26
Average Working Funds					4,28,012.83	3,16,706.68
b) Non-interest income as a percentage to Average Working Funds-					2.03	3.23
Non-interest income					8,706.90	10,238.57
Average Working Funds					4,28,012.83	3,16,706.68
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-					0.68	1.43
Operating Profit (+) / Loss (-)					2,901.12	4,526.67
Average Working Funds					4,28,012.83	3,16,706.68
d) Return on Average Assets-					0.69	1.39
Returns (operating profit + depreciation)					3,184.24	4,725.75
Average Assets					4,60,109.67	3,40,517.24
e) Net profit (+) / Loss (-) per employee					3.43	8.96
No. of employees					192	205
Net profit (+) / Loss (-)					657.93	1,836.65

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2021

₹ in Lakh

FOR THE PERIOD	For the year ended 31.03.2021	For the Year ended 31.03.2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	1,282.98	3,006.67
Interest received on Fixed Deposits	(2,083.65)	(1,110.68)
Depreciation on fixed assets	283.12	199.08
Provision for Non Performing Assets/Other Assets	1,618.13	–
Share Issue Expenses	1.02	–
Premium on Forward Contract	(297.67)	–
Interest and other costs of Non-SLR Bond	9,690.24	9,405.33
Adjustment for changes in operating assets and liabilities		
Increase in Loans and Advances	(1,26,922.46)	(23,382.10)
Increase in borrowings from Banks	1,34,802.16	56,549.21
Decrease in Other Non-Current assets	39,599.90	(41,936.37)
Decrease in Other Current assets	(51,439.88)	(681.25)
Increase in Current liabilities	13,715.03	841.65
Increase in Other Non Current Liabilities	129.35	(64.74)
Less: Income tax paid	(700.00)	(2,115.00)
Net cash from operating activities	19,678.27	711.80
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(154.20)	(644.66)
Sale of Fixed Assets	4.16	–
Investment in KIFM Ltd	(1.02)	–
Net cash used in investing activities	(151.06)	(644.66)
CASH FLOW FROM FINANCING ACTIVITIES		
Money received against Share Capital	9,000.00	11,000.00
Share Issue Expenses	(1.02)	–
Issue of Non SLR Bond	25,000.00	25,000.00
Redemption of Non-SLR Bond	(35,682.50)	(5,150.00)
Interest and other costs of Non-SLR Bond	(0.10)	(9,405.33)
Interest Received on Fixed Deposits	2,083.65	1,110.68
Net Investment in NCD	(5,993.74)	–
Proceeds from NCD	709.09	–
Net Deposit with Banks	(12,251.54)	(5,600.00)
Dividend and Dividend Tax paid	–	(136.53)
Net cash used in financing activities	(17,136.16)	16,818.82
Net increase in cash and cash equivalents	(7,299.09)	16,885.97
Cash and cash equivalents at the beginning of the year	17,375.67	489.70
Cash and cash equivalents at the end of the year	10,076.58	17,375.67

PROFORMA - I
SECTOR WISE LOAN OUTSTANDING AS ON 31.03.2021

(₹ in Lakh)

Particulars	Standard		Sub-Standard		Total	
	Number	Amount	Number	Amount	Number	Amount
MANUFACTURING	1994	1,58,743	57	5,897	2051	164640
SERVICE	3630	2,52,499	104	9,380	3734	261879
CRE	194	34,318	6	1,275	200	35593
TOTAL	5819	4,45,560	166	16,552	5985	462113

Proforma - II
SUMMARY OF LOAN OPERATIONS FOR FY 2020-21

(₹ in Lakh)

Sl no	Particulars	Micro		Small		Medium		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	Applications pending as on 01.04.2021	4	85	11	3133	5	996	20	4214
2	Applications received during 2020-21	1583	199074	1775	211576	1033	121553	4391	532203
3	Total application for consideration	1587	199159	1786	214709	1038	122549	4411	536417
4	Application withdrawn/rejected or otherwise	36	17767	42	17266	20	18660	97	53693
5	Application sanctioned(Gross)	1551	181392	1744	197443	1012	101789	4308	480624
6	A. Application cancelled/reduced out of Current year's sanction	5	21604	18	33859	92	10514	116	65977
	B. Application cancelled/reduced out of Previous year's sanction	0	0	2	28	7	130	9	158
	C. Total cancellation/reduction(6A+6B)	5	21604	20	33887	99	10644	125	66135
7	Application sanctioned effectively(5-6A)	1546	159790	1726	163584	920	91275	4192	414649
8	Amount disbursed along with number of newly assisted units	2068	127155	3961	233261	146	10505	6175	370921
9	Application pending sanction as at the end of the period	0	0	0	0	6	2100	6	2100

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2020-21

(₹ in Lakh)

Branch Name	Applications received												Gross sanction											
	Micro		Small		Medium		Total		Micro		Small		Medium		Total									
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount								
Alappuzha	134	2197	66	1099	37	604	237	3900	131	6962	65	3480	36	1625	232	12066								
Ernakulam	141	91501	121	78081	95	61655	357	231237	138	62361	119	53215	93	39080	350	154656								
Kannur	71	3424	125	5992	50	2393	246	11809	70	2774	123	4855	49	1873	241	9501								
Kasaragode	129	10784	189	15721	121	10058	439	36563	126	11846	185	17270	119	10705	430	39821								
Kattappana	59	965	55	907	68	1112	182	2984	58	1177	54	1106	67	1355	178	3639								
Kollam	86	3948	108	4951	61	2820	255	11719	84	6533	106	8193	60	4667	250	19392								
Kottayam	65	1707	62	1617	41	1063	168	4387	64	1624	61	1538	40	513	165	3675								
Kozhikode	97	3461	212	7571	134	4759	443	15791	95	5170	208	11241	131	6746	434	23156								
Malappuram	157	5929	119	4506	96	3637	372	14072	154	7809	117	5936	94	4790	365	18535								
Palakkad	43	1629	89	3421	53	2036	185	7086	42	1832	87	3846	52	2289	181	7966								
Pathanamthitta	76	3478	42	1932	38	1721	156	7131	74	5178	41	2876	37	1890	153	9944								
Perumbavoor	45	1099	74	1775	51	1226	170	4100	44	1274	73	2057	50	1420	167	4751								
Thiruvananthapuram	255	61043	323	77321	108	25897	686	164261	250	56123	317	72014	106	21975	672	150112								
Thodupuzha	43	847	35	688	27	529	105	2064	42	806	34	654	26	503	103	1963								
Thrissur	87	3339	108	4174	37	1421	232	8934	85	5662	106	7077	36	1886	227	14625								
Wayanad	95	3723	47	1820	16	622	158	6165	93	4264	50	2085	16	473	159	6823								
Grand Total	1583	199074	1775	211576	1033	121553	4991	532203	1551	181392	1744	197443	1012	101789	4308	480624								

PROFORMA - IV

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2020-21

(₹ in Lakh)

Branch Name	Effective Sanction										Loan Disbursed									
	Micro		Small		Medium		Total		Micro		Small		Medium		Total					
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount				
Alappuzha	135	1223	67	611	32	285	234	2119	157	2257	87	1262	14	195	258	3714				
Ernakulam	134	92899	114	79274	84	58216	332	230389	130	58058	218	97308	4	1635	352	157001				
Kannur	69	1361	121	2381	47	918	237	4660	114	1770	188	2925	0	0	302	4695				
Kasaragode	120	5726	174	8348	108	5174	402	19248	328	5295	1049	16908	4	64	1381	22267				
Kattappana	57	502	53	472	65	579	175	1553	98	1112	114	1302	0	0	213	2414				
Kollam	83	1624	105	2036	60	1159	248	4819	167	3272	314	6149	13	252	494	9673				
Kottayam	69	1241	66	1175	22	392	157	2808	100	1156	63	724	0	0	163	1880				
Kozhikode	94	1840	204	4001	123	2400	421	8241	145	3044	358	7503	18	362	520	10909				
Malappuram	147	2783	111	2115	90	1707	348	6605	194	4248	316	6894	9	184	519	11326				
Palakkad	40	839	84	1761	50	1048	174	3648	55	1362	122	3024	0	0	178	4386				
Pathanamthitta	83	1068	47	593	31	390	161	2051	97	3068	79	2497	8	249	184	5814				
Perumbavoor	43	702	69	1134	47	783	159	2619	78	1064	133	1836	3	42	214	2942				
Thiruvananthapuram	247	42906	316	55051	96	16800	659	114757	251	38098	499	75645	45	6809	795	120552				
Thodupuzha	40	553	33	450	25	346	98	1349	26	372	74	1054	0	0	99	1426				
Thrissur	91	2589	115	3237	30	863	236	6689	48	1174	223	5445	26	624	297	7243				
Wayanad	94	1934	47	945	10	215	151	3094	80	1805	123	2785	4	89	207	4679				
Grand Total	1546	159790	1726	163584	920	91275	4192	414649	2068	127155	3961	233261	146	10505	6175	370921				

HIGHLIGHTS OF PERFORMANCE

(₹ in Lakh)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Applications Received No	694	721	1147	1364	1383	689	749	957	2458	4391
Applications Received Amount	64294	77271	98962	148269	112049	50424	78491	174054	316541	532203
Applications Sanctioned No	634	639	1111	1311	1328	634	669	885	2111	4192
Applications Sanctioned Amount	53901	66139	101173	94745	102599	38531	72393	164495	165788	414649
Disbursement Amount	46457	47594	75473	65709	83836	65527	60023	81579	144615	370921
Recovery Amount	46717	54022	56513	68427	75820	87428	94467	90000	108209	285129
Number of Loan accounts	5985	6114	4196	4498	5264	5497	4439	4231	4884	5985
Balance Outstanding Amount	123984	140143	180037	203818	240019	247411	245179	268401	335190	462113
Authorised Capital	35000	35000	35000	35000	35000	35000	35000	35000	50000	50000
PAID UP CAPITAL										
State Government	20574	20574	20574	21563	21563	21563	21563	22027	33027	42027
SIDBI	613	613	613	613	613	613	613	613	613	613
Others	10	10	10	10	10	10	10	10	10	10
Total	21197	21197	21197	22186	22186	22186	22186	22650	33650	42650
INCOME										
Interest on Loans	15730	25294	26312	30915	29976	35195	36557	40475	38694	45988
Other Income	5695	476	307	167	872	1277	1131	2351	2351	3106
Total	21425	25770	26619	31082	30847	36473	37688	42826	41046	49094
EXPENDITURE										
Interest on Bonds	1043	2111	3419	4675	5454	6917	6677	8129	8950	9165
Interest on Refinance & other borrowings	7166	6590	7078	9278	10921	12599	11847	10014	12381	19963
Fund Raising expenses	244	241	370	417	526	558	521	451	455	584
Employee benefit expenses	1792	2317	2356	2595	2701	2864	3407	3610	3152	3418
Administrative Expenses	402	438	574	527	523	503	640	671	713	394
Total	10647	11697	13797	17492	20125	23440	23092	22875	25651	33524
Profit/Loss before depreciation	10778	14073	12822	13590	10722	13032	14596	19951	15441	15569
Write off/Provisions										
Depreciation	58	57	65	53	129	184.37	96	84	199	283
Bad debts Written off	3078	2566	4139	4280	5867	12061.13	12481	16767	10715	12385
Provision for Bad & Doubtful debts/other assets	482	1626	1311	3811	2692	0	515	419	1520	1618
Net Profit/Loss	4565	6683	4134	1437	533	787	1504	2665	3007	1283
Net Worth	32585	38376	41484	42392	42917	43545	44108	45741	58475	67834.8
Gross NPA(%)	3.60	3.51	3.45	7.85	10.57	8.51	6.37	5.77	4.74	3.58
Net NPA(%)	1.30	0.36	0.35	3.71	5.93	4.25	2.03	1.82	1.45	1.48
Share Capital issued	0	0	214	989	0	0	0	464	11000	9000
Bonds issued	20000	0	20000	20000	0	25000	0	25000	25000	25000
Borrowings from Banks & FIs	19400	25900	30210	32799	56201	35000	67000	60900	197955	332751
Repayment of Bonds	3655	2453	0	0	5000	5000	5000	10000	5150	35683
Repayment of Borrowings from Banks & FIs	18020	28274	22211	24751	23216.7	28753	48037	66054	108044	188752
Cumulative Sanction up to 31.03.2021								No	Amount	
Cumulative Disbursement up to 31.03.2021									54741	1720721
									55287	1412207