



# ANNUAL REPORT

## 2019-20



**Demarc Steel, Thrissur**



**Indcarb, Palakkad**



**Palar Greens, Kattappana**



**Pionniercrete India Pvt. Ltd.,  
Kasaragode**



**Cladis Pvt. Ltd. Kozhikode**



**Seens Wood, Wayanad**

**Hailstone, Palakkad**



# ANNUAL REPORT 2019-20



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# MESSAGE

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**Pinarayi Vijayan**  
Chief Minister  
Government of Kerala

It is noteworthy that Kerala Financial Corporation continues to be the best performing State Financial Corporations of the Country. Its role in the industrial and economic development of the State is highly significant, particularly amidst the COVID 19 pandemic.

Through 'Chief Minister's Entrepreneurship Development Programme and special schemes for Startup, I hope that KFC would continue its role in supporting MSMEs and Startups, who will in turn provide employment and keep the Kerala economy growing.

I extend my good wishes to KFC and its customers.

**Pinarayi Vijayan**



# MESSAGE

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

I am happy to note that the Kerala Financial Corporation has made considerable improvement in all key performance areas with an industry leading performance. With capital infusion of ₹ 200 crore by the State Government this year, the CRAR of the Corporation improved to 22.40% as against the statutory requirement of 9%. Being an AA rated PSU in the state, I am confident that the Corporation will be able to mobilize low cost funds from the debt market. I look forward to the Corporation to double its loan portfolio and lend at competitive rates, benefitting MSME customers to channelize the funds for the economic development of the State.

The economy is facing the most serious challenge due to the COVID-19 outbreak now and the role of KFC will be to handhold and nurture the units which it supports. By implementing the 'Chief Minister's Entrepreneurship Development Programme' and 'Special Start-up loan schemes', I am hopeful that KFC will be able to perform its role of crediting 5000 new MSME/ Start-up units in the State in the next five years.

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

A handwritten signature in black ink, appearing to be 'T.M. Thomas Isaac', written in a cursive style.

**Dr. T. M. Thomas Isaac**

## FINANCIAL HIGHLIGHTS

₹ in Crore



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# BOARD OF DIRECTORS

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**Sri. Sanjay Kaul IAS**  
Chairman & Managing Director  
(Since 20.12.2019)



**Sri. Sanjeev Kaushik IAS**  
Chairman & Managing Director  
(till 19.12.2019)



**Sri. K Biju IAS**  
Director (Industries & Commerce,  
Govt. of Kerala)



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



**Sri. Anilkumar Parameswaran**  
Chartered Accountant



**Sri. Partha Sarathi Patra**  
General Manager, SBI



**Sri. T S Ajith**  
Deputy General Manager, SIDBI  
(till 16.07.2019)



**Smt. Santha Varkey**  
Senior Divisional Manager, LIC  
(till 05.06.2019)



**Smt. Deepa Sivadasan**  
Senior Divisional Manager, LIC  
(Since 06.06.2019)



**Sri. T Balaji**  
Asst. General Manager, SIDBI  
(Since 17.07.2019)



## PRINCIPAL OFFICERS (AS ON 31.03.2020)

### Executive Director

Sri. Premnath Ravindranath

### General Managers

Sri. Renjithkumar E R

Sri. P B Sreekumar

### Deputy General Managers

Sri. K S Rajeev

Sri. Ajithkumar K

Sri. K G Ajithkumar

Sri. Adarsh R

Sri. Rajesh R

Sri. M Manisankar

Smt. Annamma M

### Financial Controller

Smt. Soya K

### Statutory Auditors

Krishnan Retna & Associates, Chartered Accountants

Thiruvananthapuram

# KERALA FINANCIAL CORPORATION

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

H.O: Vellayambalam, Thiruvananthapuram - 695 033.

Phone: 0471-2737500 / 2737576 /2737566. Fax: 2311750

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

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the 67<sup>th</sup> Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held on Thursday, July 30, 2020 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, 2020 and the Profit & Loss account for the year ended March 31, 2020 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2019-20 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2020-21 under Section 37 (1) of the SFC Act 1951.

By Order of the Board



Executive Director

Place : Thiruvananthapuram,

Date : 03.07.2020

### 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 23.07.2020 to 30.07.2020 (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.





## Recovery

The Corporation has a well-built monitoring mechanism for recovery. With persistent and continued efforts, recovery during the year touched an all time high of Rs.1,08,209 Lakh, despite the slowdown due to floods and the disruptions caused due to COVID-19. Out of the total recovery, Rs.7841.19 Lakh was by way of compromise settlement and recovery from written off loans. The Corporation also conducted a Mini Adalath in Feb 2020 for settling NPA accounts on liberal terms. On the recovery front, the interest income during the year was Rs.30,853.26 Lakh as compared to Rs.29,219.72 Lakh during the previous year. Despite the increase in disbursements, the decline in interest income is mainly due to the shift of interest rate regime from Prime Lending rate (14.50%) to Base Rate regime. Majority of the customers have been benefitted with lower rate of interest.

## Portfolio

During the year, the gross advances of the Corporation registered a remarkable growth of 24.88%, to touch Rs.3,35,190.04 Lakh as against Rs.2,68,401.01 Lakh during the previous year in spite of the subdued general economic scenario. The Corporation is however moving steadily ahead in its strategy of derisking the Balance Sheet.

The Corporation has implemented complete revamping of Credit Policy and appraisal process to streamline the process of sanctions and disbursement within a time bound manner and to ensure high credit quality through a centralized Business Review Committee mechanism. Loan Appraisal system was strengthened by centralizing the process at Zonal Hubs in order to ensure that asset quality is maintained and proposals are sanctioned in a time bound manner. All proposals above Rs.500 Lakh are vetted by the Risk Management Committee setup for the purpose. Thus, 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 31,2020 is furnished below:

(Rs. in Lakh)

	Sector	As on 31.03.2020			As on 31.03.2019		
		No	Amount	%	No	Amount	%
1	Manufacturing	1204	63885.93	19.06	1546	75149.85	28.00
2	Service	3465	233364.74	69.62	2420	150128.87	55.93
3	CRE	215	37939.36	11.32	265	43122.29	16.07
	Total	4884	335190.03		4231	268401.01	

## FINANCIAL PERFORMANCE

### Profit

The operating profit for the year under review increased by 46.03% to Rs.4,526.67 Lakh as compared to Rs.3,099.75 Lakh during the previous year. The Net profit for the year grew by 3.79 % to Rs.1,836.65 Lakh as compared to Rs.1,769.53 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 2019-20.

### Capital & Reserves

The Corporation's issued and paid up capital as on March 31, 2020 is Rs.22,650.43 Lakh. The capital plus reserves of the Corporation has moved up by 27.84% from Rs.45,741.34 Lakh to Rs.58,474.50 Lakh (comprising of paid-up equity capital of Rs.22,650.43 Lakh and reserves of Rs.24,824.07 Lakh) on account of plough back of profits during the current financial year. Government vide GO(Ms) No.39/2020/fin dated 16.03.2020 accorded sanction for enhancing the paid up capital of KFC by Rs. 20000 Lakh and the Corporation received Rs.11000 Lakh of share capital being 1st tranche, on 31.03.2020 which is shown separately as Money received against Share Capital under Shareholder's Funds.

## Shareholding pattern

The composition of shareholders as on March 31, 2020 is furnished below:

(Rs. in Lakh)

Shareholders	Amount	% of Shareholding
Government of Kerala	33026.94	98.147
SIDBI	613.33	1.823
LIC	7.10	0.021
SBI	2.1	0.006
Others	.96	0.003
Total	33650.43	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, 2020 according to Basel III guidelines is 22.40% (19.24 % as on March 31, 2019) as against the statutory requirement of 9%.

## Asset Quality

While the Gross NPA of the Corporation fell to 4.74 % in March 2020 from 5.77% the previous year, the net NPA also declined to 1.45% in March 2020 from 1.82% the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 70%.

## Key Business Initiatives

Taking into consideration the emerging customer needs and trend, the Corporation has launched new products and services and also fine-tuned the existing array of products, services and processes to remain competitive. The strategy adopted was to transform the organisation that remains relevant to the growth of industrialization and promotion of entrepreneurship in the State through focused interventions. As part of this initiative, the focus was on (i) Strengthening Credit Mechanism (ii) Reducing Cost of Funds and (iii) Clean up the Balance Sheet. This has helped the Corporation to secure better credit rating, thereby lowering the cost of funds, lend at competitive rates and increase its loan portfolio further.

The Corporation has also been working towards realignment of its business mix in favour of high rated customers while limiting the exposure to low-rated customers, CRE sector, unclassified hotels, other risky sectors, etc. This strategy was adopted as it would facilitate in improving the quality, strength and size of the balance sheet. Simultaneously, the Corporation has adopted a comprehensive action plan and road map for reduction of NPAs, which involves structured review, case-specific and strategy-based recovery action for high value accounts and persistent, timely action based approach for other accounts. To support these overarching strategies, the Corporation has ensured that the credit appraisal, credit monitoring and recovery teams are adequately trained. Additionally, the Corporation has been leveraging its core strengths, that is, strong brand name in the State, efficient and excellent customer service, robust IT platform, among others, to achieve its business objectives. As a result of these reforms, the Corporation could double its lending business in the last two FYs and has acquired a new image among entrepreneurs as the partner of choice.

The key initiatives taken up during the year are given below:

Reduced the Base Rate to 9%. The Corporation had moved to 9.50% Base Rate interest regime w.e.f 01.06.2018 and the Base Rate has been further reduced to 9% w.e.f 01.01.2020, benefitting MSME customers of the State to channelize funds for development of the enterprises and job creation in Kerala.

**Legal Policy.** The Corporation has introduced a comprehensive legal framework for advancing loans aimed at effective security documentation and smooth recovery of the loans advanced.

**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 of proposals are processed in a time bound manner. The three Appraisal Hubs set up in each Zone, with a team of well trained project officers, ensures that the cleared proposals are sanctioned within the time lines specified and necessary hand holding is given to entrepreneurs.

**Strengthening Risk Management Department.** The risks associated with proposals are assessed through scientific rating rationale by the centralized Risk Management Department (RMD). The Department is engaged in the process of identification, analysis and mitigation of various risks involved in financial decisions. A centralized internal Credit Rating/ Risk Assessment procedure has been implemented for various segments of borrowers. Risk Management Committee constituted at the Head Office analyse all loan proposals above Rs.500 Lakh prior to placing before the appropriate sanction committees.

**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.

**Settlement Adalath.** As an integral part of the recovery strategy, the Corporation has put in all its efforts for reducing gross NPAs and cleaning up the balance sheet. A one-time liberalized settlement drive (Mini Adalath 2020) under the guidance of a Retired Judge was conducted in February 2020 to settle long pending defaulted accounts, in which settlement was given to 179 cases for Rs. 15,336 Lakh. But due to the disruptions and financial instability caused by COVID-19, only 28 cases were settled and in 65 cases partial remittances were made. Hence extension of time is given for settling these Adalath cases. The total amount received in the Adalath scheme as on 31.03.2020 amounts to Rs.2,020 Lakh.

**KFC Conclave.** The annual conclave of the Corporation was held on 29.05.2019 at Thiruvananthapuram. The Hon'ble Chief Minister of Kerala, inaugurated the Conclave and presented the best Entrepreneur awards and also released the Annual Report for FY 2019-20. The Hon'ble Finance Minister of Kerala, declared the financial results of the Corporation and handed over the gold card to 57 KFC customers and gave away the best Branch office and Best Employee awards.

**Consolidated Business Plan for SFCs.** The SFC Act 1951, was last amended in the year 2000. The efforts to amend the Act in tune with the current economic and market conditions have not been materialized so far. Reserve Bank of India (RBI) had constituted an Expert Committee on MSMEs under the Chairmanship of Shri.UK Sinha, to suggest long term solutions for the growth of the MSME sector. The UK Sinha Committee had suggested submitting a Consolidated Business Plan for SFCs to NITI Aayog. Pricewaterhouse Coopers (PwC) was entrusted by NITI Aayog with the task of examining the factors affecting MSME sector with special focus on revitalizing SFCs. The Corporation hosted the COSIDICI National Level meeting, on 09.07.2019, at Thiruvananthapuram, to finalize the business plan of State Financial Corporations (SFCs) of the country for amending the SFC Act 1951, restructuring and revitalizing the SFCs. The consolidated business plan finalized in the meeting was given to NITI Aayog for submitting it to the UK Sinha Committee.

#### **(a) New Loan Schemes.**

- (i) **Scheme for Funding Private Enterprises set up for Defibering of Coir Husk.** Government of Kerala had initiated measures to restructure the traditional coir sector of the State by setting up defibering units across the State in the private sector with an investment subsidy up to 50%. The Corporation has formulated a special scheme for assisting such units in association with Directorate of Coir Development.
- (ii) **LoC only for GBDS.** State Government vide GO (Rt)No.1429/2020/Fin dated 20.02.2020 appointed Kerala Financial Corporation as an agent of State Government under Section 25 of State Financial Corporation's(SFC) Act 1951 to discount Promissory Notes issued by Government and for such discounting, a special Scheme 'LoC only for GBDS' was introduced. KFC has assisted various State PSUs involved in fighting COVID-19, such as Kerala State Medical Supplies Corporation, Kerala State Drugs and Pharmaceuticals Ltd, Supply Co, etc through this scheme.
- (iii) **Human Resource Development:** The Corporation recognizes that key resources for achieving high levels of excellence are its people who need to be motivated and developed. The reforms could be taken forward only by qualified resources for which qualified professionals from banks were recruited in various cadres in all areas, for

quality appraisal, Risk Management, IT etc and they were given quality induction training. The Corporation has been admitted as an Institutional Member of Indian Institute of Banking and Finance (IIBF). The Corporation introduced reimbursement of course fee and monthly allowance for employees clearing JAIIB/ CAIIB/ Other Courses conducted by IIBF. KFC Staff Regulations, 1966 was amended to make JAIIB as the qualifying exam for the promotion to the cadre of Assistant Manager and CAIIB as the qualifying exam for the promotion to the cadre of Manager. During the FY 2019-20, training was imparted to 110 employees through different training programmes and promotion was given to 19 officers. As on 31.03.2020 the total staff strength was 205. During the FY 2019-20, 12 employees retired from service on attaining superannuation.

- (iv) **Performance Based Variable Incentive System.** The present circumstances demand to motivate the employees of the Corporation and also to reward the employees based on their performance for which a performance based variable incentive system has been put in place, which is first of its kind in any Public Sector Undertaking of the State. Instead of handing out equal incentive to all employees, irrespective of performance, now employees are given annual performance linked incentive. These rewards recognize hard working employees who contribute to KFC's performance and also serve to motivate excellence, meritocracy and business growth.
- (v) **Digitization of Disbursement and Expenses.** In continuation to the centralized collection of funds via Virtual Account System, the Corporation has centralized the disbursement process to speed up the disbursement process. Now the loan disbursements to customers are directly transferred to their bank account through NEFT/ RTGS from the Corporation's central account at HO. Similarly, the Corporation has also centralized the payment of expenditure which will help the Corporation to monitor the expenses centrally and take necessary measures to reduce it.
- (vi) **Engineered Server Hardware.** The Corporation has installed the Oracle Engineered Hardware for improved performance and the Core System was migrated to Oracle 12c database from the existing 10g database. Now two integrated servers act as a cluster to handle data efficiently. The servers are installed on a Smart Rack with a fully automated system for temperature control, fireproof, emergency alerts via email and SMS etc. With the deployment of Oracle 12c, the Corporation is able to achieve a huge increase in performance of the Core Business Application Software, Customer portal, Payment Gateway System, Contractor Loan Management System etc. The Corporation has also implemented Oracle's Autonomous Data Warehouse (ADW) which automatically optimizes performance while the database is running.
- (vii) **Cloud Disaster Recovery.** The Corporation had implemented the Disaster Recovery on Oracle Cloud at their Mumbai Data Center. KFC is the first institution in Government vertical to move to Oracle Indian cloud. This has helped the Corporation to set up a reliable Business Continuity Plan and also to overcome the disruptions caused due to COVID-19. The employees could access applications and data from a remote offsite server and work from home or from offices other than their base offices.
- (viii) **BI & Analytics.** The Corporation has implemented the BI and Analytics tool on Oracle cloud with an aim for more accurate reporting, analysis, planning, better business decisions, improved data quality and operational efficiency. Now BI solutions are readily available for top management on Business Operations, Performances, Targets, NPA movement, SMA portfolio etc.
- (ix) **Contractor Loan Monitoring Software.** The Corporation has developed a Contractor Loan Management System (CLMS) which has automated all the activities like Line of Credit (LOC), Performance Guarantee (PG), Bill discounting System (BDS), etc. The CLMS has helped the Corporation to handle the requirements of the contractors effectively and administer the same efficiently. KFC also established a separate Cell to monitor the CLMS.
- (x) **e-Office.** KFC has implemented the e-Office System developed by NIC. By the implementation of the e-Office system the file handling is digitized and decision making is faster. During the Pandemic period it helps the Corporation to manage file movement without any hassles or any delay.

## Resource mobilisation

- (a) **LOC from Commercial Banks.** The Corporation availed Rs.164599.80 Lakh as Term loan/ Working Capital Demand Loan from various Commercial Banks/ Financial Institutions at their MCLR linked rates and repaid Rs.1,08,050.97 Lakh during the FY 2019-20. The aggregate outstanding LOC from Banks and other Financial Institutions at the yearend was Rs.1,97,948.36 Lakh. The Corporation got a rating affirmation for Bank borrowings of BWR A during the year, signifying a stable outlook for the Corporation.
- (b) **Non SLR Bonds.** The Corporation issued 8.99% Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Debentures of Rs.25,000 Lakh in July 2019 with credit enhancement mechanism without government guarantee. These bonds as well as existing NCDs without Government guarantee were rated AA (SO) by two RBI/ SEBI approved rating agencies with stable outlook for investment. The Corporation remains the only PSU in the State, raising funds from the debt market, without Government guarantee.

An amount of Rs.285.86 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 31.03.2020 aggregate to Rs.104850 Lakh. The Bond details are given below:

(Rs. in Lakh)

SI No.	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
1	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26
2	04-Apr-18	8.69%	25000.00	25000.00	04-Apr-25
3	09-May-16	8.90%	25000.00	25000.00	09-May-23
4	30-Oct-14	9.15%*	20000.00	9850.00 **	30-Oct-21
5	06-Jun-13	8.72%*	20000.00	20000.00	06-Jun-23

\* Issued with Government guarantee

\*\* Call option exercised on 30.10.2018 and Rs.10,150 Lakh partially redeemed.

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

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to Rs.50 Lakh. As on 31st March, 2020, 66 accounts amounting to Rs.317.88 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 27 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.

## Other Financial Service Activities

IRDA has approved the Corporation for acting as Corporate Agent for procuring or soliciting insurance business (Licence No. NIA 9664897). The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 13th July 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 Policy includes the approach to be followed by the Corporate Agent in having single or multiple tie-ups, the partners in the tie-ups, the business mix, the type of products sold, grievance redressal mechanism and reporting requirements.

### **Audits**

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Concurrent Audit of branch operations is also now in place through reputed firms of Chartered Accountants on a monthly basis. Further audit of compromise settlement sanctions of above Rs.25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 Lakh is also in place. The internal control and auditing procedure in KFC is at par with prescribed industry standards. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2018-19 giving a clean report.

### **Statutory Auditors**

The shareholders at its 66th Annual General Meeting held on June 17, 2019, 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 2019-20.

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**

MSMEs are expected to face 15-20% fall in revenue for the FY 2020-21 due to the disruptions attributed to COVID-19. They could face problems in servicing debt and working capital shortage. The economy is going through a critical phase which will affect the stability and flexibility of the financial system. The policy changes by the State government will be crucial to overcome this situation. Hence, the primary focus of the Corporation during FY 2020-21 will be to come out with new loan schemes to help MSMEs and existing units to tide over the stress faced by them on account of the economic fallout caused by the pandemic. Considering the extent of credit revival and recoveries in the first quarter of FY 2020-21 the Corporation is confident of achieving the target set for FY 2020-21 and to cross Rs.400000 Lakh mark in the Loan and Advances portfolio.

Focus will be given on IT infrastructure, technology upgradation and to make the entire appraisal process, right from loan enquiry to sanction online through the software for transparency and quick delivery of services. For this IT Department will develop an online Loan Management System (OLMS).

The Corporation will be formulating necessary strategies to overcome the present economic scenario by diversifying its portfolio and will be concentrating more on MSMEs, other performing sectors and Startups. The focus would be to consolidate its existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts. In addition to this, Webinars are planned for skill development and capacity building of its employees to equip them to deal with challenges ahead in the evolving business scenario. The policies and systems are being constantly reviewed to focus on these areas. The major action plans proposed are as follows:

- a. COVID Relief Loans. Three COVID Relief loans have been introduced. The first scheme is for units engaged in manufacturing products or those are providing services in fighting COVID-19 against the work order received by them. Second scheme is to provide top up loans to existing customers of KFC to tide over the crisis, without providing any additional security. Units in commercial operation and in Standard category as on 31st March 2020, can benefit from this scheme. Through the third scheme KFC will support new MSME units with a loan of up to Rs.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.
- b. Loan Monitoring Cell. In order to have an effective follow up of loans, Loan Monitoring Cell (LMC) has been set up at Head Office under the Credit Department to deal with loan files soon after the Sanction Communications are issued. In order to monitor Special Mention Accounts in an effective way, a SMA Monitoring Vertical (SMV) has been established under LMC.
- c. Working Capital Solutions. The major restriction of the Corporation to fund MSME units is its inability to provide Working Capital (WC) facilities. During FY 2020-21 KFC plans to tie up with Banks to provide CC/ OD facilities to its customers, integrating KFC Core Financial Solution with Bank's Core Banking System.
- d. Loans to Startups and new MSME units. The Corporation will launch special schemes to assist MSME units and Startups this year. The first one will be a loan up to Rs.50 Lakh for supporting new MSME units. The target is to support 1,000 MSME units per year. It is also proposed to have three comprehensive loan schemes for Start-ups as follows:
  - i. Loan Scheme up to Rs.1,000 Lakh for Financing Working Capital Requirements of Start-ups for Executing Purchase Orders
  - ii. Seed Loan Assistance up to Rs.1,000 Lakh to Start-ups for developing socially relevant products prescribed by UNO and required by Government department
  - iii. Venture Debt Funding scheme up to Rs.1,000 Lakh for IT Hardware & Software Enterprises

The Corporation will have a tie up with Kerala Startup Mission (KSUM). The Startups need to register with KSUM for availing loans under the startup scheme.
- e. KFC Connect. In order to encourage and handhold the young entrepreneurs, the Corporation shall start mentoring services, where they can get various services free of cost under the brand name, 'KFC Connect'.
- f. Letter of Guarantees to MSME Units. Government vide GO(P)No.168/2018/Fin dated 02.11.2018 have already accorded sanction to accept the Performance Guarantee of the Corporation issued to Contractors. This facility is being 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.
- g. IT initiatives. The Core Financial Solution (CFS), the centralized ERP solution is successfully handling all the day-to-day activities of the corporation for the last 6 years. Keeping in mind that the technology will be leading the Corporation in future, IT department will work towards upgrading the present application software (CFS) and

its database to latest technologies for better MIS and supervisory controls. The Corporation will be migrating to Oracle 18c database from existing 12c server and redesigning the system to the latest Microservice architecture. The existing monolithic application will be made modular, as a suite of small services, each running in its own process and independently deployable. By doing the same the CFS operations will become independent, faster, reliable and secure.

### Corporate Governance

The Corporation is 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 enhancement of stakeholders' value. 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, 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. 38 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 workplace and for prevention and redressal of such complaints. The Corporation received one complaint during the financial year which was disposed off and no complaints are pending as at the end of the financial year.

During FY19-20, no frauds were reported and there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

### Board of Directors

The Board comprises seven Directors as on March 31, 2020, with rich experience and specialized knowledge in various areas. The Board functions either as a full Board or through various Committees constituted to oversee specific areas, to formulate Policies, to set up targets, to evaluate performance and control functions.

The details of Board of Directors and their attendance in meetings during the FY 2019-20 are as given below:

Name	Designation	Tenure	No. of meetings	
			Held during their tenure	Attended
Shri.Sanjeev Kaushik IAS	Chairman and Managing Director	24.01.2018- 19.12.2019	04	04
Shri.Sanjay Kaul IAS	Chairman and Managing Director	20.12.2019 to till date	01	01
Shri.K Biju IAS	Director, Industries and Commerce	13.08.2018 to 19.05.2020	05	03
Shri.Partha Sarathi Patra	General Manager, SBI	15.07.2018 to till date	05	03
Shri.TS Ajith	Deputy General Manager, SIDBI	07.05.2018 to 16.07.2019	02	01
Shri.T Balaji,AGM, SIDBI	Assistant General Manager, SIDBI	17.07.2019 to till date	03	01

Smt. Santha Varkey, SDM, LIC	Senior Divisional Manager, LIC	25.06.2016 to 05.06.2019	02	01
Smt. Deepa Sivadasan SDM, LIC	Senior Divisional Manager, LIC	06.06.2019 to till date	03	02
Shri.E.K. Harikumar	Chief General Manager (Rtd), SBT	11.09.2017 to till date	05	05
Shri.Anilkumar Parameswaran	Chartered Accountant	11.09.2017 to till date	05	05

### Apex Committees

The Board of the Corporation met five times during the year on 29.04.2019, 23.05.2019, 30.07.2019, 17.10.2019 and 23.01.2020. The Board has seven Sub-Committees to oversee various functional aspects of business and operations of the Corporation. The Committees are Executive Committee, Audit Committee, HR Sub-Committee, Remuneration & Nomination Committee, Advisory Committee, Sub-Committee for Policy Revision and Default Review Committee.

The Executive Committee met seven times during the year on 17.07.2019, 06.09.2019, 04.12.2019, 28.01.2020, 29.01.2020, 29.02.2020 and 07.03.2020.

The Audit Committee met four times during the year on 22.05.2019, 16.12.2019, 29.02.2020 and 24.03.2020.

The HR Sub-Committee met two times during the year on 12.04.2019 and 04.05.2019.

The Remuneration & Nomination Committee met two times during the year on 31.05.2019 and 29.01.2020.

The Advisory Committee met once during the year on 20.08.2019.

The Sub-Committee for Policy Revision met three times during the year on 02.05.2019, 17.07.2019 and 24.03.2020.

The Default Review Committee met two times during the year on 09.08.2019 and 10.08.2019.

### Remuneration paid to Chairman & Managing Director

The total remuneration paid to Shri.Sanjeev Kaushik IAS during the financial year 2019-20 is Rs.26.14 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:

- in the preparation of the annual accounts for the financial year ended March 31, 2020, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- 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 31,2020 and of the profit of the Corporation for the period;
- 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;
- 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, 2020 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 Corporation is committed to capitalize growth opportunities and enhance customer experience by developing a responsible corporate governance framework by adhering to the highest ethical standards and regulatory compliance. Our achievement as the number one State Financial Corporation of the country would not have been possible without the support and trust of our employees, customers, regulators and the Government and we look forward for their unflinching support in all our future endeavours. The Board of Directors is sincerely grateful to Government of Kerala, Other Governmental Agencies and Departments, Reserve Bank of India and all other statutory/ regulatory authorities for the continued cooperation, guidance and support. The Board also acknowledges, with gratitude, the co-operation and support received from various Banks/ Financial Institutions. The Board takes this opportunity to put on record its deep sense of gratitude to its shareholders for their continued faith in our strength and capabilities, our customers and vendors for their valuable support and trust, vendors and customers for their patronage and support extended during the year, and looks forward to their continued association in the years ahead.

The Board also put on record its deep appreciation and gratitude for the excellent services rendered by Shri.Sanjeev Kaushik IAS, former CMD, who was instrumental in reforming and transforming the Corporation as a market leader within a short span of two years. The Board appreciates the sincere and devoted services displayed by its entire staff and highly values their commitment towards the Corporation which enabled the Corporation to record growth despite the economic challenges and consolidates its position as one of the premier financial institutions in the country.

For and on behalf of the Board



Chairman and Managing Director

Thiruvananthapuram  
03.07.2020





## Balance Sheet as at 31<sup>st</sup> March, 2020

₹ in Lakhs

	Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
			Rs in Lakhs	Rs in Lakhs
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
1	Shareholders' funds			
	(a) Share capital	1	22,650.43	22,650.43
	(b) Reserves and surplus	2	24,824.07	23,090.91
	(c) Money received against share capital		11,000.00	-
2	Non-current liabilities			
	(a) Long-term borrowings	3	2,36,182.00	1,76,399.00
	(b) Deferred tax liabilities (net)		323.00	280.84
	(c) Long-term provisions	4	13,770.93	13,770.93
3	Current liabilities			
	(a) Short-term borrowings	5	66,616.37	50,000.15
	(b) Other current liabilities	6	6,247.20	5,456.28
	(c) Short-term provisions	7	4,426.37	3,345.57
	<b>TOTAL</b>		<b>3,86,040.37</b>	<b>2,94,994.11</b>
<b>B</b>	<b>ASSETS</b>			
1	Non-current assets			
	(a) Tangible Assets	8	1,027.31	581.74
	(b) Non-current investments	9	51.04	49.50
	(c) Other non-current assets	10	2,48,998.63	2,05,543.79
2	Current assets			
	(a) Current investments	11	14,570.53	8,970.53
	(b) Cash and cash equivalents	12	17,375.67	489.70
	(c) Other current assets	13	1,04,017.19	79,358.85
3	Significant Accounting policies and Notes to Accounts	19		
	<b>TOTAL</b>		<b>3,86,040.37</b>	<b>2,94,994.11</b>

For and on behalf of the Board 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

Thiruvananthapuram  
 03.07.2020

  
**Nikhil R. Kumar**  
 Partner, M No: 231162

## Statement of Profit and Loss for the Year ended 31<sup>st</sup> March,2020

₹ in Lakhs

	Particulars	Note No.	for the year ended 31.03.2020	for the year ended 31.03.2019
A	Continuing Operations			
1	Revenue from operations	14	39,364.34	41,167.57
2	Other income	15	1,727.49	1,658.76
3	Total revenue		41,091.83	42,826.33
4	Operating Expenses			
	(a) Interest expenses	16	21,786.18	18,594.46
	(b) Employee benefits expenses	17	3,151.99	3,609.60
	(c) Administrative Expenses	18	712.70	671.06
	(d) Depreciation and amortisation expense		199.08	84.07
	(e) Bad debts written off		10,715.22	16,767.38
	Total expenses		36,565.17	39,726.57
5	Operating Profit before exceptional and extraordinary items and tax		4,526.67	3,099.75
6	Operating Profit After exceptional and extraordinary items		4,526.67	3,099.75
7	Less: Provision for Bad and Doubtful debts / Other assets		1,520.00	434.77
8	Profit before tax		3,006.67	2,664.98
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		1,127.86	1,393.41
	(b) Provision for Deferred Tax		42.16	(497.95)
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		1,836.65	1,769.52
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		7.65	7.81
	(b) Diluted		7.64	7.81
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		11,226.63	9,856.68
	Net Profit for the year		1,836.65	1,769.53
	Total profit available for appropriation		13,063.28	11,626.21
	Less: Income Tax Short Provision		103.48	-
	Total		12,959.80	11,626.21
	Less: Appropriations			
	Proposed Dividend		-	113.25
	Provision for Dividend Distribution tax		-	23.28
	Transfer to Reserve u/s 36 (1) (viii)		290.17	263.05
	Balance Profit after appropriations		12,669.63	11,226.63
	Balance Profit carried to Balance sheet		12,669.62	11,226.63

For and on behalf of the Board 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

Thiruvananthapuram  
 03.07.2020

  
**Nikhil R Kumar**  
 Partner, M No: 231162

## Notes Forming Part of Balance Sheet as at 31<sup>st</sup> March, 2020

₹ in Lakhs

NOTE : 1	As at 31.03.2020	As at 31.03.2019
<b>SHARE CAPITAL</b>		
AUTHORISED CAPITAL		
5,00,00,000 Equity shares of Rs.100/- each	50,000.00	35,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
22210678 Equity shares of Rs.100/- each	22,210.68	22,210.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
TOTAL	22,650.43	22,650.43
<b>NOTE : 2</b>		
<b>RESERVES AND SURPLUS</b>		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	11,600.07	11,337.03
Added during the year	290.17	263.04
Total of (a)	11,890.24	11,600.07
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Profit & Loss Account	12,669.62	11,226.63
TOTAL {(a)+(b)+(c)+(d)}	24,824.07	23,090.91
<b>NOTE : 3</b>		
<b>LONG TERM BORROWINGS</b>		
SECURED ( Hypothecation of receivables)		
Refinance from IIFCL	-	9,165.92
LoC from State Bank of India	43,249.97	16,250.00
LoC from Canara Bank	43,750.00	39,800.00
LoC from Andhra Bank	52,082.03	23,683.28
LoC from Vijaya Bank	0.00	7,499.80
LoC from Indian Bank	8,500.00	0.00
Non-SLR Bond	68,750.00	50,000.00
UNSECURED	0.00	0.00
Non-SLR Bond (Guaranteed by Government of Kerala)	19,850.00	30,000.00
TOTAL	2,36,182.00	1,76,399.00
<b>NOTE:4</b>		
<b>LONG TERM PROVISIONS</b>		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	13,770.93	13,352.30
Add: Provision made during the year	0.00	418.63
Total of (a)	13,770.93	13,770.93
<b>NOTE : 5</b>		
<b>SHORT TERM BORROWINGS</b>		
SECURED BORROWINGS ( Hypothecation of receivables)		
Short term loan from Federal Bank	10,000.00	10,000.00
Short term loan from South Indian Bank	10,000.00	-
LOC FROM BANKS (Current maturity)	0.00	0.00
Loc from Andhra Bank	5,833.37	7,083.39
Loc from Canara Bank	4,375.00	13,750.00
Loc from Indian Bank	1,500.00	0.00
Loc from State Bank of India	9,500.00	2,500.00
Loc from Vijaya Bank	0.00	1,666.68
Refinance from IIFCL	9,158.00	10,000.08
UNSECURED BORROWINGS	0.00	0.00
Non-SLR Bond (Current maturity)	16,250.00	5,000.00
TOTAL	66,616.37	50,000.15

<b>NOTE : 6</b>		
<b>OTHER CURRENT LIABILITIES</b>		
State Subsidy	414.68	3.49
Other Subsidy	101.84	20.00
Central Subsidy	11.01	11.00
RR Commission Payable	0.48	-
Coconut Devp. Board Subsidy	766.65	913.23
Earnest Money Deposit	7.81	7.70
Suspense Account	159.35	356.70
Tax Deducted at Source	7.60	29.57
Other Salary Deductions	0.68	0.73
Other Sundry Deposits	264.50	32.98
Gratuity Payable	3.46	3.46
Outstanding Expenses	840.59	709.90
Salary Payable	0.00	0.78
Accrued Interest on SLR Bonds & Non SLR Bonds	3,352.72	3,046.12
Accrued Interest on LOC from banks	29.20	214.62
Audit Fee Payable	2.61	2.50
Concurrent Audit Fee payable	4.70	2.08
Staff Dues Retained	56.88	64.70
Unclaimed Dividend	0.12	0.12
Commission Received in Advance	89.48	-
NPS Payable	0.00	0.17
CGST Payable	13.32	17.70
SGST Payable	13.32	18.53
IGST Payable	0.48	-
CGST & SGST TDS Payable	0.23	0.05
IGST TDS Payable	-	0.15
Excess Payable	105.49	-
TOTAL	6,247.20	5,456.28
<b>NOTE : 7</b>		
<b>SHORT TERM PROVISIONS</b>		
(a) Provision for Taxation:		
As per last Balance Sheet	3,209.04	1,815.63
Add: Provision made for the current year	1,127.86	1,393.41
: Short Provision for the A.Y 2015-16	183.81	0.00
Less: : Excess Provision for the A.Y 2013-14	94.34	0.00
Total of (a)	4,426.37	3,209.04
(b) Proposed Dividend for the year	-	113.25
(c) Provision for Dividend Distribution Tax	-	23.28
TOTAL	4,426.37	3,345.57

₹ in Lakhs

<b>NOTE : 8 FIXED ASSETS</b>										
Particulars	Rate	Gross value as on 31-03-2019	Additions During the Year	Deletions during the year	Gross value as on 31.03.2020	Depreciation upto 31-03-2019	Depreciation for the year	Depreciation upto 31-03.2020	WDV as on 31.03.2020	WDV as on 31-03-2019
	2	3	4	5	6	7	8	9	7	8
Land	0%	11.62	-0.00	-	11.62	-0.00	-0.00	-0.00	11.62	11.62
Building	10%	664.26	21.23	-	685.49	403.82	27.49	431.31	254.18	260.44
Motor Vehicle	15%	182.06	-0.00	-	182.06	140.30	6.26	146.57	35.49	41.76
Electrical Fittings	10%	211.27	3.95	-	215.22	91.92	12.15	104.07	111.15	119.36
Air Conditioner	15%	46.90	2.88	-	49.78	34.84	2.14	36.99	12.79	12.05
Photocopier	15%	22.35	-0.00	-	22.35	20.29	0.31	20.60	1.75	2.06
Computer	40%	566.77	606.94	-	1,173.71	525.75	137.80	663.55	510.17	41.02
Other office Equipments	15%	67.61	7.20	-	74.81	47.49	3.66	51.16	23.65	20.11
Lift	15%	9.73	-0.00	-	9.73	7.83	0.29	8.11	1.62	1.91
Furniture	10%	194.26	2.46	-	196.72	128.38	6.77	135.16	61.57	65.88
Solar Power Generator	40%	76.85	-0.00	-	76.85	71.32	2.21	73.53	3.32	5.53
Total		2,053.68	644.66	-0.00	2,698.34	1,471.94	199.08	1,671.05	1,027.31	581.74
Total (Previous year)		1959.52	123.30	29.15	2053.68	1387.87	84.07	1471.94	581.74	571.65

<b>NOTE : 9</b>		
<b>NON CURRENT INVESTMENTS</b>		
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	1.54	-
Sub Total	125.42	123.88
Less : Provision for diminution in value of investments	74.38	74.38
TOTAL	51.04	49.50
<b>NOTE : 10</b>		
<b>OTHER NON CURRENT ASSETS</b>		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,114.36	1,107.94
Conveyance Loan to Employees	79.95	88.59
Computer Loan to Employees	3.07	3.77
Personal Loan to Employees	29.53	41.70
Advance to Employees	16.09	19.44
Deposit with P&T	0.09	0.09
Other Deposits	69.24	31.33
Deposit with KSEB	13.17	7.02
Deposit against Staff Dues Retained	56.88	64.70
Interest Accrued on Staff Loans	639.00	607.93
GTI Advance	2.29	2.26
Other Advances	85.90	82.52
Advance for Fixed Assets	-	4.38
Loans and Advances (Principal due above 1 year)	2,41,928.72	1,97,001.78
Investment in NCD	6,080.00	6,080.00
Sub Total	2,50,518.63	2,05,543.79
Less : Provision for diminution in value	1,520.00	0.00
TOTAL	2,48,998.63	2,05,543.79
<b>NOTE : 11</b>		
<b>CURRENT INVESTMENTS</b>		
Short Term Deposits with Banks	14,570.53	8,970.53
TOTAL	14,570.53	8,970.53
<b>NOTE : 12</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash in hand	0.77	15.65
Bank Accounts	17,374.90	474.05
TOTAL	17,375.67	489.70

<b>NOTE : 13</b>		
<b>OTHER CURRENT ASSETS</b>		
Advance Income Tax	5,630.50	3,514.31
Input Tax Credit	4.42	0.01
Income Tax Deducted at source	161.58	97.67
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	6.48	5.06
Processing Fee Receivable	29.00	0.00
Prepaid Expenses	3.92	12.93
CGTMSE Fee	1.75	0.00
Subsidy Receivable from Govt	13.80	0.00
KSEDM Interest Receivable	1,155.24	1,524.25
Interest Accrued on Loans & Advances	3,231.13	2,613.74
Interest Accrued on STD with Banks	518.05	191.65
Loans & Advances (Principal Due within one year)	93,261.32	71,399.23
TOTAL	1,04,017.19	79,358.85
<b>NOTE : 14</b>		
<b>REVENUE FROM OPERATIONS</b>		
Interest Received On Loans & Advances	32,069.24	31,872.08
Less : Interest rebate allowed on Loans	1,215.99	2,652.36
Net Interest Received On Loans & Advances	30,853.26	29,219.72
Loan Processing Fees	606.85	587.94
Recovery from written off loans	7,841.19	11,255.40
Switch over interest	9.09	41.25
Premium on pre-closure	53.95	63.26
TOTAL	39,364.34	41,167.57
<b>NOTE : 15</b>		
<b>OTHER INCOME</b>		
Interest on Staff Loans	100.40	95.91
Interest on Bank Deposits	1,110.68	1,266.16
Dividend from Shares	0.00	2.18
Other Income	18.64	165.09
Rent Received	100.74	69.90
Income from Insurance Agency	7.41	10.80
RTI Application Fee Received	0.01	0.01
Consultancy Service Division Receipts	0.00	0.04
Commision exchange and brokerage	29.61	48.67
Reimbursement of Guarantee Commisssion	360.00	0.00
TOTAL	1,727.49	1,658.76
<b>NOTE : 16</b>		
<b>INTEREST AND FUND EXPENSES</b>		
Interest on Bonds	8,950.46	8,129.40
Interest on Coconut Dev Board Subsidy	82.80	77.29
Interest on Line Of Credit from Banks	12,298.05	9,936.76
Guarantee Commission	311.60	401.18
Bond Issue Expenses	136.25	46.37
LOC Administrative Expenses	7.02	3.46
TOTAL	21,786.18	18,594.46

<b>NOTE : 17</b>		
<b>EMPLOYEE BENEFITS AND EXPENSES</b>		
Pay & Allowances	2,639.94	2,815.26
Contribution to Employees' P.F	192.03	267.49
Contribution to NPS	57.20	9.53
Group Gratuity Insurance	10.00	237.46
Group E/L Encashment Insurance	148.08	187.93
Group Term Insurance	2.06	2.36
Other Staff Expenses	102.68	89.57
TOTAL	3,151.99	3,609.60
<b>NOTE : 18</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Rent, Rates, Taxes & Insurance	154.65	121.41
Postage, courier and Telephone	28.67	14.43
Printing & Stationery	14.73	18.35
Vehicle Running & Maintenance	41.38	40.29
Repairs & Maintenance	63.06	48.96
Revenue Recovery expenses	128.81	159.49
Bank Charges and Commission	1.59	0.54
Audit Fees	2.61	2.50
Consultancy Charges	24.99	12.35
Legal Expenses	7.72	5.94
Books & Periodicals	4.48	1.82
Other Expenses	124.38	131.77
Travelling Expenses	24.25	18.45
Board / E.C. Meeting Expenses	1.40	1.08
Other Meeting Expenses	3.23	7.57
Concurrent Audit Fee	36.21	22.42
Advertisement and publicity	34.04	47.21
Business Development Expenses	16.50	16.48
TOTAL	712.70	671.06

For and on behalf of the Board 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

Thiruvananthapuram  
03.07.2020



**Nikhil R Kumar**  
Partner, M No: 231162

## 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.13) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.10) 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.

### **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.

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

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.

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector (1% for all the standard advances in FY 2018-19) and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. A judicious provision of 70% (70% in FY 2018-19) is made for all Substandard advances including secured portion of CGTMSE loans. For CGTMSE loans, 100% provision is made for the unsecured portion.

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 and May 2020 as a matter of prudence and technically written off.

### 1.6. 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.

### 1.7. 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 2019-20 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 also 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.

### 1.8. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets'. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

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

### 1.9. 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 (State subsidy, Development board subsidies etc.) are kept as other current

liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries. For back ended subsidies with 'block 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.

#### **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. 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 Rs.35,000 Lakh to Rs.50000 Lakh without diluting Government shares below 74%. The Hon'ble Minister for Finance had announced a capital infusion of Rs.20,000 Lakh to the Corporation in his Budget speech on 06th Feb 2020.

Accordingly Government has issued the GO (Ms) No.39/2020/Fin dt 16.03.2020 enhancing the paid up capital of Kerala Financial Corporation by Rs.20000 Lakh. Consequently now the Authorized capital of the Corporation is Rs.50000 Lakh and the paid up capital is Rs.22,650.43 Lakh. Out of Rs.20,000 Lakh announced, Rs.11,000 Lakh was released as share capital by government vide GO(Ms.)No.47/2020/Fin dated 30.03.2020 and credited on 31.03.2020 and is shown as advance towards share capital. The concurrence of SIDBI to issue 200 Lakh shares of Rs.100/- each amounting to Rs.20,000 Lakh to Govt of Kerala has been received and shares will be issued to government after passing the necessary resolution in the ensuing Annual General meeting. The balance share capital amount of Rs.9,000 Lakh has been released vide GO(Ms.)No.67/2020/Fin dated 18.06.2020.

The details of shareholders holding more than 5% shares as on 31.03.2020 are as under:

(₹ in Lakh)

Name of the Shareholders	As at 31.03.2020		As at 31.03.2019	
	No. of shares	% to total shares	No. of shares	% to total shares
Government of Kerala	3,30,26,937	98.15	2,20,26,937	97.25

### Earnings per share

(₹ in Lakh)

Calculation of EPS	2019-20	2018-19
a. Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	1733.17	1769.53
b. Number of Equity Shares outstanding ( face value of Rs.100/- each)	2,26,50,428	2,26,50,428
Basic earnings per share (a) / (b)	7.65	7.81
c. Average number of weighted equity shares (22650428 existing +11000000 on account of amount received on 31.03.2020 and pending allotment) ( face value of Rs.100/- each)	2,26,50,428	2,26,50,428
Diluted Earnings per share (a) / (c)	7.64	7.81

## 2.2 Asset Classification and provisioning

### 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	93,261.32	2,41,928.72	3,35,190.04
Long term borrowings	66,616.37	2,36,182.01	3,02,798.38

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

(₹ in Lakh)

Asset category	2019-20			2018-19		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	4573	319287.75	2510.83	3904	252910.13	2925.13
Sub Standard	311	15902.29	11253.10	327	15490.88	10845.80
Total	4884	335190.04	13763.93	4231	2,68401.01	13770.93
Gross NPA		15902.29	4.74%		15490.88	5.77%
Net NPA		4649.20	1.45%		4645.08	1.82%

### 2) Loans and Advances restructured

The general recessionary trends coupled with flood in Kerala and the Covid-19 pandemic outbreak affected the debt servicing of the customers of the Corporation. Sectors like Tourism, Commercial Real Estate etc were affected badly. As a result the Corporation as a measure to contain NPA have extended relief measures like rehabilitation / reschedulement/ restructuring to eligible borrowers. Other than loans restructured on account of relief measures announced by RBI/ SLBC, the corporation has restructured 23 loan accounts amounting to Rs.3,425.33 Lakh and are classified under Substandard category. Provisioning has been made @70% amounting to Rs.2,397.73 Lakh on these loan accounts. During the year the Corporation has not noticed any diminution in the fair value of restructured advances.

### 3) Bad debts Written Off

During the year the corporation has written off 268 loan accounts amounting to Rs.10,633.22 Lakh as Bad Debts (technical write off to maintain asset quality) ( 203 accounts amounting to Rs.16,703.61 Lakh written off during FY 2018-19). Constructive steps have been initiated for the recovery of these accounts and the amounts will be included in revenue as and when recovered. Rs.7,841.19 Lakh have been received as recovery from loans technically written off in earlier years (Rs.11,255.40 Lakh during FY 2018-19).

### 4) Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector (1% for all the standard advances in FY 2018-19) 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 70% (70% in FY 2018-19) 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 Corporation has provided Rs.7 Lakh (70%) in respect of the non fund based limits amounting to Rs.10 Lakh considering that their fund based limits are in Sub standard category.

If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.4,912.93 Lakh, where as the Corporation has provided an additional provision of Rs.8,858 Lakh over and above the minimum RBI stipulated norms. The corporation has provided Rs.1,062.69 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% (minimum norms) amounting to Rs.1,448.15 Lakh in respect of 307 loan accounts which are restructured as per RBI guidelines and classified under Standard category as follows.

- 12 loan accounts amounting to Rs.3,237.95 Lakh have been restructured on account of extension of DCCO and classified as Standard and have been given additional provision of 5% (minimum norms ) amounting to Rs.161.90 Lakh.
- In compliance with RBI / SLBC notifications issued in connection with GST implementation / Flood relief, the Corporation has restructured 110 loan accounts amounting to Rs.14,561.65 Lakh and classified as Standard. However as a prudent measure, additional provision of 5% amounting to Rs.728.08 Lakh has been made on these loans.
- In accordance with the Covid-19 Regulatory Package announced by RBI the Corporation has 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 at 31st March 2020. The Corporation has thus provided additional provision of 5% amounting to Rs.558.17 Lakh for the quarter ended March 2020 in respect of 185 loan accounts in SMA 2 category with balance outstanding of Rs.11,163.34 Lakh which would have been classified as non-performing as at 31st March 2020.

The provision made in respect of Sub standard category advances is Rs.11,260.10 Lakh. During the year, all the doubtful advances amounting to Rs.8,735.23 Lakh are technically written off. Further the corporation has reclassified Substandard accounts amounting to Rs.1,897.99 Lakh which will turn to doubtful during April- May 2020 , as doubtful assets as a matter of prudence and technically written off. Thus during this FY advances amounting to Rs.10,633.22 Lakh are technically written off and charged to revenue to maintain asset quality. If the same classification and provision as made during the FY 2018-19 is made, the Net profit will decrease by Rs.2,014.26 Lakh to Net loss of Rs.177.61 Lakh.

The total provision available during the FY was Rs.13770.93 Lakh and no additional provision is made during this FY. The Operating profit before technical write off is Rs.15159.90 Lakh (Rs.19803.37 Lakh during PY). The Operating profit after write off is Rs.4526.67 Lakh ( Rs.3099.75 Lakh during PY) and Net profit is Rs.1836.65 Lakh ( Rs.1769.53 Lakh during PY). The Gross NPA accordingly will be 4.74% as against 5.77% as on 31.03.2019 and Net NPA will be 1.45% as against 1.82% as on 31.03.2019.

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.

(₹ in Lakh)

Sl No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 18-19		During FY 19-20	
		%	Amount	%	Amount	%	Amount
1	Standard Assets- Micro & Small	0.25	701.63	1	2080.73	0.25	701.63
	Standard Assets- Medium	0.40	16.86	1	52.95	0.40	16.86
	Standard Assets- CRE	1	344.19	1	395.42	1	344.19
2	Additional provision for loans restructured on account of extension of DCCO / Flood relief/ GST implementation	5	889.98	5	396.03	5	889.98
3	Additional provision for SMA2 for the quarter ended March 2020 as part of Covid-19 Regulatory Package	5	558.17	0	0	5	558.17

4	Sub Standard Assets- FB limits - NFB limits	15	2374.22	70	10823.21	70	11195.63
		15	1.00			70	7.00
	Sub Standard Assets- CGTMSE (Secured portion)	15	8.34	70	15.30	70	38.93
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	18.54	100	7.29	100	18.54
5	Doubtful Assets ( up to 1 year)	25%	NA	NA	NA	NA	NA
	Total Provision made		4912.93		13770.93		13770.93

### 5. 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 2018-19 is given below.

(₹ in Lakh)

Sl No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2019 as reported by the Corporation	15490.88
2.	Gross NPAs as on March 31, 2019 as assessed by RBI/ SIDBI	15490.88
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2019 as reported by the Corporation	4645.08
5.	Net NPAs as on March 31, 2019 as assessed by RBI/ SIDBI	4645.08
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2019 as reported by Corporation	13770.93
8.	Provisions for NPAs as on March 31, 2019 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, 2019	1769.53
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2019 after taking into account the divergence in provisioning	1769.53

### 6) Assets taken over under Section 29

During the year, 10 units having principal outstanding of Rs.4198.37 Lakh were taken over u/S 29. Subsequently 2 units were released to the promoters under custodial agreement.

### 7) Recovery Mini Adalath

As an integral part of the recovery strategy, the Corporation has put in all its efforts for reducing gross NPAs and cleaning up the balance sheet. A one-time liberalized settlement drive under the guidance of a Retired Judge was conducted in order to settle long pending defaulted accounts, in which settlement was given to 179 cases for an amount of Rs.15,343 Lakh. Out of 179 cases, 28 cases were settled and in 65 cases partial remittances were made. The total amount received in the Spot Loan Settlement Mini Adalath scheme as on 31.03.2020 amounts to Rs.2,020 Lakh. Other than through the Mini Adalath during FY 19-20, 23 cases were settled ( PY 253 cases) and the total amount received amounts to Rs.2,983 Lakh (PY Rs.7,995 Lakh) .

### 2.3 KSEDM project

KSEDM scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was Rs.20 Lakh without any interest with a repayment period of 5years. The scheme was in operation from 2011 till 2017. The Corporation had received Rs.4,942.50 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDM till FY 19-20. Rs.6097.74 Lakh has been spent till 31.03.2020 for the KSEDM project. As on 31.03.2020, Rs.1,155.24 Lakh is receivable from the government and is shown under the head KSEDM Interest & Expenses receivable under Other Current assets. An amount of Rs.360 Lakh being guarantee commission paid to Government on guarantee issued for raising funds for KSEDM was received from Govt during the FY 19-20 which is accounted as income of current year. 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 2020-21.

### 2.4 Investments

The Corporation has invested Rs.1.54 lakh (15,405 shares of Rs.10 each) in Kerala Infrastructure Fund Management Limited (KIFML, promoted by KIIFB) during the FY 19-20. Out of the total investments of Rs. 125.42 Lakh, provision for diminution in value of investments of Rs.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., we have valued the shares on the basis of latest available financial statements and found that the values are above book value.

### 2.5 Non Current Assets

The Corporation had invested Rs.6,080 Lakh in April 2018 in Secured Redeemable NCDs as part of compliance of Non SLR Bond Issue Series 2018 which will be redeemed 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 on 30th March 2020. Hence as a prudent measure the Corporation has made a provision of 25% of the value of Investment in NCD amounting to Rs.1,520 Lakh for diminution in its value.

### 2.6 Income Tax Assessments

Income tax return filed up to Assessment year 2019-20. Assessments have been completed up to Assessment year 2017-18. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2012-13, 2013-14, 2014-15 & 2016-17. Appeals filed by the Department for the Assessment years 1999-00 and 2002-03 before Income tax Appellate Tribunal has been remanded to Commissioner (Appeals).

### 2.7 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 31.03.2019	For 2019-20	As on 31.03.2020
On Depreciation	-58.16	9.20	-48.96
On income not received	1715.02	-85.28	1629.74
On outstanding expenses	-1376.02	118.24	-1257.78
Total	280.84	42.16	323.00

### 2.8 Goods and Service Tax

#### Service tax

Service Tax was replaced by GST wef 01.07.2017. The Appeals filed by the Corporation, in respect of Order in Appeal 392 to 394-14-15 dated 19.02.2015 in respect of Ernakulam Branch Office and 27 & 28-16-17 dated 06.05.2016 in respect of Kollam Branch Office have been settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS). The entire demand is settled for 30% of Tax demand and entire penalty was waived off. In respect of Order in Original No.26 & 27/2016-17 (OIA No.95 & 96-2019 dated 13.03.2019), an

appeal was filed before the Central Excise and Service Tax Appellate Tribunal, Bangalore on 11.06.2019. This is also settled under SVLDRS at 30% of Tax demand after waiving off penalty. The total amount of tax paid for settlement is Rs.23.87 Lakh out of which Rs.7.95 Lakh was settled from the pre deposit amount.

Order in Original No.03/2018-19 and SCN 08/2019/ST in respect of taxability and availment of ITC of Guarantee Commission paid to Government are received for which appeal is filed before Commissioner (Appeals) and reply filed to Addl Commissioner respectively. Further orders are awaited from the Department in respect of above.

### **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. M/s. Clear Sharp Technology Private Limited (erstwhile M/s.Karvy Management Services Limited ) is the GST Suvidha Provider of the Corporation . The Annual Returns for the period July 2017 to March 2018 under GST regime, GSTR 9 and GSTR 9C were filed on 31.01.2020.

## **2.9 Related Party Disclosures as per AS 18**

### **A. List of Related Parties**

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri. Sanjeev Kaushik IAS, Chairman and Managing Director (from 24.01.2018 till 19.12.2019) and Sri Sanjay Kaul IAS , Chairman and Managing Director (from 19.12.2019 )

### **B. Related party Transactions**

The total remuneration paid to Sri Sanjeev Kaushik IAS during the financial year 2019-20 is Rs.26.14 Lakh (Rs.32.32 Lakh during FY 2018-19).

## **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 31.03.2020, 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 31.03.2020 are estimated as under

- On account of Income Tax Rs.849.88 Lakh
- On account of suits filed against the Corporation Rs. 149.32 Lakh
- On account of Service Tax Rs. NIL
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.2,571.59 Lakh

### 2.13 Accounting for Leases

#### Financial Leases:

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

#### Operating Leases:

Where the Corporation is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. The Corporation has taken buildings in various districts for the functioning of its branch offices, under this category and all the contracts are for a period of more than one year with fixed provision for periodical increase in rent amount. Operating lease rent payments are recognized as an expense in the statement of profit and loss every month as and when accrued or paid. During the current reporting period Rs.105.29 Lakh (Rs.64.06 Lakh during FY 2018-19) has been charged to profit and loss account in this regard. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is less than actual rent paid. Further there is no contingent element involved in the lease agreements. Hence no additional provision is required in this regard.

#### *Where the Corporation is lessor*

Leases in which the Corporation does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. A portion of the Corporation's own building let out for rent is reportable in this category. The assets subject to operating lease are included in the fixed assets and charged depreciation as per AS-10 (Revised). The total amount of Lease income on an operating lease received during the year is Rs.100.74 Lakh ( Rs.69.90 Lakh during FY 2018-19) and the same is recognised in the statement of profit and loss in line with the existing revenue recognition policy. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is higher than actual rent received during the year. Further there is no contingent element involved in the lease agreements. As a matter of prudence provision for additional revenue is not made in the financial statements.

### 2.14 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs. 400.34 Lakh relate 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 as per latest valuation is Rs.6.92 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. Steps taken to sell the property under e-auction during FY 19-20 did not materialize and efforts are going on to sell the property again.

### 2.15 Suspense Account.

The amount outstanding in Suspense Account amounting to Rs.159.35 Lakh comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, court orders, and amount received from LIC towards maturity amount of policies of the employees. The balance amount lying in Suspense account as on date is being rectified.

### 2.16 Secured / Un-secured Loans.

The Corporation has availed Loans from Banks amounting to Rs.1,64,599.80 Lakh and repaid Rs.1,08,050.97 Lakh during the FY 19-20 . The loan outstanding as on 31.03.2020 is Rs.1,97,948.36 Lakh. The loans are secured by charge on receivables.

### 2.17 Non SLR Bonds

The Corporation issued Secured, Rated , Listed, Redeemable, Taxable, Non Convertible Bonds of Rs.25,000 Lakh in July 2019 @ 8.99% with credit enhancement mechanism without 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 fee has been paid. The total outstanding bonds of KFC as on 31.03.2020 aggregate to ₹ 1,04,850 Lakh as given below.

(₹ in Lakh)

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
1	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26
2	04-Apr-18	8.69%	25000.00	25000.00	04-Apr-25
3	09-May-16	8.90%	25000.00	25000.00	09-May-23
4	30-Oct-14	9.15%*	20000.00**	9850.00	30-Oct-21
5	06-Jun-13	8.72%*	20000.00	20000.00	06-Jun-23

\* Issued with Government guarantee

\*\* Call option exercised on 30.10.2018 and ₹ 10,150 Lakh partially redeemed .

### 2.18 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.3,151.99 Lakh (₹ 3,609.60 Lakh during FY 18-19). This includes Employee Pay & Allowances for the year of Rs.2,639.94 Lakh (₹ 2,815.26 Lakh during FY 2018-19).

### 2.19 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of Rs.699.24 Lakh has been made for the payment due from FY 2014-15 to FY 2018-19 as on 31.03.2019. The demand for FY 2019-20 was received from the department for ₹ 128.81 Lakh which has been provided for this year. Hence as on 31.03.2020 the total amount provided is Rs.828.05 Lakh, break up is as below.

FY 2014-15- ₹ 99.98 Lakh

FY 2015-16- ₹ 110.47 Lakh

FY 2016-17- ₹ 162.80 Lakh

FY 2017-18- ₹ 166.50 Lakh

FY 2018-19- ₹ 159.40 Lakh

FY 2019-20- ₹ 128.81 Lakh

The establishment charges have not been paid as the calculations made by the Corporation is ₹ .757.24 Lakh as against the demand of Rs.828.05 Lakh provided by the Revenue Department.

### 2.20 Provision for Income Tax

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

Taxable income calculated as per IT Act	-	₹ 3908.00 Lakh
Income tax thereon	-	₹ 1138.01 Lakh
MAT credit available for set off	-	₹ 10.15 Lakh
Tax Charged to Profit & Loss A/c	-	₹ 1127.86 Lakh
Balance available as MAT Credit	-	NIL

### 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 during the year amounts

to Rs.118.72 Lakh (Rs.48.66 Lakh during the FY 18-19) , out of which Rs.29.24 Lakh pertains to this FY and Rs.89.48 Lakh (Rs.35.13 Lakh during the FY 18-19) pertains to future FYs. During the FY 18-19, the commission in respect of the unexpired portion of the guarantee was not reversed at the year end.

### 2.22 Dividend

The Corporation has decided not to make any dividend payout during the year from profits pertaining to the FY ended March 31, 2020 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 @0.50%).

### 2.23 Grants and Subsidies

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees (State subsidy, Development board subsidies etc.) are kept as other current liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries.

### 2.24 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 19-20 are Rs.32,069.24 Lakh and Rs.1,215.99 Lakh and during FY 18-19 were Rs.31,872.08 Lakh and Rs.2,652.36 Lakh respectively.

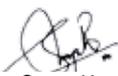
### 2.25 Prior period items

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 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

Thiruvananthapuram  
03.07.2020

<b>Note: 20</b>			(₹ in lakh)
<b>DISCLOSURE REQUIREMENTS:</b>			
<b>A. Capital</b>	<b>2019-20</b>		<b>2018-19</b>
a) CRAR (%)	22.40		19.24
b) Risk Weighted Assets			
1) On Balance Sheet items	229383.25		222942.76
c) Share holding pattern as Balance Sheet date			
	Amount	%	%
1. Government of Kerala	33026.94	98.15	97.25
2. SIDBI	613.33	1.82	2.71
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.03	0.04
TOTAL	33650.43	100	100.00
d) Net worth	58474.50		45741.34
<b>B. Asset Quality and Credit Concentration:</b>	Amount	%	%
a) Gross NPA under the prescribed assets classification categories	15902.29	4.74	5.77
b) Net NPAs under the prescribed asset classification categories	4649.20	1.45	1.82
c) Provisions:			
	2019-20		2018-19
1. Provision for Standard Assets	2510.83		2925.13
2. Provision for NPA	11260.10		10845.80
3. Provision for Investments	74.38		74.38
4. Provision for Income Tax	1127.86		1393.41
5. Provision for Deferred Tax Liability	42.16		-497.95
6. Provision for Other Assets	1520.00		16.13
7. Proposed Dividend	-		113.25
8. Provision for Dividend Distribution Tax	-		23.28
	2019-20	2018-19	Variance
d) Movement in Net NPA (%)	1.45	1.82	-0.37

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	93261.32	114059.68	90644.62	35889.29	1335.13	335190.04
Total Liabilities	66616.37	112641.73	89458.29	34081.97	0.00	302798.36
					2019-20	2018-19
D. Operating Results:						(₹ in lakh)
a) Interest income as a percentage to average working funds-					9.74	10.97
Interest Income					30,853.26	29,219.72
Average Working Funds					3,16,706.68	2,66,437.54
b) Non-interest income as a percentage to Average Working Funds-					3.23	5.11
Non-interest income					10,238.57	13,606.61
Average Working Funds					3,16,706.68	2,66,437.54
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-					1.43	1.16
Operating Profit (+) / Loss (-)					4,526.67	3,099.75
Average Working Funds					3,16,706.68	2,66,437.54
d) Return on Average Assets-					1.39	1.10
Returns (operating profit + depreciation)					4,725.75	3,183.82
Average Assets					3,40,517.24	2,88,243.51
e) Net profit (+) / Loss (-) per employee					8.96	8.67
No. of employees					205	204
Net profit (+) / Loss (-)					1,836.65	1,769.53

## CASH FLOW STATEMENT

(₹ in lakh)

FOR THE PERIOD	For the year ended 31.03.2020	For the Year ended 31.03.2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxes	3,006.67	2,664.99
Dividend Received	-	(2.18)
Interest received on Fixed Deposits	(1,110.68)	(1,266.17)
Depreciation on fixed assets	199.08	84.07
Provision for Non Performing Assets / Other Assets	-	434.77
Interest and other costs of Non-SLR Bond	9,405.33	8,580.41
<b>Adjustment for changes in operating assets and liabilities</b>	-	-
Increase in Loans and advances	(23,382.09)	(23,221.52)
Increase in borrowings from banks and SIDBI	56,549.21	(14,461.38)
Decrease in other non-current assets	(41,936.37)	4,880.08
Decrease in other current assets	(681.25)	(1,805.43)
Increase in current liabilities	776.91	9,878.97
Less: Income tax paid	(2,115.00)	(1,332.00)
<b>Net cash from operating activities</b>	<b>711.81</b>	<b>(15,565.39)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	-	-
Purchase of fixed assets	(644.66)	(110.29)
Dividend Received	-	2.18
<b>Net cash used in investing activities</b>	<b>(644.66)</b>	<b>(108.11)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	-	-
Money received against Share Capital	11,000.00	-
Issue of Non SLR Bond	25,000.00	25,000.00
Redemption of Non-SLR Bond	(5,150.00)	(10,000.00)
Interest and other costs of Non-SLR Bond	(9,405.33)	(8,580.41)
Interest Received on Fixed Deposits	1,110.68	1,266.17
Investment in NCD	-	(6,080.00)
Deposit with Banks	(5,600.00)	(1,948.53)
Dividend and Dividend Tax paid	(136.53)	-
<b>Net cash used in financing activities</b>	<b>16,818.82</b>	<b>(342.77)</b>
Net increase in cash and cash equivalents	16,885.97	(16,016.29)
Cash and cash equivalents at the beginning of the year	489.70	16,505.99
<b>Cash and cash equivalents at the end of the year</b>	<b>17,375.67</b>	<b>489.70</b>

## PROFORMA-I

### SECTOR WISE LOANS OUTSTANDING AS ON 31.03. 2020

(₹ in lakh)

Particulars	Number		Standard		Number		Standard		Total	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
CRE	191	34419.07	24	3520.29	215	37939.36				
MANUFACTURING	1082	61075.56	122	2810.37	1204	63885.93				
SERVICE	3300	223793.11	165	9571.63	3465	233364.74				
TOTAL	4573	319287.74	311	15902.29	4884	335190.03				

## PROFORMA-II

### SUMMARY OF LOAN OPERATIONS FOR FY 2019-20

(₹ in lakh)

Sl No	Particulars	Micro		Small		Medium		Total	
		No	Amount	No	Amount	No	Amount	No	Amount
1	Applications pending as on 01.04.2019	4	830	5	3566	3	3800	12	8196
2	Applications received during 2019-20	860	70297	964	77372	549	36786	2374	184456
3	Total application for consideration	864	71127	969	80938	552	40586	2386	192652
4	Application withdrawn/rejected or otherwise	68	5900	59	6063	74	6583	201	18546
5	Application sanctioned(Gross)	792	65143	899	71743	473	33007	2165	169892
6	A. Application cancelled/reduced out of Current year's sanction	22	1534	21	1969	11	601	54	4104
	B. Application cancelled/reduced out of Previous year's sanction	2	28	1	70	0	0	3	98
	C. Total cancellation/reduction(6A+6B)	24	1562	22	2039	11	601	57	4202
7	Application sanctioned effectively(5-6A)	770	63608	879	69774	462	32406	2111	165788
8	Amount disbursed along with number of newly assisted units	1554	55821	2990	86268	116	2526	4660	144615
9	Application pending sanction as at the end of the period	4	85	11	3133	5	996	20	4214

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2019-20

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	84	8765	42	4655	23	2155	149	15575	79	8708	40	4354	18	2032	137	15094
Ernakulam	70	6998	60	6105	47	4573	176	17676	67	6373	57	5438	42	3994	166	15805
Kannur	37	1660	65	2905	26	1120	128	5685	36	1530	62	2677	24	1032	122	5239
Kasaragode	77	4860	113	7255	72	4290	262	16405	74	4387	108	6395	67	3964	248	14747
Kattappana	31	887	29	840	35	1214	95	2941	27	854	26	802	31	984	84	2640
Kollam	59	3108	73	3988	42	2148	174	9244	55	2716	69	3405	39	1940	163	8061
Kottayam	18	2454	17	2457	11	963	45	5874	17	2340	16	2217	5	739	39	5295
Kozhikode	48	2650	105	4110	66	2650	219	9410	45	1839	98	3998	59	2399	202	8236
Malappuram	70	3754	53	2853	43	2303	166	8910	62	3141	47	2387	38	1927	147	7455
Palakkad	19	1440	39	3056	23	2046	81	6542	16	1362	34	2860	20	1702	71	5924
Pathanamthitta	59	3228	33	1793	29	1178	120	6199	55	3189	30	1771	20	1164	105	6124
Perumbavoor	24	1045	39	1688	27	1165	90	3898	21	657	34	1061	24	733	79	2450
Thiruvananthapuram	165	23371	209	30098	70	9368	444	62837	158	22651	203	29064	62	8869	423	60584
Thodupuzha	15	362	12	294	9	226	36	883	10	355	8	288	6	222	24	865
Thrissur	45	3728	56	4317	19	1145	119	9190	43	3362	54	4203	14	1121	111	8686
Wayanad	42	1988	20	958	7	241	69	3187	28	1681	13	822	3	187	44	2689
Grand Total	860	70297	964	77372	549	36786	2374	184456	792	65143	899	71743	473	33007	2165	169892

PROFORMA-IV

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2019-20

(₹ in lakhs)

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	78	8708	39	4354	18	2032	135	15094	127	6084	71	3401	11	527	209	10012
Ernakulam	66	6373	56	5438	41	3994	163	15805	71	1627	119	2728	2	46	192	4401
Kannur	35	1530	62	2677	24	1032	121	5239	98	3887	162	6426	0	0	260	10313
Kasaragode	73	4387	107	6395	66	3964	246	14747	248	459	792	1467	3	6	1043	1931
Kattappana	26	854	25	802	30	984	81	2640	76	671	89	786	0	0	165	1456
Kollam	55	2716	68	3405	39	1940	162	8061	91	4432	171	8329	7	341	269	13102
Kottayam	16	2340	15	2217	5	739	37	5295	67	5697	42	3571	0	0	109	9268
Kozhikode	44	1839	97	3998	58	2399	199	8236	101	789	249	1944	12	94	362	2827
Malappuram	59	3141	45	2387	36	1927	141	7455	138	1758	224	2854	6	76	368	4689
Palakkad	15	1362	32	2860	19	1702	66	5924	41	2422	91	5375	0	0	132	7797
Pathanamthitta	51	3189	28	1771	19	1164	98	6124	86	4808	70	3913	7	391	163	9112
Perumbavoor	21	657	33	1061	23	733	77	2450	51	16504	88	28477	2	647	141	45628
Thiruvananthapuram	155	21116	199	27095	61	8268	414	56480	207	1399	411	2778	37	250	655	4426
Thodupuzha	10	355	8	288	6	222	24	865	24	4227	68	11976	0	0	92	16203
Thrissur	43	3362	54	4203	14	1121	111	8686	47	198	218	918	25	105	290	1222
Wayanad	23	1681	11	822	3	187	36	2689	81	859	125	1325	4	42	210	2227
Grand Total	770	63608	879	69774	462	32406	2111	165788	1554	55821	2990	86268	116	2526	4660	144615

## HIGHLIGHTS OF PERFORMANCE

(₹ in lakhs)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	1	2	3	4	5	6	7	8	9	10
Applications Received No	702	694	721	1147	1364	1383	689	749	957	2458
Applications Received Amount	59699	64294	77271	98962	148269	112049	50424	78491	174054	316541
Applications Sanctioned No	742	634	639	1111	1311	1328	634	669	885	2111
Applications Sanctioned Amount	50706	53901	66139	101173	94745	102599	38531	72393	164495	165788
Disbursement Amount	44344	46457	47594	75473	65709	83836	65527	60023	81579	144615
Recovery Amount	35473	46717	54022	56513	68427	75820	87428	94467	90000	108209
Number of Loan accounts	6049	5985	6114	4196	4498	5264	5497	4439	4231	4884
Balance Outstanding Amount	112481	123984	140143	180037	203818	240019	247411	245179	268401	335190
Authorised Capital	35000	35000	35000	35000	35000	35000	35000	35000	35000	50000
PAID UP CAPITAL										
State Government	20574	20574	20574	20574	21563	21563	21563	21563	22027	33027
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	21197	22186	22186	22186	22186	22650	33650
INCOME										
Interest on Loans	12064	15730	25294	26312	30915	29976	35195	36557	40475	38694
Other Income	4534	5695	476	307	167	872	1277	1131	2351	2351
Total	16598	21425	25770	26619	31082	30847	36473	37688	42826	41046
EXPENDITURE										
Interest on Bonds	759	1043	2111	3419	4675	5454	6917	6677	8129	8950
Interest on Refinance & other borrowings	5071	7166	6590	7078	9278	10921	12599	11847	10014	12381
Fund Raising expenses	1166	244	241	370	417	526	558	521	451	455
Employee benefit expenses	2463	1792	2317	2356	2595	2701	2864	3407	3610	3152
Administrative Expenses	410	402	438	574	527	523	503	640	671	713
TOTAL	9869	10647	11697	13797	17492	20125	23440	23092	22875	25651
Profit/Loss before depreciation	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Write off/Provisions	6729	10778	14073	12822	13590	10722	13032	14596	19951	15441
Depreciation	64	58	57	65	53	129	184.37	96	84	199
Bad debts Written off	495	3078	2566	4139	4280	5867	12061.13	12481	16767	10715
Provision for Bad & Doubtful debts/other assets	1419	482	1626	1311	3811	2692	0	515	419	1520
Net Profit/Loss	3640	4565	6683	4134	1437	533	787	1504	2665	3007
Net Worth	29736	32585	38376	41484	42392	42917	43545	44108	45741	58475
Gross NPA(%)	8.20	3.60	3.51	3.45	7.85	10.57	8.51	6.37	5.77	4.74
Net NPA(%)	1.88	1.30	0.36	0.35	3.71	5.93	4.25	2.03	1.82	1.45
Share Capital issued	791	0	0	214	989	0	0	0	464	0
Bonds issued	0	20000	0	20000	20000	0	25000	0	25000	25000
Borrowings from Banks & Fls	42200	19400	25900	30210	32799	56201	35000	67000	60900	197955
Repayment of Bonds	3641	3655	2453	0	0	5000	5000	5000	10000	5150
Repayment of Borrowings from Banks & Fls	19241	18020	28274	22211	24751	23216.7	28753	48037	66054	108044
Cumulative Sanction up to 31.03.2020									No	Amount
Cumulative Disbursement up to 31.03.2020									50549	1306072
									55287	1041286

# Events





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