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Kerala Financial Corporation

December 08, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures (NCDs)	1,679.50 (Enhanced from Rs. 1,435.38 crore)	IVR AA/ Stable (IVR Double A with Stable Outlook)	IVR AA/ Stable (IVR Double A with Stable Outlook)	Rating Reaffirmed	Simple
Proposed Non-Convertible Debentures (NCDs)	383.00 (Reduced from Rs. 693.00 crore)	IVR AA/ Stable (IVR Double A with Stable Outlook)	IVR AA/ Stable (IVR Double A with Stable Outlook)	Rating Reaffirmed	Simple
Non-Convertible Debentures (NCDs)	0.00* (Reduced from Rs. 65.88 crore)	--	IVR AA/ Stable (IVR Double A with Stable Outlook)	Rating Withdrawn	Simple
Fund based Bank Facilities – Term Loan	1000.00	IVR AA/ Stable (IVR Double A with Stable Outlook)	--	Rating Assigned	Simple
Total	3062.50 (Rupees Three Thousand and Sixty-Two Crore and Fifty Lacs)				

**NCDs has been withdrawn at the request of the company on account of full redemption of the NCDs and the same has been confirmed by the debenture trustee. The rating withdrawal is in accordance with Infomerics policy on withdrawal of ratings*



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Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has assigned / reaffirmed the ratings to the bank facilities / NCDs of Kerala Financial Corporation (KFC) which continues to derive strength from ownership of Government of Kerala (GoK) and strategic importance of corporation, comfortable capitalisation levels and structured payment mechanism. The ratings are however partially constrained by moderate financial risk profile of GoK, average asset quality and moderate profitability coupled with high gearing.

Simultaneously, Infomerics Ratings has withdrawn the ratings assigned to the outstanding NCDs with immediate effect at the request of the company.

The withdrawal is on account of full redemption of the issued NCDs and the same has been confirmed by the debenture trustee. The rating withdrawal is in accordance with Infomerics policy on withdrawal of ratings.

Infomerics Ratings expects outlook to remain stable on expectations of continued support from GoK and stable growth in AUM coupled with improvement in asset quality , earnings profile and maintenance of capitalisation levels.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations, improving its profitability, while maintaining healthy asset quality, capital position and liquidity.
- Substantial improvement in the fiscal position of Government of Kerala

Downward Factors

- Substantial deterioration in asset quality leading to elevated credit costs of the corporation which in turn impacts the profitability for the corporation.
- Substantial deterioration in the fiscal position of Government of Kerala



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List of Key Rating Drivers with Detailed Description:

Key Rating Strengths:

Ownership of Government of Kerala and strategic importance of the corporation:

Kerala Financial Corporation (KFC), a state-owned NBFC established under the State Financial Corporations Act, 1951, holds a strategic mandate to promote industrial development in Kerala by extending financial assistance to MSMEs across manufacturing and service sectors. The Government of Kerala (GoK) maintains a dominant 99.33% stake, with the balance held by SIDBI and LIC, underscoring the strong ownership linkages and policy importance of the institution.

KFC acts as a nodal agency for implementing state policy initiatives and budget-linked schemes, thereby aligning its operations closely with the Government's developmental priorities. The finance minister of the state of Kerala, in the Budget Speech 2024–25, highlighted this role, noting that "The Government will strengthen institutions like Kerala Financial Corporation to ensure timely credit support for MSMEs, which are the backbone of Kerala's industrial growth." This statement reinforces the strategic positioning of KFC as a key instrument for industrial financing and MSME support in the state.

The corporation benefits from periodic equity infusions by GoK, including ~Rs. 200 crore in FY25 (refers to period 1st April 2024 to 31st March 2025) and a planned infusion of ~Rs. 74 crores in FY26. These capital supports, along with KFC's ability to raise resources through bond issuances, bank loans, and foreign currency facilities, provide comfortable liquidity buffers and a stable funding profile.

Overall, KFC's strong government ownership, recurring capital support, and alignment with state policy priorities underscore its strategic importance for Kerala's economic development framework, particularly in nurturing MSMEs and supporting industrial growth.

Comfortable Capitalization levels:

KFC's capitalization levels remain comfortable, with a CRAR of 30.78% as on September 30, 2025 (28.65% as on March 31, 2025), supported by a tangible net worth of Rs. 1,328.49 crore in FY25 (Rs. 1,063.67 crore in FY24). The improvement was driven by an equity infusion of Rs. 200 crores from the Government of Kerala in the form of advance share capital and generation of healthy internal accruals. The capitalization is expected to remain comfortable



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over the medium term, aided by further equity support from the promoter and sustained profitability, providing an adequate cushion for growth and absorbing potential asset-side risks.

Structured payment mechanism:

The rating factors in the presence of a well-defined Structured Payment Mechanism (SPM) implemented by KFC to ensure timely servicing of debt obligations. Under this mechanism, KFC is required to make systematic daily transfers to the designated servicing account from the start of each quarterly cycle, with monitoring by the debenture trustee at pre-defined intervals. Any shortfall identified 15 days prior to the due date must be addressed promptly, and residual gaps persisting 10 days before the due date are to be met through transfers from the Debt Service Reserve Account (DSRA). The DSRA is required to maintain funds equivalent to two quarters of debt servicing obligations (principal plus interest) on a rolling basis, providing strong liquidity support. Additionally, a cash collateral equivalent to a stipulated percentage of the outstanding debentures is maintained, with provisions for replenishment within 30 days in case of any erosion. If the DSRA is utilized, it must be restored within 30 days, and any drawdown from cash collateral must be replenished within 60 days. All reserves and investments under the structure are maintained in high-quality, liquid instruments and remain charged in favour of the debenture trustee.

Key Rating Weaknesses:

Moderate financial profile of Government of Kerala:

The Government of Kerala's financial risk profile remains moderate, characterised by steady economic growth but constrained by structural fiscal pressures. The state's nominal GSDP stood at around Rs. 12.48 lakh crore in FY24–25 and is projected to increase to about Rs. 14.27 lakh crore in FY25–26, reflecting a growth of ~12%. The fiscal deficit for FY25–26 is budgeted at Rs. 45,039 crore (3.2% of GSDP), while the revenue deficit is expected to remain elevated at Rs. 27,125 crore (1.9% of GSDP). The debt-to-GSDP ratio, estimated at 33–34%, continues to exceed the recommended benchmark of 30%, indicating reliance on borrowings to fund revenue expenditure. Committed outlays—primarily salaries, pensions, and interest—account for nearly three-fourths of total expenditure, limiting fiscal flexibility and capital



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investment capacity. Despite these constraints, liquidity remains adequate, supported by timely access to market borrowings and RBI facilities; however, sustained fiscal consolidation and improved own-revenue mobilisation will be critical to strengthening the state's medium-term credit profile.

Average asset quality:

Given its socio-economic mandate of supporting MSMEs in the manufacturing sector, KFC's asset quality remains inherently exposed to risks associated with this segment. Nevertheless, the corporation has demonstrated improvement through enhanced recovery efforts and close monitoring, with GNPA and NNPA reducing to 2.67% and 0.59%, respectively, in FY25 from 2.88% and 0.68% in FY24. However, fresh slippages led to an increase in GNPA and NNPA to 4.18% and 1.89%, respectively, in H1FY26 (against 4.51% and 2.14% in H1 FY25). Average collection efficiency for 12 months ending Sept 2025 stood at ~95%. Furthermore, KFC has a high borrower concentration, with the top 20 standard borrowers accounting for ~Rs. 3,567.83 crore as on March 31, 2025, largely comprising of Kerala PSUs, which heightens concentration risk. Asset quality is expected to improve by year-end, supported by provisioning and write-offs; however, given the corporation's business model and exposure to the MSME sector, asset quality pressures are likely to persist.

Moderate profitability coupled with high gearing:

As a state-owned NBFC with a mandate to provide subsidised credit to MSMEs, KFC's profitability remains moderate, constrained by relatively low interest spreads, resulting in NIM of 1.44% in FY25 (1.59% in FY24). High impairment costs (Rs. 136.88 crore in FY25 and Rs. 134.45 crore in FY24) further weigh on earnings, translating into a modest ROTA of 1.10% (0.93% in FY24) and RONW of 6.37% (8.07% in FY24). Additionally, the corporation's reliance on external borrowings to fund portfolio growth has kept gearing elevated at 5.88x in FY25 (6.81x in FY24). Going forward, the ability to strengthen its capital base and reduce leverage will remain a key monitorable for the credit profile.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Non-Banking Finance companies](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Criteria for Government support](#)

[Policy on Withdrawal of Ratings](#)

Liquidity – Strong

KFC's capitalization levels remain comfortable, with a CRAR of 30.78% as on September 30, 2025 (28.65% as on March 31, 2025), The improvement in capitalization is supported by a tangible net worth of Rs. 1,328.49 crore in FY25 (Rs. 1,063.67 crore in FY24), aided by an equity infusion of Rs. 200 crore in the form of advance share capital from the Government of Kerala and healthy internal accruals. Also, it has adequately matched asset liability profile as on 30 September 2025. As on 30 September 2025, the corporation have liquidity of Rs. 1709.56 crore in the form of cash and bank balances, unutilised bank limits and unmarked FDs.

About the Company:

KFC was incorporated under the State Financial Corporations Act of 1951 with an objective of rapid industrialization of the state by extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. 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. KFC has 24 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Thiruvananthapuram.



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Financials (Standalone):

Rs in crore

For the year ended* / As on	31-03-2024	31-03-2025
	Audited	Audited
Total Operating Income	868.72	901.40
PAT	74.04	98.16
Tangible Net worth	1,063.67	1,328.49
Total Loan Assets	7,368.33	8,011.99
Ratios		
NIM (%)	1.59	1.44
ROTA (%)	0.93	1.10
Interest Coverage (times)	1.19	1.17
Total CAR (%)	25.52	28.65
Gross NPA [Stage III] (%)	2.88	2.67
Net NPA [Stage III] (%)	0.68	0.59

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24 Dec 13, 2023	Date(s) & Rating(s) assigned in 2022-23 Feb 21, 2023
1.	NCDs	Long Term	1679.50	IVR AA / Stable (Dec 08, 2025)	IVR AA/ Stable (July 18, 2024) IVR AA / Stable (Dec 10, 2024)	IVR AA/ Stable	IVR AA/ Stable
2.	Proposed NCDs	Long Term	383.00	IVR AA / Stable (Dec 08, 2025)	IVR AA/ Stable (July 18, 2024)	IVR AA/ Stable	IVR AA/ Stable



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24 Dec 13, 2023	Date(s) & Rating(s) assigned in 2022-23 Feb 21, 2023
					IVR AA / Stable (Dec 10, 2024)		
3.	NCDs	Long Term	--	--	---	-	IVR AA/ Stable
4.	Fund based Bank Facilities – Term Loan	Long Term	1000.00	IVR AA / Stable (Dec 08, 2025)	--	--	--
5.	NCDs	Long Term	0.00	Withdrawn (Dec 08, 2025)	IVR AA/ Stable (July 18, 2024) IVR AA / Stable (Dec 10, 2024)	IVR AA/ Stable	IVR AA/ Stable

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



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instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities/Instrument:

Name of Facility/ Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR %	Maturity Date	Size of Facility (Rs. In Crore)	Listing Status	Rating
NCDs	INE818F07088	09-07-2019	8.99%	09-07-2026	62.50	Listed	IVR AA/Stable
NCDs	INE818F07104	14-09-2020	7.70%	14-09-2026	50.00	Listed	IVR AA/Stable
NCDs	INE818F07112	14-09-2020	7.70%	14-09-2027	50.00	Listed	IVR AA/Stable
NCDs	INE818F07120	14-09-2020	7.70%	14-09-2028	50.00	Listed	IVR AA/Stable
NCDs	INE818F07138	14-09-2020	7.70%	14-09-2029	50.00	Listed	IVR AA/Stable
NCDs	INE818F07146	14-09-2020	7.70%	14-09-2030	50.00	Listed	IVR AA/Stable



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NCDs	INE818F07153	24-03-2023	8.90%	30-03-2029	95.30	Listed	IVR AA/Stable
NCDs	INE818F07161	24-03-2023	8.90%	29-03-2030	95.30	Listed	IVR AA/Stable
NCDs	INE818F07179	24-03-2023	8.90%	31-03-2031	95.30	Listed	IVR AA/Stable
NCDs	INE818F07187	24-03-2023	8.90%	31-03-2032	95.30	Listed	IVR AA/Stable
NCDs	INE818F07195	24-03-2023	8.90%	24-03-2033	95.30	Listed	IVR AA/Stable
NCDs	INE818F07229	02-05-2023	8.63%	30-03-2029	54.70	Listed	IVR AA/Stable
NCDs	INE818F07237	02-05-2023	8.63%	29-03-2030	54.70	Listed	IVR AA/Stable
NCDs	INE818F07211	02-05-2023	8.63%	31-03-2031	54.70	Listed	IVR AA/Stable
NCDs	INE818F07245	02-05-2023	8.63%	31-03-2032	54.70	Listed	IVR AA/Stable
NCDs	INE818F07203	02-05-2023	8.63%	24-03-2033	54.70	Listed	IVR AA/Stable
NCDs	INE818F07252	13-03-2024	8.89%	13-03-2030	61.40	Listed	IVR AA/Stable
NCDs	INE818F07260	13-03-2024	8.89%	13-03-2031	61.40	Listed	IVR AA/Stable
NCDs	INE818F07278	13-03-2024	8.89%	13-03-2032	61.40	Listed	IVR AA/Stable
NCDs	INE818F07294	13-03-2024	8.89%	13-03-2033	61.40	Listed	IVR AA/Stable
NCDs	INE818F07286	13-03-2024	8.89%	13-03-2034	61.40	Listed	IVR AA/Stable
NCDs	INE818F07328	23-07-2025	8.58%	20-07-2035	62.00	Listed	IVR AA/Stable
NCDs	INE818F07336	23-07-2025	8.58%	21-07-2034	62.00	Listed	IVR AA/Stable
NCDs	INE818F07310	23-07-2025	8.58%	22-07-2033	62.00	Listed	IVR AA/Stable
NCDs	INE818F07302	23-07-2025	8.58%	22-07-2032	62.00	Listed	IVR AA/Stable
NCDs	INE818F07344	23-07-2025	8.58%	22-07-2031	62.00	Listed	IVR AA/Stable
Proposed NCDs	--	--	--	--	383.00	Proposed to be listed	IVR AA/Stable
Fund based Bank	--	--	8.00% - 9.00%	Valid up to March 2034	1000.00	--	IVR AA/Stable



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Facilities – Term Loan							
Total					3062.50		

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/LEN_Kerala_Financial_Corporation08_Dec25_39e2a8e1d2.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:

Key Terms for the NCD issue of INE818F07088 for Rs 62.50 Crores

Instrument name	8.99% SECURED REDEEMABLE NON-CONVERTIBLE BONDS.
Issuer	Kerala Financial Corporation
Issue size	Rs 125.00 Crores (INE818F07062 and INE818F07088 for Rs 62.50 Crores each)
Issue date	09/07/2019
Maturity date	09/07/2026
Coupon (Fixed)	8.99%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee</p>



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	<p>would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>
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Key Terms for the NCD issue of Rs 250.00 Crores - INE818F07104, INE818F07112, INE818F07120, INE818F07138, INE818F07146 for Rs 50.00 Crores each

Instrument name	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE, NON-CONVERTIBLE BOND / DEBENTURES.
Issuer	Kerala Financial Corporation
Issue size	Rs 250 Crores (INE818F07104, INE818F07112, INE818F07120, INE818F07138, INE818F07146 for Rs 50.00 Crores each)
Issue date	14/09/2020
Maturity date	14/09/2026, 14/09/2027, 14/09/2028, 14/09/2029 and 14/09/2030 respectively
Coupon (Fixed)	7.70%
Coupon payment frequency	Half yearly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Key Covenants	<p>The Corporation shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon payment required to be paid by the corporation in respect of the debentures and shall maintain the same on a rolling basis.</p> <p>The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Corporation shall, prior to the pay-in date, create permitted investments in terms of transaction documents for an amount</p>



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	<p>equivalent to 20% of the outstanding principal amount of the debentures.</p> <p>At any time, if the Corporation fails to sufficiently fund the NCD interest payment account on T-7 days, the debenture trustee would initiate the liquidation of the DSRA amount to ensure proceeds are available on T-1 day towards the payment due on the NCDs by the due date, i.e. day T.</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>
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Key Terms for the NCD issue of Rs 273.50 Crores - INE818F07229, INE818F07237, INE818F07211, INE818F07245, INE818F07203 for Rs 54.70 Crores each

Instrument name	8.63% SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES
Issuer	Kerala Financial Corporation
Issue size	Rs 273.50 Crores (INE818F07229, INE818F07237, INE818F07211, INE818F07245, INE818F07203_for Rs 54.70 Crores each)
Issue date	02/05/2023
Maturity date	30/03/2029, 29/03/2030, 31/03/2031, 31/03/2032 and 24/03/2033 respectively
Coupon (Fixed)	8.63%
Coupon payment frequency	Quarterly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	Breach of any covenants other than those in respect of payment default and maintenance of security cover would have a cure period of 30 days beyond which it would be construed as an event of default (EOD)
Cash Collateral	The Issuer shall, prior to the Pay-in Date, create permitted investments in terms of the Transaction Documents ("Cash Collateral Permitted Investments") for an amount equivalent to



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	<p>10% (Ten percent) of the outstanding principal amount of the Debentures (“Cash Collateral Amount”). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount as permitted investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds / investments to the DSRA. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60)</p>
<p>Debt Service Reserve Account (DSRA)</p>	<p>The Issuer would be required to open a designated escrow account - “KFC DSRA Account Series II 2023” exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series III, Series IV, etc.) An amount equivalent to the total servicing obligation (Principal & Interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in.</p>
<p>Structured Payment Mechanism</p>	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series II 2023. Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis. The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series II 2023. The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES II 2023 on T-15th day and inform KFC</p>



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	<p>through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies.</p> <p>In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES II 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES II 2023 and make the necessary payments to the Bond Holders on the due date.</p> <p>However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received subsequently, the same shall be transferred to KFC DSRA BOND SERIES II 2023 to make good the impairment.</p> <p>Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES II 2023 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day.</p> <p>In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted Investment within next 7 days. Failing which would lead to an Event of Default (EOD).</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>
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Key Terms for the NCD issue of Rs 250.00 Crores and green shoe option of INR 226.50 Crores -INE818F07153, INE818F07161, INE818F07179, INE818F07187, INE818F07195 for Rs 95.30 Crores each

Instrument name	8.90% SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES.
Issuer	Kerala Financial Corporation
Issue size	Rs 250.00 Crores s and green shoe option of INR 226.50 Crores - INE818F07153, INE818F07161, INE818F07179, INE818F07187, INE818F07195 for Rs 95.30 Crores each
Issue date	24/03/2023



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Maturity date	30/03/2029, 29/03/2030, 31/03/2031, 31/03/2032 and 24/03/2033 respectively
Coupon (Fixed)	8.90%
Coupon payment frequency	Quarterly
Objects of the issue	Working capital requirements
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	Breach of any covenants other than those in respect of payment default and maintenance of security cover would have a cure period of 30 days beyond which it would be construed as an event of default (EOD)
Cash Collateral	The Issuer shall, prior to the Pay-in Date, create permitted investments in terms of the Transaction Documents (“Cash Collateral Permitted Investments”) for an amount equivalent to 10% (Ten percent) of the outstanding principal amount of the Debentures (“Cash Collateral Amount”). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount as permitted investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds / investments to the DSRA. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60)
Debt Service Reserve Account (DSRA)	The Issuer would be required to open a designated escrow account - “KFC DSRA Account Series I 2023” exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series II, Series III, etc.) An amount equivalent to the total servicing obligation (Principal & Interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in. Prior to commencement of principal redemption (from the end of 21st and 22nd quarter), the DSRA would need to be suitably augmented within 15 days after the expiry of the 19th and 20th quarter to take care of this enhanced servicing liability.



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Structured Mechanism	Payment	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series I 2023. Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis. The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series I 2023. The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES I 2023 on T-15th day and inform KFC through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies.</p> <p>In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES I 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES I 2023 and make the necessary payments to the Bond Holders on the due date.</p> <p>However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received subsequently, the same shall be transferred to KFC DSRA BOND SERIES I 2023 to make good the impairment.</p> <p>Further, If any overdues on account of past servicing from KFC DSRA BOND SERIES II 2023 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day.</p> <p>In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted Investment within next 7 days. Failing which would lead to an Event of Default (EOD).</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without</p>
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	obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.
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Key Terms for the NCD issue of Rs 307.00 Crores - INE818F07252, INE818F07260, INE818F07278, INE818F07294, INE818F07286 for Rs 61.40 Crores each

Instrument name	8.89% SENIOR, SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES
Issuer	Kerala Financial Corporation
Issue size	Rs 307.00 Crores (INE818F07252, INE818F07260, INE818F07278, INE818F07294, INE818F07286 for Rs 61.40 Crores each)
Issue date	13/03/2024
Maturity date	13/03/2030, 13/03/2031, 13/03/2032, 13/03/2033 and 13/03/2034 respectively
Coupon (Fixed)	8.89%
Coupon payment frequency	Quarterly
Objects of the issue	Working capital requirements
Redemption structure	Each of sub series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of sub series A starting from the end of 21 st quarter, Series B starting from end of 25 th quarter and so on.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	Breach of any covenants other than those in respect of payment default and maintenance of security cover would have a cure period of 30 days beyond which it would be construed as an event of default (EOD)
Cash Collateral	The Issuer shall, prior to the Pay-in Date, create permitted investments in terms of the Transaction Documents ("Cash Collateral Permitted Investments") for an amount equivalent to 10% (Ten percent) of the outstanding principal amount of the Debentures ("Cash Collateral Amount"). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount as permitted investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds /



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	<p>investments to the DSRA. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60)</p>
Debt Service Reserve Account (DSRA)	<p>The Issuer would be required to open a designated escrow account - "KFC DSRA Account Series I 2024" exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series IV, Series V, etc.)</p> <p>An amount equivalent to the total servicing obligation (Principal & Interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited at least one day prior to the date of pay in.</p>
Structured Payment Mechanism	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series I 2024. Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis.</p> <p>The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series I 2024. The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES I 2024 on T-15th day and inform KFC through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies.</p> <p>In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES II 2023 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES I 2024 and make the necessary payments to the Bond Holders on the due date.</p> <p>However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received</p>



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	<p>subsequently, the same shall be transferred to KFC DSRA BOND SERIES I 2024 to make good the impairment. Further, if any overdue on account of past servicing from KFC DSRA BOND SERIES I 2024 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day. In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted Investment within next 7 days. Failing which would lead to an Event of Default (EOD).</p> <p>At any time, if the State Govt of Kerala ceases to own 51% of the Corporation or ceases to control the Corporation without obtaining the prior written consent of the debenture trustee (acting upon the instructions of each of the debenture holders), the debenture trustee shall be entitled to exercise any and all remedies set out in the transaction documents, in accordance with the terms and conditions in the transaction documents including, without limitation, accelerating the redemption of the debentures.</p>
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Key Terms for the NCD issue of Rs 310.00 Crores: INE818F07328, INE818F07336, INE818F07310, INE818F07302 and INE818F07344

Instrument name	Kerala Financial Corporation Series I 2025
Issuer	Kerala Financial Corporation
Issue size	310.00
Issue date	23 rd July, 2025
Maturity date	22 nd July, 2031 , 22 nd July 2032, 22 nd July 2033, 21 st July 2034 and 20 th July 2025
Coupon (Fixed)	8.58%
Coupon payment frequency	Quarterly
Objects of the issue	Working capital requirements of the Issuer.
Covenants of the issue	In the event that the Due Amounts and/or Debt Service Reserve Amount or any shortfall thereof or in any other amounts payable in any of the Account(s) are not transferred to such Account(s) due to such day not being a Business Day, or otherwise, such shortfall shall be cumulated on a rolling basis and be carried forward and aggregated with the amounts payable on the immediately following Business Day. 1. Deposits into and Withdrawals from the Bond Servicing Account a. Deposits into the Bond Servicing Account i. On and from the 1st (first) day of each Servicing Quarter, Receivables equivalent to 2% (two percent) of the outstanding Secured



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Obligations payable on the immediately following Due Date (T), shall be remitted from the Revenue Account on each Business Day and credited to the Bond Servicing Account, such that the funding of an amount equivalent to the Due Amount is available in the Bond Servicing Account at least 15 (fifteen) days prior to the Due Date (T-15 days) ("Funding Date"). Upon an amount equivalent to the Due Amount for the relevant Servicing Quarter being credited fully to the Bond Servicing Account, the Issuer shall be entitled to make a request to the Revenue Bank to stop the remittance to the Bond Servicing Account on each Business day, as set out in this Paragraph 1 (a) (i), till the end of such Servicing Quarter. ii.If the Bond Servicing Account is not funded with an amount equivalent to the Due Amount within the Funding Date in accordance with Paragraph 1 (a) (i) above, the Debenture Trustee shall issue a notice to the Issuer in the form set out in the Accounts Agreement ("Shortfall Notice"), calling upon the Issuer to fund the shortfall within the next 5 (five) days (T-10 days) from the date such notice ("Shortfall Funding Date"). iii. In the event an amount equivalent to the Due Amount is not funded by the Issuer in the Bond Servicing Account within the Shortfall Funding Date in accordance with Paragraph 1 (a) (ii) above, the Debenture Trustee shall transfer an amount equivalent to such shortfall from the DSRA to the Bond Servicing Account on the day immediately succeeding the Shortfall Funding Date (T- 9 days) to meet such shortfall in the Due Amount ("Final Funding Date"). The Debenture Trustee shall ensure to liquidate the amounts invested in the Permitted Investments made from the DSRA to ensure that adequate funds are available in the DSRA to transfer the funds to the Bond Servicing Account on T-9 day. iv.Upon utilisation of the Debt Service Reserve Amount in accordance with Paragraph 1 (a) (iii) above, the DSRA shall first be fully replenished in accordance with Paragraph 2 (a) (ii) below, upon notice issued by the Debenture Trustee to the Revenue Bank, in the form set out in the Accounts Agreement, pursuant whereof the Receivables available in the Revenue Account shall be transferred by the Revenue Bank to the Debt Service Reserve Account (pro-rata to the other series of Debentures issued by the Issuer and outstanding from time to time) on an ongoing basis until the amounts required to be maintained therein are available in the Debt Service Reserve Account. Thereinafter, the Receivables equivalent to 2% (two per cent) of the outstanding Secured Obligations payable on the immediately following Due Date shall continue to be remitted on each Business Day from the Revenue Account into the Bond Servicing Account in accordance with Paragraph 1 (a) (i) above. v.In the event an amount equivalent to the Due Amount



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is not available in the Bond Servicing Account even after utilisation of the amounts in the DSRA in accordance with Paragraph 1 (a) (iii) above, then the Debenture Trustee shall transfer such shortfall from the Cash Collateral Account into the Bond Servicing Account to meet the shortfall in the Due Amount and issue a Shortfall Notice to the Issuer to replenish the Cash Collateral Account within the next 30 (thirty) days from the date of issuance of Shortfall Notice. vi. Notwithstanding the terms of this Agreement that provide for the appropriation the Receivables from the Revenue Account or the transfer the funds from the other Accounts to the Bond Servicing Account, the obligation of the Issuer to fund the Bond Servicing Account to the extent of the Due Amount, within the timelines specified in this Paragraph 1 (Deposits into the Bond Servicing Account), shall continue until the Final Settlement Date. The Revenue Bank shall remit the amounts from the Revenue Account to the Bond Servicing Account in accordance with the standing instructions from the Issuer (in the form as more particularly set out in the Accounts Agreement) on or before 3.30 PM on the respective Business Day. The Revenue Bank shall have no obligation to ensure the receipt of the amount in the Bond Servicing Account. b. Withdrawals from the Bond Servicing Account (i) Until the Debenture Trustee issues an EOD Intimation Notice, the amounts lying to the credit of the Bond Servicing Account shall be permitted to be withdrawn in accordance with this Agreement, in the following order of priority until the Final Settlement Date: (A) in the event the Cash Collateral Amount is utilized to fund the Bond Servicing Account in accordance with Paragraph 1(a) (v) for payment of Due Amounts on the Due Date, pursuant thereto, all amounts available in the Bond Servicing Account after such Due Date, shall be remitted from the Bond Servicing Account to the Cash Collateral Account on an ongoing basis, until the Cash Collateral Account is replenished to the extent of the Cash Collateral Amount; (B) all the amounts credited to the Bond Servicing Account shall be utilised for the purposes of payment of the Secured Obligations, and, in the interim period of their utilisation, the same may be used for making Permitted Investments, in the manner more particularly set out in the Accounts Agreement. ii) Subject to the terms of the Accounts Agreement, and pending utilization of the amounts lying to the credit of the Bond Servicing Account for the purposes mentioned above, the Account Bank may utilise the credit balance in the Bond Servicing Account towards Permitted Investments, in accordance with prior written instructions of the Debenture Trustee. Provided that any such Permitted Investments shall



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be redeemed by the Account Bank at any time for the payment of any amounts specified above, either upon receipt of a written request by the Debenture Trustee for the same or in accordance with the terms of the Accounts Agreement. iii) The amounts specified in this clause shall constitute "Permitted Withdrawals from Bond Servicing Account". It is clarified that the Account Bank shall not be liable to check the priority of the payment and will act based on written instruction from the Debenture Trustee. 2. Deposits into and Withdrawals from the DSRA a. Deposits into the DSRA I. At least 1 (one) day prior to the Deemed Date of Allotment, an amount equivalent to the total servicing obligation (Principal & Interest) of the bonds proposed to be allotted payable in the next two Quarters ("Debt Service Reserve Amount") shall be deposited by the Issuer into the DSRA, which shall be maintained by the Issuer till the Final Settlement Date. Further, prior to commencement of principal redemption (from the end of 21st and 22nd quarter), the DSRA would need to be suitably augmented within 15 days after the expiry of the 19th and 20th quarter to take care of this enhanced servicing liability. Provided that in the event the amounts maintained in the DSRA exceed the Debt Service Reserve Amount, then the difference between the amounts lying to the credit of the DSRA and the Debt Service Reserve Amount shall be transferred by the Account Bank to the Issuer, only if the Debenture Trustee requests the Account Bank to do so, and subject to there being no unresolved breach by the Issuer of any terms of the Transaction Documents. ii. In the event of a shortfall in the DSRA, all the Receivables (pro-rata to the other series of Debentures issued by the Issuer and outstanding from time to time) shall be remitted from the Revenue Account to the DSRA on an ongoing basis until the DSRA is replenished to the extent of the Debt Service Reserve Amount, and only thereafter amounts lying to the credit of the Revenue Account shall be transferred to the Bond Servicing Account in terms of Paragraph 1 (a) (iv). iii. In the event that the Debt Service Reserve Amount is utilised towards meeting the shortfall in the Bond Servicing Account in terms of Paragraph 1 (a) (iii) above, and the resulting shortfall in the DSRA is not cured by the Issuer within 30 (thirty) days from such Due Date, the Debenture Trustee shall transfer the amounts lying to the credit of the Cash Collateral Account to the DSRA until the DSRA is replenished up to an amount equivalent to the Debt Service Reserve Amount. iv. Notwithstanding the terms of the Transaction Documents that provide for the appropriation of the Receivables from the Revenue Account or the amounts from the Cash Collateral Account to the DSRA (as stated hereinabove), the obligation of the Issuer to fund the DSRA to



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the extent of the Debt Service Reserve Amount, within the timelines specified in this Paragraph 2 (a) (Deposits into the DSRA) shall continue until the Final Settlement Date. b. Withdrawals from the DSRA i. In the event that the Bond Servicing Account is not funded to the extent of the Due Amount in accordance with Paragraph 1 (a) (i) above, the Debenture Trustee shall transfer funds from the DSRA to the Bond Servicing Account in accordance with Paragraph 1 (a) (iii) to meet the shortfall in the Due Amount. ii. Subject to the terms of the Accounts Agreement, and pending utilization of the amounts lying to the credit of the DSRA for the purposes mentioned above, the Account Bank may utilise the credit balance in the DSRA towards Permitted Investments, in accordance with prior written instructions of the Debenture Trustee. Provided that any such Permitted Investments shall be redeemed by the Account Bank at any time for the payment of any amounts specified above, either upon receipt of a written request by the Debenture Trustee for the same or in accordance the terms of the Accounts Agreement. iii. The amounts specified in this Paragraph 2 (b) (Withdrawals from the DSRA) shall constitute "Permitted Withdrawals from DSRA". It is clarified that the Account Bank shall not be liable to check the priority of the payment and will act based on written instruction from the Debenture Trustee. 3. Deposits into and Withdrawals from the Cash Collateral Account a. Deposits into the Cash Collateral Account (i) At least 1 (one) day prior to the Deemed Date of Allotment, an amount equivalent to the Cash Collateral Amount shall be deposited by the Issuer into the Cash Collateral Account, which shall be maintained by the Issuer till the Final Settlement Date. (ii) In the event the Cash Collateral Amount is utilised from the Cash Collateral Account in terms of Paragraph 1 (a) (v) and Paragraph 2 (a) (iii) above, all amounts available in the Bond Servicing Account, shall be remitted from the Bond Servicing Account to the Cash Collateral Account on an ongoing basis until the Cash Collateral Account is replenished to the extent of the Cash Collateral Amount in accordance with Paragraph 1 (b) (i) (A) above. (iii) In the event, the Issuer fails to replenish the shortfall in Cash Collateral Account in accordance with Paragraph 3 (a) (ii) above, the Debenture Trustee shall issue a Shortfall Notice calling upon the Issuer to replenish the Cash Collateral Account for an amount equivalent to the Cash Collateral Amount within 7 (seven) days from the date of issuance of such notice, failing which such an event will be construed as an Event of Default under the Transaction Documents. b. Withdrawals from the Cash Collateral Account (i) In the event the Bond Servicing Account and/or the DSRA are not funded to the extent of the



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	<p>Due Amount and/or Debt Service Reserve Amount as per Paragraph 1 (a) (i) and Paragraph 2 (a) (i) above respectively, the Debenture Trustee shall transfer funds from the Cash Collateral Account to the Bond Servicing Account in accordance with Paragraph 1 (a) (v) and/or the DSRA in accordance with Paragraph 2 (a) (iii). (ii) Subject to the terms of the Accounts Agreement, and pending utilization of the amounts lying to the credit of the Cash Collateral Account for the purposes mentioned above, the Account Bank may utilise the credit balance in the Cash Collateral Account towards Permitted Investments, in accordance with prior written instructions of the Debenture Trustee. Provided that any such Permitted Investments shall be redeemed by the Account Bank at any time for the payment of any amounts specified above, either upon receipt of a written request by the Debenture Trustee for the same or in accordance with the terms of the Accounts Agreement. (iii) The amounts specified in this Paragraph 3 (b) (Withdrawals from the Cash Collateral Account) shall constitute "Permitted Withdrawals from Cash Collateral Account". It is clarified that the Account Bank shall not be liable to check the priority of the payment and will act based on written instruction from the Debenture Trustee. (iv) The terms Permitted Withdrawals from Bond Servicing Account, Permitted Withdrawals from DSRA and Permitted Withdrawals from Cash Collateral Account are collectively referred to as "Permitted Withdrawals". It is hereby clarified by the Parties that the Permitted Withdrawals shall be made by the Account Bank from the Bond Servicing Account, the DSRA and/or the Cash Collateral Account (as the case may be) pursuant to the Debenture Trustee requesting the same to the Account Bank from time to time in the format set forth in the Accounts Agreement, without any instruction from the Issuer to the Account Bank. PART B- INFORMATION COVENANTS The Account Bank shall provide the statement of the Bond Servicing Account, Debt Service Reserve Account and the Cash Collateral Account as at the end of each Working Day to the Issuer and the Debenture Trustee, through email, on the addresses mentioned in the Accounts Agreement. The Issuer shall inform the Debenture Trustee as follows: (i) At least 1 (one) Business Day prior to the Funding Date (T-15) and Shortfall Funding Date (T-10), the balance in the Bond Servicing Account; (ii) At least 1 (one) Business Day prior to the Funding Date (T-15), Shortfall Funding Date (T- 10) and Final Funding Date (T-9), the monthly statement of the Bond Servicing Account, the DSRA and the Cash Collateral Account; (iii) At least 3 (three) Business Days prior to the Shortfall Funding Date (T- 10), the intention to redeem a Permitted</p>
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	<p>Investment made from the Bond Servicing Account; (iv) At least 3 (three) Business Days prior to the Final Funding Date (T- 9), the intention to redeem a Permitted Investment from the Debt Service Reserve Account; (v) At least 1 (one) Business Day prior to the Final Funding Date (T-9), the requirement for withdrawal of funds from the DSRA for credit to the Bond Servicing Account; (vi) on each Due Date, the balance maintained in the DSRA; (vii) immediately pursuant to transfer of funds to the DSRA towards maintenance of Debt Service Reserve Amount, the balance maintained in the DSRA; (viii) on each Due Date, the balance maintained in the Cash Collateral Account; (ix) at least 7 (seven) Business Days prior to a Due Date, the balance maintained in the Cash Collateral Account; and (x) immediately pursuant to transfer of funds from the Cash Collateral Account to the Bond Servicing Account and/or DSRA, the balance maintained in the Cash Collateral Account. (xi) Other Information and reporting covenants as per Annexure L of the Key Information Document.</p>
Cash Collateral	<p>The Issuer shall, at least 1 (one) day prior to the Deemed Date of Allotment, create Permitted Investments in terms of the Transaction Documents (“Cash Collateral Permitted Investments”) from the Cash Collateral Account for an amount equivalent to 10% (Ten percent) of the principal amount of the bonds proposed to be allotted and shall maintain it at 10% (Ten percent) of the outstanding principal amount of the Debentures till the Final Settlement Date (“Cash Collateral Amount”). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount in the Cash Collateral Account, which may be invested in as Permitted Investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents. In case of any erosion in Debt Service Reserve Account, as mentioned under structured payment mechanism, not getting cured within 30 days after servicing Due Date (i.e. T+30), the erosion shall be made good by transferring necessary amount of funds to the DSRA. The Debenture Trustee should immediately inform the issuer about this event with an advise to replenish the Cash Collateral Amount within the next 30 days (i.e by T+60).</p>
Debt Service Reserve Account (DSRA)	<p>The Issuer would be required to open a designated escrow Account - "KFC DSRA Account Series I 2025 exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series III, Series IV, etc.) An amount equivalent to the total servicing obligation (Principal & Interest) of the outstanding bonds for the next 2 quarters</p>



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	<p>would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in.</p>
<p>Structured Payment Mechanism</p>	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series (I 2025 Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis. The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series I 2025. The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES I 2025 on T-15th day and inform KFC through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES I 2025 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES I 2025 and make the necessary payments to the Bond Holders on the due date. However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received subsequently, the same shall be transferred to KFC DSRA BOND SERIES I 2025 to make good the impairment.</p> <p>Further, If any overdue on account of past servicing from KFC DSRA BOND SERIES I 2025 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day.</p> <p>In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted</p>



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	Investment within next 7 days. Failing which would lead to an Event of Default (EOD).
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Draft Term Sheet for Proposed Rs. 383 crore NCDs.

Instrument	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES / BONDS
Issuer	Kerala Financial Corporation
Issue Size	Up to Rs 383.00 Crore
Nature of Instrument	Secured
Coupon rate (Fixed)	TBD
Coupon payment frequency	TBD
Tenor	Series A to E (Each for Rs 138.6 Crores), for tenor of 6 years to 10 years, with quarterly redemption in each series, with 1% redemption scheduled at 21st quarter,
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21st quarter, Series B starting from end of 25th quarter and so on.
Objects of the issue	Working capital requirements
Security	The bonds would be secured by way off: 1. Exclusive charge on the KFC Bond Servicing Account series II 2024 and on the amount transferred therein to be utilised only for servicing of the bonds on quarterly servicing dates 2. Exclusive charge on the KFC DSRA Bond Series II 2024 and funds lying therein. 3. Exclusive charge on Cash collateral always permitted investment available equivalent to 10% of face value of principal amount outstanding. 4. Exclusive charge on specific current assets including book debts and receivables of the company from identified borrowers. The book value of such assets would provide 100% security cover on the outstanding bonds and interest accrued thereon throughout its entire tenure..
KFC Bond Servicing account	The issuer would be required to open a designated escrow account — "KFC Bond Servicing Account series II 2024" exclusively charged to Debenture trustee.
Key Covenants	The Issuer would be required to open a designated escrow account "KFC DSRA Account Series II 2024" exclusively for the benefit and charged to the Debenture Trustee (on) behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series III. Series IV, etc.) An amount equivalent to the total servicing obligation (Principal & interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA



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	<p>account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in. The issuer shall, prior to the pay-in-date, create permitted investments in terms of the transaction documents for an amount equivalent to 10% of the outstanding principal amount of the debentures. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds / investments to the DSRA., The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60).</p>
Cash Collateral	<p>The Issuer shall, prior to the Pay-in Date, create permitted investments in terms of the Transaction Documents (“Cash Collateral Permitted Investments”) for an amount equivalent to 10% (Ten percent) of the outstanding principal amount of the Debentures (“Cash Collateral Amount”). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount as permitted investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds /investments to the DSRA. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60)</p>
Debt Service Reserve Account (DSRA)	<p>The Issuer would be required to open a designated escrow Account - "KFC DSRA Account Series II 2024 exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts (Series III, Series IV, etc.) An amount equivalent to the total servicing obligation (Principal & Interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in.</p>
Structured Payment Mechanism	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for</p>



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	<p>such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series (II 2024. Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis. The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series II 2024. The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES II 2024 on T-15th day and inform KFC through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES II 2024 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES II 2024 and make the necessary payments to the Bond Holders on the due date. However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received subsequently, the same shall be transferred to KFC DSRA BOND SERIES II 2024 to make good the impairment.</p> <p>Further, If any overdue on account of past servicing from KFC DSRA BOND SERIES II 2024 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day.</p> <p>In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted Investment within next 7 days. Failing which would lead to an Event of Default (EOD).</p>
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Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com