

Kerala Financial Corporation

Press Release

Sub: Inaugural function of e-Sale Web Portal, Core Financial Solution & Release of Offer Document for KFC Bond Issue-reg.

The Honourable Minister for Finance, Law and Housing, Government of Kerala has inaugurated the e-Sale Web Portal & Core Financial Solution of the Kerala Financial Corporation in a function held at the Corporation's Head Office Conference Hall on November 30, 2011, 3 pm. The offer document of KFC Bond Issue of Rs. 100 crores was also released by the Hon'ble Minister in the function. The function was inaugurated in presence of Corporation's Chairman and Managing Director Sri. Yogesh Gupta IPS.

The e-sale of assets taken over under Section 29 of the SFCs Act will bring transparency, fairness & complete openness in the sale of assets of defaulting borrowers. It will ensure wider participation and better price for the assets. A person sitting anywhere in the world can participate in the e-tender/e-auction and make e-payment for EMD as well as final sale price, obviating any need for personal interaction with Corporation's staff eliminating any unhealthy practices. In this system the bidder would be advised to log on to KFC website and the entire process of posting auctions, bidding and selecting of successful bidder will be done on internet. The bidder who wishes to bid for the properties put up for sale has to be registered with KFC.

KFC with Tata Consultancy services has developed core financial solution to fully computerize the loan accounts and automation of office procedures. The core financial solution will make the Corporation a paperless organization in near future, interlinking all its zonal offices & branches and complete automation of its transactions, appraisal, disbursement, recovery and also financial and administrative activities. With the new system, customers of the Corporation would be able to use the services of the Corporation online.

The Corporation has come out with Bond issue of Rs. 100 crores with green show option of Rs. 100 crores to tap the bond market and give an opportunity to other institutions/PF to invest in these bonds and be a part of growth story of Kerala. The bonds would be in the nature of debentures with unconditional, irrevocable guarantee of Govt. of Kerala. Further the bond would be redeemable, non-convertible and taxable and is rated "A-(SO)" from M/s. Brickwork Rating Agency Pvt. Ltd. The face value of each bond will be Rs. 10 lakhs and carry an interest rate of 10.24% per annum with half yearly interest payment. The maturity of the bond will be 10 years. However the investor will have the option to redeem the bond at the end of 4th year @ 25% per year from 4th year to 7th year. The bonds will be listed on Bombay Stock Exchange (BSE).

Kerala Financial Corporation (KFC) , one of the best performing SFCs of India, has become a trend setter and path breaker in the field of long term finance, playing a major role in the development and industrialisation of Kerala. The main objective of the Corporation is rapid industrialization of the State through promotion of Micro, Small and Medium Enterprises (MSME), both in manufacturing and service sectors. KFC is the only SFC in India which has given dividend out of profits during the last 2 years with a portfolio size of more than Rs. 1200 crores. KFC has been adjudged as second in the FACT MKK Nayar Memorial Productivity Award for the FY 2009-10 in the category of service organizations. The Net NPA is at par with banking standards at 1.88% and Capital adequacy ratio is at a comfortable level of 22.2%. The Corporation has a very positive attitude towards first generation entrepreneurs/green field projects and offers long repayment period and lowest Interest rates in the market. With wide delegation of powers to the 16 Branches and 3 Zonal Offices and easy access and hassle-free procedures, KFC undertakes time-bound sanction and disbursement. KFC has many loan schemes with Special package for NRKs@ 9% interest, Energy Saving Projects @ 5% interest , 1% concession for Women and SC/ST entrepreneurs. Corporation also give collateral free loans to SME units for loans upto Rs. 50 lakhs with guarantee cover under CGTMSE scheme.

Future Plans

a) After Sale Service

In a paradigm shift of its policy for sale of assets, KFC intends to introduce a two year after Sale Service for e-sold assets. Till now the practice in all Financial Institutions is to sell assets on 'as is where is basis' and the FIs/SFCs wash their hand off any problems, once the asset has been auctioned. This causes very low bidding and sale price for the assets resulting in large under recoveries and losses. Under the scheme the Corporation would provide legal and logistic support to the buyers for two years after sale on account of dispute of ownership, possession problems, statutory compliance etc. This will result in realization of higher value for the assets.

b) Objective Rating Scale

KFC is in the process of implementing an objective rating scale continuum for credit rating of proposals during appraisal of projects.

c) KSSEDM(Kerala State Self Entrepreneur Development Mission)

With the aim to reduce the level of unemployment and to build entrepreneurship among the youth of the state, the Honourable Finance Minister of Kerala, while presenting the budget for the current financial year, has announced the setting up of the Kerala State Self Entrepreneur Development Mission (KSSEDM). KFC has been made the nodal agency for the mission. The mission would create 1m0000 enterprises and five lakh additional jobs in next five years.

d) Techno- Financial Training academy

KFC intends to utilise its vast wealth of professional and human resources to start in-house training courses on various aspects of techno-financial studies of project and even to train managers of other business

houses, Financial Institutions. KFC will also strengthen its project consultancy division.

Thus the Corporation, with its innovative schemes, customer-friendly procedures, consultancy services etc, has now become a single point contact for all entrepreneurial solutions. KFC endeavours to materialize the dreams of every entrepreneur who cherish to have an enterprise of their own.

Thiruvananthapuram
30-11-2011

sd/-
GENERAL MANAGER (F&M)