

KERALA FINANCIAL CORPORATION



**Annual Report  
2009 - 2010**



Travancore Cochin Chemicals, Kochi



A Micro Finance Unit  
in Palakkad



Greeshmam Resorts, Wayanad



Costura Fashions, Kannur



Beach Orchid, Kollam

# ANNUAL REPORT - 2009-10



**KERALA FINANCIAL CORPORATION**



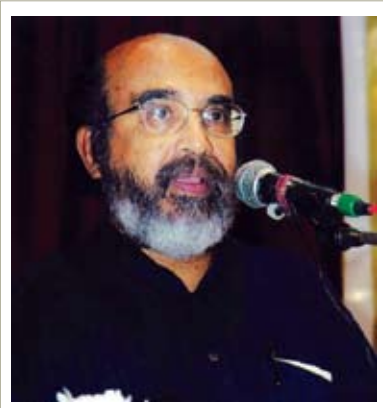
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DR. T.M. THOMAS ISAAC  
Minister for Finance  
Government of Kerala



## Message

*Today Kerala Financial Corporation has climbed new heights and is amongst the few successful and profitable SFCs in the country. From being a marginal player in financing industrial development in Kerala, it is gradually emerging as a significant financing and industrial promotion organization.*

*When I took over the reins in 2006, our Government was flooded with complaints of poor services and dismal performance of KFC. Today, KFC has regained customer satisfaction and confidence, and its business has had a quantum jump. Going by the figures, I see that annual disbursements jumped from Rs.78 crore in 2005-06 to Rs.420 crore and net NPA dipped to 2.41% from an alarming 45% 4 years back. Its net profit rose to Rs.34 crore from huge losses suffered in the past, and I am given to understand that it will be amongst the very few dividend paying SFCs this year.*

*The present Government has played a vital role in KFC achieving this scintillating performance - by way of recapitalization support of Rs.150 crore, and interest rate support especially for NRKs and PSUs. All that was done by the State Government to rebuild the institution's lending capacity and strengthen its organizational capabilities. I am happy to note that these efforts have yielded result and, as envisaged, KFC has emerged as a strong development finance institution, at a time when the central government is abolishing all development finance institutions.*

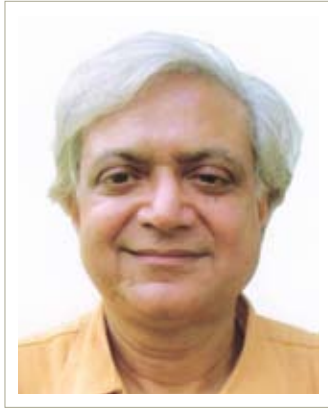
*I would like to urge all employees and other stakeholders to take KFC and the process of industrialization in Kerala to a new peak.*



Dr. T.M. Thomas Isaac

North Block, Govt. Secretariat, Thiruvananthapuram-695001  
Tel: (0471) 2333772, 2333849, Fax: 2331289 e-mail: tisaaq@gmail.com

## BOARD OF DIRECTORS



Prof. Sushil Khanna  
Chairman



Shri. A. Vikraman  
Director



Shri. Namgial  
Director



Dr. M.P. Sukumaran Nair  
Director



Shri. Saswata Chaudhuri  
Director



Shri. Saji Paul  
Director



Dr. Debashis Chatterjee  
Director



Dr. P.T. Nandakumar IPS  
Managing Director upto  
31-07-2009



Shri. V. Gopinathan, IFS  
Managing Director

## BOARD OF DIRECTORS

- |    |                                                                                                                                                                                        |                                                                                                                                           |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Prof. Sushil Khanna,<br>Indian Institute of Management, Kolkata,<br>Chairman, K F C,<br>218-B, Lake Terrace Extension,<br>Kolkata - 700 029.                                           | Nominated by the Small Industries Development Bank of India under Sub Section (1) of Section 15 read with Section 10 (a) of the SFCs Act. |
| 2. | Shri. A. Vikraman,<br>(CGM, Rtd), SIDBI,<br>G -3, V.B. Royal, B.B. Block,<br>Elamakkara Road, Edappally,<br>Ernakulam - 682 024.                                                       | Nominated by the Small Industries Development Bank of India under Section 10 (c) of the SFCs Act.                                         |
| 3. | Shri. Namgial, Chief General Manager,<br>Southern Zonal Office, SIDBI, 480,<br>Annasalai, Nandanam,<br>Chennai - 600 035.                                                              | Nominated by the Small Industries Development Bank of India under Section 10 (c) of the SFCs Act.                                         |
| 4. | Dr. M.P. Sukumaran Nair,<br>Special Secretary to Chief Minister,<br>Government of Kerala, Thiruvananthapuram,<br>Former Managing Director,<br>Travancore Cochin Chemicals Ltd., Kochi. | Nominated by the Government of Kerala under Section 10 (b) of the SFCs Act.                                                               |
| 5. | Shri. Saswata Chaudhuri,<br>General Manager (Treasury),<br>State Bank of Travancore,<br>Thiruvananthapuram - 695 012.                                                                  | Nominated under Section 10 (d) of the SFCs Act.                                                                                           |
| 6. | Shri. Saji Paul,<br>Senior Divisional Manager,<br>LIC of India, Thiruvananthapuram.                                                                                                    | Nominated under Section 10 (d) of the SFCs Act.                                                                                           |
| 7. | Dr. Debashis Chatterjee,<br>Director, Indian Institute of Management,<br>Kozhikode.                                                                                                    | Nominated by the Government of Kerala under Section 10 (b) of the SFCs Act.                                                               |
| 8. | Shri. V. Gopinathan, IFS,<br>Managing Director,<br>Kerala Financial Corporation,<br>Thiruvananthapuram.                                                                                | Appointed by the Government of Kerala under Sub Section (1) of Section 17 of the SFCs Act.                                                |

## PRINCIPAL OFFICERS

DEPUTY MANAGING DIRECTOR

K.M.NAIR

GENERAL MANAGERS

ZANU ZACHARIAS  
PREMNATH RAVINDRANATH

FINANCIAL CONTROLLER

SABU THOMAS

DEPUTY GENERAL MANAGER

ASOK KUMAR N  
DINESH A.G  
JAYASANKAR R

### ASSISTANT GENERAL MANAGERS

1 ADARSH R	13 RAJEEV K.S
2 AJITH KUMAR K	14 RENGASWAMY C.R
3 ANTONY M.V	15 SASIDHARAN C
4 FRANCIS GOMEZ	16 SHAJI SUKUMAR S
5 GANESAN C	17 SOLOMON M.K
6 HARIHARAN N	18 SREEKUMAR P.B
7 IKUBAL MOHAMMED	19 SUNDARAM N
8 JANARDHANAN C	20 THOMAS JOHN
9 JOSEPH P.K	21 RAJAN V
10 MOHANAN K.K	22 VARGHESE JOSEPH
11 NARAYANAN T.P	23 VIJAYAN V.S.
12 RAGHUNATHAN P	

### MANAGERS

1 ABDUL KADAR A.B	27 POULOSE K.M
2 AJITHKUMAR K.G	28 PRASAD A.C
3 ANIL JOHN ABRAHAM	29 PREM RAJ M.A
4 ANIL KUMAR P.J	30 PREMALATHA P.K
5 ANITHA P.A	31 RAGHAVAN NAIR P.R
6 ANNAMMA K.P	32 RAJAGOPAL S
7 ANNAMMA M	33 RAJAN POTAYIL
8 BABU P.K	34 RAJAN T.C
9 DOLLY K.L	35 RAJEEVAN K.N
10 FRANCIS J	36 RAM MOHAN M
11 GEORGEKUTTY T.G	37 RAMACHANDRAN K
12 GIRISH CHANDRAN	38 RAMAN M.J
13 HARIDAS M.R	39 RASHEED K.S
14 HIRAN DAS K.M	40 RAVINDRAN E
15 JACOB JOSEPH	41 SASEENDRAN K.S
16 JAMES THOMAS	42 SHAHEEDA A
17 JAYAKUMAR C.P	43 SIVADASAN A K
18 JAYARAJAN M	44 SREEKUMAR C
19 JEOTHI BASU H	45 SREELETHA SUKUMAR
20 MANISANKAR M	46 SREENIVASA SARMA
21 MERCY MATHEW	47 SUNIL B
22 MOHAN A.V	48 THOMAS V.M
23 MOHANAN ACHARI C	49 VASUDEVAN N
24 MUHAMMAD POOKKATT	50 VENKITARAMAN P.S
25 MURALEEDHARAN V.P	51 VENUGOPAL C.A
26 NICHOLAS M.SEBASTIAN	

### STATUTARY AUDITORS

M/s. Kumar & Biju Associates  
Chartered Accountants  
Thiruvananthapuram 695 010

## KERALA FINANCIAL CORPORATION

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

H.O: Vellayambalam, Thiruvananthapuram - 695 033.

Phone: 2318319 (7 lines) Fax: 2318541, 2311750, 2313813, 2313693, 2722090

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

### NOTICE TO SHARE HOLDERS

Notice is hereby given that the 57th Annual General Meeting of the share holders of Kerala Financial Corporation will be held at Melody Hall, Hotel Mascot, Thiruvananthapuram on Thursday, July 22, 2010 at 2.00 P.M. to transact the following business:

1. To consider and adopt the Balance sheet as at 31st March, 2010 and the Profit & Loss account for the year ended 31st March, 2010 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2009-2010 and the Auditors' Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2010-2011 as approved and on terms and remuneration as fixed by Reserve Bank of India, under Section 37(1) of the SFCs Act.
3. To declare dividend  
A copy of financial statements is enclosed for your perusal.

By Order of the Board

Sd/-

K. M. NAIR

Managing Director (In-Charge)

Thiruvananthapuram,  
Dated: June 28, 2010

#### NOTES:

1. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from July 12, 2010 to July 22, 2010 (both days inclusive).
2. The form of proxy is enclosed.
3. Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the State Financial Corporations Act, 1951.
4. Any shareholder entitled to attend and vote at the meeting shall be entitled to appoint another person (whether a shareholder or not but not being an officer or employee of the Corporation) as his proxy to attend and vote instead of himself. No proxy shall be valid unless it is duly stamped and unless it, together with the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority certified by a notary public or a magistrate, is deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
5. A shareholder being a Company including Small Industries Bank, Public Sector Banks, Co-operative Banks, Co-operative Societies and LIC may, by a resolution of its Directors, authorise any of its officials or any other person (not being an officer or employee of the Corporation) to act as its representative at the meeting. The copy of the resolution appointing him as a duly authorised representative certified to be true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
6. The State Government may, by order in writing, authorise any of its officers, whether a Director of the Corporation or not, to act as its representative at the meeting. The copy of the order shall be deposited at the Head Office of the Corporation before the time fixed for the meeting.
7. The meeting shall be held, conducted, and the business thereat shall be transacted in adherence to the provisions of the State Financial Corporations Act 1951 (as amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.

## DIRECTORS' REPORT

Board of Directors of the Kerala Financial Corporation have great pleasure in presenting the 57th Annual Report on the performance of the Corporation for the Financial Year ended March 31, 2010. The financial statements for the Financial Year ended on that date are attached.

### Financial year 2009-10 - An over view:

#### World Economy

After a year of crisis leading to deep recession, advanced economies have stopped contracting and are showing signs of recovery. IMF has revised upward the global GDP growth forecast for 2009 and 2010. The global economic growth for 2010 is now projected at 3.1 per cent against 2.5 per cent envisaged earlier.

#### Indian Economy

The Reserve Bank had projected the real GDP growth for 2009-10 at 7.5 per cent. On the whole, the economic recovery, which began around the second quarter of 2009-10, has since shown sustained improvement. The sharp pick-up in the growth of the capital goods sector, in double digits since September 2009, points to the revival of investment activity. After contracting for twelve straight months, exports have turned around since October 2009 reflecting revival of external demand. Various lead indicators of service sector activity also suggest increased economic activity. The leading indicators of various sectors such as tourist arrivals, commercial vehicles production and traffic at major ports show significant improvement. A sustained increase in bank credit and in the financial resources raised by the commercial sector from non-bank sources also suggest that the recovery is gaining momentum. Headline WPI inflation, which moderated in the first half of 2009-10, rose sharply in the second half of the year. It accelerated from 1.5 per cent in October 2009 to 9.9 per cent by March 2010. The deficient south-west monsoon rainfall accentuated the pressure on food prices. This, combined with the firming up of global commodity prices from their low levels in early 2009 and incipient demand side pressures, led to acceleration in the overall inflation rate. The RBI already has taken policy measures to ensure price stability and anchor inflation expectations by raising CRR and enhancing policy rates. This is likely to push the interest rates.

#### Kerala Economy

The State's economy has gone through a period of turmoil, but has been able to withstand diverse impact of global economic prices. When the crisis broke out in 2008-09, the State Government has taken major initiatives for revamping the economy of the State. As part of these initiatives, special anti-recession package to the SME sector and NRKs are implemented through your Corporation. The traditional industries and SME sector are offered loans at an attractive rate of 10% while the Gulf returnees are offered loans at a special rate of interest of 7%. The Government also made attempts to stimulate demand by speeding up the project execution. As a result of this Kerala economy grew at about 7% during 2008-09, compared to 6.7% for India. The major contributor in sustaining the State's economy has been the resilience of the secondary sector in Kerala. The data for 2009-10 is not yet available, but indications are that the State is likely to sustain its momentum. In the coming year (2010-11), a stable banking and financial sector and prompt coordinated policy action by the State Government are expected to sustain the growth momentum.

## Performance of the Corporation:

The Corporation could achieve unprecedented improvement in all areas of operation. Highlights of performance of the Corporation are given below:

(Rs. In lakhs)

Financial Year	2009-10	2008-09	2007-08
Sanctions	61593	37314	24555
Disbursements	41953	29339	18643
Recovery	29941	26925	22181
Business Portfolio	88869	65001	65321
Total Income	15795	10926	8833
Total Expenditure	7358	6798	6570
Bad debts written off	3772	11758	3291
Operating Profit /Loss	4665	(7630)	(1029)
Net Profit(+)/ Loss (-) for the Year	3372	1170	(2815)
Capital Adequacy Ratio %	27.88	36.35	15.95
Net NPA %	2.41	13.22	28.68

## Financial Restructuring:

The Corporation resorted to a financial restructuring exercise during the Financial Year 2008-09. Entire accumulated loss of Rs.105 crores has been wiped out by setting off the loss against the paid up share capital which has resulted in reduction of holding of all shareholders proportionately. Doubtful category loans are written off from the books as decided by the Board from time to time so that unrealizable assets are removed from financial accounts and the balance sheet is cleaned up.

## OPERATING RESULTS

### Sanctions:

(Rs. in Lakhs)

2009-10		Segment	2008-09	
No.	Amount		No.	Amount
510	33138	Micro	447	27017
38	8077	Small	24	3573
2	6050	Medium	2	981
209	14328	Others	168	5743
759	61593	Total	641	37314

### Recovery:

The Corporation continued to offer the Compromise Settlement facility to defaulting borrowers so that hard and deserving cases can be settled without recovery steps. Totally 160 cases were given compromise settlement facility for an amount of Rs.14.14 crores, involving a sacrifice of Rs.45.41 crores during the financial year. Total recovery during the year was Rs.299.41 crores; out of this, principal recovery was Rs.169.20 crores and interest recovery amounted to Rs. 91.95 crores. Out of the total recovery, an amount of Rs.38.26 crores was by way of compromise settlement.

### Asset Quality:

The Corporation continued its efforts on reducing NPA by adopting effective strategy during the year. Utmost importance was given to avoid slippage of standard assets into NPAs, and other cases were closely monitored to prevent further deterioration. Efforts made to upgrade NPAs to standard assets have yielded results and the level of net NPAs have come down to 2.41% as against 13.22% last year.

### Asset Classification & Provisioning:

Break up of principal outstanding as on 31.03.2010 and 31.03.2009 and provision requirement thereon are given in the table below:

(Rs. In lakhs)

Category	Principal Outstanding		Provision	
	2009-10	2008-09	2009-10	2008-09
Standard	80810	52876	202	132
Substandard	4977	6338	2986	1268
Doubtful – I	3052	3558	3052	1423
Doubtful – II	0	4162	0	3329
Total	88839	66934	6240	6152

### Capital Adequacy Ratio:

Capital to Risk-weighted Assets Ratio (CRAR) was 27.88% during the year under report, as against the minimum of 9% prescribed.

### Dividend:

During this year, the Board of Directors have recommended a dividend of 4% on paid up share capital.

### ISO Certification:

All offices of the Corporation continue to hold Quality Management System Certificate awarded as per IS/ISO 9001/2000 by the Bureau of Indian Standards. Internal Quality Audits were conducted by the qualified officers of the Corporation. Surveillance Audit was conducted by the Auditors/ Experts of certifying Agency. It is proposed to renew the ISO certification which expires in June 2010 and also to migrate to ISO 9001:2008 standard while applying for renewal.

### Diversification of Activities:

During the Financial Year 2009-10, Corporation has aggressively marketed its products using both visual and print media. The advertisements have yielded very good result both in terms of business and also in creating better image among the general public. During the Financial Year the Corporation has introduced a scheme for women entrepreneurs to avail loan at rate of interest of 9% per annum. Loans to energy saving projects are also offered at a reduced rate of interest. In order to help economically weaker sections of society, the Corporation has introduced the Micro Finance Scheme for financing Self Help Groups through Micro Finance Institutions (MFIs). The Corporation has also become a member of the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) to provide credit facility upto Rs. 50 lakhs to Micro & Small Enterprises without collateral security and third party guarantees. The Ministry of Food Processing under Union Government has authorized KFC to receive applications for sanction of food subsidy. The Corporation has also executed agreement with SIDBI to extend subsidy to entrepreneurs under Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of the Small Scale Industries. KFC continues to have tie-up with SBI Mutual Fund, LIC Mutual Fund and New India Assurance Company for marketing their mutual fund products and non life insurance policies.

Concession in the applicable rate of interest is given to assisted units according to internal credit rating and the rating from CRISIL. KFC is also in the process of obtaining a membership of the Credit Information Bureau of India Limited (CIBIL) with a view to share its data and access other members' data placed with CIBIL as a risk mitigation exercise and to improve the credit appraisal standards. The Consultancy Division of the Corporation has made attempts to bring experts from Government, industries, academic institutions and other related organizations to provide quality Consultancy Services.

### Management of Funds:

KFC is having an MOU with Axis Bank for utilizing their Cash Management Services (CMS) for effective Management of funds. The payment of salary and all staff benefits are now centralized and routed through SBI Corporate salary account.

### Corporate Social Responsibility:

The "KFC-CARE" (Kerala Financial Corporation Centre for Assistance and Rehabilitation) established on 08.03.2008 with the aim and objective to assist and empower marginalized members of the society, has undertaken many activities during the year which include rehabilitation schemes, self employment

programmes through entrepreneurship, providing medical, developmental and educational facilities and scholarships for brilliant students from the weaker sections of the Society, etc .

## **Resources**

### **Share Capital:**

The paid up share capital of the Corporation on March 31st 2010, is at Rs.204.06 crores. Net-worth as on this date has enhanced to Rs.269.96 crores from Rs.249.25 crores as on 31.03.2009.

### **Plough Back**

Out of the total principal receipt of Rs.169.20 crores, Rs.131.85 crores was utilized for repayment of Principal to SIDBI, and Rs.9.77 crores towards redemption of SLR Bonds. Revenue Surplus was Rs.84.73 crores. Plough back was Rs.101.62 crores and it constitutes 24.22 % of disbursement of Rs.419.53 crores.

### **Refinance from SIDBI:**

The Corporation availed refinance of Rs.209.89 crores from SIDBI by way of Line of Credit. This includes an amount of Rs.75 crores of short term loan. Repayment during the year was Rs.146.97 crores. Payment towards interest and service charges to SIDBI was Rs. 37.76 crores. Aggregate of borrowing from SIDBI, outstanding at the year-end was Rs.479.03 crores.

### **SLR Bonds:**

After redemption of Rs. 9.77 crores during the Financial Year, balance of SLR Bonds outstanding as on 31.03.2010 is Rs.97.49 crores. An amount of Rs.1.73 crore was paid to the State Government as commission for guarantees extended towards outstanding SLR Bonds.

## Human Resources

### Employee Relationship:

Employee relationship remained cordial throughout the year. Nineteen employees retired from the service on attaining superannuation. Total staff strength as on 31.03.2010 was 266.

### Promotions & Training:

During the year, 74 employees were promoted to higher grades. KFC has also provided training to the Officers of the Corporation to equip themselves to meet the challenges of the present industrial scenario of the State. Fifty four officers were given skill training in different areas, in-house as well as in Institutions of repute.

## Corporate Governance

Good governance facilitates effective management and control, maintaining a high level of ethics, providing natural justice and optimizing the shareholders' value. Effective implementation of the philosophy of corporate governance depends upon adoption of the cardinal principles such as independence, integrity, credibility, accountability, responsibility, fair and timely decision making etc. KFC is committed to the best practices in the area of Corporate Governance, in letter and spirit. Our endeavour has been to protect the interest of all the stakeholders and to ensure transparency and integrity in transactions, coupled with accountability for performance to achieve excellence at all levels.

### Board of Directors

The Board of the Corporation consists of members experienced in various fields as envisaged in the SFC's Act. The Board frames the policies, guidelines on all operational and administrative functions of the Corporation for achieving better results. Important matters like Loan Policy, Recovery Policy, HR Policy, exposure limits to various industry segments, Cash Flow, Annual Business Plan vis-a vis targets, resource mobilization, financial position, NPA management etc. were regularly reviewed by the Board and appropriate directions were given. As directed by SIDBI, calendar of items prescribed by them are placed and reviewed in every Board meeting.

As provided in the SFCs Act, the Chairman is nominated by SIDBI and Managing Director is appointed by the Government of Kerala, both in consultation with each other. Two directors each are nominated by Government of Kerala and SIDBI. LIC of India and State Bank of Travancore have nominated one director each.

As on March 31, 2010, the Board of Directors of the Corporation consisted of 8 members, all of whom were Non Executive Directors except Managing Director with whom the day-to-day affairs are entrusted. The Government of Kerala has appointed Shri.V.Gopinathan, IFS as the Managing Director of the Corporation, with effect from August 6, 2009, in place of Dr.P.T.Nandakumar, IPS, who retired on superannuation. The Board places on record its deepest appreciation of the services and contributions rendered by Dr.P.T.Nandakumar, IPS during his tenure as the Managing Director of the Corporation.

### Number of Meetings:

The Board of Directors of the Corporation met 6 times during the year.

The details of attendance of each Director are furnished below:

Sl. No.	Name of the Director	Position	No. of Board meetings attended during 2009-10	Tenure
1	Prof. Sushil Khanna	Chairman	6	From 20.03.07
2	Shri. A. Vikraman	Director	5	From 25.05.08
3	Shri. Namgial	-do-	1	From 19.11.08
4	Dr. M.P. Sukumaran Nair	-do-	6	From 06.07.07
5	Shri. S.L. Hariharan	-do-	1	Upto 08.05.09
6	Shri. Kalyan Mukherjee	-do-	1	Upto 02.06.09
7	Shri. Saswata Chaudhuri	-do-	1	From 03.12.09
8	Shri. K. Swaminathan	-do-	2	Upto 30.06.09
9	Shri. Saji Paul	-do-	2	From 01.10.09
10	Dr. Krishna Kumar	-do-	0	Upto 03.12.09
11	Dr. Debashis Chatterjee	-do-	1	From 06.02.10
12	Dr. P.T. Nandakumar IPS	Managing Director	3	Upto 31.07.09
13	Shri. V. Gopinathan IFS	Managing Director	3	From 06.08.09

The Executive Committee met 5 times during the year, as indicated below:

Sl. No.	Name of the director	Position	No. of Executive Committee Meetings attended during 2009-10.
1	Prof. Sushil Khanna	Chairman	1
2	Shri. A. Vikraman	Director	4
3	Dr. M.P. Sukumaran Nair	Director	5
4	Dr. P.T. Nandakumar IPS	Managing Director	1
5	Shri. V. Gopinathan IFS	Managing Director	4

The Corporation had reconstituted the Audit Committee with nominees of State Government, SIDBI and SBT to ensure better Corporate Governance as per G.O. No.13883/BPE.2/08/Plg dated 15.11.08.

The Audit Committee of the Board met 3 times during the year as given below.

Sl. No.	Name of the director	Position	No. of Audit Committee Meetings attended during 2009-10.
1	Dr. M.P. Sukumaran Nair	Chairman	3
2	Shri. A. Vikraman	Member	3
3	Shri. Kalyan Mukherjee	Member	1
4	Shri. Saswata Chaudhuri	Member	1

### Annual General Meeting:

The last Annual General Meeting was held on July 16th, 2009 at the Corporate office at Thiruvananthapuram.

### Directors' Responsibility Statement:

The Board of directors confirm that in the preparation of Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date:

- i) the applicable guidelines prescribed by SIDBI have been followed and there has been no material departure. Accrual method of accounting is being followed for standard assets and cash basis for non-performing assets, from 2005-06.
- ii) the Directors selected such accounting policies which would give a true and fair view of the state of affairs of the Corporation at the end of the financial year and of profit / loss of the Corporation for the year under review.
- iii) the Directors have taken sufficient care for maintenance of accounting records.
- iv) the accounts for the year ended March 31, 2010 have been prepared on a going concern basis.

### Right to Information

The Corporation has designated State Public information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as all the Branch Offices. A total number of 189 petitions were received under the RTI Act during the year. Prompt action is taken on the petitions received under RTI Act, 2005.

### Auditors:

M/s. Kumar & Biju Associates, Chartered Accountants, were appointed as Statutory Auditors of the Corporation for the financial year 2009-10, in the 56th Annual General Meeting on the terms and remuneration as prescribed by RBI.

The Comptroller & Auditor General of India conducted audit of the accounts of the Corporation up to the F.Y 2008-09.

### Shareholder information:

The composition of shareholders as on March 31, 2010 is furnished below:

Shareholders	Rs.in lakhs	% of Shareholding
Government of Kerala	19782.51	96.94
SIDBI	613.33	3.01
LIC	7.10	0.03
SBT	2.10	0.01
Others	0.96	0.01
Total	20406.00	100.00

### Way Ahead:

In line with the proposal of Hon'ble Minister of Finance in the budget speech, Corporation proposes to make available credit to new enterprises in the manufacturing sector and energy saving projects at a concessional rate of interest. To meet the increased volume of business, the Corporation contemplates to raise resources by issuing non SLR Bonds and Line of Credit from Commercial Banks and other institutions. The Corporation has initiated the process of implementing a centralized IT solution connecting Branch Offices and Head Office. This will help in centralized access of accounts with speed & accuracy, standardization in appraisal mechanism, monitoring of all lending processes, NPA Management and anywhere branch operations. Tata Consultancy Service (TCS) has been implementing the project and HCL infosystems provides Hardware and Networking and Connectivity is established through Kerala State Wide Area Network (KSWAN). Trial run of the Core Financial Solution has commenced in the 3 major locations, viz, Ernakulam, Thiruvananthapuram and Kozhikode. The new system is expected to be fully operational by September 2010.

Corporation recognizes that key resources for achieving high levels of excellence are its people who need to be motivated and developed. Revamping of HR policy and staff restructuring was done during financial year 2009-10 with the approval of the Board. To fill in the vacancies arising by retirements and gaps in skills and expertise in new areas of work, need based recruitment of professionals will be done. Training programmes are being organised for employees to empower them to face the emerging challenges.

### Acknowledgment:

The Directors wish to place on record their appreciation to the Government of Kerala, Reserve Bank of India, Small Industries Development Bank of India, Kerala State Industrial Development Corporation Ltd., other SFCs, COSIDICI, CGTMSE, SBI Mutual Fund, LIC Mutual Fund, UTI Mutual Fund, New India Assurance Company Ltd., CRISIL, AXIS Bank, IDBI Bank, SBT, SBI, Federal Bank, Kerala State Co-Operative Bank, CIBIL, SMERA, TCS, HCL infosystems, Kerala State IT mission, Department of Income Tax, CAG, Statutory auditors, concurrent auditors, our other Bankers, consultants and customers for their continued support, guidance and assistance. The Board appreciates the entrepreneurs and the business community of the State for reposing confidence in the Corporation.

The Board would like to place on record its appreciation and gratitude to each members of the Board of Directors of the Corporation, existing as well as retired, who have guided the successful management of the Corporation during the period. The Board places on record its appreciation for the very good efforts put in by all the employees of the Corporation. Last, but not the least, the shareholders deserve a special mention for their continued support.

For and on behalf of the Board,

sd/-

**CHAIRMAN**

Thiruvananthapuram,  
26.06.2010

## AUDITORS' REPORT

### To The Shareholders of Kerala Financial Corporation

We have audited the attached Balance Sheet of Kerala Financial Corporation as at 31st March, 2010 and the Profit and Loss Account annexed there to for the year ended on that date in accordance with the provisions contained in Section 37 of the State Financial Corporations Act, 1951. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- a) The Balance sheet read with significant accounting policies and notes thereon is a true and fair balance sheet containing the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the Corporation as at 31st March 2010.
- b) The Profit and Loss account read with the significant accounting policies and notes thereon shows a true balance of Profit for the year ended 31st March 2010.
- c) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
- d) The transactions of the Corporation that have come to our notice have been within the powers of the Corporation.
- e) The returns received from the branches of the corporation have been found adequate for the purposes of our audit.
- f) The operations of the Corporation have been conducted in accordance with the provisions of the SFCs Act, 1951.
- g) The income recognition, asset classification and provisioning have been done as per the guidelines issued by the RBI/ SIDBI from time to time.

- h) The investment of surplus fund is made in accordance with the prudential norms laid down by the Board of Directors.

Thiruvananthapuram  
26.06.2010

For **KUMAR & BIJU ASSOCIATES**  
Chartered Accountants



**J SREEKUMAR**  
Senior Partner, M. No. 200882

## KERALA FINANCIAL CORPORATION, THIRUVANANTHAPURAM

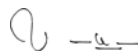
### BALANCE SHEET AS AT 31ST MARCH, 2010

Amount in Rs.

LIABILITIES	Schedule	Year ended 31.03.2010	Year Ended 31.03.2009
<b>Authorised Capital</b>		<b>3,500,000,000.00</b>	<b>3,500,000,000.00</b>
Issued, Subscribed & Paid Up Capital	1	2,040,600,300.00	740,600,300.00
Advance For Shares	2	-	1,300,000,000.00
Reserve Fund And Other Reserves	3	447,554,313.32	335,602,607.00
Bonds and Debentures	4	974,910,000.00	1,072,610,000.00
Other Borrowings	5	4,790,266,180.00	4,063,408,110.00
Subvention		-	25,147,740.00
Other Liabilities	6	133,538,337.00	96,447,331.00
Provisions	7	216,555,442.93	665,864.00
Profit & Loss Account		211,371,178.75	117,007,510.00
<b>TOTAL</b>		<b>8,814,795,752.00</b>	<b>7,751,489,462.00</b>
ASSETS	Schedule	Year ended 31.03.2010	Year Ended 31.03.2009
Cash & Bank Balances	8	104,162,590.00	1,413,061,804.00
Loans & Advances	9	8,283,042,871.00	5,898,179,492.00
Debentures & Shares	10	19,925,000.00	16,775,000.00
Fixed Assets	11	24,642,787.00	25,768,112.00
Dividend Deficit		-	57,906,120.00
Other Assets	12	383,022,504.00	339,798,934.00
<b>TOTAL</b>		<b>8,814,795,752.00</b>	<b>7,751,489,462.00</b>
Significant Accounting Policies	20		
Note On Accounts	21		
Disclosure Statement	22		



**Sabu Thomas**  
Financial Controller



**V.GOPINATHAN IFS**  
Managing Director



**Dr.M.P.Sukumar Nair**  
Director

As per our report of even date  
For Kumar & Biju Associates  
Chartered Accountants



**J.Sreekumar**  
(Senior Partner)  
Membership No.200882

Thiruvananthapuram  
26.06.2010

**KERALA FINANCIAL CORPORATION, THIRUVANANTHAPURAM**  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Amount in Rs.

	Schedule	Year ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
Interest Income	13	919,593,079.00	1,019,210,666.00
Other Income	14	659,894,660.00	73,406,223.00
<b>TOTAL</b>	<b>A</b>	<b>1,579,487,739.00</b>	<b>1,092,616,889.00</b>
<b>EXPENDITURE</b>			
Interest on Borrowings	15	473,923,085.00	404,663,008.00
Fund Raising Expenses	16	17,370,708.00	9,846,863.00
Employee Expenses	17	197,799,196.00	240,822,063.00
Establishment Expenses	18	13,764,682.00	11,980,795.00
Miscellaneous Expenses	19	29,317,138.00	9,153,621.00
Depreciation		3,606,611.00	3,335,653.00
Bad Debts Written Off		377,240,876.00	1,175,771,153.00
<b>TOTAL</b>	<b>B</b>	<b>1,113,022,296.00</b>	<b>1,855,573,156.00</b>
<b>OPERATING PROFIT</b>	<b>C</b>	<b>466,465,443.00</b>	<b>(762,956,267.00)</b>
<b>LESS PROVISIONS:</b>			
Provision for Income Tax		69,969,816.45	-
Provision for Deferred Tax Liability		50,423,749.64	-
Provision for Fringe Benefit tax		-	650,000.00
Wealth Tax		5,001.00	7,309.00
Provision for Bad & Doubtful Debts		8,841,637.00	
<b>TOTAL</b>	<b>D</b>	<b>129,240,204.09</b>	<b>657,309.00</b>
Net Profit (+) / Loss (-) for the year (C-D)		337,225,238.91	(763,613,576.00)
Add: Provision for EL Encash Liability Written Back		-	51,080,631.00
Add: NPA provision written Back			843,260,792.00
Add: Prior Period Income		-	261,715.00
Less: Prior Period Expenses		2,655,471.00	13,982,046.00
Less: Dividend Deficit written off		32,758,380.00	
Less: Appropriations			
Proposed Dividend		81,624,012.00	-
Provision for Dividend tax		13,872,000.84	-
Transfer to Reserve u/s 36 (1) (vii-a)		23,323,272.15	-
Transfer to Reserve u/s 36 (1) (viii)		88,628,434.17	-
Add: Balance in Profit & Loss A/c b/d		117,007,510.00	(1,050,041,206.00)
Set off against share capital		-	1,050,041,200.00
<b>Balance Profit (+) / Loss (-) carried to B/S</b>		<b>211,371,178.75</b>	<b>117,007,510.00</b>

  
**Sabu Thomas**  
Financial Controller

  
**V.GOPINATHAN IFS**  
Managing Director

  
**Dr.M.P.Sukumaran Nair**  
Director

As per our report of even date  
For Kumar & Biju Associates  
Chartered Accountants

  
**J.Sreekumar**  
(Senior Partner)  
Membership No.200882

## KERALA FINANCIAL CORPORATION, THIRUVANANTHAPURAM

### SCHEDULES

Amount in Rs.

	Year ended 31.03.2010	Year Ended 31.03.2009
<b>SCHEDULE : 1 AUTHORISED CAPITAL</b>		
3,50,00,000 shares of Rs.100 each	3,500,000,000.00	3,500,000,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
69,66,253 shares of Rs.100/- each as per last B/S	696,625,300.00	1,546,666,500.00
1,30,00,000 shares of Rs.100/- each allotted during the year	1,300,000,000.00	200,000,000.00
1,99,66,253 shares of Rs.100/- each	1,996,625,300.00	1,746,666,500.00
Less: shares set off against Accumulated Loss	-	1,050,041,200.00
	1,996,625,300.00	696,625,300.00
Special Shares		
4,39,750 shares of Rs.100/- each as per last B/S	43,975,000.00	43,975,000.00
0 shares of Rs.100/- each allotted during the year	-	-
4,39,750 Special Shares of Rs.100/- each	43,975,000.00	43,975,000.00
<b>TOTAL</b>	<b>2,040,600,300.00</b>	<b>740,600,300.00</b>
<b>SCHEDULE : 2 ADVANCE FOR SHARES</b>		
As per last Balance Sheet	1,300,000,000.00	-
Add: Receipts during the year	-	1,500,000,000.00
<b>TOTAL</b>	<b>1,300,000,000.00</b>	<b>1,500,000,000.00</b>
Less: Allotted during the year	1,300,000,000.00	200,000,000.00
<b>TOTAL</b>	<b>-</b>	<b>1,300,000,000.00</b>
<b>SCHEDULE : 3 RESERVE FUND &amp; OTHER RESERVES</b>		
(a) Reserve u/s 36(1) (vii) of IT Act, 1961		
As per last Balance Sheet	27,096,311.00	27,096,311.00
Added during the year	23,323,272.15	-
Total of (a)	50,419,583.15	27,096,311.00
(b) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	283,506,296.00	283,506,296.00
Added during the year	88,628,434.17	-
Total of (b)	372,134,730.17	283,506,296.00
(c) Spl. Reserve u/s 35(A) of SFCs Act, 1951		
	25,000,000.00	25,000,000.00
<b>TOTAL {(a)+(b)+(c)}</b>	<b>447,554,313.32</b>	<b>335,602,607.00</b>

Amount in Rs.

SCHEDULE 4 - BONDS (GUARANTEED BY GOVT. OF KERALA u/s 7 OF THE SFCs Act, 1951)						
Sl. No.	Date of issue	Name of the series	Amount outstanding on 31-03-10 Rs	Amount outstanding on 31-03-09 Rs	Interest Rate %	Redemption Date
1	2	3	4	5	6	7
1	26-06-89	2009(II)	-	39,950,000.00	11.50	26-06-09
2	23-10-89	2009(III)	-	37,500,000.00	11.50	23-10-09
3	15-01-90	2010(I)	-	20,250,000.00	11.50	15-01-10
4	07-06-00	2010(IV)	113,700,000.00	113,700,000.00	10.52	07-06-10
5	26-06-90	2010(II)	27,000,000.00	27,000,000.00	11.50	26-06-10
6	27-06-00	2010(V)	9,000,000.00	9,000,000.00	11.33	27-06-10
7	13-11-90	2010(III)	34,250,000.00	34,250,000.00	11.50	13-11-10
8	13-02-91	2011(I)	16,500,000.00	16,500,000.00	11.50	13-02-11
9	28-03-01	2011(III)	163,660,000.00	163,660,000.00	10.50	28-03-11
10	28-06-01	2011(IV)	26,340,000.00	26,340,000.00	9.90	28-06-11
11	02-09-91	2011(II)	39,250,000.00	39,250,000.00	11.50	02-09-11
12	20-12-01	2011(V)	26,500,000.00	26,500,000.00	8.35	20-12-11
13	08-01-92	2012(I)	31,500,000.00	31,500,000.00	12.00	08-01-12
14	12-02-92	2012(II)	14,750,000.00	14,750,000.00	12.00	12-02-12
15	20-02-02	2012(III)	227,160,000.00	227,160,000.00	8.30	20-02-12
16	25-07-02	2012(iv)	110,000,000.00	110,000,000.00	7.90	25-07-12
17	26-03-03	2013(i)	135,300,000.00	135,300,000.00	6.80	26-03-13
		<b>Total</b>	<b>974,910,000.00</b>	<b>1,072,610,000.00</b>		

Amount in Rs.

<b>SCHEDULE : 5 BORROWINGS</b>		
SIDBI	4,790,266,180.00	4,063,408,110.00
<b>TOTAL</b>	<b>4,790,266,180.00</b>	<b>4,063,408,110.00</b>
<b>SCHEDULE : 6 OTHER LIABILITIES</b>		
State Subsidy	2,221,190.00	4,298,644.00
Margin Money	75,000.00	-
Insurance Claims Received	-	25,180.00
Earnest Money Deposit	1,851,000.00	2,590,000.00
Advance Received for sale of units	2,556,847.00	1,464,177.00
Self Employment Venture fund	2,648,000.00	2,648,000.00
Suspense Account	1,504,823.00	201,768.00
Other Sundry Deposits	2,023,016.00	2,087,816.00
Gratuity Payable	136,387.00	-
Service Tax	-	7,478.00
OTS Pending Appropriation	14,834,890.00	7,227,033.00
Outstanding Expenses	9,676,319.00	1,119,309.00
Salary Payable	-	141,462.00
Pay Revision Arrears Payable	8,723,296.00	-
RR Collection Pending Appropriation	20,163,331.00	14,053,066.00
Accrued Interest on Refinance from SIDBI	29,630,356.00	27,724,545.00
Accrued Interest on SLR Bonds	13,328,200.00	16,911,852.00
Audit Fee Payable	55,000.00	55,150.00
Concurrent Audit Fee payable	219,000.00	215,378.00
Contingent Provision against Standard. Assets	20,222,159.00	13,239,904.00
Staff Dues Retained	3,336,569.00	2,336,569.00
Sundry Creditors	148,500.00	100,000.00
Leave Encashment Payable	184,454.00	-
<b>TOTAL</b>	<b>133,538,337.00</b>	<b>96,447,331.00</b>

Amount in Rs.

<b>SCHEDULE : 7 PROVISIONS</b>		
(a) Provision for Taxation:		
As per last Balance Sheet	-	-
Add: Provision made during the year	69,969,816.45	-
Less: Amount set off against Advance Income Tax	-	-
Total of (a)	69,969,816.45	-
(b) Provision for Fringe Benefit Tax		
As per last Balance Sheet	665,864.00	15,864.00
Add: Provision made during the year	-	650,000.00
Total of (b)	665,864.00	665,864.00
(c) Provision for EL encashment liability:		
As per last Balance Sheet	-	51,080,631.00
Add: Provision made during the year	-	-
Less: Provision written back		51,080,631.00
Total of (c)	-	-
(d) Provision for Deffered Tax Liability		
Provision made during the year	50,423,749.64	-
(e) Proposed Dividend for the year		
	81,624,012.00	-
(f) Provision for Dividend Tax		
	13,872,000.84	-
<b>TOTAL</b>	<b>216,555,442.93</b>	<b>665,864.00</b>
<b>SCHEDULE : 8 CASH &amp; BANK BALANCES</b>		
Cash in hand	1,511,172.00	1,975,845.00
Banks Current Accounts	67,295,813.00	1,351,085,959.00
Banks Deposit Accounts	35,355,605.00	60,000,000.00
<b>TOTAL</b>	<b>104,162,590.00</b>	<b>1,413,061,804.00</b>
<b>SCHEDULE : 9 LOANS &amp; ADVANCES</b>		
Loans and Advances	8,886,911,193.00	6,500,188,432.00
Less:Provision for Bad & Doubtful Debts	603,868,322.00	602,008,940.00
<b>TOTAL</b>	<b>8,283,042,871.00</b>	<b>5,898,179,492.00</b>
<b>SCHEDULE : 10 INVESTMENT IN SHARES</b>		
Keltron Counters Ltd.	146,750.00	146,750.00
Kerala Spinners Ltd.	200,000.00	200,000.00
Kerala Rubber & Reclaims Ltd.	150,000.00	150,000.00
Vanjinad Leathers Ltd.	491,120.00	491,120.00
KITCO	29,000.00	29,000.00
India SME Asset Reconstruction Co.	3,500,000.00	350,000.00
Kerala Venture Capital Fund	16,425,000.00	16,425,000.00
Sub-total	20,941,870.00	17,791,870.00
Less : Provision for diminution in value	1,016,870.00	1,016,870.00
<b>TOTAL</b>	<b>19,925,000.00</b>	<b>16,775,000.00</b>

## SCHEDULE 11 - FIXED ASSETS

In Rupees

Particulars	Rate %	Cost as on 31-03-2009	Additions during the year	Deletions during the year	Cost as on 31-03-2010	Depre- ciation upto 31-03-2009	Depreciation for the year	Depre- ciation upto 31-03-2010	WDV as on 31-03-2010	WDV as on 31-03-2009
1	2	3	4	5	6	7	8	9	10	11
Land		1161634	0	0	1161634	0	0	0	1161634	1161634
Building	10	39771387	0	0	39771387	24162216	1560917	25723133	14048254	15609171
Motor Vehicle	15	11067246	0	0	11067246	8968018	314884	9282902	1784344	2099228
Cycles	15	23679	0	0	23679	18910	715	19625	4054	4769
Electrical Fittings	10	3816041	78543	0	3894584	2940569	95067	3035636	858948	875472
Air Conditioner	15	2335487	263590	0	2599077	2006554	87484	2094038	505039	328933
Transformer	15	236000	0	0	236000	235632	55	235687	313	368
Photocopier	15	1821531	68697	0	1890228	1484727	59701	1544428	345800	336804
Duplicator	15	168022	0	0	168022	166514	226	166740	1282	1508
Franking Machine	15	3397	0	0	3397	3396	0	3396	1	1
Computer	60	17823216	585318	0	18408534	16884956	823073	17708029	700505	938260
Typewriters	15	621644	0	0	621644	613923	1158	615081	6563	7721
Other office Equipments	15	3091127	84908	0	3176035	2593010	85701	2678711	497324	498117
Lift	15	0	975000	0	975000	0	146250	146250	828750	0
Other Furniture	10	11779713	425230	0	12204943	7873587	431380	8304967	3899976	3906126
<b>Total</b>		<b>93720124</b>	<b>2481286</b>	<b>0</b>	<b>96201410</b>	<b>67952012</b>	<b>3606611</b>	<b>71558623</b>	<b>24642787</b>	<b>25768112</b>
<i>Total (Previous Year)</i>		<i>93212226</i>	<i>2139801</i>	<i>1631903</i>	<i>93720124</i>	<i>64616359</i>	<i>3335653</i>	<i>67952012</i>	<i>25768112</i>	<i>28595867</i>

Amount in Rs.

<b>SCHEDULE : 12 OTHER ASSETS</b>		
Advance Income Tax	51,823,150.00	28,528,384.00
I.T. Deducted at source	3,284,666.00	2,441,981.00
Advance Fringe Benefit Tax	663,643.00	572,764.00
Property Acquired in Satisfaction of Claims	40,034,221.00	40,000,000.00
House Loans to Employees	52,374,540.00	54,607,739.00
Conveyance Loan to Employees	7,809,803.00	8,649,611.00
Computer Loan to Employees	704,603.00	1,321,592.00
Advance to Employees	809,630.00	809,438.00
Advance for Fixed Assets	321,787.00	325,787.00
Deposit with P&T	8,750.00	18,500.00
Other Deposits	1,107,304.00	1,107,304.00
Stock of Stationery	1.00	1.00
Library	1.00	1.00
Deposit with KSEB	994,046.00	702,046.00
Interest Accrued on Loans & Advances	167,236,587.00	145,786,000.00
Interest accrued on Special TSB A/c	-	508,978.00
Interest Accrued on STD with Banks	4,450.00	8,602.00
Rebate on Refinance / LOC receivable	-	406,825.00
Interest Accrued on Staff Loans	52,409,253.00	51,666,812.00
Deposit against Staff Dues Retained	3,336,569.00	2,336,569.00
Other Advances	99,500.00	-
<b>TOTAL</b>	<b>383,022,504.00</b>	<b>339,798,934.00</b>
<b>SCHEDULE 13 : INTEREST INCOME</b>		
Interest Received On Loans & Advances	963,717,670.00	1,040,698,075.00
Less: Interest Rebate allowed on Loans	44,124,591.00	21,487,409.00
<b>TOTAL</b>	<b>919,593,079.00</b>	<b>1,019,210,666.00</b>
<b>SCHEDULE 14 OTHER INCOME</b>		
Interest on Bank Deposits	982,753.00	13,496,748.00
Interest on Staff Loans	3,283,555.00	5,956,971.00
Sale of Application Forms	119,280.00	103,170.00
Loan Processing Fees	25,382,664.00	15,959,780.00
Dividend From Shares	5,800.00	4,350.00
Miscellaneous Income	1,868,360.00	520,794.00
Other Income	197,634,873.00	5,105,495.00
Premium on pre-closure	5,441,764.00	3,051,190.00
Profit on sale of Fixed Assets	-	187,555.00
Profit on Sale of Property Acquired	-	18,878,424.00
Rent Received	5,516,397.00	5,241,468.00
Rebate on Refinance Received	-	3,428,435.00
Income from Insurance Agency	230,974.00	5,266.00
Service Tax Income	1,990.00	152,851.00
RTI Application Fee Received	1,618.00	1,249.00
Income from Mutual Fund	3,923,344.00	1,281,780.00
Consultancy Service Division Receipts	78,725.00	30,697.00
Recovery from written off loans	415,224,873.00	-
Lease Rental	197,690.00	-
<b>TOTAL</b>	<b>659,894,660.00</b>	<b>73,406,223.00</b>

Amount in Rs.

<b>SCHEDULE 15 : INTEREST ON BORROWINGS</b>		
Interest on Bonds	96,044,407.00	112,368,451.00
Interest on Fixed Deposits	820.00	10,398.00
Interest on Refinance from IDBI / SIDBI	377,627,780.00	291,301,717.00
Interest on Line Of Credit	250,078.00	982,442.00
<b>TOTAL</b>	<b>473,923,085.00</b>	<b>404,663,008.00</b>
<b>SCHEDULE 16 : FUND RAISING &amp; FINANCIAL EXPENSES</b>		
Guarantee Commission	17,265,061.00	9,762,370.00
Bond Issue Expenses	105,647.00	84,493.00
<b>TOTAL</b>	<b>17,370,708.00</b>	<b>9,846,863.00</b>
<b>SCHEDULE 17 EMPLOYEES' EXPENSES</b>		
Pay & Allowances	148,059,459.00	137,183,012.00
Contribution to Employees' P.F and -	45,937,632.00	99,101,719.00
Premium for Gratuity and other terminal Benefits		
Other Staff Expenses	3,802,105.00	4,537,332.00
<b>TOTAL</b>	<b>197,799,196.00</b>	<b>240,822,063.00</b>
<b>SCHEDULE 18 ESTABLISHMENT EXPENSES</b>		
Rent, Rates, Taxes & Insurance	6,599,252.00	6,629,853.00
Postage, Telegram and Telephone	1,499,309.00	1,575,694.00
Printing & Stationery	1,377,900.00	1,207,585.00
Vehicle Running & Maintenance	1,130,337.00	1,368,986.00
Repairs & Maintenance of Buildings & Equipments	3,157,884.00	1,198,677.00
<b>TOTAL</b>	<b>13,764,682.00</b>	<b>11,980,795.00</b>
<b>SCHEDULE 19 MISCELLANEOUS EXPENSES</b>		
Bank Charges and Commission	30,676.00	90,361.00
Audit Fees	55,000.00	55,150.00
Consultancy Charges	172,285.00	302,807.00
Legal Expenses	646,181.00	438,666.00
Books & Periodicals	118,035.00	100,492.00
Conference & Seminars	406,989.00	100,525.00
Publicity & Advertisement	17,307,063.00	481,718.00
Other Expenses	5,239,765.00	4,386,683.00
Travelling Expenses	1,423,667.00	1,844,850.00
Board / E.C. Meeting Expenses	291,267.00	610,642.00
Concurrent Audit Fee	481,807.00	506,419.00
Banking Cash Transaction tax	-	7,567.00
Service Tax paid	1,622,564.00	227,741.00
Business Development Expenses	1,521,839.00	-
<b>TOTAL</b>	<b>29,317,138.00</b>	<b>9,153,621.00</b>


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2010**

Rs in Lakhs

Sl No.	PARTICULARS	2009-10	2008-09
1	Cash flow from Operating activities		
	Interest and other Revenue receipts (A)	15,523.90	9,454.00
	Interest and other Financial charges paid (B)	(4,929.98)	(4,139.00)
	Payment to employees and Administrative expenses (C)	(2,237.38)	(3,575.00)
	Operating profit before changes in operating assets (A-B-C)	8,356.54	1,740.00
	Increase in operating assets (Loans & Advances)	(27,639.64)	(11,439.00)
	Net cash from operating activities before Income Tax	(19,283.10)	(9,699.00)
	Income tax paid	(233.00)	-
	Net cash from operating activities after Tax (X)	(19,516.10)	(9,699.00)
2	Cash flow from Investment Activities:		
	Interest received on deposits/Investments in M/F	54.19	145.00
	Purchase of Fixed Assets	(24.81)	(21.00)
	Proceeds from Sale of Fixed Assets	-	16.00
	Increase/Decrease in other assets (Net)	(34.62)	(566.00)
	Increase/Decrease in other liabilities (Net)	140.76	(1,215.00)
	Net Cash from Investment Activities (Y)	135.52	(1,641.00)
3	Cash Flow from Financing activities:		
	Share Capital from State Government	-	15,000.00
	Long term borrowings (Refinance from SIDBI)	20,988.52	16,000.00
	Repayment of Long Term Borrowings	(14,696.94)	(7,861.00)
	Net Cash used in financing activities (Z)	6,291.58	23,139.00
	Net increase in Cash or Cash equivalent (X+Y+Z)	(13,089.00)	11,799.00
	Cash and Cash equivalent at the beginning of the Financial Year	14,130.62	2,332.00
	Cash and Cash equivalent at the end of the Financial Year	1,041.62	14,131.00

  
**Sabu Thomas**  
Financial Controller

  
**V.GOPINATHAN IFS**  
Managing Director

  
**Dr.M.P.Sukumaran Nair**  
Director

As per our report of even date  
For Kumar & Biju Associates  
Chartered Accountants

Thiruvananthapuram  
26.06.2010

  
**J.Sreekumar**  
(Senior Partner)  
Membership No.200882

## SCHEDULE 20 - ACCOUNTING POLICIES

### Method of Accounting:

The Corporation is following accrual system of accounting with the exception of recognition of income in respect of Non-Performing Assets. (AS 1)

### Revenue Recognition:

The amounts received from loanee concerns are apportioned based on the priority of other expenses incurred on behalf of the borrowers and thereafter towards interest dues and lastly towards principal. However, in the case of Compromise Settlement and sale of units taken over u/s 29 of the SFCs Act, 1951, Revenue Recovery proceedings and Section 32G, the receipts are apportioned in the order of other expenses incurred on behalf of the borrowers, principal amount of loan and lastly towards interest dues. (AS 9)

### Retirement Benefits:

The Corporation contributes to the Provident Fund which is administered by duly constituted and approved independent trust by name KFC Employees Provident Fund Trust and such contributions are charged to revenue every year. Gratuity liability of employees is covered under the approved Group Gratuity Scheme of LIC of India. Contributions paid under the scheme are charged to revenue. The liability for terminal encashment of earned leave to the employees is covered under the Group Leave Encashment Scheme of LIC of India and the contributions paid under the scheme are charged to revenue. (AS 15)

### Provisioning Norms:

In accordance with the guidelines of RBI / SIDBI on asset classification, the Corporation has classified all loans and advances into Standard, Sub Standard, Doubtful and Loss category and the provisioning is made as under.

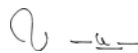
Category of assets	Minimum Provision required ( % )	Provision actually made ( % )
Standard Assets	0.25	0.25
Sub Standard Assets	10.00	60.00
Doubtful Category I	20.00	100.00
Doubtful Category II	80.00	Written off
Doubtful Category III	100.00	Written off

### Fixed Assets:

Fixed Assets are carried at cost of acquisition less depreciation. Depreciation on fixed assets has been provided for on written down value method and at the rates prescribed under the Income Tax Act, 1961. (AS 6).



**Sabu Thomas**  
Financial Controller



**V.GOPINATHAN IFS**  
Managing Director



**Dr.M.P.Sukumar Nair**  
Director

As per our report of even date  
For Kumar & Biju Associates  
Chartered Accountants



**J.Sreekumar**  
(Senior Partner)  
Membership No.200882

## SCHEDULE 21 - NOTES ON ACCOUNTS

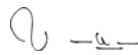
1. Asset Classification and Provisioning: Provision on Non-performing assets and Standard assets as on 31-03-2010 is made in accordance with the guidelines on asset classification and provisioning norms issued by SIDBI up to 31-03-2010.
2. The investment with Kerala Venture Capital Fund amounting to Rs. 164.25 lakhs is in the nature of long term equity subscription.
3. Bad debts written off amounting to Rs. 3772.41 lakhs includes write off of Loans & Advances under the Doubtful II category amounting to Rs. 2,662.99 lakhs and Doubtful III category amounting to Rs. 1071.33 lakhs as on 31-03-2010.
4. Break-up of Contribution to Provident and other funds Rs. 459.38 lakhs is as under
 

Contribution to Staff PF	:	Rs. 146.93 lakhs.
Gratuity Contribution & Gratuity paid	:	Rs. 10.46 lakhs.
Group Leave Encashment contribution	:	Rs. 301.99 lakhs.
5. Income tax returns have been filed up to Assessment Year 2009-10 and assessments have been completed up to Assessment Year 2006-07. Appeal filed by the Corporation for the Assessment Year 1995-96 is pending before High Court of Kerala and for the Assessment Year 2003-04 is pending before ITAT and for the Assessment Years 2004-05 and 2006-07 are pending before CIT (Appeals). Appeals filed by the Income tax Department for the Assessment years 2001-02 and 2005-06 are pending before ITAT. ITAT had remitted the case to CIT (Appeals) for the Assessment Years 1995-96, 1999-2000 and 2002-03.
6. Sales Tax annual returns have been filed up to Assessment Year 2008-09 and assessments have been completed up to Assessment Year 2008-09. For the Assessment Years 1996-97 and 1997-98, Sales Tax Appellate Tribunal had remanded the cases to the assessing officer, which is pending.
7. In the opinion of the management, there is no material impairment of the fixed assets of the Corporation. Hence the fixed assets have been carried at WDV in the books. (AS 28)
8. The Corporation operates as a single unit with a single profit centre and has concentrated its activity on term lending only on a single product.
9. Subvention from the Govt. amounting to Rs. 251.48 lakhs has been set off against Dividend Deficit of Rs.579.06 lakhs. The balance in the Dividend Deficit account after the said set off amounting to Rs. 327.58 lakhs has been written off since it is felt that there is no chance of receiving the same from the State Govt.
10. Contingent liability is estimated as under:
  - (a) on account of suits filed against the Corporation: Rs. 118.01 lakhs.
  - (b) on account of Income tax: Rs. 2234.74 lakhs.
11. NPA provision has been made at 60% on Sub-Standard category (as against the minimum requirement of 10%) and 100% on Doubtful I category of loans (as against the minimum requirement of 20%) as on 31-03-2010. Gross NPA as on 31-03-2010 is 9.04% ( 21% as on 31-03-2009) and Net NPA as on 31-03-2010 is 2.41% (13.22% as on 31-03-2009)

12. The aggregate amount of loans and advances as per the subsidiary loan ledger and the balance as per the General Ledger Control accounts were not tallying for the last several years. An amount of Rs.1931.94 lakhs was accordingly shown as unreconciled difference by the statutory auditors in the last annual report. A detailed exercise of tallying this figure was carried out and it was observed that it relates mainly to amount received from technically written off accounts, which were accounted as normal recovery. We have therefore debited the Loans & Advances in the General Ledger with a sum of Rs. 1959.53 lakhs being the difference between the loans and advances as per the General Ledger Control A/c and Subsidiary Loan Ledger as on 31-03-2010 and credited Other Income with the same amount. This has been done after taking the advice from our tax consultants.
13. We have been resorting to technical write off over the last several years. We have shown recovery from such loan accounts written off under a separate head of account called "Recovery from written off Loans" and included the same under Other Income in the Profit & Loss account. A sum of Rs. 4152.25 lakhs has been recovered as above during the FY: 2009-10 and the same is included under Other Income.
14. The Corporation has prepared a cash flow statement for the year as per AS 3.
15. Pay and Allowances (Schedule 18) of Rs. 1480.59 lakhs includes a sum of Rs.78.66 lakhs being the pay revision arrears relating to earlier years, Contribution to Employees PF (Schedule 18) of Rs. 459.38 lakhs includes a sum of Rs.8.58 lakhs being the corporation contribution towards pay revision arrears relating to earlier years and Guarantee Commission (Schedule 16) of Rs. 172.65 lakhs includes a sum of Rs. 87.01 lakhs being the guarantee commission relating to prior years.
16. The break up of Prior period expenses amounting to Rs. 26.55 lakhs is noted below.
- (a) Amount refunded to M/s. Mileage Rubbers as per court orders:  
Rs. 0.46 lakhs.
- (b) Refund of excess rebate allowed by SIDBI during FY: 2008-09:  
Rs. 26.09 lakhs.
17. Assets acquired in satisfaction of claims amounting to Rs. 400.00 lakhs relates to M/s. Jayalakshmi Builders, Trivandrum which is retained as the Hon. High Court has ordered 'Status Quo' regarding possession.
18. Previous year's figures have been regrouped and reclassified wherever found necessary.



**Sabu Thomas**  
Financial Controller



**V.GOPINATHAN IFS**  
Managing Director



**Dr.M.P.Sukumaran Nair**  
Director

As per our report of even date  
For Kumar & Biju Associates  
Chartered Accountants



**J.Sree Kumar**  
(Senior Partner)  
Membership No.200882

Thiruvananthapuram  
26.06.2010

## SCHEDULE 22 - DISCLOSURE REQUIREMENTS

(Rs. in Lakhs)

A. Capital	2009-10	2008-09	
a) CRAR (%)	27.88	36.35	
b) The amount of subordinated debt raised and Outstanding as Tier II Capital	NIL	Nil	
(c) Risk Weighted Assets			
1) On Balance Sheet items	88275	63036	
2) Off Balance Sheet items	NIL	Nil	
d) Share holding pattern as on the date of the Balance Sheet (31-03-2010)			
	Amount	%	%
1. Government of Kerala (including advance)	19782.50	96.94	96.94
2. SIDBI	613.33	3.01	3.01
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.17	0.05	0.05
<b>TOTAL</b>	<b>20406.00</b>	<b>100.00</b>	<b>100.00</b>
e) Net worth	26996	21576	

B. Asset Quality and Credit Concentration:	Amount	%	%
a) Percentage of Net NPAs to Net Loans and Advances.	1990.84	2.41	13.22
b) Amount and percentage of Net NPAs under the prescribed asset classification categories			
1. Sub Standard Assets & Doubtful Assets-1	1990.84	2.41	7205
3. Doubtful Assets II	0.00	0.00	833
4. Doubtful Assets III	0.00		
Total	1990.84	2.41	8038
c) Amount of provision made during the Year towards Standard Assets, NPAs, Investments (Other than those in the nature of advance) Income Tax, etc.			
	2009-10	2008-09	
1. Provision for Standard Assets	202.22	132	
2. Provision for NPA	6038.68	6020	
3. Provision for Investments	10.17	0	
4. Provision for Income Tax	699.70	0	
5. Provision for Deferred Tax Liability	504.24	0	
6. Proposed Dividend	954.96	0	

d) Movement in Net NPA (%)	2009-10	2008-09	Variance
1. Sub Standard and Doubtful Assets – I	2.41	11.85	-9.44
2. Doubtful Assets – II	0.00	1.37	-1.37
3. Doubtful Assets - III	0.00		
<b>TOTAL</b>	<b>2.41</b>	<b>13.22</b>	<b>-10.81</b>

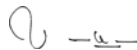
(Rs. in Lakhs)

C. Liquidity:							
a) Maturity pattern of Rupee assets.							
b) Maturity pattern of foreign currency assets.							
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	More than 10 years	Total
Rupees Assets	41.59	49.95	296.72	8301.17	19015.82	61188.48	88893.73
Foreign Currency Assets	0	0	0	0	0	0	0
Total assets	41.59	49.95	296.72	8301.17	19015.82	61188.48	88893.73
Rupees Liabilities	18889.62	32487.12	5000.64	1274.38	0.00	0.00	57651.76
Foreign currency liabilities	0	0	0	0	0	0	0
Total Liabilities	18889.62	32487.12	5000.64	1274.38	0.00	0.00	57651.76

D. Operating Results:			2009-10	2008-09
a) Interest income as a percentage to average working funds -			11.72	15.10
Interest Income			9238.60	10386.65
Average Working Funds			78827.76	68804.12
b) Non-interest income as a percentage to Average Working Funds -			8.32	0.78
Non-interest income			6556.28	539.52
Average Working Funds			78827.76	68804.12
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds -			5.92	-11.09
Operating Profit (+) / Loss (-)			4664.65	-7629.56
Average Working Funds			78827.76	68804.12
d) Return on Average Assets -			5.69	-11.51
Returns (operating profit / Loss + depreciation)			4700.72	-7596.20
Average Assets			82541.90	66017.17
e) Net profit (+) / Loss (-) per employee			7.95	4.33
No. of employees			266	270
Net profit (+) / Loss (-)			2113.71	1170.08



**Sabu Thomas**  
Financial Controller



**V.GOPINATHAN IFS**  
Managing Director



**Dr.M.P.Sukumaran Nair**  
Director

As per our report of even date  
For Kumar & Biju Associates  
Chartered Accountants



**J.Sreekumar**  
(Senior Partner)  
Membership No.200882

Thiruvananthapuram  
26.06.2010

## SUMMARY OF LOAN OPERATIONS AS ON 31.03.2010

PROFORMA-I

(Rs. in Lakhs)

	DURING THE YEAR 2009-2010						SINCE INCEPTION UPTO 31-03-2010					
	SSI		OTHERS		TOTAL		SSI		OTHERS		TOTAL	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Application pending as on 1-4-2009	5	1270.00	6	1360.00	11	2630.00	0	0	0	0	0	0
2. Application received during 2009-10	287	21070.88	565	58876.15	855	79947.03	29663	239438.21	19851	310363.04	49517	549801.25
3.Total Application for consideration	292	22340.88	571	60236.15	866	82577.03	29663	239438.21	19851	310363.04	49517	549801.25
4.Application withdrawn/rejected or otherwise disposed off	8	5301.66	29	6331.20	40	11632.86	5107	64946.97	1178	51657.35	6288	116604.32
5.Application Sanctioned(GROSS)	257	14677.92	502	46914.73	759	61592.65	24556	174491.24	18673	258705.69	43229	433196.93
6.A. Application cancelled or reduced out of current year's sanction	1	53.05	7	1037.83	8	1090.88	0	0.00	0	0.00	0	0.00
B. Application cancelled/reduced out of previous year sanction	4	322.51	6	1057.79	10	1380.30	0	0.00	0	0.00	0	0.00
C. Total cancellation/reduction (6A+B)	5	375.56	13	2095.62	18	2471.18	1975	9308.34	697	8616.81	2672	17925.15
7. Application sanctioned Effectively(5-6A)	256	14624.87	495	45876.90	751	60501.77	0	0.00	0	0.00	0	0.00
8 Net Sanctions(5-6c)	252	14302.36	489	44819.11	741	59121.47	22581	165182.90	17976	250088.88	40557	415271.78
9. Amount Disbursed along with number of newly assisted units	187	12153.53	387	29799.50	574	41953.03	22572	138976.86	16908	187134.13	39480	326110.99
10.Application pending sanction as on at the end of the period	27	2361.30	40	6990.22	67	9351.52						

BRANCH WISE BREAK UP OF LOAN OPERATIONS DURING THE YEAR 2009-10

PROFORMA-II

(Rs. in Lakhs)

DISTRICT	APPLICATION RECEIVED						GROSS SANCTION						SANCTION CANCELLED-REDUCED					
	S.S.I.		OTHERS		TOTAL		S.S.I.		OTHERS		TOTAL		S.S.I.		OTHERS		TOTAL	
	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT
THIRUVANATHAPURAM	27	4151.80	85	9311.63	112	13463.43	8	321.30	63	5831.89	71	6153.19	0	0.00	0	0.00	0	0.00
KOLLAM	17	734.85	31	4317.00	48	5051.85	14	406.23	26	3291.09	40	3697.32	1	50.00	2	28.82	3	78.82
PATHANAMTHITTA	9	564.00	11	2755.00	20	3319.00	8	454.00	9	2341.00	17	2795.00	0	0.00	0	0.00	0	0.00
KOTTAYAM	9	220.97	25	3229.10	34	3450.07	9	525.50	25	2647.68	34	3173.18	0	0.00	0	0.00	0	0.00
ALAPPUZHA	6	152.00	28	5779.95	34	5931.95	6	125.00	31	6698.70	37	6823.70	0	0.00	1	901.85	1	901.85
KATTAPANA	0	0.00	14	1336.00	14	1336.00	0	0.00	13	1237.00	13	1237.00	0	0.00	1	62.00	1	62.00
THODUPUZHA	4	90.00	18	835.50	22	925.50	2	49.00	16	710.41	18	759.41	0	0.00	0	0.00	0	0.00
ERNAKULAM	19	5542.85	60	5348.57	79	10891.42	22	5288.85	50	4952.57	72	10241.42	0	0.00	0	0.00	0	0.00
PERUMBAVOOR	42	2143.81	45	2233.05	87	4376.86	37	1517.38	40	1530.30	77	3047.68	0	0.00	0	0.00	0	0.00
THRISSUR	25	691.00	55	6371.50	80	7062.50	22	405.75	54	4995.75	76	5401.50	0	0.00	0	0.00	0	0.00
PALAKKAD	35	2541.50	30	2008.35	65	4549.85	30	2025.80	27	1439.90	57	3465.70	0	0.00	0	0.00	0	0.00
MALAPPURAM	32	1394.00	44	4720.37	76	6114.37	37	930.36	33	2161.67	70	3092.03	0	3.05	2	21.45	2	24.50
KOZHIKODE	34	1145.00	44	5541.28	78	6686.28	32	983.90	41	4586.68	73	5570.58	0	0.00	0	0.76	0	0.76
WAYANAD	9	735.10	30	1621.00	39	2356.10	10	654.35	29	1417.90	39	2072.25	0	0.00	0	0.00	0	0.00
KANNUR	14	848.00	20	1614.75	34	2462.75	15	924.00	20	1397.29	35	2321.29	0	0.00	1	22.95	1	22.95
KASARGODE	5	116.00	25	1853.10	33	1969.10	5	66.50	25	1674.90	30	1741.40	0	0.00	0	0.00	0	0.00
<b>GRAND TOTAL</b>	<b>287</b>	<b>21070.88</b>	<b>565</b>	<b>58876.15</b>	<b>855</b>	<b>79947.03</b>	<b>257</b>	<b>14677.92</b>	<b>502</b>	<b>46914.73</b>	<b>759</b>	<b>61592.65</b>	<b>1</b>	<b>53.05</b>	<b>7</b>	<b>1037.83</b>	<b>8</b>	<b>1090.88</b>

**BRANCH WISE BREAK UP OF LOAN OPERATIONS DURING THE YEAR 2009-10**

PROFORMA-III

(Rs. in Lakhs)

DISTRICT	Effective Sanction						Loan Disbursed						Recovery
	S.S.I.		Others		Total		S.S.I.		Others		Total		
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	
THIRUVANANTHAPURAM	8	321.30	63	5831.89	71	6153.19	6	227.13	59	5,921	65	6147.77	3354.71
KOLLAM	13	356.23	24	3262.27	37	3618.50	9	245.28	16	1,826	25	2071.35	1742.58
PATHANAMTHITTA	8	454.00	9	2341.00	17	2795.00	4	338.00	8	1,389	12	1727.10	1499.35
KOTTAYAM	9	525.50	25	2647.68	34	3173.18	7	132.84	12	1,703	19	1836.10	1605.94
ALAPPUZHA	6	125.00	30	5796.85	36	5921.85	6	924.29	18	1,504	24	2428.61	1397.08
KATTAPANA	0	0.00	12	1175.00	12	1175.00	0	0.00	7	321	7	321.00	613.13
THODUPUZHA	2	49.00	16	710.41	18	759.41	1	7.35	12	660	13	667.16	809.17
ERNAKULAM	22	5288.85	50	4952.57	72	10241.42	8	5414.87	36	3,262	44	8677.32	5015.07
PERUMBAVOOR	37	1517.38	40	1530.30	77	3047.68	27	1126.63	22	1,680	49	2806.66	2307.78
THRISSUR	22	405.75	54	4995.75	76	5401.50	20	511.34	35	3,692	55	4203.48	3409.53
PALAKKAD	30	2025.80	27	1439.90	57	3465.70	15	885.67	27	960	42	1845.88	1842.36
MALAPPURAM	37	927.31	31	2140.22	68	3067.53	31	758.69	30	1,445	61	2203.34	1841.73
KOZHIKODE	32	983.90	41	4585.92	73	5569.82	27	513.25	36	2,256	63	2769.13	2032.68
WAYANAD	10	654.35	29	1417.90	39	2072.25	7	419.16	30	963	37	1382.02	794.11
KANNUR	15	924.00	19	1374.34	34	2298.34	14	554.53	17	1,141	31	1695.74	917.74
KASARGODE	5	66.50	25	1674.90	30	1741.40	5	94.50	22	1,076	27	1170.37	770.29
<b>GRAND TOTAL</b>	<b>256</b>	<b>14624.87</b>	<b>495</b>	<b>45876.90</b>	<b>751</b>	<b>60501.77</b>	<b>187</b>	<b>12153.53</b>	<b>387</b>	<b>29799.50</b>	<b>574</b>	<b>41953</b>	<b>29953.25</b>

**DISTRICT WISE BREAKUP OF LOAN APPLICATIONS RECEIVED, SANCTIONED AND DISBURSED AS ON 31-03-2010**

PROFORMA-IV

(Rs. in Lakhs)

DISTRICT	APPLICATION RECEIVED				LOAN SANCTIONED EFFECTIVELY				LOAN DISBURSED			
	No.	% of tot	Amount	% of tot	No.	% of tot	Amount	% of tot	No.	% of tot	Amount	% of tot
THIRUVANANTHAPURAM	5404	10.91	67396.53	12.26	4325	10.66	46792.92	11.17	4343	11.00	39944.44	12.25
KOLLAM	4703	9.50	41492.44	7.55	3917	9.65	30002.28	7.16	3702	9.38	23523.05	7.21
PATHANAMTHITTA	1791	3.62	21744.43	3.95	1614	3.98	18773.05	4.48	1538	3.90	13664.38	4.19
KOTTAYAM	3244	6.55	27790.34	5.05	2464	6.07	21735.90	5.19	2406	6.09	17326.90	5.31
ALAPPUZHA	3000	6.06	32831.41	5.97	2436	6.00	23852.46	5.69	2458	6.23	16310.29	5.00
IDUKKI	2761	5.58	26297.20	4.78	2506	6.17	20766.40	4.96	2553	6.47	16237.32	4.98
ERNAKULAM	6897	13.93	121717.26	22.14	5407	13.32	93726.76	22.37	4956	12.55	70144.71	21.51
THRISSUR	4313	8.71	53522.15	9.73	3211	7.91	42582.37	10.16	3992	10.11	34898.14	10.70
PALAKKAD	2779	5.61	34968.40	6.36	2301	5.67	26690.85	6.37	2055	5.21	19771.01	6.06
MALAPPURAM	1995	4.03	28328.70	5.15	1697	4.18	21434.00	5.11	1465	3.71	17240.34	5.29
KOZHIKODE	5954	12.02	46452.46	8.45	4999	12.32	35331.27	8.43	4539	11.50	26777.58	8.21
WAYANAD	1658	3.35	11733.71	2.13	1506	3.71	9548.07	2.28	1503	3.81	7249.17	2.22
KANNUR	3578	7.23	22338.75	4.06	2953	7.28	17169.61	4.10	2782	7.05	14302.44	4.39
KASARGODE	1432	2.89	13177.59	2.40	1242	3.06	10644.85	2.54	1182	2.99	8716.19	2.67
LAKSHADWEEP	8	0.02	9.88	0.00	6	0.01	5.03	0.00	6	0.02	5.03	0.00
<b>GRAND TOTAL</b>	<b>49517</b>	<b>100.00</b>	<b>549801.25</b>	<b>100.00</b>	<b>40584</b>	<b>100.00</b>	<b>419055.82</b>	<b>100.00</b>	<b>39480</b>	<b>100.00</b>	<b>326110.99</b>	<b>100.00</b>

**AMOUNT WISE AND SIZE WISE CLASSIFICATION OF LOAN SANCTIONED AS ON 31.03.2010**

PROFORMA-V

(Rs. in Lakhs)

	Sanction since inception Till 31-03-2009		Effective Sanction During 2009-2010		Sanction since inception Till 31-3-2010	
	No.	Amount	No.	Amount	No.	Amount
Amount-wise upto Rs.50,000	3200	1134.63	0	0.00	3200	1134.63
Rs.50,001 to Rs.1,00,000	4693	3906.97	1	0.99	4694	3907.96
Rs.1,00,001 to Rs.2,00,000	8091	14779.90	18	32.47	8109	14812.37
Rs.2,00,001 to Rs.5,00,000	11248	42705.75	69	263.95	11317	42969.70
Rs.5,00,001 to Rs.10,00,000	5259	41018.02	93	771.07	5352	41789.09
Rs.10,00,001 to Rs.20,00,000	2934	42018.22	93	1479.73	3027	43497.95
Rs.20,00,001 to Rs.30,00,000	1556	35073.66	157	3733.95	1713	38807.61
Rs.30,00,001 to Rs.40,00,000	612	20972.53	30	1120.50	642	22093.03
Rs.40,00,001 to Rs.50,00,000	720	27276.65	61	2964.17	781	30240.82
Rs.50,00,001 to Rs.60,00,000	211	12255.42	22	1251.40	233	13506.82
Rs.60,00,001 to Rs.90,00,000	409	21655.7	41	3160.00	450	24815.70
Above Rs.90,00,000	900	95756.60	145	44410.70	1045	140167.30
<b>TOTAL</b>	<b>39833</b>	<b>358554.05</b>	<b>751</b>	<b>60501.77</b>	<b>40584</b>	<b>419055.82</b>
Size-wise						
Small Scale	22027	151591.79	256	14624.87	22283	166216.66
%	55.30	42.28	34.09	24.17	54.91	39.66
Others	17806	206962.26	495	45876.9	18301	252839.16
%	44.70	57.72	65.91	75.83	45.09	60.34
<b>TOTAL</b>	<b>39833</b>	<b>358554.05</b>	<b>751</b>	<b>60501.77</b>	<b>40584</b>	<b>419055.82</b>

DISTRICT WISE CLASSIFICATION OF LOANS AND ADVANCES AS ON 31.03.2010

PROFORMA-VI

(Rs. in Lakhs)

DISTRICT	EFFECTIVE SANCTION		DISBURESEMENT	
	NO	AMT	NO	AMT
THIRUVANANTHAPURAM	4325	46792.92	4343	39,944.44
KOLLAM	3917	30002.28	3702	23,523.05
PATHANAMTHITTA	1614	18773.05	1538	13,664.38
KOTTAYAM	2464	21735.90	2406	17,326.90
ALAPPUZHA	2436	23852.46	2458	16,310.29
IDUKKI	2506	20766.40	2553	16,237.32
ERNAKULAM	5407	93726.76	4956	70,144.71
THRISSUR	3211	42582.37	3992	34,898.14
PALAKKAD	2301	26690.85	2055	19,771.01
MALAPPURAM	1697	21434.00	1465	17,240.34
KOZHIKODE	4999	35331.27	4539	26,777.58
WAYANAD	1506	9548.07	1503	7,249.17
KANNUR	2953	17169.61	2782	14,302.44
KASARGODE	1242	10644.85	1182	8,716.19
LAKSHADWEEP	6	5.03	6	5.03
<b>GRAND TOTAL</b>	<b>40584</b>	<b>419055.82</b>	<b>39480</b>	<b>326110.99</b>

## PROFORMA-VII

## INDUSTRY-WISE CLASSIFICATION OF LOAN SANCTIONED AS ON 31-03-2010 (EFFECTIVE)

(Rs. In lakhs)

SI No	Type of Industry	S.S.I	OTHERS	TOTAL
		AMOUNT	AMOUNT	AMOUNT
1	Mining	15803.42	2134.52	17937.94
2	Crude Petroleum	229.73	34.66	264.39
3	Petroleum Refining	13.37	0.00	13.37
4	Sugar	0.00	0.00	0.00
5	Other Food Products	23604.17	3864.98	27469.15
6	Textiles	5702.36	6711.00	12413.36
7	Paper and Paper Products	6393.58	737.30	7130.88
8	Leather & Leather Products	288.83	284.50	573.33
9	Rubber Products	20965.17	1390.73	22355.90
10	Chemical and Chemical Products	6684.10	1445.94	8130.04
11	Fertilizer	0.00	0.00	0.00
12	Cement	110.20	0.00	110.20
13	Basic Metals:			
	a) Iron & Steel	3142.31	2050.85	5193.16
	b) Non-Ferrous	751.71	21.40	773.11
14	Metal Products	5730.70	379.93	6110.63
15	Capital Goods			
	a) Non-Electrical Machinery	1378.71	724.89	2103.60
	b) Electrical Machinery	2374.03	1312.86	3686.89
	c) Electronic Machinery	0.00	0.00	0.00
	d)Transport Equipment	1544.62	96.60	1641.22
16	Electricity Generation	109.75	4.29	114.04
17	Services			
	a) Motels & Shopping complex	6194.88	138755.99	144950.87
	b) Hospitals	1966.29	19927.42	21893.71
	c) Others	8726.92	40696.73	49423.65
18	Others	52005.71	34760.67	86766.38
	<b>TOTAL</b>	<b>163720.56</b>	<b>255335.26</b>	<b>419055.82</b>

INDUSTRY-WISE CLASSIFICATION OF LOAN DISBURSED AS ON 31-03-2010

PROFORMA-VIII

(Rs. in Lakhs)

Sl No	Type of Industry	S.S.I AMOUNT	OTHERS AMOUNT	TOTAL AMOUNT
1	Mining	13379.06	822.93	14201.99
2	Crude Petroleum	100.71	19.02	119.73
3	Petroleum Refining	11.31	0.00	11.31
4	Sugar	0.00	0.00	0.00
5	Other Food Products	22157.78	3707.41	25865.19
6	Textiles	4046.70	2443.80	6490.50
7	Paper and Paper Products	5687.92	484.21	6172.13
8	Leather & Leather Products	281.95	266.45	548.40
9	Rubber Products	18150.35	615.91	18766.26
10	Chemical and Chemical Products	5581.72	947.05	6528.77
11	Fertilizer	0.00	0.00	0.00
12	Cement	84.07	0.00	84.07
13	Basic Metals:			
	a) Iron & Steel	2241.25	433.17	2674.42
	b) Non-Ferrous	590.08	13.50	603.58
14	Metal Products	3927.43	198.40	4125.83
15	Capital Goods			
	a) Non-Electrical Machinery	1141.96	667.27	1809.23
	b) Electrical Machinery	1874.39	1289.50	3163.89
	c) Electronic Machinery	0.00	0.00	0.00
	d)Transport Equipment	1073.58	31.34	1104.92
16	Electricity Generation	34.95	0.29	35.24
17	Services			
	a) Motels & Shopping complex	5430.18	107052.29	112482.47
	b) Hospitals	796.00	14185.94	14981.94
	c) Others	9933.13	39279.06	49212.19
18	Others	39746.12	17382.81	57128.93
	<b>TOTAL</b>	<b>136270.64</b>	<b>189840.35</b>	<b>326110.99</b>

## HIGHLIGHTS OF PERFORMANCE

(Rs. In lakhs)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	1	2	3	4	5	6	7	8	9	10
Applications Received No.	2281	1297	793	598	468	406	541	567	619	855
Applications Received Amount	37401	22766	20865	19789	18820	16518	22406	28246	43658	79947
Applications Sanctioned No	2077	1130	696	581	387	368	461	526	580	759
Applications Sanctioned Amount	29246	16382	15573	16958	10981	12113	13583	24557	34910	61593
Disbursement Amount	22689	17594	11231	11902	8548	7852	9725	18643	29394	41953
Recovery Amount	23069	23709	25285	27284	24468	21413	19908	21844	26925	29954
Arrears Amount	34162	53607	53614	58385	59638	69561	75250	76244	7741	4751
Number for loans		15342	13948	15197	11896	11586	10345	7797	6309	6032
Balance Outstanding Amount	104730	120306	113736	113071	**106769	106279	104489	97128	70353	88839
Authorised Capital	10000	20000	20000	20000	20000	20000	20000	20000	35000	35000
PAID-UP CAPITAL										
State Government	11268	11968	12999	13999	14199	14399	14399	14399	19783	19783
SIDBI	1483	1483	1483	1483	1483	1483	1483	1483	613	613
Others	24	24	24	24	24	24	24	24	10	10
Sub Total	12775	13475	14506	15506	15706	15906	15906	15906	20406	20406
INCOME										
Interest on Loans	11841	11534	11591	11790	8762	8003	8390	8293	10192	9196
Other Income	531	249	212	250	742	1179	570	540	734	6599
Sub Total	12372	11783	11803	12040	9504	9182	8960	8833	10926	15795
EXPENDITURE										
Interest on Bonds	3774	4149	4340	4295	4082	2684	1682	1371	1124	960
Interest on Refinance	4572	5017	4609	3338	2930	3237	2690	2409	2913	3776
Interet on Other Borrowings	208	115	49	49	37	91	3	3	10	3
Fund Raising Financial Expense	287	215	327	343	299	178	134	118	98	174
Pay & Allowances etc	931	795	850	1004	955	1050	1231	2362	2408	1978
Establishment Expenses	211	125	119	136	223	227	243	244	211	138
<b>TOTAL</b>	<b>9983</b>	<b>10416</b>	<b>10294</b>	<b>9165</b>	<b>8526</b>	<b>7467</b>	<b>5953</b>	<b>6507</b>	<b>6764</b>	<b>7029</b>

## HIGHLIGHTS OF PERFORMANCE

(Rs. In lakhs)

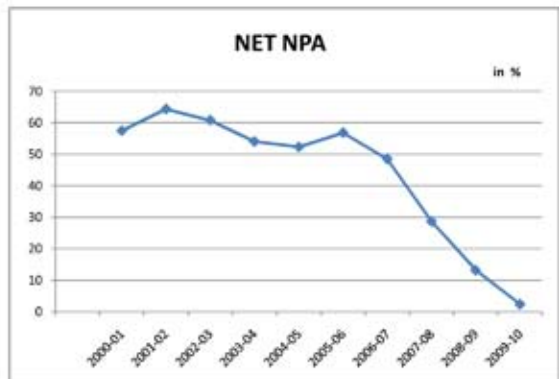
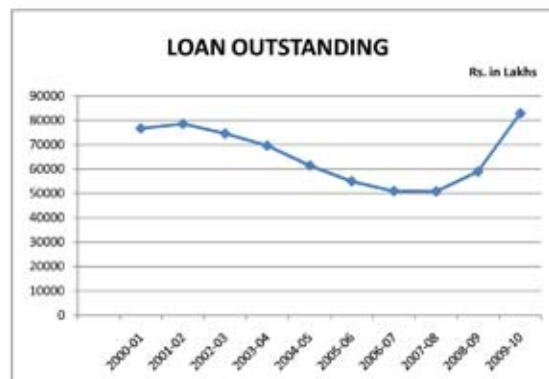
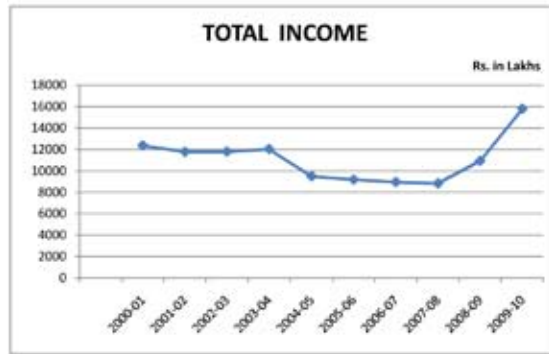
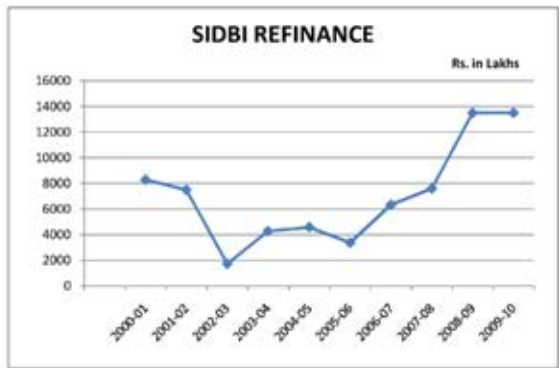
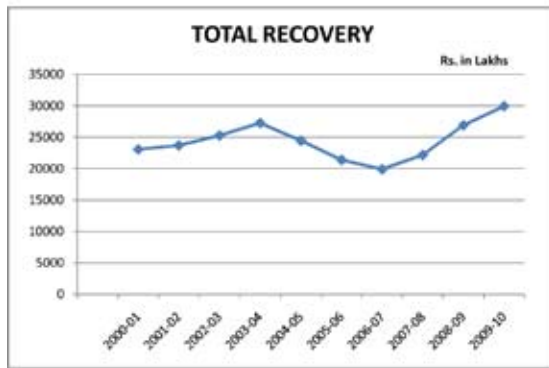
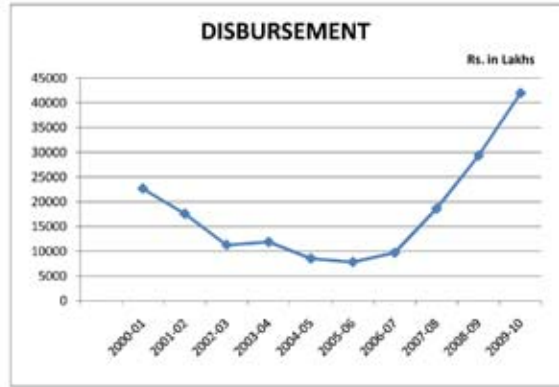
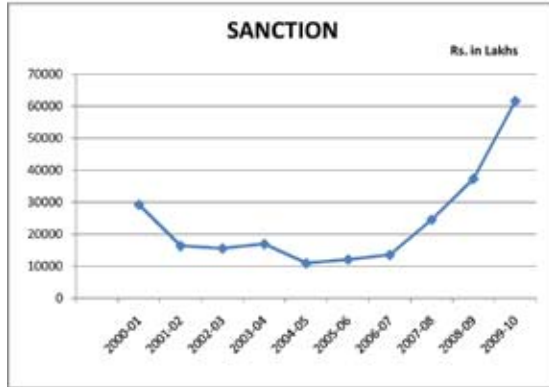
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Profit /Loss before Depreciation/										
Write off /Provisions	2389	1260	1179	2774	978	418	3004	2301	4162	8766
Depreciation	160	146	84	56	47	38	38	38	33	36
Bad Debts Written Off	427	1009	1095	1765	878		1713	3291	11757	3773
Provision for Bad & Doubtful debts	3121	2925	675	192	270	715	600	1310	-8798	88
Net Profit / Loss	(-)2438	(-)2883	(-) 637	181	(-)249	177	440	-2815	1170	2114
Accumulated Loss	(-)3502	(-)6385	(-) 7021	(-) 6834	(-)7082	(-)7277	-7685	-10500	0	0
<b>SOURCES OF FUNDS</b>										
Share Capital	975	700	1031	1000	200	200	0	0	15000	0
Bonds	5277	3200	2503		...	..	..		0	0
Refinance	8281	7493	1728	4266	4582	3400	6333	7500	16000	20989
NDI	--	--	--	---	...	..	..		0	
Fixed Deposits	--		118	30	...	..	..		0	
Plough Back	1960	251	199	7209	100	7740	-2380		14155	10162
RBI Borrowings	500	950	1073	700	...	..	..		0	0
LOC	--		--	--	1000	..	550	0	0	0
<b>USES OF FUNDS</b>										
Repayment of Bonds	248	660	1100	2250	13510	3111	4331	2044	1592	977
Repayment of Refinance	3980	5114	7920	8913	1926	3824	10830	4682	6257	16386
Repayment of NDI	--		-	--	...	..	..		0	0
Repayment of FD	--		-	--	178	124	31	9	12	0
Repayment of Adhoc Borrowings/ LOC	--	500	950	700	...	1000	550		0	0
<b>ARREARS AT THE BEGINNING</b>										
Principal	14456	19015	23279	*23219	*25402	26056	24739	23468	*7666	826
Interest	15772	21981	30328	26839	28222	36320	44822	51566	*7976	6215
Current Demand - Principal	10500	16276	16548	16029	14148	12182	10394	10213	10981	15571
Interest	16323	19964	19041	14519		16416	15203	12962	8043	4323
Total Demand - Principal	24956	35291	39827	39248	**39550	38238	35133	33897	18647	16397
Interest	11840	41945	49369	41358	**44556	52736	60025	64528	16019	10538
Recovery - Principal	11049	12012	13693	15034	**15594	13499	11449	13715	17821	#16386
Interest	11840	11617	11592	12150	**8874	7914	8459	8466	9104	9412
Arrears at the end of the year - Prl.	13907	23279	26134	24214	**23956	24739	23684	20182	826	3625
Interest	20255	30328	37777	29208	**35682	44822	51566	56062	6915	1126
<b>SUB TOTAL</b>	<b>34162</b>	<b>53607</b>	<b>63911</b>	<b>53422</b>	<b>59638</b>	<b>69561</b>	<b>75250</b>	<b>76244</b>	<b>7741</b>	<b>4751</b>

\* The arrears at the beginning of the year and the demand has been re-worked for giving effect of write-off.

\*\* Mistakes rectifies

# Recovery from written off cases accounted seperately as other income.

**PERFORMANCE CHART**



# KERALA FINANCIAL CORPORATION

(INCORPORATED UNDER THE STATE FINANCIAL CORPORATIONS ACT No. LXIII OF 1951

H.O: VELLAYAMBALAM, THIRUVANANTHAPURAM - 695 033.

Phone: 2318319 (7 lines) Fax: 2318541, 2311750, 2313813, 2313693, 2722090

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

## PROXY

I/We ..... (folio  
No.)  
of .....being a share holder of the Kerala Financial Corporation  
holding shares Nos. .... hereby appoint  
Shri/Smt. .... of ..... (or failing him  
Shri/Smt. .... of ..... ) as my/our  
proxy to vote for me/us and on my/our behalf at the meeting of the shareholders of the Corporation to be  
held at .....on the .....day of .....and at any  
adjournment thereof.

Signed this the ..... day of .....

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

### Notes

1. The proxy need not be a member of the Corporation.
2. The proxy form signed across Re.1/- Revenue Stamp should reach the Corporation's Registered office at least 48 hours before the meeting.

..... from the bygone days.....



No. \_\_\_\_\_ Shares \_\_\_\_\_

**TRAVANCORE-COCHIN FINANCIAL CORPORATION**

INCORPORATED UNDER  
THE STATE FINANCIAL CORPORATIONS ACT, 1951 (LXIII OF 1951)

**AUTHORISED CAPITAL Rs. 2,00,00,000**  
Divided into 2,00,000 Shares of Rs. 100 each

GUARANTEED BY THE TRAVANCORE-COCHIN GOVERNMENT UNDER SECTION 6 OF THE STATE FINANCIAL CORPORATIONS ACT, 1951

**SHARE CERTIFICATE**

Rs. \_\_\_\_\_

This is to Certify

that \_\_\_\_\_ fully paid shares of Rupees One Hundred  
is/are the Registered holder(s) of \_\_\_\_\_ in the Travancore - Cochin Financial Corporation,  
each numbered \_\_\_\_\_ subject to the provisions of the State Financial Corporations Act, 1951, and the  
Travancore - Cochin Financial Corporation General Regulations made thereunder.

Given under the common seal of the said Corporation this \_\_\_\_\_  
day of \_\_\_\_\_

Managing Director





Two Day Training Programme, Thiruvananthapuram



Training Programme in Progress



Business Meet, Kozhikode



Business Meet, Kottayam

*We finance your dream.....*



[www.kfc.org](http://www.kfc.org)



**KERALA FINANCIAL CORPORATION**

(Incorporated under the State Financial Corporation Act No. LXIII of 1951)

Vellayambalam, Thiruvananthapuram-695 033,

Phone: 0471-2318319, fax: 0471-2318541

E-mail: [md@kfc.org](mailto:md@kfc.org), WEBSITE: [www.kfc.org](http://www.kfc.org)