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K M Nair

KFC

Excellence on all fronts

Passline News Service

The performance of State public-sector Kerala Financial Corporation (KFC) for the 2009-10 fiscal was exciting on all fronts. The net profit jumped to Rs 34 crore, a growth rate of 183%, and disbursements reached Rs 420 crore out of the Rs 616 crore sanctioned. The increase in the sanctioned loans is 43% compared with that in the last financial year.

During the period, KFC was able to bring down its non-performing assets (NPAs) drastically to 2.5% from 13.5%. The total portfolio size swelled to Rs 889 crore from Rs 650 crore. And for the first time in its history, KFC could declare a dividend of 4% on its paid-up share capital, the State exchequer receiving Rs 8 crore as its share.

Sharing his dreams and views about the company in a recent interview with PASSLINE, Mr K M Nair, who is soon to assume full charge as Managing Director of the company, says that there is a misunderstanding among entrepreneurs that if someone takes financial assistance from KFC his unit as well as the collateral will be taken over by it. "Some people even sarcastically call KFC 'Killing Financial Company'. My aim is to change this image of the corporation and make it industrialists' most favourite financial company," he says.

KFC lends at 12.5% which, Mr Nair says, is not high compared with the cost of other funds available in the market. "Moreover, we also provide lots of sops for prompt payers and those who follow financial discipline. For KFC, profit is not the only concern."

Mr Nair reminds entrepreneurs that as KFC is Government-owned, it has some commitments to society. "I strongly believe that the development of MSMEs (micro, small and medium enterprises) is the growth engine of all the economies. Unless we provide support and a level-playing ground for MSMEs the sector will never grow and be able to contribute to the economy's growth," he says.

Mr Nair has a lot of ideas for the agency as well as for the State. He is confident that KFC will become more visible and approachable in the coming years. As for projections for the next fiscal, he says, "My aspiration is to double the growth. We are still working on next year's targets."

Mr Nair, who had a long stint with the Small Industries Development Bank of India (SIDBI) in different capacities, was Chief General Manager when he was sent on deputation to KFC.

Some of the other points made and programmes elaborated by Mr Nair are:

Appraisal of applications: Appraisal of applications is the most vital part of financial companies. Feasibility of a project, its technical and marketing aspects etc should be evaluated. But many project reports being presented to KFC for appraisal are improper as they may have been prepared by firms or people with no expertise. If we sanction loans they may end up as bad debts. The only remedy for curtailing NPAs is thorough appraisal of applications. This is applicable not only to KFC but every funding company.

Dearth of feasible projects: Lack of good projects is one of the main bottlenecks in Kerala. Though our core area is the manufacturing sector we provide a good chunk of our total disbursements to the services sector. Only the manufacturing sector brings about growth but unfortunately there are few good projects in the field in the State for funding. We have funded 65% to the tourism sector which is in the services field. Other exposures are to hospitals and hotels, again all from the services industry. IT is a growing segment which provides tremendous scope for growth. KFC has feeble presence in that area. We have plans to widen our portfolio to further expand it to the IT sector.

Asset reconstruction company: KFC has tied up with I-SARC (Indian SME Asset Reconstruc-

tion Company) which is an associate company of SIDBI. Like banks, KFC can now restructure its NPAs which will improve our bottom line.

Avoiding takeovers: Takeover of units by KFC will be the last resort. If we take over a unit, we should incur a lot of expenses to maintain it. As far as possible, therefore, we avoid takeovers. To obviate this, what we do is to finance only viable and feasible projects after thorough appraisals. There are instances of certain units going sick because of the promoters' negligence or improper management. In such cases we restructure and reschedule the loans. The promoters can also avail themselves of a one-time settlement to avoid takeover and we extend the maximum support to them. We take back only the principal with the expenses incurred, totally waiving the overdue interest and other extra burdens.

Credit Guarantee Trust for SMEs: This year KFC became a member of the Credit Guarantee Trust and we have started giving loans up to Rs 50 lakh without collateral. Giving financial assistance by mortgaging collateral is an age-old style of lending. In today's scenario if the appraisal is correct we can assess the credit-worthiness of the promoter and we can finance the project. I am all for this. We took membership of the Credit Informa-

tion Bureau of India (CIBI) and the credit-worthiness of the promoter is available with it. We also maintain and provide our data to the agency. In a way we are trying to bring more discipline into the financial sector.

Product for NRIs: We provide funds for expatriates at the rate of 7% to start a venture and settle down. But again nobody is interested in the manufacturing sector. All are for the services sector. We persuade them to start ventures in the manufacturing sector but the age-old problem of our State must be haunting them—militant trade unionism and lack of proper infrastructure.

Automation: We encourage automation. Recently we opted for core banking solutions for which Tata Consultancy Services developed the software. People can utilize its services from anywhere. Applications are available online and new promoters can know about the products of KFC and can choose them. CART (Credit Approval and Rating Tool) is another piece of software provided by SIDBI to simplify appraisals of projects worth up to Rs 1 crore. Yet another instrument is mobile alert by which we can alert our customers on mobile phones. We have a tie-up with 'mob me', a unique tool for the purpose. Automation has a lot of benefits, the most important being that our officials can have all details at their fingertips.