





Film Assisted by KFC



Sagara Beach Resort, Kovalam, Trivandrum



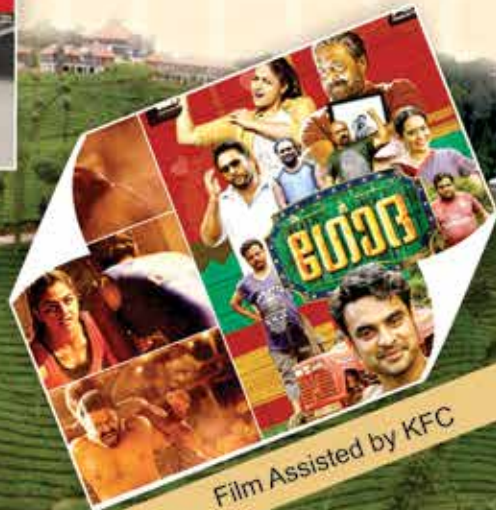
Kapstone Industries Pvt Ltd, Kanjikode, Palakkad



Matha Hospital, Kottayam



B3 Macbis Ltd, Ernakulam



Film Assisted by KFC



Wild Planet, Jungle Resort, Kozhikode

ANNUAL REPORT 2016-17



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MESSAGE

I am happy to note that Kerala Financial Corporation continues to be one of the best performing Public Sector Undertakings in Kerala. The KFC has been playing a significant role in supporting development of micro, small and medium industries in the State. Its efforts to promote and support startups by providing them timely assistance are commendable.

I hope the KFC would be able to scale new heights by redefining its policies to keep abreast of challenging developments in the economy.



Pinarayi Vijayan



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



MESSAGE

KFC has a significant role in supporting industrial development in Kerala. Corporation's social commitment and contributions towards economic and social development of the State are notable. I am happy to note that the gross NPA of the Corporation has reduced from 10.57% to 8.51%.

I hope that KFC will continue to provide timely assistance to entrepreneurs and keep up its good performance. KFC will also focus on assisting startups and young entrepreneurs.

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

T.M. Thomas Isaac

BOARD OF DIRECTORS



Sri. M.G Rajamanickam, IAS
(Managing Director)



Sri. P. Joy Oommen
(Chairman & Managing Director)
(Till 31.05.2016)



Sri. B. Srinivas, IAS
Principal Secretary, Finance Dept.
Govt. of Kerala (Till 28.09.2016)



Sri. Kamla Vardhana Rao, IAS
Principal Secretary, Finance Dept.
Govt. of Kerala, (Till -23.03.2017)



Sri. Teeka Ram Meena, IAS
Principal Secretary, Finance Dept
Govt. of Kerala



Sri. P.M. Francis, IAS
Director Industries & Commerce
Govt. of Kerala



Sri. Anadi Charan Sahu
General Manager, SIDBI
(Till -24.07.2016)



Sri. Allada Sreenivas
Chief General Manager, SIDBI



Sri. A. Aravind
General Manager, SBI



Sri. Vatsakumar
Dy. General Manager, SIDBI



Shri. M.S Shaji
(Senior Divisional Manager, LIC)
(Till 24.06.2016)



Smt. Santha Varkey
(Senior Divisional Manager, LIC)



Smt. Premilla.V. Nair, FCA
Chartered Accountant

PRINCIPAL OFFICERS (As on 31.03.2017)

General Managers

Premnath Ravindranath
Mushtaq Ahammed M

Deputy General Managers

C Janardhanan
P B Sreekumar
K S Rajeev
Mohanan K K
Ajith Kumar K
K G Ajithkumar
Adarsh R
K G George

Assistant General Manager (Accounts)

Soya K

Statutory Auditors

JAKS & Associates, Chartered Accountants, Thiruvananthapuram

KERALA FINANCIAL CORPORATION

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

H.O: Vellayambalam, Thiruvananthapuram - 695 033.

Phone: 0471-2737500 (30 lines) Fax: 2311750,2318541, 2313813, 2722090

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

NOTICE TO SHARE HOLDERS

Notice is hereby given that the 64th Annual General Meeting of the shareholders of Kerala Financial Corporation will be held at the Head Office of the Corporation, Vellayambalam, Thiruvananthapuram on Friday, 28th of July, 2017 at 11.00 A.M. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March, 2017 and the Profit & Loss account for the year ended 31st March, 2017 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2016-17 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To increase the authorized share capital of the Corporation from Rs.350 crore to Rs.500 crore
3. To reappoint Statutory Auditors of the Corporation for the Financial Year 2017-18 under Section 37 (1) of the SFCs Act.

By Order of the Board



General Manager-I

Place : Thiruvananthapuram,

Date : 05.07.2017

NOTES:

1. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 10.07.2017 to 28.07.2017 (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

To

The Members,

It gives us immense pleasure to present before you the 64th Annual Report on the business and operations of the Corporation and the accounts for the Financial Year ended March 31, 2017.

It has been a transformational year for the Corporation with the new Government at the State and changing economic scenario in the wake of demonetisation and other major policy developments. The year under review witnessed acceleration in the performance of the Corporation measured in terms of higher recovery, reduced NPA levels and a diversified and robust loan portfolio. Details of financial and operational performance during the year and outlook for 2017-18 are articulated in the report. The policy measures put in place have resulted in substantial improvement in the quality of assets. The Corporation is undergoing a digital transformation through which we propose to streamline our business processes and profoundly reshape our customer service. The Corporation is committed to capitalise growth opportunities and enhance customer experience by developing a responsible corporate governance framework in adherence to highest ethical standards and without compromising regulatory compliance. Our journey towards being one of the best Financial Corporations in the country would not have been possible without the support and trust of our employees, customers, regulators and the Government and we look forward for their unflinching support in all our future endeavours.

Financial Highlights of the Corporation

An analysis of the operational performance of the Corporation during the last three years is given below:

₹ in Crores

Financial Year	2016-17	2015-16	2014-15
Portfolio Size	2474.11	2400.19	2038.18
Sanctions	385.31	1025.99	947.45
Disbursements	655.27	838.36	657.09
Recovery	874.28	758.26	684.27
Interest Income	305.16	272.06	245.27
Total Income	364.73	308.47	287.06
Total Expenditure	356.86	261.21	218.26
Operating Profit	7.87	47.27	68.81
Net Profit	5.69	5.33	14.37
Capital Adequacy Ratio %	16.83	17.65	20.47
Gross NPA %	8.51	10.57	7.85
Net NPA %	4.25	5.93	3.71

The Corporation could deliver a reasonably better performance when viewed against the backdrop of macroeconomic challenges the financial institutions faced through out the year. Due to policy changes undertaken by the previous Government in cancelling bar licenses, closing metal crushers, issuing stop memo to construction activities in the tourism areas of Idukki District citing environmental issues, changed economic scenario due to demonetization etc resulted in a difficult year for the Corporation. The profitability and repayment capacity of many of the assisted units were badly affected and in turn affected the operations of the Corporation too. The strategy we followed was to slow down the sanction and disbursement during the year without any compromise on the asset quality and concentrate more on the recovery front with the aim to improve the recovery and reduce NPA. Hence a very cautious approach was followed in

sanctioning new loans and managing undisbursed commitments. Effective recovery strategies were put in place and as a result recovery has touched an all time high registering growth of 15.30%. The remarkable growth in recovery, and reduction in NPA throws light on the effective functioning of the organization irrespective of the adverse market conditions prevailed during the financial year.

The corporation is going through a critical phase and priority is to reduce the NPAs further. The stability and flexibility of the financial system and policy changes by the State government hopefully will help to overcome this crucial situation. The corporation's main focus during the coming year will be to accomplish maximum growth in both portfolio and recovery, building up on the efforts taken during last FY with focus on the quality of its advances. Corporation will be formulating necessary strategies to tackle the present situation by diversifying its portfolio and will be concentrating more on manufacturing and other performing sectors substantially reducing the exposure to CRE and other sectors which are more likely to become NPA. Corporation expects that the revised Abkari policy announced by State government will help revival of many of the units in the hospitality sector in the long run and will add to the existing loan portfolio.

Operating Results:

Revenue from Operations:

Net Profit

The operating profit stands at Rs. 7.87 crore and net profit at Rs.5.69 crore.

Sanctions:

Corporation sanctioned financial assistance of Rs.385.31Crore during the FY 2016-17 when compared to Rs.1025.99 crore during the previous FY.

₹ in Crores

Segment	2016-17		2015-16	
	No.	Amount	No.	Amount
Micro	610	372.08	1337	959.99
Small	19	6.14	68	27.89
Medium	5	7.09	9	14.79
Others	0	0	6	23.32
Total	634	385.31	1420	1025.99

Disbursements

An amount of Rs.655.27 crore was disbursed during FY 2016-17 as against Rs.838.36 crore during the previous financial year. Owing to the high sanctions during FY 2015-16, the disbursement could have been even more, but for the several reasons including the unanticipated changes in government policies and other external factors affecting business in certain sectors like hospitality, tourism, mining, real estate etc, Corporation has been very vigilant in sanctioning and disbursing loans to new and existing units.

Recovery

The Corporation had put in place a well-built monitoring mechanism for recovery during the year. The corporation's main focus during the year was to accomplish maximum growth on the recovery front and it has largely succeeded in this effort. Recovery has exceeded the targets and has touched an all time high with the total amount collected increasing by 15.30% and the total interest income by 12.17%. Total recovery during the year was Rs. 874.28 crore compared to Rs.758.26 crore during FY 2015-16. Out of the total recovery, an amount of Rs.46.79 crore was by way of compromise settlement and recovery from written off loans. On the recovery front, the interest income increased to Rs.305.16 crore from Rs.272.06 crore during the previous year.

Asset Quality:

The changing economic situations and the sudden demonetization announcement on Nov 8, 2016 resulted in a difficult FY for the Corporation. The general recessionary trends coupled with Government policy changes cancelling bar licenses

of 3 star and 4 star category hotels, closure of metal crushers and bar on construction activities in the tourism areas of Idukki District citing environmental issues resulted in delayed remittance of instalments of principal and interest from many of the assisted units. The major area of concern was the spike in NPA due to the adverse factors mentioned above. However to contain NPA special efforts were taken and Board of the Corporation had approved a liberal CS policy specifically for NPA accounts falling under hotels whose bar licenses were revoked. Relief measures like liberal rehabilitation / reschedulement, reduction in rate of interest, extra incentive for prompt repayment, waiver of Pre-payment/foreclosure premium, funding of interest etc., were given to eligible borrowers.

The Gross NPA level of the Corporation as on 31st March, 2017 stood at Rs.210.61 crore compared to Rs.253.83 crore as on 31st March 2016 and its percentage to Gross Advance stood at 8.51 % compared to 10.57 % as on 31st March, 2016. The Net NPA level as on 31st March, 2017 stood at Rs.99.66 crore compared to Rs.134.74 crore as on 31st March, 2016. The percentage of Net NPA to Net Advances was 4.25 % as on 31st March, 2017 compared to 5.93 % as at the end of the previous year.

Sector wise Classification of Loans & advances

As on 31.03.2017, the Sector wise Classification of Loans & advances is as below.

₹ in Lakhs

Sl No	Sector	As on 31.03.17			As on 31.03.16		
		No	Amount	%	No	Amount	%
1	CRE	713	60987.80	24.65	728	57669.66	24.03
2	Hotel	1032	74789.73	30.23	1006	75778.96	31.57
3	Hospitals	401	10521.62	4.25	322	11889.11	4.95
4	Manufacturing sector & others	3351	101112.30	40.87	3208	94681.47	39.45
	Total	5497	247411.45		5264	240,019.20	

Capital Adequacy Ratio:

The Capital to Risk- weighted Assets Ratio (CRAR) now stands at 16.83 % as against the minimum of 9 % prescribed.

Dividend:

During this year the corporation has not proposed any dividend.

Asset Liability Management (ALM)

The Corporation's Asset Liability Management (ALM) is aimed at strategic planning, implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken.

ISO Certification:

The Quality Management Certificate was validated and changed over to new version IS/ISO 9001-2008 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license has been renewed for another 3 years by BIS till 21st June, 2019. At present, all the offices of the Corporation continue to hold the Quality Management System Certificate.

OTHER FINANCIAL SERVICE ACTIVITIES:

IRDA has approved Corporation for acting as Corporate Agent for procuring or soliciting insurance business (Licence No. NIA 9664897). The Corporation has now reregistered itself with IRDA as per IRDAI (Registration of Corporate Agents) Regulations 2015 and the registration is valid till 13th July 2019. The Corporation mobilised substantial premium in general insurance activity by marketing the insurance products and earned a gross commission of Rs.8.01Lacs. A Board approved Policy on the manner of soliciting and servicing insurance products is in place. The Policy include the approach to be followed by the corporate agent in having single or multiple tie-ups, the partners in the tie-ups, the business mix, the type of products sold, grievance redressal mechanism and reporting requirements.

Share Capital:

The paid up share capital of the Corporation as on March 31st 2017 is at Rs.221.86 crore. Rs.4.64 crore received from government for implementation of Interest Subvention scheme is shown as advance towards share capital pending approval from SIDBI.

Networth:

The Corporation's net worth improved to Rs.435.45 crore as on 31.03.2017 from Rs. 429.16 crore as on 31.03.2016.

Shareholder information:

The composition of shareholders as on March 31, 2017 is furnished below:

₹ in Crores

Shareholders	Amount	% of Shareholding
Government of Kerala	215.629	97.19
SIDBI	6.133	2.76
LIC	0.071	0.03
SBT	0.021	0.01
Others	0.009	0.01
Total	221.864	100.00

Resource mobilisation

a) LOC from Commercial Banks / SIDBI

The Corporation availed Rs.350.12crore as Term loan from various commercial banks at their base rates during the FY 2016-17. Aggregate outstanding LOC from banks and SIDBI at the year end was Rs.1275.90 crore.

b) Non SLR Bonds:

The Corporation issued Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Bonds of Rs.250 crore @ 8.90% with credit enhancement mechanism during the year without government guarantee. The Corporation partially redeemed the second lot of KFC 9.99% Non-SLR Bond Series 1/2011 (ISIN: INE 818F08011) amounting to Rs. 50 crores on 28.12.2016 to reduce the cost of borrowing. The total bond outstanding as on 31.03.17 is Rs.750 crore. The Bond details are given below.

₹ in Crores

ISIN	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
INE818F07013	09-May-16	8.90%	250	250	09-May-23
INE818F08037	30-Oct-14	9.15%	200*	200	30-Oct-24
INE818F08029	06-Jun-13	8.72%	200*	200	06-Jun-23
INE818F08011	28-Dec-11	9.99%	200*	100	28-Dec-18

* Issued with Government guarantee

An amount of Rs. 450.58 lakhs was paid to the State Government as commission for guarantees extended for the Bonds. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans upto Rs.50 Lacs. As on 31st March, 2017, 267 accounts amounting to Rs.25.28 crore have been covered under the scheme.

Human Resources

Corporation recognizes that key resources for achieving high levels of excellence are its people who need to be motivated and developed. During FY 2016-17, external training was imparted to 6 employees through different training programmes and promotion was given to 19 officers. As on 31.03.2017, the total staff strength was 220. During the FY 2016-17, 15 employees retired from service on attaining superannuation.

Corporate Governance:

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Loan Policy, Compromise Settlement Policy, Valuation Policy etc. were all reviewed by the Board and wherever required necessary amendments were made. ISO procedures are scrupulously complied with. The Corporation has designated State Public information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for providing reply under RTI. Prompt action is taken for replying the petitions received under RTI. 41 applications were received during the financial year. All applications have been disposed of within the time stipulated under RTI Act.

Internal Financial Controls

The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including safeguarding of assets, the prevention of and detection of frauds and errors, the accuracy and the completeness of accounting records and the timely preparation of reliable financial disclosures.

Board of Directors:

The details of Board of directors and their attendance in meetings during the year 2016-17 are given below.

Name	Designation	Tenure	No. of meetings	
			Held during their tenure in FY 2016-17	Attended
Shri. Joy Oommen, IAS(Rtd)	Chairman and Managing Director	23.02.13-31.05.16	Nil	Nil
Shri. Premnath Ravindranath	Managing Director(i/c)	31.05.16-17.08.16	1	1
Shri. MG Rajamanickam, IAS	Managing Director	18.08.16- till date	3	3
Shri. B. Srinivas, IAS	Principal Secretary (Finance Expenditure)	12.08.15- 28.09.16	1	1
Shri. Kamla Vardhana Rao, IAS	Principal Secretary (Finance Expenditure)	29.09.16-23.03.17	2	1
Shri. Teeka Ram Meena, IAS	Principal Secretary (Finance Expenditure)	24.03.17- till date	1	Nil
Shri. P.M. Francis, IAS	Director (Industries & Commerce)	21.08.15-till date	4	1
Shri. Ram Nath	Chief General Manager SIDBI, Mumbai	27.09.14- 11.04.16	Nil	Nil
Shri. Anadi Charan Sahu	General Manager, SIDBI, Bangalore	12.04.16- 24.07.16	1	1
Shri. Allada Sreenivas	Chief General Manager SIDBI, Coimbatore	25.07.16- till date	3	2
Shri. A. Aravind	General Manager SBI, Trivandrum	21.08.15- till date	4	3
Shri. K Vatsakumar	Deputy General Manager SIDBI, Ernakulam	22.06.15- till date	4	4
Sri. MS Shaji	Senior Divisional Manager LIC, Trivandrum	16.06.14- 24.06.16	Nil	Nil
Smt. Santha Varkey	Senior Divisional Manager LIC, Trivandrum	25.06.16- till date	4	2
Smt. Premilla V. Nair, FCA	Chartered Accountant	26.09.11- till date	4	4

The Board of the Corporation met 4 times during the year on 28.06.2016, 29.09.2016, 30.12.16 and 24.03.2017.

Board Committees:

Currently Board has two committees- Executive Committee and Audit Committee. Executive Committee met 4 times during the year on 26.10.2016, 08.12.2016, 15.03.2017 and 24.03.2017 Audit Committee met 2 times during the year on 28.06.2016 and 24.03.2017.

Participative Management:

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by participating them in the decision making process. Realising this, wide delegation has been given to different level of officers across the state at branch and zonal level. At head office also, the committee concept is used and the decision making has been transparent. However in order to ensure objectivity and fairness, checks and balances, through various internal control and audit procedure are being followed.

Annual General Meeting:

Last Annual General Meeting was held on 29.07.2016. M/s. JAKS & Associates, Chartered Accountants, were reappointed as Statutory Auditors of the Corporation for the financial year 2016-17 and they will hold the office till the conclusion of the Annual General Meeting to be held in FY 2017-18. The financial statements for the year 2015-16 were approved in the Annual General Meeting.

Audits

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Concurrent Audit of branch operations is also now in place through reputed Chartered Accountants on a monthly basis. Further compromise settlement sanction of above Rs.25 lakhs are also carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 lakhs is also in place. The internal control and auditing procedure in KFC are at par with prescribed industry standards.

The Comptroller & Auditor General of India conducted audit of the accounts of the Corporation up to the FY 2015-16.

Corporate Social Responsibility (CSR)

Under Corporate Social Responsibility initiatives, the Corporation has conducted a wide range of social activities both in rural and urban areas to serve the community at large. The Corporation believe that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility. The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members. During FY 2016-17 an amount of Rs.5Lakhs was spent for CSR activities.

KSEDM (Kerala State Entrepreneur Development Mission)

The scheme was launched by Government of Kerala with KFC as the nodal agency. The maximum eligible loan amount under this scheme is Rs.20 lakhs without any interest with a repayment period of 5years. The Mission aimed at a radical social transformation through which young entrepreneurs will be supported in setting up new enterprises and thereby contributing to the development of the State as employment providers. Some of them have set up innovative projects in various sectors. The Mission has also enabled a number of women entrepreneurs to set up new businesses of their own. As on March 31, 2017, Rs.194.75 crore have been sanctioned and Rs.151.79 crore have been disbursed as financial assistance to 1757 units comprising of 3836 promoters.

Interest Subvention for Innovative Projects

KFC has implemented an interest subvention scheme for manufacturing sector to encourage innovative projects with the support of State Government. Rs.10.14 crore is earmarked as share capital contribution by Government of Kerala to use equivalent amount towards subsidising interest to eligible units under the scheme. Out of Rs.10.14 crore a sum of Rs. 4.64 Crore was released towards share capital contribution to the Corporation. Corporation has utilised the subsidy for acquisition of plant and machinery by new units manufacturing Neera and other value added products developed from coconut using the innovative technology provided by Coconut Development Board for sanctioning loans under the scheme.

IT Initiatives:

The Core Financial Solutions and integrated Administrative System(CFS&IAS), implemented by KFC with the support of TCS, connects all the branch, zonal and head offices and also automates all activities of KFC with centralised database under secured environment. The system consist of rich MIS system as a ready monitoring tool for the performance of the Corporation. Corporation is now using the Government's e-Procurement system for all tendering process to make it transparent. KFC also have a detailed IT policy to support the effective usage of IT resources within the corporation. Corporation has excelled in e-governance through implementation of the Core Financial Solutions, centralised connectivity, dynamic website, m-governance, e-auction, etc thereby transforming KFC into more customer friendly organization. The Corporation has also taken adequate security measures to take care of the disruptive cyber attacks targeting the IT system.

Adoption of CFS by other SFC s:

After the successful implementation of CFS package at Corporation, many other SFCs have approached the Corporation for the adoption of CFS at their end. Corporation has decided to extend the support for implementing CFS on a common software package across SFCs at a concessional rate. To start with, an agreement was executed with APSFC for adopting CFS application by them. Corporation has also decided to document the implementation of CFS & IAS as a good governance practice so that it can be adopted by similar financial institutions / SFCs in the country with minor modifications.

Youth Business accelerator:

As continuation of supporting entrepreneurship developmental activities, Corporation has created infrastructure and environment required for setting up a Business Accelerator for young entrepreneurs in the IT/ITeS domain. Corporation intends to offer affordable space to operate IT/ITeS enterprises going through the second phase of their entrepreneurial journey at its Ernakulam Office. The infrastructure is now ready for occupation and will be given to these young Entrepreneurs on a License basis.

RR Online:

The government of Kerala launched the RR online portal for all government Depts/Local bodies/PSUs etc to recover the dues from the defaulting clients as per the provisions of the Kerala Revenue Recovery Act 1968. KFC is one of the first institutions to successfully implement the RR online portal in all its branches.

New initiatives:

- Start up Support Scheme for financing start ups working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology with interest moratorium during the first year of operation.
- Special thrust to manufacturing sector through the interest subvention scheme to support innovative projects.
- Special scheme for Financial Assistance to Civil Contractors.
- Special scheme for Modernization, up gradation and expansion of existing cinema theatres and establishment of new multiplexes.
- Liberalised scheme for financing upto Rs 100 lakhs to well established units going through their next level of entrepreneurial journey.
- Promoting technology-intensive sectors such as IT and biotechnology.

Future Plans:

During the FY 2017-18, Corporation plans to sanction Rs.900 Crore and to disburse around Rs. 800 crore to manufacturing sector, IT and other service sectors. The corporation has unveiled plans to reach out to lines of business beyond tried and tested ones. The Corporation has been contemplating to achieve a portfolio size of over Rs.5000 crore by 2021. Special thrust will be given to women and young entrepreneurs, Food Processing sector renewable energy

projects while exposure to CRE sector will be reduced. Corporation will also work along with clusters. Our strategic objective is to build a sustainable organization that remains relevant to the growth of industrialization and promotion of entrepreneurship in the state.

a) Non SLR Bond issue

The corporation proposes to raise Rs.500 crore from the debt market by issuing Non SLR Bonds during financial year 2017-18 under credit enhancement mechanism without Government Guarantee.

b) Youth Entrepreneurship Development Programme

Kerala Financial Corporation will formulate 'Youth Entrepreneurship Development Programme(YEDP)', with Government support to create a start-up atmosphere in the State connecting all Innovation and Entrepreneurship Development Centres (IEDCs), Technology Business Incubators (TBIs), Kerala Start-up Mission, Kerala State Industrial Development Corporation (KSIDC), Kerala State Council for Science Technology and Environment (KSCSTE) and other start-up supporting/funding agencies, with an aim to set up at least 1500 micro enterprises per year, creating more than 15,000 direct and indirect employment opportunities per year in the State.

c) Up-gradation of hardware :

The Core Financial Solution infrastructure up-gradation process is in progress with latest versions of Software and engineered hardware which integrates software, computer, storage, and network resources. Once the process is over, Corporation aims to improve system performance which will help to reshape the way services are offered to its customers. The technical evaluation of the requirements is in progress with the support of KSITM.

d) Online Loan Application:

The advancements in technology have brought mobile and online services to the fore. KFC's Online Loan application portal development is over and its security audit is cleared by CERT-K/KSITM to go live. Once the domain registration process is over the customers can access the same through onlinekfc.org or through kfc.org website.

e) Customer Portal and Payment gateway system:

KFC is now in the final stage developing the customer portal by which customers can login to the portal and know the details of transactions, due statement etc. The payment gateway is also being integrated with the system so that the customers can make repayment online. KFC has already signed the agreement with South Indian Bank in this regard. Once the security audit is completed the same can be accessed through www.kfc.org website.

f) Implementation of e-Office

Corporation has started the implementation of e-office (version Lite) from NIC. The e-Office package includes File management System (e-File), Knowledge Management System (KMS) and Collaboration and Messaging Service(CAMS) and purchase of Digital Signature Certificate (DSC) for all officers for signing electronic files.

g) Web site:

New initiative is being taken to revamp KFC's website www.kfc.org as a responsive site with an advanced and comprehensive Content Management System to make the website more dynamic. A grievance redressal portal to capture grievance from customers and public and a mobile application for the customers which is compatible for mobile phones & tablets in Android, iOS and Windows Platform is also being developed.

Directors' Responsibility Statement:

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the asset of the Corporation and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements that:

- a. in the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- b. such accounting policies as mentioned in the Notes to the Financial Statements, have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at March 31, 2017 and of the profit of the Corporation for the period;
- c. the applicable guidelines prescribed for SFCs have been followed and there has been no material departure. Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;
- d. proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
- e. the annual accounts for the financial year ended on March 31, 2017 have been prepared on a going concern basis;
- f. proper internal financial controls had been laid down and that such financial controls were adequate and were operating effectively;
- g. that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;

Acknowledgements

The Board of Directors thankfully acknowledge the valuable advice and support extended by Government of Kerala, Other Governmental Agencies and Departments, Reserve Bank of India, Small Industries Development Bank of India (SIDBI), COSIDICI, Other SFCs, Bankers, New India Assurance Company Ltd, Tata Consultancy Services, Kerala State IT Mission, Department of Income Tax, CAG, DIC, KITCO, BSE, Rating Agencies and Bond holders. The Board gratefully acknowledge the ongoing cooperation and support provided by the Corporation's shareholders, Vendors and Customers. The Board further places on record its appreciation for the valuable services rendered by Statutory Auditors, all Concurrent Auditors and consultants during their tenure. The Board place on record their deep appreciation for the exemplary contribution made by the employees of the Corporation at all levels. Their dedicated efforts and enthusiasm have been pivotal to the Corporation's growth. The Board would like to place on record its appreciation and gratitude to all the members of the Board of Directors existing as well as retired for their guidance and support to the management of the Corporation.

Thiruvananthapuram
03.07.2017

By Order of the Board



Managing Director

Independent Auditor's Report

To,

The Members

Kerala Financial Corporation

Report on the Financial Statements

We have audited the accompanied financial statements of Kerala Financial Corporation ("the Corporation"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the provisions contained in the State Financial Corporation Act 1951 ("the Act"). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

Attention is drawn to point No. 2.12 of Note No. 20 regarding asset acquired in satisfaction of a claim. The Corporation recovered a non performing asset (NPA) by acquiring the immovable property mortgaged by the borrower to the tune of Rs. 4 crore in the year 2008-09. However, the borrower filed a suit against the Corporation against acquiring the property and hence the Corporation is not able to sell the property. In this situation, we are not able to assess the extent of recoverability of this asset

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of the matter described in the 'Basis for qualified opinion', the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Corporation as at 31st March, 2017;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Corporation for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Corporation for the year ended on that date.

Emphasis of matter

1. As regards the amount receivable from Government of Kerala (Rs. 20.51 Crore) towards interest and expenses borne by KFC on loans under KSEDMD scheme, we have relied only on the scheme introduced by Government of Kerala as regards its recoverability.
2. Though the Corporation prepared a Fixed Assets Register in the year 2016-17, it is not complete with all relevant information, hence we are not in a position to verify the correctness of the physical existence and value of the fixed assets shown in the Balance Sheet of the Corporation.
3. Since we were not made available with the year-wise break down of 'Provision for MAT & Income Tax' and 'Advance Tax & TDS', we have not been able to verify whether set-off between 'Provision for Taxes' & 'Taxes paid' have been made for those assessment years for which assessment have been completed in accordance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India.
4. Provision for bad debts on unclassified Standard Loans and Doubtful Loans (D1) has been made on the basis of management judgment without applying a consistent accounting policy. Though it has an impact in the current year Profit and Loss Account, the overall available provision exceeds the required provision which can nullify this impact.

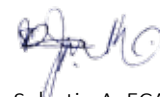
Report on Other Legal and Regulatory Requirements

As required by the Act, we report that:

- i. 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.
- ii. In our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books.
- iii. The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and comply with the Accounting Standards referred to in Section 133 of the Companies Act ("Act") read with Rule 7 of the Companies (Accounts) Rules, 2014.
- iv. In our opinion, the income recognition, asset classification and provisioning have been done as per the guidelines issued by the RBI/SIDBI from time to time.

03.07.2017
Thiruvananthapuram

For JAKS and Associates
Chartered Accountants
FRN: 001360 S



Selastin A. FCA

Partner, M.No: 202874

Balance Sheet as at 31st March, 2017

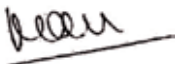
₹ in Lacs

	Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	22,186.43	22,186.43
	(b) Reserves and surplus	2	20,894.10	20,266.07
	(c) Money received against share capital		464.00	464.00
2	Non-current liabilities			
	(a) Long-term borrowings	3	1,61,146.10	1,38,038.31
	(b) Deferred tax liabilities (net)		535.76	618.21
	(c) Long-term provisions	4	12,836.96	12,836.96
3	Current liabilities			
	(a) Short-term borrowings	5	42,633.29	53,217.88
	(b) Other current liabilities	6	4,615.53	3,611.32
	(c) Short-term provisions	7	7,904.92	7,605.12
	TOTAL		2,73,217.09	2,58,844.30
B	ASSETS			
1	Non-current assets			
	(a) Fixed Assets	8	436.87	460.87
	(b) Non-current investments	9	49.50	49.50
	(c) Other non-current assets	10	2,00,660.87	1,89,693.67
2	Current assets			
	(a) Current investments	11	2,016.50	925.00
	(b) Cash and cash equivalents	12	1,166.91	612.49
	(c) Other current assets	13	68,886.44	67,102.77
3	Significant Accounting policies and Notes to Accounts	19		
	TOTAL		2,73,217.09	2,58,844.30

For and on behalf of the Board Directors


Soya K
Asst. General Manager


Premnath Ravindranath
General Manager(I)


Premilla V Nair
Director


M G Rajamanickam
Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 0013605

Thiruvananthapuram
03.07.2017


Selastin. A FCA
Partner, M No: 202874

Statement of Profit and Loss for the Year ended 31st March 2017

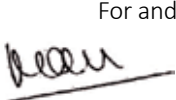
₹ in Lacs

	Particulars	Note No.	for the year ended 31.03.2017	for the year ended 31.03.2016
A	CONTINUING OPERATIONS			
1	Revenue from operations	14	35,606.98	30,526.14
2	Other income	15	865.52	321.29
3	Total revenue		36,472.50	30,847.43
4	Operating Expenses			
	(a) Interest expenses	16	20,073.91	16,900.83
	(b) Employee benefits expense	17	2,863.48	2,701.37
	(c) Administrative Expenses	18	502.80	522.83
	(d) Depreciation and amortisation expense		184.37	128.90
	(e) Bad debts written off		12,061.12	5,866.99
	Total expenses		35,685.68	26,120.92
5	Operating Profit before exceptional and extraordinary items and tax		786.82	4,726.51
6	Operating Profit After exceptional and extraordinary items and tax		786.82	4,726.51
7	Less: (a) Provision for Bad and Doubtful debts		-	2,691.72
8	Profit before tax		786.82	2,034.79
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		299.80	1,085.37
	(b) Provision for Deferred Tax		(82.45)	416.69
B	Discontinuing operations		-	-
10	Net Profit after tax for the period		569.47	532.73
11	Earnings per share (Equity shares of Rs 100/- each):			
	(a) Basic		2.83	2.40
	(b) Diluted		2.77	2.35
C	Profit and loss appropriation			
	Balance in Profit & Loss A/c b/f		8,778.59	8,575.72
	Net Profit for the year		569.47	532.73
	Total profit available for appropriation		9,348.06	9,108.45
	Add: Prior Period Income		58.56	-
	Less: Dividend Tax Short Provision			8.46
	Total		9,406.62	9,099.99
	Less: Appropriations		-	-
	Transfer to Reserve u/s 36 (1) (viii)		63.12	321.40
	Balance Profit after appropriations		9,343.50	8,778.59
	Balance Profit carried to Balance sheet		9,343.50	8,778.59

For and on behalf of the Board Directors


Soya K
Asst. General Manager


Premnath Ravindranath
General Manager(I)


Premilla V Nair
Director


M G Rajamanickam
Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 0013605

Thiruvananthapuram
03.07.2017


Selastin. A FCA
Partner, M No: 202874

Notes Forming Part of Balance Sheet as at 31.03.2017

₹ in Lacs

	As at 31.03.2017	As at 31.03.2016
NOTE : 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
3,50,00,000 Equity shares of Rs.100 each	35,000.00	35,000.00
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
21746678 Equity shares of Rs.100/- each	21,746.68	21,746.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
TOTAL	22,186.43	22,186.43
NOTE : 2		
RESERVES AND SURPLUS		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	11,223.27	10,901.87
Added during the year	63.12	321.40
Total of (a)	11,286.39	11,223.27
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Profit & Loss Account	9,343.50	8,778.59
TOTAL {(a)+(b)+(c)+(d)}	20,894.10	20,266.07
NOTE : 3		
LONG TERM BORROWINGS		
SECURED (Hypothecation of receivables)		
Borrowings from SIDBI	4,474.71	6,760.86
LoC from Federal Bank	2,708.33	4,375.00
LoC from South Indian Bank	9,062.50	0.00
LoC from Indian Bank	10,000.32	13,333.12
LoC from State Bank of Travancore	18,546.30	12,836.31
LoC from Canara Bank	32,187.50	29,901.02
LoC from Tamilnadu Mercantile bank	0.00	2,500.00
LoC from Andhra Bank	14,166.44	18,332.00
Non-SLR Bond	25,000.00	0.00
UNSECURED		
Non-SLR Bond (Guaranteed by Government of Kerala)	45,000.00	50,000.00
TOTAL	1,61,146.10	1,38,038.31
NOTE:4		
LONG TERM PROVISIONS		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	12,836.96	10,145.24
Add: Provision made during the year		2,691.72
Total of (a)	12,836.96	12,836.96

NOTE : 5		
SHORT TERM BORROWINGS		
SECURED BORROWINGS (Hypothecation of receivables)		
OD from Federal Bank	1,189.43	14,925.33
OD from South Indian Bank	0.00	7,488.29
Short term loan from South Indian Bank	10,000.00	2,500.00
LOC FROM BANKS (Current maturity)		
Loc from Andhra Bank	3,333.49	1,668.00
Loc from Federal Bank	1,875.00	2,500.00
Loc from Canara Bank	12,774.08	9,375.00
Loc from Indian Bank	3,332.90	2,854.26
Loc from State Bank of Travancore	2,145.00	2,860.00
Loc from South Indian Bank	937.50	312.50
Borrowings from SIDBI	2,045.89	3,734.50
UNSECURED BORROWINGS		
Non-SLR Bond (Current maturity)	5,000.00	5,000.00
TOTAL	42,633.29	53,217.88
NOTE : 6		
OTHER CURRENT LIABILITIES		
State Subsidy	0.00	49.94
Margin Money	0.23	0.23
Central Subsidy	27.80	0.00
Interest subsidy	0.00	0.15
Coconut Devp. Board Subsidy	826.96	839.29
Earnest Money Deposit	12.15	12.60
Self Employment Venture fund	0.00	26.48
Suspense Account	309.12	62.00
Tax Deducted at Source	35.50	17.34
Other Salary Deductions	5.42	0.06
Other Sundry Deposits	28.95	26.54
Gratuity Payable	3.46	7.13
Outstanding Expenses	369.24	276.90
Salary Payable	0.92	0.00
Accrued Interest on Refinance from SIDBI	53.83	87.74
Accrued Interest on Non SLR Bonds	2,420.61	1,702.60
Accrued Interest on LOC from banks	422.81	395.95
Audit Fee Payable	2.50	1.25
Concurrent Audit Fee payable	3.31	3.91
Staff Dues Retained	92.60	80.54
Leave Encashment Payable	0.00	0.51
Unclaimed Dividend	0.12	0.12
CGTMSE Fees Collection	0.00	0.86
CGTMSE pending appropriation	0.00	19.18
TOTAL	4,615.53	3,611.32
NOTE : 7		
SHORT TERM PROVISIONS		
(a) Provision for Taxation:		
As per last Balance Sheet	7,605.12	6,519.74
Add: Provision made during the year	299.80	1,085.38
Total of (a)	7,904.92	7,605.12
TOTAL	7,904.92	7,605.12

NOTE : 8 FIXED ASSETS										
Particulars	Rate	Gross value as on 31-03-2016	Additions during the year	Deletions during the year	Gross value as on 31-03-2017	Depreciation upto 31-03-2016	Depreciation for the year	Depreciation upto 31-03-2017	WDV as on 31-03-2017	WDV as on 31-03-2016
1	2	3	4	5	6	7	8	9	10	11
Land	0%	11.62	-	-	11.62	-	-	-	11.62	11.62
Building	10%	476.06	-	-	476.06	331.11	14.50	345.61	130.47	144.97
Motor Vehicle	15%	159.99	25.83	2.69	183.13	115.43	8.65	124.08	59.05	44.57
Electrical Fittings	10%	145.06	3.61	-	148.68	65.95	8.24	74.19	74.48	79.12
Air Conditioner	15%	39.49	-	-	39.49	29.87	1.44	31.31	8.18	9.62
Photocopier	15%	22.52	-	-	22.52	18.93	0.54	19.47	3.05	3.59
Computer	60%	492.58	50.85	-	543.43	394.74	81.10	475.84	67.59	97.83
Other office Equipments	15%	52.87	4.93	-	57.80	37.00	2.80	39.80	18.00	15.86
Lift	15%	9.75	-	-	9.75	6.62	0.47	7.09	2.66	3.13
Furniture	10%	158.84	0.98	-	159.82	108.26	5.15	113.41	46.40	50.56
Solar Power Generator	80%	-	76.85	-	76.85	-	61.48	61.48	15.37	-
Total		1,568.78	163.05	2.69	1,729.15	1,107.91	184.37	1,292.28	436.87	460.87
Total (Previous Year)		1,318.52	265.03	14.76	1,568.78	979.01	128.90	1,107.91	460.87	339.50

NOTE : 9		
NON CURRENT INVESTMENTS		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Sub Total	123.88	123.88
Less : Provision for diminution in value of investments	74.38	74.38
TOTAL	49.50	49.50
NOTE : 10		
OTHER NON CURRENT ASSETS		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,039.19	931.04
Conveyance Loan to Employees	113.42	106.93
Computer Loan to Employees	5.75	1.39
Other Staff Loan	0.00	0.15
Personal Loan to Employees	51.75	26.40
Advance to Employees	16.15	16.20
Deposit with P&T	0.09	0.09
YBA Project Advance	176.14	1.98
Other Deposits	17.68	17.58
Deposit with KSEB	12.95	14.83
Deposit against Staff Dues Retained	92.60	80.54
Interest Accrued on Staff Loans	545.99	499.50
GTI Advance	2.28	2.43
Other Advances	1.15	26.53
Advance for Fixed Assets	21.38	69.90
Term Deposit with Banks	5,000.00	0.00
Loans and Advances	1,93,164.01	1,87,497.84
TOTAL	2,00,660.87	1,89,693.67
NOTE : 11		
CURRENT INVESTMENTS		
Short Term Deposits with Banks	2,016.50	925.00
TOTAL	2,016.50	925.00
NOTE : 12		
CASH AND CASH EQUIVALENTS		
Cash in hand	92.09	91.70
Bank Accounts	1,074.82	520.79
TOTAL	1,166.91	612.49
NOTE : 13		
OTHER CURRENT ASSETS		
Advance Income Tax	9,563.48	10,580.44
Cenvat Credit	46.57	6.31
Income Tax Deducted at source	144.59	99.33
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	4.40	4.52
Prepaid Expenses	1.89	3.44
KSEDM Interest Receivable	1,751.68	638.82
KSEDM Expenses Receivable	299.08	242.42
Interest Accrued on Loans & Advances	2,522.38	3,005.62
Interest Accrued on STD with Banks	304.94	0.51
Loans & Advances (Principal Due within one year)	54,247.43	52,521.36
TOTAL	68,886.44	67,102.77

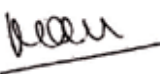
NOTE : 14		
REVENUE FROM OPERATIONS		
Interest Received On Loans & Advances	33,711.52	30,104.83
Less : Interest rebate allowed on Loans	3,195.29	2,899.26
Net Interest Received On Loans & Advances	30,516.23	27,205.57
Application Fees	0.00	0.03
Loan Processing Fees	340.72	510.44
Recovery from written off loans	4,678.99	2,769.95
Premium on pre-closure	71.04	40.15
TOTAL	35,606.98	30,526.14
NOTE : 15		
OTHER INCOME		
Interest on Staff Loans	98.53	71.35
Interest on Bank Deposits	399.41	24.87
Dividend From Shares	2.18	2.18
Miscellaneous Income	0.00	1.04
Gratuity Payment reimbursement from LIC	0.00	112.65
Other Income	227.85	6.42
Rent Received	97.16	79.63
Income from Insurance Agency	8.72	8.01
RTI Application Fee Received	0.02	0.08
Consultancy Service Division Receipts	15.63	2.60
Profit on sale of Fixed Assets	0.00	0.96
Commision exchange and brokerage	16.02	11.50
TOTAL	865.52	321.29
NOTE : 16		
INTEREST AND FUND EXPENSES		
Interest on Bonds	6,917.15	5,453.96
Interest on Coconut Dev Board Subsidy	63.68	19.64
Interest on Refinance from SIDBI	837.44	1,311.35
Interest on Line Of Credit from Banks	11,761.60	9,590.25
Guarantee Commission	468.60	491.79
Bond Issue Expenses	25.31	33.74
LOC Administrative Expenses	0.13	0.10
TOTAL	20,073.91	16,900.83
NOTE : 17		
EMPLOYEE BENEFITS AND EXPENSES		
Pay & Allowances	2,373.87	2,149.95
Group Gratuity Insurance	126.50	51.00
Contribution to Employees' P.F	234.39	226.38
Group E/L Encashment Insurance	50.10	185.02
Group Term Insurance	4.41	1.78
Other Staff Expenses	74.21	87.24
TOTAL	2,863.48	2,701.37

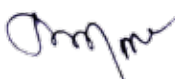
NOTE : 18		
ADMINISTRATIVE EXPENSES		
Rent, Rates, Taxes & Insurance	99.58	87.97
Postage, courier and Telephone	30.04	27.43
Printing & Stationery	13.42	13.15
Vehicle Running & Maintenance	33.91	23.06
Repairs & Maintenance of Buildings & Equipments	65.62	15.94
Revenue Recovery expenses	99.98	162.81
Bank Charges and Commission	0.62	0.85
Audit Fees	2.57	2.46
Consultancy Charges	4.70	4.11
Legal Expenses	7.00	9.43
Books & Periodicals	2.16	2.29
Other Expenses	87.47	99.02
Loss on Sale of Fixed Asset	1.18	0.00
Travelling Expenses	15.78	23.00
Board / E.C. Meeting Expenses	3.46	1.48
Concurrent Audit Fee	22.56	24.89
Conference and Seminar Expenses	0.54	1.52
Advertisement and publicity	10.74	17.84
Business Development Expenses	1.47	5.58
TOTAL	502.80	522.83

For and on behalf of the Board Directors


Soya K
Asst. General Manager


Premnath Ravindranath
General Manager(I)


Premilla V Nair
Director


M G Rajamanickam
Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 001360S

Thiruvananthapuram
03.07.2017


Selastin. A FCA
Partner, M No: 202874

NOTE: 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Corporate Information

The Kerala Financial Corporation is a State Financial Corporation having its area of operations in the state of Kerala and incorporated under the provisions of the State Financial Corporation Act, 1951 for providing medium and long term credit to industrial undertakings. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. The Corporation is engaged in extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector in the state.

Basis of Preparation

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking and finance industry in India. The Corporation has partially adopted the format of Schedule III to the Companies Act and Accounting standards issued by the Institute of Chartered Accountants of India, to the extent possible for better presentation of the financial statements.

The accounting policies adopted in the preparation of financial statements are in consistence with those of previous year except for the change in accounting policy, explained hereunder.

SIGNIFICANT ACCOUNTING POLICIES

1.1. Uses of Estimates

The preparation of the Financial Statements, in conformity with Indian GAAP requires Management to make Judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures relating to contingent assets and liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in material or immaterial adjustments to the carrying amounts of assets or liabilities in future periods. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

1.2. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Income is recognised on accrual basis on performing assets and on realisation basis in respect of non-performing assets as per the prudential norms on income recognition, asset classification and provisioning prescribed by RBI/SIDBI. The Corporation used to account the interest accrued for last one month only to income in respect of standard loans till FY 2015-16. But from this FY 2016-17 onwards all interest accrued in standard loans have been accounted.

Recovery of loans and advances is appropriated first towards recovery of expenses, then towards interest and the balance, if any, towards principal. However, in the case of Compromise Settlement and sale of units taken over under the SFCs Act, 1951 and Revenue Recovery proceedings, the proceeds are apportioned first towards recovery of expenses and then towards principal amount and lastly towards interest, on satisfaction of the stipulated conditions. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss as revenue on receipt basis.

The Corporation gives rebate to customers for prompt payment. The customers are eligible for rebate if the dues are paid within the prescribed period subject to their rating and other factors determining the rate of rebate. The interest due is calculated and charged to the party on gross basis and the eligible rebate is credited to the party on payment of dues in time. The rebate for prompt payment is deducted from interest income for reporting in the financial statements.

1.3. Cash flow Statement

Cash flow statement is prepared using indirect method. The Corporation is into financing as its core business activity and hence the changes in loans and advances are treated as changes in operating assets and considered for arriving cash flows from operating activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

1.4. Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to shareholders and the weighted average number of common shares outstanding adjusted for the effect of all dilutive potential common shares, including advance for share capital.

1.5. Provision

A provision is recognised when the Corporation has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Being into financing business, the corporation has made provisions for bad and doubtful debts in the financial statements. Specific bad debt provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of loans, subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines.

The corporation has provided the minimum provision prescribed by the RBI / SIDBI guidelines for all standard advances. A judicious provision of 50% (47% in FY 2015-16) is made for Substandard advances other than CGTMSE loans. For CGTMSE loans, minimum provision of 15% as prescribed by the RBI / SIDBI guidelines is made with 100% provision for the unsecured portion. Till FY2015-16, the whole of Doubtful category was technically written off, whereas during this FY 2016-17, only about a portion (67%) of Doubtful category is technically written off and 60% provision is made for balance Doubtful category advances which is not technically written off.

1.6. Employee Payments and Retirement Benefits

Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Defined contribution plan: The Corporation contributes to the Provident Fund which is administered by duly constituted and approved independent trust by name KFC Employees Provident Fund Trust. Retirement benefit in the form of provident fund is a defined contribution plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Each employee

contributes a certain percentage of his or her basic salary and DA and the Corporation contributes an equal amount for eligible employees. The employees will be paid the balance outstanding on their PF account along with interest accumulated thereon at the date of superannuation. The Corporation has no obligation other than the contribution payable to the provident fund in this regard.

Defined Benefit Plan: The Corporation contributes towards gratuity fund (defined benefit retirement plan) administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. Under this scheme, the settlement obligations remain with the Corporation, although LIC administers the scheme and determine the contribution premium required to be paid by the Corporation. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Corporation. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted and demand raised by LIC. The liability for terminal encashment of earned leave to the employees is also covered under the Group Leave Encashment Scheme of LIC and the contributions paid as per the valuation done by LIC. The amounts so paid are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard and hence has not made any additional provision. All the claims for the FY 2016-17 have been settled by LIC.

1.7. Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The total loans and advances after technical write off amount to Rs.2474.11 crore. Advances amounting to Rs.119.81 crore under Doubtful category have been written off as Bad Debts during this year. The recoveries from these written off cases is shown as Recovery from written off cases and are included in the Operating Income.

1.8. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and directly attributable to cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Advance for fixed assets includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Fixed Assets are carried at cost of acquisition less depreciation. Depreciation on fixed assets has been provided for on written down value (WDV) method and at the rates prescribed under the IT Act, 1961. As per the IT Act, 1961 Computer includes computer software for reporting under the block Plant & machinery. Hence we have not shown Computer software separately under Intangible assets. Depreciation on fixed assets added/disposed of during the year/period is provided on pro-rata basis (that is full depreciation for assets used for more than six months and half depreciation for others) with reference to the date of addition/disposal. Based on Board approved policy, individual assets costing up to Rs. 5000 are charged to revenue in full in the year of purchase. Further the WDV of assets in the nature of electronic items up to the value of Rs. 10,000 and other assets up to the value of Rs. 5000 as on 31.03.2017 have been written off.

1.9. Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as Non-current investments. On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Non-current investments are carried at cost. However provision for diminution is made to recognise a decline, other than temporary, in the value of investments determined

for each investment individually. Reduction in the carrying amount and reversals of such reductions are charged or credited to the profit and loss statement. On disposal of an investment, the difference between carrying amount and net disposal proceeds are charged or credited to the profit and loss statement. Any amount received in future in respect of these investments will be credited to profit and loss statement.

1.10. Taxes on Income

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. The tax rates and tax Laws used to compute the amounts are those that are enacted, at the reporting date.

Deferred Taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. The Corporation has not made provision for Deferred Tax Liabilities on Special Reserve created as per Section 36(1) (viii) of the Income Tax Act, 1961 since the reserve created is of having no reasonable certainty that the same would be adjusted / withdrawn in foreseeable future years and the period of time the difference to be evened out is also not ascertainable. Deferred tax assets including the unrecognized deferred tax assets, if any, at each reporting date, are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

1.11 Contingent Liability

A disclosure of contingent liability on Balance sheet date is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

NOTES FORMING PART OF ACCOUNTS

2.1 Share Capital

The paid up share capital of the Corporation as on March 31st 2017 is at Rs.221.86 crore. Rs.4.64 crore received from government for implementation of Interest Subvention scheme is shown as advance towards share capital pending approval from SIDBI.

The details of shareholders holding more than 5% shares as on 31.03.2017 are as under:

Name of the Shareholders	As at 31.03.2017		As at 31.03.2016	
	No. of shares	% to total shares	No. of shares	% to total shares
Government of Kerala	21562937	97.19	21562937	97.19

Earnings per share

Calculation of EPS	2016-17	2015-16
a. Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	6,28,02,881.56	5,32,72,941.52
b. Number of Equity Shares outstanding (face value of Rs.100/- each)	2,21,86,428	2,21,86,428
Basic earnings per share (a) / (b)	2.83	2.40
c. Average number of weighted equity shares (22186428 existing + 214000 on account of amount received on 30.03.2014 and pending allotment+ 250000 on account of amount received on 31.03.2015 and pending allotment) (face value of Rs.100/- each)	2,26,50,428	2,26,50,428
Diluted Earnings per share (a) / (c)	2.77	2.35

2.2 Revenue Recognition

The Corporation used to account the interest accrued for last one month only to income in respect of standard loans till FY 2015-16. But from this FY 2016-17 onwards all interest accrued in standard loans have been accounted. If the interest accrued for last one month only was accounted as done till last year, then the Net profit would come down by Rs.2.73 crore during this FY 2016-17.

2.3 Asset Classification and provisioning

Provisioning

The Corporation has available provision of Rs.128.37 crore till 31.03.2017. If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.54.65 crore, where as the Corporation has provided an additional provision of Rs.73.72 crore over and above the minimum RBI stipulated norms. The corporation has provided the minimum provision prescribed by the RBI / SIDBI guidelines for all standard advances amounting to Rs.10.17 crore. The Corporation has prudently made additional provision of Rs.6.61 crore in respect of loans which are restructured as per RBI guidelines and classified under Standard category as follows.

31 loan accounts amounting to Rs.73.11crore which have been restructured on account of extension of DCCO have been given additional provision of 5% (minimum norms) amounting to Rs.3.66 crore.

In compliance with Circulars No. DBR.No.BP.BC.37/ 21.04.048/2016-17 dated 21.11.2016 and No. DBR.No.BP.BC.49/21.04.048/2016-17 dated 28.12.2016 issued by RBI subsequent to the demonetization announcement, the Corporation had identified 121 numbers of term loan accounts amounting to Rs. 19.67 Crore with original sanction amount of Rs. 1 Crore or less. The details of such loans were reported to Board on 24.03.17 and approval for deferment in classification was taken. However as a prudent measure, additional provision of 15% (minimum norms as applicable for S2 category) amounting to Rs.2.95 crore has been made on these loans.

The provision made in respect of Sub standard category advances is Rs.75.57 crore. Till FY 2015-16, the whole of Doubtful category was technically written off. If the same policy is adopted as that of last year by writing off the whole of Doubtful category advances and provisioning is done as per last FY, then there would be excess provision available of Rs.40.52 Crore and the Net profit would come down by Rs.55.97 crore. Hence the net impact would result in Net loss of Rs.9.76 crore.

As the total provision available during the FY was Rs.128.37 Crore and the provision needed during the FY is Rs.127.73 Crore, no additional provision is made during the FY. The provision needed for the year of Rs. 127.73 crores is taken for the purpose of calculation of Net NPA.

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

	Category of Assets	Minimum provision required (%) as per RBI norms	Provision actually made (%) and amount			
			During FY 15-16		During FY 16-17	
			%	Amount (₹. In crore)	%	Amount (₹. In crore)
1	Standard Assets- Micro & Small	0.25	0.25	3.91	0.25	4.06
	Standard Assets- Medium	0.4	0.4	0.30	0.4	0.19
	Standard Assets- CRE	1	1	5.07	1	5.92
	Additional provision for loans rescheduled on account of extension of DCCO - If revised DCCO is within 2 / 1 year from original DCCO for infrastructure/ non infrastructure projects	0.4	NA	Nil	5	3.66
	- If revised DCCO is beyond 2 years and upto 4 or 3 years from original DCCO for infrastructure projects	5	NA	Nil		
	- If revised DCCO is beyond 1 years and upto 2 years from original DCCO for non infrastructure projects	5	NA	Nil		
	Additional provision for loans not downgraded to Sub standard in compliance with RBI Circulars No. DBR.No.BP.BC.37/ 21.04.048/2016-17 dated 21.11.2016 and No. DBR.No.BP.BC.49/21.04.048/2016-17 dated 28.12.2016	Nil	NA	Nil	15	2.95
2	Sub Standard Assets	15	47	118.39	50	74.91
	Sub Standard Assets— CGTMSE (Secured portion)	15	15	0.22	15	0.21
	Sub Standard Assets—CGTMSE (Un Secured portion)	100	100	0.48	100	0.45
3	Doubtful Assets (up to 1 year)	25	NA	Nil	60	35.38
	Total Provision made			128.37		127.73

Loans & Advances under Doubtful I category have been written off (technical write off) to the tune of Rs.119.81 crore as bad debts. Gross and Net NPA as on 31.03.2017 is 8.51% and 4.25% respectively whereas it was 10.57% and 5.93% as on 31.03.2016.

Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2015-16 is given below.

₹ in Crores

Sr.	Particulars	Amount
1.	Gross NPAs as on March 31, 2016 as reported by the Corporation	253.83
2.	Gross NPAs as on March 31, 2016 as assessed by RBI/ SIDBI	253.83
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2016 as reported by the Corporation	134.74
5.	Net NPAs as on March 31, 2016 as assessed by RBI/ SIDBI	134.74
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2016 as reported by Corporation	128.37
8.	Provisions for NPAs as on March 31, 2016 as assessed by RBI/ SIDBI	128.37
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	5.33
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning	5.33

Loans and Advances restructured

The general recessionary trends coupled with Government policy changes cancelling bar licenses, closure of metal crushers due to environmental issues etc have affected the business of the Corporation considerably. As a result the Corporation as a measure to contain NPA have extended relief measures like rehabilitation / reschedulement/ restructuring to eligible borrowers. Other than loans restructured on account of extension of DCCO, the corporation has restructured 38 loan accounts amounting to Rs. 63.81 crore and are classified under Sub standard category. Provisioning has been made @50% amounting to Rs.31.91crore. During the year the Corporation has not noticed any diminution in the fair value of restructured advances.

Bad debts Written Off

During the year the corporation has written off 143 loan accounts as Bad Debts (technical write off to maintain asset quality) amounting to Rs.119.81 crore (All D1 accounts upto 30.06.2016 amounting to Rs.57.84 crore written off during FY 2015-16). Constructive steps have been initiated for the recovery of these accounts and the amounts will be included in revenue as and when recovered. Rs.46.79 crore have been received as recovery from loans technically written off in earlier years (Rs.27.70 crore during FY 2015-16).

Classification of Loans and Advances & Long Term Borrowings

The Current maturity of Loans & advances is classified under Other Current Assets (Note No.13) under Current Assets and the non current portion is classified under Other Non-current Assets (Note No.10) under Non Current Assets. The Current maturity of Long term borrowings is classified under Short term borrowings (Note No.5) under Current Liabilities and the non current portion is classified under Long term borrowings (Note No.3) under Non Current Liabilities.

The bifurcation of Loans & Advances and Long term Borrowings due within 1 year and above 1year is given below.

₹ in Crores

Particulars	Due within 1 year	Above 1 year	Total
Loans & Advances	542.47	1931.64	2474.11
Long term borrowings	314.44	1611.46	1925.90

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

₹ in Crores

Asset category	2016-17			2015-16		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	5239	2,263.50	16.78	4902	2146.37	9.28
Sub Standard	221	151.64	75.57	362	253.83	119.09
Doubtful	37	58.97	35.38	-	-	-
Total	5497	2,474.11	127.73	5264	2400.19	128.37
Gross NPA		210.61	8.51%		253.83	10.57%
Net NPA		99.66	4.25%		134.74	5.93%

2.4 Advances towards Share capital and KSEDM project

KFC has implemented an interest subvention scheme for manufacturing sector to encourage innovative projects with the support of State Government. Rs.10.14 crore is earmarked as share capital contribution by Govt of Kerala to use equivalent amount towards subsidising interest to eligible units under the scheme. Out of Rs.10.14 crore a sum of Rs. 4.64 Crore was released towards share capital contribution to the Corporation which is shown as share capital advance. Corporation has utilised the subsidy for acquisition of plant and machinery by new units manufacturing Neera and other value added products developed from coconut using the innovative technology provided by Coconut Development Board for sanctioning loans under the scheme. Shares for the same are yet to be issued subject to the approval of SIDBI. The total amount of Rs. 4.64 crore is shown as money received against share capital and the same is treated as potential equity for the preparation of financial statements.

The Corporation had received Rs.15 crore from Govt. of Kerala for meeting the expenses in connection with KSEDM till FY15-16. Rs.1.05 crore have been received from Government during this FY. Rs.36.56 Crore has been spent till 31.03.2017 for the KSEDM project. As on 31.03.17, Rs.20.51 crore is receivable from the govt and is shown as KSEDM Interest & Expenses receivable under Other Current assets. The corporation has taken up with Government for providing the funds to meet the interest commitment. The Corporation has further commitments to pay interest under KSEDM amounting Rs. 38.60 Crore based on the loans sanctioned till 31.03.2017.

2.5 Investments.

Investment with KITCO has been revalued at its face value of shares. The total investment in KITCO stands at 1450 shares (1450 shares of Rs.1000/- each). The Corporation has received an amount of Rs. 217500/- as dividend during the year.

Out of the total investments of Rs. 123.88 Lakhs, provision for diminution in value of investments of Rs. 74.38 Lakhs have been provided for investments other than KITCO and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. For KITCO and India SME Asset Reconstruction Co., we have valued the shares on the basis of latest available financial statements and found that the values are above book value.

2.6 Income Tax Assessments

Income tax return has been filed up to Assessment year 2016-17. Assessments have been completed up to Assessment year 2014-15. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment years 2009-10, 2011-12, 2012-13, 2013-14 & 2014-15. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal has been remanded to Commissioner (Appeals).

2.7 Deferred Tax Liabilities The break-up of deferred Tax Liabilities / Assets in to major components of the respective balances is as given below:-

₹ in Lakhs

Particulars	As on 31.03.2016	For 2016-17	As on 31.03.2017
On Depreciation	-46.93	-2.48	-49.41
On income not received	1519.40	147.90	1667.30
On outstanding expenses	-854.25	-227.87	-1082.12
Total	618.22	-82.45	535.77

2.8 Service Tax

The Corporation being in the service sector is paying service tax as a service provider and under reverse charge mechanism as a service recipient as applicable to Banking and financial services industry. Consequent to the amendment made in Service Tax Rules, any service rendered by the Government” has been made taxable under reverse charge mechanism. We pay reverse charge on Revenue Recovery Charges and Guarantee Commission paid to the Government w.e.f 01.04.2016. The Appeals filed by the Corporation, in respect of Order in Appeal 392 to 394-14-15 dated 19.02.2015 in respect of Ernakulam Branch Office and 27&28-16-17 dated 06.05.2016 in respect of Kollam Branch Office is pending for hearing before the Central Excise and Service Tax Appellate Tribunal, Bangalore. The Department had served two Show Cause Notices (270 & 308) in the year 2015-16 on guarantee commission on the Corporation, for which the first personal hearing is over before the Additional Commissioner, Service Tax, Trivandrum. Further orders are awaited from the Department in respect of the same.

Goods and Service Tax

The Government is going ahead with its plan of implementation of GST by 01.07.2017(notified as of now). GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition. The Corporation is all set to welcome GST on the appointed date. We are registered with GSTN and have a centralised registration unlike the existing set up of different registration for Head Office and Branches. A detailed document on Preparedness and Impact study on GST implementation was placed before the Board on 29.12.2016 and got approved. We have a dedicated and specialised team for GST implementation that includes officers from Accounts, Systems and Administration Departments and external consultants. We are in the process of modifying the Core Financial Solution to include the changes in the tax administration and selection of GST Suvidha Providers for effective tax compliance.

2.9 Related Party Disclosures as per AS 18

A. List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri. P. Joy Oommen, Chairman and Managing Director (Up to 31.05.16)
- Key Management Personnel – Sri. M G Rajamanickam, Managing Director(from 18.08.16)

B. Related party Transactions

The total remuneration paid to Sri P. Joy Oommen during the financial year 2016-17 is Rs.2.68 Lakhs (Rs.11.79 Lakhs during FY 2015-16) which include leave encashment of Rs.0.88 Lakhs (Rs.0.83 Lakhs during FY 2015-16)and incentive of Rs.0.45 Lakhs (Rs.0.45 Lakhs during FY 2015-16). There are no payments on account of PF or Gratuity to him during the year.

The total remuneration paid to Sri M G Rajamanickam during the financial year 2016-17 is Rs.9.25 Lakhs (Nil during FY 2015-16) and incentive of Rs.0.035 Lakhs (Nil during FY 2015-16). No leave has been encashed by him. Rs.0.66 Lakhs have been paid as Employer’s Contribution to NPS for him during the year.

2.10 Impairment of Assets

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2017, as to whether there is any indication that an asset or a class of assets is ‘impaired’ and since there were no incidences of such impairment indicators, no provision has been made.

2.11 Segment Reporting

The Corporation operates as a single unit with a single profit center and has concentrated its activity on term lending only as a single product.

Primary Segment (The Business Segment)

The Corporation operates mainly in the business segment of providing financial assistance to MSME and other sectors.

All other activities revolve around the main business. Further, all activities are carried out within India. As such, there are no separate reportable segments as per the provisions of AS 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

Secondary Segment (The Geographical Segment)

The area of operation of the Corporation is confined within the state of Kerala. As a result separate segment information for different geographical segments is not required.

2.12 Contingent liabilities

The contingent liabilities as on 31.03.2017 are estimated as under

- On account of Income Tax Rs. 619.82 Lakhs
- On account of suits filed against the Corporation Rs. 19.05 Lakhs
- On account of Service Tax Rs. 16.58 Lakhs
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.679.65 Lakhs
- On account of Lease rent payable to Government of Kerala – Rs.83.50 Lakhs

Head Office and Branch Office Thiruvananthapuram are functioning on the land measuring 29.44 Ares (73 cents) in Sy. No. 3647 of Kowdiar Village leased from Government of Kerala for a period of 30 years from April 2008. The lease rent to be paid by the Corporation as per GO (MS) No.401/2008/RD dated 25.11.2008 is Rs.1 Lakh per year and according to our calculation, Rs.6.82 Lakhs is paid in excess while revenue authorities have raised a demand of Rs.83.50 lakhs considering the lease rent proposal at 2% of market value of land based on GO(P) No.64/2016/RD dated 28.01.2016. Hence the demand of Rs.83.50 Lakhs is shown as contingent liability which pertain to demand from FY 2013-14 onwards.

2.13 Accounting for Leases

Financial Leases:

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

Operating Leases:

Where the Corporation is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. The Corporation has taken buildings in various districts for the functioning of its branch offices, under this category and all the contracts are for a period of more than one year with fixed provision for periodical increase in rent amount. Operating lease rent payments are recognized as an expense in the statement of profit and loss every month as and when accrued or paid. During the current reporting period Rs.70.51 Lakhs (Rs.55.43 Lakhs during FY 2015-16) has been charged to profit and loss account in this regard. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is less than actual rent paid. Further there is no contingent element involved in the lease agreements. Hence no additional provision is required in this regard.

Where the Corporation is lessor

Leases in which the Corporation does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. A portion of the Corporation's own building let out for rent is reportable in this category. The assets subject to operating lease are included in the fixed assets and charged depreciation as per AS-10 (Revised). The total amount of Lease income on an operating lease received during the year is Rs.97.15 Lakhs (Rs.79.62 Lakhs during FY 2015-16) and the same is recognised in the statement of profit and loss in line with the existing revenue recognition policy. The total value of unexpired portion of contracted lease is quantified as per AS-19 and the same is higher than actual rent received during the year. Further there is no contingent element involved in the lease agreements. As a matter of prudence provision for additional revenue is not made in the financial statements.

2.14 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs. 400.34 Lakhs relates to M/s Jayalakshmi Builders, Trivandrum which is retained as such since the Hon. High Court of Kerala has ordered 'Status Quo' regarding possession. The acquisition was done in the financial year 2008-09 and accounted as NPA recovery in that financial year. This amount

will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value as per latest valuation is Rs.7.15 crore which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims in the prevailing litigations. The WPC is pending before the Hon'ble High Court.

2.15 Self Employment Venture Fund

An amount of Rs. 26.48 Lacs is lying under the head 'Self Employment Venture fund' and is shown in the schedule of Other Liabilities. This relates to the funds received by the Corporation from the State Government several years back in the scheme. These amounts have actually been adjusted for against the eligible loans under this scheme. But the same were not adjusted against this liability head and hence the amounts are still outstanding now without any claims for the last 20 years. This amount has been transferred to Recovery from written off account.

2.16 Suspense Account.

The amount outstanding in Suspense Account amounting to Rs. 309.12 lakhs comprises of amount kept in suspense as per unidentified credits received in loan accounts during year end, court orders, Inter Branch transactions, and amount received from LIC towards maturity amount of policies of the employees. Rs.282.68 Lakhs on account of unidentified credits received from loan accounts during year end have been correctly accounted as on date. The balance amount lying in Suspense account is being rectified.

2.17 Secured / Un-secured Loans.

Loans from SIDBI and other Banks are secured by creating hypothecation on receivables as primary security for the loan. There are no other charges created on any of the assets of the Corporation on account of borrowings.

2.18 Non SLR Bonds

The Corporation issued Secured, Rated, Listed, Redeemable, Taxable, Non Convertible Bonds of Rs.250 crore @ 8.90% with credit enhancement mechanism during the year without government guarantee. The issue is secured with charge of 1.25 times of the issue size against the receivables of the Corporation and a fixed deposit of Rs.50 crore (20% of the issue size) is placed with a Scheduled Commercial Bank with AAA rating or AA rating or A1+ rating during the entire tenor of the issue.

The Corporation partially redeemed the second lot of KFC 9.99% Non-SLR Bond Series 1/2011 (ISIN: INE 818F08011) amounting to Rs. 50 crore on 28.12.2016. The total bond outstanding as on 31.03.17 is Rs.750 crore. The Bond details are given below.

₹ in Crores

ISIN	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date
INE818F07013	09-May-16	8.90%	250	250	09-May-23
INE818F08037	30-Oct-14	9.15%	200*	200	30-Oct-24
INE818F08029	06-Jun-13	8.72%	200*	200	06-Jun-23
INE818F08011	28-Dec-11	9.99%	200*	100	28-Dec-18

*with Government guarantee

2.19 Employee Expenses.

Employee Pay & Allowances of Rs.23.74 crore (Rs.21.50 crore during FY 2015-16) includes an amount of Rs.0.77 crore (Rs.0.69 crore during FY 2015-16) for proportionate DA arrears declared by Government of Kerala during the year.

2.20 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision has been made for the payment due for FY 2014-15 and FY 2016-17 based on the demand given by RR wing of the Corporation. However no provision was made for the payment due for FY 2015-16 as we did not receive any demand from the RR wing. The demand for FY 2017-18 has been

received after 31.03.17 and hence no provision is required to be made in FY 2016-17. Since the demand for FY 2015-16 has not been given by RR wing, we have provided the same amount as demanded for FY 2014-15- Rs.99.98 Lacs. Hence as on 31.03.17, the total amount provided is Rs.362.76 Lacs, break up is as below.

- FY 2014-15- Rs.99.98 Lacs
- FY 2015-16- Rs.99.98 Lacs
- FY 2016-17- Rs.162.80 Lacs
- Total Provision made- Rs.362.76 Lacs

2.21 Provision for Income Tax

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

Taxable income calculated as per IT Act	-	Rs.90676121/-
Income tax thereon	-	Rs.29980246/-
Less: MAT credit	-	Nil
Balance Charged to Profit & Loss A/c	-	Rs.29980246/-

2.22. Prior period items

An amount of Rs.58.56 Lakhs is shown as prior period income. The reconciliation of the employee loan balances in payroll system with financial accounting system have been completed and the differences of prior years have been rectified. A certificate from Statutory Auditor is obtained in this regard regarding the correctness of the reconciliation. The impact of profit in financials is Rs.58.56 Lakhs on account of write back of the differences in loan balances which is shown as prior period adjustment during this year.

2.23 Grants and Subsidies

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

2.24 Interest Income and rebate

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during 2016-17 are Rs.33711.52 Lakhs and Rs.3195.29 Lakhs and during 2015-16 are Rs.30104.84 Lakhs and Rs.2899.26 Lakhs respectively.

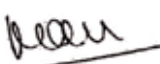
2.25 Previous Year's Figures

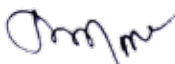
Previous year's figures have been regrouped and reclassified wherever found necessary.

For and on behalf of the Board of Directors


Soya K
Asst. General Manager


Premnath Ravindranath
General Manager(I)


Premilla V Nair
Director


M G Rajamanickam
Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 001360S

Thiruvananthapuram
03.07.2017


Selastin. A FCA
Partner, M No: 202874

NOTE: 20
DISCLOSURE REQUIREMENTS:

₹ in Lacs

DISCLOSURE REQUIREMENTS:			
A. Capital	2016-17		2015-16
a) CRAR (%)	16.83		17.65
b) Risk Weighted Assets			
1) On Balance Sheet items	247411.44		240019.20
c) Share holding pattern as on Balance Sheet date			
	Amount	%	%
1. Government of Kerala (including advance)	22026.94	97.25	97.19
2. SIDBI	613.33	2.71	2.76
3. Commercial Banks, Insurance Cos. Pvt. Shareholders etc.	10.16	0.04	0.05
TOTAL	22650.43	100	100.00
d) Net worth	43544.53		42916.50
B. Asset Quality and Credit Concentration:	Amount	%	%
a) Net NPAs to Net Loans and Advances.	9965.72	4.25	5.93
b) Net NPAs under the prescribed asset classification categories			
Sub Standard Assets	9965.72	4.25	5.93
c) Provisions:			
	2016-17		2015-16
1. Provision for Standard Assets	1677.53		928.00
2. Provision for NPA	11095.26		11908.96
3. Provision for Investments	74.38		74.38
4. Provision for Income Tax	299.80		1085.37
5. Provision for Deferred Tax Liability	-82.45		416.69
6. Proposed Dividend	0.00		0.00
d) Movement in Net NPA (%)			
	2016-17	2015-16	Variance
Sub Standard	4.25	5.93	-1.68
TOTAL	4.25	5.93	-1.68

C. Liquidity:

a) Maturity pattern of Rupee assets.

Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	More than 10 years	Total
Total assets	54247.43	73035.86	68359.78	44410.35	7358.02	0.00	247411.44
Total Liabilities	31443.86	58811.96	59444.72	37889.43	5000.00	0.00	192589.97

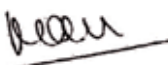
D. Operating Results:

	2016-17	2015-16
a) Interest income as a percentage to average working funds-	14.77	14.74
Interest Income	33,711.52	30104.83
Average Working Funds	228291.50	2,04,236.40
b) Non-interest income as a percentage to Average Working Funds-	2.61	1.78
Non-interest income	5,956.27	3,641.85
Average Working Funds	228291.50	2,04,236.40
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-	0.34	2.31
Operating Profit (+) / Loss (-)	786.82	4,726.51
Average Working Funds	228291.50	2,04,236.40
d) Return on Average Assets-	0.37	2.03
Returns (operating profits + depreciation)	971.19	4855.41
Average Assets	266030.70	2,39,460.77
e) Net profit (+) / Loss (-) per employee	2.59	2.38
No. of employees	220	224
Net profit (+) / Loss (-)	569.47	532.73

For and on behalf of the Board of Directors


Soya K
Asst. General Manager


Premnath Ravindranath
General Manager(I)


Premilla V Nair
Director


M G Rajamanickam
Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 001360S

Thiruvananthapuram
03.07.2017


Selastin. A FCA
Partner, M No: 202874

CASH FLOW STATEMENT

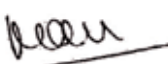
₹ in Lacs

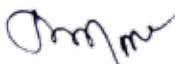
FOR THE PERIOD	For the year ended 31.03.2017	For the year ended 31.03.2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	786.82	2,034.79
Prior Period Income	58.56	-
Dividend Received	(2.18)	(2.18)
Interest received on Fixed Deposits	(399.41)	(24.87)
Depreciation on fixed assets	184.37	128.90
Provision for Non Performing Assets	-	2,691.72
Profit/Loss on sale of fixed assets	1.18	(0.96)
Interest and other costs of Non-SLR Bond	7,411.20	5,979.49
Adjustment for changes in operating assets and liabilities		
Increase in Loans and advances	(7,392.24)	(36,200.89)
Increase in borrowings from banks and SIDBI	(7,476.79)	39,434.69
Increase in other non-current assets	(301.05)	(102.71)
Decrease in other current assets	242.40	(1,784.87)
Increase in current liabilities	1,004.21	406.96
Less: Income tax paid	(300.00)	(2,540.00)
Net cash from operating activities	(6,182.93)	10,020.07
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(163.05)	(153.06)
Sale of fixed assets	1.51	15.72
Dividend Received	2.18	2.18
Capital expenditure on assets work in progress	-	(1.98)
Net cash used in investing activities	(159.36)	(137.14)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Non SLR Bond	25,000.00	-
Redemption of Non-SLR Bond	(5,000.00)	(5,000.00)
Interest and other costs of Non-SLR Bond	(7,411.20)	(5,979.49)
Interest Received on Fixed Deposits	399.41	24.87
Term Deposit with Banks	(5,000.00)	
Short Term Deposits with Banks	(1,091.50)	
Dividend paid	-	(674.06)
Dividend tax paid	-	(127.03)
Net cash used in financing activities	6,896.71	(11,755.71)
Net increase in cash and cash equivalents	554.42	(1,872.78)
Cash and cash equivalents at the beginning of the year	612.49	2,485.27
Cash and cash equivalents at the end of the year	1,166.91	612.49

For and on behalf of the Board of Directors


Soya K
Asst. General Manager


Premnath Ravindranath
General Manager(I)


Premilla V Nair
Director


M G Rajamanickam
Managing Director

As per our report of even date
For JAKS Associates Chartered Accountants
Firm Reg No: 001360S

Thiruvananthapuram
03.07.2017


Selastin. A FCA
Partner, M No: 202874

PROFORMA-I

SUMMARY OF LOAN OPERATIONS FOR FY 2016-17

PARTICULARS	MICRO		SMALL		MEDIUM		TOTAL	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Application pending as on 01-04-2016	16	726.00	7	3120.00	1	116.00	24	3962.00
2. Application received during 2016 – 17	644	40161.74	27	7312.00	18	2950.00	689	50423.74
3. Total Application for consideration	660	40887.74	34	10432.00	19	3066.00	713	54385.74
4. Application withdrawn/rejected or otherwise disposed off	40	722.76	10	7934.50	12	356.80	62	9014.06
5. Application Sanctioned (Gross)	613	37258.98	19	614.50	5	709.20	637	38582.68
6. A. Application Cancelled or reduced out of Current Year 's Sanction	3	52.00	0	0.00	0	0.00	3	52.00
B. Application cancelled / reduced out of previous year Sanction	11	1550.18	14	1218.00	10	1107.27	35	3875.45
C. Total cancellation/reduction (6A+B)	14	1602.18	14	1218.00	10	1107.27	38	3927.45
7. Application Sanctioned Effectively (5-6A)	610	37206.98	19	614.50	5	709.20	634	38530.68
8. Amount Disbursed along with number of newly assisted units	1,334	60742.60	69	1894.35	45	2890.50	1448	65527.45
9. Application pending sanction as on at the end of the period	7	2906.00	5	1883.00	2	2000.00	14	6789.00

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2016-17

₹ in Lacs

BRANCH NAME	APPLICATION RECEIVED						GROSS SANCTION									
	MICRO		SMALL		MEDIUM		TOTAL		MICRO		SMALL		MEDIUM		TOTAL	
	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT
THIRUVANATHAPURAM	76	7116.17					76	7116.17	75	3907.56					75	3907.56
	36	3244.87					36	3244.87	35	2210.45					35	2210.45
PATHANAMTHITTA	26	2154.42					26	2154.42	25	2156.00					25	2156.00
	35	1513.03					35	1513.03	33	1718.05					33	1718.05
KOTTAYAM	21	1205.13			1	1500.00	22	2705.13	20	1056.60					20	1056.60
IDUKKI	19	1655.53			4	530.00	23	2185.53	17	815.20			1	200.00	18	1015.20
	24	267.17	11	1318.00	2	325.00	37	1910.17	22	1287.60			1	150.00	23	1437.60
ERNAKULAM	49	2047.45	14	5658.00	5	25.00	68	7730.45	45	5925.05	4	16.00	1	4.20	50	5945.25
PERUMBAVOOR	39	1732.58					39	1732.58	38	1690.40					38	1690.40
TRISSUR	36	2725.14					36	2725.14	33	2902.20					33	2902.20
	39	2065.02					39	2065.02	38	1896.25					38	1896.25
MALAPPURAM	57	3240.16					57	3240.16	56	2477.91					56	2477.91
KOZHIKODE	46	3488.24					46	3488.24	43	2484.32					43	2484.32
	35	2227.29	2	336.00	6	570.00	43	3133.29	33	1666.00	15	598.50	2	355.00	50	2619.50
KANNUR	36	1609.63					36	1609.63	32	1627.49					32	1627.49
KASARAGODE	70	3869.92					70	3869.92	68	3437.90					68	3437.90
GRAND TOTAL	644	40161.74	27	7312.00	18	2950.00	689	50423.74	613	37258.98	19	614.50	5	709.20	637	38582.68

BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2016-17

₹ in Lacs

PROFORMA – IV

DISTRICT WISE BREAKUP OF LOAN APPLICATIONS RECEIVED, SANCTIONED AND DISBURSED DURING FY 2016-17

₹ in Lacs

BRANCH NAME	APPLICATION RECEIVED			LOAN SANCTIONED EFFECTIVELY			LOAN DISBURSED		
	NO	% of Total	Amount	% of Total	NO	% of Total	Amount	% of Total	% of Total
THIRUVANATHAPURAM	76	11.03	7,116.17	14.11	74	11.67	3887.56	10.09	15.08
KOLLAM	36	5.22	3,244.87	6.44	35	5.52	2210.45	5.74	7.00
PATHANAMTHITTA	26	3.77	2,154.42	4.27	25	3.94	2156.00	5.60	5.05
ALAPUZA	35	5.08	1,513.03	3.00	33	5.21	1718.05	4.46	3.19
KOTTAYAM	22	3.19	2,705.13	5.36	20	3.15	1056.60	2.74	3.05
IDUKKI	23	3.34	2,185.53	4.33	18	2.84	1015.20	2.63	2.78
THODUPUZHA	37	5.37	1,910.17	3.79	23	3.63	1437.60	3.73	3.60
ERNAKULAM	68	9.87	7,730.45	15.33	49	7.73	5925.25	15.38	11.98
PERUMBAVOOR	39	5.66	1,732.58	3.44	38	5.99	1690.40	4.39	5.42
TRISSUR	36	5.22	2,725.14	5.40	33	5.21	2902.20	7.53	6.98
PALAKKAD	39	5.66	2,065.02	4.10	38	5.99	1896.25	4.92	3.78
MALAPPURAM	57	8.27	3,240.16	6.43	56	8.83	2477.91	6.43	4.91
KOZHIKODE	46	6.68	3,488.24	6.92	43	6.78	2484.32	6.45	9.71
WAYANAD	43	6.24	3,133.29	6.21	50	7.89	2619.50	6.80	6.27
KANNUR	36	5.22	1,609.63	3.19	31	4.89	1615.49	4.19	4.33
KASARAGODE	70	10.16	3,869.92	7.67	68	10.73	3437.90	8.92	6.87
GRAND TOTAL	689	100	50423.74	100	634	100	38530.68	100	100

PROFORMA -V

SECTOR WISE LOANS OUTSTANDING AS ON 31.03.2017

₹ in Lacs

Particulars	STANDARD		SUBSTANDARD		DOUBTFUL		TOTAL LOAN OUTSTANDING	
	No	Amount	No	Amount	No	Amount	No	Amount
CRE	685	54396.22	20	4418.21	8	2173.37	713	60987.80
HOSPITAL	396	9536.2	3	56.97	2	928.45	401	10521.62
HOTEL	982	67622.74	42	4793.63	8	2373.36	1032	74789.73
MANUFACTURING AND OTHERS	3176	94795.3	156	5895.27	19	421.73	3351	101112.30
Total	5239	226350.46	221	15164.08	37	5896.91	5497	247411.45

HIGHLIGHTS OF PERFORMANCE

₹ in Lacs

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	1	2	3	4	5	6	7	8	9	10
Applications Received No.	567	619	855	702	694	721	1,147	1,364	1,383	689
Applications Received Amount	28,246	43,658	79,947	59,699	64,294	77,271	98,962	1,48,269	1,12,049	50,424
Applications Sanctioned No	526	580	759	742	634	639	1,111	1,311	1,328	634
Applications Sanctioned Amount	24,557	34,910	61,593	50,706	53,901	66,139	1,01,173	94,745	1,02,599	38,531
Disbursement Amount	18,643	29,394	41,953	44,344	46,457	47,594	75,473	65,709	83,836	65,527
Recovery Amount	21,844	26,925	29,954	35,473	46,717	54,022	56,513	68,427	75,820	87,428
Number of loan accounts	7,797	6,309	5,949	6,049	5,985	6,114	4,196	4,498	5,264	5,497
Balance Outstanding Amount	97,128	70,353	88,839	1,12,481	1,23,984	1,40,143	1,80,037	2,03,818	2,40,019	2,47,411
Authorised Capital	20,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
PAID-UP CAPITAL										
State Government	14,399	19,783	19,783	20,574	20,574	20,574	20,574	21,563	21,563	21,563
SIDBI	1,483	613	613	613	613	613	613	613	613	613
Others	24	10	10	10	10	10	10	10	10	10
Total	15,906	20,406	20,406	21,197	21,197	21,197	21,197	22,186	22,186	22,186
INCOME										
Interest on Loans	8,293	10,192	9,196	12,064	15,730	25,294	26,312	30,915	29,976	35,195
Other Income	540	734	6,599	4,534	5,695	476	307	167	871.90	1,277.29
Total	8,833	10,926	15,795	16,598	21,425	25,770	26,619	31,082	30,847	36,473
EXPENDITURE										
Interest on Bonds	1,371	1,124	960	759	1,043	2,111	3,419	4,675	5,453.96	6,917.15
Interest on Refinance	2,409	2,913	3,776	4,217	3,996	3,830	2,636	1,922	1,311.35	837.44
Interest on Other Borrowings	3	10	3	854	3,170	2,760	4,442	7,356	9,609.89	11,761.60
Fund Raising Financial Expense	118	98	174	1,166	244	241	370	417	525.63	557.72
Pay & Allowances etc	2,362	2,408	1,978	2,463	1,792	2,317	2,355	2,595	2,701.37	2,863.48
Establishment Expenses	244	211	138	410	402	438	574	527	522.82	502.80
TOTAL	6,507	6,764	7,029	9,869	10,647	11,697	13,797	17,492	20,125	23,440

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Profit / Loss before Depreciation/ Write off /Provisions	2,301	4,162	8,766	6,729	10,778	14,073	12,822	13,590	10,722	13,032
Depreciation	38	33	36	64	58	57	65	53	129	184.37
Bad Debts Written Off	3,291	11,757	3,773	495	3,078	2,566	4,139	4,280	5867	12061.13
Provision for Bad & Doubtful debts	1,310	-8,798	88	1,419	482	1,626	1,311	3,811	2692	0
Net Profit / Loss	-2,815	1,170	2,114	3,640	4,565	6,683	4,134	1,437	533	787
Accumulated Loss	-10,500	0	0	0	0	0	0	0	0	0
Net Worth	8,762	24,932	26,996	29,736	32,585	38,376	41,484	42,392	42,917	43545
Gross NPA (%)	44.49	21.00	9.04	8.20	3.60	3.51	3.45	7.85	10.57	8.51
Net NPA (%)	28.68	13.22	2.41	1.88	1.30	0.36	0.35	3.71	5.93	4.25
SOURCES OF FUNDS										
Share Capital	0	15,000	0	791	0	0	214	989	0	0
Bonds		0	0	0	20,000	0	20,000	20,000	0	25000
Refinance	7,500	16,000	20,989	16,000	7,900	5,900	2,710	0	0	0
Plough Back		14,155	10,162	6,192	21,565	15,394	20,267	43,646	27434	25354
Advance from Govt of Kerala					1,989	0	500	0	0	0
RBI Borrowings		0	0	0	0	0	0	0	0	0
LOC	0	0	0	26,200	11,500	20,000	27,500	32,799	56201	35000
USES OF FUNDS										
Repayment of Bonds	2,044	1,592	977	3,641	3,655	2,453	0	0	5000	5000
Repayment of Refinance	4,682	6,257	16,386	16,541	11,332	16,000	12,602	7,642	5743	3975
Repayment of FD	9	12	0	0	0	0	0	0	0	0
Repayment of Adhoc Borrowings/LOC		0	0	2,700	6,688	12,274	9,609	17,109	17473.65	24778
*Cumulative Sanction up to 31.03.2017										903907
*Cumulative disbursement up to 31.03.2017										755047

KERALA FINANCIAL CORPORATION

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

H.O: ASWATHY, VELLAYAMBALAM, THIRUVANANTHAPURAM- 695 033.

Phone: 0471-2737500 (30 lines) Fax: 2311750,2318541, 2313813, 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.....

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.

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



90% LOAN FOR MODERNISATION

**LOWEST
INTEREST RATE**

MANUFACTURING SECTOR-10.50%*
SERVICE SECTOR-11%*

Purpose: Expansion / Modernisation of Existing Hotels/Hospitals/Industrial Units for keeping pace with changes / remain competitive

Max. loan limit: Rs. 20 Crores for companies / societies / corporations and Rs. 8 Crores for others

Max. Repayment Period : 8 Years including 2 years Moratorium

brand - village

* conditions apply

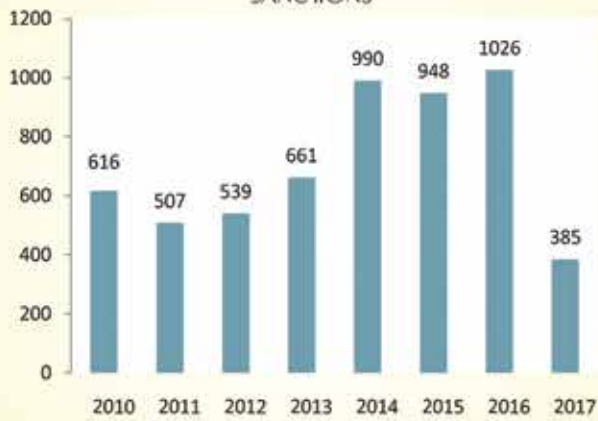
Head Office: Vellayamabalam,
Thiruvananthapuram, Kerala - 695 033, India
Call us: +91 471 2737640/576/590/500
Fax: +91 471 2311750. Email: info@kfc.org
Website: www.kfc.org

 **Kerala Financial Corporation**
we finance your dream

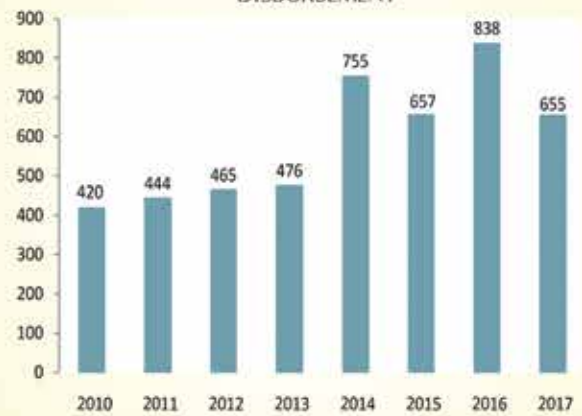
FINANCIAL HIGHLIGHTS

₹ in Crores

SANCTIONS



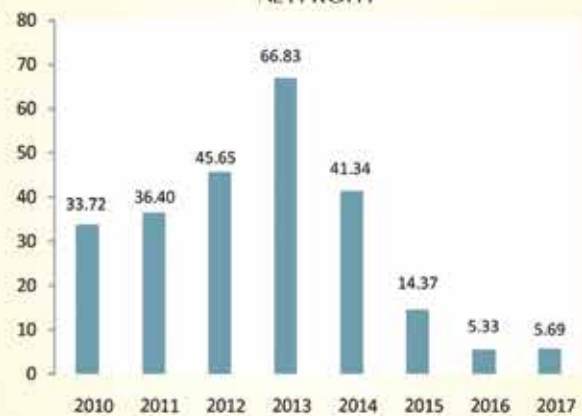
DISBURSEMENT



RECOVERY



NET PROFIT



NETWORTH



PORTFOLIO



Building Entrepreneurship in Kerala



Vellayambalam, Thiruvananthapuram, Kerala-695033

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Email: kfc@kfc.org



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