KSFE

2019-20 ANNUAL REPORT

അഭിമാനത്തിന്റെ 51 വർഷങ്ങൾ

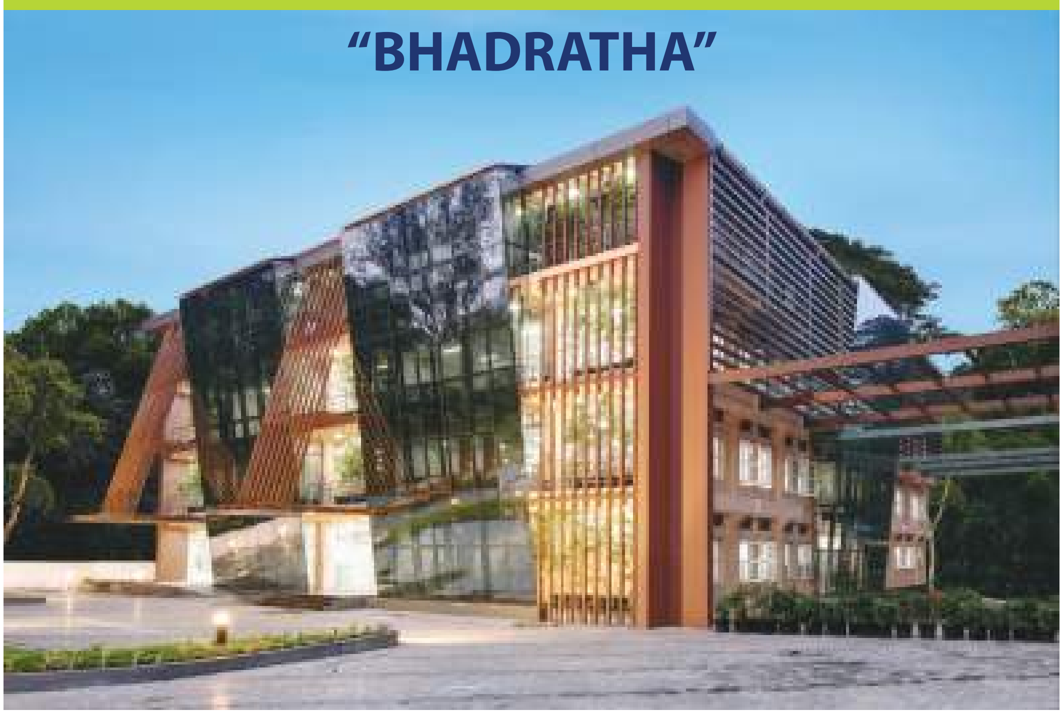
KSFE

KSFE

Registered on 06th November 1969

Financial Upto 31st March 2020

Centenary Building



വളരണം നാടിനൊപ്പം

BOARD OF DIRECTORS

K Varadarajan
(Chairman)

Sri. VP Subramanian
(Managing Director)

Directors

1. **Sri. K Inbasekar I.A.S.**
2. **Smt. Sini J Shukkoor**
3. **Smt. BS Preetha**
4. **Sri. R. Rajagopal**
5. **Adv. Reji Zachariah**
6. **Adv. V.K. Prasad**
7. **Sri. P.C. Pillai**
8. **Sri. R. Mohammed Sha**
9. **Dr. P.V. Unnikrishnan**
10. **Prof. K.N. Gangadharan**
11. **Prof. D. Narayana**
12. **Sri. P.K. Anandakuttan**
13. **Sri. VijayanCherukara**

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED
(A Government of Kerala Undertaking)
REGD, OFFICE: " BHADRATHA", P.B. No. 510
MUSEUM ROAD, THRISSUR - 680 020
Phone: 0487 - 2332255, Fax: 0487 - 2336232
Web: www.ksfe.com   Email: info@ksfe.com
CIN: U65923KL1969SGC002249
GSTIN: 32AABCT3817A1Z0

LEGAL ADVISORS	**M/s Menon & Pai** Advocates, Kochi
TAX CONSULTANTS	**M/s Varma & Varma Chartered Accountants,** Thrissur

AUDITORS (FY 2019-20)

STATUTORY AUDITOR	**M/s Paulson & Co., Chartered Accountants,** Ernakulam
BRANCH AUDITORS	**M/s Ananthan & Sundaram,** Trivandrum Region
	M/s Sankar&Moorthy, Attingal Region
	M/s Krishnan Retna & Associates, Kollam Region
	M/s Sasi Vijayan & Rajan, Pathanamthitta Region
	M/s Abraham & Jose, Kottayam Region
	M/s Isaac & Suresh, Alappuzha & Kattappana Regions
	M/s Sridhar & Co., Ernakulam Region
	M/s Mohan & Mohan Associates, Malappuram Region
	M/s K VenkatachalamAiyer& Co., Palakkad Region
	M/s B S J & Associates, Kozhikode Region
	M/s Ayyar & Cherian, Kannur Region

BANKERS	Axis Bank	Vysya Bank Ltd.
	Bank of Baroda	The Bank of Maharashtra
	Bank of India	The North Malabar Gramin Bank
	Canara Bank	The South Malabar Gramin Bank
	Catholic Syrian Bank Ltd.	Treasury Savings Bank
	Central Bank of India	The Alleppey Dt. Co-op. Bank Ltd.
	Corporation Bank	The Idukki Dt. Co-op. Bank Ltd.
	Dena Bank	The Kerala State Co Operative Bank Ltd.
	Dhanalakshmi Bank Ltd.	The Kollam Dt. Co-op. Bank Ltd.
	Federal Bank Ltd.	The Kottayam Dt. Co-op. Bank Ltd.
	HDFC Bank Ltd.	The Kannur Dt. Co-op. Bank Ltd.
	Indian Bank	The Kasaragod Dt.C-op. Bank Ltd.
	Indian Overseas Bank	The Kozhikode Dt.Co-op. Bank Ltd.
	Punjab National Bank	The Malappuram Dt.Co-op. Bank Ltd.
	South Indian Bank Ltd.	The Malabar Central Co-op. Bank Ltd.
	State Bank of India	The Pathanamthitta Dt.Co-op. Bank Ltd.
	Syndicate Bank	The Palakkad Dt.Co-op. Bank Ltd.
	United Commercial Bank	The Thrissur Dt. Co-op. Bank Ltd.
	Union Bank of India	The Trivandrum Dt.Co-op. Bank Ltd.
	Kerala Gramin Bank	The Wayanad Dt. Co-op. Bank Ltd.
	Vijaya Bank	

EXECUTIVES

Managing Director
Sri. V.P. Subramanian

General Manager
CA Sarathchandran S. (Finance)

General Manager
Dr. Lawrence Harold (Business) i/c

Deputy General Manager

Sri. Sujatha MT [P & HR] I/C

Sri. Jayaprakasan K.V. [IA & V]

Sri. Pramodan A. [Recovery]

Assistant General Manager

Sri.Pramodan A. [Legal] i/c

Sri. Sujatha MT [Planning]

Sri. Vijayan A. [Business]

Sri. Madhumohan C K [GAD]

Assistant General Manager
(Regions)

Smt. Lily N.S.
Kollam

Smt. Marykutty Sebastian
Kannur

Smt. Nisha A.B.
Thrissur

Smt. Prameela K.P.
Ernakulam

Smt. Saraswathy N.
Alappuzha

Smt. John Denninson
Malappuram

Sri. Ajith Kumar K.D.
Kattappana

Sri. Ganesan P.
Kottayam

Sri. Prasantha Kumar P.K.
Attingal

Sri. Prasad S.
Palakkad

Sri. Raju R.
Kozhikode

Sri. Sampuji V.
Pathanamthitta

Sri. Vijayakumar C.
Thiruvanathapuram

Company Secretary
CS Emil Alex

Directors as on March 31, 2020

K Varadarajan
(Chairman)

Sri. VP Subramanian
(Managing Director i/c Directors)

<u>Directors</u>

1.	**Sri. K Inbasekar I.A.S.**	**7.**	**Sri. R. Mohammed Sha**
2.	**Sri. R Rajagopal**	**8.**	**Dr. P.V. Unnikrishnan**
3.	**Smt. VR Mini**	**9.**	**Prof. K.N. Gangadharan**
4.	**Adv. Reji Zachariah**	**10.**	**Prof. D. Narayana**
5.	**Adv. V.K. Prasad**	**11.**	**Sri. P.K. Anandakuttan**
6.	**Sri. P.C. Pillai**	**12.**	**Sri. VijayanCherukara**

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED
(A Government of Kerala Undertaking)
BHADRATHA, MUSEUM ROAD, P.B. No. 510, THRISSUR - 680 020, KERALA, INDIA
Ph: +91 487 2332255, Fax: +91 487 2336232, Web: www.ksfe.com

Ref: 151ADJ/CS

Date: 04-02-2022

NOTICE TO THE SHARE HOLDERS

Notice is hereby given that the 51st Adjourned Annual General Meeting of the Company will be held at 10:30AM on Saturday the 26th day of February2022 at the Registered Office of the Company situated at PB No. 510, 'Bhadratha', Museum Road, Thrissur – 680 020 to transact the following business:

1. To receive consider and adopt the Directors' Report, the Audited Balance Sheet as on 31st March, 2020 and the Profit and Loss Account for the Year ended 31st March, 2020 together with the Auditors' Report and the Comments of the Comptroller and Auditor General of India thereon.
2. To declare dividend for the year FY 2019-20

By Order of the Board of Directors,

(Sd/-)

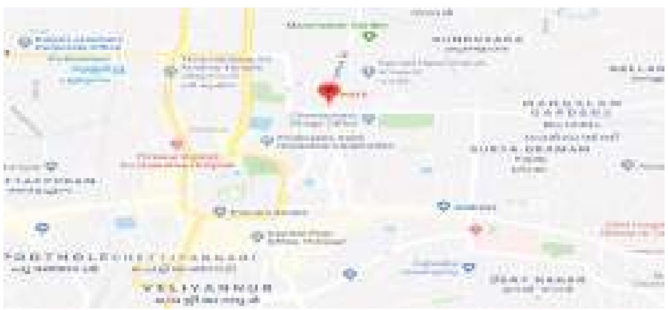
CS EMIL ALEX
COMPANY SECRETARY.

Regd.Office: "Bhadratha",
P.B.No.510, Museum Road,
Thrissur – 680 020.
Kerala

Note:

1. In view of the continuing COVID-19 pandemic, the Govt. of India, Ministry of Corporate Affairs (MCA) allowed conducting Annual General Meeting through Video Conferencing (VC) or Other AudioVisual Means (OAVM) and dispensed the physical presence of the members at the meeting. Accordingly, the MCA issued Circular No. 19/2021 and Circular No. 20/2021 dated December 08, 2021, (collectively referred to as "MCA Circulars"). Therefore, members would have an option to attend the meeting through VC/OAVM upon prior request, not less than 48 hours prior to the time for holding the meeting.
2. A member entitled to attend and vote at the above meeting is also entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A form of proxy is enclosed. A member who wishes to appoint a proxy must return the proxy form duly completed so as to reach the Registered Office of the Company not less than 48 hours prior to the time for holding the meeting.
3. A route map along with prominent landmark for easy location to reach the venue of the Annual General Meeting is announced with the notice of Annual General Meeting.

Route Map to the venue of AGM:



DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors of The Kerala State Financial Enterprises Limited take great pleasure in presenting the 51st Annual Report of the Company, together with the Audited Balance Sheet and Profit & Loss Account for the year ended March 31, 2020

FINANCIAL SUMMARY/ HIGHLIGHTS AND STATE OF AFFAIRS:

Financial Parameters for the year ended	March 31 2020	March 31 2019
	(₹ in Crores)	
Gross Income	2827.3	2634.94
Total Expenditure	2722.14	2512.5
Profit Before Tax	105.16	122.44
Provision for Taxes/Deferred tax	32.37	44.66
Net Profit	72.79	77.78
Other Comprehensive Income (net of tax)	(4.42)	(0.16)
Total Comprehensive Income (after tax)	68.37	77.62
Shareholder's Equity (Networth)	976.33	850.15
APPROPRIATION		
Transfer to Reserve	72.79	77.78
Proposed Dividend	35%	35%
Earnings per Share of ₹100 each	68.37	77.2

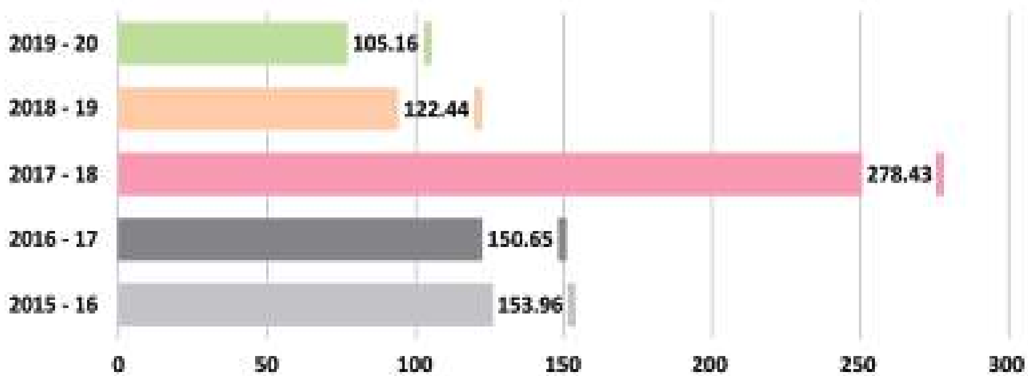
Note: - Previous year's figures have been restated wherever necessary, to align with current year's presentation

DIVIDEND & RESERVES

The Board of Directors have recommended a dividend of 35% i.e.₹ 35.00 per Equtiy Share on face value of ₹ 100/- each for the year 2019-20 striking a fine balance between retained earnings and dividend distribution (previous year 35% i.e. ₹ 35 per Equtiy Share) subject to the approval of the members in the ensuing Annual General Meeting. However, the dividend as at 31 March 2020 was accounted for as liabiltiy in accordance with the then existing Accounting Standard.

A sum of ₹ 72.79 crores (i.e., ₹ 10.52 crores to Chitty reserve and ₹ 62.27 crores to General Reserve) respectively had beent ransferred to Reserves as decided by the board. The Company is expecting a higher growth in business volume and profits in the coming years.

PROFIT BEFORE TAX (₹ in Crores)



PROFIT AFTER TAX (₹ in Crores)

RESULTS OF OPERATIONS

Through its network of 577 branches spread under 13 Regional Offices your Company was able to serve its customers throughout the State of Kerala. There were no significant changes in the nature of business of the Company during the aforesaid period.

Your Company has entered into its 51st year of operation and as planned in the last year company is completing its rebranding exercise by modernising its branches spread across the State of Kerala. Company in the previous year had completed renovation of 127 branches and renovation of the remaining branches would be completed on war footing basis. Company is confident in reaching out to all segments of the socitey and to cater to their financial needs.

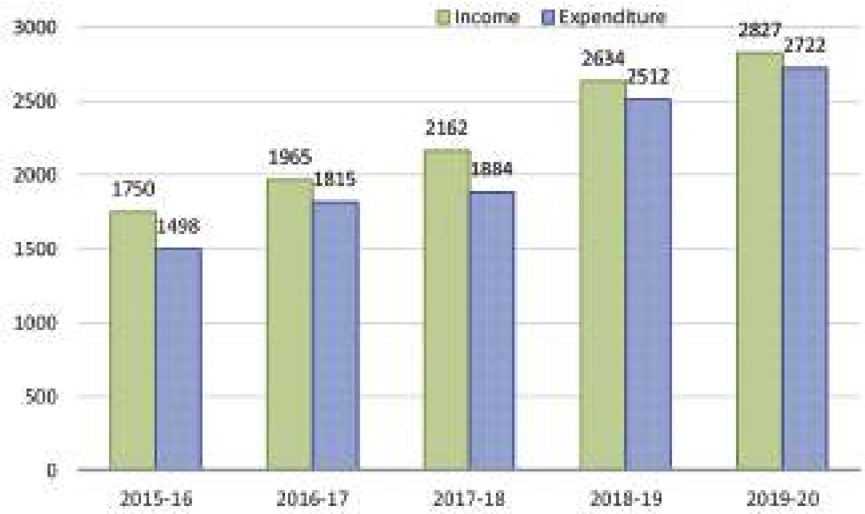
Your Company with the intention to reach the younger most generation and as part of broadening its customer base is actively taking steps to itnroduce a mobile app and a customer portal in the Company. Development of mobile app is almost complete in this regard and is waiting for regulatory approval for launching the same. Company is also examining the possibiltiy of rolling out pravasi chitty software for domestic chitty too, thereby enabling a complete digitisation to woo younger generation to avail the services of the Company.

Our Company has already launched its most prestigious product for non-residents under the name of KSFE Pravasi Chitty. In the ensuing fiscal, the Company would be playing a pivotal role in mobilising funds in association with KIIFB for investment in various projects undertaken by the Government of Kerala. "KSFE Pravasi chitty", the first technology driven chit of the company is expected to go a long way in helping the Non-Resident Keralaites in realizing their dreams by enjoying the financial benefits of chitty and the "value added benefits" attached thereto and also to fulfill their social responsibiltiy by participating in the developmental activities of their home town. KSFE Pravasi chitty has unwrapped last year and have attracted many a people, and now it is unfolded its one more wing by allowing NRKs within India and outside Kerala to join this prestigious product of KSFE. In the coming year we aret rying to achieve the goal of achieving 150000 customers and a100 crore new chittysala. New strategies are formulated and road map is being prepared for the same. Developing Agencys ystem in Mteropolitan Cities is in final stage by co-operating various sections of NRKS.

Our next focus is to serve the women force within and outside Kerala. Kerala is a rare state in which no. of women exceeds men according to latest census report and of course the force of working women group is quite large in comparison with other states. We already have a considerable segment of women clientele, but it was not due to a conscious effort to attract them. It was due to thet raditional features of chitty which was familiar to our women socitey for a long time. To enrich this relationship, we have decided to itnroduce some special schemes to empower women financially which may lead to enhancement of their social status. The company is considering extending its line of loan products exclusively for women, like gold loan product at a nominal interest rate for a short period in connection with international women's day or some other important date related to the emancipation of women.

As envisaged in the previous year your company could not attain target of INR 50,000 crores business due to partial shutdown of the economy in the last quarter arising due to pandemic outbreak

FINANCIAL HIGHLIGHTS OVER THE YEARS (INR in Crores)



During the year your Company had earned an aggregate income of ₹2827 Crores registering an increase of 7.28% over the previous year's ₹2634 crores. After payment of guarantee commission to the tune of ₹65.39 crores to the Government of Kerala during the year, the Company made a profit before tax amounting to ₹72.79 crores.

The activities of the Company during the year have resulted in the following direct and indirect benefits to the Government of Kerala.

PROFITABILITY

(₹ in Crores)

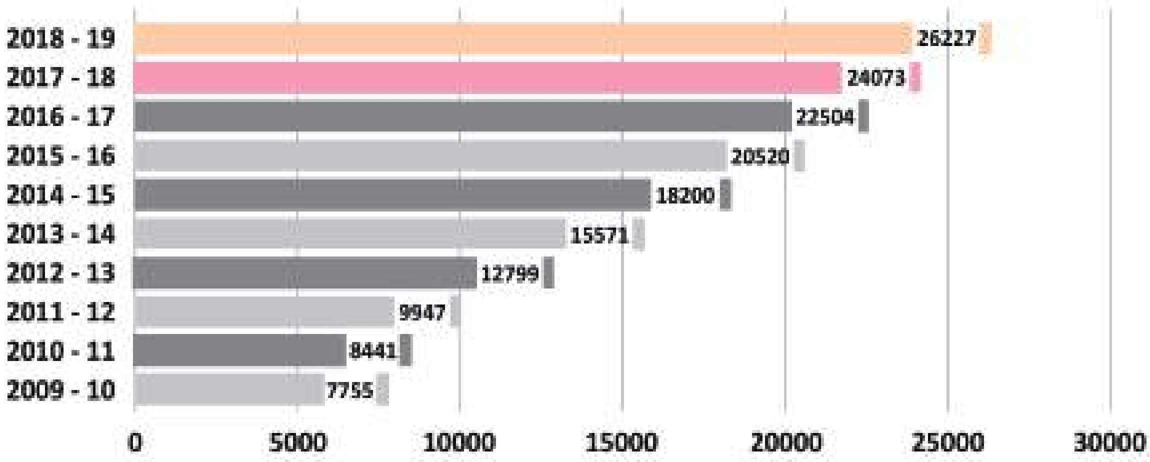
Years	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
Capital & Reserves	191.13	259.2	324.42	379.63	444.95	490.37	575.64	720.19	950.15	976.33
Turnover *	8441.05	9946.83	12799.02	15570.54	18200	20520	22504.49	24073	26227	35047.35
Fixed Deposits**	2571.93	3141.52	4151.71	5472.46	6708.19	7900.21	9801.75	10916	11697	13319.97
Profit after Tax	27.94	72.75	69.89	59.88	70.72	35.87	85.27	144.41	77.78	72.79
Branches (Nos.)	376	387	460	501	507	600	568	577	577	577
Employees (Nos.)	5040	5186	5203	5112	5585	6426	6819	6877	6777	6571
Contribution to State Exchequer***	75.98	87.96	96.67	117.09	146.39	81.26	108.28	84.46	130.46	154.3

* *Turnover includes total auctioned sala and loans outstanding but does not include deposits*

** *Fixed deposits include short term deposit and Chitty Securtiy Deposit in Trust*

*** *The cotnribution to State Exchequer Includes-Service charge (till 2014-15), Guarantee Commission – ₹65.39, Registration & Filing Fee - ₹47.40, Rates & Taxes - ₹0.27, Dividend - ₹35 and Insurance - ₹0.38.*

TURNOVER (₹ in Crores)



NUMBER OF BRANCHES

At the close of financial year, your Company had 577 branches spread under 13 regional offices. The Company proposes to open 50 new branches out of 100 branches proposed last year and also another 14 new branches across the State of Kerala. By doing so, Company intends to provide employment opportunities for the educated job aspirant youth in the State and spread its wings to unrepresented areas thereby extending its area of operation and including more and more people in its customer base. As envisaged in the previous year, as part of rebranding exercise your company has already renovated 127 branches across the State till 31.03.2020. Steps have also been taken to renovate the remaining branches at the earliest.

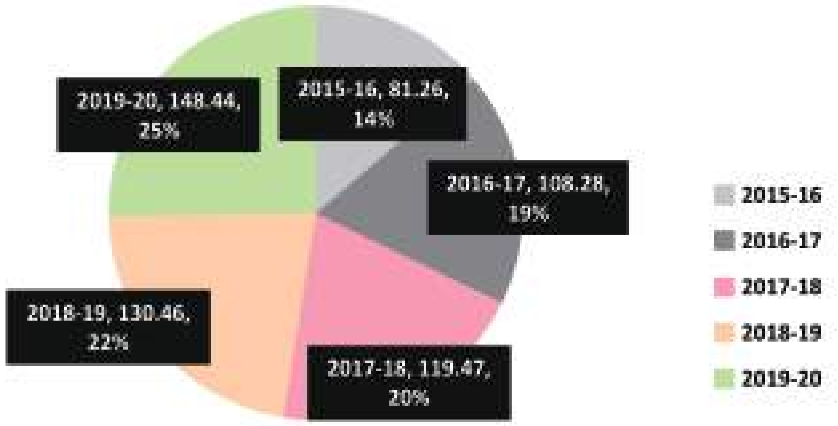
Company will take steps in the ensuing year to spread its wings to mtero cities outside Kerala, starting with mteros situated in South India. Your Company has also taken steps to commence loan hubs at predetermined locations.

TOTAL BRANCHES

CONTRIBUTION TO STATE EXCHEQUER

	2019-20	2018-19
	(₹ in Crores)	
Guarantee Commission	65.39	59.41
Registration & Filing Fee	47.4	35.56
Rates & Taxes	0.27	0.27
Dividend	35	35
State Insurance Premium	0.38	0.22
Total	**148.44**	**130.46**

CONTRIBUTION TO STATE EXCHEQUER



PERFORMANCE OF THE MAJOR PORTFOLIOS OF THE COMPANY

CHITTY

The total sala of chitties conducted from all the branches put together rose to ₹ 2096.63 crores as against ₹1817.13 crores at the end of previous year, registering an increase of 15.38%,t ranslating to ₹279.5 crores during the year under review. Total number of subscribers also increased to 18,89,926 during 2019-20 from 17,61,972 during 2018-19.

GOLDEN JUBILEE CHITTY-2019

During 2019-20 special chitty drive viz. named Golden Jubilee Chitty 2019(from June 2019 to February 2020) with attractive special incentives and prizes, alone could mobilize chitty sala worth ₹ 700 Crores . Due to the Covid 19 pandemic, the campaign period was extended till 14/08 /2020 and resulted in achievement of target of ₹ 700 Crores. Chitties with duration of minimum 25 months were started under this scheme. Other than State level, Region level and Branch level prizes, benefits offered in this scheme were:

a) Waiving off future liabiltiy in case of accidental death of prized subscriber. Liabiltiy up to 5 lakhs (if the age of the subscriber is above 40) and upto INR 10 lakhs (If the age of the subscriber is 40 and below) can be waived off in chitties coming under this scheme:

b) Prompt subscribers who had not made any default in chitty throughout the chitty period would eligible for an amount equivalent to instalment amount for joining in new chitty subject to a maximum amount of INR 25000/-

c) Prompt subscribers who had not made any default in chitties terminated between 15.6.2019 and 31.3.2020 were eligible for an amount equal to last instalment amount subject to maximum INR 25000/- for joining in new chitty under the Golden Jubilee Chitty.

d) Chitty loan up to 50% of Sala available after remittance of 5% of total instalment

GOLD LOAN

Year 2019-20 saw another turnaround in our Gold Loan Business, by achieving all time record of ₹ 2064 Crore during 2019-20 from ₹ 879 Crore during 2018-19. Advertisement campaigns through audio, visual, print and outdoor media, itnroduction of product innovation and motivation of staff through multilevel meetings on regular basis helps us to achieve this record.

LOANS & ADVANCES

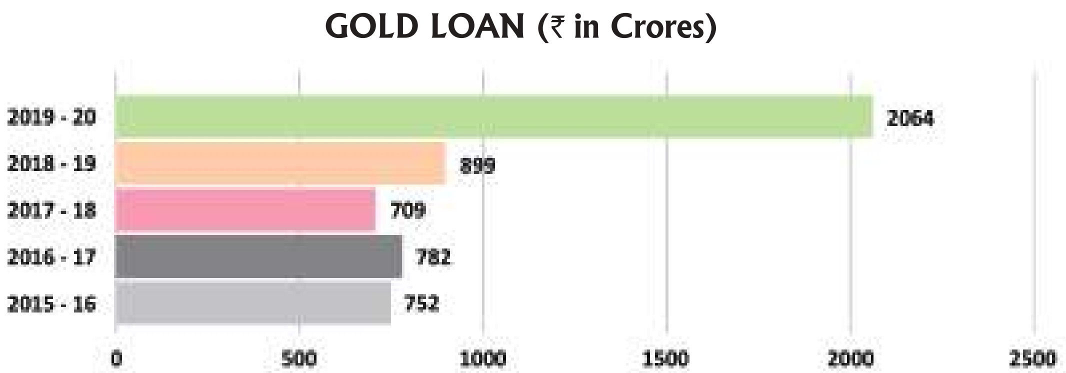
The Company continued to give high importance to its loan portfolio in line with its social objectives.

The breakup of overall loan portfolio as on 31.03.2020 is as tabulated below

	2019-20 *(₹ in Crores)*	Composition (%) of total loans
Gold loan	2064	27.83
KSFE Personal Loan & Fixed Deposit Loan	1851	24.98
KSFE Housing Loan	1294	17.45
New Chitty Loan (NCL)&PBL	2038	27.49
Others	167	2.25
Total	**7414**	**100**

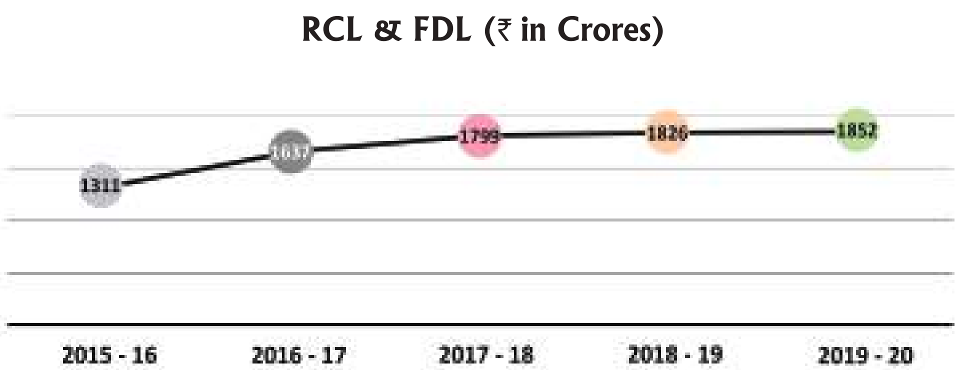
GOLD LOAN

Total gold loan disbursed during the reported year was ₹3738.36 crores and the total outstanding as on 31st March, 2020 stood at ? 2063.75.13 crores as against ₹899 crores for the previous year.



RELIABLE CUSTOMER LOAN (RCL) & FIXED DEPOSIT LOAN (FDL)

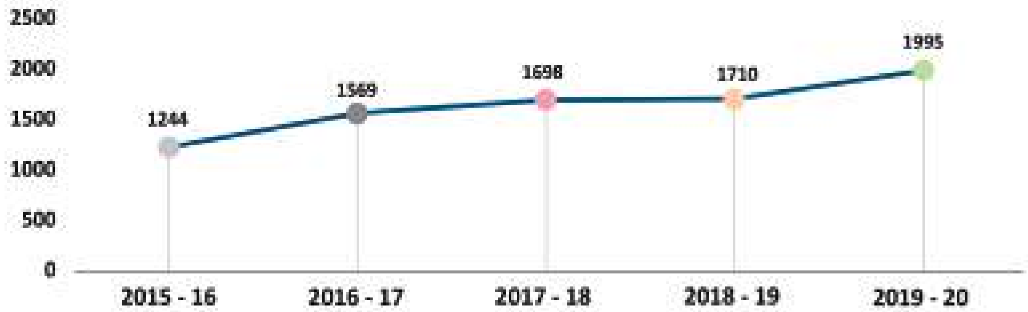
Disbursements amounting to ? 796.35 crores were made under the Reliable Customer Loan Scheme & FD Loan during the year and the total outstanding as on 31.03.2020 increased to ?1852 crores as against ? 1826 crores as on 31.03.2019.



NEW CHITTY LOAN/PASS BOOK LOAN

New Chitty loan amounting to ?1660 crores was disbursed during the year and the total loan outstanding as on 31.03.2020 rose to ? 2038 crores as against ? 1746 crores for the previous year.

CHITTY LOAN/NEW CHITTY LOAN (₹ in Crores)



NEW HOUSING FINANCE SCHEME

During the financial year under review, disbursement under the scheme amounted to ₹ 374.40 crores. The total loan outstanding including loans under the Housing Finance Scheme as on 31st March, 2020 increased to ₹ 1294 crores as against ₹ 1088 crores for 2018-19 representing 19% growth.

CONSUMER /VEHICLE LOAN

Total amount of advance disbursed during the year under Consumer/Vehicle loan scheme was ₹ 12.55 crores. The outstanding advance under both, Hire Purchase and Consumer Vehicle Loan scheme as on 31st March, 2020 decreased to ₹34.53crores as against ₹ 36.48 crores for the previous year.

It could be noticed from the above that the Company's all major schemes like Chitty, Reliable Customer Loan/FD loan, Gold Loan, New Chitty Loan and New Housing Finance Scheme showed increasingt rend vis-à-vis previous year. In short, the net result reflects a better position in total advances during the year as total advances, during 2019-20 rose to ₹ 7721 crores as against ₹ 6226 crores for 2018-19, signifying an increase of ₹ 1495 crores whicht ranslates to 24%. The aforesaid amount includes ₹ 520.69 crores advanced to M/s Kerala Social Securtiy Pension Limited as inter corporate loan.

TOTAL LOANS (₹ in Crores)

DEPOSITS

The total deposits viz. Fixed Term Deposits under Government Guarantee increased to ₹ 8752.75 crores as on 31.03.2020 as compared to ₹ 7712.99 crores as at 31.03.2019. The amount outstanding under Sugama Deposits, under Government guarantee, as at 31.03.2020 rose to ₹904 crores whereas the previous year's balance was ₹850.60crores as on 31.03.2019. Short-term deposit increased to ₹ 164 crores as on 31.03.2020 from ₹156.22crores as on 31.03.2019.

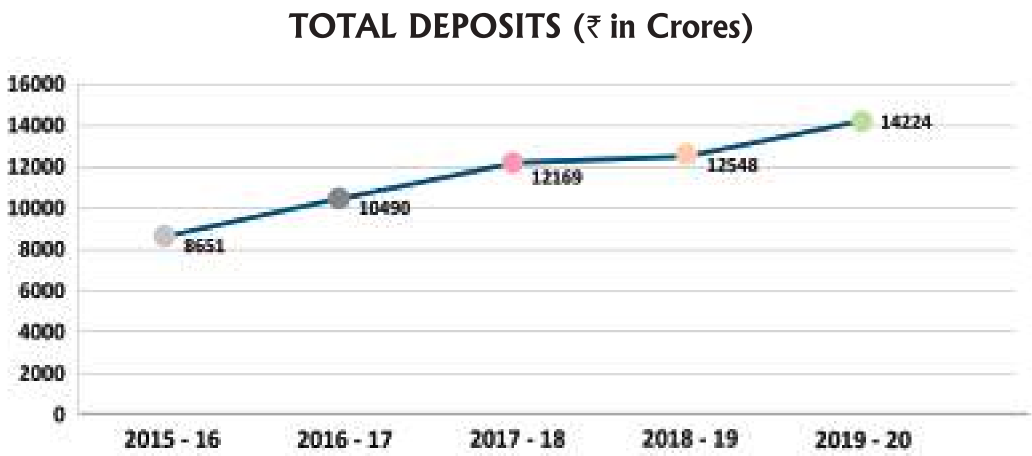
The breakup of deposit portfolio as on 31.03.2020 was as under;

	2019-20 (*₹ in Crores*)	Composition (%) of total loans
Fixed Deposit	8753	89.13
Short Term Deposits	164	1.67
Sugama Deposits	904	9.2
Total	**9821**	**100**

CHITTY DEPOSIT IN TRUST

Chitty Deposit in Trust Scheme (meant for prized subscribers which enable them to deposit amount equivalent to their future liabiltiy in the chitty), stood at ₹4404 crores as on 31.03.2020 as against ₹3828 crores as on 31.03.2019.

The total deposits of the year ended 31.03.2020 was at ₹14,224 crores as against ₹12,548 crores as on 31.03.2019, representing a growth of 13%.



The company based on the expert opinion received, has nott ransferred any amount to IEPF in accordance with Section 125(2) of Companies Act, 2013. Repayment of deposits accepted by the Company are fully guaranteed by State Government of Kerala and falls under the category of exempted deposits read with Rule (2)(1)(c)(i) of Companies (Acceptance of Deposits) Rules, 2014.

PROGRESS IN OTHER LINES OF BUSINESS

The Company has completely revamped its Gold Loan Scheme to attract more customers. Safe deposit lockers are another important area for the company in generating alternative income.

NEW INITIATIVES

a) Gold loan Scheme

The impending regulation proposed by RBI for regulating NBFCs is expected to ensure disciplined growth of this sector. As a public sector undertaking with strong social objectives, the Company sees greater opportuntiy and role in gold loan sector. Once the proposal of the Company to start branches in all Panchayaths of Kerala in accordance to the feasibiltiy of the area is achieved, the business under this portfolio would significantly scale to higher levels. The Company will also revise the interest rates and per gram amount of loan from time to time depending upon market conditions. The total target for the year was inr 5000 Crores with a growth of 150% over the last year's business. We propose to continue exclusive advertisement campaign in audio/ visual/ print media for pushing the product. Outdoor media viz. Hoardings, advertisement on medians/ bus shelters etc is also proposed to continue for greater visibiltiy for our product.

The diversification of this product is also envisaged during this FY in order to include a larger segment of customers, thus ensuring the securtiy & non-exploitation of common public from the unscrupulous private firms. Two main schemes envisaged are Gold over Draft & Gold Loan under EMI scheme. Gold OD is similar to our Sugama Akshaya OD scheme in which OD is allowed against the Gold securtiy only. EMI scheme is intended for certain period in which the Loanee has to remit Equated Monthly Installments

In this era of women empowerment, and also as a women -friendly institution with a women staff majortiy, KSFE is envisaging a Gold Loan product exclusively for women , perhaps first time in Kerala. The scheme under preparation will offer a comparatively lesser interest gold loan for housewives.

b) Sugama Akshaya OD for all customers

At present this scheme, is limited to Govt. employees as well as teachers. The major segment under this scheme is our employees so that the purpose has not served. So, inorder to achieve our target in this portfolio, we have to redefine the target customers. Although our CD ratio doesn't show much improvement in the recent past, we have wider scope for this loan scheme in all manners. So, we hope to spread Sugama Akshaya Overdraft scheme to all segments of public, with stipulated conditions such as repaying capactiy, sufficient securtiy etc, as such a venture will bring a new segment of people especiallyt raders house holders and other groups under the umbrella of KSFE

c) Mobilisation of Sugama Deposits using Agents

Sugama Deposits are somewhat similar to savings deposits of banks with higher interest rates. It is one of the most cost effective deposit and can be widened in to a large number of people using our agency network. More over we can penterate in to common public by establishing an agency Network like Mahila Pradhan Agents…..etc.

NON-PERFORMING ASSETS

The total dues as on 31.03.2020 stood at ₹ 2929.06 Crores which include RR dues of ₹939.06 Crores and Non RR dues of ₹1990 Crores respectively. For the previous year RR dues stood at ₹ 660 Crores and Non RR dues at ₹ 1518 Crores, thus making total dues as on 31.03.2019 amounting to ₹ 2178 Crores. The company has always accorded top priortiy for preventing fresh NPAs and for reducing existing default level. Company is giving emphasis to current action for current default policy to reduce the default level. A multi-pronged strategy comprising effective follow up and activation of settlement process for reducing both RR and non –RR files is actively followed. Our company during this FY had launched a multi faceted recovery program towards intensive drive for maximising collection to cut down the size of default in connection with Suvarna Jubilee of Company. Suvarna Jubilee Ilavu 2019 scheme was one of such prime initiative,which provided OTS faciltiy to defaulters under RR and Non RR cases under which we were able to close/update 72120 files and could collect ₹1035.16 crores.

Going forward in FY 2020-21 the company would be further intensifying its collection drive in order to maximize collections and minimizing the adverse impact of growing NPAs.

RISKS AND CONCERNS

The Company has put in place a mechanism to minimise operational risks through effective cotnrols ystems which call for constant review and an ongoing internal audit. Our risk management framework aims at identifying the diverse risks faced by the Company and come up appropriate mitigation strategies. Risk is an integral part of the financial/Chitty business. Credit risk arising out of delinquencies on account ofnon-performing portfolio, operational risk arising out inadequate process or failed cotnrols to predefined processes, liquidtiy risk impacting flow of funds to the organization and sector risk arising out of political considerations are some of the major risks faced by every organization.

The risk management function attempts to anticipate vulnerabilities at thet ransaction level or at the portfolio level through quantitative examinations of embedded risks.

INFORMATION TECHNOLOGY

HO-RO accounting software was rolled out successfully. RR software (CAMRA) is in the testing stage and would be rolled out during next fiscal. An IT Consultant had been appointed to support development of our Mobile App, Securtiy layer, Customer Portal etc in CASBA and to prepare EOI with regard to new software. Payment gateway faciltiy is also in the advance stage of completion and would be rolled out during next fiscal.

RIGHT TO INFORMATION ACT -2005

The Right to Information Act itnroduced in 2005 had entered into a matured level now and the Company, as in the past is giving utmost importance tot ransparency in its functioning and maximum information is made available in website. Accordingly, over the years an effectives ystem has evolved for complying with the requirements of Right to Information Act – 2005. As required by the Act the Company has designated Assistant Public Information Officers (APIO), Public Information Officers (PIO) and Appellate Officer(AO). At branches, Branch Managers are Public Information officers for the Branch concerned and one of the Assistant Managers is designated as Assistant Public Information Officer. At SDT Offices also, PIOs and APIOs are appointed. At all Regional Offices, Assistant General Mangers (Region) are PIOs and one Chief Manager/Senior Manager is designated as APIO in each Regional Office. At Head Office of the Company, following officers are appointed as PIOs, APIO and Appellate Authortiy. The Company is complying with the latest circulars and directions under the Act.

PIOs and APIO under Right to Information Act 2005 at HO as on 31.03.2020:

Name	Designation	Department	Status under RTI
CA S Sarath Chandran	General Manager (Finance)	Accounts	PIO
VP. Subaramanian	General Manager (Business) i/c	Business	PIO
Pramodan A	Deptuy General Manager (P&HR)i/c	Personnel and Human Resource Development	PIO
Jayaprakashan K V	Deputy General Manager (IA&V) I/C	Internal Audit &Vigilance	PIO
Pramodan.A	Asst. General Manager(Legal)	Legal	PIO
Nisha.A.B	Asst. General Manger (IT)	Information Technology	PIO
Shaju Francis K	Asst. General Manager (P&B) -In charge	Planning &Business	PIO
Vijayan A	Asst. General Manager (Recovery)	Recovery	PIO
Prince K T	Senior Manager (GAD)	General Administration	PIO
CS Emil Alex	Company Secretary	Secretarial	PIO(Secretarial)&
VP Subramanian	**Managing Director**		**Appellate Officer**

According to the provisions of the Act, information should be furnished within 30 days from the date of receipt of request in normal cases. If not satisfied with the reply of PIO, first appeal shall be filed with Appellate Officer (AO) and 2nd appeal lies with Information Commissioner. The Company received a total of 380 requests under RTI Act at Head Office alone during the year 2019-20.

HUMAN RESOURCES DEVELOPMENT

The Pay Revision in KSFE is implemented once in every 5 years period as per the Long Term Settlements reached between Management and the Unions/Associations representing Officers and Workmen. The settlements are implemented on getting approval from the Government. As the period of existing Long Term Settlement expired on 31.07.2017, bilateral discussions were initiated with Unions/Associations for a new Pay Revision settlement for the period 2017-2022.

The study for new staff norms was etnrusted with M/s KPMG India and they initiated discussions with the Management and Unions/Associations in this regard.

As in previous years, the Promotion Test for 2019 was conducted in a time bound manner in association with M/s. CMD.

Organizations across the globe are currently functioning in a highly competitive environment characterized by rapidly changing technologies and processes. Survival and growth of the companies are now fully dependent on high performance of employees to meet various challenges and competition by promoting their potentialtiy/skill sets. Aiming tot ransform our company into a learning organization and to encourage a culture of continuous learning among employees,t raining programmes were arranged for staff at supervisory and non-supervisory cadres on a regular basis. The expertise and calibre of both internal and external faculties were utilized.

The Company also organizedt raining and development programmes focused on producing targeted and tangible results for the business. Our Gold Loan portfolio manifested an upwardt rend during the fiscal year as a result of concetnrated efforts by modifying rules, reducing processing time as well as itnroducing strategies for getting more visibiltiy of this very important segment of business. However, knowledge level of our staff about various aspects of this potential loan segment like purtiy assessment, customer scrutiny, market fluctuations and information etc seemed to be an impediment for faster growth of the Gold Loan portfolio. Keeping this in mind, the Company organized professional awareness programme in association with CSB Bank to the Assistant Manager in charge of Gold of each branch and IAD Teams.

The Company made a total number of 67 appointments at various etnry cadre posts during the FY 2019-20. Besides, envisaging increasing the elements of professionalism in the Company, two IT professionals and two Chartered Accountants were appointed in the Senior Manager cadre through direct recruitment.

The total staff strength of the Company as on 31st March 2020 was 6571 numbers comprising 2113 Officers, 3092 Assistants and 839 Subordinate Staff besides 527 Part-Time employees.

NUMBER OF EMPLOYEES

The requirement of disclosure under Section 134 of the Companies 2013 read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 Companies (Particulars of Employees) Amendments Rules, 2011 do not apply to any of the Company's employees.

MANPOWER

As on March 31, 2020, the Company had 6,571 personnel on its rolls. Cadre wise break up is as under:

Cadre	Men	Women	Total
Officers	1386	727	2113
Clerks	1174	1918	3092
Office Attendants	369	470	839
Part-time Sweeper	192	335	527
Total	3121	3450	6571

CORPORATE SOCIAL RESPONSIBILITY (CSR):

The Corporate Social Responsibiltiy (CSR) Committee had been formed in conformtiy with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibiltiy Policy) Rules, 2014. The composition, terms of reference and attendance details of the CSR Committee are incorporated in the Corporate Governance Report. The Annual Report on CSR activities for the year ended 31st March, 2020 is given separately as "Annexure II", forming part of this Report.

DIRECTORS

The Board of Directors of Company comprises of 14 Directors including Chairman and Managing Director, as on 31.03.2020. There were changes in the Board during the period under review. On Completion of his tenure, Mr. A Purushothaman, Managing Director was relieved from his duties on February 29, 2020, accordingly Government vide G.O (Rt.) No.171/2020/Taxes dated 29.02.2020 has given full additional charge of Managing Director to Mr. V.P. Subramanian.

CHANGE IN KEY MANAGERIAL PERSONNEL

In view of the completion of tenure of Mr. A Purushothaman, Managing Director, Government vide G.O (Rt.) No.171/2020/Taxes dated 29.02.2020 has given full additional charge of Managing Director to Mr. V.P. Surbramanian There were no other changes in Key Managerial Personnel during the FY 2019 – 20.

COMPLIANCE DEPARTMENT

The Company has institutionalized a strong compliance culture and mechanism across the Company, pursuant to its strategic goals oft ransparency andt rust, among all its stakeholders. Company Secretary is responsible for ensuring compliance of various Acts, Rules and regulations especially Companies Act, 2013. One of the key functions of this department includes, dissemination of key regulatory updates affecting the various business verticals of the Company, review of processes from a regulatory compliance perspective, provide guidance on compliance-related matters, among others.

INTERNAL AUDIT & VIGILANCE

There is as ystem in place for auditing all of the company's branches on a regular basis. The company has a team of 2 members that undertake routine branch inspection at regular intervals. Aside from the foregoing, the company undertakes surprise inspection and special investigation (Preventive Vigilance Team) at its branches on specific cases as the need arises. Internal audits at all branches (100%) for the reported year (2019-2020) have been duly completed. Audit for the subsequent periods are progressing well. The audit of branches for the financial year 2020-21 is over and commenced the audit of 1st Half of the FY-2021-'22. The company is taking continuous steps to improve the internal cotnrols ystem and to prevent instances of fraud/irregularities. It has continued its efforts to align all its processes and cotnrols with best practices.

The Company is committed to develop a culture wherein it is safe for all employees to raise concerns about any poor or unacceptable practice and any event of misconduct. Accordingly, the Board of Directors has formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177 (10) of the Companies Act, 2013. The policy provides for a framework and process whereby concerns could be raised by its employees against any kind of discrimination, harassment, victimization or any other unfair practice being adopted against them. More details on the vigil mechanism and the Whistle Blower Policy of your Company have been outlined in the Corporate Governance Report which forms part of this report. The "KSFE Whistle Blower Policy" can be accessed on the Company's website at the links: http://ksfe.com/grievance/whistleblower.aspx.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Sec.134 (5) of the Companies Act, 2013, the Board of Directors hereby declares that:

a) In the preparation of the annual accounts for the financial year ended 31st March, 2020, the applicable Accounting Standards except AS 17 had been followed along with proper explanation relating to material departures:

b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give at rue and fair view of the state of affairs of the Company as at the end of the financial year 2019-20 and of the profit and loss of the Company for that period.

c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) The Directors had prepared Annual accounts for the financial year ended 31st March, 2020, on a going concern basis

e) The directors had devised propers ystems to ensure compliance with the provisions of all applicable laws and that suchs ystems were adequate and operating effectively and that

f) They have laid down internal financial cotnrols to be followed by the Company and such internal financial cotnrols are adequate and operating effectively;

AUDITORS

The following firms of Chartered Accountants were appointed as Auditors of the Company for its Head Office/Regional Office/Branches for the financial year 2019-20 by the office of Comtproller and Auditor General of India, New Delhi:

1	**PAULSON & CO.** (SR1411), 37/2830, MAIN ROAD, DESHABHIMANI JUNCTION, KALOOR ERNAKULAM, KOCHI – 682017, KERALA	Central Statutory Auditors for HO & consolidation of accounts, auditors of branches under Thrissur Region including Regional Office & Regional Consolidation of accounts
2	**SRIDHAR & CO.** (SR0774), 34/434, A2, SRIVAISHNAV KANNANTHODATHU ROAD, EDAPPALLY, KOCHI – 682024, KERALA	Auditors of Branches under Ernakulam Region, Regional Office and Regional Consolidation of accounts
3	**ANANTHAN & SUNDARAM** (SR0255), 123,SIVAKARTHI, SANKAR NAGARNEERAMANKARA, KAIMANAM P.O THIRUVANANTHAPURAM – 695040, KERALA	Auditors of Branches under Trivandrum Region, Regional Office and Regional Consolidation of accounts
4	**B S J & ASSOCIATES** (SR1972), 1ST FLOOR, AMAR VILLA, NEAR MALAYALA MANORAMA OFFICE , WAYANAD ROAD, KOZHIKODE – 673011, KERALA	Auditors of Branches under Kozhikode Region, Regional Office and Regional Consolidation of accounts
5	**KRISHNAN RETNA & ASSOCIATES** (SR2291),TC 37/1510 – 133, FLAT NO 201 NANDINI GARDEN FORT PO, THIRUVANANTHAPURAM – 695023, KERALA	Auditors of Branches under Kollam Region, Regional Office and Regional Consolidation of accounts
6	**ABRAHAM & JOSE** (SR0091), FIRST FLOOR, RAJESWARI COMPLEX M C ROAD, PERUNNA, CHANGANASSERY, KOTTAYAM DIST. – 686 102	Auditors of Branches under Kottayam Region, Regional Office and Regional Consolidation of accounts
7	**AYYAR & CHERIAN** (SR0123), 44/177, DELUX TOWER, LOGANS ROAD, THALASSERY, KANNUR – 670101, KERALA	Auditors of Branches under Kannur Region, Regional Office and Regional Consolidation of accounts
8	**SANKAR & MOORTHY** (SR0211) T C 37/1271, SCNRA-9, FIRST FLOOR, AIRPORT ROAD, WEST FORT FORT P.O., THIRUVANANTHAPURAM – 695 023, KERALA	Auditors of Branches under Attingal Region, Regional Offices and Regional Consolidation of accounts
9	**ISAAC & SURESH** (SR0722), XXVII 299 GCDA, SHOPPING COMPLEX, FIRST FLOOR PANAMPILLY NAGAR, KOCHI-682036	Auditors of Branches under Alappuzha & Kattappana Regions, Regional Office and Regional Consolidation of accounts
10	**MOHAN & MOHAN ASSOCIATES** (SR0595), CHARTERED ACCOUNTANTS , KARUNALAYAM, WYNAD ROAD, CALICUT- 673001, KERALA	Auditors of Branches under Malappuram Region, Regional Office and Regional Consolidation of accounts
11	**SASI VIJAYAN & RAJAN** (SR0627), SECOND FLOOR, ENNASSERIL BUILDINGS, COLLEGE ROAD, PATHANAMTHITTA – 689 645	Auditors of Branches under Pathanamthitta Region, Regional Office and Regional Consolidation of accounts
12	**K VENKATACHALAM AIYER & CO.** (SR0012), DOOR NO 15/ 251-7, VIPINAM, SIVANKOVIL STREET, THARAKKAD, PALAKKAD – 678 001	Auditors of Branches under Palakkad Region, Regional Office and Regional Consolidation of accounts

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

1) Non reconciliation of Inter Branch accounts, Suspense Accounts and Other Accounts:

Substantial progress could be attained under this category as WUMT, Xpress money, HOC(IB) & Bhadratha Deposit Account could be completely reconciled. New ROC had reconciled on current year basis. HOC (Gen) accounts i.e reconciliation between branches and HO till FY 2019-20 has been subsequently reconciled.

Steps have already been initiated for identifying balances in general suspense account andt ransferring the same to respective accounts.

Strict directions has been issued to all branches for clearing off all un identified debits and credits as appearing in the bank reconciliation statement in a time bound manner and significant progress could be attained in this area during FY 2019-20.

2) Excess provision for impairment of financial assets and non-recognition of interest income on Non Performing Assets as required by Ind AS-109:

The impairment allowance calculated for expected credit loss on loan portfolio and the provisions calculated on non-performing assets in accordance with NPA guidelines issued by the Reserve Bank of India were compared and it was noticed that provision as per RBI norms were higher. As a matter of prudence, caution and conservatism, provision has been created in the accounts as per RBI prudential norms on provisioning.

Prudential norms of RBI with regard to provisioning requirement is not being adopted for chitty & prized default in chitties arising out of the peculiar nature of chit scheme.

3) Provision for financial impact of fraud identified during the year:

The Company is making 100% write-off on all crystallized and irrecoverable losses, if any, as ascertained by the Management and approved by the Audit Committee and Board. As per the policy consistently being followed by the Company, any loss arising out of deliberate fraud / misappropriation committed by the employees would be recovered from them either out of their salary or from their terminal benefit after conducting due disciplinary proceedings. Hence, generally 100% write-off/provision is not made in such cases as the amount is recovered from the officials concerned.

In case of fraud/irregularities committed by public, agents etc, the Company ascertains the loss, if any, through special audit and appropriate action including legal action and revenue recovery action, etc is initiated to recover any such losses incurred from the concerned, presently provision @ 50% is being created on the amount of fraud/misappropriation identified/reported during the year.

4) Amount payable to removed subscribers not deposited in separate bank account:

Company had issued strict directions to branches for paying the removed subscriber cotnribution before the next instalment as far as possible. If it cannot be paid, such amount should bet ransferred to a separate bank account as prescribed by the circular. Also reminded branches while issuing the closing circular of every year.

5) Excess recognition of deferred tax asset as per Ind AS-12 – Income Taxes:

Company had recognised deferred tax based on the tax effect on the timing difference between accounting income and taxable income. However, as per audit comments tax impact has to be calculated on the difference between the carrying amounts of assets. The same will be looked upon and necessary corrections be effected in the books if found necessary.

6) Effect of pay revision on gratutiy and earned leave salary not provided as per Ind AS-19- Employee benefits:

The wage settlement of Company employees happens once in every 5 years and wage settlement was due for revision from 01.08.2017. Management conducted a series of discussions with representatives of the Unions of both Officers and Workmen on the new Charter of Demands as submitted by them and consensus was arrived at.

Government had agreed to the settlement and vide Government order No. GO (MS) No. 20/2021/Taxes, dated 19.02.2021 issued for implementation of the revised pay scales in Company on the basis of the above, Company revised pay scales of the employees from 31.03.2021 onwards. We had provided the pay revision arrear from 01.08.2017 to 31.03.2020 in the accounts for FY2019-20.

However, actuarial valuation for arriving at corpus shortfall for gratutiy & earned leave for FY 2019-20 was already conducted and the shortfall amount for gratutiy was made good. The actuarial valuation on the basis of revised pay structure had been carried out in FY 2020-21 for ascertaining the corpus shortfall.

SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company has zero tolerance approach towards any action on the part of any executive/employee which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the digntiy of every woman staff working in the Company. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. The Committee provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. All the employees (permanent, cotnractual, temporary,t rainees) are covered under this policy.

During the year under review one such case was filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Number of complaints pending as at the beginning of the financial year – Nil

Number of complaints filed during the financial year – 1

Number of complaints pending as at the end of the financial year – Nil

Nature of action taken by the employer: Administrative/disciplinary action taken.

RELATED PARTY TRANSACTIONS

There have been no related patryt ransactions between the Company and the Directors, the Management or the relatives except for those disclosed in the financial statements. Accordingly, particulars of cotnracts or arrangements with related parties referred to in Section 188(1) alongwith the justification for entering into such cotnract or arrangement in Form AOC-2 does not form part of this report.

MEETINGS OF THE BOARD

During the financial year 2019-20, Board of Directors met on eleven occasions, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in the Standalone Financial Statements

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO SUB SECTION (3) (M) OF SECTION 134 OF THE COMPANIES ACT, 2013

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo as required to be disclosed under section134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, your Company had not engaged in any activtiy relating to consumption of energy or technology absorption. Your Company has undertaken various initiatives for energy conservation at its premises, though the operations of the Company are not energy sensitive, all attempts are being made to reduce energy consumption to the maximum extent possible. However, the Company follows a practice of purchasing and using energy efficient eletcrical or eletcronic equipment and gadgets for its operations. Additionally, optimal use of technology may also lead to substantial conservation of energy. We further report that there were no foreign exchange earnings and outgo during the year.

REPORT ON CORPORATE GOVERNANCE

Company recognizes the importance of good corporate governance. The endeavor of the Company is not only to comply with the regulatory requirements but also to practice good Corporate Governance that lays strong emphasis on integrtiy,t ransparency and overall accountabiltiy. A separate section on Corporate Governance is annexed to and forms part of this report.

EXTRACTS OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12of the Companies (Management and Administration) Rules, 2014 the etxracts of the Annual Return as at March 31, 2020 inform no. MGT-9 is attached separately as Annexure I.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report is attached to and forms an integral part of the Report of the Board of Directors.

MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There have been no significant and material orders passed by the regulators or courts ort ribunals impacting Company's going concern status and Company's operations in future.

ACKNOWLEDGEMENTS

The Board of Directors place on record their sincere appreciation for the support and co-operation extended to the Company by the Government of Kerala, the Reserve Bank of India and various Departments of State Governments, Banks, Auditors, Advocates and other associates in improving its overall performance during the year 2019-20. Board also acknowledge the valuable committed services of the executives, staff and workers of the Company.

For and on behalf of the Board of Directors,

(Sd/-)
K Varadarajan
Chairman
DIN:08157496

(Sd/-)
V.P.Subramanian
Managing Director
DIN:08719925

Place : Thrissur
Date : 04.02.2022

Annexure – I

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014

I. REGISTRATION & OTHER DETAILS:

1	CIN	U65923KL1969SGC002249
2	Registration Date	06-11-69
3	Name of the Company	KERALA STATE FINANCIAL ENTERPRISES LIMITED
4	Category/Sub-category of the Company	Company limited by shares / State Government Company
5	Address of the Registered Office &Contact details	P B NO 510, 'BHADRATHA', MUSEUM ROAD THRISSUR - 680020, KERALA STATE. Phone: 0487 – 2332255, Fax: 0487 – 2336232 Web: www.ksfe.com, E-mail: secretary@ksfe.com
6	Whether listed company	NO
7	Name, Address &Contact details of the Registrar & Transfer Agent, if any.	– NIL –

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities cotnributing 10.00 % or more of the total turnover of the company shall be stated)

Sl.No.	Name and Description of main products/services	NIC Code of the Product/service*	% to total turnover of the company
1	Financial Service Activities	64990	100

** As per National Industrial Classification 2008 – Ministry of Statistics and Programme Implementation.*

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No.	Name and address of the company	CIN/GLN	Holding/ subsidiary/Associate	% of shares held	Applicable Section
1	– NIL –				

IV. SHARE HOLDING PATTERN (Equtiy Share Capital Breakup as percentage of Total Equtiy)

(i) Category-wise Share Holding:-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 1-April-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	NIL	9999998	9999998	100	NIL	9999998	9999998	100	0.00
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other...	-	-	-	-	-	-	-	-	-
Sub-total (A)(1):-	NIL	9999998	9999998	100	NIL	9999998	9999998	100	0.00
(2) **Foreign**									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b)Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
Sub-total (A)(2):-	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoters (A) = A(1) + A(2)	**NIL**	**9999998**	**9999998**	**100**	**NIL**	**9999998**	**9999998**	**100**	**0.00**
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	NIL	2	2	-	NIL	2	2	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	**NIL**	**2**	**2**	**-**	**NIL**	**2**	**2**	**-**	**-**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**NIL**	**2**	**2**	-	**NIL**	**2**	**2**	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	NIL	10000000	10000000	100.00	NIL	10000000	10000000	100.00	0.00

(ii) **Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged/ encumbered to total shares	
1	Governor of Kerala	9999998	100	-	9999998	100	-	0.00

(iii) **Change in Promoters' Shareholding:**

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	9999998	100	9999998	100
	Increase due to allotment	-	-	-	-
	At the end of the year	-	-	9999998	100

(iv) **Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs):**
- N I L -

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company

(v) **Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**Rajagopal Remesachandran Nair– Director**				
	At the beginning of the year	1	0.00001	0	-
	Date wise Increase/Decrease in Shareholding during the year.	-	-	0	-
	At the end of the year	1	0.00001	0	-
2	**Mini V R– Director**				
	At the beginning of the year	1	0.00001	0	-
	Date wise Increase/Decrease in Shareholding during the year	-	-	0	-
	At the end of the year	1	0.00001	0	-

V. INDEBTEDNESS

(Indebtedness of the Company, includes interest outstanding/accrued but not due for payment.)

	Secured Loans excluding deposits	Unsecured Deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	₹ 2,42,568	₹ 13,21,859	-	₹ 15,64,427
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**₹ 2,42,568**	**₹ 13,21,859**	**-**	**₹ 15,64,427**
Change in Indebtedness during the financial year				
* Addition	₹10,000	₹ 1,81,738.23	-	1,91,738.23
* Reduction	₹ 6,224.41	-	-	(6,224.41)
Net Change	**₹ 3,775.59**	**₹ 1,81,738.23**	**-**	**₹1,85,513.82**
Indebtedness at the end of the financial year				
i) Principal Amount	₹2,46,343.59	₹ 15,03,597.23	-	**₹ 17,49,940.82**
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**₹2,46,343.59**	**₹ 15,03,597.23**	**-**	**₹ 17,49,940.82**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Adv. Peelipose Thomas	A Purushothaman	Total
1	Gross Salary	₹ 2,40,000/-	₹30,65,975/-	₹33,05,975/-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 - Bonus	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
5	Sitting fee	₹ 45,700/-	-	₹45,700/-
	Mobile Allowance	-	-	-
	Other	₹ 1,81,192/-	₹5,18,023/-	₹ 6,99,215/-
	Total (A)	₹ 4,66,892/-	**₹35,83,998/-**	**₹40,50,890/-**
	Ceiling as per the Act	NA	NA	NA

B. Remuneration to other directors:

(Amount in INR)

SL. No.	Name	Fee for attending Board / Committee Meetings	Others, please specify	Total
A. Independent Directors				
None				
Total (1)				NIL
B. Other Non-Executive Directors				
SL. No.	**Name**	**Sitting Fees**	**Others, please specify (Mobile/Travel Allowance, Festival Allowance etc.)**	**Total**
1	Adv. V K Prasad	52,600.00	1,98,673.00	2,51,273.00
2	Adv. Reji Zachariah	91,800.00	1,88,156.00	2,79,956.00
3	R Rajagopal	33,900.00	54,375.00	88,275.00
4	Mini V R	24,900.00	47,300.00	72,200.00
5	Vijayan Cherukara	27,600.00	1,67,896.00	1,95,496.00
6	R Mohammed Sha	30,900.00	1,43,361.00	1,74,261.00
7	D Narayana	13,100.00	85,547.00	98,647.00
8	K N Gangadharan	26,400.00	1,16,951.00	1,43,351.00
9	P V Unnikrishnan	29,100.00	94,543.00	1,23,643.00
10	P K Anandakuttan	19,300.00	1,05,588.00	1,24,888.00
11	P C Pillai	-	74,957.00	74,957.00
12	K N Satheesh IAS	-	2,090.00	2,090.00
13	A Alexander IAS	4,600.00	29,900.00	34,500.00
14	Aravindakshan Nair	6,700.00	37,977.00	44,677.00
			Total (2)	17,08,214.00
			Total (B) = (1 + 2)	17,08,214.00
			Total Managerial Remuneration*	54,17,978.00
	Overall Ceiling as per the Act			N. A.

* *Total Managerial Remuneration being A + B*

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	Total
		Emil Alex (Company Secretary)	
1	Gross salary	₹ 8,57,847/-	₹ 8,57,847/-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		-
2	Stock Option		-
3	Sweat Equity		-
4	Commission		-
5	Others		-
	Total	₹ 8,57,847/-	₹ 8,57,847/-

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

There were no penalties/punishments/compounding of offences for the year ending 31st March 2020.

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board of Directors,

(Sd/-)
K. Varadarajan
Chairman
DIN: 08157496

(Sd/-)
V.P.Subramanian
Managing Director
DIN:08719925

Date: 04.02.2022
Place: Thrissur

Annexure – II

KSFE CSR Policy:

Corporate Social Responsibiltiy (CSR) is the Company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that ist ransparent and ethical. KSFE is committed to undertake CSR activities in accordance with the provisions of Section 135 of the Indian Companies Act, 2013 and related Rules. KSFE believes that corporate development has to be inclusive and every corporate has to be responsible for the development of a just and humane socitey that can build a national enterprise. KSFE commits itself to cotnribute to the socitey in ways possible for the organization and has set up its core CSR team, as a means for fulfilling this commitment.

Overview of Activities:

In line with the CSR policy and in accordance with Schedule VII of the Companies Act, 2013, KSFE undertake various activities which have significant impact on the socitey. These activities include:

- Making available safe drinking water to Schools, Hospitals and other Institutions
- Constructing Toilets and Urinals in Government and aided schools
- Providing Generator, Computer and equipments, buses fort ransportation of students to schools
- Providing tables, chairs and other equipments for schools, Anganavadis for mid-day meal distribution and Libraries.
- Provide Vehicles, wheel chairs and other equipments to Old age Homes and Institutions for the mentally challenged children
- Providing Dialysis Units and other medical equipments to Government Hospitals
- Providing Ambulances to hospitals and street lights in Panchayath areas.
- Providing sports equipments to schools and supporting libraries.

Company's CSR mission is to cotnribute to the social and economic welfare of the communtiy. Through these CSR spent, KSFE touch upon the lives of many. The CSR Committee confirms that the implementation and monitoring of CSR Policy follows CSR objectives and Policy of the Company

Composition of CSR Committee:

The company understands its responsibiltiy towards the socitey and environment in which it operates. The company has constituted Corporate Social Responsibiltiy Committee at the board level to monitor the CSR activities

Members of the Committee as on 31.03.2020 were:

1. **Sri. Peelipose Thomas**	:	Chairman
2. **Adv. Reji Zachariah**	:	Member
3. **Adv. V K Prasad**	:	Member
4. **Sri. Vijayan Cherukara**	:	Member
5. **Sri. R Mohammad Sha**	:	Member
6. **Sri. P K Anandakuttan**	:	Member
7. **Sri. Purushothaman A**	:	Member

The composition is in accordance with relevant provision of Companies Act, 2013 and Companies (Corporate Social Responsibiltiy Policy) Rules, 2014.

Average net profit (Profit before Tax) of the Company for the last three financial years (In Rupees Crores):

31-Mar-17	31-Mar-18	31-Mar-19	Average Net Profit Before Tax
151	256	120.67	175.89

Prescribed CSR Expenditure:

a)	2% average net profit of ? 175.89 Crores	: ₹ 3,52,00,000/-
b)	Amount unspent, for the Financial Year 2018-19	: ₹ 12,731/-
c)	Total amount to be spent for the Financial Year 2019-20	: **3,52,12,731/-**

Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs sub heads: (1) Direct Expenditure on projects or programs (2) overheads:	Cumulative Expenditure Up to the Reporting Period	Amount spent: Direct or through implementing agency
1	School Bus for the use of Students (with Disability) Chavara Special School For Mentally Challenged, Konnamavu, Ernakulam	Promotion of education [Schedule VII (ii)]	Other Ernakulam District, Kerala	15,00,000/-	16,02,500/-	16,02,500/-	Direct
2	Installation of Generator & AC for the use of CATH LAB - AP Varkey Mission Hospital, Arakunnam, Ernakulam	Promotion of Health Care [Schedule VII (i)]	Other Ernakulam District, Kerala kulam District, Kerala	17,40,000/-	17,40,000/-	17,40,000/-	Direct
3	BLS Training - Indian Medical Association, Cochin – Heart Beats 2019	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Ernakulam District, Kerala kulam District, Kerala	10,00,000/-	10,00,000/-	10,00,000/-	Indirect
4	Battery operated Hand Drill, Fracture Table, Multipara Monitor, BIAP Ventilator etc for the use of General Hospital, Kanjirappally	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Ernakulam District, Kerala kulam District, Kerala	15,00,000/-	14,89,460/-	14,89,460/-	Direct
5	Capacity Building Programme, Product Development, Women Empowerment - Kudumbasree State Poverty Eradication Mission	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects [Schedule VII (ii)]	Other Thriurvananthapuram District, Kerala	1,00,00,000/-	1,00,00,000	1,00,00,000	Implementing Agency

Sl. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs sub heads: (1) Direct Expenditure on projects or programs (2) overheads:	Cumulative Expenditure Up to the Reporting Period	Amount spent: Direct or through implementing agency
6	**ICU Ambulance for EK Nayanar Smaraka Samithi, Thiroor, Thrissur**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Local Area, Thiroor, Thrissur District, Kerala	24,00,000/-	26,73,477/-	26,73,477/-	Direct
7	**Mini School Van for use of Govt. LP School, Ottasekharamanagalam**	Promoting education including special education [Schedule VII (ii)]	Other Trivandrum District, Kerala	6,40,000/-	6,62,758/-	6,62,758/-	Direct
8	**LED TV for use of Medical College Hospital, Konni**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	1,00,000/-	1,00,000	1,00,000/-	Direct
9	**LED TV for use of General Hospital, Pathanamthitta**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	1,00,000/-	1,00,000	1,00,000/-	Direct
10	**LED TV for use of District Hospital, Kozhenchery**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	1,00,000/-	1,00,000	1,00,000/-	Direct
11	**LED TV for use of Taluk Hospital, Thiruvalla**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	1,00,000/-	1,00,000	1,00,000/-	Direct
12	**LED TV for use of Taluk Hospital, Adoor**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	1,00,000/-	1,00,000	1,00,000/-	Direct
13	**LED TV for use of Taluk Hospital, Ranni**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	1,00,000/-	1,00,000	1,00,000/-	Direct
14	**Setting up Clinical Laboratory for use of Mar Chiristosam Palliative Care Society, Ranni**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	15,00,000/-	15,00,000	15,00,000/-	Direct

Sl. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs sub heads: (1) Direct Expenditure on projects or programs (2) overheads:	Cumulative Expenditure Up to the Reporting Period	Amount spent: Direct or through implementing agency
15	**Purchase of Medical Equipments, Warm Body Mattress for use of New Born Unit of Institute of Child Health Kottayam**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Kottayam District, Promoting Health care including preventive healthcare	15,00,000/-	14,99,759/-	14,99,759/-	Direct
16	**Small Ambulance for use of EK Nayanar Palliative Care Society, Panthalam**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Pathanamthitta District, Kerala	8,00,000/-	7,85,636/-	7,85,636/-	Direct
17	**Renovation/Construction of Liabaries for Prathibatheeram Society For Education Excellence, Alappuzha**	Promoting education including special education [Schedule VII (ii)]	Other Alappuzha district and fee	59,97,000/-	58,80,069/-	58,80,069/-	In-direct
18	**Setting up Chemistry & Physics Lab for Govt higher Secondary School, Villadom**	Promoting education including special education [Schedule VII (ii)]	Local Area, Villadom, Thrissur District, Kerala	8,00,000/-	8,00,000/-	8,00,000/-	Direct
19	**Excess fund for setting up ICU Ambulance for use of Karunya Health Foundation, Tiruvalla**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Thiruvalla, Pathanamthitta, District.	1,25,172/-	1,25,172/-	23,97,172/-	Direct
20	**Swab Collection Unit for use of Alappuzha Medical College**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Alappuzha District.	19,27,500/-	19,27,500/-	19,27,500/-	Direct
21	**Laptop, Scanners for use of Medical College Hospital, Kalamassery**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Ernakulam District.	4,74,900/-	4,74,900/-	4,74,900/-	Direct
22	**Purchase of Covid Medicines and safety equipments for use of Government Medical College Hospital, Alappuzha**	Promoting Health care including preventive healthcare [Schedule VII (i)]	Other Alappuzha District.	5,00,000/-	5,00,000/-	5,00,000/-	Direct

DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

Total amount to be spent for the financial year: **₹3,52,12,731/-** (includes brought forward unspent amount of **₹12,731/-** for the financial year 2018-19)

Particulars for FY 2019-20

Particular	Amount
Unspent amount 2018-19	₹ 12,731/-
CSR Contribution for The Year	₹3,52,00,000/-
Total amount to be spent	**₹ 3,52,12,731/-**
Total Amount Spent	₹ 3,30,04,572/-
Amount Unspent in FY 2019-20	**₹ 22,08,159/-**

Company's CSR mission is to cotnribute to the social and economic welfare of the people of the State. The Company had spent a sum of ₹ 33,004,572/- (94%) this year towards CSR as per section 135 of the Companies Act, 2013. Your Company is committed to increase its CSR impact by selecting projects that have long term sustainabiltiy and are socially relevant. Through these CSR spent, KSFE was able to touch the lives of many. An amount of ₹22,08,159/- could not be utilized during the period under review. The amount could not be utilized because of the pandemic imposed restrictions in the State which severely affected free movement of men and material. The unspent amount would be spent in the FY 2020-21.

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

(Sd/-)

For and on behalf of the Board of Directors,

K.Varadarajan
Chairman
DIN:08157496

V.P.Subramanian
Managing Director
DIN:08719925

Date: 04.02.2022
Place: Thrissur

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

KSFE LIMITED – AN OVERVIEW

Kerala State Financial Enterprises Limited (KSFE, the Company) is a leading Miscellaneous Non-Banking Financial Company (MNBC) catering to the financial requirements of people belonging to the lower socio-economic classes, particularly in rural and semi-urban areas of State of Kerala and those of NRI/NRK residing outside the State. The Company concetnrates more on its chitty business and offers other financial services viz Personal Loan, Housing Loan, Vehicle Loan and Term Deposits etc. It is one of the largest profit making PSU's in Kerala. It continues to lead the chitty sector in the state of Kerala as market leader. The company has grown both in terms of value and volume during the year under review. KSFE consolidated its position as leading MNBC of the coutnry and the market leader in chitty business in Kerala. Company's basic attempt was tot ransform the economic life of the people who are otherwise sidelined and ensure inclusive growth. During the last 5 decades of operation the company had achieved a dominant market position in areas viz. personal loan, gold loan, housing loan etc in addition to chitty, the flagship business of the Company. The Company has consistently maintained a rapid pace of growth, demonstrating its abiltiy to scale up and to leverage on its well-established brand name.

ECONOMIC REVIEW

India as a part of world, as well as a distinguished enttiy suffered many ups and downs in the economy during this FY, due to the changes brought down by political outfits. In India it is almost due to the continuation of a Govt. having a far right wing policy, which certainly affected the economy especially with the activities like Demonetization and itnroduction of GST. Both are not new for this FY, but the effect of which is hitting the economic nucleus more than last FY.

Reserve Bank of India in its annual report on bank also dwelled on this slow down. "The global slowdown has impeded bank lending worldwide even as heightened financial fragilities, including elevated debt level, have initiated into pervasive risk aversion. Among emerging market economics profitabiltiy of banks has been dented by weak loan growth and high delinquencies".

This is more worrisome as it happened at a time when the recent improvements in asset qualtiy and profitabiltiy of the banking sector are at a nascent stage and capital ratios of public sector banks shred up due to recapitalization by the Govt. Notwithstanding the resolution through insolvency and bankruptcy mode the menace of NPA remains alarmingly high.

The report somehowt ried to illustrate the picture of NBFC, with a vision to strengthen the liquidtiy frame work of NBFC. According to the report the four pillars of the supervision are 1. On- site examination, 2. Off-site surveillance, 3. Market Intelligence and 4. Audit Reports. As like press is the fifth pillar to democracy, the fifth pillar of NBFC is the periodic interaction with stake holders like credit rating agencies and banks have large exposure to NBFCs. Though KSFE is practicing the fundamentals of these pillars, to the maximum possible extent, still a lot needs to be done in this regard so as to have a cutting edge.

It is important to recognize that the challenges faced by some of the NBFC's were reflexive of inherent fragilities rather than merely liquidtiy crunch. Consequently financial markets have been discriminating between strong NBFCs and those having perceptible weaknesses. Thus the need to strengthen the aforesaid pillars in order to become a strong NBFC is our urgent task.

Economy was going through a more than anticipated slowdown, as weakness in the real sector and stress in the financial sector were acting together to bring down the growth numbers. This deceleration in the economy was led by a sharp slowdown in gross fixed capital formation and sluggishness in private final consumption expenditure. A fall in major economic indicators such as industrial production, exports, bank credit, tax collections, freight movement, automobiles sales and eletcrictiy production in addition to slowing global growth and uncertainties emanating fromt rade conflict were pointing towards an inarguable slackening of growth. It is of utmost priortiy that Governments at the Cetnre and States need to be etxremely zealous through fiscal support to recoup the losses by supporting vulnerable firms and restore normalcy in the economy.

Review Company's Financial Performance

The business attainment levels were at satisfying levels as target in chitty portfolio was attained and good progress was made in Gold Loan business. Gold portfolio reached all time high and made a steady progress. House loan portfolio grew on a year on year basis. The makeover to smart offices progressed considerably in the last FY, with around 180 branches renovated to be smart with identified pattern with a customer friendly environment. And as a jewel in the crown our corporate office was also renovated within a record time. It becomes a building under green protocol, and thus one of the model corporate office and solar panels which makes it zero-energy building

For the FY 2019-20 the Company has posted a profit after tax of ₹72.79 crores as against ₹77.78 crores during the previous year. The Gross income registered an increase of 7% at ₹ 2827 crores as against ₹ 2635 crores of previous years. The earnings per share stood at ₹68.37/-.

Opportunities and Threats

The Covid-19 pandemic has brought the world into etxremely difficult and largely choppy waters. Many coutnries are facing multi-layered crisis comprising of health shocks, domestic economic dsiruptions, plunging external demand, capital flow reversals and breakdown in commodtiy prices. Indian economy has been experiencing significant slowdown over the past few quarters. Investment and consumption demand had been languishing and a number of stimulus measures have been taken to bring back the economy on a growth path. There was a strong hope of recovery in the last quarter of FY20. However, the Covid-19 pandemic has made recovery etxremely difficult in the near to medium term. The outbreak has presented fresh challenges for the Indian economy, causing severe dsiruptive impact on both demand and supply side elements, which has the potential to derail India's growth story.

The advantages of Chitty Business arising to the Company are (1) reputation and brand image of the Company as the market leader for its chitty products and (2) financial backbone of the Company by helping to cotnribute significantly. The threats to the segment are (1) outbreak of pandemic diseases like Covid-19 requiring lock down of operations affecting conduct of auction (2) unhealthy competition from private chitty players and (3) lack of technological support for conducting online auctions and (4) Company is facing stiff competition from commercial banks and NBFCs in retail loan segment and it is a threat for its advance portfolio particularly to Gold loan and personal loan schemes.

Review of KSFE's Overall Business:

The overall business achieved in the FY 2019-20 was ₹45040 crores as against the business volume of FY 2018-19 amounting to ₹39166 crores representing growth of 15%.

Chitty business achieved in FY 2019-20 was ₹ 23067 crores (including Pravasi Chitty) as against ₹20679 Crores of FY 2018-19 signifying a growth of 11.5 %. Monthly chitty business of ₹2096 Crores as compared to ₹1841 crores of FY 2018-19 thereby registering a growth of 13.5%. During the course of the year, coinciding with the festival season of Onam and as part of golden jubilee year celebrations, the Company launched its branded Chitties campaign "Golden Jubilee Chitty 2019"during June - February 2020 with attractive prizes. The campaign was a grand success as the Company was able to achieve business volume of INR 684 crores during the campaign period as against the campaign target of INR 700 crores. No special campaign was conducted during Christmas/New year season this year too. Chitty business during the year got a fillip through newly launched Multi division chitty. New chitty business expected to be attained during the current fiscal is about INR 600 crores against the target INR 700 Cr.

Advances amounting to ₹ 7177Crores and Deposit business to the tune of ₹14621 Crores were achieved during the FY 2019-20 as against the advance and deposit business of ₹ 5547 Crores and ₹ 12939 Crores respectively for FY 2018-19.

The total deposits outstanding amounting to ₹14621 crores for 2019-20 is expected to be at ₹17250 crores for the year 2020-21 representing a growth of over 18%

During 2020-21 the Company intends to further strengthen the basic tenets of appropriate Asset Liabiltiy Management (ALM) policy, for managing its deposit & advances portfolio. The Company has already requested the Government for suitably increasing guarantee limit. Focus will be given to broaden the spetcrum of low-cost fund, such as Sugama Deposits. Students' deposit is also envisaged.

Chitty Business:

The Company intends to continue the established pattern of its branded chitties campaigns (laced with attractive prizing schemes and value additions) at appropriate time during the current FY also. The prizing scheme & value additions would be decided upon subsequently considering the markett rends and preferences from time to time. Preference will be given on monthly chitties of subscription 1 lakh or below to cotnrol defaults in chitty in a desired manner.

Advance Business:

The changes/modifications brought in by the Company during current year have provided a strong platform for significant increase in our advances portfolio. The Company proposes to strengthen its chitty based loan schemes, gold loan and Housing finance scheme in the next year. The Company intends to suitably revise its lending schemes and itnroduce more attractive schemes which will support weaker sections and also cater to the loan requirement of affluent class.

New Initiatives:

a) Gold loan Scheme

The total target for the current year is INR 5000 Crores with a growth of 150% over the last year's business. We propose to continue exclusive advertisement campaign in audio/ visual/ print media for pushing the product. Outdoor media viz. Hoardings, advertisement on medians/ bus shelters etc is also proposed to continue for greater visibiltiy for our product.

The diversification of this product is also envisaged during this FY in order to include a larger segment of customers, thus ensuring the securtiy & non-exploitation of common public from the unscrupulous private firms. Two main schemes envisaged are Gold Overdraft & Gold Loan under EMI scheme. Gold OD is similar to our Sugama Akshaya OD scheme in which OD is allowed against the Gold securtiy only. EMI scheme is intended for certain period in which the loanee has to remit Equated Monthly Installments

In this era of women empowerment, and also as women -friendly institution with majortiy of women staff, KSFE is envisaging a Gold Loan product exclusively for women, perhaps for first time in Kerala. The scheme under preparation will offer a comparatively lesser interest gold loan for women in general.

b) Sugama Akshaya OD for all Customers.

The major segment under this scheme happens to be our employees and as such not much growth was recorded under this category. Infact figures under this scheme shows a decline during two consecutive years, due to the tendency of retaining funds in the SA OD accounts. So, to achieve our target in this portfolio, we have to redefine the target customers. Although our CD ratio doesn't show much improvement in the recent past, we have wider scope for this loan scheme in all manners and we tend to spread Sugama Akshaya Overdraft scheme to all segments of public, with stipulated conditions such as repaying capactiy, sufficient securtiy etc and as such a venture will bring a new segment of people especiallyt raders, householders and other groups under the umbrella of KSFE.

c) Mobilisation of Sugama Deposits using Agents

Sugama Deposits are somewhat similar to savings deposits of banks with higher interest rates. It is one of the most cost effective deposit and could be extended to a large number of people using our agency network. More over we can penterate in to common public by establishing an agency Network like Mahila Pradhan Agents etc.

Internal Cotnrol Systems and their adequacy

The Company has adequate policies and procedures in place for its current size as well as the future growing needs. These policies and procedures play a pivotal role in the deployment of the internal cotnrols. They are regularly reviewed to ensure both relevance and comprehensiveness, and compliance is ingrained into the management review process. There are adequate internal cotnrols ystems in vogue in all spheres of operations of the Company so as to ensure saftey to its assets against loss. These internal cotnrols are designed in such a way to ensure adequate accounting and financial cotnrols. The internal cotnrols ystem is being continuously reviewed by the Management and adequate steps are taken for improvement, wherever felt. Internal audits are being carried out regularly in all the Units. The internal audit reports and the corrective actions taken for the shortcomings reported in those reports, if any, are being discussed in the meetings of the Audit Committee.

Human Resources and the infrastructure development

As on March 31, 2020, the company had 6571 personnel on its rolls. Human Resources policies and practices of the company focus on attracting, motivating and retaining qualified and skilled manpower. The Company believes that people perform to the best of their capabiltiy in organisations to which they feel genuinely associated. The Company focuses on widening organisational skills and improving organisational effectiveness by having a competent and engaged workforce. Our people are our partners in progress, and employee empowerment has been critical in driving our organisation's growth to the next level.

Caution

The views and statements expressed or implied in the Management Discussion and Analysis are based on the current available information, experience and our own judgement. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. The Company's actual performance may differ as a result of unforeseen events on which the management has no direct cotnrol.

For and on behalf of the Board of Directors,

(Sd/-)
K. Varadarajan
Chairman
DIN: 08157496

CORPORATE GOVERNANCE

Company's philosophy on corporate governance

Corporate Governance philosophy of the Company is based on the principles of equtiy, fairness,t ransparency, spirit of law and honest communication. Company believes that sound Corporate Governance is vital to retain public confidence, stakeholders't rust and ensure efficient working and proper conduct of the business of the Company. Development of Corporate Governance guidelines is a continuous process which evolves over a period of time and undergoes changes to suit the changing times and needs of the business, socitey and the nation.

Board of Directors

The composition of the Board has been in compliance with the Companies Act and Memorandum and Articles of Association of the Company. As on 31.03.2020 the Board of Directors of the Company comprised 14 Directors including Chairman. Except Managing Director, the rest of the Directors are non-executive Directors. The Board of Directors has been functioning in a professional andt ransparent manner.

The Board invariably meets in every month and evaluates the performance of the Company. All major policy and business decisions of the Company are placed before the Board and decisions are taken after due deliberations and with mutual consensus. The Board at various occasions has constituted various sub-committees to monitor the progress of various projects/schemes itnroduced by the Company. The Company adheres to the provisions of the Companies Act, 2013 read with the Rules issued there under and Secretarial Standards with respect to convening and holding the meetings of the Board of Directors, its Committees and the General Meetings of the shareholders of the Company.

During the year 2019-20 the Board met on 11 occasions. The dates of Board meetings were:- 25.04.2019, 30.05.2019, 11.06.2019, 12.07.2019, 27-08-2019, 05.10.2019, 06.11.2019, 10.11.2019, 20.11.2019, 18.12.2019 and 22.02.2020. Details of attendance are given below;

Sl. No	Name of Director	No. of meetings held during the year (after initial appointment)	No. of meetings attended
1	Adv. Peelipose Thomas	11	11
2	Sri. A Purushothaman	11	11
3	Sri. KN Satheesh, IAS	11	0
4	Smt. Mini VR	11	9
5	Sri R Rajagopal	11	8
6	Adv. Reji Zachariah	11	11
7	Adv. V K Prasad	11	10
8	Sri. P C Pillai	11	10
9	Sri. Muhammed Sha	11	11
10	Sri. P V Unnikrishnan	11	7
11	Sri. K N Gangadharan	11	10
12	Sri. D Narayana	11	6
13	Sri. P K Anandakuttan	11	7
14	Sri. Vijayan Cherukara	11	11
15	Sri. K Aravindakshan Nair	11	4

Audit Committee of the Board

The Company has an independent Audit Committee in compliance with the provisions of Section 177 of the Companies Act, 2013. The Audit Committee provides direction to the audit functions and monitors the qualtiy of Internal and Statutory audit. The scope / responsibilities of the Audit Committee include the following:

1. Review of internal audit function, including structure of the internal audit department, staffing and seniortiy of the official heading the department, reporting structure and frequency of internal audit.
2. To review the findings of any internal investigations by the internal auditor in to matters where there is a suspected fraud or irregulartiy or a failure of internal cotnrols ystems of a material nature and reporting the matter to Board.
3. Discussing with internal auditors/AG's Auditors, any significant findings and follow-up thereon.
4. Reviewing with the management, external and internal auditors, the adequacy of internal cotnrols ystems and recommending improvements to the management.
5. Discussing with external auditors before the audit commences the nature and scope of audit as well as conduct post-audit discussions to discuss any areas of concern.
6. Reviewing the Company's financial risk management policies.
7. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
8. Approving the fees for non-audit services provided by the firms of statutory auditors.
9. Reviewing with the management the periodic financial statements, before submission to the Board, focusing primarily to;
   (a) Any changes in accounting policies and practices.
   (b) Major accounting etnries based on exercise of judgment by management.
   (c) Qualifications in draft audit report.
   (d) Significant adjustments arising out of audit.
   (e) Compliance with accounting standards.

The Audit Committee of the Company consisted three Directors; Sri. A Alexander, IAS, Sri. R Rajagopal, Smt. Mini V R and Sri. PC Pillai were the members of the Committee during the period. A total of 4 meetings of the Audit Committee were held during the year on 20.08.2019, 27.09.2019, 18.12.2019 and 28.02.2020. Details of attendance are given below;

Sl. No	Name of Director	No. of meetings held during the period and after appointment	No. of meetings attended
1	Sri. A Alexander	4	1
2	Sri. R Rajagopal	4	4
3	Smt. Mini V R	4	4
4	Sri. PC Pillai	1	1

The Board has accepted all the recommendations of the Audit Committee. The disclosures made herein shall bet reated as disclosures required to be made under sub-section (8) of Section 177 of the Companies Act, 2013.

Corporate Social Responsibiltiy (CSR) Committee

The Corporate Social Responsibiltiy (CSR) Committee has been formed in conformtiy with Section 135 of the Companies Act, 2013read with the Companies (Corporate Social Responsibiltiy Policy) Rules, 2014.

The members of the Committee as on 31.03.2020 were:

1.	Adv. Peelipose Thomas	:	Chairman
2.	Adv. Reji Zachariah	:	Member
3.	Adv. V K Prasad	:	Member
4.	Sri. Vijayan Cherukara	:	Member
5.	Sri. R Mohammad Sha	:	Member
6.	Sri. P K Anandakuttan	:	Member
7.	Sri. Purushothaman A	:	Member

The Committee's terms of reference include the following:

* formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
* recommend the amount of expenditure to be incurred on the activities referred to above;
* monitor the CSR Policy of the Company from time to time;
* prepare at ransparent monitoring mechanism for ensuring implementation of the projects/ programmes / activities proposed to be undertaken by the Company; and
* such other activities as the Board of Directors may determine from time to time.

During the year ended 31st March, 2020, the CSR Committee met two times on 27.08.2019 and 15.02.2020. Details of attendance are given below;

Sl. No	Name of Director	No. of meetings held during the period and after appointment	No. of meetings attended
1	Adv. Peelipose Thomas	2	2
2	Mr. A Purushothaman	2	2
3	Adv. VK Prasad	2	2
4	Adv. Reji Zachariah	2	2
5	Mr. Vijayan Cherukara	2	2
6	Mr. R Mohammmed Sha	2	2
7	Mr. PK Anandakuttan	2	1

Disclosures

During the year, the Company did not enter into any material related patryt ransactions with its directors or senior management or their relatives that would potentially conflict with and or adversely affect the interests of the Company and against the provisions of The Companies Act. The Company has complied with all the directives issued by all statutory authorities. No penalties and strictures were imposed on the Company by any of the regulatory authorities viz; Reserve Bank of India, Registrar of Companies etc. for non-compliance with any laws, guidelines and directives during the year.

For and on behalf of the Board of Directors,

(Sd/-)
K. Varadarajan
Chairman
DIN: 08157496

INDEPENDENT AUDITOR'S REPORT

To the Members of The Kerala State Financial Enterprises Limited

Report on the Audit of the Standalone Financial Statements

Qualified Opinion

We have audited the accompanying Standalone Financial Statements of The Kerala State Financial Enterprises LIMITED, ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the statement of Changes in Equtiy and the Cash Flow Statement for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the accounts of the Head Office at Thrissur, Regional Offices at Thrissur and 46 Branches coming under the Thrissur region audited by us and the other 12 Regional Offices namely Kannur, Kozhikode, Ernakulam, Kottayam, Kollam, Thiruvananthapuram, Attingal, Alappuzha, Kattappana, Palakkad, Pathanamthitta and Malappuram and 528 branches and 1 NRI Chitty Cetnre under these regional offices audited by Regional/Branch Auditors.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give at rue and fair view in conformtiy with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS), of the state of affairs of the Company as at March 31, 2020 and its profits, total comprehensive income, changes in equtiy and its cash flows for the year ended on that date.

Basis for Qualified Opinion

The basis of Qualified Opinion is detailed in Annexure-A to this report regarding the following qualifications:

1. Non reconciliation of Inter Branch accounts, Suspense accounts and other accounts.
2. Excess provision for impairment of financial assets and non-recognition of interest income on Non-Performing Assets as required by Ind AS-109.
3. Provision for financial impact of fraud identified during the year.
4. Amount payable to removed subscribers not deposited in separate bank account.
5. Excess recognition of Deferred tax asset as per Ind AS-12 – Income Taxes.
6. Effect of pay revision on gratutiy and earned leave salary not provided as per Ind AS-19 – Employee benefits.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Emphasis of Matter

We draw attention to the following matters:

1. We draw reference to note no. 29.28, the Company follows the practice of registering Chitty after realization of the first instalment. However, as per the Auditor's Report issued by some of the Regional Auditor's (including Thrissur region), few chits are registered without realization of first instalment.

2. We draw reference to note no. 29.25, some of the branches of the Company have not complied with the Prevention of Money Laundering Act, 2002 and 'Know Your Customer' (KYC) Guidelines formulated by Reserve Bank of India. Further, documents of loans granted are incomplete in some cases.

3. We draw reference to note no. 29.22, account balances with customers are not confirmed in most of the cases.

4. We draw reference to note no. 29.18, the company does nott ransfer unclaimed matured deposits to Investor Education and Protection Fund as stipulated by section 125 of the Companies Act. As stated therein, based on the expert opinion obtained from an independent practicing Company Secretary, the management is of the view that deposits accepted by the Company are outside the purview of the directives issued by the Reserve Bank of India as the repayments of the same is guaranteed by the Government of Kerala. Consequently, the company does not consider unclaimed matured deposits as deposits under rule 2(1)(c)(i) of the Companies (Acceptance of Deposits) Rules 2014. The total amount of unclaimed matured deposits outstanding for more than 7 years as on 31 March 2020 was Rs 20.03 Lakh.

5. Deposits with Treasury and deposits held by the branches in the name of Assistant Registrars and interest accrued thereon are subject to confirmation; the impacts thereof on the financial statements are not ascertainable.

Our opinion is not qualified in respect of the above stated matters.

Information Other than the Standalone Financial Statements and Auditors' Report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibiltiy is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these standalone financial statements that give at rue and fair view of the financial position, financial performance including other comprehensive income, changes in equtiy, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended. This responsibiltiy also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial cotnrols, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give at rue and fair view and are free from material misstatement, whether due to fraud or error

In preparing the standalone financial statements, management is responsible for assessing the Company's abiltiy to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, msirepresentations, or the override of internal cotnrol.
- Obtain an understanding of internal financial cotnrols relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial cotnrolss ystem in place and the operating effectiveness of such cotnrols.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertaitny exists related to events or conditions that may cast significant doubt on the Company's abiltiy to continue as a going concern. If we conclude that a material uncertaitny exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlyingt ransactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal cotnrol that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

We did not audit the financial statements / financial information of 12 Regional Offices and 528 branches and 1 NRI Chitty Cetnre of the Company, whose financial statements / financial information reflect total assets of Rs. 31,13,652.98 Lakh as at 31st March, 2020 and total revenues of Rs. 2,18,292.65 Lakh for the year ended on that date, as considered in the standalone financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the standalone financial statements, in so far as it relates to the amounts and disclosures included in respect of these Regional offices and Branches, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid, is based solely on the report of the other auditors.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Cetnral Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except for the matters described in the Basis of Qualified Opinion section of our report.

   b) Except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and reports of the other auditors.

   c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equtiy and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the Regional Offices/Branches which have been audited by other regional auditors.

   d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with relevant rules issued there under, except for those items given in "Annexure-A" to this report.

   e) Being a Government Company, the provisions of sec 164(2) of the Companies Act, 2013 do not apply as per Notification No. G.S.R.463 (E) dated 05thJune, 2015 issued by the Department of Company Affairs.

   f) With respect to the adequacy of the internal financial cotnrols over financial reporting of the Company and the operating effectiveness of such cotnrols, refer to our separate Report in "Annexure C".

   g) Being a Government Company, the provisions of section 197 of the Act with respect to the matters to be included in the Auditors' Report is not applicable.

   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i) The Company has disclosed the impact of pending litigations on its financial position and disclosed in its standalone financial statements – Refer Note No. 29.5 on Contingent Liabilities.

      ii) The Company did not have any long-term cotnracts including derivative cotnracts for which there were any material foreseeable losses.

      iii) We draw reference to point no. 4 of Emphasis of Mater section of this report. As stated therein the management is of the view that deposits accepted by the Company are outside the purview of the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 of the Companies Act,2013 as these are guaranteed by the Government of Kerala till the time they are matured. The Company has nott ransferred the unclaimed matured public deposits to Investor Education and Protection Fund.

3. As required by Section 143 (5) of the Act, we have considered the directions issued by the Comtproller and Audit General of India, the action taken thereon and its impact on the accounts and financial statements of the Company in "Annexure – D".

For **PAULSON AND COMPANY**
Chartered Accountants

(Sd/-)
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Kochi-17
23-03-2021
UDIN: 21021855AAAAHA9427

ANNEXURE 'A' REFERRED TO IN BASIS FOR QUALIFIED OPINION PARAGRAPH OF THE INDEPENDENT AUDITOR'S REPORT OF THE KERALA STATE FINANCIAL ENTERPRISES LIMITED ON THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 31ST MARCH, 2020

1. Non reconciliation of Inter Branch Accounts, Suspense Accounts and Other Accounts

   a) Reference is drawn to Note No.12 'Other Non-Financial Assets', a sum of Rs. 11,277.14 Lakh have been disclosed under Inter-branch current account. This includes both reconciled and un-reconciled balances between books of the various branches, Regional offices and the Head Office. Out of the above the company is unable to furnish the particulars of the un-reconciled amount of Rs. 4,069.13 Lakh (net debit balance). The impact/effect thereof, if any, arising out of reconciliation on the financial statements for the year ended 31st March, 2020 is not ascertainable at this stage.

   b) The net credit balance in various suspense accounts as on 31st March, 2020 is Rs. 24,627.87 Lakh. These suspense accounts are un-reconciled for a long period. As the reconciliation is pending, we are unable to comment on the impact of the same in the financial statements of the company.

   c) Reference is drawn to Note No. 29.17 and 29.27, The Company had been acting as an agent of Government of Kerala in respect of Revised Bhadratha Social Securtiy Scheme (RBD) on commission basis. The scheme has been since discontinued; the account shows a net balance of Rs.142.02 Lakh (PY: Rs.192.92 Lakh) due to pending reconciliation. In the absence of confirmation and reconciliation, the impact/effect thereof, if any, on the financial statements for the year ended 31st March, 2020 is not ascertainable at this stage. Further government has resumed amount from RBD accounts maintained int reasury at various points of time, however due to insufficient information on the same at branch and RO level, etnries have not been passed and have not been disclosed adequately in the notes. In the absence of information, we are unable to quantify the impact of the same on the financials.

   d) There are cases of unadjusted debits and credits appearing in the bank reconciliation statements, further there were many instances of time-barred/ dishonored cheques appearing in bank reconciliation. In the absence of adequate information, we are unable to ascertain the impact on Assets/Liabilities/Income/Expenditure.

2. Excess provision for impairment of financial assets and non – recognition of Interest income on Non-performing assets as required by Ind AS – 109

   i) The company has not provided impairment loss based on Expected Credit Loss (ECL) Method in accordance with Ind AS-109. Instead, the Company has made provision for non-performing loans as per RBI norms prescribed for the period beginning from 1.4.2019 as referred to Note No. 3.5, which constitutes a departure from the Ind AS. Had the management provided impairment loss based on ECL Method, the following items would have been changed by:

      Decrease in impairment loss by Rs.5,961.63 Lakh during the year 2019-20 and consequent increases in the profit for the year by Rs.5,961.63 Lakh. The cumulative impact of excess provision for impairment loss till 31 March 2019 and 31 March 2020 was Rs. 44,736.21 Lakh and Rs. 50697.86 Lakh respectively and the loan amount net of impairment loss and general reserves as those dates would have been higher by the respective amounts.

   ii) Interest is not recognized on net carrying value i.e., gross minus impairment provision of non-performing financial assets. In the absence of details, we are not in a position to quantify the impact thereof on the financial statements.

3. Provision for financial impact of fraud identified during the year.

   The Company has made a provision of Rs. 879.98 Lakh (Cumulative provision of Rs.1848.25 Lakh as on 31.03.2020) for frauds/ misappropriation reported during the year. In the absence of adequate information regarding the securtiy available and recovery made with the company, we are unable to comment on the adequacy of these provisions and consequent adjustments if any required on the financial statements for the year.

4. Amount payable to removed subscribers not deposited in separate bank account.

Reference is drawn to note no. 29.29, as on 31 March 2020 there was an outstanding due of Rs. 13,898.45 Lakh payable to defaulted & removed subscribers, the deposit of the said amount into approved banks and intimation to defaulting subscribers and registrar is being done at the branch level, on our verification and as reported by various RO auditors, the same has not been done for all cases and records of deposits into approved banks have not been maintained properly. In the absence of adequate records and information, we are unable to ascertain the quantum of deposits for which there is a violation with respect to section 30 of The Chit Funds Act 1982.

5. Excess recognition of Deferred tax Asset as per 'Ind AS12 – Income Taxes'.

Reference is drawn to note no.10B, the company during the current year has recognized deferred tax asset due timing difference, mainly on Propetry, Plant and Equipment's, employee benefits, provision for bad and doubtful debts and others. On our evaluation we are of the opinion that deferred tax asset on Propetry, Plant and equipment's is overstated by Rs. 202.70 Lakh. Further the Company has not accurately recognized deferred tax asset on temporary differences i.e., differences between the carrying amount of an asset or liabiltiy in the balance sheet and its tax base in the case of deferred tax asset on employee benefits, provision for bad and doubtful debts and others. Since the Company has not maintained proper record of historical details required to determine the tax base of these items, we are unable to quantify the impact of these misstatements on the financial statements for the year.

6. Effect of pay revision on gratutiy and earned leave salary not provided as per 'IND AS 19 – Employee Benefits'

The Company, in compliance with Government Order No. GO(MS)No. 20/2021/Taxes, dated 19 February 2021, has provided for pay revision with rterospective effect from 2017, amounting to Rs 17,243 Lakh which includes Rs. 6,520 Lakh to employee benefit expenses for the current year to accommodate the effect of the pay revision. However, it is noted that the Company has considered the payroll data based on salary information prior to pay revision for actuarial valuation of defined benefit obligations namely gratutiy and earned leave salary as per 'IND AS 19 – Employee Benefits'. Considering the materialtiy of pay revision, we are of the opinion that effects of pay revision needs to be considered for actuarial valuation of gratutiy and earned leave salary. In the absence of revised actuarial valuation based on salary details post pay revision we are unable to quantify the impact of the same on the financial statements.

The net profit for the year ended 31 March 2020 is understated due to the reasons reported in Clause 2 above amounting to Rs 5,961.63 Lakh. As discussed above, we are unable to quantify the financial impacts of the qualifications reported in clauses 1,3,4,5 and 6 due to the reasons mentioned in the respective clauses.

For **PAULSON AND COMPANY**
Chartered Accountants

(Sd/-)
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Kochi-17
23-03-2021
UDIN: 21021855AAAAHA9427

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KERALA STATE FINANCIAL ENTERPRISES LIMITED

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March 2020, we report that:

i. a) The Company has maintained proper records showing full particulars of Propetry, Plant & Equipment (PPE), including quantitative details and the situation of PPE. However, recording of identification number on PPE and proper accounting of inter-branch or inter-regionalt ransfers and their reconciliations has not been done properly.

b) Based on the information and explanations given to us, PPE are physically verified by the management at reasonable intervals. However, in the absence of unique identification number on PPE register, we are not in a position to comment on the accuracy of such physical verification system. Transfers of PPE between Branches, Branches to/from Head Office or Regional Office have not been reconciled. In the absence of full details, the consequent impact on the value of assets and depreciation thereon is unascertainable.

c) In our opinion and according to the information and explanations given to us, the title deeds of immovable properties are held in the name of the company, except in the following cases, where title deeds were not available for verification.

Description of Property	Location	Area of Land	Remarks
Land in Sy.No:266/2	Thrissur	75 cents	Value Rs.1.73 Lakh
Land	Kollam	15 cents	Land value is not paid/accounted in books, as the value is not yet decided by the Govt. of Kerala.

ii. The company did not hold any inventory other than stock of stationary which is not used fort rading and hence provision of clause 3(ii) are not applicable.

iii. In our opinion and based on Regional Auditors Report and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, limited liabiltiy partnerships, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

iv. In our opinion and according to the information and explanations given to us and based on Regional Auditors Report, the Company has not given any loans, made any investments, provided any guarantees and given any securtiy to which the provisions of Section 185 of the Companies Act, 2013 are applicable.

The Company has granted loan to Kerala State Social Securtiy Pension Limited amounting to Rs. 3,00,000 Lakh during the year ended 31.03.2020 based on the orders/ letters from Government of Kerala. The Company granted loans to Kerala Financial Corporation amounting to Rs. 15000 Lakh, the approval for the same was received through ratified government orders dated 17/02/2021.

v. According to the information and explanation given to us and according to the examination of the records, the Company has accepted deposits from the public. The deposits are guaranteed by the Government of Kerala to the tune of Rs. 12,000 crore with effect from 19.03.2019 and further increased to 15,000 crore with effect from 18.01.2021. Based on the legal opinion obtained from an independent practicing Company Secretary, the management is of the view that that deposits accepted by the Company are outside the purview of the directives issued by the Reserve Bank of India as these are guaranteed by the Government of Kerala. Consequently, the provisions of section 73 to 76 of the Companies Act,2013 or any other relevant provisions of the Act are not applicable to the Company. Reference is drawn to point number 4 of Emphasis of Matter paragraph of main audit report with reference to unclaimed matured deposits..

vi. According to the explanations and information given by the management, maintenance of cost records has not been specified by the Cetnral Government under sub-section (1) of section 148 of the Companies Act, 2013 for any of the activities of the company.

vii. a) According to the information and explanation given to us and based on our examination of books and records, in our opinion, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Goods and service Tax, Wealth Tax, Service Tax, Sales Tax, Customs dtuy, Cess and other material statutory dues applicable to it with the appropriate authorities during the year and there were no outstanding as at March 31, 2020 for a period of more than six months from the date they became payable except the following statutory dues (excluding interest):

1. Provident fund of newly appointed staffs for Rs. 51.32 Lakh which fell due from April 2018 onwards.

2. Provident fund portion of Pay Revision amounting to Rs.1,600.09 Lakh is outstanding as on 31st March 2020.

b) According to the records made available to us and the information and explanations given by the management, the particulars of dues of Income tax, Goods and Service Tax, Sales tax and Wealth tax. Service tax, Customs dtuy, EPF, ESI, and Cess as at 31st March, 2020 which have not been deposited on account of dispute, are as follows:

Name of the Statute	Nature of the Dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where dispute is pending
Interest Tax Act, 1974	Interest Tax	1043.48	AY 2000-01	Hon'ble Supreme Court of India.
Finance Act, 1994	Service Tax	0.66	July 2012 to October 2012	Commissioner of Central Excise & Customs(Appeals), Kochi.
Finance Act, 1994	Service Tax	4.35	2012-13 to 2014-15	Commissioner of Central Excise & Customs(Appeals), Kochi.

viii. According to the information and explanations given to us and based on the records of the company produced to us and examined by us, in our opinion, we are of the opinion that the company has not defaulted in repayment of dues to any financial institutions, banks, Government or debenture holders during the year.

ix. The company has not obtained any term loans or raised any moneys by way of initial public offer or further public offer (including debt instruments) during the year.

x. Based upon the audit procedures performed for the purpose of reporting thet rue and fair view of the financial statements and according to the information and explanations given by the management, no fraud by the Company has been noticed or reported during the course of our audit. However, as informed by the management, there have been certain instances of fraud on the company by employees where chitty related misappropriations/improper acceptance of securtiy/document fabrication etc. (excluding chitty inflation) have occurred for an estimated amount of Rs. 1759.97 Lakh. The financial impact of frauds in respect of chitty inflation has not been ascertained. The Company has created a provision for Rs. 879.98 Lakh during the year in respect of frauds identified during the year. Reference is drawn to point number 3 of Annexure 'A' to the main audit report, basis for qualified opinion.

xi. As per notification number G.S.R 463 (E) dated June 5, 2015 issued by Ministry of Corporate Affairs, section 197 as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.

xii. The company is not a Nidhi Company, therefore the provisions of clause 3 (xii) of Companies (Auditor's Report) Order, 2016, is not applicable to the company.

xiii. According to the records of the Company examined by us and the information and explanations given to us, the related patryt ransactions are in compliance with section 177 and 188 of the Companies Act, 2013 and have been disclosed in the Financial Statements as required by applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the company, the company has not made any preferential allotment or private placement of shares, or any issue of fully or partly convertible debentures during the year. Accordingly, the requirement of Section 42 of the Companies Act,2013 is not applicable to the company.

xv. According to the information and explanations given to us, the company has not entered in to any non-casht ransactions, as referred to in section 192 of the Companies Act, 2013, with the directors or persons connected with them.

xvi. According to the information and explanations given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **PAULSON AND COMPANY**
Chartered Accountants

(Sd/-)
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Kochi-17
23-03-2021
UDIN: 21021855AAAAHA9427

ANNEXURE 'C' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KERALA STATE FINANCIAL ENTERPRISES LIMITED

Report on the Internal Financial Cotnrols under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial cotnrols over financial reporting of KERALA STATE FINANCIAL ENTERPRISES LIMITED ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibiltiy for Internal Financial Cotnrols

The Company's management is responsible for establishing and maintaining internal financial cotnrols based on the internal cotnrol over financial reporting criteria established by the Company considering the essential components of internal cotnrol stated in the Guidance Note on Audit of Internal Financial Cotnrols over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial cotnrols that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibiltiy

Our responsibiltiy is to express an opinion on the Company's internal financial cotnrols over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Cotnrols Over Financial Reporting (the "Guidance Note") and the Standards on Auditing (the 'standards') issued by ICAI specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial cotnrols. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial cotnrols over financial reporting was established and maintained and if such cotnrols operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial cotnrolss ystem over financial reporting and their operating effectiveness. Our audit of internal financial cotnrols over financial reporting included obtaining an understanding of internal financial cotnrols over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal cotnrol based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial cotnrolss ystem over financial reporting.

Meaning of Internal Financial Cotnrols Over Financial Reporting

A company's internal financial cotnrol over financial reporting is a process designed to provide reasonable assurance regarding the reliabiltiy of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial cotnrol over financial reporting includes those policies and procedures that

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect thet ransactions and dispositions of the assets of the company;
2. provide reasonable assurance thatt ransactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Cotnrols over Financial Reporting

Because of the inherent limitations of internal financial cotnrols over financial reporting, including the possibiltiy of collusion or improper management override of cotnrols, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial cotnrols over financial reporting to future periods are subject to the risk that the internal financial cotnrol over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

According to the information and explanations given to us and based on our audit and on the basis of reports of other Regional/Branch auditors, the following material weaknesses have been identified as on 31st March, 2020;

a) Recording of identification number on PPE and accounting for inter-branch or inter-regionalt ransfers is not adequate. Reference is drawn to point (i) (a) in 'Annexure-B' to main audit report.

b) Non reconciliation of inter branch accounts referred to in Note No. 29.15 of the financial statements. Reference is drawn to point 1 (a) in 'Annexure-A' to main audit report.

c) Non-reconciliation of various suspense accounts. Reference is drawn to point 1 (b) in 'Annexure-A' to main audit report.

d) Non reconciliation of Revised Bhadratha Social Securtiy Scheme (RBD) account balance of Government of Kerala. Reference is drawn to point 1 (c) in 'Annexure-A' to main audit report.

e) Lack of effective review of bank reconciliation statements thereof leading to cases of unadjusted debits and credits appearing in the bank reconciliation statements, and many instances of time-barred/ dishonoured cheques appearing in bank reconciliation. Reference is drawn to point 1 (d) in 'Annexure-A' to main audit report.

f) Provisioning for impairment loss not as per Expected Credit Loss (ECL) Method in accordance with IndAS-109 where the Company has made provision for non-performing loans as per RBI norms prescribed for the period beginning from 1.4.2019 as referred to Note No.3.5 of the financial statements. This has led to excess provisioning for credit losses and is a departure from the principles of IND AS 109. Reference is drawn to point 2 (i) in 'Annexure-A' to main audit report.

g) Company recognises Interest income on gross carrying value instead of net carrying value i.e., gross minus impairment provision of non-performing financial assets. Reference is drawn to 2 (ii) in 'Annexure-A' to main audit report.

h) The Company has made a provision of Rs. 879.98 Lakh (Cumulative provision of Rs.1848.25 Lakh as on 31.03.2020) for frauds/misappropriation reported during the year without proper compilation and evaluation of securtiy available and recovery made by the company. Reference is drawn to point 3 in 'Annexure-A' to main audit report.

i) The Company has not accurately recognized deferred tax asset on temporary differences i.e differences between the carrying amount of an asset or liabiltiy in the balance sheet and its tax base and the Company has not maintained proper record of historical details required to determine the tax base of these items. Reference is drawn to point 5 in 'Annexure-A' to main audit report.

j) Company has not factored in the impact of pay revision while carrying out the actuarial valuation for gratutiy and earned leave salary leading to misstatements in the financial statements. Reference is drawn to point 6 in 'Annexure-A' to main audit report.

k) Instances of registration of chitties without realising first Instalment. Reference is drawn to point number one of 'Emphasis of Matter' paragraph in the main audit report.

A 'Material weakness' is a deficiency, or a combination of deficiencies, in internal financial cotnrol over financial reporting, such that there is a reasonable possibiltiy that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on timely basis.

Qualified opinion

In our opinion, except for the effects of material weaknesses described above on the achievement of the objectives of the cotnrol criteria, the Company has maintained, in all material respects, an adequate internal financial cotnrolss ystem over financial reporting and such internal financial cotnrols over financial reporting were operating effectively as of 31stMarch 2020, based on the internal cotnrol over financial reporting criteria established by the Company considering the essential components of internal cotnrol stated in the Guidance Note on Audit of Internal Financial Cotnrols Over Financial Reporting issued by the Institute of Chartered Accountants of India

For **PAULSON AND COMPANY**
Chartered Accountants

CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Kochi-17
23-03-2021
UDIN: 21021855AAAAHA9427

ANNEXURE 'D' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KERALA STATE FINANCIAL ENTERPRISES LIMITED, ERNAKULAM

Replies to directions from comtproller & auditor general of India under section 143(5) of the Companies Act, 2013

I) Whether the Company hass ystem in place to process all the accountingt ransactions through ITs ystem? If yes, the implications of processing of accountingt ransactions outside ITs ystem on the integrtiy of the accounts along with the financial implications, if any, may be stated.

According to the information and explanations given to us, the Company hass ystem in place to process all the accountingt ransactions through IT System. According to the explanations and information given to us all the accountingt ransactions of the Company is processed through the ITs ystems. However, the ITs ystem of Revenue Recovery Department and NRI Branch is not integrated with the company's mains ystem and software.

II) Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by a lender to the Company due to the Company's inabiltiy to repay the loan? If yes, the financial implications may be stated.

According to the information and explanations given to us, there were no instances of restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. due to the Company's inabiltiy to repay the loan.

III) Whether funds received/receivable for specific schemes from cetnral or state agencies were properly accounted for/utilized as per its terms and conditions? List the cases of deviations.

According to the information and explanations given to us, no such funds were received by the company during the period.

Reply to Sector Specific Sub- Directions

Finance Sector

1. **Whether the company has complied with the directions issued by Reserve Bank of India for:**

   i) Non-Banking Finance companies (NBFCs);

   Reply: According to the information and explanation given to us, KSFE is categorized as Miscellaneous Non-Banking Company and it has complied with the directions of Reserve Bank of India for Miscellaneous Non-Banking Companies.

   ii) Classification of Non-performing assets;

   Reply: According to the information and explanation given to us, NPA (Other than chitty) is classified on the basis of prudential norms of RBI in this regard.

   iii) Capital adequacy norms for NBFCs;

   Reply: According to the information and explanation given to us, Capital adequacy norms is not applicable to KSFE as the company is a Miscellaneous Non-Banking Company, and it has complied with the directions of Reserve Bank of India.

2. **Whether the company has as ystem to ensure that loans were secured by adequate securtiy free from encumbrances and have first charge on mortgaged assets. Further, instances of undue delay in disposal of seized units may be reported:**

   In case of loans sanctioned against securtiy of land and building, non-encumbrance certificate has been collected by the branches. Instances of undue delay in disposal of seized units are not available from the accountings ystem. Reference is drawn to point number 2 of Emphasis of Matter paragraph of main audit report with reference to inadequate loan documentation.

3. **Whether itnroduction of any scheme for settlement of dues and extensions thereto are in compliance with the policy guidelines of the Company/Government:**

   According to the information and explanations given to us, One Time Settlement schemes are operated as per policy guidelines of the company.

4. **Comment on the confirmation of balances oft rade receivables,t rade payables, term deposits, bank account and cash:**

Confirmation have been received on a random basis at Head Office, Regional Office and branch level. Reference is drawn to point number 3 and 5 of Emphasis of Matter paragraph of main audit report with reference to customer confirmation and confirmation Treasury and deposits in the name of Assistant Registrars of Chitties.

5. **Whether the bank guarantees are revalidated in time?**

According to the information and explanations given to us, no lapses were noticed by us

For **PAULSON AND COMPANY**
Chartered Accountants

(Sd/-)
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Kochi-17
23-03-2021
UDIN: 21021855AAAAHA9427

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

BALANCE SHEET AS AT 31st MARCH 2020

(Rs in Lakhs)

	Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
I.	**ASSETS**			
	1.Financial Assets			
	a. Cash and cash equivalents	5	31,730.33	1,61,630.72
	b. Bank Balances other than (a) above	6	5,94,778.07	6,08,443.06
	c. Loans	7	29,73,114.49	23,20,809.17
	d. Investments	8	11,502.80	576.80
	e. Other financial assets	9	80,855.25	98,871.59
	Total Financial Assets		36,91,980.95	31,90,331.34
	2. Non-financial Assets			
	a. Current tax assets (Net)	10A	18,597.28	13,781.73
	b. Deferred tax assets (Net)	10B	21,518.06	20,490.24
	c. Property, Plant and Equipment	11A	5,221.08	2,558.70
	d. Capital work-in-progress	11B	-	-
	e. Intangible assets	11C	119.77	109.77
	f. Other non-financial assets	12	12,075.43	10,763.47
	Total Non-Financial Assets		57,531.63	47,703.91
	Total Assets		**37,49,512.57**	**32,38,035.25**
II.	**LIABILITIES AND EQUITY**			
	LIABILITIES			
	1. Financial Liabilities			
	a. Borrowings (other than debt securities)	13	2,46,343.59	2,42,568.00
	b. Deposits	14	14,22,399.43	12,54,769.50
	c. Other Financial Liabilities	15	19,62,516.01	16,26,924.84
	Total Financial liabilities		36,31,259.03	31,24,262.35
	2. Non- Financial liabilities			
	a. Provisions	16	15,722.08	13,516.64
	b. Other non-financial liabilities	17	4,898.30	5,240.97
	Total Non- Financial liabilities		20,620.38	18,757.61
	Total liabilities		36,51,879.41	31,43,019.96
	3. EQUITY			
	a. Equity share capital	18	10,000.00	10,000.00
	b. Other equity	19	87,633.16	85,015.29
	Total Equity		97,633.16	95,015.29
	Total Liabilities and Equity		**37,49,512.57**	**32,38,035.25**

The accompanying notes form an integral part of the standalone financial statements.

As per our report with UDIN 21021855AAAAHA9427 of even date attached.

For and on behalf of the Board of Directors,

For **PAULSON AND COMPANY**
Chartered Accountants

Sd/-
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Place : Thrissur
Date : 23/03/2021

Sd/-
Adv. Peelipose Thomas
Chairman

Sd/-
V.P.Subramanian
Managing Director (Incharge)

Sd/-
Mini.V.R
Director

Sd/-
S.Sarath Chandran
General Manager (Finance)

Sd/-
Emil Alex
Company Secretary

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

(Rs in Lakhs)

	Particulars	Note No	For the year ended 31.03.2020	For the year ended 31.03.2019
(I)	Revenue from operations			
	(i) Interest Income	20	1,53,535.80	1,45,297.87
	(ii) Foreman Commission		1,06,762.86	94,042.82
	(iii) Service Charges	21 (a)	1,197.85	1,128.37
	(iv) Other Revenue from Chit Fund Operations	21 (b)	21,171.44	22,955.32
	Total Revenue from Operations		2,82,667.96	2,63,424.39
(II)	Other Income	22	62.83	69.58
(III)	**Total Income (I+II)**		**2,82,730.79**	**2,63,493.97**
(IV)	EXPENSES			
	Finance Costs	23	1,25,308.34	1,12,765.83
	Impairment of financial instruments	24	23,516.25	40,313.21
	Employee benefits expenses	25	94,658.03	75,691.07
	Depreciation, amortisation and impairment	26	1,188.28	637.47
	Other expenses	27	27,543.73	21,842.25
	Total Expenses		**2,72,214.63**	**2,51,249.84**
(V)	Profit before exceptional items and tax (III-IV)		10,516.36	12,244.13
(VI)	Exceptional Items			
(VII)	Profit before tax (V-VI)		10,516.36	12,244.13
(VIII)	Tax expense:			
	a. Current tax		4,071.31	5,423.79
	b. Deferred tax	10B	(879.25)	(1,028.17)
	c. Relating to earlier years (net)		45.24	70.22
			3,237.30	4,465.84
(IX)	Profit for the year from continuing operations (VII-VIII)		7,279.06	7,778.29
(X)	**Profit for the year**		**7,279.06**	**7,778.29**
(XI)	Other Comprehensive Income			
	(i) Items that will not be reclassified to profit or loss (Re-measurements of		(590.34)	(24.36)
	(ii) Income tax relating to items that will not be reclassified to profit or loss		148.58	8.43
	Other comprehensive income (net of tax)		(441.76)	(15.93)
(XII)	**Total Comprehensive Income for the year (X+XI)**		**6,837.30**	**7,762.36**
(XIII)	Earnings per equity share	28		
	Basic and diluted earnings per equity share (Rs.)		68.37	77.62
	Nominal value per equity share (Rs.)		100.00	100.00
	Additional Information	29		

The accompanying notes form an integral part of the standalone financial statements.

As per our report with UDIN 21021855AAAAHA9427 of even date attached.

For and on behalf of the Board of Directors,

Sd/-
Adv. Peelipose Thomas
Chairman

Sd/-
V.P.Subramanian
Managing Director (Incharge)

Sd/-
Mini.V.R
Director

Sd/-
S.Sarath Chandran
General Manager (Finance)

Sd/-
Emil Alex
Company Secretary

For **PAULSON AND COMPANY**
Chartered Accountants

Sd/-
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Place : Thrissur
Date : 23/03/2021

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

(Rs in Lakhs)

	Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
A.	Cash Flows from Operating Activities		
	Profit / (Loss) Before Tax	9289.31	12219.77
	Adjustments for:		
	Depreciation and amortisation expense	1189.28	637.47
	Impairment on financial instruments	24151.75	40313.21
	(Profit)/ Loss on sale of Property, Plant & Equipment	4.85	(3.83)
	Interest received on Deposits (Investments)		
	Interest on Loans and OD against flexy FD		
	Operating Profit before Working Capital Changes	**34635.19**	**53166.62**
	Adjustments for:		
	Decrease / (Increase) in other non-financial assets	3,672.91	9,326.06
	Decrease / (Increase) in loans	(6,76,459.07)	(3,06,478.92)
	Decrease / (Increase) in other financial assets	29336.86	(3,471.72)
	Increase / (decrease) in other financial liabilities	320619.89	180657.99
	Increase / (decrease) in provisions	2955.45	607.10
	Increase / (decrease) in other non financial liabilities	(1,249.27)	(7,993.14)
	Cash generated from Operations	(2,86,488.04)	(73,186.01)
	Direct Taxes Paid	(8,932.10)	(7,601.92)
	Net Cash used in Operating Activities	**(2,95,420.15)**	**(80,787.93)**
B.	Cash Flows from Investing Activities		
	Purchase of property, plant and equipment	(3,817.85)	(1,282.99)
	Purchase of intangible assets	(61.41)	(93.99)
	Investment in Capital Work in Progress	-	-
	Interest Received		
	Sale proceeds of fixed assets	10.49	5.17
	Capital advance given	-	(195.00)
	Bank Balances not considered as Cash and Cash equivalents	13,664.99	(39,515.69)
	Increase in investment	(11,466.00)	(576.80)
	Net Cash from/(used) in Investing Activities	**(1,669.78)**	**(41,659.31)**
C.	Cash Flows from Financing Activities		
	Proceeds/ (Repayment) from Loans repayable on demand from Banks	(6,224.41)	7,176.93
	Proceeds from Short Term Loan from Banks	10000.00	97500.00
	Proceeds from Deposits from public	167629.92	129204.09
	Dividend & Dividend Distribution Tax Paid	(4,219.60)	(4,219.43)
	Net Cash used in Financing Activities	**167185.91**	**229661.59**
	Summary		
	Net Cash used in Operating Activities	(2,95,420.15)	(80,787.93)
	Net Cash from/(used) in Investing Activities	(1,669.78)	(41,659.31)
	Net Cash used in Financing Activities	1,67,185.91	2,29,661.59
	Net Decrease in Cash Equivalents	**(1,29,904.02)**	**1,07,214.35**
	Cash and Cash Equivalents at the beginning of the year	1,61,630.72	54,416.35
	Cash and Cash Equivalents at the end of the year	31,730.33	1,61,630.72
		(1,29,900.40)	1,07,214.37

As per our report with UDIN 21021855AAAAHA9427 of even date attached.

For and on behalf of the Board of Directors,

For **PAULSON AND COMPANY**
Chartered Accountants

Sd/-
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Place : Thrissur
Date : 23/03/2021

Sd/-
Adv. Peelipose Thomas
Chairman

Sd/-
V.P.Subramanian
Managing Director (Incharge)

Sd/-
Mini.V.R
Director

Sd/-
S.Sarath Chandran
General Manager (Finance)

Sd/-
Emil Alex
Company Secretary

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31.03.2020

A. Equity Share Capital

(Rs in Lakhs)

Particulars	Numbers	Amount
Equity shares of Rs.100 each issued, subscribed and fully paid		
Balance as at the beginning on 1st April, 2018	1,00,00,000	10,000.00
Changes in equity share capital during 2018-19	-	-
Balance as at 31st March, 2019	1,00,00,000	10,000.00
Changes in equity share capital during 2019-20	-	-
Balance as at 31st March, 2020	1,00,00,000	10,000.00

B. Other Equity

(Rs in Lakhs)

Particulars	Reserves and Surplus			Items of other comprehensive income - Remeasurement of defined benefit obligations (net of tax)	Total
	General Reserve	Chitty Statutory Reserve	Retained Earnings		
Balance As at 1st April 2018	78,462.18	5,607.04	-	(2,596.86)	81,472.36
Profit for the year			7,778.29		7,778.29
Other comprehensive income (net of taxes)				(15.93)	(15.93)
Total comprehensive income for the year	-	-	7,778.29	(15.93)	7,762.36
Dividend (including taxes)	(4,219.43)		-		(4,219.43)
Transfer to/(from) retained earnings	6,553.88	1,224.41	(7,778.29)		-
As at 31st March, 2019	**80,796.63**	**6,831.45**	**-**	**(2,612.79)**	**85,015.29**
Balance As at 1st April 2019	80,796.63	6,831.45	-	(2,612.79)	85,015.29
Profit for the year			7,279.06		7,279.06
Other comprehensive income net of taxes				(441.76)	(441.76)
Total comprehensive income for the year	-	-	7,279.06	(441.76)	6,837.30
Dividend (including taxes)	(4,219.43)		-		(4,219.43)
Transfer to/(from) retained earnings	6,227.42	1,051.64	(7,279.06)		-
As at 31st March, 2020	**82,804.62**	**7,883.09**	**-**	**3,054.55**	**87,633.16**

The accompanying notes form an integral part of the financial statements.

As per our report with UDIN 21021855AAAAHA9427 of even date attached.

For and on behalf of the Board of Directors,

Sd/-
Adv. Peelipose Thomas
Chairman

Sd/-
V.P.Subramanian
Managing Director (Incharge)

Sd/-
Mini.V.R
Director

Sd/-
S.Sarath Chandran
General Manager (Finance)

Sd/-
Emil Alex
Company Secretary

For **PAULSON AND COMPANY**
Chartered Accountants

Sd/-
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Place : Thrissur
Date : 23/03/2021

The Kerala State Financial Enterprises Limited
Notes forming part of Financial Statements for the year ended March 31, 2020

1. Corporate Information

The Kerala State Financial Enterprises Limited ("the Company") was incorporated as a Private Limited Company fully owned by Government of Kerala on 6thNovember 1969. The Company was established with the objective of providing an alternative to the public from the private chit promoters in order to bring in social cotnrol over chit fund business. The Company is primarily engaged in Chit fund operations and is also into lending business and accepts deposits from public, the repayment of which is guaranteed by Government of Kerala. The Registered Office of the Company is situated at Thrissur and as at 31.03.2020, the Company is having 13 regional offices and 574 branches, spread across the state of Kerala.

2. Basis of preparation and presentation

2.1. Statement of Compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The financial statements for the year ended 31 March 2020 have been prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complextiy, or areas where assumptions are significant to the Company are discussed in Note 4 - Significant accounting judgements, estimates and assumptions.

2.2. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for following assets and liabilities which have been measured at fair value:

i) Other financial assets held fort rading,

ii) Financial assets and liabilities designated at fair value through profit or loss (FVTPL),

iii) Financial assets and liabilities designated at fair value through Other Comprehensive Income (FVOCI).

2.3. Use of estimates and judgements

In preparing these standalone financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

2.3.1 Judgements:

There are no significant judgements made in applying accounting policies that have the most material effects on the amounts recognised in the financial statements.

2.3.2 Assumptions and estimation uncertainties:

a. Useful lives of propetry, plant and equipment

Propetry, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful life and residual values of Company's assets are determined by Management at the time the asset is acquired and reviewed periodically, including each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

b. Others:

Further information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ended 31 March 2020 is included in the following notes:

- Note 4 – Determining the fair value of investment propetry.
- Note 9 & 24 – Recognition of impairment loss of financial assets;
- Note 10 B – Deferred tax asset; and
- Note 29.3 - Determining whether an arrangement qualifies to be a lease as per the requirements of Ind AS 116
- Notes 29.5 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 29.6 – Measurement of defined benefit obligations: key actuarial assumptions;

2.4. Presentation

The financial statements of the Company are presented as per Schedule III (Division III) of the Companies Act, 2013 applicable to Non-Banking Financial Companies (NBFC), as notified by the Ministry of Corporate Affairs.

The financial statements are presented in Indian Rupees (INR) which is also its functional currency and all values are rounded to the nearest lakhs, except when otherwise indicated.

3. Significant accounting policies

3.1. Revenue from Operations

a. Recognition of interest income

The Company recognises interest income by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets and other credit-impaired financial assets.

Interest income on allt rading assets and financial assets required to be measured at FVTPL is recognised using the cotnractual interest rate as net gain on fair value changes.

Accrual method of accounting for interest income on advances is followed for all loans except for default on prized chitties. However, Interest income on advances where instalment is overdue for more than 90 days falling under NPA category and chitty loan of amount advanced to KSFE Staff Co-op. Socitey Ltd. 777 is recognized as and when the same is received.

The Company has taken the rate of interest charged to the customers as the effective rate of interest (EIR) since, the rate of interest charged is par with the market rate of interest. Transaction costs viz; processing fee, administrative charges recovered are not adjusted for calculation of EIR and not amortised as the amount involved is not material.

a. Recognition of revenue from sale of goods or services

Revenue (other than for Financial Instruments within the scope of Ind AS 109) is measured at an amount that reflects the considerations, to which an enttiy expects to be entitled in exchange fort ransferring goods or services to customer, excluding amounts collected on behalf of third parties.

The Company recognises revenue from cotnracts with customers based on a five-step model as set out in Ind AS 115:

Step 1: Identify cotnract(s) with a customer: A cotnract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every cotnract that must be met.

Step 2: Identify performance obligations in the cotnract: A performance obligation is a promise in a cotnract with a customer tot ransfer a good or service to the customer.

Step 3: Determine thet ransaction price: Thet ransaction price is the amount of consideration to which the Company expects to be entitled in exchange fort ransferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate thet ransaction price to the performance obligations in the cotnract: For a cotnract that has more than one performance obligation, the Company allocates thet ransaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Foreman's commission on company substituted tickets and profit /loss on such tickets gets recognized under the head "Profit on Chitty substituted tickets" only at the time of termination of the chitty.

3.2. Financial instruments

A. Financial Assets

3.2.1.1. Initial recognition and measurement

All financial assets are recognised initially at fair value when the parties become patry to the cotnractual provisions of the financial asset. In case of financial assets which are not recorded at fair value through profit or loss,t ransaction costs that are directly attributable to the acquisition or issue of the financial assets, are adjusted to the fair value on initial recognition.

3.2.1.2. Subsequent measurement

The Company classifies its financial assets into various measurement categories. The classification depends on the cotnractual terms of the financial assets' cash flows and the Company's business model for managing financial assets.

a. *Financial assets measured at amortised cost*

A financial asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect cotnractual cash flows and the cotnractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. *Financial assets measured at fair value through other comprehensive income (FVOCI)*

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting cotnractual cash flows and selling financial assets and cotnractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c. *Financial assets measured at fair value through profit or loss (FVTPL)*

A financial asset which is not classified in any of the above categories are measured at FVTPL.

B. Financial liabilities

3.2.2. Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributablet ransaction costs. The company's financial liabilities includet rade and other payables, public deposits and borrowings including bank overdrafts.

3.2.3. Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

3.3. Derecognition of financial assets and liabilities

3.3.1.1. Financial Asset

The Company derecognizes a financial asset when the cotnractual cash flows from the asset expire or itt ransfers its rights to receive cotnractual cash flows from the financial asset in at ransaction in which substantially all the risks and rewards of ownership aret ransferred. Any interest int ransferred financial assets that is created or retained by the Company is recognized as a separate asset or liabiltiy.

3.3.2. Financial Liabiltiy

A financial liabiltiy is derecognised when the obligation under the liabiltiy is discharged, cancelled or expired. Where an existing financial liabiltiy is replaced by another from the same lender on substantially different terms, or the terms of an existing liabiltiy are substantially modified, such an exchange or modification ist reated as de-recognition of the original liabiltiy and the recognition of a new liabiltiy. The difference between the carrying value of the original financial liabiltiy and the consideration paid is recognised in profit or loss.

3.4. Offsetting

Financial assets and financial liabilities are generally reported at gross value in the Balance Sheet except financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Company has a legal right to offset the amounts and intends to settle on a net basis or wherein the net value after provision is shown in the Balance Sheet to realise the asset and settle the liabiltiy simultaneously in all the following circumstances:

a. The normal course of business

b. The event of default

c. The event of insolvency or bankruptcy of the Company and/or its counterparties

3.5. Impairment of financial assets

Even though the prudential norms of RBI with regard to provisioning requirements are not applicable to the Company, as a matter of prudence, from FY 2018-19, the Company has switched to 90 days NPA norms & creation of provision for doubtful debts & standard assets as per age-wise analysis as stipulated by RBI in its master circular No.DBODNo.BP.BC.9/21.04.048/2014-15 dated 01.07.2014 (though 120 days norm is applicable for non-banking finance companies for FY 2018-19). The Company has also adopted classification of debts on borrower wise categorization as against faciltiy wise categorization. Prudential norms of RBI with regard to provisioning requirement is not being adopted for chitty & prized default in chitties arising to the peculiar nature of the scheme.

The impairment allowance calculated for expected credit loss on loan portfolio and the provisions calculated on non-performing assets in line with the NPA guidelines issued by the Reserve Bank of India were compared. Since, amount of provision as per RBI norms is more, the management is of the view that such provision is more conservative and as a measure of prudence, provision has been made in the accounts accordingly.

3.5.1. Expected Credit Loss (ECL)model

Expected Credit Loss, at each reporting date, is measured through a loss allowance for a financial asset:

* At an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.
* At an amount equal to 12-month expected credit losses, if the credit risk on a financial instrument has not increased significantly since initial recognition.

Lifetime expected credit losses means expected credit losses that result from all possible default events over the expected life of a financial asset.

12-month expected credit losses means the portion of Lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within the 12 months after the reporting date.

The Company performs an assessment, at the end of each reporting period, of whether a financial assets credit risk has increased significantly since initial recognition. When making the assessment, the change in the risk of a default occurring over the expected life of the financial instrument is used instead of the change in the amount of expected credit losses.

Estimation of Expected Credit Loss

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Probabiltiy of Default (PD) - The Probabiltiy of Default is an estimate of the likelihood of default over a given time horizon.

The Company uses historical information to determine PD. Considering the different products and schemes, the Company has bifurcated its loan portfolio into various pools and the PD are calculated considering fresh slippage of past years.

Exposure at Default (EAD) - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by cotnract or otherwise, expected drawdown on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD) – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cotnractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses the estimate of PD, LGD determined by the Company based on its internal data.

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as movable and immovable assets, securities, letters of credit/guarantees etc. However, the fair value of collateral affects the calculation of ECL. The collateral is majorly the propetry for which the loan is given. The fair value of the same is based on data provided by third patry or management judgements.

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash ows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the Statement of Prot and Loss.

Since, amount of provision as per RBI norms is more than the ECL calculation, the management is of the view that such provision as per RBI norms is more conservative and as a measure of prudence, provision has been made in the accounts accordingly.

3.6. Determination of fair value of Financial Instruments

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid tot ransfer a liabiltiy in an orderlyt ransaction between market participants at the measurement date. The fair value measurement is based on the presumption that thet ransaction to sell the asset ort ransfer the liabiltiy takes place either:

i) In the principal market for the asset or liabiltiy, or

ii) In the absence of a principal market, in the most advantageous market for the asset or liabiltiy

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liabiltiy is measured using the assumptions that market participants would use when pricing the asset or liabiltiy, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's abiltiy to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1. Financial instruments -Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficientt rading activities with regards to the volume and liquidtiy of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

Level 2. Financial instruments-Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

Level 3. Financial instruments -Those that include one or more unobservable input that is signicant to the measurement as whole.

3.7. Finance Costs

Finance cost represents interest expense recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial liabilities other than financial liabilities classified as FVTPL.

The EIR in case of a financial liability is computed

a. As the rate that exactly discounts estimated future cash payment through the expected life of the financial liabiltiy to the gross carrying amount of the amortised cost of a liabiltiy,

b. By considering all the cotnractual terms of the financial instrument in estimating the cash flows,

c. Including all fees paid between parties to the cotnract that are an integral part of the effective interest rate,t ransaction costs and all other premiums or discounts. Any subsequent changes in the estimation of the future cash flows is recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

The Company has taken the rate of interest paid on borrowings as the effective rate of interest (EIR) since, the rate of interest paid is par with the market rate of interest. Transaction costs viz; processing fee, administrative charges recovered are not adjusted for calculation of EIR and not amortised as the amount involved is not material.

3.8. Prior period Income/ expense

As per Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors, an enttiy shall correct material prior period errors rterospectively in the first set of financial statements approved for issue after their discovery by:

a. Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equtiy for the earliest prior period presented.

In line with the said provision, Prior period errors are corrected rterospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening statement of financial position.

3.9. Other Income and Expenses

All other income and expense are recognized in the period they occur.

3.10. Cash and cash equivalents

Cash and cash equivalents comprise of balance at bankst/reasury cash/cheques on hand and short-term deposits with an original maturtiy of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short- term deposits, as defined above.

3.11. Propetry, plant and equipment

plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deductingt rade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Advances paid towards the acquisition of fixed assets, outstanding at each reporting date are shown under other non-financial assets. The cost of propetry, plant and equipment not ready for its intended use at each reporting date are disclosed as capital work-in-progress.

Subsequent expenditure related to the asset are added to its carrying amount or recognised as a separate asset only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

3.12. Depreciation

Depreciation on Propetry, Plant and Equipment is calculated using written down value method (WDV) to write down the cost of propetry and equipment to their residual values over their estimated useful lives which is in line with the estimated useful life as specified in Schedule II of the Companies Act, 2013.

The residual values, useful lives and methods of depreciation of propetry, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, andt reated as changes in accounting estimates.

Propetry plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the Statement of Profit and Loss in the year the asset is derecognised. The date of disposal of an item of propetry, plant and equipment is the date the recipient obtains cotnrol of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

3.13. Intangible assets

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price including import duties and non-refundable purchase taxes, after deductingt rade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure related to the asset is added to its carrying amount or recognised as a separate asset only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably.

Intangible assets comprising of software is amortised on straight line basis over a period of 3 years, unless it has a shorter useful life.

Gains or losses from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit or Loss when the asset is derecognised.

3.14. Impairment of non–financial assets: Propetry, Plant and Equipment and Intangible Assets

The Company assesses, at each reporting date, whether there is any indication that any Propetry, Plant and Equipment and Intangible Assets or group of assets called Cash Generating Units (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount to determine the extent of impairment, if any.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent markett ransactions are taken into account. If no sucht ransactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publiclyt raded companies or other available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal ist reated as an increase in revaluation reserve.

3.15. Employee Benefits Expenses

3.15.1. Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services

3.15.2. Post-Employment Benefits

a. Defined cotnribution schemes

All eligible employees of the company are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the company contribute monthly at a stipulated percentage of the covered employee's salary. Contributions are made to Employees

Provident Fund Organization in respect of Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme at the prescribed rates and are charged to Statement of Profit and Loss at actuals. The company has no liabiltiy for future provident fund benefits other than its annual contribution.

a. **Defined Benefit schemes**

Gratutiy

The Company provides for gratutiy covering eligible employees under which a lumpsum payment is paid to vested employees at retirement, death, incapacitation or termination of employment, of an amount reckoned on the respective employee's salary and his tenor of employment with the Company. The Company accounts for its liabiltiy for future gratutiy benefits based on actuarial valuation determined at each Balance Sheet date by an Independent Actuary using Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortaltiy rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Re-measurement, comprising of actuarial gains and losses (excluding amounts included in net interest on the net dened benet liabiltiy), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassied to prot and loss in subsequent periods.

3.15.3. Other Long-term employee benefits

Accumulated compensated absences

The Company provides for liabiltiy of accumulated compensated absences for eligible employees on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss for the period in which they occur.

3.16. Provisions

Provisions are recognised when the enterprise has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the enterprise determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liabiltiy. The expense relating to any provision is presented in the Statement of Profit and Loss net of any reimbursement.

3.17. Taxes

Income tax expense represents the sum of current tax and deferred tax

3.17.1. Current Tax

Current tax is the amount of income taxes payable in respect of taxable profit for a period. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible in accordance with applicable tax laws.

The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the end of reporting date in India where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss i.e., either in other comprehensive income or in equtiy. Current tax items are recognised in correlation to the underlyingt ransaction either in other comprehensive income or directly in equtiy. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.17.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities used in the computation of taxable profit and their carrying amounts in the financial statements for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

i. Where the deferred tax liabiltiy arises from the initial recognition of goodwill or of an asset or liabiltiy in at ransaction that is not a business combination and, at the time of thet ransaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be cotnrolled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

i. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liabiltiy in at ransaction that is not a business combination and, at the time of thet ransaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liabiltiy is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss i.e., either in other comprehensive income or in equtiy. Deferred tax items are recognised in correlation to the underlyingt ransaction either in other comprehensive income or directly in equtiy.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable enttiy and the same taxation authortiy.

3.17.3. Minimum Alternate Tax (MAT)

Minimum Alternate Tax (MAT) paid in a year is charged in the Statement of Profit and Loss as current Tax. The Company recognizes MAT credit available as an asset only to the extent that it is probable that the Company will pay normal income tax during the specified period. i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit available in respect of Minimum Alternative Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss as shown as MAT Credit Entitlement. The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

3.18. Contingent Liabilities and assets

A contingent liabiltiy is a possible obligation that arises from past events whose existence will be conrmed by the occurrence or non-occurrence of one or more uncertain future events beyond the cotnrol of the Company or a present obligation that is not recognized because it is not probable that an outow of resources will be required to settle the obligation. A contingent liabiltiy also arises in etxremely rare cases where there is a liabiltiy that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liabiltiy but discloses its existence in the nancial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be conrmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the cotnrol of the enttiy. The company does not have any contingent assets in the nancial statements.

3.19. Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net prot or loss for the year attributable to equtiy shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equtiy shares outstanding during the year.

For calculating diluted earnings per share, the net prot or loss for the year attributable to equtiy shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equtiy shares. Dilutive potential equtiy shares are deemed converted as of the beginning of the period, unless they have been issued later. In computing the dilutive earnings per share, only potential equtiy shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

3.20. Foreign currencyt ransactions

Transactions in foreign currencies aret ranslated into the functional currency of the Company at the exchange rates at the dates of thet ransactions or an average rate if the average rate approximates the actual rate at the date of thet ransaction.

Monetary assets and liabilities denominated in foreign currencies aret ranslated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency aret ranslated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency aret ranslated at the exchange rate at the date of thet ransaction. Exchange differences are recognised in profit or loss.

3.21. Cash-flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects oft ransactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

3.22.Leases

3.22.1. Transition to IND AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 Leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It itnroduces a single, on-balance sheet lease accounting model for lessees. Effective April 01, 2019, the Company has applied Ind AS 116 'Leases' to all lease cotnracts existing on April 01, 2019 by adopting the modified rterospective approach. Accordingly, the comparative information is not required to be restated. Refer Note 3.21 (Significant accounting policies – Leases) of standalone financial statements for the year ended March 31, 2019, for the policy as per Ind AS 17. The Company evaluates each cotnract or arrangement, whether it qualifies as lease as defined under Ind AS 116. A cotnract is, or contains, a lease if the cotnract conveys the right to cotnrol the use of an identified asset.

As per the evaluation carried out by the management, there are no arrangements which qualify as a lease as per the requirements of Ind AS 116, accordingly, the Company is not required to make any adjustments ont ransition to Ind AS 116 for leases where it acts as a lessee.

3.22.2. The Company as a lessee

The Company has elected not to recognise right-of use assets and lease liabilities for short term leases that have a lease term of less than or equal to 12 months and eases with low value assets. The Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease, where the Company is reasonably certain to exercise that option. The Company recognises the lease payments associated with these leases as an expense in Statement of Profit and Loss on a straight-line basis over the lease term or anothers ystematic basis if that basis is more representative of the pattern of the lessee's benefit. The related cash flows are classified as operating activities. Wherever the above exception permitted under Ind AS 116 is not applicable, the Company at the time of initial recognition:

- Measures lease liabiltiy as present value of all lease payments discounted using the Company's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liabiltiy is increased by interest on lease liabiltiy, reduced by lease payments made and remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.
- Measures 'Right-of-use assets' as present value of all lease payments discounted using the Company's incremental cost of borrowing and any initial direct costs. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation (depreciated on straight line basis over the lease period) and any accumulated impairment losses adjusted for any remeasurement of the lease liabiltiy specified in Ind AS 116 'Leases'

3.22.3. The Company as a lessor

Leases under which the Company is a lessor are classified as finance or operating leases. Lease cotnracts where all the risks and rewards are substantiallyt ransferred to the lessee, the lease cotnracts are classified as finance leases. All other leases are classified as operating leases. Lease payments from operating leases are recognised as an income in the Statement of Profit and Loss on a straight-line basis over the lease term or anothers ystematic as is if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

3.22.4. Determination of lease term

Ind AS 116 "Leases" requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the cotnract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Company's operations taking into account the location of the underlying asset and the availabiltiy of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

3.23. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The Board of Directors (BOD) of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The BOD, which has been identified as being the chief operating decision maker. The Company is engaged in the business of i) Chitty and ii) Lending. The said business are aggregated for the purpose of review of performance by CODM. Accordingly, the Company has concluded that the business of Chitty and Lending to be the only reportable segment.

4. Significant accounting judgements, estimates and assumptions

The preparation of nancial statements in conformtiy with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Although these estimates are based on the management's best knowledge of current events and actions, uncertaitny about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about signicant areas of estimation, uncertaitny and critical judgments in applying accounting policies that have the most signicant effect on the amounts recognized in the nancial statements is included in the following notes:

4.1. Business Model Assessment

Classification and measurement of financial assets depends on the results of the Solely Payment of Principal and Interest(SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturtiy to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4.2. Effective Interest Rate (EIR) method

The Company's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penatly interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, probable fluctuations in collateral value as well as expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

4.3. Impairment of loans portfolio

The measurement of impairment losses across all categories of financial assets requires judgement of the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

4.4. Dened employee benet assets and liabilities

The cost of the dened benet gratutiy plan and the present value of the gratutiy obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortaltiy rates. Due to the complexities involved in the valuation and its long-term nature, a dened benet obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4.5. Fair value measurement

When the fair values of nancial assets and nancial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidtiy risk, credit risk and volatiltiy. Changes in assumptions about these factors could affect the reported fair value of nancial instruments.

4.6. Other estimates

These include contingent liabilities, useful lives of tangible and intangible assets etc.

5. Cash and Cash Equivalents

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Cash on hand	1,100.42	1,279.33
Balance with banks/ Treasury		
a. In Current Accounts	27,877.22	8,890.51
b. In Savings Accounts	2,752.69	1,460.88
Others		
(I) Short Term Deposit with Kerala Transport Development Finance Corporation Limited	-	-
(II) Short Term Deposit with Kerala State Social Security Pension Limited	-	1,50,000.00
Total	**31,730.33**	**1,61,630.72**

6. Bank Balances other than cash and cash equivalents

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Fixed deposits with bank/Treasury (maturing after period of three months)- (See Note 6.1)	5,94,778.07	6,08,443.06
Total	5,94,778.07	6,08,443.06

6.1 FD with Banks/ Treasury includes restrictedt reasury/ bank balances of Rs.3,04,264.09 Lakhs (Previous year Rs.2,82,194.05 Lakhs) This restrictions are primarily on account of deposits made int reasury inorder to comply with provisions of The Kerala Chitties Act, 1975 Rs. 5,698.58 Lakhs (Previous Year Rs. 9,854.43 Lakhs) and Rs.2,59,167.99 Lakhs (Previous Year Rs.2,32,308.50 Lakhs) in accordance with the provision of Chit Fund Act 1982. Chitty Securtiy Deposit in Trust matured but not released due to various reasons Rs.39,397.50 Lakhs (Previous Year Rs.40031.10 Lakhs) and earnmarked balances for unpaid dividend Rs.0.02 Lakhs (Previous Year Rs.0.02 Lakhs).

7. Loans (as at March 31,2020)

Particulars			As at March 31, 2020				
			Amortised Cost	At Fair Value: Through Other Comprehensive Income	At Fair Value: Through Profit or Loss	At Fair Value: Designated at Fair Value through profit or loss	Total
(A)	Loans						
	i)	Gold Loan	2,06,375.49				2,06,375.49
	ii)	Loan against Chitty	2,03,806.06				2,03,806.06
	iii)	Amount Recoverable from Prized Subscribers	19,83,402.93				19,83,402.93
	iv)	Employee loans	9,892.92				9,892.92
	v)	Revenue Recovery Debtors	1,19,853.46				1,19,853.46
	vi)	Loan to government companies	2,52,069.00				2,52,069.00
	vii)	Others	3,21,387.63				3,21,387.63
		Total (A) - Gross	30,96,787.49	-	-	-	30,96,787.49
		Less: Impairment loss allowance	(1,23,673.00)				(1,23,673.00)
		Total (A) - Net	**29,73,114.49**				**29,73,114.49**
(B)							-
	(I)	Secured by Tangible Assets	28,34,825.57				28,34,825.57
	(II)	Covered by Government Guarantee	2,52,069.00				2,52,069.00
	(III)	Unsecured	9,892.92				9,892.92
		Total (B) - Gross	30,96,787.49	-	-	-	30,96,787.49
		Less: Impairment loss allowance	(1,23,673.00)				(1,23,673.00)
		Total (B) - Net	**29,73,114.49**	-	-	-	**29,73,114.49**
(C)							-
	(I)	Loans in India					-
		i) Public Sector	2,52,069.00				2,52,069.00
		ii) Others	28,44,718.49				28,44,718.49
	(II)	Loans outside India					-
		Total (C) - Gross	30,96,787.49				30,96,787.49
		Less: Impairment loss allowance	(1,23,673.00)				(1,23,673.00)
		Total (C)- Net	**29,73,114.49**				**29,73,114.49**

Loans (as at March 31,2019)

		Particulars	As at March 31, 2019				
			Amortised Cost	At Fair Value			Total
				Through Other Comprehensive Income	Through Profit or Loss	Designated at Fair Value through profit or loss	
(A)	Loans						
	i)	Gold Loan	89,912.60				89,912.60
	ii)	Loan against Chitty	1,74,612.26				1,74,612.26
	iii)	Amount Recoverable from Prized Subscribers	16,71,604.96				16,71,604.96
	iv)	Employee loans	6,402.50				6,402.50
	v)	Revenue Recovery Debtors	1,30,559.85				1,30,559.85
	vi)	Loan to government companies	52,069.00				52,069.00
	vii)	Others	2,99,584.51				2,99,584.51
		Total (A) - Gross	24,24,745.69				24,24,745.69
		Less: Impairment loss allowance	(1,03,936.53)				(1,03,936.53)
		Total (A) - Net	**23,20,809.17**				**23,20,809.17**
(B)							-
	(I)	Secured by Tangible Assets	23,66,274.19				23,66,274.19
	(II)	Covered by Government Guarantee	52,069.00				52,069.00
	(III)	Unsecured	6,402.50				6,402.50
		Total (B) - Gross	24,24,745.69				24,24,745.69
		Less: Impairment loss allowance	(1,03,936.53)				(1,03,936.53)
		Total (B) - Net	**23,20,809.17**				**23,20,809.17**
(C)							-
	(I)	Loans in India					-
		i) Public Sector	52,069.00				52,069.00
		ii) Others	23,72,676.69				23,72,676.69
	(II)	Loans outside India					-
		Total (C) - Gross	24,24,745.69				24,24,745.69
		Less: Impairment loss allowance	(1,03,936.53)				(1,03,936.53)
		Total (C)- Net	**23,20,809.17**				**23,20,809.17**

8. Investments

As at March 31, 2020

	Particulars	Amortised Cost	At Fair value: Through Other Comprehensive Income	At Fair value: Through profit or loss	At Fair value: Designated at fair value through profit or loss	At cost	Total
(A)	Government securities	11,502.80	-	-	-	-	11,502.80
	Total Gross (A)	11,502.80	-	-	-	-	**11,502.80**
(B)							
	i) Investments outside India		-	-	-	-	-
	ii) Investments in India	11,502.80				-	11,502.80
	Total Gross (B)	11,502.80	-	-	-	-	**11,502.80**
	Less: Allowance for impairment loss (C)	-					
	Total - Net D = (A) - (C)	**11,502.80**	-	-	-	-	**11,502.80**

As at March 31, 2019

	Particulars	Amortised Cost	At Fair value: Through Other Comprehensive Income	At Fair value: Through profit or loss	At Fair value: Designated at fair value through profit or loss	At cost	Total
(A)	Government securities	576.80	-	-	-	-	576.80
	Total Gross (A)	576.80	-	-	-	-	**576.80**
(B)							
	i) Investments outside India		-	-	-	-	-
	ii) Investments in India	576.80				-	576.80
	Total Gross (B)	576.80	-	-	-	-	**576.80**
	Less: Allowance for impairment loss (C)	-					
	Total - Net D = (A) - (C)	**576.80**	-	-	-	-	**576.80**

Government Securities

Particulars	As at March 31, 2020		As at March 31, 2019	
	Units	Amount	Units	Amount
7.5% Non-Convertible Redeemable Bonds of Kerala Infrastructure Investment Fund Board	-	618.20	-	246.70
8% Non-Convertible Redeemable Bonds of Kerala Infrastructure Investment Fund Board		724.60		330.10
8.1% Non-Convertible Redeemable Bonds of Kerala Infrastructure Investment Fund Board		3,150.00		
8.5% Non-Convertible Redeemable Bonds of Kerala Infrastructure Investment Fund Board	-	920.00	-	
8.6% Non-Convertible Redeemable Bonds of Kerala Infrastructure Investment Fund Board		6,090.00		
Total		**11,502.80**		**576.80**

9. Other Financial Assets

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Interest Accrued on Deposits	15,235.86	42,869.27
Security Deposits	166.72	240.20
Others	65,565.17	55,762.12
Total Gross	80,967.75	98,871.59
Less: Impairment loss allowance	(112.50)	-
Total -Net	**80,855.25**	**98,871.59**

9.1 During the Current year, in the lights of AG Comments, the Company has reclassified corresponding previous years figures of Other Financial Assets. The Company as at previous year ended 31 March 2019 had Other Financial Assets amounting to 46,601.88 Lakhs, 52,269.71 Lakhs was additionally reclassified as Other Financial Assets. Refer No. 15.1.

10.A Current Tax Assets (Net)

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Income Tax (Net)	18,597.28	13,781.73
Total	**18,597.28**	**13,781.73**

10.B Deferred Tax Assets (Net)

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
(a) Property, Plant and Equipment	450.76	377.47
(b) Employee Benefits	5,366.15	4,633.09
(c) Provision for Bad and Doubtful Debts	15,640.40	15,418.93
(d) Others	60.75	60.75
Total	**21,518.06**	**20,490.24**

10.B (i) Deferred Tax Expense

(Rs in Lakhs)

Particulars	(Note) Ref	As at 01.04.2018	Charge/ (Credit) to Statement of Profit or loss (2018-19)	Charge/ (Credit) to Statement of Other Comprehensive Income (2018-19)	As at 31.03.2019	Charge/ (Credit) to Statement of Profit or loss (2019-20)	Charge/ (Credit) to Statement of Other Comprehensive Income (2019-20)	As at 31.03.2020 (d)+(e)+(f)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
(a) Property, Plant and Equipment		406.29	(28.82)	-	377.47	73.29	-	450.76
(b) Employee Benefits (Note)		4,268.48	355.18	8.43	4633.09	584.48	148.58	5,366.15
(c) Provision for Bad and Doubtful Debts		14717.12	701.81	-	15418.93	221.47	-	15,640.40
(d) Others		60.75	-	-	60.75	-	-	60.75
Total		**19,453.64**	**1028.17**	**8.43**	**20,490.24**	**879.25**	**148.58**	**21,518.06**

11.A Property, Plant and Equipment

(Rs in Lakhs)

Sl No	Description of Assets	Freehold Land	Buildings	Furniture and fixtures	Office equipment	Electrical Fittings	Motor Vehicle	Data Processing Equipments	Total
I.	At cost or deemed cost								
	Balance as at 31 March 2018	**69.51**	**250.00**	**1,140.54**	**138.27**	**291.96**	**61.25**	**535.46**	**2,486.99**
	Additions	-	13.00	414.80	29.69	151.32	0.05	674.13	1,282.99
	Disposals	-	-	(55.59)	(9.33)	(20.13)	(14.57)	(16.50)	(116.12)
	Balance as at 31 March 2019	**69.51**	**263.00**	**1,499.75**	**158.63**	**423.15**	**46.73**	**1,193.09**	**3,653.86**
	Additions	-	1,147.35	1,707.72	44.60	657.85	-	258.39	3,815.91
	Disposals	-	(13.48)	(237.23)	(50.66)	(43.35)	(0.26)	(32.95)	(377.93)
	Balance as at 31 March 2020	**69.51**	**1,396.87**	**2,970.24**	**152.57**	**1,037.65**	**46.47**	**1,418.53**	**7,091.84**
II.	Accumulated depreciation								
	Balance as at 31 March 2018	**-**	**12.00**	**267.25**	**37.92**	**73.60**	**18.79**	**179.76**	**589.32**
	Charge for the year	-	12.24	262.82	31.03	78.29	13.19	223.05	620.62
	Disposals	-	-	(54.51)	(9.06)	(19.46)	(13.95)	(17.80)	(114.78)
	Balance as at 31 March 2019	**-**	**24.24**	**475.56**	**59.89**	**132.43**	**18.03**	**385.01**	**1,095.16**
	Charge for the period		32.46	443.06	29.18	156.46	8.88	466.11	1,136.15
	Disposals		(8.84)	(210.65)	(36.87)	(57.72)	(0.01)	(46.46)	(360.55)
	Balance as at 31 March 2020	**-**	**47.86**	**707.97**	**52.20**	**231.17**	**26.90**	**804.66**	**1,870.76**
	Carrying value (I-II)								
	Balance as at 31 March 2019	**69.51**	**238.76**	**1,024.19**	**98.74**	**290.72**	**28.70**	**808.08**	**2,558.70**
	Balance as at 31 March 2020	**69.51**	**1,349.01**	**2,262.27**	**100.37**	**806.48**	**19.57**	**613.87**	**5,221.08**

11.B Intangible assets

(Rs in Lakhs)

Sl No	Description of Assets	Computer Software
I.	At cost or deemed cost	
	Balance as at 31 March 2018	**59.71**
	Additions	93.99
	Disposals	(0.04)
	Balance as at 31 March 2019	**153.66**
	Additions	61.41
	Disposals	(0.09)
	Balance as at 31 March 2020	**214.98**
II.	Accumulated amortisation	
	Balance as at 31 March 2018	**27.04**
	Charge for the year	16.85
	Disposals	-
	Balance as at 31 March 2019	**43.89**
	Charge for the period	51.93
	Disposals	(0.61)
	Balance as at 31 March 2020	**95.21**
	Carrying value (I-II)	
	Balance as at 31 March 2019	**109.77**
	Balance as at 31 March 2020	**119.77**

12. Other Non-Financial Assets

(Rs in Lakhs)

Particulars	As at March 31,2020	As at March 31,2019
Unsecured - Considered Good		
Prepaid Expenses	72.10	114.93
Balance with government authorities	1.90	19.64
Other advances	552.46	111.89
Stock of Stationery	164.72	176.79
Inter Branch Current Account	11,277.14	10,141.63
Stamp and Stamp Paper on Hand	7.11	3.58
Capital advance		195.00
Total	12,075.43	10,763.47

12.1 See Note 29.15 for details regarding Inter Branch Current Accounts.

13. Borrowings

Particulars	As at March 31, 2020			
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
Loans repayable on demand From Banks- (Secured by a lien on Fixed Deposit with Banks)	1,343.59			1,343.59
Short Term Loan from Banks- (Secured by a lien on Fixed Deposit with Banks)	2,45,000.00			2,45,000.00
Total	2,46,343.59	-	-	2,46,343.59

Particulars	As at March 31, 2019			
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
Loans repayable on demand From Banks- (Secured by a lien on Fixed Deposit with Banks)	7,568.00			7,568.00
Short Term Loan from Banks- (Secured by a lien on Fixed Deposit with Banks)	2,35,000.00			2,35,000.00
Total	2,42,568.00	-	-	2,42,568.00

14. Deposits

Particulars	As at March 31, 2020			
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
Deposit from Public				
Fixed Deposit	8,75,275.83			8,75,275.83
Chitty Security Deposit in	4,40,363.63			4,40,363.63
Short Term Deposits	16,357.73			16,357.73
Sugama Deposits	90,402.24			90,402.24
Total	**14,22,399.43**	-	-	**14,22,399.43**

Particulars	As at March 31, 2019			
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
Deposit from Public				
Fixed Deposit	7,71,299.74			7,71,299.74
Chitty Security Deposit in	3,82,787.11			3,82,787.11
Short Term Deposits	15,622.13			15,622.13
Sugama Deposits	85,060.53			85,060.53
Total	**12,54,769.50**	-	-	**12,54,769.50**

15. Other Financial Liabilities

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Interest Accrued and due on Public Deposit	18,848.61	16,030.84
Interest Accrued and due on Short Term Deposit	233.71	199.66
Interest Accrued on Chitty Security Deposit in Trust	12,655.08	10,416.25
Unpaid Matured Fixed Deposits	37,108.75	31,463.78
Unpaid Matured Short Term Deposits	3,919.30	2,971.29
Unpaid Non-Operative Sugama Deposits	173.60	166.26
Finance Payable- Chitty/ Kuri	18,47,864.20	15,51,525.13
Finance Payable- Hire Purchase	139.75	63.35
Finance Payable- (Suppliers of HP Items)	-	-
Interest Payable on Loan from banks (Mobilisation)	632.09	614.66
Interest On Gratuity Deposit	3.75	3.75
Chitty Security Deposit in Trust Matured but not claimed	8,258.75	5,844.32
Employee Benefits Expenses Payable	283.71	239.53
Security Deposits	195.19	161.30
Creditors for Expenses	32,199.50	7,224.74
Total	**19,62,516.01**	**16,26,924.84**

15.1 The Company as at previous year ended 31 March 2019 had Other Financial Liabilities amounting to 15,74,655.13 Lakhs .During the Current year the same has been rectified and regrouped in the lights of AG Comments. Refer No. 9.1.

16. Provisions

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Provision for Employee benefits:		
(i) Gratuity	2,339.70	1,740.98
(ii) Leave Encashment	11,526.04	10,807.38
Provision for losses on Fraud/Misappropriation	1,856.35	968.27
Total	**15,722.08**	**13,516.64**

16.1 See Note 29.6 for disclosures required under Indian Accounting Standard (Ind AS) 19 - "Employee Benefits"

16.2 See Note 29.14 (d) for details of provision made for Fraud/ Misappropriation.

17. Other Non-Financial liabilities

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Margin Money on Employees Loan	0.49	0.52
Social Security Scheme (Revised Bhadratha)	142.02	192.93
Income Received in Advance	7.88	6.44
Statutory and other dues	4,747.92	5,041.08
Total	**4,898.30**	**5,240.97**

17.1 See Note 29.17 for details regarding Social Security Scheme (Revised Bhadratha)

18. Equity Share Capital

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Authorised :		
100,00,000 (100,00,000) Equity Shares of par value of Rs.100/- each	10,000.00	10,000.00
Issued, Subscribed and Fully paid:		
100,00,000 (100,00,000) Equity Shares of par value of Rs.100/- each	**10,000.00**	**10,000.00**

18.1 Terms/ Rights attached to Equity Shares

The Company has only one class of shares referred to as equity shares with a face value of Rs. 100/- each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend, if any. The distribution will be in proportion to the number of equity shares held by the shareholders. The Board of Directors has recommended final dividend of Rs 35/- per equity share of Rs. 100/- each, subject to approval of shareholders at the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

18.2. Reconciliation of shares at the beginning and at the end of the financial year

(Rs in Lakhs)

Particulars	As at 31.03.2020		As at 31.03.2019	
	No. of Shares	Amount	No. of Shares	Amount
No. of shares as at the beginning of the financial year	1,00,00,000	10,000.00	1,00,00,000	10,000.00
Add: Shares issued during the year	-	-	-	-
No. of shares as at the end of the financial year	1,00,00,000	10,000.00	1,00,00,000	10,000.00

18.3. Particulars of Shareholders holding more than 5% share in the Company

(Rs in Lakhs)

Particulars	As at 31.03.2020		As at 31.03.2019	
	%	No. of Shares	%	No. of Shares
Government of Kerala	100%	1,00,00,000	100%	1,00,00,000

18.4. There was no fresh issue or buying back of shares in the preceding five years other than the bonus issue as stated in Note No.18.6 below .

18.5. There are no issue of securities convertible into Equity / Preference shares.

18.6. The Company had issued 50,00,000 Equity shares of Rs.100 each as fully paid up by Bonus issue in the ratio of 1:1 for Rs.5,000 lakhs during the financial year 2016-17 by capitalizing General Reserve.

19. Other Equity

(Rs in Lakhs)

Particulars		As at 31.03.2020	As at 31.03.2019
General reserve			
	Balance at the beginning of the year	80,796.63	78,462.18
Add:	Transfer from Retained Earnings	6,227.42	6,553.88
Less:	Utilized for issuing Bonus Shares	-	-
Less:	Dividend	3,500.00	3,500.00
Less:	Dividend Distribution Tax	719.43	719.43
	Closing balance	**82,804.62**	**80,796.63**
Chitty Statutory Reserve			
	Balance at the beginning of the year	6,831.45	5,607.04
Add:	Transfer from Retained Earnings	1,051.64	1,224.41
	Closing balance	**7,883.09**	**6,831.45**
Other Comprehensive Income (OCI)			
	Balance at the beginning of the year	(2,612.79)	(2,596.86)
Add :	Re-measurements of the defined benefit plans in OCI	(441.76)	(15.93)
	Closing balance	**(3,054.55)**	**(2,612.79)**
Retained Earnings			
	Balance at the beginning of the year	-	-
Add:	Profit for the year	7,279.06	7,778.29
Less:	Transfer to General Reserve	6,227.42	6,553.88
Less:	Transfer to Chitty Reserve	1,051.64	1,224.41
	Closing Balance	-	-
Total		**87,633.16**	**85,015.29**

20. Interest Income

Particulars	Year ended March 31, 2020			Year ended March 31, 2019		
	On Financial asset measured at fair value through OCI	On Financial asset measured at amortised cost	Interest Income on financial assets classified at fair value through profit or loss	On Financial asset measured at fair value through OCI	On Financial asset measured at amortised cost	Interest income on financial assets classified at fair value through profit or loss
Interest on Loans						
Gold Loan		14,835.68			8,828.22	
Fixed Deposit Loan/NFDL		649.11			599.13	
Chitty Loan/Passbook Loan		3,704.63			3,273.99	
New Chitty Loan		16,085.38			18,024.74	
N.H.F.S / H.F.S.		8,905.56			7,557.80	
Reliable Customer Loan		21,562.07			21,256.57	
Consumer Vehicle Loan		141.25			403.96	
Sugama Akshaya OD		306.89			292.14	
Kerala State Social Security Pension Ltd		4,816.38			1,428.42	
Interest on RR Dues		3,627.93			4,749.00	
Interest on Investment		442.58			12.05	
Interest on deposits with bank/treasury		60,665.69			58,211.60	
Other interest income		17,792.69			20,660.26	
Total		**1,53,535.80**			**1,45,297.87**	

20.1 The Company as at previous year ended 31 March 2019 had Interest Income amounting to 1,29,161.99 Lakhs .During the Current year the same has been rectified and regrouped in the lights of AG Comments.Refer Note 23.1.

21.A Other Revenue from Chitty Operations

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Writing Fee	763.59	734.96
Administrative and Processing Charges	179.55	98.16
Registeration Charges	6.41	6.31
Others	248.31	288.93
Total	**1,197.85**	**1,128.37**

21.B Other Revenue from Chitty Operations

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Profit on Chitty Substituted Tickets	14,182.35	16,340.65
Forfeited Veethapalisa Income	2,349.43	2,523.12
Dividend Income (Auction Surplus)	4,639.67	4,091.56
Total	**21,171.44**	**22,955.32**

21.1 See Note 29.16 for details of Forfeited Veethapalisa Income.

22. Other Income

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Profit on Sale of Fixed Assets	10.30	7.60
Miscellaneous Income	52.53	61.98
Total	**62.83**	**69.58**

23. Finance Costs

(Rs in Lakhs)

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	On financial instruments measured at fair value through OCI	On financial instruments measured at amortised cost	On financial instruments measured at fair value through OCI	On financial instruments measured at amortised cost
Fixed Deposits	-	96,300.77	-	86,722.80
Suguma Deposits	-	4,088.05		3,795.76
Others	-	18,379.65	-	16,306.10
Other Borrowing Costs	-	6,539.87		5,941.17
Total	-	**1,25,308.34**	-	**1,12,765.83**

23.1 The Company as at previous year ended 31 March 2019 had Finance Cost amounting to 96,629.95 Lakhs .During the Current year the same has been rectified and regrouped in the lights of AG Comments.Refer Note 20.1.

24. Impairment of financial instruments

(Rs in Lakhs)

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	On financial instruments measured at fair value through OCI	On financial instruments measured at amortised cost	On financial instruments measured at fair value through OCI	On financial instruments measured at amortised cost
Loan Assets	-	22,166.80	0	39,405.85
Bad Debts Written Off	-	469.46	-	511.95
Others	-	879.98		395.42
Total	-	**23,516.25**	-	**40,313.21**

25. Employee Benefits Expense

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Salaries and Wages	79,701.00	62,280.36
Contribution to Provident Fund	8,340.74	6,646.80
Contribution to Gratuity Fund	1,946.52	1,773.24
Earned Leave Salary	3,636.50	3,984.40
Bonus & Performance Incentive	86.30	80.40
Staff Welfare Expenses	946.97	925.87
Total	**94,658.03**	**75,691.07**

26. Depreciation and amortisation expenses

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Tangible Assets	1,136.15	620.62
Intangible Assets	51.93	16.85
Total	**1,188.08**	**637.47**

27. Other Expenses

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Vehicle Running Expenses	55.56	51.17
Rent	2,357.34	1,921.36
Rates & Taxes	613.38	63.82
Power and Fuel	542.02	475.84
Postage and Telephone	182.00	196.33
Printing & Stationery	486.31	455.47
Legal and Professional Charges	124.28	75.88
Registration and Filing Fee	4,740.47	3,577.04
Insurance	38.12	106.49
Sitting Fees to Directors	4.38	3.95
Service Tax	72.10	26.62
Loss on Sale of Assets	15.15	3.77
Miscellaneous Expenses	569.86	1,407.99
Sales Promotion Expenses	2,127.66	-
Travelling Expenses	356.96	323.21
Corporate Social Responsibility	240.53	237.00
CASBA connectivity charges	842.76	852.20
Repairs and Maintenance:		
Building	18.02	11.49
Data Processing Equipments	244.25	204.97
Others	93.16	89.94
Remuneration to Auditors:		
(i) For Audit	83.33	86.92
(iii) Other Expenses	8.57	12.66
Advertisement	2,125.75	1,742.46
Development Expenses	10,932.38	8,988.78
GST Input Reversal	669.41	926.90
Total	**27,543.73**	**21,842.25**

27.1 See Note No. 29.3 for disclosures regarding Leases.

27.2 See Note No. 29.13 for disclosures regarding CSR Expenditure.

28. Earnings per share

(Rs in Lakhs)

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Profit/ (Loss) for the year	6,837.30	7,762.36
Weighted average number of equity shares of Rs.100/- each fully paid up	1,00,00,000.00	1,00,00,000.00
Earnings per Share (Basic & Diluted)	68.37	77.62

Additional Information

29.1. Fair Value Measurement

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1	Quoted prices (unadjusted) in active market for identical assets or liabilities.
Level 2	Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly.
Level 3	Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short-term nature.

There were no transfers between Level 1 and Level 2 during the year..

(Rs in Lakhs)

Fair value hierarchy of financial instruments measured at fair value on a recurring basis is as follows:

Particulars	Fair value Hierarchy	Fair Value	
		As at 31.03.2020	As at 31.03.2019
Financial Assets measured at Fair value through P & L /OCI			
Investments in Non-Convertible Redeemable Bonds - Unquoted	3	11,502.80	576.80

Category wise classification of financial instruments is as follows:

(Rs in Lakhs)

Particulars	Refer Note	Fair Value	
		As at 31.03.2020	As at 31.03.2019
Financial Assets measured at amortised cost			
Loans	7	29,73,114.49	23,20,809.17
Other Financial Assets	9	80,855.25	98,871.59
Bank balances other than cash and cash equivalents	6	5,94,778.07	6,08,443.06
Cash and cash equivalents	5	31,730.33	1,61,630.72
Total		**36,80,478.15**	**31,89,754.54**
Financial Liabilities measured at amortised cost			
Borrowings	13	2,46,343.59	2,42,568.00
Deposits	14	14,22,399.43	12,54,769.50
Other financial liabilities	15	19,62,516.01	16,26,924.84
Total		**36,31,259.03**	**31,24,262.35**

Financial Risk Management - Objectives and Policies

The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance and support the company's operations. The Company's principal financial assets include chits, loans, investments, cash and cash equivalents and other receivables that are derived directly from its operations. As a financial lending institution, Company is exposed to various risks that are related to lending business and operating environment. The principal objective in Company 's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks. The Company has a well- managed risk management framework, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as liquidity risk, market risk, credit risk and foreign currency risk) that may arise as a consequence of its business operations as well as its investing and financing activities.

Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable risk parameters in a disciplined and consistent manner and in compliance with applicable regulation.

Risk Management department shall be responsible for the following:

a) Identifying the various risks associated with the activities of the Company and assessing their impact on the business.

b) Measuring the risks and suggesting measures to effectively mitigate the risks.

However, the primary responsibility for managing the various risks on a day to day basis will be with the heads of the respective business units of the Company.

1) Liquidity Risk

Liquidity risk is the risk that the Company will encounter due to difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The company has sound financial strength represented by its aggregate current assets against aggregate current liabilities and its strong equity base. In such circumstances, liquidity risk is insignificant.

2) Market Risk

As the Company's overall debt is less compared to its equity, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible. Further, treasury activities, focused on managing investments in debt instruments, are administered under a set of approved policies and procedures guided by the tenets of liquidity, safety and returns. This ensures that investments are only made within acceptable risk parameters after due evaluation. The Company's investments are predominantly held in fixed deposits. Fixed deposits are held with highly rated banks and have a short tenure and are not subject to interest rate volatility.

3) Credit Risk

Credit Risk arises from the risk of loss that may occur from the default of Company's customers under loan agreements. Customer defaults and inadequate collateral may lead to loan losses.

The Company addresses credit risk through following processes:

a) Credit risk on Gold loan is considerably reduced as collateral is in the form of Gold ornaments which can be easily liquidated and there is only a distant possibility of losses due to adequate margin of 25% or more retained while disbursing the loan. Credit risk is further reduced through a quick but careful collateral appraisal and loan approval process. Hence overall, the Credit risk is normally low.

4) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is subject to interest rate risk, primarily since it lends to customers at fixed rates and for maturity periods shorter than the funding sources. Majority of our borrowings are at fixed rates . However , borrowings at floating rates gives rise to interest rate risk. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the company seek to optimize borrowing profile between short-term and long-term loans. The Company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks. The Interest Rate Risk is mitigated by availing funds at very competitive rates through diversified borrowings and for different tenors.

5) Foreign Currency Risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, are also subject to reinstatement risks.

As the number of transactions are less in number company is not entered into any forward contracts to hedge the risk.

Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity shareholders of the Company. The primary objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value.

The Company's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustainable stakeholder value. The Company funds its operations through internal accruals and also through borrowings. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern.

As at 31st March, 2020, the Company has only one class of equity shares. The company is not subject to any externally imposed capital requirements.

29.2. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The tables on the following pages show the maximum exposure to credit risk by class of financial asset. They also shows the total fair value of collateral and the net exposure to credit risk.

	As at March 31, 2020	Maximum exposure to credit risk	Coverage of collateral and credit enhancements held							
			Cash	Securities	Bank and government guarantees	Household used Gold Ornaments	Book debts, Inventory and other working capital items	Other Securities including personal properties	Total collateral	Net exposure
1	Cash and cash equivalents	31,710.33	31,710.33	-	-	-	-	-	31,710.33	-
2	Bank Balance other than Cash and cash equivalents	5,94,778.07	5,94,778.07	-	-	-	-	-	5,94,778.07	-
3	Loans (Gross):						-	-	-	-
i	Gold Loan	2,06,375.49	-	-	-	2,06,375.49	-	-	2,06,375.49	-
ii	Loan against Chitty	2,03,806.06	-	-	-	-	2,03,806.06	-	2,03,806.06	-
iii	Amount Recoverable from Prized Subscribers	19,83,402.93	-	-	-	-	-	19,83,402.93	19,83,402.93	-
iv	Employee loans	9,892.92	-	-	-	-	-	9,892.92	9,892.92	-
v	Revenue Recovery Debtors	1,19,853.46	-	-	-	-	-	1,19,853.46	1,19,853.46	-
vi	Loan to government companies	2,52,069.00	-	-	2,52,069.00	-	-		2,52,069.00	-
vii	Others	3,21,387.63	-	-	-	-	-	3,21,387.63	3,21,387.63	-
4	Other financial assets	80,855.25	-	-	-	-	-	-	-	80,855.25

	As at March 31, 2019	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held							
			Cash	Securities	Bank and government guarantees	Household used Gold Ornaments	Book debts, Inventory and other working capital items	Other Securities (including personal properties)	Total collateral	Net exposure
1	Cash and cash equivalents	1,61,630.72	1,61,630.72	-	-	-	-	-	1,61,630.72	-
2	Bank Balance other than Cash and cash equivalents	6,08,443.06	6,08,443.06	-	-	-	-	-	6,08,443.06	-
3	Loans (Gross):						-	-	-	-
i	Gold Loan	89,912.60	-	-	-	89,912.60	-	-	89,912.60	-
ii	Loan against Chitty	1,74,612.26	-	-	-	-	1,74,612.26	-	1,74,612.26	-
iii	Amount Recoverable from Prized Subscribers	16,71,604.96	-	-	-	-	-	16,71,604.96	16,71,604.96	-
iv	Employee loans	6,402.50	-	-	-	-	-	6,402.50	6,402.50	-
v	Revenue Recovery Debtors	1,30,559.85	-	-	-	-	-	1,30,559.85	1,30,559.85	-
vi	Loan to government companies	52,069.00	-	-	52,069.00	-	-		52,069.00	-
vii	Others	2,99,584.51	-	-	-	-	-	2,99,584.51	2,99,584.51	-
4	Other financial assets	98,871.59	-	-	-	-	-	-	-	98,871.59

29.3. Leases

Finance Lease :

The Company has not taken or let out any assets on financial lease.

Operating Lease:

I. Lease disclosures under Ind-AS 116 for the year ended March 31, 2020

All operating lease agreements entered into by the Company are cancellable in nature. Consequently, the Company has not recognised any right-of-use asset and lease liability during the year.

Lease rentals received for assets let out on operating lease 29.36 Lakhs are recognised as income in the Statement of Profit and Loss under the head 'Service Charges' and lease rental payments for assets taken on an operating lease 2,357.34 Lakhs are recognised as 'Rent' in the Statement of Profit and Loss

II. Lease disclosures under Ind-AS 17 for the year ended March 31, 2019

All operating lease agreements entered into by the Company are cancellable in nature. Consequently, the disclosure requirement of future minimum lease payments in respect of non-cancellable operating lease as per Ind AS 17 is not applicable to the Company.

Lease rentals received for assets let out on operating lease 29.20 Lakhs are recognised as income in the Statement of Profit and Loss under the head 'Service Charges' and lease rental payments for assets taken on an operating lease 1,921.36 Lakhs are recognised as 'Rent' in the Statement of Profit and Loss.

29.4. Taxation

(i) Reconciliation of income tax expense for the year to accounting profit

	Particulars	Year Ended 31.03.2020	Year Ended 31.03.2019
(a)	Profit before Tax as per Statement of Profit and Loss	10,516.36	12,244.13
	Add : Other Comprehensive Income that will not be reclassified to Statement of Profit and Loss	(590.34)	(24.36)
	Accounting Profit	9,926.02	12,219.77
(b)	Tax on above at the applicable tax rate	2,498.38	4,229.02
(c)	Adjustment in respect of current income tax of prior years	45.24	70.22
(d)	Tax effect of items that are not deductible in determining Taxable profit	541.92	3,453.83
(e)	Others	3.18	(1,622.56)
		3,088.72	6,130.51
(f)	Add: Interest payable under Income Tax Act	-	-
(g)	Tax and Interest	3,088.72	6,130.51
(h)	Add: Income tax relating to items that will not be reclassified to profit or loss	148.58	8.43
(i)	**Current Tax as per Statement of Profit and Loss**	**3,237.30**	**6,138.94**
(j)	**Applicable rate of tax as per Finance Act**	**25.170%**	**34.608%**
(i)	**Average effective tax rate (g/a)**	**31.12**	**50.17**

29.5. Contingent Liabilities, Commitments and Contigent Assets (to the extent not provided for in the accounts)

(Rs in Lakhs)

	Particulars	2019-20	2018-19
I	Contingent Liabilities		
a)	Claims against the Company not acknowledged as debt (See Note below)		
i)	Income Tax	17,414.70	11,500.59
ii)	Interest Tax	1,043.48	1,043.48
iii)	Service Tax	4.30	1,608.74
iv)	Refund on TDS on rent from vidhura branch	-	1.73
v)	Consultancy Agreement with M/s Kerala State Construction Corporation Ltd	-	-
vi)	Provisions of ESI Act	53.70	53.37
vii)	Rent Escalation Claim	111.19	88.77
b)	Bank Guarantees:		
c)	Other money for which the Company is contingently liable	-	-
		18,627.37	14,296.69
II	**Commitments**		
a)	Estimated amount of contracts remaining to be executed not provided for	188.27	379.93
b)	Uncalled liability on shares and other investments partly paid	-	-
c)	Letter of credit in favour of Thysenkrupp	-	-
	TOTAL	**18,815.64**	**14,676.62**

III Details in respect of claims against the Company not acknowledged as debt disclosed above are as follows :

(Rs in Lakhs)

	Particulars	2019-2020	2018-2019
(i)	AO was directed to reconsider interest u/s 244A by Hon'ble High Court of Kerala (AY 1994-95)	Pending Disposal	
(ii)	ACIT, Thrissur issued demand order u/s 156 during 2015-16 against which the Company filed rectification application. The ACIT issued Fresh orders u/s 154 raising demand of Rs.53.89 lakhs. (AY 1995-96)		53.89
(iii)	ITAT passed Order directing AO to re-examine the issue of auction veethapalisa afresh. AO confirmed disallowance and raised demand of Rs. 3070.23 lacs of which Rs. 1350 lacs was already paid by Company. Aggrieved by the Order, appeal was filed before CIT (Appeals). During FY 2015-16, the Company, however paid full amount demanded totalling to Rs 1712.49 lakhs as detailed below:- AY 2004-05 (Rs 127.23 lakhs), AY 2005-06 (Rs 256.64 lakhs) AY 2006-07 (Rs 607.01 lakhs) AY 2007-08 (Rs 56.78 lakhs) AY 2008-09 (Rs 144.50 lakhs) AY 2009-10 (Rs 146.85 lakhs) AY 2011-12 (Rs 184.87 lakhs) and AY 2012-13 (Rs 188.62 lakhs). Appeal has been filed after remitting the demand amount in full. (AY 2004-05 to 2009-10 and 2011-12 to 2012-13)	3,070.23	3,070.23
(iv)	Assessment u/s 143(3) for AY 2013-14 & 2015-16 and u/s 147 for AY 2010-11 was completed disallowing undistributed veethapalisa and raised demand for AY 2010-11 (Rs 266.57 lakhs), AY 2013-14 (Rs 257.05 lakhs) and AY 2015-16 (Rs 65.41 lakhs). Appeal filed before CIT (Appeals) for these years. Appeal was also filed for AY 2014-15 against disallowance of undistributed veethapalisa amounting to Rs 607.21 lakhs. (AY 2010-11, 2013-14 to 2015-16)	589.03	589.03

(Rs in Lakhs)

	Particulars	2019-2020	2018-2019
(v)	Assessment u/s 143(3) for AY 2017-18 was completed disallowing undistributed veethapalisa of Rs.3.84 lakhs and provision for bad & doubtful debts of Rs.22,498.00 lakhs and raised a tax demand of Rs.7,784.44 lakhs. Appeal filed before CIT (Appeals) for the demand. Tax has been paid in full against the demand.	**7787.44**	**7787.44**
(vi)	Notice u/s 156 was issued by ITO raising a demand of Rs.59.68 Crores for the AY 2018-19 majorly by way of disallowing provision for bad and doubtful debts and some other items against which company has filed appeal with CIT	**5,968.00**	-
(vii)	The Income Tax Department (TRACES) has raised demand notices on some procedural irregularities regarding TDS from AY 2007-08 to 2017-18 amounting to Rs 3150450 till 09.08.2018. The same is being looked into and getting rectified on an ongoing basis. (AY 2008-09 to 2016-17)	10.46	31.50
(viii)	SLP (SLP(C) No 26727 OF 2008) filed with Hon'ble Supreme Court during 2008 against Interest tax applicable on finance charge amounting to Rs 1043.48 lakhs under Hire Purchase scheme.	1,043.48	1,043.48
(ix)	Commissioner of Central Excise, Customs & Service Tax- Calicut demanded Rs 761.85 lakhs along with a penalty of Rs.380.93 lakhs towards Service charges paid to Government during FY 2012-13 and 2013-14. Appeal filed before CESTAT (AY 2013-14 & 2014-15).	-	1,142.78
(x)	Addl. Commissioner, Calicut raised a demand of Rs 6.00 lakhs being Service tax on commission received on sale of lottery tickets. Personal hearing held and Order awaited. (AY 2011-12 to 2013-14)	-	6.00
(xi)	Asst Commissioner, Thrissur issued an Order for Rs. 0.66 lakhs (including penalty) relating to Service tax on salary paid to Kelso staff. Appeal filed with Commissioner (Appeals). (AY 2013-14)	0.66	0.66
(xii)	Commissioner of Central Excise, Customs & Service Tax- Calicut issued demand for Rs 455.67 lakhs regarding irregular availment of CENVAT credit on guarantee commission paid to Government and other short payments. Appeal is being filed in this regard (AY 2015-16 & 2016-17).	-	455.67
(xiii)	Asst. Commissioner, Thrissur filed an appeal before the Commissioner (Appeals) against his own orders, disposing off 5 show cause notices with regard to non payment of service tax on commission received from WUMT business. The appeal was against dropping off demand on 3-show cause notices and the decision for not imposing penalty on 2 show cause notices on Service tax was already remitted. (AY 2012-13 to 2014-15)	ORDER IN ORIGINAL 61-65/2016-17 AND SCN NO. 91/2014 AND SCN NO. 05/2015	
(xiv)	Appeal filed against the Order of Asst. Commissioner, Thrissur rejecting our refund application (based on CBEC notification No.19/2015-ST dtd 14.10.2015) for Rs.3.64 lakhs being service tax remitted with interest on WUMT & Express money transactions for the period July 2012 to Sept 2014. (AY 2013-14 & 2014-15)	3.64	3.64
(xv)	Appeals filed against Orders received at our various branches which are pending before Commissioner (Appeals) Ernakulam. Major portion of the demand was on chitt related income. Based on the judgment of Hon'ble High Court of Kerala of 2018 regarding non-applicability of Service Tax on Chit related transactions between 2012 to 2015, modalities are being worked out. (AY 2008-09 to 2016-17)	Pending	
(xvi)	The Company has obtained stay from Hon'ble High Court of Kerala against Lok Ayukta decision to refund (TDS) on rent from the building owner of Vithura Branch. The above said case has been disposed.	-	1.73
(xvii)	The Company had entered into a consultancy agreement with M/s Kerala State Construction Corporation Ltd on 29-03-2010 for construction of office complex (G+4) at its site at Kakkanad, Kochi for an estimated cost of Rs. 265.25 lakhs. During the year 2011-12, they had submitted a revised Bill of Rs. 296.25 lakhs. Till 31-03-2017, amount to the tune of Rs. 280.85 lakhs has been paid to them. Company had settled the claim on 11.02.2019 as per the Resolution no. 8529 of 519th Board meeting held on 26.10.2018.	-	15.88

(Rs in Lakhs)

	Particulars	2019-2020	2018-2019
(xviii)	The Company was exempted from provisions of ESI Act up to 31-03-2008. The Company had taken up with Government the issue of extending ESI exemption for 2008-09, 2009-10, 2010-11 & 2011-12. However, Government informed on 12-10-2011 that Company's request for exemption could not be considered since medical benefits given by it are neither similar nor superior to those provided under ESI scheme. The matter was subsequently taken up before the Government and again it was not considered favourably. In the meanwhile, ESI authorities conducted inspection and demanded a sum of Rs.21.10 lakhs. The Company approached Employee Insurance Court and obtained a stay with regard to the aforesaid orders. The liability of Rs.21.10 lakhs is up to 31-10-2011. ESI Corporation had raised a demand on 01.08.2017 amounting to Rs. 32.27 lakhs being regular contribution from 01.08.2012 till 30.06.2017. Subsequently, during the personal hearing before the Assistant Director, ESI, the Company re-iterated it's stand and status quo has been maintained on the matter in view of Court Stay already obtained by the Company.	53.37	53.37
(xix)	Rent Escalation Claim	111.19	88.77
III	Contingent Contracts		
	a) The Company had placed an order with M/s. Nest Systems & Technologies (P) Ltd for Design, Development & Implementation of "Core Application Software for Business Accounting" (CASBA) for a contract value of Rs. 216.10 lakhs (excluding AMC) on 03-08-2009, out of which an amount of Rs.184.39 lakhs had been paid to them up to 31.03.2020.	-	31.71
	b) The Company had issued work order to M/s Accel Front line Limited on 20-05-2008 for Design, Development Installation & Commissioning of a Centralized Application Software (CAS) for integrating various system applications. The contract value was Rs. 61.16 lakhs out of which an amount of Rs.40.57 lakhs had been provided in the accounts / paid to them up to 31.03.2020.	20.59	20.59
	c) The Company had entered into a contract with M/s. BSNL for VSAT services on 08.05.2015 for a contract value of Rs.132.75 lakhs out of which an amount of Rs.65.98 lakhs had been paid to them till 31.03.2020.	66.77	66.77
	d) The Company had entered into a tripartite contract with M/s. BSNL and M/s Dimension Data for Managed Network Service on 08.05.2015 for a contract value of Rs. 903.58 lakhs out of which an amount of Rs. 769.06 lakhs had been provided in the accounts /paid to them till 31.03.2020.	-	134.52
	e) The Company had entered into a contract with M/s. School of Management Studies, Cochin University of Science and Technology for study on restructuring of KSFE Ltd 30.10.2015 for a contract value of Rs. 24.00 lakhs out of which an amount of Rs.10.00 lakhs had been paid to them till 31.03.2020.	-	14.00
	f) The Company had entered into a contract on 12.07.2017 with M/s Accel Frontline Ltd with regard to maintenance of computer systems & accessories for an annual contract value of Rs. 173.99 lakhs The contract is excuted for a period of 3 years and an amount of Rs. 61.85 lakhs had been paid them till 31.03.2020.	100.91	112.34
	g) The Company had entered into a contract on 14.11.2018 with Uralungal Labour Contract Co-operative Society , Vatakara, Kozhikode to renovate the Head Office building for contract value of Rs. 1301.53 lakhs plus GST. The contract is executed for a period of 10 months from the date of execution of agreement and an amont of Rs. 195.00 lakhs had been paid till 31.03.2020.	430.83	1,106.53

29.6. Disclosures required under Ind AS 19 - "Employee Benefits"

(i) Defined Contribution Plans

During the year the following amounts have been recognised in the statement of profit and loss on account of defined contribution plans:

Particulars	2019-20	2018-19
Employers contribution to Provident Fund	8340.74	6646.80
Employers contribution to Employee's State Insurance Corporation	-	-

(ii) Defined Benefit Plan/ Other Long Term Benefits

	Gratuity (Funded)		Compensated absences (Non-Funded)	
(i). Actuarial Assumptions	**2019-20**	**2018-19**	**2019-20**	**2018-19**
Discount Rate (per annum)	7.50%	7.50%	7.50%	7.50%
Expected return on plan assets (per annum)	7.50%	7.50%	5.00%	5.00%
Compensation escalation rate (per annum)	5.00%	5.00%	5.00%	5.00%
Mortality rate	Indian Lives Mortality (1994-96) Ultimate			
	2019-20	**2018-19**	**2019-20**	**2018-19**
(ii) Reconciliation of present value of obligation				
Present value of obligation at the beginning of the year	24,485.79	23,406.50	10,807.38	9,790.97
Current Service Cost	1,586.92	1,535.68	4,247.21	4,122.84
Interest Cost	1,895.94	1,812.63	969.82	888.93
Actuarial (gain)/ loss	590.34	24.36	(1,580.53)	(1,027.37)
Benefits Paid	(2,796.77)	(2,293.38)	(2,917.85)	(2,967.98)
Present value of obligation at the end of the year	**25,762.22**	**24,485.79**	**11,526.03**	**10,807.38**
(iii) Reconciliation of fair value of plan assets				
Fair value of plan assets at the beginning of the year	22,744.80	20,860.79	-	-
Expected return on plan assets	1,705.86	1,564.56	-	-
Actuarial (gain)/ loss			-	-
Contributions	1,896.90	2,558.42	-	-
Benefits paid	(2,796.77)	(2,293.38)	-	-
Actual Return on Plan Assets	(128.27)	54.42	-	-
Fair value of plan assets at the end of the year	**23,422.52**	**22,744.80**	-	-
(iv) Description of plan assets- Insurer Managed Funds				
(v) Major category of plan assets as % of total plan assets				
Equities	-		-	
Bonds	-		-	
Gilts	-		-	
Others - Insurer Managed Funds (LIC of India)*				
* In the absence of detailed information regarding plan assets which is funded by Insurance Company, the composition of each major category of plan assets, the percentage on amount of each category to the fair value of plan assets has not been disclosed.				
(vi) Net (Asset)/ Liability recognised in the balancesheet as at the end of the year				
Present value of Obligations as at the end of the year	25,762.22	24,485.79	11,526.04	10,807.38
Fair value of Plan Assets as at the end of the year	23,422.52	22,744.80	-	-
Net present value of funded obligation recognised as (asset)/ liability in the balancesheet	**2,339.70**	**1,740.98**	**11,526.04**	**10,807.38**

Particulars	Gratuity (Funded)		Compensated absences (Non-funded)	
	2019-20	2018-19	2019-20	2018-19
(vi) Expenses recognized in the Statement Profit and Loss				
Current Service Cost	1,586.92	1,535.68	4,247.21	4,122.84
Interest Cost	1,895.94	1,812.63	969.82	888.93
Expected return on plan assets	(1,705.86)	(1,564.56)	-	-
Actuarial (gain) / loss recognised in the period	590.34	24.36	(1,580.53)	(1,027.37)
Total expenses recognized in the Statement of Profit and Loss for the year	**2,367.34**	**1,808.11**	**3,636.50**	**3,984.40**
Actual return on plan assets			-	-
(vii) Non-current and current value of obligation				
Non-current	23,308.13	24,273.55	11,448.02	10,806.11
Current	2,454.09	212.23	78.01	1.27
Total value of obligation	**25,762.22**	**24,485.79**	**11,526.04**	**10,807.38**

Particulars	As at 31.03.2020	As at 31.03.2019
(ix) Amount recognised in current year and previous four years		
Gratuity (Funded)		
Present value of defined benefit obligations	25,762.22	24,485.79
Fair Value of plant assets	23,422.52	22,744.80
Funded status- (asset) / liability	2,339.70	1,740.98
Actuarial (gain) / loss on plan obligations	590.34	24.36
Actuarial (gain) / loss on plan assets	-	-
Compensated absences (Funded)		
Present value of defined benefit obligations	11,526.03	(2,967.98)
Fair Value of plant assets	-	-
Funded status- (asset) / liability	11,526.03	(2,967.98)
Actuarial (gain) / loss on plan obligations	(1,580.53)	(1,027.37)
Actuarial (gain) / loss on plan assets	-	-

Particulars	Year ended 31.03.2020		Year ended 31.03.2019	
	1% increase	1% decrease	1% increase	1% decrease
(x) A quantitative sensitivity analysis for significant assumption (impact on defined benefit obligation) is as below:				
Gratuity (Funded)				
Discount rate	23,998.94	27,755.12	22,783.69	26,469.20
Salary increase rate	27,222.86	24,369.72	25,941.48	23,163.97
Employee Turnover	38,906.21	12,618.23	37,238.80	11,732.77
Undiscounted Cash flow over the years	50,267.19	-	48,122.76	-
Compensated absences (Funded)				
Discount rate	10,713.21	12,453.66	10,044.26	11,675.71
Salary increase rate	12,350.10	10,790.39	11,578.57	10,116.56
Employee Turnover	17,406.67	5,645.41	16,436.23	5,778.54
Undiscounted Cash flow over the years	23,520.45	-	21,891.93	-

In the above analysis the change in the facor is made with other factors remaining intact.

Undiscounted Cash flow over the years is the aggregate cash flow without discounting but keeping other factors intact and is the total payment for the current complement of staff. Maturity profile of the obligation is reflected in the undiscounted aggregate cash flow given above.

Actuarial gain/ loss arising on experience adjustments

Particulars	As at 31.03.2020	As at 31.03.2019
Gratuity (Funded)	590.34	3,971.22
Compensated absences (Non-Funded)	(1,580.53)	364.23

(xi) Note on actuarial risks

These plans typically expose the Company to actuarial risks such as: Investment Risk, Interest Risk, Longevity Risk and Salary Risk.

(a) Investment Risk

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

(b) Interest Risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan debt investments.

(c) Longevity Risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(d) Salary Risk

The present value of the defined plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Notes:

1. The above disclosures are based on information certified by the independent actuary and relied upon by the Company.
2. The plan assets of the Company are managed by the Life Insurance Corporation of India in terms of insurance policies taken to fund the obligations of the Company with respect to its Gratuity and Compensated Absences Plan. Information on categories of plan assets is not available with the Company.

29.7. Operating Segments (Ind AS -108):

Segment information

The Company has identified business segments viz; Chitty and Lending as its primary segments. Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. The assets of the Company are used interchangeably between segments, and the management believes that it is currently not practical to provide segment disclosures relating to total assets and liabilities since a meaningful segregation in not possible. Since, the revenue and profit or loss attributable to external customers are not material as compared to the combined revenue or profit or loss respectively, geographic segments reporting is not given.

Sl. No.	Particulars	Financial Year	Business segments Chitty	Lending	Total
a)	Segment Revenue	2019-20	1,65,220.20	70,056.44	2,35,276.64
		2018-19	1,54,443.47	65,303.84	2,19,747.31
	Less: Inter Segment Revenue	2019-20			-
		2018-19	-	-	-
	Total revenue	2019-20	1,65,220.20	70,056.44	2,35,276.64
		2018-19	1,54,443.47	65,303.84	2,19,747.31
b)	Segment results	2019-20	1,48,377.61	50,186.94	1,98,564.55
		2018-19	1,39,807.39	33,809.91	1,73,617.30
	Less: Unallocable Expenditure(net of Unallocated Income)	2019-20			2,35,502.34
		2018-19			1,88,983.95
	Add : Other income(Net)	2019-20			47,454.15
		2018-19			27,610.78
	Total Profit BeforeTax and Exceptional Items	2019-20			10,516.36
		2018-19			12,244.13
	Add : Exeptional Items	2019-20			-
		2018-19			-
	Profit Before tax	2019-20			10,516.36
		2018-19			12,244.13
c)	Income Tax Expenses	2019-20			3,237.30
		2018-19			4,465.84
	Profit after Tax	2019-20			7,279.06
		2018-19			7,778.29

29.8. Disclosure of Related Party Transactions in accordance with Ind AS 24 " Related Party Disclosures"

A. List of Related Parties where control exists and also other Related Parties with whom transactions have taken place and relationships:

Sl. No	Nature of Relationship	Name of Related Party
1	Related party	Adv. Peelipose Thomas, Chairman
2	Key managerial personnel	Sri. V.P. Subramanian, Managing Director

B. Transactions during the year

(Rs in Lakhs)

1. Transactions with Key Managerial Personnel			**2019-20**	**2018-19**
1.a	Remuneration to the Managing Director	Sri. A.Purushothman	30.66	24.57
		Sri. V.P.Subramanian		
		Total	30.66	24.57
1.b	Honorarium to Chairman	Adv. Peelipose Thomas	2.40	2.40
		Total	2.4	2.4
1.c	Other Payments to Chairman		1.19	0.52
	Other Payments to Managing Director/Other Directors:		-	-
	Other Payments		13.88	9.03
	Others: Sitting fees		4.38	3.95
		Total	19.45	12.98
1.d	Travel Expenses:			
	Managing Director	Sri. A.Purushothman	1.64	0.68
		Sri. V.P.Subramanian		
	Chairman and Other Directors		5.92	4.94
		Total	7.56	5.62

Guarantee Commission Payable to Government of Kerala.

The Company has been remitting Guarantee Commission on the Fixed/Sugama/Short Term Deposits outstanding as at the end of the preceding financial year. Interest accrued on Deposits is not considered for the purpose of remitting Guarantee Commission as interest is paid on a monthly basis & Company is not having any cumulative deposit scheme. The Comptroller & Auditor General during the course of their inspection during 2003-04 had stated that an amount of Rs.561 lakhs is due up to that year on account of difference in method adopted for computation of Guarantee Commission.

29.9. Recent IND AS and Other Statutory/ Legal Announcements.

The Code on Social Security,2020 ('Code') relating to employee benefits during employment and post employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 01 April 2020.

29.10. Maturity analysis of assets and liabilities

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled.

(Rs in Lakhs)

Particulars	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Borrowings (other than debt securities)	2,46,343.59		2,46,343.59	2,42,568.00		2,42,568.00
Deposits	8,83,728.98		8,83,728.98	7,55,585.89		7,55,585.89
Other Financial Liabilities	19,62,516.01		19,62,516.01	16,26,924.84		16,26,924.84
Provisions		15,722.08	15,722.08		13,516.64	13,516.64
Other non-financial liabilities	4,348.99	549.31	4,898.30	4,652.79	588.18	5,240.97
Total	30,96,937.57	16,271.39	31,13,208.97	26,29,731.53	14,104.82	26,43,836.35

29.11. As required by Ind AS 109 ('Financial Instruments'), provision for expected credit loss in respect of loans has been calculated based on management's estimate of probable default and loss given default. However, provision created on loan assets towards non-performing assets and standards assets as per the RBI norms in the books of accounts, as a matter of prudence.

29.12 Other Financial Asset includes the following

Particulars	Amount
Safe Deposit Locker Rent Receivable	6.33
CMDRF Advance Recoverable	677.03
Festival Advance To Staff	1,000.77
Advance To KSFE Staff Co-Operative Society Ltd	750.00
Flood Advance To Staff	105.97
Amount payable to Removed Members Account.	228.08
Foreman's Investment in Chitty	62,003.86
Advance for Investments in KIIFB	540.00
NPDSC	253.13
Total	**65,565.17**

29.13. Corporate Social Responsibility

The Company has been remitting Guarantee Commission on the Fixed/Sugama/Short Term Deposits outstanding as at the end of the preceding financial year. Interest accrued on Deposits is not considered for the purpose of remitting Guarantee Commission as interest is paid on a monthly basis & Company is not having any cumulative deposit scheme. The Comptroller & Auditor General during the course of their inspection during 2003-04 had stated that an amount of Rs.561 lakhs is due up to that year on account of difference in method adopted for computation of Guarantee Commission.

During FY 2019-20, the Company has spent an amount of Rs. 240.53 Lakhs towards CSR activities.

29.14. Bad And Doubtful Debts

a) The impairment allowance calculated for expected credit loss on loan portfolio and the provisions calculated on non-performing assets in line with the NPA guidelines issued by the Reserve Bank of India were compared. Since, amount of provision as per RBI norms is more, the management is of the view that such provision is more conservative and as a measure of prudence, provision has been made in the accounts accordingly.

b) During the year, the Company had made a provision of Rs.19,752 lakhs (PY: 31,475 lakhs) towards bad & doubtful debts on RR Debtors and outstanding NPA (Non RR). Provision has been created on the basis of RBI norms. The total provision created for this category amounts to Rs.1,22,934 lakhs as at 31.03.2020.

c) The provision for amount outstanding under 'Amount Recoverable from Prized Subscribers' is calculated based on internal parameters fixed by the Company. The percentage of personal surety cases under RR in relation to total RR dues is ascertained and the same percentage is applied on 'Prized chitty default'. The amount so arrived is considered for creation of provision @5% thereon. The Company has made a provision of Rs.739.00 lakhs up to 31.03.2020 as against a provision of Rs. 822.00 lakhs as at 31.03.2019 for 'Amount Recoverable from Prized Subscribers'. The Company has made a provision of Rs.112.50 lakhs up to 31.03.2020 for "Advance to KSFE Staff Cooperative Society".

d) The Company, as a matter of prudence, has made a provision @ 50% amounting to Rs.879.98 lakhs (PY: Rs.395.42 lakhs against fraud/ misappropriation during the year, the cumulative provision of which comes to Rs.1,848.25 lakhs as on 31.03.2020.Even though the prudential norms of RBI with regard to provisioning requirements are not applicable to the Company still as a matter of prudence effective from FY 2018-19, Company had switched to 90 days NPA norms & creation of provision for doubtful debts & standard assets as per age-wise analysis as stipulated by RBI in its master circular No.DBODNo.BP.BC.9/21.04.048/2014-15 dated 01.07.2014 (though 120 days norm is prescribed for the year 2018-19 for NBFCs by RBI).

e) The Company has identified bad debts, which are classified in to the following categories and written off during the year:

(Rs in Lakhs)

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
For Recovery from Prized Subscribers	34.79	26.69
For Interest wiver write off on Gold Loan	-	0.19
For Revenue Recovery Debtors	-	-
For Chitty Activities	434.67	485.26
Total	**469.46**	**512.14**

29.15. Inter Branch Accounts

a) Inter Branch Accounts is shown under Other Non-Financials Assets in Note 12 .

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Inter Branch Current Account Asset / (Liability)	11,277.14	10,141.63
Total	**11,277.14**	**10,141.63**

b) The net difference of current accounts represents difference between the Head Office and Branches and between Regional Offices and Branches. Efforts are being continued to reconcile the same.

(Rs in Lakhs)

29.16. Auction Veethapalisa In Terminated Chitties

Auction Veethapalisa in Terminated Chitties under Kerala Chitties Act, 1975 is shown as liability. From F.Y.2014-15 onwards, the Board, vide Resolution No.6738 dt 11-11-2014, in accordance with the provisions of the Chit Fund Act- 1982 (CFA), had decided to treat forfeited Veethapalisa of Chitties under CFA 1982 as Income of Company at time of termination of chitty after adjusting defaulted amount. Accordingly, during the year, the Company has accounted an amount of Rs. 2,349.43 lakhs as income under this head as against Rs. 2,523.12 lakhs in the previous year.

29.17. Revised Bhadratha Social Society Scheme

The Company had been acting as agent of Government of Kerala in respect of Revised Bhadratha Social Security Scheme on commission basis. The scheme has been since discontinued, the account shows a net balance of Rs.142.02 lakhs (PY: Rs.192.92 lakhs) due to pending reconciliation.

(Rs in Lakhs)

Particulars	As at 31.03.2020	As at 31.03.2019
Deposits Received & Outstanding	117.35	119.82
Interest Accrued on Deposit	384.94	385.08
Interest Credited by Treasury on the Amount Deposited	3186.76	3,134.77
Sub Total (A)	**3,689.05**	**3,639.67**
Less Amount Receivable from Govt. on account of		
(a) Commission Paid	12.03	12.03
(b) Interest Accrued on Deposit Receivable from Govt	480.05	480.05
(c) Balance with Treasury	3054.96	2,954.67
Sub Total (B)	**3,547.03**	**3,446.75**
Net (A - B)	**142.02**	**192.92**

29.18. Company based on the expert opinion obtained from independant practicing Company Secretary has stopped the practice of transferring the unclaimed matured deposits to IEPF account pursuant to section 125 of the Companies Act,2013. Repayment of deposits accepted by the Company are fully guaranteed by the State Government and does not fall under the purview of deposits as per Rule 2(1)(c)(i) of the Companies (Acceptance of Deposits) Rules 2014. Government Guarantee availed by the company are timely renewed with Government and Guarantee Commission is also promptly remitted by the Company.

29.19. Maximum balance outstanding at any time during the year with non-scheduled banks (Treasuries and District Co-Operative Banks) is not exhibited in Note 5 and 6. In view of large number of accounts maintained at different branches, it is not possible to compile the figures, within the existing system framework.

29.20. Finance Charges Payable Chitty/Kuri shown in Note 15 amounting to Rs. 18,47,864.20 lakhs (P.Y. Rs. 15,51,525.13 lakhs) includes Prize Money Payable amounting to 1,58,883.34 lakhs (P.Y. Rs. 1,08,959.17 lakhs). This includes amount payable in respect of tickets substituted by the Company. The said amount is net of the prize money paid in advance.

29.21. Government of Kerala had alloted 15 cents of land to construct Kollam branch building as per letter from District Collector, Kollam vide Letter No.L3-23875/72-3 dated 04-10-1976. Assignment has not been obtained so far. The cost of land has not been paid to the Government, as it has not been fixed so far.

29.22. At all branches, balances of debtors and creditors are confirmed on random basis.

29.23. The Company is accepting deposits from public, repayment of which is guranteed by Government of Kerala. The Government had guaranteed deposit to the extent of Rs.300,000 lakhs vide GO (MS) No.182/2012/TD dated 24th September 2012 for a period of 10 years from 17th August 2012. Guarantee coverage limit of Rs. 700,000 lakhs as sanctioned vide GO(MS) No. 24/2017/Taxes dated 18.04.2018 had been further enhanced to Rs.900,000 lakhs vide Government Order No: G.O. (MS) No.49/2018/Taxes dated 29.06.2018 it has further enhanced Rs. 1,200,000 lakhs vide Government Order No: G.O. (MS) No.16/2019/Taxes dated 19.03.2019 it has further enhanced Rs. 1,500,000 lakhs vide Government Order No: G.O. (Rt) No.42/2021/Taxes dated 18.01.2021

29.24. Government, vide Government Order No. G.O. (MS) No.54/2016/Taxes dated 16.04.2016 had directed to pay 100% dividend on the equity shares from 2015-16 onwards and exempted Company from paying Service charges from 2015-16 onwards. The Company had declared dividend @ 35% for FY 2016-17 and taken up the matter with Government for reduction in rate of dividend. Dividnd @35% for FY2017-18 was declared and paid during April 2019.

29.25. The Company has a system to identify the customers at the time of opening accounts in respect of loans and deposits. Steps are also being initiated to identify the customers in line with the guidelines issued by the RBI under provisions of Prevention of Money Laundering Act 2002/Know Your Customer (KYC) norms. However in few instance the same has not been complied by few branches, Company has taken strict measures to ensure the compliance of the above mentioned guidlines issued by the RBI.

29.26. During the year, as per provisions of Chit Fund Act- 1982, Company had transferred 10% of Book profit to Chitty Reserve Account.

29.27. The Company was acting as an agent of Governemt of Kerala for its Old Bhadratha & Revised Bhadratha scheme (both of which had been since discountinued). Funds moblized by the Company under this scheme were parked with District Treasury, Thrissur TPA424 (Old Bhadratha) & TPA875 (Revised Bhadratha Scheme) respectively. The District Treasury Thrissur, on the basis of G.O (P) No. 51/2018/Fin dated 28.03.2018 had resumed a sum of Rs. 2,04,18,998/- & Rs. 11,42,63,277/- from the said TPAs vide letter no. SB/3043/18 & letter no. SB/3043(2)/18 respectively. Balance under the said TPAs appear under Note 6 (Other Current Liabilities) & Note 12 (Other current assets) in our financial statements. The Company is yet to get back the funds so resumed. No accounting entry has been passed in this regard.

29.28. The Company in compliance with the provisions of Chitty Act 1982, registers chitties only after realisations of first instalment however in few instances cheques have been realized after registration of the Chitty, further there are also few instances of cheque dishonour after registeration. Company has taken strict measures to ensure the compliance of the above Chitty Act provision.

29.29. The Company follows the procedure of depositing an amount equal to contribution by defaulting subscribers less such deductions as may be provided in the agreement in a approved bank mentioned in chit agreement, in accordance with Section 30 of Chitty Act,1982, However in few instance the same has not been complied by few branches, Company has taken strict measures to ensure the compliance of the above mentioned provison of Chitty Act provision.

29.30. The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020 and in accordance therewith, the Company has proposed a opt-in moratorium of three months on the payment of all principal instalments and/ or interest, as applicable, falling due between 1 March 2020 and 31 May 2020 to all eligible borrowers classified as standard, even if overdue as on 29 February 2020, excluding the collections already made in the month of March 2020. For all such accounts where the moratorium is granted, the asset classification will remain at a standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification as per the Company's policy).

Further, the Company has, based on current available information and based on the policy approved by the board, determined the prudential estimate of provision for impairment of financial assets. Given the uncertainty over the potential macro-economic impact, the Company's management has considered all available internal and external information including credit reports and economic forecasts upto the date of approval of these financial statements. Accordingly, the Company has made prudential estimate of provision for expected credit loss on financial assets as at March 31, 2020. Based on the current indicators of future economic conditions, the Company considers this provision to be adequate and expects to recover the carrying amount of these financial assets. The extent to which the COVID-19 pandemic will impact the Company's future results will depend on developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company. The Company will continue to closely monitor any material changes to future economic conditions.

29.31. Figures of the previous year have been regrouped and recast wherever necessary to suit the current year's layout in accordance with the Ind AS requirements.

As per our report with UDIN 21021855AAAAHA9427 of even date attached.

For and on behalf of the Board of Directors,

For **PAULSON AND COMPANY**
Chartered Accountants

Sd/-
CA PAULSON K. P.
LL.B, FCA, DISA (ICAI)
Membership No. 021855: FR No.002620S
Partner

Place : Thrissur
Date : 23/03/2021

Sd/-
Adv. Peelipose Thomas
Chairman

Sd/-
V.P.Subramanian
Managing Director (Incharge)

Sd/-
Mini.V.R
Director

Sd/-
S.Sarath Chandran
General Manager (Finance)

Sd/-
Emil Alex
Company Secretary

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-11), KE RALA, THIRUVANANTHAPURAM

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCI AL TATEMENTS OF KERALASTATE FINANCIAL ENTERPRISES LIMITED, THRJSSUR FOR THE YEAR ENDED 31 MARCH 2020

The preparation of financial statements of **Kerala State Financial Enterprises Limited, Thrissur** for the year ended **31 March 2020** in accordance with the financial reporting framework prescribed under the Companies Act; 2013 (Act) is the responsib ility of the Management of the Company. The tarutor y Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on indepe ndent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated co have been done by, them vide their Audi t Report dated **23 March 2021.**

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplemen tary audit of the financial statements of **Kerala State Financial Enterprises LimHed, Thrissur** for the year ended **31 March 2020** under Section l43(6)(a) of the Act. This sup ple mentary audit has been carried out independently without access to the working papers of the Statutory Auditor s and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

A. **COMMENTS ONPROFTTABILJTY**
Statement of Profit & Loss
Revenue from Operations Interest Income ₹1,53,535.80 lakh
Interest on deposit with bank/ Treasury ₹60,665.69 lakh

1. This includes interest ₹62.08 lakh earned on Chief Minister's Distress Relief Fund deposited with the Government Treasury. The amount pertains to contribution made by the Company to CMRDF, which was provided as refund to the Company with a direction to utilize the amount for construction of community shelter halls. Since the refund was for a specific purpose, the interest earned thereon should have been earmarked for the specific purpose instead of as income of the Company. This has resulted in overstatement of profit for the year by ₹62.08 lakh and overstatement of Other Equity by the same amount.

B. COMMENTS ON DISCLOSURE

2. Bank balance include ₹3599.67 lakh being CMDRF Refund received from Government in December 2019 which was provided with a clear direction to utilize the amound for constrution of community shelter halls. As this treasury deposit is not free to be used by the Company, this fact should have been stated in the notes on accounts.

C. COMMENTS ON AUDITOR'S REPORT

3. As per Sec 143 (6) (b) of the Companies Act 20l3, the comments given by the C&AG of India upon or supplement to the audit report shall be sent by the Company to every person entitled to copies of audited financial statements and also be placed before the Annual General Meeting of the Company at the same time and in the same manner as the audit report. The annual accounts of the compa ny for year 2018-19 was adopted in the 50th Adjourned meeting of the company held on 19 April 2021 which was after the date of Audit Report (23 March 2021) for the year 2019-20. The fact of non-adoption of th e previous year accounts in the Annual General Meeting has not been disclosed by tlte statutory auditor in his report.

For and on behalf of the
Comptroller and Auditor General of India

Sd/-

PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II), KERALA

Thiruvananthapuram
Dated: 25.10.2021