KSFE

അഭിമാനത്തിന്റെ

വർഷങ്ങൾ

BOARD OF DIRECTORS

Sri. K. Varadarajan
(Chairman)

Dr. Sanil S. K.
(Managing Director i/c)

DIRECTORS

1. **Smt. Meghashree D. R. IAS**
2. **Smt. Sini J. Shukkoor**
3. **Smt. B. S. Preetha**
4. **Adv. U. P. Joseph**
5. **Adv. M. C. Raghavan**
6. **Mr. T. Narendran**
7. **Adv. V. T. Joseph**
8. **Sri. R. Muhammed Shah**
9. **Dr. K. Sasikumar**
10. **Adv. Govindan Pallikappil**

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 2020-21)

STATUTORY AUDITOR	**M/s Balan & Co.** Chartered Accountants, Ernakulam
BRANCH AUDITORS	**M/s Ananthan & Sundaram,** Trivandrum Region
	M/s Renjith Karthikeyan Associates, Attingal Region
	M/s Krishnan Retna & Associates, Kollam Region
	M/s Kumar & Biju Associates LLP, Pathanamthitta Region
	M/s Abraham & Jose, Kottayam Region
	M/s Issac & Suresh, Alappuzha & Kattappana Regions
	M/s Sridhar & Co. Ernakulam Region
	M/s G. Joseph & Associates, Malappuram Region
	M/s K. Venkatachalam Aiyer & 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-op. 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. Co-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
Dr. Sanil S. K.

General Manager
C A Sarathchandran S. (Finance)

Deputy General Manager
Sri. Pramodan A. (Recovery)
Smt. Sujatha M. T. (P&HR)

Assistant General Managers
Smt. Nisha A. B. (I T)
Sri. Raju R. (Business)
Sri. Ganesan P. (Planning)
Sri. Krishnendhu Sureshkumar (Legal)
Sr. Kunhikannan H. (GAD) I/C

Assistant General Managers (Region)

Sri. Venugopala Pillai S.
(R. O. Alappuzha)
Smt. Prameela K. P.
(R. O. Kollam Rural)
Sri. Sivaprasad C. P.
(R. O. Kottayam)
Sri. Madhumohan C. K.
(R. O. Palakkad)
Sri. Ajith Kumar K. D.
(R. O. Kattappana)
Sri. Chandrasekharan K. T.
(R. O. Kozhikode Urban)
Sri. Gosalakrishnan Nair V.
(R. O. Kollam Urban)
Sri. Sivadasan K.
(R. O. Kozhikode Rural)
Sri. Vijayakumar C.
(R. O. Tvm. Rural)

Smt. Reena Joseph
(R. O. Ekm. Rural)
Sri. Rajendran V.
(R. O. Ekm. Urban)
Smt. Saraswathy N.
(R. O. Tvm. Urban)
Sri. John Dennison
(R. O. Trichur)
Sri. Girishkumar S.
(R. O. Kannur)
Smt. Meera K. S.
(R. O. Pathanamthitta)
Sri. Vijayan A.
(R. O. Malappuram)
Sri. Prasanthakumar P. K.
(KSFE Digital Business Centre)

Company Secretary
CS Emil Alex

Directors as on March 31, 2021

Adv. Peelipose Thomas
(Chairman)

Sri. V. P. Subramanian
(Managing Director)

DIRECTORS

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

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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 23362232, www.ksfe.com

Ref: 152ADJ/CS Date: 09-05-2023

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 52nd Adjourned Annual General Meeting of the Company will be held at **11am on Monday the 22nd day of May 2023 at** KSFE Digital Business Centre situated at 6th Floor, KSRTC Bus Terminal Complex, Thampanoor, Thiruvananathapuram 695 001 **at shorter notice** to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Directors' Report, the Audited Balance Sheet as on 31st March, 2021 and the Profit and Loss Account for the Year ended 31st March, 2021 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 2020-21

By Order of the Board of Directors,
(Sd/-)
For KERALA STATE FINANCIAL ENTERPRISES LTD.,
CS EMIL ALEX
COMPANY SECRETARY
MEMBERSHIP NO.ACS-45209.

Regd. Office: *"Bhadratha",*
P.B. No. 510, Museum Road,
Thrissur, Kerala – 680 020.
CIN: U65923KL1969SGC002249
www.ksfe.com

Note:

1. 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.
2. 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:

BOARD'S REPORT

Your Directors are pleased to present 52nd Annual Report and the Audited Financial Statements of Company for the financial year ended March 31, 2021.

FINANCIAL HIGHLIGHTS:

Financial Parameters for the year ended	March 31, 2021	March 31, 2020
	(₹ in Crores)	
Gross Income	3136.04	2827.31
Total Expenditure	3056.12	2722.14
Profit Before Tax	79.93	105.16
Provision for Taxes/Deferred tax	8.47	32.37
Net Profit	71.46	72.79
Other Comprehensive Income (net of tax)	(63.87)	(4.42)
Total Comprehensive Income (after tax)	7.59	68.37
Shareholder's Equity (Networth)	983.92	976.33
APPROPRIATION		
Transfer to Reserve	71.46	72.79
Proposed Dividend	35%	35%
Basic Earnings per Share (in ₹) [face value ₹ 100/- each]	₹ 7.59/-	₹ 68.37/-

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 Equity Share on face value of ₹ 100/- each for the year 2020-21 striking a balance between retained earnings and dividend distribution (previous year 35% i.e.₹ 35 per Equity 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 liability in accordance with the then existing Accounting Standard.

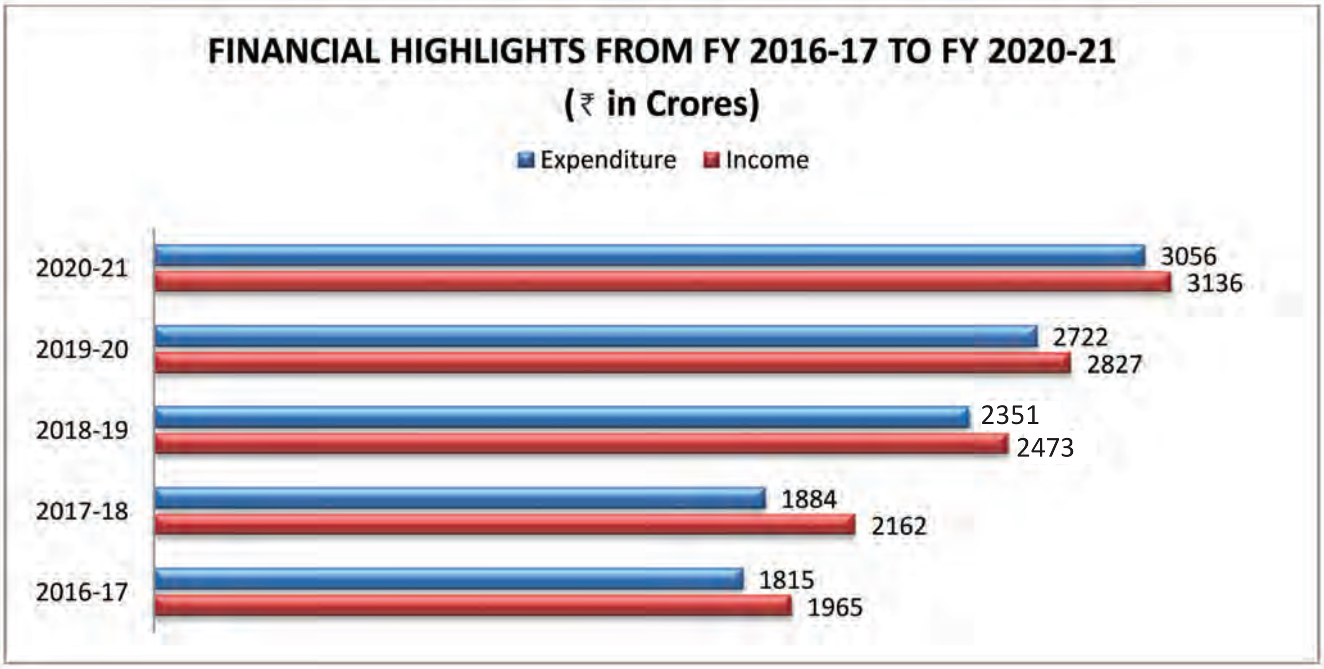
A sum of ₹ 71.46 crores (i.e., ₹ 7.99 crores to Chitty reserve and ₹ 63.47 crores to General Reserve) respectively had been transferred to Reserves as decided by the Board. The Company is expecting a higher growth in business volume and profits in the coming years.

RESULTS OF OPERATIONS

The main aim of KSFE is to provide financial stability to customer and provide transparent, sustainable service to the public. KSFE has 13 Regional Offices, 10 SDT offices, and 621 branches to provide service to customers. Our company, now in its 52nd year this financial year, is also focusing on social welfare schemes. Company developed an online portal for remitting chitty/loan payments for customers. Through this portal, the amounts remitted by customers are instantly credited to their chit or loan account.

During the COVID Pandemic Period, the company implemented some schemes, such as Pravasi Mithram and Pravasi Souhrada Gold Loan, with the low interest rate for NRKs. The moratorium announced by RBI was implemented in KSFE from February 29 to August 31, 2020).

Company, as stated earlier further aim to introduce more social security schemes for the upliftment of weaker sections of society and to start more branches in the areas hitherto unrepresented. To develop a competitive edge to the fast emerging financial market we are always in the process of adopting to innovative technology for improving the quality and quantity of our business.



During the year your Company had earned an aggregate income of ₹ 3136 Crores registering an increase of 10.93% over the previous year's ₹2827 crores. After payment of guarantee commission to the tune of ₹ 73.65 crores to the Government of Kerala during the year, the Company made a profit before tax amounting to ₹ 79.93 crores.

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

TEN YEAR DIGEST

(Growth of Selected Variables from FY 2011-12 to FY 2020-21) *(₹ in Crores)*

Years	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Capital & Reserves	259.20	324.42	379.63	444.95	490.37	575.64	720.19	950.15	976.33	983.92
Turnover *	9946.83	12799.02	15570.54	18200.00	20520.00	22504.49	24073.00	26227.00	35047.35	37530.46
Fixed Deposits**	3141.52	4151.71	5472.46	6708.19	7900.21	9801.75	10916.00	11697.00	13319.97	16728.30
Profit after Tax	72.75	69.89	59.88	70.72	35.87	85.27	144.41	77.78	72.79	71.46
Branches (Nos.)	387.00	460.00	501.00	507.00	600.00	568.00	577.00	577.00	577.00	621.00
Employees (Nos.)	5186.00	5203.00	5112.00	5585.00	6426.00	6819.00	6877.00	6777.00	6571.00	7515.00
Contribution to State Exchequer***	87.96	96.67	117.09	146.39	81.26	108.28	84.46	130.46	154.30	167.88

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

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

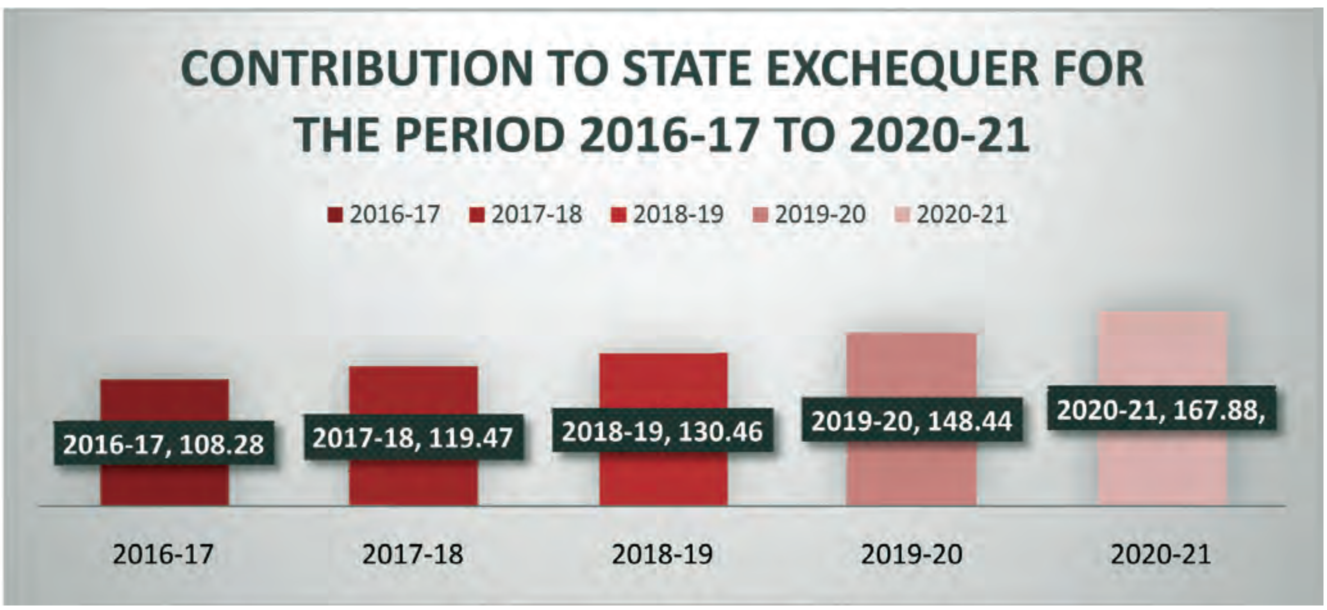
*** *The contribution to State Exchequer in FY 2020-21 includes-Service charge, Guarantee Commission – ₹ 73.65, Registration & Filing Fee - ₹ 58.82, Rates & Taxes - ₹ 0.28, Dividend - ₹ 35 and Insurance - ₹ 0.13 (amount in crores).*

NUMBER OF BRANCHES

At the close of financial year, your Company had 621 branches spread under 13 regional offices. 47 New Branches started functioning during the Financial Year. The Company proposes to open 65 new branches across the State of Kerala in coming year. By doing so, Company intends to provide employment opportunities for the educated job aspirant youth in the State and make its presence felt in 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 268 branches across the State as on 31.03.2021. Steps have also been taken to renovate the remaining branches at the earliest.

CONTRIBUTION TO STATE EXCHEQUER

	2020-21	2019-20
	(₹ in Crores)	
Guarantee Commission	73.65	65.39
Registration & Filing Fee	58.82	47.40
Rates & Taxes	0.28	0.27
Dividend	35.00	35
State Insurance Premium	0.13	0.38
Total	**167.88**	**148.44**



PERFORMANCE OF MAJOR PORTFOLIOS OF THE COMPANY

CHITTY

The total sala of chitties conducted during the period 2020-21 from all the branches put together rose to INR 2410 crores as against INR 2097 crores at the end of previous year, registering an increase of 15%, translating to INR 313 crores during the year under review. Total number of subscribers also increased to 2079184 during 2020-21 from 1889926 during 2019-20.

GOLDEN JUBILEE CHITTY – 2020

During 2020-21 special chitty drive named Golden Jubilee Chitties 2020 (from Aug 2020 to December 2020) with attractive special incentives and prizes, could mobilize chitty sala worth ₹.570 Crores. Due to the Covid 19 pandemic, the campaign period was extended till 31.03.2021 and resulted in achievement of target of ₹.570 Crores. Chitties with duration of minimum 25 months were started under this scheme. In addition to the State, Region and Branch level prizes, benefits offered in this scheme were:

Waiving off future liability upto INR 5 lakhs in case of accidental death of prized subscribers in chitties coming under this scheme. Prompt subscribers who had not defaulted in chitty throughout the chitty tenure would be eligible for an amount equivalent to instalment amount for joining in new chitty subject to a maximum amount of INR 10000.

GOLD LOAN

Financial Year 2020-21 saw another turnaround in our Gold Loan Business, as the portfolio touched an all-time record of INR 2662 Crore from 2064 Crore during 2019-20. Advertisement campaigns through audio, visual, print and outdoor media, product innovation and motivation of staff through multilevel meeting on regular basis helped us to achieve this feat.

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 31.03.2021 is as tabulated below:

Overall Loans & Advances for the FY 2020-21		
	2020-21	**Composition (%) of total loans**
	(₹ in Crores)	
Gold loan	2662	31.91
KSFE Personal Loan & Fixed Deposit Loan	1791	21.48
KSFE Housing Loan	1448	17.36
New Chitty Loan (NCL) & PBL	2270	27.21
Others	170	2.04
Total	**8341**	**100**

GOLD LOAN

Total gold loan disbursed during the reported year was ₹ 4496.86 crores and the total outstanding as on 31st March, 2021 stood at ₹ 2661.85 crores as against ₹ 2064 crores for the previous year.

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

Disbursements amounting to ₹ 930.22 crores were made under the Reliable Customer Loan Scheme & FD Loan during the year and the total outstanding as on 31.03.2021 stood at ₹ 1791 crores as against ₹ 1851 crores as on 31.03.2020.

NEW CHITTY LOAN/PASS BOOK LOAN

New Chitty loans amounting to ₹ 1486 crores were disbursed during the year and the total loan outstanding as on 31.03.2021 rose to ₹ 2270 crores as against ₹ 2038 crores for the immediately preceding previous year.

NEW HOUSING FINANCE SCHEME

During the financial year under review, disbursement under the scheme amounted to ₹ 419 crores. The total loan outstanding including loans under Housing Finance Scheme as on 31st March, 2021 increased to ₹ 1448 crores as against ₹ 1294 crores for 2019-20 representing 12% growth.

CONSUMER /VEHICLE LOAN

Total amount of advance disbursed during the year under Consumer/Vehicle loan scheme was ₹ 12.70 crores. The outstanding advance under both, Hire Purchase and Consumer Vehicle Loan scheme as on 31st March, 2021 was at ₹ 36.24 crores as against ₹ 35.25 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 increasing trend vis-à-vis previous year. In short, the net result reflects a better position as total advances, during 2020-21 rose to ₹ 8340 crores as against ₹ 7414 crores for 2019-20, signifying an increase of ₹ 926 crores which translates to 12%. The aforesaid amount includes ₹ 670.69 crores advanced to M/s Kerala Social Security Pension Limited as inter corporate loan.

DEPOSITS

The total deposits viz. Fixed Term Deposits under Government Guarantee increased to ₹ 11,470 crores as on 31.03.2021 as compared to ₹ 8752 crores as at 31.03.2020. The amount outstanding under Sugama Deposits, under Government guarantee, as at 31.03.2021 rose to ₹ 1111.75 crores whereas the previous year's balance was ₹ 904 crores as on 31.03.2020. Short-term deposit increased to ₹ 318.53 crores as on 31.03.2021 from ₹ 164 crores as on 31.03.2020.

The breakup of deposit portfolio as on 31.03.2021 is as under;

Overall Deposit Portfolio for the FY 2020-21		
	2020-21	**Composition (%) of total loans**
	(₹ in Crores)	
Fixed Deposit	11,470	88.91
Short Term Deposits	319	2.47
Sugama Deposits	1111	8.62
Total	**12,900**	**100**

CHITTY DEPOSIT IN TRUST

Chitty Deposit in Trust Scheme (meant for prized subscribers which enable them to deposit amount equivalent to their future liability in the chitty), stood at ₹ 4940 crores as on 31.03.2021 as against ₹ 4404 crores as on 31.03.2020.

The total deposits of the year ended 31.03.2021 was at ₹ 17,840 crores as against ₹ 14,224 crores as on 31.03.2020, representing a growth of 13%.

The company based on the expert opinion received, had not transferred any amount relating to unclaimed matured deposits beyond 7 years 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.

NON-PERFORMING ASSETS

Due to the outbreak of the covid pandemic and subsequent lockdown in FY 2020-21 Company was dealing with steep rise in non-performing assets. The total dues as on 31.03.2021 stood at ₹ 3697.69 crores which included RR dues of ₹ 974.69 crores and Non-RR dues of ₹ 2723 crores respectively. While previous year RR dues stood at ₹ 939.06 cores and Non-RR dues stood at ₹ 1990 crores, making total dues as on 31.03.2020 amounting to ₹ 2929.06 crores.

Though intensive recovery efforts and default monitoring system were established by the company during the FY 2020-21, the announcement of moratorium as per RBI and Government guidelines affected our overall collection drive. For maximising collection and to cut down the volume of default, we launched 'Aashwas 2020', an interest concession scheme which provided OTS facility to all defaulters under RR and Non-RR cases. We were able to collect ₹1050.59 crores through closure/updation of 35532 files under this scheme.

The focus on managing non-performing assets still continue with special emphasis on current action for current default, technology upgradation via launching of CAMRA, a core solution for monitoring RR accounts and relief measures like adalat.

RISKS AND CONCERNS

The Company has put in place a mechanism to minimise operational risks through effective control systems 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 with appropriate mitigation strategies. Risk is an integral part of the financial/Chitty business. Credit risk arising out of delinquencies on account of non-performing portfolio, operational risk arising out inadequate process or failed controls to predefined processes, liquidity 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 the transaction level or at the portfolio level through quantitative examinations of embedded risks.

INFORMATION TECHNOLOGY

Revenue Recovery software (CAMRA) was successfully rolled out and data cleansing in CAMRA was also completed. A portal for online remittance using Payment Gateway of multiple banks, towards chitty, loans and details of newly announced chitties was also launched during the year. AWS cloud was procured for mobile app. Secondary connectivity was established in all branches. Steps were initiated for migrating core application servers and data base to cloud platform.

RIGHT TO INFORMATION ACT -2005

The Right to Information Act introduced in 2005 had entered into a matured level now and the Company, as in the past is giving utmost importance to transparency in its functioning and maximum information is made available in website. Accordingly, over the years an effective system 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 Authority. 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 31.03.2021:

Name	Designation	Department	Status under RTI
CA S Sarath Chandran	General Manager (Finance)	Accounts	PIO
A Vijayan	Asst. General Manager (Business)	Business	PIO
Sujatha MT	Deputy General Manager (P & HR) i/c	Personnel and Human Resource Development	PIO
Jayaprakashan K V	Deputy General Manager (IA & V)	Internal Audit & Vigilance	PIO
Pramodan A	Deputy General Manager (Recovery)	Recovery	PIO
Pramodan. A	Asst. General Manager (Legal)	Legal	PIO
Dinesh VS	Asst. General Manger (IT) i/c	Information Technology	PIO
Shaju Francis K	Asst. General Manager (P&B) – In charge	Planning & Business	PIO
Madhumohan CK	Asst. General Manager (GAD)	General Administration	PIO
CS Emil Alex	Company Secretary	Secretarial	PIO (Secretarial) & APIO for HO.
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 342 requests under RTI Act at Head Office alone during the year 2020-21.

HUMAN RESOURCES DEVELOPMENT

The entire world was impacted by the COVID-19 pandemic leading to unprecedented disruptions across all sections of life and KSFE was no exception. All staff members rose valiantly to the challenge of keeping our business operations running during this critical period. In line with Government guidelines, we took a number of proactive mitigating measures/initiatives for staff benefit, such as reimbursement of expenses incurred on COVID treatment, special support to all employees found positive due to COVID-19, and sanction of Special Leave to employees on quarantine, to contain and reduce the spread of the virus among the staff members. Special leaves were also sanctioned to employees having children under 1 year, pregnant women etc. These measures ensured that the employees remained motivated and equipped to handle the crisis well.

PAY REVISION

As per bilateral discussions with Unions/Associations and G.O. (Ms) No. 20/2021/Taxes dated 19.02.2021 a new long term settlement was implemented in the Company w.e.f 01.08.2017 for a period of 5 years.

PROMOTION TEST

As in previous years, the Promotion Test for the year 2020 was conducted in a time bound manner in association with M/s. CMD and Rank lists were published.

CARE FOR RETIRED EMPLOYEES

Our retired employees are getting meagre pension as less than ₹ 5000/- under EPS-95 scheme. Company introduced a scheme wherein all employees retired prior to 31.07.2007 would receive a minimum monthly pension of ₹ 5000/-. If EPS pension is below ₹ 5000/-, the shortfall would be compensated by KSFE. The scheme was implemented from April 2020 and accordingly company disbursed ₹ 76,71,216/- for FY 2020-21 to 215 retired employees who were getting monthly pension < 5000 under EPS.

TRAINING

Hitherto classroom training was the mainstay of training programmes. Due to the outbreak of Covid-19 pandemic our normal training programmes were adversely affected. However we managed to conduct one day online induction training programme for 915 newly joined Junior Assistants and 60 newly promoted Managers. We also arranged an online external training programme for our Top level executives on the topic 'Cyber Law in Everyday Life'.

RECRUITMENTS

The Company newly recruited 1188 employees in various entry level cadre during the FY 2020-21. 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.

HUMAN RESOURCE

As on March 31, 2021, the Company had 7515 personnel on its rolls. Cadre wise break up is as under:

Human Resource as on March 31, 2021 *(In Numbers)*			
Cadre	Male	Female	Total
Officers	1393	815	2208
Assistants	1401	2428	3829
Office Attendants	386	485	871
Part Time Sweepers	226	381	607
Total	**3406**	**4109**	**7515**

The total staff strength of the Company as on 31st March 2021 was 7515 numbers comprising 2208 Officers, 3829 Assistants and 871 Subordinate Staff besides 607 Part-Time employees. Out of the total work force, the representation of women is over 54%. Furthermore, the women employees in our organization are spread across all levels of hierarchy.

DIRECTORS

The Board of Directors of Company comprises 15 Directors including Chairman and Managing Director, as on 31.03.2021. There were changes in the Board during the period under review.

Government vide GO (Rt) No. 425/2020/ Taxes dated 25.06.2020 had nominated Mrs Geetha K, Additional Secretary (Taxes) as director in place of Mr R Rajagopal, Director who superannuated from service. Subsequently, Government had reappointed Mr. R Rajagopal as Director of the Company vide GO (Rt) No. 481/2020/Taxes dated 24.07.2020.

CHANGE IN KEY MANAGERIAL PERSONNEL

Government vide G.O.(Rt) No. 363/2020/Taxes dated 29.05.2020 had regularized the appointment of Mr VP Subramanian as Managing Director of the Company. There were no other changes in Key Managerial Personnel during the FY 2020 – 21.

COMPLIANCE DEPARTMENT

The Company has institutionalized a strong compliance culture and mechanism across the Company, pursuant to its strategic goals of transparency and trust, 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 a system in place for auditing all of the company's branches on a regular basis. The Company has 27 teams 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 all required cases and situations. Internal audits at all branches (100%) for the reported year (2020-2021) have been duly completed. Audit for the subsequent periods are progressing well. The audit of branches for the financial year 2021-22 is almost over and is expected to complete by 30.11.2022 and the audit of the first half of the financial year 2022-2023 has commenced. The Company is taking continuous steps to improve the control system and to prevent occurrence of fraud/irregularities. It has continued its efforts to align all its processes and controls with best practices.

The Company is committed to develop a culture wherein it is safe for all employees to raise concerns about any unethical 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 2021, the applicable accounting standards 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 a true and fair view of the state of affairs of the Company as at the end of the financial year 2020-21 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, 2021, on a going concern basis

(e) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively and that

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

AUDIT

➢ STATUTORY AUDIT

M/s. Balan & Co., Chartered Accountants, Cochin were appointed as Statutory Auditors for FY 2020-21, by Comptroller & Auditor General of India (C & AG) for Corporate Office, Auditors of Branches under Thrissur Region, Regional Consolidation of accounts of 13 Regional Offices and Consolidation of accounts. They will hold office till conclusion of the ensuing Annual General Meeting. C & AG have appointed M/s K Varghese & Co, Chartered Accountants, Kollam as Statutory Auditors for the year 2021-22.

The Statutory Auditors have been paid a total remuneration of INR 10.92 lakhs towards audit fees, certification and other services. The above fees are excluding of taxes, re-imbursement of travelling and out of pocket expenses.

AUDITORS' REPORT

Auditors' Report on the annual accounts for the financial year 2020-21 and the comments of the C & AG under Sec 143(6)(b) of the Companies Act, 2013 on the Annual accounts are appended to this report. Reply to observations of Statutory Auditors and C & AG are attached as addendum to this report.

During the year 2020-21, there has not been any fraud reported by the Statutory Auditors of the Company.

BRANCH/REGIONAL AUDITORS

The following firms of Chartered Accountants were appointed by Comptroller and Auditor General of India as Branches/Regional Auditors for the year 2020-21.

Sl No	Name of the Auditors	Branches/Regions
1	M/s Sridhar & Co, (SR0774), 34/434, A2, Sri Vaishnav, Kannanthodathu Road, Edappally, Kochi-682 024	Auditors of branches under Ernakulam Region including Regional Office & Regional Consolidation of accounts
2	M/s. Ananthan & Sudaram (SR0255)123, Sivakarthi, Sankar Nagar, Neeramankara, Kaimamanam. P.O., Thiruvananathapuram 695040, Kerala	Auditors of Branches under Trivandrum Region, Regional Office and Regional Consolidation of accounts
3	BSJ & Associates (SR1972) Ist Floor Amar Villa, Near MalayalaManorama Office, Wayanad Road, Kozhikode-673011	Auditors of Branches under Kozhikode Region, Regional Office and Regional Consolidation of accounts
4	Krishnan Retna & Associates (SR2291) TC 37/1510-133, Flat No.201 Nandini Garden Fort P.O. Thiruvananthapuram	Auditors of Branches under Kollam Region, Regional Office and Regional Consolidation of accounts
5	Abraham & Jose (SR0091)First Floor, Rajeswari Complex, MC Road Perunna, Changanassery, Kottayam.Dist. Changanassery-686102	Auditors of Branches under Kottayam Region, Regional Office and Regional Consolidation of accounts
6	M/s. Ayyar & Cherian (SRO 123), 44/177, Delux Tower Logans Road, Thalassery Kannur-670101)	Auditors of Branches under Kannur Region, Regional Office and Regional Consolidation of accounts
7	RanjithKarthikeyan Associates (SR12/654 Pranam Thampuranmukku, Vanchiyoor. P.O. Thiruvananthapuram-69505	Auditors of Branches under Attingal Region, Regional Offices and Regional Consolidation of accounts
8	Isaac & Suresh (SR0722) 55/324,Padmasree, South Bridge Avenue Road Panampilly Nagar, Kochi-682036	Auditors of Branches under Alappuzha &Kattappana Regional Office and Regional Consolidation of accounts
9	G.Joseph& Associates (SR0870) 37/2038 Muttathil Lane Kadavanthra , Kochi-682020	Auditors of Branches under Malappuram Region, Regional Office and Regional Consolidation of accounts
10	Kumar &Biju Associates LLP (SR1068) Door No.41/401 C, Song of SongsPadivattom, Near NH BYPASS, Edapally Ernakulam-682035	Auditors of Branches under Pathanamthitta Region, Regional Office and Regional Consolidation of accounts
11	K VenkatachalamAiyer& Co.(SR0012) No.30, Aadarsh First Floor Indirani Nagar Near Chunnambuthara, Vadakkanthara, Palakkad-678012	Auditors of Branches under Palakkad Region, Regional Office and Regional Consolidation of accounts

The fees paid to Branches / Regional Auditors towards audit fees, certification and other services was INR 94.74 lakhs. The above fees are excluding applicable taxes, re-imbursement of travelling and out of pocket expenses.

➢ SECRETARIAL AUDIT

The Board had appointed M/s TM Ramachandran & Associates, Company Secretary in Practice, Thrissur, to conduct the Secretarial Audit of the Company for the year 2020-21. The Secretarial Auditor in his report have stated that during the period under review the Company had complied with the applicable provisions of the Acts, Rules, Regulations, guidelines, standards except for those observations mentioned in Secretarial Audit Report, which is appended as Annexure-I. The reply of Management to observations of Secretarial Auditor is attached as addendum to Directors report.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

KSFE is committed to the Communities around its business and far beyond through its CSR initiatives. The Company meticulously took care of its social responsibility and spent INR 3.23 crores during the financial year 2020-21.

Annual Report on CSR activities including the composition of CSR Committee is enclosed as Annexure-II to the report. The details of the CSR policy, projects and programmes are available on the website of the Company on at https://www.ksfe.com/csr

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

The Company has Internal Complaints Committees (ICC) to redress complaints received regarding Sexual Harassment at all Units. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The Company has complied with the provisions relating to the Constitution of ICC and during the year no cases/complaints have been filed under the Act.

RELATED PARTY TRANSACTIONS

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

MEETINGS OF THE BOARD

During the financial year 2020-21, 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

There are no transactions of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013.

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 section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, your Company had not engaged in any activity 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 electrical or electronic 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 integrity, transparency and overall accountability. A separate section on Corporate Governance is annexed to and forms part of this report.

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 12 of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return as at March 31, 2021 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.

REGULATORY OR COURTS ORDER:

There have been no significant and material orders passed by the regulators or courts or tribunals 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 particularly Taxes (H) Department, the Reserve Bank of India, various Departments of State Governments and Statutory Auditors. The Directors appreciate and value the contribution made by the employees at all levels. The Directors would also like to place on record their appreciation for the continued co-operation and support received by the Company during the year from bankers, advocates, business associates, members, customers and other stakeholders. The Directors look forward to continuance of the supportive relations and assistance in the future.

For and on behalf of the Board of Directors,

Date: 09-05-2023
Place: Kanhangad, Kasargod

Sd/-	Sd/-
K Varadarajan	**Dr Sanil SK**
Chairman	Managing Director i/c
DIN: 08157496	DIN: 09811727

ADDENDUM TO THE DIRECTORS' REPORT

COMPANY'S REPLIES TO STATUTORY AUDITOR'S OBSERVATION IN THEIR REPORT

Point No.	Statutory Auditor's Observations	Company's Remarks
1	The regional offices and the branches under such regional offices are audited by various branch auditors. As only trial balance is prepared at the branch / region level, some of the audit report of the regional offices does not speak about true and fairness of the state of affairs and profit / (loss) at branch / region level. Also, the company has not structured the audit report of the branches / regional offices' and hence the report received from the auditors of different regions lacks consistency in its presentation and reporting. Thus, the accounts and audit reports of the branch / region used for preparation of the financial statements of this company suffers from this deficiency, if any, the impact of which on the financial statements of the company could not be ascertained by us.	Even though no separate financial statements (Profit & Loss Account and Balance Sheet) are prepared at Branch level, Trial Balance prepared at Branch level has four distinct parts viz. Income, Expenditure, Liabilities and Assets. The operating results of the Branches are also a line item of the Trial Balance i.e. Profit/Loss arrived at is being carried forward to Balance Sheet. We expect the Branch Auditors to report on the true and fairness of the assets/liabilities as well as the profit or loss of the Branch/Region. It is this Trial Balance getting certified by regional auditors.
2	With respect to loans, reported in Note No. 7– a) The company has classified the 'Amount Recoverable from Prized Subscribers' amounting to ₹ 23,15,818.99 lakhs as 'loans' under financial assets, measured at amortized cost. As per the provisions of Ind AS 109 'Financial Instruments' read with Ind AS 107 and 32, income from any financial asset measured at amortised cost shall be measured using the effective interest rate method, by applying the effective interest rate (EIR) to the gross carrying amount of the asset. This accounting treatment has not been followed by the company, which, in our opinion, has resulted in understatement / overstatement of the carrying amount of such account balances and the 'interest income' recognised for the year. b) As per the provisions of the Ind AS 109 – Financial Instruments, the company is required to ascertain and provide for the 'impairment loss allowance' as per the 'Expected Credit Loss Model (ECL)' with respect to the financial assets held by it. The company has recognised a total Impairment Loss Allowance of ₹ 140,762 lakhs on the basis of prudential norms for Income Recognition and Asset Classification (IRAC norms) as applicable to Non-banking Financial Companies (NBFCs) as notified	**2 (a)** As per IND AS 109 effective interest rate (EIR) is the rate that exactly discounts the expected stream of future cash payments or receipts through maturity to the net carrying amount at initial recognition. In the observation it is mentioned that 'Amount recoverable from Prized Subscribers' classified as loans under financial assets measured at amortized cost shall be measured using the EIR method by applying the effective interest rate to the gross carrying amount of the asset. However, as per chit accounting the amount recoverable from Prized subscribers are accounted on a gross basis. Amortized Cost method generally involves calculation of present value of all future cash flows expected throughout the life of the Financial Asset at the market prevailing rate of interest. The future amount recoverable from the Prized subscribers will not be known in advance as the auction discount for future installments are not known in advance. In such a scenario the discounting of carrying value using EIR is impracticable. Hence, based on the specific nature of chit fund product the compliance of said observation is not found to be feasible. b) (i)With regard to query that the Company failed to consistently **apply IRAC norms for determination of provision for impairment loss allowance to Amount Recoverable from Prized subscribers**, it is submitted that even though IRAC norms are not applicable to our Company, in order to bring our internal provisioning norms

Point No.	Statutory Auditor's Observations	Company's Remarks
	by Reserve Bank of India (RBI), which, in our opinion, does not satisfy the requirements of ECL as required by Ind AS 109, due to the following reasons - i) The company failed to consistently apply the above IRAC norms for determination of provision for impairment loss allowance to 'Amount recoverable from Prized Subscribers' amounting to ₹ 23,15,818.99 lakhs, which represents 68.46% of the total 'loans' as per Note No. 7. As mentioned in Note No. 29.14(c) of the financial statements of the company, the provision for impairment loss allowance for the above asset has been determined based on the internal parameters fixed by the company, and not based on the IRAC norms consistently applied by the company for other financial assets. Accordingly, the company has determined an amount of ₹ 502 lakhs as provision for impairment loss allowance as against the total carrying value of the financial asset amounting to ₹ 23,15,818.99 lakhs, thereby resulting in an effective rate of only 0.022%. The above effective rate of provision, in our opinion, is very low when compared with effective rate of provision of 22.19% applied on the remaining financial assets for which the IRAC norms had been applied. However, in the absence of necessary information, we are unable to comment on the accuracy and adequacy of the parameters used for estimation of the provision by the company in respect of the above. ii) The company has informed us that it has determined an amount of ₹127,955.07 lakhs as the 'impairment loss allowance' as per 'Expected Credit Loss Model (ECL)' adopted by the company. However, in the absence of sufficient information, we are unable to evaluate and comment on - a) the accuracy and reasonableness of various parameters including the 'Probability of Default (%)', 'Loss Given Default (%)' which has been used for the determination of the impairment loss allowance. b) the basis of classification of financial assets based on the 'significant increase in the credit risk' and the consequent determination of the '12 months	in sync with the provisioning norms of banks, we had adopted prudential norms stipulated by RBI for Banks, in respect of our loans and advances since FY 2018-19. As such provision has not been created in accordance with IRAC norms in respect of amount recoverable from Prized Subscribers. However, as a matter of conservatism and prudence, provision @ 5% is being given to amount outstanding on "Not Fully Secured Cases" of Amount recoverable from Prized Subscribers. In this connection, it may please be noted that we are treating cases with Personal Surety as Not Fully Secured Case and all other cases including property security comes under Fully Secured category which forms a major portion of the amount outstanding. (ii) to (v) Ind AS 109 - Financial Instruments, specifies expected credit loss method for financial instruments, wherever applicable. In line with the above provision, Company had examined the applicability of the same for its Loans & Advances portfolio. The Company has been following RBI prudential norms for Banks in respect of Asset classification and provisioning pertaining to advances (DBOD.No.BP.B C.1/21.04.048/ 2013-14 dated 1/7/13). The Company has calculated Expected Credit Loss (ECL) for a financial asset which involves application of significant judgement and estimates including use of key assumptions such as probability of default and loss given default. The ECL Policy has been approved by the Board in its meeting held on 10.03.2020. 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 for banks issued by the Reserve Bank of India were compared. Since amount of provision as per RBI norms is higher, the Management is of the view that such provision is more conservative and considering the concept of prudence and conservatism, provision has been made in the accounts accordingly. The Company had followed norms for classifying debts and provision for doubtful debts based on the internal parameters as set by the Company up to the FY 2017-18. Since FY 2018-19, Company had switched to 90 days NPA norms & creation of provision for doubtful debts & standard assets as per age-wise analysis from FY 2018-19. Company has also adopted classification of debts on borrower wise categorization as per prudential norms prescribed by RBI as against facility wise categorization being followed till FY 2017-18. Prudential norms of RBI with

Point No.	Statutory Auditor's Observations	Company's Remarks
	ECL' and 'life-time ECL', as required to be applied for determination of the impairment loss allowance. iii) The ECL determined by the company in respect of various categories of the loans are higher than the amount of provision for impairment loss allowance determined and provided by the company by ₹ 53,322.09 lakhs, thereby understating the gross carrying amount of 'impairment loss allowance' and overstatement of 'financial assets' to such extent. iv) The impairment loss allowance determined in respect of 'Revenue Recovery Debtors' under 'loans' as per the IRAC norms are higher than that computed as per the ECL policy of the company by ₹ 64,437.02 lakhs. As per the guidelines issued by the RBI, whenever the impairment loss allowance as per ECL is lower than the provision for NPA computed as per IRAC norms, the difference shall be recognised as 'Impairment Reserve' and shall be classified as 'equity'. However, the company has recognised the above difference as 'impairment loss allowance' provision and has reduced from the gross carrying amount of the financial asset. This non-compliance has resulted in the understatement of the financial asset and equity, to such extent. Further, the company has identified and transferred a sum of ₹ 101,401.64 lakhs as 'revenue recovery debtors' under 'loans', for which the 'impairment loss allowance' has been determined in the same manner as 'other financial assets overdue for more than 90 days'. The company has not formulated any separate policy for determining the 'impairment loss allowance' in respect of such loans. As these accounts have been identified and reported by the company and the respective branches as 'credit impaired', in our opinion, such assets should have been subject to 'lifetime expected credit loss' in accordance with the provisions of Ind AS 109. Such a separate impairment policy for 'credit impaired assets' would have resulted in higher provision for 'impairment loss allowance' in respect of such assets. The cumulative impact of the above cannot be ascertained as the company, in the absence of necessary information.	regard to provisioning requirement is not being adopted for chitty & prized default in chitties owing to the peculiar nature of the scheme. **Impairment of financial assets** The Company was following 180 days NPA norms for classifying debts and provision for doubtful debts till FY 2017-18 as per the set internal parameters. Effective FY 2018-19, the Company switched to 90 days NPA norms & creation of provision for doubtful debts and standard assets as per age-wise analysis as stipulated by RBI in its master Circular on prudential norms on income recognition, asset classification and provisioning pertaining to advances, bearing number DBODNo.BP.BC.9/ 21.04.048/2014-15 dated 01.07.2014. Even though the prudential norms of RBI with regard to provisioning requirements are not applicable to the Company, however as a matter of prudence, 90days NPA norms is being followed for classifying debts and providing for doubtful debts. A comparitive assessment of impairment allowance calculated for expected credit loss on loans and the provisions calculated on NPA as per 90 days NPA norms was made on collective basis. Since the provision as per RBI norms is higher, provision has been made in the accounts accordingly by taking into account the concept of prudence & conservatism, as recommended by the Audit Committee and approved by the Board. **Measurement of Expected Credit Loss** Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. At the end of each reporting period the Company assess whether a financial asset credit risk has increased significantly since initial recognition. The ECL calculation was done by our tax consultants M/s Varma&Varma, Chartered Accountants and the modalities of the ECL calculations are as given below:- Probable Default (PD): Segragate each financial asset into different portfolios and PD % for current year is calculated on the basis of average PD% of past three years. Loss Given Default (LGD): LGD% is the actual loss incurred by the Company for NPA account and it is calculated on the basis of average revenue recovery losses incurred by the Company for past three years. Hence, the LGD % is same for all loans.

Point No.	Statutory Auditor's Observations	Company's Remarks
	v) The IRAC norms currently followed by the company has considered only those financial assets overdue for more than 90 days for determining the impairment loss allowance. However, as per the provisions of Ind AS 109, there is a rebuttable presumption that the credit risk in respect of financial assets which are more than 30 days past due has increased significantly and hence the company shall recognise 'life time expected credit loss'. However, the company has neither considered those financial assets which are more than 30 days past due but less than 90 days past due for the computation of the impairment loss allowance, nor justified with supporting evidences why the above provision of the standard is not applicable in case of the company. This has, in our opinion, resulted in the overstatement of the carrying amount of the financial assets and the understatement of the impairment loss allowance.	For FY 2020-21, the total provisions calculated as per ECL model is Rs 127955 lakhs whereas the same as per RBI norms is Rs 140762. Since the provision as per RBI norms is more than the ECL calculation, the Management is of the view that the provision as per RBI norms is higher conservative and as a measure of prudence and such provisions made in accounts accordingly as per the practice being consistently followed since migration to IndAS. For FY 2020-21, the total provisions calculated as per ECL model is Rs 127955 lakhs whereas the same as per RBI norms is Rs 140762. Since the provision as per RBI norms is more than the ECL calculation, the Management is of the view that the provision as per RBI norms is higher conservative and as a measure of prudence and such provisions made in accounts accordingly as per the practice being consistently followed since migration to IndAS.
	vi) As per the provisions of Ind AS 109, impairment loss allowance is mandatory for all the financial assets. However, the company has not computed any impairment loss allowance as per IRAC norms with respect to financial assets amounting to ₹ 28,93,544.67 lakhs which includes 'Amount Recoverable from Prized Subscribers' amounting to ₹ 23,15,819 lakhs, 'loan to government companies' amounting to ₹ 272,069 lakhs, 'gold loans' amounting to ₹ 266,185.17 lakhs, 'investments' amounting to ₹ 36,031.80 lakhs and 'other financial assets' amounting to ₹ 3,439.70 lakhs, which aggregates to 67.50 % of the total financial assets carried at amortised cost, for which the provisions of 'impairment loss allowance' is applicable. As per the provisions of Ind AS 109, the revenue from all the financial assets, except in case of 'credit impaired' financial assets shall be recognised on 'gross basis'. However, the company has recognised the revenue on 'net basis' in respect of all financial assets where the 'impairment credit loss' has been computed, thereby understating the interest income recognised by the company.	The Company segregated loans into standard loans, Overdue 1-3 months, Overdue above 3 months and overdue above 15 months and calculated PD% based on current year NPA loans overdue above 3 months. As our most of the loans are EMI based loans, EMI due after 30 days upto 3 months are considered as standard assets. As per the guidelines issued by the RBI, whenever the impairment loss allowance as per ECL is lower than the provision for NPA computation as per RBI norms, the difference shall be recognised as "impairment reserve". It may be noted that these guidelines are not applicable to the Company and the RBI Prudential norms for NPA monitoring is being followed by the company voluntarily. The Company has not calculated ECL for amount recoverable from prized subscribers owing to the peculiar nature of chit business. Loan to Government companies and investments are also excluded from the provisions of ECL caluculation as they are fully secured. We have already submitted the detailed classification of financial assets ie, CVL, NCL, NHFS, GL, VLDS, RCL into overdue below 3 months, overdue 3 months above, overdue 15 months above etc and all calculations used in computing ECL, as worked out by our Tax Consultants M/s Varma and Varma Chartered Accountants. We have followed life time expected credit losses for standard assets and 12 months expected credit losses for all other financial assets.

Point No.	Statutory Auditor's Observations	Company's Remarks
		Other Financial Assets: The Security deposits as per the financials consist of mainly utility deposits like electricity deposit, telephone deposits etc and other statutory deposits with authorities which are outside the purview of this standard. "Other financial Assets' consist of salary advance, festival advance to employees etc which are for a period of less than 1 year and does not attract discounting. Also it includes some other advances where the life time of asset is not ascertainable in advance and hence cannot be discounted using EIR.
3	**With respect to –** a) the 'Current tax assets (net)' the company has not recognised income tax refundable from the government amounting to ₹ 1485.02 lakhs, thereby understating the carrying amount of the current tax assets (net) under non-financial assets and the profit for the year to such extent. b) The deferred tax assets (net), the company has recognised a deferred tax asset (net) of ₹ 22,681.03 lakhs at the year end, which in our opinion, is overstated by ₹ 10,685.58 lakhs, which is in violation to the measurement principles as per Ind AS 12 – Income Taxes, resulting in the overstatement of deferred tax assets (net) and profit for the year to such extent.	The same will be accounted during FY 2021-22
4	With respect to Property, Plant & Equipment (Note No. 11A) amounting to ₹ 6,232.32 lakhs and Intangible assets (Note No. 11C) amounting to ₹ 176.36 lakhs, the company has not evaluated for the existence of any internal or external indicators for the determination of impairment loss, if any, on the property, plant and equipment of the company. Accordingly, the company has not complied with the provisions of Ind AS 36 'Impairment of Assets' and has not computed any impairment loss, if any, at the end of the year.	The same will be accounted during FY 2021-22
5	Un-reconciled balances / suspense accounts a) Other non-financial assets include a sum of ₹ 14,811.35 lakhs being the net balance of all unreconciled inter-branch/ region / head office accounts, which consists of gross debit balances amounting to ₹ 116,115.39 lakhs and gross credit balances amounting to ₹ 101,304.04 lakhs, which is pending under reconciliation. We are informed that these balances are the net balances of various 'inter-branch accounts' carried over from all the branches of the company and of which most	a) The net difference in inter branch/region/head office accounts involves long pending cases, especially pertaining to manual accounting era, the records and details of which are not traceable. The reconciliation of long pending accounts has become a laborious task as it is too difficult to identify the details. However, still we are taking arduous efforts for getting them reconciled. It may also be noted that reconciliation of HOC (WUMT) etc are being done on current basis. Also we have taken effective

Point No.	Statutory Auditor's Observations	Company's Remarks
	of the balances are outstanding for very long, of which no reliable information is made available to us. On a prima facie verification, the above balances includes very long outstanding balances and the lack of proper and prompt reconciliation of these balances poses serious challenges in terms of both financial and operational risks including the risk of delay in detection of potential frauds, misappropriation and errors in financial reporting, if any. b) With respect to 'Other non-financial liabilities' the carrying amount includes a sum of ₹ 515.02 lakhs being the un-reconciled balances in terminated chits and ₹ 17.17 lakhs being other un-reconciled balances, the impact of which on the financial statements are not ascertainable. c) The carrying amount of 'other financial liabilities', 'other non-financial liabilities', and 'provisions' include ₹ 29,372.30 lakhs, ₹ 497.85 lakhs and ₹ 8.09 lakhs respectively, being the net balances of un-reconciled suspense accounts, the nature of which is not ascertainable. The impact of such balances on gross or net basis on the financial statements are not ascertainable.	steps to reconcile other inter branch/region/HO accounts on current year basis. b) The unadjusted amount in terminated chitties, balances existing in appropriate ledgers in terminated and closed chitties & terminated but not closed chitties, are included under other non-financial liabilities. Steps have been already been initiated for closing all terminated chitties at Head office level with the help of IT team and substantial progress could be achieved during FY 2020-21We are targeting completing adjustment/reconciliation of terminated chities pending closure next financial year. c) The net difference in inter branch/region/head office accounts involves long pending cases, especially pertaining to manual accounting era, the records and details of which are not traceable. The reconciliation of long pending accounts has become a laborious task as it is too difficult to identify the details. However, still we are taking arduous efforts for getting them reconciled. It may also be noted that reconciliation of HOC (WUMT) etc are being done on current basis. Also we have taken effective steps to reconcile other inter branch/region/HO accounts on current year basis.
6	Reference is drawn to Note No. 29.17 and 29.27 in respect of the role of the company as an agent of Government of Kerala in respect of Revised Bhadratha Social Security Scheme (RBD) on commission basis. The scheme has been discontinued; however the Social Security Scheme (Revised Bhadratha) account shows a net balance of ₹ .221.97 Lakh due to pending reconciliation. In the absence of confirmation and reconciliation, the impact thereof, if any on the financial statements are not ascertainable at this stage.	The Company was acting as an agent of Government of Kerala for its Old Bhadratha & Revised Bhadratha scheme (both of which had been since discontinued). Funds mobilized 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 ₹.2,04,18,998/- & ₹ 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. Hence, no accounting entry has been passed in this regard.
7	The company follows the practice of recognising the income by way of forfeited veethapalisha only after the respective chit is terminated and all the arrears are settled. Accordingly, a sum of ₹ 137,563.73 lakhs has been accumulated as 'unpaid veethapalisha' and classified under Finance Payable- Chitty/ Kuri under 'other financial liabilities'. In our opinion, the above balances include forfeited veethapalisha relating to the forfeited chit tickets, which in any way, does not relate to the	The calculation of profit on chitty substituted tickets and forfeited veethapalisa income includes the determination of auction discount on all chitty instalments. Hence, the profit on chitty substituted tickets and forfeited veethapalisa income can be recognized as income only on the termination of the chitties. As per Ind AS 115 "Revenue from contracts with customers", "An entity shall recognise revenue for a performance obligation satisfied over time

Point No.	Statutory Auditor's Observations	Company's Remarks
	arrears outstanding under such chits. Hence, in our opinion, the company ought to have applied the principles of Ind AS 115 for recognition of the revenue from the chits and accordingly, the above balances in its entirety or in part, should have recognised as income as soon as the stage wise performance obligations have been satisfied by the customer. This violation of the principles of Ind AS 115 has resulted in overstatement of the 'other financial liabilities' and understatement of the 'Other Revenue from Chit Fund Operations' under 'Revenue from Operations'.	only if the entity can reasonably measure its progress towards complete satisfaction of the performance obligation. An entity would not be able to reasonably measure its progress towards complete satisfaction of a performance obligation f it lacks reliable information that would be required to apply an appropriate method of measuring progress. Accordingly, the Company followed the recognition of the income on termination of chitties as reasonable measurement of the income is possible only at that point of time, as per the existing accounting policy being consistently followed. Government while resuming funds from TPA accounts, vide Circular No.33/2021/Fin dated 03/04/2021 had stated that "Administrative Department shall examine proposal and forward the same to Finance Department with proper recommendation at appropriate level for fund release from the 2021-22 budget provision under the relevant head of account. On approval/ concurrence by Finance Department, Administrative Department have to issue necessary orders, quoting the Finance Department's reference, permitting such refunds." From this it can be seen that the amount will be refunded in the near future and hence the same was not shown in the books of accounts and alternatively shown in the reconciliation statements.We had already taken up the matter for refund with the Government. The matter is pending with Government and without proper direction/instruction we are unable to account this resumption amount.
8	The prize money paid in advance by the company to some of the subscribers have been set off against the prize money payable to other subscribers in the chits and the resulting net amount has been classified under 'Finance Payable- Chitti/Kuri' under 'Other Financial Liabilities', which in our opinion, does not comply with the principles of Ind AS 32 for offsetting the financial asset with financial liability. This accounting treatment has resulted in the understatement of the carrying amount of 'other financial liabilities' and 'other non-financial assets'. In the absence of sufficient information, we are unable to comment on the impact of the same on the financial statements of the company.	Will be accounted properly in FY 2021-22
9	In respect of some branches, the company has not correctly accounted for the impact of the unidentified credits and debits in the bank accounts and time – barred and dishonoured cheques, which are long outstanding and kept pending in the bank reconciliation. In our opinion, the	Certain customers transfer their chit/loan instalments directly to branch bank account without adequate details and hence the branch cannot identify the concerned account and transfer the amounts. When the branches prepare bank reconciliation statements these amounts are

Point No.	Statutory Auditor's Observations	Company's Remarks
	company ought to have reversed such balances to the respective personal / party accounts, thereby reversing the transactions from the bank accounts. This could have resulted in the understatement or overstatement of the balances accounted under 'Balance with banks/ Treasury' and the corresponding personal account.	kept in credit as unidentified credit and reconciliation is carried out. Some unidentified debits are also seen noted in the accounts due to some charges which would be reversed subsequently or due to some errors in the pass book. Later they collect details from banks/customers and transfer the amount to chitty/loans. It is a short parking adjustment and gets cleared as and when sufficient details are received from bank/treasury. Unpresented cheques beyond 3 months are reversed from bank account by debiting bank account and crediting the liability head Unpresented cheques account. The unpresented cheques account is grouped under liability head and the reversing cheques amount increases the bank balance. As a result, the Assets and liabilites get increased on both sides. We have taken steps to identify the parties involved in it and release the amount from unpresented cheques account. We have issued necessary directions to account it to appropriate heads.
10	With respect to the premises taken on lease by the company, the company has not followed the provisions of Ind AS 116 "Leases", which requires the company to recognise the 'right of use asset' and the 'lease liability'. This has resulted in the understatement of assets and liabilities of the company to such extent. In the absence of adequate information, we are unable to comment on the impact of the same on the financial statements of the company.	Will be complied with in FY 2021-22
11	The company has recognized a provision for losses on fraud / mis-appropriation amounting to ₹ 2,772.88 lakhs, which has been determined at 50% of the aggregate amount involved in the fraud / mis-appropriation instances generated during the year. However, the company has neither re-assessed the adequacy of such provision created in the current year as well as the previous years, nor has considered the impact of any future recoveries, if any, which could materially affect the carrying amount of the provision and could result in understatement or overstatements of assets and liabilities. Further, the above balances are currently classified under 'provisions', which in our opinion, ought to have classified under the respective assets which has been subject to loss due to the said fraud / misappropriation. This has resulted in an overstatement of the concerned assets and the liabilities of the company.	As per the policy consistently followed by the Company, any fraud or misappropriation committed by the employees, the loss would be recovered from the concerned employee either from salary or from terminal benefit after completing enquiry and disciplinary actions. Initially Company used to provide 20% against the above, which was subsequently revised to 50%. As such, the Company recognize provision at 50% of the amount involved during FY 2020-21. The Company is making 100% write-off on all crystallized and irrecoverable losses, if any, ascertained by the Management and approved by the Audit Committee and Board. As per the policy consistently followed by the Company, any deliberate fraud/misappropriation committed by the employees, the loss would be recovered from the employees concerned either from the salary or from terminal benefit after completing suitable enquiry and disciplinary proceedings. Hence, generally 100%

Point No.	Statutory Auditor's Observations	Company's Remarks
		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 ascertain 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. Reversal of the provision created would be got carried out from FY2021-22. From FY 2021-22, policy in this regard has since been changed with provision being created @100% of the fraud/misappropriation amount which are remaining unsettled for more than 6 months from the date of fraud identification.
12	The company has not determined the expected amount of costs, damages and losses that the company would incur in respect of litigations and claims filed against the company. The company has informed that they does not have sufficient information for the determining the reliable estimate of the obligation arising out of such litigations and claims. Also, the company has not determined the estimated amounts of claims against the company, which has not been acknowledged as debt, on account of various litigations and accordingly, the amounts of contingent liabilities disclosed in the financial statements are underestimated to such extent. In the absence of sufficient information, we are unable to estimate the impact of such non-disclosure and non-provision on the financial statements of the company. The above has resulted in the violation of the principles of Ind AS 37. In the absence of sufficient information, we are unable to estimate the impact of such non-disclosure and non-provision on the financial statements of the company.	Noted for future guidance. Necessary steps have already been initiated for complying with the suggestions.
13	The company has not transferred the entire amount of the contribution received from removed subscribers amounting to ₹ 17379.59 lakhs to a separate bank account, which is in violation of Sec 30(1) of the Chit Funds Act, 1982. This has resulted in non-compliance with the provisions of Chit Funds Act, 1982.	We had already instructed branches through circulars and closing instructions to open separate bank accounts for depositing Removed Subscribers Contribution.
14	The company has not obtained any confirmation of balances with respect to the interest accrued and outstanding on the various deposits made by the company amounting to ₹17,448.62 lakhs, which may include long outstanding balances. In the absence of sufficient information, we are	Deposits made by the Company includesFlexy Deposits with Banks and Fixed Deposits with Treasuries and SB Accounts with Treasuries. As far as Flexy FD with Banks are concerned, Units have been obtaining balance

Point No.	Statutory Auditor's Observations	Company's Remarks
	unable to comment on the impact of the same on the carrying amount of such deposits.	confirmation certificate from Banks and being produced before auditors. In the case of FD with Treasuries, deposits bear simple interest and we calculate interest accrued based on the interest actually received and balance number of days and the same is being verified with actual payments subsequently. In the case of SB with Treasuries, accounting entries are passed after verifying Treasury Pass Books with regard to actual interest received.
15	The Balance sheet, Statement of Profit and Loss and the Notes forming part thereof reflects few rounding off errors.	Error occurred while converting absolute figures to lakhs. Due caution will be taken in future to avoid such errors.
16	Effect of the matters described above – a) In the absence of adequate information, the impact of the above qualifications on the tax expense and liability for income tax for the company is not ascertainable. b) In the absence of sufficient information, we are unable to quantify the impact of the matters described in paras 2(a), 2 (b)(i), 2(b)(ii), 2(b)(iv), 2(b)(v), 2(b)(vi), 2(c), 4, 5 (a) to (c), 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 and hence the individual and cumulative impact of the same on the 'Profit for the year', 'Total Comprehensive Income for the year', 'Basic and Diluted Earnings per equity share' and the related assets, liabilities and equities cannot be ascertained and quantified. c) The cumulative impact of the matters described in Paras 2(b)(iii), 3(a) and 3(b) without considering the impact of the paras as specified in Para (b) above, will result in – i. 'Profit / (loss) for the year' to be a loss of ₹ 55,377.01 lakhs as against the current amount of profit of ₹7,145.63 lakhs, resulting in an additional loss of ₹62,522.64 lakhs. ii. 'Total Comprehensive Income for the year' to be a loss of ₹ 61,763.78 lakhs as against the current amount of profit of ₹ 758.86 lakhs, resulting in an additional loss of ₹ 62,522.64 lakhs. iii. The 'Basic and Diluted Earnings per equity share' to be a loss of ₹ 617.64 per share, as against the current profit of ₹ 7.59 per share, resulting in an additional loss of ₹625.23 per share.	All efforts are being taken to minimise qualifications and for adoption of Ind AS norms.

REPLY TO OBSERVATIONS OF SECRETARIAL AUDITOR

<table>
<tr><th>Point No.</th><th>Statutory Auditor's Observations</th><th>Company's Remarks</th></tr>
<tr><td>7</td><td>I further report that the company has not transferred the entire amount of the contribution received from removed subscribers amounting to ₹ 17379.59 lakhs to a separate bank account, which is in violation of section 30(1) of the Chit Funds Act, 1982. This has resulted in non-compliance with the provisions of Chit Funds Act, 1982.</td><td>Since the auditors have commented on the same, it was discussed in the Audit Committee meeting held on June 10, 2022, and has been decided to maintain a separate bank account for the purpose. However, as a last resort, we have also taken up the matter with the Government seeking an exemption from the relevant provisions under Chit Fund Act considering that

a) KSFE is a Government Company and is running the business in a transparent manner, the details of the RSC amount is anytime readily available in the company.

b) KSFE to date has ensured that the request of RSC customers is disposed of in a timely manner and there is no history complaint to date.

c) Maintaining a separate account would lead to the idling of funds amounting to INR 175 crores which otherwise the company could plow back into the market.

The reply for the same is still awaited and based on the same an action would be taken by the company.</td></tr>
<tr><td>8</td><td>I further report that the Company does not transfer unclaimed matured deposits to Investor Education and Protection Fund as stipulated by section 125 of Companies Act, 2013.</td><td>With respect to various statutory dues pending to be deposited as on March 31, 2021. We would like to point out that since the appeal is pending before appropriate authorities, the disputed amount has been shown under the contingent liability head of the financial statement as per the existing AS and norms in force.</td></tr>
<tr><td>9</td><td>Based on the Reports of the Auditors as on 31st March 2021, the particulars of various statutory dues which have not been deposited on account of dispute, are as follows;

<table>
<tr><th>Name of the statute</th><th>Nature of dues</th><th>Amount (in lakhs)</th><th>Period to which the amount relates</th></tr>
<tr><td>Interest Tax Act, 1974</td><td>Interest tax</td><td>1043.48</td><td>AY 2000-01</td></tr>
<tr><td rowspan="2">Finance Act, 1994</td><td rowspan="2">Service tax</td><td>0.66</td><td>July 2012-October 2012</td></tr>
<tr><td>3.64</td><td>2012-13 to 2014-15</td></tr>
<tr><td>Income Tax Act, 1961</td><td>Income Tax</td><td>7787.44</td><td>AY 2017-18</td></tr>
</table></td><td>With respect to various statutory dues pending to be deposited as on March 31, 2021. We would like to point out that since the appeal is pending before appropriate authorities, the disputed amount has been shown under the contingent liability head of the financial statement as per the existing AS and norms in force.</td></tr>
</table>

Point No.	Statutory Auditor's Observations	Company's Remarks
10	It has been observed from the Reports of the Auditors that the Company has not complied with the applicable Accounting Standards issued by the Institute of Chartered Accountants in India.	We have complied with relevant AS to the maximum extent possible in the Company. However, considering the peculiar nature of the business i.e. Chitty Business, few AS could not be applied as such in the company due to practical difficulties. Considering the statutory auditor observation and as per the recommendation of the audit committee, we have appointed M/s Varma & Varma, Chartered Accountants, Thrissur to look into the matter.
11	The auditor's report and financials for the financial year 2018-19 was adopted in the 50th Adjourned meeting of the company held on 19th April 2021, which was after the date of adoption of auditor's report and financials for the financial year 2019-20 ie., 23rd March 2021.	Auditors had admitted to inadvertently missing out on mentioning the fact of non-adoption of previous year accounts in the AGMs in their audit report. It may also be noted in their regard that there had been no violation of any of the applicable provisions of the Companies Act 2013.
12	It has been observed from the Reports of the Auditors and financials for the financial year 2020-21, the company has been generally regular in depositing undisputed statutory dues including Provident Fund and other material statutory dues with the appropriate authorities and there were no outstanding except the amount payable to provident fund amounting to ₹ 0.44 lakhs.	An amount of INR 0.44 lacs was payable to PF as on 31.03.2022 due for the following reasons: a) Employee code was wrongly allotted to an employee (Mr.Vignesh NM) as per PSC advice, however, he never joined the company. Considering the same amount stood payable in the books, The same has been rectified now.b) Another staff who retired from the Company, didn't have a UAN number as on 31.03.2022 and the same was outstanding.

Annexure – I

EXTRACT OF ANNUAL RETURN

FORM NO. MGT 9

As on financial year ended on 31.03.2021
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	**06/11/1969**
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: cs@ksfe.com**
6	Whether listed company	**NO**
7	Name, Address &Contact details of the Registrar & Transfer Agent, if any.	**- N I L -**

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 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**	**100.00**

* 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	ApplicableSection
1	-	**N I L** -			

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

(i) Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year [As on 1-April-2021]				No. of Shares held at the end of the year [As on 31-March-2020]				% Change duringthe 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 Shareholdingof 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[1] 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	100.00
	Increase due to allotment	-	-	-	-
	At the end of the year	-	-	9999998	100.00

(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. Go (Rt) No. 528/2020/Taxes dated 17.08.2020 - Transferred	-	-	0	-
	At the end of the year	0	-	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	-
3	**Geetha K - Director**				
	At the beginning of the year	0	0	0	0
	Date wise Increase/Decrease in Shareholding during the year: Go (Rt) No. 528/2020/Taxes dated 17.08.2020			1	0.00001
	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.)

(Amount in Lacs)

	Secured Loans excluding deposits	Unsecured Deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	₹2,46,343.59	₹1,503,597.23	-	1,749,940.82
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**₹2,46,343.59**	**₹1,503,597.23**	**-**	**1,749,940.82**
Change in Indebtedness during the financial year				
* Addition	₹397.86	₹382,513.50	-	382,911.36
* Reduction	(₹40000)	-	-	(₹40000)
Net Change	**(₹39,602.14)**	**₹382,513.50**	**-**	**₹342,911.36**
Indebtedness at the end of the financial year				
i) Principal Amount	₹2,06,741.44	₹1,886,110.76	-	₹2,092,852.20
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**₹2,06,741.44**	**₹1,886,110.76**	**-**	**₹2,092,852.20**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amount in INR)

Sl. No.	Particulars of Remuneration	Adv. Peelipose Thomas	VP Subramanian	Total
1	Gross Salary	₹240,000/-	₹32,31,148/-	₹34,71,148/-
	(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	₹133,575/-	-	₹133,575/-
	Mobile Allowance	-	-	-
	Other	₹30,699/-	₹309,750/-	₹340,449/-
	Total (A)	**₹404,274/-**	**₹3,540,898/-**	**₹3,945,172/-**
	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	₹ 57,500/-	₹ 86,140/-	₹ 143,640
2	Adv. Reji Zachariah	₹ 150,000/-	₹ 119,285/-	₹ 269,285/-
3	R Rajagopal	₹ 53,500/-	₹ 73,390/-	₹ 126,890/-
4	Mini V R	₹ 5000/-	₹ 4261/-	₹ 9,261/-
5	VijayanCherukara	₹ 28,500/-	₹ 37,880/-	₹ 66,380/-
6	R Mohammed Sha	₹ 45,000/-	₹ 55,335/-	₹ 100,335/-
7	D Narayana	₹ 54,000/-	₹ 39,105/-	₹ 93,105/-
8	K N Gangadharan	₹ 46,500/-	₹ 40,665/-	₹ 87,165/-
9	P V Unnikrishnan	₹ 33,000/-	₹ 39,270/-	₹ 72,270/-
10	P K Anandakuttan	₹ 45,000/-	₹ 62,706/-	₹ 107,706/-
11	P C Pillai	₹ 62,000/-	₹ 38,253	₹ 100,253/-
12	K Inbasekar, IAS	-	-	
13	GeethaKumari	-	-	
	Total (2)			₹ 1,176,290/-
	Total (B) = (1 + 2)			**₹ 1,176,290/-**
	Total Managerial Remuneration*			**₹ 5,121,462/-**
	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	₹ 1,261,141/-	₹ 1,261,141/-
	(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	₹ 151,337	₹ 151,337
	Total	**₹ 1,412,478/-**	**₹ 1,412,478/-**

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

There were no penalties/punishments/compounding of offences for the year ending 31st March 2021.

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,

Date: 09-05-2023
Place: Kanhangad, Kasargod

Sd/-
K Varadarajan
Chairman
DIN: 08157496

Sd/-
Dr Sanil SK
Managing Director i/c
DIN: 09811727

Annexure – II

Form No. MR-3
Secretarial Audit Report for the financial year ended 31st March 2022
[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,
M/sKerala State Financial Enterprises Limited
CIN: U65923KL1969SGC002249
P B NO 510, Bhadratha Museum Road,
Thrissur – 680 020, Kerala, India

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **Kerala State Financial Enterprises Limited** (hereinafter called as 'the Company'). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and orders and circulars issued by government and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, and subject to letter annexed herewith, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31 March 2021, complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place subject to the reporting made hereinafter.

Opinion

I have examined the books, registers, papers, minute books, forms and returns filed, and other records maintained by the Company for the financial year ended on 31 March 2021, according to the provisions of:

I. The Companies Act, 2013 (the Act) and the rules made thereunder;

II. The Chit Funds Act, 1982 and Kerala Chitties Act, 1975

III. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; **Not applicable to the Company for the year under review;**

IV. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; **Not applicable to the Company for the year under review;**

V. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable during the period under review of Overseas Direct Investment; External Commercial Borrowings - **These rules and not attracted to the Company for the year under review;**

VI. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

  a. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - **Not applicable to the Company for the year under review;**

  b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 -**Not applicable to the Company for the year under review;**

  c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - **Not applicable to the Company for the year under review;**

d. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not applicable to the Company for the year under review;**

e. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – **Not applicable to the Company for the year under review;**

f. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable to the Company for the year under review;**

g. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 – **Not applicable to the Company for the year under review;**

h. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client – **Not applicable to the Company for the year under review;**

i. The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014 – **Not applicable to the Company for the year under review;**

I have also examined compliance with the applicable clauses of the following:

a. Rules, Regulations and Guidelines issued by the Reserve Bank of India as are applicable to Miscellaneous Non-Banking Financial Company which are specifically applicable to the Company.

b. Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

1. The company is a Miscellaneous Non-Banking Financial Company conducting the business of chit and is regulated by the Ministry of Finance, Government of Kerala. Hence, the chit companies are exempt from the provisions of section 45-IA of the RBI Act, 1934.

2. I further report that:

   a. The Board of Directors of the Company is duly constituted and the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

   b. Adequate notice of at least seven days was given to all directors to schedule the Board Meetings and Meetings of Committees except in some cases where the meeting was held on a shorter notice. Agenda and detailed notes on agenda were sent in advance in adequate time before the meetings and a system exists for Directors for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

   c. On verification of minutes, we have not found any dissent/disagreement on any of the agenda items discussed in the Board and Committee meetings from any of the Directors and all the decisions are carried through.

3. I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations, and guidelines.

4. Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India is fully complied by the company during the year.

5. The company obtained extension of time for the purpose of holding Annual general meeting for the financial year 2020-21 up to 30/12/2021 vide order dated 16/09/2021. The company held the Annual general meeting on 23/12/2021 but the item of adoption of accounts was adjourned since the accounts of the company was not ready and the supplementary audit as envisaged under Section 143(6)(b) of Companies Act, 2013 was also pending as on date.

6. 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 for FY 2019-20 and paid on 19.03.2022.

7. **I further report that the company has not transferred the entire amount of the contribution received from removed subscribers amounting to Rs. 17379.59 lakhs to a separate bank account, which is in violation of section 30(1) of the Chit Funds Act, 1982. This has resulted in non-compliance with the provisions of Chit Funds Act, 1982.**

8. **I further report that the Company does not transfer unclaimed matured deposits to Investor Education and Protection Fund as stipulated by section 125 of Companies Act, 2013.**

9. **Based on the Reports of the Auditors as on 31st March 2021, the particulars of various statutory dues which have not been deposited on account of dispute, are as follows;**

Name of the statute	Nature of dues	Amount (in 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-October 2012	Commissioner of Central Excise & Customs (appeals)
		3.64	2012-13 to 2014-15	
Income Tax Act, 1961	Income Tax	7787.44	AY 2017-18	Commissioner of Income Tax (Appeals), Kochi
		5973.71	AY 2018-19	

10. **It has been observed from the Reports of the Auditors that the Company has not complied with the applicable Accounting Standards issued by the Institute of Chartered Accountants in India.**
11. **The auditor's report and financials for the financial year 2018-19 was adopted in the 50th Adjourned meeting of the company held on 19th April 2021, which was after the date of adoption of auditor's report and financials for the financial year 2019-20 ie., 23rd March 2021.**
12. **It has been observed from the Reports of the Auditors and financials for the financial year 2020-21, the company has been generally regular in depositing undisputed statutory dues including Provident Fund and other material statutory dues with the appropriate authorities and there were no outstanding except the amount payable to provident fund amounting to Rs. 0.44 lakhs.**

T.M Ramachandran BBS, LLB, MBA, FCS
COMPANY SECRETARY IN PRACTICE
Membership Number: 7997
Certificate of Practice: 8797
UDIN: F007997D000990572

Date: 17.09.2022
Place: Thrissur

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A

To,

The Members,
Kerala State Financial Enterprises Limited
CIN: U65923KL1969SGC002249
P B NO 510 Bhadratha Museum Road
Thrissur – 680 020, Kerala, India

My Secretarial Audit Report for Financial Year ended on 31 March 2021 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have relied on the audited financial furnished by the Management, for the purpose of verification of correctness and appropriateness of financial records and Books of Account by the Company. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards keeping of records is the responsibility of the management. My examination was limited to the verification of procedure on the test basis.
4. The Company did not produce the documents related any specific violations/cases against the company/fines, penalties etc. imposed by the any authority. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. I have not verified the correctness and appropriateness of financial records and Books of Account of the company
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

T.M Ramachandran BBS, LLB, MBA, FCS
COMPANY SECRETARY IN PRACTICE
Membership Number: 7997
Certificate of Practice: 8797
UDIN: F007997D000990572

Place: Thrissur
Date: 17.09.2022

Annexure – III

ANNUAL REPORT ON CSR ACTIVITIES FOR YEAR ENDED 31ST MARCH, 2021

1) Brief outline on CSR Policy of KSFE CSR Policy:

Corporate Social Responsibility (CSR) is the Company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent 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 society that can build a national enterprise. KSFE commits itself to contribute to the society in ways possible for the organization and has set up its core CSR team, as a means for fulfilling this commitment. The CSR Policy of the Company can be accessed in the Company's website "www.ksfe.com" under Media.

2) Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Sri. Peelipose Thomas	Chairman, Non-independent Non-Executive Director	02	02
2	Sri. VP Subramanian	Member, Non-Independent, Managing Director	02	02
3	Adv. Reji Zachariah	Member, Independent, Non-Executive Director	02	02
4	Adv. V K Prasad	Member, Independent, Non-Executive Director	02	02
5	Sri. Vijayan Cherukara	Member, Independent, Non-Executive Director	02	01
6	Sri. R Mohammad Sha	Member, Independent, Non-Executive Director	02	02
7	Sri. P K Anandakuttan	Member, Independent, Non-Executive Director	02	02

3) Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).

The average CSR obligation in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years is less than ' 10 Crores and hence impact assessment is not applicable.

4) Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

Composition of CSR Committee	https://ksfe.com/csr/
CSR Policy	https://ksfe.com/csr/
CSR projects	https://ksfe.com/csr/

5) **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any**

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in INR)	Amount required to be set-off for the financial year, if any (in INR)
1	2018-19	Nil	Nil
2	2019-20	Nil	Nil
3	2020-21	Nil	Nil
	Total		

6) **Average net profit of the company as per section 135(5)** : ₹ 161.23 crores

7) (a) Two percent of average net profit of the company as per section 135(5) : ₹ 3.23 crores
(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : Nil
(c) Amount required to be set off for the financial year, if any : Nil
(d) Total CSR obligation for the financial year (7a+7b-7c) : ₹ 3.23 crores

8) (a) CSR amount spent or unspent for the financial year :

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹ Lacs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
323.00	29.43	24.06.2021	-	-	-

(b) Details of CSR amount spent against ongoing projects for the financial year: **NIL**

(c) Details of CSR amount spent against on-going projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District					Name	CSR Registration number
1.	CRRT Machine for the use of Govt. Medical College, Kottayam	Promotion ofHealth Care [Schedule VII (i)]	No	Kerala	Kottayam	10,65,000/-	10,65,000/-	-	Yes	NA	NA
2.	Waste Management Equipment, for the use of Dist. Police Chief, Thrissur	Promoting Health care including preventive healthcare[Schedule VII (i)]	Yes	Kerala	Thrissur	4,15,800/-	4,15,800/-	-	Yes	NA	NA
3.	Tele Medicine Solution for the use of Angamaly Municipality	Promotion of Health Care [Schedule VII (i)]	No	Kerala	Ernakulam	7,14,000/-	7,14,000/-	-	Yes	NA	NA
4.	Ambulance for the use of AKG Pain and Paliative Society, Mallappaly, Pathanamthitta.	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta	10,00,000/-	10,00,000/-	-	Yes	NA	NA
5.	Computer/Projectors for the use of Mother Theresa Palliative Care Society, Adoor	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta	5,00,000/-	Nil	5,00,000/-	Yes	NA	NA

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District					Name	CSR Registration number
6.	Ventilator for the use of Govt. Medical College, Kottayam	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kottayam	13,88,800/-	13,88,800/-	-	Yes	NA	NA
7.	Ventilator for the use of District Hospital ,Kozhenchery	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta	13,88,800/-	13,88,800/-	-	Yes	NA	NA
8.	Construction of cupboards for the use of Govt. UP School, Lourdupuram,	Promoting education including special education [Schedule VII (ii)]	Yes	Kerala	Thrissur	2,00,000/-	2,00,000/-	-	Yes	NA	NA
9.	Covid apex centre – Ventillat or for the use of PVS Hospital Ernakulam,	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Ernakulam	15,19,840/-	15,19,840/-	-	Yes	NA	NA
10.	Additional Funds for the purpose of purchasing a Mini School Van for the use of Government LP School, Ottasekharamangalam	Promoting education including special education [Schedule VII (ii)]	No	Kerala	Thiruvanathapuram	22,758/-	22,758/-	-	Yes	NA	NA
11.	Additional Funds for the purpose of purchasing an ICU Ambulance for the use of EK NayanarSmaraka Samithi, Thiroor, Thrissur	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Thrissur	2,73,477/-	2,73,477/-	-	Yes	NA	NA
12.	Setting up clinical lab / medical stores etc for the use of EMS Co-operative Hospital , Pathanamthitta	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta	60,00,000/-	60,00,000/-	-	Yes	NA	NA
13.	For setting up OP Clinic and UV disinfection system for the use of Government of Kerala Department of Health Services, Punalur, Kollam	Promoting Health care including preventive health care[Schedule VII (i)]	No	Kerala	Kollam	10,00,000/-	10,00,000/-	-	Yes	NA	NA
14.	For construction of class rooms for the use of Kerala State JawaharBalabhavan, Thiruvanathapuram	Promoting education including special education [Schedule VII (ii)]	No	Kerala	Thiruvanathapuram	2,00,000/-	Nil	2,00,000/-	Yes	NA	NA
15.	Library books for the use of Self Improvement Hub , Wayanad	Promoting education including special education [Schedule VII (ii)]	No	Kerala	Wayanad	25,000/-	Nil	25,000/-	Yes	NA	NA
16.	Purchase of Ambulance for the use of Dharmagiri Agathimandiram,Kumbanadu, Pathanamthitta	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta	20,00,000/-	20,00,000/-	-	Yes	NA	NA
17.	Purchase of Ambulance for the use of Kollam Care Health & Palliative Federation Kollam	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kollam	17,13,700/-	17,13,770/-	-	Yes	NA	NA
18.	Purchase of Ambulance for the use of CaptianLekshmi Health & Paliative Care , Karunagappally, Kollam	[Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kollam	17,13,700/-	17,13,770/-	-	Yes	NA	NA

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District					Name	CSR Registration number
19.	Purchase of Ambulance for the use of EMS Co-Op. Hospital , Pathanapuram	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kollam	17,13,700/-	17,13,770/-	-	Yes	NA	NA
20.	Purchase of Ambulance for the use of Josekutty Foundation, Kundara,Kollam	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kollam	17,13,700/-	17,13,770/-	-	Yes	NA	NA
21.	For purchase of equipments for the use of various treatments including setting up womens clinic at Kozhikode Regional Co-Op. Ayurvedic Hospital, Kozhikode	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kozhikode	2,18,000/-	Nil	2,18,000/-	Yes	NA	NA
22.	For providing subsidy to aashraya category students for purchasing laptopn under KSFE Vidhyasree Scheme, KSFE LTD,TSR	Promoting education including special education [Schedule VII (ii)]	No	Kerala	Thrissur	1,00,00,000/-	Nil	1,00,00,000/-	Yes	NA	NA
23.	Additional Funds for building tribal hostel for the use of Pazhassi CharitableSociety, Kalpetta, Wayanad-Additional Funds	[Setting up facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups [Schedule VII (iii)]	No	Kerala	Wayanad	14,00,000/-	Nil	14,00,000/-	Yes	NA	NA
24.	ICU Ambulance for the use of Govt. Taluk Headquarters Hospital , Pambady,Kottayam	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kottayam	30,00,000/-	30,00,000/-	-	Yes	NA	NA
25.	A car for providing home care services to patients of Ernakulam District Kanivu Pain and Paliative Care Pambady	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Kottayam	5,00,000/-	5,00,000/-	-	Yes	NA	NA
26.	For purchasing a small Ambulance for the use of Naseeha Charitable Trust Pathanamthitta	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta.	13,20,000/-	13,20,000/-	-	Yes	NA	NA
27.	Tele-Medicine solution for the use of Nedumkandam TalukHospital, Nedunkandam	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Idukki	6,00,000/-	Nil	6,00,000/-	Yes	NA	NA
28.	For setting up new ICU enit at District Hospital , Kozhenchery	Promoting Health care including preventive healthcare[Schedule VII (i)]	No	Kerala	Pathanamthitta.	2,00,000/-	2,00,000/-	-	Yes	NA	NA
	Total					**4,03,06,645/-**	**29,43,000/-**				

(d) Amount spent in Administrative Overheads : NIL

(e) Amount spent on Impact Assessment, if applicable : NIL

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹ **4,03,06,645/-**

(g) Excess amount for set off, if any:

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	3,23,00,000/-
(ii)	Total amount spent for the Financial Year	4,03,06,645/-
(iii)	Excess amount spent for the financial year [(ii)-(i)]	57,98,486/-
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	57,98,486/-

9) (a) Details of Unspent CSR amount for the preceding three financial years: Nil

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

10) In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:

(a) Date of creation or acquisition of the capital asset(s): NA

(b) Amount of CSR spent for creation or acquisition of capital asset: NA

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. NA

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). NA

11) Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): NA

Company's CSR mission is to contribute to the social and economic welfare of the people of the State. The Company had spent a sum of ₹ 4,03,06,645/- (117%) this year towards CSR as per section 135 of the Companies Act, 2013 and has allocated an excess amount of ₹ **57,98,486/-**. Your Company is committed to increase its CSR impact by selecting projects that have long term sustainability and are socially relevant. Through these CSR spent, KSFE was able to touch the lives of many. An amount of ₹ **57,98,486/-** was spent in excess during this financial year and the same will be adjusted in the ensuing year FY 2021-22.

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

For and on behalf of the Board of Directors,

Date: 09-05-2023

Place: Kanhangad, Kasargod

Sd/-
K Varadarajan
Chairman
DIN: 08157496

Sd/-
Dr Sanil SK
Managing Director i/c
DIN: 09811727

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

KSFE LIMITED – AN OVERVIEW

Kerala State Financial Enterprises Limited (KSFE, the Company) is a leading Miscellaneous Non-Banking Company (MNBC) generally 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 concentrates 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 highest 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 country and the market leader in chitty business in Kerala. Company's basic attempt was to transform the economic life of the people who are otherwise sidelined and ensure inclusive growth. During the last 5 decades of operation the Company has 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 ability to scale up and to leverage on its well-established brand name.

ECONOMIC REVIEW

Labelled as a black swan event, outbreak of COVID -19 in an unprecedented manner and speed has had a detrimental effect on the global economy with a ripple effect on every known aspect of human life. Pandemic outbreak which reached alarming proportions was labeled as a global emergency by WHO on January 30, 2020. In an attempt to flatten the curve, Governments across the globe enforced border shutdowns, travel restrictions, quarantine & social distancing practices in their countries sparking fears of an impending economic crisis and recession. Needless to say the pandemic out break had its impact on industries not only in primary sector (comprising agriculture and industries involved in extraction of raw materials, minerals etc) or secondary sector comprising industries in manufacturing sector) but also on industries in tertiary sector including all service industries. In other words, there was not even a single sector of the economy which was untouched by the pandemic whether it be production, agriculture, tourism, education, infrastructure, housing, real estates, IT, sports etc. Covid -19 also changed the family dynamics in a significant manner. IMF has predicted a negative global growth rate which makes the present lockdown the worst recession since great depression and far worse crisis than the global financial crisis. Both IMF and ADB have projected negative growth of about 4% in the Indian GDP.

The socio-economic impact of corona Virus was significant in Indian economy too. Needless to say, it had affected Kerala's economy in multiple ways. From falling price of cash crops and other agricultural produce to lack of workers, especially migrant workers had severely affected the overall economy and created multiple challenges/crisis in almost all sector whether it being agriculture, horti-corp, manufacturing, animal husbandry, poultry, dairy, finance, tourism and so on.

On 21, Dec 2020 Indian Express reported that "by Contracting an unprecedented 23.9% to plunging into a technical recession, the trajectory of India's economy saw a steep decline in 2020."

In Kerala also, the situation was not very different. Kerala State Planning Board had prepared a report that assesses the fallout of Covid 19 and consequent lock down on State's economy. Kerala is arguably one of the first states to make such an assessment. The report estimates a loss of ₹ 80000 Cr. in Gross Value Addition to the Kerala Economy in Q1 of 2020. For March the shortfall in GVA could have been roughly ₹.29000 Cr. The direct and indirect losses in Gross State Value Addition based on input-output modes are estimated to be 20% in 2020-21.

In this bleak atmosphere KSFE took bold steps to stand with society to survive. Almost all financial Institutions including nationalised Banks offered moratorium for their Loanees, as per the guidelines of RBI. KSFE also introduced moratorium in KSFE Personal Loan, KSFE House Loan and KSFE Car Loan Schemes and apart from that interest concession for belated remittance of chit/loan installments also was announced.

Apart from this KSFE introduced a Covid Relief Package to establish its commitment towards the customers which was appreciated by many print and visual media and also by prominent personalities in the society. The Highlights of the package are as follows:

1. Chit auctions for April & May were cancelled so as to facilitate chit customers sail through the pandemic caused hardship
2. Chitty customers who failed to remit the monthly subscription during the Covid period were exempted from remittance of interest in chitties and penal interest on loan.
3. Auction dividend was allowed to defaulted prized chitties up to 20.01.2021.
4. Apart from the above prized chitty defaulters were granted dividend portion even if they defaulted in remittance of subscription amount.
5. Introduced new gold loan scheme viz Pravasi Mithram and Pravasi Sauhrudam Gold Loans, wherein NRKs and pravsi returning to the home land due to pandemic becomes eligible to avail Gold Loan of ₹.1 lakh and 1.5 lakhs respectively with an attractive concessional interest rate of 3%.
6. Interest rate of ordinary Gold Loan was reduced to 8.5% (subsequently reduced to 7.5%) up to ₹.10,000/. Similarly to provide more money Gold loan customers a top up loan facility was also introduced with the security of Gold Ornaments already pledged, in view of the record price hike in the Gold.
7. Introduced Janamithram Gold Loan @ 5.7% (Subsequently reduced to 5%) interest per annum, with EMI facility.
8. Introduced Sulabha Gold Loan Scheme from which customer could avail loan up to 90% of the Gold Price, for a period of 3 months, in line with RBI guidelines.
9. The deposit rate was enhanced so as to mobilize funds to meet the anticipated fund out flow during the covid period and also with a view to provide more income to those who depend on the interest on deposit as livelihood, especially senior citizen.
10. Introduced / strengthened the online payment system through banks so as to enable the chitty /loan customers to remit cash without coming to the branch office.
11. Introduced Online Vidya Sahayi Scheme which enabled to balance the digital divide in the society by providing TVs to neighborhood study centers, in co-operation with local bodies. TVs could be installed at more than 7000 centres as above.
12. Introduced KSFE Vidyasree loan scheme to provide Laptops to the wards of Kudumbasree members , with an easy repayment system of 30 to 36 months without interest and ₹1500/- subsidy to the prompt loanees (ie ₹1000/- in the Vidyasree Scheme and ₹500/- in the next, similar scheme) with the assistance of Government and Co-operation of Kudumbasree Mission.
13. Introduced sector wise Loan Schemes and the first and foremost sector selected is advocates of High Court and the Institution provided laptops for their profession at concessional rates adopting NACH facility.
14. Introduced Aswas 2020 for reducing NPA allowing interest concession up to 90% and in deserving cases where the loanee / chitty customers expires up to 100%.

Review Company's Financial Performance

The loss of working days due to lockdown and other various shades of new social taboos due to the Pandemic, affected the achievement of business figures allocated in Budget 2020-21. 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 timehigh 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 2020-21 the Company posted a profit after tax of ₹ 71.46 crores as against ₹ 72.79 crores during the previous year. The Gross income registered an increase of 11% at ₹ 3136 crores as against ₹ 2827 crores of previous years. The earnings per share stood at ₹ 7.59/-.

Opportunities and Threats

In the second year of the Covid pandemic, financial institutions have continued to see huge changes on all fronts -from stressed assets due to impacted businesses, to consumer behaviour and digitization of as many transactions as possible. The financial institutions fear that any restrictions placed locally or across the country may hamper the economic progress and lead to economic losses which may further increase the loan defaults. The RBI has brought on a slew of reforms, actions and initiatives to maintain liquidity in the economy, give relief to distressed segments, and aid the banks in helping businesses and individuals tide through the tough times.

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 contribute significantly. The threats to the segment are (1) outbreak of pandemic 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 digitising our business 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.

COVID -19 Concerns:

The outbreak of Covid-19 pandemic poses a serious threatto lives and livelihoods across the world and can severely impact the global economy, including India. The impact of the pandemic may pose challenges in the business continuity, asset quality and liquidity position of your Bank and adequate measures have been put in place to respond dynamically to these challenges and minimise impact. The RBI and Government of India have come out with various measures to manage the situation. Your Company is closely monitoring the situation and necessary steps are in place to ensure business continuity. The credit quality is being assessed under various stress scenarios at close intervals. The liquidity position is also being closely watched and contingent liquidity position and available sources of funds to meet contingent scenarios are being assessed periodically.

Review of KSFE's Overall Business:

The overall business achieved in the FY 2020-21 was ₹ **52762 crores** as against the business volume of FY 2019-20 amounting to ₹ **44,831 crores** representing growth of **17%.**

Chitty business achieved in FY 2020-21 was ₹ **26390 crores** (*including Pravasi Chitty*) as against ₹ 23420 **Crores** of FY 2019-20 signifying a growth of 13 %. Monthly chitty business rose to ₹ 2300 Crores as compared to ₹ 2084 crores of FY 2019-20 thereby registering a growth of 10%. For facilitating achievement of budgeted growth, appropriate provision was made in the budget for conduct of special campaigns during the year. During the course of the year, coinciding with the festival season of Onam, the Company launched its branded Chitties campaign "Golden Jubilee Chittikal 2020" from 17th Aug 2020 to 27th Feb 2021 with lot of value additions, with revised business budget for the year of ₹ 570 Crores. Considering the pandemic situation the Board decided to reduce the chitty target by 20% especially since no substantial chitty business could be done during first half of the financial year due to Pandemic situation and consequential lock down etc. No special campaign was conducted during Christmas/New year season this year as the Golden Jubilee campaign was extended up to 27.02.2021.

Advances amounting to ₹ **8112 Crores** and Deposit business to the tune of ₹ **18180 Crores were** achieved during the FY 2020-21 as against the advance and deposit business of ₹ **7187 Crores** and ₹ **14224 Crores** respectively for FY 2019-20.

During 2020-21 the Company intends to further strengthen the basic tenets of appropriate Asset Liability Management (ALM) policy, for managing its deposit & advances portfolio. The Company has already requested the Government for suitably increasing guarantee limit. Focus would be given to broaden the spectrum 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 market trends and preferences from time to time. Preference will be given on monthly chitties of subscription 1 lakh or below to control 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 introduce more attractive schemes which will support weaker sections and also cater to the loan requirement of affluent class.

Internal Control Systems and their adequacy

The Company's internal control systems are commensurate with the nature of its business, the size, and complexity of its operations. Internal control systems operate at different levels of effectiveness. These policies and procedures play a pivotal role in the deployment of the internal controls. They are regularly reviewed to ensure both relevance and comprehensiveness, and compliance is ingrained into the management review process. There are adequate internal control systems in vogue in all spheres of operations of the Company so as to ensure safety to its assets against loss. These internal controls are designed in such a way to ensure adequate accounting and financial controls. The internal control system is being continuously reviewed by the Management and adequate steps are taken for improvement, wherever felt.

Internal Audit Department of the company at Corporate office and Units, reviews compliance with the Company's procedures & policies. The department coordinates with the Unit/Divisions of the Company for ensuring coverage of all major areas of operations and such internal financial controls with reference to Financial Statements are adequate.

Human Resources and the infrastructure development

As on March 31, 2021, Company had 7515 personnel on its rolls compared to 6571 as at the end of previous year. The detailed information on material developments in Human Resources is given in Directors' Report.

Caution

Statements made in the Management Discussion and Analysis about your Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's performance include economic conditions affecting demand/supply and price conditions in the domestic market in which your Company operates, changes in Government regulations, tax laws, statutes and other incidental/ related matters.

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 equity, fairness, transparency, spirit of law and honest communication. Company believes that sound Corporate Governance is vital to retain public confidence, stakeholders' trust 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, society 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 31.03.2021 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 and transparent 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 introduced 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 2020-21 the Board met on 11 occasions. The dates of Board meetings were:- 30-04-2020, 27-05-2020, 29-06-2020, 28-07-2020, 21-08-2020, 30-09-2020, 06-11-2020, 30-12-2020, 20-01-2021, 06-02-2021 and 23-03-2021.

Details of attendance are given below;

Sl. No.	Name of Director	No. of meetings held 3 during the year (after initial appointment)	No. of meetings attended
1	Adv. Peelipose Thomas	11	11
2	Sri. VP Subramanian#	11	11
3	Sri. K Inbasekar, IAS	11	4
4	Smt. Mini VR	11	10
5	Smt. K Geetha##	11	9
6	Adv. Reji Zachariah	11	11
7	Adv. V K Prasad	11	11
8	Sri. P C Pillai	11	11
9	Sri. Muhammed Sha	11	11
10	Sri. P V Unnikrishnan	11	9
11	Sri. K N Gangadharan	11	11
12	Sri. D Narayana	11	11

13	Sri. P K Anandakuttan	11	11
14	Sri. Vijayan Cherukara	11	7
15	Sri. R Rajagopal*###	11	10

**Ceased to be a member w.e.f. 25.06.2020*

 # Sri VP Subramanian was appointed as MD of the Company w.e.f 29.05.2020 for a period of one year.

Smt K Geetha was appointed as Director of the Company w.e.f. 25.06.2020

###Sri. R Rajagopal R was re-appointed as Director of the Company w.e.f. 24.07.2020

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 quality 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 seniority 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 irregularity or a failure of internal control systems 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 control systems and recommending improvements to the management.
5. Discussing with external auditors before the audit commences the nature and scope of audit as well as conducts 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 entries 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 of four Directors; Sri. K Inbasekar, IAS, Smt. K. Geetha, Smt. Mini V R and Sri PC Pillai were the members of the Committee during the period. During the period under review Audit Committee met once. Details of attendance are given below;

Sl. No	Name of Member	No. of meetings held during the period and after appointment	No. of meetings attended
1	Sri. K Inbasekar	01	01
2	Smt. K Geetha#	01	01
3	Smt. Mini V R	01	01
4	Sri. PC Pillai	01	01

**Sri R Rajagopal ceased to be a member w.e.f. 25.06.2020*

Smt K Geetha was appointed as Director of the Company w.e.f. 30.09.2020

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

Corporate Social Responsibility (CSR) Committee

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

The members of the Committee as on 31.03.2021 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. VP Subramanian : 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 a transparent 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, 2021, the CSR Committee met three times on 18.09.2020, 13.01.2021 and 08-02-2021. Details of attendance are given below;

Sl. No	Name of Member	No. of meetings held during the period and after appointment	No. of meetings attended
1	Adv. Peelipose Thomas	03	03
2	Mr. VP Subramanian	03	03
3	Adv. VK Prasad	03	03
4	Adv. Reji Zachariah	03	03
5	Mr. Vijayan Cherukara	03	02
6	Mr. R Mohammmed Sha	03	03
7	Mr. PK Anandakuttan	03	03

Compliance with Secretarial Standards

Your Company is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 for FY 2020-21.

Disclosures

During the year, the Company did not enter into any material related party transactions 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 AUDITORS' REPORT

To the Members of The Kerala State Financial Enterprises Limited,
Thrissur

Report on the Audit of the Stand alone Financial Statements

Qualified Opinion

We have audited the accompanying Stand alone Financial Statements of The Kerala State Financial Enterprises Limited, ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the statement of Changes in Equity and the Cash Flow Statement for the year then ended, and notes to the stand alone financial statements, including a summary of significant accounting policies and other explanatory information, in which are included the financial accounts for the year ended on that date of:

(i) The head office of the company and the Revenue Recovery office associated with head office, regional office, Special Deputy Tahsildar (SDT) office and 51 branches in the Thrissur region audited by us;

(ii) 12 Regional offices, 9 SDT offices and 572 branches coming under these regional offices and 1 NRI Chitty Centre audited by the respective Statutory Branch / Regional Auditors.

The region and the branches audited by us and those audited by other auditors have been selected based on the appointment given by the Comptroller and Audit General of India.

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 stand alone financial statements give the information required by the Companies Act, 2013 ("the Act') in the manner so required and give a true and fair view in conformity 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, 2021 and its profits, total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

1) The regional offices and the branches under such regional offices are audited by various branch auditors. As only trial balance is prepared at the branch / region level, some of the audit report of the regional offices does not speak about true and fairness of the state of affairs and profit / (loss) at branch / region level. Also, the company has not structured the audit report of the branches / regional offices' and hence the report received from the auditors of different regions lacks consistency in its presentation and reporting. Thus, the accounts and audit reports of the branch / region used for preparation of the financial statements of this company suffers from this deficiency, if any, the impact of which on the financial statements of the company could not be ascertained by us.

2) With respect to loans, reported in Note No. 7–

   a) The company has classified the 'Amount Recoverable from Prized Subscribers' amounting to ₹ 23,15,818.99 lakhs as 'loans' under financial assets, measured at amortized cost.

      As per the provisions of Ind AS 109 'Financial Instruments' read with Ind AS 107 and 32, income from any financial asset measured at amortised cost shall be measured using the effective interest rate method, by applying the effective interest rate (EIR) to the gross carrying amount of the asset. This accounting treatment has not been followed by the company, which, in our opinion, has resulted in understatement / overstatement of the carrying amount of such account balances and the 'interest income' recognised for the year.

b) As per the provisions of the Ind AS 109 – Financial Instruments, the company is required to ascertain and provide for the 'impairment loss allowance' as per the 'Expected Credit Loss Model (ECL)' with respect to the financial assets held by it. The company has recognised a total Impairment Loss Allowance of ₹ 140,762 lakhs on the basis of prudential norms for Income Recognition and Asset Classification (IRAC norms) as applicable to Non-banking Financial Companies (NBFCs) as notified by Reserve Bank of India (RBI), which, in our opinion, does not satisfy the requirements of ECL as required by Ind AS 109, due to the following reasons -

(i) The company failed to consistently apply the above IRAC norms for determination of provision for impairment loss allowance to 'Amount recoverable from Prized Subscribers' amounting to ₹ 23,15,818.99 lakhs, which represents 68.46% of the total 'loans' as per Note No. 7.

As mentioned in Note No. 29.14(c) of the financial statements of the company, the provision for impairment loss allowance for the above asset has been determined based on the internal parameters fixed by the company, and not based on the IRAC norms consistently applied by the company for other financial assets. Accordingly, the company has determined an amount of ₹ 502 lakhs as provision for impairment loss allowance as against the total carrying value of the financial asset amounting to ₹ 23,15,818.99 lakhs, thereby resulting in an effective rate of only 0.022%.

The above effective rate of provision, in our opinion, is very low when compared with effective rate of provision of 22.19% applied on the remaining financial assets for which the IRAC norms had been applied. However, in the absence of necessary information, we are unable to comment on the accuracy and adequacy of the parameters used for estimation of the provision by the company in respect of the above.

(ii) The company has informed us that it has determined an amount of ₹ 127,955.07 lakhs as the 'impairment loss allowance' as per 'Expected Credit Loss Model (ECL)' adopted by the company. However, in the absence of sufficient information, we are unable to evaluate and comment on -

a) the accuracy and reasonableness of various parameters including the 'Probability of Default (%)', 'Loss Given Default (%)' which has been used for the determination of the impairment loss allowance.

b) the basis of classification of financial assets based on the 'significant increase in the credit risk' and the consequent determination of the '12 months ECL' and 'life-time ECL', as required to be applied for determination of the impairment loss allowance.

(iii) The ECL determined by the company in respect of various categories of the loans are higher than the amount of provision for impairment loss allowance determined and provided by the company by ₹ 53,322.09 lakhs, thereby understating the gross carrying amount of 'impairment loss allowance' and overstatement of 'financial assets' to such extent.

(iv) The impairment loss allowance determined in respect of 'Revenue Recovery Debtors' under 'loans' as per the IRAC norms are higher than that computed as per the ECL policy of the company by ₹ 64,437.02 lakhs. As per the guidelines issued by the RBI, whenever the impairment loss allowance as per ECL is lower than the provision for NPA computed as per IRAC norms, the difference shall be recognised as 'Impairment Reserve' and shall be classified as 'equity'. However, the company has recognised the above difference as 'impairment loss allowance' provision and has reduced from the gross carrying amount of the financial asset. This non-compliance has resulted in the understatement of the financial asset and equity, to such extent.

Further, the company has identified and transferred a sum of ₹ 101,401.64 lakhs as 'revenue recovery debtors' under 'loans', for which the 'impairment loss allowance' has been determined in the same manner as 'other financial assets overdue for more than 90 days'. The company has not formulated any separate policy for determining the 'impairment loss allowance' in respect of such loans. As these accounts have been identified and reported by the company and the respective branches as 'credit impaired', in our opinion, such assets should have been subject to 'lifetime expected credit loss' in accordance with the provisions of Ind AS 109. Such a separate impairment policy for 'credit impaired assets' would have resulted in higher provision for 'impairment loss allowance' in respect of such assets.

The cumulative impact of the above cannot be ascertained as the company, in the absence of necessary information.

(v) The IRAC norms currently followed by the company has considered only those financial assets overdue for more than 90 days for determining the impairment loss allowance. However, as per the provisions of Ind AS 109, there is a rebuttable presumption that the credit risk in respect of financial assets which are more than 30 days past due has increased significantly and hence the company shall recognise 'life time expected credit loss'. However, the company has neither considered those financial assets which are more than 30 days past due but less than 90 days past due for the computation of the impairment loss allowance, nor justified with supporting evidences why the above provision of the standard is not applicable in case of the company. This has, in our opinion, resulted in the overstatement of the carrying amount of the financial assets and the understatement of the impairment loss allowance.

(vi) As per the provisions of Ind AS 109, impairment loss allowance is mandatory for all the financial assets. However, the company has not computed any impairment loss allowance as per IRAC norms with respect to financial assets amounting to ₹ 28,93,544.67 lakhs which includes 'Amount Recoverable from Prized Subscribers' amounting to ₹ 23,15,819 lakhs, 'loan to government companies' amounting to ₹ 272,069 lakhs, 'gold loans' amounting to ₹ 266,185.17 lakhs, 'investments' amounting to ₹ 36,031.80 lakhs and 'other financial assets' amounting to ₹ 3,439.70 lakhs, which aggregates to 67.50 % of the total financial assets carried at amortised cost, for which the provisions of 'impairment loss allowance' is applicable.

c) As per the provisions of Ind AS 109, the revenue from all the financial assets, except in case of 'credit impaired' financial assets shall be recognised on 'gross basis'. However, the company has recognised the revenue on 'net basis' in respect of all financial assets where the 'impairment credit loss' has been computed, thereby understating the interest income recognised by the company.

3) With respect to –

a) the 'Current tax assets (net)' the company has not recognised income tax refundable from the government amounting to ₹ 1485.02 lakhs, thereby understating the carrying amount of the current tax assets (net) under non-financial assets and the profit for the year to such extent.

b) The deferred tax assets (net), the company has recognised a deferred tax asset (net) of ₹ 22,681.03 lakhs at the year end, which in our opinion, is overstated by ₹ 10,685.58 lakhs, which is in violation to the measurement principles as perInd AS 12 – Income Taxes, resulting in the overstatement of deferred tax assets (net) and profit for the year to such extent.

4) With respect to Property, Plant &Equipment (Note No. 11A) amounting to ₹ 6,232.32 lakhs and Intangible assets (Note No. 11C) amounting to ₹ 176.36 lakhs, the company has not evaluated for the existence of any internal or external indicators for the determination of impairment loss, if any, on the property, plant and equipment of the company. Accordingly, the company has not complied with the provisions of Ind AS 36 'Impairment of Assets' and has not computed any impairment loss, if any, at the end of the year.

5) Unreconciled balances / suspense accounts

a) Other non-financial assets include a sum of ₹ 14,811.35 lakhs being the net balance of all unreconciled inter-branch/ region / head office accounts, which consists of gross debit balances amounting to ₹ 116,115.39 lakhs and gross credit balances amounting to ₹ 101,304.04 lakhs, which is pending under reconciliation. We are informed that these balances are the net balances of various 'inter-branch accounts' carried over from all the branches of the company and of which most of the balances are outstanding for very long, of which no reliable information is made available to us. On a prima facie verification, the above balances includes very long outstanding balances and the lack of proper and prompt reconciliation of these balances poses serious challenges in terms of both financial and operational risks including the risk of delay in detection of potential frauds, misappropriation and errors in financial reporting, if any.

b) With respect to 'Other non-financial liabilities' the carrying amount includes a sum of ₹ 515.02 lakhs being the unreconciled balances in terminated chits and ₹ 17.17 lakhs being other unreconciled balances, the impact of which on the financial statements are not ascertainable.

c) The carrying amount of 'other financial liabilities', 'other non-financial liabilities', and 'provisions' include ₹ 29,372.30 lakhs, ₹ 497.85 lakhs and ₹ 8.09 lakhs respectively, being the net balances of unreconciled suspense accounts, the nature of which is not ascertainable. The impact of such balances on gross or net basis on the financial statements are not ascertainable.

6) Reference is drawn to Note No. 29.17 and 29.27 in respect of the role of the company as an agent of Government of Kerala in respect of Revised Bhadratha Social Security Scheme (RBD) on commission basis. The scheme has been discontinued; however the Social Security Scheme (Revised Bhadratha) account shows a net balance of Rs. 221.97 Lakh due to pending reconciliation. In the absence of confirmation and reconciliation, the impact thereof, if any on the financial statements is not ascertainable at this stage.

7) The company follows the practice of recognising the income by way of forfeited veethapalisha only after the respective chit is terminated and all the arrears are settled. Accordingly, a sum of ₹ 137,563.73 lakhs has been accumulated as 'unpaid veethapalisha' and classified under Finance Payable- Chitty/ Kuri under 'other financial liabilities'. In our opinion, the above balances include forfeited veethapalisha relating to the forfeited chit tickets, which in any way, does not relate to the arrears outstanding under such chits. Hence, in our opinion, the company ought to have applied the principles of Ind AS 115 for recognition of the revenue from the chits and accordingly, the above balances in its entirety or in part, should have recognised as income as soon as the stage wise performance obligations have been satisfied by the customer. This violation of the principles of Ind AS 115 has resulted in overstatement of the 'other financial liabilities' and understatement of the 'Other Revenue from Chit Fund Operations' under 'Revenue from Operations'.

8) The prize money paid in advance by the company to some of the subscribers have been set off against the prize money payable to other subscribers in the chits and the resulting net amount has been classified under 'Finance Payable- Chitti/Kuri' under 'Other Financial Liabilities', which in our opinion, does not comply with the principles of Ind AS 32 for offsetting the financial asset with financial liability. This accounting treatment has resulted in the understatement of the carrying amount of 'other financial liabilities' and 'other non-financial assets'. In the absence of sufficient information, we are unable to comment on the impact of the same on the financial statements of the company.

9) In respect of some branches, the company has not correctly accounted for the impact of the unidentified credits and debits in the bank accounts and time – barred and dishonoured cheques, which are long outstanding and kept pending in the bank reconciliation. In our opinion, the company ought to have reversed such balances to the respective personal / party accounts, thereby reversing the transactions from the bank accounts. This could have resulted in the understatement or overstatement of the balances accounted under 'Balance with banks/ Treasury' and the corresponding personal account.

10) With respect to the premises taken on lease by the company, the company has not followed the provisions of Ind AS 116 "Leases", which requires the company to recognise the 'right of use asset' and the 'lease liability'. This has resulted in the understatement of assets and liabilities of the company to such extent. In the absence of adequate information, we are unable to comment on the impact of the same on the financial statements of the company.

11) The company has recognized a provision for losses on fraud / mis-appropriation amounting to ₹ 2,772.88 lakhs, which has been determined at 50% of the aggregate amount involved in the fraud / mis-appropriation instances generated during the year. However, the company has neither re-assessed the adequacy of such provision created in the current year as well as the previous years, nor has considered the impact of any future recoveries, if any, which could materially affect the carrying amount of the provision and could result in understatement or overstatements of assets and liabilities. Further, the above balances are currently classified under 'provisions', which in our opinion, ought to have classified under the respective assets which has been subject to loss due to the said fraud / misappropriation. This has resulted in an overstatement of the concerned assets and the liabilities of the company.

12) The company has not determined the expected amount of costs, damages and losses that the company would incur in respect of litigations and claims filed against the company. The company has informed that they does not have sufficient information for the determining the reliable estimate of the obligation arising out of such litigations and claims.

Also, the company has not determined the estimated amounts of claims against the company, which has not been acknowledged as debt, on account of various litigations and accordingly, the amounts of contingent liabilities disclosed in the financial statements are underestimated to such extent. In the absence of sufficient information, we are unable to estimate the impact of such non-disclosure and non-provision on the financial statements of the company. The above has resulted in the violation of the principles of Ind AS 37. In the absence of sufficient information, we are unable to estimate the impact of such non-disclosure and non-provision on the financial statements of the company.

13) The company has not transferred the entire amount of the contribution received from removed subscribers amounting to ₹ 17379.59 lakhs to a separate bank account, which is in violation of Sec 30(1) of the Chit Funds Act, 1982. This has resulted in non-compliance with the provisions of Chit Funds Act, 1982.

14) The company has not obtained any confirmation of balances with respect to the interest accrued and outstanding on the various deposits made by the company amounting to ₹ 17,448.62 lakhs, which may include long outstanding balances. In the absence of sufficient information, we are unable to comment on the impact of the same on the carrying amount of such deposits.

15) The Balance sheet, Statement of Profit and Loss and the Notes forming part thereof reflects few rounding off errors.

16) Effect of the matters described above –

a) In the absence of adequate information, the impact of the above qualifications on the tax expense and liability for income tax for the company is not ascertainable.

b) In the absence of sufficient information, we are unable to quantify the impact of the matters described in paras 2(a), 2 (b)(i), 2(b)(ii), 2(b)(iv), 2(b)(v), 2(b)(vi), 2(c), 4, 5 (a) to (c), 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 and hence the individual and cumulative impact of the same on the 'Profit for the year', 'Total Comprehensive Income for the year', 'Basic and Diluted Earnings per equity share' and the related assets, liabilities and equities cannot be ascertained and quantified.

c) The cumulative impact of the matters described in Paras 2(b)(iii), 3(a) and 3(b) without considering the impact of the paras as specified in Para (b) above, will result in –

i. 'Profit / (loss) for the year' to be a loss of ₹ 55,377.01 lakhs as against the current amount of profit of ₹ 7,145.63 lakhs, resulting in an additional loss of ₹ 62,522.64 lakhs.

ii. 'Total Comprehensive Income for the year' to be a loss of ₹ 61,763.78 lakhs as against the current amount of profit of ₹ 758.86 lakhs, resulting in an additional loss of ₹ 62,522.64 lakhs.

iii. The 'Basic and Diluted Earnings per equity share' to be a loss of ₹ 617.64 per share, as against the current profit of ₹ 7.59 per share, resulting in an additional loss of ₹ 625.23 per share.

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 Stand alone 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 stand alone 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 qualified opinion on the standalone financial statements.

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

Attention is drawn to –

1) Note No. 29.18 of the Notes forming part of the financial statements regarding the non-transfer of the unclaimed matured deposits to Investors Education and Protection Fund (IEPF), pursuant to the section 125 of the Companies Act, 2015.

2) Note No. 29.22 of the Notes forming part of the financial statements regarding the non-availability of confirmation of outstanding balances in respect of the amounts due from and to the customers and chit subscribers.

Our opinion is not modified on account of the above 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 responsibility 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.

As the company has not provided the annual report and the other information as referred above, 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 a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity, 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 responsibility 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 controls, 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 a true 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 ability 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 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:

a) 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, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal financial controls 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 controls system in place and the operating effectiveness of such controls.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

d) 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 uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty 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.

e) Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions 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 control 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, 9 SDT offices and 572 branches coming under these regional offices of the Company, whose financial statements / financial information reflect total assets of Rs. 31,70,702.63 lakhs as at 31st March, 2021 and total revenues of Rs. 2,38,363.59 lakhs 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 as 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 (Audit or's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (1) of Section 143 of the Act, we give in the "Annexure A" 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 Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the accounts received from the Regional Offices/Branches which have been audited by other branch / 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 matters described in the Basis for Qualified Opinion section 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 5th June, 2015 issued by the Department of Company Affairs.

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

    g. Being a Government Company, the provisions of section 197 of the Act with respect to the matters lo 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 in Note No. 30 on Contingent Liabilities, Commitments and Contingent Assets. However, the company has not measured or recongised the impact of various other litigations against the company, which might have an impact on the financial position of the company. Refer to Note No. 18 in the 'Basis of Qualified Opinion' paragraph to this report.

(ii) We are informed that the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

(iii) We draw reference to point no. 1 of Emphasis of Matter section of this report, for non-transfer of unclaimed matured public deposits to the Investor Education and Protection Fund.

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

Kochi

15.06.2022 UDIN : 22020627AKYZTK8656

ANNEXURE 'A' 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 2021, we report that:

(i) (a) The Company has maintained the records showing the particulars of Property, Plant & Equipment (PPE), in the computer system. However, the said records do not specify the quantitative particulars and the details of situation of the assets are not properly updated.

(b) Based on the information and explanations given to us, PPE are physically verified by the management at reasonable intervals. However, we are not provided with the periodical physical verification reports for the year end. Also, we understand that the register of PPE does not contain the identification particulars of the individual assets. In the absence of such identification particulars and the quantitative particulars, we are unable to comment on the sufficiency and completeness of the physical verification of the PPE. As we are not provided with physical verification report of the PPE, we are unable to comment on the material discrepancies, if any, noticed in such verification and the accounting treatment of such discrepancies noticed.

(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, we are informed that title deeds are not available with the company.

Description of Property	Location	Area of Land	Remarks
Landin Sy. No:266/2	Thrissur	75 cents	Cost as per the accounting records is Rs.1.73 Lakhs
Land	Kollam	15 cents	We are informed that the cost of the landisnot paid/accounted in accounting records of the company, as the cost is not yet decided by the Govt. of Kerala.

(ii) The company does not have any inventory other than the stock of stationary. We are informed that the stock of stationery has been verified at reasonable intervals by the management and no material discrepancies were noticed during such verification.

(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 loans, secured or unsecured to companies, limited liability partnerships, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. However, the company has given loan amounting to ₹ 320,575 lakhs given to another Government Company, which is outside the scope of the provisions of Section 188, and hence the requirement of Section 189 is not applicable. As such, the requirements of clause (iii) of (3) of the said order is not applicable.

(iv) The company has granted loans or made investments or given guarantees or securities only with the approval of Ministry of Finance, Government of Kerala, and hence the provisions of Section 185 and 186 is not applicable to the company. Hence, the requirements of clause (iv) of (3) of the said order is not applicable to the company.

(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. We are informed that the company is a Miscellaneous Non-banking Financial Company conducting the business of chit and is regulated by the Ministry of Finance, Government of Kerala.

(vi) According to the explanations and information given by the management, maintenance of cost records has not been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 for any of the activities of the company. Hence, the provisions of clause (vi) of (3) of the said order is not applicable to 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, Kerala Flood 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, 2021 for a period of more than six months from the date they became payable except the amount payable to provident fund amounting to Rs. 0.44 Lakhs.

(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 duty, EPF, ESI, and Cess as at 31st March, 2021 which have not been deposited on account of dispute, are as follows:

Name of the statute	Nature of the dues	Amount (₹ in lakhs)	Period to which the dispute relates	Forum where the dispute is pending
Interest tax, 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).
		3.64	2012-13 to 2014-15	
Income Tax Act, 1961	Income tax	7787.44	AY 2017-18	Commissioner of Income Tax (Appeals), Kochi
		5,973.71	AY 2018-19	

(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 money raised by way of term loans were applied for the purposes for which those loans were raised. The company has not 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 the true 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 various instances of fraud on the company by employees where chitty related misappropriations/improper acceptance of security/document fabrication etc. have occurred and has been detected by the company. The company has estimated amount of Rs. 1833.05 Lakh as the amount involved in such frauds.

(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, 2020, is not applicable to the company.

(xiii) Being an unlisted Government company, the provisions of Section 188 relating to the related party transactions are not applicable to the company. According to the records of the Company examined by us and the information and explanations given to us, the company has complied with the provisions of Section 177 with respect to the transactions with the related parties. The details of such transactions have been disclosed in the financial statements etc., as required by relevant 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-cash transactions, as referred to in section 192 of the Companies Act, 2013, with the directors or persons connected with them.

(xvi) On verification of the financial statements of the company for the year ended 31-03-2021, we understand that the company carries out financial business along with chit business. The financial assets of the company as at 31-03-2021 exceeds 50% of the total assets of the company. Also, the income from such financial assets constitutes more than 50% of the gross income of the company. As such, the company falls within the criteria specified under Section 45-IA of the Reserve Bank of India (RBI) Act, 1934 for obtaining registration as Non-banking Financial Company (NBFC). According to the information and explanations given to us, the company being a Miscellaneous Non-banking Financial Company (MNBC) carrying on the business of chits, regulated by the State Government of Kerala, is not required to obtain registration with RBI as above.

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

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

We have audited the internal financial controls over financial reporting of KERALA STATE FINANCIAL ENTERPRISES LIMITED ("the Company") as of 31st March, 2021 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls 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 controls that were operating effectively for ensuring the orderly and efficient conduct of its business including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls 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 controls. 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 controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, 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 controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

2) provide reasonable assurance that transactions 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 authorisations of management and directors of the company; and

3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control 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 explanation given to us and based on our audit and basis of reports of other Regional/Branch auditors, the following material weaknesses have been identified as on 31st March, 2021;

1) The financial and operating controls established by the company for the identification and verification of the property, plant and equipment are not working properly, and the company has not provided the physical verification report of the property, plant and equipments. This could potentially result in the understatement / overstatement of the balances under the property, plant and equipment and the consequent depreciation for the year.
2) The financial and operating controls established by the company for the prompt and up-to-date reconciliation of inter-branch / region / head office balances are not working effectively, due to which there are huge unreconciled balances outstanding the in the books of accounts of each branch, regional office as well as the head office. As the volume of financial transactions contained in these accounts are very large and has not been reconciled up-to-date, we are unable to comment on the accuracy of the gross balances reported in such accounts. The cumulative impact of such unreconciled balances should be ascertained on gross basis, from the branch level onwards, without setting off the debit and credit transactions to understand the financial impact of such transactions. Being a financial company managed by numerous employees, such lack of up-to-date reconciliation poses serious challenges in terms of both financial and operational risks including the risk of delay in detection of frauds, misappropriation and errors in the financial reporting, if any.
3) The financial and operating controls established by the company for the prompt and up-to-date identification and accounting of receipts and payments reflected in the bank accounts are not working effectively, due to which there are many financial transactions recorded in suspense accounts under various account heads. As the volume of financial transactions contained in these accounts are very large and has not been reconciled up-to-date, we are unable to comment on the accuracy of the gross balances reported in such accounts. The cumulative impact of such unreconciled balances should be ascertained on gross basis, from the branch level onwards, without setting off the debit and credit transactions to understand the financial impact of such transactions.
4) The company has not established proper internal controls in respect of determination of the expected losses on account of the cases of frauds / misappropriation of funds against the company detected during the current year as well as in the previous year, due to which the company could not determine the accurate provision required on account of the loss due to frauds / misappropriation of funds.
5) The company has not established proper internal controls in respect of determination of the financial impact of the pending litigations against the company, due to which the company could not determine the accurate provision required on account of the loss on account of such pending litigations.
6) The company does not have a system for conducting Information System (IS) audit of the entire financial operations and the allied technology components due to which there has been inconsistencies with respect to the information and reports extracted from the ERP software. Also, the various ERP software used by the company in the course of financial reporting and operations are not properly integrated each other due to which there are instances of errors and delays in identification and rectification of such errors.
7) The internal control system established for reporting the statutory deductions, collections and payments made by the branches to the head office are not working effectively, due to which there has been delay in payment of part of such statutory deductions,

collections and payments to the appropriate governmental authorities. This could also result in incorrect reporting of statutory liabilities and underpayment of statutory payments leading to consequent penal actions against the company.

8) The company has not established a proper system for obtaining periodical confirmation of balances from the customers, depositors and such other parties, the absence of which may potentially result in the disputes in the outstanding balances, which could result in potential financial loss to the company.

9) The company has not established a system for obtaining periodical confirmation of balances with respect to the interest accrued and outstanding on the various deposits made by the company, which could potentially result in errors in the accounting of interest income and disputes in realisation of interest on the maturity date.

10) Various internal control systems established by the company with respect to the identification of non-performing assets at branch levels does not operate effectively, due to which the following irregularities have been found / reported by the branch auditors during the audit –

a) Some of the branches does not follow the 90 days norms adopted by the company for classification of loans and advances into non-performing assets, resulting in wrong classification of the loans and consequent impact on the income recognition and overstatement of loans.

b) Some of the branches does not follow the 'borrower wise' classification of assets as 'non-performing assets' instead follow the 'facility wise' classification, resulting in understatement of impairment loss allowance and the overstatement of the interest income.

c) Some branches does not reverse the unrealised interest on the loans and advances, which has been classified as non-performing assets, resulting in the overstatement of the interest income and the interest accrued.

11) The internal control systems established for settlement of liabilities on time does not operate properly in various branches, due to which many regional / branch auditors have reported that there are many old outstanding liabilities remaining unpaid for many years, for which no satisfactory explanation has been given for the undue delay in settlement.

12) Various internal control measures established at the branch levels for the operation and conduct of the chits and its accounting, due to which the various branch / regional auditors have reported that various instances of the following deficiencies have been noticed during the audit, which is in violation to the internal controls established by the management–

   a) Deficiencies in credit review, monitoring and supervision of loans and advances sanctioned by the branches;

   b) Release of loans and advances with incomplete documentations;

   c) Unreconciled bank transactions, which are kept in bank reconciliations, without incorporating the same in the financial statements;

   d) Failure to submit the chitty financial statements in respect of terminated chits on time.

   e) Failure to address the deterioration in the value of securities pledged by the customers as security for loans and advances

   f) Unreconciled debit balances in various party payable accounts, the nature of which is not explained.

   g) Releasing the chitty prize money based on the security of properties with double mortgage charge.

   h) Registration of chits without realisation of first instalment in full.

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

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2021, based on the internal control over the financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of internal Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2021 financial statements of the Company, and these material weaknesses does not affectour opinion on the financial statements of the Company.

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

Replies to directions from Comptroller and Auditor General of India under section 143(5) of the Companies Act,2013

1) **Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.**

According to the information and explanations given to us, the Company has system in place to process all the accounting transactions through IT system. All the accounting transactions of the Company is processed through the IT systems. However, we have noticed the following deficiencies / scope for improvement with respect to the IT infrastructure of the company in relation to the financial reporting –

- The company maintain different softwares / systems for processing various functions within the company including pay roll processing, statutory payment processing etc, which are not integrated each other.
- The software at Revenue Recovery offices have reported differences in the carry forward of opening balances while implementing new software, which are corrected only at the time audit.
- The company does not have a proper integration between the accounting at the branch levels with the accounting at the regional offices / head offices levels due to which there has been considerable delay in reconciliation of inter-branch / inter-region / head office balances. We invite your attention to Point No. 3 of the Annexure B to this report.
- The company does not have a proper IT system for prompt reporting of statutory deductions done at the branch levels and paid at the head office levels, due to which we have observed considerable delay and improper reporting of such statutory deductions by the branches to the head offices.
- The company has not taken sufficient steps to automate various methods followed for reporting of various financial information such as computation of impairment credit loss, auto-deduction and application of taxes, consolidation of trial balances, reporting of contingent liabilities etc.
- The company does not have a proper system to ensure the prompt reconciliation of transactions parked in suspense accounts with the help of IT infrastructure, due to which there are long outstanding balances in such accounts.

2) **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 inability 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 inability to repay the loan.

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

- Based on the information made available to us, the company has properly accounted for / utilized the funds received for specific schemes from the central or state agencies.
- We have observed that the company had received various funds from state governments for execution of various pilot projects as an implementation agency. However, we have observed that there were instances where the company could not utilize such amounts within the stipulated time frame, due to which the company had obtained permission from the State Government to utilise such funds for other activities as prescribed by the Government.
- As per the information given to us, there are no deviations in respect of the above.

Reply to Sector Specific Sub-Directions

Finance Sector

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

   a) **Non-Banking Finance Companies (NBFCs);**

   Reply: According to the information and explanation given to us, KSFE is carrying on the business of conducting chits and is regulated by the Taxes Department, Government of Kerala. Hence, we are informed that the chit companies are exempt from the provisions of Section 45-IA of the RBI Act, 1934.

   b) **Classification of Non-performing assets;**

   Reply: According to the information and explanation given to us, NPA (Other than balances due to the company under the Chit business) is classified on the basis of prudential norms for Income Recognition and Asset Classification (IRAC) issued by RBI for NBFCs. We understand that the company has voluntarily adopted the above norms.

   c) **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.

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

   In cases of loans sanctioned against security of land and building, noencumbrance certificate has been collected by the branches. Instances of undue delay in disposal of seized units are not available from the accounting system.

3) **Whether introduction 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 of trade receivables, trade payables, term deposits, bank account and cash:**

   Confirmation have been received on a random basis at Head Office, regional Office and branch level.

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

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

The regional offices and the branches under such regional offices are audited by various branch auditors. The company has not structured the branch / regional offices' audit report and hence the report received from different regions lacks consistency. As only trial balance is prepared at the branch level some of the regional offices' report does not speak about true and fairness of the state of affairs / profit (loss). Thus the accounting reports of the branch used for preparation of the financial statements of this company suffers from this deficiency, if any, the impact of which on the financial statements of the company could not be ascertained by us.

The regional offices and the branches under such regional offices are audited by various branch auditors. As only trial balance is prepared at the branch / region level, some of the audit report of the regional offices does not speak about true and fairness of the state of affairs and profit / (loss) at branch / region level. Also, the company has not structured the audit report of the branches / regional offices' and hence the report received from the auditors of different regions lacks consistency in its presentation and reporting. Thus, the accounts and audit reports of the branch / region used for preparation of the financial statements of this company suffers from this deficiency, if any, the impact of which on the financial statements of the company could not be ascertained by us.

For **BALAN & CO.**
Chartered Accountants
Firm Regn. No: 340S
Sd/-
A. Mohanan B. Sc., FCA, DISA
Partner (Memb. No: 020627
UDIN : 22020627AKYZTK8656

Ernakulam
09-05-2022

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

BALANCE SHEET AS AT 31st MARCH 2021

	Particulars	Note No.	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
I.	**ASSETS**			
	1. Financial Assets			
	a. Cash and cash equivalents	5	14,651.34	30,386.74
	b. Bank Balances other than (a) above	6	8,50,096.38	6,10,013.93
	c. Loans	7	33,82,562.88	29,73,114.49
	d. Investments	8	36,031.80	11,502.80
	e. Other financial assets	9	3,439.70	3,705.90
	Total Financial Assets		**42,86,782.11**	**36,28,723.87**
	2. Non-financial Assets			
	a. Current tax assets (Net)	10A	14,725.06	18,597.28
	b. Deferred tax assets (Net)	10B	22,681.03	21,518.06
	c. Property, Plant and Equipment	11A	6,232.32	5,221.08
	d. Capital work-in-progress	11B	-	-
	e. Intangible assets	11C	176.36	119.77
	f. Other non-financial assets	12	80,992.57	73,988.08
	Total Non-Financial Assets		**1,24,807.34**	**1,19,444.28**
	Total Assets		**44,11,589.45**	**37,48,168.14**
II.	**LIABILITIES AND EQUITY**			
	LIABILITIES			
	1. Financial Liabilities			
	a. Borrowings (other than debt securities)	13	2,05,000.00	2,45,000.00
	b. Deposits	14	17,84,005.65	14,22,399.43
	c. Other Financial Liabilities	15	22,86,938.67	19,62,626.95
	Total Financial liabilities		**42,75,944.32**	**36,30,026.37**
	2. Non- Financial liabilities			
	a. Provisions	16	30,035.98	15,722.08
	b. Other non-financial liabilities	17	7,217.13	4,786.53
	Total Non- Financial liabilities		**37,253.11**	**20,508.61**
	Total liabilities		43,13,197.44	36,50,534.99
	3. EQUITY			
	a. Equity share capital	18	10,000.00	10,000.00
	b. Other equity	19	88,392.02	87,633.16
	Total Equity		**98,392.02**	**97,633.16**
	Total Liabilities and Equity		**44,11,589.45**	**37,48,168.15**

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 Board of Directors

For **BALAN & CO.**
Chartered Accountants
Firm Regn. No: 340S

Sd/-
A. Mohanan B. Sc., FCA, DISA
Partner (Memb. No: 020627
UDIN : 22020627AKYZTK8656

Place : Ernakulam
Date : 09-05-2022

sd/-
K. Varadarajan
Chairman

sd/-
V.P.Subramanian
Managing Director

sd/-
B.S. Preetha
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, 2021

	Particulars	Note No.	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
(I)	Revenue from operations			
	(i) Interest Income	20	1,88,794.08	1,53,535.80
	(ii) Foreman Commission		1,00,705.53	1,06,762.86
	(iii) Service Charges	21(a)	1,081.11	1,197.85
	(iv) Other Revenue from Chit Fund Operations	21(b)	20,854.54	21,171.44
	Total Revenue from Operations		**3,11,435.26**	**2,82,667.96**
(II)	Other Income	22	2,168.61	62.83
(III)	Total Income (I+II)		3,13,603.87	2,82,730.79
(IV)	EXPENSES			
	Finance Costs	23	1,48,689.59	1,25,308.34
	Impairment of financial instruments	24	31,856.13	23,516.25
	Employee benefits expenses	25	97,110.70	94,658.03
	Depreciation, amortisation and Impairment	26	1,596.79	1,188.08
	Other expenses	27	26,357.98	27,543.73
	Total Expenses		**3,05,611.19**	**2,72,214.43**
(V)	Profit before exceptional items and tax (III-IV)		7,992.68	10,516.36
(VI)	Exceptional Items			
(VII)	**Profit before tax (V-VI)**		**7,992.68**	**10,516.36**
(VIII)	Tax expense:			
	a. Current tax		2,010.03	4,071.31
	b. Deferred tax	10B	(1,162.97)	(879.25)
	c. Relating to earlier years (net)		(0.00)	45.24
			847.06	3,237.30
(IX)	Profit for the year from continuing operations (VII-VIII)		7,145.63	7,279.06
(X)	Profit for the year		7,145.63	7,279.06
(XI)	Other Comprehensive Income			
	(i) Items that will not be reclassified to profit or loss (Re-measurements of the defined benefit obligation)		(6,386.77)	(590.34)
	(ii) Income tax relating to items that will not be reclassified to profit or loss			148.58
	Other comprehensive income (net of tax)		**(6,386.77)**	**(441.76)**
(XII)	Total Comprehensive Income for the year (X+XI)		758.86	6,837.30
(XIII)	**Earnings per equity share**	28		
	Basic and diluted earnings per equity share (Rs.)		**7.59**	**68.37**
	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.			

Additional Information

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

For and on behalf of Board of Directors

sd/-
K. Varadarajan
Chairman

sd/-
V.P.Subramanian
Managing Director

sd/-
B.S. Preetha
Director

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

sd/-
Emil Alex
Company Secretary

For **BALAN & CO.**
Chartered Accountants
Firm Regn. No: 340S

Sd/-
A. Mohanan B. Sc., FCA, DISA
Partner (Memb. No: 020627
UDIN : 22020627AKYZTK8656

Place : Ernakulam
Date : 09-05-2022

THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

	Particulars	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
A.	Cash Flows from Operating Activities		
	Profit / (Loss) Before Tax	1605.91	9926.02
	Adjustments for:		
	Depreciation and amortisation expense	1596.79	1188.08
	Impairment on financial instruments	31931.13	23628.75
	(Profit)/ Loss on sale of Property, Plant & Equipment	(5.44)	4.85
	Interest on income tax refund	(504.51)	0.00
	Operating Profit before Working Capital Changes	**34623.88**	**34747.69**
	Adjustments for:		
	Decrease / (increase) in other non-financial assets	(7,004.49)	(1,311.97)
	Decrease / (increase) in loans	(4,41,307.52)	(6,75,821.57)
	Decrease / (increase) in other financial assets	78.71	17,903.85
	Increase / (decrease) in other financial liabilities	324311.73	335591.17
	Increase / (decrease) in provisions	14313.90	2205.45
	Increase / (decrease) in other non-financial liabilities	2,430.60	(342.67)
	Cash generated from Operations	**(72,553.19)**	**(2,87,028.05)**
	Direct Taxes Paid	2,482.19	(8,932.10)
	Net Cash used in Operating Activities	**(70,071.00)**	**(2,95,960.15)**
B.	Cash Flows from Investing Activities		
	Purchase of property, plant and equipment	(2,481.56)	(3,815.91)
	Purchase of Intangible assets	(198.11)	(61.41)
	Sale proceeds of fixed assets	20.49	12.01
	Capital advance given	-	-
	Bank Balances not considered as Cash and Cash equivalents	(2,40,082.45)	7,440.58
	Increase in Investment	(24,529.00)	(10,926.00)
	Net Cash from/(used) in Investing Activities	**(2,67,270.63)**	**(7,350.73)**
C.	Cash Flows from Financing Activities		
	Proceeds from Short Term Loan from Banks	(40,000.00)	10000.00
	Proceeds from Deposits from public	361606.22	167629.92
	Dividend & Dividend Distribution Tax Paid	-	(4,219.43)
	Net Cash used in Financing Activities	**321606.22**	**173410.49**
	Summary		
	Net Cash used in Operating Activities	(70,071.00)	(2,95,960.15)
	Net Cash from/(used) in Investing Activities	(2,67,270.63)	(7,350.73)
	Net Cash used in Financing Activities	3,21,606.22	1,73,410.49
	Net Decrease in Cash Equivalents	**(15,735.41)**	**(1,29,900.39)**
	Cash and Cash Equivalents at the beginning of the year	30,386.74	1,60,287.13
	Cash and Cash Equivalents at the end of the year	14,651.34	30,386.74
		(15,735.40)	**(1,29,900.39)**

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

For **BALAN & CO.**
Chartered Accountants
Firm Regn. No: 340S

Sd/-
A. Mohanan B. Sc., FCA, DISA
Partner (Memb. No: 020627
UDIN : 22020627AKYZTK8656

Place : Ernakulam
Date : 09-05-2022

For and on behalf of Board of Directors

sd/-
K. Varadarajan
Chairman

sd/-
V.P.Subramanian
Managing Director

sd/-
B.S. Preetha
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 31.03.2021

A. Equity Share Capital

	Numbers	Amount Rs in Lakhs
Equity shares of Rs.100 each issued, subscribed and fully paid **Balance as at the beginning on 1st April, 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
Changes in equity share capital during 2020-21 **Balance as at 31st March, 2021**	- 1,00,00,000	- 10,000.00

B. Other Equity

(Rs in Lakhs)

Particulars	Reserves and Surplus General Reserve	Chitty Statutory Reserve	Retained Earnings	Items of other comprehensive income Remeasurement of defined benefit obligations (net of tax)	Total
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**	**(0.00)**	**(3,054.55)**	**87,633.16**
Balance As at 1st April 2020	**82,804.62**	**7,883.09**	**(0.00)**	**(3,054.55)**	**87,633.16**
Profit for the year			7,145.63		7,145.63
Other comprehensive income net of taxes				(6,386.77)	(6,386.77)
Total comprehensive income for the year	-	-	**7,145.63**	**(6,386.77)**	**758.86**
Dividend (including taxes)	-		-	**-**	
Transfer to/(from) retained earnings	6,346.36	799.27	(7,145.63)		**-**
As at 31st March, 2021	**89,150.98**	**8,682.36**	**(0.00)**	**(9,441.32)**	**88,392.01**

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

For and on behalf of Board of Directors

sd/-
K. Varadarajan
Chairman

sd/-
V.P.Subramanian
Managing Director

sd/-
B.S. Preetha
Director

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

sd/-
Emil Alex
Company Secretary

For **BALAN & CO.**
Chartered Accountants
Firm Regn. No: 340S

Sd/-
A. Mohanan B. Sc., FCA, DISA
Partner (Memb. No: 020627
UDIN : 22020627AKYZTK8656

Place : Ernakulam
Date : 09-05-2022

The Kerala State Financial Enterprises Limited

Notes forming part of Financial Statements for the year ended March 31, 2021

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 6th November 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 control 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 31.03.2021, the Company is having 13 regional offices and 617 branches, spread across the state of Kerala.

1. 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).

For all periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with Accounting Standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). The financial statements for the year ended 31 March 2019 are the first financial statements of the Company prepared in accordance with Ind AS. Refer to note No.29.3 on first time adoption to Ind AS for information on adoption of Ind AS by the Company.

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 for trading,

i) financial assets and liabilities designated at fair value through profit or loss (FVTPL),

ii) financial assets and liabilities designated at fair value through Other Comprehensive Income (FVOCI).

2.3 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.

2. Significant accounting policies

2.1 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 all trading assets and financial assets required to be measured at FVTPL is recognised using the contractual 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. Society 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 entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties.

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

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

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

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction 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.

2.2 Financial instruments

A. Financial Assets

2.2.1 Initial recognition and measurement

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

2.2.2 Subsequent measurement

The Company classifies its financial assets into various measurement categories. The classification depends on the contractual 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 contractual cash flows and the contractual 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.

a. 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 contractual cash flows and selling financial assets and contractual 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.

b. 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.

A. Financial liabilities

3.2.3 Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, public deposits and borrowings including bank overdrafts.

3.2.4 Subsequent Measurement

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

2.3 Derecognition of financial assets and liabilities

2.3.1 Financial Asset

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

2.3.2 Financial Liability

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

2.4 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 liability simultaneously in all the following circumstances:

a. The normal course of business
a. The event of default
b. The event of insolvency or bankruptcy of the Company and/or its counterparties

2.5 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, 180 days NPA norms being followed for classifying debts and provision for doubtful debts was being created till FY 2017-18 as per internal parameters as set by the Company. Effective 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 from FY 2018-19(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 facility wise categorization being followed till FY 2017-18. 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.

2.5.1 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:

Probability of Default (PD) - The Probability 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 contract 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 contractual 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 property for which the loan is given. The fair value of the same is based on data provided by third party 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 ûows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the Statement of Proût 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.

2.6 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 to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or

i. In the absence of a principal market, in the most advantageous market for the asset or liability

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, 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 ability 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 sufficient trading activities with regards to the volume and liquidity 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 signiûcant 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 liability to the gross carrying amount of the amortised cost of a liability,

a. By considering all the contractual terms of the financial instrument in estimating the cash flows,

b. Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction 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 entity shall correct material prior period errors retrospectively 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 equity for the earliest prior period presented.

In line with the said provision, Prior period errors are corrected retrospectively 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 banks/treasury cash/cheques on hand and short-term deposits with an original maturity 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 as per Ind AS-7, cash and cash equivalents consist of cash and short- term deposits, as defined above and also Bank Overdrafts.

3.11 Property, plant and equipment

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade 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 property, 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.

3.11 Depreciation

Depreciation on Property, Plant and Equipment is calculated using written down value method (WDV) to write down the cost of property 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 property, 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, and treated as changes in accounting estimates.

Property 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 property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

Depreciation calculated on useful life method, useful life may be considered as a period oer which as asset is available for use or as the number of production or similar units expected to be obtained from the asset by the Company. The following are the useful lives of various tangible assets notified in the schedule II of the Companies Act,2013:

S. No.	Nature of Asset	Useful life
1	Building other than RCC structure	30 Yrs
2	Furniture & Fixtures	10 Yrs
3	Motor Vehicles	8 Yrs
4	Office Equipments	5 Yrs
5	Computer and data processing equipments	6 Yrs
6	End user devices such as laptops, Printers etc.	3 Yrs
7	Electrical installation and equipment	10 Yrs

3.12 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 deducting trade 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.

3.13 Impairment of non–financial assets: Property, Plant and Equipment and Intangible Assets

The Company assesses, at each reporting date, whether there is any indication that any Property, 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 market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded 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 is treated as an increase in revaluation reserve.

3.14 Employee Benefits Expenses

3.14.1 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

3.14.2 Post-Employment Benefits

A. Defined contribution 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 liability for future provident fund benefits other than its annual contribution.

A. Defined Benefit schemes

Gratuity

The Company provides for gratuity 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 liability for future gratuity 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 mortality 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 deûned beneût liability), 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 reclassiûed to proût and loss in subsequent periods.

3.14.3 Other Long-term employee benefits

Accumulated compensated absences

The Company provides for liability 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.

3.15 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 liability. The expense relating to any provision is presented in the Statement of Profit and Loss net of any reimbursement.

3.16 Taxes

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

3.16.1 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 equity. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. 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.

3.16.2 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 liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

i. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled 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 liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

i. 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 liability 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 equity. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 entity and the same taxation authority.

3.16.3 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.(**MAT does not apply as the company has opted to pay income tax under section 115BAA of Income Tax Act 1961.)**

3.17 Contingent Liabilities and assets

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

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

3.18 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 proût or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For calculating diluted earnings per share, the net proût or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity 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 equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

3.19 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated 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 are translated 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 are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss.

3.20 Cash-flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions 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.

3.21 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 April 2017, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms.

4. Significant accounting judgements, estimates and assumptions

The preparation of ûnancial statements in conformity 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, uncertainty 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 signiûcant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most signiûcant effect on the amounts recognized in the ûnancial 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 maturity 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 penalty 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 Deûned employee beneût assets and liabilities

The cost of the deûned beneût gratuity plan and the present value of the gratuity 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 mortality rates. Due to the complexities involved in the valuation and its long-term nature, a deûned beneût 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 ûnancial assets and ûnancial 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 liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of ûnancial instruments.

4.6 Other estimates

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

5 Cash and Cash Equivalents

	Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
	Cash on hand	1,516.40	1,100.42
	Balance with banks/ Treasury		
	a. In Current Accounts	13,353.70	27,877.22
	b. In Savings Accounts	1,522.68	2,752.69
	c. In Overdraft Accounts	(1,741.44)	(1,343.59)
	Others		
	(i) Short Term Deposit with Kerala Transport Development Finance Corporation Limited	-	-
	(ii) Short Term Deposit with Kerala State Social Security Pension Limited	-	-
	Total	**14,651.34**	**30,386.74**

5.1 During the Current year, the Company has reclassified " Loans repayable on demand from Banks - (secured by a Lien on fixed deposits with Banks) being Bank Overdraft under "Cash and Cash Equivalents amounting to Rs.1741.44 Lakhs (PY Rs.1341.59 Lakhs)

6 Bank Balances other than cash and cash equivalents

	Particulars	As at 31.03.2020 Rs in Lakhs	As at 31.03.2019 Rs in Lakhs
	Fixed deposits with bank/Treasury (maturing after period of three months)- (See Note 6.1)	8,32,647.76	5,94,778.07
	Interest Accrued on Deposits	17,448.62	15,235.86
	Total	**8,50,096.38**	**6,10,013.93**

6.1 FD with Banks/ Treasury includes restricted treasury/ bank balances of Rs.3,22,507.50 Lakhs (Previous year Rs. 3,04,264.09 Lakhs) This restrictions are primarily on account of deposits made in treasury inorder to comply with provisions of The Kerala Chitties Act, 1975 Rs. 2,800.08 Lakhs (Previous Year Rs. 5,698.58 Lakhs) and Rs. 2,79,394.94 Lakhs (Previous Year Rs. 2,59,167.99 Lakhs) in accordance with the provision of Chit Fund Act 1982. Chitty Security Deposit in Trust matured but not released due to various reasons Rs. 40,312.45 Lakhs (Previous Year Rs. 39,397.50 Lakhs) and earnmarked balances for unpaid dividend Rs .0.02 Lakhs (Previous Year Rs. 0.02 Lakhs).

6.2 During the Current year, the Company has reclassified " Interest Accrued on Deposits " being Interest accrued on fixed deposits under "Bank balances other than Cash and Cash Equivalents amounting to Rs. 17,373.52 Lakhs (PY Rs.15,235.86 Lakhs)

7 Loans

(Rs in Lakhs)

Particulars	As at March 31, 2021				
	Amortised Cost	At Fair Value			Total
		Through Other Compre-hensive Income	Through Profit or Loss	Designated at Fair Value through profit or loss	
(A) Loans					
i) Gold Loan	2,66,185.17				2,66,185.17
ii) Loan against Chitty	2,26,975.75				2,26,975.75
iii) Amount Recoverable from Prized Subscribers	23,15,819.00				23,15,819.00
iv) Employee loans	9,732.78				9,732.78
v) Revenue Recovery Debtors	1,01,401.64				1,01,401.64
vi) Loan to government companies	2,72,069.00				2,72,069.00
vii) Others	3,31,141.54				3,31,141.54
Total (A) - Gross	**35,23,324.88**		-		**35,23,324.88**
Less: Impairment loss allowance	(1,40,762.00)				(1,40,762.00)
Total (A) - Net	**33,82,562.88**				**33,82,562.88**
(B)				-	
(I) Secured by Tangible Assets	32,41,523.10				32,41,523.10
(II) Covered by Government Guarantee	2,72,069.00				2,72,069.00
(III) Unsecured	9,732.78				9,732.78
Total (B) - Gross	**35,23,324.88**		-	-	**35,23,324.88**
Less: Impairment loss allowance	(1,40,762.00)				(1,40,762.00)
Total (B) - Net	**33,82,562.88**		-	-	**33,82,562.88**
(C)					
(I) Loans in India					
i) Public Sector	2,72,069.00				2,72,069.00
ii) Others	32,51,255.88				32,51,255.88
(II) Loans outside India	-				
Total (C) - Gross	**35,23,324.88**				**35,23,324.88**
Less: Impairment loss allowance	(1,40,762.00)				(1,40,762.00)
Total (C)- Net	**33,82,562.88**				**33,82,562.88**

(Rs in Lakhs)

Particulars	As at March 31, 2020				
	Amortised Cost	At Fair Value			Total
		Through Other Compre-hensive Income	Through Profit or Loss	Designated at Fair Value through profit or loss	
(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**

8 Investments

(Rs in Lakhs)

Particulars	As at March 31, 2021					
	Amortised Cost	At Fair Value			At cost	Total
		Through Other Comprehensive Income	Through Profit or Loss	Designated at Fair Value through profit or loss		
Government securities	36,031.80	-	-	-	-	36,031.80
Total Gross (A)	**36,031.80**	**-**	**-**	**-**	**-**	**36,031.80**
i) Investments outside India	-	-	-	-	-	-
ii) Investments in India	36,031.80	-	-	-	-	36,031.80
Total Gross (B)	**36,031.80**	**-**	**-**	**-**	**-**	**36,031.80**
Less: Allowance for impairment loss (C)						
Total - Net D = (A) - (C)	**36,031.80**	**-**	**-**	**-**	**-**	**36,031.80**

(Rs in Lakhs)

Particulars	As at March 31, 2020					
	Amortised Cost	At Fair Value			At cost	Total
		Through Other Comprehensive Income	Through Profit or Loss	Designated at Fair Value through profit or loss		
Government securities	11,502.80	-	-	-	-	11,502.80
Total Gross (A)	**11,502.80**	-	-	-	-	**11,502.80**
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**

Government securities

(Rs in Lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020	
	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

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
Security Deposits	173.64	166.72
Others	3,453.56	3,651.68
Total-Gross	**3,627.20**	**3,818.40**
Less: Impairment loss allowance	(187.50)	(112.50)
Total- Net	**3,439.70**	**3,705.90**

10A Current tax assets (Net)

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
Security Deposits	173.64	166.72
Income Tax (Net)	14,725.06	18,597.28
Total	**14,725.06**	**18,597.28**

10B Deferred tax assets (Net)

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
a) Property, Plant and Equipment	852.64	450.76
(b) Employee Benefits	5366.15	5366.15
(c) Provision for Bad and Doubtful Debts	16401.49	15640.40
(d) Others	60.75	60.75
Total	**22681.02**	**21518.06**

10B (i) Deferred Tax Expense

(Rs in Lakhs)

Description of Assets	(Note) Ref	As at 01.04.2019	Charge/ (Credit) to Statement of Profit or loss (2019-20)	Charge/ (Credit) to Statement of Other Comprehen-sive Income (2019-20)	As at 31.03.2020	Charge/ (Credit) to Statement of Profit or loss (2020-21)	Charge/ (Credit) to Statement of Other Comprehensi-ve Income (2020-21)	As at 31.03.2021 (d)+ (e)+ (f)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
(a) Property, Plant and Equipment		377.47	73.29	0.00	450.76	401.88	0.00	852.64
(b) Employee Benefits (Note)		4633.09	584.48	148.58	5366.15	0.00	0.00	5366.15
(c) Provision for Bad and Doubtful Debts		15418.93	221.47	0.00	15640.40	761.09	0.00	16401.49
(d) Others		60.75	0.00	0.00	60.75	0.00	0.00	60.75
		20490.24	**879.24**	**148.58**	**21518.06**	**1162.97**	**0.00**	**22681.03**

11A Property, Plant and Equipment

(Rs in Lakhs)

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 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**
Additions	-	18.19	1,395.74	154.91	555.29	14.27	343.16	**2,481.56**
Disposals	-	-	(180.36)	(19.75)	(37.43)	(0.10)	(5.52)	**(243.16)**
Balance as at 31 March 2021	**69.51**	**1,415.06**	**4,185.62**	**287.73**	**1,555.51**	**60.64**	**1,756.17**	**9,330.24**
II. Accumulated depreciation								
Balance as at 31 March 2019	-	24.24	475.56	59.89	132.43	18.03	385.01	**1,095.16**
Charge for the year	-	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**
Charge for the period		65.52	734.64	53.47	275.85	8.57	317.41	**1,455.46**
Disposals			(160.39)	(20.32)	(33.11)	(0.10)	(14.38)	**(228.30)**
Balance as at 31 March 2021	**-**	**113.38**	**1,282.22**	**85.35**	**473.91**	**35.37**	**1,107.69**	**3,097.92**
Carrying value (I-II)								
Balance as at 31 March 2020	**69.51**	**1,349.01**	**2,262.2**	**100.37**	**806.48**	**19.57**	**613.87**	**5,221.08**
Balance as at 31 March 2021	**69.51**	**1,301.68**	**2,903.40**	**202.38**	**1,081.60**	**25.27**	**648.48**	**6,232.32**

11B Intangible assets

(Rs in Lakhs)

Description of Assets	Computer Software	At cost or deemed cost
Balance as at 31 March 2019		153.66
Additions		61.41
Disposals		(0.09)
Balance as at 31 March 2020		**214.98**
Additions		198.11
Disposals		(0.26)
Balance as at 31 March 2021		**412.83**
II. Accumulated amortisation		
Balance as at 31 March 2019		43.89
Charge for the year		51.93
Disposals		(0.61)
Balance as at 31 March 2020		**95.21**
Charge for the period		141.33
Disposals		(0.07)
Balance as at 31 March 2021		**236.47**
Carrying value (I-II)		
Balance as at 31 March 2020		**119.77**
Balance as at 31 March 2021		**176.36**

12 Other Non-Financial Assets

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
Unsecured - Considered Good		
Prepaid Expenses	61.52	72.10
Balance with government authorities	1.07	1.06
Other advances	66,027.61	62,465.95
Stock of Stationery	86.31	164.72
Inter Branch Current Account	14,811.35	11,277.14
Stamp and Stamp Paper on Hand	4.72	7.11
Capital advance	-	-
Total	**80,992.57**	**73,988.08**

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

13. Borrowings

Particulars	As at March 31, 2021			
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
Short Term Loan from Banks-				
(Secured by a lien on Fixed Deposit with Banks)	2,05,000.00			2,05,000.00
Total	**2,05,000.00**	-	-	**2,05,000.00**

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
Short Term Loan from Banks				
(Secured by a lien on Fixed Deposit with Banks)	2,45,000.00			2,45,000.00
Total	**2,45,000.00**	-	-	**2,45,000.00**

14 Deposits

Particulars	As at March 31, 2021			
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
Deposit from Public				
Fixed Deposit	11,46,991.40			11,46,991.40
Chitty Security Deposit in Trust	4,93,985.06			4,93,985.06
Short Term Deposits	31,853.76			31,853.76
Sugama Deposits	1,11,175.43			1,11,175.43
Total	**17,84,005.65**	-	-	**17,84,005.65**

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 Trust	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**

15 Other Financial Liabilities

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
Interest Accrued and due on Public Deposit	23,828.05	18,848.61
Interest Accrued and due on Short Term Deposit	454.15	233.71
Interest Accrued on Chitty Security Deposit in Trust	14,987.69	12,655.08
Unpaid Matured Fixed Deposits	42,372.87	37,108.75
Unpaid Matured Short Term Deposits	6,267.22	3,919.30
Unpaid Non-Operative Sugama Deposits	179.85	173.60
Finance Payable- Chitty/ Kuri	21,46,232.63	18,47,864.20
Finance Payable- Hire Purchase	127.62	139.75
Finance Payable- (Suppliers of HP Items)	-	-
Interest Payable on Loan from banks(Mobilisation)	771.08	632.09
Interest On Gratuity Deposit	3.75	3.75
Chitty Security Deposit in Trust Matured but not claimed	14,015.27	8,258.75
Employee Benefits Expenses Payable	519.75	283.71
Security Deposits	201.31	195.19
Creditors for Expenses	36,856.03	32,199.50
Others	121.40	110.93
Total	**22,86,938.67**	**19,62,626.95**

16 Provisions

	Gratuity	Leave Encashment	Provision for losses on Fraud/ Misappropriation	Total
Carring amount as on 31.032020	2,339.70	11,526.04	1,856.35	15,722.08
Add Provision made during the Fiancial year	10985.79	4751.28	916.53	16,653.60
Less Amount Paid/Reversed during the year	2339.7	0	0	2,339.70
Carring amount as on 31.032021	**10985.79**	**16277.32**	**2772.88**	**30035.98**

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

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
Margin Money on Employees Loan	0.48	0.49
Social Security Scheme (Revised Bhadratha)	221.97	142.02
Income Received in Advance	319.99	7.88
Statutory and other dues	6,674.69	4,636.15
Total	**7,217.13**	**4,786.53**

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

18 Equity Share Capital

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
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.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

Particulars	As at 31.03.2021Rs in Lakhs		As at 31.03.2020Rs in Lakhs	
	No. of Shares	Amount Rs in Lakhs	No. of Shares	Amount Rs in Lakhs
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

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

Particulars	As at 31.03.2021 Rs in Lakhs		As at 31.03.2020 Rs in Lakhs	
	%	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

Particulars	As at 31.03.2021 Rs in Lakhs	As at 31.03.2020 Rs in Lakhs
General reserve		
Balance at the beginning of the year	82,804.62	80,796.63
Add: Transfer from Retained Earnings	6,346.36	6,227.42
Less: Utilized for issuing Bonus Shares		
Less: Dividend		3,500.00
Less: Dividend Distribution Tax		719.43
Closing balance	**89,150.98**	**82,804.62**
Chitty Statutory Reserve		
Balance at the beginning of the year	7,883.09	6,831.45
Add: Transfer from Retained Earnings	799.27	1,051.64
Closing balance	**8,682.36**	**7,883.09**
Other Comprehensive Income (OCI)		
Balance at the beginning of the year	(3,054.55)	(2,612.79)
Add : Re-measurements of the defined benefit plans in OCI	(6,386.77)	(441.76)
	(9,441.32)	**(3,054.55)**
Retained Earnings		
Balance at the beginning of the year		
Add : Profit for the year	7,145.63	7,279.06
Less: Transfer to General Reserve	6,346.36	6,227.42
Less: Transfer to Chitty Reserve	799.27	1,051.64
Closing Balance		
Total	**88,392.02**	**87,633.16**

20 Interest Income

Particulars	Year ended March 31, 2021		Year ended March 31, 2020		
	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	23,658.36			14,835.68	
Fixed Deposit Loan/NFDL	564.25			649.11	
Chitty Loan/Passbook Loan	4,033.84			3,704.61	
New Chitty Loan	16,192.24			16,085.38	
N.H.F.S./ H.F.S.	10,344.09			8,905.56	
Reliable Customer Loan	20,499.14			21,562.07	
Consumer Vehicle Loan	102.34			141.25	
Sugama Akshaya OD	278.93			306.89	
Kerala State Social Security Pension Ltd	5,621.56			4,816.38	
Interest on RR Dues	9,197.48			3,627.93	
Interest on Investment	1,991.42			442.58	
Interest on deposits with bank/treasury	76,122.88			60,665.69	
Other interest income	20,187.55			17,792.69	
Total	**1,88,794.08**			**1,53,535.80**	

21(a) Other Revenue from Chitty Operations

Particulars	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
Writing Fee	698.05	763.59
Adminstrative and Processing Charges	144.53	179.55
Registeration Charges	5.01	6.41
Others	233.52	248.31
	1,081.11	**1,197.85**

21(b) Other Revenue from Chitty Operations

Particulars	For the year ended 31.03.2021Rs in Lakhs	For the year ended 31.03.2020Rs in Lakhs
Profit on Chitty Substituted Tickets	14,391.91	14,182.35
Forfeited Veethapalisa Income	2,119.52	2,349.43
Dividend Income (Auction Surplus)	4,343.11	4,639.67
	20,854.54	**21,171.44**

21.1 See Note 29.16 for details of Forfeited Veethapalisa Income.

22 Other Income

Particulars	For the year ended 31.03.2021Rs in Lakhs	For the year ended 31.03.2020Rs in Lakhs
Profit on Sale of Fixed Assets	9.59	10.30
Miscellaneous Income	2,159.02	52.53
Total	**2,168.61**	**62.83**

23 Finance Costs

Particulars	Year ended March 31, 2021 Rs in Lakhs		Year ended March 31, 2020 Rs in Lakhs	
	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	-	1,17,285.67	-	96,300.77
Suguma Deposits	-	5,318.71		4,088.05
Others	-	18,719.94	-	18,379.65
Other Borrowing Costs	-	7,365.27		6,539.87
Total	**-**	**1,48,689.59**	**-**	**1,25,308.34**

24 Impairment of financial instruments

Particulars	Year ended March 31, 2021 Rs in Lakhs		Year ended March 31, 2020 Rs in Lakhs	
	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	-	30,806.88		22,166.80
Bad Debts Written Off	-	132.72	-	469.46
Others	-	916.53		879.98
Total	**-**	**31,856.13**	**-**	**23,516.25**

25 Employee Benefits Expense

Particulars	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
Salaries and Wages	71,675.29	79,701.00
Contribution to Provident Fund	8,304.50	8,340.74
Contribution to Gratuity Fund	6,265.12	1,946.52
Earned Leave Salary	9,672.28	3,636.50
Bonus & Performance Incentive	86.61	86.30
Staff Welfare Expenses	1,106.89	946.97
Total	**97,110.70**	**94,658.03**

26 Depreciation and amortisation expenses

Particulars	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
Tangible Assets	1,455.46	1,136.15
Intangible Assets	141.33	51.93
Total	**1,596.79**	**1,188.08**

27 Other Expenses

Particulars	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
Vehicle Running Expenses	49.18	55.56
Rent	2,534.14	2,357.34
Rates & Taxes	67.75	613.38
Power and Fuel	512.40	542.02
Postage and Telephone	229.36	182.00
Printing & Stationery	562.21	486.31
Legal and Professional Charges	118.73	124.28
Registration and Filing Fee	5,881.58	4,740.47
Insurance	12.86	38.12
Sitting Fees to Directors	7.92	4.38
Service Tax	-33.84	72.10
Loss on Sale of Assets	4.15	15.15
Miscellaneous Expenses	2,105.22	569.86
Sales promotion Expenses	514.68	2,127.66
Travelling Expenses	258.24	356.96
Corporate Social Responsibility	310.23	240.53
CASBA connectivity charges	865.37	842.75
Repairs and Maintenance:		
Building	12.23	18.02
Data Processing Equipments	241.30	244.25
Others	60.15	93.16
Remuneration to Auditors:		
(i) For Audit	103.36	83.33
(ii) Other Expenses	10.18	8.57
Advertisement	1,362.87	2,125.75
Development Expenses	9,941.83	10,932.38
GST Input Reversal	625.87	669.41
Total	**26,357.98**	**27,543.73**

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

Particulars	For the year ended 31.03.2021 Rs in Lakhs	For the year ended 31.03.2020 Rs in Lakhs
Profit/ (Loss) for the year	758.86	6,837.30
Weighted average number of equity shares of Rs.100/- each fully paid up	1,00,00,000	1,00,00,000
Earnings per Share (Basic & Diluted)	**7.59**	**68.37**

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: 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.

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

(Rs in Lakhs)

Particulars	Fair value Hierarchy	Fair Value	
		As at 31.03.2021	As at 31.03.2020
Financial Assets measured at Fair value through P&L/OCI			
Investments in Non-Convertible Redeemable Bonds - Unquoted	3	36,031.80	11,502.80

Category wise classification of financial instruments is as follows:

Particulars	Refer Note	Fair Value	
		As at 31.03.2021	As at 31.03.2020
Financial Assets measured at amortised cost			
i. Loans	7	33,82,562.88	29,73,114.49
ii. Other Financial Assets	9	3,439.70	3,705.90
iii. Bank balances other than cash and cash equivalents	6	8,50,096.38	6,10,013.93
iv. Cash and cash equivalents	5	14,651.34	30,386.74
		42,50,750.31	**36,17,221.07**
Financial Liabilities measured at amortised cost			
i. Borrowings	13	2,05,000.00	2,45,000.00
i. Deposits	14	17,84,005.65	14,22,399.43
iii. Other financial liabilities	15	22,86,938.67	19,62,626.95
		42,75,944.32	**36,30,026.37**

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, 2021, 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.

(Rs. in Lakhs)

As at March 31, 2021	Coverage of collateral and credit enhancements held								
	Maximum exposure to credit risk	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
Cash and cash equivalents	14,651.34	14,651.34	-	-	-	-	-	14,651.34	-
Bank Balance other than Cash and cash equivalents	8,50,096.38	8,50,096.38	-	-	-	-	-	8,50,096.38	-
Loans (Gross):	-	-	-	-					
i) Gold Loan	2,66,185.17	-	-	-	2,66,185.17	-	-	2,66,185.17	-
ii) Loan against Chitty	2,26,975.75	-	-	-	-	2,26,975.75	-	2,26,975.75	-
iii) Amount Recoverable from Prized Subscribers	23,15,819.00	-	-	-	-	-	23,15,819.00	23,15,819.00	-
iv) Employee loans	9,732.78	-	-	-	-	-	9,732.78	9,732.78	-
v) Revenue Recovery Debtors	1,01,401.64	-	-	-	-	-	1,01,401.64	1,01,401.64	-
vi) Loan to government companies	2,72,069.00	-	-	2,72,069.00	-	-	-	2,72,069.00	-
vii) Others	3,31,141.54	-	-	-	-	-	3,31,141.54	3,31,141.54	-
Other financial assets	3,439.70	-	-	-	-	-	-	-	3,439.70

As at March 31, 2020	Fair value of collateral and credit enhancements held								
	Maximum exposure to credit risk	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
Cash and cash equivalents	30,386.74	30,386.74	-	-	-	-	-	30,386.74	-
Bank Balance other than Cash and cash equivalents	6,10,013.93	6,10,013.93	-	-	-	-	-	6,10,013.93	-
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	-
Other financial assets	3,705.90	-	-	-	-	-	-	-	3,705.90

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, 2021

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 31.22 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 2,540.20 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, 2020

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 29.36 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.

29.4 Taxation

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

(Rs. Lakhs)

		Year Ended 31.03.2021	Year Ended 31.03.2020
(a)	Profit before Tax as per Statement of Profit and Loss	7992.68	10516.36
	Add : Other Comprehensive Income that will not be reclassified to Statement of Profit and Loss	-6386.8	(590.34)
	Accounting Profit	**1605.91**	**9926.02**
	Effect of items that are not deductible in determining Taxable profit	6380.55	
	Taxable Profit	7986.46	
(b)	Tax on Accounting profit at the applicable tax rate	404.21	2498.38
(c)	Adjustment in respect of current income tax of prior years	0.00	45.24
(d)	Tax effect of items that are not deductible in determining Taxable profit	1,605.98	541.92
(e)	Others		3.18
		2010.19	3088.72
(f)	Add: Interest payable under Income Tax Act	0	0
(g)	Tax and Interest	2010.19	3088.72
(h)	Add: Income tax relating to items that will not be reclassified to profit or loss	-	148.58
(i)	Current Tax as per Statement of Profit and Loss	**2010.19**	**3237.30**
(j)	Applicable rate of tax as per Finance Act	25.170%	25.170%
(i)	Average effective tax rate (g/a)	25.17	31.12

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

	2020-21 (Rs in Lakhs)		2019-20 (Rs in Lakhs)	
I Contingent Liabilities				
a) Claims against the Company not acknowledged as debt				
(See Note below)				
i) Income Tax	13761.15		17414.70	
ii) Interest Tax	1043.48		1043.48	
iii) Service Tax	4.30		4.30	
iv) Provisions of ESI Act	53.37		53.7	
v) Rent Escalation Claim	142.57		111.19	
b) Bank Guarantees:				
c) Other money for which the Company is contingently liable	0.000	15004.86	0	18627.37
II Commitments				
a) Estimated amount of contracts remaining to be executed				
not provided for	158.65		188.27	
b) Uncalled liability on shares and other investments partly paid	0		0	
c) Letter of credit in favour of Thysenkrupp	0	158.65	0	188.27
TOTAL		**15163.51**		**18815.64**

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

		2020-21	2019-20
(i)	AO was directed to reconsider interest u/s 244A by Hon'ble High Court of Kerala (AY 1994-95)	Pending Disposal	
(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)	Settled under Vivad se Vishwas Scheme of CBDT order dated 01.11.2021	3070.23
(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)	Settled under Vivad se Vishwas Scheme of CBDT order dated 01.11.2021	589.03

(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	5968.00	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)	5.71	10.46
(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
(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
(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	
(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	142.57	111.19

III	Contingent Contracts		
	a) The Company had issued work order to M/s Accel Frontline 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 31-03-2021.	20.59	20.59
	b) 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 31.03.2021.	66.77	66.77
	c) The Company had entered into a contract on 12.07.2017 with M/s Accel Frontline Ltd (name of the Company subsequently changed as Inspirisys Solutions Limited) with regard to maintenance of computer systems & accessories for an annual contract value of Rs. 521.98 lakhs The contract is excuted for a period of 3 years and an amount of Rs. 421.07 lakhs had been paid to them till 31.03.2021.	-	100.91
	d) 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. 1425.83 lakhs. The contract is executed for a period of 10 months from the date of execution of agreement and an amont of Rs. 1354.54. lakhs had been paid till 31.03.2021.	71.29	430.83
	e). The Company had entered into a contract on 01.02.2021 with M/s Hykon India (P), Ltd for AMC of UPS for a period of 3 years amounting to Rs. 79.75 lacs, intially the contract is given for a period of 1 year, to be renewed subseqently based on satisfactory performence.	-	-
	f). The Company had entered into a contract on 03.11.2020 with M/s Nextra Data Ltd., for Amazone AWS cloud . We had paid Rs. 21,95,188/- as agaist invoice amount of Rs. 22,50,265/-	0.55	
	g). The Company had entered into a contract on 01.02.2021 with M/s Hykon India (P), Ltd for AMC of UPS for a period of 3 years amounting to Rs. 79.75 lacs, intially the contract is given for a period of 1 year, to be renewed subseqently based on satisfactory performence.		
	h). The Company had entered into a contract on 03.11.2020 with M/s Nextra Data Ltd., for Amazone AWS cloud for a period of 5 years amountinng to Rs. 727.14 lacs. We had paid Rs. 21,95,188/- as agaist invoice amount of Rs. 22,50,265/-	0.55	
	i). The Company had entered into a contract on 01.10.2019 with M/s Aiware Technologies Ltd., for Mobile App. Customer portal for a period of 3 years amounting to Rs. 67.14 lac. We had paid Rs. 22,36,761/- as agaist invoice amount of Rs. 22,36,761/-		
	j). The Company had entered into a contract on 01.02.2021 with M/s Aforeserve.com Ltd., for AMC of Computers and Printers for a period of 1 year amounting to Rs. 82.82 lacs.		

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:

	2020-21	2019-20
Employers contribution to Provident Fund	8,304.50	8,340.74
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**	**2020-21**	**2019-20**	**2020-21**	**2019-20**
	Discount Rate (per annum)	7.12%	7.50%	7.50%	7.50%
	Expected return on plan assets (per annum)	7.50%	7.50%	0.00%	5.00%
	Compensation escalation rate (per annum)	5.00%	5.00%	5.00%	5.00%
	Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate			

		2020-21	2019-20	2020-21	2019-20
(ii)	**Reconciliation of present value of obligation**				
	Present value of obligation at the beginning of the year	25,762.22	24,485.79	11,526.03	10,807.38
	Current Service Cost	2,070.07	1,586.92	6,366.38	4,247.21
	Interest Cost	1,724.48	1,895.94	645.47	969.82
	Actuarial (gain)/ loss	6,364.45	590.34	2,660.43	(1,580.53)
	Benefits Paid	(3,084.02)	(2,796.77)	(4,921.00)	(2,917.85)
	Present value of obligation at the end of the year	32,837.20	25,762.22	16,277.31	11,526.03
(iii)	**Reconciliation of fair value of plan assets**				
	Fair value of plan assets at the beginning of the year	23,422.52	22,744.80	-	-
	Expected return on plan assets	1,642.07	1,705.86	-	-
	Actuarial (gain)/ loss	-	-		
	Contributions	2,364.43	1,896.90	-	-
	Benefits paid	(3,084.02)	(2,796.77)	-	-
	Actual Return on Plan Assets	(22.32)	(128.27)	-	-
	Fair value of plan assets at the end of the year	24,322.68	23,422.52	-	
(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	32,837.20	25,762.22	16,277.31	11,526.04
Fair value of Plan Assets as at the end of the year	24,322.69	23,422.52	-	-
Net present value of funded obligation recognised as (asset)/ liability in the balancesheet	8,514.51	2,339.70	16,277.31	11,526.04

	Gratuity (Funded)		Compensated absences (Non-Funded)	
	2020-21	**2019-20**	**2020-21**	**2019-20**
(vi) Expenses recognized in the Statement Profit and Loss				
Current Service Cost	2,070.07	1,586.92	6,366.38	4,247.21
Interest Cost	1,724.48	1,895.94	645.47	969.82
Expected return on plan assets	(1,642.07)	(1,705.86)		
Actuarial (gain) / loss recognised in the period	6,364.45	590.34	2,660.43	(1,580.53)
Total expenses recognized in the Statement of Profit and Loss for the year	8,516.93	2,367.34	9,672.28	3,636.50
Actual return on plan assets				
(vii) Non-current and current value of obligation				
Non-current	5,572.04	23,308.13	14,622.46	11,448.02
Current	2,942.48	2,454.09	1,654.86	78.01
Total value of obligation	8,514.52	25,762.22	16,277.31	11,526.04

	31.03.2021	**31.03.2020**
(ix) Amount recognised in current year and previous four years		
Gratuity (Funded)		
Present value of defined benefit obligations	32,837.20	25,762.22
Fair Value of plant assets	24,322.68	23,422.52
Funded status- (asset) / liability	8,514.52	2,339.70
Actuarial (gain) / loss on plan obligations	6,364.45	590.34
Actuarial (gain) / loss on plan assets		
Compensated absences (Funded)		
Present value of defined benefit obligations	16,277.31	11,526.03
Fair Value of plant assets		
Funded status- (asset) / liability	16,277.31	11,526.03
Actuarial (gain) / loss on plan obligations	2,660.43	(1,580.53)
Actuarial (gain) / loss on plan assets		

(x) A quantitative sensitivity analysis for significant assumption (impact on defined benefit obligation) is as below:

A. Gratuity (Funded)

	Year ended 31.03.2021		Year ended 31.03.2020	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	31,051.00	34,837.09	23,998.94	27,755.12
Salary increase rate	34,207.77	31,539.28	27,222.86	24,369.72
Employee Turnover	33,066.05	32,590.02	38,906.21	12,618.23
Undiscounted Cash flow over the years	54,656.66		50,267.19	-

B. Compensated absences (Non - Funded)

	Year ended 31.03.2021		Year ended 31.03.2020	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	14,244.17	18,784.40	10,713.21	12,453.66
Salary increase rate	18,715.67	14,269.11	12,350.10	10,790.39
Employee Turnover	16,778.08	15,697.42	17,406.67	5,645.41
Undiscounted Cash flow over the years	58,855.50		23,520.45	

In the above analysis the change in the factor 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

	As at 31.03.2021	As at 31.03.2020
Gratuity (Funded)	6,386.77	590.34
Compensated absences (Non-Funded)	2,660.43	(1,580.53)

(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.
3. The Pay Revision of Company employees are implemented once in every 5 years. As such the period of the long term settlement in force regarding Pay, Allowances and other service benefits of Company employees had expired on 31.07.2017. The Management conducted discussions with representatives of the Unions of both Officers and Workmen on the new Charter of Demands submitted by them. Government had agreed to the settlement and vide Government order No. GO(MS) No. 20/2021/Taxes, dated 19.02.2021 issued for implement the pay revision in Company. Basis of the above, Company had allowed to employees new pay scale on 31.03.2021 onwards. We had provided the pay revision arrear from August 2018 to March 2020 in the books of accounts of FY2019-20. The corpus shortfall due to the pay revision in gratuity and leave salary is provided in the FY2020-21 based on the actuarial valuation report.

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.

(Rs in Lakhs)

Sl. No.	Particulars	Financial Year	Business segments		Total
			Chitty	Lending	
a)	Segment Revenue	2020-21	1,62,886.94	80,485.33	2,43,372.27
		2019-20	1,54,443.47	65,303.84	2,19,747.31
	Less: Inter Segment Revenue	2020-21	-	-	-
		2019-20		- -	-
	Total revenue	2020-21	1,62,886.94	80,485.33	2,43,372.27
		2019-20	1,54,443.47	65,303.84	2,19,747.31
b)	Segment results	2020-21	1,47,645.70	44,267.75	1,91,913.49
		2019-20	1,48,377.61	50,186.94	1,98,564.55
	Less Unallocable Expenditure(net of Unallocated Income)	2020-21			2,54,152.36
		2019-20			2,35,502.34
	Add Other income(Net)	2020-21			70,231.56
		2019-20			47,454.15
	Total Profit BeforeTax and Exceptional Items	2020-21			7,992.68
		2019-20			10,516.36
	Add Exeptional Items	2020-21			-
		2019-20			-
	Profit Before tax	2020-21			7,992.68
		2019-20			10,516.36
	Income Tax Expenses	2020-21			847.06
		2019-20			3,237.30
	Profit after Tax	2020-21			7,145.63
		2019-20			7,279.06

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

A.(i) 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	Sri. Varadharajan.K
2	Key managerial personnel	Sri. V.P. Subramanian, Managing Director

B. Transactions during the year

(Rs in Lakhs)

			2020-21	2019-20
1	Transactions with Key Managerial Personnel			
1.a	Remuneration to the Managing Director	Sri. A.Purushothman	0.00	30.66
		Sri. V.P. Subramanian	35.41	0.00
		Total	**35.41**	**30.66**
1.b	Honorarium to Chairman	Adv. Peelipose Thomas	2.40	2.40
		Total	**2.40**	**2.40**
1.c	Other Payments to Chairman		0.31	1.19
	Other Payments to Managing Director/Other Directors:		-	-
	Other Payments		7.16	13.88
	Others: Sitting fees		7.92	4.38
		Total	**15.38**	**19.45**
1.d	Travel Expenses:			
	Managing Director	Sri. A.Purushothman	0.00	1.64
		Sri. V.P. Subramanian	0.56	0.00
	Chairman and Other Directors		2.43	5.92
		Total	**2.99**	**7.56**

Related Parties pending payments:

Name	**Nature of payment**	**Amount**	**Remarks**
Sri. Peelipose Thomas	Sitting fee to Chairman	8075.00	
Sri. Peelipose Thomas	TA to Chairman	30590.00	
Sri. Vijayan Cherukara	TA to Directors	12700.00	
Sri. Muhammed sha	TA to Directors	440.00	
Dr. Unikrishnan. P.V	TA to Directors	7320.00	
Sri. Gamgsadharan. N	TA to Directors	18860.00	
Sri. P.C. Pillai	TA to Directors	22320.00	
Sri. R. Rajagopal	TA to Directors	450.00	
Prof. Narayana. D	TA to Directors	450.00	
Sri. R. Rajagopal	Sitting fee & Mobile charge	15270.00	
Prof. Narayana. D	Sitting fee & Mobile charge	15270.00	
Adv. Prasad	Sitting fee & Mobile charge	6000.00	
Sri. Vijayan Cherukara	Sitting fee & Mobile charge	12700.00	
Dr. Unikrishnan. P.V	Sitting fee & Mobile charge	7320.00	
Sri. Muhammed sha	Sitting fee & Mobile charge	440.00	
Sri. P.C. Pillai	Sitting fee & Mobile charge	22320.00	
Sri. Gamgsadharan. N	Sitting fee & Mobile charge	18860.00	
Dr. Unikrishnan. P.V	Travel Expenses to Directors	3000.00	
Sri. Reji Zacria	Travel Expenses to Directors	3000.00	

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. Accordingly, Ministry had notified the Companies (CSR Policy) Ammendment Rules 2021 dated January 22, 2021 and the same is applicable to the Company.

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.

Particulars	As at March 31, 2021 (Rs in Lakhs)			As at March 31, 2020 (Rs in Lakhs)		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Borrowings (other than debt securities)	205000.00		205000.00	2,45,000.00		2,45,000.00
Deposits	890824.51		890824.51	883728.98		883728.98
Other Financial Liabilities	2286938.67		2286938.67	19,62,626.95		19,62,626.95
Provisions		30035.98	30035.98		15722.08	15722.08
Other non-financial liabilities	6514.59	702.54	7217.13	4348.99	437.54	4,786.53
	3389277.77	**30738.52**	**3420016.30**	**30,95,704.92**	**16159.62**	**31,11,864.53**

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

Safe Deposit Locker Rent Receivable	6.54	
CMDRF Advance Recoverable	-198.72	
Festival Advance To Staff	1571.58	
Advance To KSFE Staff Co-Operative Society Ltd	750.00	
Flood Advance To Staff	3.38	
Amount payable to Removed Members Account.	195.83	
Foreman's Investment in Chitty	65522.76	non fin
Advance for Investments in KIIFB	0.00	
NPDSC	67.24	
	67,918.61	

29.13 Corporate Social Responsibility

The provisions of Section 135 of the Companies Act 2013 are applicable to the Company and accordingly it has to spend amount calculated in accordance with relevant provisions of the Act towards CSR activities. The CSR Committee of the Company comprise Adv. Peelipose Thomas (Chairman), Adv. Reji Zacharia (Director), Sri. Vijayan Cherukara (Director), Sri. R. Mohammed Sha (Director), Sri. P.K. Anadakuttan (Director), Adv. V.K. Prasad (Director) and Sri. VP Subramanian (Director) as members.

During FY 2020-21, the Company has spent an amount of Rs. 310.72 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. 17089 lakhs (PY: 19,752 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. 1,40,761 lakhs as at 31.03.2021.

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. 499.00 lakhs up to 31.03.2021 as against a provision of Rs. 739.00 lakhs as at 31.03.2020 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. 916.53 lakhs (PY: Rs. 879.98 lakhs against fraud/ misappropriation during the year, the cumulative provision of which comes to Rs. 2764.78 lakhs as on 31.03.2021. 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. DBOD No. 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, 2021**	**Year ended 31st March, 2020**
For Recovery from Prized Subscribers	107.72	34.79
For Interest wiver write off on Gold Loan	0.00	0.00
For Revenue Recovery Debtors	0.00	0.00
For Chitt Activities	25.00	434.67
Total	**132.72**	**469.46**

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 31.03.2021**	**As at 31.03.2020**
Inter Branch Current Account Asset / (Liability)	14,811.35	11,277.14
Total	**14,811.35**	**11,277.14**

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.

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. 2,119.52 lakhs as income under this head as against Rs. 2,349.43 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. 221.97 lakhs (PY: Rs. 142.02 lakhs) due to pending reconciliation.

(Rs in lakhs)

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Deposits Received & Outstanding	116.94	117.35
Interest Accrued on Deposit	383.82	384.94
Interest Credited by Treasury on the Amount Deposited	3,106.65	3,186.76
Sub Total (A)	**3,607.40**	**3,689.05**
Less: Amount Receivable from Govt. on account of	1336.42	1,336.42
(a) Commission Paid	12.03	12.03
(b) Interest Accrued on Deposit Receivable from Govt	480.05	480.05
(c) Balance with Treasury	1,556.93	1,718.53
Sub Total (B)	**3,385.43**	**3,547.03**
Net (A - B)	221.97	142.02

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. 21,46,232.63 lakhs (P.Y. Rs. 18,47,864.20 lakhs) includes Prize Money Payable amounting to 1,53,466.09 lakhs (P.Y. Rs. 1,58,883.34 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 allotted 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 guaranteed 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 & 2017-18. Company had taken up the matter with Government for reduction in rate of dividend. Dividnd @35% for FY2018-19 was declared and paid during April 2021.

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 mobilized 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. Company has booked this amount under "Amount receivable from Govt. (Try. Resuption) account head.

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 provision 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 **BALAN & CO.**
Chartered Accountants
Firm Regn. No: 340S

Sd/-
A. Mohanan B. Sc., FCA, DISA
Partner (Memb. No: 020627
UDIN : 22020627AKYZTK8656

Place : Ernakulam
Date : 09-05-2022

For and on behalf of Board of Directors

sd/-
K. Varadarajan
(Chairman)

sd/-
V.P.Subramanian
(Managing Director)

sd/-
B.S. Preetha (Director)

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

sd/-
Emil Alex
(Company Secretary)

सत्यमेव जयते

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT II)
KERALA, THIRUVANANTHAPURAM

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF KERALA STATE FINANCIAL ENTERPRISES LIMITED, THRISSUR FOR THE YEAR ENDED 31 MARCH 2021

The preparation of financial statements of Kerala State Financial Enterprises Limited, Thrissur for the year ended 31 March 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 139(7) of the Act is responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 15 June 2022.

On behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Kerala State Financial Enterprises Limited, Thrissur for the year ended 31 March 2021. The Supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors 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 on Profitability
Statement of profit and loss for the year ended 31st March 2021
(X) profit for the year ₹ 7145.63 Lakh

This is overstated by ₹ 246.31 Lakh due to non-provision for GST payable for the year arising from the reversal of excess input tax claimed for 2020-21. This has also resulted in understatement of other non-financial liabilities to the same extent.

B. Comments on Disclosure
Assets
Financial Assets
C Loans ₹ 3382562.88 Lakh (Note 7)

(ii) Covered by Government Guarantee

Out of the Loan of ₹ 2720.69 crore outstanding from Kerala State Social Security Pension Limited, the loan amount of 2200.69 crore was not guaranteed by Government of Kerala. Therefore, the disclosure of the outstanding loan amount of ₹ 2720.69 crore under Note no. 7 as "Covered by Government guarantee" is incorrect and misleading.

Disbursement of loan without obtaining any form of security is a material information and the same should have been suitably disclosed in notes to financial statements for enabling better understanding of the financial statements.

For and on behalf of

The Comptroller and Auditor General of India

Sd/-

DR. BIJU JACOB
PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II), KERALA

Thiruvananthapuram
Dated: 03.01.2023

REPLY TO THE COMMENTS OF C & AG UNDER SECTION 143(6) OF COMPANIES ACT 2013 FOR FY ENDED 31/03/2021

C & AG during the course of their Supplimentary Audit of Accounts for FY 2020-21 had raised 10 draft querries and we had furnished our reply and requested to drop the said querries. They had submitted their final report dated 03/01/2023 (copy enclosed) in which they had retained only 2 querries out of the aforesaid 10. Reply we had furnished to the aforesaid two draft querries is reproduced hereunder:-

A. Comments on Balance Sheet

Balance Sheet as at 31st March 2021 : Liabilities and Equity

During the financial year 2020-21, GSTR 3B Monthly returns were filed by availing Input Tax Credit u/s 17(2). However considering the actual workings based on audited financials, it was felt that switching over to availing of input tax credit u/s 17(4) of CGST Act would be more beneficial to the Company. Opinion from our tax consultant in this regard was sought and based on the opinion so received, input tax credit was reworked and annual returns were filed accordingly. Excess input tax credit of 2020-21 was reversed during 2021-22 and the differential amount was remitted during December 2022. Considering the materiality aspect and fact the same was inadvertently was not provided for in the books and, the audit query may kindly be dropped.

3. Comments on Disclosure

1. Balance Sheet as at 31st March 2021
1. Financial Assets

C. Loans Rs.3382562.88 Lakh (Note 7)

KSFE had lent INR 520 crores to KSSPL initially and had sought Government approval for the same considering the fact that the loan was for a period of three years. Subsequently, as pointed out by the Audit, the outstanding loans to KSSPL was at INR 2720.69 lakhs as on 31.03.22 and the Company had not taken specific approval for each loan sanctioned further from the Government. Specifica approval were not taken considering the fact that loan sanctioned weer short term loans and transaction fall under the nature of ordinary business of the Company, as the Company had got aproval from Government for conducting other line of business.

It may further noted that M/s KSSPL in its Annual General Meeting held on September 209, 2021 had taken approval/ratification from its shareholders for renewing loans amounting to INR 3750 crores availed from KSFE. Therefore, compliance under Section 180(1)(c) has been duly met by the KSSPL. It may also be noted that the proposal to issue/subscribe debentures amounting to INR 2000 crores was not pursued further by KSFE citing regulatory issues. This reply was mentioned to audit during previous year too and once again the same is being reiterated here.

We also would like to further submit that as a matter of prudence, Board of Directors in its 560th meeting held on 12.7.2022 had decided to cap the overall limit of loans sanctioned to M/s KSSPL @ INR 3500 crores and also to insist on Government Guarantee for the loans sanctioned by the Company hereafter. Accordingly, M/s KSSPL was appraised, about Board decision and they are in process to repay the excess loan amounting to INR 670 crores. We are also intimated by M/s KSSPL that they have already initiated in process to obtain Government Guarantee for the loan sanctioned by us (It may be noted that loans amounting to Rs.150 crores has already been repaid by them().

Thus it could be seen that loan sanctioned to KSSPL comes under the ordinary course of business of the Company & there are no compliance related instances therein at our end.

It may be noted that lending comes within the purview of regular business activity of the Company and thus lending to KSSPL is an activity well within the normal course of business. It may further be noted that KSSPL is a Company wholly owned by the Government of Kerala and we have been getting letter of assurance from Government of Kerala with regard to timely payment of monthly interest and repayment of principal on maturity of inter corporate loans being sanctioned to M/s KSSPL. We have been obtaining periodical interest on such loans and repayment of principal amount on maturity without fail so far.