

**GOVERNMENT OF KERALA****Abstract**

Taxes Department -The Kerala State Financial Enterprises Limited - Enhancement of Guarantee Coverage limit from the existing ₹20,000 crores to ₹25,000 crores - Sanction Accorded - Orders Issued

TAXES (H) DEPARTMENT

G.O.(Rt)No.1027/2024/TAXES Dated,Thiruvananthapuram, 16-11-2024

Read 1 GO(P) No.61/2023/Fin dated 23/06/2023

2 GO(Rt) No.559/2023/Taxes dated 18/08/2023

3 Letter No.11101/2212 dated 30.05.2024 from the Managing Director, The Kerala State Financial Enterprises Limited, Thrissur.

ORDER

The Managing Director, Kerala State Financial Enterprises Limited vide letter read (3) above has informed that, the Company has been accepting deposits from the public and the repayment of which is guaranteed by Government. The deposits so mobilized are primarily utilized for providing a wide range of financial services to a large segment of general public residing throughout the length and breadth of the State through the vast network of branches. On the basis of the Company's actual deposit mobilization and subsequent requests thereon Government had been enhancing the guarantee coverage limit from time to time and vide reference read (2) above the same has been enhanced to ₹20,000 crores.

2. It is also informed that public deposits accepted under guarantee coverage of the Government of Kerala happen to be the principal source of finance for carrying out the Company's business operations. As public deposits happen to be the main source of fund the very existence of the Company is dependent on such sourcing and the Company's profile comprises Chitty, Advances and Deposits and budgeted a total turnover of Rs.1,00,000 crores by 2025 as part of corporate "Vision 2025". As stated, deposits happens to be a significant contributor in the

overall turnover and the enhancement of guarantee coverage limit is an essential pre-requisite for the attainment of Company's targets as envisaged in "Vision 2025" and the loan portfolio is also on upward trajectory on account of new variants of existing products/introduction of new product line and this upward trend has resulted in higher demand for funds and the need for enhancement of existing guarantee coverage limit became all the more inevitable.

3. Moreover, higher loan portfolio would invariably facilitate achievement of Company's overall turnover target of 1 lakh crore in sync with "Vision 2025", as loans too, along with deposits happen to be an indispensable part of the turnover. Considering anticipated business growth in sync with "Vision 2025", the Company envisages deposits to grow beyond the existing sanctioned limit of Rs.20,000 crores by 3rd quarter of FY 2024-2025. The Guarantee coverage on deposit does not have retrospective effect and hence in a situation where the outstanding deposits exceed existing sanctioned guarantee limit, the same gets adversely commented upon by auditors, both statutory and C&AG. Accordingly, the Managing Director, Kerala State Financial Enterprises Limited has requested to accord sanction for the enhancement of the existing guarantee coverage limit from ₹20,000 crores to ₹25,000 crores so that their deposits remain within the guaranteed limits and are assured of appropriate regulatory backing/approvals for mobilizing funds from the main source of funding viz. public deposits.

4. The Government have examined the matter in detail and are pleased to accord sanction to enhance the existing guarantee coverage limit of The Kerala State Financial Enterprises Limited from the existing ₹20,000 crores to ₹25,000 crores subject to the following terms and conditions of Government Guarantee;

- i. Guarantee Commission @ 0.75% shall be remitted as per orders in G.O(Ms)No.487/04/Fin dated 16.10.2004 & Guarantee Act.
- ii. Simple interest @ 12% shall be charged for delayed payments as specified in Clause 5 of G.O(Ms) No.487/2004/Fin dated 16.10.2004.
- iii. Half yearly report shall be sent to Government in Finance Department with attested copies of chalans remitting Guarantee Commission & penal interest, if any, indicating details of guaranteed amount outstanding, guarantee commission payable (with Calculation Statement).
- iv. The Kerala State Financial Enterprises Limited should ensure the remittance of Guarantee Commission dues, if any, and furnish report to

Government, before the execution of deed.

v. Since Guarantee Commission cannot be waived as per the Guarantee Act, The Kerala State Financial Enterprises Limited may evolve a proper mechanism for the strict payment of Guarantee Commission without any fault.

vi. The Guarantee Deed shall invariably contain the Government Order No. & date of Government Guarantee, Amount & Period of Guarantee & the Ceiling limit as per KCGG Act, 2003 (as amended through Finance Act.2, 2022) & should be got vetted by Government.

(By order of the Governor)
VANDANA S K A S
UNDER SECRETARY

To:

1. The Managing Director, The Kerala State Financial Enterprises Limited, Thrissur
2. The Principal Accountant General(A&E) Kerala, Thiruvananthapuram
3. The Principal Accountant General (Audit), Kerala, Thiruvananthapuram
4. The General Manager, Reserve Bank of India, Thiruvananthapuram
5. The Finance (PU-B) Department (Vide remark No.411561/PUB3/21/2017/Fin dated 04.11.2024)
6. Information and public Relations Department (Web and New Media)
7. Stock File/Office Copy (H2/180/2024/Taxes)

Forwarded /By order

Section Officer

Copy To:-

Private Secretary to the Hon'ble Minister For Finance.

PA to Additional Chief Secretary, Taxes Department.

PA to Joint Secretary, Taxes (H) Department.