

SECRETARIAL COMPLIANCE REPORT OF
KARNATAKA STATE FINANCIAL CORPORATION
FOR THE YEAR ENDED MARCH 31, 2022

(Pursuant to Regulation 24A (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To

The Board of Directors,
Karnataka State Financial Corporation,
'KSFC Bhavana', No.1/1, Thimmaiah Road,
Bengaluru-560052.

I have examined:

- (a) All the documents and records made available to me and explanation provided by Karnataka State Financial Corporation ("the listed entity / KSFC"),
- (b) The filings/ submissions made by the listed entity to the stock exchanges,
- (c) Website of the listed entity,
- (d) Any other document/ filing, as may be relevant, which has been relied upon to make this Report.

for the year ended March 31, 2022 ("Review Period") in respect of compliance with the provisions of –

- (i) The Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA"), Rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:

- (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; *(Not applicable to the listed entity during the Review Period)*

K. Narayana Swamy & Co.
Company Secretaries



- (c) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; *(Not applicable to the listed entity during the Review Period)*
- (d) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; *(Not applicable to the listed entity during the Review Period)*
- (e) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; *(Not applicable to the listed entity during the Review Period)*
- (f) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation, 2008;
- (g) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; *(Not applicable to the listed entity during the Review Period)*
- (h) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder to the extent of Regulations 74 and 76 of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
- (j) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;

and based on the above examination, I hereby report that, during the Review Period:

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:



Sl. No.	Compliance Requirement (Regulations / circulars / guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1.	Disclosure of Corporate Governance by High Value Debt (HVD) listed entities – SEBI (LODR) (Fifth Amendment), Regulations, 2021, w.e.f. 7 th September, 2021.	<p>While KSFC very much like to comply with all the new requirements as per SEBI (LODR) (5th Amendment) Regulations, 2021 dated 7.9.2021 and also NSE Circular Ref. No: NSE/CML/2021/10 dated 30.9.2021 read with emails dt. 7.10.2021, 21.10.2021 & 22.10.2021, there are certain practical difficulties in complying with certain requirements, particularly with regard to Chapter IV (Corporate Governance) of SEBI (LODR) Regulations (Fifth Amendment), 2021 in view of multiple controls and compliances already existing / applicable under State Financial Corporations Act, 1951 and KSFC General Regulations, 2002.</p> <p>This mainly pertains to certain aspects covered under the following Regulations of SEBI (LODR) Regulations, 2015:</p> <ol style="list-style-type: none"> Reg.17(1) Reg.17(1B) Reg.17(1C) Reg.17(4) Reg.17(5) Reg.17(6) Reg.17(10) Reg.17A Reg.18(1) Reg.18(2) Reg.18(3) Reg.19 Reg.20 Reg.21 Reg.23 Reg.25 Reg.26 	<p>Karnataka State Financial Corporation (KSFC) was established by the Government of Karnataka (GoK) in the year 1959 under the State Financial Corporations Act, 1951 and further governed by KSFC General Regulations, 2002, approved by GOK and SIDBI. <u>Importantly, KSFC is not a Company registered under Companies Act, 1956/2013.</u></p> <p>Accordingly, KSFC has since sought relaxation to certain provisions of the Corporate Governance requirements (Chapter IV) due to practical difficulties in complying with certain requirements as per proviso to Regulation 15 (1A), i.e., <u>comply or explain basis, vide No.KSFC / HO/ (C)/2021-22 dt.12th April, 2022.</u></p>



2.	Reg. 61 A Dealing with interest/dividend/ redemption amounts, unclaimed non- convertible securities and benefits accrued thereon.	Any amount remains unclaimed for seven years shall be transferred to the Investor Education and Protection Fund constituted in terms of section 125 of the Companies Act, 2013. However, since this is a new requirement, KSFC has since taken necessary action to comply with the above requirement. Any amount remains unclaimed will be transferred to Investor Education and Protection Fund.	<i>KSFC has already issues notices to the bond holders to claim the unclaimed amounts outstanding and also decided to transfer the unclaimed amount to Investors Education and Protection Fund at the earliest.</i>
3.	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.	KSFC is yet to frame the required compliances under the SEBI (Prohibition of Insider Trading) Regulations, 2015 since this is a requirement. However, this is being complied with.	<i>KSFC is in the process of formulating applicable Insider Trading Policy/ Code as may be necessary under the Regulation.</i>
4.	Reg 6(1) of the SEBI (LODR) Regulations, 2015. Appointment of qualified person as Company Secretary & Compliance Officer.	KSFC has decided to place an officer presently working in the Corporation with requisite qualification as Company Secretary & Compliance Officer.	<i>KSFC is in the process of complying with requirement. Accordingly, KSFC has sought extension of time up to 30th June, 2022 for compliance with Reg.6(1) vide its letter dated 29th April, 2022 sent to NSE.</i>

(b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my examination of those records except as explained in Table (a) above.

(c) The following are the details of actions taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:



Sl. No.	Action taken by	Details of violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ remarks of the Practicing Company Secretary, if any.
NIL				

(d) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sl. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year ended March 31, 2022	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
NOT APPLICABLE since this is the first Report on applicability of the SEBI (LODR) Regulations, 2015, vide amendment dated 7 th September, 2021.				

e. The reporting of clause 6 (A) and 6 (B) of the circular No.CIR/CFD/CMD1/ 114/2019 dated October 18, 2019 issued by the Securities Exchange Board of India on Resignation of statutory auditors from listed entities and their material subsidiaries.

NOT APPLICABLE. The appointment of Auditors is as per the panel of auditors approved by RBI.

NOTE: The new requirements as per SEBI (LODR) (5th Amendment) Regulations, 2021 is applicable to KSFC w.e.f. 7th September, 2021. However, KSFC has already explained the practical difficulties in complying with certain requirements vide letter No.KSFC/HO/(C)/2021-22 dt.12th April, 2022 addressed to NSE. Accordingly, the non-compliance can be treated on a "comply or explain basis" as per proviso to Regulation 15 (1A) of SEBI (LODR) (5th Amendment) Regulations, 2021.



(K. Narayana Swamy)
Company Secretary in Practice

FCS 1838 CP 9878
PR 1744/2022

UDIN F001838D000423941

Place: Bengaluru
Date: 30th May, 2022