

14<sup>th</sup>

ANNUAL REPORT

2004-2005

40-1-144 ,3rd Floor, Corporate Centre  
M.G. Road, VIJAYAWADA-520 010  
PHONE : 2474644, 5561188, Fax : 2474633

**IKF FINANCE LIMITED****BOARD OF DIRECTORS :**

Mr. V.G.K. Prasad  
 Mrs. V.Indira Devi  
 Mr. N.Haranath  
 Mr. V.Purnachandra Rao  
 Dr. Sinha S. Chunduri  
 Dr. Prasad J. Athota  
 Mr. K.V.Venkateswara Rao

Managing Director  
 Whole Time Director  
 Director  
 Director  
 NRI Director (Alternate Director Mr. N.V.S.N.Prasad)  
 NRI Director (Alternate Director Mr. Ch.V.Rama Rao)  
 Director

**AUDIT COMMITTEE :**

Mr. K.V.Venkateswara Rao  
 Mr. V.Purnachandra Rao  
 Mr. N.Haranath

**SHARE TRANSFER & INVESTOR GRIEVANCE COMMITTEE :**

Mr. N.Haranath  
 Dr. Prasad J. Athota  
 (Alternate Director Mr. Ch.V.Rama Rao)

**MANAGEMENT COMMITTEE :**

Mr. V.G.K.Prasad  
 Mrs. V.Indira Devi  
 Mr. N.Haranath  
 Dr. Prasad J. Athota  
 (Alternate Director Mr. Ch.V.Rama Rao)

**BANKERS :**

The Federal Bank Limited  
 Andhra Bank  
 ING Vysya Bank Limited  
 UTI Bank Limited  
 The A.P. Mahesh Co-operative Urban Bank Ltd.

**AUDITOR :**

**Hanumaiah & Co.,**  
 Chartered Accountants  
 1 & 2 Ground, RAM'S VSR Apartments  
 Mogalrajpuram,  
 VIJAYAWADA - 520 010.

**LISTING :**

The Hyderabad Stock Exchange Limited, Hyderabad  
 The Stock Exchange, Mumbai  
 The Stock Exchange, Ahmedabad

**REGISTERED OFFICE :**

# 40-1-144, 3rd Floor,  
 Corporate Centre, M.G. Road,  
 VIJAYAWADA - 520 010. (A.P.)

**SHARE TRANSFER AGENTS :**

Bigshare Services Pvt. Limited  
 E-2, Ansa Industrial Estate, Sakivihar Road,  
 Saki Naka, Andheri (E), MUMBI - 400 072.

**BRANCH OFFICES :**

- ❖ D.No. 40-1-144, 1st Floor, Corporate Centre, M.G. Road, VIJAYAWADA - 520 010.
- ❖ D.No.47-11-9, Vamsee Complex, Dwaraka Nagar, Daimand Park, VISAKHAPATNAM - 530 016.
- ❖ D.No.77-8-4, R T C Complex Road, RAJAHMUNDRI - 533 101.
- ❖ D.No.8-3-219/19, Dhanunjaya Chambers, Yusufguda Road, Ameerpet, HYDERABAD - 500 073.
- ❖ 2nd Floor, Kothamasu Plaza, 3/1 Arundalpet, GUNTUR - 522 002.
- ❖ D.No. 4-33/5/F, Mamatha Complex, Opp.: Government Hospital, Main Road, KODAD - 508 206.

14 <sup>TH</sup> ANNUAL GENERAL MEETING	CONTENTS	Page Nos
Date : 30th September, 2005 Time : 4:30 P.M. Day : Friday Venue : Registered Office of the Company 40-1-144, 3rd Floor Corporate Centre, MG Road, Vijayawada - 520 010 Krishna District Andhra Pradesh	Notice Directors' Report Management Discussion & Analysis Report on Corporate Governance Auditor's Report Balance Sheet Profit & Loss Account Schedules to the Accounts Balance Sheet Abstract Cash Flow Statement	2 4 6 8 13 17 18 19 28 29

**IKF FINANCE LIMITED****NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the 14th Annual General Meeting of the Company will be held on Friday, the 30th September, 2005 at the Registered Office of the Company at Vijayawada at 4.30 P.M. to transact the following business;

**ORDINARY BUSINESS:**

01. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and the Profit and Loss Account as on that date and reports of the Directors' and Auditors' thereon.
02. To declare dividend for the financial year 2004-2005
03. To appoint a Director in place of Shri.K.V. Vennkateswara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
04. **Appointment of Auditors:**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"Resolved That M/s.Hanumaiah & Co., Chartered Accountants, Vijayawada, who retire at this annual general meeting, being eligible and willing to act as Auditors of the Company, be and are hereby appointed as Auditors of the Company to hold office till the conclusion of next Annual General Meeting at such a Remuneration as may be fixed by the Board of Directors in addition to the reimbursement of out-of pocket expenses."

**SPECIAL BUSINESS:**

05. **To be moved as a Special Resolution.**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"RESOLVED THAT, pursuant to the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 and enabling provisions in the Memorandum and Articles of Association of the Company and, subject to the approval of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and/or any other authority concerned, if and to the extent necessary, and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any duly authorised committee thereof for the time being exercising the powers conferred on the Board by this resolution) or as may be prescribed in granting such consents and approvals and which may be agreed by the Board, the consent of the Company be and is hereby accorded to the Board to offer, issue and allot 30,57,665 Fully Convertible Debentures of Rs.10/- each, convertible in to one Equity Share of Rs.10/- each on or before 29th day of 18th Month from the date of allotment, as the Board may, in its sole discretion, at any time hereafter decide, to the Shareholders of the Company on Rights basis at Rs.13/- per Debenture (including a premium of Rs.3/-) (whether payable in Indian Rupees or in Foreign Currencies) and in such manner as the Board may, in its sole discretion think fit.

"RESOLVED THAT the Debentures on conversion shall rank parri passu in all respects with the existing Equity Shares of the Company save that such equity shares shall carry the right to receive dividend which may be declared for the financial year in which the allotment of the Shares shall become effective prorata from the date of allotment subject to the provisions of Companies Act, 1956 and/or SEBI Regulations, if any."

RESOLVED FURTHER that the Board be and is hereby authorised and empowered to do such acts, deeds, matters and things as it may, in its absolute discretion, deem fit, necessary, desirable or expedient to give effect to this resolution and to settle any question, difficulty or doubt that may arise with regard to the offerings, issue proceeds, or any other matters incidental and/or ancillary thereto."

By order of the Board

Sd/- x x x  
(V.G.K. PRASAD)  
Managing Director

Place: Vijayawada  
Date : 16.08.2005.



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## ANNEXURE TONOTICE

Explanatory Statement Under Section 173(2) of the Companies Act, 1956.

### Item No.5:

Consent of the Shareholders is sought to authorise the Board of Directors for issuing One Fully Convertible Debenture of Rs.10/- each with a Premium of Rs.3/- per Debenture for every Two Equity Shares held by the Shareholders of the Company as stated in the resolution at item No.5 which will be in accordance with the requirements of the law for the time being in force and of existing guidelines issued by the Securities and Exchange Board of India (SEBI) and any other guidelines issued by the Government bodies and/or authorities.

As the Company proposes expand its investment activities by raising funds by way of issue of Fully Convertible Debentures (FCDs), it is proposed to offer, issue and allot 30,57,665 Fully Convertible Debentures of Rs.10/- each at a Premium of Rs.3/- per Debentures, convertible in to One Equity Share of Rs.10/- each on 29th day of 18th Month from the date of allotment to the existing Shareholders of the Company, whose names appear in the Register of Members as on the record date which will be announced at a later date separately, on Rights Basis.

The proposed issue of Securities will be subject to the approval of Securities and Exchange Board of India (SEBI) Reserve Bank of India (RBI) and all other concerned authorities as may be required.

In terms of the enabling resolution, the Board is inter alia empowered to offer, issue and allot Fully Convertible Debentures to the Shareholders of the Company and consent of the members in the General Meeting would therefore be necessary pursuant to Section 81 of the Companies Act, 1956. Hence the resolution in Item No. 5 is recommended for your approval.

Accordingly, consent of the shareholders is being sought for issue of Fully Convertible Debentures. Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company are interested in this resolution except to the extent of Shares allotted to them and their relatives.

### NOTES

- 1 A member, entitled to attend and vote at this Annual General Meeting may appoint a Proxy to attend and vote on a poll on his behalf. A Proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than forty eight hours before the commencement of this Annual General Meeting.
- 2 Members/Proxies should bring the attendance slips filled in for attending the Meeting.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September, 2005 to 17th September, 2005, both days inclusive.
- 4 Dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 17th September 2005.
- 5 Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the management to reply.
- 6 The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business is annexed hereto and forms part of the notice.
- 7 Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, Dividends for the financial year ended 31st March, 1998 and thereafter, which remains unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Members who have not encashed their Dividend warrants so far for the financial year ended 31st March, 1998 or any subsequent financial year(s) are requested to large their claims Company.

Members are advised that in terms of the provisions of the Section 205C of the Companies Act, 1956, once unclaimed dividend transferred to IEPF, no claim shall lie in respect thereof.

By order of the Board

Sd/- x x x  
(V.G.K. PRASAD)  
Managing Director

Place: Vijayawada

Date : 16.08.2005.

# IKF FINANCE LIMITED



## DIRECTORS REPORT

Your directors have pleasure in presenting the 14th Annual Report along with audited accounts of the Company for the year ended 31st March, 2005. The summarised financial results of the Company, are given hereunder:

### Financial Results:

(Rs.in Lakhs)

Particulars	Year-ended 31.03.2005	Year ended 31.03.2004
Income from Operations	537.78	422.57
Total Expenditure	60.70	55.94
Interest	142.23	131.03
Profit Before Dep. & Taxes	334.85	235.60
Depreciation	111.99	72.93
Provision for Current Tax	62.01	37.43
Provision for Deferred Tax	21.98	20.95
Profit after Tax	138.87	104.29
General Reserve	6.95	5.25
Reserve Fund	27.80	21.00
Dividend (proposed)	91.73	66.88
Dividend Tax	11.47	8.36
Prior Year Income Tax	0.62	0.00
Surplus Carried to Balance Sheet	0.30	2.80

### Dividend:

For the Financial Year ended March 31, 2005, your Directors declared an Interim Dividend of 10% on the Paid Up Share Capital of the Company. Your Directors are now happy to recommend a Final Dividend of 5% (Rs.0.50 per Equity Share) for the year ended 31st March, 2005. This, together with the interim Dividend of 10% declared on January 17, 2005, aggregates to a Total Dividend of 15%. The Total Dividend together with Dividend Tax of Rs.11.47 Lakhs absorbs a Sum of Rs.103.20 Lakhs (Rupees One Crore and Three Lakhs Twenty thousand Only).

### Review of Operations:

Your Company's performance for the Year ended March 31, 2005 continues to be encouraging and registered a growth of 27% in its Gross Receipts to Rs.537.78 Lakhs as against Rs.422.57 Lakhs and the Net profit increased from Rs.104.28 Lakhs to Rs.138.87 Lakhs registering a growth rate of 33%.

### Business:

In line with overall growth in automotive sector, Your Company has retained its share in the commercial vehicle financing in spite of intense competition from Big NBFCs and banks, through well planned penetration strategies and superior customer service, without compromising on its asset quality.

### Future Outlook:

The retail finance business will continue to grow strongly and your company continues to focus on Retail segment. Competition continues to be intense as more and more big players are eying the Vehicle finance segment. However, your company's core strengths such as the ability to innovate, respond swiftly to changes in the external environment. To continue this growth and sustain profitability, the company will focus on providing superior service to customers, lowering its cost of funds, maintaining a good asset quality and enhancing operating efficiencies.

### Deposits:

Your Company has not mobilised any Public Deposits during the year under review and there are no outstanding Deposits at the end of the year.

### Bank Limits:

Your company continues to enjoy Cash Credit Limits with the Federal Bank Limited (Rs.150 Lakhs), Andhra Bank (Rs.100 Lakhs), ING Vysya Bank Limited (Rs.200 Lakhs) and UTI Bank Limited (Rs.75 Lakhs).

Your Company is exploring all options to access low cost funds, by leveraging its strengths, to further expand the operations.

### Business Associations/Tie-Ups:

Your Company has been continuing its association with HDFC Bank Limited (Joint Lending Arrangement), ING Vysya Bank Limited and the A.P.Mahesh Co-Op. Urban Bank Limited (Asset Portfolio Management). The company has availed a securitisation exposure limit to the tune of Rs.200.00 lakhs from M/s. Sundaram Finance Limited, against the HP/Lease Rentals receivables of the company.

### Capital Adequacy & Asset Quality:

The Capital to Risk Assets Ratio of your company is 26% as on 31.03.2005, well above the minimum of 12% prescribed by the Reserve Bank of India. All the assets of the company are classified as Standard assets.

### Credit Rating:

During the year under review, Credit Analysis and Research Limited (CARE) has retained "BBB+" rating assigned to your company for its Secured Non Convertible Debenture schemes to the tune of Rs.350 Lakhs, signifying the adequate degree of safety for Debenture holders funds regarding timely payment of interest and principal.



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## Corporate Governance:

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms as per clause 49 of the listing agreement together with a Certificate from the Statutory Auditors, is attached and forms a part of the Directors' Report.

## Management's Discussion and Analysis:

In accordance with the listing requirement, the Management's Discussion and Analysis forms part of this report.

## Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Sri K.V.Venkateswara Rao retire by rotation and being eligible offer himself for reappointment. Your Directors are pleased to place on record their appreciation for the services rendered by him during his tenure as Director and wish to recommend his reappointment.

## Particulars of Employees:

During the year under review, none of the employees of your Company were in receipt of remuneration in excess of the limits prescribed for disclosure as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employee) Rules, 1975 as amended from time to time.

## Information on Conservation of Energy, Technology absorption and Foreign Exchange earnings/out goings as per Section 217 (1) (e) of the Companies act, 1956:

Your Company has no activities relating to the conservation of energy and technology absorption. Your company didn't have any foreign exchange earnings during the year under review. However your company has received Rs.43.49 Lakhs in USD as subscription to Fully Convertible Debentures application money from Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) on Preferential basis. The company does not have any foreign exchange earnings.

## Directors' Responsibility Statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the Profit & Loss account for the year ended 31st March, 2005 and the balance sheet as at that date applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made 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

and of the profit of the company for that period. Further, in accordance with the accounting standard on intangible assets (AS-26) together with the clarification issued by the Institute of Chartered Accountants of India, business origination costs incurred during the year has been expensed fully and the accumulated balance of business origination cost as at 31st March, 2005 is being amortised over the tenure of the respective agreements.

- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognised in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- the financial statements have been prepared on a going concern basis.

## Auditors:

M/s. Hanumaiah & Co, Chartered Accountants, retire at the ensuing annual general meeting and are eligible for re-appointment.

## Acknowledgement:

Your directors thank all the customers, debenture holders, vehicle dealers, bankers and business associates, The A.P. Mahesh Co-Operative Urban Bank Limited, ING Vysya Bank Limited and HDFC Bank Limited for their continued support to your company.

Your directors also thank all the shareholders for the co-operation extended to their company and look forward to their continued support. Your directors also place on record their appreciation of the admirable contribution made by the employees at all levels for posting a satisfactory performance.

By order of the Board

Sd/- x x x  
(V.G.K. PRASAD)  
Managing Director

Place: Vijayawada  
Date : 16.08.2005.



# IKF FINANCE LIMITED



## MANAGEMENT DISCUSSION & ANALYSIS

### INTRODUCTION:

The motive behind this discussion is to share Management's perspective on the contemporary developments in the Financial Services sector, challenges and opportunities as well as an analysis of the Company's performance.

This discussion outlines the Company's Business Outlook, Goals & Strategies, Internal Audit & control measures and Risk management & monitoring and should be read in conjunction with the Directors Report, Financial Statements and Notes on accounts appended to it.

### ECONOMIC ENVIRONMENT:

During the year 2004-2005, the Indian economy registered a growth of 6.90% as against the initial estimates of 8.50% and, in spite of low growth rate, India continued to be one of the highest growth economies in the world. Manufacturing and Service Sectors are estimated to have grown at 8.30% and 8.60% while the Agricultural Sector has grown at 1.10% as against 9% in the previous year. In spite of high crude oil prices, Inflation continues to hover around 5% - 6% levels. India's foreign exchange reserves have crossed USD 140 Billion mark.

### AUTOMOTIVE SECTOR:

It is imperative to take note of the prospects of the Indian Automotive sector as it is directly related to the business of your Company. Besides other factors, availability of cheap finance fuels the growth in commercial vehicles segment. In 2004-2005, the Medium & Heavy Commercial Vehicles (M & HCVs) has registered a growth of 23% and Light Commercial Vehicles (LCVs) grew by 22%.

### PRODUCT MIX:

IKF has maintained its policy of developing a diversified and de-risked product mix and enriching its offerings based on ongoing market feedback. The company periodically evaluates new product opportunities on criteria such as the size of the market, perceived risk, intensity of competition and its ability to enhance customer value.

### OPERATING & FINANCIAL PERFORMANCE:

During the financial year 2004-2005, the Gross Income has grown by 27% and Net Income has registered a growth of 33% as against 3.22% registered in the previous financial year. Earnings Per Share [E.P.S.] has increased to Rs.2.27 as against Rs.1.70 during the corresponding period last year and the Cash Earnings Per Share [C.E.P.S.] has increased from Rs.2.95 to Rs.4.12 during the financial year 2004-2005.

Capital Adequacy (CRAR) at 27% as on 31.03.2005 was comfortably higher than the statutory requirement of 12%.

### BUSINESS OUTLOOK:

In view of significant potential for growth in retail vehicle finance segment, the company continues to strive to attain its goal of becoming a Regional Player. The company continues to focus on its strengths in distribution channels and its relationships with customers, associates and product dealers. The company believes that in the years ahead, its ability to consistently deliver a superior service to customers and associates will be its primary differentiator. Towards this, the company is setting itself significantly higher standards of service and is streamlining processes and strengthening operational systems.

Though the raising oil prices are a cause for concern, your company is confident of meeting the challenges and posting a satisfactory performance for the year, as it does during the past, in spite of the pressure on lending rates.

### RISK MANAGEMENT & CREDIT MONITORING:

Your company lays great emphasis on risk management and Credit monitoring and evolved a variety of Risk management and monitoring tools while dealing with a wide variety of retail customers across the State. Increased competition and market volatility has enhanced the importance of risk management in financial services business. The policies followed by the Company are in line with some of the best policies in the financial services sector.



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### **CREDIT RISK:**

Credit risk is the risk of financial loss arising out of the inability or unwillingness of a customer to meet his obligation.

### **RISK MITIGATION:**

The credit risk in vehicle finance is managed through appropriate processes including the sourcing of business, thorough due diligence and the follow-up of collection processes. Clear underwriting and documentation standards have been established for various customer segments. Risk is also managed by monitoring the performance of the overall portfolio across various product / customer segments.

### **OPERATIONAL RISK:**

This is the risk of loss from inadequate or failed systems, processes or procedures. These may be attributed to human failure or technical problems given the increased use of technology and staff turnover.

### **RISK MITIGATION:**

The company has a comprehensive internal control and security system, which provides for appropriate checks and balances. Its internal audit process reviews internal controls and compliance of the control systems. The system is continuously upgraded based on market developments and the company's cumulative experience.

### **MARKET RISK:**

Market risk refers to uncertainty of future earnings resulting from changes in the values of financial instruments. This could arise from changes in liquidity conditions and interest rates.

### **RISK MITIGATION:**

The market risk arising from fund-based exposures is managed through an asset-liability management process. Though the company does not have an Asset - Liability Management Committee (ALCO), your Company's management closely monitors the risk management policies at frequent intervals, to ensure that there are no imbalances or excessive concentrations. A risk limit is fixed to contain any adverse impact on the bottomline, even while taking advantage of the upside potential offered by the market.

### **LIQUIDITY RISK:**

This risk could arise out of a mismatch in the maturity profile of the assets and liabilities, potentially impacting the company's ability to meet its immediate financial obligations.

### **RISK MITIGATION:**

The management of liquidity risk includes the measurement and forecasting of the cash flow position across various time buckets. The policy also stipulates the permissible maximum amount of mismatches within any time bucket. The company has made suitable arrangements on a continuous basis to ensure that there is no disruption of business on account of liquidity constraints.

### **INTEREST RATE RISK:**

Interest rate risk arises when there is a mismatch between cash flows, subject to interest rate fluctuations within a specified period adversely impacting the net interest income. The company measures interest rate risks by the 'duration gap' method. The duration gap is a risk measure that tracks the gap between assets and liabilities sensitive to interest rate changes.

### **RISK MITIGATION:**

The company manages the duration gap within the set risk limit, by altering the tenure and structure of borrowings.



# IKF FINANCE LIMITED

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## GOALS & STRATEGIES:

Your Company's Tie Ups with various Banks and Financial Institutions, which are market leaders in their respective areas, has yielded positive results and strengthened its competitive edge. Your company continues to be wedded to the ideal of total customer satisfaction and reaches out to its customers through its branch network with a diverse range of financial products.

It is the continuous endeavour of your company to meet the ever-increasing customer expectations and to deliver greater value addition to customers. To differentiate on the basis of quality and deliver superior products and services to customers remains your company's prime objective.

## HUMAN RESOURCES AND INFRASTRUCTURE:

As the company's operations have gained steadily in size, reach and complexity, its organisation structure and human resources have kept pace with the changes. Regular training for skill up-gradation and open communications enable the organisation to sustain a talent pool which provides an edge to the company in a highly competitive business.

## CAUTIONARY FORWARD LOOKING STATEMENTS:

The company has made forward-looking statements in this document that are subject to risks and uncertainties. Forward-looking statements may be identified by their use of words like 'expects', 'believes', 'estimates' or similar expressions. All statements that address expectations or projections about the future, including, but not limited to, statements about company's strategy for growth, product development, market position, market expenditures, and financial results are forward looking statements.

For those statements the company cautions that numerous important factors could affect the company's actual results and could cause its results to differ materially from those expressed in any such forward looking statements.





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## REPORT ON CORPORATE GOVERNANCE

(as required under Clause 49 of the  
Listing Agreement entered into  
with the Stock Exchanges)

This section on Corporate Governance forms part of the Report of the Directors to the Members.

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our Corporate Governance policies recognise the accountability of the Board and the importance of its decisions to all our constituents, including Customers, investors and the regulatory authorities. The strong foundation of the company is supported by the pillars of Customer faith, Debenture holders Confidence, Bankers Trust, Investor Steadfastness and Employee loyalty. The company has been growing over the past Fourteen years on the principles of dedicated customer service, fair business practices, efficient and trusted financial policies. It continues to maintain high standards of integrity through excellence in service to all its stakeholders.

The Board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in economic, social, environmental and ethical matters by ensuring that the company conducts its activities in accordance with corporate governance best practices.

### 2. BOARD OF DIRECTORS:

Directors possess the highest personal and professional ethics, integrity and values, and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the Board is to provide effective governance over the company's affairs exercising its reasonable business judgement on behalf of the company.

The Board has been constituted in a manner, which will result in an appropriate mix of executive/non-executive and independent Directors to ensure proper governance and management. The Board comprises Seven members who have experience in diverse fields like finance, Accounts and Management. Non-Executive Directors bring independent judgement in the Board's deliberations and decisions. The Executive Directors are Sri V G K Prasad, Managing Director and Smt. V Indira Devi, Whole Time Director.

Sri V.Purnachandra Rao, Sri N.Haranath and Sri K.V.Venkateswara Rao are the Independent Directors. The composition of the Board is in conformity with the listing requirements and in accordance with the best practice in Corporate Governance.

### 3. BOARD MEETINGS:

The Board of Directors meet at regular intervals with a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The Board is regularly briefed and updated on the key activities of the business and is provided with briefings on other matters concerning the company on a need basis. The Board of Directors generally meets every Quarter to review the business performance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

During the year under review, five meetings of the Board of Directors were held on the following dates.

30.04.2004	26.06.2004	29.07.2004	20.09.2004
30.10.2004	21.12.2004	17.01.2005	28.01.2005