

IKF FINANCE LIMITED



**16th Annual Report
2006-2007**

IKF FINANCE LIMITED**BOARD OF DIRECTORS :**

Mr. V.G.K. Prasad
 Mrs. V.Indira Devi
 Mr. N.Haranath
 Dr. Sinha S. Chunduri
 Dr. Prasad J. Athota
 Mr. K.V.Venkateswara Rao
 Mr. S.Veerabhadra Rao
 Mr. M.Mohan Murali
 Mrs. K.Vasumathi Devi

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

AUDIT COMMITTEE:

Mr. K.V.Venkateswara Rao
 Mr. S. Veerabhadra Rao
 Mr. M.Mohan Murali

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
 HDFC Bank Limited

AUDITOR :

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

LISTING :

Bombay Stock Exchange Limited, Mumbai

SHARE TRANSFER AGENTS :

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

REGISTERED OFFICE :

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

CORPORATE OFFICE :

#6-3-902/A, 4th Floor,
 Central Plaza, Near Yashoda Hospital,
 Raj Bhavan Road, Somaji guda,
 HYDERABAD - 500 082. (A.P.)

16 TH ANNUAL GENERAL MEETING	
Date	: 29th September, 2007
Time	: 4:30 P.M.
Day	: Saturday
Venue	: Registered Office of the Company 40-1-144, 3rd Floor Corporate Centre, MG Road, Vijayawada - 520 010 Krishna, District Andhra Pradesh, India

CONTENTS	Page Nos
Notice	2
Directors' Report	6
Management Discussion & Analysis	8
Report on Corporate Governance	10
Auditor's Report	16
Balance Sheet	20
Profit & Loss Account	21
Schedules to the Accounts	22
Balance Sheet Abstract	34
Cash Flow Statement	35



16th Annual Report

NOTICE TO THE SHARE HOLDERS

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on Saturday, the 29th September, 2007 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, 2007 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 2006-2007
03. To appoint a Director in place of Shri.N.Haranath, 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 an ordinary Resolution.

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

"RESOLVED THAT Smt.Vasumathi Devi Koganti who was appointed as the Additional Director of the Company on 31.10.2006 by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 holds office upto the date of this Annual General meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, in writing, alongwith a deposit of Rs.500/- proposing his candidature for the office of Director, be and is hereby appointed as the Director of the Company, subject to retirement by rotation."

06. To be moved as a Special Resolution.

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

"RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded under section 372A and other applicable provisions, if any, of the Companies Act, 1956 subject to the regulations, if any, of the Reserve Bank of India, to the Board of Directors of the Company to give Guarantee to Banks, Financial Institutions, Non-Banking Financial Companies, Mutual Funds, Corporate Bodies, Firms, Individuals or to any other entities from time to time on such terms and conditions as it may deem fit under Asset Portfolio Management/Joint Lending/Securitisation arrangements and/or such other arrangements to be executed by the Company in their favour towards Asset Portfolio Management/Joint Lending/Securitisation limits already availed or to be availed from them subject, however, that the aggregate value of such corporate guarantees at any one time shall not exceed a sum of Rs.200 Crores (Rupees Two hundred Crores Only)"

07. Appointment of Smt.Vsumathi Devi Koganit as Executive Director

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

"RESOLVED THAT, in accordance with the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII as amended, the Company hereby approves of the appointment and terms of remuneration of Smt.Vasumathi Devi as Executive Director of the



16th Annual Report

Company for the period with effect from 01.10.2007 to 30.09.2012, upon the terms and conditions set out in the draft Agreement submitted to this meeting for the purpose of identification and initiated by the Chairman hereof.

“RESOLVED FURTHER that the consent of the Company hereby accorded to the Board of Directors to alter, enhance and vary the terms and conditions of the appointment and/or Agreement in such manner as may be agreed to between the Directors and Smt.Vasumathi Devi Koganit subject to the provisions of Companies Act.”

By order of the Board

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

Place: Vijayawada
Date : 31.08.2007.

ANNEXURE TO NOTICE

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

Item No. 5:

Smt.Vasumathi Devi Koganti was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on 31.10.2006. Pursuant to Section 260 of the Companies Act, 1956, Smt.Vasumathi Devi Koganti will hold office as Additional Directors upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing alongwith a deposit of Rs.500/- from members proposing the candidature of Shri. M.Mohan Murali for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Smt.Vasumathi Devi Koganti, a Management Post Graduate with Bachelors Degree in Electronics and Communications, is having 9 years of enormous experience in the fields of Information Technology, Telecommunications and Management. She served various IT and Telecom companies in USA as senior Management personnel.

Your Directors recommend the resolution for your approval.

Smt.Vasumathi Devi is deemed to be concerned or interested in the resolution as it pertain to her appointment. None of the other Directors, other than the promoter Directors, of the Company is, in any way, concerned or interested in the said resolution.

Item No. 6 :

Under Section 372A of the Companies Act, 1956, the Board of Directors shall not except with the consent of the Company in General Meeting, give guarantee exceeding Sixty percent of its paid-up share capital and free reserves or one hundred percent of its free reserves, whichever is lower. According to the provisions of Section, every resolution passed in the General Meeting of the Company in relation to giving guarantee of the above powers shall indicate the specific limits upto which the guarantee to be given and the purpose of guarantee. Hence, Resolution as set out in the item No.7 is recommended for your approval.

Item No. 7:

Smt.Vasumathi Devi Koganti is actively involved in the day to day affairs of the Company who is fully devoting her time and attention for managing the affairs of the Company. The Board of Directors proposes to appoint her as Executive Director of the Company for the period with effect from 01.10.2007 to 30.09.2012.



16th Annual Report

As per the Provisions of Section 269 of the Companies Act read with Schedule XIII the appointment requires the approval of the Shareholders.

Hence, Resolution as set out in the item No.8 is recommended for your approval.

None of the Directors, other than promoter Directors, of the Company are interested in these resolutions except Smt.Vasumathi Devi Koganti.

The Draft Agreement between the Company and Smt.Vasumathi Devi Koganti (the appointees) contain the following principal terms and conditions.

Period of Agreement: from 01.10.2007 to 30.09.2012

Remuneration: Salary Scale of Rs.20,000 - Rs.50,000 per month.

With authority to the Board to fix their salaries within their respective scales from time to time.

Perquisites will be in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

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 24th September, 2007 to 28th September, 2007, both days inclusive.
4. Dividend, if declared, will be paid in respect of shares held in physical form to those members who are entitled to the same and whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the Registrar and Share Transfer Agents, viz., Bigshare Services (P) Limited at the end of the business hours on 22nd September 2007 and in respect of shares held in electronic form to those "Deemed Members" whose names appear in the statement of beneficial ownership furnished by the NSDL and CDSL as on 22th September 2006.
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.



16th Annual Report

7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, Dividends for the financial year ended 31st March, 2000 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, 1999 or any subsequent financial year(s) are requested to lodge 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.

8. Appointment/Reappointment of Directors

As per Clause 49 of the listing agreement with Stock Exchanges, the brief resume, functional expertise of the Directors proposed for appointment/re-appointment are furnished below along with details of Companies in which they are Directors and the Board Committee of which they are Members.

(i) Shri.N.Haranath

Mr.Haranath hails from a business family. His family members are in the fields of Auto Finance since long time, which has helped him to gain rich experience in the field of Automobile finance. Mr.Haranath is a Director of the Company since January 01, 1992. He does not hold any Directorships/Committee memberships in any company. He does not hold any shares in the Company.

(ii) Smt.Vasumathi Devi Koganti

Smt.Vasumathi Devi, a Management Post Graduate with Bachelors Degree in Electronics and Communications, is having 9 years of enormous experience in the fields of Information Technology, Telecommunications and Management. She served various prominent IT and Telecom companies in USA as senior Management personnel. She does not hold any Directorships/Committee Memberships in any company. Smt.Vsumathi Devi is one of the promoter of the company and holds 83,800 shares.

By order of the Board

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

Place: Vijayawada

Date : 31.08.2007.



16th Annual Report

DIRECTORS REPORT

Your directors have pleasure in presenting the 16th Annual Report along with audited accounts of the Company for the year ended 31st March, 2007. The summarised financial results of the Company, are given hereunder:

Financial Results:

(Rs.in Lakhs)

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Income from Operations	654.24	566.84
Total Expenditure	102.38	71.12
Interest	145.52	149.60
Profit Before Dep. & Taxes	406.34	346.12
Depreciation	128.19	109.30
Provision for Current Tax	106.85	91.14
Provision for Fringe Benefit Tax	0.36	0.14
Provision for Deferred Tax	(14.23)	(7.47)
Profit after Tax	185.17	153.01
General Reserve	9.26	7.75
Reserve Fund	37.03	31.00
Dividend (proposed)	61.15	91.73
Dividend Tax	9.45	11.47
Prior Year Income Tax	37.12	10.21
Surplus Carried to Balance Sheet	31.16	0.85

Dividend:

Your Directors are pleased to recommend a Dividend of 10% (Rs.1.00 per Equity Share) for the Financial Year ended March 31, 2007. The Dividend together with Dividend Tax of Rs.9.45 Lakhs absorbs a Sum of Rs.70.60 Lakhs (Rupees Seventy Lakhs Sixty thousand Only).

Review of Operations:

Your Company's performance for the Year ended March 31, 2007 continues to be encouraging and registered a growth of 15.42% in its Gross Receipts to Rs.654.24 Lakhs as against Rs.566.84 Lakhs and the Net profit increased from Rs.153.01 Lakhs to Rs.185.17 Lakhs registering a growth rate of 21.02%.

Business:

In line with robust growth in automotive sector, Your Company has succeeded in increasing its share in the Three Wheeler and commercial vehicle financing in spite of intense competition from Big NBFCs and Banks. Good penetration strategies and customer centric services have enabled your company to retain its share 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 eyeing the Vehicle finance segment. However, your company's core strengths such as the ability to innovate, respond swiftly to changes in the external environment will enable it to stay ahead. To continue this growth and sustain profitability, your 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) and Sundaram Finance Limited (Securitisation). During the year under review, Sundaram Finance Limited has increased the existing securitisation exposure limit to Rs.700 Lakhs from Rs.500.00 lakhs.

Capital Adequacy:

The Capital to Risk Assets Ratio of your company is 18% as on 31.03.2007, well above the minimum of 12% prescribed by the Reserve Bank of India.

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.

Corporate Governance:

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms



16th Annual Report

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, Mr.N.Haranath retire by rotation and being eligible offer himself for reappointment. During the year under review, Smt.Vasumathi Devi Koganti was inducted in to the Board as Additional Director. Your Directors are pleased to place on record their appreciation for the services rendered by them during their tenure as Directors and wish to recommend their appointment/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/outgoings 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.119.61 Lakhs in USD as subscription to Fully Convertible Debentures application money from Non-Resident Indians (NRIs).

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 accounts for the year ended 31st March, 2007, the applicable accounting standards have been followed.
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.

- the Directors have taken proper and sufficient care 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; and
- the Directors have prepared the accounts for the financial year ended 31st March 2007 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, automobile dealers, bankers and business associates, HDFC Bank Limited and Sundaram Finance 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 dedication and commitment displayed 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 : 31.08.2007.



16th Annual Report

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION:

This discussion aims to share Management's perspective and views on the contemporary developments in the Financial Services sector that could impact the Company. 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 2006-2007, the Indian economy witnessed robust growth for the fourth successive year, with real GDP growing at 9.20% on account of consistent double digit growth in both manufacturing and service sector. India continued to be one of the highest growth economies in the world and had become one of most attractive investment destinations in the world. Manufacturing and Service Sectors are expected to maintain their double digit growth while the Agricultural Sector is to register modest growth. In spite of spiraling crude and essential commodities prices, Inflation continues to hover around 4%-5% levels.

AUTOMOTIVE SECTOR:

It is imperative to take note of the prospects of the Indian Automotive sector, more particularly Three Wheeler and Commercial Vehicle segment, as it is directly related to the business of your Company. In 2006-2007, the Medium & Heavy Commercial Vehicles (M & HCVs) has registered a growth of 32.80% and Light Commercial Vehicles (LCVs) grew by 33.30%. Three Wheelers has registered a growth of 12.20% during the year under review

PRODUCT MIX:

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

OPERATING & FINANCIAL PERFORMANCE:

During the financial year 2006-2007, the Gross Income has grown by 15.42% and Net Income has registered a growth of 21.02%. Earnings Per Share [E.P.S.] has increased to Rs.3.03 as against Rs.2.50 during the corresponding period last year and the Cash Earnings Per Share [C.E.P.S.] has increased from Rs.4.31 to Rs.5.12 during the financial year 2006-2007.

Capital Adequacy (CRAR) at 18% as on 31.03.2007 was comfortably higher than the statutory requirement of 12%.

BUSINESS OUTLOOK:

The company continues to strive to attain its goal of becoming a significant Player as there is a huge potential for growth in retail vehicle finance segment. The company continues to focus on its strengths in distribution channels and its relationships with customers, Business associates and Vehicle 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 current financial year, as it does during the past, in spite of hardening interest 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.

Credit Risk and its Mitigation:

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



16th Annual Report

Operational Risk and its mitigation:

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. 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 and its mitigation:

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. 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 and its Mitigation:

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. 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 and its Mitigation:

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

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 idea of total customer satisfaction and reaches out to its customers through its network of branches 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.

By order of the Board

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

Place: Vijayawada
Date : 31.08.2007.