

# ***IKF FINANCE LIMITED***

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***17<sup>th</sup> Annual Report  
2007-2008***

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

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

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

**AUDIT COMMITTEE :**

Mr. K.V.Venkateswara Rao  
 Mr. S. Veerabhadra Rao

**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  
 ING Vysya Bank Limited  
 Axis 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,  
 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.)

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Date : 30th September, 2008 Time : 4:30 P.M. Day : Tuesday Venue : Registered Office of the Company 40-1-144, Corporate Centre, MG Road, Vijayawada - 520 010 Krishna District Andhra Pradesh, India	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 5 7 9 15 19 20 21 33 34



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## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 17th Annual General Meeting of the Company will be held on Tuesday, the 30th September, 2008 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, 2008 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 2007-2008
03. To appoint a Director in place of Shri.K.V.Venkateswara 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. Re-appointment of Shri V.G.K.Prasad as Managing 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 re-appointment and terms of remuneration of Shri.V.G.K.Prasad as Managing Director of the Company for the period with effect from 01.10.2008 to 30.09.2013, upon the terms and conditions set out in the draft Agreement submitted to this meeting for the purpose of identification and initialed 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 re-appointment and/or Agreement in such manner as may be agreed to between the Directors and Shri.V.G.K.Prasad subject to the provisions of Companies Act."

#### 06. Appointment of Smt.V.Indira Devi as Whole Time 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 re-appointment and terms of remuneration of Smt.V.Indira Devi as Whole Time Director of the Company for the period with effect from 01.10.2008 to 30.09.2013, upon the terms and conditions set out in the draft Agreement submitted to this meeting for the purpose of identification and initialed 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 re-appointment and/or Agreement in such manner as may be agreed to between the Directors and Smt.V.Indira Devi subject to the provisions of Companies Act."

#### 07. 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



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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.300 Crores (Rupees Three hundred Crores Only)"

By order of the Board

Place: Vijayawada

Date : 30.08.2008.

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

### ANNEXURE TO NOTICE

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

#### Item No. 5 & 6:

The period of appointment of Shri.V.G.K.Prasad, Managing Director and Smt. V Indira Devi, Whole Time Director of the Company expires on 30.09.2008. Mr.V.G.K.Prasad and Smt. V Indira Devi is the key persons in the Company who is fully devoting their time and attention for managing the affairs of the Company. The Board of Directors proposes to reappoint Mr.Prasad as Managing Director and Smt.Indira Devi as Whole Time Director of the Company for the period with effect from 01.10.2008 to 30.09.2013.

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.5 & 6 are recommended for your approval.

None of the Directors of the Company are interested in these resolutions except Shri.V.G.K.Prasad and Smt.V.Indira Devi.

The Draft Agreement between the Company and Shri.V.G.K.Prasad & Smt.V.Indira Devi (the appointees) contain the following principal terms and conditions.

Period of Agreement: from 01.10.2008 to 30.09.2013

Remuneration: Shri.V.G.K.Prasad - Salary Scale of Rs.20,000 - Rs.50,000 per month.

Smt.V.Indira Devi - Salary Scale of Rs.15,000 - Rs.25,000 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.

#### Item No. 7 :

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.



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### 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, 2008 to 26th September, 2008, 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 23rd September 2008 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 23rd September 2008.
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, 2001 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, 2000 or any subsequent financial year(s) are requested to lodge their claims with the 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.K.V.Venkateswara Rao**  
Mr.Venkateswara Rao is a Chartered Accountant with more than a decade experience in the fields of Finance, Accounts, Audit and Management. Mr.Venkateswara Rao is a Director of the Company since July 29, 2003. He does not hold any Directorships/Committee memberships in any company. He does not hold any shares in the Company.
  - (ii) **Shri.V.G.K.Prasad**  
Mr.Prasad is the Promoter Director of the Company. Mr.Prasad is a Graduate with three decades of rich experience in the fields of Automobile Finance and Management. Mr.Prasad has been acting as the Managing Director of the Company since inception, i.e. 1991. Mr.Prasad also holds Directorship in M/s.IKF Financial Services (P) Limited and M/s.GCG Technologies (I) Private Limited. Mr.Prasad holds 8,44,686 Equity Shares and 4,31,500 Fully Convertible Debentures of the Company.
  - (ii) **Smt.V Indira Devi**  
Smt.Indira Devi is one of the Promoter Director of the Company. She holds directorship in the Company since its inception, i.e. 1991. She does not hold any Directorships/Committee Memberships in any company. She holds 33,149 shares and 8,08,500 Fully Convertible Debentures of the Company.

By order of the Board

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

Place: Vijayawada  
Date : 30.08.2008.



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## DIRECTORS REPORT

Your directors have pleasure in presenting the 17th Annual Report along with audited accounts of the Company for the year ended 31st March, 2008. The summarised financial results of the Company, are given hereunder:

### Financial Results:

(Rs.in Lakhs)

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
Income from Operations	795.33	654.24
Total Expenditure	117.73	102.38
Interest	219.71	145.52
Profit Before Dep. & Taxes	457.89	406.34
Depreciation	129.97	128.19
Provision for Current Tax	131.10	106.85
Provision for Fringe Benefit Tax	0.40	0.36
Provision for Deferred Tax	(30.27)	(14.23)
Profit after Tax	226.69	185.17
General Reserve	11.33	9.26
Reserve Fund	45.34	37.03
Dividend (proposed)	61.15	61.15
Dividend Tax	9.45	9.45
Prior Year Income Tax	0.00	37.12
Surplus Carried to Balance Sheet	99.42	31.16

### Dividend:

Your Directors are pleased to recommend a Dividend of 10% (Rs.1.00 per Equity Share) for the Financial Year ended March 31, 2008. 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, 2008 continues to be encouraging and registered a growth of 21.56% in its Gross Receipts to Rs.795.33 Lakhs as against Rs.654.24 Lakhs and the Net profit increased from Rs.185.17 Lakhs to Rs.226.69 Lakhs registering a growth rate of 22.42%.

### Business:

In line with growth in automotive sector, your Company has succeeded in consolidating 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 sustain its growth without compromising on asset quality.

### Future Outlook:

The retail vehicle finance business may continue to register a modest growth and your company continues to focus on Retail segment. Competition continues to be intense as more and more players are entering the Vehicle finance segment. However, your company's core strengths such as personalised Customer Service, the ability to innovate, respond swiftly to changes in the external environment will enable it to keep ahead of its contemporaries. To continue this growth and sustain profitability, your company will continue to focus on providing superior service to customers, strive to lower its cost of funds, maintain good asset quality and enhanced 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), ING Vysya Bank Limited (Rs.250 Lakhs) and AXIS Bank Limited (Rs.300 Lakhs).

During the year, your Company has closed the Cash Credit Limits availed from Andhra Bank and availed a Micro Finance Term Loan of Rs.500 Lakhs from HDFC Bank Limited out of the sanctioned limits of Rs.1,000 Lakhs.

Your Company continuously 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, your Company has further strengthened its association with HDFC Bank Limited by securitising receivables worth of Rs.200 Lakhs.

### Capital Adequacy:

The Capital to Risk Assets Ratio of your company is 23% as on 31.03.2008, 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



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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 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.K.V.Venkateswara Rao retire by rotation and being eligible offer himself for reappointment. The term of appointment of Mr.V.G.K.Prasad as Managing Director and Smt.V.Indira Devi as Whole Time Director expires on 30-09-2008. 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 funds in US \$ 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, 2008, 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 2008 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 gratefully acknowledge the support and co-operation extended by all the shareholders, debenture holders, Customers, Vehicle dealers, bankers and business associates, HDFC Bank Limited and Sundaram Finance Limited for their continued support to your company. Your directors look forward to their continued support in the days to come.

Your directors also place on record their appreciation for 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 : 30.08.2008.





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## 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 2007-2008, the Indian economy registered a growth of 9% slightly lower than the last year growth of 9.40%. India continued to be one of the highest growth economies in the world. However, the signs of slow down are visible with the lower growth recorded in the Manufacturing and Service Sectors in spite satisfactory performance of Agricultural sector. Inflation has continues to be on higher side when compared with the previous year on account of high fuel and essential commodities prices.

### **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 2007-2008, Medium & Heavy Commercial Vehicles (M & HCVs) has registered a negative growth and whereas Light Commercial Vehicles (LCVs) registered a modest growth.

### **GEOGRAPHICAL AND PRODUCT MIX:**

The Company has continuously been striving to build a diversified and de-risked portfolio. In line with its policy, the Company, after consolidating its operations in the state of Andhra Pradesh, has extened its operations to two other Southern States of Karnataka and Tamilnadu during the past couple of years with its various product offerings. The company has continuously been exploring new product opportunities based on ongoing market feedback from time to time to have a prudent product mix on criteria such as perceived risk, intensity of competition and its ability to enhance customer value.

### **OPERATING & FINANCIAL PERFORMANCE:**

During the financial year 2007-2008, the Gross Income has grown by 22% and Net Income has registered a growth of 22%. Earnings Per Share [E.P.S.] has increased to Rs.3.71 as against Rs.3.03 during the corresponding period last year and the Cash Earnings Per Share [C.E.P.S.] has increased from Rs.5.12 to Rs.5.83 during the financial year 2007-2008. Capital Adequacy (CRAR) at 23% as on 31.03.2008 was comfortably higher than the statutory requirement of 12%.

### **BUSINESS OUTLOOK:**

The Current Financial year is going to be a crucial year for the global and as well as Indian financial sector on account ripples created by the Sub Prime crisis, which is yet to settle down, in the US and European financial sectors. Though the exposure of Indian financial sector to the international financial markets is not significant, the crisis will definitely impact the sentiments as we have aligned ourselves with the global financial markets.

Unprecedented increase in fuel prices and substantially higher commodities prices across the globe are a cause for concern. Hardening interest rates coupled with high fuel prices may adversely impact the growth of automotive sector that may in turn effect the growth of vehicle finance sector.

The margins of the Commercial Vehicle Operators will be under pressure as the increase in freight rates are not in line with the hike in fuel prices which will impact the spreads of the Operators. This might impact the ability of the Operators to pay the instalments on time.

To overcome this challenge, necessary changes have been made in the lending policies of the company.

The growth in retail vehicle finance sector is expected to be modest during the current financial year. However, competition continues to be intense as more and more players are entering the Vehicle finance segment.

To overcome the challenges and to sustain the growth and profitability, your company will continue to focus on providing superior service to customers, strive to lower its cost of funds, maintain good asset quality with enhanced operating efficiencies.

In spite of raising oil prices that are expected to cool off during the second half year and high interest rates, 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 adversities.





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### **RISK MANAGEMENT & CREDIT MONITORING:**

Your company is proactive in assessing the risk associated with its various products and evolved a variety of Risk management and monitoring tools while dealing with a wide variety of retail customers. Increased competition and market volatility has enhanced the importance of risk management in financial services sector. The policies followed by the Company are in line with the best in the industry.

#### **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 by putting in place appropriate credit filters at the time of sourcing the business and continuous monitoring of asset quality and portfolio performance afterwards. Well defined credit, documentation and recovery standards have already been established for various customer / product segments and the same are subject to periodical review.

#### **Operational Risk and its mitigation:**

This is the risk of loss from inadequate or failed systems, processes or procedures. The company has a comprehensive internal control and security systems in place, which provides for appropriate checks and balances. The internal controls and systems are continuously upgraded with the company's cumulative experience to cope up with the ever changing market dynamics. Its internal audit process reviews internal controls and compliance of the control systems from time to time.

#### **Market Risk and its mitigation:**

Market risk refers to uncertainty of future earnings, liquidity conditions and interest rates. The Company closely monitors the market risks at frequent intervals and takes appropriate measures to mitigate the same by suitably aligning the company's lending policies from time to time.

#### **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 company has put in place appropriate tools to continuously monitor the current as well as future cash flows so as 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 cost of funds at which the company usually borrows and the lending rates at which the company usually lends to its customers. The company aligns its lending rates with its borrowing cost on a continuous and regular basis in line with the market conditions to mitigate the interest rate risk

### **GOALS & STRATEGIES:**

Your Company's Tie Ups with various Banks and Financial Institutions, which are market leaders in their respective areas, has strengthened its competitive edge and customer base. Your company continues to be wedded to the idea of total customer satisfaction and reaches out to its customers through its extensive network of branches spread across three southern states with a diverse range of financial products.

Your company is continuously striving hard to meet the ever-increasing customer expectations and to deliver superior services to customers.

### **HUMAN RESOURCES AND INFRASTRUCTURE:**

As the company's operations have gained steadily in size, reach and complexity, its organization structure and human resources have kept pace with the changes. Regular training for skill up-gradation and open communications enable the organization 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

Place: Vijayawada

Date : 30.08.2008.

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



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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 Seventeen 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 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 Eight 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, Smt. V Indira Devi, Whole Time Director and Smt.K.Vasumathi Devi, Executive Director.

Sri S.Veerabhadra 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, Twelve meetings of the Board of Directors were held on the following dates.

30.04.2007	17.07.2007	19.07.2007	31.07.2007	31.08.2007
29.09.2007	31.10.2007	07.12.2007	31.01.2008	28.02.2008
19.03.2008	28.03.2008			

The details of attendance at Board Meetings and details of other directorships, committee chairmanships/ memberships held by the Directors during the period from 1st April, 2007 to 31st March, 2008 are as follows: