

# ***IKF FINANCE LIMITED***



***18<sup>th</sup> Annual Report  
2008-2009***

# 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. 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

## AUDIT COMMITTEE :

Mr. N. Haranath  
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  
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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### NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 18th Annual General Meeting of the Company will be held on Wednesday, the 30th September, 2009 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, 2009 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 2008-2009
03. To appoint a Director in place of Dr. Sinha S. Chunduri, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint a Director in place of Dr. Prasad J. Athota, who retires by rotation and being eligible, offers himself for re-appointment.

#### 05. 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:

#### 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 a Special Resolution.

"RESOLVED THAT, pursuant to the provisions of Section 81 (1A) 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), The Stock Exchange Limited (BSE) 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 authorized 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 60,00,000 Fully Convertible Unsecured Debentures of Rs.10/- each, convertible in to one Equity Share of Rs.10/- each on or before 29<sup>th</sup> day of 18<sup>th</sup> month from the date of allotment, with a coupon rate of 12% p.a., payable half yearly, till the time of conversion, with in Fifteen days subject to necessary approvals, as the Board may, in its sole discretion, at any time hereafter decide, to domestic or foreign investors including promoters and their associates, Non-Resident Indians (NRIs) and other resident individuals as the Board may decide, whether members of the Company or not, through private placement or preferential allotment or otherwise by any one or more or a combination of two or more modes and at such time or times, in one or more tranches, and on such terms and conditions, at Rs.13/- per debenture (including a premium of Rs.3/-), as arrived in terms of SEBI DIP Preferential Issue Guidelines 2004 as on relevant date 31.08.2009, payable Rs.5/- (Rupees Five Only) on application and Rs.8/- (Rupees Eight Only) on allotment, (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 Board be and is hereby authorized to issue and allot such number of additional convertible debentures as may be required and that the debentures so allotted, 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 conversion shall become effective prorata from the date of conversion subject to the provisions of Companies Act, 1956 and/or SEBI Regulations, if any."

RESOLVED FURTHER that the Board be and is hereby authorized 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."



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By order of the Board

Place: Vijayawada  
Date : 31.08.2009.

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.6:

Consent of the Shareholders is sought to authorize the Board of Directors for issuing 60,00,000 Fully Convertible Unsecured Debentures of Rs.10/- each with a Premium of Rs.3/- per Debenture as stated in the resolution at item No.6 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 intends to expand its investment activities by raising funds by way of issue of Fully Convertible Unsecured Debentures, it is proposed to offer, issue and allot Fully Convertible Unsecured Debentures on the following terms and conditions to such persons and in such manner as stated in the enabling resolution at item No.6.

No. of Fully Convertible Unsecured Debentures proposed to be offered / issued / allotted	60,00,000 (Sixty Lakhs Only)
Price of each Debenture	Rs.10.00 (Rupees Ten Only) per Debenture
Premium per Debenture	Rs.3.00 (Rupees Three Only) per Debenture
Convertible in to	One Equity Share of Rs.10.00 (Rupees Ten Only) each
Interest (Coupon) Rate till conversion	@ 12.00% (Twelve percent)
Interest Payment	Half yearly
Date of conversion	On or before 29 <sup>th</sup> day of 18 <sup>th</sup> Month at the discretion of the Board
Payment – On Application	Rs.5.00 (Rupees Five Only)
On Allotment	Rs.8.00 (Rupees Eight Only)

Since the capital market conditions are not congenial to offer the Fully Convertible Unsecured Debentures either to the existing shareholders of the company or to Indian Public, in general, in view of current traded price of the equity shares of the company, it is proposed to offer the Fully Convertible Debentures to both Resident and Non Resident Promoters, Non Resident Indians (NRIs) and other individual Indian residents, who have evinced interest to participate in the proposed preferential offer.

As per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 certain disclosures which are required, are given below;

### 1. Allottee Details & Issue Price and Post Issue Capital:

Sl. No.	Name of the Proposed Allottee	No. of Convertible debentures proposed to be offered	Existing Share holding	Convertible Debenture Offer Price (Including a Premium of Rs. 3.00)	Post conversion shareholding	Post conversion % of Capital
1	V G K Prasad	1400000	1276186	Rs. 13.00	2676186	14.68%
2	V Indira Devi	500000	841649	Rs. 13.00	1341649	7.36%
3	V Raghuram	1400000	1196900	Rs. 13.00	2596900	14.25%
4	Vamsi M Athota	769000	0	Rs. 13.00	769000	4.22%
5	V Sai Sudhakar	76900	0	Rs. 13.00	76900	0.42%
6	Vankineni Purnachandra Rao	200000	0	Rs. 13.00	200000	1.10%
7	Venkineni Raghuram Kumar	200000	0	Rs. 13.00	200000	1.10%
8	Kodali Lakshmana Rao	146000	0	Rs. 13.00	146000	0.80%
9	Vuyyuru Someswara Rao	76900	0	Rs. 13.00	76900	0.42%
10	Dr. R. Ramesh Babu	76900	0	Rs. 13.00	76900	0.42%
11	Dr. K. Sai	76900	0	Rs. 13.00	76900	0.42%
12	Raghavendra Rao	76900	0	Rs. 13.00	76900	0.42%
13	Dr. Y. V. Rao	39000	0	Rs. 13.00	39000	2.14%
14	K Sataravamma	118500	0	Rs. 13.00	118500	0.65%
15	A. Rama Rao	77000	0	Rs. 13.00	77000	0.42%
16	Mannem Vankateswara Rao	30000	0	Rs. 13.00	30000	0.16%
17	U V Appa Rao	75000	0	Rs. 13.00	75000	0.41%
18	Upputuri Venkata Rao	75000	103522	Rs. 13.00	178522	0.98%
19	Karem Bhadrachala	30000	0	Rs. 13.00	30000	0.16%
20	Kantamaneni Venkata Rao	30000	138811	Rs. 13.00	168811	0.93%
21	Narra Vigneshwara Rao	30000	0	Rs. 13.00	30000	0.16%
22	Vaddineni Satyanarayana	30000	0	Rs. 13.00	30000	0.16%
23	V Sumanth Sinha	115000	0	Rs. 13.00	115000	0.63%
		6000000	3557068		9557068	



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### 2. Purpose and reason for the said allotment:

*The proposed allotment is aimed*

- to meet the long term working capital requirements,*
- to strengthen the Capital base so as to boost the Capital Adequacy,*
- to reduce the dependence of borrowed funds ; and*
- to reduce the borrowing costs of the company*

### 3. Consequential Changes, if any, in Board of Directors:

*There would be no change in the Board of Directors consequent to the above allotment and even after conversion of the debentures in to equity shares.*

### 4. Consequential Changes, if any, in the Shareholding Pattern of the Allottee Company after conversion:

*The Pre and Post allotment / conversion position of Shareholding Pattern will be as under;*

Category of Shareholders	Pre Issue Capital		Proposed Allotment	Post Issued Capital	
	No. of Shares	% of Shares	No. of Convertible Debentures	No. of Shares	% of Shares
<b>Promoters</b>					
Indian Promoters	2315335	18.93%	3300000	5615335	30.80%
NRI Promoters	2414000	19.74%	0	2414000	13.24%
OCBs	221800	1.81%	0	221800	1.22%
<b>Non Promoters</b>					
Non Resident Indians	3597365	29.41%	0	3597365	19.73%
Banks / Fis	16100	0.13%	0	16100	0.09%
Bodies Corporates	406674	3.33%	0	406674	2.23%
Indian Public	3258726	26.65%	2700000	5958726	32.69%
	<b>12230000</b>	<b>100%</b>	<b>6000000</b>	<b>18230000</b>	<b>100%</b>

### 5. Consequential changes, if any in voting rights:

*The voting rights would change in tandem with the shareholding pattern after conversion of the Debentures.*

### 6. Whether the said allotment and conversion would result in change in control over the Company;

*The said allotment and conversion would not result in any change in the control over the company.*

### 7. Proposed date of allotment:

*With in a period of 15 days, as per SEBI Guidelines. The Fully Convertible Unsecured Debentures to be allotted as mentioned above shall be subject to such price and on such date as may be fixed in accordance with the SEBI Preferential Issue Guidelines amended from time to time.*

*With the additional issue of Fully Convertible Unsecured Debentures and subsequent to its conversion as shares, the Paid-up Equity Share Capital of the Company will be increased by Rs.6,00,00,000/-.*

*The Auditors Certificate dated 31.08.2009 for issue price will be available at the Registered Office of the Company and will be made available for inspection for the members at the Annual General Meeting.*

*Section 81 of the Companies Act, 1956 and the Listing Agreement entered into with the Stock Exchanges, where Company's shares are listed, provide inter-alia, that when it is proposed to increase the issued capital of the company by allotment of further shares / Convertible Debentures or Share Warrants, such further shares / Convertible Debentures / Share Warrants shall be offered to the existing shareholders of the company in the manner laid down in Section 81, unless the shareholders in a general meeting decide otherwise.*

*The proposed issue of Securities will be subject to the approval of Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), the Bombay Stock Exchange Limited (BSE) 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 Unsecured Debentures to Resident and Non Resident Promoters, Non Resident Indians and Indian Resident Individuals 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. 6 is recommended for your approval.*

*Details of the proposed allottees are available at the Registered Office and will be made available for inspection at the Annual General Meeting.*

*Accordingly, consent of the shareholders is being sought for offer, issue and allotment of Fully Convertible Unsecured 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 Fully Convertible Unsecured Debentures allotted to them and their relatives / associates.*



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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, 2009 to 29th September, 2009, 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 2009 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 2009.
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.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, Dividends for the financial year ended 31st March, 2002 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, 2002 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) **Dr. Sinha S Chunduri**

Dr. Sinha S. Chunduri, a Specialist in Diagnostic Gastro Entrology, is engaged in medical Profession for last 25 years in U.S.A., is an NRI Director of the Company. Besides medical profession, he is associated with several Medical Institutions as consultant and Director in U.S.A.

(ii) **Dr. Prasad J. Athota**

Dr. Prasad J. Athota, a General Surgeon, is engaged in medical profession for the past 30 years in U.S.A. He is the NRI Director of the Company. He has promoted several Institutions in U.S.A. and associated with the NRI business Community there. He has promoted M/s. Cheviot Medicate Centre, OHIO State in U.S.A. and M/s. Precision Tuning of Indianapolis in Indiana State, U.S.A. with considerable Equity stake.

By order of the Board

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

Place: Vijayawada  
Date : 31.08.2009.





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### DIRECTORS REPORT

Your directors have pleasure in presenting the 18th Annual Report along with audited accounts of the Company for the year ended 31st March, 2009. The summarised financial results of the Company, are given hereunder:

#### Financial Results:

(Rs.in Lakhs)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Income from Operations	911.29	795.33
Total Expenditure	126.84	117.73
Interest	304.56	219.71
Profit Before Dep. & Taxes	479.89	457.89
Depreciation	113.39	129.97
Provision for Current Tax	153.84	131.10
Provision for Fringe Benefit Tax	0.72	0.40
Provision for Deferred Tax	(31.16)	(30.27)
Profit after Tax	243.10	226.69
Surplus brought forward	13.52	0.00
General Reserve	12.15	11.33
Reserve Fund	48.62	45.34
Dividend (proposed)	61.15	61.15
Dividend Tax	10.39	9.45
Prior Year Income Tax	37.28	0.00
Surplus Carried to Balance Sheet	87.03	13.52

#### Dividend:

Your Directors are pleased to recommend a Dividend of 10% (Rs.1.00 per Equity Share) for the Financial Year ended March 31, 2009. The Dividend together with Dividend Tax of Rs.10.39 Lakhs absorbs a Sum of Rs.71.54 Lakhs (Rupees Seventy One Lakhs Fifty Four thousand Only).

#### 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:

##### Economic Environment:

Economies all over the world were in turmoil, particularly American and European economies and several renowned Banks and Financial Institutions have gone bankrupt and the rest are struggling to survive the tide. Most economies have recorded either zero growth or negative growth.

Though India is not an exception, it is in a far better position purely due to the foresight of the regulatory authorities. The growth of the Indian economy has slipped from 9% to 6%. Still India continues to be one of the

highest growing economies in the world and had become one of the most attractive investment destinations in the world. However, the signs of recovery in economic activity is yet to be visible with lower growth recorded in the Manufacturing, agricultural and Service Sectors. Though Inflation continues to be at its bottom, high prices of fuel and essential commodities are causes of concern.

#### Automotive Sector:

It is imperative to take note of the prospects of the Indian Automobile sector, more particularly Commercial Vehicle segment, as it is directly related to the business of your Company. Among others, the Automobile sector is one that was badly impacted as all most all the vehicle categories have registered negative growth. The sale of Commercial vehicles crashed on account of non availability of funds, high lending rates coupled with Operators reluctance to purchase vehicles in the prevailing conditions.

#### Future Outlook:

Though the ground situation has improved significantly, the signs of recovery are yet to be clearly visible. The fact that the sale of automobiles has recorded a positive growth during the recent past suggests that the economy is back on rails. The retail vehicle finance business may bounce back and is about 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. 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.

#### Risk Management & Credit Monitoring:

Your Company is proactive in assessing the risk associated with its various Loan products and has evolved a variety of Risk management and monitoring tools while dealing with a wide spectrum of retail customers. The Risk Management policy of the company encompasses various risk tools such as Credit, Operational, Market, Liquidity and Interest rate risk and has put in place appropriate mechanism to effectively mitigate the risk factors.

#### Review of Operations:

Your Company's performance for the Year ended March 31, 2009 continues to be encouraging and has registered a growth of 14.58% in its Gross Receipts to Rs.911.29 Lakhs as against Rs.795.33 Lakhs and the Net profit increased from Rs.226.69 Lakhs to Rs.243.10 Lakhs registering a growth rate of 7.24% for the corresponding previous year. Earnings Per Share (E.P.S.) has increased to Rs.3.97 as against Rs.3.71 during the corresponding period last year.



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### 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 availed the balance Micro Finance Term Loan of Rs.500 Lakhs from HDFC Bank Limited out of the sanctioned limits of Rs.1,000 Lakhs.

Your Company is 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).

### Capital Adequacy:

The Capital to Risk Assets Ratio of your company is 25% as on 31.03.2009, 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 assigned "BBB" rating 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.

### Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Dr.Sinha S Chunduri and Dr. Prasad J Athota retire by rotation and being eligible offer themselves for reappointment. 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 reappointment. During the current financial year Mr.K.V.Venkateswara Rao has relinquished his position as Director and your Directors are pleased to place on record their appreciation for the services rendered by him during his tenure as Director.

### 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.

### 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, 2009, 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 2009 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 : 31.08.2009





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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 Eighteen 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 meets 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, Eight meetings of the Board of Directors were held on the following dates.

30.04.2008	10.06.2008	30.07.2008	30.08.2008
30.09.2008	31.10.2008	31.01.2009	26.02.2009

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, 2008 to 31st March, 2009 are as follows:



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Name of the Director	Category of Board Directorship	No. of Board Meetings attended	% of total Meetings attended	Attendance at the last A G M	No. of Other Directorships	No. of Committee Memberships
V G K Prasad	Managing Director	8	100%	Present	3	1
V Indira Devi	Whole Time Director	8	100%	Present	—	1
N Haranath	Director	8	100%	Present	—	2
Prasad J Athota (Alternate Director Ch V Rama Rao)	Director	8	100%	Present	—	2
Sinha S Chunduri (Alternate Director N V S N Prasad)	Director	7	87%	Present	—	—
S Veerabhadra Rao	Director	6	75%	Present	1	1
K V Venkateswara Rao	Director	5	62%	Present	—	1
Smt. Vasumathi Devi	Executive Director	8	100%	Present	—	—

#### 4. Audit Committee:

The Audit Committee provides direction to the Audit & Risk management function and monitors the quality of internal controls and systems. The responsibilities of the Audit Committee include the overseeing of financial reporting process to ensure fairness, sufficiency and credibility of financial statements, review of the quarterly and annual financial statements before submission to the Board, review of adequacy of internal control systems and the internal Audit functions.

The Audit Committee comprises three non executive Directors with all of them being independent Directors. The Committee comprises of Sri K.V.Venkateswara Rao as Chairman of the Committee and Sri S.Veerabhadra Rao as Member.

The Executive Directors, Statutory Auditors, Internal Auditors and other functional heads are invitees to the committee meetings. During the year the committee met 5 times on 30.04.2008, 30.07.2008, 30.08.2008, 31.10.2008 and 31.01.2009. The details of members and their attendance at the committee meetings are given below:

Name of the Director	No. of Audit Committee Meetings attended	% of total Meetings attended
K V Venkateswara Rao	5	100%
S.Veerabhadra Rao	5	100%

#### 5. Remuneration of Directors:

The Managing Director, Whole Time Director and Executive Director of the company have been appointed on contractual terms, based on the approval of the shareholders. The remuneration package comprises of salary, allowances and perquisites.

The details of remuneration paid to Whole Time Directors during the year 2008-2009 are given below:

Name of the Director	Remmuneration	Allowances	Incentives
V G K Prasad	Rs.1,80,000.00	Nil	Nil
V Indira Devi	Rs.1,20,000.00	Nil	Nil
K Vasumathi Devi	Rs.2,40,000.00	Nil	Nil

The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.