

IKF FINANCE LIMITED



***20th Annual Report
2010-2011***

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
Mr. P.S.V.Prasada Rao
Mr. K.Satyanarayana Prasad

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
Director

AUDIT COMMITTEE :

Mr. N. Haranath
Mr. S. Veerabhadra Rao

MANAGEMENT COMMITTEE :

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

AUDITOR :

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

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.)

SHARE TRANSFER & INVESTOR GRIEVANCE COMMITTEE :

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

BANKERS :

The Federal Bank Limited
Axis Bank Limited
HDFC Bank Limited
Andhra Bank
IDBI Bank Limited
Central Bank of India
Indian Overseas Bank

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.

DEBENTURE TRUSTEE:

IDBI Trusteeship Services Ltd.,
Asian Building, Ground Floor,
17, R.Kamani Marg, Ballard Estate,
MUMBAI - 400 001.

| 20 TH ANNUAL GENERAL MEETING | |
|---|--|
| Date | : 19th September, 2011 |
| Time | : 4:30 P.M. |
| Day | : Monday |
| Venue | : Registered Office of the Company # 40-1-144, Corporate Centre, MG Road, Vijayawada - 520 010 Krishna District Andhra Pradesh, India |

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Monday, the 19th September, 2011 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, 2011 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 2010-2011.
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. Appointment of Shri. K.Satyanarayana Prasad as Additional Director .**

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

“RESOLVED THAT Shri. K.Satyanarayana Prasad, who was appointed as the Additional Director of the Company on 31-03-2011 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.”

07. Appointment of Shri. P.S.V.Prasada Rao as Additional Director .

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

“RESOLVED THAT Shri. P.S.V.Prasada Rao, who was appointed as the Additional Director of the Company on 31-03-2011 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.”

08. To be moved as a Special Resolution.

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



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“RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment (s) thereto or any statutory modification(s) or re-enactment thereof for the time being in force), Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2009 (“SEBI Regulations”) as in force, the regulations / guidelines, if any, issued by the Government of India, the Reserve Bank of India and any other applicable laws, rules and regulations (including any amendment(s) thereof for the time being in force) and the relevant provisions of the Memorandum and Articles of Association of the Company and Listing Agreement entered into by the Company with the stock exchange where shares of the Company are listed, and subject to such approvals, consents, permissions and sanctions as may be required from the Government of India, the Reserve Bank of India, Securities and Exchange Board of India, Stock Exchange and any other relevant statutory, governmental authorities or departments, institutions or bodies (“Concerned Authorities”) in this regard and further subject to such terms and conditions or modifications thereto as may be prescribed or imposed by any of the concerned Authorities while granting such approvals, sanctions and permissions as may be necessary (“Approvals”) and any such conditions and /or modifications as may be prescribed, stipulated or imposed by any such Approvals and /or which may be agreed to or considered necessary by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution), the consent, permission and approval of the members of the Company be and is hereby accorded to the Board to offer, issue and allot **54,70,000 (Fifty Four Lakh Seventy Thousand)** Only Fully Convertible Unsecured Debentures (FCDs) of **Rs.14/- each**, with a Coupon Rate of 12%, on a preferential allotment basis, to the following, both Promoters and Non Promoters,

| S.No. | Name of the proposed Allottee | Promoter / Non Promoter | No. of Fully Convertible Unsecured Debentures |
|--------------|-----------------------------------|-------------------------|---|
| 01 | VGK Prasad | Promoter | 65000 |
| 02 | V Indira Devi | Promoter | 275000 |
| 03 | V Vasantha Lakshmi | Promoter | 425000 |
| 04 | K Vasumathi Devi | Promoter | 650000 |
| 05 | IKF Financial Services (P) Ltd. | Promoter | 550000 |
| 06 | Prasad Jagadish Athota | Promoter | 125000 |
| 07 | Chunduru Durga Rani | Promoter | 425000 |
| 08 | DFL Finance Limited | Non Promoter | 357000 |
| 09 | Dr Sai Sudhakar | Non Promoter | 71000 |
| 10 | Vamshi Mohan Athota | Non Promoter | 714000 |
| 11 | Aluri Srinivasa Rao | Non Promoter | 39000 |
| 12 | Aluri Bujji Babu | Non Promoter | 39000 |
| 13 | Vankineni Raghu Kumar | Non Promoter | 178500 |
| 14 | Kodali Lakshmana Rao | Non Promoter | 220500 |
| 15 | Ravipati Sita Ravamma | Non Promoter | 180500 |
| 16 | K Chakradhara Rao | Non Promoter | 50000 |
| 17 | Bathina Sivaji | Non Promoter | 42500 |
| 18 | Mulakalapalli Rama Rao | Non Promoter | 64000 |
| 19 | Paleti Purnachandra Rao | Non Promoter | 64000 |
| 20 | Mannem Venkateswara Rao | Non Promoter | 64000 |
| 21 | Kunapaneni Satyanarayana | Non Promoter | 25000 |
| 22 | Vaddineni Gopala Krishna | Non Promoter | 57000 |
| 23 | Paladugu Parameswara Rao | Non Promoter | 17500 |
| 24 | Mannem Harish | Non Promoter | 28500 |
| 25 | Vaddineni Srinivasa Rao | Non Promoter | 42500 |
| 26 | Alapati Dasaradha Ramu | Non Promoter | 71000 |
| 27 | Challagundla Narasimha Rao | Non Promoter | 17500 |
| 28 | Kolanati Nagamani | Non Promoter | 28500 |
| 29 | Valiveti Lakshmi Narayana | Non Promoter | 50000 |
| 30 | Nelluri Satyanarayana | Non Promoter | 57000 |
| 31 | Karem Bhadraiah | Non Promoter | 42500 |
| 32 | Anantaramaiah Kunapaneni | Non Promoter | 21000 |
| 33 | Vaddineni Satyanarayana | Non Promoter | 57000 |
| 34 | Javvaji Krishna Prasad | Non Promoter | 50000 |
| 35 | Myneni Satyanarayana | Non Promoter | 64000 |
| 36 | Bathina Anjana Devi | Non Promoter | 35500 |
| 37 | M Raghavendra Rao | Non Promoter | 71000 |
| 38 | Narra Vigneswara Rao | Non Promoter | 35500 |
| 39 | Eastern Powers & Systems (P) Ltd. | Non Promoter | 100000 |
| Total | | | 5470000 |

on such terms and conditions and in such manner as the Board may think fit, at a price calculated in accordance with regulation 76(1) of chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 which shall be the higher of the following:-

1. The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the six months preceding the relevant date.

OR

2. The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the relevant date.

The said FCDs shall be converted within a period not exceeding eighteen months from the date of allotment of the FCDs, in one or more tranches, in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and other relevant guidelines as may be prevailing at the time of conversion in to shares, and that the FCDs so issued or allotted give rise (on allotment or conversion) to not more than 54,70,000 (Fifty Four Lakh Seventy thousand Only) nos. of Equity shares of Rs.10/- each fully paid-up.

RESOLVED FURTHER THAT the relevant date, in terms of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, for determination of minimum price for the issuance of the shares / Warrants / Fully Convertible Debentures on a preferential allotment basis is 30 days prior from the date of General Meeting i.e. 20th August, 2011.

RESOLVED FURTHER THAT the Fully Convertible Unsecured Debentures allotted on preferential basis shall be subject to the relevant provisions contained in the Memorandum and Articles of Association of the Company and shall, on their conversion, rank pari passu in all respects including dividend with the existing fully paid up equity shares of Rs.10/- each of the Company.

RESOLVED FURTHER THAT the aforesaid Fully Convertible Unsecured Debentures to be allotted on preferential basis shall be subject to lock-in requirements as per the provision of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized on behalf of the company to take all actions and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for issue or allotment of the aforesaid FCDs / equity shares on preferential basis and listing thereof with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment of any of the said FCDs / shares, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or any other Director(s) of the Company to give effect to this resolution.

09. To be moved as a Special Resolution.

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

“RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment(s) thereto or any statutory modification(s) or re-enactment thereof for the time being in force), Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2009 (“SEBI Regulations”) as in force, the regulations / guidelines, if any, issued by the Government of India, the Reserve Bank of India and any other applicable laws rules and regulations (including any amendment(s) thereof for the time being in force) and the relevant provisions of the Memorandum and



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Articles of Association of the Company and Listing Agreement entered into by the Company with the stock exchange where shares of the Company are listed, and subject to such approvals, consents, permissions and sanctions as may be required from the Government of India, the Reserve Bank of India, Securities and Exchange Board of India, Stock Exchange and any other relevant statutory, governmental authorities or departments, institutions or bodies ("Concerned Authorities") in this regard and further subject to such terms and conditions or modifications thereto as may be prescribed or imposed by any of the concerned Authorities while granting such approvals, sanctions and permissions as may be necessary ("Approvals") and any such conditions and /or modifications as may be prescribed, stipulated or imposed by any such Approvals and /or which may be agreed to or considered necessary by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution), the consent, permission and approval of the members of the Company be and is hereby accorded to the Board to create, issue, offer and allot, on a preferential allotment basis, **16,00,000 (Sixteen Lakhs)** only warrants of Rs.14/- each convertible into equity shares of the Company to the following both Promoters and Non Promoters,

| S.No. | Name of the proposed Allottee | Promoter / Non Promoter | No. of Warrants |
|--------------|------------------------------------|-------------------------|-----------------|
| 01 | VGK Prasad | Promoter | 311000 |
| 02 | V Indira Devi | Promoter | 300000 |
| 03 | V Vasantha Lakshmi | Promoter | 128000 |
| 04 | K Vasumathi Devi | Promoter | 170000 |
| 05 | IKF Financial Services (P) Limited | Promoter | 225000 |
| 06 | Prasad Jagadish Athota | Promoter | 219000 |
| 07 | Chunduru Durga Rani | Promoter | 247000 |
| Total | | | 1600000 |

on such terms and conditions and in such manner as the Board may think fit, each warrant entitling the Warrant holder to apply for and be allotted one equity share of Rs.10/- (Rupees Ten Only) each fully paid-up, at a price calculated in accordance with regulation 76(1) of chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 which shall be the higher of the following:-

01. The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the six months preceding the relevant date.
- OR
02. The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the relevant date.

The said Warrants shall be converted within a period not exceeding eighteen months from the date of allotment of the Warrants, in one or more tranches, in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and other relevant guidelines as may be prevailing at the time of conversion into shares, and that the warrants so issued or allotted give rise (on allotment or conversion/ exercise of right) to not more than 16,00,000 (Sixteen Lakhs Only) nos. of Equity shares of Rs.10/- each fully paid-up.

RESOLVED FURTHER THAT the relevant date, in terms of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, for determination of minimum price for the issuance of the Warrants on a preferential allotment basis and conversion thereof into equity shares of Rs.10/- each is 30 days prior from the date of General Meeting i.e. 20th August, 2011 and accordingly, the Warrants so issued shall, on exercise of rights attached thereto, shall be converted into equal number of equity shares of Rs.10/- each at a price including premium as may be determined.

RESOLVED FURTHER THAT the equity shares allotted on conversion of warrants in terms of this resolution shall be subject to the relevant provisions contained in the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects including dividend with the existing fully paid up equity shares of Rs.10/- each of the Company.

RESOLVED FURTHER THAT the aforesaid Warrants allotted in terms of this resultant equity shares arising on exercise of right attached to such Warrants shall be subject to lock-in requirements as per the provision of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009.

RESOLVED FURTHER THAT the warrants shall be issued by the Company on the following terms and conditions:

- i. An amount equivalent to 25% of the exercise price of the Equity Shares arising out of the Warrants shall be payable at the time of making the application for Warrants, adjusted against the price of the Equity Shares payable by the Warrant Holder at the time of exercising the option.
- ii. In the event the Warrants Holder does not exercise the option of conversion within 18 months from the date of allotment of Warrants, the Warrants shall lapse and 25% as indicated in point (i) shall be forfeited by the Company.
- iii. The issue of the Warrants as well as the Equity Shares, arising from the exercise of the option under the Warrants in the manner aforesaid shall be governed by the respective provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and also the guidelines/regulations issued by SEBI or any other Authority as the case may be, or any modifications thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized on behalf of the company to take all actions and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for issue or allotment of the aforesaid Warrants and the resultant equity shares to the holders of the Warrants upon exercise of right to subscribe the shares and listing thereof with the stock exchange(s) as appropriate to resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment of any of the said Warrants, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

10. 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 pursuant to the provisions of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956, subject to the regulations, if any, of the Reserve Bank of India, consent of the Company be and is hereby accorded to the Board of Directors, to borrow from time to time such sum or sums of money from the Company's Bankers and/or from any one or more persons, Companies, Corporate Bodies or Financial Institutions, whether by way of cash credit, advance or loans or by issue of debentures or otherwise and whether unsecured or secured by mortgage, charge, hypothecation, lien, or pledge of all or any assets or properties of the Company, whether movable or immovable, whether existing or future, notwithstanding that the moneys borrowed together with the money already borrowed by the company, apart from the temporary loans obtained from Company's Bankers in the ordinary course of business, may exceed the aggregate of Paid Up Capital and Free Reserves of the Company, that is to say reserves not set apart for any specific purpose, provided that the total amount to be borrowed by the Board of Directors shall not at any time exceed Rs.300 Crores (Rupees Three hundred Crores Only).”

11. 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 the consent of the Company be and is hereby accorded under Section 293 (1) (a) 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 mortgage/charge/hypothecate/pledge, from time to time on such terms and conditions as it may deem fit, the assets and properties of the Company, whether movable or immovable and both present and future, in favour of Banks, Financial Institutions and others under Loan Agreements and/or Hypothecation Deeds to be executed by the Company in their favour towards loans already availed or to be availed from them subject, however, that the aggregate value of such loan outstanding 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 : 20.08.2011.

(V.G.K. PRASAD)
Managing Director



ANNEXURE TO NOTICE

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

Item No. 6:

Shri. K.Satyanarayana Prasad was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on 31-03-2011. Pursuant to Section 260 of the Companies Act, 1956, Shri. K.Satyanarayana Prasad 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 Mr.K.Satyanarayana Prasad for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Shri. K.Satyanarayana Prasad, is a B.E. (Civil) MIGS, is having 27 years of enormous experience in the field of Civil Engineering.

Your Directors recommend the resolution for your approval.

Shri. K.Satyanarayana Prasad is deemed to be concerned or interested in the resolution as it pertain to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 7:

Shri. P.S.V.Prasada Rao was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on 31-03-2011. Pursuant to Section 260 of the Companies Act, 1956, Shri. P.S.V.Prasada Rao 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 Mr.P.S.V.Prasada Rao for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Shri. P.S.V.Prasada Rao, Managing Director of M/s.DFL Finance Limited, is having 30 years of enormous experience in the fields of Vehicle Finance and Management.

Your Directors recommend the resolution for your approval.

Shri. P.S.V.Prasada Rao is deemed to be concerned or interested in the resolution as it pertain to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Item Nos. 8 & 9:

Issuance of 54,70,000 nos. of Fully Convertible Unsecured Debentures (FCDs) with a Coupon Rate of 12% and 16,00,000 nos. of Warrants of the Company to the Promoters and Non Promoters on preferential basis:

The Company requires funds in near future for meeting Working Capital requirements for expansion of operations of the Company and such other corporate purposes, as may be required from time to time. To make provision for the funds so required, it is considered appropriate under the current circumstances to issue Fully Convertible Unsecured Debentures (FCDs) and Share warrants (Warrants) convertible into Equity Shares on preferential basis in accordance with the provisions of Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI Regulations").

On the request of the Company some Promoters and Non Promoters, have agreed to subscribe 54,70,000 (Fifty Four Lakh Seventy Thousand only) nos. of Fully Convertible Unsecured Debentures (FCDs) and 16,00,000 (Sixteen Lakhs only) Warrants convertible in to Equity Shares of Rs.10/- each fully paid-up, on preferential basis as detailed in the Resolution.

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The Relevant date, i.e. 30 days prior from the date of General Meeting of the members, of the Proposed General Meeting is 20th, August, 2011

The details of the issue and other particulars as required under the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, in relation to the above resolution proposed are given as under:

i. Object of the Issue:

The funds raised through the proposed issue of Fully Convertible Unsecured Debentures / Warrants / Shares shall be used for meeting the Working Capital requirements for expansion of the Company's operations, and for such other corporate purpose, as may be required from time to time.

ii. Intention of Promoters / Directors / Key Management Persons and Non Promoters to subscribe to the offer:

The Promoters and Non Promoters as detailed in the resolution have agreed to subscribe to the offer of FCDs and Warrants. None of the other Promoters / Directors / Key Management Persons and Non Promoters except as mentioned in the resolution shall subscribe to the offer.

iii. Shareholding pattern before and after the offer:

The shareholding pattern of the Company, before and after the preferential allotment of Fully Convertible Unsecured Debentures (FCDs) and Warrants, on their conversion, shall be as under:

| Category | Pre Issue Shareholding Pattern | | Post Issue Shareholding Pattern (i.e. post conversion of FCDs and Warrants in to Equity Shares) | |
|--|--------------------------------|------------------|---|------------------|
| | No. of Shares | Shareholding (%) | No. of Shares | Shareholding (%) |
| A. Promoters, Promoters Group, Directors and Director's Relatives Shareholding | 5559935 | 45.46% | 9674935 | 50.13% |
| B. Public Shareholding: | | | | |
| -Banks | 0 | 0.00% | 0 | 0.00% |
| -Mutual Funds | 0 | 0.00% | 0 | 0.00% |
| -Financial Institutions | 0 | 0.00% | 0 | 0.00% |
| -Foreign Institutional Investors | 0 | 0.00% | 0 | 0.00% |
| -Private Corporate Bodies | 363338 | 2.97% | 820338 | 4.25% |
| -Foreign Company/Non Resident Indians | 2911265 | 23.80% | 2911265 | 15.08% |
| -Shares in Transit/Clearing Member | 0 | 0.00% | 0 | 0.00% |
| -Resident Individuals / Others | 3395462 | 27.76% | 5893462 | 30.54% |
| Total | 12230000 | 100.00% | 19300000 | 100.00% |

iv. Proposed time within which the allotment shall be completed

As required under the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, the allotment of Preferential Issue shall be completed within 15 days of the date of passing of the above resolution. Provided that where the allotment is pending on account of pendency of any approval from any Regulatory Authority or Central Government, the allotment would be completed within 15 days from the date of such approval.



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v. Identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:

| | Particulars | Pre Issue holding | | Proposed Allotment | | Post Issue Holding | |
|----|----------------------------------|-------------------|--------|--------------------|----------|--------------------|-------|
| | | Shares | % | FCDs | Warrants | Total | % |
| | Promoters: | | | | | | |
| 01 | VGK Prasad | 1276186 | 10.43% | 65000 | 311000 | 1652186 | 8.56% |
| 02 | V Indira Devi | 841649 | 6.88% | 275000 | 300000 | 1416649 | 7.34% |
| 03 | V Vasantha Lakshmi | 779800 | 6.38% | 425000 | 128000 | 1332800 | 6.91% |
| 04 | K Vasumathi Devi | 692600 | 5.66% | 650000 | 170000 | 1512600 | 7.84% |
| 05 | IKF Financial Services (P) Ltd | 0 | 0.00% | 550000 | 225000 | 775000 | 4.02% |
| 06 | Prasad Jagadish Athota | 0 | 0.59% | 125000 | 219000 | 415800 | 2.15% |
| 07 | Chunduru Durga Rani | 146300 | 1.20% | 425000 | 247000 | 818300 | 4.24% |
| | Indian Public: | | | | | | |
| 08 | DFL Finance Limited | 0 | 0.00% | 357000 | 0 | 357000 | 1.85% |
| 09 | Dr Sai Sudhakar | 0 | 0.00% | 71000 | 0 | 71000 | 0.37% |
| 10 | Vamshi Mohan Athota | 312000 | 2.55% | 714000 | 0 | 1026000 | 5.32% |
| 11 | Aluri Srinivasa Rao | 0 | 0.00% | 39000 | 0 | 39000 | 0.20% |
| 12 | Aluri Bujji Babu | 0 | 0.00% | 39000 | 0 | 39000 | 0.20% |
| 13 | Vankineni Raghu Kumar | 0 | 0.00% | 178500 | 0 | 178500 | 0.92% |
| 14 | Kodali Lakshmana Rao | 0 | 0.00% | 220500 | 0 | 220500 | 1.14% |
| 15 | Ravipati Sita Ravamma | 0 | 0.00% | 180500 | 0 | 180500 | 0.94% |
| 16 | K Chakradhara Rao | 0 | 0.00% | 50000 | 0 | 50000 | 0.26% |
| 17 | Bathina Sivaji | 0 | 0.00% | 42500 | 0 | 42500 | 0.22% |
| 18 | Mulakalapalli Rama Rao | 0 | 0.00% | 64000 | 0 | 64000 | 0.33% |
| 19 | Paleti Purnachandra Rao | 0 | 0.00% | 64000 | 0 | 64000 | 0.33% |
| 20 | Mannem Venkateswara Rao | 0 | 0.00% | 64000 | 0 | 64000 | 0.33% |
| 21 | Kunapaneni Satyanarayana | 0 | 0.00% | 25000 | 0 | 25000 | 0.13% |
| 22 | Vaddineni Gopala Krishna | 0 | 0.00% | 57000 | 0 | 57000 | 0.30% |
| 23 | Paladugu Parameswara Rao | 0 | 0.00% | 17500 | 0 | 17500 | 0.09% |
| 24 | Mannem Harish | 0 | 0.00% | 28500 | 0 | 28500 | 0.15% |
| 25 | Vaddineni Srinivasa Rao | 0 | 0.00% | 42500 | 0 | 42500 | 0.22% |
| 26 | Alapati Dasaradha Ramu | 0 | 0.00% | 71000 | 0 | 71000 | 0.37% |
| 27 | Challagundla Narasimha Rao | 0 | 0.00% | 17500 | 0 | 17500 | 0.09% |
| 28 | Kolanati Nagamani | 0 | 0.00% | 28500 | 0 | 28500 | 0.15% |
| 29 | Valiveti Lakshmi Narayana | 0 | 0.00% | 50000 | 0 | 50000 | 0.26% |
| 30 | Nelluri Satyanarayana | 0 | 0.00% | 57000 | 0 | 57000 | 0.30% |
| 31 | Karem Bhadraiah | 0 | 0.00% | 42500 | 0 | 42500 | 0.22% |
| 32 | Anantaramaiah Kunapaneni | 0 | 0.00% | 21000 | 0 | 21000 | 0.11% |
| 33 | Vaddineni Satyanarayana | 0 | 0.00% | 57000 | 0 | 57000 | 0.30% |
| 34 | Javvaji Krishna Prasad | 0 | 0.00% | 50000 | 0 | 50000 | 0.26% |
| 35 | Myneni Satyanarayana | 0 | 0.00% | 64000 | 0 | 64000 | 0.33% |
| 36 | Bathina Anjana Devi | 0 | 0.00% | 35500 | 0 | 35500 | 0.18% |
| 37 | M Raghavendra Rao | 0 | 0.00% | 71000 | 0 | 71000 | 0.37% |
| 38 | Narra Vigneswara Rao | 0 | 0.00% | 35500 | 0 | 35500 | 0.18% |
| 39 | Eastern Power & Systems (P) Ltd. | 0 | 0.00% | 100000 | 0 | 100000 | 0.52% |

vi. Lock-In:

The Fully Convertible Unsecured Debentures (FCDs) and Warrants, convertible in to Equity Shares, to be allotted on preferential basis shall be subject to lock-in as per the applicable SEBI (ICDR) Regulations 2009 in this behalf for the time being in force.

vii. Change in the control or composition of the Board:

There will neither be any change in the composition of the Board nor any change in the control of the Company on account of the proposed preferential allotment. However, there will be corresponding changes in the shareholding pattern as well as voting rights consequent to preferential allotment and conversion of FCDs and Warrants in to Equity Shares.