

IKF FINANCE LIMITED



***21st Annual Report
2011-2012***

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. S. Veerabhadra Rao
Mr. N. Haranath
Mr. P.S.V.Prasada 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
Mrs. K.Vasumathi Devi

REMUNERATION AND COMPENSATION COMMITTEE

Mr. P.S.V.Prasada Rao
Mr. S. Veerabhadra Rao
Mr. N. Haranath

NOMINATION COMMITTEE

Mr. P.S.V.Prasada Rao
Mr. S. Veerabhadra Rao
Mr. V. G. K. Prasad

ASSET LIABILITY COMMITTEE

Mr. V.G.K.Prasad
Mrs. K.Vasumathi Devi
Mr. S. Veerabhadra Rao

AUDITORS

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

BANKERS

Central Bank of India (Lead Banker)
Andhra Bank
Indian Overseas Bank
IDBI Bank Limited
The Federal Bank Limited
Axis Bank Limited
Bank of India
Punjab National Bank

LISTING :

Bombay Stock Exchange Limited, Mumbai

SHARE TRANSFER AGENTS

M/s.Bigshare Services Private Limited
306, 3rd Floor, Right Wing, Amrutha Ville,
Opp. Yashoda Hospital, Rajbhavan Road,
Somajiguda, Hyderabad - 500 082.

REGISTERED OFFICE :

40-1-144,
Corporate Centre,
M.G. Road,
Vijayawada - 520 010, Andhra Pradesh.

DEBENTURE TRUSTEE

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

CORPORATE OFFICE

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

21 ST ANNUAL GENERAL MEETING	CONTENTS	Page Nos
Date : 29th September, 2012	Notice to the Shareholders	02
Time : 4:30 P.M.	Directors' Report	08
Day : Saturday	Report on Corporate Governance	11
Venue : Registered Office of the Company	Auditor's Report	16
# 40-1-144, Corporate Centre,	Balance Sheet	19
MG Road, Vijayawada - 520 010	Profit & Loss Account	20
Krishna District,	Cash Flow Statement	21
Andhra Pradesh, India	Schedules to the Accounts	22

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Saturday, the 29th September, 2012 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, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
02. To declare dividend on Equity Shares for the financial year 2011-2012.
03. To appoint a Director in place of Veerabhadra Rao Sunkara, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint a Director in place of Haranath Nallani, 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 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 or its committee as may be authorized by 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.500 Crores (Rupees Five hundred Crores Only).”

07. 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 or its committee as may be authorized by the Board of Directors, 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.500 Crores (Rupees Five hundred Crores Only).”

08. 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 accords its approval and consent to the re- appointment of Shri. V G K Prasad as Managing Director of the Company for the period of Five years with effect from 01.10.2012 to 30.09.2017, and he shall perform such duties and exercise such powers as may from time to time be lawfully entrusted to and conferred upon him and he may be paid a remuneration by way of salary and other perquisites in accordance with Schedule XIII to the Companies Act, 1956, as set out hereunder.”

Salary :

Rs.1,50,000/- in the scale of Rs.1,50,000/- to Rs.4,50,000/-. Annual Increase will be decided by the Board of Directors / Compensation and Remuneration Committee.

Commission :

Subject to a ceiling of 1% on the net profits of the Company (in addition to the Salary and perquisites hereinafter stated) calculated with reference to the net profit of the Company in accordance with Section 349 and 350 of the Companies Act, 1956.

Perquisites subject to a maximum of 100% of Annual Salary :

- * Reimbursement of medical, surgical and hospitalization expenses for the Managing Director and family as per the rules of the Company.
- * Personal Accident Insurance as per the rules of the Company
- * Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
- * Contribution to Provident Fund / Superannuation Fund / Pension Fund / Gratuity Fund and encashment of leave (at the end of the tenure) as per the rules of the Company. These shall not be considered or included in the computation of remuneration.
- * Provision for Telephone(s) at residence
- * Provision for Chauffeur driven Company's car(s)
- * The Board may revise the existing or allow any other facilities, from time to time, within the overall ceiling.
- * Such other allowances, perquisites, benefits and amenities as may be provided by the company to other senior executives from time to time.
- * Employee Stock Option – as may be decided by remuneration, compensation and nomination Committee / Board of Directors from time to time according Employees Stock Options Scheme of the Company.
- * The Managing Director shall not be liable to retire by rotation.

Minimum Remuneration:

Where in any financial year, during the currency of tenure of the Managing Director, the company has no profits or its profits are inadequate, it may pay her remuneration by way of salary, allowances, commission and perquisites not exceeding the limits specified in Part II of Section II of the Schedule XIII of the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

09. Re-Appointment of Smt. Indira Devi Vupputuri 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 accords its approval and consent to the re- appointment of Smt. Indira Devi Vupputuri as Whole Time Director of the Company for the period of Five years with effect from 01.10.2012 to 30.09.2017, and she shall perform such duties and exercise such powers as may from time to time be lawfully entrusted to and conferred upon her and she may be paid a remuneration by way of salary and other perquisites in accordance with Schedule XIII to the Companies Act, 1956, as set out hereunder.”

Salary :

Rs.1,00,000/- in the scale of Rs.1,00,000/- to Rs.3,00,000/-. Annual Increase will be decided by the Board of Directors / Compensation and Remuneration Committee.

Commission :

Subject to a ceiling of 1% on the net profits of the Company (in addition to the Salary and perquisites hereinafter stated) calculated with reference to the net profit of the Company in accordance with Section 349 and 350 of the Companies Act, 1956.

Perquisites subject to a maximum of 100% of Annual Salary :

- * Reimbursement of medical, surgical and hospitalization expenses for the Executive Director and family as per the rules of the Company.
- * Personal Accident Insurance as per the rules of the Company
- * Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
- * Contribution to Provident Fund / Superannuation Fund / Pension Fund / Gratuity Fund and encashment of leave (at the end of the tenure) as per the rules of the Company. These shall not be considered or included in the computation of remuneration.
- * Provision for Telephone(s) at residence.
- * Provision for Chauffeur driven Company's car(s).
- * The Board may revise the existing or allow any other facilities, from time to time, within the overall ceiling.
- * Such other allowances, perquisites, benefits and amenities as may be provided by the company to other senior executives from time to time.



- * Employee Stock Option – as may be decided by remuneration, compensation and nomination Committee / Board of Directors from time to time according Employees Stock Options Scheme of the Company.
- * The Whole Time Director shall not be liable to retire by rotation.

Minimum Remuneration :

Where in any financial year, during the currency of tenure of the Whole Time Director, the company has no profits or its profits are inadequate, it may pay her remuneration by way of salary, allowances, commission and perquisites not exceeding the limits specified in Part II of Section II of the Schedule XIII of the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

10. Re-Appointment of Smt.Vsumathi Devi Koganti as Executive Director

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

“RESOLVED THAT, in accordance with the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII as amended, the Company hereby accords its approval and consent to the re- appointment of Smt.Vasumathi Devi Koganti as Executive Director of the Company for the period of Five years with effect from 01.10.2012 to 30.09.2017, and she shall perform such duties and exercise such powers as may from time to time be lawfully entrusted to and conferred upon her and she may be paid a remuneration by way of salary and other perquisites in accordance with Schedule XIII to the Companies Act, 1956, as set out hereunder.”

Salary :

Rs.1,00,000/- in the scale of Rs.1,00,000/- to Rs.3,00,000/-. Annual Increase will be decided by the Board of Directors / Compensation and Remuneration Committee.

Commission :

Subject to a ceiling of 1% on the net profits of the Company (in addition to the Salary and perquisites hereinafter stated) calculated with reference to the net profit of the Company in accordance with Section 349 and 350 of the Companies Act, 1956.

Perquisites subject to a maximum of 100% of Annual Salary :

- * Reimbursement of medical, surgical and hospitalization expenses for the Executive Director and family as per the rules of the Company.
- * Personal Accident Insurance as per the rules of the Company
- * Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
- * Contribution to Provident Fund / Superannuation Fund / Pension Fund / Gratuity Fund and encashment of leave (at the end of the tenure) as per the rules of the Company. These shall not be considered or included in the computation of remuneration.
- * Provision for Telephone(s) at residence
- * Provision for Chauffeur driven Company's car(s)
- * The Board may revise the existing or allow any other facilities, from time to time, within the overall ceiling.
- * Such other allowances, perquisites, benefits and amenities as may be provided by the company to other senior executives from time to time.
- * Employee Stock Option – as may be decided by remuneration, compensation and nomination Committee / Board of Directors from time to time according Employees Stock Options Scheme of the Company.
- * The Executive Director shall not be liable to retire by rotation.

Minimum Remuneration:

Where in any financial year, during the currency of tenure of the Executive Director, the company has no profits or its profits are inadequate, it may pay her remuneration by way of salary, allowances, commission and perquisites not exceeding the limits specified in Part II of Section II of the Schedule XIII of the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

By Order of the Board

**Place: Vijayawada
Date : 31-08-2012**

**Sd/-
V G K Prasad
Managing Director**



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, 2012 to 29th September, 2012, both days inclusive.
4. 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.
5. 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.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, Dividends for the financial year ended 31st March, 2005 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 dividends mentioned aforesaid years are requested to lodge their claims to the Company's Registered Office or to the Registrar and Share Transfer Agents of 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 against the said Fund or the Company.
7. Members are requested to:
 - (a) Provide Permanent Account Number
 - (b) Avail nomination facilityFor this purpose;
 - (a) Shareholders holding shares in electronic mode may approach their respective depository participants (DP) and
 - (b) Shareholders holding shares in physical mode can approach M/s. Bigshare services Private Limited, 306, 3rd Floor, Right Wing, Amrutha ville, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082, Ph No.040-23374967, Fax: 040-2337 0295 Email : bsshyd@bigshareonline.com.
8. Members who are holding shares in physical form are requested to avail dematerialization facility since the company's shares can only be traded in dematerialised form on stock exchanges.

Important Communication to Members – Green Initiative in the Corporate Governance

The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in the Corporate Governance by allowing paperless compliances by the companies and has issued Circular stating that service of all documents including Annual Reports can be made by e-mail to all members of the company. Your Company believes that this is a remarkable and necessitated initiative by MCA and requests all members of the Company to support this noble cause.

We therefore propose to send documents including Annual Reports in electronic form to the Members on the e-mail address provided by them to the Company / Share Transfer Agent / the Depositories.

The Members who hold shares in physical mode are requested to intimate / update the e-mail address to the Company / Share Transfer Agent while Members holding shares in demat mode can intimate / update their e-mail address to their respect Depository Participants.

Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time, as a Member of the Company.

By Order of the Board

**Place: Vijayawada
Date : 31-08-2012**

**Sd/-
V G K Prasad
Managing Director**

ANNEXURE TO NOTICE

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

Item No.6:

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors shall not except with the consent of the Company in General Meeting, borrow money apart from temporary loans obtain from the Company's Bankers in the ordinary course of business, in excess of the aggregate Paid Up Capital and Free Reserves of the Company. According to Explanation 1 to the Section, every resolution passed in the General Meeting of the Company in relation to the exercise of the above powers shall specify the total amount of money up to which may be borrowed by the Board of Directors over and above the Paid Up Capital and Free Reserve. Hence, Resolution as set out in the item No.6 is recommended for your approval. None of the Directors of the Company is interested in the said resolution.

Item No.7:

The Borrowings of the company are in general required to be secured by suitable mortgage of charge on all or any of the movable or immovable properties of the company in such from, manner and ranking as may be determined by the Board of Directors of the Company from time to time, in consultation with the lender(s).

The mortgage and/or charge by the Company of its movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company in favour of the lender(s), with a power to take over the management of the business and concern of the Company in certain events of default by the Company, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956, requiring the approval of the members under that Section. Hence, Resolution as set out in Item No.7 is proposed for your approval. None of the Directors of the Company is interested in the said resolution.

Item No.8, 9 & 10:

At the Annual General Meeting held on September 30, 2008, Shri. V G K Prasad was appointed as Managing Director for a period of 5 years with effect from 01.10.2008 on a remuneration comprising salary of Rs.20,000 in the scale of Rs.20,000 to Rs.50,000. Presently he is drawing a salary of Rs.50,000.

At the Annual General Meeting held on September 30, 2008, Smt. Indira Devi Vupputuri was appointed as Whole Time Director for a period of 5 years with effect from 01.10.2008 on a remuneration comprising salary of Rs.15,000 per month in the scale of Rs.15,000 to Rs.25,000 respectively. Presently she is drawing a salary of Rs.25,000.

At the Annual General Meeting held on September 29, 2007, Smt. Vasumathi Devi Koganti was appointed as Executive Director for a period of 5 years with effect from 01.10.2007 on a remuneration comprising salary of Rs.20,000 per month in the scale of Rs.20,000 to Rs.50,000 respectively. Presently she is drawing a salary of Rs.50,000.

As these three are the Key Management Personnel in the Company who are fully devoting their time and attention for managing the affairs of the Company, the Board of Directors proposes to re-appoint Shri. V G K Prasad as Managing Director, Smt. Indira Devi Vupputuri as Whole Time Director and Smt. Vasumathi Devi Koganti as Executive Director of the Company for a period of Five years with effect from 01.10.2012 on such Salary, Commission and perquisites as set out in the said resolutions.

As per the provisions of Section 269 of the Companies Act, 1956 read with Schedule XIII, the appointments requires the approval of the Shareholders.

Hence, resolutions as set out in the Item No.8, 9 & 10 are recommended for your approval.

None of the Directors of the Company is interested in these resolutions except Shri. V G K Prasad, Smt. Indira Devi Vupputuri and Smt. Vasumathi Devi Koganti.



Particulars of the Directors seeking re-appointment in the forthcoming Annual General Meeting pursuant to Clause 49 of the Listing Agreement

Item No.3 – Shri. Veerabhadra Rao Sunkara – Re-appointment as Director

Shri. Veerabhadra Rao Sunkara, born on 01.06.1946, is a Science Post Graduate and a veteran in Finance business in Andhra Pradesh with over three decades of rich experience in the field of finance, particularly hire purchase, leasing and hypothecation of automobiles, and management. He served as President of Krishna District Auto Financiers Association and also served as the member of the Governing Council of Federation of Indian Hire Purchase Associations, the apex body of Asset Financing NBFCs in India, for two consecutive terms. He is the Promoter and Managing Director of SVR Finance and Leasing Private Limited. He does not hold any Shares in the Company.

Item No.4 – Shri. Haranath Nallani – Re-appointment as Director

Shri. Haranath Nallai, born on 14.01.1954, an Under Graduate, hails from a business family. He along with his family members were engaged in the field of Automobile finance for the last two decades which helped him to gain rich experience in the field of Automobile finance. He is a

Director of the Company since January 01, 1992. He does not hold any Directorships/Committee memberships in any other companies. He does not hold any Shares in the Company.

Item No.8 – Shri. V G K Prasad – Re-appointment as Managing Director

Shri. V G K Prasad, born on 02-09-1947, is the Promoter Director of the Company. He is a Science Graduate with three and half decades of rich experience in the fields of Automobile Finance and Management. He has been acting as the Managing Director of the Company since inception, i.e. 1991. He also holds Directorships in M/s.IKF Financial Services (P) Limited and M/s.IKF Infratech (P) Limited. He served as President of Krishna District Auto Financiers Association and also served as the member of the Governing Council, Vice President and Secretary General of Federation of Indian Hire Purchase Associations (FIHPA), the apex body of Asset Financing NBFCs in India. Currently, he is acting as President of FIHPA. He holds 12,76,286 Equity Shares of the Company.

Item No.9 - Smt. Indira Devi Vupputuri – Re-appointment as Whole Time Director

Smt. Indira Devi Vupputuri, born on 01-12-1959, is the Promoter Director of the Company with over two decades of rich experience in the fields of Automobile finance. She holds directorship in the Company since its inception, i.e. 1991. She holds Directorship in M/s. IKF Infratech (P) Limited. She holds 8,41,649 Equity Shares of the Company.

Item No.10 – Smt. Vasumathi Devi Koganti – Re-appointment as Executive Director

Smt. Vasumathi Devi Koganti, born on 19-05-1975, a Post Graduate in Management with Bachelors Degree in Electronics and Communications, is having Nine years of experience in the fields of Information Technology, Telecommunications and Management and Six years in the financial services space. She served various prominent IT and Telecom companies in USA as senior Management personnel. She has been acting as the Executive Director of the Company from October 1, 2007. She does not hold any Directorships/Committee Memberships in any other companies. She is one of the promoters of the company and holds 11,21,000 shares.

By Order of the Board

Sd/-

V G K Prasad
Managing Director

Place: Vijayawada
Date : 31-08-2012

DIRECTORS REPORT

Your directors have pleasure in presenting the 21st Annual Report along with audited accounts of the Company for the year ended 31st March, 2012. The summarized financial results of the Company, are given hereunder:

Financial Results:

(Rs.in Lacs)

Particulars	Year ended 31.03.12	Year ended 31.03.11
Income from Operations	2675.99	1561.77
Total Expenditure	338.68	221.25
Interest	1574.52	671.00
Profit before Dep. & Taxes	762.79	669.52
Depreciation	45.68	82.65
Provision for NPA	11.28	6.56
Provision for Standard Assets	42.65	25.70
Provision for Current Tax	282.02	245.34
Provision for Deferred Tax	(7.90)	(20.82)
Profit After Tax	389.06	330.09
Surplus brought forward	216.19	144.48
General Reserve	19.45	16.51
Reserve Fund	77.81	66.02
Dividend (proposed)	122.30	122.30
Dividend Tax	19.84	20.31
Prior Year Income Tax	21.57	33.24
Surplus Carried to Balance Sheet	344.28	216.19

In line with the slowdown of global economies, India's GDP growth in the year 2011-12 has been estimated to be lower than 7.00% on account of lower industrial production inspite of satisfactory performance of Service and Agricultural sectors. Inflation continues to hover at around 9% levels throughout the year on account of high food and fuel prices. RBI continues to raise the policy rates as a tool to combat the inflation. The overall business sentiment was not so positive in view of high inflation and raising interest rates coupled with Government's indecisiveness on various policy matters.

Automotive Sector:

The performance of the automotive sector is satisfactory when compared with other sectors. Though the growth in Commercial Vehicle segment, driven by light commercial vehicles, was reasonably good, the performance of Cars and Multi Utility Vehicle segment was very disappointing. High Interest rates throughout the year, spiraling fuel prices together with falling industrial production have primarily contributed to the sharp decline in growth of Medium & Heavy Commercial Vehicle and Car & MUV segments.

Dividend:

Your Directors are pleased to recommend a Dividend of 10% (Rs.1.00 per Equity Share) for the Financial Year ended March 31, 2012. The Dividend together with Dividend Tax of Rs.19.84 Lakhs, absorbs a sum of Rs.142.14 Lakhs (Rupees One Crore Forty Two Lakhs Fourteen Thousand Only).

Corporate Governance:

A detailed report on corporate governance, together with a certificate from the statutory auditors and a declaration by the Managing Director with regard to Code of Conduct in compliance with Clause 49 of the Listing Agreement, are attached as part of this Report.

Further, a certificate, duly signed by the Managing Director on the Financial Statements of the Company for the year ended March 31, 2012, as required under Clause 49 of the Listing Agreement, was submitted to the Board of Directors at their meeting held on August 31, 2012. The certificate is attached to the Report on Corporate Governance.

Management's Discussion and Analysis:

Economic Environment:

The signs of stabilization of major economies world over were offset by the Euro zone crisis with insignificant industrial production which continue to exert severe pressures on their financial system and continue to weigh considerably on the global economy in spite of reasonable growth of emerging and developing economies.

Future Outlook:

The GDP growth for the FY 2011-12 is projected at around 7.00% level in view of lower industrial production, declining Exports and spiraling Crude prices. The downtrend in Indian economy seems to be bottomed out and moderating inflation due to drop in prices of food and manufactured products may provide the required comfort to RBI to take call on reduction of its policy rates which is expected to kick start the economy. Policy initiatives proposed by the new Finance Minister are expected to provide the required impetus to the overall growth of the Indian economy. Interest rates, depreciating Rupee and crude prices are the key concerns, as of now, which tend to define the direction of the economy in the days ahead. The current year is going to be a very challenging year for the Policy makers and as well as the Indian economy.

The automobile sector may register a moderate growth on account of higher fuel prices and high interest rates. Competition is expected to increase as all most all Banks are trying hard to grab their chunk and cost of funds is expected to play a pivotal role. Your Company continues to focus on Retail segment in by focusing on providing superior service to customers, strives to lower its cost of funds, maintain good asset quality and enhanced operating efficiencies to sustain the growth and profitability.



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, 2012 continues to be encouraging and has registered a growth of 71.32% in its Gross Receipts to Rs.26.76 Crs as against Rs.15.62 Crs and the Net Profit increased from Rs.3.30 Crs to Rs.3.89 Crs registering a growth of 17.88% for the corresponding previous year.

During the year, the disbursements have grown by 49.42% from Rs.87 Crs to Rs.130 Crs and the Loan Book has grown by 69.31% from Rs.101 Crs to Rs.171 Crs. The gross receivables managed by the Company, including Channel Business and receivables assigned / securitized stood at around Rs.239 Cr as at March 31, 2012 as against Rs.172 Cr in the previous year.

Deposits:

Your Company has not mobilized 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, Axis Bank Limited, Andhra Bank, Central Bank of India, IDBI Bank Limited and Indian Overseas Bank.

As part of the overall business plan, your Company has mobilized additional Cash Credit limits of Rs.60 Cr and Term Loan of Rs.10 Cr from the member bankers and, during the year, the Company has moved from multiple banking to consortium banking - **Central Bank of India as Lead Bank.**

During the year, your Company has securitized / assigned hypothecation loan receivables to the extent of Rs.11.25 Cr with the **HDFC Bank Limited.**

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** and **Bajaj Finance Limited** (Channel Business Arrangement) and with **Sundaram Finance Limited** (Securitization exposure limit).

Capital Adequacy:

The Capital to Risk Assets Ratio of your company is **24%** as on 31.03.2012, well above the minimum of **15%** 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 Debentures of Rs.6 Crs and Bank Loan of Rs.175 Crs, signifying the adequate degree of safety regarding timely payment of interest and principle. The short term borrowings (commercial paper), backed by the Stand by Letter of Credit of the Lead Bank Central Bank of India by carving out the working capital limits sanctioned to the company, are rated "**A1+(SO)**" (highest safety)

Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Veerabhadra Rao Sunkara and Shri. Haranath Nallani 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 re-appointment.