

# ***IKF FINANCE LIMITED***



***22<sup>nd</sup> Annual Report  
2012-2013***

# 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  
Director (Alternate Director Mrs. D.Vasantha Lakshmi)  
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

## **RISK MANAGEMENT COMMITTEE**

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

## **BANKERS**

### **Central Bank of India (Lead Bank)**

Andhra Bank  
Indian Overseas Bank  
IDBI Bank Limited  
The Federal Bank Limited  
Axis Bank Limited  
Bank of India  
Punjab National Bank

HDFC Bank Limited

## **AUDITORS**

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

## **LISTING :**

Bombay Stock Exchange Limited, Mumbai

## **REGISTERED OFFICE :**

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

## **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.

## **CORPORATE OFFICE**

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

## **DEBENTURE TRUSTEE**

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

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## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Company will be held on Friday, the 30th August, 2013 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, 2013, 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 2012-2013.
03. To appoint a Director in place of P S V Prasada Rao, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint a Director in place of K Satyanarayana Prasad, 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.”

By Order of the Board

Place: Vijayawada  
Date : 31-07-2013



Sd/-  
(V G K Prasad)  
Managing Director

## **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. PSV Prasada Rao – Re-appointment as Director**

Shri. P.S.V.Prasada Rao, born on 21.01.1935, is a 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 and hypothecation of automobiles, and management. He is the Promoter and Managing Director of M/s.DFL Finance Limited. He does not hold any Shares in the Company.

### **Item No.4 – Shri. K Satyanarayana Prasad – Re-appointment as Director**

Shri. K.Satyanarayana Prasad, born on 30.06.1951, an B.E. (Civil) MIGS, is having 27 years of enormous experience in the field of Civil Engineering. He does not hold any Directorships/Committee memberships in any other companies. He does not hold any Shares in the Company.

By Order of the Board

Place: Vijayawada  
Date : 31-07-2013

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 26th August, 2013 to 28th August, 2013, 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. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, Dividends for the financial year ended 31st March, 2006 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.
6. 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, 3<sup>rd</sup> 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](mailto:bsshyd@bigshareonline.com).
7. 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 : 31-07-2013**

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

## DIRECTORS REPORT

Your directors have pleasure in presenting the 22<sup>nd</sup> Annual Report along with audited accounts of the Company for the year ended 31st March, 2013. The summarized financial results of the Company, are given hereunder:

### Financial Results:

(Rs.in Lacs)

Particulars	Year ended	
	31.03.13	31.03.12
Income from Operations	4278.61	2675.99
Total Expenditure	681.64	338.68
Interest	2422.27	1574.52
Profit before Dep. & Taxes	1174.70	762.79
Depreciation	26.83	45.68
Provisions NPA	26.52	11.28
Provision for Standard Assets	26.31	42.65
Provision for Current Tax	388.41	282.02
Provision for Deferred Tax	0.63	(7.90)
Profit After Tax	706.00	389.06
Surplus brought forward	344.28	216.19
General Reserve	35.31	19.45
Reserve Fund	141.23	77.81
Dividend (proposed)	230.09	122.30
Dividend Tax	39.10	19.84
Prior Year Income Tax	24.94	21.57
Surplus Carried to Balance Sheet	579.61	344.28

### Dividend:

Your Directors are pleased to recommend a Dividend of 10% (Rs.1.00 per Equity Share) for the Financial Year ended March 31, 2013. The Dividend together with Dividend Tax of Rs.39.10 Lakhs, absorbs a sum of Rs.269.19 Lakhs (Rupees Two Crore Sixty Nine Lakhs Nineteen 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, 2013, as required under Clause 49 of the Listing Agreement, was submitted to the Board of Directors at their meeting held on July 31, 2013. The certificate is attached to the Report on Corporate Governance.

### Management's Discussion and Analysis:

#### Economic Environment:

India's GDP growth for the year 2012-13 is, in all probability, to be around 5% on account of poor performance of all most all the industrial sectors and slowdown in the services sector. However, Inflation has moderated to some extent after a prolonged period and has come down to 6% level by the end of the year. In spite of RBI's revision of policy rates downwards by 0.75%, in a phased manner, the overall business sentiment was not so positive in view of high interest rates coupled with Government's indecisiveness on various policy matters.

### Automotive Sector:

The slowdown of economy has cast its shadow on many sectors and automotive industry was one of the worst hit sectors. Medium and heavy commercial vehicles (M/HCV) segment registered a steep fall of 23% during 2012-13 as against a growth of 8% in the previous year, as a direct result of the not so good monsoon and the continuing sluggishness in the manufacturing and infrastructure sectors. Light commercial vehicles grew by 14% as against 23% in the previous year primarily on account increased sales of small commercial vehicles. Cars and multi-utility vehicles recorded a 2% growth in 2012-13 as against 4% in the previous year. As such, the overall performance of the automotive sector was very disappointing in comparison to several other sectors. High interest rates and spiraling fuel prices, throughout the year, coupled with sluggish economic conditions have contributed to the steep decline in the growth of automotive sector.

### Future Outlook:

The year ahead is going to be a challenging year for the Indian economy. The economic growth for the FY 2013-14 is expected to be at around 5%, though it was projected at around 6% initially, as RBI and other monetary agencies have already downsized their projections. Further, steep decline of rupee is a matter of serious concern as it has crossed Rs.61 mark against US Dollar and hovering at around Rs.60, in spite of RBI's all out efforts.

The chances of interest rate cuts are remote in the near future in the light of steep depreciation of rupee. Further, the RBI's initiatives, aimed at sucking the liquidity in the system, to stabilize the rupee have resulted in steep increase of short term interest rates and some banks have started increasing their base rates. As such the high interest rate regime is expected to continue for quite some time.

The inflation, though it seems to be moderating in the recent past, could reverse its trend and is expected to increase unless rupee is strengthened.

The course corrections measures taken by the government in the recent past, rupee strength, moderating commodity prices and expectation of good monsoon are expected to turn-around the economy.

The automobile sector is likely to remain sluggish in the short term with marginal recovery in the last quarter of the current financial year. However, the same is subject to many factors such as good monsoon, proactive government policies, recovery in industrial production, crude prices and currency fluctuations. Competition is expected to increase in view of lower volumes and interest rates are expected to play a pivotal role.

Your Company continues to focus on Retail segment with focus on providing superior service to customers, lowering the cost of borrowings, maintaining the asset quality with enhanced operating efficiencies to sustain the growth and profitability. To cope up with the adversities, the management of your Company has already taken initiatives by launching new products like Top Up / Working Capital Loans to the existing customers, Business Loans, asset backed loans etc. Your Company is confident of sustaining the growth and profitability as it has built strong relationship with the customers over the last two decades.

### **Risk Management & Credit Monitoring:**

As risk is inevitable fallout of the lending business, your Company has to manage various risks like credit risk, Liquidity risk, interest rate risk, operational risk, market risk etc.

The Risk Management Committee and the Asset Liability Management Committee review and monitor these risks at periodic intervals. Liquidity risk and interest rate risk arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles. The Company monitors ALM periodically to mitigate the liquidity risk. The Company also measures the interest rate risk by the duration gap method. Operational risks arising from inadequate or failed internal processes, people and systems or from external events are adequately addressed by the internal control systems and are continuously reviewed and monitored at regular intervals.

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.

### **Internal Audit**

As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit team reviews all the control measures at regular intervals and recommends improvements / modifications / rectifications to the existing processes and systems, wherever necessary. The internal audit team reports directly to the Audit Committee of the Board and the Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control systems.

### **Review of Operations:**

Your Company's performance for the year ended March 31, 2013 continues to be encouraging and has registered a growth of 59.89% in its Gross Receipts to Rs.42.79 Cr as against Rs.26.76 Cr and the Net Profit increased from Rs.3.89 Cr to Rs.7.06 Cr registering a growth of 81.46% for the corresponding previous year.

During the year, the disbursements have grown by 24.62% from Rs.130 Cr to Rs.162 Cr and the Loan Book has grown by 34.50% from Rs.171 Cr to Rs.230 Cr. The gross receivables managed by the Company, including Channel Business and receivables assigned / securitized stood at around Rs.293 Cr as at March 31, 2013 as against Rs.239 Cr in the previous year thereby registering a growth of 22.59%.

### **Resource Mobilization:**

#### **Deposits**

Your Company has not mobilized any Public Deposits during the year under review and there were no outstanding Public deposits at the end of the year.

### **Working Capital Limits**

Your company continues to enjoy Cash Credit Limits of Rs.171 Cr from the Consortium of Eight Banks led by **Central Bank of India**. The Lead Bank has assessed the working capital requirements of the Company at Rs.250 Cr and the same are yet to be availed as the member banks are considering enhancement of the existing limits from Rs.171 Cr to Rs.250 Cr.

### **Term Loans**

Your Company has mobilized an Unsecured Short Term Loan of Rs.25 Cr from HDFC Bank Limited during the year under review. During the current year, your company has mobilized Rs.25 Cr Term Loan and Rs.25 Cr Unsecured Short Term Loan from HDFC Bank Limited and Rs.5 Cr Term Loan from Small Industries Development Bank of India (SIDBI) in line with the Management's overall business plan to have a judicious mix of resources.

### **Securitization**

During the year, your Company has securitized hypothecation loan receivables to the extent of Rs.24.74 Cr.

### **Borrowing Profile**

Total borrowings of the Company for the year under review stood at Rs.186.44 Cr of which borrowings from Banks constituted 92.01%, borrowings from institutions 3.34%, Non Convertible Debentures (NCDs 2.68%) and Security Deposits & others 1.97%.

Your Company is continuously exploring all options to access low cost funds, mostly by way of Term Loans in the current financial year, 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 **20.67%** as on 31.03.2013, well above the minimum of **15%** prescribed by the Reserve Bank of India, of which Tier I Capital constituted 20.27%.

### **Credit Rating:**

During the year under review, Brickwork Ratings India Private Limited has assigned "**BWR A-**" (**Stable**) rating to your Company's Long Term Bank Loan limits of Rs.330 Cr (including a Bank Guarantee of Rs.15 Cr), signifying adequate degree of safety regarding timely servicing of financial obligations with low credit risk and "**BWR A2**" rating for Short Term Bank Loan limits of Rs.25 Cr, signifying strong degree of safety regarding timely payment of financial obligations with low credit risk.

Credit Analysis and Research Limited (CARE) has retained "**BBB+**" rating to your Company for its Secured Non Convertible Debentures of Rs.6 Crs and earlier Bank Loan facilities of Rs.175 Cr, signifying 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).

Further, Credit Analysis & Research Limited (CARE) has assigned "**A+**" rating to your Company's securitization transaction during the year under review.

## Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. PSV Prasada Rao and Shri. K Satyanarayana Prasad retires 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.

## 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 and / or expenses 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, 2013, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies and applied them consistently and made judgments 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 frauds and other irregularities; and
- The Directors have prepared the accounts for the financial year ended 31st March 2013 on a "going concern" basis.

## Auditors:

M/s. Hanumaiah & Co, Chartered Accountants, retires at the ensuing annual general meeting and is eligible for re-appointment.

## Acknowledgement:

Your directors' great fully acknowledge the support and co-operation extended by all the Shareholders, Debenture holders, Customers, Vehicle Dealers and Business associates **HDFC Bank Limited, Bajaj Finance Limited and Sundaram Finance Limited** for their continued support to your Company. Your directors wish to place on record their gratitude for the continued support provided by Company's bankers **Central Bank of India, Andhra Bank, Indian Overseas Bank, IDBI Bank Limited, The Federal Bank Limited, Axis Bank Limited, Punjab National Bank and Bank of India**. 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

Place: Vijayawada  
Date : 31-07-2013

Sd/-  
(V G K Prasad)  
Managing Director

## **REPORT ON CORPORATE GOVERNANCE**

(as required under Clause 49 of the Listing Agreement entered into with the Stock Exchange)

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 twenty two 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 nine 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, Sri. P S V Prasada Rao and Sri. K Satyanarayana Prasad 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, Forteen meetings of the Board of Directors were held on the following dates.

12-05-2012	11-06-2012	02-07-2012	31-07-2012	16-08-2012
31-08-2012	29-09-2012	31-10-2012	03-12-2012	31-01-2013
07-02-2013	28-02-2013	18-03-2013	28-03-2013	

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, 2012 to 31st March, 2013 are as follows:

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	14	100%	Present	2	4
V Indira Devi	Whole Time Director	10	71%	Present	1	1
K Vasumathi Devi	Executive Director	13	93%	Present	---	3
N Haranath	Director	13	93%	Present	---	3
Prasad J Athota	Director	14	100%	Present	---	1
(Alternate Director Ch V Rama Rao)						
Sinha S Chunduri	Director	8	57%	Present	---	---
(Alternate Director D.V.Lakshmi)						
S Veerabhadra Rao	Director	13	93%	Present	1	5
P.S.V.Prasada Rao	Director	12	86%	Present	2	3
K Satyanarayana Prasad	Director	9	64%	Present	---	---

#### 4. Audit Committee:

The Audit Committee provides direction to the Audit 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 S.Veerabhadra Rao as Chairman of the Committee and Sri N Haranath and Sri. PSV Prasada Rao as Members.

The Executive Directors, Statutory Auditors, Internal Auditors and other Functional Heads are invitees to the Committee Meetings. During the year the committee met 4 times on 12.05.2012, 31.07.2012, 31.10.2012 and 31.01.2013. 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
S. Veerabhadra Rao	4	100%
N Haranath	4	100%
P S V Prasada Rao	4	100%

#### 5. Remuneration and Compensation Committee

The Remuneration & Compensation Committee was constituted in accordance with the provisions of Schedule XIII to the Companies Act, 1956 and Clause 49 of the Listing Agreement and SEBI (Employee Stock Option Scheme) Guidelines, 1999 comprises of Sri. PSV Prasada Rao as Chairman, Sri S Veerabhadra Rao and Sri. N.Haranath as Members. The Committee determines the remuneration package of Executive Directors (Whole Time Directors) of the Company and to grant Stock Options to eligible employees from time to time. During the year the committee met on 16-08-2012.

#### 6. 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 2012-2013 are given below:

Name of the Director	Remuneration	Allowances	Incentives
V G K Prasad	Rs.12,00,000.00	Nil	Nil
V Indira Devi	Rs.7,50,000.00	Nil	Nil
K Vasumathi Devi	Rs.9,00,000.00	Nil	Nil

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

#### 7. Share Transfer and Investor Grievance Committee :

The Share Transfer and Investor Grievance Committee comprises of Sri N.Haranath as Chairman and Sri Ch.V.Rama Rao as Member. The Share Transfer and Investor Grievance Committee was formed in accordance with the provisions of Clause 49 of the Listing Agreement to monitor transfers and transmission of shares and to address the Investor Grievances. During the year 2012-2013 the committee met Four times on 31-07-2012, 29-09-2012, 07-02-2013 and 28-03-2013 and all the members were present at the committee meeting.

All the complaints received during the year under review, were resolved and there were no grievances remaining unresolved as on 31st March, 2013.

## 8. Asset Liability Management Committee :

The Asset Liability Management Committee comprises of Sri V.G.K.Prasad as Chairman, Sri S.Veerabhadra Rao and Smt K.Vasumathi Devi as Members. The Asset Liability Management Committee was formed to review and monitor liquidity and interest rate risk arising out of maturity mismatch of assets and liabilities and to address the mismatches, if any, from time to time. During the year 2012-2013 the committee met Four times on 12-05-2012, 31-07-2012, 31-10-2012 and 31-01-2013 and all the members were present at the committee meeting.

## 9. Risk Management Committee :

The Risk Management Committee comprises of Sri V.G.K.Prasad as Chairman, Sri S.Veerabhadra Rao and Smt K.Vasumathi Devi as Members. The Risk Management Committee was constituted on 31-01-2013 to review and monitor Risk Management policies and systems from time to time. During the year 2012-2013 the committee met Two times on 07-02-2013 and 28-03-2013 and all the members were present at the committee meeting.

## 10. Nomination Committee :

The Nomination Committee comprises of Sri P.S.V.Prasada Rao as Chairman, Sri S.Veerabhadra Rao and Sri V.G.K.Prasad as members to identify fit and proper persons for the directorship of the company. No meeting of the committee was held during the year.

## 11. General Body Meetings:

Time and location of last three Annual General Meetings

General Body Meeting	Day	Date	Time	Location
21th Annual General Meeting	Saturday	29-09-2012	4.30 PM	Registered Office of the Company Vijayawada - 520 010.
20th Annual General Meeting	Monday	19-09-2011	4.30 PM	Registered Office of the Company Vijayawada - 520 010.
19th Annual General Meeting	Thursday	30-09-2010	4.30 PM	Registered Office of the Company Vijayawada - 520 010.

## 12. Disclosures:

There are no materially significant transactions with related parties i.e. Subsidiaries, Promoters, Directors or the management and their relatives conflicting with the Company's interest.

## 13. Means of Communication:

Quarterly/Annual un-audited results of the Company were published in accordance with the Stock Exchange Listing Agreement in "Business Standard" (English) and "Andhra Prabha" (Telugu).

Management's Discussion and Analysis forms are part of the Annual Report.

## 14. General Information to Shareholder:

General Body Meeting	Day	Date	Time	Location
22nd Annual General Meeting	Friday	30-08-2013	4.30 PM	Registered Office, # 40-1-144, Corporate Centre, M.G.Road, Vijayawada-520 002.

## Financial Calendar

Financial Year - 1st April 2013 to 31st March 2014

Book Closure dates 26-08-2013 to 28-08-2013.

Last date for receipt of proxy forms 27th August, 2013 (Before 4.30 PM).

Date of payment of dividend last week of September, 2013.

Un-audited Results for the quarter ending 30.06.2013 - last week of July, 2013.

Un-audited Results for the quarter ending 30.09.2013 - last week of October, 2013.

Un-audited Results for the quarter ending 31.12.2013 - last week of January, 2014.

Un-audited Results for the quarter ending 31.03.2014 - last week of April, 2014.