

IKFFINANCE LIMITED



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

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

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.

21ST 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

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

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



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

Sd/-
V G K Prasad
Managing Director

Place: Vijayawada
Date : 31-08-2012



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 in spite 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.



Further, your Directors are pleased to place on record their appreciation for the services rendered by Shri. V G K Prasad, Managing Director, Smt. Indira Devi Vupputuri, Whole Time Director and Smt. Vasumathi Devi Kogani, Executive Directors during their tenure as Executive 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 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, 2012, 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 fraud and other irregularities; and
- * The Directors have prepared the accounts for the financial year ended 31st March 2012 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 wish to place on record their gratitude for the continued support provided by Company's bankers **Central Bank of India (Lead Bank), 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' 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** and look forward to their continued support in future.

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 : 31-08-2012

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 Exchanges)

This section on Corporate Governance forms part of the Report of the Directors to the Members.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our Corporate Governance policies recognise the accountability of the Board and the importance of its decisions to all our constituents, including Customers, Investors and the Regulatory Authorities. The strong foundation of the Company is supported by the pillars of Customer faith, Debenture holders Confidence, Bankers Trust, Investor Steadfastness and Employee Loyalty. The Company has been growing over the past twenty one 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, Ten meetings of the Board of Directors were held on the following dates.

30-04-2011	29-05-2011	30-06-2011	30-07-2011	20-08-2011
19-09-2011	29-10-2011	31-01-2012	15-03-2012	31-03-2012

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, 2011 to 31st March, 2012 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	10	100%	Present	2	3
V Indira Devi	Whole Time Director	8	80%	Present	1	1
N Haranath	Director	10	100%	Present	—	3
Prasad J Athota (Alternate Director Ch V Rama Rao)	Director	10	100%	Present	—	1
Sinha S Chunduri (Alternate Director N.V.S.N.Prasad)	Director	7	70%	Present	—	—
S Veerabhadra Rao	Director	8	80%	Present	1	4
K Vasumathi Devi	Executive Director	9	90%	Present	—	2
P.S.V.Prasada Rao	Director	8	80%	Present	2	3
K Satyanarayana Prasad	Director	8	80%	Present	—	—

4. Audit Committee:

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

The Audit Committee comprises three Non Executive Directors with all of them being Independent Directors. The Committee comprises of Sri 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 invited to the Committee Meetings. During the year the committee met 5 times on 30.04.2011, 30.06.2011, 30.07.2011, 29.10.2011 and 31.01.2012. 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	5	100%
N Haranath	5	100%
PSV Prasada Rao	5	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 and 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.

No meetings of the Remuneration and Compensation committee were held during the year.

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 2011-2012 are given below:

Name of the Director	Remuneration	Allowances	Incentives
V G K Prasad	Rs.6,00,000.00	Nil	Nil
V Indira Devi	Rs.3,00,000.00	Nil	Nil
K Vasumathi Devi	Rs.6,00,000.00	Nil	Nil

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



6. 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 2011-2012 the committee met Six times on 30-04-2011, 30-07-2011, 19-09-2011, 29-10-2011, 31-01-2012 and 31-03-2012 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, 2012.

7. General Body Meetings:

Time and location of last three Annual General Meetings

General Body Meeting	Day	Date	Time	Location
20th Annual General Meeting	Monday	19-09-2011	4.30 PM	Registered Office of the Company Vijayawada - 520 010.
19th Annual General Meeting	Thursday	30-09-2009	4.30 PM	Registered Office of the Company Vijayawada - 520 010.
18th Annual General Meeting	Wednesday	30-09-2009	4.30 PM	Registered Office of the Company Vijayawada - 520 010.

8. 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.

In response to the Consent Order of Adjudicating Officer, Securities and Exchange Board of India (SEBI), Mumbai, for omission of the Company in not disclosing offloading of shareholding of the Company in IKF Technologies Limited during 2005 in accordance with the regulations 13 (3), 13 (5) of SEBI (Prohibition of) Insider Trading Regulations, 1992, the Company has paid Rs.1,75,000/- towards settlement of the matter.

9. Means of Communication:

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

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

10. General Information to Shareholder:

General Body Meeting	Day	Date	Time	Location
21st Annual General Meeting	Saturday	29-09-2012	4.30 PM	Registered Office, # 40-1-144, Corporate Centre, M.G.Road, Vijayawada-520 002.

Financial Calendar

Financial Year - 1st April 2012 to 31st March 2013

Book Closure dates 24-09-2012 to 29-09-2012.

Last date for receipt of proxy forms 27th September, 2012 (Before 4.30 PM).

Date of payment of dividend last week of October, 2012.

Un-audited Results for the quarter ending 30.06.2012 - last week of July, 2012.

Un-audited Results for the quarter ending 30.09.2012 - last week of October, 2012.

Un-audited Results for the quarter ending 31.12.2012 - last week of January, 2013.

Un-audited Results for the quarter ending 31.03.2013 - last week of April, 2013.



The Company's shares are listed on Bombay Stock Exchange Limited, (BSE) Mumbai.

The Company has paid the listing fee to Bombay Stock Exchange Limited, Mumbai for the financial year 2011-2012.

BSE Stock Code : 530719

ISIN : INE859C01017

11. Market Price Data:

Month	High	Low	Month	High	Low
April, 2011	14.83	12.70	October, 2011	12.91	10.63
May, 2011	15.16	12.50	November, 2011	12.83	10.19
June, 2011	14.29	12.40	December, 2011	12.76	10.91
July, 2011	15.43	12.85	January, 2012	13.49	11.27
August, 2011	15.39	12.84	February, 2012	13.90	11.50
September, 2011	14.25	11.17	March, 2012	13.58	11.75

Share transfer requests were processed and share certificates dispatched within 30 days from the date of lodgement, in case of physical transfers, in accordance with the stock exchange listing agreement.

The company's shares are being compulsorily traded in dematerialized form with effect from 1st April, 2003.

M/s. Bigshare Services Private Limited, who have been appointed as the Registrar and Share Transfer Agents of the company for both physical and electronic segments have attended to the share transfer formalities regularly. The Registrar and Share Transfer Agents can be contacted by the investors at the following address:

M/s. Bigshare services (P) Ltd., 306, 3rd Floor, Right Wing, Amrutha ville, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad-500082, Tel.No.040-23374967, Fax No.040-23370295 Email : bsshyd@bigshareonline.com.

Dematerialization of Shares & Liquidity

Total Shares held in electronic mode as on 31.03.2012 - 78.23% (Including Shares allotted on 31.03.2012)

12. Distribution of Shareholding as on 31st March, 2012:

Shareholdings		Shareholders		Share Amount	
Rs.	Rs.	No.	% of total	Rs.	% of total
Upto	5,000	1277	61.46%	27,57,200	1.48%
5,001	10,000	324	15.59%	28,66,590	1.54%
10,001	20,000	182	8.76%	28,85,130	1.55%
20,001	30,000	70	3.37%	18,31,440	0.98%
30,001	40,000	47	2.26%	16,87,340	0.91%
40,001	50,000	25	1.20%	12,01,940	0.65%
50,001	1,00,000	37	1.78%	29,86,070	1.61%
1,00,001	& above	116	5.58%	16,96,84,290	91.28%
Total		2078	100.00%	18,59,00,000	100.00%

14. Shareholding Pattern as on 31.03.2012:

Category	No. of Shares	% of Shareholdings
Indian Promoters	49,36,935	26.56%
Foreign Promoters (NRI's)	43,75,000	23.53%
Banks/Financial Institutions	0	0.00%
Indian Private Corporate bodies	8,64,187	4.65%
Indian Public	60,83,013	32.72%
Non Resident Indians	23,30,865	12.54%
Total	1,89,50,000	100.00%

Address for correspondence and any assistance/clarification

Compliance Officer:

IKF Finance Limited, D.No.: 40-1-144, Corporate Centre, M.G.Road, Vijayawada - 520 010.

Phone No.: (0866) 2474 644, 2474 633, Fax No.: (0866) 2485 755, E-mail : ikf.investor@gmail.com



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of **IKF Finance Limited**

We have examined the compliance of conditions of corporate governance by **M/s. IKF Finance Limited, Vijayawada** for the year ended on 31st March, 2012 as stipulated in clause 49 of the listing agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholder/Investor grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Hanumaiah & Co.
Chartered Accountants

Sd/-
K Hanumaiah, FCA
Partner

Membership No: 201719
Firm Registration No: 009021S

Place: Vijayawada
Date: 31-08-2012



AUDITOR'S REPORT

To the Members of **IKF FINANCE LIMITED**

We have audited the attached Balance Sheet of IKF FINANCE LIMITED, (the "Company") as at March 31, 2012, and the related Profit and Loss Statement and the Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, ("the Order") issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit a statement on matters specified in the said order has been given in the annexure hereof.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) the Balance Sheet, Profit and Loss Statement and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion and according to the information and explanations given to us, the Balance Sheet, Profit and Loss Statement and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors and taken on record by the company, none of the directors are disqualified as on March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274, of the Companies Act, 1956;
- f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Hanumaiah & Co.
Chartered Accountants

Sd/-
K Hanumaiah, FCA
Partner

Place: Vijayawada
Date: 31-07-2012

Membership No: 201719
Firm Registration No: 009021S



ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)
Re: IKF FINANCE LIMITED ("the company")
Financial Year Ended March 31, 2012

- I. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such physical verification.
- (c) The Company has disposed off vehicles from fixed assets of which are actually part of its business activity, as such the assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
- II. In our opinion and as per the information and explanations given to us the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 (the Act).
- III. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the above controls and therefore the reporting of the same does not arise.
- IV. In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section, and
 - (b) According to the information and explanations given to us, where each of such transactions in respect of any party, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- V. The Company has not accepted public deposits in accordance with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- VI. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
- VII. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act.
- VIII. (a) According to the records of the Company and information and explanations given to us, undisputed statutory dues including provident fund, Investor education and protection fund, Employee's State Insurance, Income tax, Wealth tax, service tax, as applicable were regularly deposited during the year with the appropriate authorities etc. and there exist no dues which is outstanding for a period exceeding six months as at the last day of the financial year.
- (b) According to the information and explanations given to us and the books and records examined by us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of dispute.
- IX. The Company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses during the current and immediately preceding financial year.



- X. Based on our audit procedures and as per information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to banks, financial institutions or debenture holders.
- XI. According to the information and explanations given to us and based on our examination of books and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- XII. In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/society.
- XIII. Based on our examination of records and the information and explanations given to us, the Company does not deal / trade in shares, securities and debentures and other investments.
- XIV. In our opinion and according to the information and explanations given to us, the Company has given guarantees, in respect of loans, sanctioned to the various finance creditors under the Channel Business and Securitization activities undertaken by the Company as detailed below. The terms and conditions thereof are not prejudicial to the interest of the Company

Sl.No.	Name of the Activity	Outstanding Amount (Rs. In Lacs)
1	Channel Business	5908.20
2	Securitization / Direct Assignment	168.71

- XV. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained other than temporary deployment, pending application.
- XVI. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investment.
- XVII. According to the information and explanations given to us, the company has issued 31,71,600 Equity Shares of Rs.10/- each with a Premium of Rs.3/- per Share and 40,00,000 Warrants at Rs.13/- (including a Premium of Rs.3/- per Warrant) convertible in to one Equity Share each on Preferential basis to the parties or companies covered in the register maintained under section 301 of the Act.
- XVIII. According to the information and explanations given to us, the Company has created securities by way of floating charges in respect of secured debentures issued.
- XIX. The Company has not raised money by Public issue of Shares during the year.
- XX. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the course of our audit.
- XXI. In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during the year have been such that clause (ii) of paragraph 4 of the Companies (Auditors') Report Order, 2003 are not applicable to the Company for the year.

For Hanumaiah & Co.
Chartered Accountants

Sd/
K Hanumaiah, FCA
Partner

Membership No: 201719
Firm Registration No: 009021S

Place: Vijayawada
Date: 31-07-2012



21st Annual Report

BALANCE SHEET AS AT 31-03-2012

(Rs. in Laacs)

Particulars	Notes	31-03-2012	31-03-2011
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share capital	3	1,859.00	1,223.00
Reserves and surplus	4	1,444.39	1,028.24
Money received against share warrants	3.4	164.28	0.00
		3,467.67	2,251.24
Share Application money pending allotment		856.40	781.98
		856.40	781.98
Non-current liabilities			
Long-term borrowings	5	1,701.07	1,290.79
Deferred Tax Liabilities (Net)	6	88.26	96.16
Other long-term liabilities	7	54.76	4.01
Long-term provisions	8	81.60	27.26
		1,925.69	1,418.22
Current liabilities			
Short-term borrowings	9	12,431.33	6,653.39
Other current liabilities	10	34.50	61.72
Short-term provisions	11	313.21	330.24
		12,779.04	7,045.35
Total		19,028.80	11,496.79
<u>ASSETS</u>			
Non-current assets			
Fixed assets:			
Tangible assets	12	169.26	339.15
Intangible assets	12	7.42	6.76
Long-term loans and advances	13	10,291.59	6,248.75
Other non-current assets	14	22.39	25.80
		10,490.66	6,620.46
Current assets			
Cash and bank balances	15	1,593.96	913.84
Short-term loans and advances	16	6,852.81	3,858.55
Other current assets	17	91.37	103.94
		8,538.14	4,876.33
Total		19,028.80	11,496.79
Significant Accounting Policies and notes to the Accounts	1 to 30	-	-

The notes referred to above form an integral part of the financial statements.

As per our report even date
For Hanumaiah & Co.
Chartered Accountants

Sd/-
K. Hanumaiah
Partner
Membership No: 201719
Firm Registration No: 009021S
Place: Vijayawada
Date : 31-07-2012

For and on behalf of the Board of Directors of
IKF Finance Limited

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

Sd/-
N Haranath
Director



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31-03-2012

(Rs. in Lacs)

Particulars	Notes	31-03-2012	31-03-2011
Revenue from Operations	18	2,636.36	1,525.13
Other Income	19	39.63	36.64
Total Revenue		2,675.99	1,561.77
Expenses:			
Employee benefits expenses	20	142.35	96.08
Finance cost	21	1,574.52	671.00
Depreciation		45.68	82.65
Other expenses	22	175.71	109.11
Provisions & write offs (net)	23	74.55	48.32
Total expenses		2,012.81	1,007.16
Profit before tax		663.18	554.61
Tax expense:			
- Current tax		282.02	245.34
- Deferred tax		(7.90)	(20.82)
Total tax expense		274.12	224.52
Profit after tax from continuing operations		389.06	330.09
Earnings per equity share:			
Equity shares of par value '10/- each			
Basic (')		3.18	2.70
Diluted (')		3.18	2.70

Significant Accounting Policies and notes to the Accounts 1 to 30

The notes referred to above form an integral part of the financial statements.

As per our report even date
For Hanumaiah & Co.
 Chartered Accountants

For and on behalf of the Board of Directors of
IKF Finance Limited

Sd/-
K. Hanumaiah
 Partner
 Membership No: 201719
 Firm Registration No: 009021S

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

Sd/-
N Haranath
 Director

Place: Vijayawada
 Date : 31-07-2012



CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2012

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Cash flow from Operating activities		
Net profit before taxation	663.18	554.61
Add: Financial Expenses	1,574.52	671.00
- Depreciation and amortization	45.68	82.65
- Provision for non performing assets (net)	(7.69)	6.56
- Contingent Provision on Standard assets	42.65	25.70
- Provision for Gratuity	11.69	0.76
Operating profit before working capital changes	2,330.03	1,341.28
(Increase) / decrease in Long-term loans and advances	(4,042.84)	(1,875.24)
(Increase) / decrease in other non-current assets	3.41	45.77
(Increase) / decrease in Bank Deposits	(221.78)	(108.86)
(Increase) / decrease in Short-term loans and advances	(2,994.26)	(3,858.55)
(Increase) / decrease in other current assets	12.57	37.62
Increase / (decrease) in Long Term liabilities	50.75	4.01
Increase / (decrease) in other current liabilities	(27.22)	(117.00)
Cash generated from operation	(4,889.34)	(4,530.97)
Financial Expenses	(1,574.52)	(671.00)
Direct taxes paid	(293.68)	(191.36)
Net Cash flow from/(used in) operating activities (A)	(6,757.54)	(5,393.33)
Cash flow from investing activities		
Purchase of fixed and intangible assets	(27.73)	(29.99)
Proceeds from sale of fixed assets	151.28	89.89
Net cash flow from/(used in) investing activities (B)	123.55	59.90
Cash flow from financing activities		
Proceeds from issue of equity share capital including securities premium and share application money\	1,065.50	1.98
Increase / (decrease) of long-term borrowings	410.28	158.60
Increase / (decrease) of short-term borrowings	5,777.94	5,620.29
Dividend Paid	(122.30)	(110.57)
Tax on dividend	(39.10)	(10.39)
Net Cash flow from/(used in) financing activities (C)	7,092.32	5,659.91
Net increase / (decrease) in cash and cash equivalents (A+B+C)	458.34	326.48
Cash and cash equivalents at the beginning of the year	499.27	172.79
Cash and cash equivalents at the end of the year	957.61	499.27
Component of cash and cash equivalents		
Particulars	31-03-2012	31-03-2011
Cash on hand	128.01	113.73
Balances with Banks - Current Account	829.60	385.54
Total Cash and cash equivalents	957.61	499.27
Significant Accounting Policies and notes to the Accounts 1 to 30		
As per our report even date For Hanumaiah & Co. Chartered Accountants Sd/- K. Hanumaiah Partner Membership No: 201719 Firm Registration No: 009021S Place: Vijayawada Date : 31-07-2012	For and on behalf of the Board of Directors of IKF Finance Limited Sd/- V. G. K. Prasad Managing Director Sd/- N Haranath Director	



Notes forming part of the financial statements for the year ended March 31, 2012

1. Corporate Information

IKF Finance Limited (the company) is a public company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. Its shares are listed on Bombay Stock Exchange Ltd. (BSE). The company is a Deposit Accepting Non Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI). The company operates in India.

2. Basis of Preparation

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the relevant provisions of the Companies Act, 1956. The Company follows the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies.

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the balance sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

Significant Accounting Policies

Presentation and disclosure of financial statements

The Presentation in the Balance Sheet, Profit and Loss Statement and Notes to the Accounts is in Terms of the Revised Schedule VI to the Companies Act, 1956 which has become mandatory with effect from 1st April 2011. The Assets and Liabilities have been classified as Current and Non Current based on a Twelve months operating cycle. Previous years figure's have been regrouped / reclassified wherever necessary to confirm to the Current year's presentation

Fixed Assets

The Company capitalized fixed assets at cost inclusive of all incidental expenses incurred in acquisition of such assets.

Depreciation

Depreciation on all assets has been provided in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956 on Straight Line Method.

Impairment of Assets

The company assesses at each balance sheet date if there is an indication of impairment of any asset. If any indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset is greater of net selling price and value in use of the asset. Where the carrying amount of an asset is more than its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Provisions

Provision are recognized when the Company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

Non performing loans are written off / provided for, as per estimates of management, subject to the minimum provision required as per Non- Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision on standard asset is made as required under Reserve Bank of India (RBI) notification No. DNBS.222/CGM (US-2011) dated January 17, 2011.



Income Recognition

- (i) Income from financing activities is accounted on the basis of Internal Rate of Return method (net of business origination cost).
- (ii) Additional finance charges / additional interest are treated to accrue on realisation due to uncertainty of its realisation.
- (iii) Gain arising on securitization / direct assignment of assets is recognised over the tenure of agreements as per guideline on securitisation of standard assets issued by RBI.
- (iv) The prudential norms for income recognition prescribed under Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 are followed.
- (v) Interest spread from Channel Business (net of related expenditure) and other Income has been recognized on accrual basis.

Taxation

Current Tax is provided on the taxable income for the year. Deferred Tax liabilities arising from timing differences have been fully provided.

Segment Reporting

The company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard - 17 - 'Segment Reporting' issued by ICAI

3. Share Capital

Particulars	(Rs. in Lacs)	
	31-03-2012	31-03-2011
Authorized Share Capital		
2,30,00,000 (March 31, 2011: 1,30,00,000) equity shares of '10/- each *	2,300.00	1,300.00
	2,300.00	1,300.00
Issued, subscribed and fully paid-up Equity Shares		
1,85,90,000 (March 31, 2011: 1,22,30,000) shares of '10/- each	1859.00	1223.00
	1859.00	1223.00
Total Issued, subscribed and fully paid-up share capital	1859.00	1223.00

* Necessary forms for increase in authorised equity capital for the year ended on March 31, 2012 was filed with Registrar of companies, Hyderabad.

3.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	' in lacs	Number	' in lacs
At the beginning of the year	12,230,000	1,223.00	12,230,000	1,223.00
Issued during the year - Preferential Issue	6,360,000	636.00	-	-
Outstanding at the end of the year	18,590,000	1,859.00	12,230,000	1,223.00

3.2 Terms / Rights attached to Equity Shares

The company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of the equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

3.3 Details of shareholders holding more than 5% shares in the company

Name of the shareholders	As at March 31, 2012		As at March 31, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity share of '10 each fully paid				
IKF Infratech (P) Limited	1505000	8.10%	0	0.00%
V Raghuram	1449700	7.80%	1418700	11.60%
V G K Prasad	1276186	6.86%	1276186	10.43%
K Vasumathi Devi	1121000	6.03%	692600	5.66%
IKF Financial Services (P) Limited	1116600	6.01%	0	0.00%
Vamsi Mohan Athota	1081200	5.82%	312000	2.55%
V Indira Devi	841649	4.53%	841649	6.88%
D Vasantha Lakshmi	779800	4.19%	779800	6.38%

3.4 Shares reserved for issue under option

Preferential issue of Share Warrants:

On 31st March, 2012 the company has issued /allotted 40,00,000 warrants to the following Promoters & Promoter Group at a subscription price of Rs.13/- for each warrant conferring an option to the holder to subscribe to one equity share per warrant at the exercise price of Rs13/- per warrant being a price higher than the price determined as per Regulation 76(1) Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The warrants are convertible within a period not exceeding 18 months from the date of allotment.

Name of Warrantholder	No of Warrants
IKF Infratech (P) Limited	1,814,000
IKF Financial Services (P) Limited	1,515,000
Prasad Jagadish Athota	274,000
Durga Rani Chunduri	397,000

3.5 Preferential Allotment of Equity Shares :

On 31st March 2012, the company has issued/allotted 63,60,000 equity shares to both Promoters and Non Promoters for cash at a subscription price of Rs.13.00 per equity share (which includes a premium of Rs 3.00 per equity share) being the price higher than the price determined under chapter VII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.



21st Annual Report

4. Reserves & Surplus

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Securities Premium Reserve		
Opening balance	262.33	262.33
Add : securities premium credited during the year	190.80	-
Closing balance	453.13	262.33
Statutory Reserve (in pursuant to section 45-IC of the RBI act, 1934)		
Opening balance	461.31	395.29
Add: transfer from statement of profit & loss	77.81	66.02
Closing balance	539.12	461.31
General reserve		
Opening balance	88.41	71.90
Add: transfer from statement of profit & loss	19.45	16.51
Closing balance	107.86	88.41
Surplus in the statement of Profit & Loss		
Opening balance	216.19	144.48
Add: net profit for the year	389.06	330.09
Less: Appropriations		
- Proposed equity dividend	(122.30)	(122.30)
- Tax on proposed equity dividend	(19.84)	(20.31)
- Transfer to statutory reserves (in pursuant to section 45-IC of the RBI act, 1934)	(77.81)	(66.02)
- Transfer to general reserve	(19.45)	(16.51)
- Prior Year Adjustments	(21.57)	(33.24)
Net surplus in the statement of Profit & Loss	344.28	216.19
Total	1,444.39	1,028.24

5. Long-term Borrowings

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Secured		
Non-convertible debentures	416.56	600.00
Term loan from banks	416.68	-
Term loan from financial institutions	417.36	359.80
Total secured long-term borrowing	1,250.60	959.80
Unsecured		
Security deposits	392.47	273.99
Deposits from Directors	12.00	-
Chit Liabilities	46.00	57.00
Total unsecured long-term borrowing	450.47	330.99
Total	1,701.07	1,290.79

5.1 Secured loans - Long Term Borrowings

A. Privately placed Secured Redeemable Non Convertible Debentures of (NCDs)'100/- each - Unquoted

Terms of Repayment

(Rs. in Lacs)

Maturity Pattern	Rate of Interest	31-03-2012	Rate of Interest	31-03-2011
48-60 Months	-	-	13%-14%	350.00
36-48 Months	13%-14%	302.65	-	-
24-36 months	-	-	13%-14%	150.00
12-24 months	13%-14%	113.91	13%-14%	100.00
Total non-current portion		416.56		600.00
12 months	13%-14%	78.16		-
Total current maturities		78.16		-
Grand Total		494.72		600.00

* Put Option / Re-purchase Option available to the Debentureholders.

Nature of Security

The redemption of principal amount of secured redeemable non-convertible debentures together with interest there on are secured by way of floating charge on the company's movable Current assets with a Security Cover of 100% in favour of the Debenture Trustee M/s. IDBI Trusteeship Services Limited.

These secured redeemable non-convertible debentures are redeemable at par in the case of Regular Income Debentures, and with interest in case of Cumulative Debentures in terms of respective Information Memorandum.

Secured redeemable non-convertible debentures may be bought back (Repurchase) and the Company has the Right to cancel or reissue the same from time to time subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the company and, upon such reissue, the person entitled to the Debentures shall have and shall be deemed always to have had, the same rights and priorities as if the Debentures had never been redeemed. The Company has redeemed Debentures to the tune of Rs.105.28 Lakhs and has the power to re-issue the same in terms of respective Information Memorandum.

B. Term loan from Bank

Terms of repayment as at March 31, 2012

(Rs. in Lacs)

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
24-36 months	15.25% to 15.50%	Repayable in 9 Quarterly Installments	416.68	333.32
Grand Total			416.68	333.32

Nature of Security

Term Loan from the bank is secured by an exclusive charge by way of hypothecation of Loan Receivables created out of the loan and property/ies of the Directors and their relatives besides the personal guarantee of Promoter Directors.



C. Term Loan from Institutions

(Rs. in Lacs)

Repayment Details	Rate of Interest	Non-current portion		Current maturities	
		31-03-2012	31-03-2011	31-03-2012	31-03-2011
Repayable in Monthly Installments	13.00% to 14.50%	417.36	359.80	885.25	854.77
Grand Total		417.36	359.80	885.25	854.77

Nature of security

Term Loans from the Institution/s are secured by an exclusive charge by way of hypothecation of specific Loan Receivables and personal guarantee of Directors.

5.2 Unsecured loan - Long Term Borrowings

A. Security Deposits

Security Deposits consist of deposits received from various individual borrowers to secure the repayment of loans arranged by the company through its business associates besides deposits received from Company's franchisees / Marketing Associates.

The primary objective behind the collection of security deposits is to cover up losses, if any, which may accrue in respect of the loan transaction and aimed to minimize the Company's liability to the extent possible.

Security Deposits collected from the borrowers are free of interest and the same will be either adjusted towards the installments of the loan availed or refunded to the borrower in case all the loan installments are paid by the borrower

B. Chit Liabilities

The company has subscribed to Chit Funds as an Investment option, which derives higher spread, and also as a source for mobilization of funds, in case of need, and has drawn / availed the bid amount which is to be payable over the term of Chit.

6. Deferred Tax Liability (Net)

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Deferred tax liabilities		
Timing difference on account of : Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	88.26	96.16
Gross deferred tax liabilities (A)	88.26	96.16
Deferred tax asset		
NIL	0.00	0.00
Gross deferred tax Assets (B)	0.00	0.00
Deferred tax Liability (Net) (B-A)	88.26	96.16

7. Other Long Term Liabilities

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Interest accrued but not due on debentures	54.76	4.01
Total	54.76	4.01



8. Long Term Provisions

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Provision Employee Benefits	13.25	1.56
Provision for standard assets	68.35	25.70
Total	81.60	27.26

9. Short Term Borrowings

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Secured		
Cash Credit from Banks	10,827.36	5,561.13
Term Loans from Banks	333.32	-
Term Loans from Financial Institutions	885.25	854.77
Non Convertible Debentures	78.16	-
	12,124.09	6,415.90
Unsecured		
Security Deposits	196.24	136.99
Deposits from Directors	12.00	-
Chit Liabilities	99.00	100.50
	307.24	237.49
Total	12,431.33	6,653.39

Nature of security

Cash Credit Limits

Cash credit from banks are secured by way of hypothecation of loan receivables, book debts and other current assets, mortgage of company's office premises, personal properties of directors and their relatives and personal guarantee of promoter directors.

10. Other Current Liabilities

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Interest accrued but not due on debentures	6.50	-
Tax deducted at source	15.14	30.17
Other Liabilities	12.86	31.55
Total	34.50	61.72

11. Short Term Provisions

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Provision for Non Performing Assets	11.28	18.97
Provision for income tax [net of advance income tax]	159.79	149.87
Proposed dividend	122.30	122.30
Dividend Distribution Tax	19.84	39.10
Total	313.21	330.24



12. Tangible and Intangible Fixed Assets

(Rs. in lacs)

Description	GrosS Block at Cost			Depreciation					Net Block	
	As at 31-03-11	Additions	Deductions	As at 31-03-12	Upto 31-03-11	For the Year	Deductions	Upto 31-03-12	As at 31-03-12	As at 31-03-11
Tangible Assets										
Office Building	10.72	-	-	10.72	2.53	0.17	-	2.70	8.02	8.19
Plant and Machinery	7.15	1.10	-	8.25	2.90	0.35	-	3.25	5.00	4.25
Furniture and Fixtures	216.33	6.57	-	222.90	59.68	36.78	-	96.46	126.44	156.65
Computers & Other Accessories	27.36	12.60	-	39.96	16.09	4.25	-	20.34	19.62	11.27
Vehicles	443.70	4.86	428.24	20.32	284.91	2.19	276.96	10.14	10.18	158.79
	705.26	25.13	428.24	302.15	366.11	43.74	276.96	132.89	169.26	339.15
Intangible Assets										
Computer Software	11.29	2.60	-	13.89	4.53	1.94	-	6.47	7.42	6.76
Grand Total	716.55	27.73	428.24	316.04	370.64	45.68	276.96	139.36	176.68	345.91
Previous Year	952.22	29.99	265.66	716.55	463.76	82.65	175.77	370.64	345.91	488.46

13. Long Term Loans and Advances

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Assets under financing activities :		
- Secured, considered good	10,172.30	6,134.21
Other Advances & Deposits :		
- Unsecured, considered good	119.29	114.54
Total	10,291.59	6,248.75

14. Other Non Current Assets

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Un-matured Chit Loss	22.39	25.80
Total	22.39	25.80

15. Cash and Bank balances

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Cash and cash Equivalents :		
Balances with banks:		
- Current Account	829.60	385.54
- Bank Deposit with maturity of less than 3 months	11.31	-
Cash on hand	128.01	113.73
	968.82	499.27
Bank Deposits		
Maturity for more than 3 months but less than 12 months	372.85	273.84
Maturity for more than 12 months	252.19	140.73
	625.04	414.57
Total	1,593.96	913.84

Bank deposits have been provided as collateral for the assests assigned/credit facilities availed from banks.



16. Short Term Loans and advances

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Assets under financing activities :		
- Secured, considered good	6,791.94	3,746.65
Other Advances & Deposits :		
- Unsecured, considered good	60.87	111.90
Total	6,852.81	3,858.55

17. Other Current assets

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Other assets	44.22	57.73
Un-matured Chit Loss	47.15	46.21
Total	91.37	103.94

18. Revenue from operation

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Interest Income from financing Activities	2,636.36	1,525.13
Total	2,636.36	1,525.13

19. Other income

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Interest on deposits with banks	32.44	26.82
Rental Income	6.61	6.30
Miscellaneous income	0.58	3.52
Total	39.63	36.64

20. Employee benefits expenses

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Salaries and incentives	125.18	91.30
Contributions to -Provident fund and Gratuity	12.10	1.33
Staff welfare expenses	5.07	3.45
Total	142.35	96.08

21. Finance cost

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Interest expense on :		
Non Convertible Debentures	79.49	55.58
Loans from banks	1185.22	345.32
Loans from institutions and others	191.23	191.11
Chit Loss	40.34	23.99
Processing and other Borrowing charges	78.24	55.00
Total	1,574.52	671.00



22. Other Expenses

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Rent	31.24	19.04
Power and fuel expenses	9.99	5.26
Repairs & maintenance	11.52	8.09
Rates, duties, Licences & taxes	47.62	23.93
Printing & stationery	6.69	5.25
Travelling & conveyance	28.04	19.94
Advertisement	1.14	1.81
Bank Charges	11.70	5.45
Communication expenses	19.58	13.71
Miscellaneous expenses	8.19	6.63
Total	175.71	109.11

23. Provisions & write offs

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Provision for non performing assets	11.28	6.56
Provision for standard assets	42.65	25.70
Bad debts written off	20.62	16.06
Total	74.55	48.32

24. Earnings per share (EPS)

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
Net profit after tax and share of loss of Associates as per statement of profit and loss (Rs. in lacs) (A)	389.06	330.09
Weighted average number of equity shares for calculating Basic EPS (No. in lacs) (B)	122.30	122.30
Weighted average number of equity shares for calculating Diluted EPS (No. in lacs) (C)	122.30	122.30
Basic earnings per equity share (in Rupees) (Face value of Rs.10/- per share) (A) / (B)	3.18	2.70
Diluted earnings per equity share (in Rupees) (Face value of Rs.10/- per share) (A) / (C)	3.18	2.70

63,60,000 Equity Shares were not considered while computing the weighted average number of equity shares since the same were allotted on 31.03.2012

25. Related Party Disclosure

Related Party disclosures, as required by Accounting Standard -18 - 'Related Party Disclosures' issued by ICAI are given below;

(i) Associates

IKF Financial Services (P) Limited
IKF Infratech (P) Limited

(iii) Key Managerial Personnel

Mr. V G K Prasad, Managing Director
Mrs.V Indira Devi, Whole Time Director
Mrs.K Vasumathi Devi, Executive Director



(iv) Relatives of Key Managerial Personnel

Mr.V G K Prasad	Mr. V Raghuram Mrs.D Vasantha Lakshmi Mrs.Durga Rani Chunduri Mrs.Kasturi Athota	Son Daughter Sister Sister
-----------------	---	-------------------------------------

Related Party Transactions for the year ended 31st March, 2012

(Rs. in Lacs)

	Associates	Key Management Personnel	Relatives of Key Management Personnel	31-03-2012	31-03-2011
Payments/Expenses :					
Remuneration	-	15.00	6.00	21.00	21.00
Rent paid	-	28.80	1.80	30.60	30.60
Dividend paid	-	28.11	24.48	52.59	38.94
Balances Outstanding :					
Rent Advance paid by the Company	-	88.54	-	88.54	88.54
Investment in Shares & Warrants by Associates & relatives of KMP	340.81	-	71.50	412.31	-
Credit in Current Accounts	-	0.59	9.59	10.18	3.36
Credit in Share Application Money	215.15	76.00	60.25	351.40	405.32
Credit in Share Warrants	109.00	-	55.12	164.12	-

26. Contingent liabilities

(Rs. in Lacs)

Particulars	31-03-2012	31-03-2011
a. Channel Business	715.50	1,008.82
b. Securitization / Direct Assignment	168.71	0.00
Total	884.21	1,008.82

The Company has extended its Corporate Guarantee to HDFC Bank Limited, Bajaj Finance Limited and in connection with the Channel Business (Joint Lending Arrangement) and Securitization. The outstanding Liability under the above is net of Security Deposits accepted from the beneficiaries.

27. Utilization of money raised through preferential issue of equity shares and warrants

The money raised through the Preferential Issue of 63,60,000 Equity Shares and 40,00,000 Warrants (25% of the issue price) was utilised to meet the working capital requirements of the Company.

28. Securitisation / Assignment

During the year, the Company assigned a part of its Hypothecation Loan Receivables "at par" representing the principle component, the details of which are given below.

(Rs. in lacs)

Particulars	31-03-2012	31-03-2011
Total number of assets	621	-
Total book value of assets (' in lacs)	1,124.75	-
Sale consideration received (' in lacs)	1,124.75	-

The credit enhancement and liquidity support were provided in the form of bank deposits for Rs.168.71 lakhs and Corporate Guarantee for Rs.168.71 Lakhs. The Company continues to collect and service the receivables in respect of the securitized assets.

29. Consequent to the re-assessment and reduction in the estimated useful life of certain items of fixed assets falling in the Category of furniture and fixtures and office equipment, the net depreciation charge for the year is higher by Rs.22.94 Lakhs with a corresponding decrease in the net block of the fixed assets.

30. There are no amounts due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006.



As required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007		
(Rs. in Lacs)		
Particulars	Amount Outstanding	Amount Overdue
Liabilities side		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debenture : Secured	555.98	-
: Unsecured (other than falling within the meaning of public deposits)	-	-
(b) Deferred Credits	-	-
(c) Term Loans	750.00	-
(d) Inter-corporate loans and borrowing	1,302.61	-
(e) Commercial Paper	-	-
(f) Public Deposits	-	-
(g) Other Loans - Bank Cash Credit	10,827.36	-
- Security Deposits & Others	757.71	-
Total (1)	14,193.66	-
(2) Break-up of (1)(f) above (Outstanding Public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured debentures	-	-
(b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security	-	-
(c) Other public deposits	-	-
Total (2)	-	-
Assets side		Amount Outstanding
(3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured		-
(b) Unsecured		180.16
Total (3)		180.16
(4) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease		-
(b) Operating lease		-
(ii) Stock on Hire including hire charges under sundry debtors :		
(a) Assets on hire		-
(b) Repossessed Assets		-
(iii) Other loans counting towards AFC Activities :		
(a) Loans where assets have been repossessed		-
(b) Loans other than (a) above		16,964.24
Total (4)		16,964.24
(5) Break-up of Investments :		
Current Investments :		
1. Quoted :		
(I) Shares: (a) Equity		-
(b) Preference		-
(ii) Debenture and Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others (Please specify)		-

2. Unquoted :				
(I) Shares: (a) Equity				-
(b) Preference				-
(ii) Debentures and Bonds				-
(iii) Units of mutual funds				-
(iv) Government Securities				-
(v) Others (Please specify)				-
Long Term investments :				
1. Quoted :				
(I) Shares: (a) Equity				-
(b) Preference				-
(ii) Debentures and Bonds				-
(iii) Units of mutual funds				-
(iv) Government Securities				-
(v) Others (Please specify)				-
2. Unquoted :				
(I) Shares: (a) Equity				-
(b) Preference				-
(ii) Debentures and Bonds				-
(iii) Units of mutual funds				-
(iv) Government Securities				-
(v) Others (Please specify)				-
Total (5)				-
(6) Borrower group-wise classification of assets, financed as in (3) and (4) above :				
Please see Note 2 below				
Category		Amount (Net of Provisions)		
		Secured	Unsecured	Total
1. Related Parties				
(a) Subsidiaries		-	-	-
(b) Companies in the same group		-	-	-
(c) Other related parties		-	-	-
2. Other than related parties		16,964.24	180.16	17,144.40
Total (6)		16,964.24	180.16	17,144.40
(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):				
Category		Market Value/ break-up or fair value or NAV	Book Value (net of provisions)	
1. Related Parties				
(a) Subsidiaries		-		-
(b) Companies in the same group		-		-
(c) Other related parties		-		-
2. Other than related parties		-		-
Government securities		-		-
Provision on government securities		-		-
Total (7)		-		-
(8) Other information				
Particulars				Amount
i) Gross Non-Performing Assets				
(a) Related parties				-
(b) Other than related parties				83.79
ii) Net Non-Performing Assets				
(a) Related parties				-
(b) Other than related parties				72.51
iii) Assets acquired in satisfaction of debt				-



IKF FINANCE LIMITED

Regd. Office: # 40-1-144, Corporate Centre, M.G.Road, Vijayawada - 520 010.

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the hall.

* Only members or their proxies are entitled to be present at the meeting.

* Please note that children will not be allowed inside the meeting hall.

FOLIO NO :	NO.OF SHARES
NAME & ADDRESS	

I hereby record my presence at the **21st Annual General Meeting** of the Company at the Registered Office of the Company, Vijayawada - 520 010, on Saturday the 29th September, 2012 at 4:30 P.M.

SIGNATURE OF THE SHAREHOLDER/PROXY :

* ~~Strike Whichever is not applicable~~

Note: If you are attending the meeting in person or by proxy, your copy of the Balance Sheet may please be brought by you/your proxy for reference at this meeting.



IKF FINANCE LIMITED

Regd. Office: # 40-1-144, Corporate Centre, M.G.Road, Vijayawada - 520 010.

PROXY

FOLIO NO : NO.OF SHARES :

I/We _____ being a Member/Members of **IKF Finance Limited** here by appoint _____ of _____ or failing him _____ of _____ or failing him _____ of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the **21st Annual General Meeting** of the Company to be held at 4:30 P.M. on Saturday the 29th September, 2012 and any adjournment thereof.

Dated this _____ day of _____ 2012.

Signed by the said _____

Re.1/-
Revenue
Stamp

Note: The proxy form duly signed by the member (s) across Re.1/- revenue stamp should reach the Company's share department at Registered office of the Company atleast 48 hours before the time fixed for the meeting.

BOOK POST
(Printed Matter)

If undelivered, please return to :

IKF FINANCE LIMITED

40-1-144, Corporate Centre,
M.G. Road,

VIJAYAWADA - 520 010.

ANDHRA PRADESH.

Phones : (0866) 2474 644, 2474 633

Email : ikffinance@gmail.com

Web : ikffinance.com