

IKF FINANCE LIMITED



***22nd Annual Report
2012-2013***

IKF FINANCE LIMITED



BOARD OF DIRECTORS

Mr. V.G.K. Prasad
Mrs. V.Indira Devi
Mrs. K.Vasumathi Devi
Dr. Sinha S. Chunduri
Dr. Prasad J. Athota
Mr. N.Haranath
Mr. S.Veerabhadra Rao
Mr. P.S.V.Prasada Rao
Mr. K.Satyanarayana Prasad

Managing Director
Whole Time Director
Executive Director
Director (Alternate Director Mrs. D.Vasantha Lakshmi)
Director (Alternate Director Mr. Ch.V.Rama Rao)
Director
Director
Director
Director

AUDIT COMMITTEE

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

SHARE TRANSFER & INVESTOR GRIEVANCE COMMITTEE

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

MANAGEMENT COMMITTEE

Mr. V.G.K.Prasad
Mrs. V.Indira Devi
Mrs. K.Vasumathi Devi

REMUNERATION AND COMPENSATION COMMITTEE

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

NOMINATION COMMITTEE

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

ASSET LIABILITY COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

BANKERS

Central Bank of India (Lead Bank)

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

HDFC Bank Limited

AUDITORS

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

LISTING :

Bombay Stock Exchange Limited, Mumbai

REGISTERED OFFICE :

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

SHARE TRANSFER AGENTS

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

CORPORATE OFFICE

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

DEBENTURE TRUSTEE

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

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 22nd Annual General Meeting of the Company will be held on Friday, the 30th August, 2013 at the Registered Office of the Company at Vijayawada at 4.30 P.M. to transact the following business:

ORDINARY BUSINESS:

01. To receive, consider and adopt the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
02. To declare dividend on Equity Shares for the financial year 2012-2013.
03. To appoint a Director in place of P S V Prasada Rao, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint a Director in place of K Satyanarayana Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
05. **Appointment of Auditors:**

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

“RESOLVED THAT M/s.Hanumaiah & Co., Chartered Accountants, Vijayawada, who retire at this annual general meeting, being eligible and willing to act as Auditors of the Company, be and are hereby appointed as Auditors of the Company to hold office till the conclusion of next Annual General Meeting at such a Remuneration as may be fixed by the Board of Directors in addition to the reimbursement of out-of pocket expenses.”

By Order of the Board

Place: Vijayawada
Date : 31-07-2013



Sd/-
(V G K Prasad)
Managing Director

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

Item No.3 – Shri. PSV Prasada Rao – Re-appointment as Director

Shri. P.S.V.Prasada Rao, born on 21.01.1935, is a Graduate and a veteran in Finance business in Andhra Pradesh with over three decades of rich experience in the filed of finance, particularly hire purchas and hypothecation of automobiles, and management. He is the Promoter and Managing Director of M/s.DFL Finance Limited. He does not hold any Shares in the Company.

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

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

By Order of the Board

Place: Vijayawada
Date : 31-07-2013

Sd/-
(V G K Prasad)
Managing Director



NOTES

1. A member entitled to attend and vote at this Annual General Meeting may appoint a Proxy to attend and vote on a poll on his behalf. A Proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than forty eight hours before the commencement of this Annual General Meeting.
2. Members/Proxies should bring the attendance slips filled in for attending the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 26th August, 2013 to 28th August, 2013, both days inclusive.
4. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the management to reply.
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, Dividends for the financial year ended 31st March, 2006 and thereafter, which remains unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Members who have not encashed their Dividend warrants so far for the dividends mentioned aforesaid years are requested to lodge their claims to the Company's Registered Office or to the Registrar and Share Transfer Agents of the Company. Members are advised that in terms of the provisions of the Section 205C of the Companies Act, 1956, once unclaimed dividend transferred to IEPF, no claim shall lie in respect thereof against the said Fund or the Company.
6. Members are requested to:
 - (a) Provide Permanent Account Number
 - (b) Avail nomination facilityFor this purpose;
 - (a) Shareholders holding shares in electronic mode may approach their respective depository participants (DP) and
 - (b) Shareholders holding shares in physical mode can approach M/s. Bigshare services Private Limited, 306, 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.
7. Members who are holding shares in physical form are requested to avail dematerialization facility since the company's shares can only be traded in dematerialised form on stock exchanges.

Important Communication to Members – Green Initiative in the Corporate Governance

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

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

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

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

By Order of the Board

**Place: Vijayawada
Date : 31-07-2013**

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

DIRECTORS REPORT

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

Financial Results: (Rs.in Lacs)

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

Dividend:

Your Directors are pleased to recommend a Dividend of 10% (Rs.1.00 per Equity Share) for the Financial Year ended March 31, 2013. The Dividend together with Dividend Tax of Rs.39.10 Lakhs, absorbs a sum of Rs.269.19 Lakhs (Rupees Two Crore Sixty Nine Lakhs Nineteen Thousand Only).

Corporate Governance:

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

Further, a certificate, duly signed by the Managing Director on the Financial Statements of the Company for the year ended March 31, 2013, as required under Clause 49 of the Listing Agreement, was submitted to the Board of Directors at their meeting held on July 31, 2013. The certificate is attached to the Report on Corporate Governance.

Management's Discussion and Analysis:

Economic Environment:

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

Automotive Sector:

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

Future Outlook:

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

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

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

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

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

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

Risk Management & Credit Monitoring:

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

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

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

Internal Audit

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

Review of Operations:

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

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

Resource Mobilization:

Deposits

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

Working Capital Limits

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

Term Loans

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

Securitization

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

Borrowing Profile

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

Your Company is continuously exploring all options to access low cost funds, mostly by way of Term Loans in the current financial year, to further expand the operations.

Business Associations/Tie-Ups:

Your Company has been continuing its association with **HDFC Bank Limited** and **Bajaj Finance Limited** (Channel Business Arrangement) and with **Sundaram Finance Limited** (Securitization exposure limit).

Capital Adequacy:

The Capital to Risk Assets Ratio of your company is **20.67%** as on 31.03.2013, well above the minimum of **15%** prescribed by the Reserve Bank of India, of which Tier I Capital constituted 20.27%.

Credit Rating:

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

Credit Analysis and Research Limited (CARE) has retained "**BBB+**" rating to your Company for its Secured Non Convertible Debentures of Rs.6 Crs and earlier Bank Loan facilities of Rs.175 Cr, signifying adequate degree of safety regarding timely payment of interest and principle. The short term borrowings (commercial paper), backed by the Stand by Letter of Credit of the Lead Bank Central Bank of India by carving out the working capital limits sanctioned to the company, are rated "A1+(SO) (highest safety)

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

Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. PSV Prasada Rao and Shri. K Satyanarayana Prasad retires by rotation and being eligible offer themselves for re-appointment. Your Directors are pleased to place on record their appreciation for the services rendered by them during their tenure as Directors and wish to recommend their re-appointment.

Particulars of Employees:

During the year under review, none of the employees of your Company were in receipt of remuneration in excess of the limits prescribed for disclosure as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employee) Rules, 1975 as amended from time to time.

Information on Conservation of Energy, Technology absorption and Foreign Exchange earnings/out goings as per Section 217 (1) (e) of the Companies act, 1956:

Your Company has no activities relating to the conservation of energy and technology absorption. Your Company didn't have any foreign exchange earnings and / or expenses during the year under review.

Directors' Responsibility Statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors to the best of their knowledge and belief confirm that:

- In the preparation of the accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- The Directors have prepared the accounts for the financial year ended 31st March 2013 on a "going concern" basis.

Auditors:

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

Acknowledgement:

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

Your Directors also place on record their appreciation for the dedication and commitment displayed by the employees at all levels for posting a satisfactory performance.

By Order of the Board

Place: Vijayawada
Date : 31-07-2013

Sd/-
(V G K Prasad)
Managing Director



REPORT ON CORPORATE GOVERNANCE

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

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

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our Corporate Governance policies recognise the accountability of the Board and the importance of its decisions to all our constituents, including Customers, Investors and the Regulatory Authorities. The strong foundation of the Company is supported by the pillars of Customer faith, Debenture holders Confidence, Bankers Trust, Investor Steadfastness and Employee Loyalty. The Company has been growing over the past twenty two years on the principles of dedicated customer service, fair business practices, efficient and trusted financial policies. It continues to maintain high standards of integrity through excellence in service to all its stakeholders.

The Board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in economic, social and ethical matters by ensuring that the company conducts its activities in accordance with corporate governance best practices.

2. BOARD OF DIRECTORS:

Directors possess the highest personal and professional ethics, integrity and values, and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the Board is to provide effective governance over the company's affairs exercising its reasonable business judgement on behalf of the Company.

The Board has been constituted in a manner, which will result in an appropriate mix of executive/non-executive and independent Directors to ensure proper governance and management. The Board comprises nine members who have experience in diverse fields like Finance, Accounts and Management. Non-Executive Directors bring independent judgement in the Board's deliberations and decisions. The Executive Directors are Sri V G K Prasad - Managing Director, Smt. V Indira Devi - Whole Time Director and Smt.K.Vasumathi Devi - Executive Director.

Sri S.Veerabhadra Rao, Sri N.Haranath, Sri. P S V Prasada Rao and Sri. K Satyanarayana Prasad are the Independent Directors. The composition of the Board is in conformity with the listing requirements and in accordance with the best practice in Corporate Governance.

3. BOARD MEETINGS:

The Board of Directors meets at regular intervals with a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The Board is regularly briefed and updated on the key activities of the business and is provided with briefings on other matters concerning the company on a need basis. The Board of Directors generally meets every quarter to review the business performance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

During the year under review, Forteen meetings of the Board of Directors were held on the following dates.

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

The details of attendance at Board Meetings and details of other Directorships, Committee Chairmanships / Memberships held by the Directors during the period from 1st April, 2012 to 31st March, 2013 are as follows:

Name of the Director	Category of Board Directorship	No. of Board Meetings attended	% of total Meetings attended	Attendance at the last A G M	No. of Other Directorships	No. of Committee Memberships
V G K Prasad	Managing Director	14	100%	Present	2	4
V Indira Devi	Whole Time Director	10	71%	Present	1	1
K Vasumathi Devi	Executive Director	13	93%	Present	---	3
N Haranath	Director	13	93%	Present	---	3
Prasad J Athota (Alternate Director Ch V Rama Rao)	Director	14	100%	Present	---	1
Sinha S Chunduri (Alternate Director D.V.Lakshmi)	Director	8	57%	Present	---	---
S Veerabhadra Rao	Director	13	93%	Present	1	5
P.S.V.Prasada Rao	Director	12	86%	Present	2	3
K Satyanarayana Prasad	Director	9	64%	Present	---	---

4. Audit Committee:

The Audit Committee provides direction to the Audit function and monitors the quality of internal controls and systems. The responsibilities of the Audit Committee include the overseeing of financial reporting process to ensure fairness, sufficiency and credibility of financial statements, review of the quarterly and annual financial statements before submission to the Board, review of adequacy of internal control systems and the internal audit functions. The Audit Committee comprises three Non Executive Directors with all of them being Independent Directors. The Committee comprises of Sri S.Veerabhadra Rao as Chairman of the Committee and Sri N Haranath and Sri. PSV Prasada Rao as Members.

The Executive Directors, Statutory Auditors, Internal Auditors and other Functional Heads are invitees to the Committee Meetings. During the year the committee met 4 times on 12.05.2012, 31.07.2012, 31.10.2012 and 31.01.2013. The details of members and their attendance at the committee meetings are given below:

Name of the Director	No. of Audit Committee Meetings attended	% of total Meetings attended
S.Veerabhadra Rao	4	100%
N Haranath	4	100%
P S V Prasada Rao	4	100%

5. Remuneration and Compensation Committee

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

6. Remuneration of Directors:

The Managing Director, Whole Time Director and Executive Director of the company have been appointed on contractual terms, based on the approval of the shareholders. The remuneration package comprises of salary, allowances and perquisites. The details of remuneration paid to Whole Time Directors during the year 2012-2013 are given below:

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

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

7. Share Transfer and Investor Grievance Committee :

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

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



8. Asset Liability Management Committee :

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

9. Risk Management Committee :

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

10. Nomination Committee :

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

11. General Body Meetings:

Time and location of last three Annual General Meetings

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

12. Disclosures:

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

13.Means of Communication:

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

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

14. General Information to Shareholder:

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

Financial Calendar

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

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

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

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

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

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

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

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

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 2012-2013.

BSE Stock Code : 530719

ISIN : INE859C01017

15. Market Price Data:

Month	High	Low	Month	High	Low
April, 2012	13.23	12.04	October, 2012	13.62	12.00
May, 2012	12.99	11.50	November, 2012	14.80	12.75
June, 2012	12.78	11.05	December, 2012	14.35	12.03
July, 2012	14.15	11.50	January, 2013	13.69	12.25
August, 2012	14.00	12.00	February, 2013	13.60	11.73
September, 2012	14.09	12.30	March, 2013	13.60	11.59

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.040-23374295 Email : bsshyd@bigshareonline.com.

Dematerialization of Shares & Liquidity

Total Shares held in electronic mode as on 31.03.2013 - 77.43%.

16. Distribution of Shareholding as on 31st March, 2013:

Shareholdings		Shareholders		Share Amount	
Rs.	Rs.	No.	% of total	Rs.	% of total
Upto	5,000	1205	64.31%	25,53,720	0.88%
5,001	10,000	271	14.46%	24,26,390	0.83%
10,001	20,000	148	7.90%	23,78,040	0.82%
20,001	30,000	56	2.99%	14,77,560	0.51%
30,001	40,000	31	1.65%	11,18,060	0.38%
40,001	50,000	22	1.17%	10,33,070	0.36%
50,001	1,00,000	34	1.81%	25,69,690	0.88%
1,00,001	& above	107	5.71%	27,74,43470	95.34%
Total		1874	100.00%	29,10,00,000	100.00%

17. Shareholding Pattern as on 31.03.2013:

Category	No. of Shares	% of Shareholdings
Indian Promoters	86,64,335	29.77%
Foreign Promoters (NRI's)	50,27,800	17.28%
Banks/Financial Institutions	0	0.00%
Indian Private Corporate bodies	29,55,457	10.16%
Indian Public	44,23,623	15.20%
Non Resident Indians	80,28,785	27.59%
Total	2,91,00,000	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



CEO CERTIFICATION

We, to the best of our knowledge and belief, certify that

- a. We have reviewed financial statements and the cash flow statements for the year ended March 31, 2013 and that to the best of our knowledge and belief:
 - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have disclosed, based on our evaluation wherever applicable to the Auditors and the Audit Committee that;
 - i. There were no material deficiencies in internal controls over financial reporting during the year;
 - ii. All the significant changes in accounting policies during the year, if any, have been disclosed in the notes to the financial statement; and
 - iii. There were no instances of significant fraud of which we are aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

By Order of the Board

Place: Vijayawada
Date : 31-07-2013

Sd/-
(V G K Prasad)
Managing Director

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

The Board of Directors of IKF Finance Limited have adopted a Code of Conduct to be followed by all Members of the Board and Senior Management Personnel of the Company respectively in compliance with the revised Clause 49 of the Listing Agreement with the Stock Exchanges where the shares of the Company are listed.

As provided under Clause 49 of the Listing Agreement executed with the Stock Exchanges, all Board Members and Senior Management Personnel have affirmed Compliance with the Code of Conduct for the year ended March 31, 2013.

By Order of the Board

Place: Vijayawada
Date : 31-07-2013

Sd/-
(V G K Prasad)
Managing Director



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, 2013 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: 31-07-2013



INDEPENDENT AUDITOR'S REPORT

To the Members of **IKF FINANCE LIMITED**

Report on the financial statements

We have audited the accompanying financial statements of **M/s.IKF FINANCE LIMITED** ("Company"), which comprise the Balance Sheet as at 31-03-2013, the Statement of Profit and Loss account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956("Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are in appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) In the case of Balance Sheet, of the state of affairs of the company as at March 31, 2013;
- b) In the case of Statement of Profit and Loss, of the profit of the company for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Audit Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, 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 appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Statement of Profit and Loss Account 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, as on 31st March, 2013 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

For **Hanumaiah & Co.**
Chartered Accountants

Sd/-
K Hanumaiah, FCA
Partner

Place: Vijayawada
Date: 25-05-2013

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, 2013

- 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	3306.00
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 68,50,000 Equity Shares of Rs.10/- each with a Premium of Rs.3/- per Shar on August 16, 2012 and 36,60,000 Equity Shares of Rs.10/- each with a Premium of Rs.3.25 per Shar on March 18, 2013 to both the Promoters, Promoter Group and Non Promoters in terms of SEBI preferential Issue Guidelines and therefore we are of the opinion that the same are not prejudicial to the interest of the Company.
- 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

Place: Vijayawada
Date: 25-05-2013

Membership No: 201719
Firm Registration No: 009021S

IKF FINANCE LIMITED



BALANCE SHEET AS AT 31-03-2013

(Rs. in Lacs)

Particulars	Notes	31-03-2013	31-03-2012
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Funds			
Share Capital	3	2,910.00	1,859.00
Reserves and Surplus	4	2,180.70	1,444.39
Money Received against Share Warrants	3.4	164.28	164.28
		5,254.98	3,467.67
Share Application Money Pending Allotment		0.00	856.40
		0.00	856.40
Non-current Liabilities			
Long-term Borrowings	5	1,097.58	1,701.07
Deferred Tax Liabilities (Net)	6	88.87	88.26
Other Long-term Liabilities	7	44.06	54.76
Long-term provisions	8	115.81	81.60
		1,346.32	1,925.69
Current Liabilities			
Short-term Borrowings	9	17,546.25	12,431.33
Other Current Liabilities	10	132.96	34.50
Short-term Provisions	11	536.93	313.21
		18,216.14	12,779.04
Total		24,817.44	19,028.80
<u>ASSETS</u>			
Non-current Assets			
Fixed Assets:			
Tangible Assets	12	259.21	169.26
Intangible Assets	12	5.17	7.42
Long-term Loans and Advances	13	13,330.12	10,291.59
Other Non-current Assets	14	18.13	69.54
		13,612.63	10,537.81
Current Assets			
Cash and Bank Balances	15	1,306.06	1,593.96
Short-term Loans and Advances	16	9,709.71	6,852.81
Other Current Assets	17	189.04	44.22
		11,204.81	8,490.99
Total		24,817.44	19,028.80
Significant Accounting Policies and notes to the Accounts 1 to 29		-	-

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 : 25-05-2013

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

Sd/- Sd/-
(V. G. K. Prasad) **(K. Vasumathi Devi)**
 Managing Director Executive Director



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31-03-2013

(Rs. in Lacs)

Particulars	Notes	31-03-2013	31-03-2012
Revenue from Operations	18	4,205.29	2,636.36
Other Income	19	73.32	39.63
Total Revenue		4,278.61	2,675.99
Expenses:			
Employee benefits expenses	20	317.20	142.35
Finance cost	21	2,422.27	1,574.52
Depreciation		26.83	45.68
Other expenses	22	331.72	175.71
Provisions & write offs (net)	23	85.55	74.55
Total expenses		3,183.57	2,012.81
Profit before tax		1,095.04	663.18
Tax expense:			
- Current tax		388.41	282.02
- Deferred tax		0.63	(7.90)
Total tax expense		389.04	274.12
Profit after tax from continuing operations		706.00	389.06
Earnings per equity share:			
Equity shares of par value ₹10/- each			
Basic (₹)		3.07	3.18
Diluted (₹)		2.94	3.18



Significant Accounting Policies and notes to the Accounts 1 to 29

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/-
(K. Vasumathi Devi)
Executive Director

Place: Vijayawada
Date : 25-05-2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2013

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Cash flow from Operating activities		
Net profit before taxation	1,095.04	663.18
Add: Financial Expenses	2,422.27	1,574.52
- Depreciation and amortization	26.83	45.68
- Provision for non performing assets (net)	26.52	(7.69)
- Contingent Provision on Standard assets	26.31	42.65
- Provision for Gratuity	7.90	11.69
Operating profit before working capital changes	3,604.87	2,330.03
(Increase) / decrease in Long-term loans and advances	(3,038.53)	(4,042.84)
(Increase) / decrease in other non-current assets	51.41	2.47
(Increase) / decrease in Bank Deposits	(491.12)	(221.78)
(Increase) / decrease in Short-term loans and advances	(2,856.90)	(2,994.26)
(Increase) / decrease in other current assets	(144.82)	13.51
Increase / (decrease) in Long Term liabilities	(10.70)	50.75
Increase / (decrease) in other current liabilities	98.46	(27.22)
Cash generated from operation	(2,787.33)	(4,889.34)
Financial Expenses	(2,422.27)	(1,574.52)
Direct taxes paid	(343.20)	(293.68)
Net Cash flow from/(used in) operating activities (A)	(5,552.80)	(6,757.54)
Cash flow from investing activities		
Purchase of fixed and intangible assets	(114.90)	(27.73)
Proceeds from sale of fixed assets	0.37	151.28
Net cash flow from/(used in) investing activities (B)	(114.53)	123.55
Cash flow from financing activities		
Proceeds from issue of equity share capital including securities premium and share application money\	519.03	1,065.50
Increase / (decrease) of long-term borrowings	(603.49)	410.28
Increase / (decrease) of short-term borrowings	5,114.92	5,777.94
Dividend Paid	(122.30)	(122.30)
Tax on dividend	(19.84)	(39.10)
Net Cash flow from/(used in) financing activities (C)	4,888.31	7,092.32
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(779.02)	458.34
Cash and cash equivalents at the beginning of the year	957.61	499.27
Cash and cash equivalents at the end of the year	178.59	957.61
Component of cash and cash equivalents		
Particulars	31-03-2013	31-03-2012
Cash on hand	130.65	128.01
Balances with Banks - Current Account	47.94	829.60
Total Cash and cash equivalents	178.59	957.61
Significant Accounting Policies and notes to the Accounts 1 to 29		
As per our report even date For Hanumaiah & Co. Chartered Accountants Sd/- K. Hanumaiah Partner Membership No: 201719 Firm Registration No: 009021S	For and on behalf of the Board of Directors of IKF Finance Limited Sd/- (V. G. K. Prasad) Managing Director	
	Sd/- (K. Vasumathi Devi) Executive Director	
Place: Vijayawada Date : 25-05-2013		

Notes forming part of the financial statements for the year ended March 31, 2013**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 Classified as Asset Financing - Deposit Accepting - Non Banking Finance Company (NBFC-AFC-D) registered with Reserve Bank of India (RBI).

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)	
	31-03-2013	31-03-2012
Authorized Share Capital		
3,50,00,000 (March 31, 2012: 2,30,00,000) equity shares of '10/- each *	3,500.00	2,300.00
	3,500.00	2,300.00
Issued, subscribed and fully paid-up Equity Shares		
2,91,00,000 (March 31, 2012: 1,85,90,000) shares of '10/- each	2,910.00	1,859.00
	2,910.00	1,859.00
Total Issued, subscribed and fully paid-up share capital	2,910.00	1,859.00

* Necessary forms for increase in authorised equity capital for the year ended on March 31, 2013 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, 2013		As at March 31, 2012	
	Number	' in lacs	Number	' in lacs
At the beginning of the year	18,590,000	1,859.00	12,230,000	1,223.00
Issued during the year - Preferential Issue	10,510,000	1,051.00	6,360,000	636.00
Outstanding at the end of the year	29,100,000	2,910.00	18,590,000	1,859.00



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, 2013		As at March 31, 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity share of Rs.10 each fully paid				
IKF Infratech (P) Limited	5232400	17.98%	1505000	8.10%
Gautam Padala	2042000	7.02%	0	0.00%
Vedika Realty Private Limited	1923000	6.61%	0	0.00%
V Raghuram	1449700	4.98%	1449700	7.80%
V G K Prasad	1276286	4.39%	1276186	6.86%
K Vasumathi Devi	1264300	4.34%	1121000	6.03%
IKF Financial Services (P) Limited	1116600	3.84%	1116600	6.01%
Vamsi Mohan Athota	1850400	6.36%	1081200	5.82%

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. An amount equivalent to 25% of the exercise price of the equity shares arising out of the warrants was collected on application and the same will be adjusted and appropriated against the price of the equity shares payable by the warrant holders at the time of exercising the option. The option to acquire the 40,00,000 Equity Shares shall be exercised by the Warrant Holders in one or more tranches within the period of 18 months from the date of allotment of the warrants.

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 :

The company has issued / allotted 68,50,000 equity shares at a subscription price of Rs.13.00 per equity share (which includes a premium of Rs 3.00 per equity share) on 16th August 2012 and 36,60,000 equity shares at a subscription price of Rs.13.25 per equity share (which includes a premium of Rs 3.25 per equity share) on 18th March 2013 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 to both Promoters and Non Promoters for cash.

4. Reserves & Surplus

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Securities Premium Reserve		
Opening balance	453.13	262.33
Add : securities premium credited during the year	324.44	190.80
Closing balance	777.57	453.13
Statutory Reserve (in pursuant to section 45-IC of the RBI act, 1934)		
Opening balance	539.12	461.31
Add: transfer from statement of profit & loss	141.23	77.81
Closing balance	680.35	539.12
General reserve		
Opening balance	107.86	88.41
Add: transfer from statement of profit & loss	35.31	19.45
Closing balance	143.17	107.86
Surplus in the statement of Profit & Loss		
Opening balance	344.28	216.19
Add: net profit for the year	706.00	389.06
Less: Appropriations		
- Proposed equity dividend	(230.09)	(122.30)
- Tax on proposed equity dividend	(39.10)	(19.84)
- Transfer to statutory reserve (in pursuant to section 45-IC of the RBI act, 1934)	(141.23)	(77.81)
- Transfer to general reserve	(35.31)	(19.45)
- Prior Year Adjustments	(24.94)	(21.57)
Net surplus in the statement of Profit & Loss	579.61	344.28
Total	2,180.70	1,444.39



5. Long-term Borrowings

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Secured		
Term loan from banks	83.23	416.68
Term loan from financial institutions	427.46	417.36
Non-convertible debentures	349.95	416.56
Total secured long-term borrowing	860.64	1,250.60
Unsecured		
Security deposits	186.47	392.47
Deposits from Directors	48.47	12.00
Chit Liabilities	2.00	46.00
Total unsecured long-term borrowing	236.94	450.47
Total	1,097.58	1,701.07



5.1 Secured loans - Long Term Borrowings

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

Terms of Repayment

(Rs. in Lacs)

Maturity Pattern	Rate of Interest	31-03-2013	Rate of Interest	31-03-2012
48-60 Months	13%-14%	-	13%-14%	-
36-48 Months	13%-14%	-	13%-14%	302.65
24-36 months	13%-14%	349.95	13%-14%	-
12-24 months	13%-14%	-	13%-14%	113.91
Total non-current portion		349.95		416.56
12 months	13%-14%	149.76	13%-14%	78.16
Total current maturities		149.76		78.16
Grand Total		499.71		494.72

* 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.

Credit Rating Agency - Credit Analysis and Research Limited (CARE) has reaffirmed the rating of "BBB+" assigned to these Non Convertible Debentures on 11th February, 2013.

B. Term loan from Bank

Terms of repayment as at March 31, 2013

(Rs. in Lacs)

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
12-24 months	15.25% to 15.50%	Repayable in 5 Quarterly Installments	83.22	333.32
Grand Total			83.22	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	
		31-03-2013	31-03-2012	31-03-2013	31-03-2012
Repayable in Monthly Installments	13.00% to 14.50%	127.46	417.36	423.73	885.25
Grand Total		127.46	417.36	423.73	885.25

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	31-03-2013	31-03-2012
Deferred tax liabilities		
Timing difference on account of :		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	88.87	88.26
Gross deferred tax liabilities (A)	88.87	88.26
Deferred tax asset		
NIL	0.00	0.00
Gross deferred tax Assets (B)	0.00	0.00
Deferred tax Liability (Net) (B-A)	(88.87)	(88.26)

7. Other Long Term Liabilities

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Interest accrued but not due on debentures	44.06	54.76
Total	44.06	54.76



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8. Long Term Provisions

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Provision Employee Benefits	21.15	13.25
Provision for standard assets	94.66	68.35
Total	115.81	81.60

9. Short Term Borrowings

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Secured		
Term Loans from Banks	333.33	333.32
Term Loans from Financial Institutions	123.73	885.25
Non Convertible Debentures	149.76	78.16
Cash Credit from Banks	16,736.90	10,827.36
	17,343.72	12,124.09
Unsecured		
Security Deposits	133.53	196.24
Deposits from Directors	-	12.00
Chit Liabilities	44.00	99.00
Inter Corporate Deposit	25.00	-
	202.53	307.24
Total	17,546.25	12,431.33

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	31-03-2013	31-03-2012
Interest accrued but not due on debentures	23.51	6.50
Debentures matured & due for payment with interest*	36.09	-
Tax deducted at source	15.24	15.14
Other Liabilities	58.12	12.86
Total	132.96	34.50

* Debentures were matured on March 31, 2013.

11. Short Term Provisions

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Provision for Non Performing Assets	37.80	11.28
Provision for income tax [net of advance income tax]	229.94	159.79
Proposed dividend	230.09	122.30
Dividend Distribution Tax	39.10	19.84
Total	536.93	313.21

12. Tangible and Intangible Fixed Assets

(Rs. in lacs)

Description	GrosS Block at Cost				Depreciation				Net Block	
	As at 31-03-12	Additions	Deductions	As at 31-03-13	Upto 31-03-12	For the Year	Deductions	Upto 31-03-13	As at 31-03-13	As at 31-03-12
Tangible Assets										
Office Building	10.72	-	-	10.72	2.70	0.18	-	2.88	7.84	8.02
Plant and Machinery	8.25	0.35	0.52	8.08	3.25	0.38	0.40	3.23	4.85	5.00
Furniture and Fixtures	222.90	106.50	-	329.40	96.46	15.99	-	112.45	216.95	126.44
Computers & Other Accessories	39.96	7.59	-	47.55	20.34	5.42	-	25.76	21.79	19.62
Vehicles	20.32	0.46	1.10	19.68	10.14	2.61	0.85	11.90	7.78	10.18
	302.15	114.90	1.62	415.43	132.89	24.58	1.25	156.22	259.21	169.26
Intangible Assets										
Computer Software	13.89	-	-	13.89	6.47	2.25	-	8.72	5.17	7.42
Grand Total	316.04	114.90	1.62	429.32	139.36	26.83	1.25	164.94	264.38	176.68
Previous Year	716.55	27.73	428.24	316.04	370.64	45.68	276.96	139.36	176.68	345.91

13. Long Term Loans and Advances

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Assets under financing activities :		
- Secured, Considered - Good	13,190.71	10,172.30
- Secured, Considered - Substandard	51.79	-
Other Advances & Deposits :		
- Unsecured, Considered - Good	87.62	119.29
Total	13,330.12	10,291.59

14. Other Non Current Assets

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Un-matured Chit Loss	18.13	69.54
Total	18.13	69.54

15. Cash and Bank balances

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Cash and cash Equivalents :		
Balances with banks:		
- Current Account	47.94	829.60
- Bank Deposit with maturity of less than 3 months	-	11.31
Cash on hand	130.65	128.01
	178.59	968.92
Bank Deposits		
Maturity for more than 3 months but less than 12 months	547.00	372.85
Maturity for more than 12 months	580.47	252.19
	1,127.47	625.04
Total	1,306.06	1,593.96

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



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16. Short Term Loans and advances

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Assets under financing activities :		
- Secured, Considered - Good	9,552.46	6,791.94
- Secured, Considered - Substandard	56.21	-
- Secured, Considered - Doubtful	46.13	-
Other Advances & Deposits :		
- Unsecured, considered good	54.91	60.87
Total	9,709.71	6,852.81

17. Other Current assets

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Other Assets	21.17	44.22
Repossessed Assets	167.87	-
Total	189.04	44.22

100% provision (Rs.13.16 lacs) was made on the shortfall in the realisable value against the book value of the repossessed assets.

18. Revenue from operation

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Interest Income from financing Activities	4,205.29	2,636.36
Total	4,205.29	2,636.36

19. Other income

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Interest on deposits with banks	66.14	32.44
Rental Income	6.95	6.61
Miscellaneous income	0.23	0.58
Total	73.32	39.63

20. Employee benefits expenses

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Salaries and incentives	294.93	125.18
Contributions to -Provident fund and Gratuity	15.32	12.10
Staff welfare expenses	6.96	5.07
Total	317.20	142.35

21. Finance cost

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Interest expense on :		
Non Convertible Debentures	76.48	79.49
Loans from banks	2,063.52	1185.22
Loans from institutions and others	150.90	191.23
Chit Loss	41.26	40.34
Processing and other Borrowing charges	90.11	78.24
Total	2,422.27	1,574.52

22. Other Expenses

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Rent	102.45	31.24
Power and fuel expenses	12.52	9.99
Repairs & maintenance	34.80	11.52
Rates, duties, Licences & taxes	57.32	47.62
Printing & stationery	10.87	6.69
Travelling & conveyance	43.75	28.04
Advertisement	1.97	1.14
Bank Charges	12.05	11.70
Communication expenses	38.30	19.58
Miscellaneous expenses	17.69	8.19
Total	331.72	175.71

23. Provisions & write offs

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Provision for standard assets	26.31	42.65
Provision for non performing assets	13.36	11.28
Provision for pepossed assets	13.16	-
Bad debts written off	32.72	20.62
Total	85.55	74.55

24. Earnings per share (EPS)

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
Net profit after tax and share of loss of Associates as per statement of profit and loss (Rs. in lacs) (A)	706.00	389.06
Weighted average number of equity shares for calculating Basic EPS (No. in lacs) (B)	229.80	122.30
Weighted average number of equity shares for calculating Diluted EPS (No. in lacs) (C)	239.80	122.30
Basic earnings per equity share (in Rupees) (Face value of Rs.10/- per share) (A) / (B)	3.07	3.18
Diluted earnings per equity share (in Rupees) (Face value of Rs.10/- per share) (A) / (C)	2.94	3.18

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

(ii) Key Managerial Personnel

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



(iii) 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
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(iv) Related Party Transactions for the year ended 31st March, 2013

(Rs. in Lacs)

	Associates	Key Management Personnel	Relatives of Key Management Personnel	31-03-2013	31-03-2012
Payments/Expenses :					
Remuneration	-	28.50	9.00	37.50	21.00
Rent paid	-	28.80	-	28.80	30.60
Dividend paid	-	33.82	26.40	60.22	52.59
Balances Outstanding :					
Rent Advance paid by the Company	-	88.54	-	88.54	88.54
Credit in Current Accounts	-	22.95	1.23	24.18	10.18
Credit in Share Application Money	-	-	-	-	351.40
Inter Corporate Deposit Received	25.00	-	-	25.00	-

26. Contingent liabilities

(Rs. in Lacs)

Particulars	31-03-2013	31-03-2012
a. Channel Business	341.20	715.50
b. Securitization / Direct Assignment	168.71	168.71
Total	509.91	884.21

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 1,05,10,000 Equity Shares was utilised to meet the working capital requirements of the Company.

28. Securitisation / Assignment

The details of securitised assets outstanding as on 31.03.2013 as per books of the Special Purpose Vehicle (SPV) sponsored by the company are given below:

S.No.	Particulars	No. / Amount in Rs. in Lacs	
		31-03-2013	31-03-2012
01.	No of SPVs sponsored by the NBFC for securitization transactions	1	0
02.	Total amount of securitized assets as per books of the SPVs sponsored by the NBFC	2473.50	0.00
03.	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	* First Loss	0.00	0.00
	* Others	0.00	0.00
	b) On-balance sheet exposures		
	* First Loss	495.00	0.00
	* Others	0.00	0.00

S.No.	Particulars	No. / Amount in Rs. in Lacs	
		31-03-2013	31-03-2012
04.	Amount of exposures to securitization transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	* First Loss	0.00	0.00
	* Others	0.00	0.00
	ii) Exposure to third party securitizations		
	* First Loss	0.00	0.00
	* Others	0.00	0.00
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	* First Loss	0.00	0.00
	* Others	0.00	0.00
	ii) Exposure to third party securitizations		
	* First Loss	0.00	0.00
	* Others	0.00	0.00

Details of Hypothecation Loan Receivables assigned are given below:

Particulars	(Rs. in lacs)	
	31-03-2013	31-03-2012
Total number of assets	0	621
Total book value of assets (‘ in lacs)	0.00	1,124.75
Sale consideration received (‘ in lacs)	0.00	1,124.75

The credit enhancement and liquidity support were provided in the form of bank deposits for Rs.495 lakhs and the Company continues to collect and service the receivables in respect of the securitized assets.

The Credit Rating Agency - CARE has assigned "A+" Rating to the Security Pool.

29. 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	Overdue
Liabilities side	Amount	Overdue
Particulars	Amount Outstanding	Overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debenture : Secured	603.37	-
: Unsecured (other than falling within the meaning of public deposits)	-	-
(b) Deferred Credits	-	-
(c) Term Loans	416.56	-
(d) Inter-corporate loans and borrowing	551.19	-
(e) Commercial Paper	-	-
(f) Public Deposits	-	-
(g) Other Loans - Bank Cash Credit	16,736.90	-
- Security Deposits & Others	439.47	-
Total (1)	18,747.48	-
(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	-	142.53
Total (3)	-	142.53
(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	-	22,897.30
Total (4)	-	22,897.30
(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)	-	-



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 **22nd Annual General Meeting** of the Company at the Registered Office of the Company, Vijayawada - 520 010, on Friday the 30th August, 2013 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 **22ndAnnual General Meeting** of the Company to be held at 4:30 P.M. on Friday the 30th August, 2013 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