
CONTENTS	Page No.
Report of the Directors	6
Report on Corporate Governance	14
Management Discussion and Analysis Report	27
Auditors' Report	34
Balance Sheet	38
Profit and Loss Account	39
Cash Flow Statement	40
Schedules and Notes to the Accounts	42
Balance Sheet Abstract and Company's General Business Profile	60
Statement pursuant to Section 212(3) of the Companies Act, 1956	61
Subsidiary Companies	
UCAL Polymer Industries Limited	62
Amtec Precision Products, Inc.	63
Auditors' Report on Consolidated Accounts	64
Consolidated Balance Sheet	66
Consolidated Profit and Loss Account	67
Consolidated Cash Flow Statement	68
Schedules and Notes to the Accounts of Consolidated Financial Statements	70

UCAL FUEL SYSTEMS LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the TWENTY FOURTH ANNUAL REPORT together with the Audited Accounts of the Company for the year ended 31st March 2010.

1. FINANCIAL HIGHLIGHTS

The performance of the Company for the year ended 31st March 2010 is presented below:

Particulars	(Rs. in lakhs)		% Change
	For the year ended		
	31.03.2010	31.03.2009	
Gross Revenue	42,613	34,216	25
Net Revenue (excluding Excise Duty)	39,366	30,026	31
Total Expenditure	33,239	25,626	30
Operating Income	6,127	4,400	39
Other Income	93	312	(70)
Profit before Interest, Tax & Depreciation	6,220	4,712	32
Interest	2,852	2,528	13
Deferred Revenue Expenses	418	156	168
Depreciation	2,376	1,848	29
Profit before Tax & Exceptional item	574	180	219
Tax Expense	(189)	142	(233)
Profit after Tax / Net Profit	763	38	1,908
Prior period Adjustments	(6)	(34)	(82)
Balance of profit brought forward from last year	6,199	5,920	5
Amount Available for Appropriations	6,956	5,924	17
Appropriations:			
Transfer to General Reserve	-	-	-
Dividend	221	-	-
Tax on Dividend	37	-	-
Balance Carried to Balance Sheet	6,698	5,924	11
Earnings per Share	4.23	0.27	1,467

2. DIVIDEND

The Board has recommended a dividend of 10% for the financial year 2009-10.

3. PERFORMANCE OF OPERATIONS

The sales turnover of the Company has increased during the year from Rs.300.26 Cr to Rs.393.66 Cr thus recording an overall growth of 31.1 % over the previous year. The turnover has increased as a result of robust revival of demand starting from the second quarter of the financial year 2009-10. As a result of increase in turnover coupled with control on costs, operating income has recorded a jump of 39%. Further, consequent to

restructuring of loans, the interest cost has decreased from 8.42% of sales in 2008-09 to 7.24% of sales in 2009-10. The depreciation is also higher due to additional investments in fixed assets necessitated by technological advancements. The net profit after tax for the year 2009-10 was higher at Rs.7.62 Cr as against Rs.0.38 Cr in 2008-09.

4. DIRECTORS

At the Board meeting held on 30th April 2010, Mr.S. Muthukrishnan stepped down as the Chairman of the Company and Mr.Jayakar Krishnamurthy, who was Vice Chairman and Managing Director assumed the Chairmanship of the Company. He was also appointed as Chief Financial Officer of the Company w.e.f. 30th April 2010. Mr. S. Muthukrishnan continues as a Director on the Board. The Board wishes to place on record its appreciation for the contribution made by Mr. S.Muthukrishnan during his tenure as Chairman of the Company.

As already reported in the last AGM, Mr.V.Narayanan and Mr.M.R.Sivaraman ceased to be Directors w.e.f. 29th September 2009. EXIM Bank nominated Mr.K.Muthukumar as a Director on the Board of the Company w.e.f. 9th September 2009 in place of Mr Mukul Sarkar. The Board wishes to place on record its appreciation for the excellent services rendered by the outgoing Directors during their tenure.

In accordance with the Articles of Association of the Company, Mr.S.Natarajan and Dr.M.S.Ananth, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

5. AUDITORS

M/s. G Balu Associates, Chartered Accounts, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

6. PREFERENTIAL ALLOTMENT

During the year, with the approval of the shareholders and Securities and Exchange Board of India (SEBI), the paid up capital of the Company was increased from Rs. 13,89,60,000 to Rs. 22,11,36,250 by allotment of 82,17,625 Equity shares of Rs.10/- each at a premium of Rs. 26.35 per share, on a Preferential basis to the Promoters / Persons acting in concert group.

7. MERGER

Merger of UCAL Machine Tools Limited with UCAL Fuel Systems Limited

Consequent to the Hon'able High Court of Madras approving the merger of UCAL Machine Tools Limited (UMTL) with UCAL Fuel Systems Limited (UFSL) effective from the appointed date i.e., 1.4.2009, vide its order dated 22nd June 2010 (received on 1st July 2010), UMTL stands merged with UFSL. Accordingly, the financial results of UCAL Fuel Systems Limited for the financial year 2009-10 are financial results of the merged entity.

8. SUBSIDIARY COMPANIES

Consequent to the merger of UMTL with UFSL, the Company now has two wholly owned subsidiaries.

UCAL Polymer Industries Limited has been functioning profitably and has declared a dividend of 10% for the financial year 2009-10. The Company is actively working to expand its customer base beyond UFSL.

UCAL FUEL SYSTEMS LIMITED

Financial year 2009-10 has been a breakthrough year for **Amtec Precision Products, Inc.**, USA. Amtec has avoided cash losses since October 2009 despite recession in the US economy. The infusion of funds into Amtec by the promoter / persons acting in concert group has greatly stabilized the operations of Amtec and has enabled it to sustain itself through the recession and achieve good results.

Statutory Requirements and Subsidiary Performance / Consolidated Financial Statements

The statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies is attached to the accounts.

The Company has received exemption from the Central Government under Section 212(8) of the Companies Act, 1956 with regard to attaching of the Balance Sheet, Profit and Loss Account and other documents of the subsidiaries for the year ended 31st March 2010. Accordingly the accounts of the subsidiaries have not been attached. These documents will be available for inspection by any member of the Company at the registered office and also at the registered office of the concerned subsidiary. The accounts of the subsidiary companies and detailed information will be made available to the members upon receipt of request from them. The summary of the key financials of the Company's subsidiaries is included in this Annual Report.

9. FIXED DEPOSITS

The Company has not accepted public deposits during the year. Old deposits aggregating ₹ 64,000 remained outstanding as on 31st March 2010 as the matter is subjudice.

10. CORPORATE GOVERNANCE

The Company has complied with the requirements of the Code of Corporate Governance as stipulated by clause 49 of the listing agreement with the stock exchanges. A Report on Corporate Governance along with Certification by the Chairman & Managing Director and Chief Financial Officer is attached in Annexure-C.

A Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated by clause 49 of the listing agreement is attached in Annexure-D.

The Management Discussion and Analysis Report is attached in Annexure-E.

11. PERSONNEL

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is furnished in Annexure-B.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that,

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) Such accounting policies have been selected and applied consistently and the judgments and estimates 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 31st March 2010 profit of the Company for the year ended 31st March 2010;

- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The annual accounts have been prepared on a going concern basis.

13. ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Information on energy conservation, technology absorption, foreign exchange earnings and outgo are given in Annexure-A.

14. ACKNOWLEDGEMENT

The Board places on record its appreciation of all its stakeholders: – the Customers for their continued support, the Bankers for their understanding and timely financial support, the Suppliers and Vendors for their continued association, the Governmental Agencies for their assistance, the Employees for their commitment and more importantly the Shareholders for continuously reposing their confidence on the Company.

For and on behalf of the Board

Place : Chennai
Date : 31.08.2010

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

ANNEXURE-A TO THE REPORT OF THE DIRECTORS

A. ENERGY CONSERVATION MEASURES UNDERTAKEN AND CONSEQUENT SAVINGS

1. Installation of *timer control in coolant pump and hydraulic pump*
2. Implementation of *Impregnation plant vacuum pump cooling water recycling*
3. Auto off Controller provided for 25 HP Compressor thereby reducing the *idle working of loads*
4. Increase in the efficiency of the compressor by *reduction of heat from the compressor room*

B. ENERGY CONSERVATION PROPOSAL

1. Introduction of energy efficient LED lamps in street lights and Compact Florescent Lamp (CFL) in Machine Shop
2. Introduction of Natural lighting pipe
3. Solid State Relay (SSR) to be tried out in the PDC furnaces to control the temperature optimally
4. Transvector nozzle to be tried out in the air jet and washing machine
5. Automatic On/Off control to be provided for Mercury vapour lamp in PDC
6. Providing of the auto cut off controller for hydraulic pump and cooling tower fan motor
7. Replacing of the mono block water pump with submersible pump
8. Conversion of the pneumatic cylinder to Hydro pneumatic cylinder
9. Optimizing the Heater Capacity in solenoid oven by changing flat type heater into U-type heater
10. Introduction of lighting energy saver for lighting load
11. Introduction of auto valve for incoming air line of the machine (Valve is Open when the Machine is Switch ON)

C. RESEARCH AND DEVELOPMENT

Specific areas in which R&D is carried out by the Company:

- ❖ Development of Carburetors and Secondary Air Valves for 2-Wheelers & 3-Wheelers
- ❖ Development of Oil Pump for Passenger Cars & Commercial Vehicles
- ❖ Development of Vacuum Pump for Diesel engine Passenger Cars
- ❖ Development of Water Pump for Petrol & Diesel engine applications
- ❖ Electronic Engine Management System for 2-Wheelers
- ❖ Electronic Exhaust Gas Recirculation (EGR) controller
- ❖ Computer Aided Engineering (CAE) focusing on developing the required theoretical, design, technologies and simulation capability as related to our product range and future technologies
- ❖ Focused Value Engineering and Value Analysis activities for standardization and cost reduction

Benefits derived out of R&D

- ❖ Capability to address market needs through Indigenous product development by way of faster turn around of products and its variants, support to the customer
 - Offerings based on the current range of products to existing and new customers
 - Development of new products to existing / new customers
- ❖ Development of Indigenous technology and building a technology repository
- ❖ Building knowledge capital within the organization
 - We were successful in demonstrating our CAE capability for Oil Pump to General Motors
- ❖ Reduction in cost through Value Engineering / value Analysis
- ❖ Import substitution / alternate sourcing of critical parts completed as per plan
- ❖ Design guidelines have been documented for all our products to help the design activities

Future Plans

Developing new technologies which can be used for developing products for our existing customers as well as new customers such as:

- ❖ Electronic Throttle Valve for Gasoline engines
- ❖ 4 Stroke Port Injection system for 2-Wheelers
- ❖ Water Pump
- ❖ Develop a library of Vacuum Pump with higher capacity to meet future needs.
- ❖ Variable Flow Oil Pump

Expenditure on R&D

Particulars	Rs. in Lakhs
Capital	20.69
Revenue	885.31
Total	906.00
% of turnover	2.31%

D. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

We have reached a technologically self reliant stage, as evidenced by the following:

- ❖ We are able to design products to the changing needs of the customers through our in-house R&D efforts. Example: 32mm throttle bore size carburetor for Pulsar 220 Motorcycle, so far largest in our range.
- ❖ Identification of suitable substitutes for materials and processes to meet ELV (End of Life Vehicle)

UCAL FUEL SYSTEMS LIMITED

requirement and to use Ethanol blended petrol as required by some of the customers / applications.

- ❖ Re-designing our products to meet the requirements of the customers. Example: Re-designing the Vacuum Pump to meet the reverse rotation requirement.
- ❖ Innovative features have been incorporated in the carburetor – Throttle Position Sensor, Solenoid operated starter for cold starting.
- ❖ We are able to develop products to meet the customer targets in terms of fuel economy, emission levels. Example: New models and the variants launched by our customers with our carburetors are meeting the Emission norms, effective from April 2010.

Benefits derived as a result of the above efforts

- ❖ The Company has been able to develop new products meeting the customer timelines and price targets.
- ❖ The Company has been able to expand into new domains like Pumps – Oil Pump, Vacuum Pump & Water Pump.
- ❖ The Company has been able to approach new customers with our offerings by demonstrating our design capabilities.
- ❖ Our R&D center continues to enjoy the recognition of Department of Scientific & Industrial Research (DSIR).
- ❖ Our R&D engineers have presented 6 papers in National and International conferences.

E. FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings of foreign exchange were on account of export of Carburetors, MPFI parts and Secondary Air Valves during the year. The foreign exchange outgo was mainly on account of components, capital goods, foreign travel, royalty and technical know-how fee. During the financial year ended 31st March 2010, the total FE Outgo was **Rs. 5,581.37** Lakhs while the FE earned was **Rs. 1,973.44** Lakhs resulting in a net FE outgo of **Rs. 3,607.93** Lakhs.

For and on behalf of the Board

Place : Chennai
Date : 31.08.2010

JYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

ANNEXURE-B TO THE REPORT OF THE DIRECTORS

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Sl. No.	Name	Age (yrs)	Date of Commencement of employment	Designation	Remuneration (Rs.)	Qualification	Total Experience (Years)	Previous Employment	
								Employer	Designation
1	Mr.P.P.R.Rao	63	26.09.2008	Executive Director	75,00,000	B.E.	40	Bizworth India Pvt.Ltd	C.E.O.
2	Mr.T.K.Sivasubramaniam	59	01.09.1989	President	28,35,580	B.E.	38.6	Carburetors Limited	Assistant Manager
3	Mr.Pramod Kumar Gupta	51	11.01.2006	Senior General Manager	24,56,320	DME, MBA	28.5	M/s. Sterling Tools limited	Senior General Manager

Note:

1. Years of experience include the experience prior to joining this Company also.
2. Remuneration comprises of salary, medical reimbursement, Company's contribution to Provident Fund and Superannuation Fund, LTC and value of other Perquisites evaluated on Cost to Company basis.
3. Remuneration does not include Company's contribution to Gratuity
4. In the case of Mr.P.P.R.Rao, the terms of employment are contractual
5. None of the employees are related to any Director of the Company

UCAL FUEL SYSTEMS LIMITED

ANNEXURE-C TO THE REPORT OF THE DIRECTORS

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

Corporate Governance, key feature of well managed enterprises should ensure high standards of transparency, accountability, ethical operating practices and professional management. Practice of good Corporate Governance principles benefits the stakeholders in particular and the society in general. The Company strongly believes and practises the principles of Corporate Governance.

1. BOARD OF DIRECTORS

(a) Composition

The Board consisted of the following directors as on 31st March 2010.

Non Executive Chairman	Mr. S. Muthukrishnan
Whole-time Directors	Mr. Jayakar Krishnamurthy, Vice Chairman & Managing Director Mr. P.P.R. Rao, Executive Director
Non Executive and Independent Directors	Dr. V. Sumantran Dr. M.S. Ananth Mr. S. Natarajan Mr. K. Muthukumar (EXIM Bank Nominee)

The day-to-day management of the Company was carried on by the two Whole-time Directors of the Company.

The names of the Directors and the details of other Chairmanship / Directorship / Committee Membership of each Director are given below:

Name of Director	Category	No. of other Directorship	No. of Membership of other Board Committees	No. of Committee Chairmanship
Mr. Jayakar Krishnamurthy Vice Chairman & Managing Director	Executive	9	–	–
Mr. P.P.R. Rao Executive Director	Executive	–	–	–
Mr. S. Muthukrishnan Chairman	Non-Executive	10	–	–
Dr. V. Sumantran	Non-Executive & Independent	8	3	1
Dr. M.S. Ananth	Non-Executive & Independent	3	–	–
Mr. S. Natarajan	Non-Executive & Independent	6	–	–
Mr. K. Muthukumar Nominee of EXIM Bank	Non-Executive & Independent	3	–	–

b) Details of Directors Appointment/Reappointment

Relevant details are furnished in the notice convening the Annual General Meeting to be held on 30th September 2010.

c) Board Meetings and attendance at Board Meetings

The Board met 7 times during the financial year ended 31st March 2010. The gap between two meetings was less than 4 months. The relevant details are as under:

S.No.	Date	Board Strength	No.of Directors present
1	13.04.09	8	7
2	30.05.09	8	6
3	25.07.09	8	6
4	29.07.09	9	7
5	29.09.09	7	6
6	31.10.09	7	6
7	28.01.10	7	5

d) The attendance of each Director at Board Meetings and at the previous Annual General Meeting (AGM) is as under:

S.No.	Name	No.of Board Meetings attended	Attendance at the last AGM
1.	Mr. S. Muthukrishnan	7	Present
2.	Mr. Jayakar Krishnamurthy	7	Present
3.	Mr. P.P.R. Rao	5	Present
4.	Mr. V. Narayanan*	4	–
5.	Mr. M.R. Sivaraman*	4	–
6.	Mr. Mukul Sarkar**	1	–
7.	Mr. S. Natarajan	7	Present
8.	Dr. M.S. Ananth	4	Present
9.	Dr. V. Sumantran***	2	–
7.	Mr. K. Muthukumar****	2	Present

* Ceased to be Director with effect from 29.09.2009

** Ceased to be Director with effect from 09.09.2009

*** Appointed as Director with effect from 29.07.2009

**** Appointed as Nominee Director with effect from 09.09.2009.

UCAL FUEL SYSTEMS LIMITED

2. AUDIT COMMITTEE

The terms of reference broadly include reviewing and assessing the adequacy of the policies and practices, internal control systems and financial reporting systems. The Audit Committee reviews all the items of reference on a quarterly basis and reports its findings to the Board. The Audit Committee comprises of the following Directors

01. Mr. S. Natarajan – Chairman
02. Dr. M.S. Ananth
03. Mr. K. Muthukumaran

The committee comprises of three independent directors, all of whom have relevant finance / audit knowledge cum exposure. The committee performs such of the functions as are enumerated in the Companies Act and in the Listing Agreement.

The Finance Head and Statutory Auditors are permanent invitees at the meetings of the Committee. The Company Secretary acts as the Secretary to the Committee. The Audit Committee met four times during the year. The attendance at these meetings is as follows:

S.No.	Date	Committee Strength	Members present
1	30.05.09	3	3
2	29.07.09	3	3
3	31.10.09	3	2
4	28.01.10	3	2

The Audit Committee reviews key audit findings and the management perceptions thereon. It also reviews the internal control systems of the Company as well as its subsidiaries. The committee through self assessment evaluates its performance annually.

3. REMUNERATION COMMITTEE

The members of the Remuneration Committee are Non-Executive and Independent Directors. Mr.S.Natarajan, is the Chairman of the Committee. Dr. M.S. Ananth and Dr. V. Sumantran are the other members.

The scope / role of the Remuneration Committee is to recommend to the Board of Directors the remuneration payable to the Whole-time Directors of the Company as and when they come for review. During the financial year the committee met once on 30th May 2009.

4. REMUNERATION PAID TO DIRECTORS

a) Details of Payment to Whole time Directors

The remuneration payable to Whole-time Directors is determined by the Board with the approval of the shareholders at the Annual General Meeting and subject to the approval of Central Government and such other authorities as may be necessary. The Non Whole-time Directors do not draw any remuneration from the Company except sitting fees for attending the meetings.

b) Details of Remuneration to the Whole-time Directors during the year 2009-10

Name of the Director	Salary and perquisites (Rs.)
Mr. Jayakar Krishnamurthy Vice Chairman & Managing Director	1,22,00,000
Mr. P.P.R.Rao Executive Director	75,00,000

c) Details of payment made to Non-wholetime Directors during the year 2009-10

Name of the Directors	Sitting Fees				Total (Rs.)
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Investors Grievance Committee Meeting	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
Mr. S. Muthukrishnan	1,40,000	-	15,000	1,80,000	3,35,000
Mr. V. Narayanan	80,000	40,000	15,000	-	1,35,000
Mr. M.R.Sivaraman	80,000	40,000	-	-	1,20,000
Mr. S. Natarajan	1,40,000	80,000	15,000	-	2,35,000
Dr. M.S. Ananth	80,000	20,000	-	-	1,00,000
Dr. V. Sumantran	40,000	-	-	-	40,000
Mr. Mukul Sarkar*	20,000	-	-	-	20,000
Mr. K. Muthukumar*	40,000	20,000	-	-	60,000
	6,20,000	2,00,000	45,000	1,80,000	10,45,000

*EXIM Bank Nominees - Sitting fees paid to EXIM Bank.

Out of the two Whole-time Directors, only Mr.Jayakar Krishnamurthy holds 3,54,208 Equity Shares in the Company. Among the Non Executive directors Mr.S.Muthukrishnan, holds 31,922 Equity shares in the Company. The other Non Executive Directors do not hold any shares in the Company.

5. INVESTOR GRIEVANCE COMMITTEE

The Committee comprises of three members. Mr.S.Muthukrishnan is the Chairman of the Committee. Mr.Jayakar Krishnamurthy and Mr.P.P.R.Rao are the other members of this Committee. The Committee meets every month to approve share transfers, transmissions, issue of duplicate share certificates, rematerialisation of shares and reviews shareholders queries like non receipt of Share Certificate, non receipt of Dividend warrants, etc. considering the volume of share transfers, the committee meets on monthly interval.

The Committee met twelve times during the year 2009-10. The Committee approved the transfer of 2,640 shares in physical form. All requests from shareholders with regard to non receipt of dividend warrants, loss of share certificates, issue of duplicate share certificates, and dematerialisation of shares were attended to within the stipulated time. Mr.S.R.Sridhar, Company Secretary is the Compliance Officer of the Company.

UCAL FUEL SYSTEMS LIMITED

6. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETING

The details of the Annual General Meetings / Extraordinary General Meeting held in the last three years:

Venue	Financial Year	Date & Time
Dynasty Hall,	2006-2007	September 14, 2007 - 11.00 a.m
Hotel Ambassador Pallava,	2007-2008	September 26, 2008 - 11.00 a.m
Egmore, Chennai	2008-2009	September 29, 2009 - 11.00 a.m
<u>Extraordinary General Meeting</u>		
Meeting Hall, Beta Wing – Unit 708, “Raheja Towers”, 177 Anna Salai, Chennai 600 002.	2009-2010	August 19, 2009 - 9.00 a.m.

No special Resolutions were passed through postal ballot at the previous Annual General Meetings / Extraordinary General Meeting. No Special Resolutions are proposed through postal ballot at the ensuing Annual General Meeting.

7. DISCLOSURES – RELATED PARTY DISCLOSURES

There have been no materially significant related party transactions with the Company’s Promoters, Directors, the Management, their Subsidiaries or relatives which may have potential conflict with the interests of the Company at large. The necessary disclosures regarding the transactions are given in note 29 of Schedule 19 to the Notes to the Accounts.

There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty/stricture been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

8. SUBSIDIARY COMPANIES

The financials of the subsidiary companies have been duly reviewed by the audit committee. The Board minutes of the unlisted subsidiary companies have been placed before the holding Company Board.

9. RISK MANAGEMENT

Further to the requirement of the Listing Agreement, the Company is in the process of evaluating and deploying a system to implement risk management procedures based on the areas identified by an external consultant. However, the Company is constantly evaluating the risks associated with the business in the normal course.

10. MEANS OF COMMUNICATION

- a) The quarterly results of the Company are announced within a month from the end of the respective quarter and are published in leading newspapers such as Economic Times and Makkal Kural. The Company’s website address is: www.ucalfuel.com.

- b) Pursuant to the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc., are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard.

11. CODE OF CONDUCT

UFSL's commitment to ethical and lawful business conduct is a fundamental shared value of its Board of Directors, Management and Employees and critical to the company's success. These standards for business conduct provide that the Directors will uphold ethical and legal standards as the Company pursues its financial goals, and that honesty and integrity will not be compromised by the Company. Consistent with these principles, the Company's Board adopts the code of conduct as a guide to high ethical and legal standards expected of its members.

The copy of the said code of conduct is available on the website www.ucalfuel.com

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board members and Senior Management Personnel have affirmed compliance with the Code of Business Conduct and Ethics for the Financial Year 2009-10.

12. GENERAL SHAREHOLDER INFORMATION:

a. Annual General Meeting

Date and time	: September 30, 2010 – 11.00 a.m.
Venue	: Dynasty Hall, Hotel Ambassador Pallava, Egmore, Chennai
Book Closure Date	: 21.09.2010 to 30.09.2010 (Both days inclusive)

b. Financial Calender

<u>Unaudited results for the</u>	2010-11 (Tentative)
Quarter ending June 30, 2010	Held on 31st of July 2010
Quarter/half-year ending September 30, 2010	Between 15 th and 31 st of October 2010
Quarter ending December 31, 2010	Between 15 th and 31 st January 2011
Quarter ending 31st March 2011/	Between 15 th and 30 th April 2011/
Audited results for the year ending March 31, 2011	Before 31 st May 2011.

c. Particulars of Dividend for the financial year 2008-09

The Company has not declared any dividend for the financial year 2008-09.

d. Listing of shares

Name of the Stock Exchange	: Stock Code
Madras Stock Exchange (MSE)	: –
Bombay Stock Exchange Limited, Mumbai (BSE)	: 500464
National Stock Exchange of India Limited (NSE)	: UCALFUEL
ISIN allotted by Depositories (Company ID Number)	: INE 139B01016

(Note: Annual Listing fees for the year 2009-10 were duly paid to the above stock exchanges)

UCAL FUEL SYSTEMS LIMITED

e. Stock Market Data

Month	Bombay Stock Exchange Ltd.			National Stock Exchange of India Ltd.		
	Month's High Price Rs.	Month's Low Price Rs.	Total volume of shares transacted	Month's High Price Rs.	Month's Low Price Rs.	Total volume of shares transacted
APRIL 2009	39.50	27.20	85,872	36.35	32.10	17,895
MAY 2009	46.45	31.50	82,254	46.25	32.15	89,355
JUNE 2009	50.00	38.00	1,20,033	50.00	37.90	69,159
JULY 2009	48.95	33.40	1,42,506	46.90	33.90	2,03,339
AUG 2009	53.55	43.55	1,62,743	54.00	42.60	2,18,100
SEP 2009	62.00	51.10	2,22,988	62.50	50.95	3,78,687
OCT 2009	66.05	53.20	2,29,284	65.90	53.10	4,56,493
NOV 2009	67.90	50.50	4,62,013	67.50	51.00	5,35,235
DEC 2009	77.50	60.60	11,13,066	74.00	60.80	15,10,252
JAN 2010	109.80	68.10	65,78,206	109.70	68.40	1,08,36,246
FEB 2010	81.70	64.40	2,28,873	82.95	63.55	93,123
MARCH 2010	80.00	67.70	2,89,752	78.80	64.00	3,69,933

f. Shareholding Pattern as on 31st March 2010

Particulars	No. of Share Holders	Shares held in Physical form	Shares held in dematerialised form	Total No. of Shares held	% to Capital
Promoter and Promoter Group					
a. Bodies Corporate	5	75,09,209	71,28,444	1,46,37,653	66.19
b. Directors & their relatives	7	7,08,896	2,42,268	9,51,164	4.30
Public Shareholding					
I. Institutions					
a. Mutual Funds/UTI	10	6,000	1,120	7,120	0.03
b. Financial Institutions/Banks	3	–	13,100	13,100	0.06
c. Insurance Companies	1	–	38,200	38,200	0.17
d. Foreign Institutional Investors	4	400	162,195	1,62,595	0.74
II. Non Institutions					
Bodies Corporate	661	8,161	9,73,157	9,81,318	4.44
Individuals	18,362	3,08,767	49,46,925	52,55,692	23.77
Non Resident Indians	134	680	66,103	66,783	0.30
Total	19,187	84,42,113	1,35,71,512	2,21,13,625	100.00

g. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2010

No.of Equity shares held	No. of shareholders	No. of shares	% of Capital
Upto 500	17,242	25,81,498	11.67
501-1000	1,130	9,09,947	4.11
1001-2000	459	7,02,021	3.17
2001-3000	120	3,06,282	1.39
3001-4000	63	2,29,982	1.04
4001-5000	53	2,49,049	1.13
5001-10000	113	15,95,006	7.21
10001 AND ABOVE	7	1,55,39,840	70.28
Total	19,187	2,21,13,625	100.00

h. Registrar and Share Transfer Agents

Integrated Enterprises (India) Limited, having its registered office at Kences Towers – II Floor, No.1 Ramakrishna Street, T.Nagar, Chennai 600 017 are the Registrars for demat segment and Share Transfer Agents of the Company, to whom communications regarding share transfer and dematerialization are to be addressed.

i. Information in respect of unclaimed dividends due for remittance into IEPF is given below:

Financial Year	Unpaid/ Unclaimed as on 31.03.2010 Rs.	Date of declaration	Date of transfer to special account / warrant Date	Date of transfer to IEPF
2002-2003	405,900	20.09.2003	01.10.2003	01.10.2010
2003-04 Interim Dividend	164,046	29.01.2004	20.02.2004	20.02.2011
2003-04 Final Dividend	305,784	25.06.2004	20.07.2004	20.07.2011
2004-05 Interim Dividend	330,838	14.02.2005	14.03.2005	14.03.2012
2004-05 Final Dividend	337,612	22.06.2005	15.09.2005	15.09.2012
2005-06 Interim Dividend	549,777	04.02.2006	09.02.2006	09.02.2013
2005-06 Final Dividend	248,822	01.09.2006	08.09.2006	08.09.2013
2006-2007	423,207	14.09.2007	24.09.2007	24.09.2014
2007-2008	605,449	26.09.2008	26.09.2008	26.09.2015

- Members are advised by the Company well in advance before transferring the unclaimed dividends to IEPF. Members are requested to note that as per the Companies Act, 1956, unclaimed dividend once transferred to IEPF will not be refunded.
- Investors holding shares in electronic form are requested to deal only with their Depository Participant in respect of change of address, nomination facility and furnishing bank account number, etc.

j) Request to Investors

Investors are requested to note the following procedure:

- If you are holding shares in physical form, please communicate the change of address, if any, directly to the Registrars at the abovementioned address:
- As required by SEBI, it is advised that the investors shall furnish details of their bank account number and name and address of their bank for incorporating the same in the dividend warrants. This would avoid wrong credits being obtained by unauthorized persons.
- Investors who have not availed nomination facility are requested to avail the same, by submitting the nomination form. The form will be made available on request.

k) Secretarial Audit Report Regarding Reconciliation of Capital

A quarterly audit was conducted by a practising Company Secretary, reconciling the issued and listed capital of the Company with the aggregate of the number of shares held by investors in physical form and in the depositories and the said certificates were submitted to the stock exchanges within the prescribed time limit.

As on 31st March 2010, there was no difference between the issued and listed capital and the aggregate of shares held by investors in both physical form and in electronic form with the depositories.

l) Information to Shareholders

A brief resume of the Directors appointed as well as reappointed together with the nature of the experience and details of the other Directorships held are annexed to the notice convening the Annual General Meeting. Quarterly report is sent to the Stock Exchange regularly.

m) Whistle Blower Policy

We have established a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, or violation of our code of conduct or ethics policy. It also provides for adequate safeguards against victimization of employees who avail of the mechanism, and also allows direct access to the Chairman of the audit committee in exceptional cases. We further affirm that no employee has been denied access to the audit committee.

n. PLANT LOCATIONS

Plant 1	E9-E12 Industrial Complex, Maraimalai Nagar – 603 209 Kanchipuram District, Tamil Nadu, India Tel. No.044-47408000, Fax: 044-27452549 Email: ufsl.mmn@ucalfuel.co.in
Plant 2	A98/100, A 106 & A107 PIPDIC Industrial Estate Mettupalayam, Pondicherry – 605 009, India Tel. No.0413-4211500, Fax: 0413-2272176 Email: ufsl.pondy@ucalfuel.co.in
Plant 3	Plot No.34-35, 53-54 Industrial Development Colony, Mehrauli Road, Gurgaon, Haryana – 122 001, India Tel. No.0124-2335773/895; Fax: 0124-2313109 Email: ufsl.gurgaon@ucalfuel.co.in
Plant 4	11 B/2 (S.P) First Cross Road, Ambattur Industrial Estate Chennai, Tamil Nadu – 600 058, India Tel. No.: 044-66544700; Fax: 044-66544758 Email: ufsl.abr1@ucalfuel.co.in
Plant 5	11 B/1 (S.P) First Cross Road, Ambattur Industrial Estate Chennai, Tamil Nadu – 600 058, India Tel. No.: 044-42180333/34; Fax: 044-42180333 Email: ufsl.pl5@ucalfuel.co.in
Plant 6	A3/A3, A4, A5,CMDA Industrial complex, Maraimalai Nagar, Kancheepuram, Tamil Nadu – 603 209, India Tel. No.: 044-47406800; Fax: 044-47406850 E-mail: ufsl.pl6@ucalfuel.co.in
Plant 7	A-3, 1, B-22, SIDCO Industrial Estate, Maraimalai Nagar, Kancheepuram, Tamil Nadu – 603 209, India Tel. No.: 044-47400190/91/93 E-mail: ufsl.pl7@ucalfuel.co.in
Plant 8	E16, Industrial Complex, Maraimalai Nagar, Kancheepuram, Tamil Nadu – 603 209, India Tel. No.: 044-47400573/75 E-mail: ufsl.pl8@ucalfuel.co.in
Plant 9	B 132 & 133, PIPDIC Industrial Estate Mettupalayam, Pondicherry – 605 009, India Tel. No.: 0413-4204161 E-mail: ufsl.pl9@ucalfuel.co.in

UCAL FUEL SYSTEMS LIMITED

o. ADDRESS FOR CORRESPONDENCE

<p>To contact Registrars & Share Transfer Agents for matters relating to shares</p>	<p>M/s. Integrated Enterprises (India) Limited 2nd Floor, Kences Towers, No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017. Tel : 91-44-28140801/03 Fax : 91-44-28142479 E-mail : yesbalu@iepindia.com</p>
<p>For any other general matters or in case of any difficulties/ grievance</p>	<p>Mr. S.R. Sridhar Company Secretary and Compliance Officer UCAL Fuel Systems Limited, "Raheja Towers", Delta Wing – Unit 705 177 Anna Salai, Chennai 600 002. Tel : 91-44-42208100/28604795/96 Fax : 91-44-28604788 E-mail : investor@ucalfuel.co.in</p>

**CERTIFICATION BY CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER TO THE BOARD**

I, Jayakar Krishnamurthy, Chairman & Managing Director and Chief Financial Officer of UCAL Fuel Systems Limited, certify that:

1. I have reviewed the financial statements for the year 2009-10 and that to the best of my knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements give a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including Accounting Standards, applicable Laws and regulations.
2. There are, to the best of my 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.
3. I accept overall responsibility for the Company's internal control system for financial reporting. This is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal audit works with all levels of management and statutory auditors, and reports significant issues to the audit committee of the Board. The auditors and audit committee are appraised of any corrective action taken with regard to significant deficiencies and material weaknesses.
4. I indicate to the auditors and to the audit committee:
 - a) Significant changes in internal control over financial reporting during the year;
 - b) Significant changes in accounting policies during the year;
 - c) Instances of significant fraud of which I have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting. However, during the year there was no such instance.

For and on behalf of the Board

Place : Chennai
Date : 31.08.2010

JAYAKAR KRISHNAMURTHY
*CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER*

UCAL FUEL SYSTEMS LIMITED

M/s. G. BALU ASSOCIATES
Chartered Accountants

4A, Venkatesa Agraharam Street
Mylapore
Chennai – 600 004.

ANNEXURE-D TO THE REPORT OF THE DIRECTORS
AUDITORS' REPORT ON CORPORATE GOVERNANCE
TO THE MEMBERS OF UCAL FUEL SYSTEMS LIMITED

We have examined the Compliance of conditions of Corporate Governance by UCAL Fuel Systems Limited for the year ended March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 in general with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 M/s. G. BALU ASSOCIATES
Chartered Accountants

Place: Chennai
Date : 31.08.2010

RAJA GOPALAN B
Partner
Membership Number: 217187
FRN No: 000376S

**ANNEXURE-E TO THE REPORT OF THE DIRECTORS
MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

1. INDUSTRY STRUCTURE AND DEVELOPMENT

Indian auto sector performed very well in the year 2009-10, thanks to robust sales volume, government’s continued stimulus package, easy financial availability, overall economic recovery as well as low base effect. The sector has performed significantly well as compared to last financial year when auto sales had plummeted due to global recessionary tendencies.

Quick recovery by auto industry from recession led to unexpected backlog in manufacturing at the auto component suppliers’ end. Unfortunately, most of the auto component companies could not match with the quick auto recovery due to various measures undertaken during the recession such as layoff of temporary labour and cut back on capacity investment plans. The layoff of labourers led to lack of availability of experienced workers to speed up the production process. The cut back on capacity expansion plans have left the companies losing on high demand. Nevertheless, auto component suppliers are ramping up their capacities to match up with the demand.

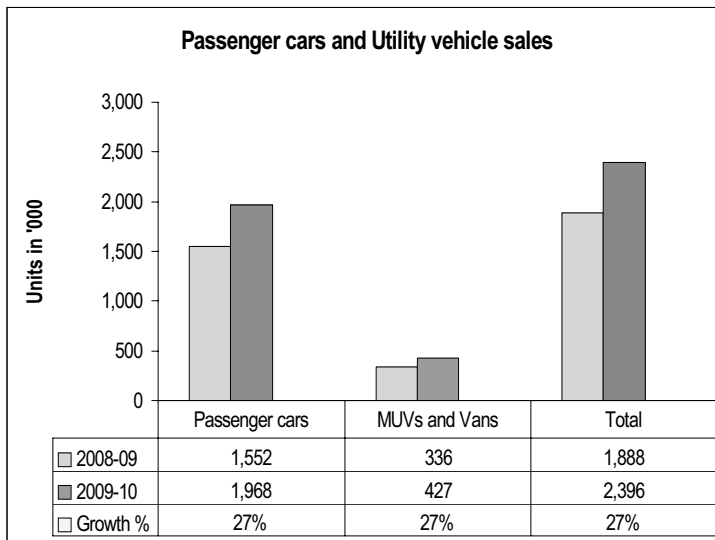
With the auto industry on a high growth trajectory, the robustness witnessed is expected to flow into FY 2010-11. The near term outlook for auto component industry also seems positive.

The turnover of the auto component industry was estimated at over US\$ 21.97 billion in 2009-10. The industry’s turnover is likely to touch US\$ 40 billion by 2015-16. Exports from the auto component industry is estimated to be worth US\$ 4.37 billion in 2009-10, recording a rise of 15% over the previous fiscal.

The industry has witnessed a shift in the composition of exports over the years, with the original equipment manufacturer (OEM / TIER 1) segment accounting for 80 per cent of exports. The share of aftermarket segment in auto component exports stood at 20 per cent in the same year.

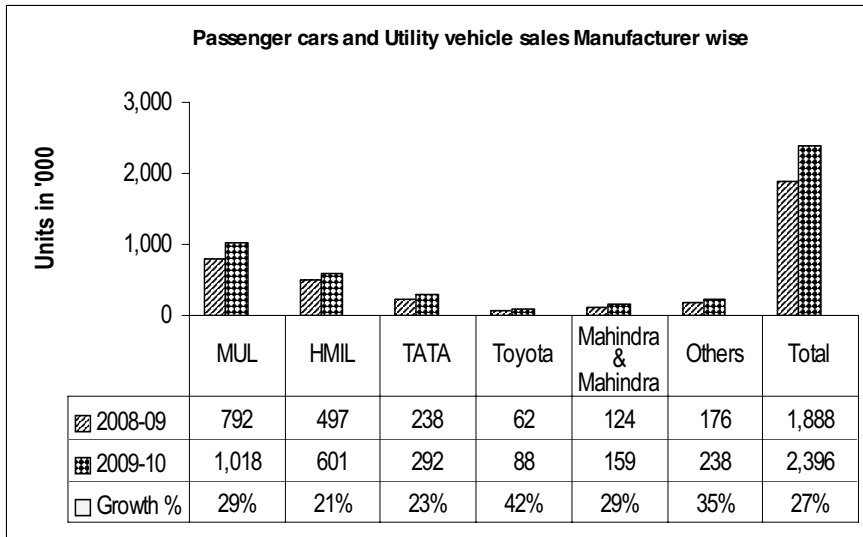
Overview of the Automobile Industry

Four Wheeler Segment



UCAL FUEL SYSTEMS LIMITED

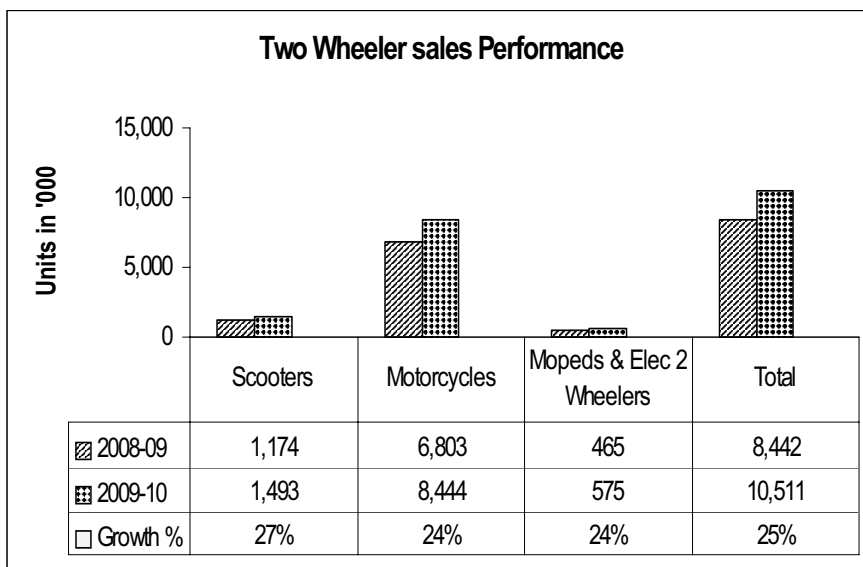
The passenger car and vans recorded a sales 2.39 million units as against previous year's performance of 1.88 million units, thereby recording a growth of 27%.

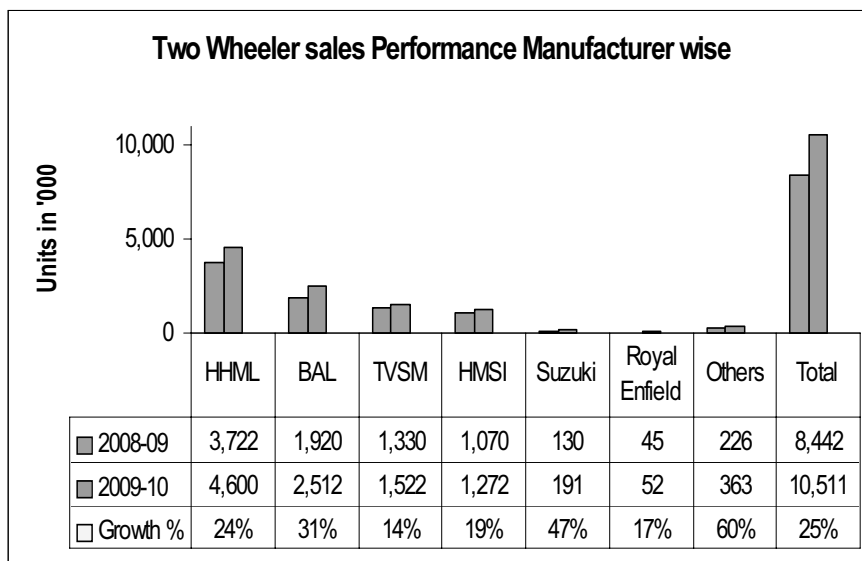


Two Wheeler Segment

Overall two wheeler segment recorded a sales of 10.51 million units as against last year's performance of 8.44 million units, thereby recording a growth of over 25%. Overall two wheeler segment consists of motorcycles, scooters, mopeds and electric two wheelers. In this, motorcycles segment recorded a total sales of 8.44 million units, growing by 24% over that of last year. Scooter segment grew by 27% over last year clocking a sales of 1.49 million units. Moped segment grew by 30%.

2. UCAL FUEL SYSTEMS LIMITED (UFSL) VIS-À-VIS INDUSTRY





2. UCAL FUEL SYSTEMS LIMITED (UFSL) VIS-À-VIS INDUSTRY

Four Wheeler Products

Multi Point Fuel Injection (MPFI)

Sales of Multi Point Fuel Injection (MPFI) sets, comprising Throttle Body and Delivery Pipe Assembly, have marginally increased by 0.38% over the last year. The total sales of MPFI sets by UFSL for the year 2009-10 recorded 792,140 units, for customers including Maruti Suzuki India, Hyundai Motor India and Bosch.

Category	Sales in 2008-09 (units in '000)	Sales in 2009-10 (units in '000)	Growth
Market Size	1,888	2,396	27%
UFSL MPFI Sales	789	792	0.38%
Market Share	42%	33%	

However, UFSL's market share in this segment has gone down from 42% in 2008-09 to 33% in 2009-10. The decline in the market share of MPFI sets is mainly due to fast pace of change in technology and the entry of global players. It is expected that the potential loss of turnover in this segment is likely to be made good by putting thrust on other products where the Company is technologically better placed.

Pumps

Category	Sales in 2008-09 (units in '000)	Sales in 2009-10 (units in '000)	Growth
Market Size	1,888	2,396	27%
UFSL Pump Sales	251	474	89%
Market Share	13%	20%	

UCAL FUEL SYSTEMS LIMITED

The growth of 89% in the sales of Pumps comprising Oil Pump, Vacuum Pump and Fuel Pump, helped the Company in improving its market share in this segment by more than 50% to achieve a level of 20%. This growth is a result of the constant efforts by the Company's R&D team in developing in-house pumps and thereby giving a technological edge in successfully establishing the Company as a global supplier of Pumps. This shall be one of the thrust areas of the management for future.

Two Wheeler Products

Two Wheeler Carburetor

Category	Sales in 2008-09 (units in '000)	Sales in 2009-10 (units in '000)	Growth
Market Size	8,442	10,511	25%
UFSL 2 W Carburetors Sales	1,724	2,132	24%
Market Share	20.42%	20.28%	

The Two Wheeler Carburetor sales have grown by 24% over last year due to robust market growth in this segment. However, the Company's business in Two Wheeler Carburetors has marginally declined from 20.42% in 2008-09 to 20.28% in 2009-10. This marginal decline is due to a high growth in the lower engine capacity segment to which the Company does not cater to. In F.Y. 2010-11, the management expects the share of business to grow due to promising growth in the existing segments coupled with the Company's entry into the lower engine capacity segment.

Air Suction Valve (ASV)

Category	Sales in 2008-09 (units in '000)	Sales in 2009-10 (units in '000)	Growth
Market Size	8,442	10,511	25%
UFSL ASV Sales	2,189	3,019	38%
Market Share	26%	29%	

Sales of Air Suction Valve (ASV) have registered a high growth of 38% over the previous year. The share of business of ASV improved from 26% in 2008-09 to 29% in 2009-10. This growth is primarily attributable to aggressive marketing and the constant efforts of the R&D team in delivering high quality products.

Future Business Strategy

The future strategy of the Management is to develop UFSL as a "System oriented and Product oriented" business concern. Thus complete systems like Fuel Injection Systems or products like Carburetors and Pumps will be given high priority. The Company is planning to place a greater emphasis on jobs with higher value addition. The Company is also planning to capitalize on its proficiency in die-casting.

3. SWOT ANALYSIS

STRENGTHS	<ul style="list-style-type: none"> ☛ Maintaining mutually constructive relationship with customers ☛ High priority for in-house R&D ☛ Proficiency in Pressure Die casting process, rubber and plastic moulding ☛ Export window through US Subsidiary ☛ Frugal engineering capabilities ☛ Well disciplined work force 	<ul style="list-style-type: none"> ☛ High growth trajectory of auto sector ☛ Increased opportunity for exports with the recovery of global economy ☛ Possibilities of entering into newer business in pumps, pedal assemblies etc. 	OPPORTUNITIES
WEAKNESSES	<ul style="list-style-type: none"> ☛ Weak supply chain ☛ Lack of foreign technology partners to meet varying customer requirements ☛ Failure of US subsidiary to reach the expected level of performance due to recession in USA 	<ul style="list-style-type: none"> ☛ Preference of 4 W manufacturers to partner with global brands over regional manufacturers ☛ Competition from international players ☛ Stringent emission norms / legislative requirement 	THREATS

4. TECHNOLOGY SCENE AND INITIATIVES

- UFSL continued its policy of developing in house R&D and at the same time scouting for partnerships wherever gaps in technology were seen to meet market requirements.
- Investment in R&D resources, focus on product innovation, concurrent engineering with customers, high quality manufacturing operations helped the Company to maintain its leadership in the target areas of business.

Two / Three Wheeler Market

- The Company has a strong grip on the Carburetor market, which, it improved further during the year due to sustained design efforts. Value engineering, introduction of new models, leveraging on new technologies like introduction of Solenoids, Throttle Position Sensors yielded considerable product performance improvement leading to higher customer patronage.
- The Company also took advantage of the increasing volumes of business and adopted the latest manufacturing technologies to manufacture cost effective products.
- The Company has the unique distinction of being the only indigenous supplier of Direct Injection technology to a leading three wheeler OEM. During the year, this emerging technology was further consolidated to the satisfaction of the OEM as well as to that of the end users.
- Another important technology milestone was achieved during the year when another OEM started working with the Company for using 4 Stroke Port Injection technology in a two wheeler.
- With these initiatives, the Company is well placed to continue its leadership in this market segment for the next several years.

UCAL FUEL SYSTEMS LIMITED

Four Wheeler Market

- The market is fiercely competitive with all the global players seeking a chunk of the increasing business pie. The customers accept only global standard technologies and at the same time they are highly price sensitive.
- The Company is continuously on the lookout for partners / collaborators for obtaining the latest technology to supply critical assemblies to 4W OEM's.
- In the case of Pumps, the Company has succeeded in developing its own high technology products acceptable both in India and abroad.
- The Company has secured contracts in the highly competitive field of Oil Pumps, Vacuum Pumps and In Tank Fuel Pumps.

5. TECHNOLOGY COUNCIL AT UFSL

- A high level Technology Council has been formed in March 2010 with the following objectives:
 - To set the Technology / Business directions for the future
 - To consider the options available and make choices in respect of in-house development of technology or obtaining technology from strategic partners
 - To understand the investments required for such technological forays and make recommendations to the Board for approval
- The Council is served by Dr. V. Sumantran, Vice Chairman, Hinduja Group, Mr. K.R. Parameswar, Former Director General of Indian Standards Organisation, Prof. S. Govindarajan, Chief Mentor, Krishnamurthy Centre for Automotive Technology. The Council is chaired by Padma Vibhushan Dr. V. Krishnamurthy, former Chairman, BHEL, SAIL & Maruti Udyog and currently Chairman of National Manufacturing Competitiveness Council, Government of India. Mr. Jayakar Krishnamurthy and Mr. P.P.R. Rao also form part of this Council.
- In the last few months after its inception, the Council has met twice and recommended several initiatives that would go a long way in consolidating UFSL's existing business and help it to seize new opportunities in the growing Indian and global markets.
- The Council is encouraging the continued investment in R&D and channelizing it into such lines that give the Company a strategic advantage in the market place.
- The Council has identified areas of promising future technologies where the Company should invest its resources and at the same time has also clearly spelt out which existing core competencies can be further leveraged for business advantage.
- The organization structure and resources of R&D and Engineering functions are being reoriented to execute these strategies as evolved by the Council.

6. FORWARD LOOKING STATEMENTS

The statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of the applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors

that could make a difference to the Company's operations include, among others, economic conditions affecting demand /supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

7. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company firmly believes that a motivated employee is the key for organizational growth. Management has devised various policies to keep the employees motivated and vibrant. The Company is committed to establishing and maintaining a working environment which is free from discrimination and where all employees are selected, trained and promoted solely on the basis of their skills, experience, performance and behaviour demonstrated. The Company's policies and practices are to provide equal employment opportunities and ensure that these opportunities are available without regard to age, sex, sexual orientation, color, nationality, marital status, mental or physical disability, religion or belief.

During the year 2009-10, cordial industrial relations were maintained by the Company. Several new initiatives were taken to enhance productivity, reduce cost and improve work-life balance.

Training and development of employees was given due emphasis with a view to enhancing the skill level of employees. During the year 2009-10, over 350 training programmes were held at different plants covering more than 6000 participants. Apart from technical and skill development programmes, a number of behavioural and management development programmes were also organized.

8. CORPORATE SOCIAL RESPONSIBILITIES

The Company understands its Corporate Social Responsibilities and has been actively involved in improving the living standards of the people around its centres of activities. Towards this end, it has been maintaining parks, playgrounds, sponsoring education of needy children, supporting woman self help groups and encouraging sports.

Joining hands with the Culture & Heritage Trust of Karuveli, which is engaged in enhancing the living standards of rural people and The Academy of Higher Education, Tiruchirappalli, which is engaged in imparting education to the most backward sections of the society, through National College, Tiruchirappalli and Sesha Iyengar Memorial Higher Secondary School, Tiruchirappalli, the Company is planning to reorient its programmes under Corporate Social Responsibility in the financial year 2010-11.

9. INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has set up internal control procedures commensurate with its size and nature of business. These business procedures ensure optimum use and protection of the resources and compliance with the policies, procedures and statutes. The internal audit systems provide well-defined policy guidelines, authorizations and approval procedures and the prime objective of such internal audits is to test the adequacy and effectiveness of the internal controls laid down by the Management and to suggest improvements.

Internal Audit is conducted on an ongoing basis by the Internal Auditors. The summary of the Internal Audit Reports and necessary action taken by the Company are reviewed in the Audit Committee Meetings.

UCAL FUEL SYSTEMS LIMITED

M/s. G. BALU ASSOCIATES
Chartered Accountants

4A, Venkatesa Agraharam Street
Mylapore, Chennai – 600 004.

AUDITORS' REPORT TO THE MEMBERS OF UCAL FUEL SYSTEMS LTD. CHENNAI

1. We have audited the attached Balance Sheet of **M/s. UCAL FUEL SYSTEMS LIMITED**, Chennai, as at 31st March 2010, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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.
2. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. a. Attention is invited to note no. 6 and note no. 10 to notes to accounts respectively with regard to the diminution in value of investment in subsidiary company M/s Amtec Precision Products, Inc. and accounting for amalgamation of UCAL Machine Tools Ltd. as per court order.
b. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments referred 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 purpose of our audit;
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from the examination of the books.
 - c. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.
 - d. In our opinion the Balance Sheet and 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 from the Directors and taken on record by the Board of Directors of the Company, we report that, none of the director is disqualified as on 31st March 2010 from being appointed as Director of the Company, in terms of Clause (g) of subsection (1) of Section 274 of Companies Act, 1956.
 - f. In our opinion and to the best the of our information and according to the explanations given to us, the said accounts read with the notes thereon, 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;
 - a) in the case of the **Balance Sheet**, of the state of affairs of the Company as at 31st March 2010,
 - b) in the case of the **Profit and Loss Account**, of the profit of the company for the year ended on that date, and
 - c) in the case of the **Cash Flow Statement**, of the cash flows for the year ended on that date.

For M/s.G.BALU ASSOCIATES
CHARTERED ACCOUNTANTS

G.BALASUBRAMANYAN
PARTNER

Membership Number: 7628 / FRN: 000376S

Place: Chennai
Date : 31.08.2010

ANNEXURE TO THE AUDITOR'S REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE
TO THE MEMBERS OF UCAL FUEL SYSTEMS LIMITED ON THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2010.

- (1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. *The Company is in the process of updating the Fixed Assets Register.*
 - b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
 - c) No substantial parts of fixed assets have been disposed off during the year.
- (2) a) Physical verification of inventory has been conducted at reasonable intervals by the management.
 - b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (3) The Company has taken unsecured loan from one party covered in the Register maintained under Sec. 301 of the Act to the extent of Rs. 24 Crores (outstanding as on 31.03.2010 is Rs. 9.57 Crores). The rate of interest and other terms and conditions of the loan taken is prima-facie not prejudicial to the interest of the Company. There is no stipulation regarding the repayment of the loan.
- (4) 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, for the purchase of inventory and fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in the internal control system of the Company.
- (5) In our opinion and according to the information and explanations given to us
 - a) the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section, and
 - b) 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.
- (6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and hence compliance with directives issued by the reserve Bank of India and the provisions of Sec. 58 A, 58 AA or any other relevant provisions of the Act and the rules framed there under are not applicable.
- (7) In our opinion, the Company has adequate internal audit system commensurate with its size and nature of its business.
- (8) As per the books and records produced to us and explanations offered thereon, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government under Sec. 209 (1) (d) of the Companies Act, 1956, have been made and maintained.

UCAL FUEL SYSTEMS LIMITED

- (9) a) According to the records produced, the Company is generally regular in depositing with appropriate authorities the undisputed applicable statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess.
- b) As per the information and explanations given to us, following are the statutory dues which have not been deposited on account of dispute.

Name of the Statute	Nature of the dues	Amount in Rs. Lakhs	Forum where dispute is pending
Income Tax Act	Income Tax AY 1996-97	14.02	High Court of Madras
Income Tax Act	Income Tax AY 1999-00	4.12	High Court of Madras
Income Tax Act	Income Tax AY 2000-01	3.59	High Court of Madras
Income Tax Act	Income Tax AY 2005-06	2.55	CIT Appeals III, Chennai
Income Tax Act	Income Tax AY 2005-06	0.42	CIT Appeals III, Chennai
Income Tax Act	Income Tax AY 2004-05	2.30	CIT Appeals III, Chennai
Service Tax Act	Service Tax	5.00	Supreme Court
Service Tax Act	Service Tax (07.07.1997- 15.08.2002)	145.99	High Court of Madras
Service Tax Rules	Service Tax (01.04.2004 – 09.09.2004)	96.00	Commissioner of Service Tax
Central Excise Act	Central Excise	17.00	Commissioner of Central Excise, Pondicherry
Central Excise Act	Central Excise	2.00	Commissioner Appeal, Chennai
Central Excise Act	Central Excise	2,197.04	Joint Commissioner of Central Excise, Delhi
Central Excise Act	Central Excise	120.43	Joint Commissioner of Central Excise
Central Excise Act	Central Excise	15.21	Tribunal Excise Forum, Gurgaon
TNGST Act	Sales Tax (1998-1999 & 1999-2000)	10.53	Joint Commissioner of Commercial Taxes, Chennai
Haryana VAT Act	VAT 2004-05	70.96	Assessing Authority, Gurgaon
ESI Act	ESI (01.04.2000 - 30.06.2002)	1.27	Regional Director , Gurgaon
Central Excise Act	Central Excise (August 2003 – June 2004)	1.83	Assistant Commissioner of Central Excise, Tambaram Division
Central Excise Act	Central Excise (January 2001)	34.93	Chief Commissioner Excise (Appeals)
Indian Stamp Act	Stamp Duty (Appeals) Chennai, Tamil Nadu	31.37	Inspector General of Registration

- (10) The Company does not have accumulated losses as at the end of the Financial Year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (11) The Company has not defaulted in repayment of dues to any financial institutions or bank or debenture holders.
- (12) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) The Company is not a Chit Fund, Nidhi or Mutual Fund or Society.
- (14) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (15) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from bank and financial institutions are not prima facie prejudicial to the interests of the Company.
- (16) In our opinion and according to the information and explanations given to us, the term loans were applied for the purposes for which they were obtained.
- (17) On the basis of an overall examination of the accounts of the Company, no funds raised on short term basis have been used for long term investments.
- (18) The Company has made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act and price at which shares have been issued is not prejudicial to the interest of the Company.
- (19) The Company has not issued any debentures during the year.
- (20) The Company has not raised any money through public issues during the year.
- (21) Based upon the audit procedures performed and on the basis of the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For M/s.G.BALU ASSOCIATES
Chartered Accountants

G. BALASUBRAMANYAN
PARTNER

Membership Number: 7628
FRN: 000376S

Place: Chennai
Date : 31.08.2010

UCAL FUEL SYSTEMS LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

	SCHEDULE	As at 31.03.2010	As at 31.03.2009
Rs. in Lakhs			
I) SOURCES OF FUNDS			
1) Shareholders' Funds			
a) Capital	1	2,211.36	1,389.60
b) Reserves & Surplus	2	<u>24,662.90</u>	<u>18,236.04</u>
		26,874.26	19,625.64
(2) Loan Funds			
a) Secured Loans	3	23,737.62	15,602.06
b) Unsecured Loans	4	<u>1,113.17</u>	<u>2,689.59</u>
		24,850.79	18,291.65
(3) Deferred Tax Liability	5	<u>1,556.11</u>	<u>1,802.19</u>
		53,281.16	39,719.48
II) APPLICATION OF FUNDS			
(1) Fixed Assets			
Gross Block	6	37,376.58	27604.56
Less: Depreciation		<u>18,112.25</u>	<u>14559.37</u>
Net Block		19264.32	13045.19
Capital Work in Progress		<u>712.14</u>	<u>874.02</u>
		19,976.46	13,919.21
(2) Investments	7	15,625.59	16,735.57
(3) (i) Current Assets, Loans and Advances			
Inventories	8	3,035.91	2,972.24
Sundry Debtors	9	8,989.68	4,750.15
Cash and Bank Balances	10	228.05	80.67
Loans and Advances	11	<u>11,991.32</u>	<u>7,078.98</u>
		24,244.95	14,882.04
Less: (ii) Current Liabilities and Provisions	12	<u>8,236.55</u>	<u>7,995.94</u>
Net Current Assets (i) - (ii)		16,008.40	6,906.10
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	13	1,670.71	2,158.60
		53,281.16	39,719.48
Notes to the Accounts	19		
The Schedules referred to above form part of the Accounts.			

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

G.BALASUBRAMANYAN
Partner

Membership Number: 7628

Place : Chennai
Date : 31.08.2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

For the year ended

	SCHEDULE	For the year ended	
		31.03.2010	31.03.2009
Rs. in Lakhs			
INCOME			
Sales		42,613.48	34,215.60
Less: Excise Duty		3,247.42	4,189.94
		<u>39,366.06</u>	<u>30,025.66</u>
Other Income (TDS Rs. 3.61 Lakhs - Previous year Rs. 4.05 Lakhs)	14	93.23	312.68
		<u>39,459.29</u>	<u>30,338.34</u>
EXPENDITURE			
Consumption of Raw Materials, Components etc.,	15	21,243.65	17,750.18
Employees' Remuneration and other Benefits	16	4,086.57	2,934.86
Manufacturing & Other Expenses	17	7,908.82	4,941.48
Interest	18	2,852.06	2,527.61
Depreciation		2,376.70	1,848.23
Deferred revenue expenditure		417.70	156.42
Profit for the year		573.80	179.56
		<u>39,459.29</u>	<u>30,338.34</u>
Profit before Taxation for the year		573.80	179.56
Less : Taxation for the year			
– Current Tax (including Wealth Tax)		(106.99)	(25.85)
– Deferred Tax		295.83	(86.43)
– Fringe Benefit Tax			(29.25)
Taxation Adjustments of Previous years (Net)			–
		<u>762.64</u>	<u>38.03</u>
Add/(Less) Prior period Adjustment (Net)		(6.44)	(33.85)
Balance of Profit brought forward from last year*		6,199.55	5,920.35
		<u>6,955.75</u>	<u>5,924.53</u>
APPROPRIATIONS			
Dividend		221.14	–
Tax on Dividend		36.73	–
Balance carried to Balance Sheet		6,697.88	5,924.53
		<u>6,955.75</u>	<u>5,924.53</u>
Earnings Per Share (Basic and Diluted) in Rs. (Face Value of Rs.10 each)		4.23	0.27
Weighted average number of equity shares		1,80,38,584	1,38,96,000

Notes to the Accounts 19
The Schedules referred to above from part of the Accounts

* Includes Rs. 275.02 Lakhs being the balance in Profit and Loss Account of UCAL Machine Tools Limited.

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

G.BALASUBRAMANYAN
Partner

Membership Number: 7628

Place : Chennai
Date : 31.08.2010

UCAL FUEL SYSTEMS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	For the year ended	
	31.3.2010	31.3.2009
Rs. in Lakhs		
A. Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	573.80	163.36
Adjustments for :		
Miscellaneous Expenditure written off	417.70	156.42
Depreciation/Assets Discarded	2,376.70	1,848.23
Interest Expense	2,852.06	2,527.61
Interest Income	(3.78)	(114.81)
Profit on Sale of Investment	(52.74)	-
Dividend Income	(0.20)	(25.50)
Profit / Loss on sale of Fixed Assets (Net)	6.16	-
Rent Received	(2.88)	-
Operating Profit before Working Capital changes	6,166.82	4,555.31
Adjustments for :		
Debtors	(4,239.53)	298.24
Inventories	(63.67)	(25.09)
Loans and Advances	(4,912.34)	1,958.55
Trade Payables	(184.93)	(593.16)
Prior period Adjustments	(6.44)	(33.85)
Cash generated from Operations	(3240.09)	6,160.00
Income - Tax paid	(106.99)	(56.06)
Deferred Tax written back	295.83	-
Net cash from Operating Activities - "A"	(3,051.25)	6,103.94
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(3,731.04)	(2,616.26)
Product Development & Research Expenses	-	(402.79)
Capital Work-In-Progress	161.88	763.94
Sale of Fixed Assets	8.56	-
Sale of Investments	58.19	273.44
Rent Recieved	2.88	-
Purchase of Investments	-	(5,413.82)
Interest Received	3.78	114.81
Dividend Received	0.20	25.50
Net cash used in Investing Activities - "B"	(3,495.55)	(7,255.18)

C. Cash flow from Financing Activities

Proceeds from Borrowings / Repayment of Loans	6,559.14	3,791.25
Proceeds from increase in share capital	2,987.10	(162.58)
Interest Paid	(2,852.06)	(2,527.61)
Net cash used in Financing Activities - "C"	6,694.18	1,101.06
Net increase in Cash and Cash Equivalents - "A+B+C"	147.38	(50.18)
Cash and Cash Equivalents as at the beginning	80.67	130.85
Cash and Cash Equivalents as at the end	228.05	80.67

Notes :

1. The above statement has been prepared in the indirect method except in the case of Dividend, Interest received and paid, Purchase and Sale of Investments, Sale of Fixed Assets and Direct taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets and liabilities.
2. Cash and Cash Equivalent represents Cash and Bank Balances only.
3. Proceeds from Borrowings are shown net of repayments and without Exchange fluctuation.
4. Additions to Fixed Assets are stated exclusive of Capital Work-In-Progress between the beginning and end of the year and is treated as part of Investing Activities.

JAYAKAR KRISHNAMURTHY
*CHAIRMAN & MANAGING DIRECTOR
 AND CHIEF FINANCIAL OFFICER*

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

G.BALASUBRAMANYAN
Partner
 Membership Number: 7628

Place : Chennai
 Date : 31.08.2010

UCAL FUEL SYSTEMS LIMITED

Schedules annexed to the Balance Sheet

	As at 31.03.2010	As at 31.03.2009
Rs. in Lakhs		
SCHEDULE - 1		
CAPITAL		
Authorised		
7,50,00,000 (Previous Year 6,00,00,000) Equity shares of Rs.10/- each	<u>7,500.00</u>	<u>6,000.00</u>
Issued,Subscribed and Paid - Up		
2,21,13,625 (Previous Year 1,38,96,000) Equity shares of Rs 10/- each	<u>2,211.36</u>	<u>1,389.60</u>
(Includes 81,06,000 fully paid Bonus Shares issued by Capitalisation of Share Premium and General Reserve)		
SCHEDULE - 2		
RESERVES AND SURPLUS		
Special State Capital Subsidy	282.85	282.85
Share Premium Account	2,165.34	-
Capital Reserve	160.00	-
General Reserve *	15,356.82	12,028.66
Profit and Loss Account	6,697.88	5,924.53
* Includes Rs. 174.19 Lakhs being the balance of UCAL Machine Tools Limited (UMTL) and Rs. 354.99 Lakhs due to cancellation of investment in UFSL against the share capital of UMTL	<u>24,662.90</u>	<u>18,236.04</u>
SCHEDULE - 3		
SECURED LOANS		
Term Loan		
- From Financial Institutions	9,581.50	4,871.83
- From Banks	7,995.41	5,172.24
Cash Credit from Banks	6,160.71	5,557.99
	<u>23,737.62</u>	<u>15,602.06</u>
SCHEDULE - 4		
UNSECURED LOANS		
Interest free Sales Tax loan	-	19.59
Inter-corporate Deposits	957.95	2,400.00
Short Term Loan	155.22	270.00
	<u>1,113.17</u>	<u>2,689.59</u>
SCHEDULE - 5		
DEFERRED TAX LIABILITY		
Arising on account of Timing Differences in :		
Depreciation	1,556.11	1,802.19

UCAL FUEL SYSTEMS LIMITED

SCHEDULE - 6 FIXED ASSETS		Rs. in Lakhs										
DESCRIPTION	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS AT 01.04.2009	ADDITIONS*	DEDUCTIONS	TOTAL AS AT 31.03.2010	UP TO 31.03.2009	ACCUMULATED DEPRECIATION of UMT	FOR THE YEAR	ON DEDUCTIONS	UP TO 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009	
LAND												
- FREE HOLD	674.50	-	-	674.50	-	-	-	-	-	674.50	674.50	
- LEASE HOLD	409.82	2,698.17	-	3,107.99	-	-	-	-	-	3,107.99	409.82	
BUILDINGS	2,470.59	906.93	-	3,377.52	450.57	117.82	37.97	-	606.36	2,771.16	2,020.02	
PLANT & MACHINERY	20,951.45	6,140.20	212.36	26,879.30	11,731.72	1,200.23	2,152.87	198.70	14,886.12	11,993.18	9,219.73	
OFFICE EQUIPMENT	226.87	14.25	3.47	237.66	178.75	2.24	15.77	2.77	193.98	43.68	48.12	
FURNITURE & FIXTURE	522.36	22.70	-	545.06	245.12	11.84	37.38	-	294.35	250.71	277.24	
VEHICLES	180.94	163.05	7.46	336.54	138.66	52.62	39.30	7.08	223.48	113.06	42.29	
TECHNICAL KNOW-HOW FEE	2,167.88	50.12	-	2,218.00	1,814.55	-	93.41	-	1,907.96	310.05	353.34	
TOTAL	27,604.42	9,995.44	223.28	37,376.58	14,559.37	1,384.75	2,376.69	208.56	18,112.25	19,264.32	13,045.05	
PREVIOUS YEAR	24,996.28	2,904.38	296.10	27,604.56	12,988.50	-	1,848.23	277.36	14,559.37	712.14	874.02	
Capital Work in Progress & Capital Advances *Includes assets acquired on the merger of the Company and wholly-owned subsidiary UCAL Machine Tools Ltd. with the Company w.e.f. 01.04.2009.											19,976.46	13,919.07

UCAL FUEL SYSTEMS LIMITED

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - 7		Rs. in Lakhs
INVESTMENTS (AT COST)		
LONG TERM INVESTMENTS		
NON-TRADE-QUOTED:		
1,900 (Previous Year 1,900) Fully paid up Equity Shares of Rs.10/- each of HDFC Bank Ltd	0.19	0.19
Market Value Rs. 36,71,750/- (Previous Year Rs. 18,38,919/-)		
The Karnataka Bank Ltd.	1.47	-
3,367 (Previous Year NIL) equity shares of Rs. 10/- each full paid		
Market Value Rs. 4,04,040/- (Previous Year Rs. NIL)		
15,578 (Previous Year 15,578) Fully paid up Equity Shares of Rs.10/- each of Industrial Development Bank of India Ltd.	2.70	2.70
Market Value Rs. 17,91,470/- (Previous Year Rs.7,07,241/-)		
200 (Previous Year 200) Fully paid up Equity Shares of Rs.10 each of Corporation Bank	0.16	0.16
Market Value Rs. 96,200/- (Previous year Rs.35,970/-)		
NON-TRADE-UNQUOTED:		
(Previous Year 1,46,10,000) Equity Shares of UCAL Machine Tools Ltd. of Rs. 10/- each (**)	-	1,106.01
12,50,000 (Previous Year 12,50,000) Equity Shares of UCAL Polymer Industries Ltd. of Rs. 10/- each (**)	128.59	128.59
1,000 (Previous Year 1,000) Equity Shares of Amtec Precision Products, Inc. of USD 0.01/- each (**)	10,086.90	10,086.90
Additional Investment in Equity Shares of Amtec Precision Products, Inc. (**)	5,405.58	5,405.58
UNITS		
QUOTED		
Units of Canfortune 94 of Rs. 10 each (Previous Year 1,00,000)	-	5.44
	15,625.59	16,735.57

** Investments in Subsidiary Companies

UCAL FUEL SYSTEMS LIMITED**As at
31.03.2010****As at
31.03.2009**

Rs. in Lakhs

SCHEDULE - 8**INVENTORIES**

(As certified by Management)

Spares	228.86	305.40
Tools and Components	599.48	318.05
Raw Materials and Components	1,510.80	1,300.60
Work-in-progress	447.48	580.48
Finished goods	242.40	341.57
Goods in transit	6.89	126.14
	<u>3,035.91</u>	<u>2,972.24</u>

SCHEDULE - 9**SUNDRY DEBTORS**

Outstanding for a period exceeding six months

Considered Good	289.63	949.53
Considered doubtful	3.26	3.26
Other Debts – Outstanding for a period less than six months (Considered Good)	8,700.04	3,800.61
Less: Provision for Doubtful debts	(3.26)	(3.26)
	<u>8,989.68</u>	<u>4,750.15</u>

SCHEDULE - 10**CASH AND BANK BALANCES**

Cash on hand	10.38	16.09
With Scheduled Banks		
1) In Current Accounts	133.09	26.01
2) In Deposit Accounts	84.57	38.57
	<u>217.66</u>	<u>64.58</u>
	<u>228.05</u>	<u>80.67</u>

UCAL FUEL SYSTEMS LIMITED

As at
31.03.2011

As at
31.03.2009

Rs. in Lakhs

SCHEDULE - 11

LOANS AND ADVANCES

Unsecured, considered good except to the extent stated otherwise

Advances recoverable in cash or in kind

or for value to be received

737.57

1,813.68

Loans & Advances – Subsidiary Company

– (Secured to the extent of Rs. 3,143 Lakhs)

9,733.17

3,699.60

Advance Income Tax and TDS

357.77

292.85

Balance with Excise

555.09

790.20

Other Deposits

610.72

482.65

11,991.32

7,078.98

SCHEDULE - 12

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Sundry Creditors

– Purchases

- Small Scale Industrial Undertakings

25.34

35.80

- Others

5,808.13

5,107.07

- Subsidiary companies

404.51

656.06

Unclaimed Dividend

33.69

37.79

Unclaimed Matured Deposits

0.69

0.69

Other Liabilities

1,583.06

1,762.76

Advance from Customers

–

317.30

Interest accrued but not due on loans

25.81

2.62

7,881.23

7,920.29

PROVISIONS

Proposed Dividend

221.14

–

Tax on Dividend

36.73

–

Employee Benefits

97.45

55.65

355.32

55.65

8,236.55

7,975.94

SCHEDULE - 13

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Product Development Expenses

155.67

194.59

Research Expenses

1,515.04

1,964.01

1,670.71

2,158.60

UCAL FUEL SYSTEMS LIMITED

For the Year ended

31.03.10 31.03.09

Rs. in Lakhs

SCHEDULE - 14

OTHER INCOME

Interest received	3.78	114.81
Miscellaneous Income	17.94	156.17
Profit on sale of Assets	1.61	7.96
Profit on sale of Investments	52.74	8.24
Rent Received	2.88	-
Dividend	0.20	25.50
Exchange gains	14.07	-
	93.23	312.68
	93.23	312.68

SCHEDULE - 15

CONSUMPTION OF RAW MATERIALS, COMPONENTS AND FINISHED GOODS

Opening Stock	1,934.72	1,635.36
ADD: Purchases		
Raw Materials	1,008.75	3,014.84
Components	17,465.21	12,646.80
Outworks	2,694.08	2,232.51
	21,168.04	17,894.15
	23,102.76	19,529.51
LESS: Closing Stock		
Raw Materials	516.48	31.58
Components	994.32	1,269.02
Work-in-progress	447.48	580.48
	1,958.28	1,881.08
	21,144.48	17,648.43
Add : Purchase of Traded Goods	-	76.67
(Increase) / Decrease in Finished Goods Stock	99.17	25.08
	21,243.65	17,750.18
	21,243.65	17,750.18

SCHEDULE - 16

EMPLOYEES REMUNERATION AND OTHER BENEFITS

Salaries and Wages	3,404.87	2,447.49
Contribution to Provident Fund and other funds	302.32	211.24
Staff Welfare Expenses	379.37	276.13
	4,086.57	2,934.86
	4,086.57	2,934.86

UCAL FUEL SYSTEMS LIMITED

For the year ended
31.03.2010 31.03.2009
Rs. in Lakhs

SCHEDULE - 17

MANUFACTURING AND OTHER EXPENSES

Tools and stores consumed	1,288.86	839.31
Power and Fuel	1,170.15	588.56
(+) Increase / (-) Decrease in Excise Duty Provision	13.09	(21.10)
Repairs and Maintenance		
- Building	43.55	12.10
- Plant and Machinery	426.07	362.84
- Others	279.91	46.01
Postage, Telephone, Fax, etc.	71.81	52.41
Insurance	85.23	73.14
Rates and Taxes	43.60	14.58
Rent	223.32	172.14
Directors' sitting fees	12.16	13.10
Auditors' Remuneration	14.87	13.25
Travelling and Conveyance	258.32	221.97
Discounts Allowed	102.81	156.75
Packing Charges	409.54	229.50
Royalties	108.22	68.57
Research and Development Expenses	885.31	502.39
Other Expenses	2,464.23	1,463.11
Loss on sale of assets	7.77	-
Loss on Exchange Fluctuation	-	132.85
	<u>7,908.82</u>	<u>4,941.48</u>

SCHEDULE -18

INTEREST

Term Loans	1,923.87	1,193.91
Others	928.19	1,333.70
	<u>2,852.06</u>	<u>2,527.61</u>

SCHEDULE – 19 NOTES TO THE ACCOUNTS**1. ACCOUNTING POLICIES****a. System of Accounting**

The Company adopts the accrual concept in the preparation of accounts except for warranty claims which are accounted for on cash basis.

b. Method of Accounting

Assets and Liabilities are recorded at historical cost. These costs are not adjusted to reflect the changing value in the purchasing power of money. For the ongoing projects, costs incurred upto the date of production are accumulated. Costs specifically attributable to the fixed assets are capitalized upon commencement of production. In compliance with the Accounting Standard (AS26) for intangible asset cost incurred on technical know-how acquired and other expenditure incurred on product development are considered as intangible assets and expended over their estimated useful life from the date of commencement of production.

c. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Depreciation has been provided on the straight line method on pro-rata basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in the case of following assets where a higher rate is charged having regard to their useful economic life:

Computers	25%
Air Conditioners	20%
Furniture & Fittings	10%
Factory Equipments	10%
Imported Dies	33 ¹ / ₃ %
Indigenous moulds/dies	100%
Vehicles	20%
Office Equipments	20%

No provisions are made in respect of leasehold land.

d. Assets acquired under Lease

In respect of assets acquired under operating lease, rentals payable are charged to Profit and Loss account.

e. Borrowing Costs

Interest and other costs attributable to acquisition and construction of assets are capitalised upto the date when such assets are ready for its intended use. Other borrowing costs are charged to Profit & Loss Account.

f. Investments

Long term investments are stated at cost, less any provision for permanent diminution in value. Dividend is accounted for as and when received.

g. Subsidy

Subsidy received towards Capital Outlay has been kept under Capital Reserve and Subsidy received relating to specific asset has been adjusted against the cost of the asset.

UCAL FUEL SYSTEMS LIMITED

h. Sundry Debtors and Loans & Advances

Sundry Debtors and Loans & Advances are stated after making adequate provision for doubtful balances.

i. Inventories

Inventories are valued at lower of cost or net realisable value. Costs are in general ascertained using the Weighted Average Method and includes, where appropriate, manufacturing overheads and excise duty.

j. Foreign Currency Transactions

Foreign Currency transactions are accounted at exchange rates prevailing on the date, the transaction takes place. All exchange differences arising in respect of Foreign Currency transactions are dealt with in Profit & Loss Account. All foreign currency assets and liabilities, if any, as at the Balance Sheet date are restated at the applicable exchange rates prevailing on that date except in respect of transactions covered under forward contract with banks.

k. Research and Development

Revenue expenses on research relating to new products are carried forward as deferred expenses to be amortised after commencement of production.

Other revenue expenses on research are charged off in the year in which they are incurred.

Capital expenditure on Research and Development is shown as addition to fixed assets.

l. Retirement Benefits

The Company makes regular contributions to the Provident Fund and Family Pension Fund and these are charged to revenue. To cover the liability arising out of payment of Gratuity & Superannuation the Company has taken policies from LIC of India under the Group Gratuity & Superannuation scheme. Premium paid to LIC is charged to the Profit & Loss Account. The Company also provides for unutilised leave benefits on retirement available to its employees based on actuarial valuation.

m. Miscellaneous Expenditure

Deferred revenue expenditure and product development expenditure are amortised over the expected period of future benefits

n. Software Expenditure

Software systems and development expenses and user's licence fees are expended in the year in which they are incurred.

o. Taxation

Provision for income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognized unless there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

UCAL FUEL SYSTEMS LIMITED

		For the year ended	
		31.03.2010	31.03.2009
		Rs. in Lakhs	
2	Estimated amount of contracts remaining to be executed on capital account, net of advances, not provided for	30.45	703.38
3	Claims against the Company not acknowledged as debts :-		
	i) Sales Tax	81.49	84.08
	ii) Excise Duty	2,388.44	2,375.70
	iii) Service Tax	246.99	247.79
	iv) Income Trax	27.00	46.96
	v) ESI	1.27	2.93
	vi) Stamp duty	31.37	
4.	Other money for which the Company is contingently liable		
	i) In respect of Letter of Credits Outstanding	721.77	896.32
	ii) Guarantees given by the Company to the banks, with regard to credit facilities extended to M/s. Amtec Precision Products, Inc., USA, a Wholly Owned Subsidiary	11,240.00	18,752.00
	iii) Guarantees given by Banks on behalf of the Company	36.16	82.38
5.	(a) Remuneration to Directors *		
	Sitting fees	11.95	13.10
	Salaries	200.02	101.94\
	Commission		
	Other perquisites	16.97	3.52
	Contribution to Provident Fund	15.04	
	Superannuation and other funds	14.78	17.66
	(b) Computation of Net Profits under Section 198 / 349 of the Companies Act, 1956		
	Profit before Tax	573.80	179.56
	Add : Depreciation as per books	2,376.70	1848.23
	Directors Remuneration	258.76	136.22
	Loss on sale of assets	-	38.63
	Deferred Revenue Expenses Written off	417.70	156.42
		3,053.16	2,179.50
		3,626.96	2,359.06
	Less: Depreciation as per section 350 of the Act	2,313.85	1787.99
	Capital profit on sale of assets / Investments	52.94	8.24
		2,366.79	1,796.23
	NET PROFIT	1,260.17	562.83
	Commission payable to Managing Director and Whole-time Directors as per terms of appointment	NIL	NIL

In the absense of sufficient profit for the current year, remuneration paid to one of the Whole-time Directors (Amounting to Rs 75,00,000) approved by the Shareholders, is subject to confirmation by the Central Government.

UCAL FUEL SYSTEMS LIMITED

6. The Company has equity investment aggregating to Rs.15,492.48 Lakhs in Amtec Precision Products, Inc., USA., a Wholly Owned Subsidiary coupled with interest free advance of Rs.9,733.17 Lakhs, and bank guarantees given to bank on its behalf aggregating to Rs.11,240 Lakhs. The performance of the subsidiary has been significantly impacted by the general economic slowdown in USA and as a result the net worth of the Company has been fully eroded.

In consultation with the bankers, UFSL continued financial support to Amtec during 09-10 on a selective basis to bring the operations to a cash breakeven stage. This has since been achieved from October 2009. Short term and long term measures have been taken to improve the operating profits through cost control, renegotiation of various contracts etc., and it is expected that with the improvement in US economy Amtec will do better the coming years. Accordingly no provision is considered necessary in respect of its investments and loans outstanding from the said subsidiary at the year end.

7. Amount due from the officers of the Company Rs. 0.69 Lakhs (Previous year Rs. 1.05 Lakhs). Maximum amount due at any time during the year was Rs. 1.05 Lakhs (Previous year Rs. 1.41 Lakhs)
8. Sundry debtors for more than 6 months includes a sum of Rs.1,914.79 Lakhs. due from M/s. Amtec Precision Products, Inc., USA a wholly owned subsidiary . The Company has worked out at a deferred payment plan, according to which these amounts are expected to be realized over a period of time. Accordingly during the current year, there has been classified as 'deferred debts'.
9. Sundry creditors includes Rs.21.37 Lakhs due to Directors on current account

10. Merger of UCAL Machine Tools Limited

UCAL Machine Tools Limited (UMTL) – Wholly owned subsidiary of UCAL Fuel Systems Limited (UFSL) has been amalgamated with the Company with effect from 1.4.2009 in terms of the Scheme of Amalgamation (“Scheme”) approved by Honourable High Court of Madras vide its order dated 22.6.2010 (received on 1.7.2010).

UMTL is engaged in the business of die casting and manufacture of moulds and tools

The merger would result in operational synergies: - enhance financial strength and rationalization of costs.

Accordingly UMTL stands dissolved without winding up and all assets and liabilities have been transferred to and vest with the Company with effect from 1.4.2009, the appointed date. As UMTL was wholly owned subsidiary of the Company, no shares were exchanged to effect the amalgamation. The amalgamation was accounted for as per “Pooling of interest method” as prescribed by the Institute of Chartered Accountants of India, read with the court orders.

All the assets excluding immovable assets and liabilities of the Company have been taken over at the respective book values as on the date of amalgamation. The immovable assets have been taken over at their respective fair values.

In accordance with the “Scheme of Amalgamation” approved by the Honourable High Court, the excess of fair value over book value of fixed assets has been credited to General Reserve. The investment in the share capital of UMTL has been adjusted against the value of investments appearing in the books of the Company and excess of share capital over the value of investments has been transferred to general reserve.

Had the treatment based on Accounting Standard 14 on “Accounting for Amalgamation” been followed, the Capital Reserve would have been higher by Rs 2798.98 Lakhs and General Reserve would have been lower by an equivalent amount.

11. Micro, Small and Medium Enterprises under the Micro, Small & Medium Enterprises Development Act (MSMED), 2006, have been determined based on the information available with the Company. The required disclosures under MSMED Act are given below:

Particulars	Amount (Rs. in Lakhs)
a. Principal amount remaining unpaid and Interest due thereon	Rs. 25.11
b. Interest due and payable for the period of delay in payment	Rs. 0.23
c. Interest accrued and remaining unpaid	Nil

12. Balance of sundry debtors and creditors are subject to confirmation, reconciliation and adjustments, if any. The management does not expect any material adjustment on receipt of confirmation / reconciliation of such balances.

12. Research and Development expenditure includes salaries, wages and bonus amounting to Rs.486.58 (previous year Rs. 330.43 Lakhs) and travel expenses Rs.25.77 Lakhs (Previous year Rs. 20.66 Lakhs).

14. Electricity charges debited to Profit & Loss Account is net of Rs.102.90 Lakhs (previous year Rs.90.92 Lakhs) being the electricity generated through Company owned Wind Electric Generators.

15. Working capital facilities from banks are secured by hypothecation of raw materials, work-in-progress, finished goods and book debts, outstanding monies, receivable claims, bills contracts, engagements and securities on pari passu basis and also secured by pari passu second charge on the immovable properties of the Company.

The term loan and working capital loan from Financial Institutions are secured by first charge by way of mortgage of immovable properties and hypothecation of all movable fixed assets of the Company. In respect of the term loan availed for the construction of the new facility at Maraimalai Nagar, exclusive charge on the Assets including mortgage over the lease hold rights has been offered to the Banks funding the term loan.

16. Expenditure incurred on project for manufacture of two/three wheeler injection parts is carried forward as product development expenses and amortised over a period of five years from the month of commencement of production. Of this, an amount of Rs.417.70 Lakhs (previous year Rs.156.42 Lakhs) has been written off during the year.
17. Details of Employee Benefits as required by the Accounting Standard 15 (revised) Employee Benefits are as under:

A. Defined contribution plan:

Contribution to defined contribution plans are charged in the Profit & Loss Account for the year:

Employers Contribution to Provident Fund:-	Rs.106.35 Lakhs	(Previous year Rs.64.44 Lakhs)
Employers Contribution to Pension Scheme:-	Rs.53.44 Lakhs	(Previous year Rs.52.72 Lakhs)
Employers Contribution to Superannuation Scheme:-	Rs.34.37 Lakhs	(Previous year Rs.22.11 Lakhs)

B. Defined Benefit Plan:

The Company provides for gratuity, a defined benefit plan, to certain categories of employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on projected unit credited method, and carried out by an independent actuary, at the Balance Sheet date. Actuarial gains and losses comprise

UCAL FUEL SYSTEMS LIMITED

experience adjustments and effect of changes in the actuarial assumptions and are recognized immediately in the profit & loss account as income or expense. This defined benefit plan is maintained by the Life Insurance Corporation of India (Funded). But for the Leave Encashment, the liability on the leave encashment is determined on actuarial valuation (Non-funded).

Disclosures for defined benefit plans based on actuarial reports as on 31st March 2010 :

Rs. In Lakhs

Description	Funded Gratuity		Non-Funded Leave Encashment	
	2009-10	2008-09	2009-10	2008-09
(i) Change in defined benefit obligation				
Opening defined benefit obligation	328.03	234.74	72.94	46.15
Current Service cost	31.39	21.20	17.02	9.5
Interest Cost	26.24	14.88	4.93	
Actuarial loss / (gain)	43.51	34.20	28.64	
Benefits paid	43.08	44.15	16.72	
Closing defined benefit obligation	386.09	263.00	106.81	55.65
(ii) Change in fair value of assets				
Opening fair value of plan assets	288.66	177.66		
Expected return on plan assets	26.64	14.88		
Actuarial gain / (loss)	Nil	3.34		
Contributions by employer	71.05	60.91	16.72	
Benefits paid	43.08	44.15	16.72	
Closing fair value of plan assets	343.27	212.64		
(iii) Amount recognized in the Balance Sheet				
Present value of obligations as at year end	386.10	263.00	106.81	9.5
Fair value of plan assets as at year end	343.27	212.64		–
Amount not recognized as an assets	-		106.81	–
Net (asset) / liability recognized as on 31.03.10	42.83	50.37		–
(iv) Expenses recognized in the profit & loss account				
Current service cost	31.39	21.20	17.02	20.53
Interest on defined benefit obligation	26.24	17.01	4.93	–
Expected return on plan assets	26.64	14.88		–
Net actuarial loss / (gain) recognized in the current year	43.51	30.86	27.64	–
Total Expense recognized in P&L Account	74.50	54.19	49.59	
(v) Principal actuarial assumptions used				
Discount rate (p.a)	8%	8%	8%	
Expected rate of return on plan assets (p.a)	9.25%	9.25%		
Salary Escalation (p.a)	5%	5%	5%	
Attrition rate (p.a)	1-3%	1-3%		

Note: Opening figure for defined benefit obligation as well as fair value of plan assets includes figures for merged entity i.e., UMTL and accordingly are at variance than the closing figures of previous years.

18. Installed Capacity * (Quantity in Nos.)

Class of Goods	31.03.2010	31.03.2009
4 Wheeler Carburetor	2,40,000	2,40,000
Fuel Pump	3,40,000	2,40,000
2 Wheeler Carburetor	24,00,000	24,00,000
Genset Carburetor	36,000	36,000
Oil Pump	36,000	36,000
Throttle Body Assembly	10,00,000	10,00,000
Delivery Pipe Assembly	10,00,000	10,00,000
Air Suction Valve	30,00,000	30,00,000
Fuel Filter	7,20,000	7,20,000
Electric Throttle Valve	2,60,000	2,60,000
Oil Pump (Diesel Engine Applications)	2,40,000	2,40,000
Vacuum Pump	2,40,000	2,40,000
Machined Castings	50,00,000	20,00,000
Machined Parts	15,00,000	–

* As certified by the Management

19. Detailed information in respect of opening and closing stocks, production and sales in respect of each class of goods produced

Class of goods	Opening Stock Qty. Nos.	Production Qty. Nos.	Sales Qty. Nos.	Samples & Qty. Nos.	Value Rs.in Lakhs	Closing Stock Qty. Nos.
4 Wheeler Carburetor	959 (565)	41,951 (68,017)	41,656 (68,421)	5 (798)	633.45 (1,039.87)	1,254 (959)
Fuel Pump	312 (372)	1,69,411 (1,29,589)	1,69,020 (1,29,649)	116 –	344.68 (223.85)	703 (312)
2 Wheeler Carburetor	7,579 (8,402)	21,32,243 (17,14,929)	21,31,610 (17,23,991)	961 (8,239)	12,340.16 (10,002.53)	8,212 (7,579)
Genset Carburetor	317 (300)	15,236 (23,945)	15,503 (23,426)	2 (502)	49.62 (89.48)	50 (317)
Oil Pump	3,921 (85)	1,49,734 (65,075)	1,52,340 (60,934)	128 (305)	1,145.82 (498.43)	1,315 (3,921)
Throttle Body Assembly	2,576 (10,623)	7,33,589 (783,569)	7,31,663 (7,91,378)	125 (238)	6,957.85 (6,246.39)	4,502 (2,576)
Delivery Pipe Assembly	2,687 (6,050)	7,92,901 (7,85,518)	7,92,140 (7,88,741)	40 (140)	2,963.67 (2,854.13)	3,448 (2,687)
Air Suction Valve	5,452 (7,535)	30,25,829 (21,89,575)	30,19,383 (21,88,815)	1,505 (2,843)	5,302.29 (3,853.01)	11,898 (5,452)
Fuel Filter	6,542 (4,968)	6,53,519 (5,38,690)	6,55,676 (5,37,116)	53 –	733.42 (569.34)	4,385 (6,542)
Electric Throttle Valve	270 (210)	13,290 (79,770)	13,200 (79,710)	21.06 –	360 (111.07)	– (270)
Machined Castings	10,763 (93,069)	52,66,558 (15,14,322)	52,43,113 (15,91,067)	– (5,561)	4,880.61 (2,346.94)	34,208 (10,763)
Machined Parts	– –	3,33,332 –	3,30,983 –	– –	478.90 –	2,349 –
Vacuum Pump	3,971 –	1,49,758 (64,709)	1,52,387 (60,728)	118 (10)	783.38 (327.30)	1,342 (3,971)
Others	– –	– –	– –	– –	2,643.89 (1,644.22)	– –

Note: Figures in brackets are in respect of previous financial year.

UCAL FUEL SYSTEMS LIMITED

20. Raw Materials and Components Consumed

	For the year 2009-10		For the previous year 2008-09	
	Qty. Kg.	Value Rs. in Lakhs	Qty. Kg.	Value Rs. in Lakhs
A) Raw Material				
ADC - 12 Aluminium Alloy	31,94,648	30,58.94	17,25,827	1,890.92
ADC - 10 Aluminium Alloy	6,51,433	615.43	4,93,886	535.12
ZDC- Zinc Alloy	4,88,971	580.65	3,66,894	383.88
B) Other components and raw materials (which do not individually account for more than 10% of the total consumption)		16,889.47		14,838.51
Total		<u>21,144.49</u>		<u>17,648.43</u>

21. Value and percentage of consumption of imported and indigenous Raw Materials and Components

	For the year ended 2009-10				For the previous year ended 2008-09			
	RAW MATERIALS		COMPONENTS		RAW MATERIALS		COMPONENTS	
	Value (Rs. in Lakhs)	%	Value (Rs. in Lakhs)	%	Value (Rs. in Lakhs)	%	Value (Rs. in Lakhs)	%
Imported	355.49	7.37%	4,833.61	29.61%	225.58	7.47%	4,285.25	29.18%
Indigenous	4,466.65	92.63%	11,488.74	70.39%	2,794.42	92.53%	10,402.03	70.82%
Total	4,822.14	100.00%	16,322.35	100.00%	3,020.00	100.00%	14,687.28	100.00%

For the year ended
31.3.2010 31.3.2009
Rs. in Lakhs

22. C.I.F Value of Imports

Raw Materials	365.50	217.45
Components and Spares	4,283.11	3,887.26
Capital Goods	93.31	1,547.53
Others	12.19	94.07

23. Earnings in Foreign Exchange (on cash basis)

Exports	1,973.44	2,157.43
---------	----------	----------

24. Expenditure in Foreign Currency (on cash basis)

Foreign travel	81.77	68.04
Royalty (net of tax)	107.12	401.80
Technical know-how & Guidance fees (net of tax)	232.02	711.22
Interest	34.02	-
Others	372.33	34.98

	For the year ended	
	31.3.2010	31.3.2009
	Rs. in Lakhs	
25. Dividends remitted in Foreign currency		
a. Number of non-resident shareholders		
b. Number of shares held (Equity shares of Rs.10 each)	-	-
c. Amount remitted (Rs. in Lakhs)	-	-
d. Year to which dividend relates		
26. Auditors' Remuneration		
For audit fees	12.16	10.00
For certificates	2.61	2.07
For Tax Audit	1.15	1.00
For out of pocket expenses	0.01	0.17
27. Prior period adjustment represents :		
Expenses relating to earlier years	6.44	62.09
Income relating to earlier years	-	(28.24)
Sundry balances written back	-	-
	6.44	33.85

28. As the Company's business activity falls within a single primary business segment viz automobile parts and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" specified in the Companies (Accounting Standards) Rules, 2006, are not applicable.

29. Related Party Disclosures

I Name of the related parties and Relationship

(i) Subsidiaries of the Company

- a. UCAL Polymer Industries Limited
- b. Amtec Precision Products, Inc., USA
- c. North American Acquisition Corporation, Inc., USA (Wholly owned Subsidiary of Amtec)
- d. Amtec Moulded Products Inc., USA (Wholly owned Subsidiary of Amtec)

(ii) Key Management Personnel

Mr. Jayakar Krishnamurthy, Chairman & Managing Director and Chief Financial Officer, UFSL.
 Mr. P.P.R. Rao, Executive Director, UFSL
 Mr. M. Sivaramakrishnan Managing Director, UMTL

Details of Remuneration to Directors is disclosed in Note 5 of Schedule - 19

(iii) Other Related Enterprises

- a. Bharat Technologies Auto Components Ltd.
- b. Minica Real Estates Private Ltd.
- c. Minica Services (P) Ltd.
- d. Southern Ceramics Private Ltd.
- e. Sujo Land and Properties (P) Ltd.

UCAL FUEL SYSTEMS LIMITED

- f. Carburettors Ltd.
- g. UCAL Consultants (P) Ltd.
- h. UCAL Properties (P) Ltd.
- i. UCAL Exports (P) Ltd.
- j. UCAL EL-Tech (P) Ltd.
- k. IBEX Products (P) Ltd.
- l. UCAL Travels (P) Ltd.

(iv) Relatives of Key Management Personnel

Dr. V. Krishnamurthy

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

II Details relating to parties referred to in items (i) (iii) & (iv) above :

	For the year ended 31.03.2010			Rs. in Lakhs
	SUBSIDIARIES	ASSOCIATES / JT. VENTURE COMPANIES	OTHER RELATED ENTERPRISES	RELATIVES OF KEY MANAGEMENT PERSONNEL
Purchase of materials	1,253.24 (1,419.89)	– (566.62)	345.79 –	– –
Labour charges paid	– (732.10)	– –	0.49 –	– –
Service charges paid	– (2.50)	– (54.81)	1.19 –	38.08 (16.85)
Lease charges paid	– –	– –	– (2.72)	– –
Purchase of fixed assets	1,233.45 (313.87)	– –	– –	– –
Investment in Shares	– (5,405.58)	– –	– –	– –
Rent paid	– –	– –	297.16 (198.00)	– –
Interest income on loan given	– (83.48)	– –	– –	– –
Other Expenses	– –	– –	11.06 –	– –
Current Assets Taken over	1,518.12 –	– –	– –	– –
Other Liabilities Taken over	1,298.81 –	– –	– –	– –
Interest Paid	399.23 –	– –	– –	– –

UCAL FUEL SYSTEMS LIMITED

Sale of goods	470.73	–	–	–
	–	(511.67)	–	–
Recovery of Expenses	–	–	–	–
	(34.17)	–	–	–
Advance for purchase of Fixed Assets	–	–	–	–
	(45.69)	–	(927.72)	–
Loans given	6,033.58	–	–	–
	(2,064.09)	–	–	–
Loans repaid	1,292.76	–	–	–
	–	–	–	–
Rent Deposit	–	–	–	–
	(95.89)	–	(100.62)	–
Outstanding payables,	1,532.82	–	–	–
	(739.52)	–	–	–
Outstanding receivables	11,840.87	–	–	–
	–	–	–	–

Figures in brackets represent corresponding amount of previous year.

Note : There are no transactions exceeding 10% with respect to one related party that are not disclosed.

30. Earnings per Share (EPS) calculation (basic and diluted):

	Unit	2009-2010	2008-2009
a) Amount used as the numerator Profit after taxation	Rs. in Lakhs	762.64	38.03
b) Weighted average number of equity shares used as the denominator	No.	1,80,38,583	1,38,96,000
c) Nominal value of shares	Rs. in Lakhs	1,80,385	1,38,960
d) Earnings per share	Rs.	4.23	0.27

31. Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

32. Figures have been rounded off to the nearest Lakhs

JAYAKAR KRISHNAMURTHY
*CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER*

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

G.BALASUBRAMANYAN
Partner

Membership Number: 7628

Place : Chennai
Date : 31.08.2010

UCAL FUEL SYSTEMS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

For the year 2009-10

Registration No.12343 State Code :18
Balance Sheet Date : 31.03.2010

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue : Nil Rights Issue : Nil
Bonus Issue : Nil Private Placement : Nil
Preferential Issue : 82,176 shares
for Rs. 2,98,710 including share premium

III. Position of mobilisation and deployment of funds (Amount in Rs.Thousands)

Total Liabilities	53,28,116	Total Assets	53,28,116
SOURCE OF FUNDS		APPLICATION OF FUNDS	
Paid up Capital	2,21,136	Net Fixed Assets	19,97,646
Reserves & Surplus	24,66,290	Investments	15,62,559
Secured Loans	23,73,762	Net Current Assets	16,00,840
Unsecured Loan	1,11,317	Miscellaneous Expenditure	1,67,071
Deferred Tax Liability	1,55,611		

IV. Performance of Company (Amount in Rs.Thousands)

Turnover	39,45,929
Total Expenditure	38,88,549
Profit before tax	57,380
Profit after tax	76,264
Earnings per share in Rs.	4.23
Dividend Rate	10%

V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No.(ITC Code)	<u>Product Description</u>
87.14	Carburetors for Two Wheelers
87.08	Throttle Body Assembly
87.14	Air Suction Valve

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

Place : Chennai
Date : 31.08.2010

STATEMENT PURSUANT TO SECTION 212 (3) OF THE COMPANIES ACT, 1956

(Rs. in Lakhs)

Name of the Subsidiary Companies	Extent of interest in the Subsidiary at the end of Financial year of the Subsidiary			Net aggregate amount of the Subsidiary's Profits after deducting its losses or vice-versa (so far as it concerns members of the Holding Company)			
	Subsidiary's Financial year ended on	No. of Shares held	% of total Paid-up capital	Profits/(Losses) not dealt with in the Holding Company's Accounts		Profits dealt with or (Losses) provided for in the Holding Company's Accounts	
				For the Financial year of the Subsidiary	For the Previous Financial years since it became the Holding Company's Subsidiary	For the Financial year of the Subsidiary	For the previous Financial years since it became the Holding Company's Subsidiary
1. UCAL Polymer Industries Limited Shares of Rs.10/- each fully paid	31.03.2010	12,50,000	100%	60.13	516.14	-	-
2. Amtec Precision Products, Inc. Shares of USD 0.01 each	31.03.2010	1,000	100%	(3,192.73)	(20,223.85)	-	-

JAYAKAR KRISHNAMURTHY
*CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER*

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

Place : Chennai
Date : 31.08.2010

UCAL POLYMER INDUSTRIES LIMITED
(Wholly Owned Subsidiary)

BOARD OF DIRECTORS	Dr. V. KRISHNAMURTHY Chairman Mrs. MEENAKSHI JAYAKAR Managing Director Mr. P.K. MOHANARANGANATHAN Mr.S. BADRINATHAN
BANKERS	STATE BANK OF INDIA HDFC BANK LTD
AUDITORS	M/S.R.SUBRAMANIAN AND COMPANY CHARTERED ACCOUNTANTS New No.6 (36) KRISHNASWAMY AVENUE LUZ, MYLAPORE CHENNAI 600 004.
FACTORY & REGISTERED OFFICE	B-116, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605 009.

FINANCIAL HIGHLIGHTS

	(Rs. in Lakhs)	
	2009-10	2008-09
(A) Capital	125.00	125.00
(B) Reserves	676.27	616.14
(C) Total Assets	925.35	874.77
(D) Total Liabilities	925.35	874.77
(E) Details of Investment (except in case of investment in subsidiaries)	–	–
(F) Turnover	1,461.91	847.49
(G) Profit before Taxation	103.43	60.62
(H) Provision for Taxation	43.30	16.34
(I) Provision for Income Tax for earlier years	–	0.47
(J) Profit after Taxation	60.13	42.48
(K) Proposed Dividend	–	12.50

AMTEC PRECISION PRODUCTS, INC.
(Wholly Owned Subsidiary)

EXECUTIVE CHAIRMAN	Mr. K. JAYAKAR
BANKERS	STATE BANK OF INDIA 19 S.LaSalle St. CHICAGO, IL 60603 USA
	EXIM BANK Centre 1 Floor 21, World Trade Centre Cuffe Parade, Mumbai 400 005
	BANK OF INDIA Cayman Islands Branch C/o New York Branch 277 Park Avenue New York 10172-0083
AUDITORS	VIRCHOW KRAUSE & COMPANY, LLP 225 N MICHIGAN Ave, Ste 1100. CHICAGO, IL 60601-7683.
REGISTERED OFFICE	32 LOOCKERMAN SQUARE, SUITE L-100 DOVER, DELAWARE 19901. USA
PLANTS	1. 1875 HOLMES ROAD, ELGIN, IL. USA 2. 1355 HOLMES ROAD, ELGIN, IL. USA 3. AMTEC MOLDED PRODUCTS, INC 866 RESEARCH PARKWAY ROCKFORD, IL 61109.

FINANCIAL HIGHLIGHTS

	(Rs. in Lakhs)	
	2009-10	2008-09
(A) Capital	15,455.53	15,455.53
(B) Reserves	(23,599.66)	(23,755.05)
(C) Total Assets	9,601.99	9,088.45
(D) Total Liabilities	9,601.99	9,088.45
(E) Details of Investment (except in case of investment in subsidiaries)	-	-
(F) Turnover	11,040.24	16,453.96
(G) Profit before Taxation	(3,252.71)	(7,547.13)
(H) Provision for Taxation	59.98	4.59
(I) Profit after Taxation	(3,192.73)	(7,551.72)

CONSOLIDATED ACCOUNTS

M/s. G. BALU ASSOCIATES
Chartered Accountants

4A, Venkatesa Agraharam Street
Mylapore, Chennai – 600 004.

**AUDITORS REPORT TO THE BOARD OF DIRECTORS
OF
UCAL FUEL SYSTEMS LIMITED, CHENNAI
ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF
UCAL FUEL SYSTEMS LIMITED
AND ITS SUBSIDIARIES**

1. We have examined the attached Consolidated Balance Sheet of UCAL Fuel Systems Limited (“the Company”), and its subsidiaries (as per the list appearing in Note 1 (a) to the consolidated financial statements) collectively referred to as the “UCAL Group” as at 31st March 2010, the Consolidated Profit and Loss Account for the year ended and also the Consolidated Cash Flow Statement. These consolidated financial statements are the responsibility of the Company’s Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respect, in accordance with the financial reporting framework generally accepted in India and are free from material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Subsidiary, UCAL Polymer Industries Limited are not audited by us. However the audited financial statements of this Company have been considered by us for consolidation.

The financial statements of the subsidiary Amtec Precision Products, Inc., USA for the period from 1st April 2009 to 31st March 2010 are not audited by us. The un-audited financial statements of the Company has submitted by a CPA have been considered for consolidation, reflecting total assets of Rs. 9,601.99 Lakhs as at 31st March 2010 and total revenue of Rs. 11,237.90 - for the period ended on that date and cash flow (net) Rs. 1,120.44 Lakhs.

In our opinion, in so far as it relates to the amounts included in respect of the subsidiaries in the consolidated accounts, are based, on the report of the Auditors and in respect of the Company not-audited on CPA’s review report and Management certification.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 – “Consolidated Financial Statements”, issued by the Institute of Chartered Accountants of India.

CONSOLIDATED ACCOUNTS

5. In our opinion and to the best of our information and according to the explanations given to us and on consideration of the separate audit reports / management certifications on individual financial statements of UCAL Fuel Systems Limited and its subsidiaries read together with the Notes on Accounts of the consolidated financial statements, give a true and fair view of:
- (a) In the case of the Consolidated **Balance Sheet**, of the consolidated state of affairs of UCAL Group as at March 31st, 2010; and
 - (b) In the case of the Consolidated **Profit and Loss Account**, of the consolidated results of operations of UCAL Group for the year ended on that date.
 - (c) In the case of the **Cash Flow Statement**, of the consolidated cash flows of UCAL Group for the year ended on that date.

For M/s. G. BALU ASSOCIATES
CHARTERED ACCOUNTANTS

G. BALASUBRAMANYAN
PARTNER

Membership Number: 7628

Place: Chennai
Date : 31.08.2010

CONSOLIDATED ACCOUNTS**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

	SCHEDULE	As at 31.03.2010	As at 31.03.2009
I) SOURCES OF FUNDS			
Rs. in Lakhs			
(1) Shareholders' Funds			
a) Capital	1	2,211.36	1,389.60
b) Reserves & Surplus	2	1,698.27	1,065.41
		3,909.64	2,455.01
(2) Loan Funds			
a) Secured Loans	3	34,029.47	31,898.22
b) Unsecured Loans	4	1,113.17	2,689.59
		35,142.64	34,587.81
(3) Deferred Tax Liability	5	(493.70)	(352.39)
		38,558.57	36,690.43
II) APPLICATION OF FUNDS			
(1) Fixed Assets			
Gross Block		53,423.60	46,589.49
Less: Depreciation		25,734.96	19,466.67
Net Block	6	27,688.64	27,122.82
Capital Work in Progress		712.14	1,452.34
Goodwill		31.19	121.15
		28,431.96	28,696.31
(2) Investments	7	4.52	9.96
(3) (i) Current Assets, Loans and Advances			
a) Inventories	8	5,632.72	6,963.83
b) Sundry Debtors	9	10,678.57	6,708.92
c) Cash and Bank Balances	10	1,367.25	153.53
d) Loans and Advances	11	2,684.03	4,687.11
		20,362.57	18,513.39
Less : (ii) Current Liabilities and Provisions	12	11,954.53	12,712.99
Net Current Assets (i) - (ii)		8,408.03	5,800.40
(4) Miscellaneous Expenditure	13	1,714.06	2,183.76
(to the extent not written off or adjusted)		38,558.57	36,690.43
Notes to the Accounts	19		
The schedules referred to above form part of the Accounts.			

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

G.BALASUBRAMANYAN
Partner

Membership Number: 7628

Place : Chennai
Date : 31.08.2010

CONSOLIDATED ACCOUNTS**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	SCHEDULE	For the Year ended	
		31.03.10	31.03.09
INCOME		Rs. in Lakhs	
Sales		53,578.96	52,214.85
Less: Excise Duty		3,449.28	4,210.13
		50,129.68	48,004.72
Other Income	14	296.95	990.83
(TDS Rs. 3.61 Lakhs - Previous year Rs. 4.05 Lakhs)		50,426.63	48,995.55
EXPENDITURE			
Consumption of Raw Materials, Components etc.	15	24,670.56	24,861.77
Employees' Remuneration and Other Benefits	16	9,106.77	11,494.44
Manufacturing & Other Expenses	17	11,934.33	12,283.50
Interest	18	3,484.34	3,748.79
Depreciation		3,388.42	4,022.16
Deferred Revenue Expenditure		417.70	156.42
Profit for the Year		(2,575.48)	(7,571.53)
		50,426.63	48,995.55
Profit before Taxation for the year		(2,575.48)	7,571.53)
Add/(Less) : Taxation for the year			
– Current Tax (including Wealth Tax)		(196.03)	(62.84)
– Deferred Tax		401.55	19.19
– Fringe Benefit Tax		–	(37.96)
Taxation Adjustments of previous years (Net)		–	(0.03)
		(2,369.96)	(7,653.17)
Add/(Less) Prior period Adjustment (Net)		(6.44)	(31.36)
Provisions no longer required		–	
Balance of Profit brought forward from last year		(13,837.19)	(6,152.66)
		(16,213.60)	(13,837.18)
APPROPRIATIONS			
Dividend		233.64	–
Tax on Dividend		38.80	–
Balance carried to Balance Sheet		(16,486.04)	(13,837.19)
		(16,213.60)	(13,837.19)
Basic and diluted earnings per share (in Rs.) (Face Value of Rs.10 each)		(13.14)	(55.07)
Weighted Average number. of Equity Shares		1,80,38,584	1,38,96,000
Notes to the Accounts	19		
The schedules referred to above form part of the Accounts.			

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

G.BALASUBRAMANYAN
Partner

Membership Number: 7628

Place : Chennai
Date : 31.08.2010

CONSOLIDATED ACCOUNTS

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	For the year ended	
	31.03.10	31.03.09
	Rs. in Lakhs	
A. Cash Flow from Operating Activities:		
Net Profit before tax and extraordinary items	(2,624.52)	(7,749.10)
Adjustments for :		
Miscellaneous Expenditure written off	585.93	156.42
Depreciation/Assets Discarded	3,237.02	4,022.18
Interest Expense	2,874.57	3,748.78
Interest Income	(3.78)	(1.86)
Profit on sale of investments	(52.74)	–
Dividend Income	(0.20)	(25.67)
Profit/Loss on sale of Fixed Assets (Net)	6.16	–
Rent Received	(2.88)	–
Operating Profit before Working Capital changes	4,019.56	150.75
Adjustments for :		
Debtors	(4,533.44)	1,255.71
Inventories	720.05	(1,115.48)
Loans and Advances	(4,527.25)	(1,365.54)
Trade Payables	(1,116.24)	717.53
Prior period Adjustments	(6.44)	(31.36)
Cash generated from Operations	(5,443.77)	(388.39)
Income - Tax paid	(106.99)	105.15
Deferred Tax written back	295.83	–
Net cash from Operating Activities - “A”	(5,254.93)	(283.24)
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(3,267.82)	(3,456.15)
Product Development & Research Expenses	–	(381.03)
Capital Work-In-Progress	161.88	541.00
Sale of Fixed Assets	8.56	–
Sale of Investments	58.19	273.44
Rent Received	2.88	–
Interest Received	3.78	1.86
Dividend Received	0.20	25.67
Net cash used in Investing Activities - “B”	(3,032.33)	(2,995.21)

CONSOLIDATED ACCOUNTS

C. Cash flow from Financing Activities

Proceeds from Borrowings / Repayment of Loans	9,403.06	6,941.23
Proceeds from increase in share capital	2,987.10	–
Dividend paid including Tax on Dividend	(14.62)	(163.96)
Interest Paid	(2,874.57)	(3,748.78)
Net cash used in Financing Activities - “C”	<u>9,500.97</u>	<u>3,028.49</u>
Net increase in Cash and Cash Equivalents -“A+B+C”	1,213.72	(249.96)
Cash and Cash Equivalents as at the beginning	153.53	403.49
Cash and Cash Equivalents as at the end	1,367.25	153.53

Notes :

1. The above statement has been prepared in the indirect method except in the case of Dividend, Interest received and paid, purchase and sale of Investments, sale of Fixed Assets and Direct taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets and liabilities.
2. Cash and Cash Equivalent represents Cash and Bank Balances only.
3. Proceeds from Borrowings are shown net of repayments and without Exchange fluctuation.
4. Additions to Fixed Assets are stated exclusive of Capital Work-In-Progress between the beginning and end of the year and is treated as part of Investing Activities.

JAYAKAR KRISHNAMURTHY
*CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER*

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

As per our report of even date attached
For M/s. G. BALU ASSOCIATES
Chartered Accountants

G.BALASUBRAMANYAN
Partner

Membership Number: 7628

Place : Chennai
Date : 31.08.2010

CONSOLIDATED ACCOUNTS

Schedules annexed to the Consolidated Balance Sheet

	Rs. in Lakhs	
	As at 31.03.2010	As at 31.03.2009
SCHEDULE - 1		
CAPITAL		
Authorised		
7,50,00,000 (previous year 6,00,00,000) Equity shares of Rs.10/- each	<u>7,500.00</u>	<u>6,000.00</u>
Issued, Subscribed and Paid - Up		
2,21,13,625 (previous year 1,38,96,000) Equity shares of Rs. 10/- each (Includes 81,06,000 fully paid Bonus Shares issued by Capitalisation of Share Premium and General Reserve)	<u>2,211.36</u>	1,389.60
SCHEDULE - 2		
RESERVES AND SURPLUS		
Special State Capital Subsidy	282.85	282.85
Share premium account	2,165.34	–
Capital reserve	160.00	–
General Reserve *	15,430.16	11,955.96
Profit and Loss Account	(16,213.60)	(13,837.19)
Foreign Currency Translation reserve	(126.49)	2,663.79
	<u>1,698.27</u>	<u>1,065.41</u>
* includes Rs 174.19 Lakhs being the balance of UCAL Machine Tools Limited (UMTL) and Rs 354.99 Lakhs due to cancellation of investment in UFSL against the share capital of UMTL.		
SCHEDULE - 3		
SECURED LOANS		
Term Loan		
– Financial Institutions	9,581.50	7,432.22
– From Banks	14,334.77	15,813.78
Cash Credit from Banks	10,113.20	8,652.22
	<u>34,029.47</u>	<u>31,898.22</u>
SCHEDULE - 4		
UNSECURED LOANS		
Interest free Sales Tax loan	–	19.59
Inter -corporate deposits	957.95	2,400.00
Short Term Loan – IDBI	155.22	270.00
	<u>1,113.17</u>	<u>2,689.59</u>
SCHEDULE - 5		
DEFERRED TAX LIABILITY		
Arising on account of Timing Differences in :		
– Depreciation	<u>(493.70)</u>	<u>(352.39)</u>

CONSOLIDATED ACCOUNTS

SCHEDULE - 6 FIXED ASSETS		Rs. in Lakhs									
DESCRIPTION	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	AS AT 01.04.2009	ADDITIONS*	DEDUCTIONS**	TOTAL AS AT 31.03.2010	UPTO 31.03.2009	FOR THE YEAR	DEDUCTIONS*	UPTO 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009	
LAND											
- FREE HOLD	1,070.78	-	396.28	674.50	-	-	-	-	674.50	1,070.78	
- LEASE HOLD	425.80	2,698.17	-	3,123.97	-	-	-	-	3,123.97	425.80	
BUILDINGS	2,923.90	1,442.34	355.46	4,010.78	650.74	92.89	(169.62)	913.25	3,097.54	2,273.16	
PLANT & MACHINERY	38,455.20	7,138.42	3,751.73	41,841.89	16,013.64	3,009.67	(2,755.04)	21,778.35	20,063.54	22,441.56	
OFFICE EQUIPMENT	572.14	50.58	66.36	556.36	448.54	42.69	(22.14)	513.37	42.98	123.60	
FURNITURE & FIXTURE	605.51	25.91	20.98	610.45	312.68	40.19	(4.78)	357.66	252.79	292.83	
VEHICLES	355.67	163.60	144.24	375.04	213.92	40.47	2.62	251.77	123.27	141.75	
TECHNICAL KNOW-HOW FEE	2,180.49	50.12	-	2,230.62	1,827.16	93.41	-	1,920.57	310.05	353.34	
TOTAL	46,589.49	11,569.14	4,735.04	53,423.60	19,466.68	3,319.32	(2,948.96)	25,734.96	27,688.64	27,122.81	
PREVIOUS YEAR	43,142.68	3,784.58	337.77	46,589.49	15,741.49	4,022.16	296.98	19,466.67			
Capital Work in Progress & Capital Advances									712.14	1,452.34	
Goodwill									31.19	121.15	
									28,431.96	28,696.30	

* includes translation differences

** includes deletion of assets, consequent to merger of UCAL Machine Tools Limited with UCAL Fuel Systems Limited

CONSOLIDATED ACCOUNTS

	As at 31.03.2010	As at 31.03.2009
	Rs. in Lakhs	
SCHEDULE - 7		
INVESTMENTS (AT COST)		
LONG TERM INVESTMENTS		
NON-TRADE-QUOTED:		
1,900 (Previous Year 1,900) Fully paid up Equity Shares of Rs.10/- each of HDFC Bank Ltd Market Value Rs. 36,71,750/- (Previous year Rs.18,38,919/-)	0.19	0.19
The Karnataka Bank Ltd. 3,367 (Previous Year Rs. NIL) equity shares of Rs.10/- each fully paid Market Value Rs.4,04,040/- (Previous Year Rs. NIL)	1.47	1.47
15,578 (Previous Year 15,578) fully paid up equity shares of Rs. 10 each of Industrial Development Bank of India Ltd. Market Value Rs.17,91,470/- (Previous Year Rs. 7,07,241/-)	2.70	2.70
200 (Previous Year 200) Fully paid up Equity Shares of Rs.10/- each of Corporation Bank Market Value Rs.96,200/- (Previous year Rs.35,970/-)	0.16	0.16
UNITS		
QUOTED		
Units Of Canfortune 94 of Rs.10/- each (Previous Year Rs.1,00,000/-)	-	5.44
	<u>4.52</u>	<u>9.96</u>
SCHEDULE - 8		
INVENTORIES		
(As certified by Management)		
Spares	2,014.06	2,309.69
Tools & Consumables	903.00	982.55
Raw Materials and Components	1,566.86	1,607.85
Work-in-progress	740.74	1,311.02
Finished goods	401.18	621.06
Goods in transit	6.89	131.66
	<u>5632.72</u>	<u>6,963.83</u>

CONSOLIDATED ACCOUNTS

As at
31.03.2010 As at
31.03.2009
Rs. in Lakhs

SCHEDULE - 9**SUNDRY DEBTORS**

Outstanding for a period exceeding six months		
– Considered Good	1,978.52	2,009.65
– Considered Doubtful	3.26	3.26
Other Debts – Outstanding for a period less than six months (Considered Good)	8,700.04	4,699.27
Less: Provision for Doubtful Debts	(3.26)	(3.26)
	<u>10678.57</u>	<u>6,708.92</u>

SCHEDULE - 10**CASH AND BANK BALANCES**

Cash on hand	11.78	21.57
With Scheduled Banks		
1) In Current Accounts	1,270.90	90.15
2) In Deposit Accounts	84.57	41.81
	<u>1,355.47</u>	<u>131.96</u>
	<u>1,367.25</u>	<u>153.53</u>

SCHEDULE - 11**LOANS AND ADVANCES**

Unsecured, considered good except to the extent stated otherwise		
Advances recoverable in cash or in kind or for value to be received	1,130.65	2,700.01
Advance Income Tax and TDS	324.07	455.05
Balance with Excise	564.33	871.31
Other Deposits	664.98	660.74
	<u>2,684.03</u>	<u>4,687.11</u>

CONSOLIDATED ACCOUNTS

As at
31.03.2010
Rs. Lakhs
As at
31.03.2009

SCHEDULE - 12

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Sundry Creditors - Purchases		
– Small Scale Industrial Undertakings	71.59	70.72
– Others	8,813.49	8,710.56
Unclaimed Dividend	33.69	37.79
Unclaimed Matured Deposits	0.69	0.69
Other Liabilities	2,723.14	3,490.31
Advance from Customers	–	332.75
Interest accrued but not due on loans	25.81	2.62
	<u>11,668.42</u>	<u>12,645.44</u>

PROVISIONS

Proposed Dividend	233.64	–
Tax on Dividend	38.80	–
Employee Benefits	13.68	67.55
	<u>286.12</u>	<u>67.55</u>
	<u>11954.53</u>	<u>12,712.99</u>

SCHEDULE - 13

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Product Development Expenses	155.67	194.59
Research Expenses	1,558.39	1,989.17
	<u>1,714.06</u>	<u>2,183.76</u>

CONSOLIDATED ACCOUNTS

For the Year ended
31.03.10 31.03.09

Rs. in Lakhs

SCHEDULE - 14**OTHER INCOME**

Interest received	4.11	1.86
Miscellaneous Income	218.56	934.47
Profit on sale of Assets	1.61	15.17
Profit on sale of Investments	52.74	8.24
Rent Received	2.88	–
Dividend	0.20	25.67
Exchange gains	16.84	5.42
	<u>296.95</u>	<u>990.83</u>

SCHEDULE - 15**CONSUMPTION OF RAW MATERIALS,
COMPONENTS AND FINISHED GOODS**

Opening Stock	2,918.87	1,945.36
ADD: Purchases		
Raw Materials	1,008.75	11,916.10
Components	20,049.69	11,307.29
Outworks	2,780.96	2,481.99
	<u>23,839.41</u>	<u>25,705.38</u>
	26,758.28	27,650.74
LESS: Closing Stock		
Raw Materials	572.54	337.05
Components	994.32	1,270.80
Work-in-progress	740.74	1,311.02
	<u>2,307.60</u>	<u>2,918.87</u>
	24,450.68	24,731.87
Add : Purchase of Traded Goods	–	105.23
Increase/(Decrease) in Finished Goods Stock	219.88	24.67
	<u>24,670.56</u>	<u>24,861.77</u>

CONSOLIDATED ACCOUNTS

For the Year ended
31.03.10 31.03.09

Rs. in Lakhs

SCHEDULE - 16

EMPLOYEES' REMUNERATION AND OTHER BENEFITS

Salaries and Wages	6,503.00	8,427.97
Contribution to Provident Fund and other funds	568.97	261.87
Staff Welfare Expenses	2,034.79	2,804.60
	<u>9,106.77</u>	<u>11,494.44</u>

SCHEDULE - 17

MANUFACTURING AND OTHER EXPENSES

Tools and stores consumed	2,512.98	2,959.42
Power and Fuel	1,335.73	1,166.38
(+) Increase / (-) Decrease in Excise Duty Provision	13.09	(21.10)
Repairs and Maintenance		
– Building	99.14	130.81
– Plant and Machinery	564.06	849.93
– Others	290.31	100.61
Postage, Telephone, Fax, etc.	73.08	64.77
Insurance	186.64	175.43
Rates and Taxes	181.59	152.90
Rent	309.96	237.03
Directors' sitting fees	12.76	17.30
Auditors' Remuneration	16.12	15.55
Travelling and Conveyance	289.95	260.12
Discounts Allowed	102.81	156.75
Packing Charges	445.41	369.10
Royalties	108.23	68.57
Research and Development Expenses	885.31	502.39
Other Expenses	4,338.28	4,938.86
Loss on sale of assets	168.89	5.83
Loss on Exchange Fluctuation	–	132.85
	<u>11,934.33</u>	<u>12,283.50</u>

SCHEDULE -18

INTEREST

Term Loans	2,533.64	2,318.78
Others	950.70	1,430.01
	<u>3,484.34</u>	<u>3,748.79</u>

SCHEDULE - 19

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

1 a. List of Subsidiaries

The Consolidated Financial Statement represents consolidation of Accounts of UCAL Fuel Systems Limited (UFSL) with its subsidiaries as detailed below :

Name of Company	Proportion of Ownership Interest
a) UCAL Polymer Industries Ltd. (UPIL)	100%
b) Amtec Precision Products, Inc. (APPI)	100%

The Financial Year of APPI is from 1st June to 31st May. The accounts of APPI (Unaudited) have been drawn up for the period 1st April 2009 to 31st March 2010 and a limited review of the same has been conducted by a Certified Public Accountant. This has been incorporated in the consolidated financial statement for the year.

b. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. These statements have been prepared using uniform accounting policies in accordance with generally accepted accounting principles. The effects of inter-Company transactions between the consolidated companies are eliminated in consolidation. The consolidation of foreign subsidiary has been done by translating the financial statements of APPI in accordance with Accounting Standard 11 (AS-11) "The effects of changes in foreign exchange rates" as per the following procedures:

- a) The assets and liabilities, both monetary and non monetary, of APPI have been translated at the closing rate.
- b) The income and expenses items of APPI have been translated at the average rates for the period.
- c) All resulting exchange difference has been accounted as Foreign Currency Translation Reserve.

c. Other Significant Accounting Policies

These are set out in the notes to accounts under "Accounting Policies" of the financial statements of UFSL.

Depreciation is provided on straight line method at the rates specified in the schedule XIV of the Companies Act 1956 except in respect of certain assets where a higher rate is charged as mentioned in the notes to the accounts of UFSL.

Inventories are valued at lower of cost or net realizable value. Costs are in general ascertained using the weighted average method and includes, where appropriate, manufacturing overheads and excise duty. In respect of subsidiary Company APPI, costs are ascertained using the FIFO method.

The difference between the cost of investments in the subsidiaries and the assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital reserve as the case may be.

2. Amount due from the officers of the Company Rs. 0.69 Lakhs (previous year Rs. 1.05 Lakhs). Maximum amount due at any time during the year Rs. 1.05 Lakhs (previous year Rs. 1.41 Lakhs)
3. Sundry Creditors – other liabilities include Rs. 20.37 Lakhs (previous year Rs. 4.93 Lakhs) due to Directors.

CONSOLIDATED ACCOUNTS

	As at 31.3.2010	As at 31.3.2009
	Rs. in Lakhs	
4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	30.45	712.24
5 Contingent Liabilities not provided for		
(a) On guarantees given by Bankers	36.16	82.38
(b) Claims against the Company not acknowledged as debts	97.10	623.61
(c) Letters of Credit opened by banks	721.77	915.48
(d) Taxation matters under appeal	2,775.30	3,100.33
(e) ESI demand under dispute	1.27	2.93
6 Remuneration to Directors		
Sitting fees	11.95	17.30
Salaries	224.61	140.37
Commission		
Other perquisites	16.97	4.45
Contribution to Provident, Superannuation and other funds	31.62	26.59
7 Auditors' Remuneration		
For audit fees	13.16	11.90
For certificates	2.61	2.07
For Tax Audit	1.40	1.40
For out of pocket expenses	0.01	0.17
8 Prior period adjustment represents :		
Expenses relating to earlier years	6.44	62.09
Income relating to earlier years	-	(28.24)
Creditors no longer payable		
9. Related Party Disclosures		
I Name of the related parties and Relationship		
(i) Key Management Personnel		
(a) Mr. Jayakar Krishnamurthy, Chairman & Managing Director and Chief Financial Officer, UFSL		
(b) Mr. R. Sundararaman, President, APPI		
(c) Mr. P.P.R. Rao, Executive Director, UFSL		
(d) Mr. M. Sivaramakrishnan, Managing Director, UMTL		
(e) Mrs. Meenakshi Jayakar, Managing Director, UPIL		

Details of Remuneration to Directors is disclosed in Note 6 of Schedule - 19

- (ii) Other Related Enterprises
- (a) Bharat Technologies Auto Components Ltd.
 - (b) Minica Real Estates Private Ltd.
 - (c) Minica Services (P) Ltd.
 - (d) Southern Ceramics (P) Ltd.
 - (e) Sujo Land and Properties (P) Ltd.
 - (f) Carburettors Ltd.
 - (g) UCAL Consultants (P) Ltd.
 - (h) UCAL Properties (P) Ltd.
 - (i) UCAL Exports (P) Ltd.
 - (j) UCAL EL-Tech (P) Ltd.
 - (k) IBEX Products (P) Ltd.
 - (l) UCAL Travels (P) Ltd.

- (iii) Relatives of Key Management Personnel

Dr. V. Krishnanmurthy

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

II Details relating to parties referred to in items (ii) & (iii) above

Rs. in Lakhs

	ASSOCIATES/ JT. VENTURE COMPANIES	OTHER RELATED ENTERPRISES	RELATIVES OF KEY MANAGEMENT PERSONNEL
Purchase of materials	– (566.62)	345.79 –	– –
Labour charges paid	– –	0.49 –	– –
Service charges paid	– (54.81)	1.19 –	38.08 (16.85)
Lease charges paid	– –	– (2.72)	– –
Rent paid	– –	297.16 (198.00)	– –
Other Expenses	– –	11.06 –	– –
Sale of goods	– (511.67)	– –	– –

CONSOLIDATED ACCOUNTS

Advance for purchase of	-	-	-
Fixed Assets	-	(927.72)	-
<hr/>			
Rent Deposit	-	-	-
	-	(100.62)	-

Figures in brackets represent corresponding amount of previous year

Note: There are no transactions exceeding 10 % with respect to one related party that are not disclosed.

JAYAKAR KRISHNAMURTHY
CHAIRMAN & MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER

As per our report of even date attached
For M/s. G. BALU ASSOCIATES

P.P.R. RAO
EXECUTIVE DIRECTOR

S.R.SRIDHAR
COMPANY SECRETARY

Chartered Accountants
G.BALASUBRAMANYAN
Partner
Membership Number: 7628

Place : Chennai
Date : 31.08.2010

CONSOLIDATED ACCOUNTS

	As at 31.3.2010	As at 31.3.2009
	Rs. in Lakhs	
4		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	30.45	712.24
5		
Contingent Liabilities not provided for		
(a) On guarantees given by Bankers	36.16	82.38
(b) Claims against the Company not acknowledged as debts	97.10	623.61
(c) Letters of Credit opened by banks	721.77	915.48
(d) Taxation matters under appeal	2,775.30	3,100.33
(e) ESI demand under dispute	1.27	2.93
6		
Remuneration to Directors		
Sitting fees	11.95	17.30
Salaries	224.61	140.37
Commission		
Other perquisites	16.97	4.45
Contribution to Provident, Superannuation and other funds	31.62	26.59
7		
Auditors' Remuneration		
For audit fees	13.16	11.90
For certificates	2.61	2.07
For Tax Audit	1.40	1.40
For out of pocket expenses	0.01	0.17
8		
Prior period adjustment represents :		
Expenses relating to earlier years	6.44	62.09
Income relating to earlier years	-	(28.24)
Creditors no longer payable		
9. Related Party Disclosures		
I Name of the related parties and Relationship		
(i) Key Management Personnel		
(a) Mr. Jayakar Krishnamurthy, Chairman & Managing Director and Chief Financial Officer, UFSL		
(b) Mr. R. Sundararaman, President, APPI		
(c) Mr. P.P.R. Rao, Executive Director, UFSL		
(d) Mr. M. Sivaramakrishnan, Managing Director, UMTL		
(e) Mrs. Meenakshi Jayakar, Managing Director, UPIL		

Details of Remuneration to Directors is disclosed in Note 6 of Schedule - 19