

### Board of Directors

Mr. Jayakar Krishnamurthy	Chairman and Managing Director & Chief Financial Officer
Mr. P.P.R. Rao	Executive Director
Mr. S. Muthukrishnan	Director
Mr. S. Natarajan	Director
Dr. M.S. Ananth	Director
Dr. V. Sumantran	Director
Mr. K. Muthukumaran	Nominee Director (upto 30.06.2011)
Mr. R.W. Khanna	Nominee Director (w.e.f. 30.06.2011)
Mr. R. Sundararaman	Director (w.e.f. 27.08.2011)

### Audit Committee

Mr. S. Natarajan	Chairman
Dr. M.S. Ananth	Member
Mr. K. Muthukumaran	Member (upto 30.06.2011)
Mr. Jayakar Krishnamurthy	Member (w.e.f. 30.06.2011)

### Advisor – Finance

Mr. V.K. Gupta

### Company Secretary

Ms. Rekha Raghunathan

### Statutory Auditor

M/s. G. Balu Associates  
No. 4A Venkatesa Agraharam Road  
Mylapore  
Chennai - 600 004

### Bankers

State Bank of India  
Export Import Bank of India  
IDBI Bank Limited  
Central Bank of India  
Corporation Bank  
Indian Bank  
Bank of India

### Registered Office

“Raheja Towers”, Delta Wing – Unit 705  
177 Anna Salai  
Chennai - 600 002  
Tel : 044 - 42208111; Fax : 044 - 28605020  
E-mail : investor@ucalfuel.co.in

### Factories

Tamil Nadu, Pondicherry and Haryana

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## DIRECTORS' REPORT

The Directors have pleasure in presenting the Twenty Fifth Annual Report together with the audited accounts of the company for the year ended 31<sup>st</sup> March 2011.

## FINANCIAL HIGHLIGHTS

The performance of the company for the year ended 31<sup>st</sup> March 2011 is as follows:

Particulars	For the year ended		
	31.03.2011	31.03.2010	% Change
Gross Revenue	52,600	42,613	23
Net Revenue (excluding Excise Duty)	48,154	39,366	23
Total Expenditure	40,069	33,239	21
<b>Operating Income</b>	<b>8,085</b>	<b>6,127</b>	<b>32</b>
Other Income	85	93	(8)
<b>Profit before Interest, Tax &amp; Depreciation</b>	<b>8,170</b>	<b>6,220</b>	<b>31</b>
Interest	2,725	2,852	(4)
Deferred Revenue Expenses	417	418	-
Depreciation	2,357	2,376	(1)
<b>Profit before Tax &amp; Exceptional item</b>	<b>2,671</b>	<b>574</b>	<b>365</b>
Tax Expense	450	(189)	-
<b>Profit after Tax / Net Profit</b>	<b>2,221</b>	<b>763</b>	<b>191</b>
Prior period Adjustments	-	(6)	-
Balance of profit brought forward from last year	6,698	6,199	8
<b>Amount Available for Appropriations</b>	<b>8,919</b>	<b>6,956</b>	<b>-</b>
<b>Appropriations:</b>			
Transfer to General Reserve	415	-	-
Dividend	885	221	300
Tax on Dividend	143	37	289
<b>Balance Carried to Balance Sheet</b>	<b>7,476</b>	<b>6,698</b>	<b>-</b>

## DIVIDEND

The Board is pleased to recommend a dividend of 40% i.e. Rs.4 per equity share, aggregating to Rs.885 lakhs (exclusive of tax on dividend) for the financial year ended 2010-2011. This dividend recommended by the Board is the highest dividend payout by the company in absolute terms till date.

## TRANSFER TO GENERAL RESERVE

A sum of Rs.415 lakhs has been transferred to the general reserve of the company for the financial year 2010-2011.

## PERFORMANCE

The turnover of the company during the financial year 2010-2011 increased to Rs.48,154 lakhs from Rs.39,366 lakhs in the previous financial year thereby recording an increase of 23%. The EBITDA increased by 31% to touch a level of Rs.8,170 lakhs from that of Rs.6,220 lakhs of the previous financial year. The increased offtake from various customers, greater controls established in the areas of capital expenditure, borrowings and other revenue expenditure coupled with better capacity utilization and increased productivity have contributed to the increased EBITDA. Due to better working capital management, the interest cost of the company came down by 4% inspite of increase in interest rates of banks. The company's earning per share was Rs.10.04 during the financial year 2010-2011 which is higher by 137% compared to that of Rs.4.23 per

share of the previous financial year. The exports also surged to Rs.5,189 lakhs during financial year 2010-2011 from Rs.3,799 lakhs in the previous financial year thereby recording a growth of 37%. After market sales of the company during the financial year 2010-2011 increased to Rs.1,103 lakhs as against a sale of Rs.876 lakhs in the previous financial year thereby recording a growth of 26%.

### NEW PROJECTS

The company has invested Rs.4,216 lakhs in capital expenditure during the financial year 2010-2011. A major portion of this capital expenditure has gone towards setting up of a manufacturing facility at Bawal, Haryana to meet the growing customer base in North India and towards establishing another manufacturing facility at Mahindra City, Chengalpattu, Tamil Nadu to consolidate all export operations in a special economic zone. The existing plants have also been strengthened and expanded to meet the growing needs of the customers particularly in the areas of carburettors, oil pumps and vacuum pumps. Commercial production commenced at the Bawal facility on 28<sup>th</sup> February 2011 and at the Mahindra City facility on 27<sup>th</sup> June 2011. Further investment will have to be incurred in 2011-2012 to complete these projects keeping in step with the market trends.

### DIRECTORS

Subject to the approval of the shareholders and the approval of the Central Government, the Board in its meeting held on 27<sup>th</sup> August 2011 reappointed Mr.Jayakar Krishnamurthy who is also Chairman and Chief Financial Officer as Managing Director of the company for a further period of five years with effect from 1<sup>st</sup> September 2011. Appropriate resolution for his reappointment and remuneration has been set out in the Notice convening the Annual General Meeting.

Mr. P.P.R. Rao, Executive Director, is completing his term of three years on 25<sup>th</sup> September 2011 and he will cease to be a Director from that day.

The Board in its meeting held on 27<sup>th</sup> August 2011 appointed Mr. R. Sundararaman as Additional Director. As per the provisions of the Companies Act, 1956 his appointment will be confirmed at the ensuing Annual General Meeting of the company. Subject to the approval of the shareholders and Central Government, the Board also appointed Mr. R. Sundararaman as Joint Managing Director of the company for a period of 3 years with effect from 8<sup>th</sup> September 2011. Appropriate resolutions for his appointment and remuneration have been set out in the Notice convening the Annual General Meeting.

EXIM Bank nominated Mr. R.W. Khanna as a Director on the Board of the company in place of Mr. K.Muthukumar. The Board co-opted him as Nominee Director on 30<sup>th</sup> June 2011. The Board wishes to place on record its appreciation and gratitude for the excellent services rendered by Mr.K.Muthukumar during his tenure as Director.

In accordance with the Articles of Association of the company, Mr. S.Muthukrishnan and Dr. V. Sumantran, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Brief Resume/ details of the directors who are to be appointed and reappointed as mentioned herein have been furnished along with the explanatory statement in the Notice convening the Annual General Meeting.

The Board expresses its sincere gratitude to Padma Vibhushan Dr. V. Krishnamurthy for his guidance in all spheres of the business especially in major policy decisions.

### AUDITORS

M/s. G Balu Associates, Chartered Accountants, Chennai, Auditors of the company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The company has received a certificate from the auditors to the effect that their reappointment if made will be in accordance with the provisions of Section 224(1B) of the Companies Act 1956. The auditors have also confirmed that they hold a Peer Review Certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

### AUDIT COMMITTEE

Mr. S.Natarajan, Dr. M.S. Ananth and Mr. K. Muthukumar were members of the Audit Committee till 30<sup>th</sup> June 2011. The Audit Committee was reconstituted on 30<sup>th</sup> June 2011 to include Mr.Jayakar Krishnamurthy, Chairman and Managing Director & Chief Financial Officer as a member in place of Mr. K.Muthukumar whose nomination was withdrawn by Exim Bank. Mr. S.Natarajan continues to be the Chairman of the Audit committee.

### SUBSIDIARY COMPANIES

**The company has two wholly owned subsidiaries.**

**UCAL Polymer Industries Limited(UPIL)** — The operations of UPIL continue to be satisfactory. The turnover for the financial year 2010-2011 was Rs.1,750 lakhs up by 40% compared to that of Rs. 1,253 lakhs of the previous financial year.

The net profit after tax was higher at Rs.88 lakhs recording a growth of 46% as against Rs.60 lakhs of the previous financial year. A dividend of 10% has been declared by UPIL.

**Amtec Precision Products Inc, USA(Amtec)** — The turnover of the company was Rs.13,265 lakhs during the financial year 2010-2011 up from Rs.11,040 lakhs of the previous financial year thereby recording an increase of 20%. Amtec has for the first time earned a cash profit of Rs.226 lakhs during the current financial year.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31<sup>st</sup> March 2011 of the company and its subsidiaries together with the auditor's report thereon is enclosed. The statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies forms a part of the accounts. A summary of the key financials of the company's subsidiaries is also included in the Annual Report.

The consolidated results of the company and its subsidiaries show that a net profit after tax of Rs.1,926 lakhs has been achieved during the financial year 2010-2011 as against a loss of Rs.2,376 lakhs in the previous financial year. This can be attributed to an improvement in the operations of AMTEC and greater controls established in the operations of UCAL Fuel Systems Limited.

The Ministry of Corporate Affairs vide its General Circular No 2/2011 dated February 8, 2011 has granted a general exemption subject to certain conditions to holding companies from complying with the provisions of Section 212(1) of the Act which requires the attaching of the balance sheet, profit & loss account and other documents of its subsidiary companies to its Annual Report. The Board in its meeting held on 27<sup>th</sup> May 2011 passed the necessary resolution for complying with all the conditions regarding the circulation of the Annual Report of the company without attaching all the documents of the subsidiary companies referred to in Section 212(1) of the Act. Accordingly, the said documents are not being included in this Annual Report. The annual accounts, reports and other documents of the subsidiary companies will be available for inspection during business hours, by any shareholder of the company at the registered office of the company and also at the registered office of the concerned subsidiary. The annual accounts, reports and other documents of the subsidiary companies will be despatched to the shareholders upon receipt of a request from them.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that,

In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

Such accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 31<sup>st</sup> March 2011 and of the profit of the company for the year ended 31<sup>st</sup> March 2011;

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

The annual accounts have been prepared on a "going concern" basis.

### FIXED DEPOSITS

The company has not accepted any fixed deposits from the public during the financial year 2010-2011 and there is no outstanding fixed deposit as on date.

### PERSONNEL

Particulars of employees as required under sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 form a part of this report. In terms of section 219(1)(b)(iv) of the Companies Act 1956, the Annual Report and accounts are being sent to the shareholders of the company excluding the statement of particulars of employees under section 217(2A) of the Companies Act 1956. Any shareholder interested in obtaining such statement may write to the Company Secretary at the registered office of the company.

### ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information required under Section 217(1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) rules 1988, on energy conservation, technology absorption, foreign exchange earnings and outgo, is given in Annexure-A and forms an integral part of this report.

### CORPORATE GOVERNANCE

The Company adheres to all the requirements of the code of corporate governance as stipulated in Clause 49 of the listing agreement with the stock exchanges as well as to the standards set by the Securities and Exchange Board of India. A Report on corporate governance along with certification of the Chairman and Managing Director & Chief Financial Officer is attached in Annexure-B. 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-C. The Management Discussion & Analysis Report is attached in Annexure-D.

### ACKNOWLEDGEMENT

The Board acknowledges with sincere gratitude the cooperation and assistance 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 in the company.

For and on behalf of the Board

Place : Chennai  
Date : 27.08.2011

**JAYAKAR KRISHNAMURTHY**  
Chairman and Managing Director &  
Chief Financial Officer

## ANNEXURE-A TO THE DIRECTORS' REPORT

### A. CONSERVATION OF ENERGY

#### a. Energy conservation measures under taken

The company has a programme to continuously optimize the energy utilization through introduction of energy efficient machine tools, in-built circuits to switch off machines and air conditioners not in operation. Similarly an auto off controller for compressor, hydraulic pump has been installed. Provisions have been made for natural lighting in the factory and the traditional lights are gradually being replaced with energy efficient CFL in machine shop and assembly. The company has optimized the heater capacity in solenoid oven by changing flat type heater into U-type heater. Conversion of the pneumatic cylinder to Hydro pneumatic cylinder has also been done to reduce energy consumption. In the plant at Maraimalai Nagar, the company has resorted to purchase of private power instead of generating power through diesel generators to address the power cut situation prevailing in Tamil Nadu.

#### b. Additional investments and proposal, if any, being implemented for energy conservation

In respect of the plant at Pondicherry, the company proposes to replace the old die casting machines with energy efficient die casting machines to reduce the power consumption substantially. In respect of the plant at Bawal the company proposes to use gas in place of electric power for firing furnace. There is also a proposal to improve furnace lining and install high speed automated die casting machines which will result in substantial energy conservation.

#### c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The measures undertaken to conserve energy have resulted in annual savings of Rs.61 lakhs. The proposed measures are estimated to result in an annual savings of Rs.65 lakhs.

#### d. Total energy consumption and energy consumption per unit of production

Not applicable

### B. TECHNOLOGY ABSORPTION

#### RESEARCH AND DEVELOPMENT

##### 1. Specific areas in which R&D is carried out by the company:

- Development of carburettors and secondary Air valves for 2-Wheelers & 3-Wheelers
- Development of oil pump for passenger cars and commercial vehicles
- Development of vacuum pump for diesel engine of passenger cars
- Development of water pump for petrol and diesel engine applications
- Electronic engine management system for 2-Wheelers
- Electronic EGR controller
- 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

##### 2. 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 the customer by development of new products.
- Development of indigenous technology and building a technology repository
- Building knowledge capital within the organization
- Reduction in cost through value engineering / value analysis
- Alternate sourcing of critical parts

**3. Future Plan of action**

Developing new technologies that 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

**4. Expenditure on R&D**

Particulars	Rs in Lakhs
a. Capital	120.91
b. Revenue(Recurring)	888.72
c. Total	1009.63
d. Total R&D expenditure as a percentage of total turnover	2.10%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

**1. Efforts in brief made towards technology absorption, adaptation and innovation**

The company has reached a technologically self reliant stage, as evidenced by the following:

- Ability to design products to suit the changing needs of the customers.
- Identify suitable substitutes for materials and processes to meet ELV (End of Life Vehicle) requirement and to use ethanol blended petrol as required by some of the customers / applications.
- Re-design products to meet the requirements of the customers.
- Incorporate innovative features in the carburetor – Throttle Position Sensor, Solenoid operated starter for cold starting.
- Ability to develop products to meet the customer targets in terms of fuel economy, emission levels.

**2. 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 and water pump.
- The company has been able to approach new customers with new products by demonstrating its design capabilities.
- The R&D center continues to enjoy the recognition of DSIR (Department of Scientific & Industrial Research).
- R&D engineers have presented papers in National & International conferences.

**3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished**

- (a) Technology imported - Technology has been imported in the areas of pumps, carburetors and direct injection systems
- (b) Year of Import - 2005-06 to 2009-10
- (c) Has technology been fully absorbed - Yes
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action - Not applicable

**C. 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 2010-2011, the total foreign exchange outgo was Rs.6,445 Lakhs while the foreign exchange earned was Rs.5,189 Lakhs resulting in a net foreign exchange outgo of Rs.1,256 Lakhs.

For and on behalf of the Board

Place : Chennai  
Date : 27.08.2011

**JAYAKAR KRISHNAMURTHY**  
Chairman and Managing Director &  
Chief Financial Officer



## ANNEXURE B TO THE DIRECTORS' REPORT

### REPORT ON CORPORATE GOVERNANCE

#### CORPORATE GOVERNANCE PHILOSOPHY

The objective of the company is to ensure high standards of transparency, accountability, ethical operating practices and professional management that will generate long term wealth and create value for all its stakeholders. The company is committed to the adherence of all the principles of corporate governance in its true spirit and at all times.

#### 1. BOARD OF DIRECTORS

##### a) Composition

As on 31<sup>st</sup> March 2011 the Board comprises of seven Directors. The Board formulates strategy, reviews corporate performance and suggests actions to improve the overall efficiency of the company. The Board has an Executive Chairman i.e. Mr. Jayakar Krishnamurthy who is Chairman and Managing Director & Chief Financial Officer and hence as per the Clause 49 of the listing agreement fifty percent of its Directors are non-executive and independent Directors. The day-to-day management of the company was carried on by the two Executive Directors of the company.

Chairman and Managing Director & Chief Financial Officer	Mr. Jayakar Krishnamurthy (was Vice Chairman and Managing Director from 1 <sup>st</sup> April 2010 to 30 <sup>th</sup> April 2010 and was appointed Chairman with effect from 30 <sup>th</sup> April 2010 )
Executive Director	Mr. P.P.R. Rao
Non-Executive Director	Mr. S. Muthukrishnan (was Non-Executive Chairman from 1 <sup>st</sup> April 2010 to 30 <sup>th</sup> April 2010 and stepped down as Chairman on 30 <sup>th</sup> April 2010)
Non-Executive and Independent directors	Mr. S. Natarajan Dr. V. Sumantran Dr. M.S. Ananth Mr. K. Muthukumar (EXIM Bank Nominee).

The names of the Directors and the details of other Chairmanship / Directorship / Committee Membership of each Director as on 31<sup>st</sup> March 2011 is given below:

Name of Director	Category	No. of Directorships in other companies		No. of Committee Memberships in other companies	
		Chairman	Member	Chairman	Member
Mr. Jayakar Krishnamurthy Chairman and Managing Director & Chief Financial Officer	Executive	2	2	-	1
Mr. P.P.R. Rao Executive Director	Executive	-	-	-	-
Mr. S. Muthukrishnan	Non-Executive	-	1	-	-
Mr. S. Natarajan	Non-Executive & Independent	-	8	1	-
Dr. M.S. Ananth	Non-Executive & Independent	1	2	-	-
Dr. V. Sumantran	Non-Executive & Independent	2	5	1	2
Mr. K. Muthukumar Nominee of Exim Bank	Non-Executive & Independent	-	-	-	-

Mr. Jayakar Krishnamurthy and Mr. S. Muthukrishnan are relatives as defined in Section 6 (c) of the Companies Act, 1956.

Notes:

- Other Directorships exclude foreign companies, private limited companies and alternate directorships.
- Only membership in Audit Committees and Shareholders'/Investors' Grievance Committees have been reckoned for other committee memberships.
- Mr. K. Muthukumar's nomination has subsequently been withdrawn by Exim Bank and Mr. R.W. Khanna has been nominated in his place with effect from 30<sup>th</sup> June 2011
- Mr. R. Sundararaman has been appointed additional director w.e.f. 27<sup>th</sup> August 2011 and Joint Managing Director of the company w.e.f. 8<sup>th</sup> September 2011.

**b) Details of Directors Appointment / Reappointment**

Relevant details are furnished in the Notice convening the Annual General Meeting to be held on 30.09.2011

**c) Board Meetings and Attendance at Board Meetings**

The Board met 6 times during the financial year 2010-2011. 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	30.04.10	7	7
2	02.07.10	7	4
3	31.07.10	7	7
4	31.08.10	7	5
5	30.10.10	7	6
6	25.01.11	7	7

The company regularly places before the Board all those details as required under Annexure 1A to Clause 49 of the listing agreement. Sufficient notice is given to all Directors regarding the date of Board Meeting and detailed agenda notes are sent to the Directors. Decisions taken at the Board Meetings are communicated to the respective departmental heads and the Board is briefed on the actions taken in this regard periodically. The Board also takes on record the declaration made by the Company Secretary and Chairman and Managing Director & Chief Financial Officer regarding compliances of all laws on a quarterly basis.

**d) Attendance of each Director at Board Meetings and at the Previous Annual General Meeting (AGM)**

S.No	Name	No.of Board Meetings held	No.of Board Meetings attended	Attendance at the last AGM
1.	Mr.Jayakar Krishnamurthy	6	6	Present
2.	Mr.P.P.R.Rao	6	5	Present
3.	Mr.S.Muthukrishnan	6	6	Present
4.	Mr.S.Natarajan	6	6	Present
5.	Dr.M.S.Ananth	6	3	Present
6.	Dr.V.Sumantran	6	5	-
7	Mr.K.Muthukumaran	6	5	Present

**2. AUDIT COMMITTEE**

The terms of reference of the audit committee covers all matters specified in Clause 49 of the listing agreement and also those specified in section 292 A of the Companies Act 1956. The terms of reference broadly include periodical review of annual internal audit plan and scope of internal auditors, assessment of the efficacy of the internal control systems/ financial reporting systems and reviewing the adequacy of the policies and practices followed by the company. The Audit Committee also reviews the compliance with legal and statutory requirements. The Audit Committee reviews all the items of reference on a quarterly basis and reports its findings to the Board. The Audit Committee comprised of the following Directors for the year ended 31<sup>st</sup> March 2011:

1. Mr. S. Natarajan – Chairman
2. Dr. M.S. Ananth
3. Mr. K. Muthukumaran

Mr.K.Muthukumaran’s nomination has subsequently been withdrawn by Exim Bank and with effect from 30<sup>th</sup> June 2011 Mr.Jayakar Krishnamurthy Chairman and Managing Director & Chief Financial Officer of the company has been inducted in his place in the audit committee.

As on 31<sup>st</sup> March 2011 the committee comprised of three independent directors, all of whom are financially literate and have relevant finance / audit exposure. The Chief Financial Officer and Statutory Auditors are permanent invitees to the meetings of the committee. The Company Secretary acts as the Secretary to the committee. The composition of the audit committee is as per Clause 49 of the Listing Agreement. Chairman of the audit committee was present at the previous

Annual General Meeting of the company held on 30<sup>th</sup> September 2010. The audit committee met five times during the year. The details are as follows:

S.No	Date	Committee Strength	No. of Directors present
1	30.04.10	3	3
2	31.07.10	3	3
3	31.08.10	3	2
4	30.10.10	3	2
5	25.01.11	3	3

#### Attendance of each Director at Audit Committee Meetings

Name of the Director	No. of audit committee meetings attended
Mr.S. Natarajan	5
Dr.M.S. Ananth	3
Mr.K. Muthukumaran	5

### 3. REMUNERATION COMMITTEE

The company follows a remuneration policy in which the pay is determined on the basis of the performance of an individual, his/her level of responsibility, market trends and scales prevailing in the similar industry. The objective of the company has been to attract and retain the best talents in the industry. The Remuneration Committee comprises of 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 executive Directors of the company as and when they come for review. During the financial year 2010-2011 the committee did not meet.

### 4. INVESTOR GRIEVANCE COMMITTEE

The committee comprises of three members. Mr.S.Muthukrishnan – Non Executive Director is the Chairman of the committee. Mr. Jayakar Krishnamurthy and Mr.P.P.R.Rao are the members of this committee.

The committee met every month to approve share transfers, transmissions, issue of duplicate share certificates, rematerialisation of shares and all other issues pertaining to shares. The committee looks into redressal of investor grievances like non receipt of share certificate, non receipt of dividend warrants, etc. The committee met twelve times during the year 2010-11. The committee approved the transfer of 4,140 shares in physical form.

#### Complaints received and redressed during the year 2010-2011

S.No.	Nature of Complaints	Number of Complaints
1	Regarding certificate/after/allot/Bonus/Rights	1
2	Regarding Annual Report	1
3	Revalidation of Dividend Warrant	4
4	Issue of Duplicate Share Certificate	4
5	Issue of Duplicate Dividend Warrant	10
6	Correction in Certificate	5
7	Procedure for Transmission	4
8	General Queries	3
9	Procedure for Loss of Share Certificate	7
		39

All the queries, requests and complaints received from the shareholders regarding non receipt of dividend warrants, loss of share certificates, issue of duplicate share certificates, and dematerialisation of shares etc were attended to within the stipulated time and nothing was pending for disposal at the end of the year. Ms. Rekha Raghunathan, Company Secretary is the Compliance Officer of the company. For any clarification / complaint the shareholders may contact Ms. Rekha Raghunathan, Company Secretary at the registered office of the company.

**5. REMUNERATION PAID TO DIRECTORS**

Of the seven Directors, two are Executive Directors. The remuneration payable to these Directors is determined by the Board on the recommendation of the remuneration committee. This is subject to the approval of the shareholders at the Annual General Meeting and that of the Central Government and such other authorities as may be necessary. The Non Executive Directors do not draw any remuneration from the company except sitting fees for attending the meetings.

**a) Details of Remuneration paid to the Executive Directors during the financial year 2010-11**

Rs. in lakhs

	Mr. Jayakar Krishnamurthy	Mr. P.P.R. Rao
Basic Salary	48.00	45.00
House Rent Allowance	18.00	6.00
Others Allowances	36.00	6.50
Commission	49.78	-
Other Perquisites	7.18	12.22
Contribution to Provident Fund	5.76	5.40
Contribution to Superannuation Fund	7.20	-
<b>Total</b>	<b>171.92</b>	<b>75.12</b>

**b) Details of Sitting Fees paid to Non-Executive Directors during the financial year 2010-11**

Name of the Director	Board Meeting	Audit Committee Meeting	Investors Grievance Committee Meeting	Total
Mr.S.Muthukrishnan	1,20,000	-	1,65,000	2,85,000
Mr.S.Natarajan	1,20,000	1,00,000	-	2,20,000
Dr.M.S.Ananth	60,000	60,000	-	1,20,000
Dr.V.Sumantran	1,00,000	-	-	1,00,000
Mr.K.Muthukumaran (Exim Bank)	1,00,000	1,00,000	-	2,00,000
	5,00,000	2,60,000	1,65,000	9,25,000

**Details of shareholding of Directors as on 31<sup>st</sup> March 2011**

As on 31<sup>st</sup> March 2011, the company had two Executive Directors and five Non Executive Directors. Of the two Executive Directors, Mr.Jayakar Krishnamurthy holds 354,208 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.

**6. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETING**

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

Venue	Financial Year	Date & Time
<u>Annual General Meeting</u>		
Dynasty Hall,	2007-2008	September 26, 2008 – 11.00 a.m.
Hotel Ambassador Pallava	2008-2009	September 29, 2009 – 11.00 a.m.
Egmore, Chennai	2009-2010	September 30, 2010 – 11.00 a.m.
<u>Extraordinary General Meeting</u>	2009-2010	August 19, 2009 - 9.00 a.m.
Meeting Hall, Beta Wing – Unit 708, "Raheja Towers", 177 Anna Salai, Chennai 600 002		

The details of special resolutions passed in AGM/EGM in the last 3 years are as follows:

AGM/EGM	Subject
AGM on 26 <sup>th</sup> September 2008 AGM on 29 <sup>th</sup> September 2009	Special resolution passed for alteration of Articles of Association Special resolution passed for appointment of Mr.P.P.R. Rao as Executive Director for a period of three years with effect from 26.9.2008 on a remuneration as laid down in the Notice.
EGM on 19 <sup>th</sup> August 2009	Special resolution passed under Section 314(1B) of the Companies Act, 1956 for appointment of Dr. V. Krishnamurthy as advisor for a period of five years from 21.09.2009 on a remuneration as laid down in the Notice. Special resolution passed for allotment of equity shares on a preferential basis to Promoters/Persons acting in concert group.

No special resolutions were passed through postal ballot at the previous Annual General Meeting / Extraordinary General Meeting. No special resolutions are proposed through postal ballot at the forthcoming Annual General Meeting.

## 7. SUBSIDIARY COMPANIES

The financials of the subsidiary companies viz., UCAL Polymer Industries Limited and AMTEC Precision Products Inc., USA have been duly reviewed by the audit committee. The board minutes of the unlisted subsidiary companies have been placed before the Board of the holding company. The holding company's Board is also periodically informed about all significant transactions and arrangements entered into by the subsidiary companies.

## 8. RISK MANAGEMENT

The company has deployed a system of risk management whereby periodic assessments are carried and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan.

## 9. 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 28 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/strictures been imposed on the company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

### Non-mandatory disclosures:

The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

#### a The Board

Mr.S.Muthukrishnan was the Non-Executive Chairman from 1<sup>st</sup> April 2010 to 30<sup>th</sup> April 2010 and was allowed reimbursement of expenses incurred in the performance of his duties. Mr.Jayakar Krishnamurthy was appointed as Executive Chairman with effect from 30<sup>th</sup> April 2010. Independent Directors possess the requisite qualification and experience to contribute effectively to the company in their capacity as independent director.

#### b Remuneration Committee:

A Remuneration Committee has been set up under the Chairmanship of Mr. S. Natarajan, Dr. M.S. Ananth and Dr. V. Sumantran are the other members of the Committee.All the three members are independent and non executive Directors.

#### c Audit Qualifications

The statutory financial statements of the company are unqualified.

#### d Training of Board members/Mechanism for evaluating Non-Executive Directors

As mentioned above the Directors are well versed in business of the company and also on the risk profile of the company. Hence in the opinion of Board, they do not require further training.

#### e Whistle Blower Policy

The company has established a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, or violation of the code of conduct or ethics policy. It also provides for adequate safeguards against victimization of employees who avail of the mechanism. The company affirms that no personnel has been denied access to the audit committee.

**10. MEANS OF COMMUNICATION**

- a) The unaudited quarterly results of the company are published in leading newspapers such as Business Line and Makkal Kural. These are not sent individually to the shareholders.
- b) The company's website address is: [www.ucalfuel.com](http://www.ucalfuel.com). The website contains basic information about the company and such other details as required under the listing agreement. The company ensures periodical updation of its website. The company has designated the email-id [investor@ucalfuel.co.in](mailto:investor@ucalfuel.co.in) to enable the shareholders to register their grievances.
- c) Pursuant to the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc., are hosted on the corpfiling mode maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard.
- d) No presentations have been made to institutional investors or to analysts.

**11. CODE OF CONDUCT**

UCAL FUEL SYSTEMS LIMITED's (UFSL) 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 the high ethical and legal standards expected of its members. The copy of the said code of ethics is available on the website [www.ucalfuel.com](http://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 2010-11.

**12. GENERAL SHAREHOLDER INFORMATION**

**a) Annual General Meeting**

Date and time : Friday, 30<sup>th</sup> September 2011 at 12.00 noon.  
 Venue : "Dynasty Hall" Hotel Ambassador Pallava, 58, Montieth Road, Egmore, Chennai - 600 008.  
 Book Closure Date : 27.09.2011 to 30.09.2011 (both days inclusive)  
 Financial Year : 1<sup>st</sup> April to 31<sup>st</sup> March

**b) Financial Calendar 2011-2012 (tentative)**

<u>Unaudited results for the</u>	2010-11 (Tentative)
Quarter ending June 30, 2011	Held on 12 <sup>th</sup> of July 2011
Quarter ending September 30, 2011	Between 15 <sup>th</sup> October 2011 and 15 <sup>th</sup> November 2011
Quarter ending December 31, 2011	Between 15 <sup>th</sup> January 2012 and 15 <sup>th</sup> February 2012
Quarter ending 31 <sup>st</sup> March 2012	Between 15 <sup>th</sup> April 2012 and 15 <sup>th</sup> May 2012
Audited Results for the year ending March 31, 2012	Before 31 <sup>st</sup> August 2012

**c) Particulars of Dividend for the year ended 31.03.2010**

Date of declaration	30.09.2010
Rate of dividend	10%
Book Closure Date	21.09.2010 - 30.09.2010
Date of Payment of dividend	7.10.2010
Amount of dividend paid	Rs. 2,21,13,625
Share Capital	2,21,13,625 Equity Shares of Rs.10/- each

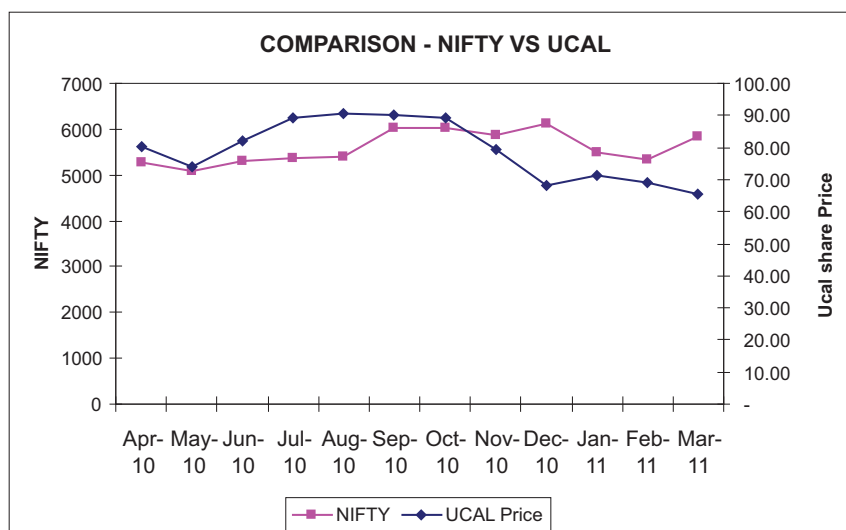
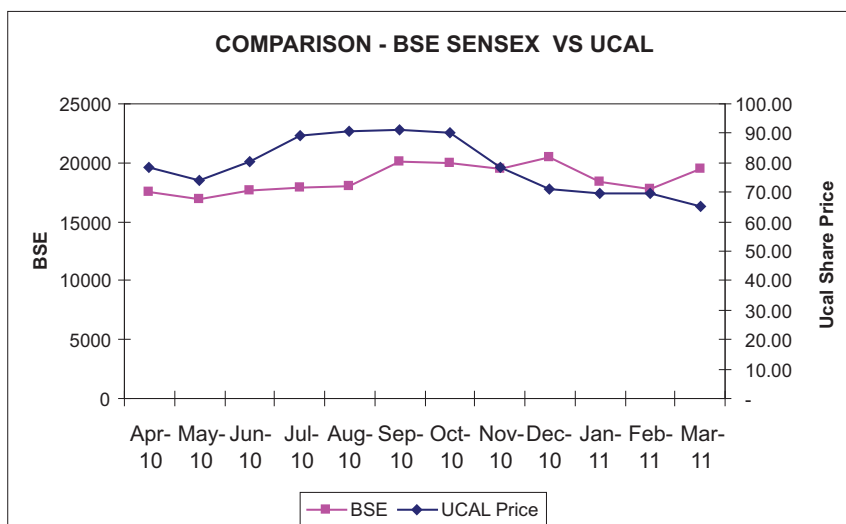
**d) Listing of Shares**

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 2011-12 were duly paid to the above stock exchanges)

e) Stock Market Data

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	Month's High Price ₹	Month's Low Price ₹	Total volume of shares transacted	Month's High Price	Month's Low Price	Total volume of shares transacted
APR 2010	86.70	70.50	6,55,911	89.80	70.30	8,55,145
MAY 2010	84.00	64.50	2,87,622	83.85	64.30	3,39,110
JUN 2010	94.40	66.55	31,36,923	94.50	70.00	48,55,893
JUL 2010	97.30	81.10	14,93,035	97.40	81.00	24,63,902
AUG 2010	96.80	85.00	13,65,130	96.60	85.00	25,49,531
SEP 2010	97.00	85.55	5,17,829	95.20	85.10	9,10,520
OCT 2010	96.00	84.50	3,66,760	93.50	84.60	6,41,876
NOV 2010	90.10	67.20	3,49,448	91.75	67.00	5,43,481
DEC 2010	78.40	64.00	2,28,594	78.00	58.00	3,55,283
JAN 2011	78.25	61.20	3,98,642	78.45	64.15	8,50,938
FEB 2011	77.65	61.50	6,56,840	77.45	61.00	9,53,321
MAR 2011	69.90	60.30	2,60,766	69.95	61.10	3,59,494



f) Shareholding Pattern as on 31<sup>st</sup> March 2011

Particulars	No. of Shareholders	Shares held in Physical form	Shares held in dematerialised form	Total No. of shares held	% of 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
<b>Public Shareholding</b>					
<b>I. Institutions</b>					
a. Mutual Funds/UTI	10	6,000	1,120	7,120	0.03
b. Financial Institutions/Banks	4	0	12,900	12,900	0.06
c. Insurance Companies	1	0	10,000	10,000	0.05
d. Foreign Institutional Investors	1	400	0	400	0.00
<b>II. Non Institutions</b>					
a. Bodies Corporate	609	7,921	8,93,748	9,01,669	4.08
b. Individuals	18,821	2,93,368	52,21,904	55,15,272	24.94
c. Non Resident Indians	140	680	76,767	77,447	0.35
<b>Total</b>	<b>19,598</b>	<b>85,26,474</b>	<b>1,35,87,151</b>	<b>2,21,13,625</b>	<b>100.00</b>

g) Distribution of Shareholding as on 31<sup>st</sup> March 2011

No. Equity Shares held	No. of Share holders	No. of Shares	% of Capital
Upto 500	17,566	25,98,555	11.75
501-1000	1,160	9,32,777	4.22
1001-2000	472	7,19,612	3.25
2001-3000	152	3,87,012	1.75
3001-4000	65	2,36,051	1.07
4001-5000	59	2,72,045	1.23
5001-10000	117	14,27,733	6.46
10001 AND ABOVE	7	1,55,39,840	70.27
<b>Total</b>	<b>19,598</b>	<b>2,21,13,625</b>	<b>100.00</b>

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 the demat segment and share transfer agents of the company, to whom communications regarding share transfer and dematerialization requests must be addressed. All matters connected with share transfer, transmission, dividend payment was handled by the share transfer agent. Share transfers are processed within 15 days of lodgement. A Practising Company Secretary certifies on a quarterly basis the timely dematerialization of shares of company.



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

Under the provisions of the Companies Act, 1956 dividends that remain unclaimed for a period of seven years from the date of declaration are required to be transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government. The unclaimed dividend as on March 31, 2011 is as follows:

Financial Year	Unpaid/ Unclaimed dividend (Rs)
2003-04 Final Dividend	303,384
2004-05 Interim Dividend	327,958
2004-05 Final Dividend	333,972
2005-06 Interim Dividend	546,327
2005-06 Final Dividend	248,092
2006-07	419,189
2007-08	597,653
2009-10	804,275

- Shareholders 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.
- Shareholders 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**

Shareholders are requested to follow the general safeguards/procedures as detailed hereunder in order to avoid risks while dealing in securities of the company.

- Shareholders are requested to convert their physical holding to demat/electronic form through any of the DPs to avoid any possibility of loss, mutilation etc., of physical share certificates and also to ensure safe and speedy transaction in securities.
- Shareholders holding shares in physical form, should communicate the change of address, if any, directly to the Registrars and Share Transfer Agent of the company.
- It has become mandatory for transferees to furnish a copy of Permanent Account Number for registration of transfer of shares held in physical mode.
- Shareholders holding shares in physical form who have not availed nomination facility and would like to do so are requested to avail the same, by submitting the nomination in Form 2B. The form will be made available on request. Those holding shares in electronic form are advised to contact their DPs.
- As required by SEBI, it is advised that the shareholders 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.

**k) Reconciliation of Share Capital Audit**

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 31<sup>st</sup> March 2011 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. 1,35,87,151 equity shares representing 61.44% of the paid up equity capital have been dematerialized as on 31<sup>st</sup> March 2011.

**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.

**m) Green initiative in corporate governance**

MCA has launched a “Green Initiative in the Corporate Governance” by allowing paperless compliances by companies through electronic mode and introduced e-mail address as one of the modes of sending communication to the shareholders under Section 53 of the Companies Act, 1956. This initiative will enable the companies to facilitate fast communication and will also lead to cost saving.

Accordingly the Annual Report for 2010-11, Notice for AGM etc., are being sent in electronic mode to such of the shareholders whose email addresses are available and registered with the Registrar and Share Transfer Agents/DPs and who have opted to receive the same through email. For those who have not opted to receive the Annual Report, Notice of AGM etc., through electronic mode these are being sent in physical form.

To support this green initiative of the Government, shareholders are requested to register their email addresses, with the DPs, in case shares are held in dematerialized form and with the Registrar and Share Transfer Agent, in case the shares are held in physical form and also intimate changes, if any, in their registered email addresses to the Registrar and Share Transfer Agent/DPs from time to time.

**n) Plant Locations**

Plant 1	E9-E12, Industrial Complex, Maraimalai Nagar, Kancheepuram, Tamil Nadu – 603 209, India Tel. No.: 044-47408000; Fax: 044-27452549 Email: <a href="mailto:ufsl.mmn@ucalfuel.co.in">ufsl.mmn@ucalfuel.co.in</a>
Plant 2	A98/100, A 106 & A107, PIPDIC Industrial Estate Mettupalayam, Pondicherry – 605 009, India Tel. No.: 0413-4211500; Fax: 0413-2272176 Email: <a href="mailto:ufsl.pondy@ucalfuel.co.in">ufsl.pondy@ucalfuel.co.in</a>
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: <a href="mailto:ufsl.gurgaon@ucalfuel.co.in">ufsl.gurgaon@ucalfuel.co.in</a>
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: <a href="mailto:ufsl.abr1@ucalfuel.co.in">ufsl.abr1@ucalfuel.co.in</a>
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: <a href="mailto:ufsl.pl5@ucalfuel.co.in">ufsl.pl5@ucalfuel.co.in</a>
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: <a href="mailto:ufsl.pl6@ucalfuel.co.in">ufsl.pl6@ucalfuel.co.in</a>
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: <a href="mailto:ufsl.pl7@ucalfuel.co.in">ufsl.pl7@ucalfuel.co.in</a>
Plant 8	E16, Industrial Complex, Maraimalai Nagar, Kancheepuram, Tamil Nadu – 603 209, India Tel. No.: 044-47400573/75 E-mail: <a href="mailto:ufsl.pl8@ucalfuel.co.in">ufsl.pl8@ucalfuel.co.in</a>
Plant 9	B 132 & 133, PIPDIC Industrial Estate Mettupalayam, Pondicherry – 605 009, India Tel. No.: 0413-4204161 E-mail: <a href="mailto:ufsl.pl9@ucalfuel.co.in">ufsl.pl9@ucalfuel.co.in</a>

Plant 10 Plot No.9, Sector 5  
Growth Centre, Bawal, Rewari,  
Email: [ufsl.gurgaon@ucalfuel.co.in](mailto:ufsl.gurgaon@ucalfuel.co.in)

Plant 11 AA4, Auto Ancillary SEZ Unit, 6<sup>th</sup> Avenue,  
Mahindra World City, Anjur Village,  
Natham Sub Post Office,  
Chengalpattu – 603 002.  
Tamil Nadu.  
E-mail:[ufsl.ho@ucalfuel.co.in](mailto:ufsl.ho@ucalfuel.co.in)

**o) Address for Correspondence**

To contact Registrars and Share Transfer Agents  
for matters relating to shares

M/s.Integrated Enterprises (India) Limited  
2<sup>nd</sup> 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: [corpserv@iepindia.com](mailto:corpserv@iepindia.com)

For any other general matters or in case of any  
difficulties / grievance

Ms.Rekha Raghunathan  
Company Secretary and Compliance Officer  
UCAL Fuel Systems Limited,  
"Raheja Towers", Delta Wing – Unit 705  
177 Anna Salai, Chennai 600 002  
Tel : 91-44-42208111  
Fax : 91-44-28605020  
E-mail : [investor@ucalfuel.co.in](mailto:investor@ucalfuel.co.in)

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

I, Jayakar Krishnamurthy CMD and Chief Financial Officer of UCAL Fuel Systems Limited, certify that:

1. I have reviewed the financial statements and the cash flow statement for the year 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 together present a true and fair view of the state of affairs of the company and are in compliance with existing 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 establishing and maintaining internal control for financial reporting. This is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness, of internal control. The 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 in the design or operation of internal controls.
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; and that the same have been disclosed in the notes to the financial statements; and
  - c) Instances of significant fraud of which I have become aware of and which involve management or other employees having significant role in the company's internal control system over financial reporting. However, during the year there was no such instance.

Place : Chennai  
Date : 27.05.2011

**JAYAKAR KRISHNAMURTHY**  
CMD & Chief Financial Officer



## ANNEXURE C TO THE DIRECTORS' REPORT

M/s. G. BALU ASSOCIATES  
Chartered Accountants

4A, Venkatesa Agraharam Road  
Mylapore, Chennai 600 004

### 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, 2011 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

RAJA GOPALAN. B  
Partner

Membership Number: 217187  
FRN No: 000376S

Place: Chennai  
Date : 27.08.2011

## ANNEXURE-D TO THE DIRECTORS REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. OVERVIEW

While the growth prospects of the Indian automobile industry looked very good during 2010-2011, subsequent events in the first quarter of 2011-2012 raises signs of a slowdown in the growth rate in India and abroad. SIAM has predicted that in 2011-12 the auto industry in India will grow at a rate of 10-12% only. Some of the estimates of OEM also place the growth rate of the 2 wheeler industry at around 12% only, a figure considerably lower than that of the previous year. The measures being taken by Government to control the inflation and the volatility in the international market may affect the growth of demand of the two wheeler industry. Besides the volatility in the prices of raw material like Aluminium, Zinc and Steel could erode the cost competitiveness of the auto component industry. Sluggish market, increased raw material costs and high interest rates will have its impact on the business of the company this financial year. The management is however keeping a close watch and will continue its endeavor to maintain a steady rate of growth through aggressive marketing, increased in-house research for alternative cost effective solutions and stricter control over operations

### 2. FUTURE BUSINESS STRATEGY

The future strategy of the management is to develop the company as a "System oriented and Product oriented" business concern. Thus complete systems like fuel injection systems or products like pumps will be given high priority. Efforts will continue to identify international partners that would help the company enlarge its product range and close the technological gaps required to meet the changing emission standards.

### 3. QUANTITATIVE ANALYSIS OF SALES

The quantitative growth in the sales during the financial year 2010-2011 has been as under:

	Quantity (No. in '000s)		
	2010-11	2009-10	Growth %
1. 2 Wheeler Carburettors	3,325	2,132	56%
2. Air Suction Valve	3,762	3,019	25%
3. Pumps	730	474	54%
4. Multi Point Fuel Injection	654	792	(18%)
5. Fuel Filter	827	656	26%

The two wheeler carburetor sales has grown by 56% to touch a record level of 33 lakh carburettors up from a figure of 21 lakh carburettor sold in previous year. The sales of pumps have also recorded a substantial growth of 54%. However sales of Multi Point Fuel Injection Systems witnessed a decrease of 18% compared to previous year because of change of product mix of some of the OEMs. The sale of Fuel Filter has also recorded a growth of 26%

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

	2010-11			2009-10			Growth in Market rate
	Market Size	UFSL Sales	%	Market Size	UFSL Sales	Share Market %	
2 wheeler carburetor	13,330	3,325	25	10,510	2,132	20.3	4.7
Air Suction Valve	13,330	3,762	28	10,510	3,019	28	-
Pumps	2,974	730	24.5	2,397	474	19.8	4.7
4 wheeler Carburettor	2,974	654	22	2,397	792	33	(11)

The 2 wheeler carburetors sales of UFSL has grown at much faster rate than the rate at which market has grown, thus improving the overall market share by 4.7% during financial year 2010-2011. The market share in respect of pumps has

grown to 24.5% as against 19.8% in the previous year. This has been possible due to substantial increase in capacities and penetration into other new models with the help of a strong R&D. In case of air suction valve, the turnover has increased by 25% during financial year 2010-2011 and the company has been able to retain its market share of 28% in this segment.

## 5. SWOT ANALYSIS

### Strengths

- Maintaining mutually constructive relationship with customers
- Strong in-house R&D support
- Proficiency in pressure die casting process, rubber & plastic moulding
- Capability in "Frugal Engineering"
- Well disciplined work force

### Weaknesses

- Weak supply chain
- Delay in filling the technological gaps
- Low IT penetration

### Opportunities

- Access to a larger market share due to restructuring by customers
- Scope for increase in after market sales and greater scope for exports

### Threats

- Cost push effect both from OEMs as well as from the suppliers where the margins for the products are likely to witness pressure.
- The inflationary trend together with the high interest cost .
- Fluctuating OEM volumes that require ramp up of capacities in short span of time impacting the profitability.
- Volatility in foreign currency.

## 6. R & D

- The company is working on extending the life of carburetor through continuous improvements to meet the increasingly demanding emission norms successfully.
- The company is working with OEMs in development of direct and port injection systems.
- Continuous efforts are on to enlarge the range of pumps and new facilities are being created at Bawal for the same.

## 7. MANUFACTURING CAPABILITIES, FACILITIES AND OPERATIONS

From high pressure die casting to precision machined parts of micron level accuracy, the company is committed to manufacturing the best the industry needs. The company has over 20 years of experience in high pressure die casting. It possesses end to end in-house die casting capabilities from die design, development, testing and validation to mass production. The company can handle multiple alloys in both aluminum and zinc and has a fleet of advanced, automated hot and cold chamber die casting machines ranging from 185 tonnes to 900 tonnes locking force capacity. The machining and assembly operations have precise and controlled processes to ensure minimal tolerances and superior finish. All the manufacturing facilities of the company are equipped with the right mix of machines for critical processes. The company's machine base has significant flexibility to adapt to variations in product design. The company has also set up a full-fledged testing and inspection facility. All facilities are supported by in-house precision measurement labs and advanced inspection equipments. The company strives for continuous productivity improvements through automation and other cost effective engineering solutions.

The capacities were recently augmented for manufacturing higher quantities of carburetors and air suction valves. Changes were also made in the manufacturing facilities to provide an element of flexibility in the production lines for meeting the demands of VM and BS type carburetor. Considerable effort is being made to introduce automation in all areas to ensure consistent good quality components. With the commencement of operations at Bawal and Mahindra City, the rationalization of production facilities among the various locations will commence in 2011-12.

### 8. TECHNOLOGY COUNCIL

The Technology Council met twice during the year. The council analyzed the emerging market opportunities, assessed the current status of the company's R&D and identified the strategic priority areas to work upon. The council also gave a clear framework for the R&D to monitor and control the progress in each of these areas. The road map of product development and the specific projects in R&D have suitably incorporated these recommendations. Special emphasis is now being given on promising areas like the new generation of oil & vacuum pumps for diesel and petrol engine applications and also areas like two wheeler injection systems.

### 9. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The company continues to pursue fair personnel policies which is the hall mark of this organization. High rates of employee attrition are causing concern and the management is taking every effort to retain trained employees and to attain high levels of productivity.

During the year 2010-11, cordial industrial relations were maintained by the company with the workers and various trade unions. The company has an effective mechanism of redressal of employee grievances.

An Action Centred Leadership Programme (ACL) was organized for the senior level managers. Management Development Programme (MDP) was conducted for middle level managers to equip them for the future. Various technical and non-technical training programmes have been conducted in the plants. To strengthen, upgrade and retain skill at the shop floor, a training centre for the operators/apprentices has been launched at the Maraimalai Nagar plant with a dedicated trainer.

For the forthcoming year 2011-12, various training programmes have been planned to address the training needs of all levels of employees across the organization. Management development programmes are planned for employees in executive and higher designations. Technical and non-technical training programmes are also planned and constantly upgraded based on the employee needs which are sought after regularly. The company also monitors the pulse of the employees through feedbacks/surveys from time to time.

During the year voluntary retirement scheme was launched largely for the benefit of ageing woman workers. The long term wage settlement in respect of Plant 7 and Plant 9 has been concluded in June 2011 and negotiations for long term wage settlement are being carried out in respect of Plant 1, 6 and 8.

### 10. CORPORATE SOCIAL RESPONSIBILITY

Joining hands with the Culture & Heritage Trust of Karuveli and The Academy of Higher Education, Tiruchirappalli, the company is engaged in improving the quality of life of the most backward sections of our society. A detailed plan has been worked out to provide sanitation facilities, better standards of drinking water and improved education and health facilities for the under privileged in Karuveli. Work has commenced towards this end. The Academy of higher education manages the 93 year old National College at Tiruchirappalli. The company jointly with the management of the Academy is engaged in improving the infrastructure and quality of education of this institution. The company plans to concentrate its corporate social responsibility efforts towards these two causes in the future years.

### 11. CONTROL SYSTEMS AND ADEQUACY

The company has an adequate internal control system commensurate with its size and nature of business to safeguard the assets of the company. Internal Audit is conducted on an ongoing basis by a team of internal auditors at all locations of the





company across the country. The internal audit reports and necessary action taken reports are reviewed by the Audit Committee periodically. The scope of internal auditors is also reviewed by the audit committee and necessary changes are made as and when necessary.

## 12. CAUTIONARY STATEMENT

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.

G. BALU ASSOCIATES  
Chartered Accountants

No. 4 – A Venkatesa Agraharam Road,  
Mylapore, Chennai – 600 004.

**AUDITORS' REPORT**  
**TO THE MEMBERS OF M/s .UCAL FUEL SYSTEMS LTD. CHENNAI**

1. We have audited the attached Balance Sheet of M/s. **UCAL FUEL SYSTEMS LIMITED**, Chennai, as at 31<sup>st</sup> March 2011, 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 of schedule 19, i.e. notes to accounts with regard to the diminution in value of investment in subsidiary company M/s Amtec Precision Products Inc.  
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 31<sup>st</sup> March 2011 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 31<sup>st</sup> March 2011,
    - 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 G. BALU ASSOCIATES,  
Chartered Accountants

G.BALASUBRAMANYAN  
Partner  
Membership number: 7628  
FRN: 000376S

Place : Chennai  
Date : 27.05.2011

ANNEXURE TO THE AUDITOR'S REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF M/s. UCAL FUEL SYSTEMS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011

- (1) a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
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, outstanding balance as on 31.03.2011 is Rs. 9.58 Crores (Previous Year Rs.9.58 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.
- (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 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	30.61	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	2197.04	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
Central Excise Act	Central Excise	2.23	Tribunal, Delhi
Central Excise Act	Central Excise	3.56	Joint Commissioner of Central Excise, Delhi
Central Excise Act	Central Excise	3.79	Tribunal, Delhi
Central Excise Act	Central Excise	0.59	Joint Commissioner of Central Excise, Delhi
Central Excise Act	Central Excise	22.21	Additional Commissioner of Central Excise, Delhi
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 – August 2003)	34.93	Chief Commissioner Excise (Appeals)
Indian Stamp Act	Stamp Duty	31.37	Inspector General of Registration (Appeals) Chennai, Tamil Nadu

(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 not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (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 G. BALU ASSOCIATES,  
Chartered Accountants

G.BALASUBRAMANYAN  
Partner  
Membership number: 7628  
FRN: 000376S

Place : Chennai  
Date : 27.05.2011

BALANCE SHEET AS AT 31ST MARCH 2011

Rs in Lakhs

	SCHEDULE	As on 31.03.2011	As on 31.03.2010
<b>I) SOURCES OF FUNDS</b>			
(1) Shareholders' Funds			
a) Capital	1	2,211.36	2,211.36
b) Reserves & Surplus	2	<u>25,855.83</u>	<u>24,662.89</u>
		28,067.19	26,874.25
(2) Loan Funds			
a) Secured Loans	3	22,491.43	23,737.62
b) Unsecured Loans	4	<u>2,382.68</u>	<u>1,113.17</u>
		24,874.11	24,850.79
(3) Deferred Tax Liability	5	<u>1,321.11</u>	<u>1,556.11</u>
	Total	<u>54,262.41</u>	<u>53,281.15</u>
<b>II) APPLICATION OF FUNDS</b>			
(1) Fixed Assets			
a) Gross Block	6	40,579.87	37,376.57
b) Less: Depreciation		20,365.65	18,112.24
c) Net Block		<u>20,214.22</u>	<u>19,264.33</u>
d) Capital Work in Progress		<u>1,574.44</u>	<u>712.14</u>
		21,788.66	19,976.47
(2) Investments	7	<u>15,625.59</u>	<u>15,625.59</u>
(3) (i) Current Assets, Loans and Advances			
a) Inventories	8	3,808.76	3,035.91
b) Sundry Debtors	9	9,496.29	8,989.67
c) Cash and Bank Balances	10	272.94	228.04
d) Loans and Advances	11	<u>12,576.99</u>	<u>11,991.32</u>
		26,154.98	24,244.94
Less : (ii) Current Liabilities and Provisions	12	<u>10,560.64</u>	<u>8,236.55</u>
Net Current Assets (i) - (ii)		15,594.34	16,008.39
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	13	<u>1,253.82</u>	<u>1,670.70</u>
	Total	<u>54,262.41</u>	<u>53,281.15</u>

As per our report of even date attached

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

For M/s G.BALU ASSOCIATES  
Chartered Accountants

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

**G. BALASUBRAMANYAN**  
Partner  
Membership Number: 7628  
FRN : 000376S

Place: Chennai  
Date: 27.05.2011

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2011

Rs in Lakhs

	SCHEDULE	As on 31.03.2011	As on 31.03.2010
<b>INCOME</b>			
Sales		52,600.15	42,613.48
Less: Excise Duty		4,445.67	3,247.42
Net Sales		<u>48,154.48</u>	<u>39,366.06</u>
Other Income	14	85.45	93.23
	<b>Total</b>	<u>48,239.93</u>	<u>39,459.29</u>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Components and Finished goods	15	25,493.04	21,243.65
Employees' Remuneration and other Benefits	16	4,753.61	4,086.56
Manufacturing & Other Expenses	17	9,823.38	7,908.82
Interest	18	2,725.11	2,852.06
Depreciation		2,356.80	2,376.70
Deferred Revenue Expenditure written off		417.00	417.70
<b>Profit for the Year</b>		<u>2,670.99</u>	<u>573.80</u>
	<b>Total</b>	<u>48,239.93</u>	<u>39,459.29</u>
<b>Profit before Taxation for the year</b>		<u>2,670.99</u>	<u>573.80</u>
Add/(Less): Taxation for the year			
- Current Tax (including Wealth Tax)		(685.00)	(106.99)
- Deferred Tax Liability written back		235.00	295.83
		<u>2,220.99</u>	<u>762.64</u>
Add/(Less) Prior period Adjustment (Net)		-	(6.44)
Balance of Profit brought forward from last year		6,697.88	6,199.55
		<u>8,918.87</u>	<u>6,955.75</u>
<b>APPROPRIATIONS :</b>			
Transfer to General Reserve		415.00	-
Proposed Dividend		884.55	221.14
Tax on Dividend		143.50	36.73
Balance carried to Balance Sheet		<u>7,475.82</u>	<u>6,697.88</u>
		<u>8,918.87</u>	<u>6,955.75</u>
Earnings Per Shares (Basic and Diluted) in Rs. (Face Value of Rs. 10 each)		10.04	4.23
Weighted Average No. of Equity Shares		22113625	18038584

As per our report of even date attached

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

For M/s **G.BALU ASSOCIATES**  
Chartered Accountants

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

**G. BALASUBRAMANYAN**  
Partner  
Membership Number:7628  
FRN : 000376S

Place: Chennai  
Date: 27.05.2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

Rs in Lakhs

	For the year ended	
	31.03.2011	31.03.2010
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit before tax and extraordinary items	2,670.99	573.80
Adjustments for :		
Miscellaneous Expenditure written off	417.00	417.70
Depreciation/Assets Discarded	2,356.80	2,376.70
Non-operating Income		
Interest Expense	2,725.11	2,852.06
Interest Income	(13.11)	(3.78)
Profit on sale of investment	-	(52.74)
Dividend income	(13.37)	(0.20)
Profit/Loss on sale of Fixed Assets (Net)	21.58	6.16
Rent Received		(2.88)
<b>Operating Profit before Working Capital changes</b>	<b>8,165.00</b>	<b>6,166.82</b>
Adjustments for :		
Debtors	(506.62)	(4,239.53)
Inventories	(772.85)	(63.67)
Loans and Advances	(1,720.67)	(4,320.67)
Trade Payables	2,686.77	(184.94)
Prior period Adjustments		(6.44)
Cash generated from Operations	7,851.63	(2,648.43)
Income Tax Paid	(450.00)	(106.99)
Deferred Tax written back	(235.00)	(295.83)
Net cash from Operating Activities - "A"	<b>7,166.63</b>	<b>(3,051.25)</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(3,353.92)	(3,569.17)
Capital Work-In-Progress	(862.30)	-
Sale of Fixed Assets	25.54	8.56
Sale of Investments	-	58.19
Rent received	-	2.88
Interest Received	13.11	3.78
Dividend Received	13.37	0.20
Net cash used in Investing Activities - "B"	<b>(4,164.20)</b>	<b>(3,495.56)</b>



	For the year ended	
	31.03.2011	31.03.2010
<b>C. Cash flow from Financing Activities</b>		
Proceeds from Borrowings/Repayment of Loans	23.33	6,559.14
Proceeds from increase in share capital	-	2,987.10
Dividend paid including Tax on Dividend	(255.75)	
Interest Paid	(2,725.11)	(2,852.06)
Net cash used in Financing Activities - "C"	<u>(2,959.65)</u>	<u>6,694.18</u>
Net increase in Cash and Cash Equivalents - "A+B+C"	44.90	147.37
Cash and Cash Equivalents as at the beginning	228.04	80.67
Cash and Cash Equivalents as at the end	272.94	228.04

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 AND MANAGING DIRECTOR &  
CHIEF FINANCIAL OFFICER

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

As per our report of even date attached

For M/s **G.BALU ASSOCIATES**  
Chartered Accountants

**G. BALASUBRAMANYAN**  
Partner  
Membership Number:7628  
FRN : 000376S

Place: Chennai  
Date: 27.05.2011

SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH 2011

	As on 31.03.2011	As on 31.03.2010
Rs in Lakhs		
<b>SCHEDULE - 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
750,00,000 (previous year 750,00,000) Equity shares of Rs.10/- each	7,500.00	7,500.00
<b>Issued, Subscribed and Paid - Up</b>		
2,21,13,625 (previous year 2,21,13,625) Equity shares of Rs 10/- each	2,211.36	2,211.36
(Includes 81,06,000 fully paid Bonus shares issued by Capitalisation of Share Premium and General Reserve)		
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
Special State Capital Subsidy	282.85	282.85
Share Premium Account	2,165.34	2,165.34
General Reserve		
As per last Balance Sheet	15,356.82	15,356.82
Add: Trasfer from Profit & Loss account	415.00	-
	15,771.82	15,356.82
Profit and Loss Account	7,475.82	6,697.88
Capital Reserve	160.00	160.00
	25,855.83	24,662.89
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
<b>Term Loan*</b>		
From Financial Institutions	8,620.50	9,581.50
From Banks	7,364.76	7,995.41
<b>Cash credit from banks</b>	6,506.17	6,160.71
* Instalments due in next 12 months aggregates to Rs 2,104.74 Lakhs		
	22,491.43	23,737.62
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
Inter-corporate deposits	957.95	957.95
Short Term Loan from others	1,424.73	155.22
	2,382.68	1,113.17
<b>SCHEDULE - 5</b>		
<b>DEFERRED TAX LIABILITY</b>		
Arising on account of Timing Differences in : Depreciation	1,321.11	1,556.11

**SCHEDULE - 6**  
**FIXED ASSETS**

Rs in Lakhs

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2010	ADDI- TIONS	DEDUC- TIONS	TOTAL AS AT 31.03.2011	UP TO 31.03.2010	FOR THE YEAR	DEDUC- TIONS	UP TO 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
LAND										
- FREE HOLD	674.50	-	-	674.50	-	-	-	-	674.50	674.50
- LEASE HOLD	3,107.99	115.56	-	3,223.55	-	-	-	-	3,223.55	3,107.99
BUILDINGS	3,377.52	1,145.28	-	4,522.80	606.36	104.96	-	711.32	3,811.48	2,771.16
PLANT & MACHINERY	26,879.31	2,048.40	59.13	28,868.58	14,886.13	2,071.76	42.89	16,915.00	11,953.58	11,993.18
OFFICE EQUIPMENT	237.66	7.56	2.60	242.62	193.97	12.90	2.19	204.68	37.94	43.69
FURNITURE & FIXTURE	545.06	9.79	1.16	553.69	294.35	36.90	0.42	330.83	222.86	250.71
VEHICLES	336.53	27.34	87.74	276.13	223.48	36.86	57.89	202.45	73.68	113.05
TECHNICAL KNOW-HOW FEE	2,218.00	-	-	2,218.00	1,907.95	93.42	-	2,001.37	216.63	310.05
TOTAL	37,376.57	3,353.93	150.63	40,579.87	18,112.24	2,356.80	103.39	20,365.65	20,214.22	19,264.33
PREVIOUS YEAR	27,604.42	9,995.44	223.28	37,376.57	14,559.37	2,376.70	208.56	18,112.24	1,574.44	712.14
Capital Work in Progress & Capital Advances									21,788.66	19,976.47

SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH 2011

Rs in Lakhs

	As on 31.03.2011	As on 31.03.2010
<b>SCHEDULE - 7</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>LONG TERM INVESTMENTS</b>		
<b>NON-TRADE-QUOTED:</b>		
1,900 (Previous Year 1,900) Fully paid up Equity Shares of Rs.10/- each of HDFC Bank Ltd	0.19	0.19
3,367 (Previous Year 3,367) fully paid up equity shares of Rs.10/- each of Karnataka Bank Limited	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	2.70	2.70
200 (Previous Year 200) Fully paid up Equity Shares of Rs.10/- each of Corporation Bank	0.16	0.16
	4.52	4.52
<b>NON-TRADE-UNQUOTED:</b>		
12,50,000 (Previous Year 12,50,000) Equity Shares of Ucal Polymer Industries Limited 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 on Conversion of Loans in to Equity Shares	5,405.58	5,405.58
	15,625.59	15,625.59
(**) - Investments in Subsidiary Companies		
Market value of quoted investment Rs. 36.32 Lakhs (Previous year Rs. 29.97 Lakhs)		
<b>SCHEDULE - 8</b>		
<b>INVENTORIES</b> (As certified by Management)		
Spares	305.46	228.86
Tools & Consumables	1,169.28	599.48
Raw Materials and Components	1,679.12	1,510.80
Work-in-progress	404.01	447.48
Finished goods	151.22	242.40
Goods in transit	99.67	6.89
	3,808.76	3,035.91
<b>SCHEDULE - 9</b>		
<b>SUNDRY DEBTORS</b> (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	140.06	289.63
Considered doubtful	-	3.26
Outstanding for a period less than six months (Considered Good)	9,356.23	8,700.04
Less: Provision for Doubtful debts	-	(3.26)
	9,496.29	8,989.67

## SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH 2011

	As on 31.03.2011	Rs in Lakhs As on 31.03.2010
<b>SCHEDULE - 10</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	10.57	10.38
With Scheduled Banks		
1) In Current Accounts	167.19	131.10
2) In Deposit Accounts *	59.37	52.87
3) Un paid Dividend Account	35.81	33.69
* Held under lien by bank as margin money	<u>272.94</u>	<u>228.04</u>
<b>SCHEDULE - 11</b>		
<b>LOANS AND ADVANCES</b>		
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received	1,783.84	737.57
Loans & Advances - Subsidiary Company	9,540.27	9,733.17
Advance Income Tax and TDS (Net of provisions)	92.33	354.77
Balance with Excise	601.37	555.09
Other Deposits	559.18	610.72
	<u>12,576.99</u>	<u>11,991.32</u>
<b>SCHEDULE - 12</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Purchases		
– Small Scale Industrial Undertakings	18.27	25.34
– Others	7,228.46	5,808.13
– Subsidiary companies	277.53	404.51
Unclaimed Dividend	35.81	33.69
Unclaimed Matured Deposits	-	0.69
Other Liabilities	1,900.11	1,670.45
Advance from Customers	41.08	10.06
Interest accrued but not due on loans	31.33	25.81
	<u>9,532.59</u>	<u>7,978.68</u>
<b>PROVISIONS</b>		
Proposed Dividend	884.55	221.14
Tax on dividend	143.50	36.73
	<u>1,028.05</u>	<u>257.87</u>
<b>SCHEDULE - 13</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
Product Development Expenses	1,253.82	1,670.70
	<u>1,253.82</u>	<u>1,670.70</u>

**SCHEDULES ANNEXED TO THE PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED  
31ST MARCH 2011**

Rs in Lakhs

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Interest received	13.11	3.78
Miscellaneous Income	46.14	20.83
Profit on sale of Assets	12.83	1.61
Profit on sale of Investments	-	52.74
Dividends	13.37	0.20
Gain on Exchange Fluctuation	-	14.07
	<u>85.45</u>	<u>93.23</u>
<b>SCHEDULE - 15</b>		
<b>CONSUMPTION OF RAW MATERIALS, COMPONENTS AND FINISHED GOODS</b>		
Opening Stock	1,958.28	1,934.72
ADD : Purchases		
Raw Materials	5,285.10	5,307.04
Components	17,096.59	13,166.92
Outworks	3,145.02	2,694.08
	<u>25,526.71</u>	<u>21,168.04</u>
	<u>27,484.99</u>	<u>23,102.76</u>
LESS:Closing Stock		
Raw Materials	171.89	516.48
Components	1,507.23	994.32
Work-in-progress	404.01	447.48
	<u>2,083.13</u>	<u>1,958.28</u>
	<u>25,401.86</u>	<u>21,144.48</u>
Add: Purchase of Traded Goods		
(Increase) / Decrease in Finished Goods Stock	91.18	99.17
	<u>25,493.04</u>	<u>21,243.65</u>
<b>SCHEDULE - 16</b>		
<b>EMPLOYEES REMUNERATION AND OTHER BENEFITS</b>		
Salaries and Wages	3,907.99	3,404.87
Contribution to Provident Fund and other funds	366.01	302.32
Staff Welfare Expenses	479.61	379.37
	<u>4,753.61</u>	<u>4,086.56</u>

## SCHEDULES ANNEXED TO THE PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2011

Rs in Lakhs

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 17</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Tools and stores consumed	1,684.51	1,288.86
Power and Fuel	1,649.96	1,170.15
Repairs and Maintenance		
- Building	43.80	43.55
- Plant and Machinery	518.49	426.07
- Others	395.38	324.47
Postage, Telephone, Fax, etc.	71.25	71.81
Insurance	62.69	85.23
Rates and Taxes	38.79	43.60
Rent	221.81	223.32
Directors' sitting fees	9.25	12.16
Auditors' Remuneration	14.37	14.87
Travelling and Conveyance	355.30	258.32
Discounts Allowed	325.53	270.39
Packing Charges	524.12	409.54
Royalties	144.48	108.22
Research and Development Expenses	888.72	885.31
Other Expenses (Refer Schedule 17A)	2,663.04	2,265.18
Exchange Loss (Net)	177.48	-
Loss on sale of assets	34.41	7.77
	<u>9,823.38</u>	<u>7,908.82</u>
<b>SCHEDULE -17A</b>		
<b>OTHER EXPENSES</b>		
Market Research Expenses	246.60	258.45
Legal and Professional charges	407.46	338.37
Watch and Ward Expenses	89.60	74.43
Sub Contract Charges	271.12	239.31
Freight outward	713.92	519.22
Warranty claims	258.59	224.83
Sales price support	96.09	167.58
Bank Charges	119.36	124.12
Excise duty/Service tax paid	85.47	32.76
Donations	19.53	3.05
Car fuel expenses	26.13	13.74
Carriage inwards	114.79	150.05
Others	214.38	119.27
	<u>2,663.04</u>	<u>2,265.18</u>
<b>SCHEDULE -18</b>		
<b>INTEREST</b>		
Term Loans	1,840.17	1,923.87
Others	884.94	928.19
	<u>2,725.11</u>	<u>2,852.06</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.

**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%
Vehicles	20%
Office Equipments	20%

No provisions are made in respect of leasehold land.

**Dies and Moulds**

During the current year Dies and Moulds have been treated as current assets and the cost of such dies and moulds have been amortized based on actual number of shots made during the year as against the practice of earlier years, where these were capitalized as fixed assets and depreciated fully over a period of one year from the date of commencement of use in respect of indigenous dies and over a period of three years in the case of importer dies.

As a result of this change, the depreciation for the year is lower by Rs.285.10 lakhs and the Tools and Stores consumed for the year has gone up by Rs. 338.87 lakhs. The cumulative effect of both of these are that the fixed assets are lower by Rs. 556.46 lakhs (Original cost Rs.841.56 lakhs,) the current assets (stock of tools) is higher by Rs.502.69 lakhs, and the profit for the year is lower by Rs.53.77 lakhs

**d. Assets acquired under Lease**

In respect of assets acquired under operating lease, monthly 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.



## NOTES TO THE ACCOUNTS

### 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.

### 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 and 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 & Development

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

Other revenue expenses on research are charged off in the year in which it is 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 is 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 it is 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.

NOTES TO THE ACCOUNTS

	For the Year ended 31.03.2011 Rs. in Lakhs			For the Year ended 31.03.2010 Rs. in Lakhs	
2	Estimated amount of contracts remaining to be executed on capital account, net of advances, not provided for			671.93	30.45
3	Claims against the company not acknowledged as debts :-				
	i) Sales Tax			-	81.49
	ii) Excise Duty			2,420.82	2,388.44
	iii) Service Tax			246.99	246.99
	iv) Income Tax			54.89	27.00
	v) ESI			1.27	1.27
	vi) Stamp duty			31.37	31.37
4	Other money for which the company is contingently liable				
	i) In respect of Letter of Credits Outstanding			504.06	721.77
	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			9,325.77	11,240.00
	iii) Guarantees given by Banks on behalf of the company			19.80	36.16
5	(a) Remuneration to Directors :				
		MD	Others	Total	
	Sitting fees		9.25	9.25	11.95
	Salaries	102.00	57.50	159.50	200.02
	Commission	49.78	-	49.78	-
	Other perquisites	7.18	12.22	19.40	16.97
	Contribution to Provident Fund	5.76	5.40	11.16	15.04
	Superannuation and other funds	7.20		7.20	14.78
		171.92	84.37	256.29	
	(b) Computation of Net Profits in accordance with Section 198 & 349 of the Companies Act, 1956 and commission payable to Managing Director/Non Whole time Directors				
	Profit before Tax			2,670.99	573.80
	Add : Depreciation as per books	2,356.80			2,376.70
	Directors Remuneration	256.29			258.76
	Loss on sale of assets	34.41			7.77
	Deferred Revenue Expenses Written off	417.00		3,064.50	417.70
				5,735.49	3,634.73
	Less: Depreciation as per section 350 of the Act	2270.89			2313.85
	Capital profit on sale of assets / Investments	26.20			52.94
				2,297.09	2,366.79
	<b>NET PROFIT FOR THE PURPOSE OF SECTION 198(1)/349</b>			<b>3,438.40</b>	<b>1,267.94</b>
	Total Remuneration payable to Managing Director as per terms of appointment at 5% of above			171.92	-
	Less: Already paid/payable as minimum remuneration			122.14	-
	Balance payable as commission			49.78	NIL

## NOTES TO THE ACCOUNTS

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.9,540.27 lakhs, (Previous Year Rs 9733.17 lakhs) and bank guarantees given to bank on its behalf aggregating to Rs.9,325.77 Lakhs (Previous year Rs 11,240 lakhs). The operations of this subsidiary have shown marked improvements compared to previous years. Accordingly no provision is considered necessary in respect of investment in it as well as advances due from it as at the year end, though the net worth of the subsidiary has been fully eroded.
7. Amount due from the officers of the company Rs.-Nil lakhs (Previous year Rs.0.69 lakhs). Maximum amount due at any time during the year was Rs 0.69 lakhs (Previous year Rs.1.05 lakhs).
8. Sundry debtors includes a sum of Rs.1885.26 lakhs (previous year Rs. 1914.79 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 these have been classified as outstanding for less than 6 months.
9. Sundry creditors include Rs. 49.78 Lakhs (previous year Rs.21.37 lakhs) due to Directors on current account.
10. 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)	
	31-03-2011	31-03-2010
a. Principal amount remaining unpaid and Interest due thereon	Rs. 18.27	25.11
b. Interest due and payable for the period of delay in payment	Rs. Nil	0.23
c. Interest accrued and remaining unpaid	Rs. Nil	Nil

11. 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.483.42 lakhs (previous year Rs. 486.58 lakhs), travel expenses Rs. 35.25 Lakhs (Previous year Rs. 25.77 lakhs) and Rent Rs 198.00 Lakhs (Previous year Rs 198.00 Lakhs).
13. Electricity charges debited to Profit & Loss account is net of Rs.95.26 lakhs (previous year Rs.102.90 lakhs) being the electricity generated through company owned Wind Turbine Generators.
14. Working capital facilities from banks are secured by first charge on raw materials, work-in-progress, finished goods and book debts, outstanding monies, receivable claims, bills contracts, engagements and securities on pari passu basis and are 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 some specific 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.
15. 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.417.00 lakhs (previous year Rs.417.70 lakhs) has been written off during the year.
16. Warranties which were accounted for on cash basis till last year have been accounted for on accrual basis in this year. Accordingly, year end provision has been made towards warranties on the basis of past experience. As a result of this change in accounting, the profit for the year has gone down by Rs 40.81 Lakhs with corresponding increase in liabilities.

NOTES TO THE ACCOUNTS

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. 106.22 Lakhs (Previous year Rs. 106.35 lakhs)

Employers Contribution to Pension Scheme:- Rs 46.80 Lakhs (Previous year Rs. 53.44 lakhs)

Employers Contribution to Superannuation Scheme:- Rs 19.17 Lakhs (Previous year Rs. 34.37 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 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 2011**

Description	Rs. In Lakhs			
	Funded Gratuity		Non-Funded Leave Encashment	
	2010-11	2009-10	2010-11	2009-10
<b>(i) Change in defined benefit obligation</b>				
Opening defined benefit obligation	386.09	328.03	106.81	72.94
Current Service cost	37.23	31.39	42.03	17.02
Interest Cost	30.88	26.24	8.43	4.93
Actuarial loss / (gain)	-16.02	43.51	9.70	28.64
Benefits paid	95.64	43.08	14.16	16.72
Closing defined benefit obligation	342.56	386.09	152.81	106.81
<b>(ii) Change in fair value of assets</b>				
Opening fair value of plan assets	343.27	288.66	-	
Expected return on plan assets	31.62	26.64	-	
Actuarial gain / (loss)	Nil	Nil	-	
Contributions by employer	72.14	71.05	14.16	16.72
Benefits paid	95.64	43.08	14.16	16.72
Closing fair value of plan assets	351.39	343.27	-	

## NOTES TO THE ACCOUNTS

Description	Rs. In Lakhs			
	Funded Gratuity		Non-Funded Leave Encashment	
	2010-11	2009-10	2010-11	2009-10
(iii) Amount recognized in the Balance Sheet				
Present value of obligations as at year end	342.56	386.10	152.81	106.81
Fair value of plan assets as at year end	351.39	343.27		
Amount not recognized as an assets	8.83	-		
Net (asset) / liability recognized as on 31.03.11		42.83	152.81	106.81
(iv) Expenses recognized in the profit & loss account				
Current service cost	37.23	31.39	42.03	17.02
Interest on defined benefit obligation	30.88	26.24	8.43	4.93
Expected return on plan assets	31.62	26.64	-	
Net actuarial loss / (gain) recognized in the current year	-16.02	43.51	9.70	28.64
Total Expense recognized in P&L Account	20.47	74.50	60.16	50.59
(v) Principal actuarial assumptions used				
Discount rate (p.a)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets (p.a)	9.25%	9.25%		
Salary Escalation (p.a)	6.00%	5.00%	6.00%	5.00%
Attrition rate (p.a)	1-30%	1-30%		

### 18. 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 Qty. Nos.	Sales Value (Rs.in Lakhs)	Closing Stock Qty. Nos.
AUTO PARTS	71,267 (45,032)	15,178,707 (13,128,783)	15,182,623 (13,102,188)	47,190.09 (38,837.54)	67,351 (71,267)
OTHERS	2,399 (317)	434,531 (348,568)	436,333 (346,486)	964.39 (528.52)	597 (2,399)

#### Notes:

- 1) It is not feasible to give installed capacity as there are numerous in volume having complex composition
- 2) Figures in brackets are in respect of previous financial year.

NOTES TO THE ACCOUNTS

19. Raw Materials and Components Consumed

	For the Year 2010-11		For the Previous Year 2009-10	
	Qty. Kg.	Value Rs.in Lakhs	Qty. Kg.	Value Rs.in Lakhs
A) Raw material				
Aluminium Alloy	3,839,008	4,391.61	3,846,081	3,674.37
Zinc	617,968	791.65	488,971	580.65
B) Other components and raw materials (which do not individually account for more than 10% of the total consumption)		20,218.60		16,889.47
<b>Total</b>		<b>25,401.86</b>		<b>21,144.49</b>

20. VALUE OF PERCENTAGE OF IMPORTED AND INDIGENOUS RAW MATERIALS AND COMPONENTS

Item	Current year (2010-11)				Previous Year (2009-10)			
	Raw Material	%	Components	%	Raw Material	%	Components	%
Imported	637.38	11.32	5,099.45	25.79	355.49	7.37	4,833.61	29.61
Indigenous	4,992.31	88.68	14,672.72	74.21	4,466.64	92.63	11,488.74	70.39
<b>Total</b>	<b>5,629.69</b>	<b>100.00</b>	<b>19,772.17</b>	<b>100.00</b>	<b>4,822.13</b>	<b>100.00</b>	<b>16,322.35</b>	<b>100.00</b>

	For the year ended	
	Rs. in Lakhs 31.03.2011	Rs. in Lakhs 31.3.2010
21. Value of C.I.F Imports		
Raw Materials	601.08	365.50
Components and Spares	4,531.42	4,283.11
Capital Goods	746.48	93.31
Others	5.50	12.19
22 Earnings in Foreign Exchange		
Exports	5188.72	3,798.78
23 Expenditure in Foreign Currency		
Foreign travel	74.55	81.77
Royalty	125.50	95.81
Technical know-how & Guidance fees	Nil	190.17
Interest	109.27	34.02
Market Research services	196.80	152.01
Export Consultancy	21.94	23.28
Product Development Expenses (R & D)	32.18	-
Export rework charges	-	88.15
Carriage inwards	-	28.20
Legal Charges	-	36.27
Others	-	10.37

## NOTES TO THE ACCOUNTS

	For the year ended	
	Rs. in Lakhs 31.03.2011	Rs. in Lakhs 31.3.2010
24 Dividends remitted in Foreign currency		
a. Number of non-resident shareholders	Nil	Nil
b. Number of shares held (Equity shares of Rs.10 each)	Nil	Nil
c. Amount remitted (Rs. in thousands)	Nil	Nil
d. Year to which dividend relates	Nil	Nil
25 Auditors' remuneration		
For audit fees	11.60	12.16
For certificates	1.76	1.55
For Tax Audit	1.00	1.15
For out of pocket expenses	0.01	0.01
26 Prior year adjustment represents :		
Expenses relating to earlier years	Nil	6.44
27. 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.		
28. Related Party Disclosures		
I Name of the related parties and Relationship		
(i) SUBSIDIARIES OF THE COMPANY		
a. UCAL Polymer Industries Limited (UPIL)		
b. Amtec Precision Products Inc. USA		
c. North American Acquisition Corporation (Wholly owned Subsidiary of Amtec)		
d. Amtec Moulded Products Inc. USA (Wholly owned Subsidiary of Amtec)		
e. UPIL, USA (Wholly owned Subsidiary of UPIL)		
(ii) Key Management Personnel		
a. Mr.Jayakar Krishnamurthy Chairman and Managing Director and Chief Financial Officer		
b. Mr.P.P.R. Rao. Executive Director		
c. Details of remuneration to directors is disclosed in note 5 of Schedule - 19		
(iii) OTHER RELATED ENTERPRISES		
a. Bharat Technologies Auto Components Limited		
b. Minica Real Estates Private Limited		
c. Minica Services (P) Limited		
d. Southern Ceramics Private Limited		
e. Sujo Land and Properties P ltd		
f. Carburettors Limited		
(v) RELATIVES OF KEY MANAGEMENT PERSONNEL		
Dr.V.Krishnamurthy		

NOTES TO THE ACCOUNTS

II Details relating to parties referred to in items (i) - (iv) above

	For the Year ended 31.03.2011			Rs in Lakhs
	SUBSIDIARIES	ASSOCIATES / JT. VENTURE COMPANIES	OTHER RELATED ENTERPRISES	RELATIVES OF KEY MANAGEMENT PERSONNEL
Purchase of materials	1,749.81		Nil	
	(1,253.24)	-	(345.79)	-
Labour charges paid			Nil	
		-	(0.49)	-
Consultancy charges paid			Nil	36.00
			(1.19)	(38.08)
Purchase of fixed assets	* 46.12			
	Nil	-	-	-
Rent paid			397.68	
	-	-	(297.16)	-
Other Expenses	Nil		Nil	
		-	(11.16)	-
Current Assets Taken over	Nil		Nil	
		-	(1,518.12)	-
Other Liabilities Taken over			Nil	
	Nil	-	(1,298.81)	-
Interest Paid	Nil		227.52	
		-	(399.23)	-
Sale of goods	757.37			
	(470.73)	-	-	-
Loans given	Nil			
	(6,033.58)	-	-	-
Loans repaid	Nil			
	(1,292.76)	-	-	-
Outstanding payables,	277.53			
	(404.51)		-	-
Outstanding receivables	** 11425.53			
	(11,647.96)	-	-	-

Figures in brackets represent corresponding amount of previous year

1) There are no transactions exceeding 10 % with respect to one related party that are not disclosed

\* included as capital work in progress

\*\* Change due to year end exchange fluctuation adjustment



## NOTES TO THE ACCOUNTS

### 29 Earnings per Share (EPS) calculation (basic and diluted):

	Unit	2010-2011	2009-2010
a) Amount used as the numerator Profit after taxation	Rs. in Lakhs	2220.99	762.64
b) Weighted average number of equity shares used as the denominator	No.	22,113,625	18,038,583
c) Nominal value of shares	Rs. in Lakhs	2,211.36	2211.36
d) Earnings per share	Rs.	10.04	4.23

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

31 Figures have been rounded off to the nearest Lakhs.

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

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

As per our report of even date attached

For M/s G.BALU ASSOCIATES  
Chartered Accountants

**G. BALASUBRAMANYAN**  
Partner

Membership Number:7628  
FRN : 000376S

Place: Chennai  
Date: 27.05.2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

I. Registration Details

Registration No.

State Code :

Balance Sheet Date :

			1	2	3	4	3
						1	8
3	1	-	0	3	-	1	1

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

Public Issue

Right Issue

Bonus Issue

Private Placement

Preferential Issue

					N	I	L
					N	I	L
					N	I	L
					N	I	L
					N	I	L

III. Position of Mobilisation and deployment of funds (Amount in Rs. Thousand)

Total Liabilities

Total Assets

Sources of Funds

Paid up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

Application of funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

	5	4	2	6	2	4	1
	5	4	2	6	2	4	1

		2	2	1	1	3	6
	2	5	8	5	5	8	3
	2	2	4	9	1	4	3
		2	3	8	2	6	8
		1	3	2	1	1	1

	2	1	7	8	8	6	6
	1	5	6	2	5	5	9
	1	5	5	9	4	3	4
		1	2	5	3	8	2

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

Turnover

Total Expenditure

Profit before Tax

Profit after tax

Earnings per share in Rs.

Dividend Rate (%)

	4	8	2	3	9	9	3
	4	5	5	6	8	9	4
		2	6	7	0	9	9
		2	2	2	0	9	9
			1	0	.	0	4
						4	0

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

Item Code No. (ITC Code)

8	7	.	1	4
8	7	.	0	8
8	7	.	1	4

Product Description

C	A	R	B	U	R	E	T	T	O	R	S	F	O	R	T	W	O	W	H	E	E	L	E	R	S
T	H	R	O	T	T	L	E	B	O	D	Y	A	S	S	E	M	B	L	Y						
A	I	R	S	U	C	T	I	O	N	V	A	L	V	E											

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

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

Place: Chennai

Date: 27.05.2011

**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)			
				Profit/(Losses) not dealt with in the Holding Company's Accounts		Profit dealt with or (Losses) provided for in the Holding Company's Accounts	
	Subsidiary's Financial year ended on	No. of Shares held	% of total Paid-up capital	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	31.03.2011	1,250,000	100%	88.11	661.70	-	-
	31.03.2011	1,000	100%	(383.60)	(23,599.66)	-	-
2. AMTEC Precision Products Inc., Shares of USD 0.01 each							

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

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

Place: Chennai  
Date: 27.05.2011

# UCAL POLYMER INDUSTRIES LIMITED

(Wholly Owned Subsidiary)

## Board of Directors

Dr.V.Krishnamurthy	Chairman
Mrs.Meenakshi Jayakar	Managing Director
Mr.S.Badrinathan	

## Bankers

State Bank of India  
Central Bank of India  
Axis Bank

## 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)	
	2010-11	2009-10
(A) Capital	125.00	125.00
(B) Reserves	734.60	661.70
(C) Total Assets	2,287.50	910.78
(D) Total Liabilities	2,287.50	910.78
(E) Details of Investment (except in case of investment in subsidiaries)	NIL	NIL
(F) Turnover	1,749.81	1,253.24
(G) Profit before Taxation	119.27	103.43
(H) Provision for Taxation	31.16	43.30
(I) Profit after Taxation	88.11	60.13
(J) Proposed Dividend	12.50	12.50

\* Represents consolidated financials of UPIL and its subsidiary.

# AMTEC PRECISION PRODUCTS, INC.

(Wholly Owned Subsidiary)

## Executive Chairman

Mr. Jayakar Krishnamurthy

## Bankers

State Bank of India  
19 S. LaSalle St.  
Chicago, IL 60603 USA

Bank of India  
Cayman Islands Branch  
C/o New York Branch, 277 Park Avenue  
New York 10172-0083

## Auditors

Smart Millennium Solutions Limited  
1200 Roosevelt Road, #155  
Glen Ellyn, ILLINOIS 60137

## Registered Office

1875 Holmes Road,  
Elgin, IL 60123

## Plants/Subsidiaries

- 1) North American Acquisition Corporation Inc  
1875 Holmes Road, Elgin, IL 60123
- 2) Amtec Molded Products, Inc  
866 Research Parkway, Rockford, IL 61109

## Financial Highlights\*

	(Rs. In Lakhs)	
	2010-11	2009-10
(A) Capital	15,455.53	15,455.53
(B) Reserves	(23,526.61)	(23,599.66)
(C) Total Assets	8,692.96	9,601.99
(D) Total Liabilities	8,692.96	9,601.99
(E) Details of Investment (except in case of Investments in subsidiaries)	Nil	NIL
(F) Turnover	13,265.15	11,040.24
(G) Profit before Taxation	(378.59)	(3,252.71)
(H) Provision for Taxation	(5.01)	59.98
(I) Profit after Taxation	(383.60)	(3,192.73)

\* Represents consolidated financials of Amtec Precision Products Inc and its two subsidiaries (mentioned as plants)

# 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 31<sup>st</sup> March 2011, 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 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 are not audited by us. The un-audited financial statements of the company as submitted by a CPA have been considered for consolidation, reflecting total assets of Rs 8,692.96 Lakhs as at 31<sup>st</sup> March 2011 and total revenue of Rs.13,265.15 Lakhs for the period ended on that date and cash flow (net) Rs (916.54) 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.
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 Group 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 31<sup>st</sup> 2011; and

(b) In the case of the Consolidated Profit and Loss Account, of the consolidated profit 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.

Place : Chennai  
Date : May 27, 2011

**For G. Balu Associates**  
Chartered Accountants

**G. Balasubramanyan**  
Partner  
Membership No: 7628  
FRN-000376S

	SCHEDULE	As on 31.03.2011	As on 31.03.2010
<b>I) SOURCES OF FUNDS</b>			
(1) Shareholders' Funds			
a) Capital	1	2,211.36	2,211.36
b) Reserves & Surplus	2	3,001.54	1,698.26
		<b>5,212.90</b>	<b>3,909.62</b>
(2) Loan Funds			
a) Secured Loans	3	33,184.80	34,029.47
b) Unsecured Loans	4	2,382.68	1,113.17
		<b>35,567.48</b>	<b>35,142.64</b>
(3) Deferred Tax Liability	5	(720.57)	(493.70)
		<b>40,059.81</b>	<b>38,558.56</b>
<b>II) APPLICATION OF FUNDS</b>			
(1) Fixed Assets			
a) Gross Block	6	56,618.05	53,423.60
b) Less: Depreciation		28,176.16	25,734.96
c) Net Block		<b>28,441.89</b>	<b>27,688.64</b>
d) Capital Work in Progress		1,642.20	712.14
e) Good will		31.19	31.19
		<b>30,115.28</b>	<b>28,431.97</b>
(2) Investments			
(3) (i) Current Assets, Loans and Advances	7	4.52	4.52
a) Inventories	8	6,659.33	5,632.73
b) Sundry Debtors	9	9,822.43	10,678.53
c) Cash and Bank Balances	10	481.59	1,367.25
d) Loans and Advances	11	4,679.87	2,684.03
		<b>21,643.21</b>	<b>20,362.54</b>
Less : (ii) Current Liabilities and Provisions	12	12,984.29	11,954.53
Net Current Assets (i) - (ii)		<b>8,658.92</b>	<b>8,408.01</b>
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	13	1,281.08	1,714.06
		<b>40,059.81</b>	<b>38,558.56</b>

As per our report of even date attached

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

For M/s G.BALU ASSOCIATES  
Chartered Accountants

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

**G. BALASUBRAMANYAN**  
Partner  
Membership Number:7628  
FRN : 000376S

Place: Chennai  
Date: 27.05.2011



	SCHEDULE	As on 31.03.2011	As on 31.03.2010
<b>INCOME</b>			
Sales		65,107.93	53,578.96
Less: Excise Duty		4,445.67	3,449.28
Net Sales		<u>60,662.26</u>	<u>50,129.68</u>
Other Income	14	90.44	296.94
		<u>60,752.70</u>	<u>50,426.62</u>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Components and Finished goods	15	28,208.07	24,670.55
Employees' Remuneration and other Benefits	16	9,364.70	9,106.76
Manufacturing & Other Expenses	17	14,062.00	11,934.34
Interest	18	3,227.32	3,484.34
Amortisation		3,061.92	3,388.42
Deferred Revenue Expenditure		417.00	417.70
<b>Profit for the Year</b>		<u>2,411.69</u>	<u>(2,575.49)</u>
		<u>60,752.70</u>	<u>50,426.62</u>
<b>Profit before Taxation for the year</b>		2,411.69	(2,575.49)
Add/(Less): Taxation for the year			
- Current Tax (including Wealth Tax)		(730.02)	(196.03)
- Deferred Tax Liability written back		243.84	401.55
		<u>1,925.51</u>	<u>(2,369.97)</u>
Add/(Less) Prior period Adjustment (Net)		-	(6.44)
Balance of Profit/(Loss) brought forward from last year		<u>(16,486.04)</u>	<u>(13,837.19)</u>
		<u>(14,560.53)</u>	<u>(16,213.60)</u>
<b>APPROPRIATIONS :</b>			
Transfer to General Reserve		415.00	-
Proposed Dividend		884.55	233.64
Tax on Dividend		144.13	38.80
Balance carried to Balance Sheet		<u>(16,004.21)</u>	<u>(16,486.04)</u>
		<u>(14,560.53)</u>	<u>(16,213.60)</u>
Earnings Per Shares (Basic and Diluted) in Rs. (Face Value of Rs. 10 each)		8.71	(13.14)
Weighted Average No. of Equity Shares		22113625	18038584

As per our report of even date attached

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

For M/s **G.BALU ASSOCIATES**  
Chartered Accountants

**P.P.R. RAO**  
EXECUTIVE DIRECTOR

**V.K. GUPTA**  
ADVISOR-FINANCE

**REKHA RAGHUNATHAN**  
COMPANY SECRETARY

**G. BALASUBRAMANYAN**  
Partner  
Membership Number:7628  
FRN : 000376S

Place: Chennai  
Date: 27.05.2011

	For the year ended	
	31.03.2011	31.03.2010
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit before tax and extraordinary items	2,411.67	(2,575.49)
Adjustments for :		
Miscellaneous Expenditure written off	417.00	417.70
Depreciation/Assets Discarded	3,061.93	3,388.42
Non-operating Income		
Interest Expense	3,227.32	3,484.34
Interest Income	(13.46)	(3.78)
Profit on sale of investment	-	(52.74)
Dividend income	(13.37)	(0.20)
Profit/Loss on sale of Fixed Assets (Net)	42.38	6.16
Rent Received	-	(2.88)
<b>Operating Profit before Working Capital changes</b>	<b>9,133.47</b>	<b>4,661.53</b>
Adjustments for :		
Debtors	(868.75)	(4,671.36)
Inventories	(1,046.67)	720.04
Loans and Advances	(1,719.97)	(4,527.25)
Trade Payables	3,138.62	(313.13)
Prior period Adjustments		(6.44)
Cash generated from Operations		
Income Tax Paid	(497.36)	(106.99)
Deferred Tax written back	(243.84)	(401.55)
Net cash from Operating Activities - "A"	<b>7,895.50</b>	<b>(4,645.15)</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(3,506.49)	(3,105.94)
Capital Work-In-Progress	(930.06)	-
Sale of Fixed Assets	25.54	8.56
Sale of Investments	-	58.19
Rent received	-	2.88
Purchase of Investments	(1,405.51)	-
Interest Received	13.46	3.78
Dividend Received	13.37	0.20
Net cash used in Investing Activities - "B"	<b>(5,789.69)</b>	<b>(3,032.33)</b>

	For the year ended	
	31.03.2011	31.03.2010
<b>C. Cash flow from Financing Activities</b>		
Proceeds from Borrowings/Repayment of Loans	506.81	9,403.06
Proceeds from increase in share capital	-	2,987.10
Dividend paid including Tax on Dividend	(270.96)	(14.62)
Interest Paid	(3,227.32)	(3,484.34)
Net cash used in Financing Activities - "C"	<u>(2,991.47)</u>	<u>8,891.20</u>
Net increase in Cash and Cash Equivalents -"A+B+C"	<u>(885.66)</u>	<u>1,213.72</u>
Cash and Cash Equivalents as at the beginning	1,367.25	153.53
Cash and Cash Equivalents as at the end	481.59	1,367.25

## 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.

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<p><b>JAYAKAR KRISHNAMURTHY</b> CHAIRMAN AND MANAGING DIRECTOR &amp; CHIEF FINANCIAL OFFICER</p> <p><b>P.P.R. RAO</b> EXECUTIVE DIRECTOR</p> <p><b>V.K. GUPTA</b> ADVISOR-FINANCE</p> <p><b>REKHA RAGHUNATHAN</b> COMPANY SECRETARY</p>	<p>As per our report of even date attached For M/s G.BALU ASSOCIATES Chartered Accountants</p> <p><b>G. BALASUBRAMANYAN</b> Partner Membership Number:7628 FRN : 000376S</p>
---	--

Place: Chennai  
Date: 27.05.2011

Rs in Lakhs

	As on 31.03.2011	As on 31.03.2010
<b>SCHEDULE - 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
750,00,000 (previous year 750,00,000) Equity shares of Rs.10/- each	7,500.00	7,500.00
<b>Issued, Subscribed and Paid - Up</b>		
2,21,13,625 (previous year 2,21,13,625) Equity shares of Rs 10/- each	2,211.36	2,211.36
(Includes 81,06,000 fully paid Bonus shares issued by Capitalisation of Share Premium and General Reserve)		
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
Special State Capital Subsidy	282.85	282.85
Share Premium Account	2,165.34	2,165.34
General Reserve	15,871.82	15,430.16
Profit and Loss Account	(16,004.21)	(16,486.04)
Foreign Currency Transalation Reserve	525.74	145.95
Capital Reserve	160.00	160.00
	<u>3,001.54</u>	<u>1,698.26</u>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
<b>Term Loan</b>		
From Financial Institutions	9,948.56	9,581.50
From Banks	16,690.53	14,334.77
<b>Cash credit from banks</b>	6,545.71	10,113.20
	<u>33,184.80</u>	<u>34,029.47</u>
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
Inter-corporate deposits	957.95	957.95
Short Term Loan from others	1,424.73	155.22
	<u>2,382.68</u>	<u>1,113.17</u>
<b>SCHEDULE - 5</b>		
<b>DEFERRED TAX LIABILITY</b>		
Arising on account of Timing Differences	(720.57)	(493.70)

**SCHEDULE - 6**  
**CONSOLIDATED FIXED ASSETS**

Rs in Lakhs

DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	AS AT 01.04.2010	ADDI- TIONS	DEDUC- TIONS	TOTAL AS AT 31.03.2011	UP TO 31.03.2010	FOR THE YEAR	DEDUC- TIONS	UP TO 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
LAND										
- FREE HOLD	674.50	-	-	674.50	-	-	-	-	674.50	674.50
- LEASE HOLD	3,123.97	115.56	-	3,239.53	-	-	-	-	3,239.53	3,123.97
BUILDINGS	4,010.78	1,187.39	-	5,198.17	913.25	151.83	-	1,065.08	4,133.09	3,097.54
PLANT & MACHINERY	41,841.89	2,185.20	253.37	43,773.72	21,838.35	2,658.97	523.69	23,973.63	19,800.09	20,003.54
OFFICE EQUIPMENT	556.36	11.15	3.21	564.30	453.37	42.91	2.68	493.60	70.70	102.98
FURNITURE & FIXTURE	610.45	13.50	1.15	622.80	357.66	39.15	0.42	396.39	226.41	252.79
VEHICLES	375.03	27.34	87.96	314.41	251.77	39.82	58.11	233.48	80.93	123.27
TECHNICAL KNOW-HOW FEE	2,230.62	-	-	2,230.62	1,920.56	93.42	-	2,013.98	216.64	310.05
TOTAL	53,423.60	3,540.14	345.69	56,618.05	25,734.96	3,026.10	584.90	28,176.16	28,441.89	27,688.64
PREVIOUS YEAR	46,589.49	11,569.15	4,735.04	53,423.60	19,466.68	3,319.32	2,948.96	25,734.96	1,642.20	712.14
Capital Work in Progress										
Goodwill									31.19	31.19
									30,115.28	28,431.97

Rs in Lakhs

	As on 31.03.2011	As on 31.03.2010
<b>SCHEDULE - 7</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>LONG TERM INVESTMENTS*</b>		
<b>NON-TRADE-QUOTED:</b>		
1,900 (Previous Year 1,900) Fully paid up Equity Shares of Rs.10/- each of HDFC Bank Ltd	0.19	0.19
3,367 (Previous Year 3,367) fully paid up equity shares of Rs.10/- each of Karnataka Bank Limited	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	2.70	2.70
200 (Previous Year 200) Fully paid up Equity Shares of Rs.10/- each of Corporation Bank	0.16	0.16
* Market value of quoted investments Rs. 36.32 Lakhs (Previous year Rs. 29.97 Lakhs)	<u>4.52</u>	<u>4.52</u>
<b>SCHEDULE - 8</b>		
<b>INVENTORIES</b> (As certified by Management)		
Spares	2,077.86	2,014.06
Tools & Consumables	1,506.17	903.00
Raw Materials and Components	1,759.89	1,566.86
Work-in-progress	854.64	740.74
Finished goods	361.10	401.18
Goods in transit	99.67	6.89
	<u>6,659.33</u>	<u>5,632.73</u>
<b>SCHEDULE - 9</b>		
<b>SUNDRY DEBTORS</b> (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	141.70	1,978.49
Considered doubtful	-	3.26
Outstanding for a period less than six months (Considered Good)	9,680.73	8,700.04
Less: Provision for Doubtful debts	-	(3.26)
	<u>9,822.43</u>	<u>10,678.53</u>

	As on 31.03.2011	As on 31.03.2010
<b>SCHEDULE - 10</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	12.57	11.78
With Scheduled Banks		
1) In Current Accounts	373.84	1,270.90
2) In Deposit Accounts *	59.37	50.88
3) Un paid Dividend Account	35.81	33.69
	<u>481.59</u>	<u>1,367.25</u>
* Held under lien by bank as margin money		
<b>SCHEDULE - 11</b>		
<b>LOANS AND ADVANCES</b>		
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received	3,356.91	1,130.65
Advance Income Tax and TDS (Net of provisions)	97.14	324.07
Balance with Excise	617.59	564.33
Other Deposits	608.23	664.98
	<u>4,679.87</u>	<u>2,684.03</u>
<b>SCHEDULE - 12</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	8,750.33	8,885.08
Unclaimed Dividend	35.81	33.69
Unclaimed Matured Deposits	-	0.69
Other Liabilities	3,097.69	2,726.76
Advance from Customers	41.08	10.06
Interest accrued but not due on loans	31.33	25.81
	<u>11,956.24</u>	<u>11,682.09</u>
<b>PROVISIONS</b>		
Proposed Dividend	884.55	233.64
Tax on dividend	143.50	38.80
	<u>1,028.05</u>	<u>272.44</u>
<b>SCHEDULE - 13</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
Product Development Expenses	1,281.08	1,714.06
	<u>1,281.08</u>	<u>1,714.06</u>

**SCHEDULES ANNEXED TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31<sup>st</sup> MARCH 2011**

Rs in Lakhs

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Interest received	13.46	4.11
Miscellaneous Income	50.74	221.44
Profit on sale of Assets	12.87	1.61
Profit on sale of Investments	-	52.74
Dividends	13.37	0.20
Gain on Exchange Fluctuation	-	16.84
	<u>90.44</u>	<u>296.94</u>
<b>SCHEDULE - 15</b>		
<b>CONSUMPTION OF RAW MATERIALS, COMPONENTS AND FINISHED GOODS</b>		
Opening Stock	2,307.60	2,918.87
ADD : Purchases		
Raw Materials	2,777.92	1,008.75
Components	22,390.22	20,049.69
Outworks	3,306.46	2,780.96
	<u>28,474.60</u>	<u>23,839.40</u>
	<b>30,782.20</b>	<b>26,758.27</b>
LESS:Closing Stock		
Raw Materials	252.66	572.54
Components	1,507.23	994.32
Work-in-progress	854.64	740.74
	<u>2,614.53</u>	<u>2,307.60</u>
	<b>28,167.67</b>	<b>24,450.67</b>
Add: Purchase of Traded Goods		
(Increase) / Decrease in Finished Goods Stock	40.40	219.88
	<u>28,208.07</u>	<u>24,670.55</u>
<b>SCHEDULE - 16</b>		
<b>EMPLOYEES REMUNERATION AND OTHER BENEFITS</b>		
Salaries and Wages	6,781.02	6,503.00
Contribution to Provident Fund and other funds	761.84	568.97
Staff Welfare Expenses	1,821.84	2,034.79
	<u>9,364.70</u>	<u>9,106.76</u>



**SCHEDULES ANNEXED TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2011**

Rs in Lakhs

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 17</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Tools and stores consumed	3,247.05	2,512.98
Power and Fuel	1,868.15	1,335.73
Repairs and Maintenance		
- Building	84.30	99.14
- Plant and Machinery	913.65	564.06
- Others	406.31	290.31
Postage, Telephone, Fax, etc.	72.90	73.08
Insurance	150.65	186.64
Rates and Taxes	128.91	181.59
Rent	308.81	309.96
Directors' sitting fees	9.40	12.76
Auditors' Remuneration	62.28	55.19
Travelling and Conveyance	376.10	289.95
Discounts Allowed	325.53	102.81
Packing Charges	561.91	445.41
Royalties	144.48	108.23
Research and Development Expenses	888.72	885.31
Other Expenses	4,325.35	4,312.30
Exchange Loss (Net)	132.25	-
Loss on sale of assets	55.25	168.89
	<u>14,062.00</u>	<u>11,934.34</u>
<b>SCHEDULE - 18</b>		
<b>INTEREST</b>		
Term Loans	2,326.47	2,533.64
Others	900.85	950.70
	<u>3,227.32</u>	<u>3,484.34</u>

**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 Limited (UPIL)	100%
b) Amtec Precision Products Inc (Amtec)	100%
c) North Amercian Aquisition Corporation (Subsidiary of Amtec)	100%
d) Amtec Moulded Products Inc USA (Subsidiary of Amtec)	100%
e) UPIL, USA, Inc (Subsidiary of UPIL)	100%

The Financial year of Amtec is from 1<sup>st</sup> June to 31<sup>st</sup> May. The accounts of all overseas subsidiaries have been drawn up for the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 and a limited review of the same has been conducted by respective Certified Public Accountants. 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:

- The assets and liabilities, both monetary & non monetary, of overseas subsidiaries have been translated at the closing rate.
- The income and expenses items of overseas subsidiaries have been translated at the average rates for the period.
- All resulting exchange difference has been accounted as foreign Currency Translation Reserve,

**c. Other Significant Accounting Polices**

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 Amtec, 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.

- Amount due from the officers of the Company Rs.Nil (previous year Rs. 0.69 lakhs). Maximum amount due at any time during the year was Rs.0.69 lakhs (previous year Rs.1.05 lakhs )
- Sundry creditors – other liabilities include Rs. 49.78 Lakhs (previous year Rs. 21.37 Lakhs) due to directors.

	31.3.2011 Rs. in Lakhs	31.3.2010 Rs. in Lakhs
4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	760.68	30.45
5 Contingent Liabilities not provided for		
(a) On guarantees given by Bankers	33.80	36.16
(b) Claims against the company not acknowledged as debts	97.10	97.10
(c) Letter of Credit opened by banks	504.06	721.77
(d) Taxation matter under appeal	2754.07	2,775.30
(e) ESI demand under dispute	1.27	1.27
6 (a) Remuneration to Directors :		
Salaries	183.50	224.61
Commission	49.78	-
Other perquisites	19.40	16.97
Contribution to Provident fund	12.96	31.62
Superannuation and other funds	7.20	-
7 Auditors' remuneration		
For audit fees	44.15	41.00
For certificates	5.77	1.55
For Tax Audit	12.35	12.63
For out of pocket expenses	0.01	0.01
8 Prior year adjustment represents :		
Expenses relating to earlier years	-	6.44

## 9. Related Party Disclosures

### I Name of the related parties and Relationship

#### (i) ASSOCIATES / JOINT VENTURE ENTERPRISES

#### (ii) Key Management Personnel

- Mr. Jayakar Krishnamurthy, Chairman & Managing Director and Chief Financial Officer, UFSL
- Mr. Ganesh Subramanian, President, Amtec
- Mr P.P.R. Rao, Executive Director, UFSL
- Mrs. Meenakshi Jayakar, Managing Director UPIL

Details of remuneration to directors is disclosed in note 6 of Schedule - 19

#### (iii) OTHER RELATED ENTERPRISES

- Bharat Technologies Auto Components Limited
- Minica Real Estates Private Limited
- Minica Services (P) Limited
- Southern Ceramics Private Limited
- Sujo Land and Properties P Ltd
- Carburettors Limited

#### (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) (ii) & (iii) above

Rs in Lakhs

	ASSOCIATES / JT. VENTURE COMPANIES	OTHER RELATED ENTERPRISES	RELATIVES OF KEY MANAGEMENT PERSONNEL
Purchase of materials	-	(345.79)	-
Service charges paid			36.00 (38.08)
Purchase of fixed assets		-	-
Current Assets Taken over	(1,233.45)	-	-
Current Liabilities taken over	(1,518.12)	-	-
Rent paid	(1,298.81)	397.68 (297.16)	-
Interest Paid	227.52 (399.23)		
Other Expenses paid		- (11.16)	-
Loan Discharged	- (1,292.76)	-	-

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.

			As per our report of even date attached
<b>JAYAKAR KRISHNAMURTHY</b>			<b>For M/s G.BALU ASSOCIATES</b>
CHAIRMAN AND MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER			Chartered Accountants
<b>P.P.R. RAO</b>	<b>V.K. GUPTA</b>	<b>REKHA RAGHUNATHAN</b>	<b>G. BALASUBRAMANYAN</b>
EXECUTIVE DIRECTOR	ADVISOR-FINANCE	COMPANY SECRETARY	Partner
			Membership Number:7628 FRN : 000376S
Place: Chennai			
Date: 27.05.2011			